FBD Holdings plc
Annual Report 2012

Connecting
With Our Customers

Contents

Our success is built on the strong relationships we have with our customers.

Financial highlights

Continuing Operations

	2012 €000s	Restated 2011 €000s	Restated 2010 €000s	Restated 2009 €000s
Gross premium written	**344,255**	351,111	358,385	357,244
Net premium earned	**300,625**	300,920	299,551	309,032
Operating profit before taxation	**66,006**	60,221	40,107	28,002
Profit for the year	**45,274**	41,618	16,927	643

	2012 Cent	2011 Cent	2010 Cent	2009 Cent
Operating earnings per share	**172**	157	105	72
Basic earnings per share	**134**	124	50	1
Net asset value per share	**721**	630	547	576
Ordinary dividend per share	**42.25**	34.50	31.50	30.00

Calendar:

Preliminary announcement	**4 March 2013**
Annual General Meeting	**15 May 2013**
Final dividend payment date	**22 May 2013**

Chairman's Statement

Michael Berkery CHAIRMAN

I am very pleased to report another excellent year for FBD in 2012 with profit before taxation of €52.9m and significant progress on the implementation of our strategic initiatives. The contraction of the Irish economy and the insurance industry continued but, I am glad to say, as the year progressed we began to see some signs of potential stability emerging. FBD's market share grew again in 2012 as we benefitted from the relative strength of the agricultural sector. We also benefitted from continued development of our multi-channel distribution strategy.

The Group recorded an improved combined operating ratio for the year. One of the contributory factors was the significant improvement in road safety and the decline in road deaths recorded in recent years. Road deaths in 2012 fell to half the 2005 level, the lowest recorded since records began in 1959. Unfortunately, the experience since the start of 2013 has not been so favourable. It is in all our interests that the State's institutions maintain the momentum to ensure that the hard-won progress on road safety is not dissipated.

FBD made significant progress on our strategic initiatives during 2012. The Group now provides insurance protection for more farming customers than at any time in its history. FBD continues to devote considerable resources to ensuring that we understand the on-going insurance needs of our farming customers and providing products that matter to them. The Group has also made progress in developing partnerships with insurance brokers to increase penetration of the business insurance market and with its online offerings to increase share of the urban personal lines market.

The Board is recommending a 29% increase in the 2012 final dividend to 30 cent per share, bringing the full 2012 dividend to 42.25 cent, an increase of 22.5%. This step change recognises the Group's excellent profitability in recent years and its robust capital and solvency position. The increased dividend will move the pay-out ratio towards the Group's target of 40% to 50% and provide a new base for progressive dividend growth in future years. It reflects the Board's confidence that FBD can continue to out-perform our peers.

It is with personal regret that I mention the death of Paddy O'Keeffe, the founding Chairman of FBD, who made an enormous contribution to the Company over the many years of his involvement with the Group. The success of FBD is testament to his energy, wisdom and entrepreneurial vision. Such was his dedication to innovation within agriculture that, in December 2012, a new world-class research facility was unveiled to be built at Teagasc, Moorepark. The "Paddy O'Keeffe Innovation Centre for the advancement of Irish grassland and dairying" is being jointly funded by FBD Trust and will, when complete, stand as a fitting memorial to Paddy.

During the year, Adrian Taheny, the Group's Executive Director of Sales and Marketing, retired from the Group and from the Board for health reasons. He was a key contributor to the development of FBD's successful sales and marketing strategy, including the transformation of direct and online customer services, product distribution and innovative marketing campaigns. His contribution to the Group over an extended period of time has been substantial and we wish him well in his retirement.

Finally, I would like to extend my sincere thanks to the Board, the management team and the staff for their hard work and dedication. Their combined efforts have delivered another excellent performance in difficult market circumstances. Together we will focus on maximising benefits for all stakeholders and I am confident that FBD will continue to outperform its peers in delivering superior returns for shareholders.

Michael Berkery
Chairman

1 March 2013

Review of Operations

Andrew Langford GROUP CHIEF EXECUTIVE

OVERVIEW

FBD delivered another excellent performance in 2012, generating a profit before taxation of €52.9m, an increase of 5.3% from €50.3m in 2011. In a challenging economic climate and against keen competition, the Group again demonstrated its ability to deliver superior returns to shareholders by outperforming peers and expectations. Operating profit in the core underwriting business of €60.4m surpassed even the very strong 2011 performance.

Gross premium written reduced 2% 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 Group 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 89.1% (2011: 91.4%). Significant progress was made in reducing those elements of claims costs within FBD's control, including risk selection, rating and claims management initiatives. The Group 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.

FBD's financial services operations reported an operating profit of €5.6m in challenging market conditions, well ahead of the €4.2m delivered in 2011.

Operating earnings per €0.60 ordinary share ("share") increased by 9.6% to 172 cent. Fully diluted earnings per share at 133 cent increased 8.1% from the 123 cent earned in 2011. The Group further strengthened its capital base and balance sheet with net asset value per share increasing by 14.4% to 721 cent. FBD Insurance had a solvency level of 73.5% of net premium earned at 31 December 2012, up from 66% at 31 December 2011. From this position of strength, the Board has decided to increase the full-year dividend by 22.5% to 42.25 cent (2011: 34.5 cent).

BUSINESS REVIEW

Underwriting

Premium Income

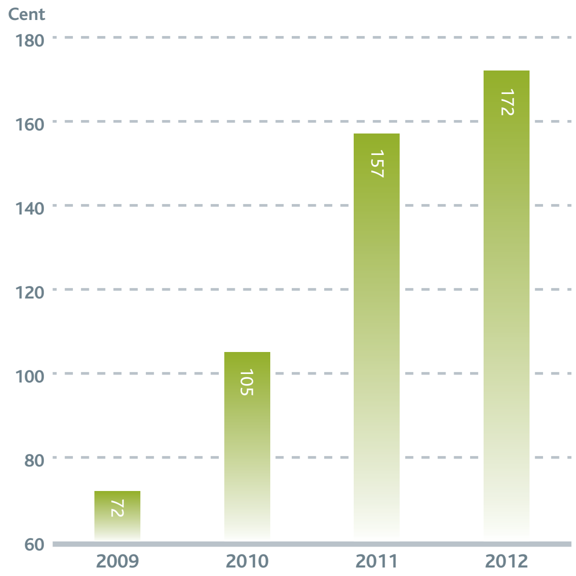
The Irish property and casualty insurance market contracted by 5.5% in 2012 as insurable risk and values continued to decline, in line with economic activity. FBD's gross premium written reduced by 2.0% to €344.3m (2011: €351.1m) thereby increasing FBD's market share from 12.2% to 12.5%.

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 decided 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.

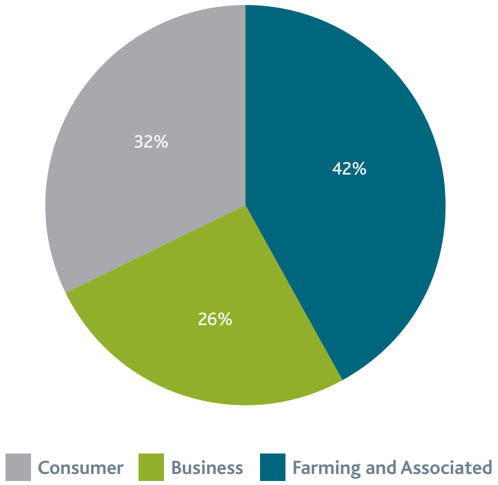
OPERATING EPS



DIVIDEND PER SHARE

Review of Operations (continued)

PREMIUM BY CUSTOMER SEGMENT, 2012



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 Group's online offerings, FBD.ie and No Nonsense, made good progress, increasing share of urban personal lines in 2012 with premium income up 12.6% 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 Group 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 Group's control, including risk selection, rating and technology improvements, 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 the 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 Group's combined operating ratio for 2012 was an excellent

89.1%

WHAT OUR CUSTOMERS SAY

Because FBD have looked after farmers for over 40 years they know exactly how to do business with me.

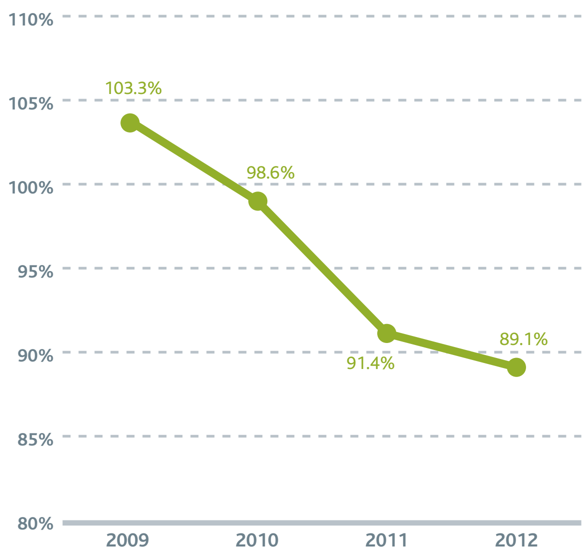
The continued improvement in claims performance is highlighted by the attritional loss ratio, which has improved each year since 2009. It is a measure of the day-to-day or routine loss ratio and is a very positive indicator of improvement in underwriting and claims performance. It improved to 50.7% in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

Expenses

Gross management expenses increased by 1.1% to €81.7m compared to €80.8m in 2011. This arises primarily from the Group's increased investment in marketing, a key factor to enable the Group 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 24.2% to 25.3%.

The Group's combined operating ratio for 2012 was an excellent 89.1% (2011: 91.4%) resulting in an underwriting profit of €32.6m, an improvement on the €25.8m achieved in 2011.

COMBINED OPERATING RATIO



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.

WHAT OUR CUSTOMERS SAY

FBD is local, I can go into the office and talk to them when I want to.

Review of Operations (continued)

The longer-term investment return of €27.8m in 2012 was lower than the €30.3m in 2011 due to the Group'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 Group'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 Group 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.

Financial services

Market conditions for FBD's financial services businesses continue to be challenging. Despite this, the Group's financial services operations generated an operating profit of €5.6m, a significant improvement over the €4.2m generated in 2011.

Financial services includes life, pension and investment broking (FBD Financial Solutions) and premium instalment services, net of holding company costs. FBD Financial Solutions increased profitability by focussing on customer service, best quality advice and new investment products, designed specifically for its customers, such as "Agri Bond". In addition, an increasing proportion of insurance customers availed of premium instalment facilities.

Profit before taxation

Group operating profit before taxation increased 9.6% to €66.0m. The benefit of the excellent operating performance was somewhat offset by €2.8m of negative short-term investment fluctuations and €1.0m of property impairment.

During 2012, the Group sold its reinsurance captive, Abbey Re, whose only activity was participation in the Group's reinsurance programme. The sale has no material effect on the on-going operations or profitability of the Group and a profit on the sale of €4.1m has been recognised in the Consolidated Income Statement.

The trading performance of the property and leisure joint venture improved compared to 2011, driven by growth in occupancy and rates, particularly in the Irish market which delivered double digit growth in revenue per room. Sales of units in La Cala continue to be strong with twenty four units sold during the year bringing the remaining units at the year end to nine. The joint venture generated cash flow from operations of €11.8m in 2012, refinanced its debt facility and reduced its bank debt by 25%. The Group's share of the joint venture's results was a loss of €1.7m (2011: €0.5m) as the positive trading performance was offset somewhat by a reduction in Spanish property values.

The Consolidated Income Statement also includes the €2.6m cost of writing off the Group's legacy investment in a stockbroking firm, a provision of €3.0m for future onerous lease costs and a restructuring charge of €2.1m.

Profit before taxation amounted to €52.9m (2011: €50.3m) and, including the gain on discontinued operations, total profit before taxation amounted to €56.7m (2011: €59.7m). After a taxation charge of €7.6m (2011: €8.7m), the profit after taxation was €49.0m (2011: €51.0m).

Earnings per share

Operating earnings per share based on longer-term investment return amounted to 172 cent compared to 157 cent the previous year. Fully diluted earnings per share amounted to 133 cent (2011: 123 cent).

Return on equity in 2012 was 21.7% (2011: 26.0%). On the basis of continuing operating earnings, return on equity amounted to 25.6%.

DIVIDENDS

The Board believes that it is in the long-term interest of all stakeholders to maintain strong solvency and liquidity margins and it is determined to ensure that the Group's capital position continues to be robust and its financial position well managed. The Group is committed to a progressive dividend policy and efficient management of capital. The Board is satisfied that it is appropriate to increase the level of dividend significantly in 2012 to reflect the excellent profit performance, the robust financial position and the Board's desire to move towards its target of a 40% to 50% operating pay-out ratio.

The Board is recommending a final dividend payment of 30 cent per share (2011: 23.25 cent), an increase of 29%, bringing the full 2012 dividend to 42.25 cent (2011: 34.5 cent), an increase of 22.5%. This represents a dividend payout ratio of 24.6% (2011: 22.0%) based on operating earnings and 31.8% (2011: 28%) based on fully diluted earnings per share. This increase in dividend will help the Group move towards its desired pay-out ratio while maintaining a high dividend cover and providing the potential for a progressive dividend in future years. The Board intends to increase the 2013 interim dividend by a similar percentage.

Subject to the approval of shareholders at the Annual General Meeting to be held on 15 May 2013, the final dividend for 2012 will be paid on 22 May 2013 to the holders of shares on the register on 15 March 2013.

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

Review of Operations (continued)

STATEMENT OF FINANCIAL POSITION

The Group's financial position further strengthened in 2012. Ordinary shareholders' funds grew to €241.3m (2011: €209.9m) and net assets per share increased 14.4% to 721 cent (2011: 630 cent). The primary items explaining the increase in shareholders' funds were profit after taxation of €49.0m, less an increase in provision for retirement benefit obligations of €8.2m and dividends of €12.1m. Excluding the retirement benefit obligation liability, net asset value per share increased to 802 cent (2011: 687 cent).

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

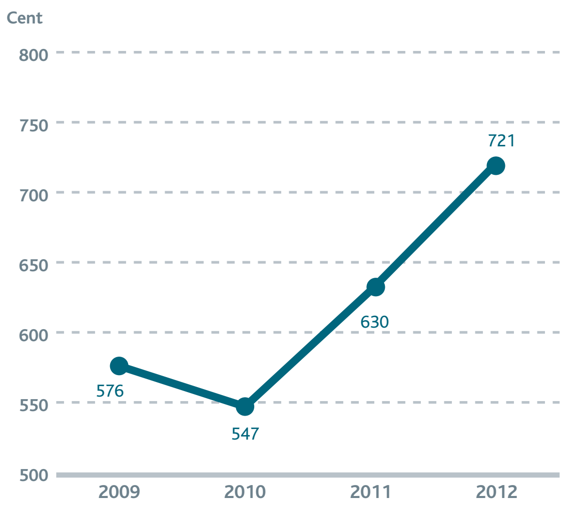


Table 1 – Underwriting Asset Allocation

	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	110	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	848	100%	827	100%
Trade, other debtors and DAC	94		93	
Reinsurers' share of technical provisions	55		64	
Plant and equipment	19		16	
Total underwriting assets	1,016		1,000	

The Group 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 Group 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 Group'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 Group in 2006 and 2007 reached their maturity dates. Given the current low yield on bonds and the sovereign bond market dislocation, the Group did not reinvest in longer-dated sovereign bonds. As a result, FBD holds nearly €500m 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 €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.

In common with most companies that have legacy defined benefit pension schemes, FBD's obligation for retirement benefits increased during 2012 because of a reduction in the discount rate applied in calculating the International Accounting Standard 19 pension liability. The corporate bond yields used to determine the discount rate fell to historic lows during 2012 and was the primary

WHAT OUR CUSTOMERS SAY

I spoke with an excellent FBD representative who gave me a detailed account of my insurance.

Review of Operations (continued)

factor leading to the increase in pension scheme liabilities from €21.7m to €30.8m.

FBD Group has a strong capital base and balance sheet providing capacity for further growth. FBD Insurance had 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 €41m in 2012. The Group 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, FBD Insurance is preparing for the introduction of the new Solvency II regulations which are 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.

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 Group 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 Group 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 Group'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 Group 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 Group has the ambition, capability and capital strength to take advantage of appropriate market opportunities that provide profitable growth.

During 2012, the Group 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 Group'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 Group 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.

FBD Group has a strong financial position, a low-risk investment allocation and a prudent reserving strategy. The Group 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 to shareholders.

Andrew Langford
Group Chief Executive

1 March 2013

Directors and Other Information

Directors
Michael Berkery *(Chairman)*

Executive Directors
Andrew Langford *(Group Chief Executive)*
Cathal O'Caoimh

Non-Executive Directors
John Bryan
Sean Dorgan
Brid Horan
Dermot Mulvihill
Vincent Sheridan *(Senior Independent Director)*
Johan Thijs
Padraig Walshe

Company Secretary
Conor Gouldson

Registered Office
FBD House
Bluebell
Dublin 12
Ireland

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

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

Bankers
Allied Irish Banks plc
Bank of Ireland
Barclays Bank plc
Credit Agricole Corporate & Investment Bank
Danske Bank
Deutsche Bank AG
KBC Bank N.V.
Lloyds TSB Bank plc
Permanent TSB plc
Rabobank International
Ulster Bank Limited

Stockbrokers
Goodbody Stockbrokers
Ballsbridge Park
Ballsbridge
Dublin 4
Ireland

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

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

Biographies of the Directors

MICHAEL BERKERY, CHAIRMAN

Michael Berkery (aged 64) was elected Chairman of the Company in 1996. He was Chief Executive Officer of the Irish Farmers' Association for 25 years until his retirement in March 2009. He served on the National Economic and Social Council for over 20 years and was a director of the Agricultural Trust (publisher of the Irish Farmers Journal). He is a director of FBD Trust Company Limited and a number of other companies. Mr. Berkery joined the Board in October 1988.

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

JOHN BRYAN, NON-EXECUTIVE DIRECTOR

John Bryan (aged 55) is the 13th President of the Irish Farmers' Association. He is a director of Bord Bia, the Irish Food Board, an organisation which develops international markets for Irish food produce. He is also a director of the Agricultural Trust (publisher of the Irish Farmers Journal), and of Kilkenny Co-Operative Mart Limited. Mr. Bryan joined the Board in June 2010 and was appointed to the Audit Committee in December 2011.

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

SEAN DORGAN, NON-EXECUTIVE DIRECTOR

Sean Dorgan (aged 61) is currently non-executive Chairman of both Ulster Bank Limited and of the Governing Body of Dublin Institute of Technology and is a non-executive Director of Short Brothers plc. He was Chief Executive of IDA Ireland for nine years until his retirement at the end of 2007. Prior to joining IDA he was Secretary General of the Departments of Industry and Commerce and of Tourism and Trade and was Chief Executive of The Institute of Chartered Accountants in Ireland. Mr. Dorgan joined the Board, and the Audit Committee, in January 2008. He was appointed as Chairman of the Remuneration Committee in December 2011.

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

BRID HORAN, NON-EXECUTIVE DIRECTOR

Brid Horan (aged 59) is currently an Executive Director in ESB, Ireland's largest electricity utility, with responsibility for ESB's supply business, Electric Ireland, and ESB's internal business services. She joined ESB in 1997 as Group Pensions Manager having previously headed KPMG Pension and Actuarial Consulting. Ms. Horan served on the Board and Remuneration Committee of IDA Ireland between 1996 and 2006 and on the National Pensions Reserve Fund Commission from its establishment in 2001 up to 2009. Ms. Horan joined the Board, the Remuneration Committee and the Nomination Committee in December 2011.

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

ANDREW LANGFORD, GROUP CHIEF EXECUTIVE

Andrew Langford (aged 43) joined FBD Holdings plc as Group Financial Accountant in 1996. In July 2003, he was appointed Executive Director – Finance of FBD Insurance plc. In December 2004, he was appointed to the Board of FBD Holdings plc as Executive Director – Finance. In May 2008, he was appointed Group Chief Executive. Prior to working in FBD, he worked in Deloitte & Touche where he qualified as a Chartered Accountant. He was appointed to the Nomination Committee in June 2010.

DERMOT MULVIHILL, NON-EXECUTIVE DIRECTOR

Dermot Mulvihill (aged 63) is a Chartered Accountant and was Group Finance Director of Kingspan Group plc for 26 years up until his retirement in May 2011. Mr. Mulvihill joined the Board and the Audit Committee in August 2011 and was appointed to the Nomination Committee in December 2011.

Mr. Mulvihill brings to the Board and to the Audit and Nomination Committees his considerable strategic and commercial acumen together with his experience of corporate finance, accounting, auditing, corporate governance and executive reward and succession issues.

CATHAL O'CAOIMH, GROUP FINANCE DIRECTOR

Cathal O'Caoimh (aged 55) joined the Group in October 2008 and was appointed to the Board as Group Finance Director. A Chartered Accountant, he joined FBD from Horizon Technology Group plc where he 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.

VINCENT SHERIDAN, NON-EXECUTIVE DIRECTOR, SENIOR INDEPENDENT DIRECTOR

Vincent Sheridan (aged 64) 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 on the Board of Beazley plc, Canada Life, Mercer Ireland and a number of other companies. Mr. Sheridan joined the Board, and the Audit Committee in August 2004, and was appointed to the Remuneration Committee in December 2011.

Mr. Sheridan brings to the Board and its Committees his extensive experience at a leadership level in the insurance industry, his experience as a non-executive Director together with his knowledge of corporate governance, compliance, HR and executive reward. Mr. Sheridan is the Audit Committee's financial expert.

JOHAN THIJS, NON-EXECUTIVE DIRECTOR

Johan Thijs (aged 47) is a member of the executive Committee of KBC Group, KBC Bank and KBC Insurance and is Chief Executive Officer, KBC Group. He obtained a Master of Science (Applied Mathematics) degree and qualified as an Actuary at KU Leuven. He joined KBC Insurance in 1998 and held a number of executive positions prior to his appointment to his current role. Mr. Thijs joined the Board in 2004.

Mr. Thijs brings to the Board his experience at executive level in a substantial general insurance business and his detailed appreciation of the core factors which influence the success and failure of such businesses.

PADRAIG WALSHE, NON-EXECUTIVE DIRECTOR

Padraig Walshe (aged 55) is Chairman of Farmer Business Developments plc, the Company's largest shareholder. He is a past President of COPA, the European Farmers' Organisation and of the Irish Farmers' Association. Mr. Walshe previously served on the Board of FBD between 2006 and 2010, and rejoined the Board in December 2011.

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

Connecting with the Community

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1 In April 2012, we announced a three year deal with Cycling Ireland's Talent Team 2020, the high performance squad, aimed at preparing Irish youth cyclists to be genuine medal contenders in the 2020 Olympic Games.

2 FBD's National Sales Manager, Christy Doherty, congratulates Dermot O'Connor, the 2012 winner of the FBD Young Farmer of the Year, along with IFA Deputy President, Eddie Downey.

3 Michael Colivet, FBD, congratulates Business of the Year winner, Honor Byrne of the Cliff House Hotel, at the FBD Dungarvan & West Waterford Chamber Awards.

4 Tommy Kelly, FBD Athenry Branch Manager, at the launch of the FBD Connacht League.

5 FBD Galway Branch Manager, Richard Geraghty, presents first prize of the FBD All-Ireland Forecast Competition 2012 to Annemarie Shalloo.

6 The new look FBD Dome at the National Ploughing Championships 2012.

7 Dublin players line up to launch FBD's sponsorship of the FBD All-Ireland Football 7s played at Kilmacud.

8 James McGee, Ireland's young tennis hopeful, at the announcement of the FBD Men's Irish Open Tennis Championships 2012 at Fitzwilliam Lawn Tennis Club.

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For over 40 years, FBD has been focused on the sustainability and development of the local community

Report of the Directors

The Directors present their report and the audited Financial Statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The review of the performance of the Group including an analysis of financial information and the outlook for its future development is contained in the Chairman's Statement on pages 2 and 3 and in the Group Chief Executive's Review of Operations on pages 4 to 12. Information in respect of the significant events since the year end and a review of the key performance indicators are also included in these sections. The key performance indicators include gross premium written, operating earnings and net asset value per share.

RESULTS AND DIVIDENDS

The results for the year are shown in the Consolidated Income Statement on page 39. The Directors propose the payment of a final dividend for the year on the €0.60 ordinary shares of 30.0 cent (2011: 23.25 cent). During the year an interim dividend of 12.25 cent was paid (2011: 11.25 cent). The total dividend for the year amounts therefore to 42.25 cent (2011: 34.5 cent). The policy of the Board in relation to dividends is outlined in the Chairman's Statement and the Group Chief Executive's Review of Operations.

RISK AND UNCERTAINTIES

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

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 Group's past development pattern. This includes assumptions in respect of certain historic average claims costs, claims handling costs and claims inflation factors.

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

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

Capital Management Risk

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

Operational Risk

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

Liquidity Risk

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

Market Risk

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

Interest Rate Risk

At any time, the Group has fixed interest quoted debt securities and financial instruments that are exposed to fair value interest rate risk.

Credit Risk

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

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

The Group 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 Consolidated Income Statement.

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, UK and Spain 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 structures.
- The risk that an interruption or failure of information systems may result in a significant loss of business, assets, or competitive position.

All of the foregoing risks are dealt with in further detail in note 44.

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

SUBSIDIARIES

The Company's principal subsidiaries, as at 31 December 2012, are listed on page 105 (note 38).

DIRECTORS

The present Directors of the Company, together with a biography on each, are set out on pages 14 and 15. Mr. Adrian Taheny retired as a Director on 5 November 2012.

The Board has decided that in future all Directors will submit themselves for re-election at each Annual General Meeting.

ANNUAL GENERAL MEETING

The notice of the Annual General Meeting of the Company which will be held at 12.00 noon on 15 May 2013 in the Irish Farm Centre, Old Naas Road, Bluebell, Dublin 12, is set out on pages 123 to 125.

A letter from the Chairman detailing the business to come before the Annual General Meeting is included at pages 121 to 122.

DIRECTORS' AND COMPANY SECRETARY'S INTERESTS

The interests of the Directors and Company Secretary (together with their respective family interests) in the share capital of the Company, at 31 December 2012 and 1 January 2012 were as follows:

	Number of ordinary shares of €0.60 each	
Beneficial	**31 December 2012**	**1 January 2012**
Michael Berkery	**30,000**	30,000
Andrew Langford	**40,000**	28,182
Cathal O'Caoimh	**1,179**	1,179
Vincent Sheridan	**4,150**	4,150
Padraig Walshe	**1,100**	1,100
Conor Gouldson (Company Secretary)	**420**	420

The interests of the Directors and the Company Secretary in share options and conditional awards over the share capital of the Company under the shareholder approved share schemes are detailed in the Report on Directors' Remuneration on pages 30 to 35.

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

For the purposes of Regulation 21 of the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006, the information on the Board of Directors on pages 14 and 15, Share Option Schemes and the Performance Share Plan in note 41 and the Report on Directors' Remuneration on pages 30 to 35 are deemed to be incorporated in this part of the Report of the Directors.

SUBSTANTIAL SHAREHOLDINGS

As at 1 March 2013 the Company has been notified of the following interests of 3% or more in its share capital:

Ordinary shares of €0.60 each	%
Farmer Business Developments plc	25.48%
FBD Trust Company Limited	8.91%
FMR LLC	4.04%

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

8% Non-cumulative preference shares of €0.60 each	
FBD Trust Company Limited	58.38%
Farmer Business Developments plc	41.62%

SHARE CAPITAL

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

Voting shares	Number in issue	% of Total
Ordinary shares of €0.60 each	33,443,894*	87.3
14% Non-cumulative preference shares of €0.60 each	1,340,000	3.5
8% Non-cumulative preference shares of €0.60 each	3,532,292	9.2
	38,316,186	**100.0**

** excluding 2,017,312 shares held in treasury*

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

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

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

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

INDEPENDENT AUDITORS

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

PROPER BOOKS AND RECORDS

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

CORPORATE GOVERNANCE

The Corporate Governance Report on pages 22 to 29 forms part of this report and in this the Board has set out how it has applied the principles set out in the UK Corporate Governance Code, which was adopted by both the Irish Stock Exchange and the UK Listing Authority, and the Irish Corporate Governance Annex.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Chairman's Statement and the Review of Operations, as are the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition, note 44 of the Financial Statements includes the Group's policies and processes for risk management.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. As a result they continue to adopt the going concern basis of accounting in preparing the Financial Statements. In forming this view, the Directors have reviewed the Group's budget for 2013 and forecast 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 Group's corporate strategy.

APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements were approved by the Board on 1 March 2013.

Signed on behalf of the Board

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

1 March 2013

Corporate Governance Report

The Board acknowledges the importance of good corporate governance and the Group applies the principles and provisions of the 2010 UK Corporate Governance Code ("the Code") as adopted by the Irish Stock Exchange and the UK Financial Services Authority and of the Irish Corporate Governance Annex ("the Annex") issued by the Irish Stock Exchange.

THE BOARD OF DIRECTORS

The primary role of the Board is to provide leadership and strategic direction while maintaining effective control over the activities of the Group. The Board meets on a regular basis 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 Group'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 Group'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 Group 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 eight non-executive Directors, including the Chairman. Six non-executive Directors are considered to meet all of the criteria indicating independence set out in 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. No changes to the Board size or structure are anticipated in the immediate future.

The Board has delegated responsibility for the management of the Group 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 shareholders. If a Director is unable to attend a Board meeting he or she will receive Board papers in advance of the meeting and is given an opportunity to communicate any views on or input into the business to come before the Board in advance.

The Chief Executive is responsible for running the Group's business within the authority limits set out by the Board. He is responsible for proposing and developing the Group'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.

BOARD AND BOARD COMMITTEE COMPOSITION AS AT 31 DECEMBER 2012

			Board Committee Composition		
Name	**Role**	**Considered Independent by Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
M. Berkery	Chairman	No (Chairman)		Member	Chairman
J. Bryan	Non-executive	Yes	Member		
S. Dorgan	Non-executive	Yes	Member	Chairman	
B. Horan	Non-executive	Yes		Member	Member
A. Langford	Chief Executive	No (Executive)			Member
D. Mulvihill	Non-executive	Yes	Member		Member
C. O'Caoimh	Executive	No (Executive)			
V. Sheridan	Non-executive	Yes	Chairman	Member	
J. Thijs	Non-executive	Yes			Member
P. Walshe	Non-executive	No*			

All of the Directors bring independent judgement to bear on all issues coming before the Board including strategy, performance and oversight and the Board believes that each has the necessary strength of character, integrity and experience to ensure that this independence is not impaired. The table above sets out the Board's assessment of whether each Director in office on 31 December 2012 meets all of the criteria indicating independence set out in the Code.* As Mr. Walshe is Chairman of Farmer Business Developments plc, the Group's largest shareholder, he is not considered by the Board to fully meet these criteria.

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 expectations and requirements of the Code. This was undertaken with the support of the Nomination Committee. 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.

Biographies of the Directors in office as at 31 December 2012 are set out on pages 14 to 15 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, general and farming/agri industry experience, corporate finance, corporate governance, regulatory and other compliance, financial accounting and executive reward principles and practice.

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

SENIOR INDEPENDENT DIRECTOR

The Senior Independent Director, Mr. Vincent Sheridan, is available to shareholders who have concerns which cannot be addressed through contact with the Chief Executive or the Chairman or for which such contact is inappropriate. He leads the annual review of the performance of the Chairman.

PERFORMANCE APPRAISAL

The Board conducts an annual evaluation of its own performance, that of each of its principal committees, the Audit, Nomination and Remuneration Committees, and that of individual Directors.

During 2012, the entire performance evaluation process was externally facilitated and conducted by Praesta Ireland (the "Consultants") in accordance with Provision B.6.2 of the UK Corporate Governance Code. The Consultants have not undertaken any other work on behalf of the Group.

The process covered a variety of aspects associated with board effectiveness, including the composition of the Board, the content and running of Board and Committee meetings, corporate governance, risk and crisis management, succession planning and the Directors' continuing education.

Following agreement by the Board of the terms of reference for the review and the process to be utilised, it commenced with a questionnaire being circulated to all Directors directly by the Consultants. The Consultants also separately held in-depth interviews with each Director, in private, with the aim of obtaining and collating Directors' comments in relation to the performance of the Board, its Committees and the Chairman.

The finalised Report was circulated to the Board in December 2012 and the Consultants attended the December meeting of the Board to present their findings directly and to answer any questions which the Directors had.

The main conclusion from the evaluation process was that the Board, its Committees, the Chairman and individual Directors are performing very effectively. While there were suggestions for some improvement it was made clear by the Consultants that, if implemented, these would serve to improve further the performance of a very effective Board. The principal areas identified for some improvement, which were adopted by the Board, included Directors' continuing education, increased focus on succession planning and some changes in information flows and feedback to the Board.

BOARD COMMITTEES

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

- the Audit 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. All of these terms of reference are available on the Group's website www.fbdgroup.com. 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 on page 23. The Board has determined that at least two Committee members have recent and relevant financial experience.

The Group Chief Executive, the Group Finance Director and the Head of Internal Audit 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 also 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 which are publicly available as described above. These terms of reference include all of the provisions listed in Section C.3.2 of the Code.

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 and undertaking its activities to appropriate recognised standards.

The Committee last put the provision of the independent audit services out to tender during 2010 and reported on this process in the 2010 Annual Report. The Committee will keep under review the desirability or necessity for repeating this process.

The Group 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 REMUNERATION COMMITTEE

Membership of the Remuneration Committee is set out on page 23.

The role, responsibilities and powers of the Committee are set out in written terms of reference which are approved by the Board and are available on the Company's website www.fbdgroup.com. Principal amongst its responsibilities is to determine the policy for the remuneration of executive Directors and senior management and the individual remuneration packages of each executive Director, the Company Secretary and other senior managers in the Group. The grant of awards under the FBD Group Performance Share Plan and the setting of the performance conditions and the determination of whether the performance conditions have been met under any of the Group's Share Schemes are further matters reserved to the Committee.

The Remuneration Committee consults with the Group Chief Executive on the remuneration proposals for the other executive Director and for senior management and has access, where it deems it necessary, to obtain external professional advice from compensation and benefit consultants. The Group 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 Committee oversees the preparation of the Report on Directors' Remuneration which is set out on pages 30 to 35. The Board has again resolved on the Committee's recommendation, to present this Report to shareholders at the Annual General Meeting for the purposes of a non-binding advisory vote.

THE NOMINATION COMMITTEE

Membership of the Nomination Committee is set out on page 23.

The role, responsibilities and powers of the Committee are set out in written terms of reference which are approved by the Board and are available on the Company's website www.fbdgroup.com. 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 Group's approved strategy and its business environment.

During 2012, the Committee focussed on the arrangements for succession planning for the Board and Senior Group Management culminating in the refreshment of the succession plan.

During 2011, the Committee availed of the services of an external search consultancy as part of its work to identify potential suitable candidates for appointment to the Board and its committees.

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS DURING 2012

	Board		Audit		Remuneration		Nomination	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Michael Berkery	8	8	-	-	2	2	1	1
John Bryan	8	8	4	4	-	-	-	-
Sean Dorgan	8	8	4	4	2	2	-	-
Brid Horan	8	8	-	-	2	2	1	1
Andrew Langford	8	8	-	-	-	-	1	1
Dermot Mulvihill	8	8	4	4	-	-	1	1
Cathal O'Caoimh	8	8	-	-	-	-	-	-
Vincent Sheridan	8	8	4	4	2	2	-	-
Adrian Taheny	7	4	-	-	-	-	-	-
Johan Thijs	8	4	-	-	-	-	1	-
Padraig Walshe	8	8	-	-	-	-	-	-

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

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

ACCOUNTABILITY AND AUDIT

The Directors are responsible for the preparation of the Financial Statements and a statement detailing the full extent of these responsibilities is set out on page 36.

RELATIONS WITH SHAREHOLDERS

The Board gives high priority to communications with shareholders. Through its Annual Report and regulatory announcements during the year, the Group provides a review of the Group's performance and prospects. The Group's website, www.fbdgroup.com, provides the full text of its Annual and Half Yearly Reports, in addition to the significant regulatory announcements made which include Interim Management Statements.

The Group Chief Executive, Group Finance Director, the Investor Relations Manager and other executives meet with institutional shareholders and analysts throughout the year, principally at the time of the release of the annual and half yearly results. During the year the Board receives reports both from management and from the Company's appointed stockbrokers on the issues raised in the course of such meetings. The Board also regularly reviews analyst research on the Company. Throughout the year the Company responds to letters and e-mail communications received from shareholders. Shareholders have access to the Chairman and, if required, to the Senior Independent Director.

SHAREHOLDERS' GENERAL MEETINGS

The Company holds its Annual General Meeting ("AGM") in Ireland each year. All shareholders are entitled to and encouraged to attend this meeting. At the AGM shareholders can meet with the Chairman, the Directors and senior executives and the chairmen of the Board Committees. Notice of the AGM, together with the Annual Report and Financial Statements, is sent to shareholders at least 20 business days before the meeting. A separate resolution is proposed on each substantially separate issue including a particular resolution relating to the Directors' Report and Financial Statements, the Report on Directors' Remuneration and on the re-election of each of the Directors. Details of the proxy votes cast for and against each resolution together with any votes withheld are announced at the meeting after the result is declared on the show of hands. These details are also notified to the Stock Exchanges and are published on the Group's website, www.fbdgroup.com.

All other general meetings are termed Extraordinary General Meetings ("EGMs"). An EGM called for the passing of a special resolution must be called by at least 21 clear days' notice. Provided shareholders have passed a special resolution at the immediately preceding AGM and the Company continues to allow shareholders to vote by electronic means, an EGM to consider an ordinary resolution may, if the Directors deem it appropriate, be called at 14 clear days' notice. A quorum for a general meeting of the Company is constituted by 3 or more shareholders entitled to vote present in person or by proxy. The passing of resolutions at a general meeting of the Company, other than special resolutions, requires a simple majority. To be passed, a special resolution requires a majority of at least 75% of the votes cast.

All shareholders have the right to attend, speak, ask questions and vote at general meetings. In accordance with Irish company law, the Company specifies record dates for general meetings, by which date shareholders must be registered in the Register of Members of the Company to be entitled to attend. Record dates are specified in the notes to the Notice of a general meeting. Shareholders may exercise their right to vote by appointing a proxy/proxies, by electronic means or in writing, to vote some or all of their shares. The requirements for the receipt of valid proxy forms are set out in the notes to the Notice convening the meeting. A shareholder, or a group of shareholders, holding at least 5% of the issued share capital of the Company, has the right to requisition a general meeting. A shareholder, or a group of shareholders, holding at least 3% of the issued share capital of the Company, has the right to put an item on the agenda of an AGM or to table a draft resolution for inclusion in the agenda of a general meeting, subject to any contrary provision in Irish company law.

MEMORANDUM AND ARTICLES OF ASSOCIATION

The Company's Memorandum and Articles of Association set out the principal objects and the powers of the Company. The Articles of Association detail the rights attaching to the different classes of shares, the method by which the Company's shares can be purchased by the Company and re-issued, the provisions applying to the holding of and voting at general meetings of the Company and the provisions relating to the appointment, removal, remuneration and re-election of Directors together with their duties and powers. The Company's Articles of Association can only be amended by the passing of a Special Resolution by shareholders (requiring a majority of at least 75% of the votes cast) at the annual or an extraordinary general meeting of the Company.

A copy of the Memorandum and Articles of Association can be obtained from the Group website www.fbdgroup.com or on application to the Company Secretary.

GOING CONCERN

The Financial Statements have been prepared on a going concern basis and, as required by the Code, the Directors have satisfied themselves that the Group is a going concern, having adequate resources to continue in operational existence for the foreseeable future. In forming this view, the Directors have reviewed the Group's budget for 2013 and forecast 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 Group's corporate strategy.

INTERNAL CONTROL

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

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

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

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

The Group has a comprehensive system of financial reporting involving budgeting, monthly reporting and variance analysis. The Annual Budget, Half-Yearly Report and Annual Report are reviewed and approved by the Board. Financial results with comparisons against budget are reported to executive Directors on a monthly basis and are reported to the Board at each Board meeting. Forecasts are updated regularly to reflect changes in circumstances.

The Board has reviewed the effectiveness of the Group's system of internal control. This review took account of the principal risks facing the Group, the controls in place to manage those risks and the procedures in place to monitor them.

COMPLIANCE STATEMENT

The Board has carefully considered the matter and reports that FBD has complied, throughout the year ended 31 December 2012, with the provisions set out in the UK Corporate Governance Code and the Irish Stock Exchange Annex.

Report on Directors' Remuneration

ROLE OF REMUNERATION COMMITTEE

Responsibility for determining the levels of remuneration of the executive Directors has been delegated by the Board to the Remuneration Committee whose membership is set out in the Corporate Governance Report on page 23. It is the aim of the Remuneration Committee to ensure that the remuneration policy serves to attract, retain and motivate the executive Directors and other senior members of management and aligns, as closely as possible, their individual interests with those of shareholders.

In setting remuneration levels, the Remuneration Committee attempts to ensure that the remuneration of executive Directors reflects their individual performance and market rates, taking into consideration the remuneration practices of other quoted companies in Ireland together with other relevant unquoted companies. The Committee consults published research in this area from Towers Watson and the Group participates in the Towers Watson Top Executive Reward Survey in Ireland. The Committee also has access to independent professional advisers should it deem it appropriate. No independent professional adviser was consulted during the year under review.

EXECUTIVE DIRECTOR REMUNERATION

The various elements of the remuneration package for executive Directors comprise fixed remuneration and performance related remuneration.

FIXED REMUNERATION

Base salaries and benefits: The salaries of executive Directors are set by the Remuneration Committee and are reviewed annually with effect from 1 January having regard to personal performance, Company performance and competitive market practice. No fees are payable to the executive Directors. The salaries paid to executive Directors have remained at the same level since 2010 following cumulative reductions of up to 23.1% taken in 2009 and 2010 over 2008 salary levels.

In addition to base salaries, the remuneration packages of executive Directors include a motor allowance and a fixed percentage contribution to the healthcare insurance costs of the Director.

Pension benefits: The Group closed its defined benefit pension scheme to new members from September 2005. Mr. Langford and Mr. Taheny became deferred members of this pension scheme with effect from 7 December 2010. With effect from that date they are both provided with a payment directly from the Company on a defined contribution basis in lieu of continued accrual of benefits from the Group's defined benefit pension plan.

Mr. O'Caoimh is a member of the Group's defined contribution pension plan to which contributions are made by the Group at an agreed fixed rate.

PERFORMANCE RELATED REMUNERATION

Annual performance bonuses: Annual performance bonuses are payable to the executive Directors and to other senior Group management in respect of each financial year which are subject to the achievement of clear performance targets. These targets are reviewed and set by the Remuneration Committee annually so as to align, as closely as possible, the interests of the Directors and management with those of shareholders. The performance targets vary by individual and are based on both company performance and individual performance and contribution, but in each case the required contribution by the individual will be targeted towards those initiatives within the individual's control, and or influence, which directly support the Board's strategic goals for the Group.

For 2012 executive Directors could earn between 45% and 70% of their base salary through an annual performance bonus. A significant proportion of this, up to 70%, was contingent on the achievement by the Group of financial targets for gross written premium, combined operating ratio and return on equity and the balance on the achievement of individual agreed priorities targeted towards supporting the Board's approved strategic goals.

Long-term Incentives: The executive Directors and other senior Group management are eligible for participation in the FBD Performance Share Plan ("LTIP"). The LTIP was approved by shareholders in 2007 and was designed to align the interests of the executive Directors and other participants with those of the Group's shareholders over the medium to long-term.

The details of the plan are as follows:

FBD PERFORMANCE SHARE PLAN

The Remuneration Committee undertook a review of long-term incentive arrangements for executive Directors and senior management in 2006 and was advised by independent consultants, Mercer HR Consulting. As a consequence the FBD Performance Share Plan ("LTIP") was drafted and this was approved by shareholders in May 2007.

Under the LTIP, the Remuneration Committee may, at its sole discretion, make conditional awards of shares to executive Directors and senior management. Conditional awards of shares under the LTIP are limited to 10% of the Company's issued ordinary shares of €0.60 each over a 10 year period.

The market value of the shares which are the subject of a conditional award to an individual may not, in any financial year, normally exceed 100% of the participant's base salary as at the date of grant.

The period over which the performance conditions applying to a conditional award under the LTIP are measured may not be less than three years. The extent to which a conditional award may vest in the future will be determined by the Remuneration Committee by reference to the performance conditions set out opposite. These conditions were designed so as to ensure absolute alignment between the interests of the plan participants and those of shareholders. Different conditions, or the same conditions in differing proportions, can be used by the Remuneration Committee for future awards under the LTIP rules, provided that they remain challenging and are aligned with the interests of the Company's shareholders.

The last conditional award made by the Remuneration Committee was in 2011 and the performance conditions attaching to this award are detailed below.

a) TSR performance condition

Up to 50% of the shares subject to an award may vest depending on the Group's Total Shareholder Return ("TSR") over the performance period commencing on 1 January in the year the award is made compared to the TSR of a designated peer group. This peer group comprises the constituent companies of the Irish Stock Exchange ISEQ Overall Index excluding companies in the technology, pharmaceutical and exploration sectors. The extent to which an award vests will be determined according to the following table:

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

b) EPS performance condition

Up to 25% of the shares subject to an award may vest depending on the Group's adjusted operating EPS performance over the performance period. The extent to which an award vests will be determined according to the following table:

Company's annualised adjusted operating EPS growth in excess of annualised CPI increase	Proportion of Award Vesting
Fewer than 3 percentage points	0%
3 percentage points	10%
Between 3 and 5.5 percentage points	Straight line between 10% and 25%
5.5 or more percentage points	25%

c) Combined ratio performance condition

Up to 25% of the shares subject to an award may vest depending on the Group's combined ratio performance over the performance period in comparison to the median combined ratio of other European non-life insurance companies. The extent to which an award vests will be determined according to the following table:

Company's Combined Ratio in comparison with median company	Proportion of Award Vesting
Greater than median company	0%
Equal to median company	10%
Between median company and 4 percentage points below median company	Straight line between 10% and 25%
4 or more percentage points below the median company	25%

Details of the conditional share awards made under the LTIP in 2011 to the executive Directors, and the Company Secretary, are given in the table below.

The number of shares is the maximum possible number which could vest for the individual concerned if *all* of the performance conditions previously described are met.

During 2011 the Remuneration Committee considered the performance conditions attaching to the LTIP award made in 2008 and concluded that the Combined Ratio performance for FBD Insurance plc in 2010 of 98.65%, being 2.08 percentage points below the median combined ratio of other European non-life insurance companies, resulted in 17.8% of the 2008 award vesting for the participants. The peer group comprised the following non-life insurance companies throughout Europe against whom the performance of FBD is benchmarked by the Group's stockbrokers: Omega, Baloise, Allianz, Vienna, Generali, Fondiaria, RSA, Chaucer, Zurich, Hardy, Brit, Mapfre, AXA, Aviva, Trygvesta, Novae, Sampo and Topdanmark.

None of the other performance conditions were met and accordingly the remainder of the 2008 award lapsed.

DIRECTORS' AND COMPANY SECRETARY'S CONDITIONAL LTIP AWARDS

	At 1 January 2012	Granted during year	Vested during year	Lapsed during year	At 31 Dec 2012	Performance Period	Earliest vesting date	Market price on award €
Executive Directors								
Andrew Langford	35,267	-	-	-	35,267	01.01.11 – 31.12.13	Mar 2014	6.20
Cathal O'Caoimh	27,786	-	-	-	27,786	01.01.11 – 31.12.13	Mar 2014	6.20
Company Secretary								
Conor Gouldson	9,343	-	-	-	9,343	01.01.11 – 31.12.13	Mar 2014	6.20

The total number of shares subject to conditional awards outstanding under the LTIP amounts to 0.8% of the Company's ordinary share capital (excluding treasury shares) at 31 December 2012.

THE FBD HOLDINGS PLC EXECUTIVE SHARE OPTION SCHEME ("ESOS")

Executive Directors, the Company Secretary and other senior management participated in the FBD Holdings plc Executive Share Option Scheme which had been approved by shareholders in 1989. The period during which options could be granted under this Scheme expired in September 2009. All outstanding options under the ESOS must be exercised no later than 5 September 2014.

The exercise of options granted under the ESOS since 18 April 2000 is conditional on growth in earnings per share of at least 2% per annum, compound, above the increase in the Consumer Price Index over a period of not less than 3 years from the date of grant. The percentage of share capital which could have been issued under the Scheme complied with the guidelines of the Irish Association of Investment Managers.

DIRECTORS' AND COMPANY SECRETARY'S SHARE OPTIONS

Details of options held by executive Directors and the Company Secretary under the ESOS are given below:

	At 1 January 2012	Exercised during year	Granted during year	At 31 December 2012	Weighted Average Exercise Price €	Normal Exercise Period
Executive Directors						
Andrew Langford	120,000	-	-	120,000	6.21	Oct 2006 – Sept 2014
Cathal O'Caoimh	75,000	-	-	75,000	7.45	Aug 2012 – Sept 2014
Company Secretary						
Conor Gouldson	35,000	-	-	35,000	7.45	Aug 2012 – Sept 2014

NON-EXECUTIVE DIRECTOR REMUNERATION

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

The basic non-executive Director fee amounted to €39,600 per annum in 2012. In 2009 the Board reduced the fees of the Chairman and the non-executive Directors by 15% and 10% respectively over the levels paid in 2008 and the fees have been maintained at this level since.

Report on Directors' Remuneration (continued)

The Chairman received fees of €126,225 during the year (2011: €126,225) inclusive of the basic non-executive fee. The Senior Independent Director received fees of €104,000 during the year (2011: €104,000) inclusive of the basic non-executive Director fee. This reflects his additional responsibilities as Chairman of the Audit Committee and as Chairman of FBD Insurance plc, a role which he took on during 2011.

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

SERVICE CONTRACTS

No service contracts exist for any of the executive Directors which provide for a notice period of more than one year.

EXECUTIVE AND NON-EXECUTIVE DIRECTORS' REMUNERATION DETAILS

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

	Fees [1] €000s	Salary [2] €000s	Performance Bonus [3] €000s	Benefits [5] €000s	Pension Contribution [6] €000s	Other Award [7] €000s	2012 Total €000s
Executive Directors:							
Andrew Langford [4]	-	420	135	34	84	-	673
Cathal O'Caoimh	-	260	88	26	49	-	423
Adrian Taheny [7]	-	271	-	21	54	250	596
Non-executive Directors:							
Michael Berkery (Chairman)	126	-	-	-	-	-	126
John Bryan	40	-	-	-	-	-	40
Sean Dorgan	40	-	-	-	-	-	40
Brid Horan [8]	40	-	-	-	-	-	40
Dermot Mulvihill [9]	40	-	-	-	-	-	40
Vincent Sheridan	104	-	-	-	-	-	104
Johan Thijs	40	-	-	-	-	-	40
Padraig Walshe [10]	40	-	-	-	-	-	40
	470	951	223	81	187	250	2,162

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

	Fees [1] €000s	Salary [2] €000s	Performance Bonus [3] €000s	Benefits [5] €000s	Pension Contribution [6] €000s	2011 Total €000s
Executive Directors:						
Andrew Langford [4]	-	420	130	34	84	668
Cathal O'Caoimh	-	260	117	26	49	452
Adrian Taheny	-	325	75	26	65	491
Non-executive Directors:						
Michael Berkery (Chairman)	126	-	-	-	-	126
John Bryan	40	-	-	-	-	40
John Donnelly [11]	40	-	-	-	-	40
Sean Dorgan	40	-	-	-	-	40
Brid Horan[8]	-	-	-	-	-	-
Philip Lynch	40	-	-	-	-	40
Dermot Mulvihill	13	-	-	-	-	13
Patrick O'Keeffe [11]	40	-	-	-	-	40
Vincent Sheridan	104	-	-	-	-	104
Johan Thijs	40	-	-	-	-	40
Padraig Walshe [10]	-	-	-	-	-	-
	483	1,005	322	86	198	2,094

Notes

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

2 Salaries are paid to executive Directors only.

3 A key factor in the level of performance bonus awarded to the executive Directors for 2011 was the successful completion of two strategic initiatives during the year, the establishment of a joint venture and the sale of a subsidiary.

4 Mr. Langford's bonus for both 2012 and 2011 is shown net of a voluntary waiver by him of €83,000 and €85,000 respectively of the bonus awarded to him, which was properly calculated in accordance with the annual performance bonus arrangements described earlier.

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

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

7 Mr. Adrian Taheny retired on 5 November 2012 for health reasons. An award of €250,000 was approved by the Remuneration Committee in recognition of his very substantial contribution to the Group over many years.

8 Ms. Brid Horan was co-opted onto the Board on 23 December 2011.

9 Mr. Dermot Mulvihill was co-opted onto the Board on 29 August 2011.

10 Mr. Padraig Walshe was co-opted onto the Board on 23 December 2011.

11 Mr. John Donnelly and Dr. Patrick O'Keeffe retired from the Board on 29 August 2011 and in recognition of their substantial contribution over many years, the Board resolved to pay both a full year's basic non-executive Directors fees for the year 2011.

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under such law, the Directors have prepared the Company and Group Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU ("IFRSs") and in accordance with the provisions of the Companies Acts, 1963 to 2012.

The Company and Group Financial Statements are required by law and IFRSs to present fairly the financial position and performance of the Company and the Group. The Companies Acts, 1963 to 2012 provide in relation to such Financial Statements that references in the relevant part of that Act to Financial Statements giving a true and fair view are references to their achieving a fair presentation.

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

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

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements are free from material misstatement or error and comply with the Companies Acts, 1963 to 2012. The Directors are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

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

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

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

- the Financial Statements, prepared in accordance with IFRSs, give a true and fair view of the assets, liabilities and financial position for the Group as at 31 December 2012 and of the result for the year then ended; and
- the Report of the Directors, the Chairman's Statement and the Review of Operations include a fair review of the development and performance of the Group's business and the state of affairs of the Group at 31 December 2012, together with a description of the principal risks and uncertainties facing the Group.

On behalf of the Board

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

1 March 2013

Independent Auditor's Report

TO THE MEMBERS OF FBD HOLDINGS PLC

We have audited the Financial Statements of FBD Holdings plc for the year ended 31 December 2012 which comprise the Group Financial Statements: (the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Pro-forma Reconciliation of Consolidated Operating Profit to Profit after Taxation, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity), the Parent Company Financial Statements: (the Company Statement of Financial Position, the Company Statement of Cash Flows and the Company Statement of Changes in Equity) and the related notes 1 to 44. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and the financial reporting framework that has been applied in the preparation of the Parent Company Financial Statements is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

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 Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Reports and Financial Statements 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 Group Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2012 and of its profit for the year then ended;
- the Parent Company Financial Statements give a true and fair view, in accordance with IFRSs, as adopted by the European Union, as applied in accordance with the provisions of the Companies Acts 1963 to 2012, of the state of the Parent Company's affairs as at 31 December 2012 and of its profit for the year then ended; and

Independent Auditor’s Report (continued)

- the Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2012 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

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 Parent Company.
- The Parent Company Balance Sheet is 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 Parent Company, as stated in the Parent Company 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 of an Extraordinary General Meeting of the Parent Company.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Acts 1963 to 2012 we are required to report to you if, in our opinion the disclosures of Directors’ remuneration and transactions specified by law are not made.

Under the Listing Rules of the Irish Stock Exchange we are required to review:

- the Directors’ Statement in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company’s compliance with the nine provisions of the UK Corporate Governance Code and the two provisions of the Irish Corporate Governance Annex specified for our review; and
- the six specified elements of the disclosures in the report to shareholders by the Board on Directors’ remuneration.

Mary Fulton
For and on behalf of
Deloitte & Touche
Chartered Accountants and Statutory Audit Firm
Dublin
1 March 2013

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2012

Continuing Operations	Notes	2012 €000s	Restated 2011 €000s
Revenue	4(a)	**389,810**	401,503
Income			
Gross premium written		**344,255**	351,111
Reinsurance premiums		**(47,646)**	(47,987)
Net premium written	4(c)	**296,609**	303,124
Change in provision for unearned premiums	4(c)	**4,016**	(2,204)
Net premium earned		**300,625**	300,920
Net investment return	5(a)	**24,979**	25,451
Financial services income		**14,693**	13,276
Total income		**340,297**	339,647
Expenses			
Net claims and benefits	4(c)	**(191,873)**	(202,199)
Other underwriting expenses	4(c)	**(76,133)**	(72,925)
Financial services expenses	4(d)	**(9,058)**	(9,106)
Impairment of property, plant and equipment	17	**(996)**	(975)
Restructuring and other costs	6	**(5,095)**	(3,725)
Write-off of investment	7	**(2,586)**	-
Share of results of joint venture	8(a)	**(1,655)**	(467)
Profit before taxation	9	**52,901**	50,250
Income taxation charge	12	**(7,627)**	(8,632)
Profit for the year from continuing operations		**45,274**	41,618
Discontinued operations			
Profit for the year from discontinued operations, including profit on sale	14(d),15(d),14(a)	**3,748**	9,409
Profit for the year		**49,022**	51,027
Attributable to:			
Equity holders of the parent		**48,923**	51,096
Non-controlling interests – continuing operations	32	**99**	38
Non-controlling interests – discontinued operations	32	**-**	(107)
		49,022	51,027

Earnings per share		2012 Cent	Restated 2011 Cent
From continuing operations			
Basic	16	**134**	124
Diluted	16	**133**	123
From continuing and discontinued operations			
Basic	16	**145**	153
Diluted	16	**144**	152

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

The Financial Statements were approved by the Board and authorised for issue on 1 March 2013.

They were signed on its behalf by:

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 €000s	2011 €000s
Profit for the year		**49,022**	51,027
Actuarial loss on retirement benefit obligations	*34(e)*	**(9,345)**	(14,323)
Net gain on available for sale financial assets during the year		**1,122**	-
Taxation credit relating to other comprehensive expense	*34(e)*	**1,134**	1,354
Other comprehensive expense after taxation		**(7,089)**	(12,969)
Total comprehensive income for the year		**41,933**	38,058
Attributable to:			
Equity holders of the parent		**41,834**	38,127
Non-controlling interests – continuing operations	*32*	**99**	38
Non-controlling interests – discontinued operations	*32*	**-**	(107)
		41,933	38,058

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

The Financial Statements were approved by the Board and authorised for issue on 1 March 2013.

They were signed on its behalf by:

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

Pro-forma Reconciliation of Consolidated Operating Profit to Profit after Taxation

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Continuing operations 2012 €000s	Discontinued operations 2012 €000s	Total 2012 €000s	Continuing & discontinued operations 2011 €000s
Operating profit					
Underwriting	*4(a)*	**60,371**	**(183)**	**60,188**	58,337
Financial services	*4(a)*	**5,635**	**-**	**5,635**	6,563
Operating profit before taxation		**66,006**	**(183)**	**65,823**	64,900
Investment return – fluctuations	*5(c)*	**(2,773)**	**(118)**	**(2,891)**	(5,060)
Impairment of property, plant and equipment	*17*	**(996)**	**-**	**(996)**	(975)
Restructuring and other costs	*6,7*	**(7,681)**	**-**	**(7,681)**	(3,725)
Finance costs		**-**	**-**	**-**	(3,329)
Profit on sale of subsidiaries	*14(d), 15(d)*	**-**	**4,113**	**4,113**	8,374
Share of results of joint venture	*8(b)*	**(1,655)**	**-**	**(1,655)**	(467)
Profit before taxation		**52,901**	**3,812**	**56,713**	59,718
Income taxation charge	*12, 14(a)*	**(7,627)**	**(64)**	**(7,691)**	(8,691)
Profit after taxation		**45,274**	**3,748**	**49,022**	51,027
		Cent	**Cent**	**Cent**	**Cent**
Operating earnings/(loss) per share	*16*	**172**	**(1)**	**171**	170

Refer to page 49 *Summary of Significant Accounting Policies – Basis of Preparation* for additional information on this pro-forma statement, which is supplementary to the primary statements required under International Financial Reporting Standards.

Consolidated Statement of Financial Position

AT 31 DECEMBER 2012

ASSETS	Notes	**2012 €000s**	**2011 €000s**
Property, plant and equipment	*17*	**35,821**	33,797
Investment property	*18*	**10,686**	8,818
Investment in joint venture	*8(b), 19*	**43,966**	45,621
Loans	*20*	**1,096**	23,086
Deferred taxation asset	*21*	**4,798**	8,348
Financial assets			
Investments held to maturity	*22(a)*	**30,850**	405,848
Available for sale investments	*22(a)*	**148,885**	6,282
Investments held for trading	*22(a)*	**142,958**	34,608
Deposits with banks	*22(a)*	**473,874**	305,321
		796,567	752,059
Reinsurance assets			
Provision for unearned premiums	*33(e)*	**20,282**	20,385
Claims outstanding	*33(e)*	**35,095**	43,606
		55,377	63,991
Current taxation asset	*23*	**4,705**	2,134
Deferred acquisition costs	*24*	**24,652**	22,199
Other receivables	*25*	**63,726**	60,827
Cash and cash equivalents	*26*	**25,711**	35,658
Total assets		**1,067,105**	1,056,538

Consolidated Statement of Financial Position (continued)

AT 31 DECEMBER 2012

EQUITY AND LIABILITIES

	Notes	2012 €000s	2011 €000s
Equity			
Ordinary share capital	*27*	**21,409**	21,409
Capital reserves	*29(a)*	**16,835**	15,927
Retained earnings	*30*	**203,015**	172,596
Shareholders' funds - equity interests		**241,259**	209,932
Preference share capital	*31*	**2,923**	2,923
Equity attributable to equity holders of the parent		**244,182**	212,855
Non-controlling interests	*32*	**477**	458
Total equity		**244,659**	213,313
Liabilities			
Insurance contract liabilities			
Provision for unearned premiums	*33(d)*	**170,243**	174,362
Claims outstanding	*33(c)*	**581,132**	603,190
		751,375	777,552
Retirement benefit obligation	*34(g)*	**30,766**	21,692
Deferred taxation liability	*35*	**691**	9,643
Payables	*36(a)*	**39,614**	34,338
Total liabilities		**822,446**	843,225
Total equity and liabilities		**1,067,105**	1,056,538

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

The Financial Statements were approved by the Board and authorised for issue on 1 March 2013.

They were signed on its behalf by:

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 €000s	2011 €000s
Cash flows from operating activities			
Profit before taxation		**56,713**	59,718
Adjustments for:			
(Profit)/loss on investments held for trading		**(4,963)**	4,050
Loss on investments held to maturity		**998**	971
Loss on investments available for sale		**3,646**	1,000
Interest and dividend income		**(24,793)**	(25,979)
Interest expense		**4**	3,774
Profit on loan realisation	*20*	**(4,969)**	(1,374)
Depreciation of property, plant and equipment	*17*	**7,006**	6,451
Share-based payment expense	*41*	**908**	614
Impairment of investment property	*18*	**1,318**	2,182
Profit on sale of investment property		**-**	(5,200)
Impairment of property, plant and equipment	*17*	**996**	975
Write-off of available for sale assets, net of provisions	*7*	**2,586**	-
Decrease in insurance contract liabilities		**(17,563)**	(24,952)
Effect of foreign exchange rate changes		**569**	(98)
Loss on disposal of property, plant and equipment		**121**	1
Gain on sale of subsidiaries	*14(d), 15(d)*	**(4,113)**	(8,374)
Joint venture result before taxation	*8*	**1,655**	467
Operating cash flows before movement in working capital		**20,119**	14,226
(Increase)/decrease in receivables and deferred acquisition costs		**(6,834)**	1,311
Increase/(decrease) in payables		**6,905**	(10,057)
Decrease in inventories		**-**	6,375
Cash generated from operations		**20,190**	11,855
Interest and dividend income received		**25,004**	27,040
Interest paid		**(4)**	(3,448)
Income taxes paid		**(5,606)**	(2,701)
Net cash from operating activities		**39,584**	32,746
Cash flows from investing activities			
Purchase of investments held for trading		**(217,562)**	(32,995)
Sale of investments held for trading		**114,175**	12,188
Purchase of investments held to maturity		**-**	(69,967)
Realisation of investments held to maturity		**374,000**	160,000
Purchase of available for sale investments		**(158,707)**	-
Sale of available for sale investments		**10,703**	-
Purchase of property, plant and equipment	*17*	**(10,187)**	(5,409)
Sale of property, plant and equipment		**40**	55
Investment property acquired on exercise of loan security	*20*	**(3,186)**	-
Sale of investment property	*18*	**-**	36,568
Decrease in loans and advances	*20*	**26,391**	347
Increase in deposits invested with banks	*22*	**(168,553)**	(110,150)
Net cash outflow from sale of subsidiaries		**(4,981)**	(12,396)
Net cash generated from investing activities		**(37,867)**	(21,759)
Cash flows from financing activities			
Ordinary and preference dividends paid	*37*	**(12,273)**	(11,012)
Dividends paid to non-controlling interests	*32*	**(80)**	-
Proceeds of re-issue of ordinary shares		**689**	80
Decrease in borrowings		**-**	(1,111)
Net cash used in financing activities		**(11,664)**	(12,043)
Net decrease in cash and cash equivalents		**(9,947)**	(1,056)
Cash and cash equivalents at the beginning of the year	*26*	**35,658**	36,714
Cash and cash equivalents at the end of the year	*26*	**25,711**	35,658

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2012

	Ordinary share capital	Capital reserves	Revaluation and other reserves	Translation reserve	Retained earnings	Attributable to ordinary shareholders	Preference share capital	Non-controlling interests	Total equity
	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s
Balance at 1 January 2011	21,409	15,313	742	(98)	144,757	**182,123**	2,923	2,053	**187,099**
Profit after taxation from continuing operations - restated	-	-	-	-	41,580	**41,580**	-	38	**41,618**
Profit/(loss) after taxation from discontinued operations – restated	-	-	-	-	9,516	**9,516**	-	(107)	**9,409**
Transfer to retained earnings	-	-	(742)	98	644	**-**	-	-	**-**
Other comprehensive expense	-	-	-	-	(12,969)	**(12,969)**	-	-	**(12,969)**
	21,409	15,313	-	-	183,528	**220,250**	2,923	1,984	**225,157**
Dividends paid and approved on ordinary and preference shares	-	-	-	-	(11,012)	**(11,012)**	-	-	**(11,012)**
Reissue of ordinary shares	-	-	-	-	80	**80**	-	-	**80**
Recognition of share based payments	-	614	-	-	-	**614**	-	-	**614**
Reduction in non-controlling interests on sale of subsidiary	-	-	-	-	-	**-**	-	(1,526)	**(1,526)**
Balance at 31 December 2011	21,409	15,927	-	-	172,596	**209,932**	2,923	458	**213,313**
Profit after taxation from continuing operations	-	-	-	-	45,175	**45,175**	-	99	**45,274**
Profit after taxation from discontinued operations	-	-	-	-	3,748	**3,748**	-	-	**3,748**
Other comprehensive expense	-	-	-	-	(7,089)	**(7,089)**	-	-	**(7,089)**
	21,409	15,927	-	-	214,430	**251,766**	2,923	557	**255,246**
Dividends paid and approved on ordinary and preference shares	-	-	-	-	(12,104)	**(12,104)**	-	-	**(12,104)**
Reissue of ordinary shares	-	-	-	-	689	**689**	-	-	**689**
Recognition of share based payments	-	908	-	-	-	**908**	-	-	**908**
Dividend paid to non-controlling interests	-	-	-	-	-	**-**	-	(80)	**(80)**
Balance at 31 December 2012	**21,409**	**16,835**	**-**	**-**	**203,015**	**241,259**	**2,923**	**477**	**244,659**

Company Statement of Financial Position

AT 31 DECEMBER 2012

	Notes	2012 €000s	2011 €000s
ASSETS			
Investments			
Investment in subsidiaries	*38*	**46,023**	38,544
Deposits with banks		**10,297**	5,725
Investment in joint venture	*19*	**46,088**	46,088
		102,408	90,357
Receivables		**1,225**	1,369
Total assets		**103,633**	91,726
EQUITY AND LIABILITIES			
Equity			
Ordinary share capital	*27*	**21,409**	21,409
Capital reserves	*29(b)*	**16,835**	15,927
Reserves		**57,316**	43,280
Shareholders' funds – equity interests		**95,560**	80,616
Preference share capital	*31*	**2,923**	2,923
Equity attributable to equity holders of the parent		**98,483**	83,539
Bank overdraft		**136**	160
Payables	*36(b)*	**4,950**	7,739
Corporation taxation		**64**	288
Total equity and liabilities		**103,633**	91,726

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

The Financial Statements were approved by the Board and authorised for issue on 1 March 2013.

They were signed on its behalf by:

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

Company Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 €000s	2011 €000s
Cash flows from operating activities		
Profit/(loss) before taxation for the year	**26,172**	(8,477)
Adjustments for		
(Increase)/decrease in investments	**(1,363)**	59,567
Share based payment expense	**908**	614
Investment in joint venture	**-**	(46,088)
	25,717	5,616
Decrease/(increase) in receivables	**144**	(1,096)
(Decrease)/increase in payables	**(2,620)**	6,515
Income taxes (paid)/received	**(388)**	171
Net cash from operating activities	**22,853**	11,206
Cash flows from investing activities		
Sale of subsidiary investment	**(6,673)**	5,202
Deposits invested in financial institutions	**(4,572)**	(5,724)
Net cash used in investing activities	**(11,245)**	(522)
Cash flows from financing activities		
Dividends paid on ordinary and preference shares	**(12,273)**	(11,012)
Proceeds from re-issue of ordinary shares	**689**	80
Net cash used in financing activities	**(11,584)**	(10,932)
Net increase/(decrease) in cash and cash equivalents	**24**	(248)
Cash and cash equivalents at the beginning of the year	**(160)**	88
Cash and cash equivalents at the end of the year	**(136)**	(160)

Company Statement Of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2012

	Ordinary share capital	Capital reserves	Share option reserve	Retained earnings	Attributable to ordinary shareholders	Preference share capital	Total equity
	€000s	€000s	€000s	€000s	€000s	€000s	€000s
Balance at 1 January 2011	21,409	11,593	3,720	58,051	**94,773**	2,923	**97,696**
Loss after taxation	-	-	-	(3,839)	**(3,839)**	-	**(3,839)**
Re-issue of ordinary shares	-	-	-	80	**80**	-	**80**
Recognition of share based payments	-	-	614	-	**614**	-	**614**
Ordinary and preference dividends paid and approved	-	-	-	(11,012)	**(11,012)**	-	**(11,012)**
Balance at 31 December 2011	**21,409**	**11,593**	**4,334**	**43,280**	**80,616**	**2,923**	**83,539**
Profit after taxation	-	-	-	25,451	**25,451**	-	**25,451**
Re-issue of ordinary shares	-	-	-	689	**689**	-	**689**
Recognition of share based payments	-	-	908	-	**908**	-	**908**
Ordinary and preference dividends paid and approved	-	-	-	(12,104)	**(12,104)**	-	**(12,104)**
Balance at 31 December 2012	**21,409**	**11,593**	**5,242**	**57,316**	**95,560**	**2,923**	**98,483**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

1 General Information

FBD Holdings plc is an Irish registered public limited company. The address of the registered office is given on page 13. The nature of the Group's operations and its principal activities are set out in the Report of the Directors on pages 18 to 21 and in the Review of Operations on pages 4 to 12.

2 Going Concern

The Directors have, at the time of approving the Financial Statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Financial Statements. Further detail is contained in the Report of the Directors on page 21.

3 Summary of Significant Accounting Policies

BASIS OF PREPARATION

The Group and Company Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") adopted by the European Union and therefore the Group Financial Statements comply with Article 4 of the EU IAS Regulation. The Group and Company Financial Statements are in compliance with the Companies Acts 1963 to 2012.

Comparative figures in the Consolidated Income Statement and relevant notes as indicated for the year ended 31 December 2011 have been restated to reflect comparatives for the discontinued operation in 2012.

An additional statement, produced on page 41, Pro-forma Reconciliation of Consolidated Operating Profit to Profit After Taxation is supplementary to the primary statements required under International Financial Reporting Standards. It is designed to provide supplementary information to users of the Financial Statements including operating profit, a key performance measure monitored by the Board.

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

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

3 Summary of Significant Accounting Policies (continued)

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

Standards affecting presentation and disclosure

New and revised Statements and Interpretations have been adopted in the current year, none of which have affected presentation and disclosures reported in these Financial Statements.

Standards and Interpretations adopted with no effect on Financial Statements

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these Financial Statements but may impact the accounting for future transactions or arrangements.

Amendments to IFRS 1: *First-time Adoption of International Financial Reporting Standards – Severe hyperinflation and removal of fixed dates for first-time adopters*

Amendments to IFRS 7: *Financial Instruments: Disclosures – transfer of financial assets*

Amendments to IAS 12: *Income Taxes – Deferred Taxation: recovery of underlying assets*

Standards and Interpretations not yet effective

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

Amendments to IAS 1	*Presentation of Financial Statements* [1]
IFRS 9 (as amended in 2010)	*Financial Instruments* [2]
SIC 12	*Consolidation – Special purpose Entities* [2]
IAS 31	*Interests in Joint Ventures* [2]
SIC 13	*Jointly Controlled Entities – non-monetary contributions by venturers* [2]
IFRS 10	*Consolidated Financial Statements* [2]
IFRS 11	*Joint Arrangements* [3]
IFRS 12	*Disclosure of Interests in Other Entities* [3]
IFRS 13	*Fair Value Measurement* [3]
Amendments to IAS 19	*Employee Benefits* [2]
Amendments to IAS 27	*Consolidated and Separate Financial Statements* [2]
Amendments to IAS 28	*Investments in Associates* [2]

1 Effective for annual periods beginning on or after 1 July 2012.

2 Effective for annual periods beginning on or after 1 January 2013.

3 Effective for annual periods beginning on or after 1 January 2014.

3 Summary of Significant Accounting Policies (continued)

The adoption of IFRS 9, which the Group plans to adopt for the year beginning 1 January 2015 if endorsed by the E.U., will impact both the measurement and disclosure of financial instruments.

The amendments to IAS 19 will be adopted in the Group's Consolidated Financial Statements for the annual period beginning 1 January 2013. While the amendments are effective for periods beginning on or after 1 January 2013, the amendments will be applied retrospectively to prior year comparatives. The impact on initial application is anticipated to be an increased charge of €652,000 in the Consolidated Income Statement relating to 2012 restatement and an increase of €1,030,000 on the estimated 2013 charge.

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

Accounting Policies

The principal accounting policies adopted by the Board are:

A) ACCOUNTING CONVENTION

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

B) BASIS OF CONSOLIDATION

The Consolidated Financial Statements include the Financial Statements of the Company and its subsidiary undertakings, made up to 31 December. In subsidiary undertakings, control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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

Individual subsidiary accounts are prepared under local GAAP, with relevant adjustments made during preparation of the Group Financial Statements to align their accounting policies with those of the Group. The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal.

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

3 Summary of Significant Accounting Policies (continued)

B) BASIS OF CONSOLIDATION (continued)

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

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

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

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

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

C) REVENUE RECOGNITION

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

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

3 Summary of Significant Accounting Policies (continued)

C) REVENUE RECOGNITION (continued)

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

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

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

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

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

D) INSURANCE CONTRACTS

(i) Premiums written

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

(ii) Unearned premiums

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

(iii) Deferred acquisition costs

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

(iv) Unexpired risks

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

(v) Claims incurred

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

3 Summary of Significant Accounting Policies (continued)

D) INSURANCE CONTRACTS (continued)

(v) Claims incurred (continued)

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

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

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

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

(vi) Reinsurance

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

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

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

(vii) Liability adequacy test

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

3 Summary of Significant Accounting Policies (continued)

E) PROPERTY, PLANT AND EQUIPMENT

(i) Property

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

Property held under financing arrangements which transfer substantially all of the risks and rewards of ownership to the Group are treated as if they had been purchased outright and are included in the Consolidated Statement of Financial Position at amounts equal to fair value of the leased property or lower than present value of minimum lease payments. The principal portion of the corresponding commitments are shown as liabilities.

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

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

(ii) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) Depreciation

Depreciation is provided in respect of all plant and equipment, and is calculated in order to write-off the cost or value of the assets over their expected useful lives on a straight line basis over a five to ten year period.

F) INVESTMENT PROPERTY

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

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

3 Summary of Significant Accounting Policies (continued)

G) JOINT VENTURE

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

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

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

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

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

H) FINANCIAL INSTRUMENTS

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

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

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

(i) Investments held for trading at fair value

Investments held for trading are stated at fair value and include quoted shares, unquoted investments and debt securities. They are recognised on a trade date basis at fair value and are revalued at subsequent reporting dates at fair value, using the closing bid price, with gains and losses being included in the Consolidated Income Statement in the year in which they arise.

Investments are held for trading if:

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

3 Summary of Significant Accounting Policies (continued)

H) FINANCIAL INSTRUMENTS (continued)

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

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

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

They are derecognised at their carrying amount which in this case is the fair value recorded at a previous reporting date.

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

(ii) Investments held to maturity

Investments held to maturity include debt securities where it has been determined to hold them to maturity. They are recognised on a trade date basis at fair value plus transaction costs and are subsequently measured at amortised cost. At subsequent reporting dates, these investments plus transaction costs are measured at amortised cost taking into account any impairment using the effective interest rate method.

(iii) Available for sale investments

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

(iv) Loans and receivables

Loans

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

3 Summary of Significant Accounting Policies (continued)

H) FINANCIAL INSTRUMENTS (continued)

(iv) Loans and receivables (continued)

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

Other receivables

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

(v) Deposits with banks

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

I) LEASES

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

(i) The Group as Lessor

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

(ii) The Group as Lessee

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

J) CASH AND CASH EQUIVALENTS

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

K) TAXATION

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

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

3 Summary of Significant Accounting Policies (continued)

K) TAXATION (continued)

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

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

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

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

L) RETIREMENT BENEFITS

The Group provides both defined benefit and defined contribution retirement benefit schemes for the majority of its employees.

(i) Defined benefit scheme

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

The current service cost and past service cost of the scheme and the expected return on assets net of the change in the present value of the scheme liabilities arising from the passage of time, are charged to the Consolidated Income Statement.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The projected unit credit method is used to calculate scheme liabilities.

3 Summary of Significant Accounting Policies (continued)

L) RETIREMENT BENEFITS (continued)

(ii) Defined Contribution Schemes

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

M) CURRENCY

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

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

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

N) SHARE-BASED PAYMENTS

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

O) TREASURY SHARES

Where any Group company purchases the Company's equity share capital, the consideration paid is shown as a deduction from ordinary shareholders' equity. No gain or loss is recognised on the sale, issue or cancellation of treasury shares. Consideration received on the subsequent sale or issue of treasury shares is credited to ordinary shareholders' equity. Treasury shares are excluded when calculating earnings per share.

3 Summary of Significant Accounting Policies (continued)

P) IMPAIRMENT OF ASSETS

(i) Impairment of tangible and intangible assets

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

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

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

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

(ii) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss ("FVTPL"), are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been impacted.

For listed and unlisted equity investments classified as Available for Sale ("AFS"), a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

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

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

3 Summary of Significant Accounting Policies (continued)

P) IMPAIRMENT OF ASSETS (continued)

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

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

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

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

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

Q) BORROWING COSTS

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

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

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

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

R) RESTRUCTURING AND OTHER COSTS

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

3 Summary of Significant Accounting Policies (continued)

S) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The principal accounting policies adopted by the Group are set out on pages 49 to 62. In the application of these accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

(i) Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see note S (ii) below) that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

Retirement benefit obligations

The Group's obligations under its funded defined benefit retirement scheme are determined by an independent qualified actuarial advisor, Lane Clark & Peacock ("LCP"). The valuation is updated at least annually and the net obligation amounted to €30,766,000 at 31 December 2012. IAS 19 requires that the actuarial assumptions used should be best estimates, unbiased and mutually compatible. The scheme's liabilities are sensitive to fluctuations in the principal assumptions, details of which are set out in note 34. Those key assumptions include:

- A discount rate of 4%, set by reference to the yield on high-yield corporate bonds
- General salary increases of 3%
- Pension payment increases ranging from 0% - 2%
- Price inflation of 2%

With the exception of the discount rate, the assumptions used for calculating the obligations of the scheme under IAS 19 at 31 December 2012 have been derived consistently with those adopted by the Group in previous years.

There has been considerable volatility in the yields on AA corporate bonds in recent years and the number of bonds rated AA or higher in issue at durations beyond 10 years has also fallen. As a result, a wide variance has emerged in the discount rates used to determine the value of liabilities under IAS 19.

Having been advised by our pension scheme's independent and qualified actuary LCP, the Board has selected a discount rate of 4%. If the same basis of calculating the discount rate was used in the current year as in 2011 the rate would have been 3.5% and the deficit would amount to €47,418,000.

In order to determine an appropriate discount rate at 31 December 2012, LCP has derived an AA corporate bond curve from an appropriate *universe* of AA corporate bonds. Owing to the limited number of data points available at longer durations, a *government plus spread* approach has been adopted which uses a recognised government yield curve and adds a corporate bond spread derived from the AA corporate bond universe as at the effective date.

3 Summary of Significant Accounting Policies (continued)

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

Property, plant & equipment

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

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

Depreciation is provided in respect of all plant and equipment and is calculated to write-off the cost or valuation of the assets over their expected useful lives. The useful life of plant and equipment is estimated to be five to ten years dependent on the asset.

Investment property

Investment property, which is property held to earn rental income and/or for capital appreciation, is recognised initially at cost and stated in the Statement of Financial Position at fair value at the reporting date. The fair value of investment property is determined by valuations conducted at the reporting date by qualified independent professional valuers, CB Richard Ellis, Valuation Surveyors. Gains or losses arising from changes in the fair value are included in the Consolidated Income Statement for the year in which they arise.

Recoverability of trade and other receivables

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

Reinsurance recoveries

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

Motor Insurers' Bureau of Ireland ("MIBI")

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

3 Summary of Significant Accounting Policies (continued)

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

Deferred taxation

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

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

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

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

(ii) Key sources of estimation uncertainty

Claims provisions

Claims provisions represent the estimation of the cost of claims outstanding under insurance contracts written. Actuarial techniques, based on statistical analysis of past experience, are used to calculate the estimated cost of claims outstanding at year end. Allowance is made for any changes or uncertainties that may cause the cost of unsettled claims to increase or reduce. At each reporting date liability adequacy tests are performed to ensure the adequacy of the liabilities. In determining the provision for outstanding claims, the Directors take into consideration the advice of the independent reporting actuary, PricewaterhouseCoopers. Any deficiency is recognised in the Consolidated Income Statement. Further details are set out in note 33 to the Financial Statements.

Deferred acquisition costs

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

Valuation of financial instruments

As described in note 22, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 22 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments. The Directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

4 Segmental Information – continuing operations

(a) Operating segments

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

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

2012	**Underwriting €000s**	**Financial services €000s**	**Total €000s**
Revenue	**375,117**	**14,693**	**389,810**
Operating profit	**60,371**	**5,635**	**66,006**
Investment return – fluctuations	**(2,773)**	**-**	**(2,773)**
Impairment of property	**(996)**	**-**	**(996)**
Restructuring and other costs	**(2,095)**	**(5,586)**	**(7,681)**
Share of results of joint venture	**-**	**(1,655)**	**(1,655)**
Profit/(loss) before taxation	**54,507**	**(1,606)**	**52,901**
Income taxation charge	**(7,517)**	**(110)**	**(7,627)**
Profit/(loss) after taxation	**46,990**	**(1,716)**	**45,274**
Other information			
Capital additions	**10,118**	**69**	**10,187**
Impairment of loans and other assets	**2,314**	**-**	**2,314**
Depreciation and amortisation	**6,879**	**127**	**7,006**
Statement of Financial Position			
Segment assets	**1,006,958**	**60,147**	**1,067,105**
Segment liabilities	**810,315**	**12,131**	**822,446**

Included above are non-cash impairments relating to investment property and property held for own use totalling €2,314,000 (2011: €3,157,000), all of which relate to underwriting.

4 Segmental Information – continuing operations (continued)

(a) Operating segments (continued)

2011	Restated underwriting €000s	Financial services €000s	Restated Total €000s
Revenue	390,881	10,622	401,503
Operating profit	56,051	4,170	60,221
Investment return – fluctuations	(4,804)	-	(4,804)
Impairment of property	(975)	-	(975)
Restructuring and other costs	(2,656)	(1,069)	(3,725)
Share of results of joint venture	-	(467)	(467)
Profit before taxation	47,616	2,634	50,250
Income taxation charge	(7,885)	(747)	(8,632)
Profit after taxation	39,731	1,887	41,618

Other information

Capital additions*	5,327	76	5,403
Impairment of loans and other assets	3,157	-	3,157
Depreciation and amortisation*	6,337	22	6,359

*Differs from note 17 because discontinued operations in 2011 have been removed

Statement of Financial Position

Segment assets	997,448	59,090	1,056,538
Segment liabilities	832,331	10,894	843,225

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

In monitoring segment performance and allocating resources between segments:

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

4 Segmental Information – continuing operations (continued)

(a) Operating segments (continued)

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

	2012 €000s	Restated 2011 €000s
Direct insurance – motor	**146,835**	148,438
Direct insurance – fire and other damage to property	**127,892**	133,661
Direct insurance – liability	**63,974**	63,162
Direct insurance – interest and other revenue	**30,862**	39,770
Direct insurance – other	**5,554**	5,850
Financial services revenue	**14,693**	10,622
Total revenue	**389,810**	401,503

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

(b) Geographical segments

The Group's operations are located in Ireland. The following table provides an analysis of the Group's revenue, assets and liabilities by geographical market, irrespective of the origin of the services.

	Ireland €000s	European Union other than Ireland €000s	Total €000s
2012			
Revenue	**389,810**	**-**	**389,810**
Segment assets*	**1,067,105**	**-**	**1,067,105**
Segment liabilities	**822,446**	**-**	**822,446**
2011			
Revenue – restated	401,503	-	401,503
Segment assets*	1,047,670	8,868	1,056,538
Segment liabilities	830,393	12,832	843,225

* Included in segment assets is the Group's share of net assets in the joint venture of €43,966,000 (2011: €45,621,000).

4 Segmental Information – continuing operations (continued)

(c) Underwriting result – continuing operations

	2012 €000s	2012 €000s	Restated 2011 €000s	Restated 2011 €000s
Earned premiums, net of reinsurance				
Gross premiums written	**344,255**		351,111	
Outward reinsurance premiums	**(47,646)**		(47,987)	
Net premiums written	**296,609**		303,124	
Change in provision for unearned premiums				
Gross amount	**4,119**		2,117	
Reinsurers' share	**(103)**		(4,321)	
Change in net provision for unearned premiums	**4,016**		(2,204)	
Premium earned, net of reinsurance		**300,625**		300,920
Claims paid, net of recoveries from reinsurers				
Claims paid:				
Gross amount	**(231,006)**		(281,160)	
Reinsurers' share	**32,127**		55,907	
Claims paid, net of recoveries from reinsurers	**(198,879)**		(225,253)	
Change in provision for claims				
Gross amount	**19,223**		51,726	
Reinsurers' share	**(12,217)**		(28,672)	
Change in insurance liabilities, net of reinsurance	**7,006**		23,054	
Claims incurred net of reinsurance		**(191,873)**		(202,199)
Management expenses	**(84,186)**		(82,516)	
Deferred acquisition costs	**2,453**		1,668	
Gross management expenses	**(81,733)**		(80,848)	
Reinsurers share of expenses	**8,692**		10,631	
Broker commissions payable	**(3,092)**		(2,708)	
Net operating expenses		**(76,133)**		(72,925)
Underwriting result		**32,619**		25,796

All reinsurance contracts are for no more than one year so have no material effect on the amount, timing and uncertainty of cash flows. The Group's reinsurance policy dictates that all of the Group's reinsurers must have a credit rating of A- or better, or provide appropriate security. The impact of buying reinsurance was a debit to the Consolidated Income Statement of €19,147,000 (2011: debit of €14,442,000).

Notes to the Financial Statements (continued)

4 Segmental Information – continuing operations (continued)

(d) Financial services expenses – continuing operations

	2012 €000s	2011 €000s
Staff costs	**3,988**	3,762
Rent, rates, insurance and maintenance	**1,822**	1,760
Depreciation	**127**	22
Other	**3,121**	3,562
Total financial services expenses	**9,058**	9,106

5 Investment Income – continuing operations

(a) Actual return

	2012 €000s	Restated 2011 €000s
Interest and similar income	**23,127**	27,588
Income from investment properties	**1,175**	1,957
Realised profits on investments	**1,165**	2,062
Dividend income	**989**	811
Impairment of investments	**(1,477)**	(6,967)
Total investment income	**24,979**	25,451
By classification of investment		
Deposits with banks	**8,739**	4,391
Investments held to maturity	**6,490**	18,728
Investments held for trading	**5,954**	(2,993)
Secured loans	**4,156**	1,375
Investment properties	**(143)**	4,975
Available for sale investments	**(217)**	(1,025)
Total investment income	**24,979**	25,451

Interest and similar income received during the year was €25,005,000 (2011: €27,040,000).

5 Investment Income – continuing operations (continued)

(b) Longer-term investment return

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

	2012 %	2011 %
Government bonds	**3.00**	4.00
Other quoted debt securities	**4.00**	6.00
Quoted shares	**6.75**	6.75
Deposits with banks	**2.75**	3.00
Investment properties	**6.25**	6.25
Investments held to maturity	**Actual**	Actual

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

	2012 €000s	Restated 2011 €000s
Longer-term investment return	**27,752**	30,255
Investment return fluctuation	**(2,773)**	(4,804)
Actual investment return	**24,979**	25,451

6 Restructuring and Other Costs – continuing operations

	2012 €000s	2011 €000s
Redundancy costs	**2,095**	2,725
Provision for termination of lease	**3,000**	1,000
Total restructuring and other costs	**5,095**	3,725

7 Write-off of Investment

	2012 €000s	2011 €000s
Write-off of Available For Sale assets, net of provisions	**2,586**	-

The write-off of Available For Sale assets follows the appointment of a liquidator to Bloxham Stockbrokers. It consisted of Available For Sale assets of €2,877,000 less the accrued provisions of €291,000.

8 Joint Venture

Details on the set-up of the joint venture are included in Note 19.

(a) Share of results of joint venture

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

	2012 €000s	2011 €000s
Operating profit/(loss)	**1,122**	(275)
Finance costs	**(1,072)**	(192)
Revaluation of property, plant & equipment	**(1,705)**	-
Loss before taxation	**(1,655)**	(467)

(b) Investment in joint venture

	2012 €000s	2011 €000s
At start of year	**45,621**	-
Share of net assets of joint venture at date of transaction	**-**	46,088
Share of results of joint venture	**(1,655)**	(467)
Share of net assets of joint venture at year end	**43,966**	45,621

9 Profit Before Taxation

	2012 €000s	2011 €000s
Profit before taxation has been stated after charging:		
Depreciation	**7,006**	6,451

The remuneration of the Directors is set out in detail in the Report on Directors' Remuneration on pages 30 to 35.

10 Information relating to Auditor's remuneration – continuing operations

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

	2012 Company €000s	2012 Group €000s	2011 Company €000s	2011 Group €000s
Description of service				
Audit of individual accounts	**25**	**225**	25	225
Other assurance services	**200**	**-**	200	-
Tax advisory services	**27**	**69**	100	298
Other non-audit services	**24**	**83**	-	160
Auditors remuneration	**276**	**377**	325	683

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

11 Staff Costs and Numbers – continuing operations

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

	2012	2011
Underwriting	**821**	849
Financial services	**60**	56
Total	**881**	905

The aggregate employee benefit expense was as follows:	2012 €000s	2011 €000s
Wages and salaries	**46,050**	47,597
Social welfare costs	**4,885**	4,959
Pension costs	**5,518**	5,129
Share based payments	**908**	614
Total employee benefit expense	**57,361**	58,299

12 Income Taxation Charge – continuing operations

	2012 €000s	Restated 2011 €000s
Irish corporation taxation	**(3,065)**	(5,327)
Foreign taxation	**-**	(78)
Adjustments in respect of prior years	**102**	(1,509)
Current taxation charge	**(2,963)**	(6,914)
Deferred taxation debit	**(4,664)**	(1,718)
Income taxation charge	**(7,627)**	(8,632)

The taxation charge in the Consolidated Income Statement is higher than the standard rate of corporation taxation in Ireland. The differences are explained below:

	2012 €000s	Restated 2011 €000s
Profit before taxation	**52,901**	50,250
Corporation taxation charge at standard rate of **12.5%** (2011: 12.5%)	**6,613**	6,282
Effects of:		
Differences between capital allowances for year and depreciation	**49**	(43)
Non-taxable income/unrealised gains/losses not chargeable/deductible for taxation purposes	**934**	249
Higher rates of taxation on other income	**133**	635
Adjustments in respect of prior years	**(102)**	1,509
Income taxation charge	**7,627**	8,632

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

	2012 €000s	2011 €000s
Deferred taxation		
Actuarial loss on retirement benefit obligations	**1,134**	1,354
Total income taxation recognised directly in the Consolidated Statement of Comprehensive Income	**1,134**	1,354

Included in the profit on discontinued operations (note 14(a), note 15(a)) is a taxation charge of €64,000 (2011: €59,000 restated).

13 Profit/Loss for the Year

The Company's profit for the financial year determined in accordance with IFRS, as adopted by the European Union, is €25,451,000 (2011: loss €3,839,000).

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

14 Sale of Subsidiary - 2012

On 11 December 2012, the Group sold Abbey Reinsurance S.A. ("Abbey Re"), its Luxembourg-based subsidiary, to Groupe PPR, the Paris-based luxury and sports & lifestyle group.

(a) Results of discontinued operation:

	2012 €000s	**2011 €000s**
Income	**369**	1,031
Expenses	**(670)**	999
(Loss)/profit before taxation	**(301)**	2,030
Taxation	**(64)**	17
(Loss)/profit after taxation	**(365)**	2,047

(b) Consideration received

	2012 €000s
Total consideration received in cash and cash equivalents	**34,864**

14 Sale of Subsidiary - 2012 (continued)

(c) Analysis of assets and liabilities disposed of

	2012 €000s
Other receivables	**38,675**
Liabilities	
Payables	**(52)**
Deferred taxation	**(8,952)**
Total net assets over which control was lost	**29,671**

(d) Gain on sale of subsidiary

	2012 €000s
Consideration received per (b) on page 75	**34,864**
Net assets sold per (c) above	**(29,671)**
Costs associated with sale	**(1,080)**
Gain on sale of subsidiary	**4,113**
Loss from discontinued operations during 2012 after taxation per (a) on page 75	**(365)**
Profit on discontinued operation including the gain on sale	**3,748**

15 Sale of Subsidiaries - 2011

On 19 October 2011, the Group sold its Irish and Spanish property and leisure operations. On the same day it established a joint venture with Farmer Business Developments plc to jointly own and manage those same assets.

On 30 December 2011 the Group sold FBD Insurance Brokers Limited, International Loss Control Services Limited and FBD Risk Management Services Limited collectively referred to as "FBD Brokers".

15 Sale of Subsidiaries – 2011 (continued)

(a) Results of discontinued operations:

	2011 €000s
Income	47,836
Expenses	(48,772)
Loss before taxation	(936)
Taxation	(76)
Loss after taxation	**(1,012)**

(b) Consideration received

	2011 €000s
Share of net assets of joint venture	46,088
Net liabilities sold to acquire share of joint venture	20,581
Consideration received in cash and cash equivalents	6,750
Deferred sales proceeds	1,057
Total consideration received	**74,476**

(c) Analysis of assets and liabilities disposed of

	2011 €000s
Total assets disposed of on sale of FBD Brokers	6,558
Total liabilities disposed of on sale of FBD Brokers	6,287
Net assets disposed of on sale of FBD Brokers	**271**
Net liabilities sold to acquire share of joint venture (see note 19)	**(20,581)**
Total net liabilities over which control was lost	**(20,310)**

Notes to the Financial Statements (continued)

15 Sale of Subsidiaries – 2011 (continued)

(d) Gain on sale of subsidiaries

	2011 €000s
Consideration received per (b) on page 77	74,476
Less: investment in joint venture (original investment at cost)	(62,604)
Net assets disposed of on sale of FBD Brokers per (c) on page 77	(271)
Costs associated with sales	(3,227)
Gain on sale of subsidiaries	**8,374**
Loss from discontinued operations during 2011 after taxation per 15(a) on page 77	(1,012)
Profit on discontinued operations including the gain on sale	**7,362**

16 Earnings Per €0.60 Ordinary Share

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

Earnings	**2012 €000s**	**Restated 2011 €000s**
Profit for the year	**49,022**	51,027
Non-controlling interests	**(99)**	69
Preference dividends	**(282)**	(282)
Profit for the purpose of basic and diluted earnings per share	**48,641**	50,814
Adjustments to exclude profit for the year from discontinued operations	**(3,748)**	(9,409)
Adjustments to exclude non-controlling interests for the year from discontinued operations	**-**	(107)
Earnings from continuing operations for the purpose of basic and diluted earnings per share excluding discontinued operations	**44,893**	41,298

16 Earnings Per €0.60 Ordinary Share (continued)

Number of shares	2012	2011
Weighted average number of ordinary shares for the purpose of basic earnings per share (excludes treasury shares)	**33,443,894**	33,296,894
Effect of dilutive potential of share options outstanding	**350,406**	148,206
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**33,794,300**	33,445,100

The denominators used are the same for both basic and diluted earnings per share from continuing and discontinued operations.

From continuing operations	Cent	Restated Cent
Basic earnings per share	**134**	124
Diluted earnings per share	**133**	123

From continuing and discontinued operations	Cent	Restated Cent
Basic earnings per share	**145**	153
Diluted earnings per share	**144**	152

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

16 Earnings Per €0.60 Ordinary Share (continued)

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

	2012 €000s	Restated 2011 €000s
Operating profit after taxation*	**57,661**	56,852
Non-controlling interests	**(99)**	69
Preference dividends	**(282)**	(282)
Operating profit for the purpose of operating earnings per share	**57,280**	56,639
Adjustments to exclude operating loss/(profit) after taxation for the year from discontinued operations	**160**	(4,206)
Operating profit from continuing operations for the purpose of operating earnings per share excluding discontinued operations	**57,440**	52,433

	Cent	Restated Cent
Operating earnings per share - continuing operations	**172**	157
Operating earnings per share – continuing and discontinued operations	**171**	170

*2012 effective taxation rate of 12.4% (2011: 12.4%).

Non-controlling interests exclude non-operating movements.

17 Property, Plant and Equipment

	Property held for own use €000s	Hotels and golf resort assets €000s	Total property €000s	Plant and equipment €000s	Total property, plant and equipment €000s
Cost or valuation					
At 1 January 2011	21,403	165,174	186,577	73,050	259,627
Additions	-	6	6	5,403	5,409
Disposals	-	-	-	(223)	(223)
Elimination on sale of subsidiaries	-	(165,043)	(165,043)	(3,596)	(168,639)
Reclassification	-	(137)	(137)	-	(137)
At 1 January 2012	21,403	-	21,403	74,634	96,037
Additions	**-**	**-**	**-**	**10,187**	**10,187**
Disposals	**(114)**	**-**	**(114)**	**(137)**	**(251)**
At 31 December 2012	**21,289**	**-**	**21,289**	**84,684**	**105,973**
Comprising:					
At cost	**-**	**-**	**-**	**84,684**	**84,684**
At valuation	**21,289**	**-**	**21,289**	**-**	**21,289**
At 31 December 2012	**21,289**	**-**	**21,289**	**84,684**	**105,973**

	Property held for own use €000s	Hotels and golf resort assets €000s	Total property €000s	Plant and equipment €000s	Total property, plant and equipment €000s
Accumulated depreciation and impairment					
At 1 January 2011	3,288	45,170	48,458	55,210	103,668
Depreciation charge for the year	-	-	-	6,451	6,451
Elimination on disposal	-	-	-	(121)	(121)
Elimination on sale of subsidiaries	-	(45,170)	(45,170)	(3,563)	(48,733)
Impairments	975	-	975	-	975
At 1 January 2012	4,263	-	4,263	57,977	62,240
Depreciation charge for the year	**-**	**-**	**-**	**7,006**	**7,006**
Elimination on disposal	**-**	**-**	**-**	**(90)**	**(90)**
Impairments	**996**	**-**	**996**	**-**	**996**
At 31 December 2012	**5,259**	**-**	**5,259**	**64,893**	**70,152**
Carrying amount					
At 31 December 2012	**16,030**	**-**	**16,030**	**19,791**	**35,821**
At 31 December 2011	17,140	-	17,140	16,657	33,797

17 Property, Plant and Equipment (continued)

(a) Property held for own use

Property held for own use at 31 December 2012 and 2011 were valued at fair value which is determined by independent external professional valuers CB Richard Ellis, Valuation Surveyors. The valuation was prepared in accordance with the RICS Valuation – Professional Standards 2012 (Red Book). The valuers confirm that the properties have been valued by a valuer who is qualified for the purpose of the valuation in accordance with RICS Valuation – Professional Standards 2012 (Red Book).

The valuation report states that the valuations have been prepared on the basis of "Market Value", which is defined in the report as *"the estimated amount for which the property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein parties had each acted knowledgeably, prudently and without compulsion".* The report also states that the market value *"has been primarily derived using comparable recent market transactions on arm's length terms".* It also states that the properties have been valued individually and no account taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously either as lots or as a whole.

The valuers state that they made various assumptions as to tenure, letting and town planning, condition and repair of buildings and sites, including ground and groundwater contamination. They have determined market value using a range of capital values per square metre ranging from between €1,140psm - €2,368psm, based on local evidence. The valuer states that they have not viewed any tenancy agreements and have assumed for the purposes of valuation that the properties (with the exception of FBD House, Naas Road, Dublin 12) are subject to vacant possession. The valuers assumed that FBD House would be a sale and leaseback to FBD.

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

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

	2012 €000s	**2011 €000s**
Property held for own use	**16,030**	17,140

18 Investment Property

Fair value of investment property	2012 €000s	2011 €000s
At 1 January	**8,818**	42,368
Fair value losses during the year	**(1,318)**	(2,182)
Sale of investment property	**-**	(31,368)
Investment property acquired on exercise of loan security	**3,186**	-
At 31 December	**10,686**	8,818

The investment properties held for rental in Ireland and in the UK were valued at fair value at 31 December 2011 and at 31 December 2012 by independent external professional valuers, CB Richard Ellis, Valuation Surveyors. The valuation was prepared in accordance with the RICS Valuation – Professional Standards 2012 (Red Book). The valuers confirm that they have sufficient current local and national knowledge of the particular property market involved and have skills and understanding to undertake the valuations competently.

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

In accordance with Guidance Note 1 of the RICS Valuation Standards, it also draws attention to comments regarding market conditions and, in particular, the impact of the current crisis in the global financial system on the uncertainty in the Irish commercial real estate market. The report states that *"in the immediate aftermath of the events and whilst the financial crisis continues there is a lack of clarity as to the market drivers".*

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

The Group made an impairment provision in 2012 of €1,318,000 (2011: €2,182,000).

The Group acquired two investment properties during 2012 as a result of the exercise of loan security at a fair value of €3,186,000.

The rental income earned by the Group from its investment properties amounted to €1,391,000 (2011: €2,180,000). Direct operating costs associated with investment properties amounted to €223,000 (2011: €358,000).

All properties in the portfolio generated rental income during both 2011 and 2012. Apart from the land acquired in 2012, the Group has one remaining investment property which is currently fully let. The lease was granted in December 1999, for a 25 year lease term, with a break after 15 years, in December 2014. No contingent rents were recognised as income in the year.

18 Investment Property (continued)

The historical cost of investment property is as follows:

	2012 €000s	2011 €000s
Historical cost at 1 January	**20,060**	78,782
Sale of investment property	**-**	(58,722)
Investment property acquired in exercise of loan security	**3,186**	-
Historical cost at 31 December	**23,246**	20,060

Non-cancellable operating lease receivables	2012 €000s	2011 €000s
Not longer than 1 year	**1,256**	1,174
Longer than 1 year and not longer than 5 years	**1,257**	2,513
Total non-cancellable operating lease receivables	**2,513**	3,687

19 Joint Venture

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

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

The results of the discontinued operations, which were included in the 2011 Consolidated Income Statement, were as follows:

	Period ended 19 October 2011 €000s
Revenue	43,598
Expenses	(45,226)
Loss before taxation	(1,628)

19 Joint Venture (continued)

The net assets of the property and leisure operations at the date of completion of the joint venture agreement, were as follows:

	As at 19 October 2011 €000s
Total assets	181,612
Total liabilities	(202,193)
Net liabilities	(20,581)

Share of net assets of joint venture at date of transaction	46,088
Share of the results of joint venture included in the Consolidated Income Statement in 2011	(467)
Share of net assets of joint venture at 31 December 2011	45,621

Fair value of the share of the net assets of the joint venture at the date of transaction was determined at €46,088,000 at 30 June 2011 in an independent valuation conducted by BDO Corporate Finance.

20 Loans

	2012 €000s	2011 €000s
Secured loans		
At 1 January	**21,908**	20,534
Accrued interest	**-**	3,108
Repayments	**(23,122)**	-
Transferred to investment properties following exercise of loan security	**(3,186)**	-
Revaluation	**-**	1,374
Profit on disposal of loan security	**4,969**	-
Provision for loan interest	**-**	(3,108)
Currency translation adjustment	**(569)**	-
At 31 December	**-**	21,908
Other loans	**1,096**	1,178
Total loans	**1,096**	23,086

Secured loans with a carrying value at 31 December 2011 of €16,162,000, were repaid during 2012, realising a gain of €4,969,000. The Group exercised it’s security over loans with a carrying value of €3,186,000.

20 Loans (continued)

The following table shows the movement on the impairment provision over the past two years.

	2012 €000s	2011 €000s
At 1 January	**58,250**	55,142
Additional provision	**-**	3,108
Reversal of provision	**(58,250)**	-
At 31 December	**-**	58,250

21 Deferred Taxation Asset

	Retirement benefit obligation €000s	Taxation losses €000s	Unrealised losses on investments & loans €000s	Accelerated capital allowances €000s	Total €000s
At 1 January 2011	1,357	1,524	5,725	641	9,247
Re-classified from deferred taxation liability	-	-	1,759	-	1,759
Credited to the Consolidated Statement of Comprehensive Income	1,354	-	-	-	1,354
Debited to Consolidated Income Statement	-	(1,230)	(2,544)	56	(3,718)
Elimination on sale of subsidiaries	-	(294)	-	-	(294)
At 31 December 2011	2,711	-	4,940	697	8,348
Credited to the Consolidated Statement of Comprehensive Income	**1,134**	**-**	**-**	**-**	**1,134**
Debited to Consolidated Income Statement	**-**	**-**	**(4,855)**	**171**	**(4,684)**
At 31 December 2012	**3,845**	**-**	**85**	**868**	**4,798**

A deferred taxation asset of €3,845,000 (2011: €2,711,000) has been recognised in respect of the retirement benefit obligation of €30,766,000 (2011: €21,693,000). A further taxation asset of €953,000 (2011: €5,637,000) has been recognised in respect of unrealised losses on investments and loans and accelerated capital allowances to the extent that it is probable, based on management projections, that taxable profits will be available against which the losses can be utilised in the future. All of this deferred taxation asset relates to the underwriting operations.

22 Financial Instruments

(a) Financial assets

	2012 €000s	2011 €000s
(i) At amortised cost		
Investments held to maturity	**30,850**	405,848
(ii) At fair value		
Available for sale investments – unquoted investments	**2,405**	6,282
Available for sale investments – quoted debt securities	**146,480**	-
Investments held for trading – quoted shares	**60,282**	30,799
Investments held for trading – quoted debt securities	**78,867**	-
Investments held for trading – unquoted debt securities	**3,809**	3,809
(iii) At cost		
Cash and cash equivalents	**25,711**	35,658
Deposits with banks	**473,874**	305,321

The fair value of investments held to maturity at closing bid prices was €31,899,000 (2011: €413,146,000).

During 2012, investments held to maturity with a value of €374,000,000 reached their maturity dates. The proceeds have been invested in a combination of available for sale-quoted debt securities €146,480,000, investments held for trading - quoted debt securities €78,867,000 and the balance placed on deposit with banks. This reflects the Group's lower risk strategy during a period of high sovereign bond volatility.

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Among the valuation techniques used are cost, net asset or net book value or the net present value of future cash flows based on conservative operating projections.

22 Financial Instruments (continued)

(a) Financial assets (continued)

2012	Level 1 €000s	Level 2 €000s	Level 3 €000s	Total €000s
Investments held for trading				
Quoted shares	60,282	-	-	**60,282**
Quoted debt securities	78,867	-	-	**78,867**
Unquoted debt securities	-	3,809	-	**3,809**
AFS investments				
Quoted debt securities	146,480	-	-	**146,480**
Unquoted investments	-	-	2,405	**2,405**
Total	**285,629**	**3,809**	**2,405**	**291,843**

2011	Level 1 €000s	Level 2 €000s	Level 3 €000s	Total €000s
Investments held for trading				
Quoted shares	30,799	-	-	30,799
Unquoted debt securities	-	3,809	-	3,809
AFS investments				
Unquoted investments	-	-	6,282	6,282
Total	30,799	3,809	6,282	40,890

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

	2012 €000s	2011 €000s
At 1 January	**6,282**	7,282
Unrealised losses recognised in the Consolidated Income Statement	**(1,000)**	(1,000)
Write-off of available for sale assets	**(2,877)**	-
At 31 December	**2,405**	6,282

Available for sale investments grouped into level 3 comprise unquoted securities and consist of a number of small investments. The values attributable to these investments are derived from a number of valuation techniques including cost, net asset or net book value or the net present value of future cash flows based on conservative operating projections. A change in one or more of these inputs could have a significant impact on valuations. The maximum exposure the Group has in relation to Level 3 valued financial assets is €2,405,000 (2011: €6,282,000).

(b) Financial liabilities

The Group had no financial liabilities at 31 December 2012 or 2011 except for those disclosed in note 36(a).

23 Current Taxation Asset

	2012 €000s	2011 €000s
Income taxation receivable	**4,705**	2,134

This balance relates to corporation taxation refunds due.

24 Deferred Acquisition Costs

The movements in deferred acquisition costs during the year were:

	2012 €000s	2011 €000s
At 1 January	**22,199**	20,531
Net acquisition costs deferred during the year	**2,453**	1,668
At 31 December	**24,652**	22,199

All deferred acquisition costs are expected to be recovered within one year from 31 December 2012.

25 Other Receivables

	2012 €000s	2011 €000s
Policyholders	**40,352**	36,477
Intermediaries	**4,594**	4,470
Other debtors	**7,349**	7,840
Accrued interest and rent	**4,658**	1,070
Prepayments and accrued income	**6,773**	10,970
Total other receivables	**63,726**	60,827

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

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

Notes to the Financial Statements (continued)

26 Cash and Cash Equivalents

	2012 €000s	2011 €000s
Demand deposits*	**25,000**	35,000
Cash in hand	**711**	658
Total cash and cash equivalents	**25,711**	35,658

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

27 Ordinary Share Capital

	Number	2012 €000s	2011 €000s
(i) Ordinary shares of €0.60 each			
Authorised:			
At the beginning and the end of the year	51,326,000	**30,796**	30,796
Issued and fully paid:			
At the beginning and the end of the year	35,461,206	**21,277**	21,277
(ii) 'A' Ordinary shares of €0.01 each			
Authorised:			
At the beginning and the end of the year	120,000,000	**1,200**	1,200
Issued and fully paid:			
At the beginning and the end of the year	13,169,428	**132**	132
Total – issued and fully paid		**21,409**	21,409

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

The holders of the two classes of non-cumulative preference shares rank ahead of the two classes of ordinary shares in the event of a winding up (see note 31). Before any dividend can be declared on the ordinary shares of €0.60 each, the dividend on the non-cumulative preference shares must firstly be declared or paid.

The number of ordinary shares of €0.60 each held as treasury shares at the beginning (and the maximum number held during the year) was 2,164,312. This represented 6.1% of the shares of this class in issue and had a nominal value of €1,298,000. There were no ordinary shares of €0.60 each purchased by the Company during the year. A total of 147,000 ordinary shares of €0.60 each were re-issued from treasury during the year under the FBD Holdings plc Executive Share Option Scheme. Proceeds of €689,000 were credited directly to distributable reserves. This left a balance of 2,017,312 ordinary shares of €0.60 each in treasury which had a nominal value of €1,210,000 and represented 5.69% of the ordinary shares of €0.60 each in issue.

27 Ordinary Share Capital (continued)

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

At 31 December 2012, the total number of ordinary shares of €0.60 each under option amounted to 968,825 (2011: 1,118,923). The related options had been granted under the FBD Holdings plc Executive Share Option Scheme ("ESOS") and the FBD Group Save as You Earn (SAYE) Scheme (the "SAYE Scheme"). Of the options outstanding under the ESOS, 158,825 (2011: 240,825) may be exercised prior to October 2013 at a subscription price of €2.50 per share. 821,582 (2011: 886,582) of the options outstanding under the ESOS may be exercised prior to September 2014 at a subscription price of €7.45 per share conditional on certain performance conditions being met. The 3,098 options outstanding under the SAYE Scheme as at 31 December 2011 were exercisable at a subscription price of €18.46 per share and lapsed in 2012.

All issued shares have been fully paid.

28 Revaluation Reserves

	Property, plant and equipment €000s	Available for sale investments €000s	Total €000s
Balance at 1 January 2011	733	9	742
Transfer to retained earnings on sale of subsidiaries in 2011	(733)	(9)	(742)
Balance at 31 December 2011 and 31 December 2012	**-**	**-**	**-**

The entire revaluation reserve was transferred to retained earnings in 2011 on the sale of subsidiaries.

There has been no movement on revaluation reserves in 2012.

The revaluation reserve arose on the revaluation of property and available for sale investments. When such assets are sold, the portion of the revaluation reserve which relates to that asset, and which is effectively realised, is transferred directly to retained earnings.

29 Capital Reserves

(a) GROUP

	Share premium €000s	Capital conversion reserve €000s	Capital redemption reserve €000s	Share option reserve €000s	Total Group €000s
At 1 January 2011	5,540	1,627	4,426	3,720	15,313
Recognition of share-based payments	-	-	-	614	614
At 31 December 2011	5,540	1,627	4,426	4,334	15,927
Recognition of share-based payments	**-**	**-**	**-**	**908**	**908**
At 31 December 2012	**5,540**	**1,627**	**4,426**	**5,242**	**16,835**

(b) COMPANY

	Share premium €000s	Capital conversion reserve €000s	Capital redemption reserve €000s	Share option reserve €000s	Total Company €000s
At 1 January 2011	5,540	1,627	4,426	3,720	15,313
Recognition of share-based payments	-	-	-	614	614
At 31 December 2011	5,540	1,627	4,426	4,334	15,927
Recognition of share-based payments	**-**	**-**	**-**	**908**	**908**
At 31 December 2012	**5,540**	**1,627**	**4,426**	**5,242**	**16,835**

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

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

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

30 Retained Earnings

	€000s
At 1 January 2011	144,757
Net profit for the year	38,127
Dividends paid and approved	(11,012)
Exercise of share options	80
Transfer from revaluation reserve on sale of subsidiaries	742
Transfer from translation reserve on sale of subsidiaries	(98)
At 31 December 2011	172,596
Net profit for the year	**41,834**
Dividends paid and approved	**(12,104)**
Exercise of share options	**689**
At 31 December 2012	**203,015**

31 Preference Share Capital

	Number	2012 €000s	2011 €000s
Authorised:			
At the beginning and the end of the year			
14% Non-cumulative preference shares of €0.60 each	1,340,000	**804**	804
8% Non-cumulative preference shares of €0.60 each	12,750,000	**7,650**	7,650
		8,454	8,454
Issued and fully paid:			
At the beginning and the end of the year			
14% Non-cumulative preference shares of €0.60 each	1,340,000	**804**	804
8% Non-cumulative preference shares of €0.60 each	3,532,292	**2,119**	2,119
		2,923	2,923

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

32 Non-controlling Interests

	2012 €000s	2011 €000s
At 1 January	**458**	2,053
Share of non-controlling interests transferred to joint venture	**-**	(1,526)
Share of profit for the year - continuing operations	**99**	38
Share of loss for the year - discontinued operations	**-**	(107)
Dividends paid to non-controlling interests	**(80)**	-
At 31 December	**477**	458

33 Claims Outstanding

(a) Gross Claims Outstanding 2012

	Prior years €000s	2003 €000s	2004 €000s	2005 €000s	2006 €000s	2007 €000s	2008 €000s	2009 €000s	2010 €000s	2011 €000s	2012 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year	-	262,132	329,087	329,501	393,944	340,460	383,918	378,839	352,635	261,596	252,558	**-**
One year later	-	225,267	277,415	278,281	306,441	316,394	373,373	342,548	334,162	231,834	-	**-**
Two years later	-	206,220	255,510	243,243	299,096	308,665	373,203	341,006	331,478	-	-	**-**
Three years later	-	185,363	223,571	229,877	297,147	303,432	371,095	340,620	-	-	-	**-**
Four years later	-	165,686	215,480	224,576	291,218	300,170	367,095	-	-	-	-	**-**
Five years later	-	156,734	207,644	218,926	286,636	294,460	-	-	-	-	-	**-**
Six years later	-	151,625	208,007	217,015	283,287	-	-	-	-	-	-	**-**
Seven years later	-	150,762	206,588	215,989	-	-	-	-	-	-	-	**-**
Eight years later	-	149,988	212,521	-	-	-	-	-	-	-	-	**-**
Nine years later	-	148,856	-	-	-	-	-	-	-	-	-	**-**
Estimate of cumulative claims	-	148,856	212,521	215,989	283,287	294,460	367,095	340,620	331,478	231,834	252,558	**-**
Cumulative payments	-	(146,348)	(199,286)	(205,530)	(265,400)	(262,526)	(317,717)	(265,846)	(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	74,774	101,746	101,447	169,047	**581,132**
At 31 December 2011:	12,698	4,789	9,774	15,296	27,591	51,189	78,063	98,293	129,914	175,583	-	**603,190**
Movement during 2012:	(3,981)	(2,281)	3,461	(4,837)	(9,704)	(19,255)	(28,685)	(23,519)	(28,168)	(74,136)	169,047	**(22,058)**

33 Claims Outstanding (continued)

(b) Net Claims Outstanding 2012

	Prior years €000s	2003 €000s	2004 €000s	2005 €000s	2006 €000s	2007 €000s	2008 €000s	2009 €000s	2010 €000s	2011 €000s	2012 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year	-	221,439	265,069	290,028	297,864	307,269	338,162	308,494	282,830	233,361	235,041	-
One year later	-	203,161	227,657	286,600	257,379	281,264	319,002	286,115	265,482	208,429	-	-
Two years later	-	182,746	213,828	221,359	254,396	277,391	318,124	286,153	265,884	-	-	-
Three years later	-	167,233	183,663	210,457	251,077	273,128	316,831	284,164	-	-	-	-
Four years later	-	148,354	176,006	205,132	246,832	269,372	313,328	-	-	-	-	-
Five years later	-	141,356	171,196	200,640	242,665	263,272	-	-	-	-	-	-
Six years later	-	136,829	168,266	198,584	239,324	-	-	-	-	-	-	-
Seven years later	-	135,158	166,822	197,596	-	-	-	-	-	-	-	-
Eight years later	-	134,395	167,774	-	-	-	-	-	-	-	-	-
Nine years later	-	133,237	-	-	-	-	-	-	-	-	-	-
Estimate of cumulative claims	-	133,237	167,774	197,596	239,324	263,272	313,328	284,164	265,884	208,429	235,041	-
Cumulative payments	-	(130,757)	(159,564)	(187,368)	(221,722)	(232,528)	(264,546)	(217,301)	(167,861)	(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	159,924	**546,037**
At 31 December 2011:	10,796	4,773	9,734	15,025	27,321	50,330	75,799	91,084	117,508	157,214	-	**559,584**
Movement during 2012:	(4,402)	(2,293)	(1,524)	(4,797)	(9,719)	(19,586)	(27,017)	(24,221)	(19,485)	(60,427)	159,924	**(13,547)**

33 Claims Outstanding (continued)

(b) Net Claims Outstanding 2012 (continued)

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

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

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

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

(c) Reconciliation of claims outstanding

	Gross €000s	Net €000s
Balance at 1 January 2011	657,656	586,740
Change in provision for claims	(54,466)	(27,156)
Balance at 31 December 2011	603,190	559,584
Change in provision for claims	**(22,058)**	**(13,547)**
Balance at 31 December 2012	**581,132**	**546,037**

(d) Reconciliation of provision for unearned premium

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

	2012 €000s	2011 €000s
Balance at 1 January	**174,362**	176,479
Net premium written	**296,609**	304,156
Net premium earned	**(300,625)**	(301,952)
Changes in provision for unearned premium – reinsurers' share	**(103)**	(4,321)
Provision for unearned premium at 31 December	**170,243**	174,362

Comparatives for 2011 differ from note 4 as note 4 has been restated to remove discontinued operations.

33 Claims Outstanding (continued)

(e) Reconciliation of reinsurance assets

	Claims outstanding €000s	Unearned premium reserve €000s
Balance at 1 January 2011	70,916	24,706
Movement during year	(27,310)	(4,321)
Balance at 31 December 2011	43,606	20,385
Movement during year	**(8,511)**	**(103)**
Balance at 31 December 2012	**35,095**	**20,282**

34 Retirement Benefit Obligation

The Group operates a funded defined benefit retirement scheme for qualifying employees. Under the defined benefit plan, employees are entitled to retirement benefits of 1/60th of final salary for each year of service on attainment of a retirement age of 65. A full actuarial valuation was carried out on 1 July 2010, using the projected unit credit method, and the minimum funding standard was updated to 31 December 2012 by the schemes' independent and qualified actuary. The long-term investment objective of the Trustees and the Group is to limit the risk of the assets failing to meet the liabilities of the scheme over the long-term, and to maximise returns consistent with an acceptable level of risk so as to control the long-term costs of the scheme. To meet these objectives, the scheme's assets are invested in a diversified portfolio, consisting primarily of equity and debt securities. These reflect the current long-term asset allocation ranges, having regard to the structure of liabilities within the scheme. The major assumptions used by the actuary are listed in (a), (b) and (c) below:

(a) Assumptions used to calculate scheme liabilities

	2012 %	2011 %
Inflation rate increase	**2.00**	2.00
Salary rate increase	**3.00**	3.00
Pension payment increase:		
- past service average	**2.00**	2.00
- future service	**0.00**	0.00
Discount rate	**4.00**	4.65

34 Retirement Benefit Obligation

(b) Expected rate of return on scheme assets

	2012 %	2011 %
Quoted shares	**6.75**	6.75
Government gilts	**3.00**	4.00
Investment properties	**6.25**	6.25

Expected rate of return on scheme assets will not be relevant in future due to International Accounting Standards Board amendments to IAS19 which will take effect from 1 January 2013.

The main amendment impacting the plan is the replacement of the interest cost and Expected Return on Plan Assets elements in the Consolidated Income Statement with a single "Net Interest" figure. The Expected Return on Plan Assets is currently calculated by reference to best estimates of future returns by asset class, which is usually higher than the discount rate. Therefore, this amendment would be expected to increase the charge in the Consolidated Income Statement. While the amendments are effective for periods beginning on or after 1 January 2013, the amendments will be applied retrospectively to prior year comparatives. Under this restatement, the charge is expected to be €652,000 in relation to 2012. The 2013 estimated charge is expected to increase by €1,030,000 as a result of this amendment to IAS 19.

(c) Mortality Assumptions

	2012 Years	2011 Years
The average life expectancy of current and future retirees used in the scheme at age 65 is as follows:		
Male	**21.8**	21.7
Female	**23.5**	23.4

The basis used to calculate the discount rate was reviewed in 2012. A detailed description of this review is included in Accounting Policy S(i), *Critical judgement in applying accounting policies*.

During 2011, the Finance (No. 2) Act introduced an annual levy of 0.6% on the market value of assets held in pension schemes in Ireland from 2011 to 2014. The levy is payable on the value of assets at 30 June or the previous year end date. The levy for 2012 of €627,094 (2011: €612,662) and was paid out of the pension funds on or before September 2012 and will be recovered from members' pensions in future years.

The basis used to determine the expected return on plan assets is the money weighted rate of return achieved on the asset values used for the purpose of calculating the long-term funding rate. The actual return on the scheme assets for the year was a gain of €12,237,000 (2011: a loss of €765,000).

34 Retirement Benefit Obligation (continued)

(d) Consolidated Income Statement

	2012 €000s	2011 €000s
Charged to Consolidated Income Statement:		
Current service cost	**3,552**	3,663
Gains on curtailments	**-**	(942)
Past service (gain)/cost	**(606)**	867
	2,946	3,588
Interest on scheme liabilities	**(5,947)**	(5,714)
Expected return on scheme assets	**4,954**	5,730
	(993)	16
Charge to Consolidated Income Statement	**3,939**	3,572

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

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

	2012 €000s	2011 €000s
Actual return on scheme assets	**12,237**	(765)
Expected return on scheme assets in excess of actuarial return	**(4,954)**	(5,730)
Actual return less expected return on scheme assets	**7,283**	(6,495)
Experience gains and losses on scheme liabilities	**1,660**	1,993
Changes in demographic and financial assumptions	**(18,288)**	(9,821)
Actuarial loss	**(9,345)**	(14,323)
Deferred taxation credit	**1,134**	1,354
Actuarial loss net of deferred taxation	**(8,211)**	(12,969)

34 Retirement Benefit Obligation (continued)

(f) History of experience gains and losses

	2012 €000s	2011 €000s	2010 €000s	2009 €000s	2008 €000s
Present value of defined benefit obligations	**149,520**	127,620	114,367	120,755	98,956
Fair value of plan assets	**118,754**	105,928	103,508	97,652	82,844
Net pension liability	**30,766**	21,692	10,859	23,103	16,112
Difference between expected and actual return on assets	**7,283**	(6,495)	1,403	6,524	(37,076)
Experience gains and losses on scheme liabilities	**1,660**	1,993	2,270	(1,315)	2,889
Actuarial (loss)/gain	**(9,345)**	(14,323)	4,131	(8,556)	(10,174)

The cumulative charge to the Consolidated Statement of Comprehensive Income is €85,551,000 (2011: €76,206,000).

(g) Assets in scheme at market value

	2012 €000s	2011 €000s
Equities	**45,441**	46,024
Bonds	**41,837**	27,878
Property	**1,818**	4,560
Managed funds	**22,402**	14,218
Cash deposits and other	**7,256**	13,248
Scheme assets	**118,754**	105,928
Actuarial value of liabilities	**(149,520)**	(127,620)
Net pension liability	**(30,766)**	(21,692)

Notes to the Financial Statements (continued)

34 Retirement Benefit Obligation (continued)

(h) Movement in deficit during the year

	2012 €000s	2011 €000s
Net deficit in scheme at 1 January	**(21,692)**	(10,859)
Current service cost	**(3,552)**	(3,663)
Gains on curtailments	**-**	942
Past service gain/(cost)	**606**	(867)
Employer contributions	**4,210**	7,062
Interest on scheme liabilities	**(5,947)**	(5,714)
Expected return on scheme assets	**4,954**	5,730
Actuarial loss	**(9,345)**	(14,323)
Net deficit at 31 December	**(30,766)**	(21,692)

(i) Movement on assets and liabilities

	2012 €000s	2011 €000s
Assets		
Assets in scheme at 1 January	**105,928**	103,508
Actual return less expected return on scheme assets	**7,283**	(6,495)
Contributions	**4,210**	7,062
Employee contributions	**73**	95
Expected return on scheme assets	**4,954**	5,730
Benefits paid	**(3,694)**	(3,972)
Assets in scheme at 31 December	**118,754**	105,928
Liabilities		
Liabilities in scheme at 1 January	**127,620**	114,367
Experience gains and losses on scheme liabilities	**(1,660)**	(1,993)
Changes in demographic and financial assumptions	**18,288**	9,821
Current service cost	**3,552**	3,663
Gain on curtailments	**-**	(942)
Past service (gain)/cost	**(606)**	867
Employee contributions	**73**	95
Interest on scheme liabilities	**5,947**	5,714
Benefits paid	**(3,694)**	(3,972)
Liabilities in scheme at 31 December	**149,520**	127,620

34 Retirement Benefit Obligation (continued)

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

- A 1% increase in the discount rate would reduce the value of the scheme liabilities by €26.8m. A 1% reduction in the discount rate would increase the value of the scheme liabilities by €36.1m.
- The effect of inflation and salaries have been analysed together because they are linked. A rise in the long-term inflation assumption will increase the long-term salary increase assumption and similarly for a fall in the long-term inflation assumption.
- A 1% increase in inflation/salaries would increase the value of the scheme liabilities by €24.1m. A 1% reduction in inflation/salaries would reduce the value of the scheme liabilities by €19.6m.
- The effect of assuming all members of the scheme will live one year longer would increase the scheme's liabilities by €3.5m.
- The current best estimate of 2013 contributions to be made by the Group to the pension fund is €3,897,000 (2012: €4,300,000).

The Group also operates defined contribution retirement benefit plans for qualifying employees who opt to join. The assets of the plans are held separately from those of the Group in funds under the control of Trustees. The Group recognised an expense of €1,579,000 (2011: €1,538,000) relating to these pension schemes.

35 Deferred Taxation Liability

	Revaluation of property, plant and equipment €000s	Insurance contracts €000s	Other timing differences €000s	Total €000s
At 1 January 2011	92	11,594	65	11,751
Credited to Consolidated Income Statement	-	(1,951)	(49)	(2,000)
Arising on sale of subsidiaries	(92)	-	(16)	(108)
At 31 December 2011	-	9,643	-	9,643
Arising on sale of subsidiary	**-**	**(8,952)**	**-**	**(8,952)**
Reclassification		**(691)**	**691**	**-**
At 31 December 2012	**-**	**-**	**691**	**691**

36 Payables

(a) GROUP

	2012 €000s	2011 €000s
Amounts falling due within one year:		
Payables and accruals	**28,080**	22,720
PAYE/PRSI	**1,785**	1,930
Proposed dividends on preference shares	**282**	451
	30,147	25,101
Payables arising out of direct insurance operations	**9,467**	9,237
Total payables	**39,614**	34,338

(b) COMPANY

	2012 €000s	2011 €000s
Amounts falling due within one year:		
Payables and accruals	**4,668**	7,288
Proposed dividends on preference shares	**282**	451
Total payables	**4,950**	7,739

37 Dividends

	2012 €000s	2011 €000s
Paid during year:		
2011 final dividend of 25.25 cent (2010: 21.0 cent) per share on ordinary shares of €0.60 each	**7,742**	6,987
2012 interim dividend of 12.25 cent (2011: 11.25 cent) per share on ordinary shares of €0.60 each	**4,080**	3,743
Dividend of 4.8 cent (2011: 4.8 cent) per share on 8% non-cumulative preference shares of €0.60 each	**169**	169
Dividend of 8.4 cent (2011: 8.4 cent) per share on 14% non-cumulative preference shares of €0.60 each	**113**	113
Dividend of 4.8 cent (2010:nil cent) per share on 8% non-cumulative preference shares of €0.60 each	**169**	-
Total dividends paid	**12,273**	11,012

37 Dividends (continued)

	2012 €000s	2011 €000s
Approved but not paid:		
Dividend of nil cent (2011: 4.8 cent) per share on 8% non-cumulative preference shares of €0.60 each	-	169
Dividend of nil cent (2011: 8.4 cent) per share on 14% non-cumulative preference shares of €0.60 each	-	113
Total dividends approved but not paid	-	282

	2012 €000s	2011 €000s
Proposed:		
Dividend of 4.8 cent (2011: 4.8 cent) per share on 8% non-cumulative preference shares of €0.60 each	**169**	169
Final dividend of 30.0 cent (2011: 23.25 cent) per share on ordinary shares of €0.60 each	**10,033**	7,742
Total dividends proposed	**10,202**	7,911

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

38 Principal Subsidiaries and Joint Ventures

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

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

All shareholdings are in the form of ordinary shares.

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

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

39 Capital Commitments

	2012 €000s	2011 €000s
Capital commitments at 31 December authorised by the Directors but not provided for in the Financial Statements:		
Contracted for	**1,300**	-
Not contracted for	**17,700**	-

The above capital commitments relate to an investment in the underwriting policy administrative system to be undertaken over a three to four year period.

40 Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets at either 31 December 2012 or 31 December 2011.

41 Share Based Payments

FBD Holdings plc Executive Share Option Scheme

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

41 Share Based Payments (continued)

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

	2012 Weighted average exercise price in € per share	2012 Options	2011 Weighted average exercise price in € per share	2011 Options
At 1 January	**6.38**	**1,115,825**	6.35	1,124,825
Granted	**-**	**-**	-	-
Exercised	**4.69**	**147,000**	2.50	9,000
Lapsed	**-**	**-**	-	-
At 31 December	**6.64**	**968,825**	6.38	1,115,825
Total exercisable at 31 December	**6.64**	**968,825**	2.50	240,825

The fair values of the options granted under the ESOS in October 2003 and August 2009 were calculated at €12.03 and €1.62 respectively. These fair values were independently calculated using the assumptions detailed on page 108.

The following share options were exercised during year:

Date option granted	Exercise date	Number exercised	Share price at exercise date
17 October 2003	20 April 2012	10,000	€9.00
17 October 2003	26 November 2012	72,000	€10.25
26 August 2009	26 November 2012	65,000	€10.25

No further options can be granted under the ESOS.

FBD Group Save as You Earn (SAYE) Scheme

In May 2007, shareholders approved the establishment of the FBD Group Save as You Earn (SAYE) Scheme (the "SAYE Scheme"). Under the SAYE Scheme, eligible Group employees can be granted options to subscribe for ordinary shares in the Company at a discount of up to 25% to the prevailing market price of the Company's ordinary shares, as provided for under the SAYE Scheme Rules which are Revenue Commissioner approved. The option price can be reduced, in accordance with the SAYE Scheme Rules, by the amount of any special dividends paid to shareholders provided that any such reduction has the approval of the Revenue Commissioners.

The only grant of options under the plan to date was made in October 2007 and was aligned to three year savings contracts which commenced in January 2008. Options were granted at that time over a total of 164,573 ordinary shares at an option price of €19.95 which represented a discount of 20% to the then prevailing market price. As a consequence of the payment of a special dividend of €1.49 per share during 2008 the option price was reduced, by agreement with the Revenue Commissioners, and in accordance with the Scheme Rules, to €18.46. Options over 3,098 shares lapsed during 2012 and no options remain outstanding under the Scheme.

Notes to the Financial Statements (continued)

41 Share Based Payments (continued)

FBD Group Performance Share Plan

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

A conditional award was made in November 2011 over 252,077 ordinary shares. The fair value of the 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 on pages 106 and 107 have been calculated using the following assumptions:

	ESOS grant October 2003	LTIP award August 2008	ESOS grant August 2009	LTIP award November 2011
Share price at grant	€10.59	€12.90	€7.40	€6.55
Initial option/award price	€10.59	€12.90	€7.45	€6.55
Expected volatility	20%	35%	35%	30%
Expected life in years	3	2.58	3	2.37
Risk free interest rate	2.98%	4.0%	2.5%	1.2%
Expected dividend yield %	2%	n/a	4.5%	n/a
Fair value	€12.03	€6.04	€1.62	€6.18

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

Accounting charge for share based payments

Grant date	Vesting period (years)	Number of options granted	Number outstanding at 31 December 2012	Grant price €	Market value at grant date €	Fair value at grant date €	2012 €000s	2011 €000s
27.08.2008 LTIP	2.58	98,149	-	-	12.90	6.04	**-**	56
26.08.2009 ESOS	3.00	905,000	810,000	7.45	7.40	1.62	**319**	489
18.11.2011 LTIP	2.37	252,077	252,077	-	6.55	6.18	**589**	69
Total							**908**	614

42 Guarantees

- The Company has provided a guarantee of €30,142,751 to AIB Bank for banking facilities for the joint venture, FBD Property & Leisure Ltd. The facility underlying this guarantee was successfully re-financed during 2012.
- A guarantee of €7,500,000 has been provided to Farmer Business Developments plc in respect of its loan to the joint venture.
- The Company has guaranteed the interest payment on a €2,900,000 loan from a third party to the Group's defined benefit pension scheme.

The guarantees are deemed not to have material value.

43 Transactions With Related Parties

Farmer Business Developments plc has a substantial shareholding in the Group at 31 December 2012, details of which are set out in the Report of the Directors.

Included in the Financial Statements at the year end is €385,183 (2011: €127,294) due from Farmer Business Developments plc. This balance is made up of recharges for services provided and recoverable costs and interest. Interest is charged on this balance at the market rate. The amount due is repayable on demand.

During 2011 a joint venture was formed between the Group and Farmer Business Developments plc to own and manage the hotel and golf assets previously 100% owned by the Group. Further details on this joint venture are disclosed in note 8 and note 19. As part of the establishment of the joint venture, a loan was provided to the joint venture in 2011 by Farmer Business Developments plc for €7,500,000.

For the purposes of the disclosure requirements of IAS 24, the term *"key management personnel"* (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Company) comprises the Board of Directors which manages the business and affairs of the Company. Full disclosure in relation to the 2012 and 2011 compensation entitlements of the Board of Directors is provided in the Report on Directors' Remuneration. In common with all shareholders, Directors received payments/distributions related to their holdings of shares in the Company during the year, amounting in total to €30,673 (2011: €49,126). Details of Directors' share options are outlined in the Report on Directors' Remuneration on pages 30 to 35. The share based payment charge to the Consolidated Income Statement relating to the Executive Directors during the year was €286,369 (2011: €178,589).

44 Risk Management

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

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

44 Risk Management (continued)

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

The Group recognises the critical importance of efficient and effective risk management. Risk is categorised as follows:

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

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

(a) General Insurance risk

The risks attached to any insurance policy written are the possibility that an insured event occurs and the uncertainty as to the amount of the resulting claim. The frequency and severity of claims can be affected by several factors, most notably economic activity, the level of awards and inflation on settling claims. The history of claims development is set out, both gross and net of reinsurance in note 33, claims outstanding.

The Group has developed its insurance underwriting strategy to diversify the type of insurance cover written and, within each of the types of cover, to achieve a sufficiently large population of policies to reduce the variability of the expected outcome. The principal insurance cover provided by the Group 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 Group manages insurance risk through its underwriting strategy, proactive claims handling and its reinsurance arrangements. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks written and to reduce the variability of the expected outcome by each risk category. The only significant concentration of insurance risk is that all of the Group's underwriting business is conducted in Ireland.

44 Risk Management (continued)

The Group'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 that conform with the Group's risk appetite and reinsurance treaties; constant review of the Group's pricing policy using up-to-date statistical analysis and claims experience; and the surveying of risks carried out by experienced personnel. All risks underwritten are within the terms of the Group's reinsurance treaties.

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

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

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

For its motor, employers' liability and public liability business, the Group has in place excess of loss reinsurance treaties and for its property business, quota share and catastrophe reinsurance treaties. The Group's retention on all reinsurance treaties is approved by the Board of Directors on an annual basis.

The estimation and measurement of claims provisions is a major determining factor in the Group's results and financial position. The Group uses modern statistical and actuarial methods to calculate the quantum of claims provisions and uses independent actuaries to review its liabilities to ensure that the carrying amount of the liabilities is adequate. There is no certainty that the amount provided is sufficient – further claims could arise or settlement cost could increase as a result, for example of claims inflation, periodic payments or the size of court awards. Such an increase could have a material impact on the results and financial condition of the Group.

The Group uses independent actuaries to review its liabilities to ensure that the carrying amount is adequate. Where the liabilities, net of any related deferred acquisition costs, are deemed to be inadequate, the deficiency is recognised immediately in the Consolidated Income Statement.

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

44 Risk Management (continued)

(b) Capital Management risk

The Group is committed to managing its capital so as to maximise returns to shareholders. The capital of the Group comprises of issued capital, reserves and retained earnings as detailed in notes 27 to 30. The Board of Directors reviews the capital structure frequently to determine the appropriate level of capital required to pursue the Group's growth plans. The Group's overall strategy remains unchanged from 2011.

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

As at 31 December 2012, FBD Insurance plc had admissible assets to cover the required solvency margin of €220,821,000 (2011: €201,468,000) versus a requirement of €60,410,000 (2011: €61,021,000), as calculated by reference to the European Communities (Non-Life Insurance) Framework (Amendment) Regulations 2004. FBD Insurance plc maintained its robust capital position and complied with all regulatory solvency margin requirements throughout both the year under review and the prior year.

FBD Insurance plc has developed and is in the process of implementing plans to ensure compliance with all aspects of the proposed Solvency II regime and has conducted tests that show it has sufficient capital to meet the Solvency II Capital Requirement as determined under the EU Quantitative Impact Study 5.

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

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

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

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

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

44 Risk Management (continued)

(c) Operational risk

Operational risk could arise 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 Group is exposed that are not considered elsewhere. Hence, operational risks include for example, information technology, information security, human resources, project management, outsourcing, taxation, legal, fraud and compliance risks.

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

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

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

(d) Liquidity risk

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

The following tables provide an analysis of assets and liabilities into their relevant maturity groups based on the remaining period to contractual maturity.

44 Risk Management (continued)

Assets – 2012	Carrying value total €000s	Contracted value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Investment property	**10,686**	10,686	10,686	-	-
Financial assets	**796,567**	812,850	721,245	88,035	3,570
Reinsurance assets	**55,377**	55,377	26,711	25,607	3,059
Loans and receivables	**64,822**	64,822	64,172	650	-
Cash and cash equivalents	**25,711**	25,711	25,711	-	-
Total	**953,163**	969,446	848,525	114,292	6,629

Liabilities – 2012	Carrying value total €000s	Contracted value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Insurance contract liabilities	**751,375**	751,375	235,519	424,157	91,699
Payables	**39,614**	39,614	39,614	-	-
Total	**790,989**	790,989	275,133	424,157	91,699

Assets – 2011	Carrying value total €000s	Contracted value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Investment property	8,818	8,818	8,818	-	-
Financial assets	752,059	762,750	730,828	31,922	-
Reinsurance assets	63,991	63,991	41,226	20,892	1,873
Loans and receivables	83,913	83,913	83,913	-	-
Cash and cash equivalents	35,658	36,017	36,017	-	-
Total	944,439	955,489	900,802	52,814	1,873

Liabilities – 2011	Carrying value total €000s	Contracted value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Insurance contract liabilities	777,552	777,552	300,345	386,590	90,617
Payables	34,338	34,338	34,338	-	-
Total	811,890	811,890	334,683	386,590	90,617

44 Risk Management (continued)

(e) Market risk

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

Interest rate risk

Interest rate risk arises primarily from the Group's investments in quoted debt securities, deposits and borrowings. Regular reviews of the level of exposure to interest rate risk from trading are appropriate. Factors taken into consideration are yield, volatility and historical returns.

At 31 December 2012, the Group held the following deposits, held to maturity investments and quoted and unquoted debt securities:

	2012		2011	
	Weighted market value €000s	Weighted average interest rate %	Weighted market value €000s	Weighted average interest rate %
Time to maturity				
In one year or less	**643,686**	**2.10**	679,770	2.66
In more than one year, but not more than two years	**56,986**	**4.61**	-	-
In more than two years, but not more than three years	**11,845**	**4.35**	35,208	2.80
In more than three years, but not more than four years	**8,705**	**4.54**	-	
In more than four years, but not more than five years	**7,412**	**4.06**	-	
More than five years	**5,246**	**3.77**	-	
Total	**733,880**		714,978	

44 Risk Management (continued)

Equity price risk

The Group is subject to equity price risk due to daily changes in the market values of its holdings of quoted shares. Equity price risk is actively managed using the framework set out in the Group's investment policy which is approved annually by the Board of Directors. The Group places limits on the type of shares held, liquidity of shares, size of share-holding and exposure to any one sector. In addition, local asset admissibility solvency regulations require the Group to hold a diversified portfolio of assets, thereby reducing exposure to individual sectors. The amounts exposed to equity price risk are set out in note 22(a).

Foreign currency risk

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

The Group did not hold any derivative instruments at 31 December 2012 or 31 December 2011.

The carrying amount of the Group's foreign currency denominated monetary assets at the reporting date is as follows:

	2012 €000s	**2011 €000s**
GBP	**11,195**	4,511
USD	**7,195**	2,063
Other	**610**	433

(f) Credit risk

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

Financial assets are graded according to current credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as speculative grade. All of the Group's bank deposits are either with financial institutions that have a minimum A rating or have a sovereign guarantee. Quoted debt securities comprise €30,850,000 government gilts which carry AAA rating and €3,809,000 corporate bonds which are unrated. These ratings are unchanged since 2011. Available for sale investments comprise €146,480,000 (2011: nil) of listed corporate bonds with an average duration of 1.25 years and an average rating of A and a number of small investments many of which are unrated. The maximum exposure the Group has in relation to any one of these unrated investments is €2,405,000 (2011: €6,282,000).

44 Risk Management (continued)

All of the Group's current reinsurers either have a credit rating of A- or better or have provided the Group with alternative satisfactory security. The Group has assessed these credit ratings and security as being satisfactory in diminishing the Group's exposure to the credit risk of its reinsurance receivables. The maximum balance owed to the Group by an individual reinsurer at 31 December 2012 was €4,529,000 (2011: €6,173,000).

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

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

(g) Concentration risk

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

- Quoted debt securities comprise €30,850,000 (2011: €405,848,000) of government bonds which carry an AAA rating and € 3,809,000 (2011: €3,809,000) of corporate bonds which are unrated. Given the rating of its government bond portfolio, the Group 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 Group deems any concentration risk to be acceptable.
- The listed corporate bonds carry an average credit rating of A, with 11% 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 bond fund, the Group deems any concentration risk to be acceptable.
- All of the underwriting business is conducted in Ireland over a wide geographical spread with no concentration in any county or region. The resultant concentration risk from adverse weather events, i.e. floods, storms or freezes in Ireland, are mitigated by an appropriate reinsurance strategy as outlined in note 44(a).

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

(h) Macro-economic risk

Economic downturn

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

44 Risk Management (continued)

Increasing competition

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

Changing market trends

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

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

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

Taxation risk

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

(i) Sensitivity analysis

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

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

44 Risk Management (continued)

The above sensitivity factors are applied using actuarial and statistical models, with the following pre-tax impacts on profit and shareholders' equity at 31 December 2012 and at 31 December 2011:

		2012 €000s	2011 €000s
Interest rates	1.0%	**4,609**	1,822
Interest rates	(0.25%)	**(1,152)**	(456)
FX rates	10%	**1,900**	701
FX rates	(10%)	**(1,900)**	(701)
Equity	10%	**6,028**	3,080
Equity	(10%)	**(6,028)**	(3,080)
Available for sale investments	5%	**7,444**	314
Available for sale investments	(5%)	**(7,444)**	(314)
Investment property	10%	**1,069**	882
Investment property	(10%)	**(1,069)**	(882)
Net loss ratio	5%	**(15,032)**	(15,098)

In addition the impact of changes in the assumptions used to calculate general insurance liabilities and sensitivities are indicated in the table below:

31 December 2012	Change in assumptions	Increase in gross technical reserves €000s	Increase in net technical reserves €000s	Impact on profit before taxation €000s	Reduction in shareholders' equity €000s
Injury claims IBNR	**+10%**	**2,086**	**2,086**	**(2,086)**	**1,825**
Other claims IBNR	**+10%**	**1,255**	**1,015**	**(1,015)**	**888**
Legal fees revert to pre PIAB levels		**6,395**	**5,756**	**(5,756)**	**5,037**

31 December 2011	Change in assumptions	Increase in gross technical reserves €000s	Increase in net technical reserves €000s	Impact on profit before taxation €000s	Reduction in shareholders' equity €000s
Injury claims IBNR	+10%	2,328	2,030	(2,030)	1,776
Other claims IBNR	+10%	232	224	(224)	196
Legal fees revert to pre PIAB levels		8,544	7,690	(7,690)	6,729

44 Risk Management (continued)

Limitations of sensitivity analysis

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

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

FBD Holdings plc

FBD House
Bluebell
Dublin 12
Ireland

T: +353 1 409 3200
F: +353 1 455 4303
www.fbdgroup.com

Letter from the Chairman in relation to the Annual General Meeting

16 April 2013

Dear Shareholder,

The Notice of the Annual General Meeting of the Company which will be held at 12.00 noon on 15 May 2013 in the Irish Farm Centre, Old Naas Road, Bluebell, Dublin 12 follows this letter.

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

Ordinary Business (Resolutions 1 to 6)

Resolution 1 deals with the consideration of the Financial Statements of the Company for the year ended 31 December 2012.

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

Resolution 3 deals with the declaration of a final dividend of 30.0 cent per ordinary share for the year ended 31 December 2012.

Resolution 4 deals with the approval of the Report on Directors' Remuneration. This Report is set out on pages 30 to 35 of the Annual Report and it has been the practice of the Board since 2010 to put the Report on Directors' Remuneration to a shareholder vote. Shareholders should note that there is no legal obligation on the Company to put such a resolution to Shareholders. While it is therefore an "advisory" resolution and not binding on the Company, the Board recognises that the tabling of such a resolution is best practice in this area and is an acknowledgement of Shareholders' rights to have a "say on pay".

Resolution 5 deals with the proposed re-election of all of the Directors. The Board has adopted the practice that all Directors will submit themselves for re-election at each Annual General Meeting. This was done for the first time in 2011. Biographies of all the Directors are set out on pages 14 to 15 of the Annual Report. Each of the Directors brings to the Board substantial and relevant business experience.

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

Special Business (Resolutions 7 to 10)

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

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

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

Disapplication of pre-emption rights (Resolution 7)

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

Registered in Ireland, Registration Number: 135882
Registered Office: FBD House, Bluebell, Dublin 12, Ireland.
Directors: M Berkery (Chairman), J Bryan, S Dorgan, B Horan, A Langford (Chief Executive), D Mulvihill, C O'Caoimh, V Sheridan, J Thijs (Belgium), P Walshe

Letter from the Chairman in relation to the Annual General Meeting (continued)

This authority will, if renewed, expire on the earlier of the date of the next Annual General Meeting of the Company or 15 August 2014.

Authority to purchase own shares (Resolution 8)

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

The total number of options to subscribe for ordinary shares in the Company outstanding on 8 April 2013 is 1,257,842 representing 3.27% of the total issued share capital. If the Directors were to exercise the authority being renewed by this resolution up to the maximum allowed and to cancel such shares and all other shares held in treasury, these options would represent 3.86% of the total issued share capital.

This authority will, if renewed, expire on the earlier of the date of the next Annual General Meeting of the Company or 15 August 2014.

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

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

This authority will, if renewed, expire on the earlier of the date of the next Annual General Meeting of the Company or 15 August 2014.

Notice period for Extraordinary General Meetings (Resolution 10)

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

Form of Proxy

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

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

Recommendation

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

Yours faithfully,

Michael Berkery
Chairman

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held in the Irish Farm Centre, Old Naas Road, Bluebell, Dublin 12, Ireland on Wednesday 15 May 2013, at 12 noon for the following purposes:

As Ordinary Business

1 To receive and consider the Report of the Directors and the Financial Statements for the year ended 31 December 2012.

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

3 To declare a final dividend of 30.0 cent per ordinary share.

4 To approve the Report on Directors' Remuneration appearing in the Financial Statements for the year ended 31 December 2012 (Advisory Resolution).

5 To re-elect the following persons as Directors of the Company:
(a) Michael Berkery
(b) John Bryan
(c) Sean Dorgan
(d) Brid Horan
(e) Andrew Langford
(f) Dermot Mulvihill
(g) Cathal O'Caoimh
(h) Vincent Sheridan
(i) Johan Thijs
(j) Padraig Walshe

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

As Special Business

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

"In accordance with the provisions of the Companies (Amendment) Act, 1983, the Directors be and are hereby empowered to allot "equity securities" (as defined in Section 23 (13) of the Companies (Amendment) Act, 1983) pursuant to the authority conferred on them by the Ordinary Resolution of the Company passed on 29 April 2009 as if Section 23 (1) of the Companies (Amendment) Act, 1983 did not apply to any allotment made pursuant to the said authority provided that this power shall be limited to the allotment of equity securities up to but not exceeding an aggregate nominal value of 5 per cent of the issued ordinary share capital as at the date of this Resolution and that the authority hereby conferred shall expire at the close of business on the earlier of the date of the next Annual General Meeting of the Company or a date 15 months from the date of passing hereof and that the Directors be entitled to make at any time prior to the expiry of the power hereby conferred, any offer or agreement which would or might require equity securities to be allotted after the expiry of such power. Provided that such power shall, subject as aforesaid, cease to have effect when the said authority is revoked or would, if renewed, expire but if the authority is renewed the said power may also be renewed, for a period not longer than that for which the authority is renewed, by a further Special Resolution of the Company passed in General Meeting"

and

"that the expiry date noted in Article 8 (c) be amended to read "15 August 2014", being fifteen months after the date of this Annual General Meeting in accordance with the foregoing."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

By order of the Board

Conor Gouldson
Company Secretary

FBD House, Bluebell, Dublin 12, Ireland

16 April 2013

Information for Shareholders Pursuant to the Shareholders' Rights Directive

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

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

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

2. **Appointment of Proxy**

   If you cannot attend the AGM in person, you may appoint a proxy (or proxies) to attend, speak, ask questions and vote on your behalf. For this purpose a Form of Proxy has been sent to all registered shareholders. A proxy need not be a member of the Company. You may appoint the Chairman of the Company or another individual as your proxy. You may appoint a proxy by completing the Form of Proxy, making sure to sign and date the form at the bottom and return it in the pre-paid envelope provided to the Company's Registrar, Computershare Investor Services (Ireland) Limited, P.O. Box 954, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland to be received no later than 12.00 noon on 13 May 2013. If you are appointing someone other than the Chairman as your proxy, then you must fill in the details of that person in the box located underneath the wording "I/We hereby appoint the Chairman of the Meeting OR the following person" on the Form of Proxy.

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

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

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

3. **Record Date for AGM**

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

4. **How to exercise your voting rights**

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

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

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

5. Tabling Agenda Items

If you or a group of Shareholders hold 1,154,556 or more ordinary or preference shares of 60 cent each in FBD Holdings plc (i.e. at least 3% of the issued share capital of the Company carrying voting rights), you or the group of Shareholders acting together have the right to put an item on the agenda for the AGM. In order to exercise this right, written details of the item you wish to have included on the agenda for the AGM together with a written explanation setting out why you wish to have the item included and evidence of the shareholding, must have been received by the Company Secretary at FBD Holdings plc, FBD House, Bluebell, Dublin 12, Ireland or by email to company.secretary@fbd.ie no later than 12.00 noon on Wednesday 3 April 2013 (i.e. 42 days before the time scheduled for the holding of the AGM). An item cannot be included on the agenda for the AGM unless the foregoing conditions are satisfied and it is received by the stated deadline.

6. Tabling Draft Resolutions

If you or a group of Shareholders hold 1,154,556 or more ordinary or preference shares of 60 cent each in FBD Holdings plc (i.e. at least 3% of the issued share capital of the Company carrying voting rights), you or the group of Shareholders acting together have the right to table a draft resolution for inclusion on the agenda for the AGM subject to any contrary provision in company law.

In order to exercise this right, the text of the draft resolution and evidence of shareholding must have been received by post by the Company Secretary at FBD Holdings plc, FBD House, Bluebell, Dublin 12, Ireland or by email to company.secretary@fbd.ie no later than 12.00 noon on Wednesday 3 April 2013 (i.e. 42 days before the time scheduled for the holding of the AGM). A resolution cannot be included on the agenda for the AGM unless it is received in either of the foregoing manners by the stated deadline. Furthermore, Shareholders are reminded that there are provisions in company law, and otherwise, which impose other conditions on the right of shareholders to propose resolutions at a general meeting of a company.

7. Right to ask questions

Pursuant to section 134C of the Companies Act 1963, shareholders have a right to ask questions related to items on the AGM agenda and to have such questions answered by the Company subject to any reasonable measures the Company may take to ensure the identification of shareholders.

8. How to request/inspect documentation relating to the meeting

The annual Financial Statements, Report of the Auditors and the Report of the Remuneration Committee are contained in the Company's Annual Report which was dispatched to Shareholders on 16 April 2013. The Annual Report is also available on the Company's website www.fbdgroup.com.

Should you not receive a Form of Proxy, or should you wish to be sent copies of any documents relating to the meeting, you may request these by telephoning the Company's Registrar on +353 1 4475 101 or by writing to the Company Secretary either by post at FBD House, Bluebell, Dublin 12, Ireland or by e-mail to company.secretary@fbd.ie.

Information for Shareholders Pursuant to the Shareholders' Rights Directive (continued)

The Memorandum and Articles of Association of the Company together with a copy of the proposed Memorandum and Articles of Association of the Company showing the amendments that would be made if all of the Resolutions on the agenda for the AGM are approved, are available on the Company's website www.fbdgroup.com and may also be inspected during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the Company's Registered Office at FBD House, Bluebell, Dublin 12, Ireland up to and including the date of the Annual General Meeting and at the Annual General Meeting itself.

9. Further Information

This AGM notice, details of the total number of shares and voting rights at the date of giving this notice, the documents to be submitted to the meeting, copies of any draft resolutions and a copy of the Form of Proxy are available on the Company's website at www.fbdgroup.com.

Design by fabrik.ie

03/13

Printed on paper sourced from sustainably managed forests.

www.fbdgroup.com

FBD Holdings plc
FBD House
Bluebell
Dublin 12

T: +353 1 409 3200
W: www.fbdgroup.com

FBD