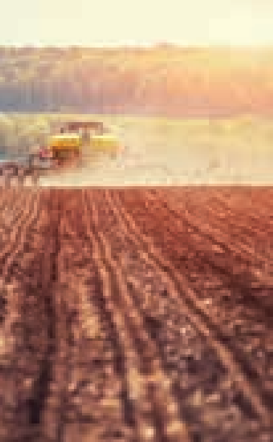
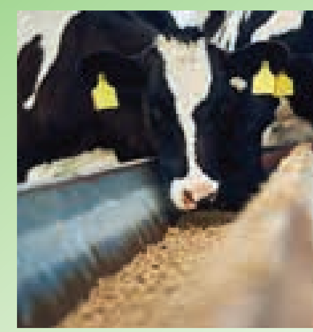







FBD

Protection.
It's in our nature.

FBD Holdings plc **Annual Report 2018**

In the years report

FBD at a Glance

Established in the 1960s by farmers for farmers, FBD has built on those roots in agriculture to become a leading general insurer directly serving the needs of agricultural, small business and consumer customers throughout Ireland.

2018 Performance Highlights

PROFIT BEFORE TAX

€50m

In line with €50m profit for 2017

COMBINED OPERATING RATIO

81%

Improvement from 86% in 2017

GROSS WRITTEN PREMIUM

€372m

Stable vs €372m premium written in 2017

RETURN ON EQUITY

15%

Building on 17% ROE for 2017

PER SHARE DIVIDEND PROPOSED

50c

Increase vs 24c 2017 dividend paid

NET ASSET VALUE

818c

Increase from 784c in 2017

For more information visit **www.fbd.ie**

Financial Highlights

	2018 €000s	2017 €000s
Gross premium written	**371,504**	372,459
Net premium earned	**337,903**	325,932
Profit for the financial year	**42,383**	42,696

	2018 Cent	2017 Cent
Basic earnings per share	**122**	123
Diluted earnings per share	**112**[1]	111[2]
Net asset value per share	**818**	784
Ordinary dividend per share proposed	**50**	24
Ordinary dividend per share paid	**24**	-

[1] *Diluted earnings per share reflects the potential conversion of convertible debt up until the date of purchase and cancellation of the convertible debt and the potential vesting of the share based payments*

[2] *Diluted earnings per share reflected the potential conversion of convertible debt and the potential vesting of share based payments*

Financial Calendar

Preliminary announcement	27 February 2019
Dividend record date	12 April 2019
Annual General Meeting	10 May 2019
Dividend payment date	17 May 2019

2018 in Pictures

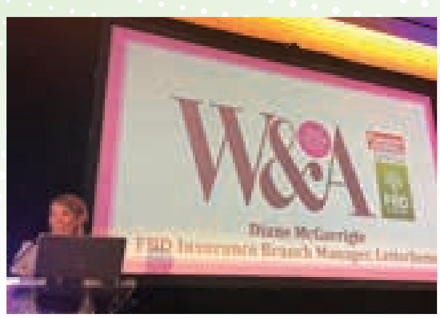
Cellcheck Awards launch

Tullamore Show & FBD National Livestock show launch

FBD Insurance continues it's urban expansion with relocation of Cork office

Lessons for Leaders launch

FBD Insurance stand at Bloom



Women & Agriculture conference

National Ploughing Championship launch

FBD Insurance sponsored show garden at Bloom

Official sponsor to Ireland's Olympic team

Always keeping our customers at the heart of what we do

GROUP PROFIT BEFORE TAX

€50m

2017: €50m

▲ 1%

NET ASSET VALUE PER SHARE

818c

2017: 784c

▲ 4%

PER SHARE DIVIDEND PROPOSED

50c

2017: 24c

▲ 108%

Performance

I am pleased to report to you our excellent financial results for 2018 and in particular I am very pleased to propose a doubling of our dividend payment to our shareholders. We have reported a Group Profit before Tax of €50m and our Net Asset Value (book value) per share grew to 818 cents. Our Solvency Capital Ratio continues to be very strong at 164%.

Following a very strong 2017, 2018 has seen a continuation of excellent financial results for our business. This represents continued successful implementation of our strategy. We have strong underlying profitability and we are maintaining our underwriting discipline.

I would like to thank our loyal FBD staff for their immense contribution to these strong results in the face of stiff competition. Their dedication to our customers and to great customer service continues to be a key differentiator for FBD. It continues to be a source of pride for the Board and to generate confidence in our ability to grow successfully and carefully in the years ahead.

Ms. Orlagh Hunt and Mr. Dermot Browne have announced their intention not to stand for re-election at the AGM. I would like to thank Orlagh and Dermot for their valued contribution and service over the past three years and wish them continued success in the future.

Fairfax Convertible Bond

Since 2015 a Canadian company (Fairfax Financial Holdings Ltd) has held a debt instrument in FBD that provided an option to convert to almost 20% ownership of our company from 23rd September 2018 at a share price of €8.50.

In October we announced an agreement to purchase and cancel this investment, known as the Fairfax convertible bond. This was a strong statement of strength for FBD. This transaction reinstates our independence and successfully ends Fairfax's investment in FBD. We funded this purchase through our own cash reserves and by issuing a smaller, new €50m non-convertible bond with a lower interest rate. This new debt transaction is a key sign of our strength and credit-worthiness. Our capital solvency levels remain in a very strong position and FBD is now very well positioned with confidence for the future.

These two transactions were a key milestone for our business coming as they have only three years after we needed a capital partner. A strong FBD benefits staff, customers and our loyal shareholders. In 2015, Fairfax was required to stabilise FBD's position and now, I am glad to say we no longer need this help. Fairfax supported our business when it was needed and we wish them well.

Team Ireland Sponsorship

In September we announced an exciting new major sponsorship for FBD Insurance. We officially launched our sponsorship of Team Ireland as they begin their qualification journey with the Olympic Federation of Ireland towards participation in the 2020 Tokyo Olympic Games.

This sponsorship will encompass all of the Olympic Federation of Ireland's activity, both in Ireland and internationally. This partnership is very exciting for both FBD Insurance and the Olympic Federation of Ireland and shows our continued commitment to supporting and protecting all of the communities from which Ireland's Olympic heroes emerge.

Local communities are the foundations of support that enable our Irish athletes to compete on the world stage. At FBD, we have a unique heritage of connection with our local communities through our nationwide branches and our direct customer relationships. As a truly local Irish insurer we are proud to partner with Team Ireland on what is sure to be an exciting journey for Ireland's talented athletes, their coaches, their families and their communities as they progress to the biggest sporting stage of all in 2020, the Tokyo Olympic Games.

This new major sponsorship joins the portfolio of our other national sponsorships including the National Ploughing Championships and Bloom. As part of our strategy to continue to protect and grow our rural customer base as well as to enable continued growth in urban Ireland, this sponsorship of Team Ireland will provide a big platform for FBD to further cement our local pride and commitment to communities across Ireland.

Our Heritage

In 2018, FBD celebrated its 50th year in business. We have a rich heritage, uniquely an Irish insurer, supporting and protecting our farm, business and consumer customers. With our nationwide branch network, we are active participants in the communities we serve. FBD has stood the test of time and we are proud to be the only truly Irish insurance company operating in Ireland today.

Since our foundation, we have worked hard for our communities and customers, and are committed to ensuring that farmers, local businesses and communities feel real economic and social benefits as a result of our business activities. FBD is a responsible member of the community. We set high standards for ourselves and insist that all of our business activities are conducted lawfully and ethically.

Farming is a hazardous occupation and the continuing rise in fatal accidents on farms is a cause for great concern. We continue to support initiatives that will make the family farm a safer place for all members of the family and for farm employees. In 2018 we had initiatives under the Farm Protect campaign, Champions for Safety seminars and the Farm Relief Services (FRS) tractor training skills.

This year FBD also invested in upgrading our branch network. We purchased the Mullingar Support Centre building in August. We launched the Post Insurance partnership. We opened our new Sales Office in Baggot Street. We relocated the Cork and Limerick branches and we continued to push forward with the rebranding and refurbishing of every branch. We want to ensure that the FBD Insurance brand is prominent in communities across Ireland.

Claims Environment

The cost of injury claims remains a concern for Irish customers. Two years ago FBD welcomed the Personal Injuries Commission report. However we now urge the Government to implement its recommendations and other actions from the Cost of Insurance Working Group proposals without further delay. A more sustainable claims environment benefits all insurance customers particularly Irish farms and businesses. FBD continues to lobby to ensure that these proposals are implemented and will deliver for Irish farmers, businesses and consumers. In the absence of implementation, all insurance customers continue to bear the cost of significantly higher premiums than those seen in other countries.

Storm Emma

Storm Emma hit the country in March and caused widespread damage. Our claims staff responded superbly to help our impacted customers. This is what insurance is for and as always, we can be proud of our claims paying record.

Dividend

The Board believes that it is in the long-term interest of all stakeholders to maintain a strong solvency margin and it is focused on ensuring that the Group's capital position is robust and its financial position well managed.

Following the excellent financial performance for 2018 the Board proposes to pay a dividend of 50 cent per share for the 2018 financial year. This is equivalent to a pay-out ratio of approximately 40% in respect of 2018 profits. This is a significant increase on the 24 cents paid in the previous year and reflects our continuing confidence in the profitability and future prospects of the business. The Group continues to target a 20% to 50% annual pay-out range of full year profits when appropriate, recognising extreme weather events and inherent cyclicality are a feature of all insurance businesses.

This conservative policy is designed to recognise the importance of full year earnings in determining dividends while protecting the capital position of the Group.

Conclusion

I want to record my sincere thanks to the Board for their active leadership and support during 2018.

I also want to thank our CEO Fiona, the Management Team and our entire staff for their hard work and dedication that has resulted in delivering this very strong result.

Finally as always I want to acknowledge and say thanks to our customers for their continuing support, loyalty, trust and confidence. FBD is strongly positioned for the future and I am confident the FBD Group will continue to grow and prosper.

Thank you.

Liam Herlihy
Chairman

26 February 2019

Review of Operations

A €50 million profit for FBD's 50th year in business

RETURN ON EQUITY

15%

2017: 17%

Above target ROE

UNDERWRITING PROFIT

€63m

2017: €45m

▲ 40%

NET CLAIMS

€183m

2017: €203m

▼ 10%

Overview

Our continued focus on underwriting discipline has delivered excellent underwriting profits for 2018. I am delighted the Board has proposed to more than double the dividend to 50c per share on the back of such strong results, rewarding our loyal shareholders.

The successful purchase and cancellation of the Fairfax convertible bond in October demonstrated the financial strength of FBD.

2018 is a great team result and we intend to continue to deliver on our strategy in the coming years. From fifty years in business we know that having the right insurance cover at the right price is in the long-term best interests of our customers. We will continue to maintain underwriting discipline in order to provide stability in our core market. FBD continues to offer the broadest cover available to farm customers for property damage and to mitigate the financial impact of tragic farm accidents which are still all too frequent.

In FBD's 50th year of business the Group delivered a profit of €50.1m (2017: €49.7m) and a return on equity of 15%. This is an excellent performance underpinned by continued underwriting discipline and supported by positive prior year reserve development.

In October, FBD successfully purchased the Fairfax convertible bond for €86m and subsequently issued non-convertible debt of €50m at a lower coupon rate of 5%. This is a strong result for the business demonstrating investor confidence in FBD's stability and future.

The Board has proposed a dividend of 50c per share (2017: 24c) in respect of the 2018 financial year. The underwriting profit increased to €63.4m (2017: €44.9m) and includes Storm Emma net costs of €6.6m after reinsurance recoveries.

Underwriting

Premium income

Strong competition in all customer segments has resulted in a decrease in gross written premium of €1m to €371.5m (2017: €372.5m). Increases in Commercial business were offset by reductions in Agri and Consumer as we maintained our underwriting discipline in the face of strong competition. The underlying loss performance of the book is improving with minimal rate increases carried across the book. New business volumes grew by 11% primarily in personal lines. Retention rates generally held up across the book with the aid of sustained efforts and customer initiatives.

Reinsurance

The 2018 reinsurance programme provided strong protection to the business. Storm Emma was the only extreme weather event of 2018, with a net cost after reinsurance recoveries of €6.6m. There was limited additional exposure to weather events in the second half of the year.

Claims

Net claims incurred amounted to €183.4m (2017: €203.1m). There was positive prior year reserve releases of €26.9m, mainly from the 2015 to 2017 accident years, which showed sustained improvements relative to previous expectations. There was a further release from prior year reserves of €1.8m as the timing of the introduction of the 2% Motor Insurance Insolvency Compensation Fund (MIICF) levy on insurers was delayed.

The Group incurred a net charge of €7.1m (2017: €1.9m) relating to its MIBI levy and related obligation, which is calculated based on the Group's expected share of the motor market for 2018. The 2017 charge includes the MIBI levy reserve release of €5.6m for the "Setanta" case.

Claims Environment

More moderate inflation is evident across the claims environment though the cost of claims continues to remain high. The level of increases in the average cost of smaller injury claims has slowed, though we have also observed a significant increase in the average cost of motor damage and property claims over the course of the year.

We continue to await the enactment by the Government of the PIAB (Amendment) Bill to tackle the non-co-operation of claimants and their legal representatives with the Injuries Board. This legislation is necessary to reduce the rate at which claimants are rejecting compensation offers by the Injuries Board and to ultimately lower the cost of claims. The Judicial Council is expected to rewrite the Book of Quantum although no bill has yet been drafted. Overall we are very disappointed with the pace of reform, given that the key recommendations of the Cost of Insurance Working Group were published two years ago.

We are hopeful claims awards will reduce following the Court of Appeal case "Byrne v Ardenhealth Company Ltd" where a unanimous judgement confirmed that the occupier had not breached their statutory duty to take reasonable care and can assume visitors will take reasonable care of their own safety, overturning the earlier High Court damages award.

We continue to vigorously contest suspected claims. We welcome the amendment to the Civil Liability and Courts Act where a judge can dismiss a claim if a claimant gives false evidence having provided a sworn affidavit. This change may act as a deterrent for dishonest or false claims.

The Personal Injuries Commission report published in September 2018 highlighted inconsistencies between Irish and international awards that must be tackled if we are to reduce insurance costs for Irish businesses, farmers and consumers alike.

Weather, Claims Frequency and Large Claims

In March 2018 Storm Emma was a combination of snow and strong winds which created blizzard-like conditions impacting the whole of Ireland, particularly the south. FBD received over 1,200 claims costing €6.6m net of reinsurance and reinstatement premia.

Stabilisation in motor injury frequency continued following reductions in 2016 and 2017.

The projected gross cost of large injury claims (greater than €0.5m) in 2018 is approximately in line with the five year average. While there has been a significant decrease in the number of personal motor large injury claims this year, this has been replaced by a significant increase in the number of employers liability claims, in particular large farm claims. We have also observed an improvement in the development of large claims from 2016 and 2017 relative to previous expectations.

Expenses

The Group's expense ratio was 24.9% (2017: 23.3%). Other underwriting expenses were €84.1m, an increase of €8.1m. €4.6m of the increase relates to changes in the reinsurance arrangements and the balance reflects additional IT spend in respect of work for the introduction of GDPR, wage inflation and increased regulatory costs.

General

FBD's Combined Operating Ratio ("COR") was 81.2% generating an underwriting profit of €63.4m (2017: €44.9m).

Investment Return

FBD's total investment return for 2018 was -0.5% (2017: 1.2%). 0.2% (2017: 0.9%) is recognised in the Consolidated Income Statement and -0.7% (2017: 0.3%) recognised in the Consolidated Statement of Other Comprehensive Income (OCI). The returns are a reflection of the challenging investment conditions experienced during 2018 especially Q4. The negative returns in OCI were driven by credit spread widening on the corporate bond portfolio and spread widening on some Eurozone sovereign bonds, particularly Italy.

Financial Services

The Group's financial services operations delivered a profit before tax of €2.5m for the year (2017: €4.5m). The life, pension and investment broking operation (FBD Financial Solutions) increased revenue by 23% to €3.8m (2017: €3.1m) with modest cost increases to support the increased activity. Other financial services fees decreased marginally. Holding company costs increased from €1.4m to €3.5m primarily due to significant legal expenses during 2018 and higher allocated salary costs than prior year.

Capital position

Ordinary shareholders' funds at 31 December 2018 amounted to €283.5m (2017: €271.6m). The increase in shareholders' funds is mainly attributable to the following:

- Profit after tax for the year of €42.4m: Offset by
- €8.6m dividend payments in respect of the 2017 financial year
- Cancellation of the Fairfax bond of €21.0m
- Mark to market losses on Available for Sale investments of €6.8m after tax recognised in the statement of other comprehensive income
- Share based payments of €0.7m
- The increase in the defined benefit pension scheme surplus of €2.8m after tax following a 5bps increase in the discount rate to 1.8% and drop in long-term inflation to 1.5%.
- IFRS 15 transitional adjustment of €2.4m.

Net assets per ordinary share are 818 cent, compared to 784 cent per share at 31 December 2017.

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

	31 December 2018		31 December 2017	
	€m	**%**	**€m**	**%**
Corporate bonds	**498**	**48%**	499	47%
Government bonds	**297**	**29%**	259	25%
Deposits and cash	**146**	**14%**	230	22%
Equities	**24**	**2%**	22	2%
Investment property	**18**	**2%**	18	2%
Other risk assets	**55**	**5%**	24	2%
	1,038	**100%**	1,052	100%

Investment Allocation

The Group adopts a conservative investment policy where it ensures that its technical reserves are well matched by cash and fixed interest securities of similar nature and duration. FBD has increased its allocation to Government bonds and risk assets during the year in line with the Company's current Strategic Asset Allocation framework. There has been a corresponding reduction in deposits and cash of €36.1m as a result of the cancellation and repayment of the Fairfax convertible bond.

Solvency

The latest (unaudited) Solvency Capital Ratio (SCR) is 164% which is in line with the 2017 SCR of 164%, after the partial use of own funds to pay for the Fairfax Convertible Bond transaction and includes the foreseeable dividend of €17.6m.

Outlook

In 2018 FBD delivered a return on equity of 15% and a Current Year COR of 90%, through strong underwriting discipline and full price adequacy. This result includes Storm Emma net costs of €6.6m. In addition, the 2018 result also includes positive prior year reserve development of €26.9m and a MIBI levy reserve release of €1.8m.

The injury claims environment is showing signs of moderation although inflation is still present, particularly in motor damage and property claims. Injury costs remain stubbornly high, even if they are no longer increasing as substantially as in previous years. We also see continued inflation in legal costs. We urgently need an injection of pace from policymakers in the delivery of the recommendations from the Cost of Insurance Working Group in order to deliver reform and reduce insurance costs for our customers.

Storm Emma demonstrated again the quality of our farm cover and our claims processes. We delivered for our customers when we were needed. The increase in farm related employers liability and tractor claims continues to emphasise the urgent need for better farm safety. FBD continues to invest significantly in this area. We understand the impact these accidents have on farmers and their families both financially and personally.

FBD will continue to support farm safety organisations in education to change on-farm behaviour and help mitigate the personal impact of such tragic accidents.

Uncertainty still exists around Brexit and the likely impact is both unwelcome and hard to quantify for Irish farmers and businesses. Competition from other insurers is currently intense. FBD has been in Ireland for fifty years supporting our farm customers and we will maintain strong underwriting discipline in the face of both aggressive price competition and economic uncertainty in order to deliver stability for our customers. FBD is focussed on growing its urban presence in a measured fashion while continuing to maintain its large market share in rural Ireland through the delivery of outstanding products and outstanding customer service.

Fiona Muldoon
Group Chief Executive

26 February 2019

Supporting Ireland's Communities

Proud Sponsors of Team Ireland for the Tokyo 2020 Olympics

FBD Insurance's sponsorship of Team Ireland was launched in September 2018 and will run throughout the current Olympiad until the end of the 2020 Olympic Games in Tokyo. This major initiative shows FBD Insurance's commitment to local communities from which Olympic heroes emerge.


FBD
INSURANCE

Our Business Model

How we create and share value

Inputs

FBD empowers its people to deliver for customers and shareholders alike.

Our People

FBD's 900 employees are central to how we support our customers. Their expertise, experience, dedication and local knowledge mean that we have a long term focus with all customers that is tailored to meet their needs.

Social & Relationships

FBD has deep relationships with customers, suppliers and stakeholders. As a responsible member of the local community, we provide significant support to business, farm and community groups throughout Ireland. We actively promote and support farm research, safety and social events.

Financial

FBD maintains a resilient and stable balance sheet that is well reserved and has a low-risk investment portfolio. This enables us to support policyholders and deliver sustainable returns to our shareholders.

Intellectual

Our strong links to the community enable us to evolve with our customer's needs. Set up by farmers for farmers, FBD has an unrivalled knowledge of farm enterprises through 50 years of protection.

Environment

Climate change and adverse weather have the potential to impact our customers significantly. FBD's reinsurance programme reduces our exposure to such events while maximising the protection we offer. FBD is committed to work place actions, that reduce our carbon footprint.

Technology

FBD leverages technology, including data analytics, to deliver a better customer experience and better customer value.

Business Activities/Create Value

FBD creates value across all business activities through our customer centric focus and our expertise in the insurance industry.

How We Create Value

Customer Centric Focus

FBD aims to be truly customer centric. This means we want to deliver the best customer experience, no matter the way the customer chooses to shop with us.

Underwrite & Manage Risks

FBD focuses on profitable underwriting in the Irish general insurance market. We understand, measure and model risk effectively enabling us to price accurately, competitively, and fairly for our customers.

Manage Claims

FBD pays claims quickly and efficiently through our experienced claims inspectors and loss adjustors. FBD actively works to reduce incidents of claims fraud and exaggeration to the benefit of honest insurance customers.

Reserve Appropriately

FBD reserve its insurance liabilities appropriately and is supported by strong governance including extensive peer reviews and regular external reviews.

Capital Management

FBD's conservative investment policy invests premiums in a high quality, low risk portfolio. We manage our assets to ensure we deliver on our obligations to our policyholders.

In FBD, our customers and our communities are at the heart of what we do and who we are. As Ireland's only indigenous insurance company, we provide a multi-product and multi-channel offering to Farmers, Commercial Businesses and Consumers. We are with our customers and always ready to protect them through our 34 local branches nationwide, on the phone, online, or through our broker network.

Outputs

FBD offers products through channels where our service capabilities deliver a unique underwriting advantage.

Our Products

FBD protects our customers through a wide range of personal, farm and business products.

Our Channels

FBD offers flexibility and great customer service across all of our channels, through our direct business, our small broker network, as well as new and exciting partnerships with Post insurance, Chubb and others.

Financial Advisory Services

FBD Life & Pensions provides advice to a diverse range of customers, both personal and corporate, through a team of financial planning advisors located in the Group's network of local offices.

Outcomes

FBD strives to deliver for all it's stakeholders, protecting our customers through our quality product offering, and delivering returns to our shareholders.

Our Stakeholders

We protect our customers and deliver products that meet their needs. For our shareholders we deliver sustainable returns through both value accretion and dividends.

Our Employees

We invest in our people, helping them grow their skills and expertise so that they can excel in their roles and careers. We provide competitive rewards and benefits linked to both individual and Group performance.

Local Communities

We invest in the communities in which we operate through corporate sponsorship (Corporate Social Responsibility on page 25) and by partnering with charities, trusts and local events.

Capital for Reinvestment

Through our capital accretion we reinvest and generate additional value in FBD.

Our Strategy

Creating value for the long-term

Our Customer Evolution

We want to provide simple, personalised, easy to understand insurance to today's customers. We listen to and understand our customers. We understand different customers value different things.

Our Vision
Be truly customer centric

We aim to deliver the best customer experience, no matter the way the customer chooses to shop with us. We protect and innovate with our customers.

Our Mission
To be the Irish insurer of choice

Our customers and communities are at the heart of what we do and who we are.

Our Values
Our Way

Open and friendly: we bring others along, communicate, collaborate & develop
Use our expertise: we deliver and innovate
Responsible and accountable: we own the challenge and drive the solution
We have integrity and we respect each other
Action-oriented, we get the right things done well and on time
You and I: we focus on our customer first

Our strategy positions FBD as the Irish insurer of choice by offering a truly customer centric experience with a strong, sustainable national insurer.

Community

We are Irish, local, a trusted & knowledgeable insurer, **envied for our closeness to our customers and our community roots**.

Understand

We listen and understand our customers. We deliver for them. We understand that different customers value different things.

Protect

We promise to **protect our customers** & deliver on our promises when they need us.

Our customers and our community are at the heart of what we do and who we are

Evolve

We evolve with, innovate & deliver for our customers.

Culture

Our employees are focused on value adding & **deepening customer relationships**.

Optimise

We invest in, integrate & optimise all our customer channels, striving for simplicity of access & transacting with FBD. We offer the **best customer experience, no matter the way the customer chooses to shop with us**.

Risk & Uncertainties Report

Overview

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

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

Risk Appetite

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

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

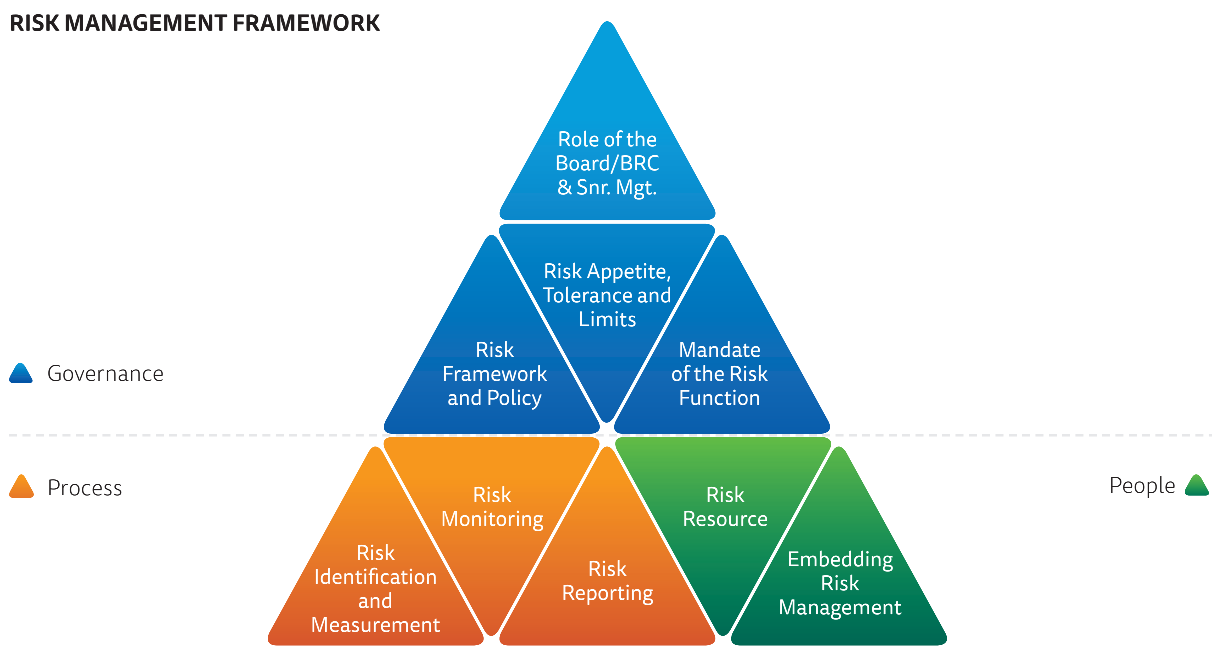
Risk Governance

The Board has ultimate responsibility for the governance of all risk taking activity in FBD. Risk is governed through business standards, risk policies and Oversight Committees with clear roles, responsibilities and delegated authorities.

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

- Primary responsibility for risk management lies with line management.
- Line management is supported by the second line Risk, Actuarial and Compliance Functions who provide objective challenge and oversight of first line management of risks.
- 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.

RISK MANAGEMENT FRAMEWORK



Risk Process

Identify and Measure

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

Monitor and Report

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

People

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

In accordance with 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, reputational and customer impact criteria.

Key Risks and Mitigants

RISK	KEY MITIGANTS
Capital Management Risk **The risk that the Group fails to maintain an adequate regulatory solvency position.**	■ The Group has an Investment Committee, a Pricing & Underwriting Committee, a Capital Management Forum, an Audit Committee, a Reserving Committee and Board and Executive Risk Committees, all of which assist the Board in the identification and management of exposures and capital. ■ The annual Own Risk and Solvency Assessment "ORSA" provides 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. ■ An experienced Actuarial team is in place with policies and procedures to ensure that Technical Provisions are calculated in an appropriate manner and represent a best estimate. ■ Technical Provisions are internally peer reviewed every quarter, audited once a year and subject to external peer review every two years. ■ An approved Reinsurance Program is in place to minimise the Solvency Impact of Catastrophe events to the Group. ■ The Chief Financial Officer (CFO) is responsible for consideration of the implications for capital position as part of the strategic planning process and key strategic decision-making and for ensuring appropriate action is taken as approved by the Board/CEO/relevant Committee. ■ On at least an annual basis, thresholds for Solvency Capital Requirements (SCR) Ratio, developed as part of the annual planning/budgeting process, are approved by the Board as part of the Risk Appetite Statements in the Risk Appetite Framework. ■ The Group also devotes considerable resources to managing its relationships with the providers of capital within the capital markets, for example, existing and potential shareholders, financial institutions, stockbrokers and corporate finance houses.

RISK	KEY MITIGANTS
Underwriting Risk **This is the risk that underwritten business is less profitable than planned due to insufficient pricing and setting of claims case reserves as a result of higher than expected claims frequency, higher average cost per claim and catastrophic claims.**	The Group manages this risk through its underwriting strategy, proactive claims handling and its reinsurance arrangements. ***Underwriting Strategy*** ■ 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. ■ 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 cover provided by the Group include, motor, employers' and public liability and property. ■ 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. ***Reserving:*** ■ 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. The provision includes a margin for uncertainty to minimise the risk that actual claims exceed the amount provided. The Reserving Committee assists the Board in its review of the adequacy of the Group's claims provisions. ■ Case reserve estimates are subject to robust controls including system controls preventing claim handlers from increasing reserves above their reserve limits without supervisor approval and secondary review and challenge of case reserve estimates. ***Reinsurance Arrangements*** ■ The Group purchases reinsurance protection to limit its exposure to single claims and the aggregation of claims from catastrophic events. The Group's reinsurance programme is approved by the Board of Directors on an annual basis. FBD has purchased a reinsurance program which has been developed to meet the local domestic risk profile and tailored to FBD's risk appetite. The program protects, Motor, Liability, Property and other classes against both individual large loss and events.

Risk & Uncertainties Report *(continued)*

RISK	KEY MITIGANTS
Market Risk **The Group has invested in term deposits, listed debt securities, investment property and Collective Investment Schemes. 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. ■ The Company monitors its allocation to the various asset classes and has a long term Strategic Asset Allocation target.
Credit & Concentration Risk **This is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations and/or over allocation to a single entity that may default or fall in value resulting in adverse financial impact.**	■ Credit and concentration risk is managed by the formulation of, and adherence to, an Investment Policy that is approved annually by the Board of Directors. The Investment Policy incorporates clearly defined investment limits and rules and ensures that there is an optimum spread and duration of investments. ■ 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 reinsurance programme structure ensures that there is no significant concentration of risk. ■ All of the Group's fixed term deposits are with financial institutions which have a minimum A- rating.
Liquidity Risk **This is the risk of insufficient liquidity to pay claims and other liabilities due to inappropriate monitoring and management of liquidity levels or inadequate Asset Liability Management.**	■ 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.

RISK	KEY MITIGANTS
Strategy Risk **The risk that the strategy adopted by the Board is incorrect or not implemented appropriately resulting in sub-optimal performance and impact on profitability.**	■ The Group has a strategic planning cycle which commences with a fundamental review of strategy at least every 5 years (normally every 3 years). Further supporting this is an annual review of the strategy by the Board to determine the continuing relevance. To ensure the strategy is implemented effectively, the Group engages in a robust business planning and review process that results in an annual plan including key initiatives and budget.
Operational Risk **Operational risk could arise as a result of inadequately controlled internal processes or systems, human error or from external events.** **This definition is intended to include all risks to which the Group is exposed 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.**	***Three Lines of Defence*** ■ Extensive second and third line challenge over the operational control environment. ***Information Technology Controls*** ■ 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. ***Business Continuity Plans*** ■ 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. ***Personnel*** ■ 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.

RISK	KEY MITIGANTS
Reputational Risk **The risk of reputational or brand damage arising from inadequate or failed processes and systems or badly executed strategy/poorly executed communication.**	■ The Group's Board and senior management set the ethical and behavioural tone for the Group. In support of this a number of Company Policies are utilised which influence employee behaviour, including a Reputational Risk Policy, Fitness & Probity Policy, an Anti-Fraud Policy, Code of Conduct Policy, Conflicts of Interest Policy and a Speak Up Policy. ■ The Group has established a Corporate Governance Framework which is in full compliance with the requirements of the Central Bank of Ireland's Corporate Governance Requirements for Insurance Undertakings and the UK Corporate Governance Code. ■ Reputation risk assessments are performed for all business arrangements with material reputation risk and reassessed throughout the life of the relationship. ■ Independent customer satisfaction research is undertaken and customer complaints are dealt with efficiently to ensure the quality of products and services offered to customers. ■ The Group's published claims philosophy is to be "Fair to the customer and fair to FBD". This philosophy guides the claims function in its handling of all customer claims.

Emerging Risks

One key aspect of the Risk Management Framework is to identify and if necessary take appropriate action in response to future risks which could impact the Group. We have a defined process in place for the identification of Emerging Risks, which is informed through the use of subject matter experts, workshops and consulting a range of external documentation. Key Emerging Risks include:

- Technological advances changing the shape of the insurance industry and competitive environment.
- The risk that an interruption or failure of information systems, whether caused by security breaches, cyber-attacks or other failures or malfunctions, may result in a significant loss of business, assets or competitive position.
- Global deterioration in economic conditions and particularly in Ireland may lead to a reduction in revenue and profits.
- Global socio-political uncertainty that may cause an adverse impact on profitability.
- The impact of climate change may result in increasingly volatile weather patterns and more frequent severe weather events.
- Regulatory legislative landscape and its associated cost to ensure continued compliance.

Brexit

A hard Brexit introduces business and trading uncertainty for all indigenous Irish businesses, including FBD and the Group's core customers in farming and other small businesses. It appears likely that Britain departing the EU will have negative effects for business and business confidence in Ireland, particularly in the medium term and the Group believes this will continue to be a significant headwind to otherwise strong Irish economic prospects. The financial impact of Brexit on FBD is mitigated by our exclusive focus on the Republic of Ireland for insurance business and our low level of exposure to Sterling assets in our investment portfolio. We continue to review and plan for operational impacts which may arise including supporting the needs of our customers.

Corporate Social Responsibility

Since our foundation, FBD has worked for farm communities and customers, and is committed to ensuring that local businesses and rural communities feel real economic and social benefits as a result of our business activities. FBD is a responsible employer and an active member of the communities in which it operates. We set high standards for ourselves and insist that all business activities are conducted lawfully, sustainably and ethically.

Supporting our Communities, Supporting our Roots

The FBD TRUST

The FBD Trust was established to support and advance the interests of Irish farm families and their communities in Ireland. The FBD Trust supports research and educational scholarships for training and development. It also supports groups and organisations that advocate effectively for Irish farmers and their communities. The FBD Trust gives back to the communities that have been loyal to FBD over a 50 year period. Everyone at FBD is immensely proud of the numerous innovative projects and initiatives supported by the FBD Trust to the benefit of farmers and their communities alike.

Investing in Farm Excellence

The FBD Young Farmer of the Year Awards

The FBD Young Farmer of the Year Awards are organised by Macra na Feirme with financial and other resources from FBD. The aim of the competition is to recognise and reward the top-performing young farmers in the country. Adjudication is based on a number of criteria including farm business initiative and innovation, levels of farm efficiency and enterprise quality, farm safety and environmental protection awareness, as well as agricultural knowledge and community involvement.

The FBD National Farmyard Awards

The FBD National Farmyard Awards are organised by the Irish Farmers Journal with financial support and commitment from FBD. The awards were set up in 2015, at a time where many Irish farmyards were undergoing massive redevelopment as part of the Farm Waste Management Scheme. These awards are seen as an innovative development to recognise those with the best kept farmyards in the country. There is a strong link between tidy workplaces and safe workplaces, with farm safety being a key theme for the judging panel.

The Women and Agriculture Awards

These awards celebrate the essential role women play on farms. There are two categories in these awards; the 'Innovation on Farm' award recognises women who are farming in their own right or in a partnership, and whose contribution has been essential to the success and profitability of the farm. The 'Agribusiness and Innovation' category rewards women who see opportunity through diversification of the farm business and made a success of that business idea. As sponsor of these awards, FBD is represented during the adjudication process and also at the award ceremony. The winners of this national competition go forward to represent Ireland in the European competition.

The Women and Agriculture Conference

This is a key date in the diary for women who are involved in the agricultural sector to network and engage with relevant discussions on topical agenda items.

FBD Student of the Year Award

The FBD Student of the Year awards are annual awards presented to top graduates from Teagasc Level 6 agricultural training programmes. A bursary and travel opportunity is presented to the overall winner. Nominees for these awards are the next generation of farm leaders and innovators.

The FBD National Dairy Open Day

The National Dairy Open Day is a flagship outdoor event in Teagasc, Moorepark, Fermoy, Co Cork. The event focuses on the latest world leading research and technologies that allow dairy farmers prosper and attracts forward looking farmers from across Ireland.

Nuffield Scholarships

FBD sponsors the Nuffield Farming Scholarship Programme. Each year a large number of applicants apply for this scholarship and following a 2 stage interview process, the Nuffield Ireland Trust choose scholars. This programme provides scholars with a global perspective, exposure to new methods and ideas as well as the stimulus to become an influencer in their industry. FBD supports Nuffield scholarships as they promote excellence by developing and supporting individuals with leadership potential, thereby striving to positively influence all aspects of Irish agriculture.

ASA Conference Partner

The Agricultural Science Association is the professional body for graduates in agricultural, horticultural, forestry, environmental and food science. It is the voice of the Agricultural profession in Ireland. FBD provides financial support and assistance to the ASA two day annual conference.

FBD CellCheck Awards

Irish milk produce is globally renowned for its quality and unique taste. The CellCheck Milking for Quality Awards is an initiative in conjunction with Animal Health Ireland (AHI) to recognise and reward excellence on Irish farms specifically farmers currently achieving very high standards of udder health. Since the inception of the Awards in 2014, FBD has sponsored the 'Best 500' Award given to the 500 milk suppliers nationally with the lowest, weighted annual average somatic cell count.

Paddy Fitzgerald Memorial Awards

In 1998, the Paddy Fitzgerald Memorial Awards were established by the IFA in memory of the late Paddy Fitzgerald, a dairy and livestock farmer who worked tirelessly for farmers and his community. The awards recognise the immense contribution of the recipient to rural life in the Munster region. FBD has financially supported these biennial awards since their inception.

FBD €uro-Star €200 competition

Recognising and assisting the development of Beef farming, FBD is title sponsor of newly unveiled awards. FBD €uro-Star €200 recognises excellence in beef breeding in both pedigree and commercial suckler herds.

Patron Member of Agri Aware

FBD is a founding member of Agri Aware whose mission is to improve the image and understanding of agriculture, farming and the food industry among the general public. FBD's support assists Agri Aware in continuing its programme of educational and public awareness initiatives which promote greater awareness among the non-farming community of modern agriculture, the rural environment, animal welfare, food quality and safety particularly in Ireland's National schools.

Focusing on Farm Safety

Farming is a marvellous way of life and can be very rewarding. However by its nature, it is also a hazardous occupation. The rise in fatal farm accidents is cause for great concern. FBD's mission is to support initiatives which will make the farm a safer place for all. In addition we have dedicated employees who work directly with farms and businesses to help improve safety standards and awareness in the workplace.

Farm Protect

The aim of the FBD Farm Protect campaign is to encourage farmers to make small changes to their working behaviour. While farmers' attitudes to health and safety are generally positive, simple changes can make a big difference. We focus on promoting awareness of the critical behavioural changes required through press and online adverts, social media and through distributing safety materials.

Champions for Safety

FBD annually brings a "Champions for Safety" Seminar to all the Agricultural Colleges. This programme has been running for the last 5 years. Speakers include FBD, Teagasc, the Health and Safety Authority, ESB Networks and those who have been directly involved in an accident.

Safeguarding the Future of Farming Conference

"Safeguarding the Future of Farming" was the main theme of this year's safety conference supported by FBD Insurance and the Health and Safety Authority (HSA).

UCD Farm Safety Lecturer

Dr. Aoife Osborne, whose role as farm safety lecturer in UCD is sponsored by The FBD Trust. Dr. Osborne's role is key in educating the emerging generation of farming experts.

Tractor Training Skills

FBD contributes towards the Farm Relief Services (FRS) tractor training skills for young people over the age of 14, to ensure that safe driving is learned early in a bid to prevent accidents on the farm.

Farm Safety Live

FBD joins forces with FRS and the HSA each year to bring 'Farm Safety Live' to the Tullamore Show. This consists of an arena specifically dedicated to farm safety demonstrations throughout the day. Each year this popular and educational event provides farm safety tips through live and interactive demonstrations which can be taken home and implemented by farmers.

Employees Giving Back

FBD recognises the important part that we have to play in protecting and supporting our local communities. Our employees are very active in supporting a wide range of local and national charity and community based organisations. At a group level, FBD employees voted from a panel of charities to appoint the Jack & Jill Children's foundation and the Alzheimer's Society as our charity partners for 2018.

Taking responsibility for our Carbon Footprint

FBD aims to prevent environmental damage and at all times comply with legislative and regulatory requirements. We actively measure, manage and mitigate our carbon footprint. We have engaged with the Carbon Disclosure Project to understand and mitigate our environmental impact. Our initiatives also raise awareness amongst internal stakeholders and employees on how simple, effective and relevant activities can contribute to a healthier planet.

In 2018, FBD engaged with Vita Ireland to purchase voluntary carbon credits to offset the tonnes of carbon created by our claimed business kilometres, using carbon credits from Vita's innovative Green Impact Fund.

Small Measures can make a big difference

FBD promotes a recycling policy throughout the company and is committed to utilise where feasible the most energy efficient equipment that is available. With a large, dispersed workforce, small measures can make a big difference. A reduction in paper usage is actively promoted. While a major reduction in printed material has been achieved to date, further initiatives are planned for this area. FBD has committed to LED energy efficient lighting throughout its 34 Branch network, Sales centre and Head office. As a first step this is expected to considerably reduce energy usage. To help reduce plastic waste, FBD eliminated the use of single-use plastic cups and stirrers. Each employee is provided with Bisphenol-A (BPA) free, reusable water bottles.

Working Responsibly

Protecting Information

FBD collects and retains information from and about our customers and third parties. This is a vital and necessary part of providing insurance products. Keeping information secure is a top priority for us. We continue to implement appropriate technical and organisational measures to protect data from unlawful or unauthorised processing and against accidental loss, destruction, damage, alteration or disclosure.

Diversity

FBD are proud members and supporters of the 30% Club. This International organisation was established with a goal of achieving a better gender balance on boards and in executive leadership. 30% of the Board of Directors of FBD Holdings plc is female along with 33% of Senior Management in FBD. FBD also supports the Women & Agriculture Awards, the Women & Agriculture Conference and initiated a female Young Farmer Event in 2018.

Guaranteed Irish

As Ireland's only remaining indigenous insurance company, FBD has a proud heritage embedded in and supporting local communities. FBD is a member of the Guaranteed Irish programme. The Guaranteed Irish symbol is awarded to companies which create quality jobs, contribute to local communities and are committed to Irish provenance.

Chambers of Commerce

With 34 branches located around Ireland, FBD is a member of numerous local Chambers of Commerce. Working together with local businesses, these promote initiatives and knowledge sharing to assist local business in communities across Ireland.

Our Employees

FBD seeks to ensure that all employees are treated with dignity and respect, receive equality of opportunity and are not subject to discrimination. We work to ensure that respect for diversity, equality and inclusion are embedded in all the services we provide and in the work that we do. It is FBD's policy that all employees may perform their work in an environment that is free of harassment, bullying and intimidation and where employees' right to dignity at work is respected. Harassment and bullying is not tolerated.

Health & Safety

FBD conducts all aspects of its business activities in such a way as to achieve the best possible standards of Health and Safety and Welfare for its employees. We have an approved Health & Safety statement.

Using Language that everyone understands

We understand that some insurance terminology can be complex and difficult to understand. We aim to write all our customer documents in plain language to ensure that we are more readily understood. Our documents are approved by the National Adult Literacy Agency before they are published.

Other Ethics

Modern Slavery

FBD has a zero tolerance approach to modern slavery in all its forms in our own business and in our supply chain. This means not using forced or compulsory labour, and/or labour held under slavery or servitude.

Pay

FBD expects that all of our suppliers pay employees at least the minimum wage, and provides each employee with all legally mandated benefits.

Paying Suppliers

We understand how important prompt payment is. Our standard payment terms are net 30 days and we work hard to make sure we meet this.

Supply Chain

In 2018, FBD published a set of standards that we expect to see throughout our supply chain. We expect all companies that represent or provide services to us to have the same high standards as FBD. FBD has improved its supplier assessment and due diligence process at sourcing and on-boarding stage. We have also strengthened our standard legal agreement to make sustainability a condition of contract.

Corporate Information

Registered Office and Head Office
FBD House
Bluebell
Dublin 12
D12 Y0HE
Ireland

Stockbrokers
Goodbody Stockbrokers
Ballsbridge Park
Ballsbridge
Dublin 4
D04 YW83
Ireland

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

Independent Auditors for 2018
PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
One Spencer Dock
North Wall Quay
Dublin 1
D01 X9R7
Ireland

Bankers
Allied Irish Banks plc
Bank of Ireland
Ulster Bank
Barclays Bank plc
Close Brothers International
Credit Suisse (UK) Limited
Danske Bank
Deutsche Bank AG
Goldman Sachs

Solicitors
Dillon Eustace
33 Sir John Rogerson's Quay
Dublin 2
D02 XK09
Ireland

Registrar
Computershare Investor Services (Ireland) Limited
3100 Lake Drive
Citywest Business Campus
Dublin 24
D24 AK82
Ireland

Supporting Ireland's Communities

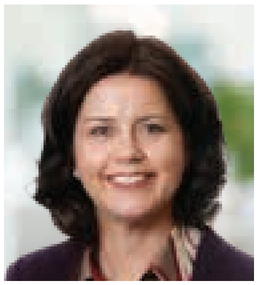
Expanding our presence in Urban Markets

In 2018, FBD increased its urban presence with new branches opening in Baggot Street and Drumcondra, and relocation of our Cork and Limerick offices.

Board of Directors

Biographical details of the Directors in office on the date of this Report are as follows:

Liam Herlihy



Fiona Muldoon

Walter Bogaerts

Mary Brennan

Dermot Browne

Title

Chairman
Age: 67

Group Chief Executive
Age: 51

Independent Non-Executive Director
Age: 61

Independent Non-Executive Director
Age: 53

Senior Independent Non-Executive Director
Age: 56

Biography

Mr. Liam Herlihy is a farmer and was appointed Chairman in May 2018. He was appointed Chairman of the Teagasc Authority in September 2018 and was, until May of 2015, Group Chairman of Glanbia plc, a leading Irish based performance nutrition and ingredients group, having served in that role for 7 years during which he presided over a period of significant structural change and unprecedented growth for Glanbia. Mr. Herlihy completed the Institute of Directors Development Programme and holds a certificate of merit in Corporate Governance from University College Dublin. He brings to the Board a wealth of commercial experience and some deep insights into the farming and general agricultural industries in Ireland which, together, comprise the Group's core customer base.

Ms. Fiona Muldoon joined the Group in January 2015 as Group Finance Director Designate and was appointed as an executive Director and member of its Board. In October 2015, Ms. Muldoon was appointed as Group Chief Executive. A Chartered Accountant, Ms. Muldoon was Director of Credit Institutions and Insurance Supervision at the Central Bank of Ireland from August 2011 until May 2014. Prior to this she was with XL Group for seventeen years and held a number of senior roles with this NYSE listed Property & Casualty Insurance firm in Ireland, London and Bermuda, including two years as Group Treasurer until July 2010. On 12 June 2015 Ms. Muldoon, was appointed as a non-executive Director of the Governor and Company of the Bank of Ireland.

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

Ms. Mary Brennan is a Chartered Director and a Fellow of Chartered Accountants Ireland. In a career spanning over 30 years, Ms. Brennan has worked internationally in audit in KPMG and in a number of publicly listed companies, including Elan plc and Occidental Petroleum Corp. She is a highly experienced non-executive Director with a portfolio of companies, previously serving as Director and Audit Committee Chair of BNP Paribas Ireland.

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

Joe Healy

Independent Non-Executive Director
Age: 51

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

Orlagh Hunt

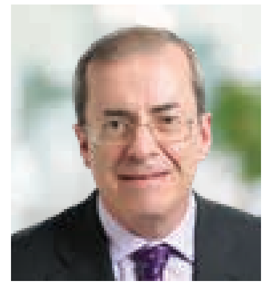
Independent Non-Executive Director
Age: 46

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

David O'Connor

Independent Non-Executive Director
Age: 61

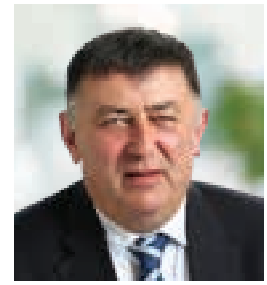
Mr. David O'Connor is a Fellow of the Society of Actuaries in Ireland. He commenced his career in New Ireland Assurance before joining Allianz Ireland in 1988 to set up its non-life actuarial function. He was a member of Allianz Executive Management Board and held a number of senior management positions there prior to joining Willis Towers Watson in 2003 to set up its Property and Casualty consultancy unit in Dublin, where he worked until June 2016.



John O'Grady

Group Finance Director
Age: 57

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



Padraig Walshe

Non-Executive Director
Age: 61

Mr. Padraig Walshe is Chairman of Farmer Business Developments plc, the Company's largest shareholder, and a dairy farmer. He is a past President of COPA, the European Farmers' Organisation and of the Irish Farmers' Association. Mr. Walshe previously served on the Board of FBD between 2006 and 2010, and rejoined the Board in December 2011. Mr. Walshe's extensive leadership experience at national and international level and his deep understanding of Ireland's farming community and the Irish food sector are of immense benefit to the Board.

Report of the Directors

The Directors present their report and the audited Financial Statements for the financial year 2018.

Principal Activities

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 intermediary. The Company is a holding company incorporated in Ireland.

Business Review

The review of the performance of the Group, including an analysis of financial information and the outlook for its future development, is contained in the Chairman's Statement on page 4 and in the Group Chief Executive's Review of Operations on page 8. Information in respect of events since the financial year end and a review of the key performance indicators are also included in these sections. The key performance indicators include gross premium written, earnings per share, loss ratio, expense ratio, combined operating ratio, profit for the year, net asset value per share and return on equity.

Results

The results for the year are shown in the Consolidated Income Statement on page 70.

Dividends

On 26 February 2019 the Board of FBD Holdings plc proposed a preference dividend of €113,000 on the 14% preference shares, €169,000 on the 8% preference shares and €17,333,000 on the ordinary shares. The proposed dividends are subject to approval by shareholders at the Annual General Meeting on 10 May 2019. Please refer to note 36 for further details.

Subsequent Events

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

Risk and Uncertainties

A description of the risks and uncertainties facing the Group are set out in the Risks and Uncertainties Report on pages 18 to 24.

Subsidiaries

The Company's principal subsidiaries, as at 31 December 2018, are listed in note 37.

Directors

The present Directors of the Company, together with a biography on each, are set out on pages 32 to 33. The Board has decided that all Directors continuing in office will submit themselves for re-election at each Annual General Meeting.

The Directors who served at any time during 2018 were as follows:

Liam Herlihy	*Chairman*
Walter Bogaerts	*Independent non-executive Director*
Mary Brennan	*Independent non-executive Director*
Dermot Browne	*Senior Independent non-executive Director*
Joe Healy	*Independent non-executive Director*
Orlagh Hunt	*Independent non-executive Director*
Fiona Muldoon	*Group Chief Executive*
David O'Connor	*Independent non-executive Director*
John O'Grady	*Group Chief Financial Officer*
Padraig Walshe	*Non-executive Director*

Annual General Meeting

The notice of the Annual General Meeting of the Company which will be held at 11 a.m. on 10 May 2019 in the Irish Farm Centre, Old Naas Road, Bluebell, Dublin 12, is set out on pages 142 to 144. A letter from the Chairman detailing the business to come before the Annual General Meeting is included at pages 140 to 141.

Directors' and Company Secretary's Interests

The interests of the Directors and Company Secretary (together with their respective family interests) in the share capital of the Company, at 31 December 2018 and 1 January 2018 (or date of appointment if later) were as follows:

	Number of ordinary shares of €0.60 each	
Beneficial	**31 December 2018**	**1 January 2018**
Liam Herlihy	**8,000**	8,000
Walter Bogaerts	**0**	0
Mary Brennan	**0**	0
Dermot Browne	**0**	0
Joe Healy	**281**	281
Orlagh Hunt	**0**	0
Fiona Muldoon	**4,000**	4,000
David O'Connor	**1,500**	1,500
John O'Grady	**0**	0
Padraig Walshe	**1,100**	1,100
Company Secretary		
Derek Hall	**1,755**	1,755

There has been no change in the interests of the Directors and Company Secretary (together with their respective family interests) in the share capital of the Company up to the date of this report.

The interests of the Directors and the Company Secretary in conditional awards over the share capital of the Company under the shareholder approved Performance Share Plans are detailed in the Report on Directors' Remuneration on pages 50 to 58.

European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006

For the purposes of Regulation 21 of the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006, the information on the Board of Directors on pages 32 and 33, the Performance Share Plans in note 40 and the Report on Directors' Remuneration on pages 50 to 58 are deemed to be incorporated in this part of the Report of the Directors.

Substantial Shareholdings

As at 26 February 2019 the Company has been notified of the following interests of 3% or more in its share capital:

Ordinary shares of €0.60 each	No.	% of Class
Farmer Business Development Plc	8,531,948	25%
FBD Trust Company Limited	2,984,737	9%
Prudential plc	2,480,271	7%
Fidelity Management and Research LLC	1,901,169	5%
Black Creek International	1,699,706	5%
Highclere International Investors LLP	1,652,369	5%
Invesco Asset Management Limited	1,619,743	5%

Preference Share Capital

14% Non-cumulative preference shares of €0.60 each	No.	% of Class
Farmer Business Developments plc	1,340,000	100%

8% Non-cumulative preference shares of €0.60 each	No.	% of Class
FBD Trust Company Limited	2,062,000	58.38%
Farmer Business Developments plc	1,470,292	41.62%

Share Capital

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

Voting shares	Number in issue	% of Total
Ordinary shares of €0.60 each	34,666,201*	87.7
14% Non-cumulative preference shares of €0.60 each	1,340,000	3.4
8% Non-cumulative preference shares of €0.60 each	3,532,292	8.9
	39,538,493	**100.0**

** excluding 795,005 shares held in treasury*

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

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

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

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

Non-Financial Statement

EU Non-Financial Disclosure Regulations (Directive 2014/95/EU) were transposed into Irish law in Statutory Instrument No. 360 of 2017 and became effective for financial years commencing on or after 1 August 2017. Under these regulations, FBD Holdings plc must provide a brief description of the Company's Business Model and disclose information in relation to:

- Environmental matters
- Social and employee matters
- Respect for human rights, and
- Anti-corruption and anti-bribery matters.

FBD's Business Model

FBD's business model is outlined on pages 14 and 15. Our model starts with a sound strategy, focusing on our customers and our community. Our strategy is delivered through our great people and the right culture. We create value through our business activities and unique level of service. We reinvest in the Company while providing positive returns to our shareholders, our local communities and our people.

Environmental Matters

FBD started measuring our use of energy eight years ago. This commenced through an engagement with the Carbon Disclosure Project (CDP). CDP is a not-for-profit charity that runs a global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

Initially, this initiative was about understanding how the use of energy is measured and in turn managing FBD's own use of energy. In 2016, a decision was made to undertake third party validation of the energy consumption data and in 2018 a further step was taken in the journey to look beyond "Energy Management" to the consideration of Climate Change and the Environment. These decisions were driven by the growth of concern regarding climate change and the environment from shareholders, employees, the management team and the wider community.

FBD Scope 1 and Scope 2 Emissions Data

	Scope 1	Scope 2 – Location Based
Scope descriptions	Includes CO_2 emissions generated from gas and heating oil.	Includes emissions from the purchase of electricity by location. Individual FBD Property consumption approach.
2018 Consumption	88 tonnes CO_2e	985 tonnes CO_2e
2017 Consumption	95 tonnes CO_2e	1137 tonnes CO_2e
Progress in 2018	Scope 1 emissions are down 7% on the previous year. This is due to improved energy control equipment.	Scope 2 location based emissions are down 13% on the previous year, due to a reduction in consumption and a reduction in the emission factor. As the grid uses more renewables, the All Ireland emission factor reduces.

Overall emissions have decreased by 13% on the previous year. The savings have resulted from investment in energy efficient lighting and improved energy control equipment.

In addition, FBD have commenced the measurement of indirect emissions (Scope 3) and will extend the scope of this activity in 2019. In 2018, in recognition of FBD's environmental responsibilities and the Global Community, FBD purchased voluntary carbon credits to offset our business kilometres with Vita Ireland. Please refer to our Corporate Social Responsibility Statement on page 25 for further details on this exciting new initiative.

Social and Employee Matters

FBD has a range of policies in place to ensure full compliance with legislation and with our commitment to providing a safe and supportive working environment for our employees. Fundamental to these policies and the embedded culture, is a regard for the individual, their rights and the mutual advantage of fostering our employees' potential and supporting their career development.

These policies are communicated to all staff joining FBD as part of the on-boarding process. They provide information, guidelines and rules where appropriate in relation to every stage of employment including recruitment and selection; equality and diversity; probation; learning and development; all types of leave; benefits; remuneration; disciplinary and grievance.

These policies are reviewed regularly and updates are notified to employees. Additional policies are introduced from time to time to support the organisation's focus on enhancing the working environment and ensuring full compliance with legislative requirements.

Respect for Human Rights

Under FBD's Equality and Diversity Policy, all employees who work in FBD, and those who use services provided by FBD, are treated with dignity and respect, receive equality of opportunity and are not subject to discrimination. FBD seeks to ensure that respect for diversity, equality and inclusion are embedded in all the services we provide and the work we do. To this end, FBD's Supplier Charter details how FBD supports the Universal Declaration of Human Rights and will work to enforce these rights within our supply chain.

Anti-Bribery and Anti-Corruption

FBD requires all employees at all times to act honestly and with integrity and to safeguard the resources for which they are responsible. Our Code of Conduct Policy sets out the professional and responsible behaviour expected to ensure that we are appropriately focused on delivering the right outcomes for shareholders and customers, meeting our legal and regulatory requirements and appropriately managing and mitigating risks.

This is further underpinned by our:

- Delivery of mandatory ethics training to all staff annually;
- The Anti-Fraud Policy which outlines the role and responsibilities for the reporting and investigation of fraud;
- The Speak Up Policy which provides a framework for staff to raise concerns about unlawful or inappropriate conduct, financial malpractice, danger to the public or the environment, possible fraud or risks to the Company.

Independent Auditors

PricewaterhouseCoopers, Chartered Accountants and Statutory Audit Firm, were appointed by the Directors in 2016 to audit the Financial Statements for the financial year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the financial years ended 31 December 2016 to 31 December 2018. PricewaterhouseCoopers have signified their willingness to continue in office in accordance with the provisions of Section 383(2) of the Companies Act 2014.

Regarding disclosure of information to the Auditors, the Directors confirm that:

As far as they are aware, there is no relevant audit information of which the company's statutory auditors are unaware; and they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company's statutory auditors are aware of that information.

Accounting Records

The Directors have taken appropriate measures to ensure compliance with Sections 281 to 285 of the Companies Act, 2014 – the requirement to keep proper accounting records – through the employment of suitably qualified accounting personnel and the maintenance of appropriate accounting systems. The accounting records are located at FBD House, Bluebell, Dublin 12, Ireland.

Directors' Compliance Statement

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

- a compliance policy statement setting out the Company's policies with regard to complying with the relevant obligations under the 2014 Act has been prepared;
- arrangements and structures have been put in place that they consider sufficient to secure material compliance with the Company's relevant obligations; and
- a review of arrangements and structures has been conducted during the financial year to which the Directors' Report relates.

Corporate Governance

The Corporate Governance Report on pages 40 to 49 forms part of this report and in this the Board has set out how it has applied the principles set out in the UK Corporate Governance Code, which was adopted by both the Euronext Dublin and the UK Listing Authority, the Irish Corporate Governance Annex, and the Central Bank of Ireland Corporate Governance Code for Credit Institutions and Insurance Undertakings.

Viability Statement

The Directors have assessed the prospects of the Group and its ability to meet its liabilities as they fall due in the medium term. The Directors selected a three year timeframe as this corresponds with the Board's strategic planning process. The objectives of the strategic planning process are to consider the key strategic choices facing the Group and to incorporate these into a financial model with various scenarios. This assessment has been made with reference to the Group's current position and prospects, the Group's strategy, the Board's risk appetite and the principal risks and uncertainties facing the Group, as outlined in the Risks and Uncertainties Report on pages 18 to 24.

The Directors review and renew the Group's three year plan at least annually. Progress against the strategic plan is reviewed regularly by the Board and senior management. Associated risks are considered within the Board's risk management framework.

The strategic plan has been tested for a number of scenarios which assess the potential impact of some of the strategic and commercial risks facing the Group. The Group performs an ORSA at least annually which subjects FBD's solvency capital levels to a number of extreme stress scenarios. This was last performed in December 2018. Based on the results of these tests the Directors confirm that they have performed a robust assessment of the principal risks facing the Group, including those that would threaten its business model, its future performance and solvency and that they can have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Chairman's Statement and the Review of Operations, as is the financial position of the Group. In addition, the Risks and Uncertainties Report on pages 18 to 24 and note 42 of the Financial Statements include the Group's policies and processes for risk management.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future being a period of at least twelve months from the date of this report. As a result they continue to adopt the going concern basis of accounting in preparing the Financial Statements. In forming this view, the Directors have reviewed the Group's budget for 2019 and forecast for 2020 and 2021, which take account of reasonably foreseeable changes in trading performance, the key risks facing the business and the medium-term plans approved by the Board in its review of the Group's corporate strategy along with the Group's capital projections and requirements under the Solvency II regime. The Directors have concluded that there are no material uncertainties that cast significant doubt over the Group's ability to continue as a going concern.

Approval of Financial Statements

The Financial Statements were approved by the Board on 26 February 2019.

Signed on behalf of the Board

Liam Herlihy
Chairman

Fiona Muldoon
Group Chief Executive

26 February 2019

Corporate Governance

Your Board of Directors is committed to the highest standards of corporate governance. Good governance stems from a positive culture and well embedded values. FBD's core values of integrity, entrepreneurship, customer focus and ambition are central to how the Board conducts its business and discharges its responsibilities. Equally, however, these values are as relevant to every employee working throughout the Group in their interactions with each other, and with our customers, shareholders and other stakeholders.

UK Corporate Governance Code and the Irish Corporate Governance Annex

The UK Corporate Governance Code 2016 ("the Code") and the Irish Corporate Governance Annex ("the Annex") codify the governance arrangements which apply to listed companies such as FBD. Combined, these represent corporate governance standards of the highest international level.

Throughout 2018 and to the date of this report, we applied the principles of the Code and except where otherwise expressly stated complied with the provisions of both the Code and the Annex.

This section of the Annual Report sets out the governance arrangements in place in FBD Holdings plc.

Location of information required pursuant to Euronext Dublin Listing Rule 6.8.1.C

Listing Rule	Information to be included:
6.8.1 (4)	Refer to Report on Director's Remuneration on pages 50 to 58.

No information is required to be disclosed in respect of Listing Rules 6.8.1 (1), (2), (3), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14).

The Board of Directors and its Role

The Group is managed by the Board of Directors.

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

The Board 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. The schedule was last reviewed in February 2019.

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

Board Composition and Independence

At 31 December 2018 the Board comprised two executive Directors and eight non-executive Directors, including the Chairman. This structure was deemed appropriate by the Board.

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.

Seven of the non-executive Directors in office at the end of 2018 were considered to meet all of the criteria indicating independence set out in the Code.

	Date first elected by shareholders	Years from first election to 2019 AGM	Considered to be independent
Mary Brennan	31 Aug 2016	2.75	Yes
Dermot Browne	31 Aug 2016	2.75	Yes
Liam Herlihy	29 Apr 2016	3.0	Yes
Orlagh Hunt	31 Aug 2016	2.75	Yes
David O'Connor	31 Aug 2016	2.75	Yes
Walter Bogaerts	29 Apr 2016	3.0	Yes
Joe Healy	4 May 2018	1.0	Yes

Mr. Walshe, who is chairman of the Group's largest shareholder, Farmer Business Developments plc, is not considered to be independent.

The skills and experience identified by the Board as critical to its composition and that of its Committees at this time include expertise in insurance or other financial services, actuarial, general and farming/agri industry experience, corporate finance, corporate governance, compliance, financial accounting and executive reward.

Diversity Report

The Board has a formal diversity policy in place, the objective of which is to ensure the appropriate balance is achieved in the composition of the Board. The Board values the major contribution which a mix of backgrounds, skills and experience brings to the Group and sees merit in increasing diversity at Board level in achieving the Group's strategic objectives. Differences in background, skills, experience and other qualities, including gender, will continue to be considered in determining the optimal composition of the Board, the principal aim being to achieve an appropriate balance between them.

While all appointments to the Board will have due regard to diversity, they will be made on merit, ensuring that the skills, experience and traits noted by the Board as being of particular relevance at any time are present on the Board and included in any planned refreshment.

There have been no changes to the Board in 2018. The Board continues to comprise of a mix in backgrounds, experience and gender in line with the policy. As at the date of this report, the Board was comprised as follows:

Tenure of Director	
0 – 2 years	10%
3 – 6 years	80%
7 – 9 years	10%
Over 9 years	0%

Gender	
Male	70%
Female	30%

Executive/non-executive	
Non-executive	80%
Executive	20%

Experience and Skills

The percentage of the Board having the requisite skills and experience were as follows:

Insurance or financial services	70%
Actuarial	10%
General industry	100%
Agri/farming	30%
Corporate finance	30%
Accounting and Auditing	40%
Corporate Governance	80%
Compliance	60%
Executive reward	50%

Key Roles and Responsibilities

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.

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.

Senior Independent Director

The Senior Independent Director is responsible for:

- being available to shareholders if they have concerns which they have not been able to resolve through the normal channels of the Chairman, the Group Chief Executive or the Group Chief Financial Officer, or for which such contact is inappropriate;
- conducting an annual review of the performance of the Chairman;
- acting as a sounding board for the Chairman; and
- serving as an intermediary for the other non-executive Directors as required.

Company Secretary

The Company Secretary acts as Secretary to the Board and to its Committees. In so doing, he:

- assists the Chairman in ensuring that the Directors have access, in a timely fashion, to the papers and information necessary to enable them to discharge their duties;
- assists the Chairman by organising and delivering induction and training programmes as required; and
- is responsible for ensuring that Board procedures are followed and that the Board and that the Directors are fully briefed on corporate governance matters.

Board Effectiveness and Performance Evaluation

Board effectiveness is reviewed annually as part of the Board's performance evaluation process. The Chairman is responsible for ensuring that each Director receives an induction on joining the Board and that he or she receives any additional training he or she requires. The induction itself is organised and delivered by the Company Secretary and other members of the management team.

Board Evaluation

Every year the Board evaluates its performance and that of its Committees. Directors are expected to take responsibility for identifying their own training needs and to take steps to ensure that they are adequately informed about the Group and about their responsibilities as a Director. The Board is confident that all of its members have the requisite knowledge and experience and support from within the Company to perform their role as a Director of the Group.

Towards the end of 2018, the Board had its evaluation process externally facilitated by Independent Audit, an independent consultancy which has no other connections with the Group.

The purpose of the process was to identify areas where the Board can benefit from improvement and to affirm positively those areas where it is playing an effective role in leading the Group. This was achieved through a combination of reviewing Board and Committee papers, observing Board and Committee meetings and comprehensive interviews with individual Directors and Executives.

The report from Independent Audit has been reviewed by the Board and a developmental plan agreed for 2019. The evaluation process recommended that the Board maintain a relentless focus on the customer and utilise the changes to the Corporate Governance Code to further enhance its ways of working.

The Board intends to have its evaluation externally facilitated again at the end of 2021.

Re-election of Directors

The Board has, since 2011, adopted the practice that all Directors will submit themselves for re-election at each Annual General Meeting regardless of length of service or the provisions of the Company's Articles of Association.

Access to advice

All members of the Board have access to the advice and the services of the Company Secretary who is responsible for ensuring that Board procedures are followed and that applicable rules, regulations and other obligations are complied with.

In addition members of the Board may take independent professional advice at the Company's expense if deemed necessary in the furtherance of their duties.

Attendance at Board and Board Committee Meetings during 2018

	Board	Audit	Nomination	Remuneration	Risk
W Bogaerts	11/11	7/7	-	3/3	5/5
M Brennan	11/11	7/7	-	-	-
D Browne	10/11	7/7	2/2	-	-
J Healy	5/11	-	-	-	-
L Herlihy	11/11	-	2/2	-	4/5
O Hunt	11/11	-	-	3/3	5/5
F Muldoon	11/11	-	-	-	-
D O'Connor	11/11	-	2/2	3/3	5/5
J O'Grady	10/11	-	-	-	-
P Walshe	10/11	-	-	-	-

If a Director is unable for any reason to attend a Board or Committee meeting, he or she will receive Board/Committee papers in advance of the meeting and is given an opportunity to communicate any views on or input into the business to come before the Board/Committee to the Board/Committee Chairman.

Board Committees

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

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

Each of the Committees has written terms of reference which were approved by the Board and set out the Committees' powers, responsibilities and obligations. These are available on the Group's website www.fbdgroup.com.

The Company Secretary acts as secretary to the Committees. Minutes of all of the Committees' meetings are available to the Board.

Each of these Committees has provided a report in the sections following.

Report of the Audit Committee

Dermot Browne
Committee Chairman

Membership during the year

Current		Length of time served on committee
D Browne	Committee Chairman, Senior Independent non-executive Director	2.50 years
W Bogaerts	Independent non-executive Director	2.83 years
M Brennan	Independent non-executive Director	2.33 years

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.

The Board has resolved that all Members are considered to have recent and relevant financial experience.

Objective of Committee

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.

Key responsibilities delegated to the Committee

- 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.

Meetings

The Committee met on seven occasions during 2018. Meetings are attended by Committee members. The Chief Financial Officer, the Statutory Auditor, the Head of Group Internal Audit, the Head of Actuarial Function and the Chief Risk Officer are invited to attend all scheduled meetings of the Committee. The Committee regularly meets separately with the Statutory Auditor and with the Head of Group Internal Audit, without members of management present.

The minutes of Committee meetings are circulated routinely to the Board. The Committee Chairman also provides a verbal report to the Board after each Committee meeting. The Committee reports formally to the Board annually on the overall work undertaken and the degree to which it discharged the responsibilities delegated to it.

Activities of the Committee during 2018

The principal activities undertaken by the Committee during 2018 include:

- assessment of financial and other risks facing the Group and of the operation of internal controls;
- review of all aspects of the relationship with the external auditors, including the statutory audit plan, audit findings and recommendations and consideration of the independence of the external auditors and the arrangement in place to safeguard this, including partner rotation, prohibition on share ownership and levels of fees payable to the statutory auditor for non-audit assignments;
- consideration of issues of financial reporting, particularly those involving substantial judgement and the risk of material misstatement including claims estimates and provisions;
- review of drafts of the Annual Report and the Half Yearly Report prior to their consideration by the Board;
- appraisal of the Internal Audit function, plan, work, reports and issues arising and monitoring the scope and effectiveness of the function;
- assessment of compliance with laws, regulations, codes and financial reporting requirements; and
- reporting to the Board on its activities and confirming the degree to which the Committee's delegated responsibilities had been discharged through verbal reports to the Board after each meeting and a formal written report presented annually.

The critical judgements and estimates used in the formulation of the financial statements are set out in note 3. All are considered by the Committee, with particular focus on the following in 2018:

- Insurance contract liabilities and related reinsurance assets. The Group had net claims outstanding of €657.1m and Net UPR of €182.9m at 31 December 2018. In order to satisfy itself that the balances were appropriately stated, the Committee reviewed the Actuarial Reserve analysis and margin for uncertainty prepared by Management, which are also subject to the approval of the Reserving Committee of FBD Insurance plc, and subject to both internal and external actuarial peer review. The Audit Committee concluded that the carrying value of claims outstanding and UPR included in the financial statements are appropriate.
- Accounting for the defined benefit pension scheme. The Group had a defined benefit pension scheme surplus of €12.9m at 31 December 2018. The defined benefit pension scheme is closed to future accrual and closed to new members. The valuation of the pension scheme is provided by the Group's consultant actuaries. The valuation was reviewed by the Audit Committee and it was concluded that the carrying value of the defined benefit pension scheme surplus included in the financial statements is appropriate.

PricewaterhouseCoopers were reappointed as Auditors of the Company in respect of the financial year ended 31 December 2018.

Fair, balanced and understandable

The Committee formally advises the Board on whether the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable, in accordance with section C.1.1 of the UK Corporate Governance Code. The Committee must ensure that the Annual Report and Financial Statements also provide the information necessary for Shareholders to assess the performance of the Group, along with its business model and strategy and the Committee is satisfied that the above requirements have been met.

Evaluation

The Committee's activities formed part of the Board's evaluation process.

The composition of the Committee at the end of 2018 fully met the requirements of the Code. All Committee members were Directors considered to be independent.

Dermot Browne
On behalf of the Audit Committee

26 February 2019

Report of the Risk Committee

Walter Bogaerts
Committee Chairman

Membership during the year

Current		Length of time served on committee
W Bogaerts	Committee Chairman, Independent non-executive Director	2 years
L Herlihy	Independent non-executive Director and Board Chairman	2 years
D O'Connor	Independent non-executive Director	2 years
O Hunt	Independent non-executive Director	1.66 years

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.

Objective of Committee

The Board Risk 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.

Key responsibilities delegated to the Committee

- 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;
- 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.

Meetings

The Committee met on five occasions during 2018. Meetings are attended by Committee members. The Chief Risk Officer, the Chief Financial Officer, the Head of Actuarial Function, the Head of Compliance and the Head of Internal Audit are invited to attend all scheduled meetings of the Committee.

The minutes of Committee meetings are circulated routinely to the Board. The Committee chairman also provides a verbal report to the Board after each Committee meeting. The Committee reports formally to the Board annually on the overall work undertaken and the degree to which it discharged the responsibilities delegated to it.

Activities of the Committee during 2018

The principal activities undertaken by the Committee during 2018 include:

- Assisted the Board in the review and update of its risk policies, risk appetite, risk indicators and risk tolerance;
- Appraised the Risk Function plan to ensure that the plan is sufficient and appropriate to effectively identify, monitor, manage and report, on a continuous basis, the risks to which the Group could be exposed;
- Ensured that the material risks facing the Group have been identified and appropriately managed and mitigated;
- Reviewed and challenged risk information reported to the Committee to ensure that the Group is operating within the risk limits set by the Board;
- Reviewed the quarterly Solvency Capital Ratio;
- Considered the results of risk policy stress tests and peer reviews of the Actuarial Best Estimate that were performed by the Risk Function;
- Assessed the results of Control Design Reviews, Blank Page Risk Reviews and Emerging Risks Reviews undertaken by the Risk Function; and
- Reviewed the 2018 ORSA report prior to its consideration by the Board.

Evaluation

The Committee's activities formed part of the Board's evaluation process.

Walter Bogaerts
On behalf of the Risk Committee
26 February 2019

Report of the Nomination Committee

Liam Herlihy
Committee Chairman

Membership during the year

Current		Length of time served on committee
L Herlihy	Committee Chairman, non-executive Director, Board Chairman	2.58 years
D Browne	Senior Independent non-executive Director	1.66 years
D O'Connor	Independent non-executive Director	1.66 years

Objective of Committee

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.

Key responsibilities delegated to the Committee

- 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.

Meetings

The Committee met twice during 2018 to consider and oversee the detailed succession planning process undertaken in the Group and it's principal subsidiary, FBD Insurance plc. At its meeting in November, the Committee reviewed and approved a proposal from Bank of Ireland to appoint Ms Muldoon to the Nomination and Governance Committee.

Evaluation

The Committee's activities formed part of the Board's evaluation process.

The composition of the Committee at the end of 2018 fully met the requirements of the Code as a majority of Committee members were Directors considered to be independent.

Liam Herlihy
On behalf of the Nomination Committee
26 February 2019

Report of the Remuneration Committee

Orlagh Hunt
Committee Chairperson

Membership during year

Current		Length of time served on committee
O Hunt	Committee Chairperson, Independent non-executive Director	2.33 years
W Bogaerts	Independent non-executive Director	2.66 years
D O'Connor	Independent non-executive Director	1.66 years

Objective of Committee

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.

Key responsibilities delegated to the Committee

- 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 share scheme; and
- Preparation of the detailed Report on Directors' Remuneration.

Meetings

The Group Chief Executive may attend meetings of the Committee but only by invitation and not at a time when her individual remuneration arrangements are discussed. The Committee met three times during 2018.

Activities of the Committee during 2018

The principal activities undertaken by the Committee during 2018 include:

- Annual review of remuneration arrangements for executive Directors and other senior executives;
- Review and approval of the Report on Directors' Remuneration for 2018;
- Making of a conditional award of shares under the FBD Performance Share Plan and setting the conditions attached.

Full details of Directors' Remuneration are set in the Report on Directors Remuneration on pages 50 to 58.

Evaluation

The Committee's activities formed part of the Board's evaluation process.

The composition of the Committee at the end of 2018 fully met the requirements of the Code. All Committee members were Directors considered to be independent.

Orlagh Hunt
On behalf of the Remuneration Committee

26 February 2019

Shareholder Engagement

The Board is committed to ensuring that excellent lines of communication exist and are fostered between the Group and its shareholders.

A planned programme of investor relations activities is undertaken throughout the year which includes:

- Briefing meetings with all major shareholders after the full year and half yearly results announcements;
- Regular meetings between institutional investors and analysts with the Group Chief Executive, Chief Financial Officer and/or Head of Investor Relations to discuss business performance and strategy and to address any issues of concern; and
- Responding to letters and queries received directly from shareholders and from proxy adviser firms.

Should a significant proportion of votes be cast against a resolution at any general meeting, the Board will endeavour to identify the shareholders concerned and will initiate a contact with them with the view to understanding the reasons for the adverse vote.

The Board receives reporting on shareholder engagement which includes details of meetings held, feedback received and issues either of interest or of concern raised.

Annual General Meeting

The Company's Annual General Meeting is held each year in Dublin. The 2019 meeting will be held on 10 May 2019.

Who attends?

- Directors;
- Senior Group executives;
- Shareholders;
- Company Advisers; and
- Members of the media are also invited and permitted to attend.

What business takes place at the meeting?

- The Group Chief Executive makes a presentation on the results and performance to the meeting prior to the Chairman dealing with the formal business of the meeting itself; and
- All shareholders present, either in person or by proxy can question the Chairman, the Committee Chairpersons and the rest of the Board during the meeting and afterwards.

All formal resolutions are dealt with on a show of hands. Once the vote is declared by the Chairman, the votes lodged with the Company in advance of the meeting are displayed prominently in the venue for those present to see. Immediately after the meeting is concluded the results are published on the Group's website www.fbdgroup.com and also via the Euronext Dublin and London Stock Exchange.

The notice of the Annual General Meeting is issued to shareholders at least 20 working days in advance of the meeting.

Internal Control

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

In accordance with the revised Financial Reporting Council (FRC) guidance for directors on internal control published in September 2014, *"Guidance on Risk Management, Internal Control and Related Financial and Business Reporting"*, the Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risks faced by the Group, that it has been in place for the year under review and up to the date of approval of the Financial Statements and that this process is regularly reviewed by the Board.

The key risk management and internal control procedures which cover all material controls include:

- Skilled and experienced management and staff in line with fit and proper requirements;
- Roles and responsibilities including reporting lines clearly defined with performance linked to company objectives;
- An organisation structure with clearly defined lines of responsibility and authority; a comprehensive system of financial control incorporating budgeting, periodic financial reporting and variance analysis;
- A Risk Committee of the Board and a Risk Management Framework comprising a risk function headed by a Chief Risk Officer, a clearly stated risk appetite and risk strategy supported by approved risk management policies and processes;
- An Executive Risk Committee comprising senior management whose main role includes reviewing and challenging key risk information and to assist the Board Risk Committee, described earlier, in the discharge of its duties between meetings;
- The risk strategy, framework and appetite are articulated in a suite of policies covering all risk types and supported by detailed procedural documents. Each of these documents is subject to annual review and approval by the Board;
- Performance of an Own Risk and Solvency Assessment "ORSA" linking to risk management, strategy and capital management.
- An Internal Audit function;
- An Audit Committee whose formal terms of reference include responsibility for assessing the significant risks facing the Group in the achievement of its objectives and the controls in place to mitigate those risks;
- A disaster recovery framework is in place and is regularly tested; and
- A business continuity framework is in place and is regularly tested.

The Annual Budget, Half-Yearly Report and Annual Report are reviewed and approved by the Board. Financial results with comparisons against budget are reported to executive Directors on a monthly basis and are reported to the Board at each Board meeting.

The risk management, internal control, reporting and forecasting processes are important to the Board in the exercise of its Governance and oversight role. It constantly strives to further improve their quality.

The Group has established a "Speak Up" Policy for employees the purpose of which is to reassure employees that it is safe and appropriate to raise any concern that they may have about malpractice and to enable them to raise such concerns safely and properly. This policy is reviewed annually and circulated thereafter to all Group employees.

The Board has reviewed the effectiveness of the Group's system of internal control. This review took account of the principal risks facing the Group, the controls in place to manage those risks and the procedures in place to monitor them. The Board is satisfied that the systems of internal control in place were effective throughout the period covered by this report and up to the date of its approval.

Report on Directors' Remuneration

Introductory Letter from the Remuneration Committee Chair

Dear Shareholder,

On behalf of the Remuneration Committee and the Board, I am pleased to set out in the section following, the details of the Directors' Remuneration for the year ended 31 December 2018.

Paying for Performance

There is a clear link between the performance of the Group and the remuneration of senior Executives. Arrangements for salaries and Annual Performance Bonuses, as described later in the Report, fully reflect the strategic priorities for the Group in 2018, our success in achieving those priorities, as well as our on-going focus on attracting, retaining and rewarding strong talent.

External Advice

During the year the Committee received advice from Willis Towers Watson in relation to the design of the 2018 LTIP approved by shareholders in May 2018.

Shareholder Dialogue and Support

Despite the fact that there is no obligation to do so under Irish law, the Board, on the recommendation of this Committee table the Report on Directors' Remuneration at the Annual General Meeting each year for an advisory vote. At the 2018 AGM, this report received 93% support from shareholders.

The Committee requests shareholders to consider and approve the annual remuneration report set out on the pages following at the 2019 AGM.

Orlagh Hunt
Chairperson of the Remuneration Committee

26 February 2019

Role of Remuneration Committee

Responsibility for determining the levels of remuneration of the Executive Directors has been delegated by the Board to the Remuneration Committee whose membership is set out in the Corporate Governance Report.

Policy

It is the policy of the Group to provide all members of Executive management, middle management and employees of the Group with appropriate remuneration and incentives that reward performance and ensure that they are, in a fair and responsible manner, rewarded for specific contributions which align to the financial success of the Group. This is done by ensuring that the principles of sound, prudent, risk management are fully reflected and that excessive risk taking is neither encouraged nor rewarded.

It is also the policy of the Group to provide a remuneration framework that attracts, motivates and rewards Executives of the highest calibre who bring experience to the strategic direction and management of FBD and who will perform in the long term interests of the Group and its shareholders.

The following table sets out the key elements of remuneration policy for Executive Directors and senior Executives, their purpose and how they link to strategy.

Element and link to strategy	Policy and operation	Changes to policy
Base Salary (fixed remuneration)		
To help recruit and retain senior experienced Executives	Base salaries are reviewed annually with effect from 1 April taking the following factors into account: ■ The individual's role and experience ■ Company performance ■ Personal performance ■ Market practice and benchmarking Although salaries are reviewed annually there is no automatic right of any Executive to receive a salary increase.	No change to policy.
Benefits (fixed remuneration)		
To provide market competitive benefits	Benefits provided take the form of a motor allowance and an agreed percentage contribution to health and other insurance costs.	No change to policy.
Pension Provision (fixed remuneration)		
To provide market competitive benefits and reward performance over a long period, enabling Executives to save for retirement	All employees are provided with retirement benefits under a defined contribution arrangement from 1 October 2015. The Groups defined benefit pension scheme has been closed to future accrual since September 2015 and to new members since 2005. Mr O'Grady receives a taxable cash allowance in lieu of pension benefits.	No change to policy.

Element and link to strategy	Policy and operation	Changes to policy
Annual Performance Bonuses (variable remuneration)		
To reward achievement of company targets, personal performance and contribution	The performance measures for annual performance bonuses for the Executive Directors and other senior Executives are based on attainment of Combined Operating Ratio (75%) and Gross Written Premium growth (25%) targets for 2018. The maximum bonus potential as a percentage of base salary for the Chief Executive for 2018 was 105%. The maximum bonus potential as a percentage of base salary for the Chief Financial Officer for 2018 was 60%. More detail on the actual operation of the Annual Performance Bonus arrangements appear later in this Report.	There have been no changes to either the policy or the operation of annual performance bonuses.
Longer Term Incentives – the FBD Performance Share Plan ("LTIP") (variable remuneration)		
To align the financial interests of Executives with those of shareholders	The FBD Performance Share Plan ("LTIP") was approved by shareholders in 2018. Under the LTIP, the Remuneration Committee may, at its sole discretion, make conditional awards of shares to Executives. Conditional awards of shares under the LTIP are limited to 10% in aggregate with any other employee share plan of the Company's issued ordinary shares of €0.60 each over a rolling 10 year period. The market value of the shares which are the subject of a conditional award to an individual may not, in any financial year, normally exceed 150% of the participant's base salary as at the date of grant. The Remuneration Committee set performance conditions each year, selecting appropriate metrics based on key strategic priorities. The period over which the performance conditions applying to a conditional award under the LTIP are measured may not be less than three years. The extent to which a conditional award may vest in the future will be determined by the Remuneration Committee by reference to the performance conditions set at the time of the award. These conditions are designed to ensure alignment between the economic interests of the plan participants and those of shareholders. Different conditions, or the same conditions in differing proportions, can be used by the Remuneration Committee in different years under the LTIP rules, provided that the Committee is satisfied that they are challenging targets and that they are aligned with the interests of the Company's shareholders. The LTIP rules allow the Remuneration Committee (at its sole discretion) to make awards which may be subject to an additional post-vesting holding period. Awards will vest after three years once applicable performance conditions have been achieved and the vested shares (net of tax) may be required to be held for a further two-year period to provide continued alignment with shareholders. The LTIP includes provisions that allow the Remuneration Committee to withhold, reduce or require the repayment of awards for up to two years after vesting (i.e. up to five years after grant) if there is found to have been (a) material misstatement of the company's financial results or (b) gross misconduct on the part of the award holder.	No change to policy.

Conditional Awards of Shares in 2018

During 2018 one Conditional Award of Shares was made under the Performance Share Plan. This was made in August 2018 to Executive Directors and senior management.

The conditions attached to the award, which reflect the Board's strategic plans, were based 100% on the compound annual growth rate (CAGR) of Net Asset Value (NAV) per share, relative to the 1 January 2018 NAV for the three years ending 31 December 2020. The target ranges will be adjusted to allow for the once off impact of the repurchase and cancellation of the 7% convertible bond during 2018. NAV has been chosen because the Committee considers it is the controllable measure most closely correlated to share price and ultimately to shareholder return.

The target ranges and thresholds for vesting are as follows:

Vesting levels range between a threshold level of 25% to a maximum of 125% for outperformance. The CAGR target for NAV is up to high single digit percentages. The actual percentages are not disclosed due to commercial competitor sensitivity and because to do so would also constitute forward looking guidance.

The Committee will publish details regarding targets and vesting levels at the end of the performance period (2021).

The Committee has decided not to include relative performance to market targets as there is no relevant comparator in the Irish market.

The maximum and threshold for vesting for the performance conditions are as follows:

	Threshold Level	Proportion vesting	Upper Level	Proportion vesting
NAV CAGR	>3%	25%	High single digits	125%

Outstanding Conditional Awards (2015-2017)

The Committee considered the extent to which the performance conditions underpinning this award were met in the three Financial Years 2015 to 2017 (the "Performance Period"). The Committee concluded that none of the performance conditions were met and therefore the conditional awards granted in March 2015 will not vest. No current Executive Director had any outstanding conditional award with the potential to vest in 2018. Company Secretary Derek Hall did have an outstanding conditional award with the potential to vest in 2018 and the conditional award granted to him will not vest.

Directors' and Company Secretary's Conditional LTIP Awards

Details of the conditional share awards to the CEO, CFO and to the Company Secretary made under the 2007 and 2018 LTIP plans are given in the table below. In respect of the October 2015, 2016 and 2017 awards, the number of shares is the maximum possible number which could vest for the individual concerned if all of the performance conditions previously described are met at stretch target level. In respect of the 2018 award the number of shares could increase to a maximum of 125% of the number of shares outlined below if the performance conditions previously described are met at stretch target level.

	At 1 January 2018	Granted during year	Vested during year	Lapsed during year	Forfeited during year	At 31 Dec 2018	Performance Period	Earliest vesting date	Market price on award €
Executive Directors									
Fiona Muldoon	54,545	-	-	-	-	54,545	2016-2018	Mar-19	6.60
	54,961	-	-	-	-	54,961	2016-2018	Mar-19	6.55
	45,283	-	-	-	-	45,283	2017-2019	Mar-20	7.95
	-	33,256	-	-	-	33,256	2018-2020	Aug-21	10.83
Total	**154,789**	**33,256**	**-**	**-**	**-**	**188,045**			
John O'Grady	22,138	-	-	-	-	22,138	2017-2019	Mar-20	7.95
	-	17,737				17,737	2018-2020	Aug-21	10.83
Total	**22,138**	**17,737**	**-**	**-**	**-**	**39,875**			
Company Secretary									
Derek Hall	3,588	-	-	(3,588)	-	-	2015-2017	Mar-18	10.80
	15,114	-	-	-	-	15,114	2016-2018	Mar-19	6.55
	11,006	-	-	-	-	11,006	2017-2019	Mar-20	7.95
	-	11,316	-	-	-	11,316	2018-2020	Aug-21	10.83
Total	**29,708**	**11,316**	**-**	**(3,588)**	**-**	**37,436**			

The total number of shares subject to conditional awards outstanding under the 2007 and 2018 LTIP Schemes amount to 642,974 being 1.9% of the Company's ordinary share capital (excluding treasury shares) at 31 December 2018 (2017: 511,343 shares and 1.5% of ordinary share capital).

The aggregate limit of the number of shares over which conditional awards are permitted under the 2007 and 2018 LTIP Scheme Rules is 10% of the Company's issued ordinary share capital over a rolling 10 year period. Since 2008, there have been nine conditional awards with an aggregate of 1,561,080 shares or 4.5% of the Company's ordinary share capital (excluding treasury shares).

Share Ownership Policy

The Group incentivises its Executive Directors and senior Executives with equity based awards under the Group's shareholder approved share schemes. Central to the philosophy underlying awards is the goal of aligning the economic interests of those individuals with those of shareholders.

Executives are expected to maintain a significant long-term equity interest in the Company. The requirement, which is set out in a policy document by the Remuneration Committee, approved and reviewed annually, is to build and retain a valuable shareholding relative to base salary, at a minimum, as noted hereunder. Executive Directors have not built up to the requirement yet due to the relatively short time in role. Until such time as this requirement has been met, those to whom the Policy applies are precluded from disposing of any shares issued to them under the Group's share schemes.

Executive	Share ownership requirement
Group Chief Executive	2 times annual salary
Other Executive Directors	1.5 times annual salary
Other Senior Executives	1 times annual salary

Non-Executive Director Remuneration

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

In July 2016 the basic non-Executive Director fee increased to €50,000. There was no increase to Director Fees in 2018.

The Chairman, Mr Liam Herlihy received fees of €118,500 during the year (2017: €102,000) inclusive of the basic non-Executive Director fee. The Senior Independent Director, Mr Dermot Browne, received fees of €84,500 during the year (2017: €78,000) inclusive of the basic non-Executive Director fee, and reflecting his additional responsibilities as Chairman of the Audit Committee.

Non-Executive Directors are not members of the Group's pension schemes and are not eligible for participation in the Group's long-term incentive schemes.

Service Contracts

The service contract for the Group Chief Executive and the Group Financial Officer provide for the following periods of notice of termination of employment:

Executive	From Company	From CEO/CFO
Fiona Muldoon CEO	12 months	6 months
John O'Grady CFO	6 months	6 months

External appointments held by the Executive Directors

In recognition of the benefits to both the Group and to our Executive Directors of serving as non-Executive Directors of other companies, our Executive Directors are, subject to advance agreement in each case, permitted to take on an external non-Executive appointment and to retain any related fees paid to them.

During the year, Ms Muldoon served as a non-Executive Director of the Governor and Company of Bank of Ireland, for which she received fees of €70,875 in the period.

Determination of Annual Performance Bonus for the year ended 31 December 2018

As previously noted, the overall Annual Performance Bonus arrangements, the targets and their achievement are approved by the Remuneration Committee each year. Specifically the Remuneration Committee approve the merit pay and bonus arrangements for the Executive Directors in line with FBDs remuneration policy.

The 2018 annual performance bonus scheme was designed such that on plan Company performance for the year 2018 would deliver 100% of the target bonus. 75% of the bonus pool is determined by Combined Operating Ratio and 25% by Gross Written Premium growth. The Gross Written Premium growth measure came in below the minimum threshold target of €6m and therefore no bonus is deemed payable under this measure. For the remaining 75% of the bonus pool, at >95% Combined Operating Ratio, no bonus is deemed payable. At 91% Combined Operating Ratio, a 100% pay out of the target is deemed payable and at <91% 100-150% is deemed payable. In 2018, a COR of 81% was achieved and therefore 150% of the Combined Operating Ratio measure is deemed payable.

Accordingly the Remuneration Committee has approved a maximum bonus pool of 112.5% of target for all eligible employees to be split according to performance.

In the case of Ms Muldoon and Mr O'Grady for 2018, 75% of the annual performance bonus is determined by Combined Operating Ratio and 25% is determined by Gross Written Premium growth. Accordingly the Remuneration Committee has decided bonuses of €354,375 and €126,000 are payable.

Executive and non-Executive Directors' Remuneration details

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

	Fees[1] €000s	Salary[2] €000s	Other Payments[3] €000s	Benefits[4] €000s	Pension Contribution[5] €000s	2018 Total €000s
Executive Directors:						
Fiona Muldoon	-	450	354	39	90	933
John O'Grady	-	268	126	18	33	445
Non-Executive Directors:						
Liam Herlihy (Chairman)	119	-	-	-	-	119
Joe Healy	50	-	-	-	-	50
Padraig Walshe	50	-	-	-	-	50
Dermot Browne	85	-	-	-	-	85
Orlagh Hunt	60	-	-	-	-	60
David O'Connor	60	-	-	-	-	60
Walter Bogaerts	70	-	-	-	-	70
Mary Brennan	58	-	-	-	-	58
	552	718	480	57	123	1,930

Notes (2018)

1. Fees are payable to the non-Executive Directors only.
2. Salaries are paid to Executive Directors.
3. Bonuses of €354,375 and €126,000 were awarded to Ms Muldoon and Mr O'Grady under the bonus scheme in 2018. The bonuses for both Ms Muldoon and Mr O'Grady were calculated in accordance with the Annual Performance Arrangements described earlier and both Ms Muldoon's and Mr O'Grady's bonuses were approved by the Remuneration Committee on 25 February 2019.
4. Benefits relate exclusively to a motor allowance and contribution towards health insurance costs.
5. Pension contributions relate to contributions to a defined contribution pension scheme or a payment in lieu.

Report on Directors' Remuneration *(continued)*

The following table sets out the detail for the previous financial year (2017):

	Fees[1] €000s	Salary[2] €000s	Other Payments[3] €000s	Benefits[4] €000s	Pension Contribution[5] €000s	2017 Total €000s
Executive Directors:						
Fiona Muldoon	-	450	473	38	90	1,051
John O'Grady	-	234	168	18	33	453
Non-Executive Directors:						
Liam Herlihy (Chairman)[6]	102	-	-	-	-	102
Michael Berkery[7]	38	-	-	-	-	38
Sean Dorgan[8]	30	-	-	-	-	30
Joe Healy[9]	25	-	-	-	-	25
Padraig Walshe	50	-	-	-	-	50
Dermot Browne	78	-	-	-	-	78
Orlagh Hunt	58	-	-	-	-	58
David O'Connor	59	-	-	-	-	59
Walter Bogaerts	68	-	-	-	-	68
Mary Brennan	57	-	-	-	-	57
	565	684	641	56	123	2,069

Notes (2017)

1. Fees are payable to the non-Executive Directors only.
2. Salaries are paid to Executive Directors.
3. Bonuses of €472,500 and €168,000 were awarded to Ms Muldoon and Mr O'Grady under the bonus scheme in 2017. The bonuses for both Ms Muldoon and Mr O'Grady were calculated in accordance with the Annual Performance Arrangements described earlier and both Ms Muldoon's and Mr O'Grady's bonuses were approved by the Remuneration Committee on 22 February 2018.
4. Benefits relate exclusively to a motor allowance and contribution towards health insurance costs.
5. Pension contributions relate to contributions to a defined contribution pension scheme or a payment in lieu.
6. Liam Herlihy was appointed as Chairman on 5 May 2017.
7. Michael Berkery resigned as Chairman on 5 May 2017.
8. Sean Dorgan resigned as a Director on 5 May 2017.
9. Joe Healy was appointed as a Director on 9 August 2017.

Directors' Responsibilities Statement

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

Irish company law requires the Directors to prepare Financial Statements for each financial year. Under the law, the Directors have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union ("relevant financial reporting framework"). Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company as at the financial year end date and of the profit or loss of the Company for the financial year and otherwise comply with the Companies Act 2014.

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

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

The Directors are responsible for ensuring that the Company and the Group keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company and the Group, enable at any time the assets, liabilities, financial position and profit or loss of the Company and the Group to be determined with reasonable accuracy, enable them to ensure that the Annual Report and Financial Statements comply with the Companies Act 2014 and the Listing Rules of the Euronext Dublin and enable the Financial Statements to be audited.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007 (Transparency (Directive 2004/109/EC) (Amendment) (No. 2) Regulations 2015) to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

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

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

- the Financial Statements, prepared in accordance with IFRSs, give a true and fair view of the assets, liabilities and financial position for the Group as at 31 December 2018 and of the result for the financial year then ended;
- the Report of the Directors, the Chairman's Statement and the Review of Operations include a fair review of the development and performance of the Group's business and the state of affairs of the Group at 31 December 2018, together with a description of the principal risks and uncertainties facing the Group; and
- the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to access the performance, strategy and business model of the Company.

On behalf of the Board

Liam Herlihy
Chairman

Fiona Muldoon
Group Chief Executive

26 February 2019

Independent Auditors' Report

to the members of FBD Holdings plc

Report on the audit of the financial statements

Opinion

In our opinion, FBD Holdings plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the group's and the company's assets, liabilities and financial position as at 31 December 2018 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2014; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise:

- the Consolidated and Company Statements of Financial Position as at 31 December 2018;
- the Consolidated Income Statement for the year then ended;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statements of Cash Flows for the year then ended;
- the Consolidated and Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

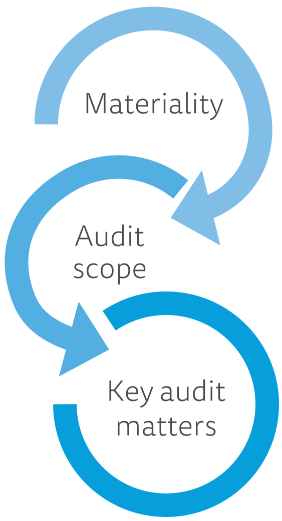
We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in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

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

Other than those disclosed in note 8 to the financial statements, we have provided no non-audit services to the group or the company in the period from 1 January 2018 to 31 December 2018.

Our audit approach

Overview



Materiality

- Group financial statements: €4.0 million (2017: €4.0 million)
- Based on 1% of revenue
- Company financial statements: €0.8 million (2017: €1.1 million)
- Based on 1% of equity attributable to equity holders of the parent

Audit scope

- We performed a full scope audit of the complete financial information of the group's principal operating entities, FBD Insurance plc, FBD Insurance Group Limited and FBD Corporate Services Limited and the holding company
- Taken together, the entities where we performed our audit work accounted for 100% of group revenues and 100% of group profit before tax

Key audit matters

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

The scope of our audit

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of claims outstanding	
Refer to page 45 (Corporate Governance Statement), page 84 (group accounting policies), page 91 (critical accounting estimates and judgements) and pages 115 to 117 (note 28 (a) – (d) to the group financial statements). The provision for claims outstanding is the group's largest liability and its valuation involves considerable judgement. The booked amount comprises an actuarial best estimate and a margin over actuarial best estimate to provide for the risk of adverse claims development and to cater for known events not in the underlying data. The actuarial best estimate is determined using complex actuarial calculations and requires the consideration of detailed methodologies, multiple assumptions and significant judgements. The key assumptions underlying the calculations are past development patterns, loss ratios and assumptions regarding frequency, severity and duration of claims. The valuation is also dependent on the completeness and accuracy of the data used in the actuarial modelling, in particular data relating to amounts of claims paid and incurred in prior years. As a result, the valuation of claims outstanding was a key area of focus.	We evaluated the actuarial methodologies and key assumptions with the assistance of our actuarial specialists. This involved: ■ assessing the assumptions and methodologies underpinning management's actuarial valuation; and ■ carrying out our own independent valuations for the main classes of business. Our work included an assessment of management's analysis of the output of the calculations from the actuarial model including consideration of the development of prior accident years' estimates and analysis of the current accident year estimate. In making this assessment we considered the group's historic claims experience, development in the Irish claims environment and our broader knowledge of developments in the insurance industry. We tested the calculation of the margin over actuarial best estimate and discussed the rationale for the level of this element of the provision with management with particular focus on the consideration of the appropriateness of changes in the amount since the prior year. We tested the design and operating effectiveness of the controls over claims processing and payment. We tested the reconciliation of the data used in the actuarial models to the underlying systems and reconciled the actuarial valuation outputs to the financial statements. We concluded that the methodologies and assumptions adopted were appropriate and that the claims outstanding figure was calculated in accordance with these.

Key audit matter	How our audit addressed the key audit matter
Valuation of defined benefit pension obligation	
Refer to page 45 (Corporate Governance Statement), page 88 (group accounting policies), page 93 (critical accounting estimates and judgements), and pages 120 to 124 (note 32 to the group financial statements). The group operates a defined benefit pension scheme which has been closed to future accrual and closed to new members. The scheme has an IAS 19 surplus of €12.9 million at 31 December 2018. The surplus is the excess of the fair value of the scheme assets over the present value of the defined benefit obligation. We focused on the defined benefit obligation as its valuation is complex and requires judgement in choosing appropriate actuarial assumptions, especially the discount rate used and the inflation assumption. These assumptions can have a material impact on the calculation of the defined benefit obligation. The valuation is also dependent on the completeness and accuracy of the data used in the model, in particular membership data and payroll details.	We considered the reasonableness of the key actuarial assumptions used to determine the defined benefit obligation with the assistance of our pension specialists. We challenged management in relation to the assumptions and methodology applied including benchmarking to external data as appropriate. Because the setting of the assumptions and the calculations relied to a significant extent on the advice of the group's external actuarial experts, we considered their independence and the reports prepared by them for management. We considered the appropriateness of the methodologies and assumptions underlying the defined benefit obligation valuation with the assistance of our pension specialists with particular focus on the discount rate used and the inflation assumptions. We also reconciled the underlying membership and payroll data used to the group's records. We concluded that the methodologies and assumptions adopted were appropriate and that the defined benefit obligation was calculated in accordance with these.

How we tailored the audit scope

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

The group has two operating segments, underwriting and financial services. The group financial statements are a consolidation of individual reporting entities within these segments, primarily its three principal subsidiaries, FBD Insurance plc (underwriting), FBD Insurance Group Limited (financial services) and FBD Corporate Services Limited (group services).

We performed a full scope audit of the complete financial information of FBD Insurance plc, FBD Insurance Group Limited, FBD Corporate Services Limited and the holding company. We also tested the consolidation process. This gave us the desired level of audit evidence on each account balance and for our opinion on the financial statements as a whole.

This gave us coverage of 100% of the group's revenue, 100% of the group's profit and 100% of the group's total assets.

Materiality

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

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

	Group financial statements	**Company financial statements**
Overall materiality	€4.0 million (2017: €4.0 million)	€800,000 (2017: €1.1 million)
How we determined it	1% of revenue	1% of equity attributable to equity holders of the parent
Rationale for benchmark applied	We have applied this benchmark as it provides a more stable measure as the group's result has fluctuated significantly over the past four years	We have applied this benchmark as it is considered appropriate given the company's activity as a holding company

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between €250,000 and €800,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €200,000 (group audit) (2017: €200,000) and €40,000 (company audit) (2017: €55,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (Ireland) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's or the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's or the company's ability to continue as a going concern.
We are required to report if the directors' statement relating to going concern in accordance with Rule 6.8.3(3) of the Listing Rules for the Main Securities Market of the Irish Stock Exchange is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

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

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

With respect to the Report of the Directors, we also considered whether the disclosures required by the Companies Act 2014 (excluding the information included in the "Non Financial Statement" as defined by that Act on which we are not required to report) have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland), the Companies Act 2014 (CA14) and the Listing Rules applicable to the company (Listing Rules) require us to also report certain opinions and matters as described below (required by ISAs (Ireland) unless otherwise stated).

Report of the Directors

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Directors (excluding the information included in the "Non Financial Statement" as defined by that Act on which we are not required to report) for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements. (CA14)

- Based on our knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Report of the Directors (excluding the information included in the "Non Financial Statement" as defined by that Act on which we are not required to report). (CA14)

Corporate Governance Statement

- In our opinion, based on the work undertaken in the course of the audit of the financial statements:

  — the description of the main features of the internal control and risk management systems in relation to the financial reporting process; and

  — the information required by Section 1373(2)(d) of the Companies Act 2014;

  included in the Corporate Governance Statement, is consistent with the financial statements and has been prepared in accordance with section 1373(2) of the Companies Act 2014. (CA14)

- Based on our knowledge and understanding of the company and its environment obtained in the course of the audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process and the information required by section 1373(2)(d) of the Companies Act 2014 included in the Corporate Governance Statement. (CA14)

- In our opinion, based on the work undertaken during the course of the audit of the financial statements, the information required by section 1373(2)(a), (b), (e) and (f) of the Companies Act 2014 and regulation 6 of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 is contained in the Corporate Governance Statement. (CA14)

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

We have nothing material to add or to draw attention to regarding:

- The directors' confirmation on page 38 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 38 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.
- We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and the directors' statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and the company and their environment obtained in the course of the audit. (Listing Rules)

Other Code provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors on page 45 that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
- The section of the Annual Report on pages 44 to 45 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code and the Irish Corporate Governance Annex does not properly disclose a departure from a relevant provision of the Code or the Annex specified, under the Listing Rules, for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 59, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

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

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2014 opinions on other matters

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

Companies Act 2014 exception reporting

Directors' remuneration and transactions

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

Appointment

We were appointed by the directors on 10 August 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 31 December 2016 to 31 December 2018.

Paraic Joyce
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
26 February 2019

- The maintenance and integrity of the FBD Holdings plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.


Protecting Irish famili
for generations.

Supporting Ireland's Communities

At the heart of Ireland's communities

FBD sponsor various shows throughout Ireland, including Bloom, The National Ploughing Championship, the Tullamore Show and many more. FBD's presence at these events gives our staff a fantastic opportunity to engage with our existing and new customers, as well as local communities throughout the country.

Consolidated Income Statement

For the financial year ended 31 December 2018

	Note	2018 €000s	2017 €000s
Revenue	4(a)	**396,003**	397,741
Income			
Gross premium written	4(c)	**371,504**	372,459
Reinsurance premiums	4(c)	**(36,735)**	(27,267)
Net premium written	4(c)	**334,769**	345,192
Change in provision for unearned premiums	4(c)	**3,134**	(19,260)
Net premium earned	4(c)	**337,903**	325,932
Net investment return	5	**2,482**	9,361
Financial services income – Revenue from contracts with customers	4(a)	**3,754**	3,059
– Other financial services income	4(a)	**5,282**	5,674
Total income		**349,421**	344,026
Expenses			
Net claims and benefits	4(c)	**(183,367)**	(203,144)
Other underwriting expenses	4(c)	**(84,054)**	(75,908)
Movement in other provisions	29	**(7,064)**	(1,945)
Financial services and other costs	4(e)	**(6,548)**	(4,200)
Revaluation of property, plant and equipment	14	**(1,034)**	(1,080)
Restructuring and other costs	6	**-**	(1,715)
Finance costs	30 & 31	**(5,453)**	(6,298)
Exceptional loss on purchase and cancellation of convertible debt	30	**(11,836)**	-
Profit before taxation	7	**50,065**	49,736
Income taxation charge	11	**(7,682)**	(7,040)
Profit for the financial year		**42,383**	42,696
Attributable to:			
Equity holders of the parent		**42,383**	42,696
		42,383	42,696
Earnings per share			
Basic	13	**122**	123
Diluted	13	**112**[1]	111[2]

[1] *Diluted earnings per share reflects the potential conversion of convertible debt up until the date of purchase and cancellation of the convertible debt and the potential vesting of the share based payments*

[2] *Diluted earnings per share reflected the potential conversion of convertible debt and the potential vesting of share based payments*

The accompanying notes form an integral part of the Financial Statements.
The Financial Statements were approved by the Board and authorised for issue on 26 February 2019.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2018

	Note	2018 €000s	2017 €000s
Profit for the financial year		**42,383**	42,696
Items that will or may be reclassified to profit or loss in subsequent periods:			
Net (loss)/gain on available for sale financial assets during the year		**(7,845)**	2,807
Taxation credit/(charge) relating to items that will or may be reclassified to profit or loss in subsequent periods		**981**	(351)
Items that will not be reclassified to profit or loss in subsequent periods:			
Actuarial gain on retirement benefit obligations	*32(d)*	**3,232**	275
Taxation charge relating to items not to be reclassified in subsequent periods	*32(d)*	**(404)**	(34)
Other comprehensive (expense)/income after taxation		**(4,036)**	2,697
Total comprehensive income for the financial year		**38,347**	45,393
Attributable to:			
Equity holders of the parent		**38,347**	45,393

Consolidated Statement of Financial Position

At 31 December 2018

ASSETS	Note	2018 €000s	2017 €000s
Property, plant and equipment	*14*	**68,492**	68,251
Intangible Assets	*15*	**355**	-
Investment property	*16*	**18,310**	18,000
Loans	*17*	**615**	681
Deferred taxation asset	*18*	**1,081**	5,467
Financial assets			
Available for sale investments	*19(a)*	**795,717**	758,687
Investments held for trading	*19(a)*	**78,778**	45,347
Deposits with banks	*19(a)*	**70,998**	195,985
		945,493	1,000,019
Reinsurance assets			
Provision for unearned premiums	*28(e)*	**6**	4
Claims outstanding	*28(e)*	**80,919**	90,561
		80,925	90,565
Retirement benefit surplus	*32(f)*	**12,944**	9,774
Current taxation asset	*20*	**3,949**	3,934
Deferred acquisition costs	*21*	**31,956**	31,366
Other receivables	*22*	**62,868**	64,020
Cash and cash equivalents	*23*	**77,639**	27,176
Total assets		**1,304,627**	1,319,253

Consolidated Statement of Financial Position *(continued)*

At 31 December 2018

EQUITY AND LIABILITIES	Note	2018 €000s	2017 €000s
Equity			
Called up share capital presented as equity	*24*	**21,409**	21,409
Capital reserves	*25(a)*	**20,430**	19,726
Retained earnings	*26*	**241,645**	212,259
Other reserves	*30*	**-**	18,232
Equity attributable to ordinary equity holders of the parent		**283,484**	271,626
Preference share capital	*27*	**2,923**	2,923
Total equity		**286,407**	274,549
Liabilities			
Insurance contract liabilities			
Provision for unearned premiums	*28(d)*	**182,875**	186,008
Claims outstanding	*28(c)*	**738,025**	765,012
		920,900	951,020
Other provisions	*29*	**7,738**	6,647
Convertible debt	*30*	**-**	52,525
Subordinated debt	*31*	**49,426**	-
Deferred taxation liability	*33*	**3,610**	3,845
Current taxation liability	*34*	**3,312**	-
Payables	*35(a)*	**33,234**	30,667
Total liabilities		**1,018,220**	1,044,704
Total equity and liabilities		**1,304,627**	1,319,253

The accompanying notes form an integral part of the Financial Statements.
The Financial Statements were approved by the Board and authorised for issue on 26 February 2019.

They were signed on its behalf by:

Liam Herlihy
Chairman

Fiona Muldoon
Group Chief Executive

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2018

	Note	2018 €000s	2017 €000s
Cash flows from operating activities			
Profit before taxation		**50,065**	49,736
Adjustments for:			
Loss/(profit) on investments held for trading		**4,411**	(1,685)
Exceptional loss on purchase and cancellation of convertible bond	30	**11,836**	-
Loss on investments available for sale		**4,825**	5,981
Interest and dividend income		**(12,072)**	(12,735)
Depreciation/amortisation of property plant and equipment and intangible assets	14 & 15	**11,682**	11,426
Share-based payment expense	40	**704**	685
Revaluation of investment property	16	**(310)**	(1,600)
Revaluation of property, plant and equipment	14	**1,034**	1,080
(Decrease)/increase in insurance contract liabilities		**(20,480)**	17,486
Increase/(decrease) in other provisions	29	**1,091**	(4,600)
Operating cash flows before movement in working capital		**52,786**	65,774
Decrease/(increase) in receivables and deferred acquisition costs		**3,390**	(8,094)
Increase/(decrease) in payables		**7,883**	(13,084)
Interest payments on convertible debt		**(5,130)**	(4,900)
Purchase of investments held for trading		**(82,916)**	(958)
Sale of investments held for trading		**45,075**	47,597
Cash generated from operations		**21,088**	86,335
Interest and dividend income received		**11,992**	13,218
Income taxes refunded		**-**	228
Net cash generated from operating activities		**33,080**	99,781
Cash flows from investing activities			
Purchase of available for sale investments		**(138,798)**	(258,355)
Sale of available for sale investments		**89,101**	125,989
Purchase of property, plant and equipment	14	**(13,003)**	(7,869)
Sale of property, plant and equipment		**90**	106
Purchase of intangible assets	15	**(399)**	-
Decrease in loans and advances	17	**66**	51
Decrease in deposits invested with banks	19(a)	**124,987**	40,912
Net cash generated from/(used in) investing activities		**62,044**	(99,166)
Cash flows from financing activities			
Ordinary and preference dividends paid	36	**(8,602)**	-
Purchase and cancellation of convertible debt	30	**(86,059)**	-
Proceeds from issue of subordinated debt	31	**50,000**	-
Net cash used in financing activities		**(44,661)**	-
Net increase in cash and cash equivalents		**50,463**	615
Cash and cash equivalents at the beginning of the year	23	**27,176**	26,561
Cash and cash equivalents at the end of the financial year	23	**77,639**	27,176

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2018

	Called up share capital presented as equity	Capital reserves	Retained earnings	Other reserves	Attributable to ordinary shareholders	Preference share capital	Total equity
	€000s	€000s	€000s	€000s	€000s	€000s	€000s
Balance at 1 January 2017	21,409	19,041	166,866	18,232	225,548	2,923	**228,471**
Profit after taxation	-	-	42,696	-	42,696	-	42,696
Other comprehensive income	-	-	2,697	-	2,697	-	2,697
	21,409	19,041	212,259	18,232	270,941	2,923	273,864
Recognition of share based payments	-	685	-	-	685	-	685
Balance at 31 December 2017	**21,409**	**19,726**	**212,259**	**18,232**	**271,626**	**2,923**	**274,549**
Transitional adjustment IFRS 15[1]	-	-	2,404	-	2,404	-	2,404
Profit after taxation	-	-	42,383	-	42,383	-	42,383
Other comprehensive expense	-	-	(4,036)	-	(4,036)	-	(4,036)
	21,409	19,726	253,010	18,232	312,377	2,923	315,300
Dividends paid and approved on ordinary and preference shares	-	-	(8,602)	-	(8,602)	-	(8,602)
Recognition of share based payments	-	704	-	-	704	-	704
Purchase and cancellation of convertible debt	-	-	(2,763)	(18,232)	(20,995)	-	(20,995)
Balance at 31 December 2018	**21,409**	**20,430**	**241,645**	**-**	**283,484**	**2,923**	**286,407**

[1] *Refer to Note 3 for details on transitional adjustment for IFRS 15 Revenue from Contracts with Customers*

Company Statement of Financial Position

At 31 December 2018

	Note	2018 €000s	2017 €000s
ASSETS			
Investments			
Investment in subsidiaries	*37(b)*	**91,831**	110,063
Financial assets		**1**	1
Deposits with banks		**-**	850
		91,832	110,914
Cash and cash equivalents		**59**	221
Retirement benefit asset		**3,006**	2,333
Deferred taxation asset		**1,158**	707
Other receivables		**-**	894
Total assets		**96,055**	115,069
EQUITY AND LIABILITIES			
Equity			
Called up share capital presented as equity	*24*	**21,409**	21,409
Capital reserves	*25(b)*	**20,430**	19,726
Retained earnings		**46,647**	47,752
Other reserves	*30*	**-**	18,232
Shareholders' funds – equity interests		**88,486**	107,119
Preference share capital	*27*	**2,923**	2,923
Equity attributable to equity holders of the parent		**91,409**	110,042
Deferred tax liability		**368**	292
Payables	*35(b)*	**4,278**	4,735
Total equity and liabilities		**96,055**	115,069

The Company's movement in retained earnings is total comprehensive income for the financial year of €7,497,000 and dividend paid of €8,602,000 (2017: loss for the financial year of €1,268,000).

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

The Financial Statements were approved by the Board and authorised for issue on 26 February 2019.

They were signed on its behalf by:

Liam Herlihy
Chairman

Fiona Muldoon
Group Chief Executive

Company Statement of Cash Flows

For the financial year ended 31 December 2018

	2018 €000s	2017 €000s
Cash flows from operating activities		
Profit/(Loss) before taxation	**6,471**	(1,274)
Adjustments for:		
Profit on investments held for trading	**-**	(80)
Share-based payment expense	**704**	685
Operating cash flows before movement in working capital	**7,175**	(669)
Decrease/(increase) in receivables	**899**	(439)
Decrease in payables	**(484)**	(1,799)
Sale of investments held for trading	**-**	1,577
Cash generated from/(used in) operations	**7,590**	(1,330)
Net cash generated from/(used in) operating activities	**7,590**	(1,330)
Cash flows from investing activities		
Decrease in deposits invested with banks	**850**	1,496
Net cash generated from investing activities	**850**	1,496
Cash flows from financing activities		
Ordinary and preference dividends paid	**(8,602)**	-
Net cash used in financing activities	**(8,602)**	-
Net (decrease)/increase in cash and cash equivalents	**(162)**	166
Cash and cash equivalents at the beginning of the financial year	**221**	55
Cash and cash equivalents at the end of the financial year	**59**	221

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

Company Statement of Changes in Equity

For the financial year ended 31 December 2018

	Called up share capital presented as equity	Capital reserves	Share option reserve	Retained earnings	Other reserves	Attributable to ordinary shareholders	Preference share capital	Total equity
	€000s	**€000s**	**€000s**	**€000s**	**€000s**	**€000s**	**€000s**	**€000s**
Balance at 1 January 2017	**21,409**	**11,593**	**7,448**	**49,020**	**18,232**	**107,702**	**2,923**	**110,625**
Loss after taxation	-	-	-	(1,257)	-	(1,257)	-	(1,257)
Other comprehensive expense	-	-	-	(11)	-	(11)	-	(11)
	21,409	11,593	7,448	47,752	18,232	106,434	2,923	109,357
Recognition of share based payments	-	-	685	-	-	685	-	685
Balance at 31 December 2017	**21,409**	**11,593**	**8,133**	**47,752**	**18,232**	**107,119**	**2,923**	**110,042**
Profit after taxation	-	-	-	6,927	-	6,927	-	6,927
Other comprehensive income	-	-	-	570	-	570	-	570
	21,409	11,593	8,133	55,249	18,232	114,616	2,923	117,539
Dividends paid and approved on ordinary and preference shares	-	-	-	(8,602)	-	(8,602)	-	(8,602)
Recognition of share based payments	-	-	704	-	-	704	-	704
Purchase and cancellation of convertible debt	-	-	-	-	(18,232)	(18,232)	-	(18,232)
Balance at 31 December 2018	**21,409**	**11,593**	**8,837**	**46,647**	**-**	**88,486**	**2,923**	**91,409**

Notes to the Financial Statements

For the financial year ended 31 December 2018

1 GENERAL INFORMATION

FBD Holdings plc is an Irish registered public limited company. The registration number of the company is 135882. The address of the registered office is given on page 29. The nature of the Group's operations and its principal activities are set out in the Review of Operations on pages 8 to 11 and in the Report of the Directors on pages 34 to 39.

2 GOING CONCERN

The Directors have, at the time of approving the Financial Statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Financial Statements. Further detail is contained in the Report of the Directors on page 38.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The Group and Company Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") adopted by the European Union and therefore the Group Financial Statements comply with Article 4 of the EU IAS Regulation. The Group and Company Financial Statements are prepared in compliance with the Companies Acts 2014.

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

Standards adopted during the period

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018.

- IFRS 15 *Revenue from Contracts with Customers*
- Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* (Amendments to IFRS 4)
- Amendments to IFRS 2 *Share Based Payment*
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle (Amendments to IFRS 1 and IAS 28)
- Amendments to IAS 40
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRS 9 *Financial Instruments* (Company only Financial Statements)

The adoption of these standards has not had a material impact on the Financial Statements of the Group. Further detail with respect to IFRS 15, Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* (Amendments to IFRS 4) and IFRS 9 on the Company only Financial Statements are included below.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* became effective on 1 January 2018 and was adopted by the Group on that date. Broking commissions were identified as the only element of the Group's revenue to which the standard applies. The accounting standard for broking commissions (Note 3C) was changed as a result of adoption of the standard. The Group applied the modified retrospective transition approach in adopting the standard.

Under the guidance of the accounting standard, an assessment was completed to determine the timing and amount of revenue to recognise by following the 5 step approach:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the total transaction price
4. Allocate the total transaction price to each performance obligation in the contract
5. Recognise as revenue when (or as) each performance obligation is satisfied

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The Group's performance obligation in relation to broking commissions is satisfied at the point in time when the underlying policy has been contractually agreed between the insured and the provider. The transaction price is the expected commission income receivable by the Group for the satisfaction of this performance obligation. The transaction price includes a variable consideration estimation on the basis that elements of commissions receivable are dependent on the outcome of future events, namely the underlying policies sold remaining in force, and are paid in future periods. Thus an expected level of lapses is applied to policies sold in order to calculate an appropriate commission receivable in relation to the satisfaction of the performance obligation.

Previously the element of commission receivable in future periods was recognised on a cash receipts basis. At the date of initial adoption, an adjustment was made to the Group Financial Statements in relation to the updated accounting policy described. The adjustment made is detailed below:

- Increase in "Other Receivables" €2.7m
- Increase in "Deferred Tax Liability" €0.3m
- Increase in "Retained Earnings" €2.4m

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)

The Group applies the temporary exemption from IFRS 9 *Financial Instruments*, as defined in the amendment "Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* – IFRS 4 amendments" issued by the IASB in September 2016, in its consolidated Financial Statements. This amendment allows an entity to defer the implementation of IFRS 9 if its activities are predominantly connected with insurance. As a result, the Group will continue to apply IAS 39, Financial Instrument: Recognition and Measurement in its consolidated Financial Statements until the reporting period beginning on 1 January 2022.

During 2017 the Group performed an assessment of the amendments and reached the conclusion that its activities were predominantly connected with insurance as at 31 December 2015. The Group percentage of its gross liabilities from contracts within the scope of IFRS 4 relative to its total liabilities at 31 December 2015 was 94.5% which is in excess of the 90% threshold required by IFRS 4. There has been no significant change to the activities of the Group requiring reassessment of the use of the temporary exemption from IFRS 9 to 31 December 2018.

IFRS 9 financial instruments deferral disclosures, as defined in IFRS 4 are included in Note 43.

IFRS 9 Financial Instruments (Company only Financial Statements)

FBD Holdings plc adopted IFRS 9 *Financial Instruments* on 1 January 2018 for the purposes of preparing its Company Financial Statements. The adoption of the standard led to a change in accounting policy for other receivables. Previously other receivables were measured at amortised cost less any identified impairment. Other receivables are now measured at amortised cost less expected credit loss. Expected credit loss is a forward looking measure of impairment calculated on a probability of credit losses basis. The change in accounting policy was applied prospectively from the adoption date in line with the transition provisions in the standard. No adjustment was made to opening equity on adoption as the impact calculated was immaterial. The adoption of the standard has not had a material impact on the Company.

Standards and Interpretations not yet effective

IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[3]

[1] *Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.*

[2] *Effective for annual periods beginning on or after 1 January 2022, with earlier application permitted.*

[3] *Consolidated financial statements only. Effective for annual periods beginning on or after 1 January 2022, with earlier application permitted.*

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

IFRS 16 Leases

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The adoption of IFRS 16 will result in a change in accounting policy for contracts where the Group is a lessee. With the exception of low value items and leases with a duration of less than one year, all lease contracts will be recognised on the statement of financial position as a right of use asset and a financial liability for lease payments. The asset and liability will initially be measured at the present value of lease payments. The right of use assets will be depreciated over the life of the underlying lease and the financial liability will accrete based on the effective interest method using a discount rate determined at lease commencement and reduced for lease payments.

The selection of an appropriate discount rate will be an estimate under the new accounting policy. The impact of discounting is expected to be the primary difference between commitments under non-cancellable operating leases (Note 10) and the financial liability for lease liabilities recognised on adoption.

A project team lead by the Finance function is in place to implement the standard and the project is progressing in line with expectations.

The Directors intend to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

IFRS 17 Insurance Contracts

IFRS 17 *Insurance Contracts* is effective for annual periods beginning on or after 1 January 2022.

IFRS 17 is expected to have a material impact on the Consolidated Financial Statements of the Group. There is a project team in place and training has been provided on the impact of the new standard. The Group implementation programme is progressing in line with expectations.

IFRS 9 *Financial Instruments* in respect of the consolidated Financial Statements is being considered as part of the project for the adoption of IFRS 17 *Insurance Contracts*.

ACCOUNTING POLICIES

The principal accounting policies adopted by the Board are detailed below. All accounting policies are applicable to the consolidated and Company Financial Statements unless stated otherwise.

A) ACCOUNTING CONVENTION

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

B) BASIS OF CONSOLIDATION

The Consolidated Financial Statements include the Financial Statements of the Company and its subsidiary undertakings, made up to 31 December. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed above.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

B) BASIS OF CONSOLIDATION *(continued)*

When the Company has less than a majority of the voting rights of an investee, it has power over an investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all the relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

C) REVENUE RECOGNITION

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

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

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

Broking commission is recognised when the policy has been agreed contractually by the insured and the provider, and the provider has a present right to payment from the insured. The transaction price is the expected commissions to be received by the Group as a result of the sale of the underlying policy and is recognised as revenue on that date, but only if it is highly probable that there will not be a significant reversal of the revenue for commissions.

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

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

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

D) INSURANCE CONTRACTS

(i) Premiums written

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

(ii) Unearned premiums

Unearned premiums are those portions of premium income written in the year that relate to insurance cover after the year end. Unearned premiums are computed on a 365th of premium written. At 31 December each year, an assessment is made of whether the provision for unearned premiums is adequate as set out in accounting policy D (iv) below.

(iii) Deferred acquisition costs

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

(iv) Unexpired risks

At 31 December each year, an assessment is made of whether the provision for unearned premiums is adequate. Provision for unexpired risks is made where the expected claims, related expenses and deferred acquisition costs are expected to exceed unearned premiums, after taking account of future investment income. At each reporting date, the Group reviews its unexpired risks and carries out a liability adequacy test for any overall excess of expected claims and deferred acquisition costs over unearned premiums, using the current estimates of future cash flows under its contracts after taking account of the investment return expected to arise on assets. If these estimates show that the carrying amount of its insurance liabilities (less related deferred acquisition costs) is insufficient in light of the estimated future cash flows, the deficiency is recognised in the Consolidated Income Statement by setting up a provision in the Consolidated Statement of Financial Position.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

D) INSURANCE CONTRACTS *(continued)*

(v) Claims incurred

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

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

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

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

(vi) Reinsurance

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

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

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

E) OTHER PROVISIONS

The Group's share of Motor Insurers' Bureau of Ireland "MIBI" levy and related payments is based on its estimated market share in the current year at the balance sheet date, and an estimate of the levy to be called by MIBI in the following 12 months.

F) PROPERTY, PLANT AND EQUIPMENT

(i) Property

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

F) PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

(ii) Computer equipment and fixtures and fittings

Computer equipment and fixtures and fittings are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) Depreciation

Depreciation is provided in respect of computer equipment and fixtures and fittings, and is calculated in order to write off the cost or valuation of the assets over their expected useful lives on a straight line basis over a three to ten year period. Depreciation on assets in development commences when the assets are ready for their intended use.

G) INTANGIBLE ASSETS

Intangible assets are valued at cost less accumulated amortisation and less any accumulated impairment losses. Intangible assets comprise computer software and these assets are amortised over expected useful lives on a straight line basis over a five year period.

H) INVESTMENT PROPERTY

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

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

I) FINANCIAL INSTRUMENTS

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

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

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

(i) Investments held for trading at fair value

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

I) FINANCIAL INSTRUMENTS *(continued)*

Investments are held for trading if:

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

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

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

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

(ii) Available for sale investments

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

(iii) Loans and other receivables

Loans

Loans are recognised on a trade date basis at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method. When it is not possible to estimate reliably the cash flows or the expected life of a loan, the projected cash flows over the full term of the loan are used to determine fair value.

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

Other receivables

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

Other receivables (Company only)

Amounts arising out of other debtors are measured at initial recognition at fair value and are subsequently measured at amortised cost less expected credit losses. Expected credit losses is a forward looking measure of impairment calculated on a probability of credit losses basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

I) FINANCIAL INSTRUMENTS *(continued)*

(iv) Deposits with banks

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

(v) Subordinated debt

Subordinated debt issued by the Group comprise callable dated deferrable subordinated notes.

The financial liability is initially recognised at fair value of the subordinated notes net of costs. Subsequent to initial recognition, the subordinated debt is measured at amortised cost using the effective interest rate method.

Interest and amortisation relating to the financial liability is recognised in the income statement.

J) LEASES

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

(i) The Group as Lessor

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

(ii) The Group as Lessee

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

K) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits with maturities of 3 months or less held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

L) TAXATION

Income tax expense or credit represents the sum of income tax currently payable and deferred income tax. Income tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Consolidated Income Statement because it excludes items of income or expense that are taxable or deductible in other years and further excludes items that are not taxable or deductible. The Group's liability for income tax is calculated using rates that have been enacted or substantively enacted at the reporting date. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity.

Deferred income tax is provided, using the liability method, on all differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is expected to be realised or the liability to be settled. Deferred tax assets are recognised for all deductible differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit would be available to allow all or part of the deferred income tax asset to be utilised.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

L) TAXATION *(continued)*

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

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

M) RETIREMENT BENEFITS

The Group provides either defined benefit or defined contribution retirement benefit schemes for the majority of its employees.

(i) Defined benefit scheme

A full actuarial valuation of the scheme is undertaken every three years and is updated annually to reflect current conditions in the intervening periods for the purposes of preparing the Financial Statements.

Scheme assets are valued at fair value. Scheme liabilities are measured on an actuarial basis and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The projected unit credit method is used to calculate scheme liabilities. The surplus or deficit on the scheme is carried in the Consolidated Statement of Financial Position as an asset or liability. Any asset resulting from this calculation is limited to the future economic benefits available in the form of a reduction in future contributions or a cash refund. Actuarial gains and losses are recognised immediately in equity through the Consolidated Statement of Comprehensive Income.

The current service cost and past service cost of the scheme are charged to the Consolidated Income Statement.

Past service cost is recognised as an expense when plan amendments or curtailments occur.

(ii) Defined Contribution Schemes

Costs arising in respect of the Group's defined contribution retirement benefit schemes are charged to the Consolidated Income Statement in line with the service received.

N) CURRENCY

For the purpose of the Consolidated Financial Statements, the results and financial position of each Group company are expressed in Euro, which is the functional currency of the Company, and the presentation currency for the Consolidated Financial Statements.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

O) SHARE-BASED PAYMENTS AND LONG TERM INCENTIVE PLANS

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

P) TREASURY SHARES

Where any Group company purchases the Company's equity share capital, the consideration paid is shown as a deduction from ordinary shareholders' equity. Consideration received on the subsequent sale or issue of treasury shares is credited to ordinary shareholders' equity. Treasury shares are excluded when calculating earnings per share.

Q) IMPAIRMENT OF ASSETS

(i) Impairment of tangible and intangible assets

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Q) IMPAIRMENT OF ASSETS *(continued)*

(ii) Impairment of financial assets

Financial assets, other than those at FVTPL (fair value through profit or loss), are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been impacted. For listed and unlisted equity investments classified as Available for Sale ("AFS"), a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

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

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

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

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

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

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

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

R) RESTRUCTURING AND OTHER COSTS

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

S) FINANCIAL SERVICES INCOME

Financial services income comprises interest on instalment premium which is recognised on an effective interest method and other financial services income as detailed in Accounting Policy (C).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

T) COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

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

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest rate method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest relating to the financial liability is recognised in the income statement. On conversion, the financial liability is reclassified to equity and no gain or loss is recognised.

U) EXCEPTIONAL GAINS OR LOSSES

Exceptional gains and losses are recognised in the period in which they are incurred and are reported in the Consolidated Income Statement. Exceptional gains or losses are one-off items or items not in the ordinary course of business which have a material impact on the underlying profit.

V) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The principal accounting policies adopted by the Group are set out on pages 79 to 91. In the application of these accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key critical judgements and estimates that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

Claims provisions

Claims provisions represent the estimation of the cost of claims outstanding under insurance contracts written. Actuarial techniques, based on statistical analysis of past experience, are used to calculate the estimated cost of claims outstanding at year end. Allowance is made for any changes or uncertainties that may cause the cost of unsettled claims to increase or reduce. At each reporting date liability adequacy tests are performed to ensure the adequacy of the liabilities. Any deficiency is recognised in the Consolidated Income Statement. Further details are set out in note 29 to the Financial Statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

V) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES *(continued)*

Reinsurance assets

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

Property, plant & equipment

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

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

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

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

Valuation of financial instruments

As described in note 19, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 19 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments. The Directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Deferred acquisition costs

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

Note 41, Risk Management identifies the Group's key sensitivity factors and tests the impact of a change in each one of these factors has on pre-taxation profit and shareholders' equity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

V) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES *(continued)*

Investment property

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

Accounting for the Defined Benefit Pension surplus

The valuation of the pension scheme is provided by the Group's consultant actuaries. The critical accounting estimates and judgements in recognising the defined benefit pension surplus are the measurement of the defined pension obligation and the recoverability of the defined benefit asset.

The valuation of the defined benefit obligation is sensitive to actuarial assumptions. These include demographic assumptions covering mortality and longevity, and economic assumptions covering price inflation and the discount rate used.

The Directors have concluded that when all members have left the scheme, any surplus remaining would be returned to the Employers in accordance with the trust deed. As such the full economic benefit of the surplus under IAS19 is deemed available to the employer and is recognised in the Consolidated Statement of Financial Position.

Treatment of the purchase and cancellation of the Convertible Bond

The allocation of debt and equity for the consideration paid for the purchase and cancellation of the convertible bond is a matter of judgement. As per the guidance of the accounting standards, the loss is split between the debt and equity components based on the fair values of each component at the time of the transaction. The Director's relied on the assistance of independent valuation experts in arriving at the allocation between the debt and equity components.

Motor Insurers' Bureau of Ireland ("MIBI")

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

4 SEGMENTAL INFORMATION

(a) Operating segments

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

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

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments.

2018	**Underwriting €000s**	**Financial services €000s**	**Total €000s**
Revenue	**386,967**	**9,036**	**396,003**
Profit before taxation	**47,577**	**2,488**	**50,065**
Income taxation charge	**(7,165)**	**(517)**	**(7,682)**
Profit after taxation	**40,412**	**1,971**	**42,383**
Other information			
Capital additions	**10,342**	**-**	**10,342**
Revaluation of other assets	**(724)**	**-**	**(724)**
Depreciation	**11,674**	**8**	**11,682**
Statement of Financial Position			
Segment assets	**1,292,719**	**11,908**	**1,304,627**
Segment liabilities	**1,011,473**	**6,747**	**1,018,220**

Included above in the current period is a net non-cash revaluation charge relating to investment property and property held for own use of (€724,000) (2017: €520,000), all of which relates to the underwriting segment.

4 SEGMENTAL INFORMATION *(continued)*

(a) Operating segments *(continued)*

2017	Underwriting €000s	Financial services €000s	Total €000s
Revenue	389,008	8,733	397,741
Profit before taxation	45,206	4,530	49,736
Income taxation charge	(6,379)	(661)	(7,040)
Profit after taxation	38,827	3,869	42,696
Other information			
Capital additions	8,270	3	8,273
Revaluation of other assets	520	-	520
Depreciation	11,418	8	11,426
Statement of Financial Position			
Segment assets	1,313,739	5,514	1,319,253
Segment liabilities	1,040,604	4,100	1,044,704

The accounting policies of the reportable segments are the same as the Group accounting policies. Segment profit represents the profit earned by each segment. Central administration costs and Directors' salaries are allocated based on actual activity. Restructuring costs and income taxation are direct costs of each segment.

In monitoring segment performance and allocating resources between segments:

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

4 SEGMENTAL INFORMATION *(continued)*

(a) Operating segments *(continued)*

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

	2018 €000s	2017 €000s
Direct insurance – motor	**181,858**	181,141
Direct insurance – fire and other damage to property	**110,859**	113,333
Direct insurance – liability	**73,200**	72,239
Direct insurance – interest and other revenue	**15,463**	16,549
Direct insurance – other	**5,587**	5,746
Financial services revenue	**9,036**	8,733
Total revenue	**396,003**	397,741

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

(b) Geographical segments

The Group's operations are located in Ireland.

4 SEGMENTAL INFORMATION *(continued)*

(c) Underwriting result

	2018 €000s	2018 €000s	2017 €000s	2017 €000s
Earned premiums, net of reinsurance				
Gross premium written	**371,504**		372,459	
Outward reinsurance premiums	**(36,735)**		(27,267)	
Net premium written	**334,769**		345,192	
Change in provision for unearned premium				
Gross amount	**3,133**		(5,311)	
Reinsurers' share	**1**		(13,949)	
Change in net provision for unearned premium	**3,134**		(19,260)	
Premium earned, net of reinsurance		**337,903**		325,932
Claims paid, net of recoveries from reinsurers				
Claims paid:				
Gross amount	**(203,793)**		(217,136)	
Reinsurers' share	**12,129**		9,749	
Claims paid, net of recoveries from reinsurers	**(191,664)**		(207,387)	
Change in provision for claims				
Gross amount	**26,987**		(19,522)	
Reinsurers' share	**(9,642)**		33,362	
Change in insurance liabilities, net of reinsurance	**17,345**		13,840	
Claims handling expenses	**(9,048)**		(9,597)	
Claims incurred net of reinsurance		**(183,367)**		(203,144)
Motor insurers bureau of Ireland levy and related payments		**(7,064)**		(1,945)
Management expenses	**(84,220)**		(81,751)	
Deferred acquisition costs	**590**		6,363	
Gross management expenses	**(83,630)**		(75,388)	
Reinsurers share of expenses	**2,876**		2,528	
Broker commissions payable	**(3,300)**		(3,048)	
Net operating expenses		**(84,054)**		(75,908)
Underwriting result		**63,418**		44,935

Net claims incurred in 2018 were €183,367,000, down 10% on the net claims incurred of €203,144,000 in 2017. The improvement is mainly as a result of positive prior year development in 2018.

4 SEGMENTAL INFORMATION *(continued)*

The Group's reinsurance policy dictates that all of the Group's reinsurers must have a credit rating of A- or better, or provide appropriate security. The impact of buying reinsurance was a debit to the Consolidated Income Statement of €31,370,000 (2017: credit of €9,072,000).

(d) Underwriting management expenses

	2018 €000s	2017 €000s
Employee benefit expense	**46,418**	43,987
Rent, rates, insurance and maintenance	**6,497**	6,118
Depreciation	**11,674**	11,418
Other	**19,631**	20,228
Total underwriting management expenses	**84,220**	81,751

(e) Financial services and other costs

	2018 €000s	2017 €000s
Employee benefit expense	**3,280**	2,622
Rent, rates, insurance and maintenance	**336**	313
Depreciation	**8**	8
Other	**2,924**	1,257
Total financial services and other costs	**6,548**	4,200

5 NET INVESTMENT RETURN

	2018 €000s	2017 €000s
Actual return		
Interest and similar income	**11,899**	12,650
Income from investment properties	**596**	547
Realised losses on investments	**(1,193)**	(363)
Dividend income	**94**	568
Revaluation of investment properties	**310**	1,600
Unrealised loss on financial investments	**(9,224)**	(5,641)
Total investment income	**2,482**	9,361
By Classification of investment		
Deposits with banks	**81**	(129)
Investments held for trading	**(4,417)**	2,296
Investment properties	**906**	2,147
Available for sale investments	**5,912**	5,047
Total investment income	**2,482**	9,361

Interest and similar income received by the Group's underwriting segment during the period was €12,589,000 (2017: €13,765,000).

6 RESTRUCTURING AND OTHER COSTS

	2018 €000s	2017 €000s
Restructuring costs	**-**	1,715

7 PROFIT BEFORE TAXATION

	2018 €000s	2017 €000s
Profit before taxation has been stated after charging:		
Depreciation and amortisation	**11,682**	11,426

The remuneration of the Directors is set out in detail in the Report on Directors' Remuneration on pages 50 to 58.

8 INFORMATION RELATING TO AUDITOR'S REMUNERATION

An analysis of fees payable to the statutory audit firm is as follows:

	2018		2017	
	Company €000s	Group €000s	Company €000s	Group €000s
Description of service				
Audit of statutory financial statements	**60**	**275**	60	260
Other assurance services	**-**	**142**	-	176
Total auditors remuneration	**60**	**417**	60	436

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

In 2018, other assurance services relate to Solvency II audit which are prescribed under legislation or regulation and fees in respect of the issue of the subordinated debt. In 2017, this category related to Solvency II audit and cyber security audit.

9 STAFF COSTS AND NUMBERS

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

	2018	2017
Underwriting	**875**	846
Financial services	**25**	25
Total	**900**	871

	2018	2017
The aggregate employee benefit expense was as follows:	€000s	€000s
Wages and salaries	**45,803**	44,163
Social welfare costs	**5,236**	4,945
Pension costs	**4,907**	4,245
Share based payments	**704**	685
Total employee benefit expense	**56,650**	54,038

10 OPERATING LEASE RENTALS

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

	2018	2017
	€000s	€000s
Not later than 1 year	**1,010**	1,176
Later than 1 year but not later than 5 years	**4,204**	5,206
Later than 5 years	**4,432**	5,405
	9,646	11,787

FBD Insurance plc holds a number of significant operating lease arrangements in respect of branches. The minimum lease terms remaining on the most significant leases vary from 1 year to 35 years.

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

Operating lease payments recognised as an expense for the period were €1,565,000 (2017: €1,472,000).

11 INCOME TAXATION CHARGE

	2018 €000s	2017 €000s
Irish corporation taxation (charge)/credit	**(3,140)**	94
Adjustments in respect of prior financial years	**186**	(254)
Current taxation charge	**(2,954)**	(160)
Deferred taxation charge	**(4,728)**	(6,880)
Income taxation charge	**(7,682)**	(7,040)

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

	2018 €000s	2017 €000s
Profit before taxation	**50,065**	49,736
Corporation taxation charge at standard rate of 12.5% (2017: 12.5%)	**6,258**	6,217
Effects of:		
Differences between capital allowances for period and depreciation	**(94)**	-
Non-taxable income/unrealised gains/losses not chargeable/deductible for taxation purposes	**1,682**	554
Higher rates of taxation on other income	**22**	15
Adjustments in respect of prior years	**(186)**	254
Income taxation charge	**7,682**	7,040
Taxation as a percentage of profit before taxation	**15.3%**	14.2%

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

	2018 €000s	2017 €000s
Deferred taxation on:		
Actuarial gain on retirement benefit obligations	**(404)**	(34)
Loss/(gain) on available for sale investments	**981**	(351)
Total income taxation credit/(charge) recognised directly in the Consolidated Statement of Comprehensive Income	**577**	(385)

12 PROFIT FOR THE YEAR

The Company's profit for the financial year determined in accordance with IFRS, as adopted by the European Union, is €6,927,000 (2017: -€1,257,000). The Company's other comprehensive income for the financial year is €570,000 (2017: -€11,000).

In accordance with section 304 of the Companies Act 2014 the Company is availing of the exemption from presenting its individual Income Statement to the Annual General Meeting and from filing it with the Registrar of Companies.

13 EARNINGS PER €0.60 ORDINARY SHARE

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

	2018 €000s	2017 €000s
Earnings		
Profit for the year for the purpose of basic earnings per share	**42,383**	42,696
Profit for the year for the purpose of diluted earnings per share	**46,639**	48,207

Number of shares	**2018** **No.**	2017 No.
Weighted average number of ordinary shares for the purpose of basic earnings per share (excludes treasury shares)	**34,666,201**	34,666,201
Weighted average number of ordinary shares for the purpose of diluted earnings per share (excludes treasury shares)	**41,507,329**	43,329,630

	Cent	Cent
Basic earnings per share	**122**	123
Diluted earnings per share	**112**[1]	111[2]

[1] *Diluted earnings per share reflects the potential conversion of convertible debt up until the date of purchase and cancellation of the convertible debt and the potential vesting of the share based payments.*

[2] *Diluted earnings per share reflected the potential conversion of convertible debt and the potential vesting of share based payments.*

14 PROPERTY, PLANT AND EQUIPMENT

	Property held for own use €000s	Computer Equipment €000s	Fixtures & Fittings €000s	Total property, plant and equipment €000s
Cost or valuation				
At 1 January 2017	20,995	133,636	20,156	174,787
Additions	-	6,850	1,019	7,869
Disposals	(106)	-	(62)	(168)
At 1 January 2018	20,889	140,486	21,113	182,488
Additions	**3,555**	**5,366**	**1,022**	**9,943**
Assets under development	**-**	**2,465**	**595**	**3,060**
Disposals	**(90)**	**-**	**-**	**(90)**
At 31 December 2018	**24,354**	**148,317**	**22,730**	**195,401**
Comprising:				
At cost	-	148,317	22,730	171,047
At valuation	24,354	-	-	24,354
At 31 December 2018	**24,354**	**148,317**	**22,730**	**195,401**

	Property held for own use €000s	Computer Equipment €000s	Fixtures & Fittings €000s	Total property, plant and equipment €000s
Accumulated depreciation and revaluation				
At 1 January 2017	5,055	78,679	18,059	101,793
Depreciation charge for the year	-	10,916	510	11,426
Elimination on disposal	-	-	(62)	(62)
Revaluations	1,080	-	-	1,080
At 1 January 2018	**6,135**	**89,595**	**18,507**	**114,237**
Depreciation charge for the year	**-**	**11,111**	**527**	**11,638**
Revaluations	**1,034**	**-**	**-**	**1,034**
At 31 December 2018	**7,169**	**100,706**	**19,034**	**126,909**
Carrying amount				
At 31 December 2018	**17,185**	**47,611**	**3,696**	**68,492**
At 31 December 2017	14,754	50,891	2,606	68,251

The property, plant and equipment disclosure has been updated in 2018, providing more granularity on the composition of the balance. "Assets under development" relate to assets that have not come into use and therefore no depreciation has been charged on these assets in 2018.

14 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Property held for own use

Property held for own use at 31 December 2018 and 2017 were valued at fair value which is determined by independent external professional valuers CB Richard Ellis, Valuation Surveyors. The valuers confirm that the properties have been valued by a valuer who is qualified for the purpose of the valuation in accordance with RICS Valuation – Global Standards 2017 (Red Book) incorporating the IVSC International Valuation Standards issued June 2017.

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

The valuers state that they made various assumptions as to tenure, letting and town planning, condition and repair of buildings and sites, including ground and groundwater contamination. They have determined market value using a range of capital values per square metre based on appropriate local evidence. The valuer states that they have not viewed any tenancy agreements and have assumed for the purposes of valuation that the properties (with the exception of FBD House, Naas Road, Dublin 12 and FBD Offices at Lakepoint Retail Park Mullingar, Mullingar, Co. Westmeath) are subject to vacant possession.

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

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

	2018 €000s	2017 €000s
Property held for own use	**17,111**	14,590

The most significant investment in computer equipment over the past two years was in the underwriting policy administration system.

Fair value hierarchy disclosures required by IFRS13 *Fair Value Measurement* have been included in Note 19, Financial Instruments and Fair Value Measurement.

15 INTANGIBLE ASSETS

Cost	**2018 €000s**
At 1 January 2018	-
Additions	399
At 31 December 2018	**399**

Amortisation	**€000s**
At 1 January 2018	-
Amortisation charge for the year	(44)
At 31 December 2018	**355**

16 INVESTMENT PROPERTY

Fair value of investment property	2018 €000s	2017 €000s
At 1 January	**18,000**	16,400
Fair value movement during the year	**310**	1,600
At 31 December	**18,310**	18,000

The investment property held for rental in Ireland was valued at fair value at 31 December 2018 and at 31 December 2017 by independent external professional valuers, CB Richard Ellis, Valuation Surveyors. The valuation was prepared in accordance with RICS Valuation – Global Standards 2017 (Red Book) incorporating the IVSC International Valuation Standards issued June 2017. The valuers confirm that they have sufficient current local and national knowledge of the particular property market involved and have skills and understanding to undertake the valuations competently.

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

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

There was an increase in the fair value in 2018 of €310,000 (2017: €1,600,000).

The rental income earned by the Group from its investment properties amounted to €1,028,000 (2017: €797,000). Direct operating costs associated with investment properties amounted to €250,000 (2017: €240,000).

The historical cost of investment property is as follows:

	2018 €000s	2017 €000s
Historical cost at 1 January	**20,080**	20,080
Disposals	**-**	-
Historical cost at 31 December	**20,080**	20,080

Non-cancellable operating lease receivables	2018 €000s	2017 €000s
Not longer than 1 year	**1,027**	1,027
Longer than 1 year and not longer than 5 years	**4,107**	4,107
Total non-cancellable operating lease receivables	**5,134**	5,134

Fair value hierarchy disclosures required by IFRS13 *Fair Value Measurement* have been included in Note 19, Financial Instruments and Fair Value Measurement.

17 LOANS

	2018 €000s	2017 €000s
Other loans	**615**	681
Total loans	**615**	681

Fair value hierarchy disclosures required by IFRS13 *Fair Value Measurement* have been included in Note 19, Financial Instruments and Fair Value Measurement.

18 DEFERRED TAXATION ASSET

	Accelerated capital allowances €000s	Insurance Contracts €000s	Losses carried forward €000s	Other timing differences €000s	Total €000s
At 1 January 2017	1,214	(2,745)	13,765	-	12,234
Debited to the Consolidated Statement of Comprehensive Income	-	-	-	-	-
(Debited)/Credited to Consolidated Income Statement	(546)	915	(7,136)	-	(6,767)
At 31 December 2017	668	(1,830)	6,629	-	5,467
Debited to the Consolidated Statement of Comprehensive Income	**-**	**-**	**-**	**-**	**-**
(Debited)/Credited to Consolidated Income Statement	**(82)**	**915**	**(5,389)**	**170**	**(4,386)**
At 31 December 2018	**586**	**(915)**	**1,240**	**170**	**1,081**

A deferred taxation asset of €1,240,000 (2017: €6,629,000) has been recognised in respect of losses carried forward. The Directors have considered and are satisfied that the deferred taxation asset will be fully recoverable against future taxable profits.

19 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT

(a) Financial Instruments

	2018 €000s	2017 €000s
Financial Assets		
At Amortised Cost:		
Deposits with banks	**70,998**	195,985
At fair value:		
Investments held for trading	**78,778**	45,347
Available for sale investments	**795,717**	758,687
At Cost:		
Loans	**615**	681
Other receivables	**62,868**	64,020
Cash and cash equivalents	**77,639**	27,176
Financial Liabilities		
At Amortised Cost:		
Convertible debt (Note 30)	**-**	52,525
Subordinated debt (Note 31)	**49,426**	-
At Cost:		
Payables	**33,234**	30,667

19 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT *(continued)*

(b) Fair value measurement

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

	2018 Fair value €000s	2018 Carrying value €000s
Assets		
Loans	**738**	**615**
Investment property	**18,310**	**18,310**
Property held for own use	**17,185**	**17,185**
Financial Assets		
Investments held for trading	**78,778**	**78,776**
Available for sale investments	**795,717**	**795,717**
Deposits with banks	**70,998**	**70,998**
Cash & cash equivalents	**77,639**	**77,639**
Liabilities		
Subordinated debt	**49,817**	**49,426**

	2017 Fair value €000s	2017 Carrying value €000s
Assets		
Loans	817	681
Investment property	18,000	18,000
Property held for own use	14,754	14,754
Financial Assets		
Investments held for trading	45,347	45,347
Available for sale investments	758,687	758,687
Deposits with banks	195,985	195,985
Cash & cash equivalents	27,176	27,176
Liabilities		
Convertible debt	66,406	52,525

The exemption from disclosing the fair value of short term receivables has been availed of.

19 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT *(continued)*

Certain assets and liabilities are measured in the statement of financial position at fair value using a fair value hierarchy of valuation inputs. The following table provides an analysis of assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

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

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

2018	Level 1 €000s	Level 2 €000s	Level 3 €000s	Total €000s
Assets				
Loans	-	738	-	**738**
Investment property	-	18,310	-	**18,310**
Property held for own use	-	17,185	-	**17,185**
Financial assets				
Investments held for trading – quoted shares	262	-	-	**262**
Investments held for trading – UCITS	78,516	-	-	**78,516**
AFS investments – quoted debt securities	795,094	-	-	**795,094**
AFS investments – unquoted investments	-	-	623	**623**
Deposits with banks	70,998	-	-	**70,998**
Cash and cash equivalents	77,639	-	-	**77,639**
Total assets	**1,022,509**	**36,233**	**623**	**1,059,365**
Liabilities				
Subordinated debt	-	49,817	-	**49,817**
Total liabilities	-	49,817	-	**49,817**

19 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT *(continued)*

2017	Level 1 €000s	Level 2 €000s	Level 3 €000s	Total €000s
Assets				
Loans	-	817	-	817
Investment property	-	18,000	-	18,000
Property held for own use	-	14,754	-	14,754
Financial assets				
Investments held for trading – quoted shares	20,935	-	-	20,935
Investments held for trading – UCITS	24,412	-	-	24,412
AFS investments – quoted debt securities	757,843	-	-	757,843
AFS investments – unquoted investments	-	-	844	844
Deposits with banks	195,985	-	-	195,985
Cash and cash equivalents	27,176	-	-	27,176
Total assets	1,026,351	33,571	844	1,060,766
Liabilities				
Convertible debt	-	66,406	-	66,406
Total liabilities	-	66,406	-	66,406

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

	2018 €000s	2017 €000s
At 1 January	**844**	844
Additions	**-**	-
Disposals	**(250)**	-
Unrealised gains recognised in the Consolidated Income Statement	**29**	-
At 31 December	**623**	844

Available for sale investments grouped into Level 3 comprise unquoted securities and consist of a number of small investments. The values attributable to these investments are derived from a number of valuation techniques including the net present value of future cash flows based on operating projections. A change in one or more of these inputs could have an impact on valuations. The maximum exposure the Group has in relation to Level 3 valued financial assets is €623,000 (2017: €844,000). The Directors' do not consider it necessary to provide a sensitivity analysis on financial investments grouped into Level 3 as they do not consider them material.

20 CURRENT TAXATION ASSET

	2018 €000s	2017 €000s
Income taxation receivable	**3,949**	3,934

21 DEFERRED ACQUISITION COSTS

The movements in deferred acquisition costs during the financial year were:

	2018 €000s	2017 €000s
At 1 January	**31,366**	25,004
Net acquisition costs further deferred during the year	**590**	6,362
At 31 December	**31,956**	31,366

All deferred acquisition costs are expected to be recovered within one year from 31 December 2018.

22 OTHER RECEIVABLES

	2018 €000s	2017 €000s
Policyholders	**42,923**	42,828
Intermediaries	**6,946**	6,813
Other debtors	**6,067**	7,119
Accrued interest and rent	**136**	183
Prepayments and accrued income	**6,796**	7,077
Total other receivables	**62,868**	64,020

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

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

23 CASH AND CASH EQUIVALENTS

	2018 €000s	2017 €000s
Demand deposits*	**74,770**	26,508
Cash in hand	**2,869**	668
	77,639	27,176

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

24 CALLED UP SHARE CAPITAL PRESENTED AS EQUITY

	Number	2018 €000s	2017 €000s
(i) Ordinary shares of €0.60 each			
Authorised:			
At the beginning and the end of the year	51,326,000	**30,796**	30,796
Issued and fully paid:			
At the beginning and the end of the year	35,461,206	**21,277**	21,277
(ii) 'A' Ordinary shares of €0.01 each			
Authorised:			
At the beginning and the end of the year	120,000,000	**1,200**	1,200
Issued and fully paid:			
At the beginning and the end of the year	13,169,428	**132**	132
Total – issued and fully paid		**21,409**	21,409

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

The holders of the two classes of non-cumulative preference shares rank ahead of the two classes of ordinary shares in the event of a winding up (see note 27). Before any dividend can be declared on the ordinary shares of €0.60 each, the dividend on the non-cumulative preference shares must firstly be declared or paid.

The number of ordinary shares of €0.60 each held as treasury shares at the beginning (and the maximum number held during the year) was 795,005 (2017: 795,005). The number of ordinary shares of €0.60 each held as treasury shares at the end of the year was 795,005 (2017: 795,005). This represented 2.2% (2017: 2.2%) of the shares of this class in issue and had a nominal value of €477,003 (2017: €477,003). There were no ordinary shares of €0.60 each purchased by the Company during the year.

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

All issued shares have been fully paid.

25 CAPITAL RESERVES

(a) GROUP

	Share premium	Capital conversion reserve	Capital redemption reserve	Share option reserve	Total Group
	€000s	€000s	€000s	€000s	€000s
Balance at 1 January 2017	5,540	1,627	4,426	7,448	19,041
Recognition of share-based payments	-	-	-	685	685
Balance at 31 December 2017	5,540	1,627	4,426	8,133	19,726
Recognition of share-based payments	**-**	**-**	**-**	**704**	**704**
Balance at 31 December 2018	**5,540**	**1,627**	**4,426**	**8,837**	**20,430**

(b) COMPANY

	Share premium	Capital conversion reserve	Capital redemption reserve	Share option reserve	Total Company
	€000s	€000s	€000s	€000s	€000s
Balance at 1 January 2017	5,540	1,627	4,426	7,448	19,041
Recognition of share-based payments	-	-	-	685	685
Balance at 31 December 2017	5,540	1,627	4,426	8,133	19,726
Recognition of share-based payments	**-**	**-**	**-**	**704**	**704**
Balance at 31 December 2018	**5,540**	**1,627**	**4,426**	**8,837**	**20,430**

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

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

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

26 RETAINED EARNINGS

	€000s
Balance at 1 January 2017	166,866
Net profit for the financial year	45,393
Balance at 31 December 2017	212,259
Transitional adjustment IFRS 15	**2,404**
Net profit for the financial year	**38,347**
Dividends paid and approved	**(8,602)**
Loss on equity portion of Convertible debt	**(2,763)**
Balance at 31 December 2018	**241,645**

27 PREFERENCE SHARE CAPITAL

	Number	2018 €000s	2017 €000s
Authorised:			
At the beginning and the end of the year			
14% Non-cumulative preference shares of €0.60 each	1,340,000	**804**	804
8% Non-cumulative preference shares of €0.60 each	12,750,000	**7,650**	7,650
		8,454	8,454
Issued and fully paid:			
At the beginning and the end of the year			
14% Non-cumulative preference shares of €0.60 each	1,340,000	**804**	804
8% Non-cumulative preference shares of €0.60 each	3,532,292	**2,119**	2,119
		2,923	2,923

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

28 CLAIMS OUTSTANDING

(a) Gross Claims Outstanding 2018

	Prior years €000s	2009 €000s	2010 €000s	2011 €000s	2012 €000s	2013 €000s	2014 €000s	2015 €000s	2016 €000s	2017 €000s	2018 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year		358,406	332,367	243,158	232,311	245,007	307,517	302,581	253,962	247,145	252,435	
One year later		325,757	316,414	216,308	215,445	236,839	342,422	304,108	235,972	223,322	-	
Two years later		324,549	314,526	225,300	224,720	266,183	344,123	326,052	220,376	-	-	
Three years later		326,530	310,583	230,001	235,965	260,580	333,544	318,467	-	-	-	
Four years later		318,012	308,360	234,204	233,434	257,859	326,714	-	-	-	-	
Five years later		317,471	306,442	227,755	231,159	244,922	-	-	-	-	-	
Six years later		318,133	305,963	226,348	229,271	-	-	-	-	-	-	
Seven years later		316,528	305,581	224,753	-	-	-	-	-	-	-	
Eight years later		314,936	307,121	-	-	-	-	-	-	-	-	
Nine years later		314,841	-	-	-	-	-	-	-	-	-	
Estimate of cumulative claims		314,841	307,121	224,753	229,271	244,922	326,714	318,467	220,376	223,322	252,435	
Cumulative payments		(310,333)	(292,210)	(212,637)	(205,701)	(209,157)	(251,221)	(170,258)	(118,805)	(98,322)	(67,103)	
Claims outstanding at 31 December 2018:	11,550	4,508	14,911	12,116	23,570	35,765	75,493	148,209	101,571	125,000	185,332	**738,025**
Claims outstanding at 31 December 2017:	19,831	5,647	15,640	17,843	34,605	70,963	101,967	175,238	136,483	186,795	-	**765,012**
Movement during 2018:	(8,281)	(1,139)	(729)	(5,727)	(11,035)	(35,198)	(26,474)	(27,029)	(34,912)	(61,795)	185,332	**(26,987)**

28 CLAIMS OUTSTANDING *(continued)*

(b) Net Claims Outstanding 2018

	Prior years €000s	2009 €000s	2010 €000s	2011 €000s	2012 €000s	2013 €000s	2014 €000s	2015 €000s	2016 €000s	2017 €000s	2018 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year		288,061	262,562	214,923	214,793	228,819	256,663	270,279	228,107	212,750	228,501	
One year later		269,324	247,735	192,904	201,171	217,098	292,223	274,000	219,905	199,086		
Two years later		269,696	248,931	201,181	210,422	243,373	295,223	284,636	205,320	-	-	
Three years later		270,073	245,617	205,434	221,438	237,733	290,243	275,909	-	-	-	
Four years later		263,303	243,668	209,533	218,979	233,750	283,929	-	-	-	-	
Five years later		262,402	241,134	205,131	217,104	226,331	-	-	-	-	-	
Six years later		261,737	239,086	204,140	215,179	-	-	-	-	-	-	
Seven years later		260,597	238,667	202,480	-	-	-	-	-	-	-	
Eight years later		260,496	239,555	-	-	-	-	-	-	-	-	
Nine years later		260,511	-	-	-	-	-	-	-	-	-	
Ten years later												
Estimate of cumulative claims		260,511	239,555	202,480	215,179	226,331	283,929	275,909	205,320	199,086	228,501	
Cumulative payments		(256,145)	(228,201)	(190,321)	(191,508)	(193,626)	(208,925)	(156,449)	(111,236)	(90,674)	(63,842)	
Claims outstanding at 31 December 2018	11,232	4,366	11,354	12,159	23,671	32,705	75,004	119,460	94,084	108,412	164,659	**657,106**
Claims outstanding at 31 December 2017	17,339	5,376	12,720	17,951	34,728	57,383	100,163	146,861	127,984	153,946	-	**674,451**
Movement during the year	(6,107)	(1,010)	(1,366)	(5,792)	(11,057)	(24,678)	(25,159)	(27,401)	(33,900)	(45,534)	164,659	**(17,345)**

28 CLAIMS OUTSTANDING *(continued)*

(b) Net Claims Outstanding 2018 *(continued)*

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

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

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

(c) Reconciliation of claims outstanding

	Gross €000s	Net €000s
Balance at 1 January 2017	745,490	676,230
Change in provision for claims	19,522	(1,779)
Balance at 31 December 2017	765,012	674,451
Change in provision for claims	**(26,987)**	**(17,345)**
Balance at 31 December 2018	**738,025**	**657,106**

(d) Reconciliation of provision for unearned premium

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

	2018 €000s	2017 €000s
Balance at 1 January	**186,008**	180,692
Net premium written	**334,769**	345,192
Net premium earned	**(337,903)**	(325,932)
Changes in provision for unearned premium – reinsurers' share	**1**	(13,944)
Provision for unearned premium at 31 December	**182,875**	186,008

28 CLAIMS OUTSTANDING *(continued)*

(e) Reconciliation of reinsurance assets

	Claims outstanding €000s	Unearned premium reserve €000s
Balance at 1 January 2017	69,260	13,954
Movement during year[1]	21,301	(13,950)
Balance at 31 December 2017	90,561	4
Movement during year	**(9,642)**	**2**
Balance at 31 December 2018	**80,919**	**6**

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

29 OTHER PROVISIONS

	2018 €000s	2017 €000s
Balance at 1 January	**6,647**	11,247
MIBI levy reserve release	**(1,812)**	(5,624)
Provision for MIBI levy and related payments	**8,876**	7,569
Levy paid	**(5,973)**	(6,545)
Balance at 31 December	**7,738**	6,647

The share of the Group's Motor Insurers' Bureau of Ireland "MIBI" levy is based on its estimated market share in the current year at the Consolidated Statement of Financial Position date.

30 CONVERTIBLE DEBT

	2018 €000s	2017 €000s
Balance at 1 January	**52,525**	51,136
Amortised during the year	**1,062**	1,389
Derecognition of convertible debt upon purchase and cancellation	**(53,587)**	-
Balance at 31 December	**-**	52,525

On 1 October 2018 FBD Holdings plc announced that its subsidiary FBD Insurance plc had entered into an agreement to purchase and cancel the €70,000,000 7% Convertible Notes which were in issue for €86,059,000. The below table shows the loss recognised as a result of the purchase and cancellation of the Notes.

Interest costs associated with the Notes totalling €4,864,000 (2017: €6,298,000) were incurred and recognised during the financial year up to the date of derecognition of the Notes.

Purchase and cancellation of the Convertible Notes	2018 €000s	2017 €000s
Carrying value of bond on date of settlement (as per above table)	**53,587**	-
Carrying value of equity on date of settlement	**18,232**	-
Total carrying value of convertible debt on date of settlement	**71,819**	-
Consideration paid for convertible bond	**(86,059)**	-
Loss on purchase and cancellation of the Convertible	**(14,240)**	-
Loss on purchase and cancellation of the bond attributable to:		
A) Statement of Changes in Equity:		
– Loss on equity portion	**2,763**	-
B) Consolidated Income Statement:		
– Loss on debt portion	**11,477**	-
	-	-

Further to the loss on the debt portion of the bond of €11,477,000 in the Consolidated Income Statement, redemption costs of €359,000 were incurred in the period. The total exceptional loss included in the Consolidated Income Statement is €11,836,000.

31 SUBORDINATED DEBT

	2018 €000s	2017 €000s
Balance at 1 January	**-**	-
Recognition of subordinated debt on issue	**49,412**	-
Amortised during the year	**14**	-
Balance at 31 December	**49,426**	-

On 2 October 2018 FBD Insurance plc successfully agreed to issue €50,000,000 of new Callable Dated Deferrable Subordinated Notes due 2028. The agreed coupon for the notes was 5%. Interest costs associated with the subordinated notes totalling €589,000 were incurred and recognised during the financial year.

32 RETIREMENT BENEFIT ASSET

Defined Contribution Pension

The Group operates defined contribution retirement benefit plans for qualifying employees who opt to join. The assets of the plans are held separately from those of the Group in funds under the control of Trustees. The Group recognised an expense of €4,387,648 (2017: €3,832,569) relating to these pension schemes during the year ended 31 December 2018.

Defined Benefit Pension

The Group also operates a legacy funded defined benefit retirement pension scheme for certain qualifying employees. This scheme was closed to new members in 2005 and closed to future accrual during 2015. The defined benefit pension scheme is administered by a separate Trustee Company that is legally separated from the entity. The Trustee Company, who is responsible for ensuring compliance with the Pensions Act 1990 and other relevant legislation, is composed of representatives from both the employers and current and former employees. The Trustees are required by law and by its Articles of Association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. deferred members, retirees and employers. They are responsible for the investment policy with regard to the assets of the scheme.

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

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

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

32 RETIREMENT BENEFIT ASSET *(continued)*

Under the defined benefit pension scheme, qualifying members are entitled to retirement benefits of 1/60th of final salary for each year of service on attainment of a retirement age of 65. A full actuarial valuation of the defined benefit pension scheme was carried out on 1 July 2016. This valuation was carried out using the projected unit credit method, and the minimum funding standard was updated to 31 December 2018 by the schemes' independent and qualified actuary. This confirms that the Scheme continues to satisfy the minimum funding standard. The next full actuarial valuation of the scheme is expected to be completed by 31 March 2020 with a valuation date of 1 July 2019.

The long-term investment objective of the Trustees and the Group is to limit the risk of the assets failing to meet the liabilities of the scheme over the long term, and to maximise returns consistent with an acceptable level of risk so as to control the long-term costs of the scheme. To meet these objectives, the scheme's assets are primarily invested in bonds with a smaller level of investment in diversified growth funds and property. These reflect the current long-term asset allocation ranges, having regard to the structure of liabilities within the scheme. The scheme typically exposes the Group to actuarial risks such as: investment risk, interest rate risk and longevity risk.

(a) Assumptions used to calculate scheme liabilities

	2018 %	2017 %
Inflation rate increase	**1.50**	1.75
Salary rate increase	**N/A***	N/A*
Pension payment increase	**0.00**	0.00
Discount rate	**1.80**	1.75

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

(b) Mortality Assumptions

	2018 Years	2017 Years
The average life expectancy of current and future retirees used in the scheme at age 65 is as follows:		
Male	**21.5**	21.4
Female	**23.9**	23.8

The weighted average duration of the expected benefit payments from the scheme is *circa* 15 years.

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

The basis used to determine the expected return on plan assets is the money weighted rate of return achieved on the asset values used for the purpose of calculating the long-term funding rate. The actual return on the scheme assets for the year was a gain of €2,259,000 (2017: €1,357,000).

32 RETIREMENT BENEFIT ASSET *(continued)*

(c) Consolidated Income Statement

	2018 €000s	2017 €000s
Charged/(Credited) to Consolidated Income Statement:		
Service cost: employer's part of current service cost	**347**	353
Net interest credit	**(173)**	(160)
Past service costs	**132**	-
Charge to Consolidated Income Statement	**306**	193

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

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

	2018 €000s	2017 €000s
Net actuarial (gains)/losses in the year due to:		
– Changes in financial and demographic assumptions	**(1,655)**	(444)
– Experience adjustments on benefit obligations	**(999)**	(150)
Actual return less interest on scheme assets	**(578)**	319
Actuarial gain	**(3,232)**	(275)
Deferred taxation debit	**404**	34
Actuarial gain net of deferred taxation	**(2,828)**	(241)

(e) History of experience gains and losses

	2018 €000s	2017 €000s	2016 €000s	2015 €000s	2014 €000s
Present value of defined benefit obligations	**83,434**	88,103	90,887	106,490	195,669
Fair value of plan assets	**96,378**	97,877	99,602	115,600	141,415
Net pension (asset)/liability	**(12,944)**	(9,774)	(8,715)	(9,110)	54,254
Experience gains/(losses) on scheme liabilities	**999**	150	(266)	(401)	1,786
Actuarial gain/(loss)	**3,232**	275	(12,233)	15,914	(25,058)

The cumulative charge to the Consolidated Statement of Comprehensive Income is €100,570,000 (2017: €103,802,000).

32 RETIREMENT BENEFIT ASSET *(continued)*

(f) Assets in scheme at market value

	2018 €000s	2017 €000s
Bonds	**78,543**	79,189
Property	**7,672**	8,773
Managed funds	**3,916**	7,865
Cash deposits and other	**6,247**	2,050
Scheme assets	**96,378**	97,877
Actuarial value of liabilities	**(83,434)**	(88,103)
Net pension surplus	**12,944**	9,774

The assets are part of unitised funds which have a broad geographical and industry type spread with no significant concentration in any one geographical or industry type. These unitised funds are managed by six investment managers.

(g) Movement in net surplus during the year

	2018 €000s	2017 €000s
Net surplus in scheme at 1 January	**9,774**	8,715
Current service cost	**(347)**	(353)
Past service costs	**(132)**	-
Employer contributions	**244**	977
Interest on scheme liabilities	**(1,508)**	(1,516)
Interest on scheme assets	**1,681**	1,676
Actuarial gain	**3,232**	275
Net surplus at 31 December	**12,944**	9,774

32 RETIREMENT BENEFIT ASSET *(continued)*

(h) Movement on assets and liabilities

	2018 €000s	2017 €000s
Assets		
Assets in scheme at 1 January	**97,877**	99,602
Actual return less interest on scheme assets	**578**	(319)
Employer contributions	**244**	977
Interest on scheme assets	**1,681**	1,676
Benefits paid	**(4,002)**	(4,059)
Assets in scheme at 31 December	**96,378**	97,877
Liabilities		
Liabilities in scheme at 1 January	**88,103**	90,887
Experience gains and losses on scheme liabilities	**(999)**	(150)
Changes in financial and demographic assumptions	**(1,655)**	(444)
Current service cost	**347**	353
Past service costs	**132**	-
Interest on scheme liabilities	**1,508**	1,516
Benefits paid	**(4,002)**	(4,059)
Liabilities in scheme at 31 December	**83,434**	88,103

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

- A 1% increase in the discount rate would reduce the value of the scheme liabilities by €11.3 million. A 1% reduction in the discount rate would increase the value of the scheme liabilities by €14.5 million.
- A 1% increase in inflation would increase the value of the scheme liabilities by €3.8 million. A 1% reduction in inflation would reduce the value of the scheme liabilities by €3.3 million.
- The effect of assuming all members of the scheme will live one year longer would increase the scheme's liabilities by €3.1 million.
- The current best estimate of 2019 contributions to be made by the Group to the pension fund is €nil (2018: €244,000).

33 DEFERRED TAXATION LIABILITY

	Retirement benefit asset	Unrealised losses on investments & loans	Revaluation surplus on investment properties	Other timing differences	Total
	€000s	€000s	€000s	€000s	€000s
At 1 January 2017	1,089	1,046	1,212	-	3,347
(Credited)/Debited to the Consolidated Statement of Comprehensive Income	34	351	-	-	385
Debited/(Credited) to the Consolidated Income Statement	99	(45)	59	-	113
At 31 December 2017	1,222	1,352	1,271	-	3,845
Debited to the Consolidated Statement of Comprehensive Income	**404**	**(981)**	**-**	**-**	**(577)**
Debited/(Credited) to the Consolidated Income Statement	**(8)**	**(46)**	**58**	**338**	**342**
At 31 December 2018	**1,618**	**325**	**1,329**	**338**	**3,610**

A deferred taxation liability of €1,618,000 has been recognised in 2018 in respect of the retirement benefit asset of €12,944,000. In 2017 a deferred taxation liability of €1,222,000 was recognised on the retirement benefit asset of €9,774,000.

34 CURRENT TAXATION LIABILITY

	2018	2017
	€000s	€000s
Income taxation payable	**3,312**	-

This balance relates to corporation taxation payable.

35 PAYABLES

(a) GROUP

	2018	2017
	€000s	€000s
Amounts falling due within one year:		
Payables and accruals	**26,822**	25,740
Restructuring accrual	**-**	204
PAYE/PRSI	**1,368**	1,426
Payables arising out of direct insurance operations	**5,044**	3,297
Total payables	**33,234**	30,667

35 PAYABLES *(continued)*

(b) COMPANY

	2018 €000s	2017 €000s
Amounts falling due within one year:		
Payables and accruals	**4,278**	4,735
Total payables	**4,278**	4,735

36 DIVIDENDS

	2018 €000s	2017 €000s
Paid during year:		
2017 dividend of 8.4 cent (2016: nil cent) per share on 14% non-cumulative preference shares of €0.60 each	**113**	-
2017 dividend of 4.8 cent (2016: nil cent) per share on 8% non-cumulative preference shares of €0.60 each	**169**	-
2017 final dividend of 24.0 cent (2016: nil cent) per share on ordinary shares of €0.60 each	**8,320**	-
Total dividends paid	**8,602**	-

	2018 €000s	2017 €000s
Proposed:		
2018 dividend of 8.4 cent (2017: 8.4 cent) per share on 14% non-cumulative preference shares of €0.60 each	**113**	113
2018 dividend of 4.8 cent (2017: 4.8 cent) per share on 8% non-cumulative preference shares of €0.60 each	**169**	169
2018 final dividend of 50.0 cent (2017: 24.0 cent) per share on ordinary shares of €0.60 each	**17,333**	8,320
Total dividends proposed	**17,615**	8,602

The proposed dividend is subject to approval by shareholders at the Annual General Meeting on 10 May 2019 and has not been included as a liability in the Consolidated Statement of Financial Position.

37 PRINCIPAL SUBSIDIARIES

(a) Subsidiaries	Nature of Operations	% Owned
FBD Insurance plc	General insurance underwriter	100%
FBD Insurance Group Limited	Investment services, pensions and life brokers	100%
FBD Corporate Services Limited	Employee services company	100%

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

All shareholdings are in the form of ordinary shares.

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

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

(b) In the Company Statement of Financial Position on page 76, the investment in subsidiaries balance reduced by €18,232,000 in the year as a result of the purchase and cancellation of the Convertible Debt by FBD Insurance plc. See note 30 for further details on the transaction.

38 CAPITAL COMMITMENTS

Capital expenditure contracted for at the end of 2018 but not recognised as liabilities for intangible assets is €711,000.

39 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets at either 31 December 2018 or 31 December 2017.

40 SHARE BASED PAYMENTS

FBD Group Performance Share Plan

The FBD Group Performance Share Plan (the "LTIP") was approved by shareholders of FBD Holdings plc (Group), in May 2007. The share plan was replaced with a new Share Plan which was approved by shareholders of FBD Holdings plc (Group) at last year's AGM. Conditional awards of ordinary shares under the LTIP are dependent on the Group meeting onerous performance targets in terms of, total shareholder returns, stretching combined operating ratio targets and other stretching business scorecard metrics. The extent to which these conditions have been met and any award (or part of an award) has therefore vested will be determined in due course by the Remuneration Committee of the Board of FBD Holdings plc.

Fair value calculations

Conditional awards were made in March 2013 over 140,940 shares, in April 2014 over 108,631 shares, in March 2015 over 167,706 shares, in October 2015 over 54,545 shares, in March 2016 over 296,669 shares, in March 2017 over 238,293 shares, and in August 2018 over 204,069 shares.

40 SHARE BASED PAYMENTS *(continued)*

The fair values of these conditional share awards have been calculated as follows using the assumptions noted in a Monte Carlo simulation model for all conditional awards except the March 2017 awards and the August 2018 awards. The March 2017 and August 2018 awards are based on Group performance targets. There are no market based conditions attaching to these awards, and they have not been included in the table below.

	LTIP award April 2014	LTIP award March 2015	LTIP award October 2015	LTIP award March 2016
Share price at grant	€17.00	€10.80	€6.65	€6.55
Initial award price	€17.00	€10.80	€6.65	€6.55
Expected volatility	25%	30%	35%	35%
Expected life in years	3	3	3	3
Risk free interest rate	0.3%	0.0%	0.0%	0.0%
Expected dividend yield %	n/a	n/a	n/a	n/a
Fair value	€14.25	€8.49	€5.39	€5.25

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

Accounting charge for share based payments

Grant date	Vesting period (years)	Number of share awards granted	Number vested during year	Number outstanding at 31 December 2018	% of options expected to vest	Share price at grant date	Fair value of share award at grant date	2018	2017
					%	€	€	€000s	€000s
14.04.2014 LTIP	3.00	108,631	-	-	0	17.00	14.25	**-**	4
02.03.2015 LTIP	3.00	167,706	-	-	0	10.80	8.49	**16**	9
09.10.2015 LTIP	3.00	54,545	-	54,545	75	6.65	5.39	**(5)**	76
23.03.2016 LTIP	3.00	296,669	-	195,313	75	6.55	5.25	**11**	225
28.03.2017 LTIP	3.00	238,293	-	189,046	90	7.95	7.95	**420**	371
23.08.2018 LTIP	3.00	204,069		204,069	125	10.80	10.80	**262**	-
Total				**642,973**				**704**	685

Given the performance of the Group over the vesting period, the Directors estimate that 0% of the March 2015 award will vest. Therefore only the charge relating to the market based conditions for the outstanding shares granted in these years have been charged to the consolidated income statement for the years ended 31 December 2018 and 31 December 2017. The Director's estimate 75% of the October 2015 awards will vest, 75% of the March 2016 awards will vest, 90% of the March 2017 awards will vest and 125% of the August 2018 awards will vest.

41 TRANSACTIONS WITH RELATED PARTIES

Farmer Business Developments plc and FBD Trust Company Ltd have a substantial shareholding in the Group at 31 December 2018. Details of their shareholdings and related party transactions are set out in the Report of the Directors on page 35.

As part of the subordinated debt investment, Farmer Business Developments invested €20.0m and FBD Trust Ltd invested €13.0m. Please refer to note 31 for further details.

For the purposes of the disclosure requirements of IAS 24, the term *"key management personnel"* (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Group) comprises the Board of Directors and Company Secretary of FBD Holdings plc and the Group's primary subsidiary, FBD Insurance plc and the members of the Executive Management Team.

The remuneration of key management personnel ("KMP") during the year was as follows:

	2018 €000s	2017 €000s
Short term employee benefits[1]	**3,545**	3,590
Post-employment benefits	**297**	269
Share based payments	**316**	440
Charge to the Consolidated Income Statement	**4,158**	4,299

[1] *Short term benefits include fees to non-executive Directors, salaries and other short-term benefits to all key management personnel.*

Full disclosure in relation to the 2018 and 2017 compensation entitlements and share options of the Board of Directors is provided in the Report on Directors' Remuneration.

In common with all shareholders, Directors received payments/distributions related to their holdings of shares in the Company during the year, amounting in total to €3,571 (2017: €Nil).

42 FINANCIAL RISK MANAGEMENT

(a) Capital management risk

The Group is committed to managing its capital to ensure it is adequately capitalised at all times and to maximise returns to shareholders. The capital of the Group comprises of issued capital, reserves and retained earnings as detailed in notes 24 to 27. The Group has an Investment Committee, a Pricing & Underwriting Committee, a Capital Management Forum, an Audit Committee, a Reserving Committee and Board and Executive Risk Committees, all of which assist the Board in the identification and management of exposures and capital.

The Group maintained its robust capital position and complied with all regulatory solvency margin requirements throughout both the year under review and the prior year. In 2018, the Group maintained its Solvency Capital Requirement (SCR) coverage above its target range of 120-140% of SCR.

An experienced Actuarial team is in place with policies and procedures to ensure that Technical Provisions are calculated in an appropriate manner and represent a best estimate. Technical Provisions are internally peer reviewed every quarter, audited once a year and subject to external peer review every two years.

An approved Reinsurance Program is in place to minimise the Solvency Impact of Catastrophe events to the Group.

The annual Own Risk and Solvency Assessment "ORSA" provides 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.

The Chief Financial Officer (CFO) is responsible for consideration of the implications for capital position as part of the strategic planning process and key strategic decision-making and for ensuring appropriate action is taken as approved by the Board/CEO/relevant committee.

On at least an annual basis, thresholds for SCR Ratio, developed as part of the annual planning/budgeting process, are approved by the Board as part of the Risk Appetite Statements in the Risk Appetite Framework.

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

42 FINANCIAL RISK MANAGEMENT *(continued)*

(b) 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. The contracted value below is the undiscounted cash flow.

Assets – 2018	**Carrying value total €000s**	**Contracted Value €000s**	**Cashflow within 1 year €000s**	**Cashflow 1-5 years €000s**	**Cashflow after 5 years €000s**
Financial assets	**866,091**	888,704	144,927	640,873	102,904
Reinsurance assets	**80,925**	80,925	25,262	49,119	6,544
Loans and receivables	**63,483**	63,483	63,483	-	-
Cash and cash equivalents	**77,639**	77,639	77,639	-	-
Total	**1,088,138**	**1,110,751**	**311,311**	**689,992**	**109,448**
Liabilities – 2018					
Insurance contract liabilities	**920,900**	920,900	300,983	510,677	109,240
Payables	**33,234**	33,234	33,234	-	-
Other provisions	**7,738**	7,738	7,738	-	-
Convertible debt*	**-**	-	-	-	-
Subordinated bond**	**49,426**	75,000	2,500	10,000	62,500
Total	**1,011,298**	**1,036,872**	**344,455**	**520,677**	**171,740**

**See note 30*

*** See note 31*

Assets – 2017	**Carrying value total €000s**	**Contracted Value €000s**	**Cashflow within 1 year €000s**	**Cashflow 1-5 years €000s**	**Cashflow 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 provisions	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

**See note 30*

42 FINANCIAL RISK MANAGEMENT *(continued)*

(c) 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.

Interest rate & spread risk

Interest rate & 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 2018, the Group held the following deposits and listed debt securities:

	2018		2017	
	Market Value	Weighted average interest rate	Market Value	Weighted average interest rate
	€000s	%	€000s	%
Time to maturity				
In one year or less	**135,517**	**1.13**	221,975	0.41
In more than one year, but not more than two years	**182,949**	**2.19**	100,813	1.26
In more than two years, but not more than three years	**133,480**	**1.03**	190,386	2.09
In more than three years, but not more than four years	**181,957**	**1.25**	142,723	1.01
In more than four years, but not more than five years	**129,182**	**1.17**	164,798	1.19
More than five years	**103,006**	**1.57**	133,135	1.54
Total	**866,091**		953,830	

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. The amounts exposed to equity price risk are set out in note 19(b).

42 FINANCIAL RISK MANAGEMENT *(continued)*

Foreign currency risk

The Group does not directly hold investment assets in foreign currencies, however, it does have exposure to non-euro exchange rate fluctuations through its UCITS fund holdings. The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

Assets	2018 €000s	2017 €000s
Emerging Markets	**22,023**	-
GBP	**-**	3,980
USD	**-**	2,721
Other	**-**	1,419

The Group did not hold any derivative instruments at 31 December 2018 or 31 December 2017.

(d) Credit risk

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

Financial assets are graded according to current credit ratings issued. 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 holds the following listed Government bonds and listed corporate bonds, with the following credit profile:

	2018		2017	
	Market Value €000s	Weighted Average Duration	Market value €000s	Weighted Average Duration
Government bonds				
AAA	**55,181**	**2.1**	55,217	2.9
AA+	**21,067**	**4.6**	-	-
AA	**41,023**	**3.2**	14,634	1.3
A+	**41,288**	**3.2**	44,098	4.1
BBB+	**42,039**	**7.2**	29,532	7.6
BBB	**-**	**-**	45,978	6.1
BBB-	**96,786**	**3.5**	-	-
BB+	**-**	**-**	69,347	3.5
Total	**297,384**	**3.8**	258,806	4.1
Corporate Bonds				
AAA	**2,252**	**1.6**	2,331	2.7
AA	**12,584**	**2.5**	9,574	3.0
AA-	**34,710**	**2.3**	35,667	2.7
A+	**62,939**	**2.6**	71,267	2.6
A	**73,793**	**2.4**	77,041	3.1
A-	**91,648**	**2.7**	93,902	2.9
BBB+	**115,365**	**2.8**	119,250	3.2
BBB	**78,759**	**2.8**	73,888	3.1
BBB-	**25,659**	**2.5**	16,118	4.2
Total	**497,709**	**2.6**	499,038	3.0

42 FINANCIAL RISK MANAGEMENT *(continued)*

All of the Group's current reinsurers either have 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. At 31 December 2018, the maximum balance owed to the Group by an individual reinsurer, including reinsurers' share of insurance contract liabilities not yet called, was €19,790,000 (2017: €21,313,000).

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

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

(e) Concentration risk

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

- Listed corporate bonds carry an average credit rating of A-. The average duration of the portfolio is 2.6 years. The sovereign bond portfolio carries an average credit rating of A and the average duration of the portfolio is 3.8 years.
- Given the ratings, spread of investments and the duration of the listed corporate bond and sovereign bond portfolios, the Group deems any concentration risk to be acceptable.
- While all of the Group's underwriting business is conducted in Ireland, with a significant focus on the agri sector, it is spread over a wide geographical area with no concentration in any one county or region. The resultant concentration risk from adverse weather events, i.e. floods, storms or freezes in Ireland, are mitigated by a flood mapping solution and an appropriate reinsurance strategy.

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

(f) Sensitivity analysis

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

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

42 FINANCIAL RISK MANAGEMENT *(continued)*

The pre-taxation impacts on profit and shareholders' equity at 31 December 2018 and at 31 December 2017 of each of the sensitivity factors outlined above are as follows:

		2018 €000s	2017 €000s
Interest rates	1.0%	**(13,536)**	(12,759)
Interest rates	(0.25%)	**3,384**	3,190
FX rates	10%	**2,202**	812
FX rates	(10%)	**2,202**	(812)
Equity	10%	**2,396**	2,177
Equity	(10%)	**(2,396)**	(2,177)
Available for sale investments	5%	**39,786**	37,934
Available for sale investments	(5%)	**(39,786)**	(37,934)
Investment property	10%	**1,830**	1,800
Investment property	(10%)	**(1,830)**	(1,800)
Net loss ratio	(5%)	**16,895**	16,297

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

31 December 2018	Change in assumptions	Increase in gross technical reserves €000s	Increase in net technical reserves €000s	Impact on profit before taxation €000s	Reduction in shareholders' equity €000s
Injury claims IBNR and IBNER	**+10%**	**8,207**	**5,593**	**(5,593)**	**4,894**
Other claims IBNR and IBNER	**+10%**	**204**	**177**	**(177)**	**155**
Legal fees revert to pre PIAB levels		**7,220**	**6,498**	**(6,498)**	**5,686**
31 December 2017					
Injury claims IBNR and IBNER	+10%	7,230	5,166	(5,166)	4,520
Other claims IBNR and IBNER	+10%	317	352	(352)	308
Legal fees revert to pre PIAB levels		6,599	5,939	(5,939)	5,197

Limitations of sensitivity analysis

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

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

43 IFRS 9 FINANCIAL INSTRUMENTS DEFERRAL DISCLOSURES

The tables below present an analysis of the fair value of classes of financial assets as at the end of the reporting period as well as the change in fair value during the reporting period. The classes are defined as follows:

(i) Solely payments of principal and interest ("SPPI"): assets of which cash flows represent solely payments of principal and interest on an outstanding principal amount, excluding any financial assets that meet the definition of held for trading in IFRS 9, or that are managed and whose performance is evaluated on a fair value basis; and

(ii) Other at fair value: all financial assets other than those specified in SPPI. Financial assets:

(a) with contractual terms that do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding;

(b) that meet the definition of held for trading in IFRS 9; or

(c) that are managed and whose performance are evaluated on a fair value basis.

Fair Values as of 31 December 2018

Financial assets	SPPI – Amortised cost €000s	SPPI – Fair value €000s	Other – Fair value €000s	Total Fair value €000s
Other receivables	62,868	-	-	**-**
Deposits with banks	70,998	-	-	**-**
Cash and cash equivalents	77,639	-	-	**-**
Available for sale investments	-	795,094	623	**795,717**
Investments held for trading	-	-	78,778	**78,778**
Total Financial Assets	**211,505**	**795,094**	**79,401**	**874,495**

Fair Values as of 31 December 2017

Financial assets	SPPI – Amortised cost €000s	SPPI – Fair value €000s	Other – Fair value €000s	Total Fair value €000s
Other receivables	64,020	-	-	-
Deposits with banks	195,985	-	-	-
Cash and cash equivalents	27,176	-	-	-
Available for sale investments	-	757,843	844	758,687
Investments held for trading	-	-	45,347	45,347
Total Financial Assets	287,181	757,843	46,191	804,034

43 IFRS 9 FINANCIAL INSTRUMENTS DEFERRAL DISCLOSURES *(continued)*

For financial assets whose cash flows represent SPPI as defined above, the table below provides information on credit risk exposure. The financial assets are categorised by asset class with a carrying amount measured in accordance with IAS 39 measurement requirements.

As at 31 December 2018

Rating	Other receivables €000s	Deposits with banks €000s	Cash and cash equivalents €000s	Available for sale investments €000s
AAA	-	-	-	57,433
AA+	-	-	-	21,067
AA	-	-	-	53,607
AA-	-	-	3,918	34,710
A+	-	15,000	-	104,227
A	-	30,000	50,748	73,793
A-	-	25,998	20,202	91,648
BBB+	-	-	-	157,405
BBB	-	-	37	78,759
BBB-	-	-	2,734	122,445
Unrated	62,868	-	-	-
Total	62,868	70,998	77,639	795,094

44 SUBSEQUENT EVENTS

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

Alternative performance measures (APM's)

For the financial year ended 31 December 2018

The Group uses the following alternative performance measures: Loss ratio, expense ratio, combined operating ratio, annualised investment return, net asset value per share, return on equity and gross written premium.

Loss ratio (LR), expense ratio (ER) and combined operating ratio (COR) are widely used as a performance measure by insurers, and give users of the financial statements an understanding of the underwriting performance of the entity. Investment return is used widely as a performance measure to give users of financial statements an understanding of the performance of an entities investment portfolio. Net asset value per share (NAV) is a widely used performance measure which provides the users of the financial statements the book value per share. Return on equity (ROE) is also a widely used profitability ratio that measures an entity's ability to generate profits from its shareholder investments. Gross written premium refers to the revenue of an insurance company and is widely used across the general insurance industry.

The calculation of the APM's is based on the following data:

	2018	2017
	€000s	€000s
Loss ratio		
Net claims and benefits	**183,367**	203,144
Movement in other provisions	**7,064**	1,945
Total claims incurred	**190,431**	205,089
Net premium earned	**337,903**	325,932
Loss ratio (Total claims/Net premium earned)	**56.3%**	62.9%
Expense ratio		
Other underwriting expenses	**84,054**	75,908
Net premium earned	**337,903**	325,932
Expense ratio (Underwriting expenses/Net premium earned)	**24.9%**	23.3%
Combined operating ratio	**%**	**%**
Loss ratio	**56.3%**	62.9%
Expense ratio	**24.9%**	23.3%
Combined operating ratio (Loss ratio + Expense ratio)	**81.2%**	86.2%

	2018	2017
	€000s	€000s
Investment return		
Investment return recognised in Consolidated Income Statement	**2,482**	9,361
Investment return recognised in Statement of Comprehensive Income	**(7,845)**	2,807
Total investment return	**(5,363)**	12,168
Average underwriting investment assets	**1,047,711**	1,027,637
Investment return % (Total investment return/Average underwriting investment assets)	**-0.5%**	1.2%

	2018 €000s	2017 €000s
Net asset value per share		
Shareholders' funds – equity interests	**283,483**	271,626
Number of Shares		
Number of ordinary shares in issue (excluding treasury)	**34,666,201**	34,666,201
	Cent	**Cent**
Net asset value per share (NAV) (Shareholders funds/Closing number of ordinary shares)	**818**	784
Return on Equity		
Weighted average equity attributable to ordinary equity holders of the parent	**277,555**	248,587
Result for the period	**42,383**	42,696
Return on equity (Result for the period/Weighted average equity attributable to ordinary equity holders of the parent)	**15%**	17%

Gross premium written: The total premium on insurance underwritten by an insurer or reinsurer during a specified period, before deduction of reinsurance premium.

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Letter from the Chairman in relation to the Annual General Meeting

29 March 2019

Dear Shareholder,

The Notice of the Annual General Meeting of the Company, which will be held at 11.00 a.m. on 10 May 2019 in the Irish Farm Centre, Old Naas Road, Bluebell, Dublin 12, follows this letter.

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

Resolution 1 deals with the consideration of the Financial Statements of the Company for the year ended 31 December 2018.

Resolution 2 deals with the declaration of a dividend on the 14% non-cumulative preference shares for the year ended 31 December 2018. A dividend cannot be declared on the ordinary shares unless and until the dividend on the 14% preference shares has been declared.

Resolution 3 deals with the declaration of a dividend on the 8% non-cumulative preference shares for the year ended 31 December 2018. A dividend cannot be declared on the ordinary shares unless and until the dividend on the 8% preference shares has been declared.

Resolution 4 deals with the declaration of a final dividend of 50 cent per ordinary share for the year ended 31 December 2018.

Resolution 5 deals with the approval of the Report on Directors' Remuneration. This Report is set out on pages 50 to 58 of the Annual Report and it has been the practice of the Board since 2010 to put the Report on Directors' Remuneration to a shareholder vote. Shareholders should note that there is no legal obligation on the Company to put such a resolution to Shareholders. While it is therefore an "advisory" resolution and not binding on the Company, the Board recognises that the tabling of such a resolution is best practice in this area and is an acknowledgement of Shareholders' rights to have a "say on pay".

Resolution 6 deals with the proposed re-election of all of the Directors who are proposed for re-election. The Board has adopted the practice that all Directors continuing in office will submit themselves for re-election at each Annual General Meeting. This was done for the first time in 2011. Biographies of all the Directors proposed for re-election are set out on pages 32 to 33 of the Annual Report in the Corporate Governance Section. A formal evaluation of the performance of each of the Directors has been undertaken. I can confirm that each of the Directors continues to perform effectively and demonstrates commitment to the role.

Resolution 7 is a standard resolution which authorises the Directors to fix the remuneration of the Auditors. Under Irish Company law, the Auditors, PricewaterhouseCoopers, are deemed to be re-appointed in accordance with S.383 of the Companies Act 2014. The Audit Committee last put the provision of audit services to the Company out to tender in 2015.

Resolution 8 will be proposed as an Ordinary Resolution to renew the Directors' authority under Section 1021 of the Companies Act 2014 to allot shares up to an aggregate nominal value of €6,863,907 (representing approximately 33% of the issued ordinary share capital (excluding treasury shares) as at 22 March 2019 (the latest practicable date prior to the publication of this letter)).

The Board currently has no intention to issue shares pursuant to this authority except for issues of ordinary shares under the Company's share option plans and the Board will only exercise this authority if it considers it to be in the best interests of Shareholders generally at that time. This authority, if renewed, will expire on the earlier of the date of the next Annual General Meeting of the Company or 10 August 2020.

Resolution 9 will be proposed as a Special Resolution to renew the Directors' authority to issue shares for cash other than strictly pro-rata to existing shareholdings in certain circumstances being, (a) in the event of a rights issue or any other issue of shares for cash and is limited to an aggregate nominal value of €1,039,986 (representing approximately 5% of the Company's issued ordinary share capital (excluding treasury shares) as at 22 March 2019 being the latest practicable date prior to the publication of this letter) and/or (b) the allotment of equity securities pursuant to the Company's share option schemes for the time being in force.

The Board currently has no intention to issue shares pursuant to this authority except for issues of ordinary shares under the Company's share option plans and the Board will only exercise this authority if it considers it to be in the best interests of Shareholders generally at that time. This authority, if renewed, will expire on the earlier of the date of the next Annual General Meeting of the Company or 10 August 2020.

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

The total number of conditional awards over ordinary shares in the Company outstanding on 22 March 2019 is 642,974 representing 1.9% of the total issued share capital. If the Directors were to exercise the authority being renewed by this resolution up to the maximum allowed and to cancel such shares and all other shares held in treasury, these conditional awards would represent 4.1% of the total issued share capital.

The Board will only exercise this authority if it considers it to be in the best interests of Shareholders generally at that time. This authority, if renewed, will expire on the earlier of the date of the next Annual General Meeting of the Company or 10 August 2020.

Resolution 11 will be proposed as a Special Resolution to set the price ranges at which the Company may re-issue treasury shares off-market.

The Board will only exercise this authority if it considers it to be in the best interests of Shareholders generally at that time. This authority, if renewed, will expire on the earlier of the date of the next Annual General Meeting of the Company or 10 August 2020.

Resolution 12 will be proposed as a Special Resolution to maintain the existing authority in the Company's Articles of Association which permits the convening of an Extraordinary General Meeting of the Company on 14 days' notice where the purpose of the meeting is to consider an Ordinary Resolution only.

Form of Proxy

Those shareholders unable to attend the Meeting may appoint a proxy. The appointment may be submitted by post by completing the enclosed Form of Proxy and returning it to the Company's Registrar, Computershare Investor Services (Ireland) Limited, 3100 Lake Drive, Citywest Business Campus, Dublin 24, Ireland. Your Form of Proxy may also be submitted through the internet. Instructions on how to do this are set out on the Form of Proxy. CREST members who wish to appoint a proxy or proxies via the CREST electronic proxy appointment service should refer to note 6 on the form of proxy.

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

Recommendation

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

Yours faithfully,

Liam Herlihy
Chairman

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held in the Irish Farm Centre, Old Naas Road, Bluebell, Dublin 12, Ireland on Friday 10 May 2019, at 11 a.m. for the following purposes:

To consider and, if thought fit, pass the following resolutions as **Ordinary Resolutions**:

1 To receive and consider the Report of the Directors and the Financial Statements for the year ended 31 December 2018.

2 To declare a dividend on the 14% non-cumulative preference shares.

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

4 To declare a final dividend of 50 cent per ordinary share.

5 To approve the Report on Directors' Remuneration appearing in the Financial Statements for the year ended 31 December 2018 (Advisory Resolution).

6 To re-elect the following persons as Directors of the Company:

(a) Walter Bogaerts

(b) Mary Brennan

(c) Joe Healy

(d) Liam Herlihy

(e) Fiona Muldoon

(f) David O'Connor

(g) John O'Grady

(h) Padraig Walshe

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

8 That the Directors be and they are hereby generally and unconditionally authorised pursuant to section 1021 of the Companies Act 2014 , in substitution for all existing such authorities, to exercise all powers of the Company to allot relevant securities (within the meaning of section 1021 of the said Act) up to an aggregate nominal amount of €6,863,907 during the period commencing on the date of the passing of this Resolution and expiring at the earlier of the conclusion of the Annual General Meeting of the Company in 2020 and close of business on the date 15 months from the date of the passing of this Resolution, provided that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority hereby conferred had not expired.

To consider and, if thought fit, pass the following resolutions as **Special Resolutions**:

9 That the Directors be and they are hereby empowered pursuant to Section 1023 of the Companies Act 2014 to allot equity securities (within the meaning of Section 1023 of the said Act) for cash pursuant to the authority conferred on them by Resolution 8 above as if sub-section (1) of Section 1022 of the said Act did not apply to any such allotment, provided that this power shall be limited to:

(a) the allotment of equity securities up to but not exceeding an aggregate nominal amount of €1,039,986; and/or

(b) the allotment of equity securities pursuant to any employee share schemes or share incentive plans of the Company for the time being in force,

such power to be effective from the time of passing this Resolution and shall expire at the earlier of the conclusion of the Annual General Meeting of the Company in 2020 and close of business on the date 15 months from the date of the passing of this Resolution, and provided that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power hereby conferred had not expired.

10 That the Company and/or any of its subsidiaries (as defined by Section 7 of the Companies Act 2014) be and are hereby generally authorised to make market purchases (as defined in Section 1072 of the Companies Act 2014) of shares of any class of the Company ("the Shares") on such terms and conditions and in such manner as the Directors may from time to time determine but subject, however, to the provisions of the Companies Act 2014, the Articles of Association of the Company and to the following restrictions and provisions:

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

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

(c) the maximum price which may be paid for any Share (a "Relevant Share") shall be the higher of:

(i) an amount equal to 105 per cent of the average market value of a Relevant Share as determined in accordance with this paragraph (c); and

(ii) the price stipulated by the Commission Delegated Regulation (EU) 2016/1052, being the higher of the price of the last independent trade of any number of Relevant Shares and the highest current independent bid for any number of Relevant Share on the trading venue where the purchase pursuant to the authority conferred by this Resolution will be carried out,

where the average market value of a Relevant Share for the purpose of sub-paragraph (i) shall be an amount equal to the average of the five amounts resulting from determining whichever of the following ((1), (2) or (3) specified below) in relation to the Shares of the same class as the Relevant Share shall be appropriate for each of the five consecutive business days immediately preceding the day on which the Relevant Share is purchased, as determined from the information published in the Euronext Dublin Daily Official List reporting the business done on each of those five business days;

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

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

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

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

The authority hereby conferred will expire at the close of business on the date of the next Annual General Meeting of the Company or the date which is fifteen months after the date on which this Resolution is passed or deemed to have been passed whichever is the earlier, unless previously varied, revoked or renewed in accordance with the provisions of Section 1074 of the Companies Act 2014. The Company or any such subsidiary may before such expiry enter into a contract for the purchase of Shares which would or might be wholly or partly executed after such expiry and may complete any such contract as if the authority conferred hereby had not expired.

11 That for the purposes of Section 1078 of the Companies Act 2014 the re-issue price range at which any treasury shares (as defined by the said Companies Act 2014) for the time being held by the Company may be re-issued off-market shall be as follows:

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

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

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

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

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

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

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

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

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

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

The authority hereby conferred shall expire at the close of business on the date of the next Annual General Meeting of the Company, or the date which is fifteen months after the date on which this Resolution is passed or deemed to have been passed whichever is the earlier, unless previously varied or renewed in accordance with the provisions of Section 1078 of the Companies Act 2014.

12 That it is hereby resolved, in accordance with Section 1102 of the Companies Act 2014, the Directors be and they are hereby authorised to call a General Meeting, other than an Annual General Meeting or a meeting for the passing of a special resolution, on not less than 14 days' notice and accordingly that the provision in Article 50(a) of the Company's Articles of Association shall continue to be effective.

By order of the Board

Derek Hall
Company Secretary
FBD House, Bluebell, Dublin 12, Ireland

29 March 2019

Information for Shareholders

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

Every shareholder registered at the record date for the meeting (the "Record Date"), irrespective of how many FBD Holdings plc shares he/she holds, has the right to attend, speak, ask questions and vote at the AGM. Completion of a form of proxy will not affect your right to attend, speak, ask questions and/or vote at the meeting in person.

2. Appointment of Proxy

If you cannot attend the AGM in person, you may appoint a proxy (or proxies) to attend, speak, ask questions and vote on your behalf. For this purpose a Form of Proxy has been sent to all registered shareholders. A proxy need not be a member of the Company. You may appoint the Chairman of the Company or another individual as your proxy. You may appoint a proxy by completing the Form of Proxy, making sure to sign and date the form at the bottom and return it in the pre-paid envelope provided to the Company's Registrar, Computershare Investor Services (Ireland) Limited, 3100 Lake Drive, Citywest Business Campus, Dublin 24, Ireland to be received no later than 11 a.m. on 8 May 2019. If you are appointing someone other than the Chairman as your proxy, then you must fill in the details of that person in the box located underneath the wording "I/We hereby appoint the Chairman of the Meeting OR the following person" on the Form of Proxy.

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

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

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

3. Record Date for AGM

Pursuant to Section 1095 of the Companies Act, 2014 and pursuant to Regulation 14 of the Companies Act, 1990 (Uncertificated Securities) Regulations, 1996, the Company hereby specifies that only those Shareholders registered in the Register of Members of the Company as at 6 p.m. on the day which is two days before the date of the meeting shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes in the Register after that time will be disregarded in determining the right of any person to attend and/or vote at the meeting or the number of votes any Shareholder may have in the case of a poll vote.

4. How to exercise your voting rights

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

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

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

5. Tabling Agenda Items

If you or a group of Shareholders hold 1,186,155 or more ordinary or preference shares of €0.60 each in FBD Holdings plc (i.e. at least 3% of the issued share capital of the Company carrying voting rights), you or the group of Shareholders acting together have the right to put an item on the agenda for the AGM. In order to exercise this right, written details of the item you wish to have included on the agenda for the AGM together with a written explanation setting out why you wish to have the item included on the agenda, and evidence of the shareholding, must have been received by the Company Secretary at FBD Holdings plc, FBD House, Bluebell, Dublin 12, Ireland or by e-mail to investorrelations@fbd.ie no later than 11 a.m. on Friday 29 March 2019 (i.e. 42 days before the time scheduled for the holding of the AGM). An item cannot be included on the agenda for the AGM unless the foregoing conditions are satisfied and it is received by the stated deadline.

6. Tabling Draft Resolutions

If you or a group of Shareholders hold 1,186,155 or more ordinary and/or preference shares of €0.60 each in FBD Holdings plc (i.e. at least 3% of the issued share capital of the Company carrying voting rights), you or the group of Shareholders acting together have the right to table a draft resolution for inclusion on the agenda for the AGM subject to any contrary provision in company law.

In order to exercise this right, the text of the draft resolution and evidence of shareholding must have been received by post by the Company Secretary at FBD Holdings plc, FBD House, Bluebell, Dublin 12, Ireland or by email to investorrelations@fbd.ie no later than 11 a.m. on Friday 29 March 2019 (i.e. 42 days before the time scheduled for the holding of the AGM). A resolution cannot be included on the agenda for the AGM unless it is received in either of the foregoing manners by the stated deadline. Furthermore, Shareholders are reminded that there are provisions in company law, and otherwise, which impose other conditions on the right of shareholders to propose resolutions at a General Meeting of a company.

7. Right to ask questions

Pursuant to Section 1107 of the Companies Act 2014, Shareholders have a right to ask questions related to items on the AGM agenda and to have such questions answered by the Company subject to any reasonable measures the Company may take to ensure the identification of Shareholders.

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

The annual Financial Statements, reports of the Directors and the Auditors and the Report of the Remuneration Committee are contained in the Company's Annual Report which was dispatched to Shareholders on 29 March 2019. The Annual Report is also available on the Company's website www.fbdgroup.com.

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

The Memorandum and Articles of Association of the Company are available on the Company's website www.fbdgroup.com and may also be inspected during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the Company's Registered Office at FBD House, Bluebell, Dublin 12, Ireland up to and including the date of the Annual General Meeting and at the Annual General Meeting itself.

9. Further Information

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

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FBD House, Bluebell, Dublin 12

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