SEEING THROUGH THE STORM

FBD Holdings plc Annual Report 2014

FBD

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Continuing Operations

	2014 €000s	2013 €000s	Restated* 2012 €000s	2011 €000s	2010 €000s
Gross premium written	**363,735**	351,195	344,255	351,111	358,385
Net premium earned	**303,444**	296,387	300,625	300,920	299,551
Operating result before taxation	**(4,765)**	52,673	65,354	60,221	40,107
Result for the year	**(3,324)**	44,892	44,704	41,618	16,927

	2014 Cent	2013 Cent	2012 Cent	2011 Cent	2010 Cent
Operating (loss)/earnings per share	**(13)**	136	170	157	105
Diluted (loss)/earnings per share	**(11)**	131	131	123	50
Net asset value per share	**693**	823	721	630	547
Ordinary dividend per share	**51.00**	49.00	42.25	34.50	31.50

*2012 figures have been restated to reflect changes to IAS19 *"Employee Benefits"*.

CALENDAR:

Preliminary announcement	**2 March 2015**
Annual General Meeting	**14 May 2015**
Final dividend payment date	**20 May 2015**

Chairman's Statement

Without question, 2014 was a very challenging year for the Group and for many of our customers and people. I fully appreciate the impact this has had on shareholders.

Many of the headwinds we faced were experienced by the Irish insurance industry as a whole and it was encouraging to see that, as the year progressed, the industry was taking the necessary steps to achieve profitability.

After three consecutive years of strong profitability in 2011 to 2013, when FBD generated cumulative profits before taxation of almost €154 million, the Group recorded a loss before taxation of €4.5 million in 2014 compared to a profit of €51.4 million in 2013. This performance is a long way from where we would like it to be, no other description is appropriate. It was caused primarily by a marked deterioration in the claims environment in Ireland, something which is comprehensively described in the Chief Executive's Review of Operations which follows. Your Board and management have taken swift and decisive action to protect the Group from the impact of the volatility in the Irish claims environment including increasing premium rates to reflect the increased cost of risk, further strengthening underwriting processes, reducing the proportion of premium income generated from new business and in general reducing our overall risk exposure.

The Irish insurance industry as a whole also reacted during the year to the losses being incurred from the worsening claims environment by adjusting premium rates upwards. This led to the first increase in the overall size of the Irish property and casualty insurance market since 2003. In this context, it is worth noting that according to insurance industry statistics, the overall Irish car insurance market lost €265 million over the three years from 2011 to 2013.

FBD is committed to achieving profitable growth and will continue to take appropriate underwriting and rating action in order to deliver strong shareholder returns through the insurance cycle. At the core of FBD's business is our ability to put things right for our customers. Looking back on 2014, one of the things I am most proud of is the manner in which our people supported our valued customers in the aftermath of Storm Darwin, the biggest windstorm ever experienced by them. This is one of the reasons why our customers choose to place their business with us. It is imperative that we identify, attract and retain customers with whom we can have a profitable relationship, so that when they need to call on us, we can put things right for them. That is why we have invested so consistently in our nationwide network of sales offices and people and why the customer always was and remains at the very centre of our strategy.

The rebound in Ireland's economy is very welcome for Ireland's society and for Irish companies such as FBD. It does present challenges in the near term for companies operating in the insurance industry, which is counter cyclical. With more vehicles on increasingly congested roads, more people in employment, shops, restaurants and other places of leisure, it is inevitable that the number of claims will increase. The speed of the turn in the economy has occurred much more quickly than we or most other observers had anticipated and the pricing for insurance risk in the overall market is in the process of catching up.

The increase in farm related fatalities from 16 in 2013 to 30 in 2014 is deeply concerning and is a tragedy for each of

the families and communities involved. Greater awareness of the risks associated with farming and the typical Irish farmyard should help to bring this level down. FBD has committed substantial financial and human resources to initiatives targeting education, training and awareness in conjunction with many of the Group's partners in Ireland's agricultural and farming communities. FBD is leading this increased focus on farm safety in the expectation of seeing a reversal in the level of accidents and fatalities in 2015 and beyond.

2014 saw a most unwelcome reversal of successive years of decline in the level of road deaths in Ireland. The 4% increase in road deaths in the year demands a concerted and focused effort from the relevant authorities to ensure that the hard–won progress of previous years does not reverse permanently.

Recent changes to the legal and regulatory framework in Ireland, including changes to the jurisdiction limits of the lower courts, have the potential to increase overall claims costs. Should this materialise it will not be without cost to society, to the affordability of insurance and to Ireland's competitiveness. It is imperative that as a society we remain as vigilant in 2015 in keeping the costs of claims down as we were a decade or more ago when a raft of structural changes were made to reduce claims costs.

FBD has at its core a very strong business and underwriting franchise in Ireland. Notwithstanding the Group's performance in 2014, the Board is confident that FBD is well positioned to outperform the market and deliver strong returns for shareholders in the medium term. The Board is therefore recommending a final dividend of 34 cent per share, bringing the full 2014 dividend to 51 cent, an increase of 4.1% on 2013.

In January of this year, Dermot Mulvihill, who has served on the Board since August 2011, resigned as a Director and I want to thank him for his significant contribution to the Group since his appointment and to wish him every success in the future. During 2014, we announced the appointments of Emer Daly and Eddie Downey to the Board and I want to welcome them both and look forward to their insights and contributions which will be of great benefit to FBD.

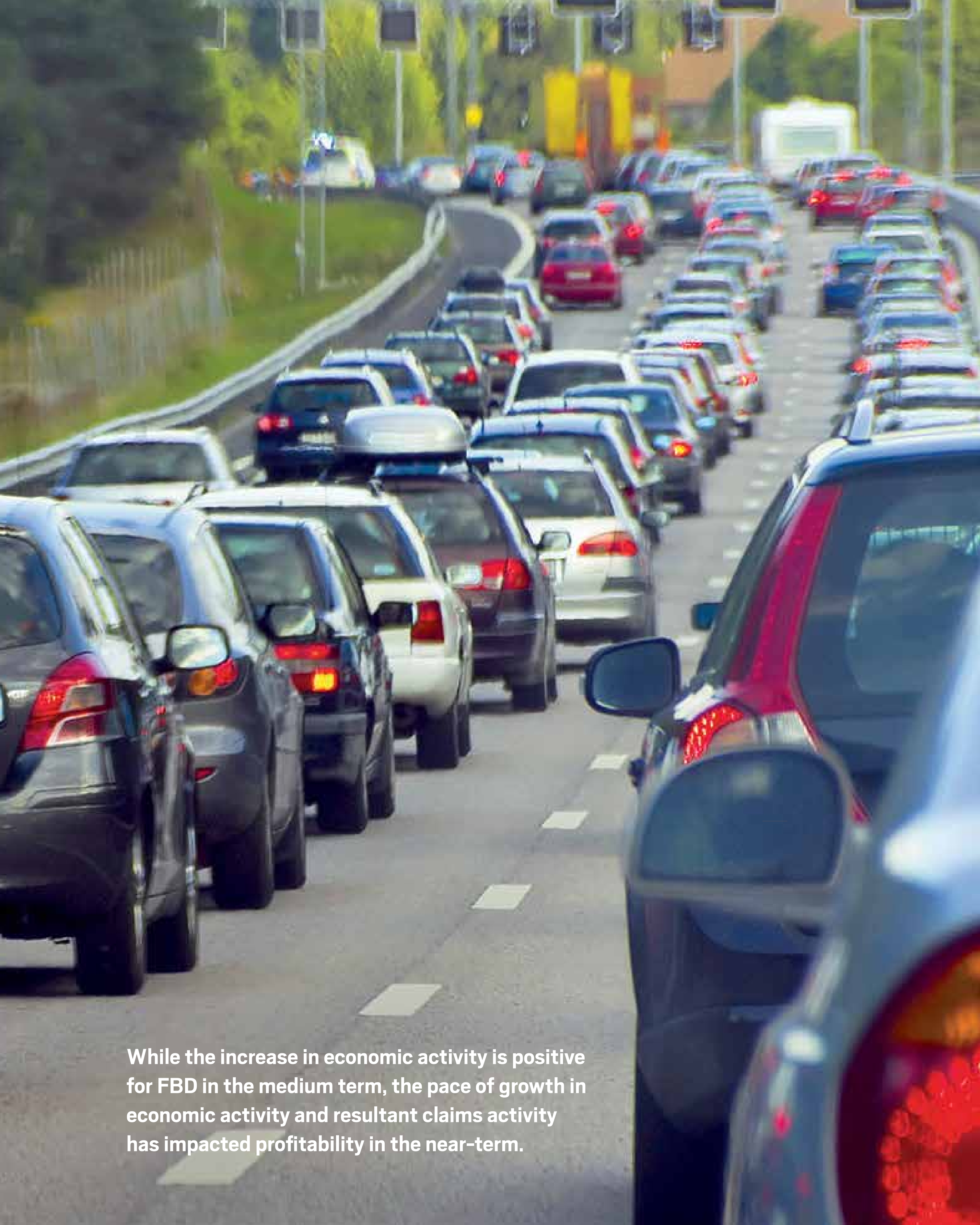
Finally, I would like to extend my sincere thanks to the Board, the management team and the staff, for their continuing hard work and dedication. It was particularly pleasing to note the positive customer feedback received following the severe weather events at the beginning of 2014. Together we will focus on maximising benefits for all stakeholders and I am confident that FBD will outperform our peers in delivering superior returns to shareholders in the medium term.

Michael Berkery
Chairman

27 February 2015

Increased activity

As the domestic economy moved from contraction to recovery more quickly than anticipated, increased activity led to higher claims frequency in motor and liability lines. This increase in claims frequency is not restricted to one segment of FBD's book and applies across all customer profiles. FBD has taken the underwriting and rating actions necessary to compensate for this increased frequency.



While the increase in economic activity is positive for FBD in the medium term, the pace of growth in economic activity and resultant claims activity has impacted profitability in the near-term.

Review of Operations

2014 was a very difficult year for the Irish insurance market and FBD, with a significant market-wide deterioration in the claims environment and severe weather experience. As a result, the Group recorded a loss before taxation of €4.5m.

The Group's first priority is to return to profitability and, although significant actions were taken in 2014, it will be some time before the full benefits of the actions taken are reflected in profitability.

While FBD gave guidance at the outset of 2014 regarding the impact of an improving economy on the claims environment, the worsening of the claims environment far exceeded the expectations of the Group and the industry. Action was taken throughout the year to adjust premium rates upwards, leading to the first increase in the size of the property and casualty insurance market since 2003. The increase in rates, while welcome, did not impact quickly enough to match the sharp increase in claims experienced during the year. The market Combined Operating Ratio (COR) for both 2012 and 2013 was 109%. The deterioration in the claims environment is likely to have resulted in another loss making year for the market in 2014.

FBD's gross premium written increased by 3.6% to €363.7m. This growth was rate-led and reflects the Group's prudent approach to volume growth in a recovering economy experiencing increased frequency of motor and liability claims and an otherwise deteriorating claims environment. In this context, FBD prioritised underwriting discipline and profitability over volume growth. Notwithstanding this focus, FBD's rate-led growth still delivered a marginal increase in market share from 13.6% to 13.7%.

In 2014, FBD's customers and the Group's profitability were impacted by the worst weather in the Group's history, an increase in claims frequency associated with economic growth, poor large claims experience and adverse development of some prior year injury claims. FBD's loss ratio increased from 67.9% to 86.0%.

Actual investment return was 3.1%, an exceptional result in the current low-rate environment.

Diluted loss per share was 11 cent (2013: 131 cent earnings). The Group continues to have a strong balance sheet, with FBD Insurance plc having a solvency level of 67.6% of net earned premium, or 343% of the statutory requirement.

FBD has a track record of delivering superior returns to shareholders. In 2015, the Group's focus will be on implementing a strategy which is appropriate for a higher claims environment and returning the business to profitability. Although 2014 was a very challenging year and market conditions continue to be difficult, the Board is confident that FBD is well positioned to outperform the market and will deliver strong returns for shareholders through the cycle. As a result, the Board is recommending a final dividend of 34 cent (2013: 33.25 cent), bringing the full year dividend to 51 cent (2013: 49 cent), an increase of 4.1%.

BUSINESS REVIEW

Underwriting

Premium Income

FBD's gross premium written increased by 3.6% to €363.7m (2013: €351.2m), marginally increasing the Group's market share to 13.7%. FBD shifted emphasis during the year so as to increase focus on risk selection and rate-led price adequacy. This was necessary given that the industry is incurring losses, there is significant deterioration in the claims environment and that the Group's objective is to deliver only profitable growth. In the full year, FBD reduced policy volume by 1.9%, with volume in the second half of 2014 down 6.3% on the same period in 2013. Average rates were increased by 4.5% for the full year, with average rates for the second half of 2014 increased by 7.0% as the Group made the adjustments necessary to compensate for the increasing cost of risk. Insurable values rose as a result of the increase in economic activity and improved up-selling, reversing the declining trend between 2007 and 2013.

At times during the insurance cycle, shareholders' interests will be best served by foregoing growth in policy volume, avoiding sectors of the market which have become unprofitable. A similar situation arose in 2008 when FBD concluded that the rates achievable in the motor market were not sufficient and as a result reduced exposure. FBD believes that the Irish insurance market is at a similar point in the cycle and that on-going prudence is again warranted.

A key strategic priority for FBD is to deliver on the complete insurance needs of farming and direct business customers. In 2014 FBD expanded its product offering to farmers by launching cover for theft of livestock. In addition, FBD carried out a full review on the provision of its services to farming and direct business customers, taking customer feedback into account. As a result, call handling processes were redesigned, resulting in the removal of automated response systems and much improved personal interaction for the customer. Non-core activity was centralised to enable the sales teams to better focus on servicing the Group's existing customers and on new business development.

These changes to customer service as well as its response to the weather-related events discussed later, resulted in significant improvements in the Group's already market leading net promoter scores in its core customer groups.

Net premium earned increased by 2.4% to €303.4m.

Claims

Net claims incurred were €260.9m, an increase of 29.6% on 2013, bringing the loss ratio from 67.9% to 86.0%. The claims environment for the whole Irish insurance market was challenging and deteriorated significantly as the year progressed.

In 2014, FBD's customers and the Group's profitability were impacted by severe weather, an increase in claims frequency associated with economic growth, poor large claims experience and adverse development of some prior year injury claims.

- The cost of the weather experienced in the first quarter of 2014 was the highest in the Group's history. The wind storm in mid-February ("Storm Darwin") and a series of persistent wind storms in the preceding six weeks cost the Group €15.2m, net of reinsurance (inclusive of reinstatement premiums).

Storm Darwin hits

February 12th, Storm Darwin wreaks havoc across Ireland.

Storm Darwin was the single biggest weather event in the Group's history and had a devastating impact on areas of Ireland where the Group's core customer base is most concentrated.

Review of Operations
Continued

Storm Darwin was the single biggest weather event in the Group's history and had a devastating impact on areas of Ireland where the Group's core customer base is most concentrated. These weather events created enormous difficulties for 9,000 of the Group's customers directly affected. Customer feedback on the Group's response to this severe weather was very positive. Moreover, the Group's reinsurance treaties served FBD well and reduced the overall loss to the Group by more than €20m.

- As the domestic economy moved from contraction to recovery more quickly than anticipated, increased activity led to higher claims frequency in motor and liability lines. This increase in claims frequency is not restricted to one segment of FBD's book and applies across all customer profiles. FBD has taken the underwriting and rating actions necessary to compensate for this increased frequency. While the increase in economic activity is positive for FBD in the medium term, the pace of growth in economic activity and resultant claims activity has impacted profitability in the near-term and a time lag is to be expected before underwriting actions and rate increases are fully reflected in profitability.
- The Group experienced an increase in large claims costs due to a very small number of very large accident and liability claims (cost greater than €1m, net of reinsurance). Such large claims, volatile by definition over a short period, cost €4m more than expected in the full year. While the occurrence of such large claims can be expected to revert to norm over a longer period, we note that their severity is trending upwards.
- The development pattern of a small number of prior year medium-sized injury claims (cost between €0.2m and €1m, net of reinsurance) was significantly higher than expected. This adverse development related to accidents that occurred in 2011 and 2012 and was due to factors such as the deterioration in claimants' medical conditions or an increase in the probability of liability. Although the development pattern on this small group of claims was unfavourable, FBD continues to enjoy positive run-off experience across its book.
- In the last quarter of 2014, following a significant High Court judgement in a case not involving the Group, FBD has provided for a potential reduction in the discount factor applied to very large injury claims. In addition, FBD has recognised the reserving implications of a potential increase in the time frame for settlement of injury claims.

Expenses

Net underwriting expenses were €81.8m in 2014 (€77.6m in 2013) increasing the expense ratio from 26.2% to 27.0%. This increase is attributable to reinstatement premiums payable to reinsurers following Storm Darwin in February 2014 and an increase in broker commissions payable. The Group continues to invest in its IT infrastructure in order to provide a platform for future profitable growth.

The Group's combined operating ratio for 2014 was 112.9% (2013: 94.1%) resulting in an underwriting loss of €39.2m, compared to an underwriting profit of €17.6m in 2013.

Investment return

The Group maintained its low allocation to long-dated bonds to protect shareholders from the risk of rising bond yields. Actual investment return for 2014 was €26.1m compared to €29.4m in 2013, representing a 3.1% return on underwriting investments. This excellent return was delivered despite the low interest rates prevalent in the market and was aided by improving valuations on the Group's investment properties, and the good performance in the equity markets.

The longer term rate of return was €29.2m, up from €28.7m in 2013.

Financial services

The Group's financial services operations include premium instalment services and life, pension and investment broking (FBD Financial Solutions) less holding company costs. These generated a solid performance in a difficult market environment, delivering an operating profit of €5.2m (2013: €6.4m).

Joint venture

The trading performance of the property and leisure joint venture improved again in 2014, driven by growth in occupancy and yield, particularly in the Irish market, where revenue per room increased by 9%. Operating profit increased from €3.9m to €7.0m. After interest, tax and other charges, the Group's share of the joint venture's results was a profit of €1.9m (2013: €1.3m). The joint venture continued to be cash generative.

The market for Irish hotel assets strengthened in 2014, with improving operational performance and higher multiples. In early 2015, the joint venture completed the sale of the Temple Bar Hotel in Dublin. The proceeds from the sale will be used to pay down the joint venture's debt. The joint venture agreement with Taylor Wimpey for the sale of a segment of the development land in La Cala Resort, in Spain, is progressing well and is currently ahead of plan. Both the sale of the hotel in Dublin and the Taylor Wimpey deal are in keeping with the joint venture's core strategic objective of realising value as market conditions improve.

Result before taxation

Actual investment return was €3.2m lower (2013: €0.7m higher) than the longer term rate of return. Separately, the Group recorded an increase in the value of the Group's own property of €1.5m (2013: €1.1m decrease).

Loss before taxation for continuing operations amounted to €4.5m (2013: €51.5m profit). After a taxation credit of €1.2m (2013: €6.6m charge), the loss after taxation was €3.3m (2013: €44.9m profit).

Earnings/(loss) per share

Operating loss per share based on longer-term investment return amounted to 13 cent (2013: 136 cent earnings). Diluted loss per share was 11 cent (2013: 131 cent earnings).

DIVIDEND

The Board believes that it is in the long-term interest of all stakeholders to maintain strong solvency and liquidity margins and it is determined to ensure that the Group's capital position continues to be robust and its financial position well managed.

Although 2014 was a very challenging year, the Group has taken and will continue to take appropriate action to underpin business profitability in 2015. The nature of the insurance business is that earnings are influenced by inherently cyclical pricing and volatility in claims costs. Notwithstanding 2014's performance, the Board is confident that FBD is well positioned to outperform the market and will deliver strong returns for shareholders in the medium term.

As a result, the Board is recommending a final dividend payment of 34 cent per share (2013: 33.25 cent), an increase of 2.3%, bringing the full 2014 dividend to 51 cent (2013: 49 cent), an increase of 4.1%.

Subject to the approval of shareholders at the Annual General Meeting to be held on 14 May 2015, this final dividend for 2014 will be paid on 20 May 2015 to the holders of shares on the register on 13 March 2015.

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

STATEMENT OF FINANCIAL POSITION

The Group's financial position remains robust. Ordinary shareholders' funds stand at €238.6m (December 2013: €277.2m). Net assets per ordinary share are 693 cent, compared to 823 cent per share at December 2013. The significant reduction in shareholders' funds is mainly attributable to an increase in the liability for the Group's retirement benefit obligations of €21.8m, (net of taxation) and the payment of dividends of €17.5m during the year along with the loss recorded in the year. The increase in the liability for the Group's retirement benefit obligations arises as the discount rate used to value the pension scheme's liabilities reached an historic low.

Review of Operations
Continued

Table 1 below shows how the assets of the Group were invested at the beginning and end of the year.

The Group continues to be encouraged by the improvement in confidence in the global economy and by policymakers' actions to address the dislocation in the international monetary system. However recent ECB non-standard measures are likely to result in a sustained period of challenging investment yield conditions and continuing low interest rates for Euro-zone member countries.

Given these conditions, the Group believes it is appropriate to maintain its tactical lower-risk asset allocation and held 88.5% of its underwriting assets in cash and short dated bonds at 31 December 2014. The average term of the Group's assets remains shorter than the average term of its insurance liabilities, with more term deposits and less fixed interest securities than the Group's strategic investment allocation. FBD reduced its equity holdings by 44% in 2014 to take advantage of attractive valuations during the year and heightened volatility as market sentiment deteriorated. FBD's current investment allocation continues to be appropriate. The high allocation to cash provides FBD with the opportunity and agility to capitalise on higher yield opportunities should they emerge. This current tactical asset allocation is indicative of the Group's capital preservation strategy.

FBD Insurance had a solvency level of 67.6% (2013: 78.1%) of net premium earned at the end of 2014 which represents 343% of the minimum solvency margin and a reserving ratio of 251% (2013: 235%). FBD continues to have a prudent surplus over best estimate as at 31 December 2014. Run-off of the prior year outstanding claims was a positive €15.5m during 2014.

In line with all European insurers, FBD Insurance is preparing for the introduction of Solvency II regulations which are to come into effect on 1 January 2016. FBD Insurance has calculated its solvency capital requirement on the basis that Solvency II, as currently proposed, was effective at 31 December 2014 and the results show

Table 1 – Asset allocation

	31 December 2014		31 December 2013	
Underwriting investment assets	**€m**	**%**	**€m**	**%**
Deposits and cash	**511**	**58%**	454	53%
Corporate bonds	**224**	**25%**	144	17%
Government bonds	**46**	**5%**	134	16%
Equities	**41**	**5%**	73	8%
Unit trusts	**25**	**3%**	24	3%
Investment property	**20**	**2%**	12	1%
Own land & buildings	**16**	**2%**	15	2%
Underwriting investment assets	**883**	**100%**	856	100%
Other assets	**118**		116	
Reinsurers' share of technical provisions	**57**		44	
Investment in joint venture	**47**		45	
Plant and equipment	**47**		31	
Total assets	**1,152**		1,092	

that FBD Insurance had sufficient capital to meet the requirement.

OUTLOOK

Economic indicators point to an improved outlook for Ireland. This will be positive for FBD in the medium term. The Irish insurance market grew in 2014 following eleven consecutive years of decline. The rate of market growth in 2015 will be contingent on the speed and extent to which the market chooses to adjust rates to deliver an acceptable return.

Despite this welcome upturn in premium growth, industry profitability continues to be challenging. The Group believes that the market will continue to be loss making during 2015 as rate increases already implemented take time to be reflected in earned premium. In addition, this will be compounded by the general deterioration in the claims environment and low investment yields. Further market rating actions will be necessary. In particular, the Group believes that the claims environment is going through a period of heightened uncertainty.

Increased claims frequency and potential changes in the claims settlement environment are contributing to current uncertainty in the Group's outlook.

FBD is committed to achieving profitable growth in book value through underwriting discipline. The Group will continue to take appropriate underwriting and rating action in order to deliver full price adequacy across all lines of business and thus deliver strong shareholder returns. Although the underwriting actions and rate increases implemented by FBD since early 2014 are having a beneficial impact on the expected loss ratio, they will only be fully reflected towards the second half of 2015.

FBD has a track record of delivering superior returns to shareholders. The nature of the insurance business is that earnings will be influenced by inherently cyclical pricing and volatility in claims costs. Although 2014 was a very challenging year and market conditions remain difficult, the Board is confident that FBD remains well positioned in its market and will deliver strong returns for shareholders through the insurance cycle.

Andrew Langford
Group Chief Executive

27 February 2015

Karen Sweeney
Head of Claims Operations

Storm Darwin 2014

Storm Darwin hit on 12th February. Recognising the grave impact it had on our customers, we mobilised a team from different parts of the Company to provide more than 6 times our normal claims handling capacity.

Call-handling staff were available **7 days a week**, from 7am to 8pm.

We worked tirelessly to put things right for over **9,000** customers directly impacted by the severe weather

99%

of notified claims were registered on our systems within 48 hours

87%

of claims were settled within 60 days

During 2014 FBD incurred

€36 million

in respect of claims arising from Storm Darwin and the severe weather in the weeks preceding it

Corporate Information

Registered Office and Head Office

FBD House
Bluebell
Dublin 12
Ireland

Independent Auditors

Deloitte & Touche
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House
Earlsfort Terrace
Dublin 2
Ireland

Solicitors

Dillon Eustace
33 Sir John Rogerson's Quay
Dublin 2
Ireland

Registrar

Computershare Investor Services (Ireland) Limited
Heron House
Corrig Road
Sandyford Industrial Estate
Dublin 18
Ireland

Bankers

Allied Irish Banks plc
Bank of Ireland
Barclays Bank plc
BNP Paribas
Credit Agricole Corporate & Investment Bank
Danske Bank
Deutsche Bank AG
KBC Bank N.V.
Lloyds TSB Bank plc
Mizuho Bank Limited London Branch
Nordea Bank Finland London Branch
Permanent TSB plc
Rabobank International
Societe Generale
Standard Chartered

Stockbrokers

Goodbody Stockbrokers
Ballsbridge Park
Ballsbridge
Dublin 4
Ireland

Shore Capital
The Corn Exchange
Fenwick Street
Liverpool L2 7RB
United Kingdom

Report of the Directors

The Directors present their report and the audited Financial Statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

FBD is one of Ireland's largest property and casualty insurers looking after the insurance needs of farmers, private individuals and business owners through its principal subsidiary, FBD Insurance plc. The Group also has financial services operations including a successful life and pensions brokerage, FBD Financial Solutions. The Company is a holding company incorporated in Ireland.

BUSINESS REVIEW

The review of the performance of the Group, including an analysis of financial information and the outlook for its future development, is contained in the Chairman's Statement on pages 2 and 3 and in the Group Chief Executive's Review of Operations on pages 6 to 13. Information in respect of the significant events since the year end and a review of the key performance indicators are also included in these sections. The key performance indicators include gross premium written, operating earnings, profit for the year and net asset value per share.

The Group has continued to invest substantially in the development of its IT infrastructure during 2014.

RESULTS AND DIVIDENDS

The results for the year are shown in the Consolidated Income Statement on page 45. The loss, that was transferred from reserves, and the dividends paid during the year are shown in Note 25 on page 96. The Directors propose the payment of a final dividend for the year on the €0.60 ordinary shares of 34.0 cent (2013: 33.25 cent). During the year an interim dividend of 17.0 cent was paid (2013: 15.75 cent). The total dividend for the year amounts therefore to 51.0 cent (2013: 49.0 cent). The policy of the Board in relation to dividends is outlined in the Chairman's Statement and the Group Chief Executive's Review of Operations.

SUBSEQUENT EVENTS

There have been no subsequent events that would have a material impact on the Financial Statements.

RISK AND UNCERTAINTIES

The Directors consider that the principal risk factors that could materially and adversely affect the Group's future operating profits or financial position are as follows:

General Insurance Risk

The risk attached to any general insurance policy written is the possibility that an insured event occurs and the uncertainty of the amount of the resulting claim. The frequency and severity of claims can be affected by several factors, most notably weather events, the level of awards and inflation on settling claims.

When estimating the cost of claims outstanding at year end, the principal assumption underlying the estimates is the Group's past development pattern. This includes assumptions in respect of certain historic average claims costs, claims handling costs and claims inflation factors.

Profitability of general insurance is, by its nature, cyclical and can vary because of the actions or omissions of competitors, particularly inappropriate pricing decisions.

The extent of the Group's exposure to general insurance risk is controlled within defined parameters by means of strict underwriting criteria, analysis of historical underwriting experience, formalised pricing structures and appropriate reinsurance treaties.

Capital Management Risk

The Group is committed to managing its capital so as to maximise return to shareholders. The risk is that inappropriate management of the Group's capital could result in losses, erosion of capital or inadequate solvency. The Board reviews the capital structure frequently to determine the appropriate level of capital required to pursue the Group's growth plans.

Operational Risk

Operational risk could arise as a result of inadequately controlled internal processes or systems, human error or from external events. Operational risks are regularly assessed against financial, operational and reputational criteria.

Liquidity Risk

The Group is exposed to daily calls on its cash resources, mainly from claims. The Board sets limits on the minimum proportion of maturing funds available to meet such calls.

Market Risk

The Group has invested in quoted debt securities, quoted shares and investment properties. 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 mitigated by the formulation of, and adherence to, strict investment policies, as approved by the Board of Directors, and the employment of appropriately qualified and experienced personnel to manage the Group's investment portfolio.

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.

All of the Group's current reinsurers have credit ratings of A- or better. The Group has assessed these credit ratings as being satisfactory in diminishing the Group's exposure to the credit risk of its reinsurance receivables.

Concentration Risk

Concentration risk is the risk of loss due to overdependence on a singular entity or category of business.

While all of the Group's underwriting business is conducted in Ireland, it is spread over a wide geographical area with no concentration in any one county or region.

The Group adheres to a strict investment policy and actively manages its investment portfolio to ensure that there is an optimum spread and duration of investments and that these investments are only with institutions with an acceptable credit rating.

Macro-economic Risk

These are the risks faced by the Group as a result of 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.

Other Risks

- The risk that the strategy adopted by the Board is incorrect or not implemented appropriately resulting in sub-optimal performance.
- The risk that the loss of a key executive officer or other key employee, the adoption of inappropriate HR policies or regulatory changes affecting the work force or the limited availability of qualified personnel may disrupt operations or increase cost structures.
- The risk that an interruption or failure of information systems may result in a significant loss of business, assets, or competitive position.

All of the foregoing risks are dealt with in further detail in note 39.

The Group has controls embedded within its systems to limit each of these potential exposures. Management and the Board regularly review, reassess and proactively manage the associated risks.

SUBSIDIARIES

The Company's principal subsidiaries, as at 31 December 2014, are listed on page 107 (note 33).

DIRECTORS

The present Directors of the Company, together with a biography on each, are set out on pages 22 and 23. The Board has decided that all Directors will submit themselves for re-election at each Annual General Meeting.

ANNUAL GENERAL MEETING

The notice of the Annual General Meeting of the Company which will be held at 12.00 noon on 14 May 2015 in the Irish Farm Centre, Old Naas Road, Bluebell, Dublin 12, is set out on pages 122 to 124.

A letter from the Chairman detailing the business to come before the Annual General Meeting is included at pages 120 to 121.

DIRECTORS' AND COMPANY SECRETARY'S INTERESTS

The interests of the Directors and Company Secretary (together with their respective family interests) in the share capital of the Company, at 31 December 2014 and 1 January 2014, were as follows:

	Number of ordinary shares of €0.60 each	
Beneficial	**31 December 2014**	**1 January 2014**
Michael Berkery	**30,000**	30,000
Andrew Langford	**93,000**	75,000
Cathal O'Caoimh	**34,279**	20,179
Padraig Walshe	**1,100**	1,100
Conor Gouldson (Company Secretary)	**13,800**	9,120

The interests of the Directors and the Company Secretary in share options and conditional awards over the share capital of the Company under the shareholder approved share schemes are detailed in the Report on Directors' Remuneration on pages 31 to 39.

EUROPEAN COMMUNITIES (TAKEOVER BIDS (DIRECTIVE 2004/25/EC)) REGULATIONS 2006

For the purposes of Regulation 21 of the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006, the information on the Board of Directors on pages 22 and 23, Share Option Schemes and the Performance Share Plan in note 36 and the Report on Directors' Remuneration on pages 31 to 39 are deemed to be incorporated in this part of the Report of the Directors.

SUBSTANTIAL SHAREHOLDINGS

As at 27 February 2015 the Company has been notified of the following interests of 3% or more in its share capital:

Ordinary shares of €0.60 each	Number notified	% of Class
Farmer Business Developments plc	8,531,948	24.62
FBD Trust Company Limited	2,984,737	8.61
Schroders plc	1,738,721	5.02
FMR LLC	1,788,600	5.16

14% Non-cumulative preference shares of €0.60 each		
Farmer Business Developments plc	1,340,000	100

8% Non-cumulative preference shares of €0.60 each		
FBD Trust Company Limited	2,062,000	58.38
Farmer Business Developments plc	1,470,292	41.62

SHARE CAPITAL

The Company had four classes of shares in issue at the end of the year. These classes and the percentage of the total issued share capital represented by each are as follows:

Voting shares	Number in issue	% of Total
Ordinary shares of €0.60 each	34,648,122*	87.7
14% Non-cumulative preference shares of €0.60 each	1,340,000	3.4
8% Non-cumulative preference shares of €0.60 each	3,532,292	8.9
	39,520,414	**100.0**

* *excluding 813,084 shares held in treasury*

The Company's ordinary shares of €0.60 each are listed on the Main Securities Market of the Irish Stock Exchange and have a premium listing on the UK Listing Authority. They are traded on both the Irish Stock Exchange and the London Stock Exchange. Neither class of preference share is traded on a regulated market.

Each of the above classes of share enjoys the same rights to receive notice of, attend and vote at meetings of the Company.

Non-voting shares	Number in issue
'A' ordinary shares of €0.01 each	13,169,428

The rights attaching to the 'A' ordinary shares are clearly set out in the Articles of Association of the Company. They are not transferable except only to the Company. Other than a right to a return of paid up capital of €0.01 per 'A' ordinary share in the event of a winding up, the 'A' ordinary shares have no right to participate in the capital or the profits of the Company.

INDEPENDENT AUDITORS

The independent auditors, Deloitte & Touche, Chartered Accountants and Statutory Audit Firm, have signified their willingness to continue in office in accordance with the provisions of Section 160(2) of the Companies Act, 1963.

PROPER BOOKS AND RECORDS

The Directors have taken appropriate measures to ensure compliance with Section 202 of the Companies Act 1990 – the requirement to keep proper books of account – through the employment of suitably qualified accounting personnel and the maintenance of appropriate accounting systems. The books of account are located at FBD House, Bluebell, Dublin 12, Ireland.

CORPORATE GOVERNANCE

The Corporate Governance Report on pages 21 to 30 forms part of this report and in this the Board has set out how it has applied the principles set out in the UK Corporate Governance Code, which was adopted by both the Irish Stock Exchange and the UK Listing Authority, and the Irish Corporate Governance Annex.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Chairman's Statement and the Review of Operations, as are the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition, note 39 of the Financial Statements includes the Group's policies and processes for risk management.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. As a result they continue to adopt the going concern basis of accounting in preparing the Financial Statements. In forming this view, the Directors have reviewed the Group's budget for 2015 and forecast for 2016, which take account of reasonably foreseeable changes in trading performance, the key risks facing the business and the medium-term plans approved by the Board in its review of the Group's corporate strategy.

APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements were approved by the Board on 27 February 2015.

Signed on behalf of the Board

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

27 February 2015

Corporate Governance

Your Board of Directors is committed to the highest standards of corporate governance. Good governance stems from a positive culture and well embedded values. FBD's core values of integrity, entrepreneurship, customer focus and ambition are central to how the Board conducts its business and discharges its responsibilities. Equally, however, these values are as relevant to every employee working throughout the Group in their interactions with each other, and with our customers, shareholders and other stakeholders.

UK CORPORATE GOVERNANCE CODE AND THE IRISH CORPORATE GOVERNANCE ANNEX

The UK Corporate Governance Code ("the Code") and the Irish Corporate Governance Annex ("the Annex") codify the governance arrangements which apply to listed companies such as FBD. Combined, these represent corporate governance standards of the highest international level.

Throughout 2014 and to the date of this report, we applied the principles of the Code and except where otherwise expressly stated complied with the provisions of both the Code and the Annex.

This section of the Annual Report sets out the governance arrangements in place in FBD Holdings plc.

THE BOARD OF DIRECTORS AND ITS ROLE

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. The schedule was last reviewed in January 2015.

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

BOARD COMPOSITION AND INDEPENDENCE

During 2014 the Board comprised two executive Directors and eight non-executive Directors, including the Chairman.

The Board believes that it should have between 9 and 11 members and that this size is appropriate, being of sufficient breadth and diversity to ensure that there is healthy debate and input on the main business to be dealt with by it. While it is expected that new Directors will be appointed to the Board during 2015, no changes to the Board size or structure are anticipated in the immediate future.

Four of the non-executive Directors in office at the end of 2014 were considered to meet all of the criteria indicating independence set out in the Code.

	Date first elected by share-holders	Years from first election to the 2015 AGM	Considered to be independent
E Daly	-	0	Yes
S Dorgan	Apr 2008	7	Yes
E Downey	-	0	Yes
B Horan	Apr 2012	3	Yes

Neither Mr. Walshe, who is chairman of the Group's largest shareholder, Farmer Business Developments plc, nor the Board Chairman, Mr. Berkery, were considered to be independent.

The skills and experience identified by the Board as critical to its composition and that of its Committees at this time include expertise in insurance or other financial services, general and farming/agri industry experience, corporate finance, corporate governance, regulatory and other compliance, financial accounting and executive reward principles and practice.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors in office on the date of this Report are as follows:

Michael Berkery, Chairman

Michael Berkery (aged 66) was elected Chairman of the Company in 1996. He was Chief Executive Officer of the Irish Farmers' Association for 25 years until his retirement in March 2009. He served on the National Economic and Social Council for over 20 years and was a director of the Agricultural Trust (publisher of the Irish Farmers Journal). He is chairman of FBD Trust Company Limited, and a Director of Enable Ireland and a number of other companies. Mr. Berkery joined the Board in October 1988.

Mr. Berkery's extensive career at leadership level in the Irish Agriculture and Food Industry brings to the Board deep insights into the Irish farming and agri-related community, which together comprise a substantial customer base for the Group's underwriting subsidiary, FBD Insurance plc. He brings to the Board and to its Committees his facilitation and communication skills, business and economic knowledge, independence of mind and experience of management and motivation of people.

Emer Daly, independent non-executive Director

Emer Daly (aged 51) is currently non-executive Director of Permanent TSB Group Holdings plc, and Permanent TSB plc where she also serves as chairman of the audit committee. She also serves as a non-executive director of Friends Provident International Limited and Lombard S.A. and as chairman of the audit, risk and compliance committee for both companies. Ms. Daly joined the Board in November 2014 and was appointed to the Audit Committee and the Remuneration Committee in December 2014.

Ms. Daly is a Fellow of Chartered Accountants Ireland and has valuable experience of the general insurance industry, having previously served as a Director with AXA in Ireland between 2000 and 2006 with responsibility for Financial Operations, Strategy and Risk Management. Ms. Daly brings to the Board extensive skills, expertise and experience in insurance, accounting, risk management and governance.

Sean Dorgan, independent non-executive Director

Sean Dorgan (aged 63) is currently non-executive Chairman of the Irish Management Institute (IMI) and is a non-executive Director of Short Brothers plc. He has previously served as chairman and non-executive director of a number of companies and organisations in the private and public sectors. He was Chief Executive of IDA Ireland for nine years until his retirement at the end of 2007. Prior to joining IDA he was Secretary General of the Departments of Industry and Commerce and of Tourism and Trade and was Chief Executive of The Institute of Chartered Accountants in Ireland. Mr. Dorgan joined the Board, and the Audit Committee, in January 2008. He was appointed as chairman of the Remuneration Committee in December 2011, and as chairman of the Audit Committee and Senior Independent Director in April 2014.

Mr. Dorgan is a very experienced non-executive Director and brings to the Board, and to its Committees, substantial experience of corporate governance, compliance, accounting, HR and executive reward and general industry experience at leadership level.

Eddie Downey, independent non-executive Director

Eddie Downey (aged 53) is the 14th President of the Irish Farmers' Association. He is a director of Bord Bia, the Irish Food Board, an organisation which develops international markets for Irish food produce. He is also a Director of the Agricultural Trust (publisher of the Irish Farmers Journal). Mr. Downey joined the Board, and the Audit Committee, in April 2014. He was appointed to the Nomination Committee in February 2015.

In addition to his commercial acumen, Mr. Downey brings to the Board a deep knowledge of Ireland's agricultural sector and, as President of the Irish Farmers' Association, he is at the forefront of thinking and strategy for this important sector of Ireland's economy, a sector in which the Group, through its insurance subsidiary, FBD Insurance plc, has substantial interest.

Brid Horan, independent non-executive Director

Brid Horan (aged 61) is a member of the Governing Authority of Dublin City University and a Council Member of the Irish Management Institute. Ms. Horan was up until 2014 Deputy Chief Executive of ESB, Ireland's leading energy company, having been an Executive Director of ESB since 2006.

Before joining ESB in 1997 as Group Pensions Manager, Ms. Horan headed KPMG Pension & Actuarial Consulting. An Actuary
and a Chartered Director, Ms. Horan was a Commissioner of the National Pensions Reserve Fund from its establishment in 2001 to 2009 and a Board member of IDA Ireland from 1996 to 2006. Ms. Horan joined the Board, the Remuneration Committee and the Nomination Committee in December 2011.

Ms. Horan brings to the Board broad strategic and commercial experience, an in-depth understanding of HR and reward issues and her experience of corporate governance and risk management.

Andrew Langford, Group Chief Executive

Andrew Langford (aged 45) joined FBD Holdings plc as Group Financial Accountant in 1996. In July 2003, he was appointed Executive Director – Finance of FBD Insurance plc. In December 2004, he was appointed to the Board of FBD Holdings plc as Executive Director – Finance. In May 2008, he was appointed Group Chief Executive. Prior to working in FBD, he worked in Deloitte & Touche where he qualified as a Chartered Accountant.

In April 2014, Mr. Langford was appointed as a non-executive director of KBC Insurance NV in Belgium, and is a member of its audit committee, and the risk and compliance committee.

Mr. Langford is a director of Insurance Ireland, the industry representative body for insurance companies in Ireland, and is Chairman of its non-life council.

Fiona Muldoon, Executive Director

Fiona Muldoon (aged 47) joined the Group in January 2015 as Group Finance Director and was appointed as an executive Director and member of the Board.

A Chartered Accountant, Ms. Muldoon was Director of Credit Institutions and Insurance Supervision at the Central Bank of Ireland from August 2011 until May 2014. Prior to this she was with XL Group for seventeen years and held a number of senior roles with this NYSE listed Property & Casualty Insurance firm in Ireland, London and Bermuda, including two years as Group Treasurer until July 2010.

Cathal O'Caoimh, Executive Director

Cathal O'Caoimh (aged 57) joined the Group in October 2008 and was appointed to the Board as Group Finance Director.

A Chartered Accountant, he joined FBD from Horizon Technology Group plc where he had been Chief Financial Officer since 2001. Prior to that Mr. O'Caoimh
was Group Finance Director of Hibernian Insurance Group, having previously been Group Finance Director of Norwich Union Insurance Group in Ireland. Mr. O'Caoimh is a member of the Council of Chartered Accountants Ireland.

Padraig Walshe, non-executive Director

Padraig Walshe (aged 57) is chairman of Farmer Business Developments plc, the Company's largest shareholder. He is a past President of COPA, the European Farmers' Organisation and of the Irish Farmers' Association. Mr. Walshe previously served on the Board of FBD between 2006 and 2010, and rejoined the Board in December 2011.

Mr. Walshe's extensive leadership experience at national and international level and his deep understanding of Ireland's farming community and the Irish food sector are of immense benefit to the Board.

BOARD DIVERSITY

The Board values the major contribution which a mix of backgrounds, skills and experience brings to the Group and sees merit in increasing diversity at Board level in achieving the Group's strategic objectives. Differences in background, skills, experience and other qualities, including gender, will continue to be considered in determining the optimal composition of the Board, the principal aim being to achieve an appropriate balance between them.

While all appointments to the Board will have due regard to diversity, they will be made on merit, ensuring that the skills, experience and traits noted by the Board as being of particular relevance at any time are present on the Board and included in any planned refreshment.

Over the coming years and as opportunities to appoint arise, the Board will continue to seek candidates who have both the requisite skills and experience and who will help the Board achieve greater diversity.

As at the date of this Report, the Board was comprised as follows:

Tenure of Director

0 – 2 years	45%
3 – 6 years	22%
7 – 9 years	11%
Over 9 years	22%

Gender

Male	67%
Female	33%

Executive/non-executive

Non-executive	67%
Executive	33%

Experience and skills

The percentage of the Board having the requisite skills and experience were as follows:

Insurance or financial services	67%
General industry	67%
Agri/farming	33%
Corporate finance	55%
Regulatory and compliance	78%
Financial accounting	67%
Executive reward	44%

KEY ROLES AND RESPONSIBILITIES

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.

Group Chief Executive

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

- running the Group's business;
- proposing and developing the Group's strategy and overall objectives in close consultation with the Chairman and the Board; and
- implementing the decisions of the Board and its Committees.

Senior Independent Director

The Senior Independent Director is responsible for:

- being available to shareholders if they have concerns which they have not been able to resolve through the normal channels of the Chairman, the Group Chief Executive or the Finance Director, or for which such contact is inappropriate;
- conducting an annual review of the performance of the Chairman;
- acting as a sounding board for the Chairman; and
- serving as an intermediary for the other non-executive Directors as required.

Company Secretary

The Company Secretary acts as Secretary to the Board and to its Committees. In so doing, he:

- assists the Chairman in ensuring that the Directors have access, in a timely fashion, to the information necessary to enable them to discharge their duties;
- assists the Chairman by organising and delivering induction and training programmes as required; and
- is responsible for ensuring that Board procedures are followed and that the Board and that the Directors are fully briefed on corporate governance matters.

BOARD EFFECTIVENESS AND PERFORMANCE EVALUATION

Board effectiveness is reviewed annually as part of the Board's performance evaluation process. The Chairman is responsible for ensuring that each Director receives an induction on joining the Board and that he or she receives any additional training he or she requires. The induction itself is organised and delivered by the Company Secretary and other members of the management team.

Every year the Board evaluates its performance and that of its Committees. Directors are expected to take responsibility for identifying their own training needs and to take steps to ensure that they are adequately informed about the Group and about their responsibilities as a Director. The Board is confident that all of its members have the requisite knowledge and experience and support from within the Company to perform their role as a Director of the Company.

Towards the end of 2012, the Board had its evaluation process externally facilitated by Praesta Ireland, an independent consultancy which has no other connections with the Company. The main conclusion from the evaluation process was that the Board, its Committees, the Chairman and individual Directors are performing very effectively with some suggestions made for further improvement. The Board intends to have its evaluation externally facilitated again at the end of 2015.

The evaluation process for 2014 took place in December 2014 and January 2015. The purpose of the process was to identify areas which the Board can focus for improvement and to affirm positively those areas where it is playing an effective role in leading the Group. This was achieved through a combination of direct discussion between the Chairman and individual Directors and confidential written evaluation submissions which were collated by the Company Secretary and reported back to the Board in a non-attributable manner. The Board is satisfied that the confidentiality of the evaluation process ensured that objectivity was safeguarded. The Chairman has reported to the Board that direct discussions with individual Directors provided valuable two way feedback and were conducted in a professional and candid manner.

The output from the evaluation process for 2014 reaffirmed that the Board is operating effectively and is fulfilling its role. During 2015, the Board will pay particular attention to the interaction between it and the board of FBD Insurance plc together with the interaction and information flows between the appointed committees of both companies.

Re-election of Directors

The Board has, since 2011, adopted the practice that all Directors will submit themselves for re-election at each Annual General Meeting regardless of length of service or the provisions of the Company's Articles of Association.

Access to advice

All members of the Board have access to the advice and the services of the Company Secretary who is responsible for ensuring that Board procedures are followed and that applicable rules, regulations and other obligations are complied with.

In addition, members of the Board may take independent professional advice at the Company's expense if deemed necessary in the furtherance of their duties.

Attendance at Board and Board Committee Meetings during 2014

	Board	Audit	Nomination	Remuneration
M Berkery	8/8	-	4/4	3/3
J Bryan	1/1	1/1	-	-
E Daly	2/2	-	-	1/1
S Dorgan	8/8	3/3	-	3/3
E Downey	5/6	2/2	-	-
B Horan	8/8	-	4/4	3/3
A Langford	8/8	-	4/4	-
D Mulvihill	7/8	2/2	4/4	-
C O'Caoimh	8/8	-	-	-
V Sheridan	2/2	1/1	-	2/2
J Thijs	0/2	-	-	-
P Walshe	8/8	-	-	-

If a Director is unable for any reason to attend a Board or Committee meeting, he or she will receive Board papers in advance of the meeting and is given an opportunity to communicate any views on or input into the business to come before the Board or the Committee to its Chairman.

BOARD COMMITTEES

The Board has established three Committees to assist it in the execution of its responsibilities. These are:

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

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

The Company Secretary acts as secretary to the Committees. Minutes of all of the Committees' meetings are either circulated to all of the Directors in the case of the Audit Committee or are available to any Director on request in the case of the other two Committees.

Each of these Committees has provided a report in the sections following.

REPORT OF THE AUDIT COMMITTEE

Membership

V Sheridan	Former Committee Chairman, and Independent non-executive Director, retired from Committee on 29 April 2014
J Bryan	Independent non-executive Director, retired from Committee on 24 February 2014
E Daly	Independent non-executive Director, appointed to Committee on 10 December 2014
S Dorgan	Independent non-executive Director, appointed Committee Chairman on 29 April 2014
E Downey	Independent non-executive Director, appointed to Committee on 29 April 2014
D Mulvihill	Independent non-executive Director, retired from Committee on 14 January 2015

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.

The Board has resolved that each of Mr. Sheridan, Ms. Daly, Mr. Dorgan and Mr. Mulvihill have or had recent and relevant financial experience.

Objective of Committee

To assist the Board of the Company 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.

Key responsibilities delegated to the Committee

- 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.

Meetings

The Committee met on three occasions during 2014. Meetings are attended by Committee members and, on occasion, by invitation, the Finance Director and the Head of Group Internal Audit. The statutory auditor, Deloitte & Touche, is also invited to attend all scheduled meetings of the Committee. The Committee regularly meets separately with the statutory auditor and with the Head of Group Internal Audit, without members of management present.

The minutes of Committee meetings are circulated routinely to the Board. The Committee chairman also provides a verbal report to the Board after each Committee meeting. The Committee reports formally to the Board annually on the overall work undertaken and the degree to which it discharged the responsibilities delegated to it.

Activities of the Committee during 2014

During the year the following were the main activities undertaken:

- assessment of financial and other risks facing the Group and of the operation of internal controls;

- review of all aspects of the relationship with the external auditors, including the statutory audit plan, audit findings and recommendations and consideration of the independence of the external auditors and the arrangements in place to safeguard this, including partner rotation, prohibition on share ownership and levels of fees payable to the statutory auditor for non-audit assignments;
- consideration of issues of financial reporting, particularly those involving substantial judgment and the risk of material misstatement including claims estimates and provisions;
- review of drafts of Annual Report and Half Yearly Report prior to their consideration by the Board;
- review of correspondence between the Company and IAASA, the Irish financial reporting regulator, in relation to the Annual Report;
- appraisal of the Internal Audit function, plan, work, report and issues arising and monitoring the scope and effectiveness of the function;
- assessment of compliance with laws, regulations, codes and financial reporting requirements; and
- reporting to the Board on its activities and confirming the degree to which the Committee's delegated responsibilities had been discharged through verbal reports to the Board after each meeting and a formal written report presented annually.

Having put the provision of audit services out to competitive tender in 2010 for an initial three year period, the Committee recommended during 2013 to extend the assignment period up to and including the audit of the Financial Statements for 2014. The Board was satisfied that the Group was obtaining value for the level of fees agreed.

The Committee retains direct oversight over the activities of the audit committee of the Group's principal subsidiary, FBD Insurance plc, and routinely receives the minutes of that committee's meetings once they are approved.

Evaluation

The Committee's activities formed part of the Board's evaluation process which found the Committee to be operating effectively.

Sean Dorgan
On behalf of the Audit Committee

27 February 2015

REPORT OF THE NOMINATION COMMITTEE

Membership

M Berkery	Committee Chairman, non-executive Director, Board chairman
B Horan	Independent non-executive Director
A Langford	Group Chief Executive, retired from Committee on 27 February 2015
D Mulvihill	Independent non-executive Director, retired from Committee on 14 January 2015
J Thijs	Independent non-executive Director, retired from Committee on 11 February 2014

Objective of Committee

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.

Key responsibilities delegated to the Committee:

- reviewing the structure, size and composition of the Board and making recommendations to the Board for any 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.

Meetings

The Committee met four times during 2014 to consider potential candidates for appointment to the Board to fulfil vacancies which arose during the year and to oversee the detailed succession planning process undertaken in the Group's principal subsidiary, FBD Insurance plc.

The composition of the Committee at the end of 2014 did not fully meet the requirements of the Code as a majority of Committee members were not Directors considered to be independent. This was remedied by the Board on 27 February 2015 with the appointment of Mr. Eddie Downey as a Committee member coinciding with Mr. Andrew Langford's retirement from the Committee.

Michael Berkery
On behalf of the Nomination Committee

27 February 2015

REPORT OF THE REMUNERATION COMMITTEE

Membership

S Dorgan	Committee Chairman, independent non-executive Director
M Berkery	Non-executive Director, Board chairman, retired from Committee on 27 February 2015
E Daly	Independent non-executive Director, appointed to the Committee on 10 December 2014
B Horan	Independent non-executive Director
V Sheridan	Independent non-executive Director, retired from Committee on 29 April 2014

Objective of Committee

To assist the Board of the Company 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 Company in a manner which is fair and in line with market norms, while not exposing the Company to unnecessary levels of risk.

Key responsibilities delegated to the Committee

- determining the broad policy for the remuneration of the Company'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 Company 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 Report on Directors' Remuneration.

Meetings

The Group Chief Executive may attend meetings of the Committee but only by invitation and not at a time when his individual remuneration arrangements are discussed. The Committee met three times during 2014.

Activities of the Committee during 2014

The principal activities undertaken by the Committee during 2014 include:

- annual review of remuneration arrangements for executive Directors and other senior executives, including bonuses paid for performance in 2013 and the conditions attaching to the 2014 bonus plan;
- review and approval of the Report on Directors' Remuneration for 2013;
- making of a conditional award of shares under the FBD Performance Share Plan and setting the conditions attached; and
- testing degree of achievement of conditions attached to the 2011 conditional award of shares under the FBD Performance Share Plan.

The executive Directors and senior executives of the Group have been on a pay freeze since 2008 and the Committee, through myself, was kept informed on the pay philosophy and plans for the reintroduction of salary increases in the Company when justified by market conditions and Company performance. As noted in the Report on Directors' remuneration, no increases have been awarded to Executive Directors effectively since 2008.

Full details of Directors' Remuneration are set out on pages 31 to 39.

Sean Dorgan
On behalf of the Remuneration Committee

27 February 2015

SHAREHOLDER ENGAGEMENT

The Board is committed to ensuring that excellent lines of communication exist and are fostered between the Group and its shareholders.

A planned programme of investor relations activities is undertaken throughout the year which includes:

- briefing meetings with all major shareholders after the full year and half yearly results announcements;
- regular meetings between institutional investors and analysts with the Group Chief Executive, Group Finance Director and/or Head of Investor Relations to discuss business performance and strategy and to address any issues of concern; and
- responding to letters and queries received directly from shareholders and from proxy adviser firms.

The Board receives a regular report from the Head of Investor Relations which includes details of all meetings held, feedback received and issues either of interest or of concern raised.

ANNUAL GENERAL MEETING

The Company's Annual General Meeting is held each year in Dublin. The 2015 meeting will be held on 14 May.

Who attends?

- All of the Directors;
- Senior Group executives;
- Shareholders; and
- Advisers and media.

What business takes place at the meeting?

- the Group Chief Executive makes a presentation on the results and performance to the meeting prior to the Chairman dealing with the formal business of the meeting itself;
- all shareholders present, either in person or by proxy can question the Chairman, the Committee chairmen and the rest of the Board during the meeting and afterwards; and
- the Chairman then deals with the formal business of the meeting.

All shareholders are encouraged to ask questions and to raise any issues at the meeting.

When this part of the meeting has concluded, all formal resolutions are dealt with on a show of hands. Once the vote is declared by the Chairman, the votes lodged with the Company in advance of the meeting are displayed prominently in the venue for those present to see. Immediately after the meeting is concluded the results are published on the Group's website www.fbdgroup.com and also via the Irish and London Stock Exchanges.

The notice of the Annual General Meeting is issued to shareholders at least 20 working days in advance of the meeting.

INTERNAL CONTROL

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

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

The key risk management and internal control procedures include:

- skilled and experienced management and staff;
- an organisation structure with clearly defined lines of responsibility and authority;
- a comprehensive system of financial control incorporating budgeting, periodic financial reporting and variance analysis;
- a Risk Committee of the Board of FBD Insurance plc, the Group's principal subsidiary, and a Risk Management Framework comprising a risk function headed by a Chief Risk Officer, a clearly stated risk appetite and risk strategy supported by approved risk management policies and processes in the areas of underwriting, reinsurance, claims reserving, investment and treasury;

- a Solvency II and Risk Steering Committee in FBD Insurance plc comprising senior management whose main role is to oversee the implementation of the three pillars of the Solvency II Risk Management Framework throughout FBD Insurance plc and to assist the Risk Committee, described earlier, in the discharge of its duties between meetings;
- an Internal Audit function; and
- an Audit Committee whose formal terms of reference include responsibility for assessing the significant risks facing the Group in the achievement of its objectives and the controls in place to mitigate those risks.

The Annual Budget, Half-Yearly Report and Annual Report are reviewed and approved by the Board. Financial results with comparisons against budget are reported to executive Directors on a monthly basis and are reported to the Board at each Board meeting.

The risk management, internal control, reporting and forecasting processes are important to the Board in the exercise of its Governance and oversight role. It constantly strives to further improve their quality.

The Group has a "Speak Up" Policy for employees the purpose of which is to reassure employees that it is safe and acceptable to raise any concern that they may have about malpractice and to enable them to raise such concerns safely and properly. This policy is reviewed by the Audit Committee annually and circulated thereafter to all Group employees.

The Board has reviewed the effectiveness of the Group's system of internal control. This review took account of the principal risks facing the Group, the controls in place to manage those risks and the procedures in place to monitor them. The Board is satisfied that the controls and procedures in place were effective throughout the period covered by this Report and up to the date of its approval.

GOING CONCERN

Following a review of the Group's budget for the next financial year and its forecast for 2016, both of which take account of reasonably foreseeable changes in trading performance, the Board is satisfied that at the time of the approval of the Financial Statements it is appropriate to adopt the going concern basis in their preparation.

Report on Directors’ Remuneration

LETTER FROM THE REMUNERATION COMMITTEE

Dear Shareholder,

On behalf of the Remuneration Committee and the Board, I am pleased to set out in the section following, the details of the Directors’ Remuneration for the year ended 31 December 2014.

Executive Director Salary Levels

In light of the challenging economic and operating environment which faced the Group in 2014 which has continued into 2015, the pay restraint for executive Directors has continued. There were no increases awarded to executive Directors whose salary levels remain below those pertaining at the beginning of 2008.

Paying for Performance

There has always been a clear link between the performance of the Group and the remuneration of senior Executives. This reality was never clearer than now, with the arrangements for salaries and Annual Performance Bonuses, as described later in the Report, fully reflecting the challenges which faced the Group during the year.

External Advice

The Group participates in an independent executive reward survey which is published by Towers Watson, the results of which are considered by the Committee and help to shape the Committee’s views on market trends, the Group’s relative positioning and any developments emerging in remuneration policy. The Committee has access to independent professional advisers should it deem appropriate. No such advisers were consulted during 2014.

Share Ownership

The Committee approved a share ownership policy in 2010 for executive Directors, the Company Secretary and other senior Executives. This policy is intended to align the interests of senior executives with those of shareholders by encouraging Executives to build up a shareholding in the Group which is material to their income and net worth. During 2014, the Group Chief Executive, Group Finance Director and the Company Secretary were issued with shares which vested under the FBD Performance Share Plan and retained all of the shares allotted other than those necessary to fund the income tax liability due.

At 31 December 2014, senior Executives owned 180,000 shares with a value of €2.1 million (2013: 128,000 shares with a value of €2.2 million).

Shareholder Dialogue and Support

The Board and the Remuneration Committee listen very carefully to the views of our shareholders. The Remuneration Report for this year has been carefully compiled mindful of any suggestions for change to the Report received from shareholders during 2014.

Despite the fact that there is no strict obligation to do so under Irish law, the Board, on the recommendation of this Committee, has tabled the Report on Directors’ Remuneration at the Annual General Meeting each year since 2010 for an advisory vote. At the 2014 AGM, this report received 99.9% support compared to 100% in 2013. The Committee requests shareholders to consider and approve the Report on Directors’ Remuneration set out on the pages following at the 2015 AGM.

Sean Dorgan
Chairman of the Remuneration Committee

27 February 2015

ROLE OF REMUNERATION COMMITTEE

Responsibility for determining the levels of remuneration of the executive Directors, the Company Secretary and senior Group Executives has been delegated by the Board to the Remuneration Committee whose membership is set out in the Corporate Governance Report on page 28.

Policy

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

It is also the policy of the Group to provide a remuneration framework which will attract, reward, motivate and retain Executives of the highest calibre who can bring experience to the strategic decisions and the management of FBD and will perform in the long term interests of the Group and its shareholders.

The following table sets out the key elements of pay policy for executive Directors and senior Executives, their purpose and how they link to strategy.

Element and link to strategy	Policy and operation	Changes to policy
Base Salary		
To help recruit and retain senior Executives	Base salaries are reviewed annually with effect from 1 April taking the following factors into account: • The individual's role and experience • Company performance • Personal performance • Market practice and benchmarking	No change to policy.
Benefits		
To provide market competitive benefits	Benefits provided take the form of a motor allowance and a fixed percentage contribution to health insurance costs.	No change to policy.

Element and link to strategy	Policy and operation	Changes to policy
Pension Provision		
To provide market competitive benefits and reward performance over a long period	The Group closed its defined benefit pension scheme to new members from September 2005. At 31 December 2014 there were 396 active members of this scheme of which a small number comprised senior Group Executives. Neither of the executive Directors in office during 2014 are active members of this scheme. Mr. Langford receives a taxable cash allowance in lieu of pension benefits foregone having withdrawn from the defined benefit pension scheme in 2010. Mr. O'Caoimh and other senior Executives who are not members of the defined benefit scheme participate in a defined contribution pension scheme.	No change to policy.
Annual Performance Bonuses		
To reward achievement of targets, personal performance and contribution	The performance measures for Annual Performance Bonuses for the executive Directors and other senior Executives are based on attainment of the profitability targets of combined operating ratio and return on equity and also for targets for premium income growth. The maximum bonus potential, as a percentage of base salary for the executive Directors for 2014, is as follows: **Director** **%** Andrew Langford 70 Cathal O'Caoimh 45 90% of Mr. Langford's maximum bonus potential, and 100% of Mr. O'Caoimh's, is contingent on attainment of the targets described above for FBD Insurance plc. 10% of Mr. Langford's bonus potential is contingent on achievement of budgeted earnings contribution for certain of the Group's other operations. More detail on the operation of the Annual Performance Bonus arrangements appear later in this Report.	There have been no changes to either the policy or the operation of annual performance bonuses.

Element and link to strategy	Policy and operation	Changes to policy
Longer Term Incentives – the FBD Performance Share Plan ("LTIP")		
To align the interests of executive Directors and senior Executives with those of shareholders	The FBD Performance Share Plan ("LTIP") was approved by shareholders in 2007. Under the LTIP, the Remuneration Committee may, at its sole discretion, make conditional awards of shares to executive Directors and senior management. Conditional awards of shares under the LTIP are limited to 10% of the Company's issued ordinary shares of €0.60 each over a 10 year period. The market value of the shares which are the subject of a conditional award to an individual may not, in any financial year, normally exceed 100% of the participant's base salary as at the date of grant. The period over which the performance conditions applying to a conditional award under the LTIP are measured may not be less than three years. The extent to which a conditional award may vest in the future will be determined by the Remuneration Committee by reference to the performance conditions set out below. These conditions were designed so as to ensure absolute alignment between the interests of the plan participants and those of shareholders. Different conditions, or the same conditions in differing proportions, can be used by the Remuneration Committee for future awards under the LTIP rules, provided that they remain challenging and are aligned with the interests of the Company's shareholders.	No change to policy

No changes are permitted to the conditions attaching to a particular award once they are set by the Remuneration Committee. The Performance Conditions attaching to the two most recent awards of shares under the LTIP are as follows:

a) TSR performance condition

Up to 40% of the shares subject to an award may vest depending on the Group's Total Shareholder Return ("TSR") over the performance period commencing on 1 January in the year the award is made compared to the TSR of a designated peer group. This peer group comprises the constituent companies of the Irish Stock Exchange ISEQ Overall Index excluding companies in the technology, pharmaceutical and exploration sectors. The extent to which an award vests will be determined according to the following table:

	Proportion of Award Vesting	
Company's TSR Ranking	**2014 Grant**	**2013 Grant**
Below median	0%	0%
Median (50th percentile)	20%	20%
Between median and 75th percentile	Straight line between 20% and 40%	Straight line between 20% and 40%
75th percentile or higher	40%	40%

b) Market share condition

Up to 20% (2013 Grant: 30%) of the shares subject to an award may vest according to the share of the Irish non-life insurance market held by FBD Insurance plc in the Financial Year 2016 (2013 Grant: 2015). The extent to which an award vests will be determined according to the following table:

	Proportion of Award Vesting	
FBD Insurance plc's share of the Irish non-life insurance market	**2014 Grant**	**2013 Grant**
Less than 13.5% (2013: 12.5%)	0%	0%
13.5% (2013: 12.5%)	10%	15%
Between 13.5% and 15.0% (2013: 12.5% and 14.2%)	Straight line between 10% and 20%	Straight line between 15% and 30%
15.0% or higher (2013: 14.2% or higher)	20%	30%

c) Combined ratio performance condition

Up to 40% (2013 Grant: 30%) of the shares subject to an award may vest depending on the combined ratio performance of FBD Insurance plc over the performance period (of three financial years) in comparison to the median combined ratio of other European non-life insurance companies. The extent to which an award vests will be determined according to the following table:

	Proportion of Award Vesting	
FBD Insurance plc's Combined Ratio in comparison with median company	**2014 Grant**	**2013 Grant**
Greater than median company	0%	0%
Equal to median company	20%	15%
Between median company and 4 percentage points below median company	Straight line between 20% and 40%	Straight line between 15% and 30%
4 or more percentage points below the median company	40%	30%

During the year the Remuneration Committee considered the performance conditions attaching to the LTIP award made in 2011 and concluded that all of the performance conditions over the performance period 2011, 2012 and 2013 had been met in full and accordingly 100% of the award vested.

Condition	Result FBD	Benchmark for full vesting	Result of benchmark	Proportion of overall award	Amount vesting
TSR	180.4%	75th percentile or higher	118.86%	40%	All
EPS Growth	8.662% p.a.	5.5 percentage points above CPI	CPI was 1.292% p.a.	40%	All
Combined Ratio	91.5%	4 percentage points below median company	Median 99.8%	20%	All

Details of the conditional share awards made under the LTIP in 2011, 2013 and 2014 to the executive Directors, and the Company Secretary, are given in the table below. The number of shares is the maximum possible number which could vest for the individual concerned if *all* of the performance conditions previously described are met.

DIRECTORS' AND COMPANY SECRETARY'S CONDITIONAL LTIP AWARDS

	At 1 January 2014	Granted during year	Vested during year	Lapsed during year	At 31 Dec 2014	Performance Period	Earliest vesting date	Market price on award €
Executive Directors								
Andrew Langford	35,267	-	35,267	-	-	01.01.11 – 31.12.13	Mar 2014	6.20
	23,150	-	-	-	23,150	01.01.13 – 31.12.15	Mar 2016	12.70
	-	21,000	-	-	21,000	01.01.14 – 31.12.16	Mar 2017	17.00
Cathal O'Caoimh	27,786	-	27,786	-	-	01.01.11 – 31.12.13	Mar 2014	6.20
	14,331	-	-	-	14,331	01.01.13 – 31.12.15	Mar 2016	12.70
	-	10,706	-	-	10,706	01.01.14 – 31.12.16	Mar 2017	17.00
Company Secretary								
Conor Gouldson	9,343	-	9,343	-	-	01.01.11 – 31.12.13	Mar 2014	6.20
	4,819	-	-	-	4,819	01.01.13 – 31.12.15	Mar 2016	12.70
	-	4,500	-	-	4,500	01.01.14 – 31.12.16	Mar 2017	17.00

The total number of shares subject to conditional awards outstanding under the LTIP amounts to 249,571, being 0.7% of the Company's ordinary share capital (excluding treasury shares) at 31 December 2014 (2013: 393,017 shares and 1.2% of ordinary share capital).

The aggregate limit over the number of shares over which conditional awards are permitted under the Scheme Rules is 10% of the Company's issued ordinary share capital. Since the establishment of the Scheme in 2007, there have been four conditional awards made over an aggregate of 596,899 shares or 1.72% of the Company's ordinary share capital (excluding treasury shares).

SHARE OWNERSHIP POLICY

The Group incentivises its executive Directors and senior Executives with equity based awards under the Group's shareholder approved share schemes. Central to the philosophy underlying awards under these schemes is the goal of aligning the economic interests of those individuals with those of shareholders. Executive Directors and senior Executives are expected to maintain a significant long-term equity interest in the Company. The requirement, which is set out in the policy document which was approved by the Remuneration Committee on 23 December 2010, is to build and retain a shareholding with a valuation relative to base salary, at a minimum, as noted hereunder. Until such time as this requirement has been met, those to whom the Policy applies are precluded from disposing of any shares issued to them under the Group's share schemes.

Executive	Share ownership requirement
Group Chief Executive	2 times annual salary
Other executive Directors	1.5 times annual salary
Other senior Executives	1 times annual salary

NON-EXECUTIVE DIRECTOR REMUNERATION

The remuneration of the non-executive Directors is determined by the Board, and reflects the time commitment and responsibilities of their role. In setting the level of this remuneration, the Board has full regard to the fees payable to the non-executive Directors of the other Irish publicly listed companies and also to the developments and policy for the remuneration of the management and staff in the wider Group.

The basic non-executive Director fee amounted to €39,600 per annum in 2014 (2013: €39,600) and remains below the level pertaining at the beginning of 2008.

The Chairman, Mr. Michael Berkery received fees of €126,225 during the year (2013: €126,225) inclusive of the basic non-executive Director fee. The Senior Independent Director, Mr. Vincent Sheridan, retired from the Board during the year following nine years as an independent non-executive Director. He had also held the roles of Chairman of the Group Audit Committee and Chairman of FBD Insurance plc. For each of these roles he received additional remuneration. In total, therefore, his remuneration for the period to his retirement from the Board amounted to €38,000 (2013: €104,000) including the basic non-executive Director fee. Mr. Sean Dorgan was appointed as Senior Independent Director, as Chairman of the Audit Committee and, later in 2014, he took on the role of Chairman of FBD Insurance plc following receipt of the approval of the Central Bank of Ireland. The total remuneration paid to Mr. Dorgan for these roles for that period of the year amounted to €79,000 inclusive of the basic non-executive Director fee.

Non-executive Directors are not members of the Group's pension schemes and are not eligible for participation in the Group's long-term incentive scheme or any share option schemes.

SERVICE CONTRACTS

The service contracts for the executive Directors provide for the following periods of notice of termination of employment:

	From Company	From Director
Andrew Langford	6 months	6 months
Cathal O'Caoimh	3 months	3 months

EXTERNAL APPOINTMENTS HELD BY THE EXECUTIVE DIRECTORS

In recognition of the benefits to both the Group and to our executive Directors of serving as non-executive Directors of other companies, our executive Directors are, subject to advance agreement in each case, permitted to take on an external non-executive appointment and to retain any related fees paid to them. On 23 April 2014, Mr. Andrew Langford was appointed as a non-executive Director of KBC Insurance N.V. Over the remainder of 2014 he earned fees amounting to €67,500.

DETERMINATION OF ANNUAL PERFORMANCE BONUS FOR THE YEAR ENDED 31 DECEMBER 2014

As previously noted, the overall Annual Performance Bonus arrangements, the targets and their achievement are approved by the Remuneration Committee each year.

In the case of Mr. Langford, the Group Chief Executive, 90% of his Annual Performance Bonus, calculated as a maximum of 70% of salary, is determined by the attainment of financial targets for FBD Insurance plc and 10% is dependent on the attainment of targets for other Group activities. In the case of Mr. O'Caoimh, the Group Finance Director, 100% of his Annual Performance Bonus, calculated as a maximum of 45% of salary, is contingent on the attainment by FBD Insurance plc of the same financial targets. These targets, and the degree to which achieved in 2014, are summarised below:

Component – FBD Insurance plc	Proportion of Bonus available	Achieved	Awarded
Normalised Combined Operating Ratio	30%	No	0%
Gross Written Premium	50%	Partly	20% (of the 50%)
Return on Equity	20%	No	0%
Total Awarded			**20%**

In the case of Mr. Langford's target for other Group activities, the following applies:

Component – Other Group Activities	Proportion of Bonus available	Achieved	Awarded
Operating Profit	10%	Partly	**4%**

Once the foregoing calculations have been completed, the Remuneration Committee overlays a modifier based on the achievement of certain other agreed business objectives personal to the individual in such areas as customer satisfaction, employee engagement and strategy implementation. While bonuses of €28,000 to Mr. Langford and €10,000 to Mr. O'Caoimh were *earned* under the terms of these arrangements, the Committee and the Executives agreed that no bonuses be paid to them in light of the overall performance of the Group in 2014.

EXECUTIVE AND NON-EXECUTIVE DIRECTORS' REMUNERATION DETAILS

The following table sets out in detail the remuneration payable by the Group in respect of any Director who held office for any part of the financial year:

	Fees[1] €000s	Salary[2] €000s	Performance Bonus[3] €000s	Benefits[4] €000s	Pension Contribution[5] €000s	2014 Total €000s
Executive Directors:						
Andrew Langford[3]	-	420	-	34	84	538
Cathal O'Caoimh[3]	-	260	-	27	49	336
Non-executive Directors:						
Michael Berkery (Chairman)	126	-	-	-	-	126
John Bryan	7	-	-	-	-	7
Emer Daly	7	-	-	-	-	7
Sean Dorgan	79	-	-	-	-	79
Eddie Downey	30	-	-	-	-	30
Brid Horan	40	-	-	-	-	40
Dermot Mulvihill	40	-	-	-	-	40
Vincent Sheridan	38	-	-	-	-	38
Johan Thijs	7	-	-	-	-	7
Padraig Walshe	40	-	-	-	-	40
	414	680	-	61	133	1,288

The following table sets out the detail for the previous financial year:

	Fees[1] €000s	Salary[2] €000s	Performance Bonus[3] €000s	Benefits[4] €000s	Pension Contribution[5] €000s	2013 Total €000s
Executive Directors:						
Andrew Langford[3]	-	420	135	34	84	673
Cathal O'Caoimh[3]	-	260	100	26	49	435
Non-executive Directors:						
Michael Berkery (Chairman)	126	-	-	-	-	126
John Bryan	40	-	-	-	-	40
Sean Dorgan	40	-	-	-	-	40
Brid Horan	40	-	-	-	-	40
Dermot Mulvihill	40	-	-	-	-	40
Vincent Sheridan	104	-	-	-	-	104
Johan Thijs	40	-	-	-	-	40
Padraig Walshe	40	-	-	-	-	40
	470	680	235	60	133	1,578

Notes

1 Fees are payable to the non-executive Directors only.

2 Salaries are paid to executive Directors only.

3 While bonuses of €28,000 to Mr. Langford and €10,000 to Mr. O'Caoimh were *earned* under the terms of these arrangements, the Committee and the Executives agreed that no bonuses be paid to them in light of the overall performance of the Group in 2014. The bonus for Mr. Langford for 2013 is shown net of a voluntary waiver by him of €65,000 of the bonus awarded to him by the Remuneration Committee, which was properly calculated in accordance with the Annual Performance Bonus arrangements described earlier.

4 Benefits relate principally to motor allowance and health insurance subsidy.

5 Pension contributions relate to contributions either to a defined contribution pension scheme or payments to the Director concerned on a defined contribution basis in lieu of continued accrual in the Group's defined benefit pension plan.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under such law, the Directors have prepared the Company and Group Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU ("IFRSs") and in accordance with the provisions of the Companies Acts, 1963 to 2013.

The Company and Group Financial Statements are required by law and IFRSs to present fairly the financial position and performance of the Company and the Group. The Companies Acts, 1963 to 2013 provide in relation to such Financial Statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Company and Group Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Financial Statements comply with applicable IFRSs as adopted by the EU; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements are free from material misstatement or error and comply with the Companies Acts, 1963 to 2013. The Directors are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The Directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007 (as amended by the Transparency (Directive 2004/109/EC) (Amendment) Regulations, 2012) to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

Under applicable law and the requirements of the Listing Rules issued by the Irish Stock Exchange, the Directors are also responsible for preparing a Directors' Report and reports relating to Directors' remuneration and corporate governance that comply with that law and those Rules. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that, to the best of their knowledge and belief:

- the Financial Statements, prepared in accordance with IFRSs, give a true and fair view of the assets, liabilities and financial position for the Group as at 31 December 2014 and of the result for the year then ended;
- the Report of the Directors, the Chairman's Statement and the Review of Operations include a fair review of the development and performance of the Group's business and the state of affairs of the Group at 31 December 2014, together with a description of the principal risks and uncertainties facing the Group; and
- the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to access the performance, strategy and business model of the Company.

On behalf of the Board

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

27 February 2015

Independent Auditor's Report

To the members of FBD Holdings plc

Opinion on financial statements

In our opinion:

- the Group Financial Statements give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, of the state of the Group's affairs as at 31 December 2014 and of its loss for the year then ended;
- the Parent Company financial statements give a true and fair view in accordance with IFRSs, as adopted by the European Union, as applied in accordance with the provisions of the Companies Acts, 1963 to 2013 and of the state of the Parent Company's affairs as at 31 December 2014; and
- the financial statements have been prepared in accordance with the Companies Acts, 1963 to 2013 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

The financial statements comprise the Group Financial Statements: (Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Pro-forma Reconciliation of Consolidated Operating Result to Result after Taxation, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity) and the Parent Company Financial Statements: (Company Statement of Financial Position, Company Statement of Cash Flows, Company Statement of Changes in Equity) and the related notes 1 to 39. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company financial statements, in accordance with the provisions of the Companies Acts, 1963 to 2013.

Going concern

As required by the Listing Rules we have reviewed the Directors' Statement contained within the Report of the Directors on page 20 that the Group is a going concern. We confirm that:

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk of material misstatement	How the scope of our audit responded to the risk
Claims outstanding & reinsurance claims outstanding *This risk related to the estimation of the liability for claims outstanding under insurance contracts written. The Group has significant claims outstanding totalling €639m, with a related reinsurance asset of €41m. The valuation of claims outstanding is the key judgmental area in our audit given the level of subjectivity inherent in estimating the impact of claims events that have occurred but for which the ultimate outcome remains uncertain.*	*We examined the process used by management to estimate the liabilities for claims outstanding and the related reinsurance asset. Our procedures included understanding and testing the operating effectiveness of controls in the reserving process, including controls over the completeness and accuracy of the claim estimates recorded. We performed substantive tests on the amounts recorded for a sample of claims notified.* *We considered the appropriateness of actuarial techniques used by management in estimating the liability and related asset. We evaluated the completeness and accuracy of data, the key assumptions used and the results of liability adequacy tests.*
Revenue recognition *This risk related to the recognition of premium revenue and the deferral of unearned premium. The Group earned net premium income of €303m.*	*Our procedures included an assessment of the design of controls over premium recording and collection, and testing their operating effectiveness. We carried out tests of details on a statistical sample of policies and also used analytical procedures to assess the completeness of premium income. In addition we tested the calculation of unearned premium and considered the adequacy of the provision for unearned premium.*
Joint Venture *This risk related to the carrying value of the investment in joint venture totalling €47m which is accounted for under the equity method. The carrying value of the joint venture is underpinned by the valuation of the hotel and leisure assets which is subjective.*	*We evaluated the evidence supporting management's conclusions on the value of the joint venture asset. We reviewed the component auditor's assessment of judgements made in the valuation of hotel and leisure assets.*
IT Systems and Controls *This risk related to the dependency of the financial reporting process on the IT systems that support large volumes of transactions and data, and the related IT controls designed to address incomplete or inaccurate financial information.*	*We assessed the general IT control environment, including the design and execution of change controls and system access, for systems supporting the processing of financial transactions. We also tested the IT operation controls over specific applications.*

Our audit procedures relating to these matters were designed in the context of our audit of the Financial Statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the Financial Statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person relying on the financial statements, would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined planning materiality for the Group to be €4 million, which is below 2% of consolidated Shareholder equity and below 1% of Revenue.

We agreed with the Audit Committee that we would report to the Committee any audit differences in excess of €200,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work in three components comprising of two subsidiaries and the Joint Venture. These three components comprise the principal business units of the Group and account for the majority of the Group's revenue and total assets. These components were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. The remaining non-significant components were subject to review procedures to confirm there were no significant risks of material misstatement in the Group Financial Statements. Our audit work on all components, both significant and non-significant, was executed at levels of materiality applicable to each individual entity which were lower than Group materiality.

Matters on which we are required to report by the Companies Acts 1963 to 2013

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit;
- In our opinion proper books of account have been kept by the parent Company;
- The Parent Company Statement of Financial Position is in agreement with the books of account;
- In our opinion the information given in the Report of the Directors is consistent with the financial statements and the description in the Corporate Governance Statement of the main features of the internal control and risk management systems in relation to the process for preparing the Group financial statements is consistent with the Group Financial Statements; and
- The net assets of the parent Company, as stated in the parent Company statement of financial position are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 December 2014 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the parent Company.

Matters on which we are required to report by exception

Directors' remuneration and transactions

Under the Listing Rules we are required to review the six specified elements of disclosures in the report to shareholders by the Board on directors' remuneration. Under the Companies Acts, 1963 to 2013 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made. We have nothing to report arising from our review of these matters.

Corporate Governance Statement

Under the Listing Rules of the Irish Stock Exchange we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code and the two provisions of the Irish Corporate Governance Annex specified for our review. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Financial Statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the Company's members, as a body, in accordance with section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Brian O'Callaghan
For and on behalf of Deloitte & Touche
Chartered Accountants and Statutory Audit Firm
Dublin

27 February 2015

Consolidated Income Statement

For the year ended 31 December 2014

	Notes	2014 €000s	2013 €000s
Revenue	*4(a)*	**406,263**	396,290
Income			
Gross premium written	*4(c)*	**363,735**	351,195
Reinsurance premiums	*4(c)*	**(52,312)**	(49,109)
Net premium written	*4(c)*	**311,423**	302,086
Change in provision for unearned premiums	*4(c)*	**(7,979)**	(5,699)
Net premium earned	*4(c)*	**303,444**	296,387
Net investment return	*5(a)*	**26,068**	29,359
Financial services income	*4(a)*	**15,380**	15,289
Total income		**344,892**	341,035
Expenses			
Net claims and benefits	*4(c)*	**(260,870)**	(201,222)
Other underwriting expenses	*4(c)*	**(81,786)**	(77,565)
Financial services expenses	*4(e)*	**(10,173)**	(8,893)
Revaluation of property, plant and equipment	*14*	**1,480**	(1,121)
Restructuring and other costs	*6*	**-**	(2,050)
Share of results of joint venture	*7(b)*	**1,930**	1,271
Result before taxation	*8*	**(4,527)**	51,455
Income taxation credit/(charge)	*11*	**1,203**	(6,563)
Result for the year		**(3,324)**	44,892
Attributable to:			
Equity holders of the parent		**(3,419)**	44,786
Non-controlling interests	*27*	**95**	106
		(3,324)	44,892

(Loss)/earnings per share		2014 Cent	2013 Cent
Basic	*13*	**(11)**	132
Diluted	*13*	**(11)**	131

The accompanying notes form an integral part of the Financial Statements.
The above results derive from continuing operations.
The Financial Statements were approved by the Board and authorised for issue on 27 February 2015.

They were signed on its behalf by:

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 €000s	2013 €000s
Result for the year		**(3,324)**	44,892
Items that will or may be reclassified to profit or loss in subsequent periods:			
Net gain/(loss) on available for sale financial assets during the year		**1,028**	(654)
Taxation charge relating to items that will or may be reclassified to profit or loss in subsequent periods		**(257)**	-
Items that will not be reclassified to profit or loss in subsequent periods:			
Actuarial (loss)/gain on retirement benefit obligations	*29(d)*	**(25,058)**	2,851
Taxation credit/(charge) relating to items not to be reclassified in subsequent periods	*29(d)*	**3,214**	(278)
Other comprehensive (expense)/income after taxation		**(21,073)**	1,919
Total comprehensive (expense)/income for the year		**(24,397)**	46,811
Attributable to:			
Equity holders of the parent		**(24,492)**	46,705
Non-controlling interests	*27*	**95**	106
		(24,397)	46,811

The accompanying notes form an integral part of the Financial Statements.

The above results derive from continuing operations.

The Financial Statements were approved by the Board and authorised for issue on 27 February 2015.

They were signed on its behalf by:

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

Pro-Forma Reconciliation of Consolidated Operating Result to Result after Taxation For the year ended 31 December 2014

	Notes	**2014 €000s**	**2013 €000s**
Operating result			
Underwriting	*4(a)*	**(9,972)**	46,277
Financial services	*4(a)*	**5,207**	6,396
Operating result before taxation		**(4,765)**	52,673
Investment return – fluctuations	*5(c)*	**(3,172)**	682
Revaluation of property, plant and equipment	*14*	**1,480**	(1,121)
Restructuring and other costs	*6*	**-**	(2,050)
Share of results of joint venture	*7(b)*	**1,930**	1,271
Result before taxation		**(4,527)**	51,455
Income taxation credit/(charge)	*11*	**1,203**	(6,563)
Result for the year		**(3,324)**	44,892

		Cent	**Cent**
Operating (loss)/earnings per share	*13*	**(13)**	136
Diluted (loss)/earnings per share	*13*	**(11)**	131

Refer to page 55, *Summary of Significant Accounting Policies – Basis of Preparation*, for additional information on this pro-forma statement, which is supplementary to the primary statements required under International Financial Reporting Standards.

The above results derive from continuing operations.
The accompanying notes form an integral part of the Financial Statements.

Consolidated Statement of Financial Position

At 31 December 2014

ASSETS

	Notes	2014 €000s	2013 €000s
Property, plant and equipment	*14*	**62,625**	45,568
Investment property	*15*	**19,959**	11,567
Investment in joint venture	*7(c)*	**47,167**	45,237
Loans	*16*	**971**	1,037
Deferred taxation asset	*17*	**5,572**	3,255
Financial assets			
Investments held to maturity	*18(a)*	-	30,288
Available for sale investments	*18(a)*	**224,977**	141,897
Investments held for trading	*18(a)*	**116,428**	210,231
Deposits with banks	*18(a)*	**494,909**	437,977
		836,314	820,393
Reinsurance assets			
Provision for unearned premiums	*28(e)*	**16,010**	19,720
Claims outstanding	*28(e)*	**41,300**	24,550
		57,310	44,270
Current taxation asset	*19*	**8,742**	4,174
Deferred acquisition costs	*20*	**28,427**	26,429
Other receivables	*21*	**58,951**	68,284
Cash and cash equivalents	*22*	**26,190**	21,586
Total assets		**1,152,228**	1,091,800

Consolidated Statement of Financial Position (continued)

At 31 December 2014

EQUITY AND LIABILITIES

	Notes	2014 €000s	2013 €000s
Equity			
Ordinary share capital	*23*	**21,409**	21,409
Capital reserves	*24(a)*	**18,756**	17,812
Retained earnings	*25*	**198,417**	237,993
Shareholders' funds - equity interests		**238,582**	277,214
Preference share capital	*26*	**2,923**	2,923
Equity attributable to equity holders of the parent		**241,505**	280,137
Non-controlling interests	*27*	**483**	463
Total equity		**241,988**	280,600
Liabilities			
Insurance contract liabilities			
Provision for unearned premiums	*28(d)*	**179,650**	175,380
Claims outstanding	*28(c)*	**638,504**	565,611
		818,154	740,991
Retirement benefit obligation	*29(f)*	**54,254**	28,538
Deferred taxation liability	*30*	**691**	691
Payables	*31(a)*	**37,141**	40,980
Total liabilities		**910,240**	811,200
Total equity and liabilities		**1,152,228**	1,091,800

The accompanying notes form an integral part of the Financial Statements.

The Financial Statements were approved by the Board and authorised for issue on 27 February 2015.

They were signed on its behalf by:

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 €000s	2013 €000s
Cash flows from operating activities			
Result before taxation		**(4,527)**	51,455
Adjustments for:			
Profit on disposal of investments held for trading		**(3,709)**	(16,165)
Loss on investments held to maturity		**288**	562
Loss on investments available for sale		**2,284**	4,797
Interest and dividend income		**(13,352)**	(17,265)
Depreciation of property, plant and equipment	*14*	**8,197**	7,675
Share-based payment expense	*36*	**944**	977
Revaluation of investment property	*15*	**(9,261)**	(588)
Revaluation of property, plant and equipment	*14*	**(1,480)**	1,121
Profit on the sale of investment property	*15*	**(324)**	-
Increase in insurance contract liabilities		**64,123**	723
Effect of foreign exchange rate changes on investment property	*15*	**(160)**	(293)
Profit on disposal of property, plant and equipment		**(19)**	-
Joint venture trading result	*7(b)*	**(1,930)**	(1,271)
Operating cash flows before movement in working capital		**41,074**	31,728
Decrease/(increase) in receivables and deferred acquisition costs		**3,900**	(5,738)
(Decrease)/increase in payables		**(3,229)**	1,950
Cash generated from operations		**41,745**	27,940
Interest and dividend income received		**16,795**	16,659
Income taxes paid		**(2,684)**	(4,719)
Net cash from operating activities		**55,856**	39,880
Cash flows from investing activities			
Purchase of investments held for trading		**(45,545)**	(174,962)
Sale of investments held for trading		**143,057**	123,854
Realisation of investments held to maturity	*18*	**30,000**	-
Purchase of available for sale investments		**(129,453)**	(103,554)
Sale of available for sale investments		**45,117**	105,091
Purchase of property, plant and equipment	*14*	**(24,094)**	(18,574)
Sale of property, plant and equipment		**339**	31
Sale of investment property	*15*	**1,353**	-
Decrease in loans and advances	*16*	**65**	59
(Increase)/decrease in deposits invested with banks	*18(a)*	**(56,932)**	35,897
Net cash used in investing activities		**(36,093)**	(32,158)
Cash flows from financing activities			
Ordinary and preference dividends paid	*32*	**(17,505)**	(15,663)
Dividends paid to non-controlling interests	*27*	**(75)**	(120)
Proceeds of re-issue of ordinary shares		**2,421**	3,936
Net cash used in financing activities		**(15,159)**	(11,847)
Net increase/(decrease) in cash and cash equivalents		**4,604**	(4,125)
Cash and cash equivalents at the beginning of the year	*22*	**21,586**	25,711
Cash and cash equivalents at the end of the year	*22*	**26,190**	21,586

The accompanying notes form an integral part of the Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Ordinary share capital	Capital reserves	Retained earnings	Attributable to ordinary shareholders	Preference share capital	Non-controlling interests	Total equity
	€000s	€000s	€000s	€000s	€000s	€000s	€000s
Balance at 1 January 2013	21,409	16,835	203,015	**241,259**	2,923	477	**244,659**
Profit after taxation	-	-	44,786	**44,786**	-	106	**44,892**
Other comprehensive income	-	-	1,919	**1,919**	-	-	**1,919**
	21,409	16,835	249,720	**287,964**	2,923	583	**291,470**
Dividends paid and approved on ordinary and preference shares	-	-	(15,663)	**(15,663)**	-	-	**(15,663)**
Re-issue of ordinary shares	-	-	3,936	**3,936**	-	-	**3,936**
Recognition of share based payments	-	977	-	**977**	-	-	**977**
Dividend paid to non-controlling interests	-	-	-	**-**	-	(120)	**(120)**
Balance at 31 December 2013	**21,409**	**17,812**	**237,993**	**277,214**	**2,923**	**463**	**280,600**
Loss after taxation	-	-	(3,419)	**(3,419)**	-	95	**(3,324)**
Other comprehensive expense	-	-	(21,073)	**(21,073)**	-	-	**(21,073)**
	21,409	17,812	213,501	**252,722**	2,923	558	**256,203**
Dividends paid and approved on ordinary and preference shares	-	-	(17,505)	**(17,505)**	-	-	**(17,505)**
Re-issue of ordinary shares	-	-	2,421	**2,421**	-	-	**2,421**
Recognition of share based payments	-	944	-	**944**	-	-	**944**
Dividend paid to non-controlling interests	-	-	-	**-**	-	(75)	**(75)**
Balance at 31 December 2014	**21,409**	**18,756**	**198,417**	**238,582**	**2,923**	**483**	**241,988**

Company Statement of Financial Position

At 31 December 2014

	Notes	2014 €000s	2013 €000s
ASSETS			
Investments			
Investment in subsidiaries	*33(c)*	**38,975**	39,109
Financial assets		**6,155**	7,586
Deposits with banks		**18,947**	18,536
Investment in joint venture		**46,088**	46,088
		110,165	111,319
Cash and cash equivalents		**117**	83
Corporation taxation		**161**	157
Other receivables		**1,832**	47
Total assets		**112,275**	111,606
EQUITY AND LIABILITIES			
Equity			
Ordinary share capital	*23*	**21,409**	21,409
Capital reserves	*24(b)*	**18,756**	17,812
Reserves		**64,142**	64,565
Shareholders' funds – equity interests		**104,307**	103,786
Preference share capital	*26*	**2,923**	2,923
Equity attributable to equity holders of the parent		**107,230**	106,709
Payables	*31(b)*	**5,045**	4,897
Total equity and liabilities		**112,275**	111,606

The accompanying notes form an integral part of the Financial Statements.

The Financial Statements were approved by the Board and authorised for issue on 27 February 2015.

They were signed on its behalf by:

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

Company Statement of Cash Flows

For the year ended 31 December 2014

	2014 €000s	2013 €000s
Cash flows from operating activities		
Profit before taxation for the year	**14,661**	18,941
Adjustments for		
Decrease in investments	**1,565**	153
Share based payment expense	**944**	977
	17,170	20,071
(Increase)/decrease in receivables	**(1,789)**	1,159
Increase/(decrease) in payables	**148**	(35)
Income taxes paid	**-**	(186)
Net cash from operating activities	**15,529**	21,009
Cash flows from investing activities		
Increase in deposits invested in financial institutions	**(411)**	(9,063)
Net cash used in investing activities	**(411)**	(9,063)
Cash flows from financing activities		
Dividends paid on ordinary and preference shares	**(17,505)**	(15,663)
Proceeds from re-issue of ordinary shares	**2,421**	3,936
Net cash used in financing activities	**(15,084)**	(11,727)
Net increase in cash and cash equivalents	**34**	219
Cash and cash equivalents at the beginning of the year	**83**	(136)
Cash and cash equivalents at the end of the year	**117**	83

Company Statement of Changes In Equity

For the year ended 31 December 2014

	Ordinary share capital	Capital reserves	Share option reserve	Retained earnings	Attributable to ordinary shareholders	Preference share capital	Total equity
	€000s	**€000s**	**€000s**	**€000s**	**€000s**	**€000s**	**€000s**
Balance at 1 January 2013	21,409	11,593	5,242	57,316	**95,560**	2,923	**98,483**
Profit after taxation	-	-	-	18,976	**18,976**	-	**18,976**
Re-issue of ordinary shares	-	-	-	3,936	**3,936**	-	**3,936**
Recognition of share based payments	-	-	977	-	**977**	-	**977**
Ordinary and preference dividends paid and approved	-	-	-	(15,663)	**(15,663)**	-	**(15,663)**
Balance at 31 December 2013	**21,409**	**11,593**	**6,219**	**64,565**	**103,786**	**2,923**	**106,709**
Profit after taxation	-	-	-	14,661	**14,661**	-	**14,661**
Re-issue of ordinary shares	-	-	-	2,421	**2,421**	-	**2,421**
Recognition of share based payments	-	-	944	-	**944**	-	**944**
Ordinary and preference dividends paid and approved	-	-	-	(17,505)	**(17,505)**	-	**(17,505)**
Balance at 31 December 2014	**21,409**	**11,593**	**7,163**	**64,142**	**104,307**	**2,923**	**107,230**

Notes to the Financial Statements

For the year ended 31 December 2014

1 GENERAL INFORMATION

FBD Holdings plc is an Irish registered public limited company. The address of the registered office is given on page 16. The nature of the Group's operations and its principal activities are set out in the Report of the Directors on pages 17 to 20 and in the Review of Operations on pages 6 to 13.

2 GOING CONCERN

The Directors have, at the time of approving the Financial Statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Financial Statements. Further detail is contained in the Report of the Directors on page 20.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The Group and Company Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") adopted by the European Union and therefore the Group Financial Statements comply with Article 4 of the EU IAS Regulation. The Group and Company Financial Statements are in compliance with the Companies Acts 1963 to 2013.

An additional statement, produced on page 47, Pro-forma Reconciliation of Consolidated Operating Result to Result after Taxation is supplementary to the primary statements required under International Financial Reporting Standards. It is designed to provide supplementary information to users of the Financial Statements including operating profit, a key performance measure monitored by the Board.

Operating profit is reported on the basis of a longer-term investment return. The long-term nature of much of the Group's operations means that, for management decision-making and internal performance management, short-term realised and unrealised investment gains and losses are treated as non-operating items. The Group focuses instead on an operating profit measure that excludes short-term investment fluctuations. Finance costs and the fluctuation between the longer-term investment return and the actual investment return (note 5 (c)), which includes realised and unrealised gains and losses and profits or losses arising from substantial non-recurring transactions are charged or credited to the Pro-forma Reconciliation of Consolidated Operating Result to Result after Taxation. As a result, the operating profit is not subject to distortion from fluctuations in investment returns.

The rates of investment return underlying the calculation of the longer-term investment return are set out in note 5(b) and are reviewed annually and reflect both historical experience and the Directors' current expectations for future investment returns. The longer-term rate of return is applied to all investment assets held by the Group's underwriting operations including investment properties held for resale, investments held for trading, available for sale investments, investments held to maturity, loans and other receivables and bank deposits. A comparison of the longer-term investment return and actual returns for the past two years is set out in note 5(c) of the Financial Statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Standards adopted during the period

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014.

- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IAS 27 *Separate Financial Statements (2011)*
- IAS 28 *Investments in Associates and Joint Ventures (2011)*
- Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities*
- Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*
- Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*

IFRS 10 Consolidated Financial Statements

IFRS 10 requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities.*

The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements.

The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities'). Under IFRS 10, control is based on whether an investor has:

- Power over the investee,
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect the amount of the returns.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 *Interests in Joint Ventures.* It requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint arrangements are either joint operations or joint ventures:

- A **joint operation** is a joint arrangement whereby the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognise their assets, liabilities, revenue and expenses in relation to its interest in a joint operation (including their share of any such items arising jointly).
- A **joint venture** is a joint arrangement whereby the parties that have joint control of the arrangement (joint venturers) have rights to the net assets of the arrangement. A joint venture applies the equity method of accounting for its investment in a joint venture in accordance with IAS 28 *Investments in Associates and Joint Ventures* (2011). Unlike IAS 31, the use of 'proportionate consolidation' to account for joint ventures is not permitted.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

In high-level terms, the required disclosures are grouped into the following broad categories:

- **Significant judgements and assumptions** – such as how control, joint control, significant influence has been determined,
- **Interest in subsidiaries** – including details of the structure of the group, risks associated with structured entities, changes in control, and so on,
- **Interests in joint arrangements and associates** – the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarised financial information).
- **Interests in unconsolidated structured entities** – information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities.

IAS 27 Separate Financial Statements (2011)

This Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 *Financial Instruments* / IAS 39 *Financial Instruments: Recognition and Measurement.*

The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

IAS 28 Investments in Associates and Joint Ventures (2011)

This Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in IFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 *Fair Value Measurements.*

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and Interpretations not yet effective

At the date of authorisation of these Financial Statements, the following new Standards and Interpretations and amendments to existing Standards and Interpretations which have not been applied in the current year were in issue but not yet effective:

IFRS 9 *Financial Instruments*[5]
IFRS 15 *Revenue from Contracts with Customers*[4]
Amendments to IFRS 11 *Accounting for Acquisitions of Interest in Joint Operations*[3]
Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*[3]
Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*[3]
Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*[1]
Annual improvements to IFRSs *Annual Improvements to IFRSs: 2010-2012 Cycle*[2]
Annual improvements to IFRSs *Annual Improvements to IFRSs: 2011-2013 Cycle*[1]
IFRS 14 *Regulatory Deferral Accounts*[3]
Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*[3]
Amendments to IAS 1 *Disclosure Initiative*[3]
Annual Improvements to IFRSs 2012-2014 Cycle: *Annual Improvements to IFRSs: 2012-2014 Cycle*[3]
Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 27 *Equity Method in Separate Financial Statements*[3]

[1] *Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.*

[2] *Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.*

[3] *Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.*

[4] *Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.*

[5] *Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.*

The Directors anticipate that the adoption of the Standards and Interpretations listed above will have no material impact (other than presentation and disclosure) on the Financial Statements of the Group in future periods.

Notes to the Financial Statements (continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ACCOUNTING POLICIES

The principal accounting policies adopted by the Board are:

A) ACCOUNTING CONVENTION

The Group and Company Financial Statements are prepared under the historical cost convention as modified by the revaluation of property, investments held for trading, available for sale investments and investment property, which are measured at fair value.

B) BASIS OF CONSOLIDATION

The Consolidated Financial Statements include the Financial Statements of the Company and its subsidiary undertakings, made up to 31 December. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over an investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all the relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra Group transactions, balances, income and expenses are eliminated on consolidation.

Individual subsidiary accounts are prepared under local GAAP, with relevant adjustments made during preparation of the Group Financial Statements to align their accounting policies with those of the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B) BASIS OF CONSOLIDATION (continued)

Changes in the Group's ownership interests in subsidiaries that do not result in a loss of control over the subsidiaries are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups), that are classified as held for sale in accordance with IFRS 5, *Non Current Assets Held for Sale and Discontinued Operations,* which are recognised and measured at fair value less costs of sale.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the Consolidated Income Statement.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When the Group loses control of a subsidiary, the profit or loss on the sale is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in the Consolidated Statement of Comprehensive Income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities are disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, costs on initial recognition of an investment in an associate or jointly controlled entity.

The Group's share of the results and net assets of a joint venture are included based on the equity method of accounting. A joint venture is an entity subject to joint control by the Group and other parties. Under the equity method of accounting, the Group's share of the post-acquisition profits and losses of joint ventures is recognised in the Consolidated Income Statement and its share of post acquisition movements in reserves is recognised directly in the Consolidated Statement of Comprehensive Income. In the Group's holding company the joint venture is held at cost less provision for impairment.

Notes to the Financial Statements (continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents gross premiums written, broking commissions, fees, other commissions, interest and dividends receivable, rents receivable, net of discounts, levies, VAT and other sales related taxes.

Revenue from insurance contracts is accounted for in accordance with Accounting Policy (D).

Interest income is accrued on a time basis with reference to the principal outstanding at the effective interest rate applicable.

Insurance agency commissions that do not require any further services are recognised as revenue on the effective commencement or renewal date of the related policies. If further services are to be rendered, the commission, or part of it, is deferred and recognised over the period during which the policy is in force.

Fees for liability claims handling are recognised in the year to which they relate.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Rental income is recognised on a straight-line basis over the period of the lease.

D) INSURANCE CONTRACTS

(i) Premiums written

Premiums written relate to business incepted during the year, together with any difference between booked premiums for prior years and those previously accrued, and include estimates of premiums due. Premiums written exclude taxes and duties levied on premiums and directly related expenses e.g. commissions.

(ii) Unearned premiums

Unearned premiums are those portions of premium income written in the year that relate to insurance cover after the year end. Unearned premiums are computed on a 365th of premium written. At 31 December each year, an assessment is made of whether the provision for unearned premiums is adequate.

(iii) Deferred acquisition costs

Deferred acquisition costs represent the proportion of net acquisition costs that are attributable to the unearned premiums. Acquisition costs comprise the direct and indirect costs of obtaining and processing new insurance business. These costs are recognised as a deferred acquisition cost asset and amortised on the same basis as the related premiums are earned, and are tested for impairment at 31 December each year.

(iv) Unexpired risks

At 31 December each year, an assessment is made of whether the provision for unearned premiums is adequate. Provision for unexpired risks is made where the expected claims, related expenses and deferred acquisition costs are expected to exceed unearned premiums, after taking account of future investment income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D) INSURANCE CONTRACTS (continued)

(v) Claims incurred

Claims incurred comprise the cost of all insurance claims occurring during the year, whether reported or not, and any adjustments to claims outstanding from previous years.

Full provision, net of reinsurance recoveries, is made at the reporting date for the estimated cost of claims incurred but not settled, including claims incurred but not yet reported and expenses to be incurred after the reporting date in settling those claims. The Group takes all reasonable steps to ensure that it has appropriate information regarding notified claims and uses this information when estimating the cost of those claims.

The Group uses estimation techniques, based on statistical analysis of past experience, to calculate the estimated cost of claims outstanding at the year end. It is assumed that the development pattern of the current claims will be consistent with previous experience. Allowance is made, however, for any changes or uncertainties that may cause the cost of unsettled claims to increase or reduce. These changes or uncertainties may arise from issues such as the effects of inflation, changes in the mix of business or the legal environment.

Provision is also made in respect of the Group's share of the estimated liability for outstanding claims of the Motor Insurers' Bureau of Ireland ("MIBI"). This provision is based on the estimated current market share and the current outstanding claims of the MIBI.

Receivables arising out of direct insurance operations are measured at initial recognition at fair value and are subsequently measured at amortised cost, after recognising any revaluation loss to reflect estimated irrecoverable amounts.

(vi) Reinsurance

Premiums payable in respect of reinsurance ceded, are recognised in the period in which the reinsurance contract is entered into and include estimates where the amounts are not determined at the reporting date. Premiums are expensed over the period of the reinsurance contract, calculated principally on a daily pro rata basis.

A reinsurance asset (reinsurers' share of claims outstanding and provision for unearned premium) is recognised to reflect the amount estimated to be recoverable under the reinsurance contracts in respect of the outstanding claims reported under insurance liabilities. The amount recoverable from reinsurers is initially valued on the same basis as the underlying claims provision. The amount recoverable is reduced when there is an event arising after the initial recognition that provides objective evidence that the Group may not receive all amounts due under the contract and the event has a reliably measurable impact on the expected amount that will be recoverable from the reinsurer.

The reinsurers' share of each unexpired risk provision is recognised on the same basis.

(vii) Liability adequacy test

At each reporting date, the Group reviews its unexpired risks and carries out a liability adequacy test for any overall excess of expected claims and deferred acquisition costs over unearned premiums, using the current estimates of future cash flows under its contracts after taking account of the investment return expected to arise on assets. If these estimates show that the carrying amount of its insurance liabilities (less related deferred acquisition costs) is insufficient in light of the estimated future cash flows, the deficiency is recognised in the Consolidated Income Statement by setting up a provision in the Consolidated Statement of Financial Position.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E) PROPERTY, PLANT AND EQUIPMENT

(i) Property

Property held for own use in the supply of services or for administrative purposes is stated at revalued amounts, being the fair value at the date of revaluation which is determined by professional valuers. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. Any revaluation increase arising on the revaluation of such property is credited to the revaluation reserve except to the extent that it reverses a revaluation decrease for the same asset previously recognised. A decrease on revaluation is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to previous revaluation of that asset.

It is the Group's policy and practice to maintain all Group properties in a continual state of sound repair. As a result, and taking into consideration the regular revaluations undertaken, depreciation is not provided on these properties.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Consolidated Income Statement.

(ii) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated revaluation losses.

(iii) Depreciation

Depreciation is provided in respect of all plant and equipment, and is calculated in order to write off the cost or valuation of the assets over their expected useful lives on a straight line basis over a five to ten year period. Depreciation on assets in development commences when the assets are ready for their intended use.

F) INVESTMENT PROPERTY

Investment property, which is property held to earn rentals and/or for capital appreciation, is recognised initially at cost and stated at fair value at the reporting date being the value determined by qualified independent professional valuers. Gains or losses arising from changes in the fair value are included in the Consolidated Income Statement for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Consolidated Income Statement for the period in which the property is derecognised.

G) JOINT VENTURE

The joint venture is accounted for in accordance with the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost and adjusted thereafter for the post acquisition changes in the Group's share of the net assets of the jointly controlled entity.

Joint ventures are ownership interests where a joint influence is obtained through agreement.

The Group's share of results after taxation is reported in "Share of results of joint venture", included in profit before taxation in the Consolidated Income Statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G) JOINT VENTURE (continued)

Shares in earnings of joint ventures included in consolidated equity are reported in retained earnings in the Consolidated Statement of Financial Position.

The fair value of the share of the net assets of the joint venture at the date of acquisition is reflected in the Company Statement of Financial Position. The fair value is reviewed for impairment on an annual basis.

H) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset only when the contractual rights to the cash flows of the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of the ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(i) Investments held for trading at fair value

Investments held for trading are stated at fair value and include quoted shares, unquoted investments and debt securities. 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, with gains and losses being included in the Consolidated Income Statement in the period in which they arise.

Investments are held for trading if:

- they have been acquired principally for the purpose of selling in the near future; or
- they are part of an identified portfolio of financial instruments that the Group manages together and have a recent actual pattern of short-term profit-making; or
- they are derivatives that are not designated and effective as hedging instruments.

Investments other than investments held for trading may be designated at FVTPL (fair value through profit or loss) upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the investment forms part of a group of investments or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented investment policy.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H) FINANCIAL INSTRUMENTS (continued)

(i) Investments held for trading at fair value (continued)

They are derecognised at their carrying amount being the fair value recorded at a previous reporting date.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in the Consolidated Income Statement. The net gain or loss recognised in the Consolidated Income Statement incorporates any dividend or interest earned on the financial asset and is included in the "Other gains and losses" line item in the Consolidated Income Statement.

(ii) Investments held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method less any impairment.

(iii) Available for sale investments

Available for sale investments include quoted debt securities and unquoted investments, and are stated at fair value where fair value can be reliably measured. Fair value is calculated using closing bid prices. They are recognised on a trade date basis at fair value, and are subsequently revalued at each reporting date to fair value, with gains and losses being included directly in the Consolidated Statement of Comprehensive Income until the investment is disposed of or determined to be impaired, at which time the cumulative gain or loss previously recognised in the Consolidated Statement of Comprehensive Income, is included in the Consolidated Income Statement for the year.

(iv) Loans and other receivables

Loans

Loans are recognised on a trade date basis at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method. When it is not possible to estimate reliably the cash flows or the expected life of a loan, the projected cash flows over the full term of the loan are used to determine fair value. Loans are stated in the Consolidated Statement of Financial Position recognising any revaluation loss to reflect estimated irrecoverable amounts. Any revaluation loss is recognised on a case-by-case basis after taking into account factors such as the financial condition of the borrower, security held and costs of realisation.

The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount at initial recognition.

Other receivables

Amounts arising out of direct insurance operations and other debtors are measured initially at fair value and are subsequently measured at amortised cost, after recognising any revaluation loss to reflect estimated irrecoverable amounts.

(v) Deposits with banks

Term deposits with banks comprise cash held for the purpose of investment. Demand deposits with banks are held for operating purposes and included in cash and cash equivalents.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I) LEASES

All of the Group's leases are classified as operating leases.

(i) The Group as Lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(ii) The Group as Lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

J) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

K) TAXATION

Income taxation expense or credit represents the sum of the taxation currently payable or receivable and that element of deferred taxation charged or credited to the Consolidated Income Statement. Deferred taxation charged or credited to equity is recognised in the Consolidated Statement of Comprehensive Income.

The taxation currently payable or receivable is based on taxable profit for the year. Taxable profit or loss differs from profit or loss as reported in the Consolidated Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current taxation is calculated using taxation rates that have been enacted or substantively enacted by the reporting date.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding taxation bases used in the computation of taxable profit or loss, and is accounted for using the balance sheet liability method. Deferred taxation liabilities are recognised for all taxable temporary differences, and deferred taxation assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred taxation liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle on a net basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L) RETIREMENT BENEFITS

The Group provides either defined benefit or defined contribution retirement benefit schemes for the majority of its employees.

(i) Defined benefit scheme

A full actuarial valuation of the scheme is undertaken every three years and is updated annually to reflect current conditions in the intervening periods for the purposes of preparing the Financial Statements. Scheme assets are valued at fair value. Scheme liabilities are measured on an actuarial basis and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The projected unit credit method is used to calculate scheme liabilities. The surplus or deficit on the scheme is carried in the Consolidated Statement of Financial Position as an asset or liability. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions to future contributions to the scheme. Actuarial gains and losses are recognised immediately in equity through the Consolidated Statement of Comprehensive Income.

The current service cost and past service cost of the scheme are charged to the Consolidated Income Statement.

Past service cost is recognised as an expense when plan amendments or curtailments occur.

(ii) Defined Contribution Schemes

Costs arising in respect of the Group's defined contribution retirement benefit schemes are charged to the Consolidated Income Statement as an expense as they fall due.

M) CURRENCY

The individual Financial Statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the Consolidated Financial Statements, the results and financial position of each Group company are expressed in euro, which is the functional currency of the Company, and the presentation currency for the Consolidated Financial Statements.

In preparing the Financial Statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

On consolidation, the assets and liabilities of the Group's non Euro-zone operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly, in which case the exchange rates at the date of transactions are used. Exchange differences that are classified as equity are transferred to the translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed.

N) SHARE-BASED PAYMENTS AND LONG TERM INCENTIVE PLANS

The Group operates share option schemes and long-term incentive plans based on market and non-market vesting conditions. The fair value of the options is determined at the date of grant using either the Black Scholes or Monte Carlo Simulation models and expensed in the Consolidated Income Statement over the vesting period at the conclusion of which the employees become unconditionally entitled to the options. The corresponding amount to the expense is credited to a separate reserve in the Consolidated Statement of Financial Position. At each period end, the Group reviews its estimate of the number of options that it expects to vest and any adjustment relating to current and past vesting periods brought to the Consolidated Income Statement. Share options are all equity settled.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O) TREASURY SHARES

Where any Group company purchases the Company's equity share capital, the consideration paid is shown as a deduction from ordinary shareholders' equity. Consideration received on the subsequent sale or issue of treasury shares is credited to ordinary shareholders' equity. Treasury shares are excluded when calculating earnings per share.

P) IMPAIRMENT OF ASSETS

(i) Impairment of tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered a revaluation loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the revaluation loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value, less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-taxation discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. A revaluation loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the revaluation loss is treated as a revaluation decrease.

Where a revaluation loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no revaluation loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of a revaluation loss, other than in relation to goodwill, is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the revaluation loss is treated as a revaluation increase.

(ii) Impairment of financial assets

Financial assets, other than those at FVTPL (fair value through profit or loss), are assessed for indicators of revaluation at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been impacted. For listed and unlisted equity investments classified as Available for Sale ("AFS"), a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Notes to the Financial Statements (continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P) IMPAIRMENT OF ASSETS (continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for revaluation on a collective basis.

For financial assets carried at amortised cost, the amount of the revaluation is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of a financial asset is directly reduced by the revaluation loss for all financial assets.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in the Consolidated Statement of Comprehensive Income are reclassified to the Consolidated Income Statement in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the revaluation loss decreases and the decrease can be related objectively to an event occurring after the revaluation was recognised, the previously recognised revaluation loss is reversed through the Consolidated Income Statement, to the extent that the carrying amount of the investment at the date the revaluation is reversed does not exceed what the amortised cost would have been had the revaluation not been recognised.

In respect of AFS equity securities, revaluation losses previously recognised in the Consolidated Income Statement are not reversed through the Consolidated Income Statement. Any increase in fair value subsequent to a revaluation loss is recognised in the Consolidated Statement of Comprehensive Income.

Q) BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in the Consolidated Statement of Comprehensive Income and released to the Consolidated Income Statement when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the Consolidated Income Statement in the period in which they are incurred.

R) RESTRUCTURING AND OTHER COSTS

The costs of the fundamental restructuring of the Group's operations, such as redundancy costs, provision for lease termination costs or other rationalisation costs, are charged to the Consolidated Income Statement when the decision to restructure is irrevocable and has been communicated to the parties involved.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S) OTHER INCOME

Other income comprises the service charge earned on policyholder receivables, where outstanding premiums are settled by a series of instalment payments. The service charge is earned over the period of instalments.

T) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The principal accounting policies adopted by the Group are set out on pages 55 to 71. In the application of these accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see note T (ii) below) that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

Retirement benefit obligations

The Group's obligations under its funded defined benefit retirement scheme are determined by an independent qualified actuarial advisor, Lane Clark & Peacock ("LCP"). The valuation is updated at least annually and the net obligation amounted to €54,254,000 at 31 December 2014. IAS 19 requires that the actuarial assumptions used should be best estimates, unbiased and mutually compatible. The scheme's liabilities are sensitive to fluctuations in the principal assumptions, details of which are set out in note 29. Those key assumptions include:

- a discount rate of 2.2%, set by reference to the yield on high-quality corporate bonds
- general salary increases of 1% p.a. for the next three years and 2.5% p.a. thereafter
- pension payment increases ranging from 0% - 1.5%
- price inflation assumed to be 0% p.a. for the next three years and 1.5% p.a. thereafter

The assumptions used for calculating the obligations of the scheme under IAS 19 at 31 December 2014 and 31 December 2013 have been derived consistently with those adopted by the Group in previous years.

Property, plant & equipment

Property held for own use in the supply of services or for administrative purposes is included in the Statement of Financial Position at fair value. Property valuations are affected by general economic and market conditions. The fair value of property held for own use is determined by valuations conducted at the reporting date by independent professional valuers, CBRE Ireland. A decrease in the valuation of the property is charged as an expense to the Consolidated Income Statement to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to previous revaluation of that asset.

As properties are valued on a regular basis and the Group policy is to maintain them in a state of sound repair, depreciation is not provided on them.

Notes to the Financial Statements (continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

Property, plant & equipment (continued)
Depreciation is provided in respect of all plant and equipment in use at the Statement of Financial Position date 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.

Investment property
Investment property, which is property held to earn rentals and/or for capital appreciation, is recognised initially at cost and stated in the Statement of Financial Position at fair value at the reporting date. The fair value of investment property in Ireland is determined by valuations conducted at the reporting date by qualified independent professional valuers, CBRE Ireland. The fair value of investment property in the United Kingdom is determined by valuations conducted at the reporting date by qualified independent professional valuers, Colliers International. Gains or losses arising from changes in the fair value are included in the Consolidated Income Statement for the period in which they arise.

Recoverability of trade and other receivables
Receivables arising out of direct insurance operations are considered by the Directors to have a low credit risk and therefore no provision for bad or doubtful debts has been made. The Directors consider that the carrying amount of receivables approximates to their fair value. All other receivables are due within one year and none are past due.

Reinsurance recoveries
The Group spends substantial sums to purchase reinsurance protection from third parties and substantial claims recoveries from these reinsurers are included in the Consolidated Statement of Financial Position at the reporting date. A reinsurance asset (reinsurers' share of claims outstanding and provision for unearned premium) is recognised to reflect the amount estimated to be recoverable under the reinsurance contracts in respect of the outstanding claims reported under insurance liabilities. The amount recoverable from reinsurers is initially valued on the same basis as the underlying claims provision. The amount recoverable is reduced when there is an event arising after the initial recognition that provides objective evidence that the Group may not receive all amounts due under the contract and the event has a reliably measurable impact on the expected amount that will be recoverable from the reinsurer. To minimise default exposure, the Group's policy is that all reinsurers should have a credit rating of A- or better.

Motor Insurers' Bureau of Ireland ("MIBI")
In determining the estimated liability for outstanding claims of the MIBI, the Group uses the estimated current market share and the estimated current total outstanding claims of the MIBI.

Deferred taxation
Deferred taxation is the taxation expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding taxation bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred taxation liabilities are generally recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred taxation assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

Deferred taxation (continued)

Deferred taxation is measured at the taxation rates that are expected to apply in the periods in which the temporary differences are expected to reverse based on taxation rates and laws enacted or substantially enacted at the reporting date.

Deferred taxation is charged or credited to the Consolidated Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

(ii) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Claims provisions

Claims provisions represent the estimation of the cost of claims outstanding under insurance contracts written. Actuarial techniques, based on statistical analysis of past experience, are used to calculate the estimated cost of claims outstanding at year end. Allowance is made for any changes or uncertainties that may cause the cost of unsettled claims to increase or reduce. At each reporting date liability adequacy tests are performed to ensure the adequacy of the liabilities. In determining the provision for outstanding claims, the Directors take into consideration the advice of the independent reporting actuary, PricewaterhouseCoopers. Any deficiency is recognised in the Consolidated Income Statement. Further details are set out in note 28 to the Financial Statements.

Valuation of financial instruments

As described in note 18, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 18 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments. The Directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Deferred acquisition costs

Deferred acquisition costs represent the proportion of net acquisition costs which are attributable to the unearned premiums. Acquisition costs comprise the direct and indirect costs of obtaining and processing new insurance business. These costs are recognised as a deferred acquisition cost asset and amortised on the same basis as the related premiums are earned, and are tested for impairment at 31 December each year.

Note 39, Risk Management identifies the Group's key sensitivity factors and tests the impact of a change in each one of these factors has on pre-taxation profit and shareholders' equity.

4 SEGMENTAL INFORMATION

(a) Operating segments

The principal activities of the Group are underwriting of general insurance business and financial services.

For management purposes, the Group is organised in two operating segments - underwriting and financial services. These two segments are the basis upon which information is reported to the chief operating decision maker, the Group Chief Executive, for the purpose of resource allocation and assessment of segmental performance. Discrete financial information is prepared and reviewed on a regular basis for these two segments.

2014	Underwriting €000s	Financial services €000s	Total €000s
Revenue	390,883	15,380	406,263
Operating result	(9,972)	5,207	(4,765)
Investment return – fluctuations	(3,172)	-	(3,172)
Revaluation of property	1,480	-	1,480
Share of results of joint venture	-	1,930	1,930
Result before taxation	(11,664)	7,137	(4,527)
Income taxation credit/(charge)	1,231	(28)	1,203
Result after taxation	(10,433)	7,109	(3,324)
Other information			
Capital additions	24,069	25	24,094
Revaluation of other assets	(10,741)	-	(10,741)
Depreciation and amortisation	8,071	126	8,197
Statement of Financial Position			
Segment assets	1,073,697	78,531	1,152,228
Segment liabilities	900,263	9,977	910,240

The investment in the joint venture totalling €47,167,000 (2013: €45,237,000) is included in financial services assets above.

4 SEGMENTAL INFORMATION (continued)

(a) Operating segments (continued)

2013	Underwriting €000s	Financial services €000s	Total €000s
Revenue	381,001	15,289	396,290
Operating profit	46,277	6,396	52,673
Investment return – fluctuations	682	-	682
Revaluation of property	(1,121)	-	(1,121)
Restructuring and other costs	(2,050)	-	(2,050)
Share of results of joint venture	-	1,271	1,271
Profit before taxation	43,788	7,667	51,455
Income taxation charge	(6,312)	(251)	(6,563)
Profit after taxation	37,476	7,416	44,892
Other information			
Capital additions	18,550	24	18,574
Revaluation of other assets	1,121	-	1,121
Depreciation and amortisation	7,549	126	7,675
Statement of Financial Position			
Segment assets	1,022,226	69,574	1,091,800
Segment liabilities	801,089	10,111	811,200

Included above are non-cash revaluations relating to investment property and property held for own use €10,741,000 (2013: impairment €1,121,000), all of which relate to underwriting.

The accounting policies of the reportable segments are the same as the Group accounting policies. Segment profit represents the profit earned by each segment. Central administration costs and Directors' salaries are allocated based on actual activity. Restructuring costs and income taxation are direct costs of each segment. Segment profit is the measure reported to the chief operating decision maker, the Group Chief Executive, for the purposes of resource allocation and assessment of segmental reporting.

In monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments. Assets used jointly by reportable segments are allocated on the basis of activity by each reportable segment; and
- all liabilities are allocated to reportable segments. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

4 SEGMENTAL INFORMATION (continued)

(a) Operating segments (continued)

An analysis of the Group's revenue by product is as follows:

	2014 €000s	2013 €000s
Direct insurance – motor	**167,841**	157,422
Direct insurance – fire and other damage to property	**121,542**	122,303
Direct insurance – liability	**68,648**	65,661
Direct insurance – interest and other revenue	**27,148**	29,806
Direct insurance – other	**5,704**	5,809
Financial services revenue	**15,380**	15,289
Total revenue	**406,263**	396,290

The Group's customer base is diverse and it has no reliance on any major customer. Insurance risk is not concentrated on any one area or on any one line of business.

(b) Geographical segments

The Group's operations are located in Ireland.

4 SEGMENTAL INFORMATION (continued)

(c) Underwriting result

	2014 €000s	2014 €000s	2013 €000s	2013 €000s
Earned premiums, net of reinsurance				
Gross premium written	**363,735**		351,195	
Outward reinsurance premiums	**(52,312)**		(49,109)	
Net premium written	**311,423**		302,086	
Change in provision for unearned premium				
Gross amount	**(4,269)**		(5,137)	
Reinsurers' share	**(3,710)**		(562)	
Change in net provision for unearned premium	**(7,979)**		(5,699)	
Premium earned, net of reinsurance		**303,444**		296,387
Claims paid				
Gross amount	**(242,648)**		(229,740)	
Reinsurers' share	**37,920**		23,542	
Claims paid, net of recoveries from reinsurers	**(204,728)**		(206,198)	
Change in provision for claims				
Gross amount	**(72,892)**		15,521	
Reinsurers' share	**16,750**		(10,545)	
Change in insurance liabilities, net of reinsurance	**(56,142)**		4,976	
Claims incurred net of reinsurance		**(260,870)**		(201,222)
Management expenses	**(91,089)**		(86,298)	
Deferred acquisition costs	**1,998**		1,777	
Gross management expenses	**(89,091)**		(84,521)	
Reinsurers' share of expenses	**13,121**		11,326	
Broker commissions payable	**(5,816)**		(4,370)	
Net operating expenses		**(81,786)**		(77,565)
Underwriting result		**(39,212)**		17,600

Net claims incurred in 2014 were €260,870,000, up 29.6% on the net claims incurred of €201,222,000 in 2013 and one of the main contributors to the Groups' loss for the year. The Review of Operations (page 6 to page 13) provides a detailed explanation on the deterioration in the claims environment.

All reinsurance contracts are for no more than one year so have no material effect on the amount, timing and uncertainty of cash flows. The Group's reinsurance policy dictates that all of the Group's reinsurers must have a credit rating of A- or better, or provide appropriate security. The impact of buying reinsurance was a credit to the Consolidated Income Statement of €11,769,000 (2013: debit of €25,348,000).

Notes to the Financial Statements (continued)

4 SEGMENTAL INFORMATION (continued)

(d) Underwriting management expenses

	2014 €000s	2013 €000s
Employee benefit expense	**57,740**	54,722
Rent, rates, insurance and maintenance	**7,662**	6,925
Depreciation	**8,071**	7,550
Other	**17,616**	17,101
Total underwriting management expenses	**91,089**	86,298

(e) Financial services expenses

	2014 €000s	2013 €000s
Employee benefit expense	**6,324**	4,793
Rent, rates, insurance and maintenance	**2,363**	1,670
Depreciation	**126**	125
Other	**1,360**	2,305
Total financial services expenses	**10,173**	8,893

5 INVESTMENT INCOME

(a) Actual return

	2014 €000s	2013 €000s
Interest and similar income	**11,938**	15,140
Income from investment properties	**1,189**	1,614
Realised profits on investments	**7,418**	1,483
Dividend income	**901**	1,676
Revaluation of investment properties	**9,744**	881
(Loss)/gain on financial investments	**(5,122)**	8,565
Total investment income	**26,068**	29,359
By Classification of investment		
Deposits with banks	**3,148**	6,109
Investments held to maturity	**313**	713
Investments held for trading	**10,753**	19,440
Investment properties	**11,064**	2,771
Available for sale investments	**790**	326
Total investment income	**26,068**	29,359

Interest and similar income received by the Group's underwriting segment during the period was €15,667,000 (2013: €14,533,000).

5 INVESTMENT INCOME (continued)

(b) Longer-term investment return

The rates of investment return underlying the calculation of the longer-term investment return are set out below. These rates are reviewed annually and reflect both historical experience and the Directors' current expectations for longer-term investment returns.

	2014 %	**2013 %**
Government bonds	**3.00**	3.00
Other quoted debt securities	**4.00**	4.00
Quoted shares	**6.75**	6.75
Deposits with banks	**2.75**	2.75
Investment properties	**6.25**	6.25
UCITs	**6.75**	6.75
Investments held to maturity	**Actual**	Actual

(c) Comparison of longer-term investment return with actual return

	2014 €000s	**2013 €000s**
Longer-term investment return	**29,240**	28,677
Investment return fluctuation	**(3,172)**	682
Actual investment return	**26,068**	29,359

6 RESTRUCTURING AND OTHER COSTS

	2014 €000s	**2013 €000s**
Redundancy costs	-	2,050
Total restructuring and other costs	-	2,050

Notes to the Financial Statements (continued)

7 JOINT VENTURE

(a) Share of results of joint venture

The property and leisure joint venture is owned 50%/50% by FBD and Farmer Business Developments plc, the Group's largest shareholder. The two joint venture partners hold a combination of equity and convertible loan notes. These loan notes are irredeemable and will convert into equity between 2016 and 2021, unless otherwise agreed between the parties.

The ownership of the property and leisure operations following the conversion of the loan notes will be determined according to a pre-agreed formula depending on the valuation of the business at the date of conversion. The Group's ownership of the property and leisure operations could vary between 25% and 50% depending on valuation at conversion.

The financial year end for the joint venture is 31 December.

The primary risk faced by the joint venture is an economic downturn in Ireland and Spain that may diminish demand for leisure and business travel. In common with all companies operating in the leisure sector, the joint venture faces risks and uncertainties such as competition and increasing costs. The directors are confident that the joint venture is well positioned to manage these risks.

(b) Share of results of joint venture

The Group's share of the results of the joint venture is equity accounted and presented as a single line item in the Consolidated Income Statement.

	2014 €000s	**2013 €000s**
Operating profit	**2,900**	1,697
Finance costs	**(970)**	(1,014)
Revaluation of property, plant & equipment	**-**	588
Group's share of results of joint venture	**1,930**	1,271

(c) Investment in joint venture

	2014 €000s	**2013 €000s**
At start of year	**45,237**	43,966
Share of results of joint venture	**1,930**	1,271
Share of net assets of joint venture at year end	**47,167**	45,237

8 RESULT BEFORE TAXATION

	2014 €000s	**2013 €000s**
Result before taxation has been stated after charging:		
Depreciation	**8,197**	7,675

The remuneration of the Directors is set out in detail in the Report on Directors' Remuneration on pages 31 to 39.

9 INFORMATION RELATING TO AUDITOR'S REMUNERATION

Analysis of fees payable to the statutory audit firm, Deloitte & Touche, is as follows:

	2014		2013	
	Company €000s	Group €000s	Company €000s	Group €000s
Description of service				
Audit of individual accounts	**50**	**205**	50	205
Other assurance services	**155**	**-**	155	-
Taxation advisory services	**22**	**68**	31	83
Other non-audit services	**15**	**15**	41	41
Auditors' remuneration	**242**	**288**	277	329

Fees payable by the Company are included with the fees payable by the Group in each category above.

10 STAFF COSTS AND NUMBERS

The average number of full time equivalent persons employed by the Group by reportable segment was as follows:

	2014	2013
Underwriting	**928**	848
Financial services	**60**	54
Total	**988**	902

The aggregate employee benefit expense was as follows:	2014 €000s	2013 €000s
Wages and salaries	**51,444**	47,448
Social welfare costs	**5,457**	5,001
Pension costs	**6,219**	6,089
Share based payments	**944**	977
Total employee benefit expense	**64,064**	59,515

Notes to the Financial Statements (continued)

11 INCOME TAXATION CREDIT/(CHARGE)

	2014 €000s	2013 €000s
Irish corporation taxation	**1,840**	(5,339)
Adjustments in respect of prior years	**4**	(96)
Current taxation credit/(charge)	**1,844**	(5,435)
Deferred taxation debit	**(641)**	(1,128)
Income taxation credit/(charge)	**1,203**	(6,563)

The taxation credit/(charge) in the Consolidated Income Statement differs from the standard rate of corporation taxation in Ireland. The differences are explained below:

	2014 €000s	2013 €000s
Result before taxation	**(4,527)**	51,455
Corporation taxation (credit)/charge at standard rate of **12.5%** (2013:12.5%)	**(566)**	6,432
Effects of:		
Differences between capital allowances for period and depreciation	**(105)**	(78)
Non-taxable income/unrealised gains/losses not chargeable/deductible for taxation purposes	**(539)**	102
Higher rates of taxation on other income	**11**	11
Adjustments in respect of prior years	**(4)**	96
Income taxation (credit)/charge	**(1,203)**	6,563
Taxation as a percentage of result before taxation	**26.57%**	**12.75%**

In addition to the amount charged to the Consolidated Income Statement, the following taxation amounts have been recognised directly in the Consolidated Statement of Comprehensive Income:

	2014 €000s	2013 €000s
Deferred taxation		
Actuarial loss/(gain) on retirement benefit obligations	**3,214**	(278)
Gain on available for sale investments	**(257)**	-
Total income taxation recognised directly in the Consolidated Statement of Comprehensive Income	**2,957**	(278)

12 PROFIT FOR THE YEAR

The Company's profit for the financial year determined in accordance with IFRS, as adopted by the European Union, is €14,661,000 (2013: €18,976,000).

In accordance with section 148(8) of the Companies Act, 1963 and section 7(1A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting its individual Income Statement to the Annual General Meeting and from filing it with the Registrar of Companies.

13 LOSS PER €0.60 ORDINARY SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary shareholders is based on the following data:

Earnings	**2014 €000s**	**2013 €000s**
Result for the year	**(3,324)**	44,892
Non-controlling interests	**(95)**	(106)
Preference dividends	**(282)**	(282)
Result for the purpose of basic and diluted earnings per share	**(3,701)**	44,504

Number of shares	**2014**	**2013**
Weighted average number of ordinary shares for the purpose of basic earnings per share (excludes treasury shares)	**34,414,709**	33,697,613
Effect of dilutive potential of share options outstanding	-	185,728
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**34,414,709**	33,883,341

	Cent	**Cent**
Basic (loss)/earnings per share	**(11)**	132
Diluted (loss)/earnings per share	**(11)**	131

The 'A' ordinary shares of €0.01 each that are in issue have no impact on the earnings per share calculation.

The calculation of the operating earnings per share, which is supplementary to the requirements of International Financial Reporting Standards, is based on the following:

Earnings	**2014 €000s**	**2013 €000s**
Operating result after taxation*	**(4,174)**	46,142
Non-controlling interests	**(95)**	(106)
Preference dividends	**(282)**	(282)
Operating result for the purpose of operating earnings per share	**(4,551)**	45,754

	Cent	**Cent**
Operating (loss)/earnings per share	**(13)**	136

*2014 effective taxation rate of 12.4% (2013: 12.4%).

Notes to the Financial Statements (continued)

14 PROPERTY, PLANT AND EQUIPMENT

	Property held for own use €000s	Plant and equipment €000s	Total property plant and equipment €000s
Cost or valuation			
At 1 January 2013	21,289	84,684	105,973
Additions	6	18,568	18,574
Disposals	-	(31)	(31)
At 1 January 2014	21,295	103,221	124,516
Additions	**-**	**24,094**	**24,094**
Disposals	**(320)**	**(150)**	**(470)**
At 31 December 2014	**20,975**	**127,165**	**148,140**
Comprising:			
At cost	**-**	**127,165**	**127,165**
At valuation	**20,975**	**-**	**20,975**
At 31 December 2014	**20,975**	**127,165**	**148,140**

	Property held for own use €000s	Plant and equipment €000s	Total property plant and equipment €000s
Accumulated depreciation and revaluation			
At 1 January 2013	5,259	64,893	70,152
Depreciation charge for the year	-	7,675	7,675
Revaluations	1,121	-	1,121
At 1 January 2014	6,380	72,568	78,948
Depreciation charge for the year	**-**	**8,197**	**8,197**
Elimination on disposal	**-**	**(150)**	**(150)**
Revaluations	**(1,480)**	**-**	**(1,480)**
At 31 December 2014	**4,900**	**80,615**	**85,515**
Carrying amount			
At 31 December 2014	**16,075**	**46,550**	**62,625**
At 31 December 2013	14,915	30,653	45,568

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Property held for own use

Property held for own use at 31 December 2014 and 2013 were valued at fair value which is determined by independent external professional valuers CBRE Ireland. The valuers confirm that the properties have been valued by a valuer who is qualified for the purpose of the valuation in accordance with RICS Valuation – Professional Standards 2012 (Red Book).

The valuation report states that the valuations have been prepared on the basis of "Market Value" which is defined in the report as *"the estimated amount for which the property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein parties had each acted knowledgeably, prudently and without compulsion"*. The report also states that the market value *"has been primarily derived using comparable recent market transactions on arm's length terms"*. It also states that 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.

The valuers state that they made various assumptions as to tenure, letting and town planning, condition and repair of buildings and sites, including ground and groundwater contamination. They have determined market value using a range of capital values per square metre ranging from between €807psm - €2,788psm, based on local evidence. The valuer states that they have not viewed any tenancy agreements and have assumed for the purposes of valuation that the properties (with the exception of FBD House, Naas Road, Dublin 12) are subject to vacant possession. The valuers assumed that FBD House would be a sale and leaseback to FBD.

The Directors believe that the market value, determined by independent professional valuers is not materially different to fair value.

Had the property been carried at historical cost less accumulated depreciation and accumulated revaluation losses, their carrying amount would have been as follows:

	2014 €000s	2013 €000s
Property held for own use	**13,656**	13,799

Assets amounting to €26,222,000 (2013: €13,765,000) included within plant and equipment have not been depreciated as they are in the course of construction.

Fair value hierarchy disclosures required by IFRS13 *Fair Value Measurement* have been included in Note 18, Financial Instruments and Fair Value Measurement.

15 INVESTMENT PROPERTY

Fair value of investment property	2014 €000s	2013 €000s
At 1 January	**11,567**	10,686
Fair value movement during the year	**9,261**	588
Sale of investment property	**(1,353)**	-
Gain on disposal of investment property	**324**	-
Effect of movement in foreign exchange	**160**	293
At 31 December	**19,959**	11,567

The investment property held for rental in Ireland was valued at fair value at 31 December 2014 and at 31 December 2013 by independent external professional valuers, CBRE Ireland. The valuation was prepared in accordance with the RICS Valuation – Professional Standards 2012 (Red Book). The valuers confirm that they have sufficient current local and national knowledge of the particular property market involved and have skills and understanding to undertake the valuations competently.

The valuation statement received from the external professional valuers state that the valuations have been prepared on the basis of *"Market Value"* which they define as *"the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion"*. The valuer also states that landlord's fixtures such as central heating and other normal service installations have been treated as an integral part of the building and are included within the valuation while process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded. Assumptions have been made that the property is not contaminated and is not adversely affected by any existing or proposed environmental law. In the absence of any information to the contrary, it has been assumed that there are no abnormal ground conditions nor archaeological remains, the property is free from rot, infestation, structural or latent defect, no hazardous materials or suspect techniques have been used in the construction or alteration and the services are in working order and free from defects.

The investment property held for rental in the UK was valued at fair value at 31 December 2014 by independent external professional valuers, Colliers International. The valuation of the property was prepared in accordance with RICS Valuation – Professional Standards January 2014 (The Red Book). The valuations were prepared by a suitably qualified valuer, as defined by PS 2.3 of the Professional Standards.

The valuation statement received from the external professional valuer states that the valuations have been prepared on the basis of *"Market Value"* which they define as *"the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion"*.

The valuers stated that while they have not carried out building surveys of the property or tested drainage or service installations they have assumed that no deleterious materials have been used in the construction or subsequent alteration of the building.

They commented that UK commercial property investment market has recently emerged from its most severe and prolonged downturn since reliable records began and cite the improving economy, which rebounded more quickly than expected, as the main catalyst for increased property values.

The Directors believe that market value, determined by independent external professional valuers, is not materially different to fair value.

There was an increase in the fair value in 2014 of €9,261,000, while the gain in 2013 was €588,000.

15 INVESTMENT PROPERTY (continued)

The rental income earned by the Group from its investment properties amounted to €1,927,000 (2013: €1,272,000). Direct operating costs associated with investment properties amounted to €680,000 (2013: €242,000).

The historical cost of investment property is as follows:

	2014 €000s	2013 €000s
Historical cost at 31 December	**22,266**	23,246

Non-cancellable operating lease receivables	2014 €000s	2013 €000s
Not longer than 1 year	**321**	1,292
Longer than 1 year and not longer than 5 years	**1,284**	1,361
Total non-cancellable operating lease receivables	**1,605**	2,653

Fair value hierarchy disclosures required by IFRS13 *Fair Value Measurement* have been included in Note 18, Financial Instruments and Fair Value Measurement.

16 LOANS

	2014 €000s	2013 €000s
Other loans	**971**	1,037
Total loans	**971**	1,037

Fair value hierarchy disclosures required by IFRS13 *Fair Value Measurement* have been included in Note 18, Financial Instruments and Fair Value Measurement.

17 DEFERRED TAXATION ASSET

	Retirement benefit obligation	Unrealised (gains)/losses on investments & loans	Accelerated capital allowances	Total
	€000s	€000s	€000s	€000s
At 1 January 2013	3,845	85	868	4,798
Debited to the Consolidated Statement of Comprehensive Income	(278)	-	-	(278)
Debited to Consolidated Income Statement	-	(1,131)	(134)	(1,265)
At 31 December 2013	3,567	(1,046)	734	3,255
Credited/(debited) to the Consolidated Statement of Comprehensive Income	**3,215**	**(257)**	**-**	**2,958**
(Debited)/credited to Consolidated Income Statement	**-**	**(1,236)**	**595**	**(641)**
At 31 December 2014	**6,782**	**(2,539)**	**1,329**	**5,572**

A deferred taxation asset of €6,782,000 (2013: €3,567,000) has been recognised in respect of the retirement benefit obligation of €54,254,000 (2013: €28,538,000). A deferred taxation liability of €2,539,000 (2013: €1,046,000) has been recognised in respect of unrealised (gains)/losses on investments and loans. A deferred taxation asset of €1,329,000 (2013: €734,000) has been recognised on accelerated capital allowances to the extent that it is probable, based on management projections, that taxable profits will be available against which the losses can be utilised in the future. All of this deferred taxation asset relates to the underwriting operations.

18 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT

(a) Financial assets

	2014 €000s	2013 €000s
(i) At amortised cost		
Investments held to maturity	-	30,288
Deposits with banks	**494,909**	437,977
	494,909	468,265
(ii) At fair value		
Available for sale investments – unquoted investments	**948**	1,368
Available for sale investments – quoted debt securities	**224,029**	140,529
Available for sale investments	**224,977**	141,897
Investments held for trading – quoted shares	**46,110**	79,372
Investments held for trading – quoted debt securities	**45,808**	103,527
Investments held for trading – unquoted debt securities	-	3,809
Investments held for trading – UCITs	**24,510**	23,523
Investments held for trading	**116,428**	210,231
(iii) At cost		
Cash and cash equivalents	**26,190**	21,586

Notes to the Financial Statements (continued)

18 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (continued)

(a) Financial assets (continued)

The fair value of investments held to maturity at closing bid prices in 2013 was €30,600,000. During 2014 these investments held to maturity reached their maturity dates.

Fair value measurement

The Group implemented IFRS 13 *Fair Value Measurement* effective 1 January 2013 which requires fair value hierarchy disclosures.

The following table compares the fair value of financial assets and financial liabilities with their carrying values:

	2014 Fair value €000s	**2014 Carrying value €000s**
Financial assets		
Loans	**1,126**	**971**
Financial instruments	**836,314**	**836,314**
Other receivables	**58,951**	**58,951**
Cash & cash equivalents	**26,190**	**26,190**
Financial liabilities		
Payables	**37,141**	**37,141**

	2013 Fair value €000s	**2013 Carrying value €000s**
Financial assets		
Loans	1,207	1,037
Financial investments	820,705	820,393
Other receivables	68,284	68,284
Cash & cash equivalents	21,586	21,586
Financial liabilities		
Payables	40,980	40,980

The following tables provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

18 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (continued)

(a) Financial assets (continued)

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Among the valuation techniques used are cost, net asset or net book value or the net present value of future cash flows based on conservative operating projections.

2014	Level 1 €000s	Level 2 €000s	Level 3 €000s	Total €000s
Assets				
Property, plant and equipment	-	62,625	-	62,625
Investment property	-	19,959	-	19,959
Loans	-	1,126	-	1,126
Other receivables	-	58,951	-	58,951
Financial assets				
Investments held for trading - quoted shares	46,110	-	-	46,110
Investments held for trading - quoted debt securities	45,809	-	-	45,809
Investments held for trading - UCITs	24,509	-	-	24,509
AFS investments - quoted debt securities	224,029	-	-	224,029
AFS investments - unquoted investments	-	-	948	948
Deposits with banks	494,909	-	-	494,909
Cash and cash equivalents	26,190	-	-	26,190
Total assets	861,556	142,661	948	1,005,165
Liabilities				
Payables	-	37,141	-	37,141
Total liabilities	-	37,141	-	37,141

Notes to the Financial Statements (continued)

18 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (continued)

(a) Financial assets (continued)

2013	Level 1 €000s	Level 2 €000s	Level 3 €000s	Total €000s
Assets				
Property, plant and equipment	-	45,568	-	45,568
Investment property	-	11,567	-	11,567
Loans	-	1,207	-	1,207
Other receivables	-	68,284	-	68,284
Financial assets				
Investments held to maturity	30,600	-	-	30,600
Investments held for trading - quoted shares	79,372	-	-	79,372
Investments held for trading - quoted debt securities	103,527	-	-	103,527
Investments held for trading - unquoted debt securities	-	3,809	-	3,809
Investments held for trading - UCITs	23,523	-	-	23,523
AFS investments - quoted debt securities	140,529	-	-	140,529
AFS investments - unquoted investments	-	-	1,368	1,368
Deposits with banks	437,977	-	-	437,977
Cash and cash equivalents	21,586	-	-	21,586
Total assets	837,114	130,435	1,368	968,917
Liabilities				
Payables	-	40,980	-	40,980
Total liabilities	-	40,980	-	40,980

A reconciliation of Level 3 fair value measurement of financial assets is shown in the table below:

	2014 €000s	2013 €000s
At 1 January	**1,368**	2,405
Additions	**145**	348
Disposals	**(1,115)**	(385)
Unrealised gains/(losses) recognised in the Consolidated Income Statement	**550**	(1,000)
At 31 December	**948**	1,368

18 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (continued)

(a) Financial assets (continued)

Unquoted debt securities grouped into Level 2 which had been valued at Directors' valuation matured in July 2014. Available for sale investments grouped into Level 3 comprise unquoted securities and consist of a number of small investments. The values attributable to these investments are derived from a number of valuation techniques including net asset or net book value or the net present value of future cash flows based on conservative operating projections. A change in one or more of these inputs could have an impact on valuations. The maximum exposure the Group has in relation to Level 3 valued financial assets is €948,000 (2013: €1,368,000). The Directors do not consider it necessary to provide a sensitivity analysis on financial investments grouped into Level 3 as they do not consider them material.

(b) Financial liabilities

The Group had no financial liabilities at 31 December 2014 or 2013 except for those disclosed in note 31(a).

19 CURRENT TAXATION ASSET

	2014 €000s	2013 €000s
Income taxation receivable	**8,742**	4,174

This balance relates to corporation taxation refunds due.

20 DEFERRED ACQUISITION COSTS

The movements in deferred acquisition costs during the year were:	2014 €000s	2013 €000s
At 1 January	**26,429**	24,652
Net acquisition costs deferred during the year	**1,998**	1,777
At 31 December	**28,427**	26,429

All deferred acquisition costs are expected to be recovered within one year from 31 December 2014.

21 OTHER RECEIVABLES

	2014 €000s	2013 €000s
Policyholders	**41,082**	45,239
Intermediaries	**6,121**	5,475
Other debtors	**3,639**	6,304
Accrued interest and rent	**2,919**	3,051
Prepayments and accrued income	**5,190**	8,215
Total other receivables	**58,951**	68,284

Notes to the Financial Statements (continued)

21 OTHER RECEIVABLES (continued)

Receivables arising out of direct insurance operations are considered by the Directors to have low credit risk and therefore no provision for bad or doubtful debts has been made. There is no significant concentration of risk in receivables arising out of direct insurance operations or any other activities.

The Directors consider that the carrying amount of receivables approximates to their fair value. All receivables are due within one year and none are past due.

22 CASH AND CASH EQUIVALENTS

	2014 €000s	2013 €000s
Demand deposits*	**24,861**	20,000
Cash in hand	**1,329**	1,586
Total cash and cash equivalents	**26,190**	21,586

*There are no restrictions on the use of demand deposits.

23 ORDINARY SHARE CAPITAL

	Number	2014 €000s	2013 €000s
(i) Ordinary shares of €0.60 each			
Authorised:			
At the beginning and the end of the year	51,326,000	**30,796**	30,796
Issued and fully paid:			
At the beginning and the end of the year	35,461,206	**21,277**	21,277
(ii) 'A' Ordinary shares of €0.01 each			
Authorised:			
At the beginning and the end of the year	120,000,000	**1,200**	1,200
Issued and fully paid:			
At the beginning and the end of the year	13,169,428	**132**	132
Total – issued and fully paid		**21,409**	21,409

The 'A' ordinary shares of €0.01 each are non-voting. They are non-transferable except only to the Company. Other than a right to a return of paid up capital of €0.01 per 'A' ordinary share in the event of a winding up, the 'A' ordinary shares have no right to participate in the capital or the profits of the Company.

23 ORDINARY SHARE CAPITAL (continued)

The holders of the two classes of non-cumulative preference shares rank ahead of the two classes of ordinary shares in the event of a winding up (see note 26). Before any dividend can be declared on the ordinary shares of €0.60 each, the dividend on the non-cumulative preference shares must firstly be declared or paid.

The number of ordinary shares of €0.60 each held as treasury shares at the beginning (and the maximum number held during the year) was 1,383,487. This represented 3.9% of the shares of this class in issue and had a nominal value of €830,092. There were no ordinary shares of €0.60 each purchased by the Company during the year. A total of 570,403 ordinary shares of €0.60 each were re-issued from treasury during the year under the FBD Holdings plc Executive Share Option Scheme and the FBD Performance Share Plan. Proceeds of €2,421,250 were credited directly to distributable reserves. This left a balance of 813,084 ordinary shares of €0.60 each in treasury which had a nominal value of €487,850 and represented 2.3% of the ordinary shares of €0.60 each in issue.

The weighted average number of ordinary shares of €0.60 each in the earnings per share calculation has been reduced by the number of such shares held in treasury.

At 31 December 2013, the total number of ordinary shares of €0.60 each under option amounted to 325,000. The related options had been granted under the FBD Holdings plc Executive Share Option Scheme which ceased to exist after 5 September 2014. These options were all exercised during the year at a subscription price of €7.45.

All issued shares have been fully paid.

24 CAPITAL RESERVES

(a) GROUP

	Share premium €000s	Capital conversion reserve €000s	Capital redemption reserve €000s	Share option reserve €000s	Total Group €000s
Balance at 1 January 2013	5,540	1,627	4,426	5,242	16,835
Recognition of share-based payments	-	-	-	977	977
Balance at 31 December 2013	5,540	1,627	4,426	6,219	17,812
Recognition of share-based payments	**-**	**-**	**-**	**944**	**944**
Balance at 31 December 2014	**5,540**	**1,627**	**4,426**	**7,163**	**18,756**

Notes to the Financial Statements (continued)

24 CAPITAL RESERVES (continued)

(b) COMPANY

	Share premium €000s	Capital conversion reserve €000s	Capital redemption reserve €000s	Share option reserve €000s	Total Company €000s
Balance at 1 January 2013	5,540	1,627	4,426	5,242	16,835
Recognition of share-based payments	-	-	-	977	977
Balance at 31 December 2013	5,540	1,627	4,426	6,219	17,812
Recognition of share-based payments	-	-	-	**944**	**944**
Balance at 31 December 2014	**5,540**	**1,627**	**4,426**	**7,163**	**18,756**

The capital conversion reserve arose on the redenomination of ordinary, 14% and 8% non-cumulative preference shares from IR£0.50 into ordinary or non-cumulative preference shares of 63.4869 cent. Each such share was then renominalised to an ordinary or a non-cumulative preference share of €0.60, an amount equal to the reduction in the issued share capital was transferred to the capital conversion reserve fund.

Capital redemption reserve arose on the buyback and cancellation of issued share capital.

Share option reserve arose on the recognition of share-based payments.

25 RETAINED EARNINGS

	2014 €000s	2013 €000s
Balance at 1 January	**237,993**	203,015
Result attributable to equity holders of the parent	**(24,492)**	46,705
Dividends paid and approved	**(17,505)**	(15,663)
Exercise of share options	**2,421**	3,936
Balance at 31 December	**198,417**	237,993

26 PREFERENCE SHARE CAPITAL

	Number	2014 €000s	2013 €000s
Authorised:			
At the beginning and the end of the year			
14% Non-cumulative preference shares of €0.60 each	1,340,000	**804**	804
8% Non-cumulative preference shares of €0.60 each	12,750,000	**7,650**	7,650
		8,454	8,454
Issued and fully paid:			
At the beginning and the end of the year			
14% Non-cumulative preference shares of €0.60 each	1,340,000	**804**	804
8% Non-cumulative preference shares of €0.60 each	3,532,292	**2,119**	2,119
		2,923	2,923

The rights attaching to each class of share capital are set out in the Company's Articles of Association. In the event of the Company being wound up, the holders of the 14% non-cumulative preference shares rank ahead of the holders of the 8% non-cumulative preference shares, who in turn, rank ahead of the holders of both the 'A' ordinary shares of €0.01 each and the holders of the ordinary shares of €0.60 each.

27 NON-CONTROLLING INTERESTS

	2014 €000s	2013 €000s
At 1 January	**463**	477
Share of profit for the year	**95**	106
Dividends paid to non-controlling interests	**(75)**	(120)
At 31 December	**483**	463

28 CLAIMS OUTSTANDING

(a) Gross Claims Outstanding 2014

	Prior years €000s	2005 €000s	2006 €000s	2007 €000s	2008 €000s	2009 €000s	2010 €000s	2011 €000s	2012 €000s	2013 €000s	2014 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year	-	329,501	393,944	340,460	383,918	378,839	352,635	261,596	252,558	263,945	326,884	-
One year later	-	278,281	306,441	316,394	373,373	342,548	334,162	231,834	233,037	251,707	-	-
Two years later	-	243,243	299,096	308,665	373,203	341,006	331,479	239,626	240,057	-	-	-
Three years later	-	229,877	297,147	303,432	371,095	340,620	325,032	242,298	-	-	-	-
Four years later	-	224,576	291,218	300,170	367,095	328,232	320,064	-	-	-	-	-
Five years later	-	218,926	286,636	294,461	359,085	327,462	-	-	-	-	-	-
Six years later	-	217,015	283,287	289,155	356,807	-	-	-	-	-	-	-
Seven years later	-	215,988	279,330	286,744	-	-	-	-	-	-	-	-
Eight years later	-	214,588	279,750	-	-	-	-	-	-	-	-	-
Nine years later	-	215,465	-	-	-	-	-	-	-	-	-	-
Estimate of cumulative claims	-	215,465	279,750	286,744	356,807	327,462	320,064	242,298	240,057	251,707	326,884	-
Cumulative payments	-	(208,428)	(272,866)	(275,638)	(338,105)	(298,203)	(270,241)	(170,939)	(145,724)	(122,340)	(116,715)	-
Claims outstanding at 31 December 2014	10,465	7,037	6,884	11,106	18,702	29,259	49,823	71,359	94,333	129,367	210,169	**638,504**
Claims outstanding at 31 December 2013	11,391	7,723	9,009	16,764	27,316	40,088	71,649	87,825	107,497	186,349	-	**565,611**
Movement during 2014	(926)	(686)	(2,125)	(5,658)	(8,614)	(10,829)	(21,826)	(16,466)	(13,164)	(56,982)	210,169	**72,893**

28 CLAIMS OUTSTANDING (continued)

(b) Net Claims Outstanding 2014

	Prior years €000s	2005 €000s	2006 €000s	2007 €000s	2008 €000s	2009 €000s	2010 €000s	2011 €000s	2012 €000s	2013 €000s	2014 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year	-	290,028	297,864	307,269	338,162	308,494	282,830	233,361	235,041	247,757	276,030	-
One year later	-	286,600	257,379	281,264	319,002	286,115	265,482	208,430	218,763	231,966	-	-
Two years later	-	221,359	254,396	277,391	318,124	286,153	265,884	215,507	225,759	-	-	-
Three years later	-	210,457	251,077	273,128	316,831	284,164	260,066	217,731			-	-
Four years later	-	205,132	246,832	269,372	313,328	273,523	255,371	-	-	-	-	-
Five years later	-	200,640	242,665	263,272	305,667	272,393	-	-	-	-	-	-
Six years later	-	198,584	239,324	258,543	303,437	-	-	-	-	-	-	-
Seven years later	-	197,596	235,664	256,240	-	-	-	-	-	-	-	-
Eight years later	-	196,362	236,091	-	-	-	-	-	-	-	-	-
Nine years later	-	197,286	-	-	-	-	-	-	-	-	-	-
Estimate of cumulative claims	-	197,286	236,091	256,240	303,437	272,393	255,371	217,731	225,759	231,966	276,030	-
Cumulative payments	-	(190,363)	(229,312)	(245,446)	(285,123)	(244,772)	(206,306)	(149,801)	(132,125)	(113,069)	(86,600)	-
Claims outstanding at 31 December 2014	7,817	6,923	6,779	10,794	18,314	27,621	49,065	67,930	93,634	118,897	189,430	**597,204**
Claims outstanding at 31 December 2013	8,606	7,560	8,902	15,767	26,901	37,983	70,420	84,148	106,352	174,423	-	**541,062**
Movement during 2014	(789)	(637)	(2,123)	(4,973)	(8,587)	(10,362)	(21,355)	(16,218)	(12,718)	(55,526)	189,430	**56,142**

28 CLAIMS OUTSTANDING (continued)

(b) Net Claims Outstanding 2014 (continued)

Full provision, net of reinsurance recoveries, is made at the reporting date for the estimated cost of claims incurred but not settled, including claims incurred but not yet reported and expenses to be incurred after the reporting date in settling those claims. The Group takes all reasonable steps to ensure that it has appropriate information regarding notified claims and uses this information when estimating the cost of those claims.

The Group uses estimation techniques, based on statistical analysis of past experience, to calculate the estimated cost of claims outstanding at the year end. It is assumed that the development pattern of the current claims will be consistent with previous experience. Allowance is made, however, for any changes or uncertainties that may cause the cost of unsettled claims to increase or reduce. These changes or uncertainties may arise from issues such as the effects of inflation, changes in the mix of business or the legal environment.

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the insurance liabilities. In performing these tests, current best estimates of future cash flows and claims handling and administration expenses are used. Any deficiency is immediately recognised in the Consolidated Income Statement.

Provision is also made in respect of the Group's share of the estimated liability for outstanding claims of the Motor Insurers' Bureau of Ireland ("MIBI"). This provision is based on our estimated current market share and the current outstanding claims of the MIBI.

(c) Reconciliation of claims outstanding

	Gross €000s	**Net €000s**
Balance at 1 January 2013	581,132	546,038
Change in provision for claims	(15,521)	(4,976)
Balance at 31 December 2013	565,611	541,062
Change in provision for claims	**72,893**	**56,142**
Balance at 31 December 2014	**638,504**	**597,204**

(d) Reconciliation of provision for unearned premium

The following changes have occurred in the provision for unearned premium during the year:

	2014 €000s	**2013 €000s**
Balance at 1 January	**175,380**	170,243
Net premium written	**311,423**	302,086
Net premium earned	**(303,444)**	(296,387)
Changes in provision for unearned premium – reinsurers' share	**(3,709)**	(562)
Provision for unearned premium at 31 December	**179,650**	175,380

28 CLAIMS OUTSTANDING (continued)

(e) Reconciliation of reinsurance assets

	Claims outstanding €000s	Unearned premium reserve €000s
Balance at 1 January 2013	35,095	20,282
Movement during year	(10,545)	(562)
Balance at 31 December 2013	24,550	19,720
Movement during year	**16,750**	**(3,710)**
Balance at 31 December 2014	**41,300**	**16,010**

29 RETIREMENT BENEFIT OBLIGATION

The Group operates a funded defined benefit retirement scheme for qualifying employees. The defined benefit plans are administered by a separate Trustee Company that is legally separated from the entity. The Trustee Company, who is responsible for ensuring compliance with the Pensions Act 1990 and other relevant legislation, is composed of representatives from both employers and current and former employees. The Trustees are required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. They are responsible for the investment policy with regard to the assets of the fund.

Under the defined benefit plan, qualifying employees are entitled to retirement benefits of 1/60th of final salary for each year of service on attainment of a retirement age of 65. A full actuarial valuation was carried out on 1 July 2013, using the projected unit credit method, and the minimum funding standard was updated to 31 December 2014 by the schemes' independent and qualified actuary and confirms that the scheme continues to satisfy the minimum funding standard. The long-term investment objective of the Trustees and the Group is to limit the risk of the assets failing to meet the liabilities of the scheme over the long term, and to maximise returns consistent with an acceptable level of risk so as to control the long-term costs of the scheme. To meet these objectives, the scheme's assets are invested in a diversified portfolio, consisting primarily of equity and debt securities. These reflect the current long-term asset allocation ranges, having regard to the structure of liabilities within the scheme. The scheme typically exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(a) Assumptions used to calculate scheme liabilities

	2014 %	2013 %
Inflation rate increase	**1.50***	2.00
Salary rate increase	**1.00 - 2.50**	3.00
Pension payment increase	**0.00 - 1.50**	2.00
Discount rate	**2.20**	3.80

*Inflation assumed to be 0% p.a. for the next 3 years and 1.50% p.a. thereafter

The expected rate of return on scheme assets is not relevant due to International Accounting Standards Board amendments to IAS 19 which has taken effect from 1 January 2013.

29 RETIREMENT BENEFIT OBLIGATION (continued)

(b) Mortality Assumptions

	2014 Years	2013 Years
The average life expectancy of current and future retirees used in the scheme at age 65 is as follows:		
Male	**20.8**	22.3
Female	**23.4**	24.1

The weighted average duration of the expected benefit payments from the scheme is *circa* 23 years.

During 2011, the Finance (No. 2) Act introduced an annual levy of 0.6% on the market value of assets held in pension schemes in Ireland from 2011 to 2014. The levy is payable on the value of assets at 30 June or the previous year end date. The levy for 2014 was €966,213 (2013: €700,214) and was paid out of the pension funds on or before September 2014 and will be recovered from members' pensions in future years. The 2013 levy has been reflected in the past service cost in 2014 and the 2014 levy will be reflected in the 2015 accounts.

The basis used to determine the expected return on plan assets is the money weighted rate of return achieved on the asset values used for the purpose of calculating the long-term funding rate. The actual return on the scheme assets for the year was a gain of €11,263,000 (2013: €11,369,000).

(c) Consolidated Income Statement

	2014 €000s	2013 €000s
Charged to Consolidated Income Statement:		
Service cost: employer's part of current service cost	**4,100**	3,976
Past service cost	**(912)**	(885)
Net interest expense	**1,102**	1,228
Charged to Consolidated Income Statement	**4,290**	4,319

Charges to the Consolidated Income Statement have been included in other underwriting and financial services expenses.

29 RETIREMENT BENEFIT OBLIGATION (continued)

(d) Analysis of amount recognised in Group Statement of Comprehensive Income

	2014 €000s	2013 €000s
Net actuarial losses/(gains)in the year due to:		
Changes in financial and demographic assumptions	**33,180**	7,175
Experience adjustments on benefit obligations	**(1,786)**	(3,406)
Actual return on plan assets less interest on plan assets	**(6,336)**	(6,620)
Actuarial loss/(gain)	**25,058**	(2,851)
Deferred taxation (credit)/debit	**(3,214)**	278
Actuarial loss/(gain) net of deferred taxation	**21,844**	(2,573)

(e) History of experience gains and losses

	2014 €000s	2013 €000s	2012 €000s	2011 €000s	2010 €000s
Present value of defined benefit obligations	**195,669**	158,769	149,520	127,620	114,367
Fair value of plan assets	**141,415**	130,231	118,754	105,928	103,508
Net pension liability	**54,254**	28,538	30,766	21,692	10,859
Experience gains and losses on scheme liabilities	**1,786**	3,406	1,660	1,993	2,270
Actuarial (loss)/gain	**(25,058)**	2,851	(9,345)	(14,323)	4,131

The cumulative charge to the Consolidated Statement of Comprehensive Income is €107,758,000 (2013: €82,700,000).

(f) Assets in scheme at market value

	2014 €000s	2013 €000s
Equities	**51,334**	62,120
Bonds	**13,152**	13,023
Property	**6,505**	6,512
Managed funds	**43,838**	47,665
Cash deposits and other	**26,586**	911
Scheme assets	**141,415**	130,231
Actuarial value of liabilities	**(195,669)**	(158,769)
Net pension liability	**(54,254)**	(28,538)

The assets are part of unitised funds which have a broad geographical and industry type spread with no significant concentration in any one geographical or industry type. These unitised funds are managed by eight investment managers.

Notes to the Financial Statements (continued)

29 RETIREMENT BENEFIT OBLIGATION (continued)

(g) Movement in deficit during the year

	2014 €000s	2013 €000s
Net deficit in scheme at 1 January	**(28,538)**	(30,766)
Current service cost	**(4,100)**	(3,976)
Past service gain	**912**	885
Employer contributions	**3,632**	3,696
Interest on scheme liabilities	**(6,029)**	(5,977)
Interest on scheme assets	**4,927**	4,749
Actuarial (loss)/gain	**(25,058)**	2,851
Net deficit at 31 December	**(54,254)**	(28,538)

(h) Movement on assets and liabilities

	2014 €000s	2013 €000s
Assets		
Assets in scheme at 1 January	**130,231**	118,754
Actual return less interest on scheme assets	**6,336**	6,620
Employer contributions	**3,632**	3,696
Employee contributions	**68**	66
Interest on scheme assets	**4,927**	4,749
Benefits paid	**(3,779)**	(3,654)
Assets in scheme at 31 December	**141,415**	130,231
Liabilities		
Liabilities in scheme at 1 January	**158,769**	149,520
Experience gains and losses on scheme liabilities	**(1,786)**	(3,406)
Changes in financial and demographic assumptions	**33,180**	7,175
Current service cost	**4,100**	3,976
Past service gain	**(912)**	(885)
Employee contributions	**68**	66
Interest on scheme liabilities	**6,029**	5,977
Benefits paid	**(3,779)**	(3,654)
Liabilities in scheme at 31 December	**195,669**	158,769

29 RETIREMENT BENEFIT OBLIGATION (continued)

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are as follows:

- A 1% increase in the discount rate would reduce the value of the scheme liabilities by €38.4m. A 1% reduction in the discount rate would increase the value of the scheme liabilities by €53.0m.
- The effect of inflation and salaries have been analysed together because they are linked. A rise in the long-term inflation assumption will increase the long term salary increase assumption and similarly for a fall in the long-term inflation assumption. A 1% increase in inflation/salaries would increase the value of the scheme liabilities by €27.4m. A 1% reduction in inflation/salaries would reduce the value of the scheme liabilities by €22.7m.
- The effect of assuming all members of the scheme will live one year longer would increase the scheme's liabilities by €4.1m.
- The current best estimate of 2015 contributions to be made by the Group to the pension fund is €3,600,000 (2014: €3,883,000).

The Group also operates defined contribution retirement benefit plans for qualifying employees who opt to join. The assets of the plans are held separately from those of the Group in funds under the control of Trustees. The Group recognised an expense of €1,929,000 (2013: €1,770,000) relating to these pension schemes.

30 DEFERRED TAXATION LIABILITY

	2014 €000s	2013 €000s
Temporary differences	**691**	691
Total deferred taxation liability	**691**	691

Notes to the Financial Statements (continued)

31 PAYABLES

(a) GROUP

	2014 €000s	2013 €000s
Amounts falling due within one year:		
Payables and accruals	**25,126**	24,649
PAYE/PRSI	**1,296**	1,895
Proposed dividends on preference shares	**169**	169
Payables arising out of direct insurance operations	**10,550**	14,267
Total payables	**37,141**	40,980

(b) COMPANY

	2014 €000s	2013 €000s
Amounts falling due within one year:		
Payables and accruals	**4,876**	4,728
Proposed dividends on preference shares	**169**	169
Total payables	**5,045**	4,897

32 DIVIDENDS

	2014 €000s	2013 €000s
Paid during year:		
2013 final dividend of 33.25 cent (2012: 30.00 cent) per share on ordinary shares of €0.60 each	**11,333**	10,058
2014 interim dividend of 17.0 cent (2013: 15.75 cent) per share on ordinary shares of €0.60 each	**5,890**	5,323
Dividend of 4.8 cent (2013: 4.8 cent) per share on 8% non-cumulative preference shares of €0.60 each	**169**	169
Dividend of 8.4 cent (2013: 8.4 cent) per share on 14% non-cumulative preference shares of €0.60 each	**113**	113
Total dividends paid	**17,505**	15,663

32 DIVIDENDS (continued)

	2014 €000s	2013 €000s
Proposed:		
Dividend of 4.8 cent (2013: 4.8 cent) per share on 8% non-cumulative preference shares of €0.60 each	**169**	169
Final dividend of 34.0 cent (2013: 33.25 cent) per share on ordinary shares of €0.60 each	**11,780**	11,331
Total dividends proposed	**11,949**	11,500

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these Financial Statements at the Statement of Financial Position date.

33 PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

(a) Subsidiaries	Nature of Operations	% Owned
FBD Insurance plc	General insurance underwriter	100
FBD Life & Pensions Limited	Investment services, pensions and life brokers	100
(b) Joint Venture		
FBD Property & Leisure Limited	Property and leisure	50

The Registered Office of each of the above subsidiaries and the joint venture is at FBD House, Bluebell, Dublin 12.

All shareholdings are in the form of ordinary shares.

The financial year end for the Group's principal subsidiaries and the joint venture is 31 December.

FBD Holdings plc is an Irish registered public limited company. The Company's ordinary shares of €0.60 each are listed on the Irish Stock Exchange and the UK Listing Authority and are traded on both the Irish Stock Exchange and London Stock Exchange.

(c) In the Company Statement of Financial Position on page 52 the reduction in the investment in subsidiaries of €134,000 is as a result of subsidiary companies reducing their inter-company liability to the parent company.

34 CAPITAL COMMITMENTS

	2014 €000s	2013 €000s
Capital commitments at 31 December authorised by the Directors		
but not provided for in the Financial Statements:		
Contracted for	**573**	387
Not contracted for	**875**	7,836

The above capital commitments relate to an investment in the underwriting policy administration system that commenced in 2013 and is being undertaken over a two to three year period.

35 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets at either 31 December 2014 or 31 December 2013.

36 SHARE BASED PAYMENTS

FBD Holdings plc Executive Share Option Scheme

In September 1989, the Group established an equity settled executive share option scheme, the FBD Holdings plc Executive Share Option Scheme ("ESOS") under which options to purchase ordinary shares of €0.60 each ("ordinary shares") in the Company were granted to certain executive Directors and senior management during the life of the scheme. Under the terms of the ESOS the options are exercisable at the market price prevailing at the date of the grant of the option (the "option price"). Under the terms of an amendment to the ESOS approved by shareholders in April 2006, the option price may be reduced by the amount of any special dividends paid to shareholders. Options were granted under the ESOS in September 1989, September 1995, May 2000, October 2003 and August 2009. The exercise of options granted since 18 April 2000 is conditional on growth in earnings per share of at least 2% per annum, compound, over the increase in the consumer price index over not less than three years from the date of grant.

A summary of the options outstanding under the ESOS during the year is as follows:

	2014 Weighted average exercise price in € per share	**2014 Options**	**2013 Weighted average exercise price in € per share**	**2013 Options**
At 1 January	**7.45**	**325,000**	6.64	968,825
Granted	-	-	-	-
Exercised	**7.45**	**(325,000)**	6.21	(633,825)
Lapsed	-	-	7.45	(10,000)
At 31 December	-	-	7.45	325,000
Total exercisable at 31 December	-	-	7.45	325,000

The fair value of the options granted under the ESOS in August 2009 was calculated at €1.62.

Share options over a total of 325,000 shares were exercised during the year at a weighted average share price at the date of exercise of €16.02.

No further options can be granted under the ESOS.

36 SHARE BASED PAYMENTS (continued)

FBD Group Performance Share Plan

The FBD Group Performance Share Plan (the "LTIP") was approved by shareholders in May 2007. Conditional awards of ordinary shares under the LTIP are dependent on the Group meeting onerous performance targets in terms of EPS growth, total shareholder returns and maintenance of the combined operating ratio ahead of peer companies in the European general insurance sector. These targets are described in more detail in the Report on Directors' Remuneration. The extent to which these conditions have been met and any award (or part of an award) has therefore vested is determined by the Remuneration Committee.

Fair value calculations

Conditional awards were made in November 2011 over 252,077 ordinary shares, in March 2013 over 140,940 ordinary shares and in April 2014 over 108,631 ordinary shares. The fair values of these conditional share awards have been calculated as follows using the assumptions noted in a Monte Carlo simulation model:

	LTIP award November 2011	LTIP award March 2013	LTIP award April 2014
Share price at grant	€6.55	€12.70	€17.00
Initial option/award price	€6.55	€12.70	€17.00
Expected volatility	30%	30%	25%
Expected life in years	2.37	3	3
Risk free interest rate	1.2%	0.5%	0.3%
Expected dividend yield %	n/a	n/a	n/a
Fair value	€6.18	€11.54	€14.25

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous two to three years preceding the date of grant.

Accounting charge for share based payments

Grant date	Vesting period (years)	Number of options granted	Number outstanding at 31 December 2014	Grant price €	Market value at grant date €	Fair value at grant date €	2014 €000s	2013 €000s
18.11.2011 LTIP	2.37	252,077	-	-	6.55	6.18	**145**	588
04.03.2013 LTIP	3.00	140,940	140,940	-	12.70	11.54	**470**	389
14.04.2014 LTIP	3.00	108,631	108,631	-	17.00	14.25	**329**	-
Total							**944**	977

37 GUARANTEES

- The Company has provided a guarantee of €30,142,751 (2013: €30,142,751) to AIB Bank for banking facilities for the joint venture, FBD Property & Leisure Ltd. The facility underlying this guarantee was re-financed during 2012.
- A guarantee of €7,500,000 (2013: €7,500,000) has been provided to Farmer Business Developments plc in respect of a loan made by it to the joint venture.

The guarantees are deemed not to have material value.

38 TRANSACTIONS WITH RELATED PARTIES

Farmer Business Developments plc has a substantial shareholding in the Group at 31 December 2014, details of which are set out in the Report of the Directors.

Included in the Financial Statements at the year end is €67,500 (2013: €529,895) due from Farmer Business Developments plc. This balance is made up of recharges for services provided, recoverable costs and interest. Interest is chargable on this balance at the market rate. The amount due is repayable on demand.

Transactions with Farmer Business Developments plc	**2014 €000s**	**2013 €000s**
Balance at 1 January	**530**	385
Management charges	**67**	145
Payments by related party	**(530)**	-
Balance at 31 December	**67**	530

For the purposes of the disclosure requirements of IAS 24, the term *"key management personnel"* (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Company) comprises the Board of Directors and Company Secretary of FBD Holdings plc and the Group's primary subsidiary, FBD Insurance plc and the members of the Executive Management Team.

The remuneration of key management personnel ("KMP") during the year was as follows:

	2014 €000s	**2013 €000s**
Short term employee benefits[1]	**2,476**	2,772
Post-employment benefits	**294**	290
Share based payments	**466**	432
Charge to the Consolidated Income Statement	**3,236**	3,494

1 Short term benefits include fees to non-executive Directors, salaries and other short-term benefits to all members of the KMP.

Full disclosure in relation to the 2014 and 2013 compensation entitlements and share options of the Board of Directors is provided in the Report on Directors' Remuneration.

In common with all shareholders, Directors received payments/distributions related to their holdings of shares in the Company during the year, amounting in total to €70,292 (2013: €36,856).

39 RISK MANAGEMENT

The Group has in place a risk management process the objective of which is to provide a systematic, effective and efficient way to manage risk in the organisation and to ensure the risks to which the Group is exposed to is consistent with the overall business strategy and the risk appetite of the Group.

Risk appetite is a measure of the amount and type of risks the Group is willing to accept or not accept over a defined period of time in pursuit of its objectives. The Group's risk appetite seeks to encourage measured and appropriate risk-taking to ensure that risks are aligned to business strategy and objectives.

The risk appetite in the Group's underwriting subsidiary is driven by an over-arching desire to protect its solvency at all times. Through the proactive management of risk, it ensures that it does not take on an individual risk or combination of risks that could threaten its solvency. This ensures that it has and will have in the future sufficient capital to pay its policyholders and all other creditors in full as liabilities fall due.

Through its interest in its subsidiaries, the Company is exposed to the same risks as the Group.

(a) General Insurance risk

The risk attached to any insurance policy written is the possibility that an insured event occurs and the uncertainty of the amount of the resulting claim. The frequency and severity of claims can be affected by several factors, most notably economic activity, the level of awards and inflation on settling claims. The history of claims development is set out, both gross and net of reinsurance in note 28, claims outstanding.

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 and within the terms of the FBD Insurance's reinsurance treaties.

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.

While the Group's 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, 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.

Notes to the Financial Statements (continued)

39 RISK MANAGEMENT (continued)

(a) General Insurance risk (continued)

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 and the reserving committee. The provision includes a risk margin 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 modern 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 cost 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.

The Group purchases reinsurance protection to limit its exposure to single claims and the aggregation of claims from catastrophic events. For its motor, employers' liability and public liability business, the Group has in place excess of loss reinsurance treaties and for its property business surplus, quota share and catastrophe reinsurance treaties. The Group's retention on all reinsurance treaties 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 managed 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.

(b) Capital Management risk

The Group is committed to managing its capital so as to maximise returns to shareholders. The capital of the Group comprises of issued capital, reserves and retained earnings as detailed in notes 23 to 25. The Board of Directors reviews the capital structure frequently to determine the appropriate level of capital required to pursue the Group's growth plans. The Group's overall strategy remains unchanged from 2013.

The Group's principal subsidiary, FBD Insurance plc, must maintain an adequate regulatory solvency position and must satisfy the Central Bank of Ireland that it has done so. The capital position of FBD Insurance plc is reviewed frequently by its Board of Directors. To provide protection against material events or shocks, the Group ensures that its insurance subsidiary holds sufficient capital to maintain significant regulatory surpluses.

As at 31 December 2014, FBD Insurance plc had admissible assets to cover the required solvency margin of €204,997,000 (2013: €231,560,000) versus a requirement of €59,806,000 (2013: €59,806,000) as calculated by reference to the European Communities (Non-Life Insurance) Framework (Amendment) Regulations 2004. FBD Insurance plc maintained its robust capital position and complied with all regulatory solvency margin requirements throughout both the year under review and the prior year.

39 RISK MANAGEMENT (continued)

FBD Insurance plc has developed and is in the process of implementing plans to ensure compliance with all aspects of the new Solvency II regime and has conducted tests that show it has sufficient capital to meet the Solvency II Capital Requirement as determined under the Solvency II standard formula.

FBD Insurance plc has an investment committee, a pricing committee, an audit committee, a reserving committee and a risk committee, all of which assist the Board in the identification and management of exposures and capital.

The Group uses a number of sensitivity based risk-analysis tools as part of its decision making and planning processes to understand and manage the volatility of earnings and capital requirements more efficiently. The Group measures key performance indicators, including compliance with minimum statutory solvency requirements, under a number of economic and operating scenarios so as to identify and quantify the risks to which the business and its capital are exposed.

In preparation for the Board's annual review of the internal control system, senior management carry out a self assessment, in compliance with the Irish Stock Exchange Listing Rules as well as the U.K. Corporate Governance Code, of the significant risks, including capital risks, facing the organisation and the controls in place to mitigate or manage such exposures.

The Group regularly benchmarks each of its operating businesses relative to its peers. In this process the Group focuses on its capital requirement and efficiency as well as profitability, cost structures and market position.

The Group also devotes considerable resources to managing its relationships with the providers of capital within the capital markets, for example, existing and potential shareholders, financial institutions, stockbrokers, corporate finance houses, etc.

(c) Operational risk

Operational risk could arise as a result of 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 also have 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 Audit 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 has taken significant steps to minimise the impact of business interruption that could result from a major external event. A formal disaster recovery plan is in place for both workspace recovery and retrieval of communications, IT systems and data. If a major event occurs, these procedures will enable the Group to move the affected operations to alternative facilities within very short periods of time. The disaster recovery plan is tested regularly and includes disaster simulation tests. In the event of a loss of staff, for example as a result of a pandemic, a plan is in place to re-assign key responsibilities and transfer resources to ensure key business functions can continue to operate.

39 RISK MANAGEMENT (continued)

(d) 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.

Assets – 2014	Carrying value total €000s	Contracted Value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Financial assets	**764,747**	**778,332**	**454,145**	**291,160**	**33,027**
Reinsurance assets	**57,310**	**57,310**	**24,876**	**27,502**	**4,932**
Loans and receivables	**59,922**	**59,922**	**59,215**	**707**	-
Cash and cash equivalents	**26,190**	**26,190**	**26,190**	-	-
Total	**908,169**	**921,754**	**564,426**	**319,369**	**37,959**
Liabilities - 2014					
Insurance contract liabilities	**818,154**	**818,154**	**260,162**	**447,298**	**110,694**
Payables	**37,141**	**37,141**	**37,141**	-	-
Total	**855,295**	**855,295**	**297,303**	**447,298**	**110,694**

Assets – 2013	Carrying value total €000s	Contracted Value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Financial assets	716,130	736,000	478,715	244,808	12,477
Reinsurance assets	44,270	44,270	28,367	13,519	2,384
Loans and other receivables	69,321	69,321	68,614	707	-
Cash and cash equivalents	21,586	21,586	21,586	-	-
Total	851,307	871,177	597,282	259,034	14,861
Liabilities - 2013					
Insurance contract liabilities	740,991	740,991	271,551	369,204	100,236
Payables	40,980	40,980	40,980	-	-
Total	781,971	781,971	312,531	369,204	100,236

39 RISK MANAGEMENT (continued)

(e) 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 guidelines, 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.

Interest rate risk

Interest rate 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, the Group held the following deposits, held to maturity investments and quoted and unquoted debt securities:

	2014		2013	
	Market value €000s	Weighted average interest rate %	Market value €000s	Weighted average interest rate %
Time to maturity				
In one year or less	**442,826**	**0.86**	466,424	1.29
In more than one year, but not more than two years	**165,287**	**2.09**	76,068	3.81
In more than two years, but not more than three years	**77,233**	**4.03**	117,679	3.69
In more than three years, but not more than four years	**17,619**	**2.08**	39,061	1.12
In more than four years, but not more than five years	**27,722**	**1.53**	4,799	2.27
More than five years	**34,060**	**2.04**	12,099	2.96
Total	**764,747**		716,130	

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 places limits on the type of shares held, liquidity of shares, size of share-holding and exposure to any one sector. In addition, local asset admissibility solvency regulations require the Group to hold a diversified portfolio of assets, thereby reducing exposure to individual sectors. The amounts exposed to equity price risk are set out in note 18(a).

39 RISK MANAGEMENT (continued)

Foreign currency risk

The Group holds investment assets and equities in foreign currencies and therefore is exposed to exchange rate fluctuations. The impact of exchange rate fluctuations are monitored regularly. The Group is primarily exposed to Sterling and US dollars.

The Group did not hold any derivative instruments at 31 December 2014 or 31 December 2013.
The carrying amount of the Group's foreign currency denominated monetary assets at the reporting date is as follows:

	2014 €000s	2013 €000s
GBP	**7,595**	10,466
USD	**4,515**	8,406
Other	**3,549**	2,890

(f) 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 either with financial institutions which have a minimum A- rating or have a sovereign guarantee. Quoted debt securities comprise €45,808,000 government bonds (2013: €103,527,000) with investment grade. Available for sale investments comprise €224,029,000 (2013: 140,529,000) of listed corporate bonds with an average duration of 2 years and carry an average rating of A or have a government guarantee and a number of small investments many of which are unrated. The total exposure the Group has in relation to of these unrated investments is €948,000 (2013: €1,368,000).

All of the Group's current reinsurers have a credit rating of A- or better. The Group has assessed these credit ratings as being satisfactory in diminishing the Group's exposure to the credit risk of its reinsurance receivables. The maximum balance owed to the Group by an individual reinsurer at 31 December 2014 was €308,000 (2013: €2,627,000).

The carrying amount of financial assets recorded in the Financial Statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk. There are no financial assets past due but not impaired.

Receivables arising out of direct insurance operations are considered by the Directors to have low credit risk and therefore no provision for bad or doubtful debts has been made. All other receivables are due within one year and none are past due.

(g) Concentration risk

Concentration risk is the risk of loss due to overdependence on a singular entity or category of business. The only concentration risks to which the Group is exposed are as follows:

- Listed corporate bonds carry an average credit rating of A with 9% of the listed corporate bonds being invested in bonds with a rating of BBB+. The average duration of the fund is 2 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.
- All of the underwriting business is conducted in Ireland over a wide geographical spread with no concentration in any 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 as outlined in note 39(a).

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.

39 RISK MANAGEMENT (continued)

(h) Macro-economic risk

Economic downturn

Fluctuations in demand or supply of insurance and any downturn in any of the markets in which the Group operates may have an adverse effect on the demand for its products and therefore could affect its overall financial condition. A deterioration or delay in economic recovery represents a material risk to the operating performance and financial position of the Group.

Increasing competition

The Group faces significant competition. Actions by existing competitors or new entrants may place pressure on the Group's margins and profitability. In response to a changing competitive environment or the actions of competitors, the Group may from time to time make certain pricing, service or marketing decisions that could have a material effect on the revenues and results of their operations.

Changing market trends

The Group is exposed to changes in consumer trends. Although demand for insurance cover is expected to remain broadly stable, consumers' purchasing patterns tend to change over time and especially when the economy is weak. To the extent that there is a negative shift in consumption, such changes in consumer demand may have materially adverse effects on the Group's financial position.

The Group operates in competitive markets. Success is dependent on anticipating changes in consumer preferences and on successful new product development and product launches in response to such changes in consumer behaviour. The Group invests in research and development to introduce new products and to position itself well in its chosen markets. The Group's future results will depend on its ability to successfully identify, develop, market and sell new or improved products in these changing markets.

The success of the Group depends on its ability to react to changing trends with appropriate innovation to drive growth and performance. Failure to do so may result in material adverse effects on the operational performance and financial position of the Group.

Taxation risk

If taxation laws were to be amended in the jurisdiction in which the Group operates this could have an adverse effect on its results. The Group continually takes the advice of external experts to help minimise this risk. Changes in taxation could decrease the post-taxation returns to shareholders.

39 RISK MANAGEMENT (continued)

(i) Sensitivity analysis

The table below identifies the Group's key sensitivity factors. For each sensitivity test the impact of a change in a single factor is shown, with other assumptions left unchanged.

Sensitivity factor	Description of sensitivity factor applied
Interest rate and investment return	The impact of a change in the market interest rate by an increase of 1% or a decrease of 0.25%. For example if a current interest rate is 2%, the impact of an immediate change to 3% and 1.75%.
Exchange rates movement	The impact of a change in foreign exchange rates by ± 10%.
Equity market values	The impact of a change in equity market values by ±10%.
Available for sale investments	The impact of a change in corporate bond market values by ±5%.
Property market values	The impact of a change in property market values by ±10%.
Net loss ratios	The impact of an increase in underwriting net loss ratios by 5%.

The pre-taxation impacts on profit and shareholders' equity at 31 December 2014 and at 31 December 2013 of each of the sensitivity factors outlined above are as follows:

		2014 €000s	**2013 €000s**
Interest rates	1.0%	**5,048**	5,028
Interest rates	(0.25%)	**(1,262)**	(1,257)
FX rates	10%	**1,566**	2,176
FX rates	(10%)	**(1,566)**	(2,176)
Equity	10%	**4,611**	7,937
Equity	(10%)	**(4,611)**	(7,937)
Available for sale investments	5%	**11,249**	7,095
Available for sale investments	(5%)	**(11,249)**	(7,095)
Investment property	10%	**1,996**	1,157
Investment property	(10%)	**(1,996)**	(1,157)
Net loss ratio	5%	**(15,172)**	(14,819)

39 RISK MANAGEMENT (continued)

The sensitivity of changes in the assumptions used to calculate general insurance liabilities are set out in the table below:

31 December 2014	Change in assumptions	Increase in gross technical reserves €000s	Increase in net technical reserves €000s	Impact on profit before taxation €000s	Reduction in shareholders' equity €000s
Injury claims IBNR	**+10%**	**2,495**	**1,936**	**(1,936)**	**1,694**
Other claims IBNR	**+10%**	**675**	**463**	**(463)**	**405**
Legal fees revert to pre PIAB levels		**9,080**	**8,172**	**(8,172)**	**7,151**
31 December 2013					
Injury claims IBNR	+10%	2,460	2,460	(2,460)	2,153
Other claims IBNR	+10%	616	499	(499)	437
Legal fees revert to pre PIAB levels		6,210	5,589	(5,589)	4,890

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results. The sensitivity analysis does not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk. They represent the Group's view of possible near-term market changes that cannot be predicted with any certainty and assume that all interest rates move in an identical fashion.

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Letter from the Chairman in relation to the Annual General Meeting

10 April 2015

Dear Shareholder,

The Notice of the Annual General Meeting of the Company, which will be held at 12.00 noon on 14 May 2015 in the Irish Farm Centre, Old Naas Road, Bluebell, Dublin 12, follows this letter.

I want to set out in this letter details of the business to come before the meeting.

Ordinary Business (Resolutions 1 to 6)

Resolution 1 deals with the consideration of the Financial Statements of the Company for the year ended 31 December 2014.

Resolution 2 deals with the declaration of a dividend on the 8% non-cumulative preference shares. A dividend cannot be declared on the ordinary shares unless and until the dividend on the 8% preference shares has been declared.

Resolution 3 deals with the declaration of a final dividend of 34.0 cent per ordinary share for the year ended 31 December 2014.

Resolution 4 deals with the approval of the Report on Directors' Remuneration. This Report is set out on pages 31 to 39 of the Annual Report and it has been the practice of the Board since 2010 to put the Report on Directors' Remuneration to a shareholder vote. Shareholders should note that there is no legal obligation on the Company to put such a resolution to Shareholders. While it is therefore an "advisory" resolution and not binding on the Company, the Board recognises that the tabling of such a resolution is best practice in this area and is an acknowledgement of Shareholders' rights to have a "say on pay".

Resolution 5 deals with the proposed re-election of all of the Directors. The Board has adopted the practice that all Directors will submit themselves for re-election at each Annual General Meeting. This was done for the first time in 2011. Biographies of all the Directors are set out on pages 22 to 23 of the Annual Report in the Corporate Governance Section. A formal evaluation of the performance of each of the Directors has been undertaken. I can confirm that each of the Directors continues to perform effectively and demonstrates commitment to the role.

Resolution 6 is a standard resolution which authorises the Directors to fix the remuneration of the Auditors. Under Irish Company Law, the Auditors, Deloitte & Touche, are deemed to be re-appointed in accordance with S.160 of the Companies Act, 1963. The Audit Committee last put the provision of audit services to the Company out to tender in 2010.

Special Business (Resolutions 7 to 10)

Resolutions 7 to 9 are the normal resolutions usually considered annually, which relate to the share capital of the Company and propose to renew authorities previously approved by Shareholders. I want to assure you that the Board will only exercise these authorities if it considers it to be in the best interests of Shareholders generally at that time.

Resolution 10 deals with the fixing of the notice period for the convening of an Extraordinary General Meeting of the Company.

Registered in Ireland, Registration Number: 135882
Registered Office: FBD House, Bluebell, Dublin 12, Ireland.
Directors: M Berkery (Chairman), E Daly, S Dorgan, E Downey, B Horan, A Langford (Chief Executive), F Muldoon, C O'Caoimh, P Walshe

Each of these resolutions is described for you in more detail below.

Disapplication of pre-emption rights (Resolution 7)

Resolution 7 will be proposed as a Special Resolution to renew the Directors' authority to issue shares for cash other than strictly pro-rata to existing shareholdings. The proposed authority is limited to the allotment of shares in specific circumstances relating to rights issues and other issues up to an aggregate of 5% of the Company's issued ordinary share capital.

This authority will, if renewed, expire on the earlier of the date of the next Annual General Meeting of the Company or 14 August 2016.

Authority to purchase own shares (Resolution 8)

Resolution 8 will be proposed as a Special Resolution to renew the authority of the Company, or any subsidiary of the Company, to make market purchases of the Company's ordinary shares up to 10% of the aggregate nominal value of the Company's total issued share capital. The text of the resolution sets out the minimum and maximum prices which may be paid for ordinary shares purchased in this manner.

The total number of conditional awards over ordinary shares in the Company outstanding on 10 April 2015 is 418,944 representing 1.06% of the total issued share capital. If the Directors were to exercise the authority being renewed by this resolution up to the maximum allowed and to cancel such shares and all other shares held in treasury, these conditional awards would represent 1.21% of the total issued share capital.

This authority will, if renewed, expire on the earlier of the date of the next Annual General Meeting of the Company or 14 August 2016.

Re-issue price range of treasury shares (Resolution 9)

Resolution 9 will be proposed as a Special Resolution to set the price ranges at which the Company may re-issue treasury shares off-market.

This authority will, if renewed, expire on the earlier of the date of the next Annual General Meeting of the Company or 14 August 2016.

Notice period for Extraordinary General Meetings (Resolution 10)

Resolution 10 will be proposed as a Special Resolution to maintain the existing authority in the Company's Articles of Association which permits the convening of an Extraordinary General Meeting of the Company on 14 days notice where the purpose of the meeting is to consider an Ordinary Resolution only.

Appointing a Proxy

Those shareholders unable to attend the Meeting may appoint a Proxy to attend in their stead. The appointment may be submitted by post by completing the enclosed Form of Proxy and returning it to the Company's Registrar, Computershare Investor Services (Ireland) Limited, PO Box 954, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland. Your Form of Proxy may also be submitted through the internet. Instructions on how to do this are set out on the Form of Proxy. CREST members who wish to appoint a Proxy or Proxies via the CREST electronic proxy appointment service should refer to footnote 5 on page 8 of that document.

All Proxy votes must be received by the Company's Registrar not less than 48 hours before the time appointed for the Meeting. The submission of a Form of Proxy will not prevent you attending and voting at the Meeting should you wish to do so.

Recommendation

The Directors are satisfied that the resolutions set out in the Notice of the Annual General Meeting are in the best interests of the Company and its Shareholders. Accordingly the Directors unanimously recommend that you vote in favour of each of the resolutions set out in the Notice of Annual General Meeting, as they intend to do in respect of all of the ordinary shares which they own or control in the capital of the Company.

Yours faithfully,

Michael Berkery
Chairman

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held in the Irish Farm Centre, Old Naas Road, Bluebell, Dublin 12, Ireland on Thursday 14 May 2015, at 12 noon for the following purposes:

AS ORDINARY BUSINESS

1 To receive and consider the Report of the Directors and the Financial Statements for the year ended 31 December 2014.

2 To declare a dividend on the 8% non-cumulative preference shares.

3 To declare a final dividend of 34.0 cent per ordinary share.

4 To approve the Report on Directors' Remuneration appearing in the Financial Statements for the year ended 31 December 2014 (Advisory Resolution).

5 To re-elect the following persons as Directors of the Company:

(a) Michael Berkery

(b) Emer Daly

(c) Sean Dorgan

(d) Eddie Downey

(e) Brid Horan

(f) Andrew Langford

(g) Fiona Muldoon

(h) Cathal O'Caoimh

(i) Padraig Walshe

6 To authorise the Directors to fix the remuneration of the Auditors.

AS SPECIAL BUSINESS

7 To consider and, if thought fit, pass the following Special Resolution:

"In accordance with the provisions of the Companies (Amendment) Act, 1983, the Directors be and are hereby empowered to allot "equity securities" (as defined in Section 23 (13) of the Companies (Amendment) Act, 1983) pursuant to the authority conferred on them by the Special Resolution of the Company passed on 14 May 2015 as if Section 23 (1) of the Companies (Amendment) Act, 1983 did not apply to any allotment made pursuant to the said authority provided that this power shall be limited to the allotment of equity securities up to but not exceeding an aggregate nominal value of 5 per cent of the issued ordinary share capital as at the date of this Resolution and that the authority hereby conferred shall expire at the close of business on the earlier of the date of the next Annual General Meeting of the Company or a date 15 months from the date of passing hereof and that the Directors be entitled to make at any time prior to the expiry of the power hereby conferred, any offer or agreement which would or might require equity securities to be allotted after the expiry of such power. Provided that such power shall, subject as aforesaid, cease to have effect when the said authority is revoked or would, if renewed, expire but if the authority is renewed the said power may also be renewed, for a period not longer than that for which the authority is renewed, by a further Special Resolution of the Company passed in General Meeting"

and

"that the expiry date noted in Article 8 (c) be amended to read "14 August 2016", being fifteen months after the date of this Annual General Meeting in accordance with the foregoing."

8 To consider and, if thought fit, pass the following Special Resolution:

"That the Company and/or any of its subsidiaries be and are hereby generally authorised to make market purchases (as defined in Section 212 of the Companies Act, 1990) of shares of any class of the Company ("the Shares") on such terms and conditions and in such manner as the Directors may from time to time determine but subject, however, to the provisions of the Companies Act, 1990, the Articles of Association of the Company and to the following restrictions and provisions:

(a) the aggregate nominal value of the Shares authorised to be acquired pursuant to the terms of this resolution shall not exceed 10 per cent of the aggregate nominal value of the issued share capital of the Company as at the close of business on the date of the passing of this resolution;

(b) the minimum price which may be paid for any Share shall be the nominal value of the Share;

(c) the maximum price which may be paid for any Share (a "Relevant Share") shall be an amount equal to 105 per cent of the average of the five amounts resulting from determining whichever of the following ((i), (ii) or (iii) specified below) in relation to the Shares of the same class as the Relevant Share shall be appropriate for each of the five consecutive business days immediately preceding the day on which the Relevant Share is purchased, as determined from the information published in the Irish Stock Exchange Daily Official List reporting the business done on each of those five business days;

(i) if there shall be more than one dealing reported for the day, the average of the prices at which such dealings took place; or

(ii) if there shall be only one dealing reported for the day, the price at which such dealing took place; or

(iii) if there shall not be any dealing reported for the day, the average of the closing bid and offer prices for the day

and if there shall be only a bid (but not an offer) or an offer (but not a bid) price reported, or if there shall not be any bid or offer price reported, for any particular day then that day shall not count as one of the said business days for the purposes of determining the maximum price. If the means of providing the foregoing information as to dealings and prices by reference to which the maximum price is to be determined is altered or is replaced by some other means, then a maximum price shall be determined on the basis of the equivalent information published by the relevant authority in relation to dealings on the Irish Stock Exchange or its equivalent.

The authority hereby conferred will expire at the close of business on the date of the next Annual General Meeting of the Company or the date which is fifteen months after the date on which this resolution is passed or deemed to have been passed whichever is the earlier, unless previously varied, revoked or renewed in accordance with the provisions of Section 215 of the Companies Act, 1990. The Company or any such subsidiary may before such expiry enter into a contract for the purchase of Shares which would or might be wholly or partly executed after such expiry and may complete any such contract as if the authority conferred hereby had not expired."

9 To consider and, if thought fit, pass the following Special Resolution:

"That for the purposes of Section 209 of the Companies Act, 1990 the re-issue price range at which any treasury shares (as defined by the said Section 209) for the time being held by the Company may be re-issued off-market shall be as follows:

(a) the maximum price shall be an amount equal to 120 per cent of the Appropriate Price as defined in paragraph (c); and

(b) subject to paragraph (c) hereof, the minimum price shall be:

(i) in the case of an Option Scheme (as defined in paragraph (d) below), an amount equal to the option price as provided for in such Option Scheme; or

(ii) in all other cases and circumstances where treasury shares are re-issued off-market, an amount equal to 95% of the Appropriate Price (as defined in paragraph (c)); and

Notice of Annual General Meeting (continued)

(c) "Appropriate Price" means the average of the five amounts resulting from determining whichever of the following ((i), (ii) or (iii) specified below) in relation to shares of the class of which such treasury shares to be re-issued shall be appropriate in respect of each of the five business days immediately preceding the day on which the treasury share is re-issued, as determined from information published in the Irish Stock Exchange Daily Official List reporting the business done on each of those five business days;

(i) if there shall be more than one dealing reported for the day, the average of the prices at which such dealings took place; or

(ii) if there shall be only one dealing reported for the day, the price at which such dealing took place; or

(iii) if there shall not be any dealing reported for the day, the average of the closing bid and offer prices for the day;

and if there shall be only a bid (but not an offer) or an offer (but not a bid) price reported, or if there shall not be any bid or offer price reported for any particular day, then that day shall not count as one of the said business days for the purposes of determining the Appropriate Price. If the means of providing the foregoing information as to dealings and prices by reference to which the Appropriate Price is to be determined is altered or is replaced by some other means, then the Appropriate Price shall be determined on the basis of the equivalent information published by the relevant authority in relation to dealings on the Irish Stock Exchange or its equivalent; and

(d) "Option Scheme" means any scheme or plan which involves either the issue of options to acquire ordinary shares in the Company or the conditional award of ordinary shares in the Company which has been approved by the Company's shareholders in General Meeting.

The authority hereby conferred shall expire at the close of business on the date of the next Annual General Meeting of the Company, or the date which is fifteen months after the date on which this resolution is passed or deemed to have been passed whichever is the earlier, unless previously varied or renewed in accordance with the provisions of Section 209 of the Companies Act, 1990".

10 To consider and, if thought fit, pass the following Special Resolution:

"That it is hereby resolved that the provision in Article 50 (a) of the Company's Articles of Association allowing for the convening of an Extraordinary General Meeting by at least fourteen clear days' notice (where such meeting is not convened for the purposes of the passing of a special resolution) shall continue to be effective."

By order of the Board

Conor Gouldson
Company Secretary

FBD House, Bluebell, Dublin 12, Ireland

10 April 2015

Information for Shareholders Pursuant to the Shareholders' Rights Directive

The following information is provided to Shareholders in accordance with the provisions of the Shareholders' Rights (Directive 2007/36/EC) Regulations 2009:

1. Conditions for Participating in the Annual General Meeting ("AGM")

Every shareholder, irrespective of how many FBD Holdings plc shares he/she holds, has the right to attend, speak, ask questions and vote at the AGM. Completion of a form of proxy will not affect your right to attend, speak, ask questions and/or vote at the meeting in person. The right to participate in the AGM is subject to the registration of the shares prior to the record date for the meeting (the "Record Date") – see note 3 following.

2. Appointment of Proxy

If you cannot attend the AGM in person, you may appoint a proxy (or proxies) to attend, speak, ask questions and vote on your behalf. For this purpose a Form of Proxy has been sent to all registered shareholders. A proxy need not be a member of the Company. You may appoint the Chairman of the Company or another individual as your proxy. You may appoint a proxy by completing the Form of Proxy, making sure to sign and date the form at the bottom and return it in the pre-paid envelope provided to the Company's Registrar, Computershare Investor Services (Ireland) Limited, P.O. Box 954, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland to be received no later than 12.00 noon on 12 May 2015. If you are appointing someone other than the Chairman as your proxy, then you must fill in the details of that person in the box located underneath the wording "I/We hereby appoint the Chairman of the Meeting OR the following person" on the Form of Proxy.

Alternatively, you may appoint a proxy via CREST, if you hold your shares in CREST, or you may do so electronically, by visiting the website of the Company's Registrar at www.eproxyappointment.com. You will need your shareholder reference number, control number and your PIN number, which can be found on the Form of Proxy.

If you appoint the Chairman or another person as a proxy to vote on your behalf, please make sure to indicate how you wish your votes to be cast by ticking the relevant boxes on the Form of Proxy.

Completing and returning a Form of Proxy will not preclude you from attending and voting at the meeting should you so wish.

3. Record Date for AGM

Pursuant to Section 134A of the Companies Act, 1963 and pursuant to Regulation 14 of the Companies Act, 1990 (Uncertificated Securities) Regulations, 1996, the Company hereby specifies that only those Shareholders registered in the Register of Members of the Company as at 6 p.m. on the day which is two days before the date of the meeting shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes in the Register after that time will be disregarded in determining the right of any person to attend and/or vote at the meeting or the number of votes any Shareholder may have in the case of a poll vote.

4. How to exercise your voting rights

As a Shareholder, you have several ways to exercise your right to vote:

- By attending the AGM in person;
- By appointing the Chairman or some other person as a proxy to vote on your behalf;
- By appointing a proxy via the CREST System if you hold your shares in CREST.

In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other registered holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members.

Information for Shareholders Pursuant to the Shareholders' Rights Directive (continued)

5. **Tabling Agenda Items**

   If you or a group of Shareholders hold 1,185,613 or more ordinary or preference shares of €0.60 each in FBD Holdings plc (i.e. at least 3% of the issued share capital of the Company carrying voting rights), you or the group of Shareholders acting together have the right to put an item on the agenda for the AGM. In order to exercise this right, written details of the item you wish to have included on the agenda for the AGM together with a written explanation setting out why you wish to have the item included on the agenda, and evidence of the shareholding, must have been received by the Company Secretary at FBD Holdings plc, FBD House, Bluebell, Dublin 12, Ireland or by e-mail to company.secretary@fbd.ie no later than 12.00 noon on Thursday 2 April 2015 (i.e. 42 days before the time scheduled for the holding of the AGM). An item cannot be included on the agenda for the AGM unless the foregoing conditions are satisfied and it is received by the stated deadline.

6. **Tabling Draft Resolutions**

   If you or a group of Shareholders hold 1,185,613 or more ordinary or preference shares of €0.60 each in FBD Holdings plc (i.e. at least 3% of the issued share capital of the Company carrying voting rights), you or the group of Shareholders acting together have the right to table a draft resolution for inclusion on the agenda for the AGM subject to any contrary provision in company law.

   In order to exercise this right, the text of the draft resolution and evidence of shareholding must have been received by post by the Company Secretary at FBD Holdings plc, FBD House, Bluebell, Dublin 12, Ireland or by email to company.secretary@fbd.ie no later than 12.00 noon on Thursday 2 April 2015 (i.e. 42 days before the time scheduled for the holding of the AGM). A resolution cannot be included on the agenda for the AGM unless it is received in either of the foregoing manners by the stated deadline. Furthermore, Shareholders are reminded that there are provisions in company law, and otherwise, which impose other conditions on the right of shareholders to propose resolutions at a general meeting of a company.

7. **Right to ask questions**

   Pursuant to section 134C of the Companies Act 1963, shareholders have a right to ask questions related to items on the AGM agenda and to have such questions answered by the Company subject to any reasonable measures the Company may take to ensure the identification of shareholders.

8. **How to request/inspect documentation relating to the meeting**

   The annual Financial Statements, Report of the Auditors and the Report of the Remuneration Committee are contained in the Company's Annual Report which was dispatched to Shareholders on 10 April 2015. The Annual Report is also available on the Company's website www.fbdgroup.com.

   Should you not receive a Form of Proxy, or should you wish to be sent copies of any documents relating to the meeting, you may request these by telephoning the Company's Registrar on +353 1 4475 101 or by writing to the Company Secretary either by post at FBD House, Bluebell, Dublin 12, Ireland or by e-mail to company.secretary@fbd.ie.

   The Memorandum and Articles of Association of the Company together with a copy of the proposed Memorandum and Articles of Association of the Company showing the amendments that would be made if all of the Resolutions on the agenda for the AGM are approved, are available on the Company's website www.fbdgroup.com and may also be inspected during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the Company's Registered Office at FBD House, Bluebell, Dublin 12, Ireland up to and including the date of the Annual General Meeting and at the Annual General Meeting itself.

9. **Further Information**

   This AGM notice, details of the total number of shares and voting rights at the date of giving this notice, the documents to be submitted to the meeting, copies of any draft resolutions and a copy of the Form of Proxy are available on the Company's website at www.fbdgroup.com.

Notes

Notes

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04/15

Printed on paper sourced from sustainably managed forests.

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