FBD Insurance plc
Annual Report 2017

Protection.
It's in our nature.

FBD

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Chairman's Statement

Performance

I am pleased to present to you our excellent financial results for 2017 and in particular I am very pleased to announce a proposed dividend payment to our shareholders. We achieved a Profit before Tax of €51m and our Solvency Capital Ratio has improved from 126% in 2016 to 164% at the end of 2017.

Over the past three years we have successfully executed a significant turnaround in our business and we can now clearly see the results of the many strong and sometimes difficult actions taken in that time. We look forward with confidence to future profitability and growth. We intend to carefully grow our business while maintaining our underwriting discipline. It is in this way that FBD intends to generate sustainable growth in book value for our shareholders.

From the outset, I would like to acknowledge and thank our loyal FBD staff for their immense contribution to these strong financial results. Their dedication to our customers and to great customer service continues to be a key differentiator and competitive advantage for FBD and that dedication is a source of pride and confidence for the Board.

Management Changes

With the help of the Board, Ms. Fiona Muldoon our Chief Executive added further executive talent to the FBD senior management team during 2017. We welcomed a new Chief Commercial Officer, Chief Human Resources Officer and Chief Underwriting Officer. The depth and strength of our senior management team position the Company well for the execution of our strategy and any future challenges ahead. The Board looks forward with confidence to the continued successful implementation of this strategy.

Board Changes

During the year there were some Board changes that warrant noting and I would like to record my own and the Board's deep appreciation of Mr. Michael Berkery, our former Chairman, and Mr. Sean Dorgan, our former Senior Independent Director, who both stepped down at our AGM last May. The Board and I thank them for their valued contributions to the Company over many years and we wish them continued success in the future. We were also delighted to welcome Joe Healy, President of the Irish Farmers' Association as a new non-executive Board member. Joe brings valuable insight and excellent relationships with our core customer base. He has a deep knowledge of Irish farming and the Agri-sector and we look forward to working with him over the coming years.

Our Heritage

This year, FBD celebrates its 50th year in business. We have a rich heritage and we are uniquely an Irish indigenous insurer, supporting and protecting our farm, business and consumer customers. With our nationwide branch network, we are based in and active participants in the communities we serve. We continue to be strong supporters of Irish farmers and Irish businesses down through the years. Our sponsorship of key events such as our on-going flagship sponsorship of The Ploughing Championship and many other associations and events across the length and breadth of the country continues to ensure our commitment to rural Ireland's success and prosperity is well known and understood. We re-launched our brand in 2017 with the FBD Tree and our 'Protection. It's in our Nature.' strap line. We believe this speaks to our heritage and our roots while also being relevant and modern to today's customers. It has helped us retain our existing customers, broaden the appeal of FBD and foster relationships with new customers.

During 2017 we formed new partnerships with Toyota ('Face It Down' Driving Safety Campaign), Chubb (Travel Insurance) and XL Catlin (Professional Indemnity and Directors & Officers Insurance). In addition, we were proud to become the first commercial sponsor of the Bord Bia-led Bloom Festival in the Phoenix Park and we became the sponsors of Ireland's most listened to radio show: RTÉ's Marian Finucane Show.

More recently, during 2017 we also extended our branch network in Dublin with the opening of our new office in Drumcondra on Dublin's north side. This represented the first branch office opened in many years and was a cause of some celebration for staff and customers. We hope to soon follow with a further office in South Dublin. This further extends our presence into the important Dublin commercial business market and extends our brand reach and recognition into the most important consumer urban centre in the country; our capital city.

Claims Environment

The claims environment continues to be uncertain and, in the absence of reform, our customers will continue to pay higher insurance premiums than those seen in other EU countries. The progress made on the actions recommended by the Government Cost of Insurance Working Group is welcome. It is important that these proposals are followed through with legislation so that we see a reduction in the cost of claims. In October, Storm Ophelia hit the country and caused widespread damage to property. Our claims staff responded superbly to help our impacted customers. Insurance is for events such as these and as always, we can be proud of our claims paying record. Unfortunately in addition, 2017 was a very poor year for Farm safety and indeed there were a record number of deaths on Irish farms during the year. FBD will continue to work hard with its customers to change farm workplace practices. FBD supports many sponsorships and initiatives in this area and will continue to help educate and support a safety culture that would begin to change the very high level of death and injury in the farm workplace.

Dividend

The Board believes that it is in the long-term interest of all stakeholders to maintain strong solvency and liquidity margins and it is focussed on ensuring that the Company's capital position continues to be robust and its financial position well managed. Following the improvement in the financial performance of the business the Board proposes to pay a dividend of 17c per share for the 2017 financial year. This is equivalent to a pay-out ratio of approximately 23% in respect of 2017 profits. The Company will target a 20% to 50% annual pay-out range of full year profits when appropriate, recognising extreme weather events and inherent cyclicality are a feature of all insurance businesses. This conservative policy is designed to recognise the importance of full year earnings in determining dividends while protecting the capital position of the Company. This dividend payment is a major milestone for FBD and reflects our confidence in the profitability and future prospects of the business.

Conclusion

I want to extend my sincere thanks to the Board for its active leadership and support during 2017. I also want to thank Fiona, the management team and our FBD staff for their commitment in delivering this very strong result. Finally we thank our customers for their business. Their loyalty, trust and confidence in FBD has enabled this success. As we enter our 50th year of trading, FBD is strongly positioned for the future and I am confident that FBD will continue to grow and prosper over its next fifty years.

Liam Herlihy
Chairman

26 February 2018

Review of Operations

Overview

FBD has had an excellent year and I am pleased to see our strong strategic delivery reflected in these results. In particular, I am delighted the Board has proposed a dividend of 17c per share for our shareholders. After three years of hard work and corrective action my colleagues and I have delivered a strong underwriting profit for the year. Storm Ophelia was managed to a net cost of €5.4m and our target return on equity has been exceeded a full twelve months ahead of schedule. FBD has displayed exceptional resilience and we are now well positioned to build on our loyal customer base. As we enter our 50th year of trading and as the only publicly quoted Irish insurer, FBD is here for farmers, businesses and consumers for the long-haul.

The Company's profitability and balance sheet strengthened significantly in 2017. FBD Group delivered 17% return on equity due to an exceptionally strong underwriting result and some positive prior year reserve development. Gross written premium increased by 3% to €372m (2016: €362m), profit before tax increased to €51m (2016: €14m) including an underwriting profit of €45m (2016: €3m).

Underwriting

PREMIUM INCOME

Gross written premium increased by €10.7m to €372.5m (2016: €361.8m), which is largely attributable to our farm, business and private motor products of €11.6m, offset by a €0.9m reduction in broker business. Moderate rate increases were carried across the book and the underlying performance of the business continues to improve. New business volumes grew by 12% largely in commercial, private motor and farm. We continue to see strong retention rates across our book.

REINSURANCE

The Company amended its reinsurance arrangements at the outset of 2017 to what it believes is a more effective programme, providing better cover in extreme events, while accepting more attritional property risk.

CLAIMS

Net claims incurred amounted to €203.1m (2016: €227.9m). We experienced positive prior year reserve development of €15.4m driven by the 2016 accident year which is now showing sustained frequency improvements. The MIBI levy reserve release of €5.6m is also reflected in these results following the Supreme Court ruling on the "Setanta" case. This case found that MIBI was not liable for third party motor insurer insolvency. In total the Company incurred a net charge of €1.9m (2016: €7.8m) relating to its MIBI levy and related obligation, which is calculated based on the Company's expected share of the motor market for 2017 and includes the MIBI levy reserve release of €5.6m.

CLAIMS ENVIRONMENT

The claims environment has shown signs of moderation, but overall remains difficult. The average cost of claims continues to increase with higher levels of inflation observed in injury settlements, particularly for more minor injury levels. The amended Book of Quantum has increased the level of damages awarded by the Injuries Board for most categories of injury.

Despite this development, the rejection rate of Injuries Board awards remains very high amongst claimants. FBD's rejection rate has increased by 30% since 2013, with significantly fewer claimants now accepting Injuries Board awards than previously. The enactment by the Government of the proposed PIAB (Amendment) Bill to tackle the non-co-operation of claimants and their legal representatives with the Injuries Board, is necessary to reduce the claimant rejection rate and lower the cost of claims.

In January 2017 the Cost of Insurance Working Group published its report on Motor Insurance, with suggested reforms including strengthening the power of the Injuries Board, establishment of a Personal Injuries Commission and improved data sharing. The report on the cost of Employer and Public Liability insurance was published recently with some additional recommendations.

Progress to date on these recommendations includes:

- The establishment of the Personal Injuries Commission and its first report, with a focus on standardisation of whiplash injuries.
- The publication of the "First Motor Insurance Key Information Report" aimed at greater transparency on costs and trends.
- Proposed increased powers for the Injuries Board as outlined in the PIAB (Amendment) Bill (enactment awaited).
- Work started to establish an integrated insurance fraud database and the uninsured drivers database which can be updated to the Garda Automatic Number Plate Recognition (ANPR) system.

While acknowledging the limited progress made to date, in order for costs to reduce we believe that these projects urgently need to reach conclusion and the required legislation must be enacted to deliver meaningful reform.

WEATHER, CLAIMS FREQUENCY AND LARGE CLAIMS

Storm Ophelia, the strongest eastern Atlantic hurricane on record, swept through the country on 16 October 2017 causing significant wind damage. We received almost 2,200 claims with an approximate cost of €10-11m. The net cost to FBD is €5.4m net of reinsurance (inclusive of reinstatement premia).

Our underwriting approach has led to a sustained positive trend in motor injury frequency.

The gross cost of large claims in 2017 (greater than €0.5m) is €44m and is largely in line with the average of the past five years. On a net of reinsurance basis, our large claims cost is €5m lower than the five-year average as a result of the lower retentions in our 2017 reinsurance programme.

EXPENSES

The Company's expense ratio was 23.3% (2016: 22.6%). Net expenses were €75.9m an increase of €6.5m. €4.5m of the increase relates to changes in the reinsurance arrangements. The balance relates to the increased full year depreciation charge from the Company's new policy administration system. The reclassification of claims handling expenses has reduced the reported expense ratio by 2.9 percentage points (2016: 3.4 percentage points) and increased the loss ratio by the same amount.

GENERAL

The Company's COR was 86.2% and the current year COR was 92.6%, generating an underwriting profit of €44.9m (2016: €3.2m).

INVESTMENT RETURN

FBD's total investment return for 2017 was 1.2% (2016: 1.9%), with 0.9% (2016: 0.8%) recognised in the Consolidated Income Statement and 0.3% (2016: 1.1%) recognised in the Consolidated Statement of Comprehensive Income. The modest returns are a reflection of the Eurozone low interest rate environment and the Company's conservative investment portfolio (94% of total assets are invested in cash and bonds). The Company holds a small portfolio of risk assets including equities, investment property and UCITS funds.

Statement of Financial Position

CAPITAL POSITION

Ordinary shareholders' funds at 31 December 2017 amounted to €273m (2016: €226m). The increase in shareholders' funds is mainly attributable to the following:

- Profit after tax for the year of €44m.
- Mark to market gains on Available for Sale investments of €2.5m after tax recognised in the statement of other comprehensive income.
- Share based payments of €0.7m.
- The decrease in the defined benefit pension scheme obligation of €0.3m after tax following a 5bps increase in the discount rate to 1.75%.

INVESTMENT ALLOCATION

The Company has continued with its conservative investment policy during the period. FBD has increased the exposure to Government bonds towards the 30% Strategic Asset Allocation. During 2018 FBD will move into the final phase of the Strategic Asset Allocation for the risk asset portfolio.

The allocation of the Company's underwriting investment assets is as follows:

	31 December 2017		31 December 2016	
Investment assets	**€m**	**%**	€m	%
Deposits and cash	**230**	**22%**	270	27%
Corporate bonds	**499**	**47%**	494	48%
Government bonds	**259**	**24%**	177	17%
Equities	**22**	**2%**	23	2%
UCITs	**24**	**2%**	24	2%
Own land & buildings	**15**	**1%**	16	2%
Investment property	**18**	**2%**	16	2%
Investment assets	**1,067**	**100%**	1,020	100%

SOLVENCY

The latest (unaudited) Solvency Capital Ratio (SCR) is 164%, increasing from 127% at the end of 2016. The improvement is driven by both the effect of the underlying profitability of the business on available capital and the impact of the paying down of older claims reserves on required capital.

Outlook

In 2017 FBD Group delivered a return on equity of 17% and a current year COR of 93%, helped by strong underwriting actions and improved rate adequacy. Storm Ophelia represented a net cost of €5.4m. In addition 2017 included positive prior year and MIBI reserve releases of €15.4m and €5.6m respectively, both of which further improve the COR to 86%.

Strong progress has been made by the Company over the last three years and FBD is well positioned to deliver sustainable profitable growth and long-term shareholder value through growth in book value.

Brexit is likely to have a negative impact on our farm customers although Irish farming has proven resilient to setbacks in the past and has overcome all previous significant challenges. We remain confident in the sector's ability to adapt and thrive.

FBD continues to target careful growth, specifically through a measured increase in its urban business while retaining its large market share in rural Ireland.

Fiona Muldoon
Chief Executive

26 February 2018

Board of Directors and Other Information

Board of Directors

Liam Herlihy *	*(Chairman/Appointed as Chairman 5 May 2017)*
Michael Berkery	*(Chairman/Retired 5 May 2017)*
Walter Bogaerts*	
Mary Brennan*	
Dermot Browne*	*(Senior Independent Non-Executive Director/Appointed Senior Independent Non-Executive Director 5 May 2017)*
Sean Dorgan*	*(Senior Independent Non-Executive Director/Retired 5 May 2017)*
Joe Healy*	*(Appointed 9 August 2017)*
Orlagh Hunt*	
Fiona Muldoon	*(Chief Executive)*
David O'Connor*	
John O'Grady	
Padraig Walshe	

*Independent non-executive Directors

Secretary and Registered Office

Derek Hall
FBD House
Bluebell
Dublin 12
D12 Y0HE
Ireland

Independent Auditors

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

Report of the Directors

The Directors present their Annual Report and audited Financial Statements for the financial year ended 31 December 2017.

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 2017 the Company generated premium income of €372,459,000 (2016: €361,799,000). The operating profit for the year was €50,584,000 (2016: €13,830,000).

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 4. The key financial performance indicators include gross written premium (2017: €372.5m, 2016: €361.8m), and combined operating ratio (2017: 86.2% 2016: 99.0%).

Future Developments

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

RESULTS	2017 €000s	2016 €000s
Profit on ordinary activities before tax	**50,584**	13,830
Tax charge for profit on ordinary activities	**(7,051)**	(1,747)
Profit on ordinary activities after tax	**43,533**	12,083
Other comprehensive income after taxation	**2,704**	2,999
Transfer to revenue reserves	**46,237**	15,082

Dividends

On 23 February 2018 the Board of FBD Insurance plc proposed a preference dividend of €89,000 on the 14% preference shares and €10,000,000 on the ordinary shares. The proposed dividend is subject to approval by shareholders at the Annual General Meeting on 4 May 2018. Please refer to note 8 for further details.

Risks & Uncertainties

RISK MANAGEMENT AND RISK APPETITE

Risk Management is embedded across the Company through its Risk Management Framework. The Directors consider that the principal risk factors that could materially and adversely affect the Company's future operating profits or financial position are as follows:

GENERAL INSURANCE RISK

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

The claims settlement environment continues to show emerging signs of greater stability, but remains difficult. Average cost of claims continues to increase with higher levels of inflation observed in injury settlements.

The amended Book of Quantum has increased the level of damages awarded by the Injuries Board for most categories of injury. Despite this development, the rejection rate of Injuries Board awards remains high amongst claimants with legal representation. The rejection rate has in fact increased by 30% over the last number of years, with significantly fewer claimants now accepting Injuries Board awards than previously. These claims proceed to litigation where they incur significant legal costs. The enactment by the Government and enforcement by the judiciary of proposed PIAB (Amendment) Bill to tackle the non-co-operation with the Injuries Board by claimants and their legal representatives is critical to reducing the claimant rejection rate and lowering the cost of claims.

There are a number of other factors driving higher underlying inflation in injury claims:

- Upward pressure on the average cost of soft tissue injury claims of 18 months to 24 months duration, as a result of the amended Book of Quantum.
- Psychological injury accompanying soft tissue injury, to a much greater extent than previously experienced. We believe awards for this type of post-traumatic stress are excessive and extraordinary in the international context.
- Increasing frequency of assistive care claims. Such claims were previously a feature of catastrophic injury claims but are becoming more prevalent in less serious claims.
- Wage inflation and higher levels of employment impacting past and future loss of earnings claims.

CAPITAL MANAGEMENT RISK

The Company is committed to managing its capital to ensure it is adequately capitalised at all times and to maximise returns to shareholders. 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 must maintain an adequate regulatory solvency position and must satisfy the Central Bank of Ireland that it has done so. The capital position of the Company is reviewed frequently by the Board of Directors. To provide protection against material events or shocks, the Company ensures that it holds sufficient capital to maintain appropriate regulatory surpluses.

The Company maintained its required capital position and complied with all regulatory solvency margin requirements throughout both the year under review and the prior year.

The Solvency II directive introduced 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 mitigating actions.

The Company has an Investment Committee, a Pricing & Underwriting Committee, a Capital Management Forum, an Audit Committee, a Reserving Committee and Executive and Board Risk Committees, all of which assist the Board in the identification and management of exposures and capital.

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

In preparation for the Board's annual review of the internal control system, senior management carry out a self-assessment, including capital risks, facing the organisation and the controls in place to mitigate or manage such exposures.

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, regulatory and reputational criteria.

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 a credit rating 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.

MARKET RISK

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

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.

MACRO-ECONOMIC RISK

These are the risks faced by the Company as a result of macro-economic changes including economic downturn, increasing competition, changing market trends and the risk associated with changes in the taxation laws in the jurisdiction in which the Company operates. The success of the Company depends on its ability to react appropriately to these changes. The increasing likelihood of a hard "Brexit" introduces business and trading uncertainty for all indigenous Irish businesses, including FBD and the Company'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 Company believes this will continue to be a significant headwind to otherwise strong Irish economic prospects.

CONCENTRATION RISK

Concentration risk is the risk of loss due to overdependence on a singular entity or category of business. While all of the Company's underwriting business is conducted in Ireland, with a significant focus on the agri sector, it is spread over a wide geographical area with no concentration in any one county or region. The Company adheres to a strict Investment Policy and actively manages its investment portfolio to ensure that there is an optimum spread and duration of investments.

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 key executive officers or other key 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 increasingly 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 Company has controls embedded within its systems to limit each of these potential exposures. The Board confirms that it has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

The Company uses the 3 lines of defence model in the management of risk. Under the three lines of defence model:

- Primary responsibility for risk management lies with line management.
- Line management is supported by the Risk Function, Compliance Function and Actuarial Function.
- The third and final line of defence is the Internal Audit function, which provides independent assurance to the Audit Committee and the Board on risk-taking activities.

The Company has developed a suite of risk policies to assist in the management of risk which include roles and responsibilities, risk management processes, risk limits and indicators and escalation processes. The risk policies including the Risk Management Framework and Risk Appetite are reviewed at least annually by the Company's Executive and Board Risk Committees and the Board or more frequently if a system, or area concerned undergoes significant change. The Company has a framework in place to identify, assess, manage and monitor risk and risk is actively reported and reviewed at Executive Risk Committee meetings and quarterly Board Risk Committee meetings.

Holding Company

At 31 December 2017 and throughout the year, FBD Holdings plc owned 100% of FBD Insurance plc.

Directorships

In accordance with the Company's Articles of Association, Liam Herlihy, Walter Bogaerts, Mary Brennan, Dermot Browne, Joe Healy, Orlagh Hunt, David O'Connor and Padraig Walshe will retire at the Annual General Meeting, and being eligible, offer themselves for re-election.

On 9 August 2017 Mr. Joe Healy was appointed to the Board.

Biographies Of Directors

LIAM HERLIHY, CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Liam Herlihy is a farmer and 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 joined the Board in September 2015.

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 Company's core customer base.

WALTER BOGAERTS, INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. 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 most recent 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.

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 KPMG and a number of publicly listed companies, including Elan plc and Occidental Petroleum Corp. She is a highly experienced non-executive Director with a portfolio of companies, previously serving as Director and Audit Committee chair of BNP Paribas Ireland.

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 Zurich Life over a sixteen year period with responsibility for finance, sales, marketing and information technology. Between 2012 and 2016 he re-joined Zurich Group in a Global Strategy role based in Switzerland. He is currently non-executive director in two other financial services companies in Ireland.

JOE HEALY, INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Joe Healy runs a dairy and cattle farm in Athenry, Co Galway with his family. He was elected the 15th President of the Irish Farmers' Association in April 2016. Prior to that, he represented Galway IFA on the IFA National Farm Business Committee. Previously, he was actively involved in the young farmers' organisation Macra na Feirme and was elected President of that organisation from 1995-1997. Mr. Healy represents Irish farmers at EU level on COPA, which is the official umbrella representative body for European farmers. He chairs the COPA Food Chain Working Group, which is seeking a stronger position for farmers in the food supply chain. He is a non-executive director of Bord Bia – the Irish Food Board – which is responsible for the marketing of Irish food and drink abroad.

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.

FIONA MULDOON, CHIEF EXECUTIVE OFFICER

Ms. 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.

DAVID O'CONNOR, INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. David O'Connor is a Fellow of 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 where he worked until June 2016.

JOHN O'GRADY, CHIEF FINANCIAL OFFICER

Mr. 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

Mr. Padraig Walshe is Chairman of Farmer Business Developments plc, the Company's largest shareholder and a dairy farmer. 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:	**31/12/17**	**1/1/17 (or at date of appointment if later)**
Liam Herlihy	**8,000**	3,000
Fiona Muldoon	**4,000**	-
David O'Connor	**1,500**	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)

	31/12/17	**1/1/17 (or at date of appointment if later)**
Fiona Muldoon	**154,789**	109,506
John O'Grady	**22,138**	-
Derek Hall	**29,708**	20,855

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with the Companies Act 2014 and the applicable regulations.

Irish company law requires the Directors to prepare Financial Statements for each 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

PricewaterhouseCoopers, Chartered Accountants and Statutory Audit Firm, were appointed by the Directors in 2016 to audit the Financial Statements for the financial year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the financial years ended 31 December 2016 to 31 December 2017. PricewaterhouseCoopers have signified their willingness to continue in office in accordance with the provisions of 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 Company's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Chairman's Statement and the Review of Operations. In addition, note 17 of the Financial Statements includes the Company's policies and processes for risk management.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future being a period of at least twelve months from the date of this report. 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 2018 and forecast for 2019 and 2020, 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 along with the Company's capital projections and requirements under the Solvency II regime. The Directors have concluded that there are no material uncertainties that cast significant doubt over the Company's ability to continue as a going concern.

Subsequent Events

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

Approval Of Financial Statements

The financial statements were approved by the board on 26 February 2018.

Signed on behalf of the board:

Liam Herlihy	**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 2017 the Company was required to comply with the provisions of the Central Bank of Ireland's Corporate Governance Code for Credit Institutions and Insurance Undertakings (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 2017.

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 2017 met on nine 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 Financial Statements, 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 31 December 2017, the Board comprised of two executive Directors, one non-executive Director, and seven independent non-executive Directors, including the Chairman. 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 them to fulfil their 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.

Attendance at Board and Board Committee Meetings during 2017

Director	Category	Board		Audit		Remuneration		Nomination		Risk	
		A	B	A	B	A	B	A	B	A	B
Liam Herlihy	INED, Chairman	9	9					4	4	3	3
Michael Berkery	NED, Chairman	4	4	-	-	-	-	3	3	1	2
Walter Bogaerts	INED	9	9	6	6	6	6	-	-	5	5
Mary Brennan	INED	9	9	6	6	-	-	-	-	-	-
Dermot Browne	INED	9	9	6	6	-	-	1	1	-	-
Sean Dorgan	INED	4	4	3	3	3	3	3	3	-	-
Joe Healy	INED	3	3	-	-	-	-	-	-	-	-
Orlagh Hunt	INED	9	9	-	-	6	6	-	-	2	3
Fiona Muldoon	Executive	9	9	-	-	-	-	-	-	-	-
David O'Connor	INED	9	9	-	-	2	3	1	1	4	5
John O'Grady	Executive	9	9	-	-	-	-	-	-	2	2
Padraig Walshe	NED	9	9	-	-	-	-	-	-	-	-

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

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.

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 Nomination Committee; and
- the Remuneration Committee.

Each of the Committees has written terms of reference which were approved by the Board and set out the Committees' powers, responsibilities and obligations. 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 Financial Statements and that this process is regularly reviewed by the Board.

The key risk management and internal control procedures include:

- skilled and experienced management and staff;
- an organisation structure with clearly defined lines of responsibility and authority;
- a comprehensive system of financial control incorporating budgeting, periodic financial reporting and variance analysis;
- a Risk Committee of the Board 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 reviewing and challenging key risk information and 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 significant risks facing the Group 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 programme.

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:

Liam Herlihy
Chairman

Fiona Muldoon
Chief Executive

26 February 2018

Independent Auditors' Report

to the members of FBD Insurance plc

Report on the audit of the financial statements

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 2017 and of its profit for the year then ended;
- have been properly prepared 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", and promulgated by the Institute of Chartered Accountants in Ireland and Irish law); and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the directors' report and financial statements, which comprise:

- the balance sheet as at 31 December 2017;
- the profit and loss account for the year then ended;
- the 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 description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law.

Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

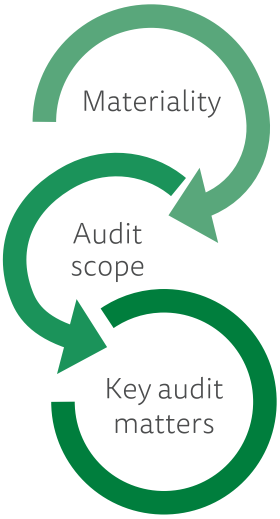
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the company.

Other than those disclosed in the directors' report and financial statements, we have provided no non-audit services to the company in the period from 1 January 2017 to 31 December 2017.

Our audit approach

OVERVIEW



Materiality

- €3.7 million – based on 1% of gross written premium

Audit scope

- We performed a full scope audit of the company's financial statements, based on materiality levels

Key audit matters

- Valuation of claims outstanding
- Valuation of defined benefit pension asset

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation of claims outstanding	
Refer to note 2 (pages 26 and 32), note 16(a) to 16 (c) (pages 43 to 45) and note 17(a) (page 46) to the financial statements. The provision for claims outstanding is the company's largest liability and its valuation involves considerable judgement. The actuarial best estimate is determined using complex actuarial calculations and requires the consideration of detailed methodologies, multiple assumptions and significant judgements, particularly for the longer tails classes of business such as motor bodily injury and liability. The key assumptions underlying the calculations are past development patterns, loss ratios and assumptions regarding frequency, severity and duration of claims. The valuation is also dependent on the completeness and accuracy of the data used in the actuarial modelling, in particular data relating to amounts of claims paid and incurred in prior years. The provision includes a margin over actuarial best estimate to provide for the risk of adverse claims development and to cater for known events not in the underlying data. As a result, the valuation of claims outstanding was a key area of focus.	We evaluated the actuarial methodologies and key assumptions with the assistance of our actuarial specialists. This involved: - testing the design and operating effectiveness of the controls over claims processing and payment; - reconciliation of the data used in the actuarial models to the underlying systems; - assessing the assumptions and methodologies underpinning management's actuarial valuation; - carrying out our own independent valuations for the main classes of business; and - reconciliation of the actuarial valuation outputs to the financial statements. Our work included an assessment of management's analysis of the output of the calculations from the actuarial model including consideration of the development of prior accident years' estimates and analysis of the current accident year estimate. In making this assessment we considered the company's historic claims experience, development in the Irish claims environment and our broader knowledge of developments in the insurance industry. We tested the calculation of the margin over actuarial best estimate and discussed the rationale for the level of this element of the provision with management with particular focus on the consideration of the appropriateness of changes in the amount since the prior year. We concluded that the methodologies and assumptions adopted were appropriate and that the claims outstanding figure was calculated in accordance with these. No matters came to our attention.
Valuation of defined benefit pension asset	
Refer to note 2 (pages 29 and 32) and note 22 (pages 58 to 61). The group operates a defined benefit pension scheme which is closed to future accrual and closed to new members. The company's share of the surplus on this scheme is €7.3 million at 31 December 2017. The surplus is the excess of the fair value of the scheme assets over the present value of the defined benefit obligation. We focused on the defined benefit obligation as its valuation is complex and requires judgement in choosing appropriate actuarial assumptions, especially the discount rate used and the inflation assumption. These assumptions can have a material impact on the calculation of the defined benefit obligation. The valuation is also dependent on the completeness and accuracy of the data used in the model, in particular membership data and payroll details.	We considered the reasonableness of the key actuarial assumptions used to determine the defined benefit obligation with the assistance of our pension specialists. We challenged management in relation to the assumptions and methodology applied including benchmarking to external data as appropriate. Because the setting of the assumptions and the calculations relied to a significant extent on the advice of the group's external actuarial experts, we considered their independence, reviewed reports prepared by them for management. We relied on the consulting actuaries as management experts but independently reviewed the methodologies and assumptions underlying the pension surplus valuation with the assistance of our pension specialists with particular focus on the discount rate used and the inflation assumptions. We also reconciled the underlying membership and payroll data used in the model to the group's records. We concluded that the assumptions adopted were appropriate and that the defined benefit pension asset and liability figures were calculated in accordance with these. No matters arose from our assessment and testing of the data.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	€3.7 million
How we determined it	1% of gross written premium
Rationale for benchmark applied	Gross written premium is considered an appropriate benchmark given the circumstances and size of the company

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above 5% of overall materiality or €0.2 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

The other information comprises all of the information in the directors' report and financial statements other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the directors' report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

- In our opinion, based on the work undertaken in the course of the audit, the information given in the directors' report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
- Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Responsibilities for the financial statements and the audit

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the statement of directors' responsibilities set out on page 10, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Irish Auditing and Accounting Supervisory Authority website at: https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf. This description forms part of our auditors' report.

USE OF THIS REPORT

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.

Other required reporting

COMPANIES ACT 2014 OPINIONS ON OTHER MATTERS

- 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.

COMPANIES ACT 2014 EXCEPTION REPORTING

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.

APPOINTMENT

We were appointed by the directors on 10 August 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 31 December 2016 to 31 December 2017.

Paraic Joyce
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
26 February 2018

Profit and Loss Account – Technical Account

For the financial year ended 31 December 2017

	Note	2017 €000s	2017 €000s	Restated 2016 €000s	Restated 2016 €000s
Written premiums, net of reinsurance					
Gross premiums written	3(a)	**372,459**		361,799	
Outward reinsurance premiums	3(a)	**(27,267)**		(50,086)	
Net premiums written	3(a)		**345,192**		311,713
Change in the provision for unearned premiums					
Gross amount		**(5,311)**		(2,109)	
Reinsurers' share		**(13,949)**		(1,378)	
Change in net provision for unearned premiums			**(19,260)**		(3,487)
Earned premiums, net of reinsurance	3(b)		**325,932**		308,226
Allocated investment return transferred from the non-technical account	3(c)		**7,751**		7,107
Total Technical Income			**333,683**		315,333
Claims incurred, net of reinsurance					
Claims paid:					
Gross amount		**(217,136)**		(240,635)	
Reinsurers' share		**9,749**		15,962	
Net claims paid		**(207,387)**		(224,673)	
Change in the provision for claims					
Gross amount		**(19,522)**		2,654	
Reinsurers' share		**33,362**		4,509	
Change in the net provision for claims		**13,840**		7,163	
Claims handling expense	3(e)	**(9,597)**		(10,343)	
Claims incurred, net of reinsurance	3(d)		**(203,144)**		(227,853)
Motor Insurers' Bureau of Ireland Levy and related payments	20		**(1,945)**		(7,747)
Net operating expenses	3(e)		**(75,908)**		(69,895)
Balance on the technical account for non-life insurance business	3(f)		**52,686**		9,838

The accompanying notes on pages 25-64 form an integral part of the Financial Statements.

Profit and Loss Account – Non-Technical Account

For the financial year ended 31 December 2017

	Note	2017 €000s	2016 €000s
Balance on the technical account – non-life insurance business		**52,686**	9,838
Investment income – dividends and interest	4(a)	**13,765**	15,002
Investment income – realised gains/(losses)	4(a)	**1,241**	(296)
Unrealised losses on investments	4(a)	**(4,041)**	(4,918)
Investment expenses and charges	4(a)	**(1,604)**	(1,450)
Allocated investment return transferred to the technical account		**(7,751)**	(7,107)
Other income		**5,381**	5,217
Restructuring costs	20	**(1,715)**	(320)
Curtailment of Retirement Benefit Obligation	22	**-**	4,350
Finance Costs	24	**(6,298)**	(6,156)
Revaluation of owner occupied property	9(a)	**(1,080)**	(330)
Profit on ordinary activities before tax	5	**50,584**	13,830
Tax charge for profit on ordinary activities	7	**(7,051)**	(1,747)
Profit on ordinary activities after tax		**43,533**	12,083

All Profit and Loss Account amounts arose from continuing operations.

The accompanying notes on pages 25-64 form an integral part of the Financial Statements.

Statement of Comprehensive Income

For the financial year ended 31 December 2017

	Note	2017 €000s	2016 €000s
Profit on ordinary activities after tax		**43,533**	12,083
Actuarial gains/(losses) in the pension scheme	22	**283**	(6,944)
Deferred tax thereon	7	**(35)**	868
Net gains on AFS investments		**2,807**	10,371
Deferred tax thereon	7	**(351)**	(1,296)
Other comprehensive income after taxation		**2,704**	2,999
Total comprehensive income after taxation		**46,237**	15,082

The accompanying notes on pages 25-64 form an integral part of the Financial Statements.

Balance Sheet – Assets

At 31 December 2017

	Note	2017 €000s	2016 €000s
Investments			
Investment Property	*9(a)*	**18,000**	16,400
Land and Buildings	*9(a)*	**14,660**	15,940
		32,660	32,340
Other Financial investments			
Financial Investments	*9(b)*	**1,034,168**	987,852
Loans and receivables		**642**	725
		1,034,810	988,577
Reinsurers' share of technical provisions			
Provision for unearned premiums	*16(e)*	**5**	13,954
Claims outstanding	*16(e)*	**90,561**	69,260
		90,566	83,214
Retirement Benefit Obligations – Surplus	*22*	**7,329**	6,507
Debtors			
Debtors arising out of direct insurance operations	*10(a)*	**44,917**	44,579
Debtors arising out of reinsurance operations	*10(b)*	**4,724**	1,797
Other debtors	*10(c)*	**6,784**	7,871
		56,425	54,247
Other assets			
Tangible assets	*11*	**53,488**	57,042
Deferred tax asset	*18*	**1,283**	8,575
		54,771	65,617
Current tax asset		**3,949**	4,173
Prepayments and accrued income			
Accrued interest and rent	*12*	**183**	379
Deferred acquisition costs asset		**31,366**	29,652
Other prepayments and accrued income		**7,034**	7,104
		38,583	37,135
Total assets		**1,319,093**	1,271,810

The accompanying notes on pages 25-64 form an integral part of the Financial Statements.

Balance Sheet – Equity and Liabilities

At 31 December 2017

	Note	2017 €000s	2016 €000s
Capital and reserves			
Called up share capital presented as equity	*13*	**74,187**	74,187
Reserves	*15*	**197,934**	151,697
Preference share capital	*14*	**635**	635
Total shareholders' funds		**272,756**	226,519
Financial liabilities at amortised cost	*24*	**52,525**	51,136
Technical provisions			
Provision for unearned premiums	*16(d)*	**186,004**	180,693
Claims outstanding	*16(c)*	**765,012**	745,490
		951,016	926,183
Provisions for other risks and charges			
Other provisions	*20*	**6,851**	12,259
Deposits received from reinsurers		**-**	10,522
Creditors			
Creditors arising out of reinsurance operations	*21(a)*	**3,296**	4,478
Other creditors including tax and social security	*21(b)*	**24,157**	30,652
Bank overdraft		**8,492**	10,061
		35,945	45,191
Total equity and liabilities		**1,319,093**	1,271,810

The Financial Statements were approved by the board on 26 February 2018 and signed on its behalf by:

Liam Herlihy
Chairman

Fiona Muldoon
Chief Executive

The accompanying notes on pages 25-64 form an integral part of the Financial Statements.

Statement of Changes in Equity

For the financial year ended 31 December 2017

	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 1 January 2016	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
Profit for the financial year	-	-	-	43,533	43,533
Other comprehensive income	-	-	-	2,704	2,704
At 31 December 2017	**74,187**	**635**	**18,232**	**179,702**	**272,756**

Notes to the Financial Statements

For the financial year ended 31 December 2017

1. GENERAL INFORMATION

FBD Insurance plc is an Irish registered public limited company. The address of the registered office is given on page 6. The nature of the Company's operations and its principal activities are set out in the Review of Operations on pages 4 to 5 and in the Report of the Directors on pages 7 to 11.

2. 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 the requirements of the Companies Act 2014 and the European Union (Insurance Undertaking's: Financial Statements) Regulations 2015.

During the year, the Company changed its accounting policy with respect to the treatment of claims handling expenses. The Company now includes claims handling expenses within net claims and benefits. Prior to this change in policy, the Company included these expenses within other underwriting expenses. Refer to note 30 for details on the change in the accounting policy.

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; the Company's objectives, policies and process for managing its capital; its financial risk management objectives 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 Financial Statements of its ultimate parent company FBD Holdings PLC incorporated in Ireland.

The principal accounting policies adopted by the Directors are:

A) ACCOUNTING CONVENTION

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

B) 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.

2. BASIS OF PREPARATION (CONTINUED)

B) TECHNICAL RESULT (CONTINUED)

(iii) Deferred Acquisition Costs

Deferred acquisition costs represent the proportion of 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 and Loss Account by setting up a provision in the balance sheet.

(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 – non-life insurance 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.

2. BASIS OF PREPARATION (CONTINUED)

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.

(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.

2. BASIS OF PREPARATION (CONTINUED)

D) FINANCIAL INSTRUMENTS (CONTINUED)

(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.

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 Profit and Loss Account 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 Profit and Loss Account.

2. BASIS OF PREPARATION (CONTINUED)

F) TANGIBLE FIXED ASSETS (CONTINUED)

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 Profit and Loss Account during the financial year 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.

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 22 are for the Group as a whole.

(i) 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 long-term incentive plan based on market and non-market vesting conditions.The Company's parent, FBD Holdings plc, operates a long-term incentive plan based on market and non-market vesting conditions. The fair value of the market based awarded shares is determined at the date of grant using either the Black Scholes or Monte Carlo Simulation models. The fair value of the non-market based awarded shares is determined with reference to the share price of the Group at the date of grant. The cost is expensed in the Profit and Loss Account over the vesting period at the conclusion of which employees become unconditionally entitled to the options with the corresponding amount to the expense credited to liabilities. Payments made by the Company to FBD Holdings plc in respect of the exercise of the options are debited to liabilities.

2. BASIS OF PREPARATION (CONTINUED)

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.

(i) Restructuring

The costs of the 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 and related payments 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.

2. BASIS OF PREPARATION (CONTINUED)

Q) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The principal accounting policies adopted are set out on pages 25 to 30. 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 Balance Sheet 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, CB Richard Ellis, 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.

Properties are held at fair value less any subsequent depreciation in line with the accounting standard. 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.

The Directors have carried out an impairment review of the investment in a new policy administration system which was put into use in the current year. They have concluded that the asset will deliver economic benefits into the future and the present value of future cash flows from the asset will be sufficient to recover the carrying value of the asset.

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, CB Richard Ellis, 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 following financial year based on its share of the Irish Motor market in the previous year, and the Groups estimate of the likely levy call to be made by MIBI and related payments in the following twelve months. The Directors have reviewed the assumptions used in arriving at the provision and are satisfied that the assumptions used were appropriate.

2. BASIS OF PREPARATION (CONTINUED)

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

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. 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 16 to the Financial Statements.

Valuation of financial instruments

As described in note 19, 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 19 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 24 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 17, 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.

3. SEGMENTAL INFORMATION

	2017			2016		
	Gross €000s	Ceded €000s	Net €000s	Gross €000s	Ceded €000s	Net €000s
(a) Written premiums						
Motor	**181,141**	**(14,734)**	**166,407**	171,857	(11,195)	160,662
Liability	**72,239**	**(5,532)**	**66,707**	68,487	(4,223)	64,264
Fire and other damage to property	**113,333**	**(6,160)**	**107,173**	115,637	(34,241)	81,396
Miscellaneous	**5,746**	**(841)**	**4,905**	5,818	(427)	5,391
	372,459	**(27,267)**	**345,192**	361,799	(50,086)	311,713

All gross premiums are written in the Republic of Ireland.

	2017			2016		
	Gross €000s	Ceded €000s	Net €000s	Gross €000s	Ceded €000s	Net €000s
(b) Earned premiums						
Motor	**177,081**	**(14,734)**	**162,347**	167,403	(11,195)	156,208
Liability	**70,653**	**(5,532)**	**65,121**	68,834	(4,223)	64,611
Fire and other damage to property	**113,622**	**(20,102)**	**93,520**	117,611	(35,591)	82,020
Miscellaneous	**5,792**	**(848)**	**4,944**	5,842	(455)	5,387
	367,148	**(41,216)**	**325,932**	359,690	(51,464)	308,226

(c) Allocated 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 0.91% (2016: 0.84%) of average technical reserves. This amounted to €7,751,000 in 2017 and €7,107,000 in 2016.

	2017 Net Inv. Income €000s	2016 Net Inv. Income €000s
Motor	**3,880**	3,629
Liability	**3,073**	2,777
Fire and other damage to property	**731**	633
Miscellaneous	**67**	68
	7,751	7,107

3. SEGMENTAL INFORMATION (CONTINUED)

	2017			Restated 2016		
	Gross €000s	Ceded €000s	Net €000s	Gross €000s	Ceded €000s	Net €000s
(d) Incurred claims including Claims Handling Expenses						
Motor	**125,717**	**(28,558)**	**97,159**	119,354	(6,439)	112,915
Liability	**60,338**	**(3,826)**	**56,512**	81,865	695	82,559
Fire and other damage to property	**57,331**	**(10,701)**	**46,630**	43,288	(14,817)	28,471
Miscellaneous	**2,869**	**(26)**	**2,843**	3,817	90	3,908
	246,255	**(43,111)**	**203,144**	248,324	(20,471)	227,853

	2017			Restated 2016		
	Gross €000s	Ceded €000s	Net €000s	Gross €000s	Ceded €000s	Net €000s
(e) Operating expenses						
Motor	**38,150**	**(1,353)**	**36,797**	38,739	(991)	37,748
Liability	**15,214**	**(591)**	**14,623**	15,438	(412)	15,026
Fire and other damage to property	**23,869**	**(545)**	**23,324**	26,066	(10,215)	15,851
Miscellaneous	**1,210**	**(46)**	**1,164**	1,312	(42)	1,270
	78,443	**(2,535)**	**75,908**	81,555	(11,660)	69,895

Net operating expenses are comprised as follows:

	2017 Net €000s	Restated 2016 Net €000s
Administration costs	**28,470**	27,138
Acquisition costs	**60,350**	47,432
Commission	**3,048**	3,126
Change in deferred acquisition costs	**(6,363)**	2,542
Claims handling expenses	**(9,597)**	(10,343)
	75,908	69,895

3. SEGMENTAL INFORMATION (CONTINUED)

(f) Technical result	2017 €000s	2016 €000s
Motor	**30,326**	1,427
Liability	**(2,941)**	(30,198)
Fire and other damage to property	**24,297**	38,331
Miscellaneous	**1,004**	278
	52,686	9,838

4. INVESTMENT INCOME

(a) 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
2017					
Equities – Held for trading	566	(17)	672	1,017	2,238
Gilts – Held for trading	255	(91)	459	(799)	(176)
Gilts – Available for sale	5,339	(384)	(11)	(3,800)	1,144
Listed Corporate Bonds – Available for sale	7,168	(1,093)	130	(2,303)	3,902
UCITs – Held for trading	-	(19)	-	252	233
Cash	(110)	-	(9)	(8)	(127)
Investment Property	547	-	-	1,600	2,147
Total	**13,765**	**(1,604)**	**1,241**	**(4,041)**	**9,361**

	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
Total	**15,002**	**(1,450)**	**(296)**	**(4,918)**	**8,338**

4. INVESTMENT INCOME (CONTINUED)

(b) By classification of investment

	2017 €000s	2016 €000s
Investment Income:		
Deposits with banks	**(129)**	121
Investments held for trading	**2,296**	104
Investment properties	**2,147**	2,435
Available for sale investments	**5,047**	5,678
Total	**9,361**	**8,338**

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

Profit on ordinary activities before tax	2017 €000s	2016 €000s
has been stated after charging:		
Directors' remuneration:		
For services as Directors	**245**	298
Other Emoluments	**1,058**	993
	1,303	1,291
Pensions (Defined Contribution only) For services as Director		
Other Emoluments	**72**	72
Number of directors	**1**	1
Auditors' Remuneration:		
Audit of statutory financial statements	**185**	226
Other assurance services	**176**	100
	361	326
Depreciation	**11,420**	10,769

Other assurance services relate to Solvency II audit and CBI cyber security review, both of which are prescribed under legislation or regulation.

6. STAFF COSTS AND NUMBERS

The average number of persons employed in the Company in the financial year was as set out below:

	2017 €000s	2016 €000s
Underwriting and Claims	**200**	195
Sales	**416**	392
Support Staff	**230**	272
	846	859

	2017 €000s	2016 €000s
The aggregate payroll of these persons was as follows:		
Wages and salaries	**42,102**	40,106
Social welfare costs	**4,607**	4,487
Pension costs	**4,018**	4,089
Share based payments	**685**	488
	51,412	49,170

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2017 €000s	2016 €000s
Irish corporation tax charge	**(6,679)**	(1,106)
Current tax charge	**(6,679)**	(1,106)
Deferred tax charge	**(758)**	(1,069)
	(7,437)	(2,175)
The tax assessed for the year is different from the standard rate of corporation tax in Ireland.		
The differences are explained below:		
Profit on ordinary activities before tax	**50,584**	13,830
Corporation tax at standard rate of 12.5% (2016: 12.5%)	**(6,323)**	(1,729)
Adjustment in respect of prior years	**(254)**	-
Depreciation for year in excess of capital allowances	**90**	241
Non-taxable income/unrealised gains or expenses not deductible for tax purposes	**(314)**	9
Pension paid	**374**	617
Income taxable at a higher rate	**(15)**	(9)
Deferrals arising from transition to new accounting standards	**(237)**	(235)
Tax charge for current year	**(6,679)**	(1,106)
Deferred tax charge	**(758)**	(1,069)
	(7,437)	(2,175)
Tax charge recognised in the Profit and loss account	**(7,051)**	(1,747)
Tax charge recognised within Statement of Comprehensive Income	**(386)**	(428)
Tax charge for current year	**(7,437)**	(2,175)

8. DIVIDENDS

Proposed:	2017 €000s	2016 €000s
Dividend of 17.8 cent (2016: nil cent) per share on 14% non-cumulative preference shares of €1.27 each	89	-
Final dividend of 17.1 cent (2016: nil cent) per share on ordinary shares of €1.27 each	10,000	-
Total dividends proposed	**10,089**	-

The proposed dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in the Balance Sheet.

9. INVESTMENTS

(a) Land and buildings

	Inv. Properties held for rental €000s	Land & buildings held for own use €000s	Total €000s
Balance at 1 January 2016	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
Revaluation	1,600	(1,080)	520
Disposal	-	(220)	(220)
Gain on Disposal	-	20	20
Balance at 31 December 2017	**18,000**	**14,660**	**32,660**

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 2017 by CB Richard Ellis, Valuation Surveyors.

The historical cost of land and buildings is as follows:

	Inv. Properties held for rental €000s	Land & buildings held for own use €000s	Total €000s
Historical cost at 1 January 2016	20,080	14,983	35,063
Disposals	-	(75)	(75)
Historical cost at 31 December 2016	20,080	14,908	34,988
Disposals	-	(200)	(200)
Historical cost at 31 December 2017	20,080	14,708	34,788

9. INVESTMENTS (CONTINUED)

(b) Other Financial Investments

	2017 €000s	2016 €000s
(i) At fair value		
Available for sale investments – unquoted investments	**843**	843
Available for sale investments – quoted debt securities	**757,844**	628,654
Available for sale investments	**758,687**	629,497
Investments held for trading – quoted shares	**20,934**	22,690
Investments held for trading – UCITS	**24,411**	24,158
Investments held for trading – quoted debt securities	**-**	41,956
Investments held for trading	**45,345**	88,804
(ii) At cost		
Cash and cash equivalents	230,778	270,276
Total	**1,034,810**	**988,577**

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

10. DEBTORS

(a) Debtors arising out of direct insurance operations

	2017 €000s	2016 €000s
Policyholders	**42,828**	42,020
Intermediaries	**2,089**	2,296
Amounts due from parent undertaking	**-**	185
Amounts due from other group undertakings	**-**	78
	44,917	44,579

(b) Debtors arising out of Reinsurance operations

	2017 €000s	2016 €000s
Due from reinsurers	**4,724**	1,797
	4,724	1,797

(c) Other debtors

	2017 €000s	2016 €000s
Other debtors	**6,784**	7,871
	6,784	7,871

11. TANGIBLE ASSETS

	Computer Equipment €000s	Fixtures & Fittings €000s	Other €000s	Total €000s
Cost:				
Cost as at 01 Jan 2016	**123,706**	**19,709**	**179**	**143,594**
Additions	11,794	310	-	12,104
Disposals	(1,864)	-	-	(1,864)
Cost as at 31 Dec 2016	**133,636**	**20,019**	**179**	**153,834**
Additions	6,850	1,016	-	7,866
Disposals	-	(23)	(39)	(62)
Cost as at 31 Dec 2017	**140,486**	**21,012**	**140**	**161,638**

	Computer Equipment €000s	Fixtures & Fittings €000s	Other €000s	Total €000s
Depreciation:				
Depreciation as at 1 Jan 2016	**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 Dec 2016	**78,679**	**17,934**	**179**	**96,792**
Charge for year	10,916	504	-	11,420
Disposals	-	(23)	(39)	(62)
Depreciation as at 31 Dec 2017	**89,595**	**18,415**	**140**	**108,150**
Net book value at beginning of year	**54,957**	**2,085**	**-**	**57,042**
Net book value at end of year	**50,891**	**2,597**	**-**	**53,488**

12. ACCRUED INTEREST AND RENT

	2017 €000s	2016 €000s
Deposit interest due	**183**	379
	183	379

13. CALLED UP SHARE CAPITAL PRESENTED AS EQUITY

	2017 Number	2016 Number	2017 €000s	2016 €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

The "A" ordinary shares of €1.27 each and "B" ordinary shares of €1.27 each are non-voting. They are non-transferrable except only to the Company. Other than a right to a return of paid up Capital of €1.27 per "A" ordinary and "B" ordinary share in the event of a winding up, the "A" ordinary and "B" ordinary shares have no right to participate in the capital or the profits of the Company.

The holders of the two classes of non-cumulative preference shares rank ahead of the ordinary shares in the event of a winding up (see note 18). Before any dividend can be declared on the ordinary shares of €1.27 each, the dividend on the non-cumulative shares must firstly be declared or paid.

There were no ordinary shares of €1.27 each purchased by the Company during the year.

All issued shares have been fully paid.

14. PREFERENCE SHARE CAPITAL

	Number	2017 €000s	2016 €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

The rights attaching to each class of share capital are set out in the Company's Articles of Association. In the event of the Company being wound up, the holders of the 14% non-cumulative preference shares rank ahead of the holders of the 10% non-cumulative preference shares, who in turn, rank ahead of the holders of the ordinary shares.

15. RESERVES

	Other reserves €000s	Profit and loss account €000s	Total €000s
Balance at 1 January 2016	18,232	117,895	136,127
Profit for the year	-	12,083	12,083
Share based payments	-	488	488
Other Comprehensive income		2,999	2,999
Balance at 31 December 2016	18,232	133,465	151,697
Profit for the year	-	43,533	43,533
Other Comprehensive income	-	2,704	2,704
Balance at 31 December 2017	**18,232**	**179,702**	**197,934**

The equity component of the convertible bond has been included in Other Reserves within Retained Earnings. Further detail on the convertible bond can be found in note 24.

16. TECHNICAL PROVISIONS

(a) Gross Claims outstanding

	Prior years €000s	2008 €000s	2009 €000s	2010 €000s	2011 €000s	2012 €000s	2013 €000s	2014 €000s	2015 €000s	2016 €000s	2017 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year		359,974	356,355	331,405	243,159	232,311	245,007	307,517	302,581	253,962	247,145	
One year later		353,590	324,700	316,045	216,309	215,445	236,839	342,422	304,108	235,972	-	
Two years later		356,308	323,943	314,526	225,301	224,720	266,183	344,123	326,052	-	-	
Three years later		356,467	326,530	310,583	230,002	235,965	260,580	333,544	-	-	-	
Four years later		354,876	318,013	308,360	234,204	233,434	257,859	-	-	-	-	
Five years later		348,560	317,471	306,442	227,755	231,159	-	-	-	-	-	
Six Years Later		346,620	318,133	305,963	226,348	-	-	-	-	-	-	
Seven Years Later		346,165	316,528	305,581	-	-	-	-	-	-	-	
Eight Years Later		344,519	314,936	-	-	-	-	-	-	-	-	
Nine Years Later		344,829	-	-	-	-	-	-	-	-	-	
Ten Years Later		-	-	-	-	-	-	-	-	-	-	
Estimate of cumulative claims		344,829	314,936	305,581	226,348	231,159	257,859	333,544	326,052	235,972	247,145	
Cumulative payments		(338,123)	(309,289)	(289,941)	(208,505)	(196,555)	(186,896)	(231,577)	(150,814)	(99,489)	(60,350)	
Claims outstanding	13,125	6,706	5,647	15,640	17,843	34,605	70,963	101,967	175,238	136,483	186,795	**765,012**
2016	16,375	7,563	10,772	21,814	24,268	53,229	94,212	147,723	180,395	189,139	-	**745,490**
Movement during year	(3,250)	(857)	(5,125)	(6,174)	(6,425)	(18,624)	(23,249)	(45,756)	(5,157)	(52,656)	186,795	**19,522**

16. TECHNICAL PROVISIONS (CONTINUED)

(b) Net Claims outstanding

	Prior years €000s	2008 €000s	2009 €000s	2010 €000s	2011 €000s	2012 €000s	2013 €000s	2014 €000s	2015 €000s	2016 €000s	2017 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year		312,279	281,215	254,576	214,924	214,793	228,933	256,663	270,279	228,107	212,750	
One year later		295,804	259,073	242,120	192,904	201,171	217,214	292,223	274,000	219,905	-	
Two years later		296,943	262,155	243,398	201,181	210,421	243,488	295,223	284,636	-	-	
Three years later		298,145	262,588	240,083	205,434	221,438	237,847	290,243	-	-	-	
Four years later		296,091	255,818	238,135	209,533	218,978	233,865	-	-	-	-	
Five years later		290,123	254,918	235,601	205,131	217,104	-	-	-	-	-	
Six Years Later		288,231	254,252	233,552	204,140	-	-	-	-	-	-	
Seven Years Later		286,588	253,113	233,134	-	-	-	-	-	-	-	
Eight Years Later		285,814	253,012	-	-	-	-	-	-	-	-	
Nine Years Later		286,603	-	-	-	-	-	-	-	-	-	
Estimate of cumulative claims		286,603	253,012	233,134	204,140	217,104	233,865	290,243	284,636	219,905	212,750	
Cumulative payments		(280,081)	(247,636)	(220,414)	(186,188)	(182,375)	(176,481)	(190,080)	(137,775)	(91,921)	(58,804)	
Claims outstanding at 31 December 2017	10,816	6,522	5,376	12,720	17,951	34,728	57,383	100,163	146,861	127,984	153,946	**674,451**
Claims outstanding at 31 December 2016	13,376	6,900	8,950	18,928	23,941	52,952	81,900	136,281	162,226	170,777	-	**676,230**
Movement for year	(2,560)	(379)	(3,574)	(6,208)	(5,989)	(18,223)	(24,516)	(36,118)	(15,366)	(42,793)	153,946	**(1,779)**

[1] *The change in the net provision for claims in the Profit and Loss Account does not agree to the movement during the year noted above owing to the closure of the Property Surplus Treaty that happened on 1 January 2017*

16. 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 and Loss Account.

(c) Reconciliation of claims outstanding

	Gross €000s	Net €000s
Balance at 1 January 2016	748,144	683,393
Change in provision for claims	(2,654)	(7,163)
Balance at 31 December 2016	745,490	676,230
Change in provision for claims	19,522	(1,779)
Balance at 31 December 2017	**765,012**	**674,451**

(d) Reconciliation of provision for unearned premium

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

	2017 €000s	2016 €000s
Balance at 1 January	**180,693**	178,584
Net premium written	**345,192**	311,713
Less: net premium earned	**(325,932)**	(308,226)
Changes in provision for unearned premium – reinsurers share	**(13,949)**	(1,378)
Provision for unearned premium at 31 December	**186,004**	180,693

(e) Reconciliation of reinsurers' share of technical provisions

	Claims Outstanding €000s	UPR €000s
Balance at 1 January 2016	64,751	15,332
Change	4,509	(1,378)
Balance at 31 December 2016	69,260	13,954
Change	**21,301**[1]	**(13,949)**
Balance at 31 December 2017	**90,561**	**5**

[1] *The change in the net provision for claims in the Profit and Loss Account does not agree to the movement during the year noted above owing to the closure of the Property Surplus Treaty that happened on 1 January 2017.*

17. RISK MANAGEMENT

Risk taking is inherent in the provision of financial services and FBD assumes a variety of risks in undertaking its business activities. FBD defines risk as any event that could impact the core earnings capacity of the Company; increase earnings or cash-flow volatility; reduce capital; threaten business reputation or viability; and/or breach regulatory or legal obligations.

The Company has adopted an Enterprise Risk Management approach to identifying, assessing and managing risks. This approach is incorporated in the Risk Management Framework which is approved by the Board and subject to annual update and review. The key components of the Risk Management Framework include Risk Appetite; Risk Governance; Risk Process and 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

The Board has ultimate responsibility for the governance of all risk taking activity in FBD, in line with the Central Bank of Ireland's Corporate Governance Code for Credit Institutions and Insurance Undertakings (the "Code"). Risk is governed through business standards, risk policies and Oversight Committees with clear roles, responsibilities and delegated authorities.

The Company uses a 'three lines of defence' framework in the delineation of accountabilities for risk governance:

- 1st Line – Primary responsibility for risk management lies with line management.
- 2nd Line – Line management is supported by the Risk Function, Actuarial Function and Compliance Function.
- 3rd Line – The third and final line of defence is the Internal Audit function, which provides independent assurance to the Audit Committee and 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. FBD measures risk on the basis of economic capital and other bases (where appropriate) to determine materiality, potential impact and appropriate management. Risks are recorded on the Company Risk Register.

Monitor and Report

We regularly monitor our risk exposures against risk appetite, risk tolerances and limits and monitor the effectiveness of controls in place to manage risk. Reporting to the Risk Committees is dynamic and includes material risks, risk appetite monitoring, changes in risk profile, risk mitigation programmes, reportable errors, breaches of risk policies (if any), results of independent assessments performed by the Risk Function and emerging risks.

People

Risk Management is embedded in the Company through leadership, governance and transparency. The Risk Management Framework establishes the roles and responsibilities of risk resources. A risk training programme is in place to ensure all risk resources have the knowledge and competency to perform their roles effectively.

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 the Risk Committees of all major risks to ensure all risks are identified and evaluated. Each risk is assessed by considering the potential impact and the probability of the event occurring. Impact assessments are made against financial, operational, regulatory, reputational and customer impact criteria.

17. 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 16, Technical Provisions.

Underwriting

The Company has developed its insurance underwriting 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 includes 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 plc's reinsurance treaties.

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.

17. 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. Business Unit Management has primary responsibility for the effective identification, management, monitoring and reporting of operational risks which are overseen by the second and third line functions.

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

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

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.

(d) Capital Management Risk

The Company is committed to managing its capital to ensure it is adequately capitalised at all times and 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 2016.

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 appropriate 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 or above its target range of 110-130% of SCR.

The Solvency II directive introduced a requirement for undertakings to conduct an Own Risk and Solvency Assessment 'ORSA' on an annual basis. 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.

The Company has an Investment Committee, a Pricing & Underwriting Committee, a Capital Management Forum, an Audit Committee, a Reserving Committee and Board and Executive Risk Committees, all of which assist the Board in the identification and management of exposures and capital.

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

(e) 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.

17. RISK MANAGEMENT (CONTINUED)

(e) Liquidity Risk (continued)

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 – 2017	Carrying value total €000s	Contracted Value €000s	Cash flow within 1 year €000s	Cash flow 1-5 years €000s	Cash flow after 5 years €000s
Financial assets	987,980	1,035,875	254,780	631,242	149,853
Reinsurance assets	90,566	90,566	25,331	45,856	19,379
Current tax asset	3,949	3,949	3,949	-	-
Loans and debtors	58,038	58,038	58,038	-	-
Total	**1,140,533**	**1,188,428**	**342,098**	**677,098**	**169,232**

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

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 – 2017	Carrying value total €000s	Contracted Value €000s	Cash flow within 1 year €000s	Cash flow 1-5 years €000s	Cash flow after 5 years €000s
Insurance contract liabilities	951,016	951,016	298,571	512,850	139,595
Other Provisions	6,851	6,851	6,851	-	-
Payables	37,563	37,563	37,563	-	-
Convertible debt	52,525	109,200	4,900	19,600	84,700
Total	**1,047,955**	**1,104,630**	**347,885**	**532,450**	**224,295**

Liabilities – 2016	Carrying value total €000s	Contracted Value €000s	Cash flow within 1 year €000s	Cash flow 1-5 years €000s	Cash flow after 5 years €000s
Insurance contract liabilities	926,183	926,183	286,362	518,396	121,425
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	-	-
Convertible debt	51,136	114,100	4,900	19,600	89,600
Total	**1,040,644**	**1,103,608**	**352,205**	**540,378**	**211,025**

17. RISK MANAGEMENT (CONTINUED)

(f) Investment and Market risk

The Company has invested in term deposits, listed 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 and external investment management specialists to manage the Company's investment portfolio. All unrealised movements in market value are as a result of market risk.

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

Interest rate & spread risk

Interest rate & spread risk arises primarily from the Company's investments in quoted debt securities and deposits. 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 2017, the Company held the following deposits, and listed debt securities:

	2017 Market Values €000s	2017 Weighted average interest rate %	2016 Market Values €000s	2016 Weighted average interest rate %
Time to maturity				
In one year or less	**236,125**	**0.37**	346,577	1.46
In more than one year, but not more than two years	**120,813**	**1.26**	81,995	1.18
In more than two years, but not more than three years	**190,386**	**2.09**	102,063	1.12
In more than three years, but not more than four years	**142,723**	**1.01**	150,728	2.51
In more than four years, but not more than five years	**164,798**	**1.19**	87,259	1.42
More than five years	**133,135**	**1.54**	171,539	1.38
Total	**987,980**		940,161	

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 Company is primarily exposed to Sterling and US Dollars. The impact of the exchange rate fluctuations is monitored regularly. Derivative instruments may be 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 2017. (2016: None)

The Company did not hold any derivative instruments at 31 December 2017 or 31 December 2016.

17. RISK MANAGEMENT (CONTINUED)

(f) Investment and 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	2017 €000s	2016 €000s
GBP	**3,980**	4,475
US$	**2,721**	3,005
Swiss Franc	**914**	998
Swedish Krona	**505**	532
Total assets	**8,120**	9,010
Liabilities	**-**	-

(g) 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 financial institutions which have a minimum A- rating.

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 2017, the maximum balance owed to the Company by an individual reinsurer, including reinsurers' share of insurance contract liabilities not yet called, was €21,313,000 (2016 €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.

17. RISK MANAGEMENT (CONTINUED)

(g) Credit risk (continued)

Given the ratings and durations of its listed 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 most significant exposure to credit risk. The Company's listed debt securities at market value have the following credit characteristics:

	2017		2016	
	Market Value €000s	Weighted Average Duration	Market Value €000s	Weighted Average Duration
Government bonds				
AAA	**55,217**	**2.9**	10,132	1.7
AA	**14,634**	**1.3**	10,236	1.4
A+	**44,098**	**4.1**	-	-
A	**-**	**-**	101,133	1.5
BB+	**69,347**	**3.5**	55,791	3.5
BBB+	**29,532**	**7.6**	-	-
BBB	**45,978**	**6.1**	-	-
Total	**258,806**	**4.1**	177,292	2.1
Corporate Bonds				
AAA	**2,331**	**2.7**	2,414	3.4
AA	**9,574**	**3.0**	7,895	3.8
AA-	**35,667**	**2.7**	55,648	2.6
A+	**71,267**	**2.6**	55,927	3.2
A	**77,041**	**3.1**	83,500	2.9
A-	**93,902**	**2.9**	96,051	3.6
BBB+	**119,250**	**3.2**	116,511	3.6
BBB	**73,888**	**3.1**	58,545	3.4
BBB-	**16,118**	**4.2**	16,827	3.9
Total	**499,038**	**3.0**	493,318	3.3

(h) Concentration risk

Concentration risk is the risk of loss due to overdependence on a singular investment or category of business. The main 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 portfolio is 3.0 years. The sovereign bond portfolio carries an average credit rating of A and the average duration of the portfolio is 4.1 years. Given the ratings, spread of investments and duration of the listed corporate bonds and the sovereign 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.
- While all of the Group's underwriting business is conducted in Ireland, with a significant focus on the agri sector, it is spread over a wide geographical area with no concentration in any one county or region. The resultant concentration risk from adverse weather events, i.e. floods, storms or freezes in Ireland, are mitigated by a flood mapping solution and an appropriate reinsurance strategy.

Receivables arising out of direct insurance operations and other receivables have no significant concentration of risk. As such, the Company has not made provision for bad or doubtful debts.

17. RISK MANAGEMENT (CONTINUED)

(i) 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 Company'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 Company believes 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%.

17. RISK MANAGEMENT (CONTINUED)

(i) Macro-economic risk (continued)

Sensitivity Analysis (continued)

The pre-taxation impacts on profit and shareholders' equity at 31 December 2017 and at 31 December 2016 of each of the sensitivity factors outlined above are as follows:

		2017 €000s	**2016 €000s**
Interest rates	1.0%	**(15,944)**	(10,159)
Interest rates	(0.25%)	**3,986**	2,539
FX rates	10%	**812**	901
FX rates	(10%)	**(812)**	(901)
Equity	10%	**2,177**	2,353
Equity	(10%)	**(2,177)**	(2,353)
Available for sale investments	5%	**37,934**	31,475
Available for sale investments	(5%)	**(37,934)**	(31,475)
Investment property	10%	**1,800**	1,640
Investment property	(10%)	**(1,800)**	(1,640)
Net loss ratio	5%	**16,297**	15,411

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

31 December 2017	**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 and IBNER	**+10%**	**7,230**	**5,166**	**(5,166)**	**4,520**
Other claims IBNR and IBNER	**+10%**	**317**	**352**	**(352)**	**308**
Legal fees revert to pre PIAB levels		**6,599**	**5,939**	**(5,939)**	**5,197**
31 December 2016					
Injury claims IBNR and IBNER	+10%	6,111	5,293	(5,293)	4,631
Other claims IBNR and IBNER	+10%	(173)	(65)	65	(57)
Legal fees revert to pre PIAB levels		8,811	7,930	(7,930)	6,939

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.

18. DEFERRED TAX ASSET

	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 1 January 2017	2,260	2,745	(223)	(1,240)	(12,117)	(8,575)
Charged to the profit & loss account in 2017	13	(915)	729	544	6,535	6,906
Charged to equity in 2017	351	-	35	-	-	386
Balance as at 31 Dec 2017	**2,624**	**1,830**	**541**	**(696)**	**(5,582)**	**(1,283)**

19. 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	**2017 Fair Value €000s**	**2017 Carrying Value €000s**
Loans	**770**	**642**
Financial Instruments	**1,034,168**	**1,034,168**
Other Receivables	**64,134**	**64,134**
Financial Liabilities		
Payables	**24,157**	**24,157**
Other Provisions	**6,851**	**6,851**
Creditors arising out of reinsurance operations	**3,296**	**3,296**
Financial liabilities at amortised cost	**66,406**	**52,525**
Bank overdraft	**8,492**	**8,492**

Financial Assets	**2016 Fair Value €000s**	**2016 Carrying Value €000s**
Loans	870	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

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

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

19. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

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

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

2017	Level 1 €000s	Level 2 €000s	Level 3 €000s	Total €000s
Assets				
Loans	-	642	-	**642**
Other receivables	-	64,134	-	**64,134**
Financial assets				
Investments held for trading – quoted shares	20,935	-	-	**20,935**
Investments held for trading – UCITs	24,412	-	-	**24,412**
AFS investments – quoted debt securities	757,843	-	-	**757,843**
AFS investments – unquoted investments	-	-	843	**843**
Deposits with banks	230,135	-	-	**230,135**
Total assets	**1,033,325**	**64,776**	**843**	**1,098,944**

2017	Level 1 €000s	Level 2 €000s	Level 3 €000s	Total €000s
Liabilities				
Payables	-	24,157	-	**24,157**
Other Provisions	-	6,851	-	**6,851**
Deposits received from reinsurers	-	-	-	**-**
Creditors arising out of reinsurance operations	-	3,296	-	**3,296**
Bank Overdraft	8,492	-	-	**8,492**
Financial liabilities at amortised cost	-	66,406	-	**66,406**
Total liabilities	**8,492**	**100,710**	**-**	**109,202**

2016	Level 1 €000s	Level 2 €000s	Level 3 €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**
Investments held for trading – quoted debt securities	41,956	-	-	**41,956**
Investments held for trading – UCITs	24,158	-	-	**24,158**
AFS investments – quoted debt securities	628,654	-	-	**628,658**
AFS investments – unquoted investments	-	-	843	**843**
Deposits with banks	269,551	-	-	**269,551**
Total assets	**987,009**	**61,572**	**843**	**1,049,424**

19. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

2016	Level 1 €000s	Level 2 €000s	Level 3 €000s	Total €000s
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**
Financial liabilities at amortised cost	-	54,880	-	**54,880**
Total liabilities	**10,061**	**112,791**	**-**	**122,852**

20. OTHER PROVISIONS

	Restructuring €000s	MIBI Levy and related payments €000s	Total €000
Balance as at 1 Jan 2017	1,011	11,248	12,259
MIB levy reserve release	-	(5,624)	(5,624)
Provided for during the year	1,715	7,569	9,284
Utilised during the year	(2,522)	(6,546)	(9,068)
Balance as at 31 Dec 2017			
Analysed As:	204	6,647	6,851
Non-current liabilities	-	-	-
Current liabilities	204	6,647	6,851
Balance as at 31 Dec 2017	**204**	**6,647**	**6,851**

Restructuring

This provision primarily relates to a voluntary redundancy programme undertaken by the Company during 2015 and on-going restructuring into 2016 and 2017.

MIBI Levy

The share of the Company's Motor Insurers' Bureau of Ireland "MIBI" levy for 2018 is based on its estimated market share in the current year at the Balance Sheet date.

21. CREDITORS

(a) Creditors arising out of reinsurance operations

	2017 €000s	2016 €000s
Due to reinsurers	**3,296**	4,478
	3,296	4,478

(b) Other creditors including tax and social security

Amounts falling due within one year	2017 €000s	2016 €000s
Creditors and accruals	**22,139**	24,621
Amounts due to parent undertaking	**759**	-
Amounts due to other group undertaking	**8**	-
Deferred income	**-**	4,648
PAYE/PRSI	**1,251**	1,383
	24,157	30,652

22. RETIREMENT BENEFIT OBLIGATIONS

The Company's parent FBD Holdings plc operates a legacy funded defined benefit retirement 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 scheme.

During 2015 the Group completed a review of the defined benefit pension scheme with the primary goal to reduce the IAS19 deficit and the inherent volatility of the scheme. The outcome of the review was as follows:

- The defined benefit pension scheme ceased for future accrual of benefits.
- The link to future salary increases was replaced with deferred pension increases.
- FBD will no longer fund for future discretionary pension increases.
- Current employees within the Scheme were offered membership in a new defined contribution arrangement for future service.
- Current Employees within the Scheme were provided with the option to take an enhanced transfer value ("ETV") of their past benefits into the new defined contribution scheme. A significant majority took up this option.
- The investments in the scheme were significantly de-risked to reduce the volatility of the scheme and the IAS19 balance sheet position in the future.

During 2016, the Group made an enhanced transfer value offer to deferred members of the scheme.

Under the defined benefit pension scheme, qualifying members 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 pension scheme was carried out on 1 July 2016, using the projected unit credit method, and the minimum funding standard was updated to 31 December 2017 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 2020 with a valuation date of 1 July 2019.

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.

22. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(a) Assumptions used to calculate scheme liabilities	2017 %	2016 %
Inflation rate increase	**1.75**	1.70
Salary rate increase	**N/A***	N/A*
Pension payment increase	**0.00**	0.00
Discount rate	**1.75**	1.70

** No longer applicable as the scheme closed to future accrual with removal of salary link at 30 September 2015.*

(b) Mortality Assumptions	2017 Years	2016 Years
The average life expectancy of current and future retirees used in the scheme at age 65 is as follows:		
Male	**21.4**	21.2
Female	**23.8**	23.7

The weighted average duration of the expected benefit payments from the scheme is circa 16 years.

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

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 €1,375,000 (2016: €5,156,000).

(c) Consolidated Income Statement	2017 €000s	2016 €000s
Charged/(credited) to Consolidated Income Statement:		
Service cost: employer's part of current service cost	**353**	493
Gain on curtailments and settlement	**-**	(7,571)
Net interest credit	**(160)**	(173)
Costs associated with curtailment	**-**	357
Charged/(credited) to Consolidated Income Statement	**193**	(6,894)

Charges to the Consolidated Income Statement have been included in other underwriting and financial services expenses while the credit of €nil (2016: €7,214,000) for the curtailment has been reflected separately.

(d) Analysis of amount recognised in Group Statement of Comprehensive Income	2017 €000s	2016 €000s
Net actuarial (gains)/losses in the year due to:		
Changes in financial and demographic assumptions	**(444)**	14,394
Experience adjustments on benefit obligations	**(150)**	266
Actual return less interest on scheme assets	**319**	(2,427)
Actuarial (gain)/loss	**(275)**	12,233
Deferred taxation debit/(credit)	**34**	(1,529)
Actuarial (gain)/loss net of deferred taxation	**(241)**	10,704

22. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(e) History of experience gains and losses	2017 €000s	2016 €000s	2015 €000s	2014 €000s	2013 €000s
Present value of defined benefit obligations	**88,103**	90,887	106,490	195,669	158,769
Fair value of plan assets	**97,877**	99,602	115,600	141,415	130,231
Net pension (asset)/liability	**(9,774)**	(8,715)	(9,110)	54,254	28,538
Experience gains and losses on scheme liabilities	**150**	(266)	(401)	1,786	3,406
Actuarial (loss)/gain	**275**	(12,233)	15,914	(25,058)	2,851

The cumulative charge to the Consolidated Statement of Comprehensive Income is €77,807,000 (2016: €77,614,000).

(f) Assets in scheme at market value	2017 €000s	2016 €000s
Bonds	**79,189**	71,508
Property	**8,773**	8,334
Managed funds	**7,865**	19,139
Cash deposits and other	**2,050**	621
Scheme assets	**97,877**	99,602
Actuarial value of liabilities	**(88,103)**	(90,887)
Net pension asset	**9,774**	8,715

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 during the year	2017 €000s	2016 €000s
Net surplus in scheme at 1 January	**8,715**	9,110
Current service cost	**(353)**	(493)
Employer contributions	**977**	4,577
Interest on scheme liabilities	**(1,516)**	(2,546)
Interest on scheme assets	**1,676**	2,729
Gains on curtailments and settlement	**-**	7,571
Actuarial gain/(loss)	**275**	(12,233)
Net surplus at 31 December	**9,774**	8,715

22. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(h) Movement on assets and liabilities	2017 €000s	2016 €000s
Assets		
Assets in scheme at 1 January	**99,602**	115,600
Actual return less interest on scheme assets	**(319)**	2,427
Employer contributions	**977**	4,577
Employee contributions	**-**	-
Interest on scheme assets	**1,676**	2,729
Assets paid as part of ETV exercise	**-**	(20,807)
Benefits paid	**(4,059)**	(4,924)
Assets in scheme at 31 December	**97,877**	99,602
Liabilities		
Liabilities in scheme at 1 January	**90,887**	106,490
Experience gains and losses on scheme liabilities	**(150)**	266
Changes in financial and demographic assumptions	**(444)**	14,394
Current service cost	**353**	493
Interest on scheme liabilities	**1,516**	2,546
Liabilities extinguished as part of ETV exercise	**-**	(27,847)
Gain on curtailments	**-**	(531)
Benefits paid	**(4,059)**	(4,924)
Liabilities in scheme at 31 December	**88,103**	90,887

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 €12.3 million. A 1% reduction in the discount rate would increase the value of the scheme liabilities by €15.9 million.
- A 1% increase in inflation would increase the value of the scheme liabilities by €4.4 million. A 1% reduction in inflation would reduce the value of the scheme liabilities by €3.7 million.
- The effect of assuming all members of the scheme will live one year longer would increase the scheme's liabilities by €3.2 million.
- The current best estimate of 2017 contributions to be made by the Group to the pension fund is €nil (2016: €nil).

23. 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), in May 2007. Conditional awards of ordinary shares under the LTIP are dependent on the Group meeting onerous performance targets in terms of, total shareholder returns, stretching combined operating ratio targets and other stretching business scorecard metrics. 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.

Fair value calculations

Conditional awards were made in March 2013 over 140,940 shares, in April 2014 over 108,631 shares, in March 2015 over 167,706 shares, in October 2015 over 54,545 shares, in March 2016 over 296,669 shares and in March 2017 over 238,293 shares.

23. SHARE BASED PAYMENTS (CONTINUED)

The fair values of these conditional share awards have been calculated as follows using the assumptions noted in a Monte Carlo simulation model for all conditional awards except the March 2017 awards. The March 2017 awards are based on Group performance targets. There are no market based conditions attaching to these awards.

	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 2017	% of options expected to vest %	Share price at grant date €	Fair value of option at grant date €	2017 €000s	2016 €000s
04.03.2013 LTIP	3.00	140,940	-	-	n/a	12.70	11.54	**-**	(80)
14.04.2014 LTIP	3.00	108,631	-	-	0%	17.00	14.25	**4**	18
02.03.2015 LTIP	3.00	167,706	-	63,922	0%	10.80	8.49	**9**	66
09.10.2015 LTIP	3.00	54,545	-	54,545	100%	6.65	5.39	**76**	92
23.03.2016 LTIP	3.00	296,669	-	200,019	100%	6.55	5.25	**225**	392
28.03.2017 LTIP	3.00	238,293	-	192,857	100%	7.95	7.95	**371**	-
Total				511,343				**685**	488

Given the performance of the Group over the vesting period, the Directors estimate that 0% of the 2014 award will vest. For the March 2015 award, 0% of the award is expected to vest. Therefore only the charge relating to the market based conditions for the outstanding shares granted in these years have been charged to the consolidated income statement for the years ended 31 December 2017 and 31 December 2016.

24. FINANCIAL LIABILITIES CARRIED AT AMORTISED COST

Financial liabilities carried at amortised cost comprise convertible notes.

	2017 €000s	2016 €000s
Net Proceeds from issue of convertible notes	**51,136**	50,036
Amount classified as equity	**-**	-
Amortisation during the year	**1,389**	1,100
Carrying amount of liability at 31 December	**52,525**	51,136

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. They are convertible at any time between 23 September 2018 and 23 September 2025 at the option of the holder. A mandatory conversion of the notes occurs if the 30 day volume weighted average price of FBD Holdings plc exceeds €8.50 for 180 days after 23 September 2018. On conversion, 8,235,294 new shares will be issued to the holder.

Unconverted notes will become repayable on 23 September 2025. 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. Interest costs associated with the Convertible Bond totalling €6,298,000 (2016: €6,156,000) were incurred during the financial year. On initial recognition, €18,232,000 was recognised in equity and included in other reserves.

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.

25. OPERATING LEASE RENTALS

The total of future minimum lease payments under non-cancellable operating leases is set out in the following table:

	2017 €000s	2016 €000s
Not later than 1 year	**1,176**	1,153
Later than 1 year but not later than 5 years	**5,206**	5,392
Later than 5 years	**5,405**	6,541
	11,787	13,086

The Company holds a number of significant operating lease arrangements in respect of branches. The minimum lease terms remaining on the most significant leases vary from 1 year to 18 years.

There are no contingent rents payable and all lease payments are at market rates.

Operating lease payments recognised as an expense for the period were €1,472,000 (2016: €1,516,000).

26. SUBSEQUENT EVENTS

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

27. RELATED PARTIES

Parent and ultimate controlling party

At 31 December 2017 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 plc at 31 December 2017.

There were no transactions with Farmer Business Developments plc during the year.

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 Financial Statements of FBD Holdings plc.

28. 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 Cash Flows 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.

29. APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements were approved and authorised by the Board of Directors on 26 February 2018.

30. CHANGE IN ACCOUNTING POLICY – CLAIMS HANDLING EXPENSE

During the year, the Company changed its accounting policy with respect to the treatment of claims handling expenses. The Company now includes claims handling expenses within net claims and benefits. Prior to this change in policy, the Company included these expenses within other underwriting expenses.

The Company believes the new policy is preferable as it aligns the Company to industry standard by including claims handling expenses within net claim expenses.

The impact of this voluntary change in accounting policy is a reclassification of €9,597,000 (2016: €10,343,000) from other underwriting expenses to net claims and benefits. There is no change in the prior year profit of the Company, or on the opening shareholders' funds of the Company as a result of this change.

The accounting policy is in place for 2017. There is no impact on the Balance Sheet for these changes.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held in FBD House, Bluebell, Dublin 12, on 4 May 2018 at 10.00 a.m. for the following purposes:

(a) To receive and consider the Directors' Report and Financial Statements for the year ended 31 December 2017.

(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. Joe Healy
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: 26 February 2018

FBD House, Bluebell, Dublin 12