FBD Insurance plc
Annual Report 2012

Connecting
With Our Customers

Contents

Chairman's Statement

OVERVIEW

FBD delivered another excellent performance in 2012, generating a profit before tax of €60.2m, an increase of 27% from €47.4m in 2011. In a challenging economic climate and against keen competition, the Company again demonstrated its ability to deliver superior underwriting performance compared to its peers. The operating profit of €60.8m surpassed even the very strong 2011 performance.

Gross premium written reduced 2.0% to €344.3m (2011: €351.1m) in a market that declined by 5.5%. Market rates were uneconomic in some areas that FBD had targeted for growth in 2012, particularly home insurance and larger premium business insurance. By focusing on the development of opportunities within FBD's risk appetite and through disciplined underwriting, the Company outperformed its peers and increased market share to 12.5%, its highest ever share. FBD has grown market share in 11 of the last 12 years.

Net claims incurred improved by 5.1% to €191.9m, resulting in an excellent combined operating ratio of 89.6% (2011: 92.3%). Significant progress was made in reducing those elements of claims costs within FBD's control, including risk selection, rating and claims management initiatives. The Company also benefited from factors over which it has less influence, particularly the low level of weather related claims in 2012. Following the low incidence of large claims in 2011, experience in 2012 reverted to the norm, as anticipated.

FBD continued to make progress in advancing its strategic initiatives to protect and develop relationships with both farming and business customers, to increase penetration of urban markets and to enter into partnerships with insurance brokers to grow business insurance. In addition, the repositioning of the No Nonsense low-cost on-line offering to include 'ready-made' options and the introduction of a telematics product, SmartDriver, in late 2012, provide foundations for further sustainable growth in car insurance.

The Company further strengthened its capital base and balance sheet. The Company had a solvency level of 73.5% of net premium earned at 31 December 2012, up from 66% at 31 December 2011.

BUSINESS REVIEW

Premium Income

The Irish property and casualty insurance market contracted by 5.5% in 2012 as insurable risk and values continued to decline, in line with economic activity. FBD's gross premium written reduced by 2.0% to €344.3m (2011: €351.1m) thereby increasing FBD's market share from 12.2% to 12.5%.

FBD maintained its underwriting discipline, demonstrating its willingness to grow only where sustainable. FBD's ambition is to grow premium income but, in 2012, pricing in certain areas of the market was insufficient to generate an acceptable return and, as a result, FBD chose not to compete aggressively on price.

FBD continued to successfully develop its multi-channel distribution strategy in response to the needs of customers. It made further progress in protecting and developing relationships with farming and business customers, increasing penetration of urban markets and entering into partnerships with insurance brokers to increase business insurance premium.

A key strategic priority for FBD is to understand the insurance needs of farming customers and to provide the insurance products that matter to them. FBD had another strong year in 2012, increasing its farm related policies by 2,600. FBD now protects more farming customers than at any time in its history.

The initiative to enter into partnerships with insurance brokers to increase penetration of the business insurance market progressed positively and accounted for 46% of new business insurance premium income in 2012. The broker channel has met its initial target of 80 brokers with 146 outlets. The increase in broker business has offset declines in business insurance written directly as the economic challenges facing Ireland have had a significant impact on small and medium enterprises. Overall, FBD maintained the level of business insurance underwritten in 2012.

The Company's online offerings, FBD.ie and No Nonsense, made good progress, increasing share of urban personal lines in 2012 with premium income up 12.5% on 2011 levels. In late 2012, No Nonsense introduced SmartDriver, a telematics offering targeted at drivers under 30, which monitors driver performance so as to reward good driving behaviour with discounts from standard rates. In addition, No Nonsense was repositioned so as to add low-cost 'ready-made' motor insurance packages to the existing 'build-your-own' options.

FBD assessed customer satisfaction using "Net Promoter Score" for the first time in 2012. The resulting score of +38% is far higher than competitors and an endorsement of FBD's success in delivering products and services that matter to our customers.

Although gross premium written reduced by 2% in 2012, the Company maintained the level of net premium earned between 2011 and 2012 as FBD ceded less risk to reinsurers.

Claims

Net claims incurred reduced to €191.9m, an improvement of 5.1% on 2011, as the loss ratio improved from 67.2% to 63.8%. Further savings were made in reducing those elements of claims costs that are within the Company's control, including risk selection, rating and technology improvements together with increased fraud detection and early settlement of claims.

Other factors over which the company had less influence, particularly the weather and the reduction in economic activity, also contributed to the reduction in loss ratio. From a claims perspective, the weather in 2012 was even better than that of 2011. However, while FBD benefited from a low incidence of large claims in 2011, experience in 2012 reverted to the norm, as anticipated.

The continued improvement in claims performance is highlighted by the attritional loss ratio, which has improved each year since 2009. It is a measure of the day-to-day or routine loss ratio and is a very positive indicator of improvement in underwriting and claims performance. It improved to 50.7% in 2012 from 52.4% in 2011.

Expenses

Gross management expenses increased marginally to €86.2m compared to €86.1m in 2011. This arises primarily from the Company's increased investment in marketing, a key factor to enable the Company to maintain its share of voice as competitors increased their advertising presence. Reinsurance commissions receivable fell by 18.2% as reinsurance became more expensive and FBD ceded less risk to reinsurers. Reinsurance commissions receivable have reduced for four successive years reflecting the poor weather-related claims history in Ireland and internationally and higher retention. As a result, the net expense ratio increased from 25.0% to 25.8%.

The Company's combined operating ratio for 2012 was an excellent 89.6% (2011: 92.3%) resulting in an underwriting profit of €31.3m, an improvement on the €23.3m achieved in 2011.

Investment return

Actual investment income in 2012 benefited from higher equity returns and a profit on the disposal of secured loans offset by the reinvestment of funds previously held in German bonds which had higher returns than the prevailing market.

The longer-term investment return of €27.8m in 2012 was lower than the €30.3m in 2011 due to the Company's continuing prudent investment strategy in light of the on-going sovereign bond market dislocation and the maturation of most of the remaining German bonds during 2012. The Company's overriding investment principle is to protect its solvency and asset base even if this has an impact on investment returns. On an industry-wide basis, lower investment returns should encourage focus on profitable underwriting.

During the year, the Company realised its secured loans, reducing the balance sheet value to nil from €21.9m at the end of 2011. In one instance this was achieved through the sale of land provided to FBD as security, resulting in a profit of €5.0m on the December 2011 valuation. In the second instance, FBD exercised its security over a loan thereby taking possession of the underlying land, which is included in investment properties at a market value of €3.2m at the end of 2012.

Profit before taxation

Operating profit before taxation increased 12.7% to €60.8m. The benefit of the excellent operating performance was somewhat offset by €0.6m (2011: €6.5m) of negative short term investment fluctuations.

Profit before tax amounted to €60.2m (2011: €47.4m). After a taxation charge of €7.4m (2011: €9.7m), the profit after taxation was €52.8m (2011: €37.7m).

Balance Sheet

The Company's financial position further strengthened in 2012. Shareholders' funds grew to €231.5m (2011: €202.0m). The primary items explaining the increase in shareholders' funds were profit after taxation of €52.8m, and dividends of €24.9m.

Chairman's Statement (continued)

Table 1 shows how the assets of the underwriting business were invested at the beginning and end of the year.

Table 1 – Asset Allocation

	31 December 2012		31 December 2011	
Investment assets	**€m**	**%**	**€m**	**%**
Deposits and cash	**499**	**59%**	345	42%
Corporate bonds	**152**	**18%**	7	1%
Government bonds	**111**	**13%**	406	49%
Equities	**60**	**7%**	21	2%
Own land & buildings	**16**	**2%**	17	2%
Investment property	**11**	**1%**	9	1%
Secured loans	**-**	**0%**	22	3%
Investment assets	**849**	**100%**	827	100%
Trade, other debtors and DAC	**99**		95	
Reinsurers' share of technical provisions	**55**		68	
Plant and equipment	**19**		16	
Total underwriting assets	**1,022**		1,006	

The Company was encouraged by policy actions taken to address the euro crisis and the improvement in confidence in the global economy during 2012. As a result, the Company increased its investment in equities to €60.3m, generating an annual return of 15.8% in 2012, and increased its investment in corporate bonds to €152m. The sovereign bond market dislocation continued throughout 2012, albeit with some signs of potential stability emerging as the year progressed.

At the year end, 90% of the underwriting investment assets were invested in lower-risk bank deposits, corporate bonds and sovereign bonds. The average term of these assets was less than 8 months, far shorter than the average term of FBD's liabilities, thereby reducing the risk of investment volatility, albeit at the cost of a lower investment return but providing liquidity and flexibility. The high proportion of lower-risk investment assets at the year end demonstrates the Company's desire to preserve capital, effectively ensuring that customers and shareholders are protected.

During 2011 and 2012, most of the German bonds purchased by the Company in 2006 and 2007 reached their maturity dates. Given the current low yield on bonds and the sovereign bond market dislocation, the Company did not reinvest in longer-dated sovereign bonds. As a result, FBD holds €499m of bank deposits, which represent a relatively attractive lower-risk investment allocation given the unique circumstances of the sovereign bond market. To achieve diversification and a higher return, FBD has invested a further €145.0m in a diversified portfolio of high-quality corporate bonds. FBD increased its equity portfolio by €29.5m following the realisation of secured loans and investment properties.

The Company has a strong capital base and balance sheet providing capacity for further growth with a solvency level of 73.5% of net premium earned at the end of 2012, up from 66% at the end of 2011. FBD also has a conservative reserving strategy and this is supported by a positive run-off of prior-year claims reserves of €42.2m in 2012. The Company has a long history of recording positive run-offs on its claims reserves and the surplus over the actuarial best estimate remains as healthy as in 2011.

In line with all European insurers, the Company is preparing for the introduction of the new Solvency II regulations which are to come into effect over the next few years. The Company has calculated its solvency capital requirement on the basis that Solvency II, as currently proposed, was fully implemented at 31 December 2012. The results showed that FBD Insurance had excess capital over the proposed requirement.

DIRECTOR CHANGE

During the year, Adrian Taheny, the Company's executive director of sales and marketing retired from the Company and from the Board for health reasons. His contribution to the Company over an extended period of time has been substantial.

OUTLOOK

Economic uncertainty has reduced. Irish domestic demand, the best indicator of risk available to the insurance market, has stabilised but is unlikely to show significant return to growth in the short-term. It is likely that any growth in the Irish insurance market will be negligible in 2013.

However, FBD is committed to achieving profitable growth by constantly evolving its business to reflect the needs of customers. The Company intends to continue delivering products and services that matter to its farming and business customers. In 2013 FBD expects to further increase penetration of key urban markets, in particular Dublin, and of the business insurance market, in partnership with brokers. These channels, together with opportunities provided by No Nonsense through its new low cost 'ready-made' comprehensive motor product and the SmartDriver telematics product, provide the Company with the ability to outperform the market again in 2013. Take-up of the repositioned No Nonsense offerings in the early months of 2013 has been encouraging.

The Company's understanding of what matters to its customers will be key to its ability to continue to outperform the market and achieve profitable and sustainable growth. The Company will continue to invest in human resources and technology to drive the capacity for growth, while at the same time maintaining its competitive cost advantage.

FBD's policy to only write profitable and sustainable insurance will continue in 2013. The Company has the ambition, capability and capital strength to take advantage of appropriate market opportunities that provide profitable growth.

During 2012, the Company again benefited from favourable weather and this is unlikely to be as positive again in 2013 which should lead to claims costs reverting towards the norm in 2013. The Company's initiatives on those aspects of claims costs that are within its control will continue to have a positive impact on the loss ratio.

Should sovereign bond markets normalise and interest rate risk reduce, the Company will move further towards its long-term investment allocation. However, in the interim, lower returns on deposits and short-dated bonds will lead to negative short-term investment fluctuations.

The Company has a strong financial position, a low-risk investment allocation and a prudent reserving strategy. The Company is also in a very strong position to progress its strategic plans and the Board is confident that FBD will continue to outperform and deliver superior returns.

Finally, I would like to again extend my sincere thanks to the Board, the management and the staff for their combined efforts in delivering an excellent performance in a difficult environment. We will continue to focus on maximising benefits for all stakeholders.

Vincent Sheridan
Chairman

27 February 2013

Board of Directors and Other Information

BOARD OF DIRECTORS

Vincent Sheridan *(Chairman)*
Andrew Langford *(Chief Executive)*
Michael Berkery
Walter Bogaerts *(Appointed 1 January 2013)*
David Martin
Cathal O'Caoimh

SECRETARY AND REGISTERED OFFICE

Conor Gouldson,
FBD House,
Bluebell,
Dublin 12.

INDEPENDENT AUDITORS

Deloitte & Touche,
Chartered Accountants & Statutory Audit Firm,
Deloitte & Touche House,
Earlsfort Terrace,
Dublin 2.

Report of the Directors

The Directors present their annual report and audited financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the underwriting of fire and accident insurance business within the Republic of Ireland. There has been no significant change in this activity during the year.

BUSINESS REVIEW

During 2012 the company generated premium income of **€344,255,000** (2011: €351,111,000). The operating profit for the year was **€60,764,000** (2011: €53,920,000).

A comprehensive review of the financial and non financial key performance indicators by the Company is included within the Chairman's Statement starting on page 2. The key financial performance indicators include gross written premium (2012: €344.3m, 2011: €351.1m), combined operating ratio (2012: 89.6%, 2011: 92.3%) and solvency ratio (2012: 73.5%, 2011: 66.1%).

RISKS & UNCERTAINTIES

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

Risk Management and Risk Appetite

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

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

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

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

General Insurance Risk

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

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

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

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

Capital Management Risk

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

Operational Risk

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

Market Risk

The Company has invested in quoted & unquoted debt securities, quoted & unquoted shares, and investment properties. These investments are subject to market risk, whereby the value of the investments may fluctuate as a result of changes in market prices, changes in market interest rates or changes in the foreign exchange rates of the currency in which the investments are denominated. The extent of the exposure to market risk is mitigated by the formulation of, and adherence to, strict investment policies, as approved by the Board of Directors, employment of appropriately qualified and experienced personnel to manage the Company's investment portfolio.

Liquidity Risk

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

The Company uses independent actuaries to review its liabilities to ensure that the carrying amount of the liability 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 & loss account.

Interest Rate Risk

At any time, the Company has fixed interest quoted debt securities and financial instruments that are exposed to fair value interest rate risk. Loans made by the Company are at floating interest rates.

Credit Risk

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

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 a key executive officer 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 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 above risks are further detailed in note 14.

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

RESULTS	2012 €000s	2011 €000s
Operating profit	**60,764**	53,920
Short term fluctuations in investment return	**(602)**	(6,510)
Profit on ordinary activities before tax	**60,162**	47,410
Tax charge on profit on ordinary activities	**(7,393)**	(9,657)
Profit on ordinary activities after tax	**52,769**	37,753
Distributions paid:		
Dividend of **115.66c** (2011: 48.19c) per share on ordinary shares of €1.27 each	**(24,000)**	(10,000)
Dividend of **17.8c** (2011: 17.8c) per share on 14% non-cumulative preference shares of €1.27 each	**(89)**	(89)
Transfer from revenue reserves	**28,680**	27,664

HOLDING COMPANY

At 31 December 2012 and throughout the year, FBD Holdings plc owned 100% of FBD Insurance plc.

DIRECTORS

In accordance with the Company's articles of association, Michael Berkery and Vincent Sheridan will retire at the Annual General Meeting, and being eligible, offer themselves for re-election.

On 5 November 2012, Mr. Adrian Taheny resigned from the Board. On 31 December 2012, Mr. Edwin Schellens resigned from the Board. On 1 January 2013, Mr. Walter Bogaerts was appointed to the Board.

BIOGRAPHIES OF DIRECTORS

Vincent Sheridan, Chairman and Independent Non-Executive Director

Vincent Sheridan was elected Chairman of the Company on 3 March 2011. He retired as Chief Executive of Vhi Healthcare during 2008 after seven years in that role. Prior to that he was Group Chief Executive of the Norwich Union Insurance Group in Ireland for ten years. He is a past president of the Institute of Chartered Accountants in Ireland, the Irish Insurance Federation, the Insurance Institute of Ireland and the Irish Association of Investment Managers. He was a director of the Irish Stock Exchange for nine years to June 2004. He is also a former council member of the International Federation of Health Plans and the Financial Reporting Council in the UK. He serves as a director of a number of companies. Mr. Sheridan joined the Board of FBD Holdings Plc in August 2004 and joined the Board of FBD Insurance Plc in August 2009.

Mr. Sheridan brings to the Board his extensive experience at a leadership level in the insurance industry, his experience as a non-executive Director on other boards together with his knowledge of corporate governance, compliance and technical accounting issues.

Andrew Langford, Chief Executive Officer

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

Michael Berkery, Non-Executive Director

Michael Berkery was elected Chairman of the Company in 1996, a role he held until 3 March 2011. He was Chief Executive Officer of the Irish Farmers' Association for 25 years until his retirement in March 2009. He also served on the National Economic and Social Council and the Central Review Committee of the Government National Partnership Programme. He is a director of FBD Trust Company Limited and a number of other companies. Mr. Berkery joined the Board in October 1982.

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

Walter Bogaerts, Independent Non-executive Director

Walter Bogaerts is currently General Manager of the Corporate Insurances Division of KBC Insurance based in Belgium. He joined KBC Group (previously ABB Insurances) in 1979 and has gained extensive experience throughout his career with KBC in underwriting, reinsurance and sales. He was general manager in charge of KBC Group's Central-European insurance businesses until appointed to his current role in 2012. He holds a Commercial Engineering degree from the Economic University of Brussels. Mr. Bogaerts joined the Board in January 2013.

David Martin, Independent Non-executive Director

David Martin, a Chartered Management Accountant, was Finance Director of Aryzta plc (formerly IAWS Group plc) up until his retirement in 2004 after which he remained on the board of that company in a non-executive capacity until 2007. Previously he was a management consultant with KPMG working on a range of assignments in Ireland and abroad. An experienced finance professional, he is a non executive Director of the One51 plc, the Sicon Group and a former Director of Dormant Accounts Board. Mr. Martin now serves on the Board of the Irish Auditing and Accounting Supervisory Authority. He joined the Board in March 2011.

Cathal O'Caoimh, Executive Director - Finance

Cathal O'Caoimh joined the Company in October 2008 and was appointed to the Board as Executive Director - Finance. A Chartered Accountant, he joined FBD from Horizon Technology Group plc where he was Chief Financial Officer since 2001. Prior to that Mr. O'Caoimh was Group Finance Director of Hibernian Insurance Group, having previously been Group Finance Director of Norwich Union Insurance Group in Ireland. Mr. O'Caoimh is a member of the Council of Chartered Accountants Ireland.

Report of the Directors (continued)

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:	**31/12/12**	1/1/12 (or at date of appointment if later)
Michael Berkery	30,000	30,000
Andrew Langford	40,000	28,182
Vincent Sheridan	4,150	4,150
Cathal O'Caoimh	1,179	1,179
Conor Gouldson	420	420

	Number of share options			
	ESOS		**LTIP**	
	31/12/12	**1/01/12**	**31/12/12**	**1/01/12**
Andrew Langford	120,000	120,000	35,267	35,267
Cathal O'Caoimh	75,000	75,000	27,786	27,786
Conor Gouldson	35,000	35,000	9,343	9,343

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the year. The directors consider that, in preparing the financial statements, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. Applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements. The directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to assume the company will continue in business. The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with Irish statute comprising the Companies Acts, 1963 to 2012 and the European Communities (Insurance Undertakings: Accounts) Regulations, 1996.

The directors have a general responsibility to take reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

SUBSIDIARIES

The company's subsidiaries are listed in note 20.

INDEPENDENT AUDITORS

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

PROPER BOOKS AND RECORDS

The Directors have taken appropriate measures to ensure compliance with Section 202 of the Companies Act 1990. The specific measures taken are 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.

CORPORATE GOVERNANCE

The Company has a requirement 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 core 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 "major" institutions to reflect the risk and nature of those institutions. The Company has been designated as a major institution. The Company is compliant with the Code.

SOLVENCY II

In line with all European insurers, the Company is preparing for the introduction of the new Solvency II regulations which are likely to come into effect over the next few years. FBD Insurance has calculated its solvency capital requirement on the basis that Solvency II, as currently proposed, was fully implemented at 31 December 2012. The results showed that FBD Insurance had excess capital over the proposed requirement. FBD Insurance is confident that it will meet all of the Solvency II requirements in advance of their introduction.

GOING CONCERN

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As a result they continue to adopt the going concern basis of accounting in preparing the financial statements. In forming this view, the Directors have reviewed the Company's budget for 2013, forecasts for 2014 which take account of reasonably foreseeable changes in trading performance, the key risks facing the business and the medium term plans approved by the Board in its review of the Company's corporate strategy.

SUBSEQUENT EVENTS

There were no events subsequent to year end requiring disclosure.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board on 27 February 2013.

Signed on behalf of the board:

Vincent Sheridan	**Andrew Langford**
Chairman	*Chief Executive*

Corporate Governance Report

The Board acknowledges the importance of good corporate governance. The Company has a requirement 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 core 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 "major" institutions to reflect the risk and nature of those institutions. The Company has been designated as a major institution.

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 at least eleven times per year, and 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 objectives and strategy, approval of 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.

The Board comprises two executive Directors, following the retirement of Mr. Adrian Taheny in November 2012, and four non-executive Directors, including the Chairman. The Board expects to approve an additional Director in 2013 to restore its size to seven, the minimum required under the Code. The Board believes that this size 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 Group Chief Executive and, through him, to executive management. The Board has also delegated some additional responsibilities to committees of the Board established by it whose powers, obligations and responsibilities are set out in written terms of reference and whose activities during the year are described more fully in this report.

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

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

During 2011, the Board completed a detailed review of its composition and that of its Committees to ensure that in this respect it fully met the requirements of the Code. This review was designed to ensure that the composition of the Board included an appropriate mix of independence together with the specific skills and experience required to do its work.

During 2012, the Board undertook a formal evaluation of its performance, which was externally facilitated by Praesta Ireland. The Board is satisfied that this process clearly demonstrated that the Board is operating very effectively.

Biographies of the Directors in office as at 27 February 2013 are set out in the Directors report as is a brief commentary on the specific skills and experience which each non-executive Director brings to the Board. The Board confirms that during 2012 it had available to it the skills, expertise and experience necessary for the proper functioning of the Board and its Committees. The skills and experience identified by the Board as critical to its composition and that of its Committees at this time include expertise in insurance, risk management, general and farming/agri industry experience, corporate governance, regulatory and other compliance, and financial accounting.

Directors receive a formal induction on appointment. All Directors are briefed regularly thereafter in writing and orally by the Chairman and by executive management. Papers are sent to each member of the Board in sufficient time before Board meetings. Members of the Board may take independent professional advice at the Company's expense if deemed necessary in the furtherance of their duties. They have access to the advice and the services of the Company

BOARD AND BOARD COMMITTEE COMPOSITION AS AT 31 DECEMBER 2012

		Board Committee Composition			
Name	**Role**	**Audit Committee**	**Risk Committee**	**Remuneration Committee**	**Nomination Committee**
V. Sheridan	Chairman			Member	Chairman
M. Berkery	Non-executive	Member	Member		Member
A. Langford	Chief Executive				
D. Martin	Non-executive	Chairman		Chairman	Member
C. O'Caoimh	Executive		Member		
E. Schellens	Non-executive	Member	Chairman		

Secretary who has responsibility to ensure that Board procedures are followed and that applicable rules, regulations and other obligations are complied with.

BOARD COMMITTEES

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

- the Audit Committee;
- the Risk Committee;
- the Remuneration Committee; and
- the Nomination 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 relevant Committee and updated by the Board where necessary.

THE AUDIT COMMITTEE

Membership of the Audit Committee is set out above. The Board has determined that at least two Committee members have recent and relevant financial experience.

The Chief Executive, the Finance Director, the Head of Internal Audit and the Chief Risk Officer attend meetings regularly at the request of the Committee Chairman while the external auditors attend as required and have unrestricted access to the Committee Chairman at all times. The Committee meets on a regular basis with the external auditors and with the Head of Internal Audit respectively without management being present. The Company Secretary is secretary to the Committee and is responsible for recording the activities of the Committee, circulating papers in advance of its meetings and ensuring that appropriate procedures are followed.

The main roles and responsibilities for the Audit Committee are detailed in its terms of reference and are summarised as follows:

In relation to Internal Control the Committee will:

1. Review the Company's internal financial controls and its internal control and risk management systems.
2. Consider any significant fraud, illegal acts, deficiencies in internal control or similar issues.

In relation to Financial Reporting the Committee will:

1. Monitor and report directly to the Board of the Company on the integrity and clarity of the financial statements of the Company, reviewing any significant financial reporting judgements contained in them.
2. Pay particular attention to complex and/or unusual transactions.
3. Focus on significant judgmental areas and major audit adjustments.
4. Review compliance with Central Bank and other regulatory requirements.

In relation to Internal Audit the Committee will:

1. Review the activities, overall effectiveness and organisational structure of the Internal Audit function.
2. Review the resources of the Internal Audit Department.
3. Review the independence, standing and scope of the Internal Audit Department and its relationship with the Statutory Auditor.
4. Approve the appointment and removal of the Head of Internal Audit.
5. Ensure that Management responds to the findings and recommendations made by the Internal Audit Department.
6. Review and approve the Internal Audit Department's strategic and annual work plan and receive and consider the reports on work performed.
7. Meet separately with the Head of Internal Audit at least annually to discuss any matters that the Committee or the Head of Internal Audit consider should be dealt with privately.
8. Annually review the Internal Audit Charter.

In relation to Statutory Audit the Committee will:

1. Review the Statutory Auditor's terms of engagement, proposed audit scope and approach.
2. Review the remuneration to be paid to the Statutory Auditor in respect of audit services provided.
3. Review and monitor the independence and objectivity of the Statutory Auditor and the effectiveness of the audit process taking into consideration relevant professional and regulatory requirements.
4. Develop and implement policy on the engagement of the Statutory Auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the Statutory Auditor and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.
5. Make recommendations to the Board regarding the appointment, continuation in office and removal of the Statutory Auditor.
6. Meet with the Statutory Auditor in the absence of management at least annually to discuss any matters that the Committee or the Statutory Auditor consider should be dealt with privately.
7. Ensure that significant findings and recommendations made by the Statutory Auditor (normally contained in the Management Letter) are received and discussed by the Committee on a timely basis and that Management responds to the findings and recommendations.

During the year the Committee undertook all of its principal scheduled activities through a formal programme of work. Its Chairman reported to the Board in detail at each subsequent Board meeting and minutes of its meetings are routinely circulated to the Board for information and noting. In addition, the Committee commissioned an independent external quality assessment of the Internal Audit Function during 2012 and was pleased to note the conclusion that the Function was effective in undertaking its activities to appropriate recognised standards.

The external audit engagement partner rotates every five years and the current partner assumed the engagement commencing with the audit of the 2009 financial statements. The Committee pays particular attention to ensuring the independence of the external auditors is safeguarded. While the engagement of the external auditors in the provision of non-audit services is not prohibited outright, such services are not permitted to be provided where the auditors may be required to audit their own work. The level of fees paid to the external auditors for the provision of non-audit services is closely monitored so as to ensure that both their independence and the perception of their independence are not diminished.

THE RISK COMMITTEE

Membership of the Risk Committee is set out on page 13.

The role, responsibilities and powers of the Committee are set out in written terms of reference which are approved by the Board. The key duties of the Risk Committee are to:

1. Provide oversight and advice to the Board in relation to current and potential future risk exposures of the Company and future risk strategy, including the determination by the Board of its risk appetite and risk tolerance.
2. Promote a risk awareness culture within the Company.

3. Recommend a risk management framework including strategies and policies, risk appetite and risk tolerances to the Board for approval.
4. Ensure that the material risks facing the Company have been identified and that appropriate arrangements are in place to manage and mitigate those risks effectively.
5. Advise the Board on the effectiveness of strategies and policies with respect to maintaining, on an ongoing basis, the amounts, types and distribution of capital adequate to cover the risks of the Company.
6. Develop a reporting structure which reports any breaches of limits to the Committee in a timely fashion.
7. Review and challenge risk information received by the Chief Risk Officer from the business departments to ensure that the Company is not exceeding the risk limits set by the Board.
8. Ensure that the risk management function has an appropriate and achievable mandate to roll-out the risk management policy, risk limits and reporting structure to all business functions.
9. Present a profile of the Company's key risks, risk management framework, risk appetite and tolerance and risk policies at least annually together with a summary of the Committee's business to the Board.

THE REMUNERATION COMMITTEE

Membership of the Remuneration Committee is set out on page 13.

The role, responsibilities and powers of the Committee are set out in written terms of reference which are approved by the Board. The key duties of the remuneration committee are to:

1. Determine with the Board the broad policy for the remuneration of the Company's executive directors, the company secretary and other senior executives (together "executive management"), including those persons in Pre-Approval Controlled Functions (as defined in the Central Bank of Ireland's Fitness and Probity Requirements), and such other members of Company's management as it is designated to consider.
2. In determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company while also ensuring that the principles of sound, prudent risk management are fully reflected and that excessive risk taking is neither encouraged nor rewarded.
3. Review the ongoing appropriateness and relevance of the remuneration policy.
4. Approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes.
5. Recommend to the Board the remuneration levels for the non-executive Directors.
6. Determine the policy for, and scope of, pension arrangements for each executive director and other senior executives.
7. Review any proposals from the Remuneration Committee of FBD Holdings plc for the remuneration package of each member of executive management to ensure that they do not conflict with or undermine the Company's remuneration policy and, in particular, that they do not incentivise the taking of excessive risk.
8. Ensure that contractual terms on termination, and any payments made, are fair both to the individual and to the Company, that failure is not rewarded and that the duty to mitigate loss by the individual is fully recognised.
9. Oversee any major changes in employee benefits structures throughout the Company. and
10. Be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee and for obtaining reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.

The Remuneration Committee consults with the Chief Executive on the remuneration proposals for the other executive Directors and for senior management and has access, where it deems it necessary, to obtain external professional advice from compensation and benefit consultants. The Company participates in industry-specific and wider remuneration and reward surveys and the Committee benchmarks the remuneration arrangements for the executive Directors and senior management against the results of these surveys. The Committee did not deem it necessary, following this review process, to consult any external benefit consultants during the year.

THE NOMINATION COMMITTEE

Membership of the Nomination Committee is set out on page 13.

The role, responsibilities and powers of the Committee are set out in written terms of reference which are approved by the Board. Amongst its responsibilities it must review Board and Board Committee composition, size, structure and succession planning and make recommendations to the Board on these matters for its approval. In formulating its recommendations on Board and Board Committee composition, the Committee takes account of the skills and experience available to the Board and any identified gaps having regard to the Company's approved strategy and its business environment. The duties of the nomination committee are as follows:

1. Regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes.

2. Give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company, and what skills and expertise are therefore needed on the Board and the executive management team, in the future.

3. Formulate succession plans for both executive and non-executive directors and in particular for the key roles of Chairman and Chief Executive.

4. Make recommendations to the Board concerning the requirement of the Central Bank of Ireland that the renewal of the Chief Executive's contract be reviewed at least every five years.

5. Make recommendations to the Board concerning the requirement of the Central Bank of Ireland that the membership of the Board of directors with long service, and in particular service beyond nine years, is formally reviewed, documented and communicated to the Central Bank.

6. Be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.

7. Before any appointment is made by the Board, evaluate the balance of skills, knowledge and experience on the Board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall:

    a. consider candidates from a wide range of backgrounds; and

    b. consider candidates on merit and against objective criteria, taking particular care that potential appointees have enough time available to devote to the position;

8. review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties.

9. Ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings.

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 organisational structure with clearly defined lines of responsibility and authority;
- a comprehensive system of financial control incorporating budgeting, periodic financial reporting and variance analysis;
- a Risk Committee and a risk management framework comprising a risk function headed by a Chief Risk Officer, a clearly stated risk appetite and risk strategy supported by approved risk management policies and processes in the areas of underwriting, reinsurance, claims reserving, investment and treasury;
- a Solvency II and Risk Steering Committee comprising senior management whose main roles are to oversee the implementation of the three pillars of the Solvency II framework throughout the Company and to assist the Risk Committee, described earlier, in the discharge of its duties between meetings;
- an Internal Audit function.

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.

Independent Auditor's Report

TO THE MEMBERS OF FBD INSURANCE PLC

We have audited the financial statements of FBD Insurance Plc for the 31 December 2012 ended which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Reconciliation of Movement in Ordinary Shareholders Funds and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland of the state of the affairs of the company as at 31 December 2012 and of the profit for the year then ended; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2012, and the European Communities (Insurance Undertakings: Accounts) Regulations 1996.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY THE COMPANIES ACTS 1963 TO 2012

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion proper books of account have been kept by the company.
- The financial statements are in agreement with the books of account.
- In our opinion the information given in the directors' report is consistent with the financial statements.
- The net assets of the company, as stated in the balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2012 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening on an extraordinary general meeting of the company.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the provisions in the Companies Acts 1963 to 2012 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Mary Fulton
For and on behalf of Deloitte & Touche
Chartered Accountants and Statutory Audit Firm
Dublin

27 February 2013

Statement of Accounting Policies

FOR THE YEAR ENDED 31 DECEMBER 2012

BASIS OF PREPARATION

The financial statements are prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts 1963 to 2012 and the European Communities (Insurance Undertakings: Accounts) Regulations, 1996.

The principal accounting policies adopted by the directors are:

A) ACCOUNTING CONVENTION

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

B) TECHNICAL RESULT

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

(i) Premiums Written

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

(ii) Unearned Premiums

Unearned premiums are those portions of premium income written in the year that relate to insurance cover after the year end. Unearned premiums are computed on a daily pro-rata basis of premium written. At each balance sheet date, an assessment is made of whether the provision for unearned premiums is adequate.

(iii) Deferred Acquisition Costs

Deferred acquisition costs represent the proportion of net acquisition costs which are attributable to the unearned premiums. Acquisition costs comprise the direct and indirect costs of obtaining and processing 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 each period end.

(iv) Unexpired Risks

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. Post balance sheets events are considered when determining whether a provision for unexpired risks is required.

(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.

Provision is also made in respect of the company's share of the estimated liability for outstanding claims of the Motor Insurers' Bureau of Ireland ('MIBI'), based on an estimate of the Company's current market share and the current outstanding claims of the MIBI.

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

A transfer of longer term 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

Certain 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. These amounts are disclosed separately from other reinsurance creditor balances on the Balance Sheet.

C) INVESTMENT RETURN

Operating profits are reported on the basis of a longer term investment return. The short term fluctuation between the longer term investment return and the actual investment return, which includes realised and unrealised gains and losses, is incorporated as an adjustment figure in arriving at profit before taxation. As a result, the operating profit is not subject to distortion from short term fluctuations in investment returns.

D) INVESTMENTS

(i) Shares and Debt Securities

Quoted shares and debt securities are stated at market value. Unquoted shares are stated at the lower of cost and net realisable value.

(ii) Investment Properties

Investment property held to earn rentals and/or for capital appreciation is stated at market value at the balance sheet date. Gains and losses arising from changes in the market value are included in the profit and loss account in the period in which they arise. The gain or loss arising on disposal of an investment property is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

E) TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided in respect of all tangible fixed assets, 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:	5 years

F) TAXATION

The yearly charge for taxation is based on the profit for the year and is calculated with reference to the tax rates applying at the balance sheet date. Deferred taxation is calculated on the differences between the Company's taxable profits and the results as stated in the Financial Statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the Financial Statements. Full provision for deferred tax assets and liabilities is provided at current tax rates on differences that arise between the recognition of gains and losses in the financial statements and their recognition in the tax computation.

Deferred tax assets are only recognised when it is deemed more than likely that the Company will be able to recover them.

G) PENSIONS

Defined Benefit Scheme

The expected cost of providing pensions to employees is charged to the profit and loss account, at a substantially level percentage of payroll, over the employees' expected service lives. Any difference between the amount so charged and the amount contributed to pension funds is included as a provision in the financial statements. The Company is part of a multi-employer scheme and is unable to identify the assets and liabilities of the scheme specific to the Company. Accordingly, the Company has availed of disclosure exemptions permitted under FRS 17 'Retirement Benefits'.

Defined Contribution Scheme

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 benefits commitments.

H) CURRENCY

All amounts are stated in Euro. Balances in foreign currencies have been translated into Euro at contract rates where the amounts are covered by forward contracts. No forward contracts were used during 2012. 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.

I) SHARE BASED PAYMENTS

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

J) 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.

K) RESTRUCTURING COSTS

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

L) LAND & BUILDINGS

Land and buildings held for own use 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.

Profit and Loss Account/Technical Account - General Business

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 €000s	2012 €000s	2011 €000s	2011 €000s
Earned premiums, net of reinsurance					
Gross premiums written		**344,255**		351,111	
Outward reinsurance premiums		**(47,646)**		(47,987)	
Net premiums written	*1(a)*		**296,609**		303,124
Change in the provision for unearned premiums:					
Gross amount		**4,119**		2,116	
Reinsurers' share		**(103)**		(4,321)	
Change in net provision for unearned premiums			**4,016**		(2,205)
Earned premiums, net of reinsurance	*1(b)*		**300,625**		300,919
Allocated investment return transferred from the non-technical account	*1(c)*		**24,092**		27,763
Claims incurred, net of reinsurance					
Claims paid:					
Gross amount		**(231,006)**		(281,160)	
Reinsurers' share		**32,127**		55,908	
Net claims paid		**(198,879)**		(225,252)	
Change in the provision for claims:					
Gross amount		**19,223**		51,726	
Reinsurers' share		**(12,217)**		(28,672)	
Change in the net provision for claims		**7,006**		23,054	
Claims incurred, net of reinsurance	*1(d)*		**(191,873)**		(202,198)
Net operating expenses	*1(e)*		**(77,489)**		(75,439)
Balance on the technical account - general business	*1(f)*		**55,355**		51,045

The accompanying notes form an integral part of the financial statements.

Profit and Loss Account/Non-Technical Account

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 €000s	2011 €000s
Balance on the technical account			
- general business		**55,355**	51,045
Longer term investment return	2(b)	**27,752**	30,255
Allocated investment return transferred			
to the technical account - general business		**(24,092)**	(27,763)
Other income		**4,841**	4,014
Restructuring costs		**(2,096)**	(2,656)
Impairment of owner occupied property		**(996)**	(975)
Operating profit		**60,764**	53,920
Short term fluctuations in investment return	2(b)	**(602)**	(6,510)
Profit on ordinary activities before tax	3	**60,162**	47,410
Tax charge on profit on ordinary activities	5	**(7,393)**	(9,657)
Profit on ordinary activities after tax		**52,769**	37,753

All recognised gains and losses have been included in the above Profit and Loss Account and arise from continuing activities.

The financial statements were approved by the board on 27 February 2013 and signed on its behalf by:

Vincent Sheridan
Chairman

Andrew Langford
Chief Executive

The accompanying notes form an integral part of the financial statements.

Balance Sheet - Assets

AT 31 DECEMBER 2012

	Notes	2012 €000s	2011 €000s
Investments			
Land and buildings	*7(a)*	**26,716**	25,958
Financial investments	*7(b)*	**823,106**	785,820
Investment in subsidiaries	*7(c)*	**-**	16,239
		849,822	828,017
Reinsurers' share of technical provisions			
Provision for unearned premiums	*13(e)*	**20,283**	20,386
Claims outstanding	*13(e)*	**35,094**	47,311
		55,377	67,697
Debtors			
Debtors arising out of direct insurance operations	*8(a)*	**44,949**	40,951
Other debtors	*8(b)*	**6,110**	5,838
		51,059	46,789
Other assets			
Tangible assets	*9*	**18,934**	15,741
Current tax		**4,640**	2,390
Deferred tax	*15*	**62**	4,619
Prepayments and accrued income			
Accrued interest and rent		**4,658**	1,010
Deferred acquisition costs		**24,652**	22,199
Other prepayments and accrued income		**12,737**	17,743
		42,047	40,952
Total assets		**1,021,941**	1,006,205

The accompanying notes form an integral part of the financial statements.

Balance Sheet – Equity and Liabilities

AT 31 DECEMBER 2012 (CONTINUED)

	Notes	**2012 €000s**	2011 €000s
Capital and reserves			
Ordinary share capital	*10*	**26,353**	26,353
Reserves	*11*	**204,511**	174,996
Preference share capital	*12*	**635**	635
Total shareholders' funds		**231,499**	201,984
Technical provisions			
Provision for unearned premiums	*13(d)*	**170,244**	174,363
Claims outstanding	*13(c)*	**581,132**	600,355
		751,376	774,718
Creditors			
Funds withheld from Reinsurers		**9,466**	5,820
Other creditors including tax and social security	*16*	**19,352**	14,923
Bank overdraft		**10,248**	8,760
		39,066	29,503
Total equity and liabilities		**1,021,941**	1,006,205

The financial statements were approved by the board on 27 February 2013 and signed on its behalf by:

Vincent Sheridan
Chairman

Andrew Langford
Chief Executive

The accompanying notes form an integral part of the financial statements.

Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 €000s	2011 €000s
Net cash inflow from operating activities	*17(a)*	**55,059**	27,592
Corporation tax paid		**(5,086)**	(1,768)
Capital expenditure		**(10,118)**	(5,327)
Disposal of fixed assets		**48**	54
Dividends paid	*6*	**(24,089)**	(10,089)
		15,814	10,462
Cash flows were invested as follows			
Net portfolio investment			
Subsidiary undertakings		**(16,239)**	(20,329)
Quoted shares		**25,452**	20,807
Quoted debt securities		**(147,513)**	(90,033)
Deposits with banks		**187,637**	99,901
Bank overdraft		**(10,248)**	-
Loans and advances		**(26,421)**	116
Land and property		**3,146**	-
Net source of cash flows	*17(c)*	**15,814**	10,462

Statement of Reconciliation of Movement in Ordinary Shareholders' Funds

FOR THE YEAR ENDED 31 DECEMBER 2012

		2012 €000s	2011 €000s
Profit after tax		**52,769**	37,753
Less: Preference dividend	*6*	**(89)**	(89)
Profit attributable to ordinary shareholders		**52,680**	37,664
Dividends	*6*	**(24,000)**	(10,000)
Capital contribution – share based payments		**835**	500
Ordinary shareholders' funds at beginning of year		**201,349**	173,185
Ordinary shareholders' funds at end of year		**230,864**	201,349

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

1. SEGMENTAL INFORMATION

	2012			2011		
	Gross €000s	Ceded €000s	Net €000s	Gross €000s	Ceded €000s	Net €000s
(a) Written premiums						
Motor	**146,835**	**(4,706)**	**142,129**	148,438	(4,613)	143,825
Liability	**63,974**	**(2,014)**	**61,960**	63,162	(1,625)	61,537
Fire and other damage to property	**127,892**	**(40,423)**	**87,469**	133,661	(41,113)	92,548
Miscellaneous	**5,554**	**(503)**	**5,051**	5,850	(636)	5,214
	344,255	**(47,646)**	**296,609**	351,111	(47,987)	303,124

All gross premiums are written in the Republic of Ireland.

	2012			2011		
	Gross €000s	Ceded €000s	Net €000s	Gross €000s	Ceded €000s	Net €000s
(b) Earned premiums						
Motor	**147,705**	**(4,706)**	**142,999**	150,212	(4,613)	145,599
Liability	**63,449**	**(2,014)**	**61,435**	63,649	(1,625)	62,024
Fire and other damage to property	**131,393**	**(40,466)**	**90,927**	133,447	(45,422)	88,025
Miscellaneous	**5,827**	**(563)**	**5,264**	5,919	(648)	5,271
	348,374	**(47,749)**	**300,625**	353,227	(52,308)	300,919

	2012			2011		
	Gross Inv. Income €000s	Inv. Expenses €000s	Net Inv. Income €000s	Gross Inv. Income €000s	Inv. Expenses €000s	Net Inv. Income €000s
(c) Allocated investment return						
Motor	**12,203**	**(331)**	**11,872**	13,997	(233)	13,765
Liability	**9,085**	**(246)**	**8,839**	10,041	(167)	9,874
Fire and other damage to property	**3,244**	**(88)**	**3,156**	3,989	(66)	3,922
Miscellaneous	**232**	**(7)**	**225**	206	(4)	202
	24,764	**(672)**	**24,092**	28233	(470)	27,763

1. SEGMENTAL INFORMATION (CONTINUED)

	2012			2011		
	Gross €000s	Ceded €000s	Net €000s	Gross €000s	Ceded €000s	Net €000s
(d) Incurred claims						
Motor	**113,478**	**(9,646)**	**103,832**	106,206	(218)	105,988
Liability	**46,095**	**(1,578)**	**44,517**	51,198	(1,599)	49,599
Fire and other damage to property	**47,880**	**(8,011)**	**39,869**	67,449	(25,258)	42,191
Miscellaneous	**4,330**	**(675)**	**3,655**	4,581	(161)	4,420
	211,783	**(19,910)**	**191,873**	229,434	(27,236)	202,198

	2012			2011		
	Gross €000s	Ceded €000s	Net €000s	Gross €000s	Ceded €000s	Net €000s
(e) Operating expenses						
Motor	**36,759**	**-**	**36,759**	36,388	-	36,388
Liability	**16,015**	**-**	**16,015**	15,483	-	15,483
Fire and other damage to property	**32,017**	**(8,662)**	**23,355**	32,765	(10,562)	22,203
Miscellaneous	**1,390**	**(30)**	**1,360**	1,434	(69)	1,365
	86,181	**(8,692)**	**77,489**	86,070	(10,631)	75,439

Net operating expenses are comprised as follows:

	2012 Net €000s	2011 Net €000s
Administration costs	**29,221**	31,645
Acquisition costs	**47,629**	42,755
Commission	**3,092**	2,708
Change in deferred acquisition costs	**(2,453)**	(1,669)
	77,489	75,439

(f) Technical result	2012 €000s	2011 €000s
Motor	**14,280**	16,988
Liability	**9,741**	6,816
Fire and other damage to property	**30,860**	27,553
Miscellaneous	**474**	(312)
	55,355	51,045

2. INVESTMENT INCOME

(a) LONGER TERM INVESTMENT RETURN

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

	2012 %	**2011 %**
Government bonds at market value	**3.00**	4.00
Government bonds at amortised cost	**Actual Rates**	Actual Rates
Other quoted debt securities	**4.00**	6.00
Quoted shares	**6.75**	6.75
Deposits with banks	**2.75**	3.00
Investment properties held for rental	**6.25**	6.25

(b) Comparison of longer term investment return with actual return

	2012 €000s	**2011 €000s**
Actual return		
Impairment of investment property	**(1,318)**	(2,182)
Revaluation of loans to subsidiaries	**-**	5,199
Revaluation/(impairment) of secured loans	**-**	(1,733)
Other unrealised movements in investments	**5,204**	(8,137)
Profit/(losses) on realisation of investments	**1,167**	2,098
	5,053	(4,755)
Income from interest, dividends and rental properties	**22,871**	29,012
Investment expenses	**(774)**	(512)
Actual investment return	**27,150**	23,745
Less longer term investment return	**(27,752)**	(30,255)
Short term fluctuations	**(602)**	(6,510)

Notes to the Financial Statements (continued)

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

	2012 €000s	2011 €000s
Profit on ordinary activities before tax has been stated after charging:		
Directors' remuneration	**1,532**	1,218
Auditor's Remuneration:		
Audit services	**125**	129
Other assurance services	**-**	-
Tax advisory	**115**	136
Other non-audit services	**-**	-
	240	265
Depreciation	**6,878**	6,337

4. STAFF COSTS AND NUMBERS

The average number of persons employed in the Company in the financial year was 701 (2011: 704).
All staff are employed in insurance and investment operations.

	2012 €000s	2011 €000s
The aggregate payroll of these persons was as follows:		
Wages and salaries	**39,147**	39,520
Social welfare costs	**4,191**	4,195
Pension costs	**6,002**	6,408
Share based payments	**835**	500
	50,175	50,623

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2012 €000s	2011 €000s
Irish corporation tax charge	**(2,836)**	(4,890)
Adjustments in respect of prior years	**-**	(3,019)
Current tax charge	**(2,836)**	(7,909)
Deferred tax charge	**(4,557)**	(1,748)
	(7,393)	(9,657)
The tax assessed for the year is lower than the standard rate of corporation tax in Ireland.		
The differences are explained below:		
Profit on ordinary activities before tax	**60,214**	47,410
Corporation tax at standard rate of **12.5%** (2011: 12.5%)	**(7,527)**	(5,926)
Depreciation for year in excess of capital allowances	**(49)**	(15)
Non-taxable income/unrealised gains or expenses not deductible for tax purposes	**4,863**	1,057
Pension paid	**(116)**	3
Income taxable at a higher rate	**(7)**	(9)
Adjustments in respect of prior years	**-**	(3,019)
Tax charge for current year	**(2,836)**	(7,909)
Deferred tax charge	**(4,557)**	(1,748)
	(7,393)	(9,657)

6. DIVIDENDS

Paid:	2012 €000s	2011 €000s
Interim dividend of **115.66c** per ordinary share (2011: 48.19c) of €1.27 each	**24,000**	10,000
Dividend of **17.8c** per share (2011: 17.8c) on 14% non-cumulative preference shares of €1.27 each	**89**	89
	24,089	10,089

Notes to the Financial Statements (continued)

7. INVESTMENTS

(a) LAND AND BUILDINGS

	Inv. Properties held for rental €000s	Land & buildings held for own use €000s
Balance at 1 January 2011	**11,000**	**18,115**
impairment	**(2,182)**	**(975)**
Balance at 31 December 2011	**8,818**	**17,140**
Impairment	**(1,318)**	**(890)**
Acquisition	**3,186**	**-**
Disposal	**-**	**(220)**
Balance at 31 December 2012	**10,686**	**16,030**

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 2012 by C.B. Richard Ellis, Valuation Surveyors. The historical cost of land and buildings is €55,497,000.

(b) FINANCIAL INVESTMENTS

	2012 €000s	2011 €000s
Quoted debt securities at amortised cost	**-**	405,848
Quoted debt securities at market value	**257,247**	-
Unquoted debt securities at market value	**3,809**	3,809
Quoted shares at market value	**60,282**	30,250
Unquoted investments	**2,379**	3,379
Deposits with banks	**498,576**	319,699
Other loans	**813**	22,835
	823,106	785,820
Quoted debt securities at cost	**259,514**	410,283
Quoted shares at cost	**61,196**	35,201

In the opinion of the directors the stated value of the unquoted investments is not less than their realisable value. €30,850,000 of quoted debt securities, which had previously been carried at amortised cost, are now included within quoted debt securities at market value. This resulted in an unrealised gain of €1,049,000 being recognised in the profit and loss account in 2012. This change is not deemed material, and as such, prior year numbers have not been restated.

7. INVESTMENTS (CONTINUED)

(c) INVESTMENT IN SUBSIDIARIES

	2012 €000s	2011 €000s
Investment in subsidiaries	**-**	2,600
Amount due from subsidiary undertakings	**-**	13,639
	-	16,239

Amounts due from and investments in subsidiaries as at 31 December 2011 were repaid to the Company in 2012.

8. DEBTORS

(a) DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2012 €000s	2011 €000s
Policyholders	**40,356**	36,481
Intermediaries	**4,593**	4,470
	44,949	40,951

(b) OTHER DEBTORS

	2012 €000s	2011 €000s
Trading balance with parent company	**1,035**	252
Other debtors	**5,075**	5,586
	6,110	5,838

Notes to the Financial Statements (continued)

9. TANGIBLE ASSETS

	Computer Equipment €000s	Fixtures & Fittings €000s	Other €000s	Total €000s
Cost:				
Cost as at 31 Dec 2010	50,320	16,997	813	68,130
Additions	4,977	350	-	5,327
Disposals	-	-	(269)	(269)
Cost as at 31 Dec 2011	55,297	17,347	544	73,188
Additions	9,743	336	39	10,118
Disposals	-	-	(137)	(137)
Cost as at 31 Dec 2012	**65,040**	**17,683**	**446**	**83,169**

	Computer Equipment €000s	Fixtures & Fittings €000s	Other €000s	Total €000s
Depreciation:				
Depreciation as at 31 Dec 2010	39,055	11,785	484	51,324
Charge for year	5,163	1,075	99	6,337
Disposals	-	-	(214)	(214)
Depreciation as at 31 Dec 2011	44,218	12,860	369	57,447
Charge for year	5,736	1,072	70	6,878
Disposals	-	-	(90)	(90)
Depreciation as at 31 Dec 2012	**49,954**	**13,932**	**349**	**64,235**
Net book Value at beginning of year	11,079	4,487	175	15,741
Net book Value at end of year	**15,086**	**3,751**	**97**	**18,934**

10. ORDINARY SHARE CAPITAL

	2012 Number	2011 Number	2012 €000s	2011 €000s
Authorised:				
Ordinary shares of €1.27 each	**20,750,000**	20,750,000	**26,353**	26,353
"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
			28,258	28,258
Issued and fully paid:				
At beginning and end of year				
Ordinary shares of €1.27 each	**20,750,000**	20,750,000	**26,353**	26,353

11. RESERVES

	2012 €000s	2011 €000s
Revenue reserves		
At beginning of year	**172,605**	144,941
Transfer from profit and loss account	**52,769**	37,753
Dividends	**(24,089)**	(10,089)
At end of year	**201,285**	172,605
Capital contribution		
At beginning of year	**2,391**	1,891
Received during year	**835**	500
At end of year	**3,226**	2,391
	204,511	174,996

The capital contributions received from FBD Holdings Plc, the Company's parent, are in the form of share options gifted to the Company by its parent.

12. PREFERENCE SHARE CAPITAL

	Number	2012 €000s	2011 €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

13. TECHNICAL PROVISIONS

(a) Gross Claims outstanding

	Prior years €000s	2003 €000s	2004 €000s	2005 €000s	2006 €000s	2007 €000s	2008 €000s	2009 €'000	2010 €'000	2011 €'000	2012 €'000	Total €000s
Estimate of cumulative claims:												
At end of underwriting year		244,127	308,182	323,734	391,532	339,311	382,742	376,788	351,673	261,597	252,558	
One year later		217,040	268,081	276,710	305,494	314,909	372,808	341,492	333,792	231,835		
Two years later		199,594	250,299	242,367	298,615	308,015	372,985	340,400	331,478			
Three years later		182,876	218,336	228,175	295,254	302,621	371,617	340,620	-			
Four years later		163,183	210,244	223,433	289,862	299,594	367,095	-	-			
Five years later		154,231	202,408	217,325	286,115	294,460	-	-	-			
Six Years Later		149,119	202,771	216,196	283,287	-	-	-	-			
Seven Years Later		148,259	201,352	215,989	-	-	-	-	-			
Eight Years Later		147,485	207,284	-	-	-	-	-	-			
Nine Years Later		146,353	-	-	-	-	-	-	-			
Estimate of cumulative claims		146,353	207,284	215,989	283,287	294,460	367,095	340,620	331,478	231,835	252,558	
Cumulative payments		(143,845)	(194,049)	(205,530)	(265,400)	(262,526)	(317,717)	(265,847)	(229,732)	(130,387)	(83,511)	
Claims outstanding at 31 December 2012	8,717	2,508	13,235	10,459	17,887	31,934	49,378	74,773	101,746	101,448	169,047	581,132
Claims outstanding at 31 December 2011	12,233	4,789	9,774	14,477	27,070	50,613	78,585	97,686	129,544	175,584	-	600,355
Movement during year	(3,516)	(2,281)	3,461	(4,018)	(9,183)	(18,679)	(29,207)	(22,913)	(27,798)	(74,136)	169,047	(19,223)

13. TECHNICAL PROVISIONS (CONTINUED)

(b) Net Claims outstanding

	Prior years €000s	2003 €000s	2004 €000s	2005 €000s	2006 €000s	2007 €000s	2008 €000s	2009 €'000	2010 €'000	2011 €'000	2012 €'000	Total €000s
Estimate of cumulative claims:												
At end of underwriting year		209,207	252,386	289,982	296,995	305,826	335,047	301,648	274,844	233,362	235,042	
One year later		194,813	223,179	286,471	256,154	278,608	315,022	275,864	259,867	208,429	-	
Two years later		179,226	209,657	221,391	251,968	275,336	313,620	278,612	260,351	-	-	
Three years later		163,844	179,728	210,223	249,476	270,174	313,296	276,679	-	-	-	
Four years later		144,865	171,729	205,559	244,075	267,528	308,310	-	-	-	-	
Five years later		137,833	167,339	203,399	240,946	261,372	-	-	-	-	-	
Six Years Later		133,294	166,740	198,694	237,985	-	-	-	-	-	-	
Seven Years Later		132,141	163,273	198,005	-	-	-	-	-	-	-	
Eight Years Later		130,842	164,225	-	-	-	-	-	-	-	-	
Nine Years Later		129,684	-	-	-	-	-	-	-	-	-	
Estimate of cumulative claims		129,684	164,225	198,005	237,985	261,372	308,310	276,679	260,351	208,429	235,042	
Cumulative payments		(127,204)	(156,015)	(187,777)	(220,383)	(230,628)	(259,528)	(209,816)	(162,328)	(111,642)	(75,117)	
Claims outstanding at 31 December 2012	6,394	2,480	8,210	10,228	17,602	30,744	48,782	66,863	98,023	96,787	159,925	546,038
Claims outstanding at 31 December 2011	9,498	4,773	9,734	14,147	26,176	48,881	75,791	89,877	116,952	157,215	-	553,044
Movement in during year	(3,104)	(2,293)	(1,524)	(3,919)	(8,574)	(18,137)	(27,009)	(23,014)	(18,929)	(60,428)	159,925	(7,006)

13. TECHNICAL PROVISIONS (CONTINUED)

Claims Outstanding

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

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

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

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

(c) Reconciliation of claims outstanding

	Gross €000s	Net €000s
Balance at 1 January 2011	**652,081**	576,098
Change in provision for claims	**(51,726)**	(23,054)
Balance at 31 December 2011	**600,355**	553,044
Change in provision for claims	**(19,223)**	(7,006)
Balance at 31 December 2012	**581,132**	546,038

(d) Reconciliation of provision for unearned premium

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

	2012 €000s	2011 €000s
Balance at 1 January	**174,363**	176,479
Net premium written	**296,609**	303,124
Less: net premium earned	**(300,625)**	(300,919)
Changes in provision for unearned premium – reinsurers share	**(103)**	(4,321)
Provision for unearned premium at 31 December	**170,244**	174,363

13. TECHNICAL PROVISIONS (CONTINUED)

(e) Reconciliation of reinsurers share of technical provisions

	Claims Outstanding €000s	UPR €000s
Balance at 1 January 2011	**75,983**	24,707
Change	**(28,672)**	(4,321)
Balance at 31 December 2011	**47,311**	20,386
Change	**(12,217)**	(103)
Balance at 31 December 2012	**35,094**	20,283

14. RISK MANAGEMENT

The Company recognises the critical importance of efficient and effective risk management. Board committees and executive management committees have been established to provide the appropriate governance and risk management structure for the Company. The Board Committees include the Audit Committee and the Risk Committee. The executive management committees include the Pricing Committee, the Reserving Committee, the Investment Committee and the Solvency II Steering Committee, all of which assist the board in the identification and management of exposures and capital.

Risk Appetite

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

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

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

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

Risk is categorised as follows:

- General Insurance Risk
- Operational Risk
- Capital Risk
- Investment Risk
- Liquidity Risk
- Market Risk
- Credit Risk
- Concentration Risk

Notes to the Financial Statements (continued)

14. RISK MANAGEMENT (CONTINUED)

General Insurance Risk

- *Underwriting Risk & Competition*

The Company has developed its insurance underwriting strategy to diversify the type of insurance risks written and within each of the types of risk, to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The principal risks covered include motor, employers' and public liability and property. All risks underwritten are located in the Republic of Ireland, with no significant concentration in any one area.

The Company's underwriting strategy is incorporated in the overall corporate strategy that is approved by the Board of Directors and includes the employment of appropriately qualified underwriting personnel; the targeting of certain types of business; 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 the terms of the Company's reinsurance treaties.

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

- *Reserving*

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 and the final provision is approved by the reserving committee. The provision includes a risk margin to minimise the risk that actual claims exceed the amount provided.

The Company 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 & Loss Account.

- *Reinsurance counterparties*

The Company purchases reinsurance protection to limit its exposure to single claims and the aggregation of claims from catastrophic events. The Company 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 or have appropriate security in place with the Company. The Company has assessed these credit ratings as being satisfactory in diminishing the Company's exposure to the credit risk of its reinsurance receivables.

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 considered elsewhere. Hence, operational risks include for example, information technology, information security, human resources, project management, outsourcing, tax, legal, fraud and compliance risks.

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

14. RISK MANAGEMENT (CONTINUED)

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

Capital Risk

The Company's primary objectives when managing its capital position are:

1) to safeguard its ability to continue as a going concern, so that it can continue to provide long-term growth;

2) to provide an adequate return to the Company's shareholders by pricing its insurance products and services commensurately with the level of risk;

3) the attainment of an efficient cost of capital; and

4) to comply with all regulatory requirements by a significant margin.

In order to obtain or maintain an optimal capital structure the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, assume debt, or sell assets to reduce debt.

The Company's activities are funded by a mixture of capital sources including issued equity share capital and retained earnings. The Board ensures that the use and allocation of capital are given a primary focus in all significant operational actions. During the year, the Company was in compliance with capital requirements imposed by regulators.

The Company has a range of policies designed to mitigate and manage risks that could have an impact on the Company's capital base, including the Company's investment strategy, reinsurance policy and counterparty credit policy. The Company uses a number of sensitivity based risk analysis tools as part of its decision making and planning process to understand and manage the volatility of earnings and capital requirements more effectively. The Company measures key performance indicators, including compliance with minimum statutory solvency requirements, under a number of economic and operating scenarios so as to identify and quantify risks to which the business and its capital base are exposed.

There were no changes in the Company's approach to capital risk management during the current or prior year under review.

- *Capital modelling and regulation*

The capital requirement of the Company is determined by its exposure to risk and the solvency criteria established by management and statutory regulations. The table below sets out the statutory minimum capital requirement and FBD Insurance Plc's available capital.

	2012 €000	**2011 €000**
Statutory minimum capital requirement	**60,410**	61,021
Actual capital available to cover the solvency requirement	**220,821**	198,909
Excess Solvency Cover	**366%**	326%
Net Earned Premium	**300,625**	300,919
Solvency margin	**73.5%**	66.1%

The Company has also calculated its Solvency II capital requirement, based upon the most up to date EIOPA guidance. At 31 December 2012, the Company had solvency II cover of 31% (2011: 28%) in excess of its Solvency Capital Requirement (SCR).

Notes to the Financial Statements (continued)

14. RISK MANAGEMENT (CONTINUED)

Investment Risk

The investment policy is designed to maximise returns within the overall risk appetite of the Company. The overriding philosophy with the Company's assets is not to lose money or to put at risk the Company's capacity to underwrite. Technical funds, the investments held for the payment of future claims, are primarily invested in government bonds, corporate bonds and cash. The high quality and short duration of these funds allows the Company to meet its aim of paying valid claims quickly. These funds are maintained in the currency of the insurance policy to reduce foreign exchange risk.

A proportion of the Company's assets are allocated to riskier assets, principally equities. Here, it is the Company's philosophy to take a long-term view in search of acceptable risk adjusted returns. The proportion of the Company's funds invested in risk assets will depend on the outlook for investment and underwriting markets.

Liquidity Risk

Liquidity risk is the risk of being unable to meet liabilities to customers or other creditors as they fall due, or the risk of incurring excessive costs in selling assets or having to raise finance in a very short period. The majority of the Company's cash inflows and outflows are routine and can be forecast well in advance. The primary source of inflows is insurance premiums and investment income whilst outflows are to policyholders for claims made and expenses. Free cash is invested according to the Company's investment policy and cash requirements can normally be met through regular income streams (i.e. premiums or investment income), existing cash balances or realising investments that have reached maturity. The Company's liquidity risk arises from large, unplanned cash demands and the principal source of risk is a major catastrophe resulting in a high value of claims. This could be exacerbated if the Company had to fund claims pending recovery from a reinsurance partner. To mitigate this risk, a sufficient level of investments are held in liquid assets. Using these measures, the Company believes the likelihood of being unable to meet its liabilities, or of incurring excessive costs in doing so, to be extremely remote.

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 **31 December 2012**	**Total** **€000s**	**Within 1 year** **€000s**	**Within 2-5 years** **€000s**	**After 5 years** **€000s**
Quoted debt securities at market value	257,247	169,812	82,188	5,247
Unquoted debt securities at market value	3,809	-	3,809	-
Quoted Shares at market value	60,282	60,282	-	-
Unquoted shares	2,379	2,379	-	-
Deposits with Banks	498,576	498,576	-	-
Other Loans	813	-	813	-
Reinsurers share of technical provisions	55,377	26,711	25,607	3,059
Debtors arising out of direct insurance operations	44,949	44,949	-	-
Other debtors	6,110	6,110	-	-
	929,542	808,819	112,417	8,306

14. RISK MANAGEMENT (CONTINUED)

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 31 December 2012	Total €000s	Within 1 year €000s	Within 2-5 years €000s	After 5 years €000s
Technical Provisions	751,375	235,519	424,157	91,699
Other Liabilities	39,067	39,067	-	-
	790,442	274,586	424,157	91,699

Assets 31 December 2011	Total €000s	Within 1 year €000s	Within 2-5 years €000s	After 5 years €000s
Quoted debt securities at amortised cost	405,848	374,449	31,399	-
Quoted debt securities at market value	3,809	-	3,809	-
Quoted Shares at market value	30,250	30,250	-	-
Unquoted investments	3,379	3,379	-	-
Deposits with Banks	319,699	319,699	-	-
Other Loans	22,835	-	22,835	-
Investment in subsidiaries	16,239	16,239	-	-
Reinsurers share of technical provisions	67,697	42,383	22,921	2,393
Debtors arising out of direct insurance operations	40,951	40,951	-	-
Other debtors	5,838	5,838	-	-
	916,545	833,188	80,964	2,393

Liabilities 31 December 2011	Total €000s	Within 1 year €000s	Within 2-5 years €000s	After 5 years €000s
Technical Provisions	774,718	299,454	385,037	90,227
Other Liabilities	29,503	29,503	-	-
	804,221	328,957	385,037	90,227

Market risk

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

14. RISK MANAGEMENT (CONTINUED)

Interest rate risk

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

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 Committee places limits on the type of shares held, liquidity of shares, size of share-holding and exposure to any one sector. In addition local asset admissibility solvency regulations require the Company to hold a diversified portfolio of assets thereby reducing exposure to individual sectors.

Foreign currency risk

The Company holds investment assets and equities in foreign currencies hence exposure to exchange rate fluctuations arise. The Company is primarily exposed to Sterling. Derivative instruments are used for the purposes of protecting the Euro value of assets denominated in non Euro currencies in circumstances where the cost of the hedge is deemed commercial having regard to the potential foreign currency risk. None were used in 2012.

The Company did not hold any derivative instruments at 31 December 2012 or 31 December 2011. The carrying amount of the Company's foreign currency denominated monetary assets and liabilities at the reporting date is as follows:

Assets	2012 €000s	2011 €000s
GBP – equities	**11,195**	4,511
US$ - equities	**7,197**	2,063
Swiss Franc - equities	**610**	433
Total assets	**19,002**	7,007
Liabilities	**-**	-

Credit risk

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

Financial assets are graded according to current credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets that fall outside this range are classified as speculative grade. All of the Company's bank deposits are with either A rated or higher financial institutions or banks covered by a government guarantee.

The Company's quoted debt securities at market value have the following characteristics:

	Market Value €'000	Rating	Duration (Years)
German government bonds	31,899	AAA	2.25
Irish government T-bills	78,867	BBB+	0.50
Listed Corporate bonds	146,481	A	1.25

14. RISK MANAGEMENT (CONTINUED)

Given the ratings and durations of its quoted debt securities portfolio, the Company deems any credit risk to be acceptable.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

Concentration risk

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

- The German government bonds carry an AAA rating. Given the rating, the Company deems any concentration risk to be acceptable.
- The Irish Government T-bills carry a credit rating of BBB+ and have a duration of less than six months. Given the short duration of these bonds, the Company deems any concentration risk to be acceptable.
- The listed corporate bonds carry an average credit rating of A, with no more than 15% of the bond fund being invested in bonds with a rating of BBB+ (the lowest rating allowed within the fund). No more than 2% of the corporate bond fund is invested in any one holding. The average duration of the fund is 1.25 years. Given the ratings, spread of investments and duration of the listed corporate bonds, the Company deems any concentration risk to be acceptable.
- All deposits are held in banks which have a credit rating of A- or better or are covered by a government guarantee. Investments made with any one institution made by way of deposits, corporate bonds or equity investments can not exceed €55m. Given the rating and the spread of deposits across a range of banks operating in different jurisdictions, the Company deems any concentration risk to be acceptable.
- All of the underwriting business is conducted in Ireland over a wide geographical spread with no concentration in any county or region.

The Company has set counterparty limits, which amounted to €55m at 31 December 2012, whereby the exposure to a single counterparty by way of deposits, corporate bonds or equities can not exceed this amount.

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

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

15. DEFERRED TAX

	Impairment losses on investments €'000	Other timing differences €'000	Unutilised losses €'000	Total €'000
Balance as at 1 Jan 2011	5,725	(495)	1,137	6,367
(Charged)/credited to the profit & loss account in 2011	(785)	174	(1,137)	(1,748)
Balance as at 31 Dec 2011	4,940	(321)	-	4,619
(Charged)/credited to the profit & loss account in 2012	(4,856)	299	-	(4,557)
Balance as at 31 Dec 2012	**84**	**(22)**	**-**	**62**

Notes to the Financial Statements (continued)

16. OTHER CREDITORS INCLUDING TAX AND SOCIAL SECURITY

	2012 €000s	2011 €000s
Amounts falling due within one year:		
Creditors and accruals	**17,567**	12,993
PAYE/PRSI	**1,785**	1,930
	19,352	14,293

17. CASHFLOW ANALYSIS

(a) RECONCILIATION OF PROFIT ON ORDINARY ACTIVITIES BEFORE TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2012 €000s	2011 €000s
Profit on ordinary activities before tax	**60,162**	47,410
Unrealised (gains)/losses	**(4,576)**	2,457
Technical provisions	**(11,023)**	(20,850)
Other debtors and creditors	**2,711**	(8,262)
Depreciation	**6,878**	6,337
Loss on sale of land and property	**74**	-
Profit on disposal of fixed assets	**(2)**	-
Share based payments	**835**	500
	55,059	27,592

(b) MOVEMENT IN OPENING AND CLOSING PORTFOLIO INVESTMENTS NET OF FINANCE

	2012 €000s	2011 €000s
Movement arising from cash flows	**15,814**	10,462
Increase/(decrease) in market value	**4,503**	(2,457)
Total movement in portfolio investments net of financing	**20,317**	8,005
Portfolio investments net of financing at 1 January	**819,257**	811,252
Portfolio investments net of financing at 31 December	**839,574**	819,257

17. (c) ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2012 €000s	2011 €000s
Portfolio investments		
Investment in subsidiary undertakings	**16,239**	20,329
Purchase of quoted shares	**(49,079)**	(32,995)
Sale of quoted shares	**23,627**	12,188
Purchase of quoted debt securities at amortised cost	**-**	(69,967)
Sale of quoted debt securities held at amortised cost	**374,000**	160,000
Purchase of quoted debt securities at market value	**(327,190)**	-
Sale of quoted debt securities at market value	**100,703**	-
Increase in deposits with banks	**(178,877)**	(98,837)
Increase/(decrease) in bank overdraft	**1,488**	(1,064)
Increase/(decrease) in loans and advances	**26,421**	(116)
Increase in land and property	**(3,146)**	-
	(15,814)	(10,462)

(d) MOVEMENT IN CASH, PORTFOLIO INVESTMENTS AND FINANCING

	1/1/12 €000s	Less cashflow €000s	Change in classificaton €000s	Changes to market values €000s	31/12/12 €000s
Amounts due by and investment in subsidiary undertakings	16,239	(16,239)	-	-	**-**
Quoted shares	30,250	25,452	-	4,580	**60,282**
Quoted debt securities at amortised cost	405,848	(374,000)	(30,850)	(998)	**-**
Quoted debt securities at market value	-	226,487	30,850	(90)	**257,247**
Unquoted debt securities at market value	3,809	-	-	-	**3,809**
Unquoted shares	3,379	-	-	(1,000)	**2,379**
Deposits with banks	319,699	178,877	-	-	**498,576**
Bank overdraft	(8,760)	(1,488)	-	-	**(10,248)**
Other loans	22,835	(26,421)	-	4,399	**813**
Land and buildings	25,958	3,146	-	(2,388)	**26,716**
	819,257	15,814	-	4,503	**839,574**

Notes to the Financial Statements (continued)

18. PENSIONS

Certain employees of the Company are members of a defined benefit pension scheme and a defined contribution pension scheme operated by the Company's parent, FBD Holdings plc. In addition the Company operates a defined contribution scheme. The assets of both schemes are held in separate trustee administered funds.

The total defined benefit pension cost for the company was **€4,718,000** (2011: €5,145,000). In 2004, the company made a special pension contribution of €15,274,800. This is charged to the Profit & Loss Account over the average expected service lives of the employees in the scheme, being 15 years. The pension charge above includes a charge of **€1,018,000** (2011: €1,018,000) relating to the special pension contribution. The pension cost is assessed in accordance with the advice of a qualified actuary using the attained age method of funding. The latest actuarial assessments of the schemes were carried out as at 30 June 2010. The principal assumption used in the actuarial valuations was that the difference between the investment return and pensionable remuneration increases would average 2%.

Contributions made by the Company to the defined contribution pension scheme amounted to **€845,000** (2011: €792,000).

Contributions made by the Company to the 'Increased Pension Scheme' amounted to **€439,000** (2011: €471,000).

Certain employees are members of a defined benefit pension scheme operated by the Company's parent, FBD Holdings plc. The assets and liabilities of the scheme attributable to the members from this Company are not separately identifiable and therefore the scheme meets the definition of a multi-employer scheme under FRS 17 – Retirement Benefits. The Company has availed of disclosure exemptions applicable to multi-employer schemes under FRS 17. Based on the latest actuarial valuation advised by the scheme's trustees the pension scheme is in deficit, however, it does meet the minimum funding standard of the Pension Board. The total net deficit on the FBD Holdings Plc defined benefit pension scheme amounted to **€30,766,000** (2011: €21,692,000) at the reporting date.

19. SHARE BASED PAYMENTS

FBD Holdings Plc Executive Share Option Scheme

The Company's parent, FBD Holdings plc operates an equity settled executive share option scheme, the FBD Holdings plc Executive Share Option Scheme ("ESOS"), under which options to purchase Ordinary Shares of €0.60 each ("Ordinary Shares") in FBD Holdings plc are granted to certain executive directors and senior management. Under the terms of the ESOS, the options are exercisable at the market price prevailing at the date of the grant of the option (the "option price"). Under the terms of an amendment to the ESOS approved by FBD Holdings plc's shareholders in April 2006, the option price may be reduced by the amount of any special dividends paid to shareholders. Options were granted under the ESOS in September 1989, September 1995, May 2000, October 2003 and August 2009. The exercise of options granted since 18 April 2000 is conditional on growth in earnings per share of at least 2% per annum, compound, over the increase in the consumer price index over not less than three years from the date of grant. The fair value of the most recent grant of options under the ESOS in August 2009 was €1.62.

The following options were outstanding under the ESOS at 31 December 2012:

October 2003 Grant:

113,825 options granted in October 2003 were outstanding under the ESOS at 31 December 2012 (2011: 197,325). These options can be exercised at any time up to October 2013 and have an option price of €2.50 (2011: €2.50).

The fair value of the options granted under the ESOS in October 2003 was €12.03 calculated using the assumptions listed below.

August 2009 Grant:

613,000 (2011: 678,000) options granted on 26 August 2009 were outstanding under the ESOS at 31 December 2012. The vesting period is three years from date of grant and can be exercised at anytime between 26 August 2012 and 5 September 2014, and have an option price of €7.45.

The fair value of the options granted under the ESOS in August 2009 was €1.62 calculated using the assumptions on page 49.

19. SHARE BASED PAYMENTS (CONTINUED)

FBD Group Performance Share Plan

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

A conditional award was made in November 2011 over 252,077 ordinary shares to employees of the Company. The fair value of this award has been independently calculated at €6.18 per share using the assumptions detailed below in a Monte Carlo simulation model.

Fair value calculations

The fair values of the options and conditional share awards noted above have been calculated using the assumptions listed below.

	ESOS Grant October 2003	ESOS Grant August 2009	LTIP Award August 2008	LTIP Award November 2011
Share price at grant	€10.59	€7.45	€12.90	€6.55
Initial option/award price	€10.59	€7.45	€12.90	€6.55
Expected volatility	20%	35%	35%	30%
Expected life in years	3	3	2.58	2.37
Risk free interest rate	2.98%	2.5%	4.0%	1.2%
Dividend yield %	2%	4.5%	n/a	n/a
Fair Value	€12.03	€1.62	€6.04	6.18

Accounting charge for share based payments

Grant Date	Vesting Period (years)	Number of Options Granted	Number outstanding at 31 December 2012	Grant Price	Market Value at Grant Date	Fair Value at Grant Date	2012	2011
				€	€	€	**€'000**	€'000
27.08.08 LTIP	2.58	98,149	-	-	12.90	6.04	**-**	55
26.08.09 ESOS	3.00	695,500	613,000	7.45	7.40	1.62	**245**	376
18.11.11 LTIP	2.37	252,077	252,077	-	6.55	6.18	**590**	69
Total							**835**	500

20. PRINCIPAL SUBSIDIARIES

Subsidiaries	Nature of operations	% owned
Property One (U.K.) Limited	Property investment	100%
Property Two (U.K.) Limited	Property investment	100%
Property Three (U.K.) Limited	Property investment	100%
Property Four (U.K.) Limited	Property investment	100%

The registered office of all four companies is FBD House, Bluebell, Dublin 12.

Notes to the Financial Statements (continued)

21. SUBSEQUENT EVENTS

There were no events subsequent to year end requiring disclosure.

22. GROUP MEMBERSHIP

The Company has availed of an exemption as set out in the European Communities (Companies: Group Accounts) Regulations, 1992, not to prepare consolidated financial statements. The smallest and largest group into which these financial statements are consolidated is that of FBD Holdings plc.

The Company has availed of an exemption as set out in FRS 8, not to disclose related party transactions as these are disclosed in full in the consolidated accounts of FBD Holdings Plc.

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the thirty-sixth annual general meeting of the Company will be held in FBD House, Bluebell, Dublin 12, on 14 May 2013, at 4 pm. for the following purposes:

(a) To receive and consider the Directors' Report and financial statements for the year ended 31 December 2012.

(b) To re-elect Directors under Article 14(a);

The following persons are recommended by the board for re-election:
Mr. Michael Berkery
Mr. Vincent Sheridan
Mr. David Martin
Mr. Walter Bogaerts

(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

Conor Gouldson
Secretary

Dated: 31 March 2013

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FBD