



DELIVERING RESULTS BY INVESTING IN

OUR CUSTOMERS,
OUR PEOPLE AND
INNOVATION

F|B|D

FBD Holdings plc
Annual Report 2013



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Financial Highlights

CONTINUING OPERATIONS

	2013 €000s	Restated* 2012 €000s	2011 €000s	2010 €000s	2009 €000s
Gross premium written	351,195	344,255	351,111	358,385	357,244
Net premium earned	296,387	300,625	300,920	299,551	309,032
Operating profit before taxation	52,673	65,354	60,221	40,107	28,002
Profit for the year	44,892	44,704	41,618	16,927	643
	2013 Cent	2012 Cent	2011 Cent	2010 Cent	2009 Cent
Operating earnings per share	136	170	157	105	72
Diluted earnings per share	131	131	123	50	1
Net asset value per share	823	721	630	547	576
Ordinary dividend per share	49.00	42.25	34.50	31.50	30.00

*2012 figures have been restated to reflect changes to IAS 19 "Employee Benefits".

CALENDAR:

Preliminary announcement	3 March 2014
Annual General Meeting	29 April 2014
Final dividend payment date	7 May 2014

Chairman's Statement

Michael Berkery
Chairman

I am very pleased to report another excellent year for FBD in 2013 with profit before taxation of €51.5m and significant progress on the implementation of strategic initiatives. Although the Irish insurance market continued to decline during 2013, some initial signs of economic recovery were evident in the second half of the year.

FBD's market share grew again in 2013 as we benefited from the relative strength of the agricultural sector and the continued development of our multi-channel distribution strategy.

Road deaths increased significantly in 2013, albeit from the historically low level recorded in 2012. It is in all our interests that the State's institutions maintain the momentum to ensure that the hard-won progress on road safety made over the past number of years is not dissipated.

The industry was heavily impacted by severe weather claims as a result of the wind storms and flooding during the 2013/14 winter period. This is the business we are in and our role is to support our customers through such periods. In this environment, FBD's underwriting discipline and prudent reinsurance policy continue to serve their purpose in protecting the Group's trading result, its capital base and solvency.



As a country we cannot prevent natural catastrophes but there are measures that could be taken to minimise the damage caused by weather events in the future. Ireland needs a concerted, national approach to address issues such as improving planning and development to take greater account of flood risks, investment in flood defences, and the management and maintenance of watercourses and drainage. The insurance industry has indicated that it is eager to play a collaborative role with the Government and public sector agencies to address these issues.

FBD made significant progress on our strategic initiatives during 2013. The Group now provides insurance protection for more farming customers than at any time in its history. FBD continues to devote considerable resources to ensuring that we understand the on-going insurance needs of farming customers and providing insurance products that matter to them. The Group has also made progress on developing partnerships with insurance brokers to increase penetration of the business insurance market and with the provision of products that are suitable for the urban personal lines market. During the year, FBD launched a car insurance product for the broker market under the "Clan Insurance" brand, which will, in time, further increase our penetration into the Irish personal lines market.

The Board is recommending a final dividend of 33.25 cent per share, bringing the full 2013 dividend to 49 cent, an increase of 16% on 2012. The increase follows a 22% increase in 2012 and continues the move towards the Board's target pay-out ratio of 40% to 50% of operating earnings. It also reflects the Board's confidence that FBD can continue to outperform its peers.

In February this year, both Mr. Johan Thijs and Mr. John Bryan resigned as Directors, having served on the Board since 2004 and 2010 respectively. Mr. Vincent Sheridan, who has also served on the Board since 2004, has indicated that he will not be seeking re-election to the Board at the AGM on 29 April 2014. I want to thank all three for the very significant contribution they have each made to the Board and to the Group since their appointments, and to wish them every success in the future.

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

Michael Berkery
Chairman

28 February 2014

INVESTING IN OUR CUSTOMERS

Michael O'Mahony

Regional Sales Manager - South West Region



Kieran O'Sullivan
*West Cork Dairy Farmer with
father Donal, son Cathal
and Lass the dog*

“I chose FBD, as my father did four decades ago, because they are in touch with the business of farming and know what’s needed. I like the personal touch I get from Mary and the staff in the Skibbereen office because they know where I live and the type of farm I run.

For me, FBD are in touch, good value and have always been there for us when we needed them.”





Review of Operations

OVERVIEW

FBD delivered another excellent performance in 2013, with profit before taxation of €51.5m. Gross premium written was up 2%, the first increase since 2010. While initial signs of economic recovery in Ireland were evident in the second half of 2013, industry premium and profitability remain challenging. The Group again demonstrated its ability to deliver superior returns to shareholders by outperforming peers.

Andrew Langford
Group Chief Executive



Gross premium written increased by 2% to €351.2m (2012: €344.3m) while the market declined by approximately 4%-5%. By continuing to develop solutions that meet the needs of existing and new customers, the Group increased market share to approximately 13.4% (2012: 12.6%), its highest ever share while at the same time maintaining underwriting discipline within the Group's risk appetite. FBD has grown market share in 12 of the last 13 years whilst also delivering market leading combined operating ratios over the same period.

Diluted earnings per share was 131 cent (2012: 131 cent). The Group further strengthened its capital base and balance sheet with net asset value per share increasing by 14.1% to 823 cent. FBD Insurance had a solvency level of 78.1% of net premium earned at the end of 2013 (2012: 73.8%). From this position of strength, the Board has decided to increase the full-year dividend by 16% to 49 cent (2012: 42.25 cent).

BUSINESS REVIEW

Underwriting

Premium Income

The Irish property and casualty insurance market contracted by approximately 4%-5% in 2013, as insurable risk and values reduced further, while rates continued to decline. The market combined operating ratio ("COR") in 2012 was 109%. Pressure on market rates suggests further deterioration in industry profitability in 2013. There were some early signs of industry rate increases in the final quarter of 2013, particularly in car insurance.

FBD's gross premium written increased by 2.0% to €351.2m (2012: €344.3m), increasing FBD's market share from 12.6% to approximately 13.4%. Policy volume grew by 2.6% for the full year. Average rates were 0.7% lower with a reduction in the first six months offset by an improvement during the second half of the year. Policy volume and premium income were also stronger in the second half of the year. The stabilisation in the economy in 2013 led to a marginal increase in FBD customers' insurable values, which had declined 15% since 2008.

FBD delivered this growth by meeting the needs of existing and new customers through the following market initiatives;

- A key strategic priority for FBD is to deliver on all the insurance needs of farming customers. In 2013, FBD further increased the number of farms it insured and the number of policies per farming customer. FBD now protects more farming customers than at any time in its history;
- The initiative to enter into partnerships with insurance brokers to increase penetration of the business insurance market progressed positively. Business written through Brokers increased by 30.2% over 2012. The increase in broker business more than offset the decline in business insurance written directly, as the economic challenges facing Ireland have had a significant impact on small, rural consumer facing businesses.
- The Group's online offerings, FBD.ie and No Nonsense.ie, continued their managed growth, increasing FBD's share of urban personal lines in 2013. No Nonsense's 'readymade' motor insurance packages have been particularly successful in attracting the cost-conscious consumer while its telematics product 'SmartDriver', aimed at drivers under the age of 30, also helped deliver growth.

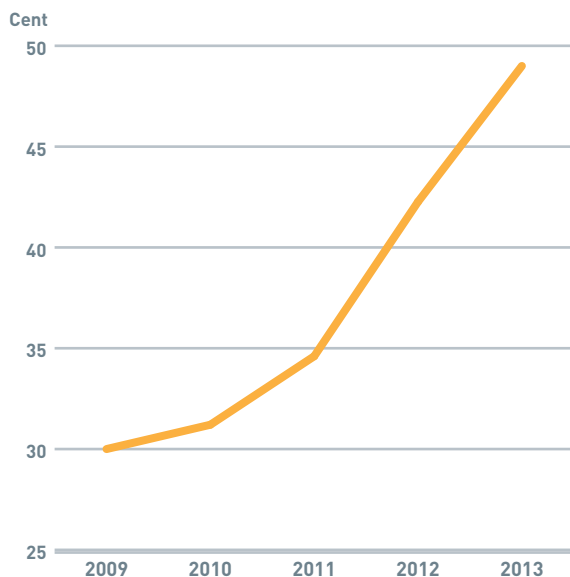
During 2013, the 'TopDriver' app was launched to allow prospective policyholders gauge their driving behaviours prior to taking out a telematics product with No Nonsense. This has the added benefit of encouraging positive selection where drivers with good habits and safe driving styles are more likely to take out a policy.

- In the second half of 2013, the Group launched a car insurance product for the broker market under the 'Clan Insurance' brand. This initiative provides the Group with access to a large customer segment that was previously out of reach, and will enable the Group to increase its share of the Irish car insurance market in a controlled and sustainable manner.

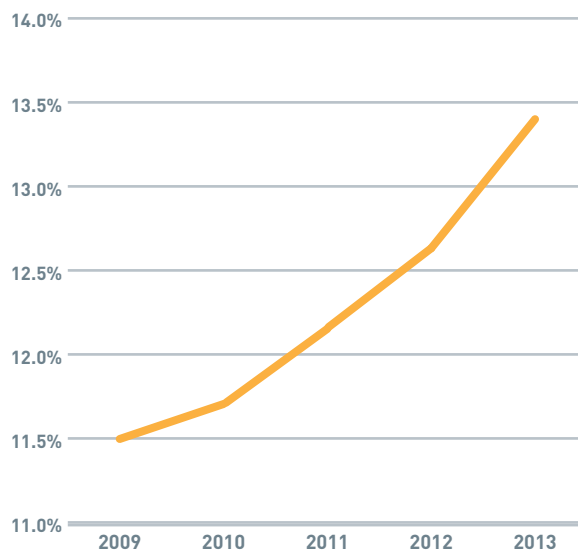
These initiatives provide the Group with a sustainable platform for growth. The gains in premium arising from the above were somewhat offset by a decline in the numbers of homes insured by FBD. In 2013, market pricing for home insurance was insufficient to generate an acceptable return and, as a result, FBD maintained its underwriting discipline rather than compete with uneconomic rates in the market.

Although gross premium written increased by 2% in 2013, net premium earned, which is determined not only by the gross premium written in 2013 but also by the lower gross premium written in 2012, decreased by 1.4% to €296.4m.

Dividend per share



Market Share



Claims

Net claims incurred were €201.2m, an increase of 4.9% on 2012, bringing the loss ratio from 63.8% to 67.9%.

While the weather was benign for most of 2013, storm and flood claims in the last weeks of 2013 cost €4.5m, net of reinsurance. The Group also experienced a small number of very large accident and liability claims (costing more than €1m each) in 2013. The combined cost of severe weather and large claims, which will fluctuate from year to year, was 18.7% of net earned premium, significantly higher than the 13.1% cost in 2012 and two percentage points higher than the seven year average cost of 16.7%. Ultimately, FBD provides its customers with certainty when such events arise, and therefore an element of variability in the loss ratio is to be expected. The Group mitigates this variability through reinsurance and its decisions are made based on longer term trends rather than short term variations.

The Group's attritional loss ratio, which measures the cost of routine claims and excludes the combined cost of severe weather and large claims, improved again in 2013 to 49.2% (2012: 50.7%), the fifth consecutive year of improvement for this key performance indicator.

Further savings were made in reducing those elements of claims costs that are within the Group's control, including risk selection, rating, claims management initiatives and underwriting improvements. While the weather events experienced in Ireland in late 2013 and early 2014 have been severe, the Group's use of risk selection tools have curtailed the impact of flood related damage.

The 17% increase in road deaths in Ireland in 2013 is disappointing, albeit this was from a historic low base recorded in 2012. While an element of this may relate to growth in economic activity, every fatality is a cause for concern. A concerted plan needs to be put in place to ensure that progress made in previous years does not continue to reverse.

Expenses

Net underwriting expenses were €77.6m compared to €76.8m in 2012. The net expense ratio was 26.2% in 2013 compared to 25.5% in 2012, with the increase primarily attributable to the lower level of net premium earned in 2013. The Group has maintained its competitive cost advantage while at the same time investing in a platform for growth.

The Group's combined operating ratio for 2013 was 94.1% (2012: 89.4%) resulting in an underwriting profit of €17.6m, compared to €32.0m achieved in 2012.

Investment return

The Group maintained its tactical position of a low allocation to long-dated bonds to protect shareholders and customers from the risk of rising bond yields. Actual investment return for 2013 was €29.4m compared to €25.0m in 2012, representing a 3.6% return on underwriting investments. This excellent return was delivered despite the low interest rates prevalent in the market and was aided by the Group's decision not to invest in long-dated bonds and the strong return on the 8% (2012: 7%) of underwriting investment assets invested in equities.

The longer term rate of return was €28.7m, up from €27.8m in 2012 resulting in an operating profit for the Group's underwriting business of €46.3m (2012: €59.7m).

Financial services

FBD's financial services businesses generated an operating profit of €6.4m, an improvement over €5.6m in 2012 despite challenging economic conditions.

Financial services include premium instalment services and life, pension and investment broking (FBD Financial Solutions), net of the costs of the holding company. The proportion of insurance customers availing of premium instalment facilities continued to increase.

Joint Venture

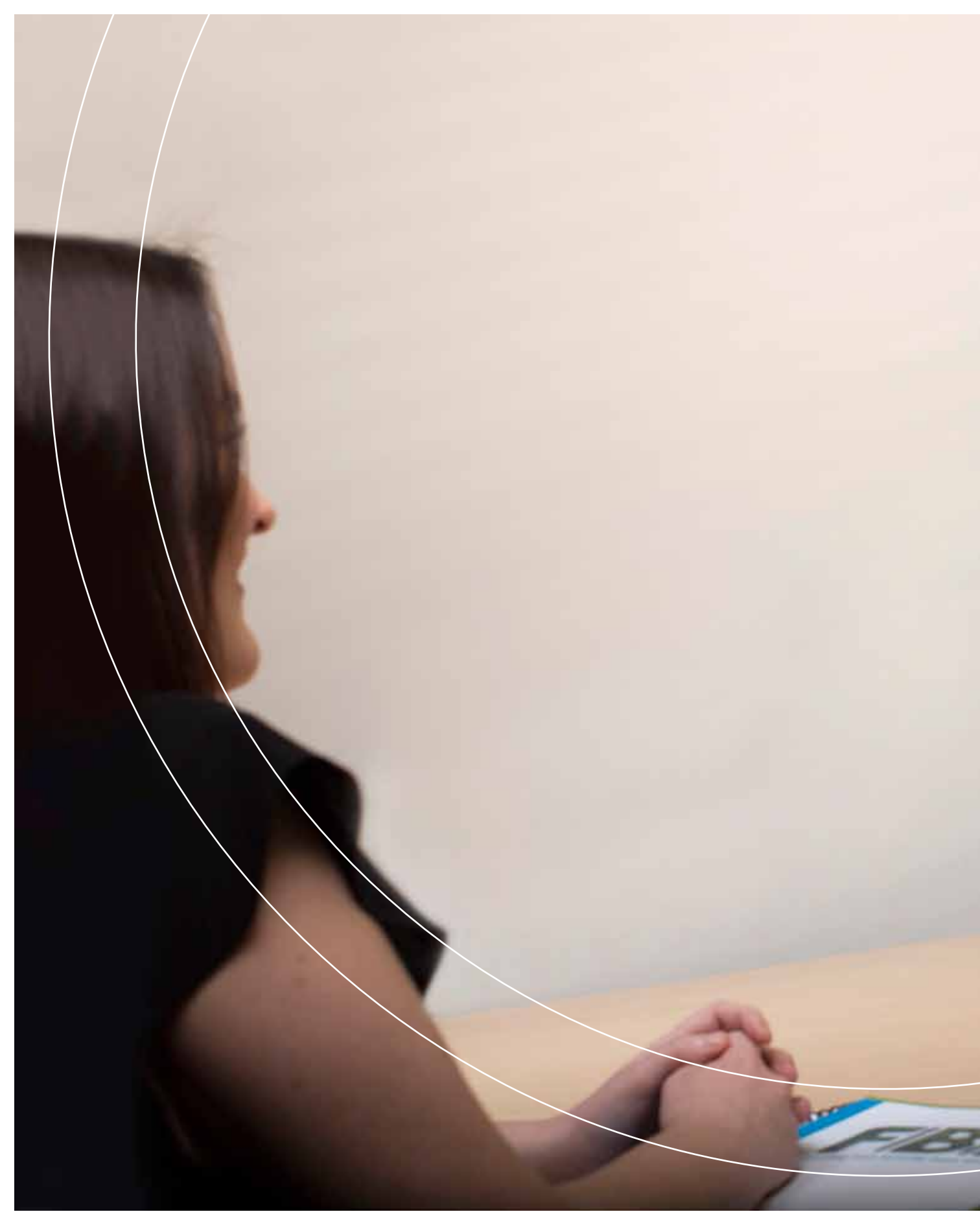
The trading performance of the property and leisure joint venture improved again in 2013, driven by growth in occupancy and rates, particularly in the Irish market, where revenue per room increased by 9%. The remaining units in La Cala in Spain were sold in 2013. The Group's share of the joint venture's results was a profit of €1.3m (2012: loss of €1.7m) of which €0.6m related to an increase in property valuations (2012: €1.7m write-down). Encouragingly, the market for Irish hotel assets has strengthened during 2013, with improving operational performance and higher multiples in completed transactions increasing property valuations.



INVESTING IN OUR PEOPLE



Geraldine Bowe
Business Intelligence Manager





Geraldine Bowe

“All of the managers at FBD have taken part in a year-long management development programme and as a relatively new manager myself, I have really benefited from this training. Not only has it helped me progress in my new role, but it has helped me empower all of my team to grow in confidence, to show greater initiative and to better serve our customers.”

Profit before taxation

Actual investment return was €0.7m higher (2012: €2.8m lower) than the longer term rate of return, although this was offset by a property downward revaluation charge of €1.1m (2012: €1.0m) and restructuring and other costs of €2.1m (2012: €7.7m).

Profit before taxation for continuing operations amounted to €51.5m (2012: €52.2m). After a taxation charge of €6.6m (2012: €7.5m), the profit after taxation was €44.9m (2012: €44.7m).

Earnings per share

Operating earnings per share based on longer-term investment return amounted to 136 cent (2012: 170 cent). Diluted earnings per share was 131 cent (2012: 131 cent).

Return on equity in 2013 was 17.3% (2012: 21.5%), an excellent outcome in a low interest rate environment.

DIVIDEND

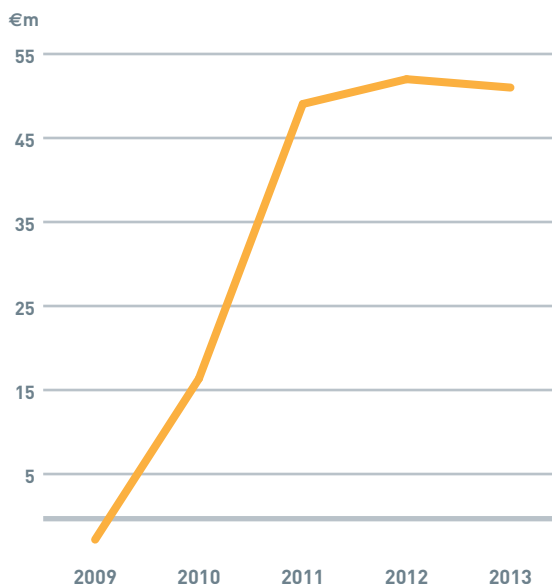
The Board believes that it is in the long-term interest of all stakeholders to maintain strong solvency and liquidity margins and it is determined to ensure that the Group's capital position continues to be robust and its financial position well managed. The Group is committed to a progressive dividend policy and efficient management of capital.

The Board is recommending a final dividend payment of 33.25 cent per share (2012: 30.00 cent), an increase of 10.8%, bringing the full 2013 dividend to 49.00 cent (2012: 42.25 cent), an increase of 16.0%. This represents a dividend payout ratio of 36.0% based on operating earnings and 37.4% based on diluted earnings per share. This increase in dividend continues the Group's move towards its desired pay-out ratio of 40% to 50% of operating profit, while maintaining a high dividend cover and providing the potential for a progressive dividend in future years.

Subject to the approval of shareholders at the Annual General Meeting to be held on 29 April 2014, this final dividend for 2013 will be paid on 7 May 2014 to the holders of shares on the register on 14 March 2014.

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

Profit before taxation



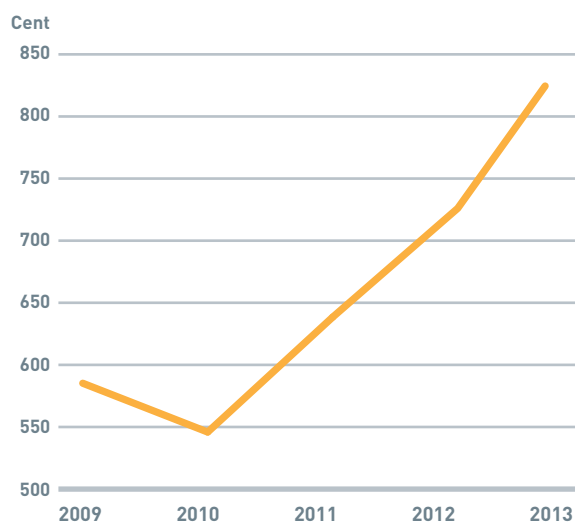
STATEMENT OF FINANCIAL POSITION

The Group's financial position further strengthened in 2013. Ordinary shareholders' funds grew to €277.2m (2012: €241.3m). Net assets per share increased to 823c (2012: 721c) increasing by over 14% for the second year in a row. The increase in shareholders' funds is mainly attributable to profit after taxation of €44.9m, a reduction in the liability for retirement benefit obligations of €2.2m less dividends of €15.7m.

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

The Group continues to be encouraged by the improvement in confidence in the global economy and by policymakers' actions to address the dislocation in the international monetary system. As a result, the Group reduced the proportion of underwriting assets invested in cash and bonds from 90% to 86% during 2013. The average term of these assets remains shorter than the Group's technical reserves, with more term deposits and less fixed interest securities than the Group's strategic investment allocation.

Net Asset Value Per Share



This tactical asset allocation demonstrates the Group's desire to preserve capital, particularly as the reward available on longer dated assets does not justify the additional risk. This protects customers and shareholders and positions the Group well for a rising yield environment.

FBD Insurance had a solvency level of 78.1% of net premium earned at the end of 2013, up from 73.8% at the end of 2012 which represents 387% (2012: 367%) of the minimum solvency margin, and a reserving ratio of 235% (2012: 232%). FBD had a healthy surplus over best estimate and a €46.5m positive run-off of prior-year claims reserves in 2013, continuing the Group's long history of recording positive run-offs on its claims reserves.

In line with all European insurers, FBD Insurance is preparing for the introduction of the new Solvency II regulations which are to come into effect on 1 January 2016. FBD Insurance has calculated its solvency capital requirement on the basis that Solvency II, as currently proposed, was effective at 31 December 2013. The results showed that FBD Insurance had excess capital over the expected requirement.

Table 1 - Asset allocation

	31 December 2013		31 December 2012	
	€m	%	€m	%
Underwriting investment assets				
Deposits and cash	454	53%	499	59%
Corporate bonds	144	17%	152	18%
Government bonds	134	16%	110	13%
Equities	73	8%	60	7%
Unit trusts	24	3%	0	0%
Own land & buildings	15	2%	16	2%
Investment property	12	1%	11	1%
Underwriting investment assets	856	100%	848	100%
Working capital & other assets	116		100	
Investment in joint venture	45		44	
Reinsurers' share of technical provisions	44		55	
Plant and equipment	31		20	
Total assets	1,092		1,067	

OUTLOOK

There are initial signs of a recovery in the Irish economy, and domestic demand, the best indicator of the trend in insurable risk available in the market, turned positive in the second half of 2013 and is forecast to grow, albeit marginally, in 2014. Economic activity turned around faster than anticipated by the insurance market and the resulting growth will be very positive for FBD in terms of premium income, particularly given the Group's opportunity to continue to outperform the market. Increased economic activity leads to higher claims frequency and there is invariably a time lag before this is reflected in market premiums. This will have a short term impact on profitability in 2014 and the early part of 2015.

Market rates should rise given the profitability challenges already facing the industry, the extent of recent weather losses and any impact of increased frequency arising from economic activity. Market size in 2014 will depend on the speed and extent to which the market chooses to adjust rates to deliver an acceptable return.

During 2013, the combined cost of severe weather and large claims were above historic norms. The Group expects that these claims costs will revert to normal levels in 2014 and that the initiatives on those aspects of claims costs that are within the Group's control will continue to have a positive impact on the loss ratio.

The wind storm that hit Ireland in the middle of February 2014 is likely to cost the industry up to €130m. The Group budgets for catastrophic weather events, net of reinsurance, and the February wind storm will not exceed that budget. However, the persistent bad weather over the preceding month, whilst not amounting to a catastrophic event, will lead to an increase in the cost of 2014 claims.

FBD is committed to achieving profitable growth by constantly focussing its business on the needs of customers. The Group intends to continue delivering products and services that matter to its farming and direct business customers. In 2014, FBD expects to increase penetration of key urban markets, in particular Dublin, and of the business insurance market, in partnership with brokers. The Board is confident that these initiatives, along with personal lines business written through FBD, No Nonsense and the Clan Insurance brands, will enable the Group to outperform the market again in 2014 and deliver superior returns to shareholders.

Andrew Langford
Group Chief Executive

28 February 2014



INVESTING IN INNOVATION



Brian Fahey

Sales Systems & Processes Manager





Brian Fahey

“Putting our customers at the centre of what we do has always been our priority in FBD. That is why we are investing in a new technology platform that will help us focus better on our customers’ needs and respond with even greater agility. At a cost of over €20 million and with over 100 of our people directly involved in implementing the new system, the scale of this investment is unprecedented in FBD and it is a real statement of our ambition for the future.”

Corporate Information

Registered Office and Head Office

FBD House
Bluebell
Dublin 12
Ireland

Independent Auditors

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

Solicitors

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

Registrar

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

Bankers

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

Stockbrokers

Goodbody Stockbrokers
Ballsbridge Park
Ballsbridge
Dublin 4
Ireland

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

Report of the Directors

The Directors present their report and the audited Financial Statements for the year ended 31 December 2013.

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 brokerage, FBD Financial Solutions. 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 pages 3 and 4 and in the Group Chief Executive's Review of Operations on pages 8 to 16. Information in respect of the significant events since the year end and a review of the key performance indicators are also included in these sections. The key performance indicators include gross premium written, operating earnings, profit for the year and net asset value per share.

RESULTS AND DIVIDENDS

The results for the year are shown in the Consolidated Income Statement on page 49. The profit, that was transferred to reserves and the dividends paid during the year are shown in Note 27 on page 100. The Directors propose the payment of a final dividend for the year on the €0.60 ordinary shares of 33.25 cent (2012: 30.00 cent). During the year an interim dividend of 15.75 cent was paid (2012: 12.25 cent). The total dividend for the year amounts therefore to 49.00 cent (2012: 42.25 cent). The policy of the Board in relation to dividends is outlined in the Chairman's Statement and the Group Chief Executive's Review of Operations.

SUBSEQUENT EVENTS

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

RISK AND UNCERTAINTIES

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

General Insurance Risk

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

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

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

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

Capital Management Risk

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

Operational Risk

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

Liquidity Risk

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

Market Risk

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

Credit Risk

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

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

Concentration Risk

Concentration risk is the risk of loss due to overdependence on a singular entity or category of business.

While all of the Group's underwriting business is conducted in Ireland, it is spread over a wide geographical area with no concentration in any one county or region.

The Group adheres to a strict investment policy and actively manages its investment portfolio to ensure that there is an optimum spread and duration of investments and that these investments are only with institutions with an acceptable credit rating.

Macro-economic Risk

These are the risks faced by the Group as a result of macro-economic changes including economic downturn, increasing competition, changing market trends and the risk associated with changes in the taxation laws in the jurisdiction in which the Group operates. The success of the Group depends on its ability to react appropriately to these changes.

Other Risks

- The risk that the strategy adopted by the Board is incorrect or not implemented appropriately resulting in sub-optimal performance.
- The risk that the loss of a key executive officer or other key employee, the adoption of inappropriate HR policies or regulatory changes affecting the work force or the limited availability of qualified personnel may disrupt operations or increase cost structures.
- The risk that an interruption or failure of information systems may result in a significant loss of business, assets, or competitive position.

All of the foregoing risks are dealt with in further detail in note 41.

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

SUBSIDIARIES

The Company's principal subsidiaries, as at 31 December 2013, are listed on page 111 (note 35).

DIRECTORS

The present Directors of the Company, together with a biography on each, are set out on pages 26 and 27.

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

ANNUAL GENERAL MEETING

The notice of the Annual General Meeting of the Company which will be held at 12.00 noon on 29 April 2014 in the Irish Farm Centre, Old Naas Road, Bluebell, Dublin 12, is set out on pages 127 to 130.

A letter from the Chairman detailing the business to come before the Annual General Meeting is included at pages 125 to 126.

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 2013 and 1 January 2013 were as follows:

Beneficial	Number of ordinary shares of €0.60 each	
	31 December 2013	1 January 2013
Michael Berkery	30,000	30,000
Andrew Langford	75,000	40,000
Cathal O'Caoimh	20,179	1,179
Vincent Sheridan	4,150	4,150
Padraig Walshe	1,100	1,100
Conor Gouldson (Company Secretary)	9,120	420

The interests of the Directors and the Company Secretary in share options and conditional awards over the share capital of the Company under the shareholder approved share schemes are detailed in the Report on Directors' Remuneration on pages 35 to 43.

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 26 and 27, Share Option Schemes and the Performance Share Plan in note 38 and the Report on

Directors' Remuneration on pages 35 to 43 are deemed to be incorporated in this part of the Report of the Directors.

SUBSTANTIAL SHAREHOLDINGS

As at 28 February 2014 the Company has been notified of the following interests of 3% or more in its share capital:

Ordinary shares of €0.60 each	%
Farmer Business Developments plc	25.04%
FBD Trust Company Limited	8.76%
FMR LLC	6.77%

14% Non-cumulative preference shares of €0.60 each

Farmer Business Developments plc	100%
----------------------------------	------

8% Non-cumulative preference shares of €0.60 each

FBD Trust Company Limited	58.38%
Farmer Business Developments plc	41.62%

SHARE CAPITAL

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

Voting shares	Number in issue	% of Total
Ordinary shares of €0.60 each	34,077,719*	87.5
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	9.1
	38,950,011	100.0

* excluding 1,383,487 shares held in treasury

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

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

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

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

INDEPENDENT AUDITORS

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

PROPER BOOKS AND RECORDS

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

CORPORATE GOVERNANCE

The Corporate Governance Report on pages 25 to 34 forms part of this report and in this the Board has set out how it has applied the principles set out in the UK Corporate Governance Code, which was adopted by both the Irish Stock Exchange and the UK Listing Authority, and the Irish Corporate Governance Annex.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Chairman's Statement and the Review of Operations, as are the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition, note 41 of the Financial Statements includes the Group's policies and processes for risk management.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. As a result they continue to adopt the going concern basis of accounting in preparing the Financial Statements. In forming this view, the Directors have reviewed the Group's budget for 2014 and forecast for 2015, which take account of reasonably foreseeable changes in trading performance, the key risks facing the business and the medium-term plans approved by the Board in its review of the Group's corporate strategy.

APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements were approved by the Board on 28 February 2014.

Signed on behalf of the Board

Michael Berkery

Chairman

Andrew Langford

Group Chief Executive

28 February 2014

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 ("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 2013 and to the date of this report, we applied the principles of the Code and 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.

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 will be 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 2014.

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

During 2013 the Board comprised two executive Directors and eight non-executive Directors, including the Chairman.

The Board believes that it should have between 9 and 11 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. While it is expected that new Directors will be appointed to the Board during 2014, no changes to the Board size or structure are anticipated in the immediate future.

Six of the non-executive Directors in office during 2013 were considered to meet all of the criteria indicating independence set out in the Code.

	Date first elected by share-holders	Years from first election to the 2014 AGM	Considered to be independent
J Bryan	Apr 2011	3	Yes
S Dorgan	Apr 2008	6	Yes
B Horan	Apr 2012	2	Yes
D Mulvihill	Apr 2012	2	Yes
V Sheridan	Apr 2005	9	Yes
J Thijs	Apr 2005	9	Yes

Neither Mr. Walshe, who is chairman of the Group's largest shareholder, Farmer Business Developments plc, nor the Board Chairman Mr. Berkery, were 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, general and farming/agri industry experience, corporate finance, corporate governance, regulatory and other compliance, financial accounting and executive reward principles and practice.

DIRECTORS' BIOGRAPHIES

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

Michael Berkery, Chairman

Michael Berkery (aged 65) was elected Chairman of the Company in 1996. He was Chief Executive Officer of the Irish Farmers' Association for 25 years until his retirement in March 2009. He served on the National Economic and Social Council for over 20 years and was a director of the Agricultural Trust (publisher of the Irish Farmers Journal). He is chairman of FBD Trust Company Limited and a number of other companies. Mr. Berkery joined the Board in October 1988.

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

Sean Dorgan, independent non-executive Director

Sean Dorgan (aged 62) is currently non-executive Chairman of the Irish Management Institute (IMI) and is a non-executive Director of Short Brothers plc. He has previously served as chairman and non-executive director of a number of companies and organisations in the private and public sectors. He was Chief Executive of IDA Ireland for nine years until his retirement at the end of 2007. Prior to joining IDA he was Secretary General of the Departments of

Industry and Commerce and of Tourism and Trade and was Chief Executive of The Institute of Chartered Accountants in Ireland. Mr. Dorgan joined the Board, and the Audit Committee, in January 2008. He was appointed as Chairman of the Remuneration Committee in December 2011.

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

Brid Horan, independent non-executive Director

Brid Horan (aged 60) is currently Deputy Chief Executive of ESB, Ireland's leading energy company, having been an Executive Director of ESB since 2006. Before joining ESB in 1997 as Group Pensions Manager, Brid Horan headed KPMG Pension & Actuarial Consulting. An Actuary and a Chartered Director, Ms. Horan was a Commissioner of the National Pensions Reserve Fund from its establishment in 2001 to 2009 and a Board member of IDA Ireland from 1996 to 2006. Ms. Horan joined the Board, the Remuneration Committee and the Nomination Committee in December 2011.

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

Andrew Langford, Group Chief Executive

Andrew Langford (aged 44) joined FBD Holdings plc as Group Financial Accountant in 1996. In July 2003, he was appointed Executive Director – Finance of FBD Insurance plc. In December 2004, he was appointed to the Board of FBD Holdings plc as Executive Director – Finance. In May 2008, he was appointed Group Chief Executive. Prior to working in FBD, he worked in Deloitte & Touche where he qualified as a Chartered Accountant.

Mr. Langford is a director of Insurance Ireland, the industry body for insurance companies in Ireland, and is Chairman of its non-life council.

Dermot Mulvihill, independent non-executive Director

Dermot Mulvihill (aged 64) is a Chartered Accountant and was Group Finance Director of Kingspan Group plc for 26 years up until his retirement in May 2011. Mr. Mulvihill joined the Board and the Audit Committee in August 2011 and was appointed to the Nomination Committee in December 2011.

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

Cathal O’Caoimh, Group Finance Director

Cathal O’Caoimh (aged 56) joined the Group in October 2008 and was appointed to the Board as Group Finance Director. A Chartered Accountant, he joined FBD from Horizon Technology Group plc where he had been Chief Financial Officer since 2001. Prior to that Mr. O’Caoimh was Group Finance Director of Hibernian Insurance Group, having previously been Group Finance Director of Norwich Union Insurance Group in Ireland. Mr. O’Caoimh is a member of the Council of Chartered Accountants Ireland.

Vincent Sheridan, independent non-executive Director, Senior Independent Director

Vincent Sheridan (aged 65) retired as Chief Executive of Vhi Healthcare during 2008 after seven years in that role. Prior to that he was Group Chief Executive of the Norwich Union Insurance Group in Ireland for ten years. He is a past President of the Institute of Chartered Accountants in Ireland, the Irish Insurance Federation, the Insurance Institute of Ireland and the Irish Association of Investment Managers. He was a director of the Irish Stock Exchange for nine years to June 2004. He is also a former council member of the International Federation of Health Plans and the Financial Reporting Council in the UK. He serves on the Board of Beazley plc, Canada Life Europe, Mercer Ireland and a number of other companies. Mr. Sheridan joined the Board and was appointed as Chairman of the Audit Committee in August 2004, and was appointed to the Remuneration Committee in December 2011.

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

Padraig Walshe, non-executive Director

Padraig Walshe (aged 56) is Chairman of Farmer Business Developments plc, the Company’s largest shareholder. He is a past President of COPA, the European Farmers’ Organisation and of the Irish Farmers’ Association. Mr. Walshe previously served on the Board of FBD between 2006 and 2010, and rejoined the Board in December 2011.

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

BOARD DIVERSITY

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. Over the coming years and as opportunities to appoint arise, the Board will continue to seek candidates who have both the requisite skills and experience and who will help the Board achieve greater diversity.

During 2013 the Board comprised individuals with the following broad characteristics:

Tenure

0 – 2 years	30%
3 – 6 years	30%
7 – 9 years	30%
Over 9 years	10%

Gender

Male	90%
Female	10%

Executive/non-executive

Executive	20%
Non-executive	80%

Experience and skills

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

Insurance or financial services	60%
General industry	70%
Agri/farming	30%
Corporate finance	60%
Regulatory and compliance	80%
Financial accounting	60%
Executive reward	60%

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. He 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 Finance Director, 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 Board have access, in a timely fashion, to the 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.

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 Company.

Towards the end of 2012, the Board had its evaluation process externally facilitated by Praesta Ireland, an independent consultancy which has no other connections with the Company. The main conclusion from the evaluation process was that the Board, its Committees, the Chairman and individual Directors are performing very effectively with some suggestions made for further improvement.

The evaluation process for 2013 took place in January and February 2014. The purpose of the process was to identify areas which the Board can identify for 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 direct discussion between the Chairman and individual Directors and confidential written evaluation submissions which were collated by the Company Secretary and reported back to the Board in a non-attributable manner. The Board is satisfied that the confidentiality of the evaluation process ensured that objectivity was safeguarded. The Chairman has reported to the Board that direct discussions with individual Directors provided valuable two way feedback and were conducted in a professional and candid manner.

The output from the evaluation process for 2013 reaffirmed that the Board is operating effectively and is fulfilling its role. During 2014, the Board will pay particular attention to succession planning at Board level, having finalised well

developed succession plans for executive and senior management during the year. In addition the Board will further develop more formal feedback processes for Directors.

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 2013

	Board	Audit	Nomination	Remuneration
M Berkery	6/6	-	2/2	1/1
J Bryan	6/6	4/4	-	-
S Dorgan	6/6	4/4	-	1/1
B Horan	6/6	-	2/2	1/1
A Langford	6/6	-	2/2	-
D Mulvihill	6/6	4/4	2/2	-
C O'Caoimh	6/6	-	-	-
V Sheridan	6/6	4/4	-	1/1
J Thijs	2/6	-	2/2	-
P Walshe	6/6	-	-	-

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

BOARD COMMITTEES

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

- the Audit 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 either circulated to all of the Directors in the case of the Audit Committee or are available to any Director on request in the case of the other two Committees.

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

REPORT OF THE AUDIT COMMITTEE

Membership

V Sheridan	Committee Chairman, and independent non-executive Director
J Bryan	Independent non-executive Director
S Dorgan	Independent non-executive Director
D Mulvihill	Independent non-executive Director

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 each of Mr. Sheridan, Mr. Dorgan and Mr. Mulvihill have recent and relevant financial experience.

Objective of Committee

To assist the Board of the Company 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 four occasions during 2013. Meetings are attended by Committee members and, on occasion, by invitation, the Finance Director and the Head of Group Internal Audit. The statutory auditor, Deloitte & Touche, is also invited to attend at least two meetings per annum. The Committee regularly meets separately with the statutory auditor and with the Head of Group Internal Audit, without others being 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 2013

During the year the following were the main activities undertaken:

- 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 judgment and the risk of material misstatement including claims estimates and provisions;
- review of drafts of Annual Report and Half Yearly Report prior to their consideration by the Board;
- review of correspondence between the Company and IAASA, the Irish financial reporting regulator, in relation to the Annual Report;
- appraisal of the Internal Audit function, plan, work, report 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.

Having put the provision of audit services out to competitive tender in 2010 for an initial three year period, the Committee recommended during the year to extend the assignment period up to and including the audit of the Financial Statements for 2014. The Board was satisfied that the Group was obtaining value for the level of fees agreed.

The Committee retains direct oversight over the activities of the audit committee of the Group's principal subsidiary, FBD Insurance plc, and routinely receives the minutes of that Committee's meetings once they are approved.

Evaluation

The Committee's activities formed part of the Board's evaluation process which found the Committee to be operating effectively.

Vincent Sheridan

On behalf of the Audit Committee

28 February 2014

REPORT OF THE NOMINATION COMMITTEE

Membership

M Berkery	Committee Chairman, non-executive Director, Board chairman
B Horan	Independent non-executive Director
A Langford	Group Chief Executive
D Mulvihill	Independent non-executive Director
J Thijs	Independent non-executive Director

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 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 2013 to consider potential candidates for appointment to the Board to fulfil vacancies which are expected to arise during 2014 and to oversee the detailed succession planning process undertaken in the Group's principal subsidiary, FBD Insurance plc.

Michael Berkery

On behalf of the Nomination Committee

28 February 2014

REPORT OF THE REMUNERATION COMMITTEE

Membership

S Dorgan	Committee Chairman, and independent non-executive Director
M Berkery	Non-executive Director, Board chairman
B Horan	Independent non-executive Director
V Sheridan	Independent non-executive Director

Objective of Committee

To assist the Board of the Company 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 Company in a manner which is fair and in line with market norms, while not exposing the Company to unnecessary levels of risk.

Key responsibilities delegated to the Committee

- determining the broad policy for the remuneration of the Company'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 Company operates to recognised good governance standards in relation to remuneration;
- making awards of shares or options over shares under any of the Group's approved share schemes; and
- preparation of the 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 his individual remuneration arrangements are discussed. The Committee met once during 2013.

Activities of the Committee during 2013

The principal activities undertaken by the Committee during 2013 include:

- annual review of remuneration arrangements for executive Directors and other senior executives, including bonuses paid for performance in 2012 and the conditions attaching to the 2013 bonus plan;
- review and approval of the Report on Directors' Remuneration for 2012; and
- making of a conditional award of shares under the FBD Performance Share Plan and setting the conditions attached.

The executive Directors and senior executives of the Group have been on a pay freeze since 2008 and the Committee, through myself, was kept informed on the pay philosophy and plans for the reintroduction of salary increases in the Company when justified by market conditions and Company performance.

Full details of Directors' Remuneration are set out on pages 35 to 43.

Sean Dorgan

On behalf of the Remuneration Committee

28 February 2014

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, Group Finance Director 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.

The Board receives a regular report from the Head of Investor Relations which includes details of all 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 2014 meeting will be held on 29 April.

Who attends?

- All of the Directors;
- Senior Group executives;
- Shareholders; and
- Advisers and media.

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;
- all shareholders present, either in person or by proxy can question the Chairman, the Committee Chairmen and the rest of the Board during the meeting and afterwards; and
- the Chairman then deals with the formal business of the meeting.

All shareholders are encouraged to ask questions and to raise any issues at the meeting.

When this part of the meeting has concluded, 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 Irish and London Stock Exchanges.

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

The key risk management and internal control procedures include:

- skilled and experienced management and staff;
- an organisation structure with clearly defined lines of responsibility and authority;
- a comprehensive system of financial control incorporating budgeting, periodic financial reporting and variance analysis;
- a Risk Committee of the Board of FBD Insurance plc, the Group's principal subsidiary, and a Risk Management Framework comprising a risk function headed by a Chief Risk Officer, a clearly stated risk appetite and risk strategy supported by approved risk management policies and processes in the areas of underwriting, reinsurance, claims reserving, investment and treasury;
- a Solvency II and Risk Steering Committee in FBD Insurance plc comprising senior management whose main role is to oversee the implementation of the three pillars of the Solvency II Risk Management Framework throughout FBD Insurance plc and to assist the Risk Committee, described earlier, in the discharge of its duties between meetings;
- an Internal Audit function; and
- an Audit Committee whose formal terms of reference include responsibility for assessing the significant risks facing the Group in the achievement of its objectives and the controls in place to mitigate those risks.

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

The Group has established a “Speak Up” Policy for employees the purpose of which is to reassure employees that it is safe and acceptable 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 by the Audit Committee 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 controls and procedures in place are effective at the end of the period covered by this report.

GOING CONCERN

Following a review of the Group’s budget for the next financial year and its forecast for 2015, both of which take account of reasonably foreseeable changes in trading performance, the Board is satisfied that at the time of the approval of the Financial Statements it is appropriate to adopt the going concern basis in their preparation.

Directors' Remuneration

LETTER FROM THE REMUNERATION COMMITTEE

Dear Shareholder,

This section of the Annual Report is intended to inform you, in as transparent a manner as is possible, of the remuneration arrangements in place in the Company.

Continued Restraint

No increases in base pay were proposed or awarded during 2013 in respect of the executive Directors and no increases will be awarded to executive Directors in 2014. A pay freeze has been in place for all senior executives effectively since 2008.

External Advice

The Group participates in an independent executive reward survey which is published by Towers Watson, the results from which are considered by the Committee and help to shape the Committee's views on market trends, the Group's relative positioning and any developments emerging in remuneration policy. The Committee has access to independent professional advisers should it deem appropriate. No such advisers were consulted during 2013.

Share Ownership

The Committee approved a share ownership policy in 2010 for executive Directors, the Company Secretary and other senior executives. This policy is intended to align the interests of senior executives with those of shareholders by ensuring that executives build up a shareholding in the Group which is material to their income and net worth. During 2013, the Group Chief Executive, Group Finance Director and the Company Secretary exercised options under the Executive Share Option Scheme and retained all of the shares allotted other than those necessary to fund the subscription payable and the income tax liability due.

At 31 December 2013, senior executives owned shares with a value of over €2.1 million (2012: €0.6 million).

Shareholder Support

The Board and the Remuneration Committee listen very carefully to the views of our shareholders and shareholder advisers in relation to remuneration arrangements. Not surprisingly, given the continued restraint exercised by executive Directors and by the Committee, no serious concerns have been raised with the Company during the year. We were pleased to record that some shareholder advisers note a high degree of alignment of interests between executive Directors and shareholders.

Despite the fact that there is no strict obligation to do so under Irish law, the Board, on the recommendation of this Committee, has tabled the Report on Directors' Remuneration at the Annual General Meeting each year since 2010 for an advisory vote. At the 2013 AGM, this report received 100% support compared to 99.4% in 2012. We sincerely hope that you will again support the work of the Committee by way of a vote for the Remuneration Report at the 2014 AGM.

Sean Dorgan

Chairman of the Remuneration Committee

28 February 2014

ROLE OF REMUNERATION COMMITTEE

Responsibility for determining the levels of remuneration of the executive Directors, the Company Secretary and senior Group executives has been delegated by the Board to the Remuneration Committee whose membership is set out in the Corporate Governance Report on page 32.

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 to encourage high performance and to ensure that they are, in a fair and responsible manner, rewarded for individual contributions that are aligned to the success of the Group while also 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 which will attract, reward, motivate and retain executives of the highest calibre who can bring experience to the strategic decisions and the management of FBD and will perform in the long term interests of the Group and its shareholders.

The following table sets out the key elements of pay 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		
To help recruit and retain senior executives	<p>Base salaries are reviewed annually with effect from 1 April taking the following factors into account:</p> <ul style="list-style-type: none"> • The individual's role and experience • Company performance • Personal performance • Market practice and benchmarking 	<p>No change to policy.</p> <p>Reflecting the position in the wider Irish economy and in setting the tone for continued cost restraint throughout the FBD Group, the salaries paid to executive Directors have remained at the same level since 2010 following cumulative reductions of up to 23.1% over 2008 salary levels.</p>
Benefits		
To provide market competitive benefits	Benefits provided take the form of a motor allowance and a fixed percentage contribution to health insurance costs.	No change to policy.

Element and link to strategy	Policy and operation	Changes to policy
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Pension Provision

To provide market competitive benefits and reward performance over a long period	<p>The Group closed its defined benefit pension scheme to new members from September 2005. A small number of senior executives remain members of this scheme which aims to provide a pension of up to two thirds of pensionable salary on normal retirement date.</p> <p>Neither of the executive Directors are active members of this scheme.</p> <p>Mr. Langford receives a taxable cash allowance in lieu of pension benefits foregone having withdrawn from the defined benefit pension scheme in 2010.</p> <p>Mr. O’Caoimh and other senior Executives who are not members of the defined benefit scheme participate in a defined contribution pension scheme.</p>	No change to policy.
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Annual Performance Bonuses

To reward achievement of targets, personal performance and contribution	<p>The performance measures for annual bonuses for the executive Directors and other senior executives are based on attainment of the profitability targets of combined operating ratio and return on equity and also for targets for premium income growth.</p> <p>The maximum bonus potential, as a percentage of base salary for executive Directors for 2013, is as follows:</p> <table border="1" data-bbox="405 1150 1044 1264"> <thead> <tr> <th data-bbox="409 1150 707 1174">Director</th> <th data-bbox="722 1150 742 1174">%</th> </tr> </thead> <tbody> <tr> <td data-bbox="409 1193 586 1218">Andrew Langford</td> <td data-bbox="722 1193 768 1218">70%</td> </tr> <tr> <td data-bbox="409 1237 586 1262">Cathal O’Caoimh</td> <td data-bbox="722 1237 768 1262">45%</td> </tr> </tbody> </table> <p>90% of Mr. Langford’s maximum bonus potential and 100% of Mr. O’Caoimh’s is contingent on attainment of the targets described above for FBD Insurance plc. 10% of Mr. Langford’s bonus potential is contingent on achievement of budgeted earnings contribution for the Group’s other operations.</p>	Director	%	Andrew Langford	70%	Cathal O’Caoimh	45%	There have been no changes to either the policy or the operation of annual performance bonuses.
Director	%							
Andrew Langford	70%							
Cathal O’Caoimh	45%							

Element and link to strategy	Policy and operation	Changes to policy
Longer Term Incentives – the FBD Performance Share Plan (“LTIP”)		
To align the interests of executive Directors and senior executives with those of shareholders	<p>The FBD Performance Share Plan (“LTIP”) was approved by shareholders in 2007.</p> <p>Under the LTIP, the Remuneration Committee may, at its sole discretion, make conditional awards of shares to executive Directors and senior management. Conditional awards of shares under the LTIP are limited to 10% of the Company’s issued ordinary shares of €0.60 each over a 10 year period.</p> <p>The market value of the shares which are the subject of a conditional award to an individual may not, in any financial year, normally exceed 100% of the participant’s base salary as at the date of grant.</p> <p>The period over which the performance conditions applying to a conditional award under the LTIP are measured may not be less than three years. The extent to which a conditional award may vest in the future will be determined by the Remuneration Committee by reference to the performance conditions set out below. These conditions were designed so as to ensure absolute alignment between the interests of the plan participants and those of shareholders. Different conditions, or the same conditions in differing proportions, can be used by the Remuneration Committee for future awards under the LTIP rules, provided that they remain challenging and are aligned with the interests of the Company’s shareholders.</p>	No change to policy

No changes are permitted to the conditions attaching to a particular award once they are set by the Remuneration Committee. The Performance Conditions attaching to the two most recent awards of shares under the LTIP are as follows:

a) TSR performance condition

Up to 40% of the shares subject to an award may vest depending on the Group’s Total Shareholder Return (“TSR”) over the performance period commencing on 1 January in the year the award is made compared to the TSR of a designated peer group. This peer group comprises the constituent companies of the Irish Stock Exchange ISEQ Overall Index excluding companies in the technology, pharmaceutical and exploration sectors. The extent to which an award vests will be determined according to the following table:

Company’s TSR Ranking	Proportion of Award Vesting	
	2013 Grant	2011 Grant
Below median	0%	0%
Median (50th percentile)	20%	15%
Between median and 75th percentile	Straight line between 20% and 40%	Straight line between 15% and 40%
75th percentile or higher	40%	40%

b) EPS performance condition

Up to 40% of the shares subject to an award may vest depending on the Group's adjusted operating EPS performance over the performance period. The extent to which an award vests will be determined according to the following table:

Company's annualised adjusted operating EPS growth in excess of annualised CPI increase	Proportion of Award Vesting	
	2013 Grant	2011 Grant
Fewer than 3 percentage points	N/A	0%
3 percentage points	N/A	20%
Between 3 and 5.5 percentage points	N/A	Straight line between 20% and 40%
5.5 or more percentage points	N/A	40%

c) Market share condition

Up to 30% of the shares subject to an award may vest according to the share of the Irish non-life insurance market held by FBD Insurance plc in the Financial Year 2015. The extent to which an award vests will be determined according to the following table:

FBD Insurance plc's share of the Irish non-life insurance market	Proportion of Award Vesting	
	2013 Grant	2011 Grant
Less than 12.5%	0%	N/A
12.5%	15%	N/A
Between 12.5% and 14.2%	Straight line between 15% and 30%	N/A
14.2%	30%	N/A

d) Combined ratio performance condition

Up to 30% of the shares subject to an award may vest depending on the combined ratio performance of FBD Insurance plc over the performance period (of three financial years) in comparison to the median combined ratio of other European non-life insurance companies. The extent to which an award vests will be determined according to the following table:

FBD Insurance plc's Combined Ratio in comparison with median company	Proportion of Award Vesting	
	2013 Grant	2011 Grant
Greater than median company	0%	0%
Equal to median company	15%	10%
Between median company and 4 percentage points below median company	Straight line between 15% and 30%	Straight line between 10% and 20%
4 or more percentage points below the median company	30%	20%

Details of the conditional share awards made under the LTIP in 2011 and 2013 to the executive Directors, and the Company Secretary, are given in the table below. The number of shares is the maximum possible number which could vest for the individual concerned if all of the performance conditions previously described are met.

Directors' and Company Secretary's Conditional LTIP Awards

	At 1 January 2013	Granted during year	Vested during year	Lapsed during year	At 31 Dec 2013	Performance Period	Earliest vesting date	Market price on award €
Executive Directors								
Andrew Langford	35,267	-	-	-	35,267	01.01.11 – 31.12.13	Mar 2014	6.20
	-	23,150	-	-	23,150	01.01.13 – 31.12.15	Mar 2016	12.70
Cathal O'Caoimh	27,786	-	-	-	27,786	01.01.11 – 31.12.13	Mar 2014	6.20
	-	14,331	-	-	14,331	01.01.13 – 31.12.15	Mar 2016	12.70
Company Secretary								
Conor Gouldson	9,343	-	-	-	9,343	01.01.11 – 31.12.13	Mar 2014	6.20
	-	4,819	-	-	4,819	01.01.13 – 31.12.15	Mar 2016	12.70

The total number of shares subject to conditional awards outstanding under the LTIP amounts to 1.2% of the Company's ordinary share capital (excluding treasury shares) at 31 December 2013 (2012: 0.8%).

The aggregate limit over the number of shares over which conditional awards are permitted under the Scheme Rules is 10% of the Company's issued ordinary share capital. Since the establishment of the Scheme in 2007, there have been three conditional awards made over an aggregate of 488,268 shares or 1.43% of the Company's ordinary share capital (excluding treasury shares).

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

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

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

DIRECTORS' AND COMPANY SECRETARY'S SHARE OPTIONS

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

	At 1 Jan 2013	Exercised during year	Granted during year	At 31 Dec 2013	Exercise Price €	Normal Exercise Period	Market price at date of exercise €
Executive Directors							
Andrew Langford	30,000	(30,000)	-	-	2.50	Oct 2006 – Oct 2013	15.50
Andrew Langford	90,000	(90,000)	-	-	7.45	Aug 2012 – Sept 2014	16.60
Cathal O'Caomh	75,000	(75,000)	-	-	7.45	Aug 2012 – Sept 2014	16.60
Company Secretary							
Conor Gouldson	35,000	(35,000)	-	-	7.45	Aug 2012 – Sept 2014	15.50

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 under these schemes is the goal of aligning the economic interests of those individuals with those of shareholders. Executive Directors and senior executives are expected to maintain a significant long-term equity interest in the Company. The requirement, which is set out in the policy document approved by the Remuneration Committee on 23 December 2010, is to build and retain a shareholding with a valuation relative to base salary as follows:

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 the level of this remuneration, the Board has full regard to the fees payable to the non-executive Directors of the other Irish publicly listed companies and also to the developments and policy for the remuneration of the management and staff in the wider Group.

The basic non-executive Director fee amounted to €39,600 per annum in 2013. In 2009 the Board reduced the fees of the Chairman and the non-executive Directors by 15% and 10% respectively over the levels paid in 2008 and the fees have been maintained at this level since.

The Chairman received fees of €126,225 during the year (2012: €126,225) inclusive of the basic non-executive fee. The Senior Independent Director received fees of €104,000 during the year (2012: €104,000) inclusive of the basic non-executive Director fee. This reflects his additional responsibilities as Chairman of the Audit Committee and as Chairman of FBD Insurance plc, a role which he took on during 2011.

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

SERVICE CONTRACTS

The service contracts for the executive Directors provide for the following periods of notice of termination of employment:

	From Company	From Director
Andrew Langford	6 months	6 months
Cathal O'Caoimh	3 months	3 months

EXECUTIVE AND NON-EXECUTIVE DIRECTORS' REMUNERATION DETAILS

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

	Fees ¹ €000s	Salary ² €000s	Performance Bonus ³ €000s	Benefits ⁴ €000s	Pension Contribution ⁵ €000s	Other Award ⁶ €000s	2013 Total €000s
Executive Directors:							
Andrew Langford ³	-	420	135	34	84	-	673
Cathal O'Caoimh	-	260	100	26	49	-	435
Non-executive Directors:							
Michael Berkery (Chairman)	126	-	-	-	-	-	126
John Bryan	40	-	-	-	-	-	40
Sean Dorgan	40	-	-	-	-	-	40
Brid Horan	40	-	-	-	-	-	40
Dermot Mulvihill	40	-	-	-	-	-	40
Vincent Sheridan	104	-	-	-	-	-	104
Johan Thijs	40	-	-	-	-	-	40
Padraig Walshe	40	-	-	-	-	-	40
	470	680	235	60	133	-	1,578

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

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

Notes

- 1 Fees are payable to the non-executive Directors only.
- 2 Salaries are paid to executive Directors only.
- 3 Mr. Langford’s bonus for both 2013 and 2012 is shown net of a voluntary waiver by him of €65,000 and €83,000 respectively of the bonus awarded to him by the Remuneration Committee, which was properly calculated in accordance with the annual performance bonus arrangements described earlier.
- 4 Benefits relate principally to motor allowance and health insurance subsidy.
- 5 Pension contributions relate to contributions either to a defined contribution pension scheme or payments to the Director concerned on a defined contribution basis in lieu of continued accrual in the Group’s defined benefit pension plan.
- 6 Mr. Adrian Taheny retired on 5 November 2012 for health reasons. An award of €250,000 was approved by the Remuneration Committee in recognition of his very substantial contribution to the Group over many years.

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under such law, the Directors have prepared the Company and Group Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU ("IFRSs") and in accordance with the provisions of the Companies Acts, 1963 to 2013.

The Company and Group Financial Statements are required by law and IFRSs to present fairly the financial position and performance of the Company and the Group. The Companies Acts, 1963 to 2013 provide in relation to such Financial Statements that references in the relevant part of that Act to Financial Statements giving a true and fair view are references to their achieving a fair presentation.

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

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

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements are free from material misstatement or error and comply with the Companies Acts, 1963 to 2013. The Directors are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

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

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

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

- the Financial Statements, prepared in accordance with IFRSs, give a true and fair view of the assets, liabilities and financial position for the Group as at 31 December 2013 and of the result for the year then ended; and
- the Report of the Directors, the Chairman's Statement and the Review of Operations include a fair review of the development and performance of the Group's business and the state of affairs of the Group at 31 December 2013, together with a description of the principal risks and uncertainties facing the Group.
- 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

Michael Berkery

Chairman

Andrew Langford

Group Chief Executive

28 February 2014

Independent Auditor's Report

To the members of FBD Holdings plc

Opinion on Financial Statements

In our opinion:

- the Group Financial Statements give a true and fair view in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union, of the state of the Group’s affairs as at 31 December 2013 and of its profit for the year then ended;
- the parent Company Financial Statements give a true and fair view in accordance with IFRSs, as adopted by the European Union, as applied in accordance with the provisions of the Companies Acts, 1963 to 2013 and of the state of the parent Company’s affairs as at 31 December 2013; and
- the Financial Statements have been prepared in accordance with the Companies Acts, 1963 to 2013 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

The Financial Statements comprise the Group Financial Statements: (Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Pro-forma Reconciliation of Consolidated Operating Profit to Profit after Taxation, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity) and the Parent Company Financial Statements: (Company Statement of Financial Position, Company Statement of Cash Flows, Company Statement of Changes in Equity) and the related notes 1 to 41. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent Company Financial Statements, in accordance with the provisions of the Companies Acts, 1963 to 2013.

Going concern

As required by the Listing Rules we have reviewed the Directors’ Statement contained within the Report of the Directors on page 21 that the Group is a going concern. We confirm that:

- we have concluded that the Directors’ use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate; and
- we have not identified material uncertainties related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern.

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

Our assessment of risks of material misstatement The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk of material misstatement	How the scope of our audit responded to the risk
<p>Claims outstanding & reinsurance claims outstanding <i>Risk related to the estimation of the liability for claims outstanding under insurance contracts written</i></p>	<p><i>We examined the process used by management to estimate the liabilities for claims outstanding and the related reinsurance asset. Our procedures included understanding and testing the controls over recording of claims estimates and testing amounts recorded for a sample of claims notified.</i></p> <p><i>We considered the appropriateness of actuarial techniques used by management in calculating the liability and related asset. We evaluated the assumptions used and the results of liability adequacy tests.</i></p>
<p>Revenue recognition <i>Risk related to the recognition of premium revenue and the deferral of unearned premium.</i></p>	<p><i>Our procedures included understanding and testing the controls over premium recording and collection. We carried out testing of a sample of policies and used analytical techniques to assess the completeness of premium income. In addition we tested the calculation of unearned premium and considered the adequacy of the provision for unearned premium.</i></p>
<p>Joint Venture <i>The risk related to the measurement of the joint venture which is accounted for under the equity method.</i></p>	<p><i>We evaluated the evidence supporting management's review of the value of the joint venture asset. We reviewed the component auditor's assessment of judgements made in the valuation of hotel and leisure assets.</i></p>

Our audit procedures relating to these matters were designed in the context of our audit of the Financial Statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the Financial Statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person relying on the Financial Statements, would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined planning materiality for the Group to be €5 million, which is below 10% of profit before taxation and below 2% of consolidated Shareholder equity.

We agreed with the Audit Committee that we would report to the Committee any audit differences in excess of €250,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

An overview of the scope of our audit

Our group audit scope focused on two principal subsidiaries operating in the Republic of Ireland and the Joint Venture operating in the Republic of Ireland and Spain.

The subsidiaries and the Joint Venture were subject to a full scope audit. Audits of these components are performed at a materiality level calculated by reference to the size of the entity involved.

Matters on which we are required to report by the Companies Acts 1963 to 2013

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit;
- In our opinion proper books of account have been kept by the parent Company;
- The parent Company Statement of Financial Position is in agreement with the books of account;
- In our opinion the information given in the Report of the Directors is consistent with the Financial Statements and the description in the Corporate Governance Statement of the main features of the internal control and risk management systems in relation to the process for preparing the Group Financial Statements is consistent with the Group Financial Statements; and
- The net assets of the parent Company, as stated in the parent Company statement of financial position are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 December 2013 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the parent Company.

Matters on which we are required to report by exception

Directors' remuneration and transactions

Under the Listing Rules we are required to review the six specified elements of disclosures in the report to shareholders by the Board on Directors' remuneration. Under the Companies Acts, 1963 to 2013 we are required to report to you if, in our opinion the disclosures of Directors' remuneration and transactions specified by law are not made. We have nothing to report arising from our review of these matters.

Corporate Governance Statement

Under the Listing Rules of the Irish Stock Exchange we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code and the two provisions of the Irish Corporate Governance Annex specified for our review. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Financial Statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Mary Fulton

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

28 February 2014

Consolidated Income Statement

For the year ended 31 December 2013

Continuing Operations	Notes	2013 €000s	Restated 2012 €000s
Revenue	4(a)	396,290	389,810
Income			
Gross premium written	4(c)	351,195	344,255
Reinsurance premiums	4(c)	(49,109)	(47,646)
Net premium written	4(c)	302,086	296,609
Change in provision for unearned premiums	4(c)	(5,699)	4,016
Net premium earned	4(c)	296,387	300,625
Net investment return	5(a)	29,359	24,979
Financial services income	4(a)	15,289	14,693
Total income		341,035	340,297
Expenses			
Net claims and benefits	4(c)	(201,222)	(191,873)
Other underwriting expenses	4(c)	(77,565)	(76,785)
Financial services expenses	4(e)	(8,893)	(9,058)
Revaluation of property, plant and equipment	16	(1,121)	(996)
Restructuring and other costs	6	(2,050)	(5,095)
Write-off of investment	7	-	(2,586)
Share of results of joint venture	8(b)	1,271	(1,655)
Profit before taxation	9	51,455	52,249
Income taxation charge	12	(6,563)	(7,545)
Profit for the year from continuing operations		44,892	44,704
Discontinued operations			
Profit for the year from discontinued operations, including the gain on sale	14(d)	-	3,748
Profit for the year		44,892	48,452
Attributable to:			
Equity holders of the parent		44,786	48,353
Non-controlling interests	29	106	99
		44,892	48,452
Earnings per share		2013 Cent	Restated 2012 Cent
From continuing operations			
Basic	15	132	133
Diluted	15	131	131
From continuing and discontinued operations			
Basic	15	132	144
Diluted	15	131	142

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

The Financial Statements were approved by the Board and authorised for issue on 28 February 2014.

They were signed on its behalf by:

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	<i>Notes</i>	2013 €000s	Restated 2012 €000s
Profit for the year		44,892	48,452
<i>Items that will or may be reclassified to profit or loss in subsequent periods:</i>			
Net (loss)/gain on available for sale financial assets during the year		(654)	1,122
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gain/(loss) on retirement benefit obligations	<i>31(d)</i>	2,851	(8,693)
Taxation (charge)/credit relating to items not to be reclassified in subsequent periods	<i>31(d)</i>	(278)	1,052
Other comprehensive income/(expense) after taxation		1,919	(6,519)
Total comprehensive income for the year		46,811	41,933
Attributable to:			
Equity holders of the parent		46,705	41,834
Non-controlling interests	<i>29</i>	106	99
		46,811	41,933

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

The Financial Statements were approved by the Board and authorised for issue on 28 February 2014.

They were signed on its behalf by:

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

Pro-Forma Reconciliation of Consolidated Operating Profit to Profit after Taxation *For the year ended 31 December 2013*

Continuing Operations	<i>Notes</i>	2013 €000s	Restated 2012 €000s
Operating profit			
Underwriting	<i>4(a)</i>	46,277	59,719
Financial services	<i>4(a)</i>	6,396	5,635
Operating profit before taxation		52,673	65,354
Investment return – fluctuations	<i>5(c)</i>	682	(2,773)
Revaluation of property, plant and equipment	<i>16</i>	(1,121)	(996)
Restructuring and other costs	<i>6, 7</i>	(2,050)	(7,681)
Share of results of joint venture	<i>8(b)</i>	1,271	(1,655)
Profit before taxation		51,455	52,249
Income taxation charge	<i>12</i>	(6,563)	(7,545)
Profit after taxation on continuing operations		44,892	44,704
Discontinued operations			
Profit for the year from discontinued operations including the gain on sale	<i>14(d)</i>	-	3,748
Profit for the year		44,892	48,452
		Cent	Restated Cent
Operating earnings per share – continuing operations	<i>15</i>	136	170
Diluted earnings per share – continuing operations	<i>15</i>	131	131

Refer to page 59 *Summary of Significant Accounting Policies – Basis of Preparation* for additional information on this pro-forma statement, which is supplementary to the primary statements required under International Financial Reporting Standards.

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

Consolidated Statement of Financial Position

At 31 December 2013

ASSETS	<i>Notes</i>	2013 €000s	2012 €000s
Property, plant and equipment	16	45,568	35,821
Investment property	17	11,567	10,686
Investment in joint venture	8(c)	45,237	43,966
Loans	18	1,037	1,096
Deferred taxation asset	19	3,255	4,798
Financial assets			
Investments held to maturity	20(a)	30,288	30,850
Available for sale investments	20(a)	141,897	148,885
Investments held for trading	20(a)	210,231	142,958
Deposits with banks	20(a)	437,977	473,874
		820,393	796,567
Reinsurance assets			
Provision for unearned premiums	30(e)	19,720	20,282
Claims outstanding	30(e)	24,550	35,095
		44,270	55,377
Current taxation asset	21	4,174	4,705
Deferred acquisition costs	22	26,429	24,652
Other receivables	23	68,284	63,726
Cash and cash equivalents	24	21,586	25,711
Total assets		1,091,800	1,067,105

Consolidated Statement of Financial Position (continued)

At 31 December 2013

EQUITY AND LIABILITIES	<i>Notes</i>	2013 €000s	2012 €000s
Equity			
Ordinary share capital	25	21,409	21,409
Capital reserves	26(a)	17,812	16,835
Retained earnings	27	237,993	203,015
Shareholders' funds - equity interests		277,214	241,259
Preference share capital	28	2,923	2,923
Equity attributable to equity holders of the parent		280,137	244,182
Non-controlling interests	29	463	477
Total equity		280,600	244,659
Liabilities			
Insurance contract liabilities			
Provision for unearned premiums	30(d)	175,380	170,243
Claims outstanding	30(c)	565,611	581,132
		740,991	751,375
Retirement benefit obligation	31(f)	28,538	30,766
Deferred taxation liability	32	691	691
Payables	33(a)	40,980	39,614
Total liabilities		811,200	822,446
Total equity and liabilities		1,091,800	1,067,105

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

The Financial Statements were approved by the Board and authorised for issue on 28 February 2014.

They were signed on its behalf by:

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	<i>Notes</i>	2013 €000s	Restated 2012 €000s
Cash flows from operating activities			
Profit before taxation		51,455	56,061
Adjustments for:			
Profit on disposal of investments held for trading		(16,165)	(4,963)
Loss on investments held to maturity		562	998
Loss on investments available for sale		4,797	3,646
Interest and dividend income		(17,265)	(24,793)
Interest expense		-	4
Profit on loan realisation	18	-	(4,969)
Depreciation of property, plant and equipment	16	7,675	7,006
Share-based payment expense	38	977	908
Revaluation of investment property	17	(588)	1,318
Revaluation of property, plant and equipment	16	1,121	996
Write-off of available for sale assets, net of provisions	7	-	2,586
Decrease/(increase) in insurance contract liabilities		723	(17,563)
Effect of foreign exchange rate changes		(293)	569
Loss on disposal of property, plant and equipment		-	121
Gain on sale of subsidiaries	14(d)	-	(4,113)
Joint venture trading result	8(b)	(1,271)	1,655
Operating cash flows before movement in working capital		31,728	19,467
Increase in receivables and deferred acquisition costs		(5,738)	(6,834)
Increase in payables		1,950	7,557
Cash generated from operations		27,940	20,190
Interest and dividend income received		16,659	25,004
Interest paid		-	(4)
Income taxes paid		(4,719)	(5,606)
Net cash from operating activities		39,880	39,584
Cash flows from investing activities			
Purchase of investments held for trading		(174,962)	(217,562)
Sale of investments held for trading		123,854	114,175
Realisation of investments held to maturity		-	374,000
Purchase of available for sale investments		(103,554)	(158,707)
Sale of available for sale investments		105,091	10,703
Purchase of property, plant and equipment	16	(18,574)	(10,187)
Sale of property, plant and equipment		31	40
Investment property acquired on exercise of loan security	18	-	(3,186)
Decrease in loans and advances	18	59	26,391
Decrease/(increase) in deposits invested with banks	20(a)	35,897	(168,553)
Net cash outflow from sale of subsidiaries		-	(4,981)
Net cash used in investing activities		(32,158)	(37,867)
Cash flows from financing activities			
Ordinary and preference dividends paid	34	(15,663)	(12,273)
Dividends paid to non-controlling interests	29	(120)	(80)
Proceeds of re-issue of ordinary shares		3,936	689
Net cash used in financing activities		(11,847)	(11,664)
Net decrease in cash and cash equivalents		(4,125)	(9,947)
Cash and cash equivalents at the beginning of the year	24	25,711	35,658
Cash and cash equivalents at the end of the year	24	21,586	25,711

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Ordinary share capital	Capital reserves	Retained earnings	Attributable to ordinary shareholders	Preference share capital	Non-controlling interests	Total equity
	€000s	€000s	€000s	€000s	€000s	€000s	€000s
Balance at 1 January 2012	21,409	15,927	172,596	209,932	2,923	458	213,313
Profit after taxation from continuing operations – restated	-	-	44,605	44,605	-	99	44,704
Profit after taxation from discontinued operations	-	-	3,748	3,748	-	-	3,748
Other comprehensive expense – restated	-	-	(6,519)	(6,519)	-	-	(6,519)
	21,409	15,927	214,430	251,766	2,923	557	255,246
Dividends paid and approved on ordinary and preference shares	-	-	(12,104)	(12,104)	-	-	(12,104)
Reissue of ordinary shares	-	-	689	689	-	-	689
Recognition of share based payments	-	908	-	908	-	-	908
Dividend paid to non-controlling interests	-	-	-	-	-	(80)	(80)
Balance at 31 December 2012	21,409	16,835	203,015	241,259	2,923	477	244,659
Profit after taxation	-	-	44,786	44,786	-	106	44,892
Other comprehensive income	-	-	1,919	1,919	-	-	1,919
	21,409	16,835	249,720	287,964	2,923	583	291,470
Dividends paid and approved on ordinary and preference shares	-	-	(15,663)	(15,663)	-	-	(15,663)
Reissue of ordinary shares	-	-	3,936	3,936	-	-	3,936
Recognition of share based payments	-	977	-	977	-	-	977
Dividend paid to non-controlling interests	-	-	-	-	-	(120)	(120)
Balance at 31 December 2013	21,409	17,812	237,993	277,214	2,923	463	280,600

Company Statement of Financial Position

At 31 December 2013

	<i>Notes</i>	2013 €000s	2012 €000s
ASSETS			
Investments			
Investment in subsidiaries	35	39,109	46,023
Financial assets		7,586	-
Deposits with banks		18,536	10,297
Investment in joint venture		46,088	46,088
		111,319	102,408
Cash and cash equivalents		83	-
Corporation taxation		157	-
Other receivables		47	1,225
Total assets		111,606	103,633
EQUITY AND LIABILITIES			
Equity			
Ordinary share capital	25	21,409	21,409
Capital reserves	26(b)	17,812	16,835
Reserves		64,565	57,316
Shareholders' funds – equity interests		103,786	95,560
Preference share capital	28	2,923	2,923
Equity attributable to equity holders of the parent		106,709	98,483
Bank overdraft		-	136
Payables	33(b)	4,897	4,950
Corporation taxation		-	64
Total equity and liabilities		111,606	103,633

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

The Financial Statements were approved by the Board and authorised for issue on 28 February 2014.

They were signed on its behalf by:

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

Company Statement of Cash Flows

For the year ended 31 December 2013

	2013 €000s	2012 €000s
Cash flows from operating activities		
Profit before taxation for the year	18,941	26,172
Adjustments for		
Decrease/(increase) in investments	153	(1,363)
Share based payment expense	977	908
	20,071	25,717
Decrease in receivables	1,159	144
Decrease in payables	(35)	(2,620)
Income taxes paid	(186)	(388)
Net cash from operating activities	21,009	22,853
Cash flows from investing activities		
Sale of subsidiary investment	-	(6,673)
Increase deposits invested in financial institutions	(9,063)	(4,572)
Net cash used in investing activities	(9,063)	(11,245)
Cash flows from financing activities		
Dividends paid on ordinary and preference shares	(15,663)	(12,273)
Proceeds from re-issue of ordinary shares	3,936	689
Net cash used in financing activities	(11,727)	(11,584)
Net increase in cash and cash equivalents	219	24
Cash and cash equivalents at the beginning of the year	(136)	(160)
Cash and cash equivalents at the end of the year	83	(136)

Company Statement of Changes In Equity

For the year ended 31 December 2013

	Ordinary share capital	Capital reserves	Share option reserve	Retained earnings	Attributable to ordinary shareholders	Preference share capital	Total equity
	€000s	€000s	€000s	€000s	€000s	€000s	€000s
Balance at 1 January 2012	21,409	11,593	4,334	43,280	80,616	2,923	83,539
Profit after taxation	-	-	-	25,451	25,451	-	25,451
Reissue of ordinary shares	-	-	-	689	689	-	689
Recognition of share based payments	-	-	908	-	908	-	908
Ordinary and preference dividends paid and approved	-	-	-	(12,104)	(12,104)	-	(12,104)
Balance at 31 December 2012	21,409	11,593	5,242	57,316	95,560	2,923	98,483
Profit after taxation	-	-	-	18,976	18,976	-	18,976
Reissue of ordinary shares	-	-	-	3,936	3,936	-	3,936
Recognition of share based payments	-	-	977	-	977	-	977
Ordinary and preference dividends paid and approved	-	-	-	(15,663)	(15,663)	-	(15,663)
Balance at 31 December 2013	21,409	11,593	6,219	64,565	103,786	2,923	106,709

Notes to the Financial Statements

For the year ended 31 December 2013

1 GENERAL INFORMATION

FBD Holdings plc is an Irish registered public limited company. The address of the registered office is given on page 20. The nature of the Group's operations and its principal activities are set out in the Report of the Directors on pages 21 to 24 and in the Review of Operations on pages 8 to 16.

2 GOING CONCERN

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The Group and Company Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") adopted by the European Union and therefore the Group Financial Statements comply with Article 4 of the EU IAS Regulation. The Group and Company Financial Statements are in compliance with the Companies Acts 1963 to 2013.

Comparative figures for the full year ended 31 December 2012 in the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows and relevant notes as indicated have been restated to reflect changes to IAS 19 *Employee Benefits*. The main amendment impacting the plan is the replacement of the interest cost and expected return on Plan Assets elements in the Consolidated Income Statement with a single "Net Interest" figure.

An additional statement, produced on page 51, Pro-forma Reconciliation of Consolidated Operating Profit to Profit After Taxation is supplementary to the primary statements required under International Financial Reporting Standards. It is designed to provide supplementary information to users of the Financial Statements including operating profit, a key performance measure monitored by the Board.

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

Notes to the Financial Statements (continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Standards adopted during the period

The Group has adopted the following standards, interpretations and amendments to existing standards during the financial year which have affected presentation and disclosures reported in these Financial Statements.

- Amendment to IAS 1 *Presentation of items of other Comprehensive Income*.
- IAS 19 (revised 2011) *Employee Benefits*.
- IFRS 13 *Fair Value Measurement*.

The amendments to IAS 1 require items of other comprehensive income to be grouped by those items that will or may be reclassified subsequently to profit or loss and those that will never be reclassified, together with their associated income taxation.

IAS 19 (revised 2011) and the related consequential amendments have impacted the accounting for the Group's defined benefit scheme, by replacing the interest cost and expected return on plan assets with a net interest charge on the net defined benefit liability. This has resulted in the restatement of the comparative figures in the Consolidated Income Statement and corresponding opposite entries in the Consolidated Statement of Comprehensive Income. The impact of these restatements is to reduce profit after taxation by €570,000 for the 12 months to 31 December 2012. This has resulted in the restatement of 2012 operating earnings per share to 170 cent and diluted earnings per share to 131 cent. There is no change to the Consolidated Statement of Financial Position as the Group has always recognised actuarial gains and losses immediately.

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad, the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and Interpretations adopted with no effect on Financial Statements

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

Annual Improvements to IFRSs: 2009–2011 Cycle (May 2012): *Annual Improvements to IFRSs: 2009–2011 Cycle (May 2012)*

Amendments to IFRS 1 (March 2012): *Government Loans*

Amendments to IFRS 7 (Dec 2011): *Disclosures – Offsetting Financial Assets and Financial Liabilities*

IFRIC 20: *Stripping Costs in the production phase of surface mining*

Standards and Interpretations not yet effective

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

IFRS 9 (as amended in 2010)	<i>Financial Instruments</i> ²
IFRS 10	<i>Consolidated Financial Statements</i> ¹
IFRS 11	<i>Joint Arrangements</i> ¹
IFRS 12	<i>Disclosure of Interests in Other Entities</i> ¹
Amendments to IAS 27	<i>Separate Financial Statements</i> ¹
Amendments to IAS 28	<i>Investments in Associates and Joint Ventures</i> ¹
IAS 32	<i>Financial Instruments: Presentation</i> ¹

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

² Effective for annual periods beginning on or after 1 January 2018.

The adoption of IFRS 9, which the Group plans to adopt for the year beginning 1 January 2018 if endorsed by the E.U., will impact both the measurement and disclosure of financial instruments.

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

ACCOUNTING POLICIES

The principal accounting policies adopted by the Board are:

A) ACCOUNTING CONVENTION

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

Notes to the Financial Statements (continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B) BASIS OF CONSOLIDATION

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

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B) BASIS OF CONSOLIDATION (continued)

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

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

C) REVENUE RECOGNITION

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

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

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

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

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

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

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

D) INSURANCE CONTRACTS

(i) Premiums written

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

Notes to the Financial Statements (continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D) INSURANCE CONTRACTS (continued)

(ii) *Unearned premiums*

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

(iii) *Deferred acquisition costs*

Deferred acquisition costs represent the proportion of net acquisition costs 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.

(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.

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D) INSURANCE CONTRACTS (continued)

(vi) Reinsurance

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

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

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

(vii) Liability adequacy test

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

E) PROPERTY, PLANT AND EQUIPMENT

(i) Property

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

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

Notes to the Financial Statements (continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E) PROPERTY, PLANT AND EQUIPMENT (continued)

(ii) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated revaluation losses.

(iii) Depreciation

Depreciation is provided in respect of all plant and equipment, 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 five to ten year period.

F) INVESTMENT PROPERTY

Investment property, which is property held to earn rentals and/or for capital appreciation, is recognised initially at cost and stated at fair value at 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.

G) JOINT VENTURE

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

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

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

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

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

H) FINANCIAL INSTRUMENTS

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H) FINANCIAL INSTRUMENTS (continued)

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

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

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

Investments are held for trading if:

- they have been acquired principally for the purpose of selling in the near future; or
- they are part of an identified portfolio of financial instruments that the 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.

They are derecognised at their carrying amount being the fair value recorded at a previous reporting date.

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

(ii) *Investments held to maturity*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

(iii) *Available for sale investments*

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

Notes to the Financial Statements (continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H) FINANCIAL INSTRUMENTS (continued)

(iv) 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. Loans are stated in the Consolidated Statement of Financial Position recognising any revaluation loss to reflect estimated irrecoverable amounts. Any revaluation loss is recognised on a case-by-case basis after taking into account factors such as the financial condition of the borrower, security held and costs of realisation.

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 revaluation loss to reflect estimated irrecoverable amounts.

(v) Deposits with banks

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

I) LEASES

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

(i) The Group as Lessor

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

(ii) The Group as Lessee

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

J) CASH AND CASH EQUIVALENTS

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K) TAXATION

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

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

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

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

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

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

L) RETIREMENT BENEFITS

The Group provides 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 past service cost, plus the present value of available refunds and reductions to future contributions to the scheme. Actuarial gains and losses are recognised immediately in equity through the Consolidated Statement of Comprehensive Income.

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

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

Notes to the Financial Statements (continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L) RETIREMENT BENEFITS (continued)

(iii) Defined Contribution Schemes

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

M) CURRENCY

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

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

On consolidation, the assets and liabilities of the Group's non Euro-zone operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the 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.

N) SHARE-BASED PAYMENTS AND LONG TERM INCENTIVE PLANS

The Group operates share option schemes and long-term incentive plans based on market and non-market vesting conditions. The fair value of the options is determined at the date of grant using either the Black Scholes or Monte Carlo Simulation models and expensed in the Consolidated Income Statement over the vesting period at the conclusion of which the employees become unconditionally entitled to the options. The corresponding amount to the expense is credited to a separate reserve in the Consolidated Statement of Financial Position. At each 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 brought to the Consolidated Income Statement. Share options are all equity settled.

O) TREASURY SHARES

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P) REVALUATION LOSS ON ASSETS

(i) Revaluation loss on 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 a revaluation loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the revaluation 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 revaluation 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.

(ii) Revaluation loss on financial assets

Financial assets, other than those at FVTPL (fair value through profit or loss), are assessed for indicators of revaluation 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 revaluation on a collective basis.

For financial assets carried at amortised cost, the amount of the revaluation 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.

Notes to the Financial Statements (continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P) REVALUATION LOSS ON ASSETS (continued)

(ii) *Revaluation loss on financial assets (continued)*

The carrying amount of a financial asset is directly reduced by the revaluation 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 revaluation loss decreases and the decrease can be related objectively to an event occurring after the revaluation was recognised, the previously recognised revaluation loss is reversed through the Consolidated Income Statement, to the extent that the carrying amount of the investment at the date the revaluation is reversed does not exceed what the amortised cost would have been had the revaluation not been recognised.

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

Q) BORROWING COSTS

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

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

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

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

R) RESTRUCTURING AND OTHER COSTS

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

S) OTHER INCOME

Other income comprises the service charge earned on policyholder receivables, where outstanding premiums are settled by a series of instalment payments. The service charge is earned over the period of instalments.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T) Critical Accounting Estimates and Judgements in applying accounting policies

The principal accounting policies adopted by the Group are set out on pages 59 to 75. 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.

(i) Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see note T (ii) below) that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

Retirement benefit obligations

The Group's obligations under its funded defined benefit retirement scheme are determined by an independent qualified actuarial advisor, Lane Clark & Peacock ("LCP"). The valuation is updated at least annually and the net obligation amounted to €28,538,000 at 31 December 2013. IAS 19 requires that the actuarial assumptions used should be best estimates, unbiased and mutually compatible. The scheme's liabilities are sensitive to fluctuations in the principal assumptions, details of which are set out in note 31. Those key assumptions include:

- A discount rate of 3.8%, set by reference to the yield on high-quality corporate bonds
- General salary increases of 3%
- Pension payment increases ranging from 0% - 2%
- Price inflation of 2%

The assumptions used for calculating the obligations of the scheme under IAS 19 at 31 December 2013 and 31 December 2012 have been derived consistently with those adopted by the Group in previous years.

The basis used to calculate the discount rate was reviewed in 2012. There has been considerable volatility in the yields on AA corporate bonds in recent years and the number of bonds rated AA or higher in issue at durations beyond 10 years has fallen. As a result, a wide variance emerged in the discount rates used to determine the value of liabilities under IAS 19.

Having been advised by the pension scheme's independent and qualified actuary, LCP, the Board selected a discount rate of 4% in 2012 and on a consistent basis, 3.8% in 2013. In order to determine an appropriate discount rate, LCP derived an AA corporate bond curve from an appropriate universe of AA corporate bonds. Owing to the limited number of data points available at longer durations, a government plus spread approach has been adopted by LCP that uses a recognised government yield curve and adds a corporate bond spread derived from the AA corporate bond universe as at the effective date.

Notes to the Financial Statements (continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T) Critical Accounting Estimates and Judgements in applying accounting policies (continued)

(i) Critical judgments in applying accounting policies (continued)

Property, plant & equipment

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

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

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

Investment property

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

Recoverability of trade and other receivables

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

Reinsurance recoveries

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

Motor Insurers' Bureau of Ireland ("MIBI")

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T) Critical Accounting Estimates and Judgements in applying accounting policies (continued)

(i) *Critical judgments in applying accounting policies (continued)*

Deferred taxation

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

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

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

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

(ii) *Key sources of estimation uncertainty*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Claims provisions

Claims provisions represent the estimation of the cost of claims outstanding under insurance contracts written. Actuarial techniques, based on statistical analysis of past experience, are used to calculate the estimated cost of claims outstanding at year end. Allowance is made for any changes or uncertainties that may cause the cost of unsettled claims to increase or reduce. At each reporting date liability adequacy tests are performed to ensure the adequacy of the liabilities. In determining the provision for outstanding claims, the Directors take into consideration the advice of the independent reporting actuary, PricewaterhouseCoopers. Any deficiency is recognised in the Consolidated Income Statement. Further details are set out in note 30 to the Financial Statements.

Valuation of financial instruments

As described in note 20, 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 20 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.

Notes to the Financial Statements (continued)

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.

2013	Underwriting €000s	Financial services €000s	Total €000s
Revenue	381,001	15,289	396,290
Operating profit	46,277	6,396	52,673
Investment return – fluctuations	682	-	682
Revaluation of property	(1,121)	-	(1,121)
Restructuring and other costs	(2,050)	-	(2,050)
Share of results of joint venture	-	1,271	1,271
Profit before taxation	43,788	7,667	51,455
Income taxation charge	(6,312)	(251)	(6,563)
Profit after taxation	37,476	7,416	44,892
Other information			
Capital additions	18,550	24	18,574
Revaluation of other assets	1,121	-	1,121
Depreciation and amortisation	7,549	126	7,675
Statement of Financial Position			
Segment assets	1,022,226	69,574	1,091,800
Segment liabilities	801,089	10,111	811,200

The investment in the joint venture totalling €45,237,000 (2012: €43,966,000) is included in financial services assets above.

4 SEGMENTAL INFORMATION (continued)

(a) Operating segments (continued)

2012	Restated Underwriting €000s	Financial services €000s	Restated Total €000s
Revenue	375,117	14,693	389,810
Operating profit	59,719	5,635	65,354
Investment return – fluctuations	(2,773)	-	(2,773)
Revaluation of property	(996)	-	(996)
Restructuring and other costs	(2,095)	(5,586)	(7,681)
Share of results of joint venture	-	(1,655)	(1,655)
Profit/(loss) before taxation	53,855	(1,606)	52,249
Income taxation charge	(7,435)	(110)	(7,545)
Profit/(loss) after taxation	46,420	(1,716)	44,704

Other information

Capital additions	10,118	69	10,187
Revaluation of other assets	2,314	-	2,314
Depreciation and amortisation	6,879	127	7,006

Statement of Financial Position

Segment assets	1,006,958	60,147	1,067,105
Segment liabilities	810,315	12,131	822,446

Included above are non-cash revaluation relating to investment property and property held for own use €1,121,000 (2012: €2,314,000), all of which relate to underwriting.

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. Segment profit is the measure reported to the chief operating decision maker, the Group Chief Executive, for the purposes of resource allocation and assessment of segmental reporting.

In monitoring segment performance and allocating resources between segments:

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

Notes to the Financial Statements (continued)

4 SEGMENTAL INFORMATION (continued)

(a) Operating segments (continued)

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

	2013 €000s	2012 €000s
Direct insurance – motor	157,422	146,835
Direct insurance – fire and other damage to property	122,303	127,892
Direct insurance – liability	65,661	63,974
Direct insurance – interest and other revenue	29,806	30,862
Direct insurance – other	5,809	5,554
Financial services revenue	15,289	14,693
Total revenue	396,290	389,810

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

	2013 €000s	2013 €000s	Restated 2012 €000s	Restated 2012 €000s
Earned premiums, net of reinsurance				
Gross premium written	351,195		344,255	
Outward reinsurance premiums	(49,109)		(47,646)	
Net premium written	302,086		296,609	
Change in provision for unearned premium				
Gross amount	(5,137)		4,119	
Reinsurers' share	(562)		(103)	
Change in net provision for unearned premium	(5,699)		4,016	
Premium earned, net of reinsurance		296,387		300,625
Claims paid, net of recoveries from reinsurers				
Claims paid				
Gross amount	(229,740)		(231,006)	
Reinsurers' share	23,542		32,127	
Claims paid, net of recoveries from reinsurers	(206,198)		(198,879)	
Change in provision for claims				
Gross amount	15,521		19,223	
Reinsurers' share	(10,545)		(12,217)	
Change in insurance liabilities, net of reinsurance	4,976		7,006	
Claims incurred net of reinsurance		(201,222)		(191,873)
Management expenses	(86,298)		(84,838)	
Deferred acquisition costs	1,777		2,453	
Gross management expenses	(84,521)		(82,385)	
Reinsurers share of expenses	11,326		8,692	
Broker commissions payable	(4,370)		(3,092)	
Net operating expenses		(77,565)		(76,785)
Underwriting result		17,600		31,967

All reinsurance contracts are for no more than one year so have no material effect on the amount, timing and uncertainty of cash flows. The Group's reinsurance policy dictates that all of the Group's reinsurers must have a credit rating of A- or better, or provide appropriate security. The impact of buying reinsurance was a debit to the Consolidated Income Statement of €25,348,000 (2012: debit of €19,147,000).

Notes to the Financial Statements (continued)

4 SEGMENTAL INFORMATION (continued)

(d) Underwriting management expenses

	2013 €000s	Restated 2012 €000s
Employee benefit expense	54,722	53,373
Rent, rates, insurance and maintenance	6,925	6,395
Depreciation	7,550	6,879
Other	17,101	18,191
Total underwriting management expenses	86,298	84,838

(e) Financial services expenses

	2013 €000s	2012 €000s
Employee benefit expense	4,793	3,988
Rent, rates, insurance and maintenance	1,670	1,822
Depreciation	125	127
Other	2,305	3,121
Total financial services expenses	8,893	9,058

5 INVESTMENT INCOME

(a) Actual return

	2013 €000s	2012 €000s
Interest and similar income	15,140	23,127
Income from investment properties	1,614	1,175
Realised profits on investments	1,483	1,165
Dividend income	1,676	989
Revaluation of investment properties	881	(1,318)
Gain/(loss) on financial investments	8,565	(159)
Total investment income	29,359	24,979
By Classification of investment		
Deposits with banks	6,109	8,739
Investments held to maturity	713	6,490
Investments held for trading	19,440	5,954
Secured loans	-	4,156
Investment properties	2,771	(143)
Available for sale investments	326	(217)
Total investment income	29,359	24,979

Interest and similar income received by the Group's underwriting segment during the period was €14,533,000 (2012: €25,005,000).

5 INVESTMENT INCOME (continued)

(b) Longer-term investment return

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

	2013 %	2012 %
Government bonds	3.00	3.00
Other quoted debt securities	4.00	4.00
Quoted shares	6.75	6.75
Deposits with banks	2.75	2.75
Investment properties	6.25	6.25
UCITs	6.75	-
Investments held to maturity	Actual	Actual

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

	2013 €000s	2012 €000s
Longer-term investment return	28,677	27,752
Investment return fluctuation	682	(2,773)
Actual investment return	29,359	24,979

6 RESTRUCTURING AND OTHER COSTS

	2013 €000s	2012 €000s
Redundancy costs	2,050	2,095
Provision for termination of lease	-	3,000
Total restructuring and other costs	2,050	5,095

7 WRITE-OFF OF INVESTMENT

	2013 €000s	2012 €000s
Write-off of Available for Sale assets, net of provisions	-	2,586

The write-off of Available for Sale assets in 2012 followed the appointment of a liquidator to Bloxham Stockbrokers. It consisted of Available for Sales assets of €2,877,000 less the accrued provisions of €291,000.

Notes to the Financial Statements (continued)

8 JOINT VENTURE

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

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

(b) Share of results of joint venture

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

	2013 €000s	2012 €000s
Operating profit	1,697	1,122
Finance costs	(1,014)	(1,072)
Revaluation of property, plant & equipment	588	(1,705)
Group's share of results of joint venture	1,271	(1,655)

(c) Investment in joint venture

	2013 €000s	2012 €000s
At start of year	43,966	45,621
Share of results of joint venture	1,271	(1,655)
Share of net assets of joint venture at year end	45,237	43,966

9 PROFIT BEFORE TAXATION

	2013 €000s	2012 €000s
Profit before taxation has been stated after charging:		
Depreciation	7,675	7,006

The remuneration of the Directors is set out in detail in the Report on Directors' Remuneration on pages 35 to 43.

10 INFORMATION RELATING TO AUDITOR'S REMUNERATION

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

Description of service	2013		2012	
	Company €000s	Group €000s	Company €000s	Group €000s
Audit of individual accounts	50	205	65	225
Other assurance services	155	-	160	-
Taxation advisory services	31	83	27	69
Other non-audit services	41	41	24	83
Auditor's remuneration	277	329	276	377

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

11 STAFF COSTS AND NUMBERS

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

	2013	2012
Underwriting	856	821
Financial services	56	60
Total	912	881

	2013 €000s	2012 €000s
The aggregate employee benefit expense was as follows:		
Wages and salaries	47,448	46,050
Social welfare costs	5,001	4,885
Pension costs	6,089	5,518
Share based payments	977	908
Total employee benefit expense	59,515	57,361

Notes to the Financial Statements (continued)

12 INCOME TAXATION CHARGE

	2013 €000s	Restated 2012 €000s
Irish corporation taxation	(5,339)	(2,983)
Adjustments in respect of prior years	(96)	102
Current taxation charge	(5,435)	(2,881)
Deferred taxation debit	(1,128)	(4,664)
Income taxation charge	(6,563)	(7,545)

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

	2013 €000s	Restated 2012 €000s
Profit before taxation	51,455	52,249
Corporation taxation charge at standard rate of 12.5% (2012: 12.5%)	6,432	6,531
Effects of:		
Differences between capital allowances for period and depreciation	(78)	49
Non-taxable income/unrealised gains/losses not chargeable/deductible for taxation purposes	102	934
Higher rates of taxation on other income	11	133
Adjustments in respect of prior years	96	(102)
Income taxation charge	6,563	7,545
Taxation as a percentage of profit before taxation	12.75%	14.44%

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:

	2013 €000s	Restated 2012 €000s
Deferred taxation		
Actuarial (gain)/loss on retirement benefit obligations	(278)	1,052
Total income taxation recognised directly in the Consolidated Statement of Comprehensive Income	(278)	1,052

Included in the loss on discontinued operations in 2012 (note 14(a)) is a taxation charge of €64,000.

13 PROFIT FOR THE YEAR

The Company's profit for the financial year determined in accordance with IFRS, as adopted by the European Union, is €18,976,000 (2012: €25,451,000).

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

14 SALE OF SUBSIDIARIES - 2012

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

(a) Results of discontinued operation:

	2012 €000s
Income	369
Expenses	(670)
Loss before taxation	(301)
Taxation	(64)
Loss after taxation	(365)

(b) Consideration received

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

(c) Analysis of assets and liabilities disposed of

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

Notes to the Financial Statements (continued)

14 SALE OF SUBSIDIARIES - 2012 (continued)

(d) Gain on sale of subsidiary

	2012 €000s
Consideration received per (b) on page 85	34,864
Net assets sold per (c) on page 85	(29,671)
Costs associated with sale	(1,080)
Gain on sale of subsidiary	4,113
Loss from discontinued operations during 2012 after taxation per (a) above	(365)
Profit on discontinued operation including the gain on sale	3,748

15 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:

	2013 €000s	Restated 2012 €000s
Earnings		
Profit for the year	44,892	48,452
Non-controlling interests	(106)	(99)
Preference dividends	(282)	(282)
Profit for the purpose of basic and diluted earnings per share	44,504	48,071
Adjustments to exclude discontinued operations including gain on sale	-	(3,748)
Earnings from continuing operations for the purpose of basic and diluted earnings per share	44,504	44,323
Number of shares	2013	2012
Weighted average number of ordinary shares for the purpose of basic earnings per share (excludes treasury shares)	33,697,613	33,443,894
Effect of dilutive potential of share options outstanding	185,728	350,406
Weighted average number of ordinary shares for the purpose of diluted earnings per share	33,883,341	33,794,300
The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.		
From continuing operations	Cent	Restated Cent
Basic earnings per share	132	133
Diluted earnings per share	131	131

15 EARNINGS PER €0.60 ORDINARY SHARE (continued)

From continuing and discontinued operations	Cent	Restated Cent
Basic earnings per share	132	144
Diluted earnings per share	131	142

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

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

Earnings	2013 €000s	Restated 2012 €000s
Operating profit after taxation*	46,142	57,090
Non-controlling interests	(106)	(99)
Preference dividends	(282)	(282)
Operating profit for the purpose of operating earnings per share	45,754	56,709
Adjustments to exclude operating loss after taxation for the year from discontinued operations	-	160
Operating profit from continuing operations for the purpose of operating earnings per share	45,754	56,869
	Cent	Restated Cent
Operating earnings per share – continuing operations	136	170
Operating earnings per share – continuing and discontinued operations	136	170

*2013 effective taxation rate of 12.4% (2012: 12.4%).

Notes to the Financial Statements (continued)

16 PROPERTY, PLANT AND EQUIPMENT

	Property held for own use €000s	Plant and equipment €000s	Total property plant and equipment €000s
Cost or valuation			
At 1 January 2012	21,403	74,634	96,037
Additions	-	10,187	10,187
Disposals	(114)	(137)	(251)
At 1 January 2013	21,289	84,684	105,973
Additions	6	18,568	18,574
Disposals	-	(31)	(31)
At 31 December 2013	21,295	103,221	124,516
Comprising:			
At cost	-	103,221	103,221
At valuation	21,295	-	21,295
At 31 December 2013	21,295	103,221	124,516
Accumulated depreciation and revaluation			
At 1 January 2012	4,263	57,977	62,240
Depreciation charge for the year	-	7,006	7,006
Elimination on disposal	-	(90)	(90)
Revaluations	996	-	996
At 1 January 2013	5,259	64,893	70,152
Depreciation charge for the year	-	7,675	7,675
Revaluations	1,121	-	1,121
At 31 December 2013	6,380	72,568	78,948
Carrying amount			
At 31 December 2013	14,915	30,653	45,568
At 31 December 2012	16,030	19,791	35,821

16 PROPERTY, PLANT AND EQUIPMENT (continued)

Property held for own use

Property held for own use at 31 December 2013 and 2012 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 – Professional Standards 2012 (Red Book).

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

The valuers state that they made various assumptions as to tenure, letting and town planning, condition and repair of buildings and sites, including ground and groundwater contamination. They have determined market value using a range of capital values per square metre ranging from between €743psm - €1,733psm, based on local evidence. The valuer states that they have not viewed any tenancy agreements and have assumed for the purposes of valuation that the properties (with the exception of FBD House, Naas Road, Dublin 12) are subject to vacant possession. The valuers assumed that FBD House would be a sale and leaseback to FBD.

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

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

	2013 €000s	2012 €000s
Property held for own use	13,799	16,030

Assets amounting to €13,765,000 included within plant and equipment have not been depreciated as they are in the course of construction.

Fair value hierarchy disclosures required by IFRS13 *Fair Value Measurement* have been included in Note 20, Financial Instruments and Fair Value Measurement.

Notes to the Financial Statements (continued)

17 INVESTMENT PROPERTY

Fair value of investment property	2013 €000s	2012 €000s
At 1 January	10,686	8,818
Fair value movement during the year	588	(1,318)
Effect of movement in foreign exchange	293	-
Investment property acquired on exercise of loan security	-	3,186
At 31 December	11,567	10,686

The investment properties held for rental in Ireland and in the UK were valued at fair value at 31 December 2013 and at 31 December 2012 by independent external professional valuers, CB Richard Ellis, Valuation Surveyors. The valuation at the investment property held for rental in Ireland was prepared in accordance with the RICS Valuation – Professional Standards 2012 (Red Book), while the valuations of the properties in the UK were prepared in accordance with RICS Valuation – Professional Standards (2014) (the Red Book). The valuers confirm that they have sufficient current local and national knowledge of the particular property market involved and have skills and understanding to undertake the valuations competently.

The valuation statements 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.

In accordance with Guidance Note 1 of the RICS Valuation Standards, it also draws attention to comments regarding market conditions and, in particular, the impact of the current crisis in the global financial system on the uncertainty in the Irish commercial real estate market. The report states that “in the immediate aftermath of the events and whilst the financial crisis continues there is a lack of clarity as to the market drivers”. The Directors believe that market value, determined by independent external professional valuers, is not materially different to fair value.

There was an increase in the fair value in 2013 of €588,000, while in 2012 there was a revaluation loss of €1,318,000.

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

The rental income earned by the Group from its investment properties amounted to €1,272,000 (2012: €1,391,000). Direct operating costs associated with investment properties amounted to €242,000 (2012: €223,000).

Apart from the investment properties acquired in 2012, the Group has one other remaining investment property which is currently fully let. The building is split over three floors. The lease was granted over the whole building in December 1999, for a 25 year lease term, with a break option in December 2014 for the first and third floors, and a break option amended to December 2020 for the second floor. No contingent rents were recognised as income in the period.

17 INVESTMENT PROPERTY (continued)

The historical cost of investment property is as follows:

	2013 €000s	2012 €000s
Historical cost at 1 January	23,246	20,060
Investment property acquired in exercise of loan security	-	3,186
Historical cost at 31 December	23,246	23,246

	2013 €000s	2012 €000s
Non-cancellable operating lease receivables		
Not longer than 1 year	1,292	1,256
Longer than 1 year and not longer than 5 years	1,361	1,257
Total non-cancellable operating lease receivables	2,653	2,513

Fair value hierarchy disclosures required by IFRS13 *Fair Value Measurement* have been included in Note 20, Financial Instruments and Fair Value Measurement.

18 LOANS

	2013 €000s	2012 €000s
Secured loans		
At 1 January	-	21,908
Repayments	-	(23,122)
Transferred to investment properties following exercise of loan security	-	(3,186)
Profit on disposal of loan security	-	4,969
Currency translation adjustment	-	(569)
At 31 December	-	-
Other loans	1,037	1,096
Total loans	1,037	1,096

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

Fair value hierarchy disclosures required by IFRS13 *Fair Value Measurement* have been included in Note 20, Financial Instruments and Fair Value Measurement.

Notes to the Financial Statements (continued)

19 DEFERRED TAXATION ASSET

	Restated Retirement benefit obligation	Unrealised losses on investments & loans	Accelerated capital allowances	Restated Total
	€000s	€000s	€000s	€000s
At 1 January 2012	2,711	4,940	697	8,348
Credited to the Consolidated Statement of Comprehensive Income	1,052	-	-	1,052
Debited to Consolidated Income Statement	82	(4,855)	171	(4,602)
At 31 December 2012	3,845	85	868	4,798
Debited to the Consolidated Statement of Comprehensive Income	(278)	-	-	(278)
Debited to Consolidated Income Statement	-	(1,131)	(134)	(1,265)
At 31 December 2013	3,567	(1,046)	734	3,255

A deferred taxation asset of €3,567,000 (2012: €3,845,000) has been recognised in respect of the retirement benefit obligation of €28,538,000 (2012: €30,766,000). A deferred taxation liability of €312,000 (2012: asset €953,000) has been recognised in respect of unrealised losses on investments and loans and accelerated capital allowances to the extent that it is probable, based on management projections, that taxable profits will be available against which the losses can be utilised in the future. All of this deferred taxation asset relates to the underwriting operations.

20 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT

(a) Financial assets

	2013 €000s	2012 €000s
(i) At amortised cost		
Investments held to maturity	30,288	30,850
Deposits with banks	437,977	473,874
	468,265	504,724
(ii) At fair value		
Available for sale investments – unquoted investments	1,368	2,405
Available for sale investments – quoted debt securities	140,529	146,480
Available for sale investments	141,897	148,885
Investments held for trading – quoted shares	79,372	60,282
Investments held for trading – quoted debt securities	103,527	78,867
Investments held for trading – unquoted debt securities	3,809	3,809
Investments held for trading – UCITs	23,523	-
Investments held for trading	210,231	142,958
(iii) At cost		
Cash and cash equivalents	21,586	25,711

The fair value of investments held to maturity at closing bid prices was €30,600,000 (2012: €31,899,000).

Notes to the Financial Statements (continued)

20 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (continued)

(a) Financial assets (continued)

Fair value measurement

The Group implemented IFRS 13 *Fair Value Measurement* effective 1 January 2013 which requires fair value hierarchy disclosures.

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

	2013 Fair value €000s	2013 Carrying value €000s
Financial assets		
Loans	1,207	1,037
Financial investments	820,705	820,393
Other receivables	68,284	68,284
Cash & cash equivalents	21,586	21,586
Financial liabilities		
Payables	40,978	40,978

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

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

20 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (continued)

(a) Financial assets (continued)

2013	Level 1 €000s	Level 2 €000s	Level 3 €000s	Total €000s
Assets				
Property, plant and equipment	-	45,568	-	45,568
Investment property	-	11,567	-	11,567
Loans	-	1,207	-	1,207
Other receivables	-	68,284	-	68,284
Financial assets				
Investments held to maturity	30,600	-	-	30,600
Investments held for trading – quoted shares	79,372	-	-	79,372
Investments held for trading – quoted debt securities	103,527	-	-	103,527
Investments held for trading – unquoted debt securities	-	3,809	-	3,809
Investments held for trading – UCITs	23,523	-	-	23,523
AFS investments – quoted debt securities	140,529	-	-	140,529
AFS investments – unquoted investments	-	-	1,368	1,368
Deposits with banks	437,977	-	-	437,977
Cash and cash equivalents	21,586	-	-	21,586
Total assets	837,114	130,435	1,368	968,917
Liabilities				
Payables	-	40,978	-	40,978
Total liabilities	-	40,978	-	40,978

Notes to the Financial Statements (continued)

20 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (continued)

(a) Financial assets (continued)

2012	Level 1 €000s	Level 2 €000s	Level 3 €000s	Total €000s
Assets				
Property, plant and equipment	-	35,821	-	35,821
Investment property	-	10,686	-	10,686
Loans	-	1,271	-	1,271
Other receivables	-	63,726	-	63,726
Financial assets				
Investments held to maturity	31,899	-	-	31,899
Investments held for trading – quoted shares	60,282	-	-	60,282
Investments held for trading – quoted debt securities	78,867	-	-	78,867
Investments held for trading – unquoted debt securities	-	3,809	-	3,809
AFS investments – quoted debt securities	146,480	-	-	146,480
AFS investments – unquoted investments	-	-	2,405	2,405
Deposits with banks	473,874	-	-	473,874
Cash and cash equivalents	25,711	-	-	25,711
Total Assets	817,113	115,313	2,405	934,831
Liabilities				
Payables	-	39,614	-	39,614
Total Liabilities	-	39,614	-	39,614

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

	2013 €000s	2012 €000s
At 1 January	2,405	6,282
Additions	348	-
Disposals	(385)	-
Unrealised losses recognised in the Consolidated Income Statement	(1,000)	(1,000)
Write-off of available for sale assets	-	(2,877)
At 31 December	1,368	2,405

20 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (continued)

(a) Financial assets (continued)

Unquoted debt securities grouped into Level 2 has been valued at Directors' valuation and will be maturing in July 2014. 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 net asset or net book value or the net present value of future cash flows based on conservative operating projections. A change in one or more of these inputs could have an impact on valuations. The maximum exposure the Group has in relation to Level 3 valued financial assets is €1,368,000 (2012: €2,405,000). 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.

(b) Financial liabilities

The Group had no financial liabilities at 31 December 2013 or 2012 except for those disclosed in note 33(a).

21 CURRENT TAXATION ASSET

	2013 €000s	2012 €000s
Income taxation receivable	4,174	4,705

This balance relates to corporation taxation refunds due.

22 DEFERRED ACQUISITION COSTS

The movements in deferred acquisition costs during the year were:	2013 €000s	2012 €000s
At 1 January	24,652	22,199
Net acquisition costs deferred during the year	1,777	2,453
At 31 December	26,429	24,652

All deferred acquisition costs are expected to be recovered within one year from 31 December 2013.

23 OTHER RECEIVABLES

	2013 €000s	2012 €000s
Policyholders	45,239	40,352
Intermediaries	5,475	4,594
Other debtors	6,304	7,349
Accrued interest and rent	3,051	4,658
Prepayments and accrued income	8,215	6,773
Total other receivables	68,284	63,726

Notes to the Financial Statements (continued)

23 OTHER RECEIVABLES (continued)

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

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

24 CASH AND CASH EQUIVALENTS

	2013 €000s	2012 €000s
Demand deposits*	20,000	25,000
Cash in hand	1,586	711
Total cash and cash equivalents	21,586	25,711

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

25 ORDINARY SHARE CAPITAL

	Number	2013 €000s	2012 €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.

25 ORDINARY SHARE CAPITAL (continued)

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 28). Before any dividend can be declared on the ordinary shares of €0.60 each, the dividend on the non-cumulative preference shares must firstly be declared or paid.

The number of ordinary shares of €0.60 each held as treasury shares at the beginning (and the maximum number held during the year) was 2,017,312. This represented 5.69% of the shares of this class in issue and had a nominal value of €1,210,387. There were no ordinary shares of €0.60 each purchased by the Company during the year. A total of 633,825 ordinary shares of €0.60 each were re-issued from treasury during the year under the FBD Holdings plc Executive Share Option Scheme. Proceeds of €3,936,000 were credited directly to distributable reserves. This left a balance of 1,383,487 ordinary shares of €0.60 each in treasury which had a nominal value of €830,092 and represented 3.9% of the ordinary shares of €0.60 each in issue.

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

At 31 December 2013, the total number of ordinary shares of €0.60 each under option amounted to 325,000 (2012: 968,825). The related options had been granted under the FBD Holdings plc Executive Share Option Scheme ("ESOS"). 325,000 (2012: 821,582) of the options outstanding under the ESOS may be exercised prior to September 2014 at a subscription price of €7.45 per share conditional on certain performance conditions being met.

All issued shares have been fully paid.

26 CAPITAL RESERVES

(a) GROUP

	Share premium €000s	Capital conversion reserve €000s	Capital redemption reserve €000s	Share option reserve €000s	Total Group €000s
Balance at 1 January 2012	5,540	1,627	4,426	4,334	15,927
Recognition of share-based payments	-	-	-	908	908
Balance at 31 December 2012	5,540	1,627	4,426	5,242	16,835
Recognition of share-based payments	-	-	-	977	977
Balance at 31 December 2013	5,540	1,627	4,426	6,219	17,812

Notes to the Financial Statements (continued)

26 CAPITAL RESERVES (continued)

(b) COMPANY

	Share premium €000s	Capital conversion reserve €000s	Capital redemption reserve €000s	Share option reserve €000s	Total Company €000s
Balance at 1 January 2012	5,540	1,627	4,426	4,334	15,927
Recognition of share-based payments	-	-	-	908	908
Balance at 31 December 2012	5,540	1,627	4,426	5,242	16,835
Recognition of share-based payments	-	-	-	977	977
Balance at 31 December 2013	5,540	1,627	4,426	6,219	17,812

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

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

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

27 RETAINED EARNINGS

	€000s
Balance at 1 January 2012	172,596
Net profit for the year	41,834
Dividends paid and approved	(12,104)
Exercise of share options	689
Balance at 31 December 2012	203,015
Net profit for the year	46,705
Dividends paid and approved	(15,663)
Exercise of share options	3,936
Balance at 31 December 2013	237,993

28 PREFERENCE SHARE CAPITAL

	Number	2013 €000s	2012 €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.

29 NON-CONTROLLING INTERESTS

	2013 €000s	2012 €000s
At 1 January	477	458
Share of profit for the year	106	99
Dividends paid to non-controlling interests	(120)	(80)
At 31 December	463	477

Notes to the Financial Statements (continued)

30 CLAIMS OUTSTANDING

(a) Gross Claims Outstanding 2013

	Prior years €000s	2004 €000s	2005 €000s	2006 €000s	2007 €000s	2008 €000s	2009 €000s	2010 €000s	2011 €000s	2012 €000s	2013 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year	-	329,087	329,501	393,944	340,460	383,918	378,839	352,635	261,596	252,558	263,945	-
One year later	-	277,415	278,281	306,441	316,394	373,373	342,548	334,162	231,834	233,037	-	-
Two years later	-	255,510	243,243	299,096	308,665	373,203	341,006	331,479	239,626	-	-	-
Three years later	-	223,571	229,877	297,147	303,432	371,095	340,620	325,032	-	-	-	-
Four years later	-	215,480	224,576	291,218	300,170	367,095	328,232	-	-	-	-	-
Five years later	-	207,644	218,926	286,636	294,461	359,085	-	-	-	-	-	-
Six years later	-	208,007	217,015	283,287	289,155	-	-	-	-	-	-	-
Seven years later	-	206,588	215,988	279,330	-	-	-	-	-	-	-	-
Eight years later	-	212,521	214,588	-	-	-	-	-	-	-	-	-
Nine years later	-	210,103	-	-	-	-	-	-	-	-	-	-
Estimate of cumulative claims	-	210,103	214,588	279,330	289,155	359,085	328,232	325,032	239,626	233,037	263,945	-
Cumulative payments	-	(206,587)	(206,865)	(270,321)	(272,391)	(331,769)	(288,144)	(253,383)	(151,801)	(125,540)	(77,596)	-
Claims outstanding at 31 December 2013:	7,876	3,516	7,723	9,009	16,764	27,316	40,088	71,649	87,825	107,497	186,349	565,612
Claims outstanding at 31 December 2012:	11,225	13,235	10,459	17,887	31,934	49,378	74,774	101,746	101,447	169,047	-	581,132
Movement during 2013:	(3,349)	(9,719)	(2,736)	(8,878)	(15,170)	(22,062)	(34,686)	(30,097)	(13,622)	(61,550)	186,349	(15,520)

30 CLAIMS OUTSTANDING (continued)

(b) Net Claims Outstanding 2013

	Prior years €000s	2004 €000s	2005 €000s	2006 €000s	2007 €000s	2008 €000s	2009 €000s	2010 €000s	2011 €000s	2012 €000s	2013 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year	-	265,069	290,028	297,864	307,269	338,162	308,494	282,830	233,361	235,041	247,757	-
One year later	-	227,657	286,600	257,379	281,264	319,002	286,115	265,482	208,430	218,763	-	-
Two years later	-	213,828	221,359	254,396	277,391	318,124	286,153	265,884	215,507	-	-	-
Three years later	-	183,663	210,457	251,077	273,128	316,831	284,164	260,066	-	-	-	-
Four years later	-	176,006	205,132	246,832	269,372	313,328	273,523	-	-	-	-	-
Five years later	-	171,196	200,640	242,665	263,272	305,667	-	-	-	-	-	-
Six years later	-	168,266	198,584	239,324	258,543	-	-	-	-	-	-	-
Seven years later	-	166,822	197,596	235,664	-	-	-	-	-	-	-	-
Eight years later	-	167,774	196,362	-	-	-	-	-	-	-	-	-
Nine years later	-	165,578	-	-	-	-	-	-	-	-	-	-
Estimate of cumulative claims	-	165,578	196,362	235,664	258,543	305,667	273,523	260,066	215,507	218,763	247,757	-
Cumulative payments	-	(162,542)	(188,802)	(226,762)	(242,776)	(278,766)	(235,540)	(189,646)	(131,359)	(112,411)	(73,334)	-
Claims outstanding at 31 December 2013:	5,569	3,036	7,560	8,902	15,767	26,901	37,983	70,420	84,148	106,352	174,423	541,061
Claims outstanding at 31 December 2012:	8,874	8,210	10,228	17,602	30,744	48,782	66,863	98,023	96,787	159,924	-	546,037
Movement during 2013:	(3,305)	(5,174)	(2,668)	(8,700)	(14,977)	(21,881)	(28,880)	(27,603)	(12,639)	(53,572)	174,423	(4,976)

Notes to the Financial Statements (continued)

30 CLAIMS OUTSTANDING (continued)

(b) Net Claims Outstanding 2013 (continued)

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

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

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

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

(c) Reconciliation of claims outstanding

	Gross €000s	Net €000s
Balance at 1 January 2012	603,190	559,584
Change in provision for claims	(22,058)	(13,547)
Balance at 31 December 2012	581,132	546,037
Change in provision for claims	(15,521)	(4,977)
Balance at 31 December 2013	565,611	541,060

(d) Reconciliation of provision for unearned premium

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

	2013 €000s	2012 €000s
Balance at 1 January	170,243	174,362
Net premium written	302,086	296,609
Net premium earned	(296,387)	(300,625)
Changes in provision for unearned premium – reinsurers' share	(562)	(103)
Provision for unearned premium at 31 December	175,380	170,243

30 CLAIMS OUTSTANDING (continued)

(e) Reconciliation of reinsurance assets

	Claims outstanding €000s	Unearned premium reserve €000s
Balance at 1 January 2012	43,606	20,385
Movement during year	(8,511)	(103)
Balance at 31 December 2012	35,095	20,282
Movement during year	(10,545)	(562)
Balance at 31 December 2013	24,550	19,720

31 RETIREMENT BENEFIT OBLIGATION

The Group operates a funded defined benefit retirement scheme for qualifying employees. The defined benefit plans are administered by a separate Trustee Company that is legally separated from the entity. The Trustee Company is composed of representatives from both 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. active employees, inactive employees, retirees, employers. They are responsible for the investment policy with regard to the assets of the fund.

Under the defined benefit plan, qualifying employees are entitled to retirement benefits of 1/60th of final salary for each year of service on attainment of a retirement age of 65. A full actuarial valuation was carried out on 1 July 2013, using the projected unit credit method, and the minimum funding standard was updated to 31 December 2013 by the schemes' independent and qualified actuary. The long-term investment objective of the Trustees and the Group is to limit the risk of the assets failing to meet the liabilities of the scheme over the long term, and to maximise returns consistent with an acceptable level of risk so as to control the long-term costs of the scheme. To meet these objectives, the scheme's assets are invested in a diversified portfolio, consisting primarily of equity and debt securities. These reflect the current long-term asset allocation ranges, having regard to the structure of liabilities within the scheme. The scheme typically exposes the Group to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

(a) Assumptions used to calculate scheme liabilities

	2013 %	2012 %
Inflation rate increase	2.00	2.00
Salary rate increase	3.00	3.00
Pension payment increase:		
- past service average	2.00	2.00
- future service	0.00	0.00
Discount rate	3.80	4.00

The expected rate of return on scheme assets is not relevant due to International Accounting Standards Board amendments to IAS 19 which has taken effect from 1 January 2013.

Notes to the Financial Statements (continued)

31 RETIREMENT BENEFIT OBLIGATION (continued)

(b) Mortality Assumptions

	2013 Years	2012 Years
The average life expectancy of current and future retirees used in the scheme at age 65 is as follows:		
Male	22.3	21.8
Female	24.1	23.5

The weighted average duration of the expected benefit payments from the scheme is *circa* 21 years.

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

During 2011, the Finance (No. 2) Act introduced an annual levy of 0.6% on the market value of assets held in pension schemes in Ireland from 2011 to 2014. The levy is payable on the value of assets at 30 June or the previous year end date. The levy for 2013 was €700,214 (2012: €627,094) and was paid out of the pension funds on or before September 2013 and will be recovered from members' pensions in future years. The 2012 levy has been reflected in the past service cost in 2013 and the 2013 levy will be reflected in the 2014 accounts.

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 €11,369,000 (2012: €12,237,000).

(c) Consolidated Income Statement

	2013 €000s	2012 €000s
Charged to Consolidated Income Statement:		
Service cost: employer's part of current service cost	3,976	3,552
Past service cost	(885)	(606)
Net interest expense	1,228	993
Charge to Consolidated Income Statement	4,319	3,939

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

31 RETIREMENT BENEFIT OBLIGATION (continued)

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

	2013 €000s	2012 €000s
Net actuarial (gains)/losses in the year due to:		
– Changes in financial and demographic assumptions	7,175	18,288
– Experience adjustments on benefit obligations	(3,406)	(1,660)
Actual return on plan assets less interest on plan assets	(6,620)	(7,283)
Actuarial (gain)/loss	(2,851)	9,345
Deferred taxation debit/(credit)	278	(1,134)
Actuarial (gain)/loss net of deferred taxation	(2,573)	8,211

(e) History of experience gains and losses

	2013 €000s	2012 €000s	2011 €000s	2010 €000s	2009 €000s
Present value of defined benefit obligations	158,769	149,520	127,620	114,367	120,755
Fair value of plan assets	130,231	118,754	105,928	103,508	97,652
Net pension liability	28,538	30,766	21,692	10,859	23,103
Experience gains and losses on scheme liabilities	3,406	1,660	1,993	2,270	(1,315)
Actuarial gain/(loss)	2,851	(9,345)	(14,323)	4,131	(8,556)

The cumulative charge to the Consolidated Statement of Comprehensive Income is €82,700,000 (2012: €85,551,000).

(f) Assets in scheme at market value

	2013 €000s	2012 €000s
Equities	62,120	45,441
Bonds	13,023	41,837
Property	6,512	1,818
Managed funds	47,665	22,402
Cash deposits and other	911	7,256
Scheme assets	130,231	118,754
Actuarial value of liabilities	(158,769)	(149,520)
Net pension liability	(28,538)	(30,766)

Apart from one property, which makes up less than 1% of the total assets in the scheme as analysed above, the other 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.

Notes to the Financial Statements (continued)

31 RETIREMENT BENEFIT OBLIGATION (continued)

(g) Movement in deficit during the year

	2013 €000s	2012 €000s
Net deficit in scheme at 1 January	(30,766)	(21,692)
Current service cost	(3,976)	(3,552)
Past service gain	885	606
Employer contributions	3,696	4,210
Interest on scheme liabilities	(5,977)	(5,947)
Interest on scheme assets	4,749	4,954
Actuarial gain/(loss)	2,851	(9,345)
Net deficit at 31 December	(28,538)	(30,766)

(h) Movement on assets and liabilities

	2013 €000s	2012 €000s
Assets		
Assets in scheme at 1 January	118,754	105,928
Actual return less interest on scheme assets	6,620	7,283
Employer contributions	3,696	4,210
Employee contributions	66	73
Interest on scheme assets	4,749	4,954
Benefits paid	(3,654)	(3,694)
Assets in scheme at 31 December	130,231	118,754
Liabilities		
Liabilities in scheme at 1 January	149,520	127,620
Experience gains and losses on scheme liabilities	(3,406)	(1,660)
Changes in financial and demographic assumptions	7,175	18,288
Current service cost	3,976	3,552
Past service gain	(885)	(606)
Employee contributions	66	73
Interest on scheme liabilities	5,977	5,947
Benefits paid	(3,654)	(3,694)
Liabilities in scheme at 31 December	158,769	149,520

31 RETIREMENT BENEFIT OBLIGATION (continued)

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

- A 1% increase in the discount rate would reduce the value of the scheme liabilities by €29.4m. A 1% reduction in the discount rate would increase the value of the scheme liabilities by €39.9m.
- The effect of inflation and salaries have been analysed together because they are linked. A rise in the long-term inflation assumption will increase the long term salary increase assumption and similarly for a fall in the long-term inflation assumption.
- A 1% increase in inflation/salaries would increase the value of the scheme liabilities by €27.7m. A 1% reduction in inflation/salaries would reduce the value of the scheme liabilities by €21.6m.
- The effect of assuming all members of the scheme will live one year longer would increase the scheme's liabilities by €4.1m.
- The current best estimate of 2014 contributions to be made by the Group to the pension fund is €3,883,000 (2013: €3,897,000).

The Group also operates defined contribution retirement benefit plans for qualifying employees who opt to join. The assets of the plans are held separately from those of the Group in funds under the control of Trustees. The Group recognised an expense of €1,770,000 (2012: €1,579,000) relating to these pension schemes.

32 DEFERRED TAXATION LIABILITY

	Insurance contracts €000s	Other temporary differences €000s	Total €000s
At 1 January 2012	9,643	-	9,643
Arising on sale of subsidiaries	(8,952)	-	(8,952)
Reclassification	(691)	691	-
At 31 December 2012 and 31 December 2013	-	691	691

Notes to the Financial Statements (continued)

33 PAYABLES

(a) GROUP

	2013 €000s	2012 €000s
Amounts falling due within one year:		
Payables and accruals	24,536	28,080
PAYE/PRSI	1,895	1,785
Proposed dividends on preference shares	282	282
Payables arising out of direct insurance operations	14,267	9,467
Total payables	40,980	39,614

(b) COMPANY

	2013 €000s	2012 €000s
Amounts falling due within one year:		
Payables and accruals	4,615	4,668
Proposed dividends on preference shares	282	282
Total payables	4,897	4,950

34 DIVIDENDS

	2013 €000s	2012 €000s
Paid during year:		
2012 final dividend of 30.00 cent (2011: 23.25 cent) per share on ordinary shares of €0.60 each	10,058	7,742
2013 interim dividend of 15.75 cent (2012: 12.25 cent) per share on ordinary shares of €0.60 each	5,323	4,080
Dividend of 4.8 cent (2012: 4.8 cent) per share on 8% non-cumulative preference shares of €0.60 each	169	169
Dividend of 8.4 cent (2012: 8.4 cent) per share on 14% non-cumulative preference shares of €0.60 each	113	113
Dividend of nil cent (2011: 4.8 cent) per share on 8% non-cumulative preference shares of €0.60 each	-	169
Total dividends paid	15,663	12,273

34 DIVIDENDS (continued)

	2013 €000s	2012 €000s
Proposed:		
Dividend of 4.8 cent (2012: 4.8 cent) per share on 8% non-cumulative preference shares of €0.60 each	169	169
Final dividend of 33.25 cent (2012: 30.00 cent) per share on ordinary shares of €0.60 each	11,331	10,033
Total dividends proposed	11,500	10,202

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

35 PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

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

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

All shareholdings are in the form of ordinary shares.

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

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

36 CAPITAL COMMITMENTS

	2013 €000s	2012 €000s
Capital commitments at 31 December authorised by the Directors but not provided for in the Financial Statements:		
Contracted for	387	1,300
Not contracted for	7,836	17,700

The above capital commitments relate to an investment in the underwriting policy administrative system that commenced in 2013 and is being undertaken over a two to three year period.

Notes to the Financial Statements (continued)

37 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets at either 31 December 2013 or 31 December 2012.

38 SHARE BASED PAYMENTS

FBD Holdings plc Executive Share Option Scheme

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

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

	2013 Weighted average exercise price in € per share	2013 Options	2012 Weighted average exercise price in € per share	2012 Options
At 1 January	6.64	968,825	6.38	1,115,825
Granted	-	-	-	-
Exercised	6.21	(633,825)	4.69	(147,000)
Lapsed	7.45	(10,000)	-	-
At 31 December	7.45	325,000	6.64	968,825
Total exercisable at 31 December	7.45	325,000	6.64	968,825

The fair values of the options granted under the ESOS in October 2003 and August 2009 were calculated at €12.03 and €1.62 respectively. These fair values were independently calculated using the assumptions detailed on page 113.

The total share options exercised during year were 633,825 at a weighted average share price at the date of exercise of €14.74.

No further options can be granted under the ESOS.

38 SHARE BASED PAYMENTS (continued)

FBD Group Performance Share Plan

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

A conditional award was made in November 2011 over 252,077 ordinary shares.

A conditional award was made in March 2013 over 140,940 ordinary shares. The fair value of the award has been independently calculated at €11.54 per share using the assumptions detailed below in a Monte Carlo simulation model.

Fair value calculations

The fair values of the options and conditional share awards noted on page 112 and above have been calculated using the following assumptions:

	ESOS grant August 2009	LTIP award November 2011	LTIP award March 2013
Share price at grant	€7.40	€6.55	€12.70
Initial option/award price	€7.45	€6.55	€12.70
Expected volatility	35%	30%	30%
Expected life in years	3	2.37	3
Risk free interest rate	2.5%	1.2%	0.5%
Expected dividend yield %	4.5%	n/a	n/a
Fair value	€1.62	€6.18	€11.54

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

Accounting charge for share based payments

Grant date	Vesting period (years)	Number of options granted	Number outstanding at 31 December 2013	Grant price €	Market value at grant date €	Fair value at grant date €	2013 €000s	2012 €000s
26.08.2009 ESOS	3.00	905,000	810,000	7.45	7.40	1.62	-	319
18.11.2011 LTIP	2.37	252,077	252,077	-	6.55	6.18	588	589
04.03.2013 LTIP	3.00	140,940	140,940	-	12.70	11.54	389	-
Total							977	908

Notes to the Financial Statements (continued)

39 GUARANTEES

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

The guarantees are deemed not to have material value.

40 TRANSACTIONS WITH RELATED PARTIES

Farmer Business Developments plc has a substantial shareholding in the Group at 31 December 2013, details of which are set out in the Report of the Directors.

Included in the Financial Statements at the year end is €529,895 (2012: €385,183) due from Farmer Business Developments plc. This balance is made up of recharges for services provided, recoverable costs and interest. Interest is charged on this balance at the market rate. The amount due is repayable on demand.

For the purposes of the disclosure requirements of IAS 24, the term "key management personnel" (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Company) comprises the Board of Directors 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:

	2013 €000s	2012 €000s
Short term employee benefits ¹	2,772	2,762
Post-employment benefits	290	306
Termination benefits ²	-	250
Share based payments	432	426
Charge to the Consolidated Income Statement	3,494	3,744

1 Short term benefits include fees to non-executive Directors, salaries and other short-term benefits to all members of the KMP.

2 One executive director retired on 5 November 2012 for health reasons. An award of €250,000 was approved by the remuneration committee in recognition of his substantial contribution to the Group over many years.

40 TRANSACTIONS WITH RELATED PARTIES (continued)

Full disclosure in relation to the 2013 and 2012 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 €36,856 (2012: €30,673).

41 RISK MANAGEMENT

The Group has in place a risk management process the objective of which is to provide a systematic, effective and efficient way to manage risk in the organisation and to ensure the risks to which the Group is exposed to is consistent with the overall business strategy and the risk appetite of the Group.

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

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.

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

(a) General Insurance risk

The risk attached to any insurance policy written is the possibility that an insured event occurs and the uncertainty of the amount of the resulting claim. The frequency and severity of claims can be affected by several factors, most notably economic activity, the level of awards and inflation on settling claims. The history of claims development is set out, both gross and net of reinsurance in note 30, claims outstanding.

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

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

Notes to the Financial Statements (continued)

41 RISK MANAGEMENT (continued)

(a) General Insurance risk (continued)

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

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

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

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

The Group purchases reinsurance protection to limit its exposure to single claims and the aggregation of claims from catastrophic events. For its motor, employers' liability and public liability business, the Group has in place excess of loss reinsurance treaties and for its property business, quota share and catastrophe reinsurance treaties. The Group's retention on all reinsurance treaties is approved by the Board of Directors on an annual basis. The Group only places reinsurance with companies that it believes are strong financially and operationally. Credit exposures to these companies are closely managed by senior management. All of the Group's current reinsurers have either a credit rating of A- or better or have provided the Group with appropriate security. The Group has assessed these credit ratings and security as being satisfactory in diminishing the Group's exposure to the credit risk of its reinsurance receivables.

(b) Capital Management risk

The Group is committed to managing its capital so as to maximise returns to shareholders. The capital of the Group comprises of issued capital, reserves and retained earnings as detailed in notes 25 to 27. The Board of Directors reviews the capital structure frequently to determine the appropriate level of capital required to pursue the Group's growth plans. The Group's overall strategy remains unchanged from 2012.

41 RISK MANAGEMENT (continued)

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

As at 31 December 2013, FBD Insurance plc had admissible assets to cover the required solvency margin of €231,560,000 (2012: €220,821,000) versus a requirement of €59,806,000 (2012: €60,410,000) as calculated by reference to the European Communities (Non-Life Insurance) Framework (Amendment) Regulations 2004. FBD Insurance plc maintained its robust capital position and complied with all regulatory solvency margin requirements throughout both the year under review and the prior year.

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

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

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

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

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

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

(c) Operational risk

Operational risk could arise as a result of inadequately controlled or failed 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.

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

Notes to the Financial Statements (continued)

41 RISK MANAGEMENT (continued)

(c) Operational risk (continued)

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

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

(d) Liquidity risk

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

	Carrying value total €000s	Contracted Value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Assets – 2013					
Investment property	11,567	11,567	11,567	-	-
Financial assets	716,130	736,000	478,715	244,808	12,477
Reinsurance assets	44,270	44,270	28,367	13,519	2,384
Loans and other receivables	69,321	69,321	68,614	707	-
Cash and cash equivalents	21,586	21,586	21,586	-	-
Total	862,874	882,744	608,849	259,034	14,861
Liabilities - 2013					
Insurance contract liabilities	740,991	740,991	271,551	369,204	100,236
Payables	40,980	40,980	40,980	-	-
Total	781,971	781,971	312,531	369,204	100,236

41 RISK MANAGEMENT (continued)

(d) Liquidity risk (continued)

	Carrying value total €000s	Contracted Value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Assets – 2012					
Investment property	10,686	10,686	10,686	-	-
Financial assets	733,880	750,163	658,558	88,035	3,570
Reinsurance assets	55,377	55,377	26,711	25,607	3,059
Loans and receivables	64,822	64,822	64,172	650	-
Cash and cash equivalents	25,711	25,711	25,711	-	-
Total	890,476	906,759	785,838	114,292	6,629
Liabilities - 2012					
Insurance contract liabilities	751,375	751,375	235,519	424,157	91,699
Payables	39,614	39,614	39,614	-	-
Total	790,989	790,989	275,133	424,157	91,699

(e) Market risk

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

Notes to the Financial Statements (continued)

41 RISK MANAGEMENT (continued)

(e) Market risk (continued)

Interest rate risk

Interest rate risk arises primarily from the Group's investments in quoted 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 2013, the Group held the following deposits, held to maturity investments and quoted and unquoted debt securities:

	2013		2012	
	Weighted market value €000s	Weighted average interest rate %	Weighted market value €000s	Weighted average interest rate %
Time to maturity				
In one year or less	466,424	1.29	643,686	2.10
In more than one year, but not more than two years	76,068	3.81	56,986	4.61
In more than two years, but not more than three years	117,679	3.69	11,845	4.35
In more than three years, but not more than four years	39,061	1.12	8,705	4.54
In more than four years, but not more than five years	4,799	2.27	7,412	4.06
More than five years	12,099	2.96	5,246	3.77
Total	716,130		733,880	

Equity price risk

The Group is subject to equity price risk due to daily changes in the market values of its holdings of quoted shares. Equity price risk is actively managed using the framework set out in the Group's investment policy which is approved annually by the Board of Directors. The Group places limits on the type of shares held, liquidity of shares, size of share-holding and exposure to any one sector. In addition, local asset admissibility solvency regulations require the Group to hold a diversified portfolio of assets, thereby reducing exposure to individual sectors. The amounts exposed to equity price risk are set out in note 20(a).

Foreign currency risk

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

The Group did not hold any derivative instruments at 31 December 2013 or 31 December 2012.

41 RISK MANAGEMENT (continued)

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

	2013 €000s	2012 €000s
GBP	10,466	11,195
USD	8,406	7,195
Other	2,890	610

(f) Credit risk

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

Financial assets are graded according to current credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as speculative grade. All of the Group's bank deposits are either with financial institutions which have a minimum A- rating or have a sovereign guarantee. Quoted debt securities comprise €30,288,000 government bonds (2012: €30,850,000) which carry AAA rating, €103,527,000 government bonds (2012: €78,867,000) with investment grade and €3,809,000 corporate bonds (2012: €3,809,000) which are unrated. Available for sale investments comprise €140,529,000 (2012: 146,480,000) of listed corporate bonds with an average duration of 1.9 years and carry an average rating of A or have a government guarantee and a number of small investments many of which are unrated. The maximum exposure the Group has in relation to any one of these unrated investments is €1,368,000 (2012: €2,405,000).

All of the Group's current reinsurers either have a credit rating of A- or better or have provided the Group with alternative satisfactory security. The Group has assessed these credit ratings and security as being satisfactory in diminishing the Group's exposure to the credit risk of its reinsurance receivables. The maximum balance owed to the Group by an individual reinsurer at 31 December 2013 was €2,627,000 (2012: €4,529,000).

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

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

(g) Concentration risk

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

- Quoted debt securities comprise €30,288,000 (2012: €30,850,000) of government bonds which carry an AAA rating and €3,809,000 (2012: €3,809,000) of corporate bonds which are unrated. Given the rating of its government bond portfolio, the Group deems any concentration risk to be acceptable.
- Listed corporate bonds carry an average credit rating of A with 11% of the listed corporate bonds being invested in bonds with a rating of BBB+ (the lowest rating allowed within the fund). No more than 2% of the corporate bond fund is invested in any one holding. The average duration of the fund is 1.25 years. Given the ratings, spread of investments and the duration of the listed corporate bond fund, the Group deems any concentration risk to be acceptable.

Notes to the Financial Statements (continued)

41 RISK MANAGEMENT (continued)

(g) Concentration risk (continued)

- All of the underwriting business is conducted in Ireland over a wide geographical spread with no concentration in any county or region. The resultant concentration risk from adverse weather events, i.e. floods, storms or freezes in Ireland, are mitigated by a flood mapping solution and an appropriate reinsurance strategy as outlined in note 41(a).

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

(h) Macro-economic risk

Economic downturn

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

Increasing competition

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

Changing market trends

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

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

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

Taxation risk

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

41 RISK MANAGEMENT (continued)

(i) Sensitivity analysis

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

Sensitivity factor	Description of sensitivity factor applied
Interest rate and investment return	The impact of a change in the market interest rate by an increase of 1% or a decrease of 0.25%. 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 $\pm 10\%$.
Equity market values	The impact of a change in equity market values by $\pm 10\%$.
Available for sale investments	The impact of a change in corporate bond market values by $\pm 5\%$.
Property market values	The impact of a change in property market values by $\pm 10\%$.
Net loss ratios	The impact of an increase in underwriting net loss ratios by 5%.

The pre-taxation impacts on profit and shareholders' equity at 31 December 2013 and at 31 December 2012 of each of the sensitivity factors outlined above are as follows:

		2013 €000s	2012 €000s
Interest rates	1.0%	5,028	4,609
Interest rates	(0.25%)	(1,257)	(1,152)
FX rates	10%	2,176	1,900
FX rates	(10%)	(2,176)	(1,900)
Equity	10%	7,937	6,028
Equity	(10%)	(7,937)	(6,028)
Available for sale investments	5%	7,095	7,444
Available for sale investments	(5%)	(7,095)	(7,444)
Investment property	10%	1,157	1,069
Investment property	(10%)	(1,157)	(1,069)
Net loss ratio	5%	(14,819)	(15,032)

Notes to the Financial Statements (continued)

41 RISK MANAGEMENT (continued)

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

	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
31 December 2013					
Injury claims IBNR	+10%	2,460	2,460	(2,460)	2,153
Other claims IBNR	+10%	616	499	(499)	437
Legal fees revert to pre PIAB levels		6,210	5,589	(5,589)	4,890
31 December 2012					
Injury claims IBNR	+10%	2,086	2,086	(2,086)	1,825
Other claims IBNR	+10%	1,255	1,015	(1,015)	888
Legal fees revert to pre PIAB levels		6,395	5,756	(5,756)	5,037

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.

Letter from the Chairman in relation to the Annual General Meeting

28 March 2014

Dear Shareholder,

The Notice of the Annual General Meeting of the Company, which will be held at 12.00 noon on 29 April 2014 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.

Ordinary Business (Resolutions 1 to 6)

Resolution 1 deals with the consideration of the Financial Statements of the Company for the year ended 31 December 2013.

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

Resolution 3 deals with the declaration of a final dividend of 33.25 cent per ordinary share for the year ended 31 December 2013.

Resolution 4 deals with the approval of the Report on Directors' Remuneration. This Report is set out on pages 35 to 43 of the Annual Report and it has been the practice of the Board since 2010 to put the Report on Directors' Remuneration to a shareholder vote. Shareholders should note that there is no legal obligation on the Company to put such a resolution to Shareholders. While it is therefore an "advisory" resolution and not binding on the Company, the Board recognises that the tabling of such a resolution is best practice in this area and is an acknowledgement of Shareholders' rights to have a "say on pay".

Resolution 5 deals with the proposed re-election of all of the Directors. The Board has adopted the practice that all Directors will submit themselves for re-election at each Annual General Meeting. This was done for the first time in 2011. Biographies of all the Directors are set out on pages 26 to 27 of the Annual Report in the Corporate Governance Section. Each of the Directors brings to the Board substantial and relevant business experience.

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

Special Business (Resolutions 7 to 11)

Resolutions 7 to 10 are the normal resolutions usually considered annually, except in the case of Resolution 7, which relate to the share capital of the Company and propose to renew authorities previously approved by Shareholders. I want to assure you that the Board will only exercise these authorities if it considers it to be in the best interests of Shareholders generally at that time.

Resolution 11 deals with the fixing of the notice period for the convening of an Extraordinary General Meeting of the Company.

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

Authority to allot shares (Resolution 7)

Resolution 7 will be proposed as a Special Resolution to renew the authority of the Board to allot the authorised but un-issued shares in the capital of the Company. The authority was last renewed in 2009 and can only be granted by shareholders for a maximum period of 5 years. The current authority expires on 28 April 2014.

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

Disapplication of pre-emption rights (Resolution 8)

Resolution 8 will be proposed as a Special Resolution to renew the Directors' authority to issue shares for cash other than strictly pro rata to existing shareholdings. The proposed authority is limited to the allotment of shares in specific circumstances relating to rights issues and other issues up to an aggregate of 5% of the Company's issued ordinary share capital.

This authority will, if renewed, expire on the earlier of the date of the next Annual General Meeting of the Company or 29 July 2015.

Authority to purchase own shares (Resolution 9)

Resolution 9 will be proposed as a Special Resolution to renew the authority of the Company, or any subsidiary of the Company, to make market purchases of the Company's ordinary shares up to 10% of the aggregate nominal value of the Company's total issued share capital. The text of the resolution sets out the minimum and maximum prices which may be paid for ordinary shares purchased in this manner.

The total number of options to subscribe for ordinary shares in the Company outstanding on 20 March 2014 is 713,017 representing 1.83% of the total issued share capital. If the Directors were to exercise the authority being renewed by this resolution up to the maximum allowed and to cancel such shares and all other shares held in treasury, these options would represent 2.13% of the total issued share capital.

This authority will, if renewed, expire on the earlier of the date of the next Annual General Meeting of the Company or 29 July 2015.

Reissue price range of treasury shares (Resolution 10)

Resolution 10 will be proposed as a Special Resolution to set the price ranges at which the Company may re-issue treasury shares off-market.

This authority will, if renewed, expire on the earlier of the date of the next Annual General Meeting of the Company or 29 July 2015.

Notice period for Extraordinary General Meetings (Resolution 11)

Resolution 11 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. Your proxy may be submitted by post by completing the enclosed Form of Proxy and returning it to the Company's Registrar, Computershare Investor Services (Ireland) Limited, PO Box 954, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland. Your proxy may also be submitted through the internet. Instructions on how to do this are set out on the Form of Proxy. CREST members who wish to appoint a proxy or proxies via the CREST electronic proxy appointment service should refer to footnote 5 on page 8 of that document.

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

Recommendation

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

Yours faithfully,

Michael Berkery
Chairman

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held in the Irish Farm Centre, Old Naas Road, Bluebell, Dublin 12, Ireland on Tuesday 29 April 2014, at 12 noon for the following purposes:

AS ORDINARY BUSINESS

- 1 To receive and consider the Report of the Directors and the Financial Statements for the year ended 31 December 2013.
- 2 To declare a dividend on the 8% non-cumulative preference shares.
- 3 To declare a final dividend of 33.25 cent per ordinary share.
- 4 To approve the Report on Directors' Remuneration appearing in the Financial Statements for the year ended 31 December 2013 (Advisory Resolution).
- 5 To re-elect the following persons as Directors of the Company:
 - (a) Michael Berkery
 - (b) Sean Dorgan
 - (c) Brid Horan
 - (d) Andrew Langford
 - (e) Dermot Mulvihill
 - (f) Cathal O'Caomh
 - (g) Pdraig Walshe
- 6 To authorise the Directors to fix the remuneration of the Auditors.

AS SPECIAL BUSINESS

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

That the general authority of the Directors to allot shares under Section 20 of the Companies (Amendment) Act, 1983 be renewed by the deletion of the current Article number 8 (b) and replacing it with the following:

“(b) The Directors are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities within the meaning of Section 20 of the Companies (Amendment) Act 1983. The maximum amount of relevant securities which may be allotted under the authority hereby conferred shall be the authorised but un-issued shares in the capital of the Company now in existence on 29 April 2014. The authority shall expire on 28 April 2019, unless and to the extent that such authority is renewed, revoked or extended prior to such date. 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, notwithstanding that the authority hereby conferred has expired.”

Notice of Annual General Meeting (continued)

8 Subject to the passing of Resolution 7, to consider and, if thought fit, pass the following Special Resolution:

“In accordance with the provisions of the Companies (Amendment) Act, 1983, the Directors be and are hereby empowered to allot “equity securities” (as defined in Section 23 (13) of the Companies (Amendment) Act, 1983) pursuant to the authority conferred on them by the Special Resolution of the Company passed on 29 April 2014 as if Section 23 (1) of the Companies (Amendment) Act, 1983 did not apply to any allotment made pursuant to the said authority provided that this power shall be limited to the allotment of equity securities up to but not exceeding an aggregate nominal value of 5 per cent of the issued ordinary share capital as at the date of this Resolution and that the authority hereby conferred shall expire at the close of business on the earlier of the date of the next Annual General Meeting of the Company or a date 15 months from the date of passing hereof and that the Directors be entitled to make at any time prior to the expiry of the power hereby conferred, any offer or agreement which would or might require equity securities to be allotted after the expiry of such power. Provided that such power shall, subject as aforesaid, cease to have effect when the said authority is revoked or would, if renewed, expire but if the authority is renewed the said power may also be renewed, for a period not longer than that for which the authority is renewed, by a further Special Resolution of the Company passed in General Meeting”

and

“that the expiry date noted in Article 8 (c) be amended to read “29 July 2015”, being fifteen months after the date of this Annual General Meeting in accordance with the foregoing.”

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

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

- (a) the aggregate nominal value of the Shares authorised to be acquired pursuant to the terms of this resolution shall not exceed 10 per cent of the aggregate nominal value of the issued share capital of the Company as at the close of business on the date of the passing of this resolution;
- (b) the minimum price which may be paid for any Share shall be the nominal value of the Share;
- (c) the maximum price which may be paid for any Share (a “Relevant Share”) shall be an amount equal to 105 per cent of the average of the five amounts resulting from determining whichever of the following ((i), (ii) or (iii) specified below) in relation to the Shares of the same class as the Relevant Share shall be appropriate for each of the five consecutive business days immediately preceding the day on which the Relevant Share is purchased, as determined from the information published in the Irish Stock Exchange Daily Official List reporting the business done on each of those five business days;
 - (i) if there shall be more than one dealing reported for the day, the average of the prices at which such dealings took place; or
 - (ii) if there shall be only one dealing reported for the day, the price at which such dealing took place; or
 - (iii) if there shall not be any dealing reported for the day, the average of the closing bid and offer prices for the day

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

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

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

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

- (a) the maximum price shall be an amount equal to 120 per cent of the Appropriate Price as defined in paragraph (c); and
- (b) subject to paragraph (c) hereof, the minimum price shall be:
 - (i) in the case of an Option Scheme (as defined in paragraph (d) below), an amount equal to the option price as provided for in such Option Scheme; or
 - (ii) in all other cases and circumstances where treasury shares are re-issued off-market, an amount equal to 95% of the Appropriate Price (as defined in paragraph (c)); and
- (c) “Appropriate Price” means the average of the five amounts resulting from determining whichever of the following ((i), (ii) or (iii) specified below) in relation to shares of the class of which such treasury shares to be re-issued shall be appropriate in respect of each of the five business days immediately preceding the day on which the treasury share is re-issued, as determined from information published in the Irish Stock Exchange Daily Official List reporting the business done on each of those five business days;
 - (i) if there shall be more than one dealing reported for the day, the average of the prices at which such dealings took place; or
 - (ii) if there shall be only one dealing reported for the day, the price at which such dealing took place; or
 - (iii) if there shall not be any dealing reported for the day, the average of the closing bid and offer prices for the day;and if there shall be only a bid (but not an offer) or an offer (but not a bid) price reported, or if there shall not be any bid or offer price reported for any particular day, then that day shall not count as one of the said business days for the purposes of determining the Appropriate Price. If the means of providing the foregoing information as to dealings and prices by reference to which the Appropriate Price is to be determined is altered or is replaced by some other means, then the Appropriate Price shall be determined on the basis of the equivalent information published by the relevant authority in relation to dealings on the Irish Stock Exchange or its equivalent; and
- (d) “Option Scheme” means any scheme or plan which involves either the issue of options to acquire ordinary shares in the Company or the conditional award of ordinary shares in the Company which has been approved by the Company’s shareholders in General Meeting.

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

Notice of Annual General Meeting (continued)

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

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

By order of the Board

Conor Gouldson

Company Secretary

FBD House, Bluebell, Dublin 12, Ireland

28 March 2014

Information for Shareholders Pursuant to the Shareholders' Rights Directive

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

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

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

2. Appointment of Proxy

If you cannot attend the AGM in person, you may appoint a proxy (or proxies) to attend, speak, ask questions and vote on your behalf. For this purpose a Form of Proxy has been sent to all registered shareholders. A proxy need not be a member of the Company. You may appoint the Chairman of the Company or another individual as your proxy. You may appoint a proxy by completing the Form of Proxy, making sure to sign and date the form at the bottom and return it in the pre-paid envelope provided to the Company's Registrar, Computershare Investor Services (Ireland) Limited, P.O. Box 954, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland to be received no later than 12.00 noon on 27 April 2014. If you are appointing someone other than the Chairman as your proxy, then you must fill in the details of that person in the box located underneath the wording "I/We hereby appoint the Chairman of the Meeting OR the following person" on the Form of Proxy.

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

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

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

3. Record Date for AGM

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

4. How to exercise your voting rights

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

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

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

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

5. Tabling Agenda Items

If you or a group of Shareholders hold 1,168,651 or more ordinary or preference shares of 60 cent each in FBD Holdings plc (i.e. at least 3% of the issued share capital of the Company carrying voting rights), you or the group of Shareholders acting together have the right to put an item on the agenda for the AGM. In order to exercise this right, written details of the item you wish to have included on the agenda for the AGM together with a written explanation setting out why you wish to have the item included 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 company.secretary@fbd.ie no later than 12.00 noon on Tuesday 18 March 2014 (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 1,168,651 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 table a draft resolution for inclusion on the agenda for the AGM subject to any contrary provision in company law.

In order to exercise this right, the text of the draft resolution and evidence of shareholding must have been received by post by the Company Secretary at FBD Holdings plc, FBD House, Bluebell, Dublin 12, Ireland or by email to company.secretary@fbd.ie no later than 12.00 noon on Tuesday 18 March 2014 (i.e. 42 days before the time scheduled for the holding of the AGM).

A resolution cannot be included on the agenda for the AGM unless it is received in either of the foregoing manners by the stated deadline. Furthermore, Shareholders are reminded that there are provisions in company law, and otherwise, which impose other conditions on the right of shareholders to propose resolutions at a general meeting of a company.

7. Right to ask questions

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

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

The annual Financial Statements, Report of the Auditors and the Report of the Remuneration Committee are contained in the Company's Annual Report which was dispatched to Shareholders on 28 March 2014. The Annual Report is also available on the Company's website www.fbdgroup.com.

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

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

9. Further Information

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

FBD Holdings plc

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FBD