FBD Insurance plc
Annual Report 2016

Protection.
It's in our nature.

FBD

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CHAIRMAN'S STATEMENT

Performance

I am pleased to report that 2016 saw a marked turnaround in the fortunes of our company with FBD again returned to profitability. We achieved a profit before taxation of €13.8m from benefitting from a one-time pension gain of €4.3m but importantly also generating an underwriting profit for the year. This stabilisation of our business and a welcome underwriting profit for the year, though modest, reflects the strong risk selection and pricing actions started in 2015 and continued through this year.

At this early stage in my report I want to acknowledge the vital contribution of FBD staff throughout our organisation. Under the guidance and leadership of the Chief Executive Fiona Muldoon, we have achieved this turnaround within a relatively short time span, and this advances our return to normalised profitability for FBD. We look forward to future profitable growth and FBD is now well positioned and committed to generating sustainable returns for our shareholders.

Management Changes

With the support of the Board, our Chief Executive concentrated on strengthening the FBD senior management team throughout 2016 appointing a number of key individuals who will take our business forward. These include a new Chief Financial Officer, Chief Commercial Officer, Chief Claims Officer, Chief Technology & Operations Officer and a Chief Risk Officer & Company Secretary. The changes ensure the Company is well positioned for the future through a mixture of both internal and external appointments. The Board looks forward to this team successfully executing our agreed strategic objectives.

There were some employee changes in 2016 that saw many longstanding staff leave the business through the voluntary redundancy programme. We wish all our FBD colleagues well in the next chapter of their careers and the Board is grateful for the hard work and commitment of both current and past employees during the transition. The restructuring is almost complete and has delivered a leaner FBD business for the future.

Board Reorganisation and Governance Changes

The new governance arrangements implemented during the year necessitated significant changes in Board personnel. I want to record my own and the Board's deep appreciation to former Board members, Mr. David Martin, Mr. Vincent Sheridan and Mr. Paul D'Alton for their valued input to the Company. I wish them continued success in the future. In addition Mr. Sean Dorgan is announcing his intention not to stand for re-election at the AGM.

I am delighted to welcome five new non-executive Board members to FBD Insurance plc: Mr. Liam Herlihy, Ms. Mary Brennan, Mr. Dermot Browne, Ms. Orlagh Hunt and Mr. David O'Connor, as well as executive director & Chief Financial Officer, Mr. John O'Grady. The appointments demonstrate a breadth of talent and a strong diversity of insurance experience both home and abroad that I am certain will serve us well in the years ahead. The Board is well advanced in selecting the new Chairman and we hope to be in a position to announce this at the AGM (subject to regulatory approval). As I leave the Board, I am satisfied we have completed the necessary personnel changes to ensure continuity and stability for the future of FBD.

Brand

We have launched a new FBD brand and ad campaign that tells our unique story in Ireland and in farming. It centres on our fundamental commitment to protect our customers. Our new brand shows FBD Insurance with a strap-line, *'Protection. It's in our nature'*. Inspired by FBD's rich heritage and building on our unique position as an indigenous Irish insurer, it is a reminder that we have been supporting local farms, businesses and communities across the country for almost fifty years. It is a departure from our previous advertising campaigns and I very much hope you like it and can see its value.

We believe both our shareholders and customers will engage with the brand as we continue to also broaden our appeal. We are aiming to foster relationships with new customers in selected markets and thus bring them into the FBD fold.

Claims Environment

The claims environment continues to be uncertain and the Government Cost of Insurance Working Group report sets out recommendations to drive further change. Many of the recommendations will help to reduce the cost of claims if implemented well. The recognition that we must look outside the Irish market at court award levels and at other jurisdictions' practices is important and benchmarking ourselves internationally is the first step. The intention to foster better co-operation between the industry and law enforcers through improved data, fraud initiatives and road safety can only be positive. We need to work together to get better results.

In summary, the inflationary claims environment continues to affect our business and our customers and any attempts to improve the cost of claims will assist us in retaining our customers and driving sustainable profitability for our shareholders.

Conclusion

I want to extend my sincere thanks to the Board for their active involvement and support during 2016. I reiterate my thanks to all FBD staff and management for their commitment in delivering a solid result in 2016 in very difficult trading circumstances.

I would also like to thank our customers for their unwavering support. Their continued loyalty, trust and confidence have enabled the turnaround of our business. FBD is ready for the challenges ahead and I am confident FBD Insurance will enjoy a successful future under the leadership of our new Chairman, the Board and management.

Michael Berkery
Chairman
24 February 2017

REVIEW OF OPERATIONS

Overview

During 2016, FBD continued to stabilise and returned to profitability during the year.

The claims environment stabilised somewhat during 2016 but continues to be challenging, and this has led to continuing re-pricing of certain risk classes across the market. Actions taken by the Company to improve financial performance are starting to show the desired effect. The pricing and underwriting action, along with careful cost management have resulted in a welcome modest underwriting profit for 2016, albeit aided by benign winter weather during the year.

The increase in the cost of insurance in Ireland has been the subject of much public discourse. The Company welcomes the publication of the report from the Government's Cost of Insurance Working Group, but notes that insurance premiums will only reduce when the cost of claims is reduced. FBD continues to believe that sustained public policy action is needed to improve the claims environment in Ireland.

The Company recorded a profit before tax from continuing operations of €13.8m in 2016 (2015: loss of €84.4m). The Company delivered an underwriting profit of €3.2m, compared to the underwriting loss of €125.4m in 2015.

Premium income

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

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

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

Claims

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

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

Claims Environment

The claims environment continues to be uncertain with claims inflation still prevalent, albeit with some emerging evidence of moderation in its growth. There are a number of factors which have impacted the claims settlement environment. These include:

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

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

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

These include:

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

Weather, Claims Frequency and Large Claims

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

Motor injury frequency continued to decline, with the underwriting and risk selection actions taken by the Company having the appropriate effect. The net cost of large claims (greater than €500k) was €2m lower than the average over the previous three years driven by a lower incidence of such claims.

Expenses

The Company's expense ratio was 26% (2015: 27.3%). Net expenses reduced by €5.3m to €80.2m (2015: €85.5m) largely driven by the reduction in staff costs arising from the voluntary redundancy programme launched in the second half of 2015, and partially offset by technology costs. The Company's new policy administration system was rolled out at the end of June 2016. Depreciation of the system commenced in the second half of 2016, and increased costs by €2.2m in the second half of 2016.

General

The Company's combined operating ratio was 99.0%, leading to an underwriting profit of €3.2m (2015: loss of €125.4m).

Investment Return

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

Statement of Financial Position

Capital position

Total shareholders' funds at 31 December 2016 amounted to €226.5m (December 2015: €210.9m). The increase in shareholders' funds is mainly attributable to the following:

- Profit after tax in the period of €12.1m;
- The increase in the defined benefit pension scheme obligation of €6.1m after tax driven mainly by a 0.7% reduction in the discount rate, recognised in the statement of other comprehensive income. The actions taken by the Company in 2015 for current members and in 2016 for deferred members to restructure and de-risk its defined benefit scheme limited the impact of the decrease in the discount rate;
- Mark to market gains on the Company's Available for Sale investments of €9.1m after tax recognised in the statement of other comprehensive income.

Following on from the successful enhanced transfer value (ETV) programme for active members of the scheme in 2015, FBD launched an ETV programme for deferred members in 2016. The impact of the ETV programme for deferred members for the Group was a reduction in the IAS19 liability of €27.9m of which 74.87% was included in the Company and a €4.3m income statement gain. This further reduces the inherent interest rate exposure of the scheme and its potential volatility on the capital position of the Company.

Investment Allocation

The table below shows how the investment assets of the Company were invested at the beginning and end of the financial year.

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

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

Solvency

Solvency II became effective from 1 January 2016. The Company's economic capital is within its target range of 110-130% of SCR.

Outlook

FBD has delivered on its commitment to simplify its strategy and stabilise the business. Over the past two years the Company has taken the necessary action to return the business to profitability. Our underwriting and rating actions mean that the Company is now well positioned to begin to deliver sustainable shareholder returns through growth in book value.

It is the Company's ambition to seek careful growth in consumer and small commercial business within its risk appetite and in line with Irish economic growth generally. As previously noted, the increasing likelihood of a hard "Brexit" introduces business and trading uncertainty for all indigenous Irish businesses, including FBD and our core customers in farming and other small businesses. It appears likely that Britain departing the EU will have negative effects for business and business confidence in Ireland, particularly in the medium term and the Company believes this will continue to be a significant headwind to otherwise strong Irish economic prospects.

FBD has begun a substantial brand campaign aimed at broadening its customer base, while giving the Company a differentiated proposition from its competitors. Specifically, the new campaign aims to target a high quality urban segment by increasing its relevance outside rural Ireland. The Company will also position itself for future changes in buying patterns by further developing its digital capabilities.

Fiona Muldoon
Chief Executive

24 February 2017

BOARD OF DIRECTORS AND OTHER INFORMATION

Board of Directors

Michael Berkery *(Chairman)*
Sean Dorgan*
Fiona Muldoon *(Chief Executive)*
Walter Bogaerts*
Mary Brennan* *(appointed 31/08/2016)*
Dermot Browne* *(appointed 05/07/2016)*
Paul D'Alton *(resigned 31/08/2016)*
Liam Herlihy* *(appointed 25/04/2016)*
Orlagh Hunt* *(appointed 31/08/2016)*
David Martin* *(resigned 13/07/2016)*
David O'Connor* *(appointed 05/07/2016)*
John O'Grady *(appointed 01/07/2016)*
Vincent Sheridan* *(resigned 13/07/2016)*
Padraig Walshe *(appointed 25/04/2016)*

*Independent non-executive Directors

Secretary and Registered Office

Conor Gouldson *(resigned 1 December 2016)*
Derek Hall *(appointed 1 December 2016)*
FBD House,
Bluebell,
Dublin 12.

Independent Auditors

PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin 1

REPORT OF THE DIRECTORS

The Directors present their annual report and audited financial statements for the financial year ended 31 December 2016.

Principal Activities

The principal activity of the Company is the underwriting of motor, liability and property insurance within the Republic of Ireland. There has been no significant change in this activity during the year.

Business Review

During 2016 the Company generated premium income of €361,799,000 (2015: €363,263,000). The operating profit for the year was €13,830,000 (2015: loss of €84,439,000).

A comprehensive review of the financial and non-financial key performance indicators of the Company is included within the Chairman's Statement starting on page 2 and the Review of Operations starting on page 3. The key financial performance indicators include gross written premium (2016: €361.8m, 2015: €363.3m), and combined operating ratio (2016: 99%, 2015: 139.9%).

Future Developments

The Directors expect that the present level of activity will be sustained for the foreseeable future.

Risks & Uncertainties

Risk Management and Risk Appetite

The Directors have established a risk management process, the objective of which is to provide a systematic, effective and efficient way for managing risk in the organisation and to ensure it is consistent with the overall business strategy and the risk appetite of the Company.

Risk capacity is the amount and type of risk that the Company could bear over a defined period of time without breaching capital requirements. Ultimately, the Company's risk capacity is defined by its surplus capital. The Company has the capacity to take a series of risks that combined (and net of diversification impact) would reduce or eliminate its surplus assets. It does not have the capacity to undertake a series of risks that combined (and net of diversification impact) could exceed its surplus capital.

Risk appetite is a measure of the amount and type of risks the Company is willing to accept or not accept over a defined period of time in pursuit of its objectives. The Company'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 of the Company is driven by an overarching desire to protect the solvency of the Company at all times. Through the proactive management of risk, the Company ensures that it does not currently have or will not take on an individual risk or combination of risks that could threaten the solvency of the Company. This ensures that the Company has and will have in the future sufficient capital to pay its policyholders and all other creditors in full as these liabilities fall due.

The Directors consider that the following are the principal risk factors that could materially and adversely affect the Company's future profits or financial position.

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 financial year end, the principal assumption underlying the estimates is the Company'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 market participants, particularly inappropriate pricing decisions.

The extent of the Company'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 Company is committed to managing its capital so as to maximise return to shareholders. The risk is that inappropriate management of the Company'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 Company's growth plans.

The Solvency II directive introduces a requirement for undertakings to conduct an Own Risk and Solvency Assessment ('ORSA'). The ORSA is a very important process as it provides the Board with a comprehensive view and understanding of the risks to which FBD Insurance plc is exposed or could face in the future and how they translate into capital needs or alternatively require mitigation actions.

To aid in the assessment of the overall solvency needs and business and capital planning process, a number of stress and scenarios were tested to assess their potential impact on capital requirements and solvency cover. The stress and scenarios were chosen to ensure they reflect the material risks which FBD Insurance are exposed to and are sufficiently wide ranging and challenging, to provide an adequate basis for the assessment of overall solvency needs. Each ORSA is undertaken by the Risk Function under the supervision and control of both the Board Risk Committee and FBD Insurance Board. The output from the ORSA will assist the Board in making strategic decisions including in relation to:

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

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.

Market Risk

The Company has invested in quoted debt securities, quoted and unquoted 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 Company's investment portfolio.

Liquidity Risk

The Company 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.

The Company employs actuaries to review its liabilities to ensure that the carrying amount of the liability is adequate. This is subject to review by external actuaries. Where the liabilities, net of any related deferred acquisition costs, are deemed to be inadequate, the deficiency is recognised immediately in the profit & loss account.

Interest Rate Risk

At any time, the Company has fixed interest quoted debt securities and financial instruments that are exposed to fair value interest rate risk whereby fluctuations in interest rates could have an adverse effect on the market value of the financial investments.

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 Company's current reinsurers have credit ratings of A- or better. The Company has assessed these credit ratings as being satisfactory in diminishing the Company's exposure to the credit risk of its reinsurance receivables. Financial assets are graded according to credit ratings issued by credit rating agencies. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets that fall outside this range are classified as speculative grade. All of the Company's bank deposits are with either A- rated or higher financial institutions or banks.

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 deterioration in economic conditions globally and particularly in Ireland may lead to a reduction in revenue and profits.
- The risk that the loss of one or more key executive officer or other employees, 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 the cost structure.
- The risk that an interruption or failure of information systems may result in a significant loss of business, assets, or competitive position.
- The impact of climate change may result in increased volatile weather patterns and more frequent severe weather events.
- The risk that processes and techniques to protect computer systems and information assets from unintended or unauthorised access, changes or destruction are inadequate.

The above risks are further detailed in note 15.

The Company has controls embedded within its systems and policies including its investment policy, underwriting policy, capital management policy, liquidity policy and its reserving policy, to limit each of these potential exposures. Management and the Board regularly review, reassess and proactively limit the associated risks.

RESULTS	**2016 €000s**	**2015 €000s**
Profit/(Loss) on ordinary activities before tax	**13,830**	(84,439)
Tax (charge)/credit for loss on ordinary activities	**(1,747)**	11,234
Profit/(Loss) on ordinary activities after tax	**12,083**	(73,205)
Other comprehensive income/ (expense) after taxation	**2,999**	3,220
Transfer to revenue reserves	**15,082**	(69,985)

Holding Company

At 31 December 2016 and throughout the year, FBD Holdings plc owned 100% of FBD Insurance plc.

Directorships

In order to have a more efficient corporate structure the decision was made during 2016 to have common directorships for both FBD Insurance plc and its parent FBD Holdings plc. On 25 April 2016, Mr. Liam Herlihy and Mr. Padraig Walshe were appointed to the Board. On the 5 July 2016 Mr. David O'Connor and Mr. Dermot Browne were appointed to the Board. Mr. John O'Grady was appointed as Chief Financial Officer and Director on 1 July 2016. Ms. Mary Brennan and Ms. Orlagh Hunt were appointed to the Board on 31 August 2016. Mr. Vincent Sheridan and Mr. David Martin resigned from the Board on 13 July 2016 and Mr. Paul D'Alton resigned from the Board on 31 August 2016. In accordance with the Company's articles of association, Mary Brennan, Walter Bogaerts, Orlagh Hunt, Liam Herlihy, David O'Connor, Padraig Walshe and Dermot Browne will retire at the Annual General Meeting, and being eligible, offer themselves for re-election. Mr. Sean Dorgan will retire at the Annual General meeting and will not stand for re-election.

Biographies Of Directors

Michael Berkery, Chairman and Non-Executive Director

Michael Berkery was elected Chairman of the Company in 1996, a role he held until 3 March 2011. He was re-appointed Chairman on 25th February 2016. 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. In September 2015 Mr. Berkery was appointed as a member of the EU High Level Group on simplification of European Structural & Investment Funds. Mr. Berkery joined the Board in October 1982.

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 of the Company. 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.

Sean Dorgan, Independent Non-Executive Director

Sean Dorgan has had extensive experience as chairman and non-executive Director in companies and organisations in the private and public sectors. He has previously served as Chairman of Ulster Bank Group, Tesco Ireland, the Governing Body of Dublin Institute of Technology and other boards. In his earlier career he was Secretary General of the Departments of Industry and Commerce and of Tourism and Trade, and CEO of Chartered Accountants Ireland and of IDA Ireland until his retirement from that position in 2007. He joined the Board of FBD Holdings 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. He served as Chairman of FBD Insurance plc from July 2014 until February 2016 when the two boards were streamlined. Mr. Dorgan is a very experienced non-executive director and brings to the Board and its Committees substantial experience of corporate governance, compliance, accounting, HR and executive reward and general industry experience at leadership level.

Fiona Muldoon, Chief Executive Officer

Fiona Muldoon joined FBD Holdings plc in January 2015 as Group Finance Director Designate and was appointed as an executive Director and member of its Board and the Board of FBD Insurance plc. In October 2015, Ms. Muldoon was appointed as Group Chief Executive. 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. On 12 June 2015 Ms. Muldoon, was appointed as a non-executive Director of the Governor and Company of the Bank of Ireland.

Walter Bogaerts, Independent Non-Executive Director

Walter Bogaerts was General Manager of the Corporate Insurances Division of KBC Insurance based in Belgium prior to his retirement in 2013. He joined KBC Group (previously ABB Insurances) in 1979 and has gained extensive experience throughout his career with KBC in underwriting, reinsurance, audit, risk management and sales. He was general manager in charge of KBC Group's Central-European insurance businesses until appointed to his latest role in 2012. In that role he was member of the Supervisory Boards, Audit and Risk Committees of KBC's insurance subsidiaries in Czech Republic, Slovakia, Hungary, Poland and Bulgaria. He holds a Commercial Engineering degree from the Economic University of Brussels. Mr. Bogaerts joined the Board in January 2013.

Mary Brennan, Independent Non-Executive Director

Ms. Mary Brennan is a Chartered Director and a Fellow of Chartered Accountants Ireland. In a career spanning over 30 years, Ms. Brennan has worked internationally in audit in a number of publicly listed companies, including Elan plc and Occidental Petroleum Corp. She is currently a non-executive Director of BNP Paribas Ireland where she also chairs the Audit Committee, and is an experienced non-executive Director of a number of life and non-life reinsurance companies.

Dermot Browne, Independent Non-Executive Director

Mr. Dermot Browne is a Chartered Director and a Fellow of Chartered Accountants Ireland. Between 2007 and 2011, Mr. Browne held a number of senior executive roles in Aviva Ireland, including the position of CEO with responsibility for all Aviva businesses in Ireland across general insurance, health insurance and life assurance. Prior to this he was a senior executive with Eagle Star Life Assurance Company of Ireland (now Zurich Life) over a sixteen year period with responsibility for finance, sales, marketing and information technology. Between 2012 and 2016 he rejoined Zurich Group in a Global Strategy role based in Switzerland. He is currently non-executive director in one other financial services company in Ireland.

Liam Herlihy, Independent Non-Executive Director

Mr. Liam Herlihy was, until May of 2015, Group Chairman of Glanbia plc, a leading Irish based performance nutrition and ingredients group, having served in that role for 7 years during which he presided over a period of significant structural change and unprecedented growth for Glanbia. Mr. Herlihy completed the Institute of Directors Development Programme and holds a certificate of merit in Corporate Governance from University College Dublin. He brings to the Board a wealth of commercial experience and some deep insights into the farming and general agricultural industries in Ireland which, together, comprise the Group's core customer base.

Orlagh Hunt, Independent Non-Executive Director

Ms. Orlagh Hunt is a Fellow of the Chartered Institute of Personnel Development and is a human resources executive with extensive financial services experience in firms such as Allied Irish Banks plc, RSA Group and Axa Life Insurance, as well as with a number of FMCG and retail companies.

David O'Connor, Independent Non-Executive Director

Mr. David O'Connor is a Fellow of both the Institute of Actuaries and the Society of Actuaries in Ireland. He commenced his career in New Ireland Assurance before joining Allianz Ireland in 1988 to set up its non-life actuarial function. He was a member of Allianz Executive Management Board and held a number of senior management positions there prior to joining Willis Towers Watson in 2003 to set up its Property and Casualty consultancy unit in Dublin.

John O'Grady, Chief Financial Officer

John O'Grady is a Chartered Accountant and an experienced insurance executive. He joined FBD from Liberty Insurance Limited where he held the role of Finance Director. Prior to his role in Liberty, Mr. O'Grady worked for Aviva and its predecessor companies in Ireland in various roles between 1989 and 2012, including Finance Director, Claims Director and Operations Director.

Padraig Walshe, Non-Executive Director

Padraig Walshe 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'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.

Directors' And Secretary's Interests

The directors and secretary had no interest in the share capital of the company. They had the following beneficial interests in the 60c ordinary share capital of FBD Holdings plc, the holding company:

	Number of 60c Ordinary Shares	
Directors:	**31/12/16**	**1/1/16 (or at date of appointment if later)**
Michael Berkery	**30,000**	30,000
Liam Herlihy	**3,000**	3,000
David O'Connor	**1,500**	-
Padraig Walshe	**1,100**	1,100
Derek Hall	**1,755**	1,755

Conditional awards of shares under the FBD Performance Share Plan (LTIP)

	31/12/16	**1/1/16 (or at date of appointment if later)**
Fiona Muldoon	**109,506**	54,545
Derek Hall	**20,855**	20,855

Directors' Responsibilities Statement

The directors are responsible for preparing the directors' report and the financial statements in accordance with the Companies Act 2014 and the applicable regulations.

Irish law requires the directors to prepare financial statements for each financial year giving a true and fair view of the company's assets, liabilities and financial position at the end of the financial year and the profit or loss of the company for the financial year. Under that law the directors have prepared the financial statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), Financial Reporting Standard 103, Insurance Contracts ("FRS 103"), and promulgated by the Institute of Chartered Accountants in Ireland and Irish law).

Under Irish law, the directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the company's assets, liabilities and financial position as at the end of the financial year and the profit or loss of the company for the financial year.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies for the Company Financial Statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Compliance Statement

The directors of the Company acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in the Companies Act 2014 (the "2014 Act")) and, as required by section 225 of the 2014 Act, the directors confirm that:

(i) a compliance policy statement setting out the Company's policies with regard to complying with the relevant obligations under the 2014 Act has been prepared;

(ii) arrangements and structures have been put in place that they consider sufficient to secure material compliance with the Company's relevant obligations; and

(iii) a review of arrangements and structures has been conducted during the financial year to which the directors' report relates.

Independent Auditors

The auditors, PricewaterhouseCoopers, Chartered Accountants and Statutory Audit Firm, have signified their willingness to continue in office in accordance with Section 383(2) of the Companies Act 2014.

So far as the directors are aware, there is no relevant audit information of which the company's statutory auditors are unaware. The directors have taken all steps that ought to have been taken in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Accounting Records

The Directors have taken appropriate measures to ensure compliance with Sections 281 to 285 of the Companies Act, 2014 – the requirement to keep proper accounting records – 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 12 to 13 forms part of this report and in this the Board has set out how it has applied the provisions of the Central Bank of Ireland's Corporate Governance Code for Credit Institutions and Insurance Undertakings (the "Code").

Going Concern

The Directors have a reasonable expectation that the Company has 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 Company's budget for 2016 and forecasts for 2018 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 Company's corporate strategy.

Subsequent Events

There were no events subsequent to year end requiring disclosure.

Approval Of Financial Statements

The financial statements were approved by the board on 24 February 2017.

Signed on behalf of the board:

Michael Berkery	**Fiona Muldoon**
Chairman	*Chief Executive*

CORPORATE GOVERNANCE REPORT

The Board of FBD Insurance plc ("FBD" or the "Company") recognises that an effective Corporate Governance regime is critical to the prudent management of its business. During 2016 the Company was required to comply with the provisions of the Central Bank of Ireland's Corporate Governance Requirements for Insurance Undertakings 2015 (the "Code"). The Code imposes the minimum standards upon all undertakings licensed or authorised by the Central Bank, which includes FBD Insurance plc. It also sets out additional requirements on entities which are designated as "high impact" institutions to reflect the risk and nature of those institutions. The Company has been designated as a high impact institution under the Code. The Directors are satisfied that the Company complied, in full, with the Code throughout 2016.

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 Company. The Board meets on a regular basis and during 2016 met on fourteen occasions. It has a formal schedule of matters reserved to it for consideration and decision. This schedule is reviewed and validated at least annually. This schedule includes the approval of the Company's long term objectives and commercial strategy, approval of annual report and accounts, dividends, the appointment of Directors and the Company Secretary, approval of the annual budget including capital expenditure and the review of the Company's systems of internal control. 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 Company come before the Board for consideration and decision.

At the end of 2016, the Board comprises of two executive Directors, two non-executive Directors, including the Chairman and seven independent non-executive directors. The Board believes that this is appropriate, being of sufficient size and diversity to ensure that there is healthy debate and input on the main business to be dealt with by it.

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

There is a clear division of responsibilities between the Chairman and the Chief Executive. The Chairman leads the Board and is responsible for ensuring that it is effective as a unitary Board and at individual director level. He is the link between the Board and the Company. He sets the Board agenda and ensures that Directors receive accurate and timely information to enable it to fulfil its role. He is responsible for facilitating effective contributions by all Directors, ensuring constructive communications between the executive and non-executive Directors and for ensuring that members of the Board develop and maintain a clear understanding of the views of the shareholder. If a Director is unable to attend a Board 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 in advance.

The Chief Executive is responsible for running the Company's business within the authority limits set out by the Board. She is responsible for proposing and developing the Company's strategy and overall commercial objectives, which she does in close consultation with the Chairman and the Board, and for implementing the decisions of the Board and its Committees.

Attendance at Board and Board Committee Meetings during 2016

Director	Category	Board		Audit		Remuneration		Nomination		Risk	
		A	B	A	B	A	B	A	B	A	B
Michael Berkery	NED, Chairman	14	14	-	-	-	-	5	5	5	5
Sean Dorgan	INED	14	12	2	2	4	4	5	5	-	-
Fiona Muldoon	Executive	14	14	-	-	-	-	-	-	-	-
Walter Bogaerts	INED	14	13	3	3	4	4	-	-	5	5
Mary Brennan	INED	5	5	1	1	-	-	-	-	-	-
Dermot Browne	INED	7	7	2	2	-	-	-	-	-	-
Paul D'Alton	Executive	9	9	-	-	-	-	-	-	3	3
Liam Herlihy	INED	11	10	-	-	-	-	3	3	-	-
Orlagh Hunt	INED	5	5	-	-	1	1	-	-	-	-
David Martin	INED	5	3	1	1	2	1	2	1	-	-
David O'Connor	INED	7	7	-	-	-	-	-	-	3	3
John O'Grady	Executive	7	7	-	-	-	-	-	-	3	3
Vincent Sheridan	INED	5	2	1	1	-	-	-	-	-	-
Padraig Walshe	NED	11	8	-	-	-	-	-	-	-	-

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

Biographies of the Directors in office as at 31 December 2016 are set out in the Directors' report as a brief commentary on the specific skills and experience which each non-executive Director brings to the Board. The Board confirms that during 2016 it had available to it the skills, expertise and experience necessary for the proper functioning of the Board and its Committees. 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/financial services industry experience, actuarial, general and farming/agri industry experience, commercial/consumer/technology, corporate finance, corporate governance, compliance, accounting and auditing and executive reward.

An external formal corporate governance review, carried out by Praesta, took place at the end of 2015. Following this a decision had been made to streamline the Group's governance arrangements by combining the Boards of FBD Holdings plc and FBD Insurance plc and their Committee's in line with the "One Board" governance and this had been put in place during 2016. A number of Board changes have taken place and it is believed that the Board has the necessary set of diverse skills and experience to support the Company's business.

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

Board Committees

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

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

Each of the Committees has written terms of reference which were approved by the Board and set out the Committees' powers, responsibilities and obligations. The terms of reference are reviewed at least annually by the Board.

Internal Control

The Board is responsible for the Company'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. The Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risks faced by the Company, that it has been in place for the year under review and up to the date of approval of the annual report and accounts 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 organisational 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 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;
- an Executive Risk Committee comprising senior management whose main roles are to assist the Risk Committee, described earlier, in the discharge of its duties between meetings;
- an Internal Audit function whose broad function is to help the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes;
- an Audit Committee whose formal terms of reference include responsibility for assessing the regulatory, operational and financial risks facing the Company in the achievement of its objectives and the controls in place to mitigate those risks;
- a Compliance Committee whose role is to assist the Head of Compliance in carrying out his duties and to assist with development, implementation, and oversight of the compliance program.

The Company has a comprehensive system of financial reporting involving budgeting, monthly reporting and variance analysis. The Annual Budget 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. Forecasts are updated regularly to reflect changes in circumstances. The Board has reviewed the effectiveness of the Company's system of internal control. This review took account of the principal risks facing the Company, the controls in place to manage those risks and the procedures in place to monitor them.

Signed on behalf of the board:

Michael Berkery	**Fiona Muldoon**
Chairman	*Chief Executive*

24 February 2017

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FBD INSURANCE PLC

Report on the financial statements

Our opinion

In our opinion, FBD Insurance plc's financial statements (the "financial statements"):

- give a true and fair view of the company's assets, liabilities and financial position as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Balance Sheet as at 31 December 2016;
- the Profit and Loss Account and Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Matters on which we are required to report by the Companies Act 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the Report of the Directors is consistent with the financial statements.

Matter on which we are required to report by exception

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 13, 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 Irish 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, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). 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 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

Paraic Joyce
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

February 2017

PROFIT AND LOSS ACCOUNT – TECHNICAL ACCOUNT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Notes	2016 €000s	2016 €000s	2015 €000s	2015 €000s
Written premiums, net of reinsurance					
Gross premiums written		**361,799**		363,263	
Outward reinsurance premiums		**(50,086)**		(50,497)	
Net premiums written	*2(a)*		**311,713**		312,766
Change in the provision for unearned premiums					
Gross amount		**(2,109)**		1,066	
Reinsurers' share		**(1,378)**		(678)	
Change in net provision for unearned premiums			**(3,487)**		388
Earned premiums, net of reinsurance	*2(b)*		**308,226**		313,154
Allocated investment return transferred from the non-technical account	*2(c)*		**7,107**		15,963
Total Technical Income			**315,333**		329,117
Claims incurred, net of reinsurance					
Claims paid:					
Gross amount		**(240,635)**		(225,541)	
Reinsurers' share		**15,962**		14,991	
Net claims paid		**(224,673)**		(210,550)	
Change in the provision for claims					
Gross amount		**2,654**		(154,161)	
Reinsurers' share		**4,509**		23,451	
Change in the net provision for claims		**7,163**		(130,710)	
Claims incurred, net of reinsurance	*2(d)*		**(217,510)**		(341,260)
Motor Insurers' Bureau of Ireland Levy	*18*		**(7,747)**		(11,581)
Net operating expenses	*2(e)*		**(80,238)**		(85,511)
Balance on the technical account for non-life insurance business	*2(f)*		**9,838**		(109,235)

The accompanying notes on pages 21-58 form an integral part of the financial statements.

PROFIT AND LOSS ACCOUNT – NON-TECHNICAL ACCOUNT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Notes	2016 €000s	2015 €000s
Balance on the technical account – general business		**9,838**	(109,235)
Investment income – dividends and interest	3(b)	**15,002**	13,192
Investment income – realised gains	3(b)	**(296)**	8,594
Unrealised (losses)/gains on investments	3(b)	**(4,918)**	(261)
Investment expenses and charges	3(b)	**(1,450)**	(1,264)
Allocated investment return transferred to the technical account		**(7,107)**	(15,963)
Other income		**5,217**	5,611
Restructuring costs	18	**(320)**	(9,388)
Curtailment of Retirement Benefit Obligation	20	**4,350**	25,492
Finance Costs	22	**(6,156)**	(1,392)
Revaluation of owner occupied property	8(a)	**(330)**	175
Profit/(Loss) on ordinary activities before tax	4	**13,830**	(84,439)
Tax credit for loss on ordinary activities	6	**(1,747)**	11,234
Profit/(Loss) on ordinary activities after tax		**12,083**	(73,205)

All Profit and Loss Account amounts arose from continuing operations.

The accompanying notes on pages 21-58 form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Notes	2016 €000s	2015 €000s
Profit/(Loss) on ordinary activities after tax		**12,083**	(73,205)
Actuarial (losses)/gains in the pension scheme	20	**(6,944)**	5,443
Deferred tax thereon	6	**868**	(680)
Net gains/(losses) on AFS investments		**10,371**	(1,763)
Deferred tax thereon	6	**(1,296)**	220
Other comprehensive income/(loss) after taxation		**2,999**	3,220
Total comprehensive income/(loss) after taxation		**15,082**	(69,985)

The accompanying notes on pages 21-58 form an integral part of the financial statements.

BALANCE SHEET – ASSETS

AT 31 DECEMBER 2016

	Notes	2016 €000s	2015 €000s
Investments			
Investment Property	8(a)	**16,400**	14,550
Land and Buildings	8(a)	**15,940**	16,345
		32,340	30,895
Other Financial Investments			
Financial Investments	8(b)	**987,852**	981,101
Loans and receivables		**725**	767
		988,577	981,868
Reinsurers' share of technical provisions			
Provision for unearned premiums	14(e)	**13,954**	15,332
Claims outstanding	14(e)	**69,260**	64,751
		83,214	80,083
Retirement Benefit Obligations – Surplus	20	**6,507**	6,300
Debtors			
Debtors arising out of direct insurance operations	9(a)	**44,579**	43,605
Debtors arising out of reinsurance operations	9(b)	**1,797**	786
Other debtors	9(c)	**7,871**	6,103
		54,247	50,494
Other assets			
Tangible assets	10	**57,042**	55,707
Deferred tax asset	16	**8,575**	10,750
		65,617	66,457
Current tax asset		**4,173**	8,420
Prepayments and accrued income			
Accrued interest and rent	11	**379**	1,475
Deferred acquisition costs asset		**29,652**	33,276
Other prepayments and accrued income		**7,104**	6,164
		37,135	40,915
Total assets		**1,271,810**	1,265,432

The accompanying notes on pages 21-58 form an integral part of the financial statements.

BALANCE SHEET – EQUITY AND LIABILITIES

AT 31 DECEMBER 2016

	Notes	2016 €000s	2015 €000s
Capital and reserves			
Called up share capital presented as equity	12	**74,187**	74,187
Reserves		**151,697**	136,127
Preference share capital	13	**635**	635
Total shareholders' funds		**226,519**	210,949
Financial liabilities at amortised cost	22	**51,136**	50,036
Technical provisions			
Provision for unearned premiums	14(d)	**180,693**	178,584
Claims outstanding	14(c)	**745,490**	748,144
		926,183	926,728
Provisions for other risks and charges			
Other provisions	18	**12,259**	17,980
Deposits received from reinsurers		**10,522**	11,716
Creditors			
Creditors arising out of reinsurance operations	19(a)	**4,478**	4,864
Other creditors including tax and social security	19(b)	**30,652**	28,931
Bank overdraft		**10,061**	14,228
		45,191	48,023
Total equity and liabilities		**1,271,810**	**1,265,432**

The financial statements were approved by the board on 24 February 2017 and signed on its behalf by:

Michael Berkery *Chairman*

Fiona Muldoon *Chief Executive*

The accompanying notes on pages 21-58 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2016

	Called up share capital presented as equity €000s	Called-up preference share capital €000s	Other Reserves €000s	Profit and loss account €000s	Total €000s
At 31 December 2015	74,187	635	18,232	117,895	210,949
Profit for the financial year	-	-	-	12,083	12,083
Share based payments	-	-	-	488	488
Other comprehensive income	-	-	-	2,999	2,999
At 31 December 2016	**74,187**	**635**	**18,232**	**133,465**	**226,519**

1. BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value and in accordance with Financial Reporting Standards 102 & 103 (FRS 102 & 103) issued by the Financial Reporting Council, and promulgated for use in Ireland by Chartered Accountants Ireland. The company is also subject to requirements of the Companies Act 2014 and the European Union (Insurance Undertaking's: Financial Statements) Regulations 2015.

In accordance with FRS 103, the Company has applied existing accounting policies for insurance contracts.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review which forms part of the report of the directors'. The report of the directors' also describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and process for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The directors have a reasonable expectation that the Company has 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 annual financial statements.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders. In these financial statements, the Company has taken advantage of the following exemptions:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows of the parent undertaking includes the Company cash flows: and
- from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

These financial statements represent the results of the company only. The company is consolidated into the Group Accounts of its ultimate parent company FBD Holdings PLC incorporated in Ireland.

The principal accounting policies adopted by the Directors are:

A) ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention as modified by the revaluation of land and buildings and certain financial investments.

B) TECHNICAL RESULT

The technical result is determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

(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.

(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 daily pro-rata basis of premium written. At each balance sheet date, 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 which are attributable to the unearned premiums. Acquisition costs comprise the direct and indirect costs of obtaining and processing 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 each period end.

(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. At each reporting date, the Company 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 profit & loss account by setting up a provision in the balance sheet.

1. BASIS OF PREPARATION (CONTINUED)

B) TECHNICAL RESULT (CONTINUED)

(v) Claims Incurred

Claims incurred comprise the cost of all 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 balance sheet 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 balance sheet date in settling those claims.

The Company 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 Company 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.

Recoveries and salvage are recognised on a receipts basis.

(vi) Transfer of Investment Return to Technical Account – General Business

A transfer of investment return is made from the non-technical account to the technical account – general business to reflect the return made on those assets directly attributable to the insurance business.

(vii) 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 Company 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.

(viii) Funds withheld from Reinsurers

Some of the Company's reinsurance contracts are on a funds withheld basis. Under the agreements, the Company retains an agreed percentage of the premiums that would have been otherwise paid to the reinsurer.

C) 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 recognised in the Profit and Loss Account 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 recognised in the Profit and Loss Account for the period in which the property is derecognised.

D) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

The Company 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 Company neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset. The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

1. BASIS OF PREPARATION (CONTINUED)

D) FINANCIAL INSTRUMENTS (CONTINUED)

(i) Investments held for trading at fair value

Investments held for trading are stated at fair value and include quoted shares, quoted debt securities and UCITs. 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 recognised in the Profit and Loss Account for 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 Company 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 Company's documented investment policy.

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 Profit and Loss Account.

(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 Company 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 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 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 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 Statement of Comprehensive Income, is included in the Profit and Loss Account – Non-Technical Account for the year.

(iv) Other receivables/payables

Amounts arising out of direct insurance operations and other debtors 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.

E) IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those at FVTPL (fair value through profit or loss), are assessed for indicators of impairment 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.

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

For financial assets carried at amortised cost, the amount of the impairment 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 impairment loss for all financial assets.

1. BASIS OF PREPARATION (CONTINUED)

E) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

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

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

In respect of AFS equity securities, impairment losses previously recognised in the Profit and Loss Account are not reversed through the Profit and Loss Account. Any increase in fair value subsequent to an impairment loss is recognised in the Statement of Comprehensive Income.

F) TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Cost includes internal staff costs directly attributable to self-constructed assets. Depreciation is provided in respect of all tangible fixed assets, which are available for use as at the balance sheet date 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 as follows:

Fixtures and fittings:	5 to 10 years
Motor vehicles:	5 years
Computer equipment:	3 to 10 years

On disposal of property, plant and equipment the cost and related accumulated depreciation and impairments are removed from the financial statements and the net amount, less any proceeds, is taken to the income statement.

The carrying amounts of the company's property, plant and equipment are reviewed at each reporting date to determine whether there is an indication of impairment. Where such an indication exists an impairment review is carried out. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset is recorded at a re-valued amount in which case it is firstly dealt with through the revaluation reserve with any residual amount being transferred to the income statement.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the replaced item can be measured reliably. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

G) TAXATION

Income tax within the income statement comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of the previous year.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets and liabilities are offset to the extent that they relate to income taxes levied by the same taxation authority.

1. BASIS OF PREPARATION (CONTINUED)

H) PENSIONS

The Company 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 on the Balance Sheet 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 Statement of Comprehensive Income.

The current service cost and past service cost of the scheme are charged to the Profit and Loss Account.

Curtailments or settlement costs are recognised in the Profit and Loss Account during the financial period in which they are incurred.

The Company is part of a multi-employer scheme and the assets and liabilities applicable to its members are not readily identifiable. Therefore the disclosures as set out in note 20 are for the Group as a whole.

(ii) Defined Contribution Schemes

Costs arising in respect of the Company's defined contribution pension scheme are charged to the profit and loss account in the period in which they are incurred. Under this scheme, the company has no obligation to pay further contributions in the event that the fund does not hold sufficient assets to meet its benefit commitments.

I) CURRENCY

The Company's presentational and functional currency is euro. Balances in foreign currencies have been translated into Euro at contract rates where the amounts are covered by forward contracts. All other balances are translated at the rate ruling at the year end. Non-monetary items are translated at the exchange rate at the date of transaction.

J) SHARE BASED PAYMENTS

The Company's parent, FBD Holdings plc, operates a share option scheme based on market and non-market vesting conditions. Options under the scheme have been issued to certain employees of the Company. The fair value of options is determined at the date of grant and expensed in the profit and loss account and credited to equity over the period during which the employees become unconditionally entitled to the options. Payments made by the Company to FBD Holdings in respect of the exercise of the options are debited to equity.

K) LEASES

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

(i) The Company 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 Company 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.

L) PROVISIONS

A provision is recognised when the Company has a present obligation (either legal or constructive) as a result of a past event, and it is probable that economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the time value of money is material.

1. BASIS OF PREPARATION (CONTINUED)

L) PROVISIONS (CONTINUED)

(i) Restructuring

The costs of the fundamental restructuring of the Company's operations, such as redundancy costs, lease termination costs or other rationalisation costs are charged to profit or loss when the decision to restructure is irrevocable and has been communicated to the parties involved.

(ii) Motor Insurers' Bureau of Ireland Levy

The share of the Company's Motor Insurers' Bureau of Ireland "MIBI" levy is based on its estimated market share in the current year at the balance sheet date.

M) LAND & BUILDINGS

Land and buildings held for own uses are stated at market value. It is the Company's policy and practice to maintain all Company properties in a continual state of sound repair. As a result, the Directors consider that the residual values of these properties are such that any depreciation is insignificant and therefore not provided. Land and buildings are subject to a full revaluation by appropriately qualified personnel on a periodic basis.

N) DEBTORS FROM INSURANCE OPERATIONS

Amounts due from policyholders and intermediaries are accounted for on an accruals basis.

O) 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.

P) COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments comprise convertible notes issued by the Company which convert into equity of the Company's parent.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option.

The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. The equity component is treated as a gift from the Company's parent and immediately recognised within retained earnings.

Transaction costs are allocated in proportion against the liability and equity components.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest rate method.

Interest relating to the financial liability is recognised in the profit and loss account – non-technical account.

Q) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The principal accounting policies adopted are set out on pages 21 to 28. 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.

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, Valuation Surveyors. A decrease in the valuation of the property is charged as an expense to the Profit and Loss Account to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to previous revaluation of that asset.

1. BASIS OF PREPARATION (CONTINUED)

Q) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

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

Depreciation is provided in respect of all plant and equipment and is calculated to write off the cost or valuation of the assets over their expected useful lives. The useful life of plant and equipment is estimated to be three 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 Balance Sheet at fair value at the reporting date. The fair value of investment property is determined by valuations conducted at the reporting date by qualified independent professional valuers, CBRE Ireland, Valuation Surveyors. Gains or losses arising from changes in the fair value are included in the Profit and Loss Account 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 Company spends substantial sums to purchase reinsurance protection from third parties and substantial claims recoveries from these reinsurers are included in the Balance Sheet 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 Company 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 Company's policy is that all reinsurers should have a credit rating of A- or better or have provided alternative satisfactory security.

Motor Insurers' Bureau of Ireland ("MIBI")

The Company estimates its obligation to pay its share of the MIBI levy call for the financial year based on its share of the Irish Motor market in the previous year.

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.

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.

Recoverability of pension asset

The Directors have concluded that when all members have left the scheme, any surplus remaining would be returned to the Employers in accordance with the trust deed. As such the full economic benefit of the surplus under Section 28 FRS 102 is deemed available to the employer and is recognised on the Balance Sheet.

Convertible Bond

The Directors have assessed the contractual requirements of the convertible bond and in particular have considered whether the settlement of the bond can be achieved in ways other than by delivery of a fixed number of shares for a fixed consideration.

1. BASIS OF PREPARATION (CONTINUED)

Q) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

The Directors have concluded that the Fixed for Fixed criteria has been met, and therefore the equity component of the Financial Instrument should be included in equity, initially as a capital contribution

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. Any deficiency is recognised in the Profit and Loss Account. Further details are set out in note 14 to the Financial Statements.

Valuation of financial instruments

As described in note 17, the Company 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 17 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 carrying value of financial instruments.

As described in note 22 the Company has determined fair value of the liability component of its convertible bond with reference to the fair value of a similar liability without an equity conversion option. The equity component has been calculated as the difference between the fair value of the financial instrument as a whole and the value of the liability component. The Directors believe that the valuation technique used and the classification of the components of the convertible bond between liability and equity are appropriate.

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 15, Risk Management identifies the Company'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.

2. SEGMENTAL INFORMATION

	2016			2015		
	Gross €000s	Ceded €000s	Net €000s	Gross €000s	Ceded €000s	Net €000s
(a) Written premiums						
Motor	**171,857**	**(11,195)**	**160,662**	164,342	(7,785)	156,557
Liability	**68,487**	**(4,223)**	**64,264**	71,710	(3,263)	68,447
Fire and other damage to property	**115,637**	**(34,241)**	**81,396**	121,242	(39,137)	82,105
Miscellaneous	**5,818**	**(427)**	**5,391**	5,969	(312)	5,657
	361,799	**(50,086)**	**311,713**	363,263	(50,497)	312,766

All gross premiums are written in the Republic of Ireland.

	2016			2015		
	Gross €000s	Ceded €000s	Net €000s	Gross €000s	Ceded €000s	Net €000s
(b) Earned premiums						
Motor	**167,403**	**(11,195)**	**156,208**	165,357	(7,784)	157,573
Liability	**68,834**	**(4,223)**	**64,611**	70,965	(3,263)	67,702
Fire and other damage to property	**117,611**	**(35,591)**	**82,020**	122,202	(39,827)	82,375
Miscellaneous	**5,842**	**(455)**	**5,387**	5,805	(301)	5,504
	359,690	**(51,464)**	**308,226**	364,329	(51,175)	313,154

	2016 Net Inv. Income €000s	2015 Net Inv. Income €000s
(c) Allocated investment return		
Motor	**3,629**	8,022
Liability	**2,777**	6,118
Fire and other damage to property	**633**	1,666
Miscellaneous	**68**	157
	7,107	15,963

2. SEGMENTAL INFORMATION (CONTINUED)

	2016			2015		
	Gross €000s	Ceded €000s	Net €000s	Gross €000s	Ceded €000s	Net €000s
(d) Incurred claims						
Motor	**114,441**	**(6,439)**	**108,002**	220,559	(22,646)	197,913
Liability	**79,907**	**695**	**80,602**	101,727	(4,172)	97,555
Fire and other damage to property	**39,982**	**(14,817)**	**25,165**	51,401	(10,626)	40,775
Miscellaneous	**3,651**	**90**	**3,741**	6,015	(998)	5,017
	237,981	**(20,471)**	**217,510**	379,702	(38,442)	341,260

	2016			2015		
	Gross €000s	Ceded €000s	Net €000s	Gross €000s	Ceded €000s	Net €000s
(e) Operating expenses						
Motor	**43,652**	**(991)**	**42,661**	44,477	(646)	43,831
Liability	**17,396**	**(412)**	**16,984**	19,407	(331)	19,076
Fire and other damage to property	**29,372**	**(10,215)**	**19,157**	32,812	(11,773)	21,039
Miscellaneous	**1,478**	**(42)**	**1,436**	1,615	(50)	1,565
	91,898	**(11,660)**	**80,238**	98,311	(12,800)	85,511

Net operating expenses are comprised as follows:

	2016 Net €000s	2015 Net €000s
Administration costs	**27,138**	30,037
Acquisition costs	**47,432**	49,257
Commission	**3,126**	5,335
Change in deferred acquisition costs	**2,542**	882
	80,238	85,511

2. SEGMENTAL INFORMATION (CONTINUED)

	2016 €000s	2015 €000s
(f) Technical result		
Motor	**1,427**	(87,727)
Liability	**(30,198)**	(42,811)
Fire and other damage to property	**38,331**	22,226
Miscellaneous	**278**	(923)
	9,838	(109,235)

3. INVESTMENT INCOME

(a) Actual investment return

The investment return allocated from the non-technical account to the technical account is based on the actual rate of return recognised in Profit and Loss account of 0.84% (2015: 2.0%) of average technical reserves. This amounted to €7,107,000 in 2016 and €15,963,000 in 2015.

(b) Net investment return

	Net investment income €000s	Net investment expense €000s	Net realised gains and losses €000s	Unrealised gains and losses €000s	Net investment result €000s
2016					
Equities – Held for trading	657	(17)	1,613	(1,535)	718
Gilts – Held for trading	2,083	(89)	-	(2,126)	(132)
Gilts – Available for sale	3,451	(286)	-	(2,841)	324
Listed Corporate Bonds – Available for sale	8,019	(1,040)	(1,883)	258	5,354
UCITs – Held for trading	-	(18)	-	(464)	(482)
Cash	207	-	(26)	(60)	121
Investment Property	585	-	-	1,850	2,435
Unquoted Investments – Available for sale	-	-	-	-	-
Total	**15,002**	**(1,450)**	**(296)**	**(4,918)**	**8,338**

(b) Net investment return

	Net investment income €000s	Net investment expense €000s	Net realised gains and losses €000s	Unrealised gains and losses €000s	Net investment result €000s
2015					
Equities – Held for trading	493	(203)	2,406	(744)	1,952
Gilts – Held for trading	2,049	(86)	-	(1,205)	758
Gilts – Available for sale	2,000	(112)	-	(2,251)	(363)
Listed Corporate Bonds – Available for sale	5,997	(843)	(3,230)	(531)	1,393
UCITs – Held for trading	-	(20)	(336)	447	91
Cash	2,230	-	29	573	2,832
Investment Property	410	-	9,400	3,450	13,260
Unquoted Investments – Available for sale	13	-	325	-	338
Total	**13,192**	**(1,264)**	**8,594**	**(261)**	**20,261**

3. INVESTMENT INCOME (CONTINUED)

(c) By classification of investment

	2016 €000s	2015 €000s
Investment Income:		
Deposits with banks	**121**	2,832
Investments held for trading	**104**	2,801
Investment properties	**2,435**	13,260
Available for sale investments	**5,678**	1,368
Total	**8,338**	**20,261**

4. PROFIT/ (LOSS) ON ORDINARY ACTIVITIES BEFORE TAX

Profit/(loss) on ordinary activities before tax has been stated after charging:	2016 €000s	2015 €000s
Directors' remuneration:		
For services as Directors	**298**	197
Other Emoluments	**993**	1,229
	1,291	1,426
Pensions (Defined Contribution only)		
For services as Director	**-**	-
Other Emoluments	**72**	132
Number of directors	**1**	3
Auditor's Remuneration:		
Audit of individual company accounts	**226**	125
Other assurance services	**100**	75
Tax advisory	**-**	67
Other non-audit services	**-**	-
	326	267
Depreciation	**10,770**	8,269

5. STAFF COSTS AND NUMBERS

The average number of persons employed in the Company in the financial year was 859 (2015: 975).

	2016 €000s	2015 €000s
The aggregate payroll of these persons was as follows:		
Wages and salaries	**40,106**	44,368
Social welfare costs	**4,487**	5,026
Pension costs	**4,089**	7,083
Share based payments	**488**	(203)
	49,170	56,274

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2016 €000s	2015 €000s
Irish corporation tax (charge)/credit	**(1,106)**	13,053
Current tax (charge)/credit	**(1,106)**	13,053
Deferred tax (charge)	**(1,069)**	(2,279)
	(2,175)	10,774
The tax assessed for the year is lower than the standard rate of corporation tax in Ireland.		
The differences are explained below:		
Profit/(loss) on ordinary activities before tax	**13,830**	(84,439)
Corporation tax at standard rate of 12.5% (2015: 12.5%)	**(1,729)**	10,555
Adjustment in respect of prior years	**-**	(170)
Depreciation for year in excess of capital allowances	**241**	(150)
Non-taxable income/unrealised gains or expenses not deductible for tax purposes	**9**	73
Pension paid	**617**	3,661
Income taxable at a higher rate	**(9)**	(13)
Deferrals arising from transition to new accounting standards	**(235)**	(903)
Tax (charge)/credit for current year	**(1,106)**	13,053
Deferred tax charge	**(1,069)**	(2,279)
	(2,175)	10,774
Tax (charge)/credit recognised in the Profit and loss account	**(1,747)**	11,234
Tax charge recognised within Statement of Comprehensive Income	**(428)**	(460)
Tax (charge)/credit for current year	**(2,175)**	10,774

7. DIVIDENDS

There were no dividends paid during 2015 or 2016.

8. INVESTMENTS

(a) Land and buildings

	Inv. Properties held for rental €000s	Land & buildings held for own use €000s	Total €000s
Balance at 1 January 2015	19,959	16,070	36,029
Revaluation	3,450	175	3,625
Disposal	(18,259)	-	(18,259)
Reclassification	-	100	100
Gain on Disposal	9,400	-	9,400
Balance at 31 December 2015	14,550	16,345	30,895
Revaluation	1,850	(330)	1,520
Disposal	-	(97)	(97)
Gain on Disposal	-	22	22
Balance at 31 December 2016	**16,400**	**15,940**	**32,340**

Land and buildings held for own use and investment properties held for rental were valued by external valuers on an open market basis at 31 December 2016 by CBRE Ireland, Valuation Surveyors.

(b) Other Financial Investments

	2016 €000s	2015 €000s
(i) At fair value		
Available for sale investments – unquoted investments	**843**	843
Available for sale investments – quoted debt securities	**628,654**	488,993
Available for sale investments	**629,497**	489,836
Investments held for trading – quoted shares	**22,690**	24,423
Investments held for trading – UCITS	**24,158**	24,622
Investments held for trading – quoted debt securities	**41,956**	44,082
Investments held for trading	**88,804**	93,127
(ii) At cost		
Cash and cash equivalents	**270,276**	398,905
Total	**988,577**	981,868

In the opinion of the directors the stated value of the unquoted investments is not less than their realisable value.

9. DEBTORS

(a) Debtors arising out of direct insurance operations

	2016 €000s	2015 €000s
Policyholders	**42,283**	40,158
Intermediaries	**2,296**	3,447
	44,579	43,605

(b) Debtors arising out of Reinsurance operations

	2016 €000s	2015 €000s
Due from reinsurers	**1,797**	786
	1,797	786

(c) Other debtors

	2016 €000s	2015 €000s
Other debtors	**7,871**	6,103
	7,871	6,103

10. TANGIBLE ASSETS

	Computer Equipment €000s	Fixtures & Fittings €000s	Other €000s	Total €000s
Cost:				
Cost as at 01 January 2015	105,706	19,624	179	125,509
Additions	18,000	85	-	18,085
Disposals	-	-	-	-
Cost as at 31 December 2015	123,706	19,709	179	143,594
Additions	11,794	310	-	12,104
Disposals	(1,864)	-	-	(1,864)
Cost as at 31 December 2016	**133,636**	**20,019**	**179**	**153,834**

10. TANGIBLE ASSETS (CONTINUED)

	Computer Equipment €000s	Fixtures & Fittings €000s	Other €000s	Total €000s
Depreciation:				
Depreciation as at 1 January 2015	63,378	16,076	164	79,618
Charge for year	7,295	966	8	8,269
Disposals	-	-	-	-
Depreciation as at 31 December 2015	70,673	17,042	172	87,887
Charge for year	9,870	892	7	10,769
Disposals	(1,864)	-	-	(1,864)
Depreciation as at 31 December 2016	**78,679**	**17,934**	**179**	**96,792**
Net book value at beginning of year	**53,033**	**2,667**	**7**	**55,707**
Net book value at end of year	**54,957**	**2,085**	**-**	**57,042**

11. ACCRUED INTEREST AND RENT

	2016 €000s	2015 €000s
Deposit interest due	**379**	1,475
	379	1,475

12. CALLED UP SHARE CAPITAL PRESENTED AS EQUITY

	2016 Number	2015 Number	2016 €000s	2015 €000s
Authorised:				
Ordinary shares of €1.27 each	**70,750,000**	70,750,000	**89,853**	89,853
"A" ordinary shares of €1.27 each	**1,000,000**	1,000,000	**1,270**	1,270
"B" ordinary shares of €1.27 each	**5,000,000**	5,000,000	**635**	635
			91,758	91,758
Issued and fully paid:				
At beginning and end of year				
Ordinary shares of €1.27 each	**58,414,681**	58,414,681	**74,187**	74,187

13. PREFERENCE SHARE CAPITAL

	Number	2016 €000s	2015 €000s
Authorised:			
14% non-cumulative preference shares of €1.27 each	500,000	**635**	635
10% non-cumulative preference shares of €1.27 each	500,000	**635**	635
		1,270	1,270
Issued and fully paid:			
At beginning and end of year:			
14% non-cumulative preference shares of €1.27 each	500,000	**635**	635

14. TECHNICAL PROVISIONS

(a) Gross Claims outstanding

	Prior years €000s	2007 €000s	2008 €000s	2009 €000s	2010 €000s	2011 €000s	2012 €000s	2013 €000s	2014 €000s	2015 €000s	2016 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year		319,350	359,974	356,355	331,405	243,159	232,311	245,007	307,517	302,581	253,962	
One year later		298,605	353,590	324,700	316,045	216,309	215,445	236,839	342,422	304,108	-	
Two years later		292,885	356,308	323,943	314,526	225,301	224,720	266,183	344,123	-	-	
Three years later		289,613	356,467	326,530	310,583	230,002	235,965	260,580	-	-	-	
Four years later		288,625	354,876	318,013	308,360	234,204	233,434	-	-	-	-	
Five years later		285,497	348,560	317,471	306,442	227,755	-	-	-	-	-	
Six years later		281,348	346,620	318,133	305,963	-	-	-	-	-	-	
Seven years later		279,961	346,165	316,528	-	-	-	-	-	-	-	
Eight years later		279,495	344,519	-	-	-	-	-	-	-	-	
Nine years later		279,056	-	-	-	-	-	-	-	-	-	
Estimate of cumulative claims		279,056	344,519	316,528	305,963	227,755	233,434	260,580	344,123	304,108	253,962	
Cumulative payments		(274,803)	(336,956)	(305,756)	(284,149)	(203,487)	(180,205)	(166,368)	(196,400)	(123,713)	(64,823)	
Claims outstanding at 31 December 2016:	12,122	4,253	7,563	10,772	21,814	24,268	53,229	94,212	147,723	180,395	189,139	**745,490**
Claims outstanding at 31 December 2015:	16,630	7,411	13,208	18,706	29,082	50,364	77,814	124,022	180,171	230,736		**748,144**
Movement during year	(4,508)	(3,158)	(5,645)	(7,934)	(7,268)	(26,096)	(24,585)	(29,810)	(32,448)	(50,341)	189,139	**(2,654)**

14. TECHNICAL PROVISIONS (CONTINUED)

(b) Net Claims outstanding

	Prior years €000s	2007 €000s	2008 €000s	2009 €000s	2010 €000s	2011 €000s	2012 €000s	2013 €000s	2014 €000s	2015 €000s	2016 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year		285,865	312,279	281,215	254,576	214,924	214,793	228,933	256,663	270,279	228,107	
One year later		262,305	295,804	259,073	242,120	192,904	201,171	217,214	292,223	274,000	-	
Two years later		260,205	296,943	262,155	243,398	201,181	210,421	243,488	295,223	-	-	
Three years later		257,166	298,145	262,588	240,083	205,434	221,438	237,847	-	-	-	
Four years later		256,559	296,091	255,818	238,135	209,533	218,978	-	-	-	-	
Five years later		252,408	290,123	254,918	235,601	205,131	-	-	-	-	-	
Six years later		248,836	288,231	254,252	233,552	-	-	-	-	-	-	
Seven years later		247,558	286,588	253,113	-	-	-	-	-	-	-	
Eight years later		247,205	285,814	-	-	-	-	-	-	-	-	
Nine years later		246,730	-	-	-	-	-	-	-	-	-	
Estimate of cumulative claims		246,730	285,814	253,113	233,552	205,131	218,978	237,847	295,223	274,000	228,107	
Cumulative payments		(242,590)	(278,914)	(244,164)	(214,624)	(181,190)	(166,026)	(155,947)	(158,942)	(111,774)	(57,330)	
Claims outstanding at 31 December 2016	9,236	4,140	6,900	8,949	18,928	23,941	52,952	81,900	136,281	162,226	170,777	**676,230**
Claims outstanding at 31 December 2015	13,623	7,305	11,634	16,011	27,600	46,916	77,072	111,413	166,647	205,172		**683,393**
Movement during the year	(4,387)	(3,165)	(4,734)	(7,062)	(8,672)	(22,975)	(24,120)	(29,513)	(30,366)	(42,946)	170,777	**(7,163)**

14. TECHNICAL PROVISIONS (CONTINUED)

(b) Net Claims Outstanding (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 Company 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 Company 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 profit & loss account.

(c) Reconciliation of claims outstanding

	Gross €000s	Net €000s
Balance at 1 January 2015	593,983	552,683
Change in provision for claims	154,161	130,710
Balance at 31 December 2015	748,144	683,393
Change in provision for claims	(2,654)	(7,163)
Balance at 31 December 2016	**745,490**	**676,230**

(d) Reconciliation of provision for unearned premium

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

	2016 €000s	2015 €000s
Balance at 1 January	**178,584**	179,650
Net premium written	**311,713**	312,766
Less: net premium earned	**(308,226)**	(313,154)
Changes in provision for unearned premium – reinsurers share	**(1,378)**	(678)
Provision for unearned premium at 31 December	**180,693**	178,584

(e) Reconciliation of reinsurers' share of technical provisions

	Claims Outstanding €000s	UPR €000s
Balance at 1 January 2015	41,300	16,010
Change	23,451	(678)
Balance at 31 December 2015	64,751	15,332
Change	4,509	(1,378)
Balance at 31 December 2016	**69,260**	**13,954**

15. RISK MANAGEMENT

The Company 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 Company is exposed to is consistent with the overall business strategy and the risk appetite of the Company. The key components of the Risk Management Framework include Risk Appetite; Risk Governance; Risk Process; People.

(a) Risk Appetite

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

Risk Governance

Risk is governed through business standards, risk policies, oversight committees and clear role and responsibilities and delegated authorities.

FBD uses a 'three lines of defence' framework in the delineation of accountabilities for risk governance.

- 1st Line – Accountable for the management of all risks relevant to the business of the function
- 2nd Line – Provide objective challenge and oversight of 1st line management of risks
- 3rd Line – Internal Audit provides independent assurance to the Audit Committee of the Board on risk-taking activities.

Risk Process

Identify and Measure

Risk is identified and assessed through a combination of top-down and bottom-up risk assessment processes. Top-down processes focus on broad risk types and common risk drivers rather than specific individual risk events, and adopt a forward-looking view of perceived threats over the planning horizon. Bottom-up risk assessment processes are more granular, focusing on risk events that have been identified through specific qualitative or quantitative measurement tools. Top-down and bottom-up views of risk come together through a process of upward reporting of, and management response to, identified and emerging risks. This ensures that the view of risk remains sensitive to emerging trends and common themes. Risks are recorded on the Company Risk Register. FBD measures risk on the basis of economic capital and other bases (where appropriate) to determine materiality, potential impact and management.

Monitor and Report

We regularly monitor our risk exposures against risk appetite, risk indicators, risk tolerances and limits and monitor the effectiveness of controls in place to manage risk. Risk reporting is dynamic and includes material risks, risk appetite, trends, changes in risk profile, risk mitigation programmes, strategy and emerging risks.

People

Risk Management is embedded in the Company through leadership, governance and transparency, rewarding appropriate risk taking risk resources and training.

- General Insurance Risk
- Operational Risk
- Capital Management Risk
- Investment Risk
- Liquidity Risk
- Market Risk
- Credit Risk
- Concentration Risk
- Macro-economic risk

15. RISK MANAGEMENT (CONTINUED)

(b) 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 14, claims outstanding.

Underwriting

The Company 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 Company include motor, employers' and public liability and property.

The Company manages these risks through its underwriting strategy, proactive claims handling and its reinsurance arrangements. The Company 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 Company's underwriting business is conducted in Ireland. Within Ireland there is no significant concentration risk in any one area.

The Company'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 Company's risk appetite and reinsurance treaties; constant review of the Company'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 Company 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 Company is firm in its resolve to reject business that is unlikely to generate underwriting profits. To manage this risk, pricing levels are monitored on a continuous basis.

Reserving

While the Company'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, changes in regulatory environment, change in economic activity or any other reason. Such an increase could have a material impact on the results and financial condition of the Company.

The Company 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 Company's and the industry's experience of similar business, historical trends in reserving patterns, loss payments and pending levels of unpaid claims and awards, as well as any potential changes in historic rates arising from market or economic conditions. The provision estimates are subject to rigorous review and challenge by senior management, the reserving committee and the Board. The provision includes a 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 Company's results and financial position. The Company 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 Profit and Loss Account. 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 position of the Company.

Reinsurance counterparties

The Company purchases reinsurance protection to limit its exposure to single claims and the aggregation of claims from catastrophic events. The Company's reinsurance protection is approved by the Board of Directors on an annual basis. The Company 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 Company's current reinsurers have either a credit rating of A- or better. The Company has assessed these credit ratings and security as being satisfactory in diminishing the Company's exposure to the credit risk of its reinsurance receivables.

15. RISK MANAGEMENT (CONTINUED)

(c) Operational Risk

Operational risk arises as a result of inadequately controlled internal processes or systems, human error, or from external events. This definition is intended to include all risks to which the Company is exposed and strategic and Company risks that are not considered elsewhere. Hence, operational risks include for example, information technology, information security, human resources, project management, outsourcing, tax, legal, fraud and compliance risks.

In accordance with Company policy, 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 Risk committee reviews 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 Company 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 Company will be able to retain all of its key employees. The success of the Company will depend upon its ability to retain, attract, motivate and develop key personnel.

The Company 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. In the event of a major event, these procedures will enable the Company 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.

(d) Capital Management Risk

The Company is committed to managing its capital so as to maximise returns to shareholders. The capital of the Company comprises of issued capital, reserves, subordinated debt capital and retained earnings. The Board of Directors reviews the capital structure frequently to determine the appropriate level of capital required to pursue the Company's growth plans. The Company's overall strategy remains unchanged from 2015.

The Company 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 and to ensure that it holds sufficient capital to maintain regulatory surpluses.

The Company maintained its capital position and complied with all regulatory solvency margin requirements throughout both the year under review and the prior year. The Company's economic capital is within its target range of 110-130% of SCR.

The Solvency II directive introduces a requirement for undertakings to conduct an Own Risk and Solvency Assessment 'ORSA'. The ORSA is a very important process as it provides a comprehensive view and understanding of the risks to which the Company is exposed or could face in the future and how they translate into capital needs or alternatively require mitigation actions.

(e) Investment Risk

The Company has an investment committee, a pricing committee, a capital management forum, 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 investment policy is designed to maximise returns within the overall risk appetite of the Company. Technical funds, the investments held for the payment of future claims, are primarily invested in government bonds, corporate bonds and cash. The high quality and short duration of these funds allows the Company to meet its solvency requirements and fund claims as they fall due. These funds are maintained in the currency of the insurance policy to reduce foreign exchange risk. A proportion of the Company's assets are allocated to riskier assets, principally equities. Here, it is the Company's philosophy to take a long-term view in search of acceptable risk adjusted returns.

The proportion of the Company's funds invested in risk assets will depend on the outlook for investment and underwriting markets.

15. RISK MANAGEMENT (CONTINUED)

(f) Liquidity Risk

The Company is exposed to daily calls on its cash resources, mainly for claims payments. The Company 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 table provides an analysis of assets into their relevant maturity based on the remaining period at the balance sheet date to their contractual maturities.

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

Assets – 2015	Carrying value total €000s	Contracted Value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Financial assets	931,211	960,631	435,684	364,312	160,636
Reinsurance assets	80,083	80,083	28,494	41,231	10,358
Current tax asset	8,420	8,420	8,420	-	-
Loans and debtors	50,494	50,494	50,494	-	-
Total	**1,070,208**	**1,099,628**	**523,092**	**405,543**	**170,994**

Analysis of expected maturity of liabilities

The following table shows the liabilities at 31 December analysed by duration. Total liabilities are split up by duration in proportion to the cash flows estimated to arise during that period.

Liabilities – 2016	Carrying value total €000s	Contracted Value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Insurance contract liabilities	926,182	926,182	286,362	518,396	121,424
Other Provisions	12,259	12,259	12,259	-	-
Deposits received from reinsurers	10,522	10,522	8,140	2,382	-
Payables	40,544	40,544	40,544	-	-
Total	**989,507**	**989,507**	**347,305**	**520,778**	**121,424**

Liabilities – 2015	Carrying value total €000s	Contracted Value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Insurance contract liabilities	926,728	926,728	292,311	520,197	114,220
Other Provisions	17,980	17,980	17,980	-	-
Deposits received from reinsurers	11,716	11,716	9,070	2,646	-
Payables	42,292	42,292	42,292	-	-
Total	**998,716**	**998,716**	**361,653**	**522,843**	**114,220**

15. RISK MANAGEMENT (CONTINUED)

(g) Market risk

The Company has invested in quoted and unquoted 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 rules, as approved annually by the Board of Directors and employment of appropriately qualified and experienced personnel to manage the Company's investment portfolio. All unrealised movements in market value are as a result of market risk.

Interest rate & spread risk

Interest rate & spread risk arises primarily from the Company's investments in quoted debt securities held for trading. The Investment Committee regularly reviews the appropriate level of exposure to interest rate risk from trading. Factors taken into consideration are yield, volatility and historical returns.

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

	2016 Market Values €000s	2016 Weighted average interest rate %	2015 Market Values €000s	2015 Weighted average interest rate %
Time to maturity				
In one year or less	346,577	1.46	421,298	0.75
In more than one year, but not less than two years	81,995	1.18	117,167	4.93
In more than two years, but not more than three years	102,063	1.12	61,469	1.75
In more than three years, but not less than four years	150,728	2.51	78,958	1.47
In more than four years, but not more than five years	87,259	1.42	92,897	1.84
More than five years	171,539	1.38	159,422	2.17
Total	**940,161**		**931,211**	

Equity price risk

The Company 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 by the Company's Investment Committee using the framework set out in the Company's investment policy which is approved annually by the Board of Directors. The investment policy places limits on the type of shares held, liquidity of shares, size of share-holding and exposure to any one sector.

Foreign currency risk

The Company holds investment assets in foreign currencies and is therefore exposed to exchange rate fluctuations. The impact of the exchange rate fluctuations is monitored regularly. The Company is primarily exposed to Sterling and US Dollars. Derivative instruments are used for the purposes of protecting the Euro value of assets denominated in non-Euro currencies in circumstances where the cost of the hedge is deemed commercial having regard to the potential foreign currency risk. None were used in 2016. (2015: None)

The Company did not hold any derivative instruments at 31 December 2016 or 31 December 2015.

15. RISK MANAGEMENT (CONTINUED)

(g) Market risk (continued)

The carrying amount of the Company's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

Assets	2016 €000s	2015 €000s
GBP – equities	**3,939**	5,161
US$ – equities	**3,005**	3,950
Swiss Franc – equities	**998**	1,070
Swedish – equities	**532**	510
US$ – cash balance	**-**	9
GBP – cash balance	**536**	553
Total assets	**9,010**	11,253
Liabilities	**-**	-

(h) 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 credit ratings issued by credit rating agencies. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets that fall outside this range are classified as speculative grade. All of the Company's bank deposits are with either A- rated or higher financial institutions or banks.

All of the Company's current reinsurers either have a credit rating of A- or better. The Company has assessed these credit ratings and security as being satisfactory in diminishing the Company's exposure to the credit risk of its reinsurance receivables. At 31 December 2016, the maximum balance owed to the Group by an individual reinsurer, including reinsurers' share of insurance contract liabilities not yet called, was €6,755,000. 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.

15. RISK MANAGEMENT (CONTINUED)

(h) Credit risk (continued)

Given the ratings and durations of its quoted debt securities portfolio, the Company deems the credit risk to be acceptable. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk. The Company's quoted debt securities at market value have the following credit characteristics

	2016		2015	
	Market Value €000s	Weighted Average Duration	Market Value €000s	Weighted Average Duration
Government bonds				
AAA	**10,132**	**1.7**	-	-
AA	**10,236**	**1.4**	-	-
A	**101,133**	**1.5**	101,279	2.5
BB+	**55,791**	**3.5**	-	-
Total	**177,292**	**2.1**	101,279	2.5
Corporate Bonds				
AAA	**2,414**	**3.4**	2,433	4.3
AA+	**-**	**-**	1,007	7.6
AA	**7,895**	**3.8**	14,778	3.2
AA-	**55,648**	**2.6**	58,718	2.3
A+	**55,927**	**3.2**	51,924	2.9
A	**83,500**	**2.9**	104,058	3.3
A-	**96,051**	**3.6**	69,365	3.5
BBB+	**116,511**	**3.6**	85,852	4.0
BBB	**58,545**	**3.4**	32,175	4.5
BBB-	**16,827**	**3.9**	11,485	3.2
Total	**493,318**	**3.3**	431,795	3.4

(i) 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 Company is exposed are as follows:

- The listed corporate bonds carry an average credit rating of A-. The average duration of the fund is 3.3 years. Given the ratings, spread of investments and duration of the listed corporate bonds, the Company deems any concentration risk to be acceptable.
- All deposits are held in banks that have a credit rating of A- or better. The total investment with any one institution made by way of deposit, corporate bonds or equity investments, cannot exceed €55m. Given the rating and the spread of deposits across a range of banks operating in different jurisdictions, the Company 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 Company has set counterparty limits and the exposure to a single counterparty by way of deposits, corporate bonds or equities cannot exceed that limit.

Concentration risk resulting from adverse weather events, i.e., floods, storms or freezes in Ireland, is mitigated by an appropriate reinsurance strategy and other risk selection techniques.

Receivables arising out of direct insurance operations are a low credit risk and there is no significant concentration of risk. As such, the Company has not made provision for bad or doubtful debts and there is no significant concentration of risk in other receivables.

15. RISK MANAGEMENT (CONTINUED)

(j) Macro-economic risk

Economic downturn

Fluctuations in demand or supply of insurance and any downturn in any of the markets in which the Company 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 Company.

Increasing competition

The Company faces significant competition. Actions by existing competitors or new entrants may place pressure on the Company's margins and profitability. In response to a changing competitive environment or the actions of competitors, the Company 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 Company 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 Company's financial position.

The Company 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 Company invests in research and development to introduce new products and to position itself well in its chosen markets. The Company'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 Company 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 Company.

The increasing likelihood of a hard "Brexit" introduces business and trading uncertainty for all indigenous Irish businesses, including FBD and the Group's core customers in farming and other small businesses. It appears likely that Britain departing the EU will have negative effects for business and business confidence in Ireland, particularly in the medium term and the Group believe this will continue to be a significant headwind to otherwise strong Irish economic prospects.

Taxation risk

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

Earnings risk

All of the risks outlined earlier have a potential impact on the earnings of the company. The sensitivity analysis below sets out the impact of some of the key risks on the earnings of the Company.

Sensitivity Analysis

The table below identifies the Company'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%.

15. RISK MANAGEMENT (CONTINUED)

(j) Macro-economic risk (continued)

Sensitivity Analysis (continued)

The pre-taxation impacts on profit and shareholders' equity at 31 December 2016 and at 31 December 2015 of each of the sensitivity factors outlined above are as follows:

		2016 €000s	2015 €000s
Interest rates	1.0%	**(10,159)**	(4,878)
Interest rates	(0.25%)	**2,539**	1,220
FX rates	10%	**901**	1,185
FX rates	(10%)	**(901)**	(1,185)
Equity	10%	**2,353**	2,527
Equity	(10%)	**(2,353)**	(2,527)
Available for sale investments	5%	**31,475**	24,492
Available for sale investments	(5%)	**(31,475)**	(24,492)
Investment property	10%	**1,640**	1,455
Investment property	(10%)	**(1,640)**	(1,455)
Net loss ratio	5%	**15,411**	15,658

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

31 December 2016	**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%**	**3,311**	**3,267**	**(3,267)**	**2,859**
Other claims IBNR	**+10%**	**410**	**306**	**(306)**	**268**
Legal fees revert to pre PIAB levels		**8,811**	**7,930**	**(7,930)**	**6,939**
31 December 2015					
Injury claims IBNR	+10%	3,594	3,561	(3,561)	3,116
Other claims IBNR	+10%	1,038	864	(864)	756
Legal fees revert to pre PIAB levels		8,597	7,737	(7,737)	6,770

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 Company's assets and liabilities are actively managed. Additionally, the financial position of the Company 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 Company'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.

16. DEFERRED TAX

	Revaluation of investments €000s	Insurance Contracts €000s	Retirement Benefit Obligations €000s	Other timing differences €000s	Deferred for offset against future profits €000	Total €000
Balance as at 31 Dec 2015	951	3,660	(917)	(1,221)	(13,223)	(10,750)
Charged to the profit & loss account in 2016	13	(915)	1,562	(19)	1,106	1,747
Charged to equity in 2016	1,296	-	(868)	-	-	428
Balance as at 31 Dec 2016	**2,260**	**2,745**	**(223)**	**(1,240)**	**(12,117)**	**(8,575)**

17. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT

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

Financial Assets	**2016 Fair Value €000s**	**2016 Carrying Value €000s**
Loans	**725**	**725**
Financial Instruments	**987,852**	**987,852**
Other Receivables	**60,847**	**60,847**
Financial Liabilities		
Payables	**30,652**	**30,652**
Other Provisions	**12,259**	**12,259**
Deposits received from reinsurers	**10,522**	**10,522**
Creditors arising out of reinsurance operations	**4,478**	**4,478**
Financial liabilities at amortised cost	**54,880**	**51,136**
Bank overdraft	**10,061**	**10,061**

Financial Assets	**2015 Fair Value €000s**	**2015 Carrying Value €000s**
Loans	767	767
Financial Instruments	981,101	981,101
Other Receivables	57,408	57,408
Financial Liabilities		
Payables	28,931	28,931
Other Provisions	17,980	17,980
Deposits received from reinsurers	11,716	11,716
Creditors arising out of reinsurance operations	4,864	4,864
Financial liabilities at amortised cost	50,036	50,036
Bank overdraft	14,228	14,228

17. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

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

Level A fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level B 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).

Level C If the market for an asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimate by a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange by normal business considerations.

2016	Level A €000s	Level B €000s	Level C €000s	Total €000s
Assets				
Loans	-	725	-	**725**
Other receivables	-	60,847	-	**60,847**
Financial assets				
Investments held for trading – quoted shares	22,690	-	-	**22,690**
AFS investments – quoted debt securities	628,654	-	-	**628,654**
Investments held for trading – quoted debt securities	41,956	-	-	**41,956**
Investments held for trading – UCITs	24,158	-	-	**24,158**
AFS investments – unquoted investments	-	-	843	**843**
Deposits with banks	269,551	-	-	**269,551**
Total assets	**987,009**	**61,572**	**843**	**1,049,424**
Liabilities				
Payables	-	30,652	-	**30,652**
Other Provisions	-	12,259	-	**12,259**
Deposits received from reinsurers	-	10,522	-	**10,522**
Creditors arising out of reinsurance operations	-	4,478	-	**4,478**
Bank Overdraft	10,061	-	-	**10,061**
Total liabilities	**10,061**	**57,911**	**-**	**67,972**

17. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

2015	Level A €000s	Level B €000s	Level C €000s	Total €000s
Assets				
Loans	-	767	-	**767**
Other receivables	-	57,408	-	**57,408**
Financial assets				
Investments held for trading – quoted shares	24,423	-	-	**24,423**
Investments held for trading – quoted debt securities	44,082	-	-	**44,082**
Investments held for trading – UCITs	24,622	-	-	**24,622**
AFS investments – quoted debt securities	488,993	-	-	**488,993**
AFS investments – unquoted investments	-	-	843	**843**
Deposits with banks	398,905	-	-	**398,905**
Total assets	**981,025**	**58,175**	**843**	**1,040,043**
Liabilities				
Payables	-	28,931	-	**28,931**
Other Provisions	-	17,980	-	**17,980**
Deposits received from reinsurers	-	11,716	-	**11,716**
Creditors arising out of reinsurance operations	-	4,864	-	**4,864**
Bank Overdraft	14,228	-	-	**14,228**
Total liabilities	**14,228**	**63,491**	**-**	**77,719**

18. OTHER PROVISIONS

	Restructuring €000s	MIBI Levy €000s	Total €000s
Restated Balance as at 1 Jan 2016	7,043	10,937	17,980
Provided for during the year	320	7,747	8,067
Utilised during the year	(6,352)	(7,436)	(13,788)
Balance as at 31 Dec 2016			
Analysed As:	1,011	11,248	12,259
Non-current liabilities	-	-	-
Current liabilities	1,011	11,248	12,259
Balance as at 31 Dec 2016	**1,011**	**11,248**	**12,259**

Restructuring

This provision primarily relates to a voluntary redundancy programme undertaken by the Company during 2015 and on-going restructuring into 2016.

MIBI Levy

The share of the Company's Motor Insurers' Bureau of Ireland "MIBI" levy for 2017 is based on its estimated market share in the current year at the balance sheet date.

19. CREDITORS

(a) Creditors arising out of reinsurance operations

	2016 €000s	2015 €000s
Due to reinsurers	**4,478**	4,864
	4,478	4,864

(b) Other creditors including tax and social security

Amounts falling due within one year	2016 €000s	2015 €000s
Creditors and accruals	**24,621**	21,825
Deferred income	**4,648**	5,731
PAYE/PRSI	**1,383**	1,375
	30,652	28,931

20. RETIREMENT BENEFIT OBLIGATIONS

The Company's Parent, FBD Holdings plc operates a funded defined benefit retirement scheme and defined contributions schemes 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.

The company has taken a proportion of the defined benefit scheme surplus (2015: surplus) onto its Balance Sheet as well as the corresponding gains and losses through its Profit and Loss or Statement of Comprehensive Income as appropriate based on the make-up of the membership of the scheme during the financial year. The Company has included 74.87% of the overall surplus on its Balance Sheet as at 31 December 2016 (2015: 69.15%)

During 2016 deferred members within the Scheme were provided with the option to take an enhanced transfer value of their past benefits.

The below disclosure notes (a) to (h) relate to the defined benefit pension scheme as a whole as it is not feasible to assign assets exclusively to individual members.

The Group operates a legacy funded defined benefit pension scheme for certain qualifying employees. This scheme was closed to new members in 2005 and closed to future accrual during 2015. The defined benefit pension scheme is 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 the 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. deferred members, retirees and employers. They are responsible for the investment policy with regard to the assets of the fund.

Under the defined benefit pension scheme, 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 of the defined benefit scheme was carried out on 1 July 2013, using the projected unit credit method, and the minimum funding standard was updated to 31 December 2015 by the schemes' independent and qualified actuary and confirms that the Scheme continues to satisfy the minimum funding standard. The next full actuarial valuation of the scheme is expected to be completed by 31 March 2017 (once the enhanced transfer value exercise is complete) with a valuation date of 31 July 2016.

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 primarily invested in bonds with a smaller level of investment in diversified growth funds and property. 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 inflation risk.

20. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(a) Assumptions used to calculate scheme liabilities	%	%
Inflation rate increase	**1.70***	1.50*
Salary rate increase	**N/A****	N/A**
Pension payment increase	**0.00**	0.00
Discount rate	**1.70**	2.40

* Inflation assumed to be 0% p.a. for the next 2 years from 2015 and 1.70% p.a. thereafter.
** No longer applicable as the scheme closed to future accrual with removal of salary link at 30 September 2015.

(b) Mortality Assumptions	2016 Years	2015 Years
The average life expectancy of current and future retirees used in the scheme at age 65 is as follows:		
Male	**21.2**	21.0
Female	**23.7**	23.6

The weighted average duration of the expected benefit payments from the scheme is circa 17 years.

The basis used to calculate the discount rate was reviewed in 2012.

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 2016 was €nil (2015: €210,048).

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 €5,156,000 (2015: €6,275,000).

(c) Consolidated Income Statement	2016 €000s	2015 €000s
(Credited)/charged to Consolidated Income Statement:		
Service cost: employer's part of current service cost	**493**	4,220
Past service gains	**-**	(11,010)
Gain on curtailments and settlement	**(7,571)**	(18,430)
Net interest (credit)/expense	**(173)**	870
Costs associated with curtailment	**357**	1,100
Credited to Consolidated Income Statement	**(6,894)**	(23,250)

Charges to the Consolidated Income Statement have been included in other underwriting and financial services expenses while the credit of €7,214,000 (2015: €28,340,000) the curtailment has been reflected separately.

(d) Analysis of amount recognised in Group Statement of Comprehensive Income	2016 €000s	2015 €000s
Net actuarial losses/(gains) in the year due to:		
Changes in financial and demographic assumptions	**14,394**	(13,060)
Experience adjustments on benefit obligations	**266**	401
Actual return on plan assets less interest on plan assets	**(2,427)**	(3,255)
Actuarial loss/(gain)	**12,233**	(15,914)
Deferred taxation (credit)/debit	**(1,529)**	1,989
Actuarial loss/(gain) net of deferred taxation	**10,704**	(13,925)

20 RETIREMENT BENEFIT ASSET (CONTINUED)

(e) History of experience gains and losses	2016 €000s	2015 €000s	2014 €000s	2013 €000s	2012 €000s
Present value of defined benefit obligations	**90,887**	106,490	195,669	158,769	149,520
Fair value of plan assets	**99,602**	115,600	141,415	130,231	118,754
Net pension (asset)/liability	**(8,715)**	(9,110)	54,254	28,538	30,766
Experience gains and losses on scheme liabilities	**(266)**	(401)	1,786	3,406	1,660
Actuarial (loss)/gain	**(12,233)**	15,914	(25,058)	2,851	(9,345)

The cumulative charge to the Consolidated Statement of Comprehensive Income is € 77,614,000 (2015: €84,508,000).

(f) Assets in scheme at market value	2016 €000s	2015 €000s
Bonds	**71,508**	76,730
Property	**8,334**	7,530
Managed funds	**19,139**	27,190
Cash deposits and other	**621**	4,150
Scheme assets	**99,602**	115,600
Actuarial value of liabilities	**(90,887)**	(106,490)
Net pension asset	**8,715**	9,110

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 six investment managers.

(g) Movement in net surplus/(deficit) during the year	2016 €000s	2015 €000s
Net surplus/(deficit) in scheme at 1 January	**9,110**	(54,254)
Current service cost	**(493)**	(4,220)
Past service gain	**-**	11,010
Employer contributions	**4,577**	23,100
Interest on scheme liabilities	**(2,546)**	(3,890)
Interest on scheme assets	**2,729**	3,020
Gains on curtailments and settlement	**7,571**	18,430
Actuarial (loss)/gain	**(12,233)**	15,914
Net surplus at 31 December	**8,715**	9,110

20 RETIREMENT BENEFIT ASSET (CONTINUED)

(h) Movement on assets and liabilities	2016 €000s	2015 €000s
Assets		
Assets in scheme at 1 January	**115,600**	141,415
Actual return less interest on scheme assets	**2,427**	3,255
Employer contributions	**4,577**	23,100
Employee contributions	**-**	40
Interest on scheme assets	**2,729**	3,020
Assets paid as part of ETV exercise	**(20,807)**	(50,780)
Benefits paid	**(4,924)**	(4,450)
Assets in scheme at 31 December	**99,602**	115,600
Liabilities		
Liabilities in scheme at 1 January	**106,490**	195,669
Experience gains and losses on scheme liabilities	**266**	401
Changes in financial and demographic assumptions	**14,394**	(13,060)
Current service cost	**493**	4,220
Past service gain	**-**	(11,010)
Employee contributions	**-**	40
Interest on scheme liabilities	**2,546**	3,890
Liabilities extinguished as part of ETV exercise	**(27,847)**	(54,330)
Gain on curtailments	**(531)**	(14,880)
Benefits paid	**(4,924)**	(4,450)
Liabilities in scheme at 31 December	**90,887**	106,490

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 €13.0 million. A 1% reduction in the discount rate would increase the value of the scheme liabilities by €16.9 million.
- A 1% increase in inflation would increase the value of the scheme liabilities by €4.7 million. A 1% reduction in inflation would reduce the value of the scheme liabilities by €4.0 million.
- The effect of assuming all members of the scheme will live one year longer would increase the scheme's liabilities by €3.3 million.
- The current best estimate of 2016 contributions to be made by the Group to the pension fund is €nil (2015: €1,240,000).

21. SHARE BASED PAYMENTS

FBD Group Performance Share Plan

The FBD Group Performance Share Plan (the "LTIP") was approved by shareholders of FBD Holdings plc (Group), the Company's parent, 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. The extent to which these conditions have been met and any award (or part of an award) has therefore vested will be determined in due course by the Remuneration committee of the Board of FBD Holdings plc.

21. SHARE BASED PAYMENTS (CONTINUED)

Fair value calculations

Conditional awards were made in March 2013 over 140,940 ordinary shares, in April 2014 over 108,631 ordinary shares, in March 2015 over 167,706 shares, in October 2015 over 54,545 shares and in March 2016 over 296,669 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 March 2013	LTIP award April 2014	LTIP award March 2015	LTIP award October 2015	LTIP award March 2016
Share price at grant	€12.70	€17.00	€10.80	€6.65	€6.55
Initial option/award price	€12.70	€17.00	€10.80	€6.60	€6.55
Expected volatility	30%	25%	30%	35%	35%
Expected life in years	3	3	3	3	3
Risk free interest rate	0.5%	0.3%	0.0%	0.0%	0.0%
Expected dividend yield %	n/a	n/a	n/a	n/a	n/a
Fair value	€11.54	€14.25	€10.80	€5.39	€5.25

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 vested during the year	Number outstanding at 31 December 2016	% of options expected to vest %	Share price at grant date €	Fair value of option at grant date €	2016 €000s	2015 €000s
04.03.2013 LTIP	3.00	140,940	18,079	-	n/a	12.70	11.54	**(80)**	(215)
14.04.2014 LTIP	3.00	108,631	-	62,430	0%	17.00	14.25	**18**	(115)
02.03.2015 LTIP	3.00	167,706	-	93,805	0%	10.80	8.49	**66**	107
09.10.2015 LTIP	3.00	54,545	-	54,545	100%	6.86	5.39	**92**	20
23.03.2016 LTIP	3.00	296,669	-	267,234	100%	6.55	5.25	**392**	-
Total								**488**	(203)

22. FINANCIAL LIABILITIES CARRIED AT AMORTISED COST

Financial liabilities carried at amortised cost comprise convertible notes.

	2016 €000s	2015 €000s
Net Proceeds from issue of convertible notes	**50,036**	68,232
Amount classified as equity	**-**	(18,232)
Amortisation during the year	**1,100**	36
Carrying amount of liability at 31 December 2016	**51,136**	50,036

On 23 September 2015, FBD Insurance plc issued a non-convertible bond of €70,000,000 carrying an interest rate of 11.66%. On 30 December 2015, following shareholder approval, this non-convertible bond was replaced with a convertible note, carrying an interest rate of 7%, and convertible into equity shares of FBD Holdings plc.

22. FINANCIAL LIABILITIES CARRIED AT AMORTISED COST (CONTINUED)

The notes carry an interest rate of 7% and are convertible into equity of FBD Holdings plc at a conversion price of €8.50 per share, and are convertible at any time between 23 September 2018 and 23 September 2025 at the option of the holder. A mandatory conversion of the notes occurs if the 30 day volume weighted average price of FBD holdings plc exceeds €8.50 for 180 days after 23 September 2018. On conversion, 8,235,294 new shares will be issued to the holder.

Unconverted notes will become repayable on 23 September 2025.

The carrying value of the notes has been determined with reference to the fair value of a similar liability without an equity conversion option. The equity component is recognised initially as the difference between the fair value of the convertible note as a whole and the fair value of the liability component.

The equity component has been treated as a gift from the company's parent who issued the option over their equity. This has immediately been transferred to retained earnings within equity.

23. SUBSEQUENT EVENTS

There were no events subsequent to year end requiring disclosure.

24. RELATED PARTIES

Parent and ultimate controlling party

At 31 December 2016 and throughout the year, FBD Holdings plc owned 100% of FBD Insurance plc.

Farmer Business Developments plc has a substantial shareholding of 24.61% in the Company's parent, FBD Holdings at 31 December 2016.

Included in the Financial Statements at the year-end is € Nil (2015: €Nil) due from Farmer Business Developments plc. The prior year balance is made up of recharges for services provided and recoverable costs.

Transactions with Farmer Business Developments plc	2016 €000s	2015 €000s
Opening balance	-	3
Management charges	-	10
Payments by related party	-	(13)
Closing balance	-	0

The Company has availed of an exemption as set out in FRS 102 from disclosing key management personnel compensation in total as this is disclosed in full in the consolidated accounts of FBD Holdings plc.

25. GROUP MEMBERSHIP

The smallest and largest group into which these financial statements are consolidated is that of FBD Holdings plc.

The Company has availed of the following exemptions as set out in FRS 102;

- The requirements of Section 7 Statement of Cashflows and Section 3 Financial Statement Presentation paragraph 3.17 (d)
- The requirements of Section 33 Related Party Disclosures paragraph 33.7.

The Company is a subsidiary of FBD Holdings plc, a company incorporated in Ireland. Copies of the Group financial statements, in which these financial statements are consolidated, are available from the registered office of FBD Holdings plc at FBD House, Bluebell, Dublin 12.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the fortieth annual general meeting of the Company will be held in FBD House, Bluebell, Dublin 12, on 5 May 2017 at 2.00 p.m. for the following purposes:

(a) To receive and consider the Directors' Report and financial statements for the year ended 31 December 2016.

(b) To re-elect Directors under Article 11(a);

The following persons are recommended by the board for re-election:

Mr. Walter Bogaerts
Ms. Mary Brennan
Mr. Dermot Browne
Mr. Liam Herlihy
Ms. Orlagh Hunt
Mr. David O'Connor
Mr. Padraig Walshe

(c) To authorise the Directors to fix the remuneration of the Auditors.

(d) To transact any other Ordinary Business of the Company.

BY ORDER OF THE BOARD

Derek Hall
Secretary

Dated: 24 February 2017