**FBD Holdings plc**

# 2017 Solvency and Financial Condition Report

**Protection.**
It's in our nature.

FBD

# CONTENTS

# INTRODUCTION

The EU-wide Solvency II Directive came into force with effect from 1 January 2016. This document is the second Solvency and Financial Condition Report (SFCR) published under these guidelines for FBD Holdings plc ('FBD' or 'the Group') which also includes information relating to FBD Insurance plc (the 'Company').

The SFCR provides narrative information in quantitative and qualitative form including quantitative reporting templates (QRTs).

The report covers the Business and Performance of the Group, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management.

## Business and Performance

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

The Business and Performance section highlights the profitability improvement for FBD Holdings plc as the Group recorded a profit before tax from continuing operations of €50m in 2017 (2016: €11m). The Group delivered an underwriting profit of €45m, compared to the underwriting profit of €3m in 2016.

Net claims incurred amounted to €203.1m (2016: €227.9m). We experienced positive prior year reserve development of €15.4m driven by the 2016 accident year which is now showing sustained frequency improvements. The MIBI levy reserve release of €5.6m is also reflected in these results following the Supreme Court ruling on the "Setanta" case.

The Group's expense ratio was 23.3% (2016: 22.6%).

FBD's total investment return for 2017 was 1.2% (2016: 1.9%). The modest returns are a reflection of the Eurozone low interest rate environment and the Group's conservative investment portfolio.

## System of Governance

The Board of FBD Holdings plc is responsible for the long-term success of the Group. 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 is assisted by the Executive Management team and key roles and functions within the business.

The Board has approved a Corporate Governance Framework setting out its role and responsibilities. This is reviewed annually as part of the Board's evaluation of its performance and governance arrangements.

At 31 December 2017, the Board comprised of two executive Directors and eight non-executive Directors, including the Chairman. The Board deemed it appropriate that it should have between 8 and 12 members and that this size is appropriate, being of sufficient breadth and diversity to ensure that there is healthy debate and input on the main business to be dealt with by it. Two Directors retired and one was appointed during 2017.

## Risk Profile

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

The Risk Profile details the Underwriting, Market, Credit, Liquidity, Operational and Other material risks relating to FBD Insurance plc. For each of the risks, FBD has undertaken stress testing as part of its Own Risk and Solvency Assessment (ORSA). The outcome of the stress and scenario tests was that in each case FBD would have sufficient available capital to continue to meet the Solvency Capital Requirement (SCR).

## Valuation for Solvency Purposes

The Valuation for Solvency Purposes outlines the difference between the Solvency II Valuation and the Financial Statements for the Group and FBD Insurance plc. FBD Holdings plc Financial Statements are prepared on an IFRS basis. The FBD Insurance plc Financial Statements are prepared on an Irish GAAP basis. There are no significant measurement differences between the two bases.

## Capital Management

The Capital Management section outlines the SCR and Minimum Capital Requirement (MCR) for the Group and the insurance entity. FBD measures and calculates capital using the Standard Formula. The solvency position is monitored on a regular basis to ensure compliance with the SCR and MCR.

At 31 December 2017 the Group Solvency Capital Ratio was at 164%. The FBD Insurance plc ratio was also at 164%. There is a proposed dividend payable in May 2018 which will reduce the Solvency Capital Ratio to 160% for both FBD Holdings plc and FBD Insurance plc.

# A. BUSINESS AND PERFORMANCE

## A1. The Business

### A1.1 The Undertaking

FBD Holdings plc is incorporated in Ireland. The only insurance entity in the Group is FBD Insurance plc, an insurer licensed in Ireland. The address of the registered office and head office is;

FBD Holdings plc
FBD House
Bluebell
Dublin 12
D12 YOHE

### A1.2 Supervisory Authority

FBD Holdings plc and FBD Insurance plc are domiciled in Ireland and the supervisory authority responsible for financial supervision of the undertakings is:

Central Bank of Ireland
New Wapping Street
North Wall Quay
Dublin 1

### A1.3 Independent Auditors

FBD's independent auditors are:

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

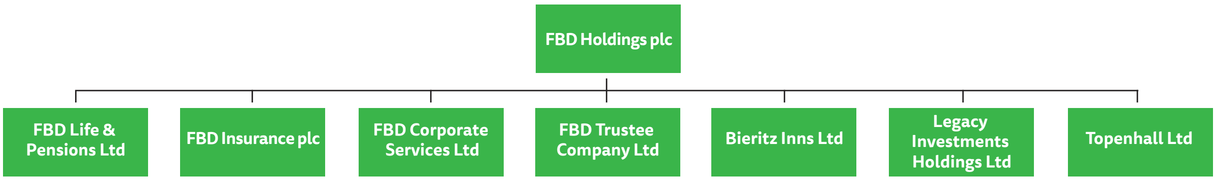
### A1.4 FBD shareholders with qualifying holdings:

The Group has the following interests above 10%.

| Farmer Business Developments plc | No. of Shares | % of Class | % of Voting Rights |
|---|---|---|---|
| Ordinary shares of €0.60 each | 8,531,948 | 25% | 22% |
| 8% Non-Cumulative Preference Shares | 1,470,292 | 42% | 4% |
| 14% Non-Cumulative Preference Shares | 1,340,000 | 100% | 3% |
| Total % Voting Rights | | | 29% |

| FBD Trust Company Limited | No. of Shares | % of Class | % of Voting Rights |
|---|---|---|---|
| Ordinary shares of €0.60 each | 2,984,737 | 9% | 8% |
| 8% Non-Cumulative Preference Shares | 2,062,000 | 58% | 5% |
| Total % Voting Rights | | | 13% |

## A1.5 FBD Holdings plc Group Structure:




| | |
|---|---|
| **FBD Holdings plc ('FBD' or the 'Group')** | Ireland<br>A holding company which is parent to the other Group companies |
| **FBD Insurance plc ('the Company')** | Ireland<br>A regulated insurance company which underwrites motor, property, liability and other smaller insurance lines |
| **FBD Life & Pensions Limited (also known as 'FBD Financial Solutions')** | Ireland<br>An intermediary company that deals with Life, Pensions and Investment broking |
| **FBD Corporate Services Limited** | Ireland<br>This company will employ all staff working for FBD Holdings plc from 1 January 2018 |
| **FBD Trustee Company Limited** | Ireland<br>The principle activity of this company is to act as Trustee to FBD Insurance plc pension schemes |
| **Non-Principal Subsidiaries *(represents less than 1% of FBD Holdings Net Asset Value)*** | |
| **Bieritz Inns Limited** | Ireland<br>The company activities are property investment and development |
| **Legacy Investments Holdings Limited** | Ireland<br>A company used for investment purposes |
| **Topenhall Limited** | Isle of Man<br>The principal activity is the holding of land in Warwickshire |

### A1.6 Relevant operations transactions within the Group

FBD Insurance plc incurs a management recharge from FBD Holdings plc for services provided. FBD Life & Pensions Ltd incurs a management recharge from FBD Insurance plc for services provided. No distributions were paid during the year by any companies.

### A1.7 Material lines of business and geographical areas

FBD Insurance plc provides insurance to agricultural, small business and consumer customers covering farm, business, home and motor insurance in Ireland.

For Solvency II purposes the company reports under the following Solvency II lines of business:

1) Motor Vehicle Liability Insurance;
2) Other Motor Insurance;
3) Fire and other damage to property insurance;
4) General Liability Insurance;
5) Income Protection insurance; and
6) Marine, aviation and transport insurance.

Lines of business 5) Income Protection and 6) Marine are combined under 'Other Insurance' for the tables in this report.

There were no significant or other events that occurred over the reporting period that had a material impact on the undertaking.

## A2. Underwriting Performance

### A2.1 The Undertaking

FBD Insurance plc is the only insurance undertaking in the Group. The Company's underwriting income and expenses by Solvency II material lines of business for 2017 and 2016 are set out in the tables below.

| | Motor vehicle liability insurance 2017 €000s | Other motor insurance 2017 €000s | Fire and other damage to property insurance 2017 €000s | General liability insurance 2017 €000s | Other Insurance 2017 €000s | Total 2017 €000s |
|---|---|---|---|---|---|---|
| Gross Written Premium | 123,176 | 57,965 | 113,333 | 72,239 | 5,746 | **372,459** |
| Net Earned Premium | 105,680 | 56,666 | 93,521 | 65,121 | 4,944 | **325,931** |
| Net Claims Incurred including MIBI | (66,556) | (27,879) | (43,710) | (54,651) | (2,695) | **(195,491)** |
| Expenses net of reinsurance commission | (28,173) | (11,115) | (27,288) | (17,710) | (1,211) | **(85,497)** |
| **Underwriting Profit/Loss** | 10,952 | 17,672 | 22,522 | (7,241) | 1,038 | **44,943** |

| | Motor vehicle liability insurance 2016 €000s | Other motor insurance 2016 €000s | Fire and other damage to property insurance 2016 €000s | General liability insurance 2016 €000s | Other Insurance 2016 €000s | Total 2016 €000s |
|---|---|---|---|---|---|---|
| Gross Written Premium | 122,018 | 49,839 | 115,637 | 68,487 | 5,817 | 361,799 |
| Net Earned Premium | 107,661 | 48,547 | 82,020 | 64,612 | 5,387 | 308,226 |
| Net Claims Incurred including MIBI | (91,342) | (24,408) | (25,166) | (80,601) | (3,741) | (225,257) |
| Expenses net of reinsurance commission | (28,233) | (11,094) | (18,153) | (21,000) | (1,270) | (79,750) |
| **Underwriting Profit/Loss** | (11,914) | 13,045 | 38,701 | (36,989) | 376 | 3,219 |

### A2.2 Gross Written Premium

The Company's underwriting activities are conducted in Ireland.

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

### A2.3 Claims

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

### A2.4 Claims Environment

The claims environment has shown signs of moderation, but overall remains difficult. The average cost of claims continues to increase with higher levels of inflation observed in injury settlements, particularly for more minor injury levels. The amended Book of Quantum has increased the level of damages awarded by the Injuries Board for most categories of injury. Despite this development, the rejection rate of Injuries Board awards remains very high amongst claimants. FBD's rejection rate has increased by 30% since 2013, with significantly fewer claimants now accepting Injuries Board awards than previously. The enactment by the Government of the proposed PIAB (Amendment) Bill to tackle the non-co-operation of claimants and their legal representatives with the Injuries Board, is necessary to reduce the claimant rejection rate and lower the cost of claims.

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

Progress to date on these recommendations includes:

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

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

### A2.5 Weather, Claims Frequency and Large Claims

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

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

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

### A2.6 Expenses

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

## A3. Investment Performance

### A3.1 Investment Return

#### Investment Allocation

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

This table shows the underwriting investment assets of the Group.

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | **€m** | **%** | **€m** | **%** |
| Deposits and cash | **230** | **22%** | 270 | 27% |
| Corporate bonds | **499** | **47%** | 493 | 49% |
| Government bonds | **259** | **25%** | 177 | 18% |
| Equities | **22** | **2%** | 24 | 2% |
| Unit trusts | **24** | **2%** | 24 | 2% |
| Investment property | **18** | **2%** | 16 | 2% |
| | **1,052** | **100%** | 1,004 | 100% |

The Group has continued with its conservative investment policy during the period. FBD has increased its exposure to Government bonds towards a 30% target allocation. During 2018 FBD will move into the final phase of its strategic asset allocation.

The table below shows the investment income of the Group.

| | 2017 | 2016 |
|---|---|---|
| | **€000s** | **€000s** |
| **Actual return** | | |
| Interest and similar income | **12,650** | 13,760 |
| Income from investment properties | **547** | 585 |
| Realised profits on investments | **(363)** | (1,746) |
| Dividend income | **568** | 657 |
| Revaluation of investment properties | **1,600** | 1,850 |
| Unrealised loss on financial investments | **5,641** | (6,768) |
| **Total investment income** | **9,361** | 8,338 |
| **By Classification of investment** | | |
| Deposits with banks | **(129)** | 121 |
| Investments held for trading | **2,296** | 105 |
| Investment properties | **2,147** | 2,435 |
| Available for sale investments | **5,047** | 5,677 |
| **Total investment income** | **9,361** | 8,338 |

### A3.2 Investments in Securitisation

The Group has no investments in securitisation.

## A4. Other material income and expenses

There are no other activities that are material.

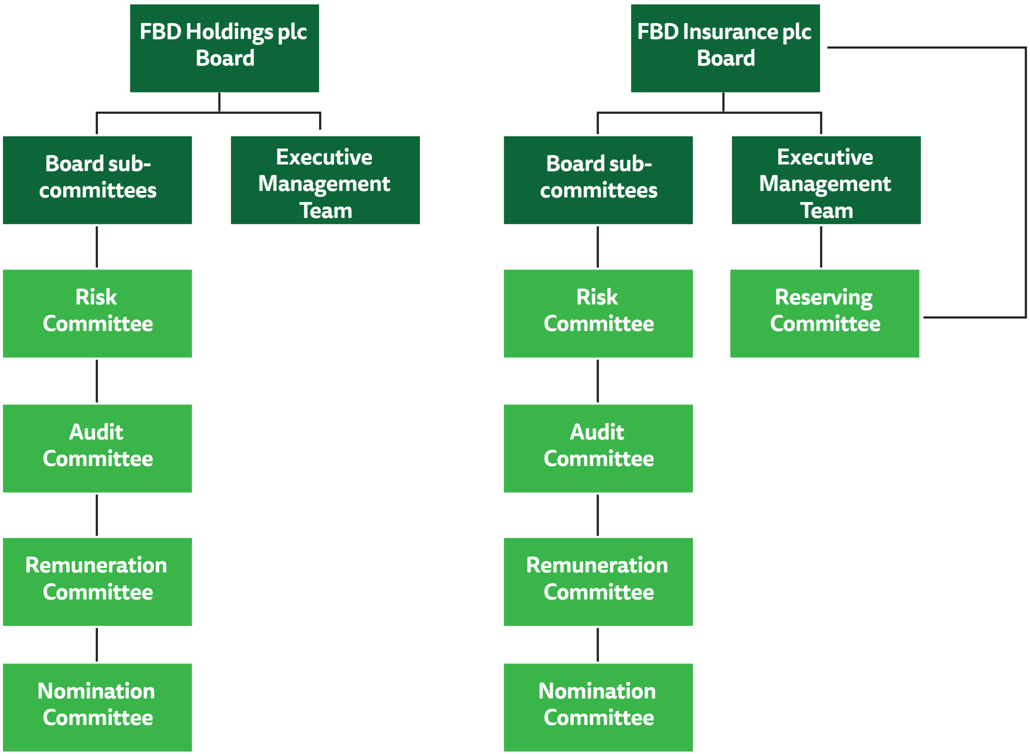
## A5. Other material information

The Board of FBD Holdings plc proposes to pay a dividend of 24c per share for the 2017 financial year. This is equivalent to a pay-out ratio of approximately 20% in respect of 2017 profits.

# B. SYSTEM OF GOVERNANCE

## B1. General Information

### B1.1 The Board and Committees Structure




#### The Board

The primary role of the Board is to provide leadership and strategic direction while maintaining effective control over the activities of the Group.

The Board has approved a Corporate Governance Framework setting out its role and responsibilities. This is reviewed annually as part of the Board's evaluation of its performance and governance arrangements. The Framework includes a formal schedule of matters reserved to the Board for its consideration and decision, which includes:

- The approval of the Group's objectives and strategy;
- Approval of the annual budget including capital expenditure and the review of the Group's systems of internal control;
- Maintenance of the appropriate level of capital, the allocation thereof and decisions as to the recommendation or payment of dividends;
- Approval of Financial Statements; and
- The appointment of Directors and the Company Secretary.

This schedule ensures that the skills, expertise and experience of the Directors are harnessed to best effect and ensures that any major opportunities or challenges for the Group come before the Board for consideration and decision.

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

## Risk Committee

The Committee is the forum for risk governance within FBD. It is responsible for providing oversight and advice to the Board in relation to current and potential future risk exposures of the Group and future risk strategy. This advice includes recommending a risk management framework incorporating strategies, policies, risk appetites and risk indicators to the Board for approval. The Risk Committee oversees the risk management function, which is managed on a daily basis by the CRO.

The Key responsibilities delegated to the Committee are to:

- Promote a risk awareness culture within the Group;
- Ensure that the material risks facing the Group have been identified and that appropriate arrangements are in place to manage and mitigate those risks effectively;
- Advise the Board on the effectiveness of strategies and policies with respect to maintaining, on an ongoing basis, the amounts, types and distribution of capital adequate to cover the risks of the Group;
- Review and challenge risk information received by the Chief Risk Officer from the business departments to ensure that the Group is not exceeding the risk limits set by the Board; and
- Present a profile of the Group's key risks, risk management framework, risk appetite and tolerance and risk policies at least annually together with a summary of the Committee's business to the Board.

## Audit Committee

The objective of the Committee is to assist the Board of the Group in fulfilling its oversight responsibilities for such matters as financial reporting, the system of internal control and management of financial risks, the audit process and the Group's process for monitoring compliance with laws and regulations.

The key responsibilities delegated to the Committee include:

- Reviewing the Group's financial results announcements and Financial Statements;
- Overseeing the relationship with the external auditors including reviewing their terms of engagement, independence and fees;
- Reviewing the scope, resources, results and effectiveness of the Group's internal audit function; and
- Performing detailed reviews of specific areas of financial reporting as required by the Board or the Committee.

The Committee members have been selected to ensure that the Committee has available to it the range of skills and experience necessary to discharge its responsibilities.

## Remuneration Committee

The objective of the Committee is to assist the Board of the Group in ensuring that the level of remuneration in the Group and the split between fixed and variable remuneration are sufficient to attract, retain and motivate executive Directors and senior management of the quality required to run the Group in a manner which is fair and in line with market norms, while not exposing the Group to unnecessary levels of risk.

The key responsibilities delegated to the Committee include:

- Determining the broad policy for the remuneration of the Group's executive Directors, Company Secretary and other senior executives;
- Determining the total remuneration packages for the foregoing individuals, including salaries, variable remuneration, pension and other benefit provision and any compensation on termination of office;
- Ensuring that the Group operates to recognised good governance standards in relation to remuneration;
- Making awards of shares under the Group's approved long term incentive plan; and
- Preparation of the detailed Report on Directors' Remuneration.

### Nomination Committee

The objective of the committee is to ensure that the Board and its Committees are made up of individuals with the necessary skills, knowledge and experience to ensure that the Board is effective in discharging its responsibilities.

The key responsibilities delegated to the Committee include:

- Reviewing the structure, size and composition of the Board and making recommendations to the Board for any appointments or other changes;
- Recommending changes to the Board's committees; and
- Advising the Board in relation to succession planning both for the Board and the senior executives in the Group.

### Reserving Committee

The Executive Management Team established a Reserving Committee for the Company with independent Non-Executive Directors as members, with formal terms of reference and with responsibility, inter alia, for the following:

- On a quarterly basis to review the adequacy of reserves and to recommend to the Board the level of Best Estimate for inclusion in the financial statements;
- The review of the adequacy of Solvency II Technical Provisions and recommend for inclusion in regulatory returns;
- The review of all reports of the Head of Actuarial Function as to the adequacy of reserves and reporting to the Board of Directors thereon;
- On a quarterly basis to review the Margin for Uncertainty proposals produced by the CFO;
- The review of all reports of the Peer Review Actuary and external auditors; and
- Agreement of the risk appetite for reserving risk and the recommendation of said agreement to the Board Risk Committee and the Board.

The Committee has full access to the Group's Head of Actuarial Function and any other person as deemed necessary by the Committee to effectively carry out its functions.

## B1.2 Key Roles

### The Chairman

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

- The effective running of the Board, setting its agenda and ensuring that it receives accurate, timely and clear information;
- Ensuring that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives; and
- Ensuring that the views of shareholders are communicated to the Board.

### The Group Chief Executive

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

- Running the Group's business;
- Proposing and developing the Group's strategy and overall objectives in close consultation with the Chairman and the Board; and
- Implementing the decisions of the Board and its Committees.

### The Executive Management Team

The Group Chief Executive has established an Executive Management Team ("EMT") comprising senior Group executives to assist her in the discharge of her responsibilities for the Group's performance, operations and compliance.

The composition of this team is a matter for the decision of the Group Chief Executive and its role and responsibilities include:

- Managing the day to day running of the Group's business;
- Formulating the Group's strategic plans for the approval of the Board;
- Communicating the standards of performance, strategy and goals of the Group to meet the objectives approved by the Board;
- Leading the implementation of the agreed programme of priority development initiatives;
- Reviewing and communicating progress against the goals, providing direction to the Group's employees, removing barriers to achieving the goals and allocating the Group's resources to the areas of greatest importance; and
- Advising the Board, through the Group Chief Executive, on all matters concerning organisational strategy and performance.

## B1.3 Authority and independence of key functions

The control functions report regularly to the Board on the effectiveness of the System of Governance including the Internal Control System. The control functions are defined as the Risk Function, Compliance Function, Internal Audit Function, and Actuarial Function.

The Group uses a 'three lines of defence' framework in the delineation of accountabilities for internal control.

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

The 2$^{nd}$ and 3$^{rd}$ Line of defence functions have defined Terms of Reference (ToR) reviewed at least annually by the appropriate committee.

### Risk Function

The Board has established a Risk Function, headed by an appointed Chief Risk Officer. The Risk Function has independent oversight of the Group risk management activities with specific responsibility for ensuring that the Group's risk management framework is documented and implemented and that its risk management procedures are carried out effectively. The Risk Function acts as a second line of defence in the FBD Insurance Risk Management Framework.

The Risk Function's terms of reference states that the function shall have full, unrestricted access to all information, explanations, records, and personnel necessary for the purposes of the identification, assessment, monitoring and reporting of risk to the Board Risk Committee and the Board.

### Compliance Function

The Board has established a Compliance Function, headed by an appointed Head of Compliance. The Compliance Function acts in an advisory, oversight and assurance role to ensure that the Group has the necessary systems and controls in place to ensure adherence, on an on-going basis, to its legal and regulatory requirements. The Compliance Function acts as a second line of defence in the FBD Insurance Risk Management Framework.

The Compliance Function ensures FBD remains up to date with legal and regulatory requirements and that appropriate compliance controls exist and operate effectively. The Compliance Function has been granted the authority to investigate any matter it deems necessary or prudent; to pose and have answered any question, to record and document any matter; and to make any recommendation to systems, processes or policy. The Compliance Function has full unrestricted access to all information, explanations, records, and personnel necessary for the purposes of the identification, assessment, monitoring and reporting of compliance to Senior Management and the Board.

### Actuarial Function

The Board has established an Actuarial Function, headed by an appointed Head of Actuarial Function. The Actuarial Function co-ordinates the calculation of Technical Provisions and provides an Opinion and accompanying report on the Technical Provisions to the Board and the Central Bank of Ireland.

In addition, the Actuarial Function prepares an Opinion on the underwriting policy, reinsurance arrangements and the ORSA. The Actuarial Function acts as a second line of defence in the FBD Insurance Risk Management Framework.

### Internal Audit Function

The Board has established an Internal Audit Function, headed by an appointed Head of Internal Audit. Internal Audit is an independent function reporting to the Board through the Audit Committee. Internal Audit acts as the third line of defence in the FBD Insurance risk management framework by assessing whether all significant risks are identified and appropriately reported by management and the Risk Management function to the Board and the Executive Management; assessing whether they are adequately controlled; and by challenging the Executive Management to improve the effectiveness of governance, risk management and internal controls.

## B1.4 Material changes during the period

There were two retirements and one appointment to the Board in 2017. The table below sets out the Directors who served at any time during 2017:

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

## B1.5 Remuneration policy and practices

The Group's Remuneration Policy is determined by the Board of FBD Holdings plc through the Remuneration Committee.

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

The remuneration of the non-executive Directors of the Group is determined by the Board. The individual remuneration packages of Senior Executives are determined by the Remuneration Committee who report to the Board.

### B1.5.1 Components of Remuneration

#### Fixed Remuneration

The core element of the remuneration package for all employees is fixed remuneration comprising basic salary and membership of a pension scheme.

Basic salary is reviewed annually having regard to personal performance, company performance and competitive market practice.

#### Variable Remuneration

Variable remuneration, which is based on individual and Group performance, is available to be awarded to all permanent employees and varies by amount and structure depending on role but in all cases is designed to encourage and reward enhanced performance, whilst promoting sound risk management.

#### 1. Short Term Incentives

**Bonus – Head Office Employees and Management**

Short Term Incentives comprise annual bonuses.

For the majority of employees, the attainment of company financial targets determines the amount of annual bonus which may be available to any employee. These targets encourage enhanced performance in the best interests of the Group and its Shareholders and are approved by the Remuneration Committee. After the financial targets have been measured, the individual performance of the employee will be assessed against agreed performance objectives. This will determine the amount of annual bonus available to be paid.

The Remuneration Committee approves the annual bonus payable to each of the Senior Executives.

**Sales Incentives**

Sales employees' bonus arrangements are based on the achievement of KPIs which are agreed annually including targets for such matters as gross written premium, retention levels, discretionary discounts ceded, compliance standards and business quality. Any bonus or variable pay proposals are in compliance with Central Bank of Ireland "Guidelines for Variable Remuneration Arrangements for Sales Staff".

#### 2. Long Term Incentives

Under the Long Term Incentive Plan (LTIP), conditional awards of shares in FBD Holdings plc are made at the sole discretion of the Remuneration Committee of FBD Holdings plc to any FBD Group executive or employee so designated by it. The awards are made within the terms of the shareholder approved scheme.

The period over which the performance conditions applying to a conditional LTIP award are measured is currently over three years.

These conditions are designed to ensure alignment between the interests of the employees and those of FBD Holdings plc's shareholders, to incentivise retention of key individuals and to encourage appropriate focus on long-term sustainable business performance.

The Chief Risk Officer of the Group is consulted prior to any proposed conditional award by the Remuneration Committee to Executives or employees of the Group to ensure that the conditions attaching to any award do not encourage excessive taking of risk.

#### B1.5.2 Components of Remuneration

The remuneration of persons who exercise a significant influence on the undertaking and with members of the administrative, management or supervisory body (which comprises the Board of Directors and Company Secretary of FBD Insurance plc and the members of the Executive Management Team) is as follows:

The remuneration of management personnel that exercise significant influence during the year was as follows:

| | 2017 €000s | 2016 €000s |
|---|---|---|
| Short term employee benefits[1] | **3,590** | 3,005 |
| Post-employment benefits | **269** | 222 |
| Share based payments | **440** | 183 |
| **Charge to the Consolidated Income Statement** | **4,299** | 3,410 |

[1] *Short term benefits include fees to non-executive Directors, salaries and other short-term benefits to all personnel that exercise significant influence.*

#### B1.5.3 Special Arrangements for Risk, Compliance and Internal Audit Roles

There is no linkage between annual bonus and Company performance targets for employees who hold roles in the Risk, Compliance and Internal Audit functions. Annual bonuses will be awarded conditional only on the attainment of individual performance objectives. This ensures the independence of these role holders and their ability to perform their second and third line of defence roles, without compromise.

### B1.6 Supplementary Pension

FBD operates a Defined Contribution pension arrangement for its employees, where both the employee and employer contribute to the retirement fund. FBD also operates a legacy Defined Benefit arrangement, which is closed to future accrual.

### B1.7 Material Transactions

There are no material transactions to note.

## B2. Fitness and Probity Requirements

### B2.1 Board requirements

The Central Bank of Ireland published its Regulations and Standards of Fitness and Probity. The Board has approved a Corporate Governance Framework setting out its role and responsibilities (see Section B1.1 for more detail).

### B2.2 Fit and proper policy

The Central Bank of Ireland published its Regulations and Standards of Fitness and Probity (the F&P Standards), issued under Part 3 of the Central Bank Reform Act 2010 ('the 2010 Act'), on 1 September 2011. These statutory standards came into effect on 1 December 2011. The 2010 Act provides for a fitness and probity regime for the periodic assessment of individuals performing 'Controlled Functions' and 'Pre-Approval Controlled Functions', including Directors, senior management and those employees whose activities have a material impact on the business.

As a regulated entity, FBD is subject to the F&P Standards. There are rigorous and continuous processes in operation within FBD to determine which roles fall under the F&P Standards and to collect and collate information to evidence compliance with the F&P Standards.

FBD considers itself to be in compliance with the F&P Standards.

### B2.3 Selection due diligence

The Company operates robust HR recruitment and selection controls which ensure that we select only candidates that meet the F&P Standards. These controls include appropriate screening of candidates and the completion of the Central Bank's Individual Questionnaire by all PCF preferred candidates prior to their engagement. This includes screening for amongst other things; educational qualification and work experience; bankruptcy and debt judgments; regulatory sanctions, reprimand and complaints.

In addition, our employment contract terms require continuing adherence to all regulatory standards including, amongst others, the F&P Standards and Minimum Competency Code (MCC) obligations.

### B2.4 Continuous due diligence

The Group operates a continuous due diligence programme which covers all Directors, senior executives and employees across the Group. Under this programme, training and a questionnaire are completed annually by Controlled Function and Pre-Approval Controlled Function role holders.

Validation and assessment of completed Individual Questionnaires is independently undertaken by HR in consultation with Compliance. Where this review causes the Chief HR Officer and the Head of Compliance to form the opinion that there is reason to believe or suspect a person's fitness and probity to perform the relevant function, a formal process may be conducted which may result in the person being removed from carrying out the regulated function. Such circumstance may include, but is not limited to, material or undeclared judgements; criminal or civil convictions or regulatory censure. In assessing the impact of these circumstances, FBD takes into consideration all relevant matters including the circumstances surrounding the issue; the length of time since the issue; the explanation given; the proposed role and its impact.

## B3. Risk Management System

### B3.1 Risk Management Framework

FBD Holdings PLC has adopted an Enterprise Risk Management Framework which comprises of strategies, policies, processes and reporting procedures necessary to identify, assess, monitor, manage and report, on a continuous basis the risks, at an individual and at an aggregated level, to which the Group could be exposed. The key elements of the Enterprise Risk Management framework are governance, process and people. FBD has established procedures to monitor and report on the system of controls and it follows the three lines of defence model outlined previously.

Key components of monitoring and reporting of the system of control include:

- Business Unit Quality Assurance;
- Business Unit Management Information;
- Risk Control Self-Assessment;
- Error Reporting;
- 1st Line Reviews;
- 2nd Line Reviews;
- Internal Audits; and
- Board / Executive Committee Reporting.

### B3.2 Risk Implementation and Integration

All staff are expected to demonstrate appropriate standards of behaviour in the development of strategy and the pursuit of objectives. This philosophy is supported by the following guiding principles. Management and employees shall:

- Consider all forms of risk in decision-making;
- Create and evaluate business-unit level and Group-level risk profile to consider what's best for their individual business unit and department and what's best for the Group as a whole;
- Support executive management's creation of a Group-level portfolio view of risk;
- Retain ownership and accountability for risk and risk management at the business unit or other point of influence level;
- Strive to achieve best practices in enterprise risk management;
- Monitor compliance with policies and procedures and the state of enterprise risk management;
- Leverage existing risk management practices, wherever they exist within the Group;
- Document and report all significant risks and enterprise risk management deficiencies; and
- Accept that enterprise risk management is mandatory, not optional.

#### Roles and Responsibilities

While the Board has ultimate responsibility for all risk-taking activity within the Group, it has delegated some risk governance tasks to a number of committees or key officers. The Group uses a 'three lines of defence' framework in the delineation of accountabilities for risk governance as outlined in B 1.3.

The Risk Management Function maintains a Corporate Risk Register with each risk assigned to a Risk Owner and a Risk Champion in the Business.

### Line Management / Risk Owner

The first line of defence within each business and support unit is Line Management. Line management has primary responsibility for ensuring that the business complies with their specific obligations. In addition, the first line of defence is responsible for working with the Risk Management Function to identify, assess, monitor and report risk. Line management is also responsible for ensuring that all staff members receive appropriate training.

### Risk Champion

Risk Champions report to their departmental manager with a dotted line to the Chief Risk Officer. These individuals are well placed in FBD Insurance to ensure the continuous monitoring and reporting of their risk and control environment.

### Risk Appetite Framework

Risk appetite is a measure of the amount and type of risks FBD is willing to accept or not accept over a defined period of time in pursuit of its objectives. The Risk Appetite Framework defines FBD's appetite for each main risk category describing at a high level the type of risk we are willing to take.

The Group's appetite is to maintain sustainable profit and a strong capital position while acting in the best interests of consumers. The risk appetite in FBD is driven by an overarching desire to protect the solvency of the Group at all times. Through the proactive management of risk, FBD ensures that it does not currently have or will not take on an individual risk or combination of risks that could threaten the solvency of the Group. This ensures that FBD has and will have in the future sufficient capital to pay its policyholders and all other creditors in full as these liabilities fall due.

The management of risks are outlined further in Section C of this report. The Risk Appetite Framework is reviewed and approved at least annually by the Board and is monitored and reported by the Risk Function in order to support and embed risk in the decision making process of the Group.

### Risk Policies

The Group has developed a number of risk management policies which clearly set out the following:

- Definition of risk;
- Objective;
- Roles and Responsibilities;
- Processes; and
- Reporting procedures to be applied.

The risk policies are reviewed at least annually by the Board or more frequently if the system, or area concerned, undergoes significant change.

## B4. The Own Risk and Solvency Assessment (ORSA) Process

### B4.1 ORSA Process Overview

An ORSA policy has been documented and is approved by the Board annually.

The ORSA report is prepared annually and reviewed by the Board.

The Group has in place processes for managing its Overall Solvency Needs and regulatory capital requirements and integrating the strategic development process with the management of all material risks to which it is exposed.

The Board is made aware of the implications that strategic decisions have on the risk profile, regulatory capital requirements and Overall Solvency Needs of the Group and to consider whether these effects are desirable, affordable and feasible given the quantity and quality of its capital. The output from the ORSA assists the Board in making strategic decisions including in relation to:

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

Following the output from the ORSA, where necessary, management actions are developed.

Any strategic or other major decisions that may materially affect the risk and/or capital position of the Group need to be considered through the ORSA process before such a decision is taken. This does not require a full performance of the ORSA. The Group consider how the output of the last assessment of the overall solvency needs changes if certain decisions are taken and how these decisions affect the regulatory capital requirements.

The ORSA provides a comprehensive view and understanding of the risks the Group is exposed to or could face in the future and how they translate into capital requirements or alternatively require mitigation actions. The ORSA process and output is communicated to the Board and Executive Management via the Internal Report on ORSA.

The Internal Report on ORSA is prepared by the Chief Risk Officer and presented to the Board Risk Committee and Board for approval. The information communicated is sufficiently detailed to ensure that the Board Risk Committee and Board is able to use it in its strategic decision-making process and that other employees can ensure that any necessary follow-up action on foot of the report is taken.

The Board is responsible for challenging and approving the results of the ORSA. Following this sign off by the Board, information on the results and conclusions regarding the ORSA is communicated to the Executive Management Team.

### B4.2 ORSA Approval by the Administrative, Management or Supervisory Body (AMSB)

The ORSA is a top down process owned by the Board. It is an ongoing process which ensures that the business is managed soundly and prudently by identifying, assessing and monitoring current and future solvency needs in light of all the risks faced. FBD must submit at least one ORSA Report to the Central Bank of Ireland each year.

The ORSA is a very important process for the Board as it provides it with a comprehensive view and understanding of the risks to which the Group is exposed or could face in the future and how they translate into capital needs or alternatively require mitigation actions.

To aid in the assessment of the overall solvency needs and business and capital planning process, the Group will carry out a number of stress tests, reverse stress tests and scenario analyses.

The nature and number of stress and scenario tests is initially developed by the Risk Function with input from key stakeholders. The stress and scenarios chosen take into account the material risks facing the Group, external environment and likelihood of occurring based on historical analysis. These are presented to the Board Risk Committee for review and challenge and to the Board for review, challenge and approval.

The following are documented as part of the stress testing:

- Source of data used;
- Stress test assumptions used;
- Method of stress testing used; and
- Conclusion and action plan if necessary.

The ORSA Supervisory Report is prepared by the Chief Risk Officer and is subject to Board Risk Committee and Board approval prior to submission to the Central Bank. The ORSA Supervisory Report is the same as the internal report unless otherwise determined by the Board.

### B4.3 Overall Solvency Needs

FBD's overall solvency needs are assessed at least annually as part of the ORSA process. The assessment takes into account the specific risk profile, approved risk tolerance limits and the business strategy of the Group.

A key part of this assessment is to review the significance of any deviation between the risk profile of FBD and the assumptions underlying the Standard Formula SCR calculation. The following approach was taken:

- The risk profile of the Group was reviewed versus the risk profile of the "average company" for which the Standard Formula was designed;
- Each module and sub-module of the Standard Formula SCR calculation was assessed from a qualitative perspective to judge if it was "significant" using a materiality threshold;
- If a module, sub-module or key assumption was deemed insignificant, then a qualitative assessment was carried;
- If a module, sub-module or key assumption was deemed significant but it was judged that the module or sub-module adequately captured the risk-profile of the company for that risk or risks, then rationale was provided; and
- If a module, sub-module or underlying assumption was deemed significant by the above approach or if the module or sub-module was thought to have the potential to misstate the risks, then a quantitative analysis was performed on this module, sub-module or assumption.

The most material element of the Standard Formula calculation for FBD is the risk sub-module of premium and reserve risk. The key assumption of the calculation is the volatility parameters for non-life premium and reserve risk. In the Standard Formula these are set to reflect the average insurer's experience. As part of the overall solvency needs assessment FBD calculated their own volatility parameters based on their own past data.

In addition, the assessment included the following risks which are not covered by the Standard Formula:

1. Equity Risk (within Standard Formula using traditional measures);
2. Flood Risk;
3. Inflation Risk within the Pension Scheme;
4. Spread and Default Risk for Eurozone government bonds; and
5. Reputational Risk.

Based on this assessment of the solvency requirements and the three year business plan FBD's Overall Solvency Needs were projected in the ORSA Report. The strategic plans were subjected to a number of stresses to assess their potential impact on these Solvency Needs.

## B5. Internal Control System

### B5.1 Internal Control Environment

FBD has in place an internal control system that encompasses the policies, processes, tasks, behaviours and other aspects of the Group that, taken together:

- Facilitate its effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieving the Group's objectives. This includes the safeguarding of assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed;
- Help ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the organisation; and
- Help ensure compliance with applicable laws and regulations, and also internal policies with respect to the conduct of business.

The Group's system of internal control comprises:

- Internal control framework;
- Identification and evaluation of risks and control objectives;
- Control activities;
- Information and communication;
- Monitoring and reporting of controls; and
- Processes for reviewing the effectiveness of the internal control system.

The Internal Control Framework is the mechanism under which internal controls are developed, implemented, and monitored. It consists of the processes and arrangements that ensure internal and external risks to which FBD is exposed are identified; appropriate and effective internal controls are developed and implemented to soundly and prudently manage these risks; and reliable and comprehensive systems are put in place to appropriately monitor the effectiveness of these controls. FBD has in place an appropriate and effective internal control environment to ensure that the Group is managed and controlled in a sound and prudent manner. The Control Framework is the foundation for all the principles of the Internal Control Policy which provides the discipline, process and structure.

The factors which together comprise the control environment are:

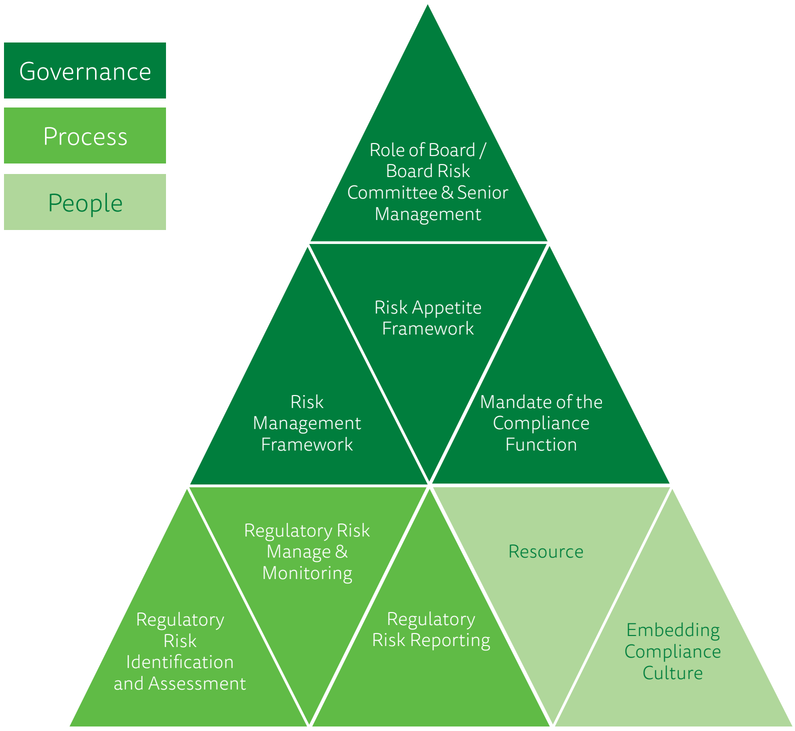
- A Board of Directors that is actively concerned with sound corporate governance and that understands and diligently discharges its responsibilities by ensuring that FBD is appropriately and effectively managed and controlled;
- A management that actively manages and operates FBD in a sound and prudent manner;
- The Board and all FBD employees demonstrate a commitment to integrity and values;
- Organisational and procedural controls supported by an effective management information system to soundly and prudently manage FBD's exposure to risk; and
- The utilisation of a 'three lines of defence' framework in the delineation of accountabilities for internal control as outlined in B1.3, which incorporates an independent audit mechanism to monitor the effectiveness of the organisational and procedural controls.

### B5.2 Compliance Function Implementation

#### Compliance Framework

The Compliance Function operates in the second line of defence and through the Head of Compliance develops and implements the Board approved Compliance Framework. The Compliance Framework sets out how regulatory risk is managed in FBD Insurance plc under the headings of governance, process and people. The framework outlines the various compliance related activities which are undertaken and provides a structure and clarity over compliance activities.

The key elements of the Compliance Framework are illustrated below:




The Annual Compliance Plan is developed by the Head of Compliance and approved by the Board.

## B6. Internal Audit Implementation

### B6.1 How the Internal Audit Function is implemented

The Internal Audit function is the third line of defence within the "three lines of defence" model operated by the Group. Internal Audit provides independent assurance to the Board through the Audit Committee on risk-taking activities. The Internal Audit function is formally established through its Charter, which is reviewed and approved by the Audit Committee annually. The Internal Audit Charter states that Internal Audit is to operate in compliance with the International Standards for the Practice of Internal Auditing issued by the Institute of Internal Auditors ("IIA"). Internal Audit is expected to comply with the IIA's Code of Ethics.

### B6.2 Maintaining independence and objectivity

The Head of Internal Audit (HIA), has a direct reporting line to, with direct and unlimited access to, the Chair of the Board Audit Committee. The Board Audit Committee is responsible for the appointment and removal of the HIA. The Internal Audit Charter notes that Internal Audit is specifically prohibited from performing management activities, including:

- Performing Operational duties;
- Initiating or approving accounting transactions; and
- Undertaking consulting engagements where the primary aim includes process improvement, implementation of systems, or advising on operating practices.

The Charter also notes that in order to minimise the risk of conflicts of interest the HIA will, where possible taking into account the size of the audit team, rotate members of audit team assigned to audits that they have participated in previously. Lastly, the Internal Audit Manual states the following: "To maintain independence Internal Audit staff are required to refrain from assessing operations for which they were responsible within the preceding 12 months and specific operations where there is a personal conflict of interest".

## B7. Actuarial Function Implementation

### B7.1 Description

The Actuarial Function is part of the second line of defence within the "three lines of defence" model operated by the Group. The Actuarial Function is responsible for calculating the Best Estimate Technical Provisions and expressing an Opinion on the Technical Provisions, the underwriting policy, the adequacy of reinsurance arrangements and the ORSA.

The Actuarial Function annual activities are prescribed within a Terms of Reference that is reviewed by the Reserving Committee annually. The Actuarial Function shall have full, unrestricted access to all information, explanations, records, and personnel necessary for the completion of those activities.

### B7.2 Reporting

The Head of Actuarial Function reports directly to the Chief Financial Officer. Also, the Head of Actuarial Function has access to the independent Non-executive Directors of the Reserving Committee.

The Head of Actuarial Function presents all Opinions to the necessary Board Committee's and the Board on an annual basis. In addition, results from quarterly reserving analyses and other material analyses are reported to the Reserving Committee and the Board.

## B8. Outsourcing Policy

FBD Holdings plc (FBD) outsources a number of processes, services or activities to service providers to assist in achieving its strategic objectives and delivering a high level of service to its customers. The purpose of the Outsourcing Policy is to provide guidance governing the definition of outsourcing and material outsourcing:

- Policy principles;
- Roles and responsibilities;
- Business Case;
- Due Diligence;
- Business Continuity;
- Contract Agreements;
- Relationship Management Framework;
- Management of Outsourced Activity; and
- Outsourcing records.

The outsourcing arrangements in place for the Group are reviewed annually in line with the policy and the Board approve all "Material Outsourcing" arrangements.

| Service Provided | Jurisdiction |
|---|---|
| Co-location of the data centre, Managed Services including System Monitoring, Data Backup/Restores, Web Hosting for ecommerce and Security | Ireland |
| Management of the Corporate Bond Portfolio | UK |
| Management of the Sovereign Bond Portfolio | UK |
| Claims Registration/ Investigation / Handling/ Payment processes for property claims | Ireland |

## B9. Adequacy of System of Governance

The Systems of Governance is considered to be appropriate for FBD, taking into account the nature, scale and complexity of the risks inherent in the business.

## B10. Other Material Information

No other material information to be disclosed.

# C. RISK PROFILE

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

## C1. Underwriting risk

### Underwriting

The Group has developed its insurance underwriting strategy to diversify the type of insurance risks written and, within each of the types of cover, to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The principal insurance covers provided by the Group include, motor, employers' and public liability and property.

The Group manages these risks through its underwriting strategy, proactive claims handling and its reinsurance arrangements. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks written and to reduce the variability of the expected outcome by each risk category. The only significant concentration of insurance risk is that all of the Group's underwriting business is conducted in Ireland. Within Ireland there is no significant concentration risk in any one area.

The Group's underwriting strategy is incorporated in the overall corporate strategy which is approved by the Board of Directors and includes the employment of appropriately qualified underwriting personnel; the targeting of certain types of business that conform with the Group's risk appetite and reinsurance treaties; constant review of the Group's pricing policy using up-to-date statistical analysis and claims experience; and the surveying of risks carried out by experienced personnel. All risks underwritten are within the Company's underwriting policies.

### Reserving

While the Group's underwriting risk appetite is constantly reviewed and managed, there is no certainty that the cost of claims will not rise due to abnormal weather events, increased claims frequency, increased severity, changes in regulatory environment, change in economic activity or any other reason. Such an increase could have a material impact on the results and financial condition of the 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, the Reserving Committee and the Board. The provision includes a risk margin for uncertainty to minimise the risk that actual claims exceed the amount provided.

The estimation and measurement of claims provisions is a major determining factor in the Group's results and financial position. The Group uses statistical and actuarial methods to calculate the quantum of claims provisions and uses independent actuaries to review its liabilities to ensure that the carrying amount of the liabilities is adequate. Where the liabilities, net of any related deferred acquisition costs, are deemed to be inadequate, the deficiency is recognised immediately in the Consolidated Income Statement. There is no certainty that the amount provided is sufficient – further claims could arise or settlement costs could increase as a result 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.

### Catastrophe Risk

The Group purchases reinsurance protection to limit its exposure to single claims and the aggregation of claims from catastrophic events. The Group's reinsurance is approved by the Board of Directors on an annual basis.

FBD has purchased a reinsurance programme which has been developed to meet the local domestic risk profile and tailored to FBD's risk appetite. The programme protects, Motor, Liability, Property and other classes against both individual large loss and events.

### C1.1 Concentration risk

Concentration risk is the risk of loss due to overdependence on a single entity or category of business. While all of the Group's underwriting business is conducted in Ireland, with a significant focus on the Agri sector, it is spread over a wide geographical area with no concentration in any one county or region. The resultant concentration risk from adverse weather events, i.e. floods, storms or freezes in Ireland, are mitigated by a flood mapping solution and an appropriate reinsurance strategy.

### C1.2 Risk sensitivity for underwriting risks

FBD carried out stress and scenario testing as part of the ORSA process which includes stress testing for the material underwriting risks. For the 2017 ORSA, the solvency position at 30 September 2017 and the projected solvency position over the business planning period were re-calculated following high impact low likelihood adverse stresses.

The following stresses were amongst those modelled:

- Increases to reserves;
- High claims inflation;
- Increased frequency of large claims;
- Increases to the assumed Combined Operating Ratio ;
- Premium rate movements; and
- Increased reinsurance costs.

The outcome of the stress and scenario tests was that in each case FBD would have sufficient available capital to continue to meet the SCR.

## C2. Market risk

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

The Group will only invest in assets the risks of which can be properly identified, measured, monitored, managed and controlled. In this regard the approach adopted by the Group is to ensure funds are allocated primarily in Euro denominated Corporate/Government bonds and deposits. This is in line with the Prudent Person Principle.

The Group monitors its allocation to the various asset classes and has a long term Strategic Asset Allocation target.

### C2.1 Interest rate and spread risk

Interest rate and spread risk arises primarily from the Group's investments in listed debt securities and deposits. The level of exposure to interest rate risk from trading is reviewed regularly to ensure it is appropriate. Factors taken into consideration are yield, volatility and historical returns.

At 31 December 2017, the Group held the following deposits and quoted debt securities:

| | 2017 | |
|---|---|---|
| | Market Value €000s | Weighted average interest rate % |
| **Time to maturity** | | |
| In one year or less | **221,975** | 0.41 |
| In more than one year, but not more than two years | **100,813** | 1.26 |
| In more than two years, but not more than three years | **190,386** | 2.09 |
| In more than three years, but not more than four years | **142,723** | 1.01 |
| In more than four years, but not more than five years | **164,798** | 1.19 |
| More than five years | **133,135** | 1.54 |
| **Total** | **953,830** | |

### C2.2 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.

### C2.3 Risk sensitivity for market risks

FBD carried out stress and scenario testing as part of the ORSA process which includes stress testing for the material market risks. For the 2017 ORSA, the solvency position at 30 September 2017 and the projected solvency position over the business planning period were re-calculated following high impact low likelihood adverse stresses.

The following stresses were amongst those modelled:

- Movements in credit spreads relative to the risk free rate;
- Reduction in equity values;
- Reduction in property values; and
- Movements in the risk free yield curve.

The outcome of the stress and scenario tests was that in each case FBD would have sufficient available capital to continue to meet the SCR.

## C3. 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.

Credit risk is measured separately for:

- Reinsurance assets;
- Other receivables (policyholders, agents and intermediaries);
- Cash and Cash equivalents; and
- Listed debt securities.

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

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 with financial institutions which have a minimum A- rating. The Group (through FBD Insurance plc) holds the following listed Government bonds and listed Corporate bonds, with the following credit profile:

| | 2017 | |
|---|---|---|
| **FBD Holdings plc** | **Market Value €000s** | **Weighted Average Duration €000s** |
| **Government Bonds** | | |
| AAA | **55,217** | 2.9 |
| AA | **14,634** | 1.3 |
| A+ | **44,098** | 4.1 |
| A | **-** | - |
| BB+ | **69,347** | 3.5 |
| BBB+ | **29,532** | 7.6 |
| BBB | **45,978** | 6.1 |
| **Total** | **258,806** | 4.1 |

| | | |
|---|---|---|
| **Corporate Bonds** | | |
| AAA | **2,331** | 2.7 |
| AA | **9,574** | 3.0 |
| AA- | **35,667** | 2.7 |
| A+ | **71,267** | 2.6 |
| A | **77,041** | 3.1 |
| A- | **93,902** | 2.9 |
| BBB+ | **119,250** | 3.2 |
| BBB | **73,888** | 3.1 |
| BBB- | **16,118** | 4.2 |
| **Total** | **499,038** | 3.0 |

The extent of the exposure to credit risk is managed by the formulation of, and adherence to, an Investment Policy incorporating clearly defined investment limits and rules, as approved annually by the Board of Directors. The Group employ appropriately qualified, experienced personnel and external investment management specialists to manage the investment portfolio. The overriding philosophy of the Investment Policy is to protect and safeguard the Group's assets and to ensure its capacity to underwrite is not put at risk.

### C3.1 Concentration risk

Concentration risk is the risk of loss due to overdependence on a single entity or category of business. Listed corporate bonds carry an average credit rating of A-. The average duration of the portfolio is 3.0 years. The sovereign bond portfolio carries an average credit rating of A and the average duration of the portfolio is 4.1 years. Given the ratings, spread of investments and the duration of the listed corporate and sovereign bond funds, the Group deems any concentration risk to be acceptable.

Receivables arising out of direct insurance operations and other receivables have no significant concentration of risk.

### C3.2 Risk sensitivity for credit risks

FBD carried out stress and scenario testing as part of the ORSA process which includes stress testing for the material credit risks. For the 2017 ORSA, the solvency position at 30 September 2017 and the projected solvency position over the business planning period were re-calculated following high impact low likelihood adverse stresses.

The following stresses were amongst those modelled:

- An increase to credit spreads in both corporate and government bonds;
- A fall in the credit ratings of the financial institutions in which FBD hold assets; and
- A fall in the credit ratings of all assets held by FBD.

The outcome of the stress and scenario tests was that in each case FBD would have sufficient available capital to continue to meet the SCR.

## C4. Liquidity risk

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

The following tables provide an analysis of assets and liabilities into their relevant maturity groups based on the remaining period to contractual maturity/expected settlement. The contracted value below is the undiscounted cash flow.

| **FBD Holdings plc**<br>**Assets – 2017** | **Carrying value total €000s** | **Contracted Value €000s** | **Cash flow within 1 year €000s** | **Cash flow 1-5 years €000s** | **Cash flow after 5 years €000s** |
|---|---|---|---|---|---|
| Financial assets | **953,830** | 1,001,725 | 220,630 | 631,242 | 149,853 |
| Reinsurance assets | **90,565** | 90,565 | 25,331 | 45,856 | 19,378 |
| Loans and receivables | **66,314** | 66,314 | 66,314 | - | - |
| Cash and cash equivalents | **27,176** | 27,176 | 27,176 | - | - |
| **Total** | **1,137,885** | **1,185,780** | **339,451** | **677,098** | **169,231** |

| **Liabilities – 2017** | | | | | |
|---|---|---|---|---|---|
| Insurance contract liabilities | **951,020** | 951,020 | 298,575 | 512,850 | 139,595 |
| Payables | **32,279** | 32,279 | 32,279 | - | - |
| Other provision | **6,647** | 6,647 | 6,647 | - | - |
| Convertible debt | **52,525** | 109,200 | 4,900 | 19,600 | 84,700 |
| **Total** | **1,042,471** | **1,099,146** | **342,401** | **532,450** | **224,295** |

| **FBD Insurance plc**<br><br>**Assets - 2017** | **Carrying value total €000s** | **Contracted Value €000s** | **Cash flow within 1 year €000s** | **Cash flow 1-5 years €000s** | **Cash flow after 5 years €000s** |
|---|---|---|---|---|---|
| Financial assets | **987,890** | 1,035,875 | 254,780 | 631,242 | 149,853 |
| Reinsurance assets | **90,566** | 90,566 | 25,331 | 45,856 | 19,379 |
| Current tax asset | **3,949** | 3,949 | 3,949 | - | - |
| Loans and debtors | **58,038** | 58,038 | 58,038 | - | - |
| **Total** | **1,140,533** | **1,188,428** | **342,098** | **677,098** | **169,232** |

| **Liabilities – 2017** | **€000s** | **€000s** | **€000s** | **€000s** | **€000s** |
|---|---|---|---|---|---|
| Insurance contract liabilities | **951,016** | 951,016 | 298,571 | 512,850 | 139,595 |
| Other Provisions | **6,851** | 6,851 | 6,851 | - | - |
| Payables | **37,563** | 37,563 | 37,563 | - | - |
| Convertible Debt | **52,525** | 109,200 | 4,900 | 19,600 | 84,700 |
| **Total** | **1,047,955** | **1,104,630** | **347,885** | **532,450** | **224,295** |

The extent of the exposure to liquidity risk is managed by the formulation of, and adherence to, an Investment Policy incorporating clearly defined investment limits and rules, as approved annually by the Board of Directors and employment of appropriately qualified, experienced personnel and external investment management specialists to manage the Group's investment portfolio. The overriding philosophy of the Investment Policy is to protect and safeguard the Group's assets and to ensure its capacity to underwrite is not put at risk.

The Group will only invest in assets the risks of which can be properly identified, measured, monitored, managed and controlled. In this regard the approach adopted by the Group is to ensure funds are allocated primarily in Euro denominated Corporate/Government bonds and deposits.

### C4.1 Expected Profit included in Future Premium

The expected profit included in future premiums (EPIFP) is €14.9m.

### C4.2 Risk sensitivity for liquidity risks

Given that liquidity is not a material risk for FBD, no specific risk sensitivity is provided.

## C5. Operational Risk

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

This definition is intended to include all risks to which the Group is exposed and that are not considered elsewhere. Hence, operational risks include for example, information technology, information security, human resources, project management, outsourcing, taxation, legal, fraud and regulatory risks. Business Unit Management has primary responsibility for the effective identification, management, monitoring and reporting of operational risks which are overseen by the second and third line functions.

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

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

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

In addition, 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.

### C5.1 Risk sensitivity for operational risks

FBD carried out stress and scenario testing as part of the ORSA process which includes stress testing for the material operational risks. For the 2017 ORSA, the solvency position at 30 September 2017 and the projected solvency position over the business planning period were re-calculated following high impact low likelihood adverse stresses. The stress and scenarios chosen has taken into account the material operational risks facing the Group including cyber and IT risk.

The outcome of the stress and scenario tests was that in each case FBD would have sufficient available capital to continue to meet the SCR.

## C6. Other Material Risks

There are macro-economic changes including economic downturn, increasing competition, changing market trends and the risk associated with changes in the taxation laws in the jurisdiction in which the Group operates. The success of the Group depends on its ability to react appropriately to these changes. The increasing likelihood of a hard "Brexit" introduces business and trading uncertainty for all indigenous Irish businesses, including the Group's core customers in farming and other small businesses. It appears likely that Britain departing the EU will have negative effects for business and business confidence in Ireland, particularly in the medium term and the Group believe this will continue to be a significant headwind to otherwise strong Irish economic prospects.

Other material risks include a risk that the strategy adopted by the Board is incorrect or not implemented appropriately resulting in sub-optimal performance. Reputational risk incorporates a risk of loss of trust amongst stakeholders due to, for example, an act or omission by an employee of FBD. An additional risk is that climate change may result in increasingly volatile weather patterns and more frequent severe weather events.

### C6.1 Off balance sheet positions

The Group does not have any risk exposure arising from Off Balance Sheet positions.

### C6.2 Special Purpose Vehicles

The Group does not have any risk exposure arising from Special Purpose Vehicles.

# D. VALUATION FOR SOLVENCY PURPOSES

This section contains information regarding the valuation of the Balance Sheet items. For each material asset class the bases, methods and main assumptions used for valuation for solvency purposes are described. Each material class of asset includes a quantitative and qualitative explanation of any material difference between the valuation for solvency purposes and the valuation in the Financial Statements. There are some small rounding differences as figures are agreed to the Quantative Reporting Templates (QRTs) prepared at a more granular level.

| **FBD Holdings plc**<br><br>**Balance Sheet** | **Solvency II value 31 December 2017 €000s** | **IFRS 31 December 2017 €000s** |
|---|---|---|
| Deferred acquisition costs | - | 31,366 |
| Deferred tax assets | - | 5,467 |
| Pension benefit surplus | - | 9,774 |
| Property, plant & equipment held for own use | 65,204 | 68,251 |
| Property (other than for own use) | 18,000 | 18,000 |
| Financial Assets - Equities | 18,706 | 21,779 |
| Financial Assets - Government Bonds | 263,735 | 258,806 |
| Financial Assets - Corporate Bonds | 500,022 | 499,038 |
| Financial Assets - Collective Investments Undertakings | 27,483 | 24,411 |
| Deposits (including cash and cash equivalents) | 231,801 | 223,161 |
| Loans and mortgages | 681 | 681 |
| Reinsurance recoverables | 82,955 | 90,565 |
| Receivables (trade, not insurance) | 6,329 | 6,329 |
| Any other assets, not elsewhere shown | 18,169 | 61,625 |
| Total assets | 1,233,084 | 1,319,253 |

| | **Solvency II value 31 December 2017 €000s** | **IFRS 31 December 2017 €000s** |
|---|---|---|
| Technical provisions - non-life | 817,501 | 951,020 |
| Provisions other than technical provisions | 6,205 | 6,647 |
| Deferred tax liabilities | 3,974 | 3,845 |
| Debts owed to credit institutions | 8,492 | - |
| Payables (trade, not insurance) | 27,372 | 27,370 |
| Subordinated liabilities | 70,000 | 52,525 |
| Any other liabilities, not elsewhere shown | 3,297 | 3,297 |
| Total liabilities | 936,841 | 1,044,704 |
| | | |
| Excess of assets over liabilities | 296,243 | 274,549 |

| **FBD Insurance plc**<br><br>**Balance Sheet** | **Solvency II value 31 December 2017 €000s** | **Irish GAAP 31 December 2017 €000s** |
|---|---:|---:|
| Deferred acquisition costs | - | 31,366 |
| Deferred tax assets | - | 1,283 |
| Pension benefit surplus | - | 7,329 |
| Property, plant & equipment held for own use | 65,102 | 68,148 |
| Property (other than for own use) | 18,000 | 18,000 |
| Financial Assets - Equities | 18,706 | 21,777 |
| Financial Assets - Government Bonds | 263,735 | 258,806 |
| Financial Assets - Corporate Bonds | 500,022 | 499,038 |
| Financial Assets - Collective Investments Undertakings | 27,483 | 24,411 |
| Deposits (including cash and cash equivalents) | 230,282 | 230,136 |
| Loans and mortgages | 642 | 642 |
| Reinsurance recoverables | 82,955 | 90,566 |
| Receivables (trade, not insurance) | 10,733 | 10,733 |
| Any other assets, not elsewhere shown | 13,402 | 56,858 |
| Total assets | 1,231,061 | 1,319,093 |

| | **Solvency II value 31 December 2017 €000s** | **Irish GAAP 31 December 2017 €000s** |
|---|---:|---:|
| Technical provisions - non-life | 817,501 | 951,016 |
| Provisions other than technical provisions | 6,863 | 6,851 |
| Deferred tax liabilities | 4,562 | - |
| Debts owed to credit institutions | 8,492 | 8,492 |
| Payables (trade, not insurance) | 24,155 | 24,157 |
| Subordinated liabilities | 70,000 | 52,525 |
| Any other liabilities, not elsewhere shown | 3,296 | 3,296 |
| Total liabilities | 934,870 | 1,046,337 |
| | | |
| Excess of assets over liabilities | 296,191 | 272,756 |

## D1. Assets

Solvency II Valuation for each material class of asset is listed below. The FBD Holdings plc (Group) Financial Statements are prepared in line with IFRS and FBD Insurance plc (Company) Financial Statements are prepared in line with Irish GAAP. The difference in the Financial Statement valuations to Solvency II is detailed below.

### D1.1 Deferred Acquisition Costs (DAC)

The Group and the Company respectively recognise an asset relating to deferred acquisition costs (DAC). DAC is not recognised in the Solvency II framework and is therefore removed under Solvency II.

### D1.2 Deferred Tax Asset / Liability

The Group and FBD Insurance plc have recognised a deferred tax asset in the Financial Statements however a deferred tax liability is recognised under Solvency II. This difference is due to the revaluation of the Technical Provisions under Solvency II and the non-recognition of deferred acquisition costs and the pension surplus under Solvency II.

### D1.3 Pension Benefit Surplus

The pension surplus is not recognised in the Solvency II framework and was removed.

### D1.4 Property, plant and equipment

#### D1.4.1 Property

Property (other than for own use) comprises an investment property held for rental in Ireland.

Properties were valued at fair value at 31 December 2017 by independent external professional valuers, CB Richard Ellis, Valuation Surveyors. The valuations were prepared in accordance with the RICS Valuation – Professional Standards global January 2014 (Red Book).

The valuations report received from the external professional valuers state that the valuations have been prepared on the basis of "Market Value". 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.

#### D1.4.2 Plant and equipment

Plant and equipment is stated in the IFRS and Irish GAAP financial statements at cost less accumulated depreciation and accumulated revaluation profits/ (losses). Plant and equipment is stated at fair value under Solvency II as assessed by the Board on an annual basis.

Depreciation is provided in respect of all plant and equipment and is calculated to write off the cost or valuation of the assets over their expected useful lives. The useful life of plant and equipment is estimated to be three to ten years dependent on the asset. Depreciation on assets in development commences when the assets are ready for their intended use.

### D1.5 Financial Assets

Financial assets are quoted investments in active markets which are stated at fair value. 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. Closing bid prices are obtained from a number of external providers in order to confirm their accuracy.

The Group assumes that the quoted closing bid price for these assets is the price that would be achievable had the assets been sold at the time of valuation.

The total value of the financial assets in the Financial Statements is the same as the Solvency II valuation, however there are some classification differences in the reporting of the assets. Certain corporate bonds in the Financial Statements are classified as government bonds for Solvency II. Equity funds are shown as equities in the Financial Statements but are classified as collective investments undertakings in the Solvency II valuation.

Accrued income on bonds is reflected on the bond line for Solvency II but is shown in other assets in the Financial Statements.

### D1.6 Deposits, cash and cash equivalents

Deposits, cash and cash equivalents are valued at amortised cost using the effective interest rate method. The Directors believe that this represents fair value and that the above values are the recoverable amounts. Accrued interest on deposits and accrued interest on cash and cash equivalents are reflected on the deposits and cash and cash equivalent lines for Solvency II but are shown in other assets in the Group and Company Financial Statements.

### D1.7 Trade receivables

Trade receivables are valued at amortised cost using the effective interest rate method. The Directors believe that this represents fair value and that the above values are the recoverable amounts. There are no differences between the IFRS and Irish GAAP valuation and the Solvency II valuation.

### D1.8 Any other assets, not elsewhere shown

As described in above sections accrued income and accrued interest is included in any other assets for IFRS and Irish GAAP but for the Solvency II valuation accrued income and accrued interest is reflected on the Bond lines and Cash/Deposit lines respectively. Under Solvency II 'Any other assets, not elsewhere shown' also includes the Company's policyholder and intermediary debtors adjusted to remove direct debit premium receivable but not yet due. This is consistent with the valuation principles for Technical Provisions under Solvency II which require that such balances are deducted from Technical Provisions.

### D1.9 Reinsurance recoverables

Reinsurance recoverables are stated at a discounted best estimate value in line with Solvency II rules. Reinsurance recoverables are not discounted for the IFRS and Irish GAAP valuation.

## D2. Technical Provisions

### D2.1 Technical Provision by material line of business

The table below shows the Technical Provisions as at 31 December 2017 by line of business. FBD Holdings plc (prepared under IFRS) and FBD Insurance plc (prepared under Irish GAAP) have the same Technical Provisions listed below.

| | Motor vehicle liability insurance €000s | Other motor insurance €000s | Fire and other damage to property insurance €000s | General liability insurance €000s | Other insurance €000s | Total €000s |
|---|---|---|---|---|---|---|
| Gross Best Estimate Liab. | 397,241 | 10,207 | 61,292 | 299,745 | 5,847 | 774,332 |
| Risk margin | 17,577 | 2,238 | 4,678 | 18,201 | 475 | 43,170 |
| **Gross Technical Provisions** | 414,818 | 12,445 | 65,971 | 317,946 | 6,322 | 817,501 |
| Recoverables | 66,220 | 0 | 7,249 | 9,288 | 197 | 82,955 |
| **Net Technical Provisions** | 348,598 | 12,445 | 58,721 | 308,658 | 6,124 | 734,546 |

### D2.2 Methodology

The Group values Technical Provisions using the methodology prescribed by the Solvency II Directive and the regulations made under the Directive.

The Group uses homogeneous risk groups in the calculation of Technical Provisions. The groupings are based on type of business giving rise to the claim (Line of Business) and the size of the claim. When determining groupings, the credibility of data is balanced against homogeneity. The modelling approach for each group is similar, though assumptions may vary.

Gross claims for earned premium are projected to ultimate using standard actuarial techniques including Bornhuetter-Ferguson and Chain Ladder methods. The key assumptions made include the initial expected loss ratios for each accident year and the projected incurred and paid development patterns. Ultimate gross claims for earned premium are converted to net of reinsurance utilising reinsurance treaty information.

At the valuation date 31 December 2017, the Group had both incepted unearned business and business that was bound but not incepted. The ultimate gross claims, expenses and reinsurance recoveries for the unearned business are taken from the Group's premium reserve model. This is a deterministic model that calculates ultimate loss and expense ratios on a gross and net basis.

Reserves are added to liabilities in respect of earned and unearned business to account for events that may occur but have not been seen historically. A binary modelling approach using frequency and severity expectations around each event is used to determine reserves.

Best estimate of the claims, premiums and expense cash flows are discounted to give best estimate liabilities. A risk margin is added to best estimate liabilities to arrive at Technical Provisions.

## D2.3 Key areas of uncertainty

### D2.3.1 Estimation of outstanding loss reserves ("OSLR")

While information about claims is generally available, assessing the cost of settling the claim is subject to some uncertainty.

### D2.3.2 Estimation of losses relating to claims

Estimation of the losses relating to claims which have been incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than estimating the OSLR since the nature of the claims is not known at the time of reserving.

### D2.3.3 Unexpired Risks

Estimation of claims arising on business which has not yet expired ("unexpired risks") is uncertain as the claims have not yet been incurred, but are expected to be incurred on the business which the Group has written.

### D2.3.4 Market environment

Changes in the market environment increase the inherent uncertainty affecting the business. In particular, claims inflation, publishing of updated Book of Quantum, discount legislation and recent introduction of Periodic Payment Orders (PPO) legislation have impacted the market environment in recent years or may impact the market environment in the coming years.

### D2.3.5 Events not in data ('ENID loading')

Estimating a provision for events not in data is subject to considerable uncertainty as the events being considered have not been observed.

### D2.3.6 Run-off expenses

The estimation of the change in expense base for run-off of the Group is inherently uncertain due to the estimations around the period of the run-off, base costs and inflation.

### D2.3.7 Risk Margin

The Risk Margin, being the margin payable to transfer the business to another insurance carrier, is uncertain due to the requirement to forecast future solvency capital requirements over the period of a run-off. This therefore shares the same uncertainties of the run-off expenses provision considered at 2.3.6, as well as the inherent uncertainties around forecasting future solvency capital requirements.

### D2.4 Risk Management

The Group manages the risks around these uncertainties via the following actions:

- On-going monitoring of claims, including regular reviews of claims handling functions;
- Maintaining a number of reinsurance arrangements to limit the impact of adverse claims development;
- Internal controls through the Reserving Committee and Actuarial Function which monitor claims development and reinsurance arrangements; and
- Regular external actuarial reviews.

### D2.5 Transition from IFRS to Solvency II

The changes required to transition from IFRS accounts to Technical Provisions for solvency purposes are consistent for all lines of business, and are noted below.

#### D2.5.1 Claims provisions

The Group has made no adjustments to the projected claims provisions used in its IFRS accounts in recording the claims provisions for solvency purposes. Gross claims provisions as at 31 December 2017 are €686.4m.

#### D2.5.2 Reinsurance share of claims provisions

The Group has made no adjustments to the reinsurance recoveries in its IFRS accounts in recording the reinsurance share of claims provisions for solvency purposes. The reinsurance share of claims provisions as at 31 December 2017 is €84.5m.

#### D2.5.3 Unexpired risks

The Group has estimated the claims which will be payable on unexpired risks, termed "premium provisions", based on the ultimate loss and expense ratios from the claims provisions and premium rate adjustments related to the unearned book of business. Gross premium provisions as at 31 December 2017 are €88.0m.

#### D2.5.4 Risk Margin

The Risk Margin has been considered to ensure that the value of the Technical Provisions is equivalent to the amount that would be expected to have to be paid to a third party insurance group in order to take over and meet the insurance obligations of the Group. The Risk Margin has been calculated based on the estimated capital requirements to run-off the Group's obligations, and applying a cost of capital of 6%.

The Risk Margin is calculated using a simplified method allowed under Article 58 of Commission Delegated Regulation 2015/35. The capital required to run-off the portfolio is based on the future estimated SCRs, taking account of underwriting risk, reinsurance counterparty risk and operational risk. The Group approximates the whole SCR for each future year by using a ratio of the best estimate liabilities at each future year to the best estimate liabilities at the valuation date. This results in a Risk Margin of €43.2m.

#### D2.5.5 Other

The Group has made adjustments for events not in data, reinsurance amounts recoverable on unexpired risks, policyholder receivables, reinsurance payable, counterparty default, expenses that will be incurred in servicing insurance obligations and discounting.

### D2.6 Adjustments not applied

The Group has not applied the matching adjustment, volatility adjustment, transitional risk-free interest term structure or the transitional deduction in calculating its Technical Provisions.

### D2.7 Changes in Assumptions

There were no material changes in the relevant assumptions made in the calculation of Technical Provisions compared to the previous reporting period.

### D2.8 Special Purpose Vehicles

The Group does not have any Special Purpose Vehicles.

## D3. Other Liabilities

### D3.1 Deferred Tax Liabilities

See Deferred Tax Assets/Liabilities in section D1.2 above.

### D3.2 Provision other than Technical Provisions

Provisions other than Technical Provisions include a provision for Motor Insurers' Bureau of Ireland ("MIBI"). The provision is included under IFRS and Irish GAAP at fair value and is not discounted. The provision is discounted for the Solvency II valuation.

### D3.3 Reinsurance payables

Reinsurance payables not past due are included in any other liabilities. Reinsurance payables are calculated in accordance with reinsurance agreements. There are no valuation differences between the IFRS and Irish GAAP valuations and the Solvency II valuation for reinsurance payables.

### D3.4 Payables (trade, not insurance); Debts owed to credit institutions

There are no valuation differences between the IFRS and Irish GAAP accounts and the Solvency II valuation for payables (trade, not insurance) and debts owed to credit institutions as they are held at fair value.

### D3.5 Subordinated liabilities

On 23 September 2015, FBD Insurance plc issued a non-convertible bond of €70m carrying an interest rate of 11.66%. On 30 December 2015, following shareholder approval, this non-convertible bond was replaced with convertible notes. The convertible notes carry an interest rate of 7% and are convertible into equity of FBD Holdings plc at a conversion price of €8.50 per share. They are convertible at any time between 23 September 2018 and 23 September 2025 at the option of the holder. A mandatory conversion of the notes occurs if the 30 day volume weighted average price of FBD holdings plc exceeds €8.50 for 180 days after 23 September 2018. On conversion, 8,235,294 new shares will be issued to the holder. Unconverted notes will become repayable on 23 September 2025.

In the Irish GAAP financial statements and IFRS the carrying value of the notes has been determined with reference to the fair value of a similar liability without an equity conversion option. The equity component is recognised initially at the difference between the fair value of the convertible note as a whole and the fair value of the liability component. Interest costs are associated with the Convertible Bond until maturity. On initial recognition, €18.232m was recognised in equity and included in other reserves. For Solvency II valuation, the full €70m is recognised in liabilities.

### D3.6 Reconciliation of Total Liabilities to Solvency II Balance Sheet

The following are the material movements for the Group;

- Technical Provisions, Deferred tax liabilities and Subordinated Liabilities are revalued for the Solvency II valuation as explained above.
- Debt owed to credit institutions is a reclassification for the Solvency II valuation.

The following are the material movements for FBD Insurance plc;

- Technical Provisions, Deferred tax liabilities and Subordinated Liabilities are revalued for the Solvency II valuation as explained above.
- Provisions other than Technical Provisions include a Solvency II reclassification and are also subject to discounting for the Solvency II valuation.

## D4. Alternative methods of valuation

The Group does not use any alternative valuation methods.

# E. CAPITAL MANAGEMENT

## E1. Own Funds

### E1.1 Objectives, policies and processes for managing own funds

The solvency objective is to ensure that the Group has and will have in the future sufficient capital to pay its policyholders and all other creditors in full as these liabilities fall due. This means the Group must hold an appropriate amount and quality of capital to meet regulatory requirements as well as a buffer relevant to the specific capital needs given its risk profile, financial condition, business model and strategies, overall complexity, sensitivity to changing conditions and other factors that may arise from time to time. The Group believes that maintaining a strong capital position is imperative to being able to continue to operate through periods of severe stress.

FBD measures and calculates capital using the Standard Formula. The Solvency Capital Requirement (SCR) measures the amount of capital which is required to be held to cover a 1/200 year event over a 1 year horizon and reflects the risk profile of the Group. The MCR, lower than the SCR, is the minimum level of regulatory capital required.

The Medium-Term Capital Management Plan is regularly updated in accordance with the most up to date SCR calculations and monitored monthly with regard to performance and emerging trends. Any issues arising are highlighted to the Executive Management Team (EMT) and the Board as appropriate. As part of the overall strategy the Company prepares financial forecasts over the Business Planning period. These financial forecasts include projected Solvency Capital Ratios and are presented to both the EMT and the Board.

The ORSA contains a three year projection of requirements which also assists in managing own funds.

### E1.2 Information on the structure, amount and quality of own funds

| FBD Holdings plc | Tier 1<br>€000 | Tier 2<br>€000 | Tier 3<br>€000 | Total<br>€000 |
|---|---|---|---|---|
| 1 January 2017 | 225,104 | 72,923 | 5,473 | 303,500 |
| Movement during year | 68,216 | - | (5,473) | 62,743 |
| 31 December 2017 | 293,320 | 72,923 | - | 366,243 |
| Eligible amount to cover the SCR | 293,320 | 72,923 | - | 366,243 |
| Eligible amount to cover the MCR | 293,320 | 19,161 | - | 312,481 |

| FBD Insurance plc | Tier 1<br>€000 | Tier 2<br>€000 | Tier 3<br>€000 | Total<br>€000 |
|---|---|---|---|---|
| 1 January 2017 | 227,962 | 70,635 | 4,886 | 303,483 |
| Movement during year | 67,594 | - | (4,886) | 62,708 |
| 31 December 2017 | 295,556 | 70,635 | - | 366,191 |
| Eligible amount to cover the SCR | 295,556 | 70,635 | - | 366,191 |
| Eligible amount to cover the MCR | 295,556 | 19,156 | - | 314,712 |

#### E.1.2.1 Ordinary share capital

FBD Holdings plc has fully paid up ordinary share capital of €21.4m (2016: €21.4m). FBD Insurance plc has fully paid up ordinary share capital of €74m (2016: €74m). This is available to fully absorb losses, and in the case of winding up, ranks behind all other obligations. This share capital satisfies all the requirements of Tier 1 own funds as set out in article 71 of the Commission Delegated Regulations (EU) 2015.

#### E.1.2.2 Reconciliation reserve

The reconciliation reserve is equal to the total excess assets over liabilities reduced by the other basic own fund items. The reconciliation reserve is fully available to absorb losses.

### E1.2.3 Preference share capital

FBD Holdings plc has fully paid up preference share capital of €2.9m (2016: €2.9m). FBD Insurance plc has fully paid up preference share capital of €0.6m (2016: €0.6m). It is available to fully absorb losses, and in the case of winding up, ranks behind all other obligations with the exception of ordinary share capital. It satisfies all the requirements of Tier 2 own funds as set out in article 73 of the Commission Delegated Regulations (EU) 2015. It does not fully meet the requirements to be classified as Tier 1 capital, as they do not comply with article 71, part 4(d), whereby there is an obligation to make a distribution on the preference share capital if a distribution has been made on the ordinary share capital of the company.

### E1.2.4 Subordinated Liabilities

Included within Tier 2 of both FBD Holdings plc and FBD Insurance plc is a 10 year €70m subordinated bond which is fully available to absorb losses and in the case of winding up, ranks behind all policyholders and beneficiaries and non-subordinated creditors. This subordinated bond satisfies all the requirements of Tier 2 own funds as set out in article 73 of the Commission Delegated Regulations (EU) 2015.

### E1.2.5 Ancillary own funds

The Company has no ancillary own funds.

### E1.2.6 Analysis of material changes in each Tier

FBD Holdings plc and FBD Insurance plc reflect a €68m increase in the 2017 Tier 1 Own Funds. These increases are due to an increase in the Reconciliation Reserve primarily driven by the increase in Underwriting Profit in 2017. There is a decrease of €5m in Tier 3 Own Funds as a result of the movement in the deferred tax asset in 2016 to a deferred tax liability in 2017 for both FBD Holdings plc and FBD Insurance plc. There is no change in the Tier 2 Own Funds for both FBD Holdings plc and FBD Insurance plc.

### E1.2.7 Difference between Equity shown in the financial statements and the Solvency II value of excess assets over liabilities

| | FBD Insurance plc €000 | FBD Holdings plc €000 |
|---|---|---|
| **Equity Per Financial Statements** | | |
| Ordinary Share Capital | 74,187 | 21,409 |
| Retained Earnings | 197,934 | 250,217 |
| Preference Share Capital | 635 | 2,923 |
| Financial Liabilities at amortised Cost | 52,525 | 52,525 |
| Total Equity (including Tier II debt) | 325,281 | 327,074 |
| | | |
| **Adjustments for Solvency II** | | |
| Difference in technical provisions net of reinsurance | 85,461 | 85,465 |
| Deferred acquisition costs not recognised | (31,366) | (31,366) |
| DB Pension asset not recognised | (7,329) | (9,774) |
| Deferred tax | (5,845) | (5,596) |
| Provisions other than technical provisions | (11) | 440 |
| **Solvency II value of excess assets over liabilities (Including Tier II Debt)** | **366,191** | **366,243** |

### E1.2.8 Transitional Arrangements

There are no own funds items subject to transitional arrangements.

## E2. Solvency Capital Requirement and Minimum Capital Requirements

### E2.1 Solvency Capital Requirement (SCR) Net

The Group solvency ratio stood at 164% (FBD Insurance plc ratio 164%) as at 31 December 2017 and is based on the Standard Formula. There is a proposed dividend payable in May 2018 which will reduce the Solvency Capital Ratio to 160% for both FBD Holdings plc and FBD Insurance plc.

The Directive prescribes two methods for the calculation of the group solvency:

- Method 1 – standard method based on the consolidation of financial statements
- Method 2 – alternative method based on deduction and aggregation

FBD Holdings plc applies method 1 for the determination of the Group solvency.

The table below shows the inputs into the Solvency Capital Requirement (SCR) calculation as at 31 December 2017.

| **Solvency Capital Requirement** | **FBD Insurance plc Net SCR €000s** | **FBD Holdings plc Net SCR €000s** |
|---|---|---|
| Non-Life Underwriting Risk | 195,702 | 195,657 |
| Health Underwriting Risk | 3,007 | 3,007 |
| Market Risk | 63,110 | 63,766 |
| Counterparty Default Risk | 10,845 | 11,212 |
| Undiversified BSCR | 272,664 | 273,641 |
| Diversification Credit | (46,478) | (46,960) |
| Basic SCR | 226,186 | 226,681 |
| Operational Risk | 23,230 | 23,230 |
| Loss absorbing capacity of technical provisions and deferred tax | (26,752) | (26,752) |
| **Solvency Capital Requirement** | **222,665** | **223,160** |

### E2.2 Minimum Capital Requirement

The table below shows the inputs into the Minimum Capital Requirement (MCR) calculation as at 31 December 2017.

| **Minimum Capital Requirement** | **FBD Insurance plc €000s** | **FBD Holdings plc €000s** |
|---|---|---|
| Linear MCR | 95,807 | 95,807 |
| SCR | 222,665 | 223,160 |
| Combined MCR | 95,807 | 95,807 |
| **Minimum Capital Requirement** | **95,807** | **95,807** |

### E2.3 Simplified calculations

The Group does not use simplified calculations for risk modules and sub-modules of the Standard Formula.

### E2.4 Compliance with the MCR and the SCR

The solvency position is monitored on a regular basis to ensure compliance. The Group was compliant with both the MCR and SCR throughout 2017.

### E2.5 Material changes in MCR & SCR during the year

There have been no material changes to the MCR during 2017. The SCR has reduced in the year from €240m to €223m for FBD Insurance plc and from €242m to €223m for FBD Holdings plc.

These reductions are primarily due to the following:

- The reduction in the reserve quantum has lowered the Non-Life Underwriting Risk charge;
- The increase in the sovereign bond allocation has lowered the Market Risk charge; and
- The reduction in the level of cash holdings has lowered the Counterparty Default risk charge.

# F. APPENDICES

## FBD Holdings plc Quantitative Reporting Templates

S.02.01.02 – Balance Sheet

S.05.01.02 – Premiums, claims and expenses by line of business

S.05.02.01 – Premiums, claims and expenses by country

S.23.01.22 – Own Funds

S.25.01.22 – Solvency Capital Requirement – for Groups on Standard Formula

S.32.01.22 – Undertakings in the scope of the Group

## FBD Insurance plc Quantitative Reporting Templates

S.02.01.02 – Balance Sheet

S.05.01.02 – Premiums, claims and expenses by line of business

S.05.02.01 – Premiums, claims and expenses by country

S.17.01.02 – Non-Life Technical Provisions

S.19.01.21 – Non-Life Insurance Claims

S.23.01.01 – Own Funds

S.25.01.21 – Solvency Capital Requirement – for Undertakings on Standard Formula

S.28.01.01 – Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

# FBD HOLDINGS PLC

## General information

| | |
|---|---|
| Participating undertaking name | FBD HOLDINGS PLC |
| Group identification code | 635400HNBZBITDHQJG48 |
| Type of code of group | LEI |
| Country of the group supervisor | IE |
| Language of reporting | en |
| Reporting reference date | 31 December 2017 |
| Currency used for reporting | EUR |
| Accounting standards | IFRS |
| Method of Calculation of the group SCR | Standard formula |
| Method of group solvency calculation | Method 1 is used exclusively |
| Matching adjustment | No use of matching adjustment |
| Volatility adjustment | No use of volatility adjustment |
| Transitional measure on the risk-free interest rate | No use of transitional measure on the risk-free interest rate |
| Transitional measure on technical provisions | No use of transitional measure on technical provisions |

### List of reported templates

S.02.01.02 - Balance sheet

S.05.01.02 - Premiums, claims and expenses by line of business

S.05.02.01 - Premiums, claims and expenses by country

S.23.01.22 - Own Funds

S.25.01.22 - Solvency Capital Requirement - for groups on Standard Formula

S.32.01.22 - Undertakings in the scope of the group

# FBD HOLDINGS PLC

## S.02.01.02

### Balance sheet

| | | "Solvency II value" |
|---|---|---|
| | **Assets** | C0010 |
| R0030 | Intangible assets | |
| R0040 | Deferred tax assets | |
| R0050 | Pension benefit surplus | |
| R0060 | Property, plant & equipment held for own use | 65,204 |
| R0070 | Investments (other than assets held for index-linked and unit-linked contracts) | 933,085 |
| R0080 | *Property (other than for own use)* | 18,000 |
| R0090 | *Holdings in related undertakings, including participations* | 0 |
| R0100 | *Equities* | 18,706 |
| R0110 | *Equities - listed* | 17,862 |
| R0120 | *Equities - unlisted* | 843 |
| R0130 | *Bonds* | 763,757 |
| R0140 | *Government Bonds* | 263,735 |
| R0150 | *Corporate Bonds* | 500,022 |
| R0160 | *Structured notes* | 0 |
| R0170 | *Collateralised securities* | 0 |
| R0180 | *Collective Investments Undertakings* | 27,483 |
| R0190 | *Derivatives* | |
| R0200 | *Deposits other than cash equivalents* | 105,140 |
| R0210 | *Other investments* | 0 |
| R0220 | Assets held for index-linked and unit-linked contracts | |
| R0230 | Loans and mortgages | 681 |
| R0240 | *Loans on policies* | 0 |
| R0250 | *Loans and mortgages to individuals* | 681 |
| R0260 | *Other loans and mortgages* | |
| R0270 | Reinsurance recoverables from: | 82,955 |
| R0280 | *Non-life and health similar to non-life* | 82,955 |
| R0290 | *Non-life excluding health* | 82,931 |
| R0300 | *Health similar to non-life* | 24 |
| R0310 | *Life and health similar to life, excluding index-linked and unit-linked* | 0 |
| R0320 | *Health similar to life* | |
| R0330 | *Life excluding health and index-linked and unit-linked* | |
| R0340 | *Life index-linked and unit-linked* | |
| R0350 | Deposits to cedants | 0 |
| R0360 | Insurance and intermediaries receivables | |
| R0370 | Reinsurance receivables | |
| R0380 | Receivables (trade, not insurance) | 6,329 |
| R0390 | Own shares (held directly) | 0 |
| R0400 | Amounts due in respect of own fund items or initial fund called up but not yet paid in | 0 |
| R0410 | Cash and cash equivalents | 126,661 |
| R0420 | Any other assets, not elsewhere shown | 18,169 |
| R0500 | **Total assets** | 1,233,084 |

| | | "Solvency II value" |
|---|---|---|
| | **Liabilities** | C0010 |
| R0510 | Technical provisions - non-life | 817,501 |
| R0520 | *Technical provisions - non-life (excluding health)* | 811,437 |
| R0530 | *TP calculated as a whole* | |
| R0540 | *Best Estimate* | 768,730 |
| R0550 | *Risk margin* | 42,707 |
| R0560 | *Technical provisions - health (similar to non-life)* | 6,065 |
| R0570 | *TP calculated as a whole* | |
| R0580 | *Best Estimate* | 5,602 |
| R0590 | *Risk margin* | 463 |
| R0600 | Technical provisions - life (excluding index-linked and unit-linked) | 0 |
| R0610 | *Technical provisions - health (similar to life)* | 0 |
| R0620 | *TP calculated as a whole* | |
| R0630 | *Best Estimate* | |
| R0640 | *Risk margin* | |
| R0650 | *Technical provisions - life (excluding health and index-linked and unit-linked)* | 0 |
| R0660 | *TP calculated as a whole* | |
| R0670 | *Best Estimate* | |
| R0680 | *Risk margin* | |
| R0690 | Technical provisions - index-linked and unit-linked | 0 |
| R0700 | *TP calculated as a whole* | |
| R0710 | *Best Estimate* | |
| R0720 | *Risk margin* | |
| R0740 | Contingent liabilities | |
| R0750 | Provisions other than technical provisions | 6,205 |
| R0760 | Pension benefit obligations | |
| R0770 | Deposits from reinsurers | |
| R0780 | Deferred tax liabilities | 3,974 |
| R0790 | Derivatives | |
| R0800 | Debts owed to credit institutions | 8,492 |
| R0810 | Financial liabilities other than debts owed to credit institutions | |
| R0820 | Insurance & intermediaries payables | |
| R0830 | Reinsurance payables | |
| R0840 | Payables (trade, not insurance) | 27,372 |
| R0850 | Subordinated liabilities | 70,000 |
| R0860 | *Subordinated liabilities not in BOF* | |
| R0870 | *Subordinated liabilities in BOF* | 70,000 |
| R0880 | Any other liabilities, not elsewhere shown | 3,297 |
| R0900 | **Total liabilities** | 936,841 |
| | | |
| R1000 | **Excess of assets over liabilities** | 296,243 |

# FBD HOLDINGS PLC

## S.05.01.02

### Premiums, claims and expenses by line of business

| | | Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | | | | | | Total |
|---|---|---|---|---|---|---|---|---|
| | | Income protection insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | |
| | **Non-life** | C0020 | C0040 | C0050 | C0060 | C0070 | C0080 | C0200 |
| | **Premiums written** | | | | | | | |
| R0110 | Gross - Direct Business | 5,664 | 123,176 | 57,965 | 82 | 113,333 | 72,239 | 372,459 |
| R0120 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0130 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0140 | Reinsurers' share | 426 | 14,735 | | 415 | 6,160 | 5,532 | 27,267 |
| R0200 | Net | 5,238 | 108,440 | 57,965 | -332 | 107,173 | 66,708 | 345,192 |
| | **Premiums earned** | | | | | | | |
| R0210 | Gross - Direct Business | 5,659 | 120,415 | 56,666 | 133 | 113,622 | 70,652 | 367,148 |
| R0220 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0230 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0240 | Reinsurers' share | 426 | 14,735 | | 422 | 20,102 | 5,532 | 41,216 |
| R0300 | Net | 5,233 | 105,680 | 56,666 | -289 | 93,521 | 65,121 | 325,931 |
| | **Claims incurred** | | | | | | | |
| R0310 | Gross - Direct Business | 2,764 | 95,114 | 27,879 | -43 | 54,411 | 58,477 | 238,602 |
| R0320 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0330 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0340 | Reinsurers' share | -13 | 28,558 | | 39 | 10,701 | 3,826 | 43,111 |
| R0400 | Net | 2,777 | 66,556 | 27,879 | -82 | 43,710 | 54,651 | 195,491 |
| | **Changes in other technical provisions** | | | | | | | |
| R0410 | Gross - Direct Business | | | | | | | 0 |
| R0420 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0430 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0440 | Reinsurers' share | | | | | | | 0 |
| R0500 | Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R0550 | **Expenses incurred** | 1,171 | 28,951 | 11,131 | 51 | 27,370 | 18,427 | 87,101 |
| R1200 | **Other expenses** | | | | | | | |
| R1300 | **Total expenses** | | | | | | | 87,101 |

# FBD HOLDINGS PLC

## S.05.02.01

### Premiums, claims and expenses by country

| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 |
|---|---|---|---|---|---|---|---|---|
| | **Non-life** | **Home Country** | **Top 5 countries (by amount of gross premiums written) - non-life obligations** | | | **Top 5 countries (by amount of gross premiums written) - non-life obligations** | | **Total Top 5 and home country** |
| | | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 |
| | **Premiums written** | | | | | | | |
| R0110 | Gross - Direct Business | 372,459 | | | | | | 372,459 |
| R0120 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0130 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0140 | Reinsurers' share | 27,267 | | | | | | 27,267 |
| R0200 | Net | 345,192 | 0 | 0 | 0 | 0 | 0 | 345,192 |
| | **Premiums earned** | | | | | | | |
| R0210 | Gross - Direct Business | 367,148 | | | | | | 367,148 |
| R0220 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0230 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0240 | Reinsurers' share | 41,216 | | | | | | 41,216 |
| R0300 | Net | 325,931 | 0 | 0 | 0 | 0 | 0 | 325,931 |
| | **Claims incurred** | | | | | | | |
| R0310 | Gross - Direct Business | 238,602 | | | | | | 238,602 |
| R0320 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0330 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0340 | Reinsurers' share | 43,111 | | | | | | 43,111 |
| R0400 | Net | 195,491 | 0 | 0 | 0 | 0 | 0 | 195,491 |
| | **Changes in other technical provisions** | | | | | | | |
| R0410 | Gross - Direct Business | | | | | | | 0 |
| R0420 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0430 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0440 | Reinsurers' share | | | | | | | 0 |
| R0500 | Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R0550 | **Expenses incurred** | 87,101 | | | | | | 87,101 |
| R1200 | **Other expenses** | | | | | | | |
| R1300 | **Total expenses** | | | | | | | 87,101 |

# FBD HOLDINGS PLC

## S.23.01.22

### Own Funds

| | | Total | Tier 1 unrestricted | Tier 1 restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | **Basic own funds before deduction for participations in other financial sector** | C0010 | C0020 | C0030 | C0040 | C0050 |
| R0010 | Ordinary share capital (gross of own shares) | 21,409 | 21,409 | | 0 | |
| R0020 | *Non-available called but not paid in ordinary share capital at group level* | 0 | | | | |
| R0030 | Share premium account related to ordinary share capital | 0 | 0 | | 0 | |
| R0040 | Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings | 0 | 0 | | 0 | |
| R0050 | Subordinated mutual member accounts | 0 | | 0 | 0 | 0 |
| R0060 | *Non-available subordinated mutual member accounts at group level* | 0 | | | | |
| R0070 | Surplus funds | 0 | 0 | | | |
| R0080 | *Non-available surplus funds at group level* | 0 | 0 | | | |
| R0090 | Preference shares | 2,923 | | 0 | 2,923 | 0 |
| R0100 | *Non-available preference shares at group level* | 0 | | | | |
| R0110 | Share premium account related to preference shares | 0 | | 0 | 0 | 0 |
| R0120 | *Non-available share premium account related to preference shares at group level* | 0 | | | | |
| R0130 | Reconciliation reserve | 271,911 | 271,911 | | | |
| R0140 | Subordinated liabilities | 70,000 | | 0 | 70,000 | 0 |
| R0150 | *Non-available subordinated liabilities at group level* | 0 | | | | |
| R0160 | An amount equal to the value of net deferred tax assets | 0 | | | | 0 |
| R0170 | *The amount equal to the value of net deferred tax assets not available at the group level* | 0 | | | | 0 |
| R0180 | Other items approved by supervisory authority as basic own funds not specified above | 0 | 0 | 0 | 0 | 0 |
| R0190 | *Non available own funds related to other own funds items approved by supervisory authority* | 0 | | | | |
| R0200 | Minority interests (if not reported as part of a specific own fund item) | 0 | | | | |
| R0210 | *Non-available minority interests at group level* | 0 | | | | |
| R0220 | **Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds** | | | | | |
| R0230 | **Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities** | 0 | | | | |
| R0240 | *whereof deducted according to art 228 of the Directive 2009/138/EC* | 0 | | | | |

| | | Total | Tier 1 unrestricted | Tier 1 restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| | **Basic own funds before deduction for participations in other financial sector** | | | | | |
| R0250 | Deductions for participations where there is non-availability of information (Article 229) | 0 | | | | |
| R0260 | Deduction for participations included by using D&A when a combination of methods is used | 0 | | | | |
| R0270 | **Total of non-available own fund items** | 0 | 0 | 0 | 0 | 0 |
| R0280 | **Total deductions** | 0 | 0 | 0 | 0 | 0 |
| R0290 | **Total basic own funds after deductions** | 366,243 | 293,320 | 0 | 72,923 | 0 |
| | **Ancillary own funds** | | | | | |
| R0300 | Unpaid and uncalled ordinary share capital callable on demand | 0 | | | | |
| R0310 | Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand | 0 | | | | |
| R0320 | Unpaid and uncalled preference shares callable on demand | 0 | | | | |
| R0330 | A legally binding commitment to subscribe and pay for subordinated liabilities on demand | 0 | | | | |
| R0340 | Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC | 0 | | | | |
| R0350 | Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC | 0 | | | | |
| R0360 | Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC | 0 | | | | |
| R0370 | Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC | 0 | | | | |
| R0380 | Non available ancillary own funds at group level | 0 | | | | |
| R0390 | Other ancillary own funds | 0 | | | | |
| R0400 | **Total ancillary own funds** | 0 | | | 0 | 0 |
| | **Own funds of other financial sectors** | | | | | |
| R0410 | Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies | 0 | | | | |
| R0420 | Institutions for occupational retirement provision | 0 | | | | |
| R0430 | Non regulated entities carrying out financial activities | 0 | | | | |
| R0440 | **Total own funds of other financial sectors** | 0 | 0 | 0 | 0 | 0 |
| | **Own funds when using the D&A, exclusively or in combination of method 1** | | | | | |
| R0450 | Own funds aggregated when using the D&A and combination of method | 0 | | | | |
| R0460 | Own funds aggregated when using the D&A and combination of method net of IGT | 0 | | | | |
| R0520 | Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A ) | 366,243 | 293,320 | 0 | 72,923 | 0 |

| | Basic own funds before deduction for participations in other financial sector | Total | Tier 1 unrestricted | Tier 1 restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| R0530 | Total available own funds to meet the minimum consolidated group SCR | 366,243 | 293,320 | 0 | 72,923 | |
| R0560 | Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A ) | 366,243 | 293,320 | 0 | 72,923 | 0 |
| R0570 | Total eligible own funds to meet the minimum consolidated group SCR (group) | 312,482 | 293,320 | 0 | 19,161 | |
| R0610 | **Minimum consolidated Group SCR** | 95,807 | | | | |
| R0650 | **Ratio of Eligible own funds to Minimum Consolidated Group SCR** | 326.16% | | | | |
| R0660 | **Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A )** | 366,243 | 293,320 | 0 | 72,923 | 0 |
| R0680 | **Group SCR** | 223,160 | | | | |
| R0690 | **Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A** | 164.12% | | | | |

| | **Reconcilliation reserve** | C0060 |
|---|---|---|
| R0700 | Excess of assets over liabilities | 296,243 |
| R0710 | Own shares (held directly and indirectly) | |
| R0720 | Forseeable dividends, distributions and charges | |
| R0730 | Other basic own fund items | 24,332 |
| R0740 | Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | 0 |
| R0750 | Other non available own funds | |
| R0760 | **Reconciliation reserve** | 271,911 |

| | **Expected profits** | |
|---|---|---|
| R0770 | Expected profits included in future premiums (EPIFP) - Life business | |
| R0780 | Expected profits included in future premiums (EPIFP) - Non- life business | 14,992 |
| R0790 | **Total Expected profits included in future premiums (EPIFP)** | 14,992 |

# FBD HOLDINGS PLC

## S.25.01.22

### Solvency Capital Requirement - for groups on Standard Formula

| | | Gross solvency capital requirement | USP | Simplifications |
|---|---|---|---|---|
| | | C0110 | C0090 | C0120 |
| R0010 | Market risk | 63,766 | | |
| R0020 | Counterparty default risk | 11,212 | | |
| R0030 | Life underwriting risk | 0 | | |
| R0040 | Health underwriting risk | 3,007 | | |
| R0050 | Non-life underwriting risk | 195,657 | | |
| R0060 | Diversification | -46,960 | | |
| R0070 | Intangible asset risk | 0 | | |
| R0100 | **Basic Solvency Capital Requirement** | 226,681 | | |

| | | C0100 |
|---|---|---|
| | **Calculation of Solvency Capital Requirement** | |
| R0130 | Operational risk | 23,230 |
| R0140 | Loss-absorbing capacity of technical provisions | 0 |
| R0150 | Loss-absorbing capacity of deferred taxes | -26,752 |
| R0160 | Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | 0 |
| R0200 | **Solvency Capital Requirement excluding capital add-on** | 223,160 |
| R0210 | Capital add-ons already set | 0 |
| R0220 | **Solvency capital requirement for undertakings under consolidated method** | 223,160 |
| | **Other information on SCR** | |
| R0400 | Capital requirement for duration-based equity risk sub-module | 0 |
| R0410 | Total amount of Notional Solvency Capital Requirements for remaining part | 0 |
| R0420 | Total amount of Notional Solvency Capital Requirements for ring fenced funds | 0 |
| R0430 | Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios | 0 |
| R0440 | Diversification effects due to RFF nSCR aggregation for article 304 | 0 |
| R0470 | Minimum consolidated group solvency capital requirement | 95,807 |

| | | Gross solvency capital requirement | USP | Simplifications |
|---|---|---|---|---|
| | **Information on other entities** | | | |
| R0500 | Capital requirement for other financial sectors (Non-insurance capital requirements) | 0 | | |
| R0510 | *Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies* | 0 | | |
| R0520 | *Institutions for occupational retirement provisions* | 0 | | |
| R0530 | *Capital requirement for non- regulated entities carrying out financial activities* | 0 | | |
| R0540 | Capital requirement for non-controlled participation requirements | 0 | | |
| R0550 | Capital requirement for residual undertakings | 0 | | |
| | **Overall SCR** | | | |
| R0560 | SCR for undertakings included via D&A | 0 | | |
| R0570 | **Solvency capital requirement** | 223,160 | | |

# FBD HOLDINGS PLC

## S.32.01.22

### Undertakings in the scope of the group

| | Country | Identification code of the undertaking | Type of code of the ID of the undertaking | Legal Name of the undertaking | Type of undertaking | Legal form | Category (mutual/non mutual) | Supervisory Authority |
|---|---|---|---|---|---|---|---|---|
| Row | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 |
| 1 | IE | 635400HQZXKIXB5YCS61 | LEI | FBD INSURANCE PLC | Non life insurance undertaking | Incorporated companies limited by shares or by guarantee or unlimited | Non-mutual | THE CENTRAL BANK OF IRELAND |
| 2 | IE | 140134 | Specific code | FBD LIFE AND PENSIONS LIMITED | Credit institution, investment firm and financial institution | | Non-mutual | THE CENTRAL BANK OF IRELAND |
| 3 | IE | 155113 | Specific code | BIERITZ INNS LIMITED | Other | | Non-mutual | |
| 4 | IE | 51715 | Specific code | LEGACY INVESTMENT HOLDINGS LIMITED | Other | | Non-mutual | |
| 5 | IE | 7010V | Specific code | TOPENHALL LIMITED | Other | | Non-mutual | |
| 6 | IE | FBDHOLDINGS | Specific code | FBD HOLDINGS PLC | Other | | Non-mutual | |
| 7 | IE | 614936 | Specific code | FBD CORPORATE SERVICE LIMITED | Other | | Non-mutual | |
| 8 | IE | 510146 | Specific code | FBD TRUSTEE COMPANY LTD | Institution for occupational retirement provision | | Non-mutual | THE PENSIONS AUTHORITY |

# FBD HOLDINGS PLC

## S.32.01.22

### Undertakings in the scope of the group

| | Criteria of influence | | | | | | Inclusion in the scope of Group supervision | | Group solvency calculation |
|---|---|---|---|---|---|---|---|---|---|
| | % capital share | % used for the establishment of consolidated accounts | % voting rights | Other criteria | Level of influence | Proportional share used for group solvency calculation | YES/NO | Date of decision if art. 214 is applied | Method used and under method 1, treatment of the undertaking |
| Row | C0180 | C0190 | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 |
| 1 | 100.00% | 100.00% | 100.00% | | Dominant | 100.00% | Included in the scope | | Method 1: Full consolidation |
| 2 | 100.00% | 100.00% | 100.00% | | Dominant | 100.00% | Included in the scope | | Method 1: Full consolidation |
| 3 | 100.00% | 100.00% | 100.00% | | Dominant | 100.00% | Not included in the scope (art. 214 b) | | Method 1: Full consolidation |
| 4 | 100.00% | 100.00% | 100.00% | | Dominant | 100.00% | Not included in the scope (art. 214 b) | | Method 1: Full consolidation |
| 5 | 100.00% | 100.00% | 100.00% | | Dominant | 100.00% | Not included in the scope (art. 214 b) | | Method 1: Full consolidation |
| 6 | 100.00% | 100.00% | 100.00% | | Dominant | 100.00% | Not included in the scope (art. 214 b) | | Method 1: Full consolidation |
| 7 | 100.00% | 100.00% | 100.00% | | Dominant | 100.00% | Not included in the scope (art. 214 b) | | Method 1: Full consolidation |
| 8 | 100.00% | 100.00% | 100.00% | | Dominant | 100.00% | Not included in the scope (art. 214 b) | | Method 1: Full consolidation |

# FBD INSURANCE PLC

## General information

| | |
|---|---|
| Undertaking name | FBD INSURANCE PLC |
| Undertaking identification code | 635400HQZXKIXB5YCS61 |
| Type of code of undertaking | LEI |
| Type of undertaking | Non-life undertakings |
| Country of authorisation | IE |
| Language of reporting | en |
| Reporting reference date | 31 December 2017 |
| Currency used for reporting | EUR |
| Accounting standards | Local GAAP |
| Method of Calculation of the SCR | Standard formula |
| Matching adjustment | No use of matching adjustment |
| Volatility adjustment | No use of volatility adjustment |
| Transitional measure on the risk-free interest rate | No use of transitional measure on the risk-free interest rate |
| Transitional measure on technical provisions | No use of transitional measure on technical provisions |

## List of reported templates

S.02.01.02 - Balance sheet

S.05.01.02 - Premiums, claims and expenses by line of business

S.05.02.01 - Premiums, claims and expenses by country

S.17.01.02 - Non-Life Technical Provisions

S.19.01.21 - Non-Life insurance claims

S.23.01.01 - Own Funds

S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula

S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

# FBD INSURANCE PLC

## S.02.01.02

### Balance sheet

| | | Solvency II value |
|---|---|---|
| | **Assets** | C0010 |
| R0030 | Intangible assets | |
| R0040 | Deferred tax assets | |
| R0050 | Pension benefit surplus | |
| R0060 | Property, plant & equipment held for own use | 65,102 |
| R0070 | Investments (other than assets held for index-linked and unit-linked contracts) | 933,085 |
| R0080 | *Property (other than for own use)* | 18,000 |
| R0090 | *Holdings in related undertakings, including participations* | 0 |
| R0100 | *Equities* | 18,706 |
| R0110 | *Equities - listed* | 17,862 |
| R0120 | *Equities - unlisted* | 843 |
| R0130 | *Bonds* | 763,757 |
| R0140 | *Government Bonds* | 263,735 |
| R0150 | *Corporate Bonds* | 500,022 |
| R0160 | *Structured notes* | 0 |
| R0170 | *Collateralised securities* | 0 |
| R0180 | *Collective Investments Undertakings* | 27,483 |
| R0190 | *Derivatives* | |
| R0200 | *Deposits other than cash equivalents* | 105,140 |
| R0210 | *Other investments* | 0 |
| R0220 | Assets held for index-linked and unit-linked contracts | |
| R0230 | Loans and mortgages | 642 |
| R0240 | *Loans on policies* | 0 |
| R0250 | *Loans and mortgages to individuals* | 642 |
| R0260 | *Other loans and mortgages* | |
| R0270 | Reinsurance recoverables from: | 82,955 |
| R0280 | *Non-life and health similar to non-life* | 82,955 |
| R0290 | *Non-life excluding health* | 82,931 |
| R0300 | *Health similar to non-life* | 24 |
| R0310 | *Life and health similar to life, excluding index-linked and unit-linked* | 0 |
| R0320 | *Health similar to life* | |
| R0330 | *Life excluding health and index-linked and unit-linked* | |
| R0340 | *Life index-linked and unit-linked* | |
| R0350 | Deposits to cedants | 0 |
| R0360 | Insurance and intermediaries receivables | |
| R0370 | Reinsurance receivables | |
| R0380 | Receivables (trade, not insurance) | 10,733 |
| R0390 | Own shares (held directly) | 0 |
| R0400 | Amounts due in respect of own fund items or initial fund called up but not yet paid in | 0 |
| R0410 | Cash and cash equivalents | 125,142 |
| R0420 | Any other assets, not elsewhere shown | 13,402 |
| R0500 | **Total assets** | 1,231,061 |

| | | Solvency II value |
|---|---|---|
| | **Liabilities** | C0010 |
| R0510 | Technical provisions - non-life | 817,501 |
| R0520 | *Technical provisions - non-life (excluding health)* | 811,437 |
| R0530 | *TP calculated as a whole* | 0 |
| R0540 | *Best Estimate* | 768,730 |
| R0550 | *Risk margin* | 42,707 |
| R0560 | *Technical provisions - health (similar to non-life)* | 6,065 |
| R0570 | *TP calculated as a whole* | 0 |
| R0580 | *Best Estimate* | 5,602 |
| R0590 | *Risk margin* | 463 |
| R0600 | Technical provisions - life (excluding index-linked and unit-linked) | 0 |
| R0610 | *Technical provisions - health (similar to life)* | 0 |
| R0620 | *TP calculated as a whole* | |
| R0630 | *Best Estimate* | |
| R0640 | *Risk margin* | |
| R0650 | *Technical provisions - life (excluding health and index-linked and unit-linked)* | 0 |
| R0660 | *TP calculated as a whole* | |
| R0670 | *Best Estimate* | |
| R0680 | *Risk margin* | |
| R0690 | Technical provisions - index-linked and unit-linked | 0 |
| R0700 | *TP calculated as a whole* | |
| R0710 | *Best Estimate* | |
| R0720 | *Risk margin* | |
| R0740 | Contingent liabilities | |
| R0750 | Provisions other than technical provisions | 6,863 |
| R0760 | Pension benefit obligations | |
| R0770 | Deposits from reinsurers | |
| R0780 | Deferred tax liabilities | 4,562 |
| R0790 | Derivatives | |
| R0800 | Debts owed to credit institutions | 8,492 |
| R0810 | Financial liabilities other than debts owed to credit institutions | 0 |
| R0820 | Insurance & intermediaries payables | |
| R0830 | Reinsurance payables | |
| R0840 | Payables (trade, not insurance) | 24,155 |
| R0850 | Subordinated liabilities | 70,000 |
| R0860 | *Subordinated liabilities not in BOF* | |
| R0870 | *Subordinated liabilities in BOF* | 70,000 |
| R0880 | Any other liabilities, not elsewhere shown | 3,296 |
| R0900 | **Total liabilities** | 934,870 |
| | | |
| R1000 | **Excess of assets over liabilities** | 296,191 |

# FBD INSURANCE PLC

## S.05.01.02

### Premiums, claims and expenses by line of business

| | | Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | | | | | | Total |
|---|---|---|---|---|---|---|---|---|
| | | Income protection insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | |
| | **Non-life** | C0020 | C0040 | C0050 | C0060 | C0070 | C0080 | C0200 |
| | **Premiums written** | | | | | | | |
| R0110 | Gross - Direct Business | 5,664 | 123,176 | 57,965 | 82 | 113,333 | 72,239 | 372,459 |
| R0120 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0130 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0140 | Reinsurers' share | 426 | 14,735 | | 415 | 6,160 | 5,532 | 27,267 |
| R0200 | Net | 5,238 | 108,440 | 57,965 | -332 | 107,173 | 66,708 | 345,192 |
| | **Premiums earned** | | | | | | | |
| R0210 | Gross - Direct Business | 5,659 | 120,415 | 56,666 | 133 | 113,622 | 70,652 | 367,148 |
| R0220 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0230 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0240 | Reinsurers' share | 426 | 14,735 | | 422 | 20,102 | 5,532 | 41,216 |
| R0300 | Net | 5,233 | 105,680 | 56,666 | -289 | 93,521 | 65,121 | 325,931 |
| | **Claims incurred** | | | | | | | |
| R0310 | Gross - Direct Business | 2,764 | 95,114 | 27,879 | -43 | 54,411 | 58,477 | 238,602 |
| R0320 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0330 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0340 | Reinsurers' share | -13 | 28,558 | | 39 | 10,701 | 3,826 | 43,111 |
| R0400 | Net | 2,777 | 66,556 | 27,879 | -82 | 43,710 | 54,651 | 195,491 |
| | **Changes in other technical provisions** | | | | | | | |
| R0410 | Gross - Direct Business | | | | | | | 0 |
| R0420 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0430 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0440 | Reinsurers' share | | | | | | | 0 |
| R0500 | Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | |
| R0550 | **Expenses incurred** | 1,171 | 28,951 | 11,131 | 51 | 27,370 | 18,427 | 87,101 |
| R1200 | **Other expenses** | | | | | | | |
| R1300 | **Total expenses** | | | | | | | 87,101 |

# FBD INSURANCE PLC

## S.05.02.01

### Premiums, claims and expenses by country

| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 |
|---|---|---|---|---|---|---|---|---|
| | **Non-life** | **Home Country** | **Top 5 countries (by amount of gross premiums written) - non-life obligations** | | | **Top 5 countries (by amount of gross premiums written) - non-life obligations** | | **Total Top 5 and home country** |
| R0010 | | | | | | | | |
| | | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 |
| | **Premiums written** | | | | | | | |
| R0110 | Gross - Direct Business | 372,459 | | | | | | 372,459 |
| R0120 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0130 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0140 | Reinsurers' share | 27,267 | | | | | | 27,267 |
| R0200 | Net | 345,192 | 0 | 0 | 0 | 0 | 0 | 345,192 |
| | **Premiums earned** | | | | | | | |
| R0210 | Gross - Direct Business | 367,148 | | | | | | 367,148 |
| R0220 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0230 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0240 | Reinsurers' share | 41,216 | | | | | | 41,216 |
| R0300 | Net | 325,931 | 0 | 0 | 0 | 0 | 0 | 325,931 |
| | **Claims incurred** | | | | | | | |
| R0310 | Gross - Direct Business | 238,602 | | | | | | 238,602 |
| R0320 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0330 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0340 | Reinsurers' share | 43,111 | | | | | | 43,111 |
| R0400 | Net | 195,491 | 0 | 0 | 0 | 0 | 0 | 195,491 |
| | **Changes in other technical provisions** | | | | | | | |
| R0410 | Gross - Direct Business | | | | | | | 0 |
| R0420 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0430 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0440 | Reinsurers' share | | | | | | | 0 |
| R0500 | Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R0550 | **Expenses incurred** | 87,101 | | | | | | 87,101 |
| R1200 | **Other expenses** | | | | | | | |
| R1300 | **Total expenses** | | | | | | | 87,101 |

# FBD INSURANCE PLC

## S.17.01.02

### Non-Life Technical Provisions

| | | Direct business and accepted proportional reinsurance | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Income protection insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Total Non-Life obligation |
| | | C0030 | C0050 | C0060 | C0070 | C0080 | C0090 | C0180 |
| R0010 | **Technical provisions calculated as a whole** | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R0050 | Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole | | | | | | | 0 |
| | **Technical provisions calculated as a sum of BE and RM** | | | | | | | |
| | **Best estimate** | | | | | | | |
| | **Premium provisions** | | | | | | | |
| R0060 | Gross | 1,630 | 36,892 | 6,846 | -6 | 21,606 | 20,989 | 87,957 |
| R0140 | Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | 0 | -39 | | -0 | -1,705 | 177 | -1,567 |
| R0150 | **Net Best Estimate of Premium Provisions** | 1,630 | 36,931 | 6,846 | -6 | 23,310 | 20,812 | 89,525 |
| | **Claims provisions** | | | | | | | |
| R0160 | Gross | 3,972 | 360,349 | 3,360 | 251 | 39,687 | 278,756 | 686,374 |
| R0240 | Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | 23 | 66,259 | | 174 | 8,954 | 9,112 | 84,522 |
| R0250 | Net Best Estimate of Claims Provisions | 3,948 | 294,090 | 3,360 | 77 | 30,733 | 269,644 | 601,852 |
| | | | | | | | | |
| R0260 | **Total best estimate - gross** | 5,602 | 397,241 | 10,207 | 245 | 61,292 | 299,745 | 774,332 |
| R0270 | **Total best estimate - net** | 5,578 | 331,021 | 10,207 | 71 | 54,043 | 290,456 | 691,377 |
| R0280 | **Risk margin** | 463 | 17,577 | 2,238 | 12 | 4,678 | 18,201 | 43,170 |

| | | Direct business and accepted proportional reinsurance | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Income protection insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Total Non-Life obligation |
| | **Amount of the transitional on Technical Provisions** | | | | | | | |
| R0290 | Technical Provisions calculated as a whole | | | | | | | 0 |
| R0300 | Best estimate | | | | | | | 0 |
| R0310 | Risk margin | | | | | | | 0 |
| | | | | | | | | |
| R0320 | **Technical provisions - total** | 6,065 | 414,818 | 12,445 | 257 | 65,971 | 317,946 | 817,501 |
| R0330 | **Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total** | 24 | 66,220 | 0 | 174 | 7,249 | 9,288 | 82,955 |
| R0340 | **Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total** | 6,041 | 348,598 | 12,445 | 83 | 58,721 | 308,658 | 734,546 |

# FBD INSURANCE PLC

## S.19.01.21

### Non-Life insurance claims
### Total Non-life business

Z0020 **Accident year / underwriting year** | **Accident Year**

**Gross Claims Paid (non-cumulative)**

(absolute amount)

| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | | C0170 | C0180 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Year** | **Development year** | | | | | | | | | | | | **In Current year** | **Sum of years (cumulative)** |
| | | **0** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10 & +** | | | |
| R0100 | Prior | | | | | | | | | | | 7,402 | | 7,402 | 7,402 |
| R0160 | 2008 | 150,634 | 67,590 | 34,618 | 31,739 | 24,665 | 14,048 | 6,335 | 2,955 | 3,847 | 1,167 | | | 1,167 | 337,598 |
| R0170 | 2009 | 129,724 | 77,699 | 27,391 | 23,133 | 22,402 | 10,058 | 8,636 | 6,330 | 3,532 | | | | 3,532 | 308,905 |
| R0180 | 2010 | 107,851 | 89,337 | 25,488 | 23,896 | 16,878 | 14,575 | 6,809 | 5,792 | | | | | 5,792 | 290,626 |
| R0190 | 2011 | 78,833 | 44,688 | 21,492 | 19,118 | 19,669 | 19,648 | 5,000 | | | | | | 5,000 | 208,448 |
| R0200 | 2012 | 75,441 | 42,795 | 20,112 | 19,920 | 22,097 | 16,361 | | | | | | | 16,361 | 196,727 |
| R0210 | 2013 | 72,848 | 44,411 | 26,479 | 24,138 | 20,529 | | | | | | | | 20,529 | 188,405 |
| R0220 | 2014 | 108,443 | 53,116 | 34,142 | 35,163 | | | | | | | | | 35,163 | 230,864 |
| R0230 | 2015 | 71,898 | 51,885 | 27,103 | | | | | | | | | | 27,103 | 150,886 |
| R0240 | 2016 | 64,382 | 34,655 | | | | | | | | | | | 34,655 | 99,037 |
| R0250 | 2017 | 59,720 | | | | | | | | | | | | 59,720 | 59,720 |
| R0260 | | | | | | | | | | | | | **Total** | 216,424 | 2,078,619 |

**Gross Undiscounted Best Estimate Claims Provisions**

(absolute amount)

| | | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0290 | C0300 | | C0360 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Year** | **Development year** | | | | | | | | | | | | **Year end (discounted data)** |
| | | **0** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10 & +** | | |
| R0100 | Prior | | | | | | | | | | | 12,336 | | 12,238 |
| R0160 | 2008 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7,184 | 6,277 | | | 6,250 |
| R0170 | 2009 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9,907 | 5,244 | | | | 5,218 |
| R0180 | 2010 | 0 | 0 | 0 | 0 | 0 | 0 | 20,717 | 14,366 | | | | | 14,253 |
| R0190 | 2011 | 0 | 0 | 0 | 0 | 0 | 23,034 | 16,816 | | | | | | 16,739 |
| R0200 | 2012 | 0 | 0 | 0 | 0 | 51,116 | 33,179 | | | | | | | 32,970 |
| R0210 | 2013 | 0 | 0 | 0 | 89,535 | 66,317 | | | | | | | | 65,779 |
| R0220 | 2014 | 0 | 0 | 139,635 | 96,299 | | | | | | | | | 95,709 |
| R0230 | 2015 | 0 | 167,912 | 161,153 | | | | | | | | | | 159,896 |
| R0240 | 2016 | 163,399 | 122,928 | | | | | | | | | | | 122,135 |
| R0250 | 2017 | 156,049 | | | | | | | | | | | | 155,186 |
| R0260 | | | | | | | | | | | | | **Total** | 686,374 |

# FBD INSURANCE PLC

## S.23.01.01

### Own Funds

| | | Total | Tier 1 unrestricted | Tier 1 restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| | **Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35** | | | | | |
| R0010 | Ordinary share capital (gross of own shares) | 74,187 | 74,187 | | 0 | |
| R0030 | Share premium account related to ordinary share capital | 0 | 0 | | 0 | |
| R0040 | Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings | 0 | 0 | | 0 | |
| R0050 | Subordinated mutual member accounts | 0 | | 0 | 0 | 0 |
| R0070 | Surplus funds | 0 | 0 | | | |
| R0090 | Preference shares | 635 | | 0 | 635 | 0 |
| R0110 | Share premium account related to preference shares | 0 | | 0 | 0 | 0 |
| R0130 | Reconciliation reserve | 221,369 | 221,369 | | | |
| R0140 | Subordinated liabilities | 70,000 | | 0 | 70,000 | 0 |
| R0160 | An amount equal to the value of net deferred tax assets | 0 | | | | 0 |
| R0180 | Other own fund items approved by the supervisory authority as basic own funds not specified above | 0 | 0 | 0 | 0 | 0 |
| R0220 | **Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds** | 0 | | | | |
| R0230 | **Deductions for participations in financial and credit institutions** | 0 | | | | |
| R0290 | **Total basic own funds after deductions** | 366,191 | 295,556 | 0 | 70,635 | 0 |
| | **Ancillary own funds** | | | | | |
| R0300 | Unpaid and uncalled ordinary share capital callable on demand | 0 | | | | |
| R0310 | Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand | 0 | | | | |
| R0320 | Unpaid and uncalled preference shares callable on demand | 0 | | | | |
| R0330 | A legally binding commitment to subscribe and pay for subordinated liabilities on demand | 0 | | | | |
| R0340 | Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC | 0 | | | | |
| R0350 | Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC | 0 | | | | |
| R0360 | Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC | 0 | | | | |

| | | Total | Tier 1 unrestricted | Tier 1 restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | **Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35** | C0010 | C0020 | C0030 | C0040 | C0050 |
| R0370 | Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC | 0 | | | | |
| R0390 | **Other ancillary own funds** | 0 | | | | |
| R0400 | Total ancillary own funds | 0 | | | 0 | 0 |
| | **Available and eligible own funds** | | | | | |
| R0500 | Total available own funds to meet the SCR | 366,191 | 295,556 | 0 | 70,635 | 0 |
| R0510 | Total available own funds to meet the MCR | 366,191 | 295,556 | 0 | 70,635 | |
| R0540 | Total eligible own funds to meet the SCR | 366,191 | 295,556 | 0 | 70,635 | 0 |
| R0550 | Total eligible own funds to meet the MCR | 314,717 | 295,556 | 0 | 19,161 | |
| R0580 | **SCR** | 222,665 | | | | |
| R0600 | **MCR** | 95,807 | | | | |
| R0620 | **Ratio of Eligible own funds to SCR** | 164.46% | | | | |
| R0640 | **Ratio of Eligible own funds to MCR** | 328.49% | | | | |

| | | |
|---|---|---|
| | **Reconcilliation reserve** | C0060 |
| R0700 | Excess of assets over liabilities | 296,191 |
| R0710 | Own shares (held directly and indirectly) | 0 |
| R0720 | Foreseeable dividends, distributions and charges | |
| R0730 | Other basic own fund items | 74,822 |
| R0740 | Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | 0 |
| R0760 | **Reconciliation reserve** | 221,369 |
| | **Expected profits** | |
| R0770 | Expected profits included in future premiums (EPIFP) - Life business | |
| R0780 | Expected profits included in future premiums (EPIFP) - Non- life business | 14,992 |
| R0790 | **Total Expected profits included in future premiums (EPIFP)** | 14,992 |

# FBD INSURANCE PLC

## S.25.01.21

### Solvency Capital Requirement - for undertakings on Standard Formula

| | | Gross solvency capital requirement | USP | Simplifications |
|---|---|---|---|---|
| | | C0110 | C0090 | C0120 |
| R0010 | Market risk | 63,110 | | |
| R0020 | Counterparty default risk | 10,845 | | |
| R0030 | Life underwriting risk | 0 | | |
| R0040 | Health underwriting risk | 3,007 | | |
| R0050 | Non-life underwriting risk | 195,702 | | |
| R0060 | Diversification | -46,478 | | |
| R0070 | Intangible asset risk | 0 | | |
| | | | | |
| R0100 | **Basic Solvency Capital Requirement** | 226,186 | | |

| | | |
|---|---|---|
| | **Calculation of Solvency Capital Requirement** | C0100 |
| R0130 | Operational risk | 23,230 |
| R0140 | Loss-absorbing capacity of technical provisions | 0 |
| R0150 | Loss-absorbing capacity of deferred taxes | -26,752 |
| R0160 | Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | 0 |
| R0200 | **Solvency Capital Requirement excluding capital add-on** | 222,665 |
| R0210 | Capital add-ons already set | 0 |
| R0220 | **Solvency capital requirement** | 222,665 |

| | | |
|---|---|---|
| | **Other information on SCR** | |
| R0400 | Capital requirement for duration-based equity risk sub-module | 0 |
| R0410 | Total amount of Notional Solvency Capital Requirements for remaining part | 0 |
| R0420 | Total amount of Notional Solvency Capital Requirements for ring fenced funds | 0 |
| R0430 | Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios | 0 |
| R0440 | Diversification effects due to RFF nSCR aggregation for article 304 | 0 |

# FBD INSURANCE PLC

## S.28.01.01

### Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

| | | C0010 |
|---|---|---|
| | **Linear formula component for non-life insurance and reinsurance obligations** | |
| R0010 | MCRNL Result | 95,807 |

| | | Net (of reinsurance/ SPV) best estimate and TP calculated as a whole | Net (of reinsurance) written premiums in the last 12 months |
|---|---|---|---|
| | | C0020 | C0030 |
| R0020 | Medical expense insurance and proportional reinsurance | 0 | |
| R0030 | Income protection insurance and proportional reinsurance | 5,578 | 5,238 |
| R0040 | Workers' compensation insurance and proportional reinsurance | 0 | |
| R0050 | Motor vehicle liability insurance and proportional reinsurance | 331,021 | 116,911 |
| R0060 | Other motor insurance and proportional reinsurance | 10,207 | 49,494 |
| R0070 | Marine, aviation and transport insurance and proportional reinsurance | 71 | 69 |
| R0080 | Fire and other damage to property insurance and proportional reinsurance | 54,043 | 96,992 |
| R0090 | General liability insurance and proportional reinsurance | 290,456 | 66,708 |
| R0100 | Credit and suretyship insurance and proportional reinsurance | 0 | |
| R0110 | Legal expenses insurance and proportional reinsurance | 0 | |
| R0120 | Assistance and proportional reinsurance | 0 | |
| R0130 | Miscellaneous financial loss insurance and proportional reinsurance | 0 | |
| R0140 | Non-proportional health reinsurance | 0 | |
| R0150 | Non-proportional casualty reinsurance | 0 | |
| R0160 | Non-proportional marine, aviation and transport reinsurance | 0 | |
| R0170 | Non-proportional property reinsurance | 0 | |

| | Linear formula component for life insurance and reinsurance obligations | C0040 |
|---|---|---|
| R0200 | MCRL Result | 0 |

| | | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance/SPV) total capital at risk |
|---|---|---|---|
| | | C0050 | C0060 |
| R0210 | Obligations with profit participation - guaranteed benefits | | |
| R0220 | Obligations with profit participation - future discretionary benefits | | |
| R0230 | Index-linked and unit-linked insurance obligations | | |
| R0240 | Other life (re)insurance and health (re)insurance obligations | | |
| R0250 | Total capital at risk for all life (re)insurance obligations | | |

| | **Overall MCR calculation** | C0070 |
|---|---|---|
| R0300 | Linear MCR | 95,807 |
| R0310 | SCR | 222,665 |
| R0320 | MCR cap | 100,199 |
| R0330 | MCR floor | 55,666 |
| R0340 | Combined MCR | 95,807 |
| R0350 | Absolute floor of the MCR | 2,500 |
| | | |
| R0400 | **Minimum Capital Requirement** | 95,807 |