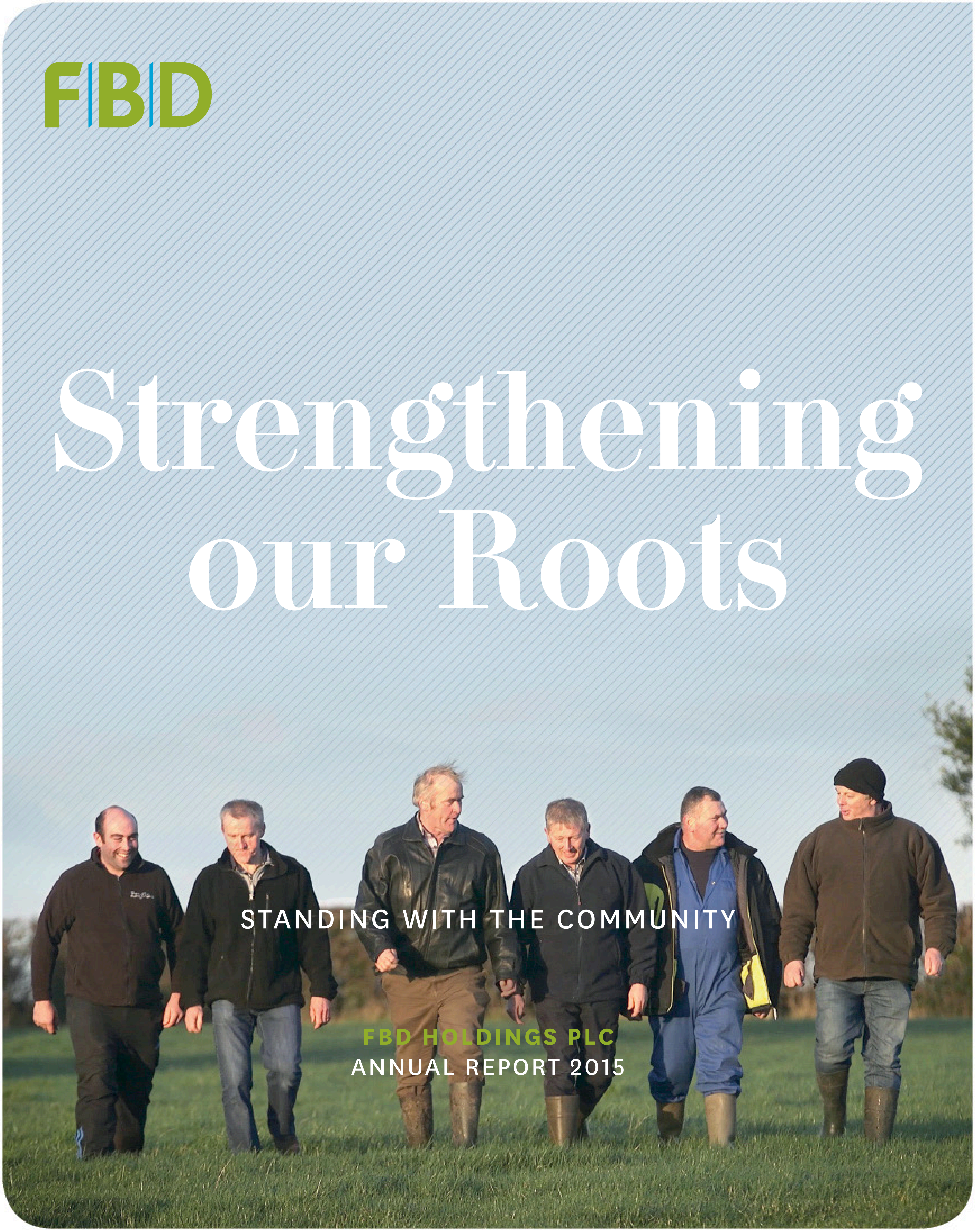

FBD

Strengthening our Roots

STANDING WITH THE COMMUNITY

FBD HOLDINGS PLC
ANNUAL REPORT 2015

Cover Photo by Agtel

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Financial Highlights

	2015 €000s	Restated ** 2014 €000s	2013 €000s	Restated* 2012 €000s	2011 €000s
Gross premium written	**363,263**	363,735	351,195	344,255	351,111
Net premium earned	**313,154**	303,444	296,387	300,625	300,920
Result for the year – continuing operations	**(74,235)**	(3,924)	44,892	44,704	41,618

	2015 Cent	Restated 2014 Cent	2013 Cent	Restated 2012 Cent	2011 Cent
Diluted (loss)/earnings per share	**(215)**	(13)	131	131	123
Net asset value per share	**623**	786	823	721	630
Ordinary dividend per share	**-**	51.00	49.00	42.25	34.50

* 2012 figures restated to reflect changes to IAS19 *"Employee Benefits"*.

** 2014 figures restated to reflect a change in accounting policy in relation to other provisions and curtailments of defined benefit pension.

Calendar

Preliminary announcement	**29 February 2016**
Annual General Meeting	**29 April 2016**

1. Full Year

€363m
GWP stable at €363m

€96m
Total prior year claims reserve strengthening of €96m

110-130%
Capital within target range of Solvency II Coverage Ratio (SCR)

2.2%
Investment return

2. Strategic Developments

FBD has stabilised during the second half of 2015

Key second half goals have been achieved

Significant governance changes announced

Viable path to full year profitability in 2017

Clear strategy articulated - continue to strengthen customer base in the Irish agricultural and small business sectors and pursue a single brand consumer strategy

Chairman's Statement

Michael Berkery

Performance

2015 was an exceptionally challenging year for FBD. As your Chairman, it is with regret that I report our overall financial performance in 2015 was so unsatisfactory.

The Irish insurance industry faces a significantly changed claims environment, from a variety of structural factors affecting the courts system in Ireland, including the new Court of Appeal, changes in court jurisdiction limits and a reduction in the discount rate used in valuing severe personal injury claims. All these factors led to an increase in the cost of claims and a slowdown in settlement rates.

Recognising this, the Board took decisive action during the year and, following a review of prior year claims reserves, set aside a further €96 million to provide for these.

Economic Capital

Following the significant additional provision for prior year claims, the Board embarked upon a programme to replenish FBD's available capital levels in anticipation of the coming into effect, on 1 January 2016, of the Solvency II capital regime. This included the following initiatives:

- The sale of the Group's 50% interest in the FBD Property & Leisure Limited joint venture for €48.5 million to the Group's joint venture partner, Farmer Business Developments plc, a related party;
- The closure to future accrual of the Company's defined benefit pension scheme on 30 September 2015 and the derisking of the scheme's asset allocation which together reduced significantly the level of volatility in the Group's economic capital position; and
- The issue of a Solvency II compliant Tier 2 Bond, to Fairfax Financial Holdings, raising €70 million. Shareholders later approved a mechanism under which this debt instrument would convert into ordinary shares in the Group at a conversion price of €8.50, representing a 37% premium to the price of the Group's shares on the date before the issue of the Bond was announced.

Fairfax is a Canadian headquartered property and casualty insurance group. Their investment in FBD Group is a significant and welcome vote of confidence by a global insurance player in the strength of our business model and the relationships we have fostered since our foundation with our core customers. We are pleased to have the support of Fairfax and we look forward to a long relationship for the benefit to the Group and our shareholders.

Dividend

In light of the deteriorating claims environment, the Board decided early in 2015 that no interim or final dividend would be paid for 2015. This was immediately announced to shareholders.

The Board appreciates the importance of the dividend to our shareholders, and did not make these decisions lightly, but stability and financial strength were prioritised.

The preservation of capital levels remains the strategic priority and the Group is unlikely to resume dividend payments until full year profitability has been achieved, which is currently expected in 2017.

Management Changes

On 31 July 2015 the Board announced the resignation of Mr. Andrew Langford, Group Chief Executive, after nineteen years with the Group. Andrew said on his departure that he believed this was the right time for someone else to lead FBD through its next phase of development. Andrew made a significant contribution to FBD during his time with the Group and we wish him every success in the future.

The Board moved decisively to appoint a new Chief Executive and, following an external search and selection process, appointed Ms. Fiona Muldoon to the role on 7 October 2015. Fiona was pivotal to the execution of the capital raising initiatives I mentioned earlier and very significant credit is due to her for the strong capital position which FBD now enjoys.

Since her appointment Fiona has, with input and support from the Board and Nomination Committee, been strengthening her senior management team to ensure the Group is well positioned for the future.

Mr. Cathal O'Caoimh, former Finance Director, retired from FBD and the Board on 30 September 2015 following seven years in the role during which he lead the implementation of a number of initiatives to de-risk FBD's balance sheet and simplify and focus its operations. He also made a significant contribution to FBD and we wish him well in retirement.

Board Reorganisation and Governance Changes

FBD Group is today a more streamlined business than at any time since I have been Chairman, following the disposal of our non-core activities over recent years. The Group's operations are now concentrated in our general insurance subsidiary, FBD Insurance plc, and our life, pensions and investment intermediary, FBD Financial Solutions.

This requires an equally streamlined governance structure and in 2016, the Group i.e. FBD Holdings plc and its principal subsidiary, FBD Insurance plc, will have a board comprised of the same directors, with the dual board structure currently in operation retired.

Subject to re-election at the 2016 AGM, I intend to use my last year as Chairman to complete these changes and to ensure an orderly handover of responsibility to the next chairman.

I want to record my own and the Board's deep appreciation to Ms. Emer Daly, Mr. Eddie Downey, Ms. Brid Horan and Mr. Ruairí O'Flynn for their valued input to the Group since their appointments. They have indicated that they will not be putting themselves forward for re-election at the AGM in April 2016. They have contributed hugely to FBD and I want to wish each of them continued success in the future.

Personal Injury Awards in Ireland

In the late 1990s the Irish Government recognised the unsustainable level of personal injury costs in Ireland and commissioned a wide ranging review which culminated in the establishment of the Injuries Board (previously PIAB). I urge the next Government to again take decisive action and try to tackle both the excessive cost of personal injury awards and the prevalence of insurance fraud.

As a society we must make a choice between affordable insurance costs for consumers and businesses or excessive awards to claimants for relatively minor injuries. We cannot have both. Everyone pays for excessive awards through increased premiums. The sooner the Government, insurance industry, the legal profession and consumers face that reality the better. For example, in Ireland, the average cost of a soft tissue whiplash claim is €15,000 compared to about €5,000 in the UK. But even this lower cost is considered too high and the UK is moving to limit compensation to actual loss, consistent with most other countries in Europe.

FBD will continue to work closely with the industry and the next government to tackle the cost of claims for the benefit of all our customers.

Conclusion

I want to record my sincere thanks to the Board for their active involvement and support during 2015. I also want to thank the management team and our dedicated staff for their commitment to our plans and their hard work throughout 2015.

Finally I would like to thank our customers, many of whom are also shareholders, for their loyalty, trust and confidence in us. FBD's brand and reputation for customer service remain strong and these factors, along with FBD's core financial strength underpin my confidence that with the business now stabilised, the Group is well positioned to return to profitability in the near future.

Michael Berkery
Chairman

26 February 2016

Chief Executive
Fiona Muldoon

During the second half of 2015 the Group delivered on the important capital and strategic initiatives previously announced. There remains further work to return the business to profitability and we have set our business firmly on that path.

Review of Operations
Fiona Muldoon

During the second half of 2015 the Group delivered on the important capital and strategic initiatives previously announced. There remains further work to return the business to profitability and we have set our business firmly on that path.

Following the strengthening of prior year reserves as reported in the Group's 2015 half yearly report, substantial progress has been made in improving price adequacy and in strengthening the Group's capital position.

The Group is focused on what it does best, servicing the insurance needs of FBD's agricultural and small business customers as well as a single brand consumer strategy for motorists and home owners. Important actions to reduce expenditure in line with this simplified strategy were successfully effected during the second half of the financial year.

Significant progress has been made by the Group during the second half of 2015:

- Focused on serving the insurance needs of core agricultural and small business customers. FBD will continue to invest in strengthening its customer relationships in the Irish agricultural and business sector.
- Implementation of the single brand consumer strategy has begun, FBD will service the needs of consumer car and home customers exclusively through the FBD brand.
- FBD has implemented decisive rating and pricing actions to restore profitability. This will continue as necessary in 2016.
- The Group has identified and implemented cost savings of €8m, as targeted in the 2015 half yearly report. A voluntary redundancy program was completed in the second half of 2015. The majority of savings will be realised from the end of the first quarter of 2016.

In August 2015, the Group outlined a number of measures to strengthen its capital position; divesting its stake in FBD Property & Leisure Limited, overhauling the legacy staff pension scheme and exploring options for raising regulatory capital in debt capital markets.

The Group has completed each of these steps successfully:

- On 24 August 2015, the Group announced that it had reached agreement with Farmer Business Developments plc to divest its half of the Property & Leisure joint venture for €48.5m. This was approved by shareholders on 22 October 2015, and closed immediately afterwards.

- On 16 September 2015, the Group announced that it had reached an agreement with Fairfax Financial Holdings Limited ("Fairfax"), whereby Fairfax invested €70m in FBD Insurance plc by private placement of a convertible bond instrument. This convertible bond (convertible into equity of FBD Holdings plc) was approved by shareholders on 30 December 2015.
- The Group reached agreement with its staff in relation to the future of its defined benefit pension scheme. 95% of the active members in the scheme chose to leave the scheme in exchange for an enhanced transfer value to a defined contribution arrangement. The impact of the change in benefits coupled with the reduced number of members in the scheme has resulted in the elimination of the deficit of €54.3m as reported at 31 December 2014. A surplus of €9.1m was recorded at year end. The change in scheme benefits, net of the payment of enhanced transfer values has resulted in a credit to the income statement of €28.3m.

Business Review

The Group recorded a loss before tax from continuing and discontinued operations of €84.8m in 2015 (2014: €3.0m). This is after an exceptional charge of €11.4m relating to restructuring costs and an exceptional gain of €28.3m relating to the restructure of the defined benefit pension scheme. Excluding these exceptional items, the Group made a loss of €101.7m in 2015, with €96.4m of this loss recorded in the first half of the financial year and €5.3m in the second half of the financial year.

Underwriting

Premium income

FBD has continued to prioritise profitability over volume and while policy volumes have declined by 8.9% in 2015, this has been offset by average rate increases of 8.9%. The net result is that gross written premium levels remained stable at €363.3m. FBD continues to maintain its focus on the insurance needs of its agricultural, small business and consumer customers and this delivered growth in premium during the period. Net earned premium was €313.2m, an increase of 3.2% on 2014, reflecting the earning through of the rate increases implemented throughout 2014 and 2015.

Claims

Net claims incurred increased to €341.3m (2014: €252.1m). Included in this was a full year charge of €95.8m relating to the strengthening of prior year reserves and an increase in the margin for uncertainty.

Adverse claims development

As set out in the Group's half yearly report, an adverse claims development pattern, first evident in the second half of 2014, was significantly more pronounced in 2015. It was driven by a number of structural changes in the claims environment. These changes included:

- A new Court of Appeal was established on 28 October 2014 with 9 judges who previously sat in the High Court. The positions left by these departures were backfilled mainly from existing judges in the Circuit Court which in turn created new vacancies in the Circuit Court. In all over 20 new judicial appointments were made between the Circuit and High Courts. Many of these new appointments were made in 2015.
- In February 2014 the District Court jurisdiction over claims increased from €6,400 to €15,000 whilst the Circuit Court limit increased from €38,000 to €60,000 for personal injury claims and €75,000 for property damage. This was widely flagged in the media and by the Minister for Justice at the time as a cost saving measure. This increased jurisdiction applied to all new proceedings issued after that date and as such very few cases were seen for trial in 2014 under the new jurisdiction limits. It was during the course of 2015 that the volume of cases began to be heard in the Circuit Court and trends began to emerge in relation to higher Court awards.

Dedic
ated

Dedicated to our Customers

For over 45 years we have been looking after the insurance needs of our farmers, consumers and business owners. Established in the 1960s by farmers for farmers, we have since built on those roots in agriculture to become Ireland's leading general insurer, serving the needs of our customers throughout the country. Our nationwide network of 33 branches allows us to know our customers and understand their needs. This ensures that our quality customer service is never more than a few steps away and we are there for customers when and where they need us.

In addition, from August 2014 the introduction of the Recovery of Benefit and Assistance Scheme enables the Department of Social Protection to recover some welfare payments from personal injury awards directly from the insurer. Very significantly, the discount rate used in valuing personal injury awards was reduced from the previous 3% to between 1% and 1.5% following the Russell vs HSE case in December 2014 also.

Taken together during the course of 2015, FBD began to see strong trends emerging in relation to the level of damages being awarded. Volatility in court awards has led claimants' expectations to increase as court awards, in turn, influence out of court settlement levels.

In addition, in 2015:

- The Heads of Bill for Periodic Payment Orders ("PPOs") were published. Submissions were invited before 31 July 2015. The finalised bill has not been published. The proposed introduction of PPOs will bring about the effective annuitisation of lump sum awards.
- The Injuries Board is collating data on personal injury awards and settlements from the Insurance Industry, and it is likely a revised Book of Quantum will be published over the next 12 months.
- The Group experienced a significant increase in motor injury claims frequency in 2014 and also began to see a shift in the claimant culture with more claimants likely to make an injury claim arising out of rear end motor collisions and reporting a greater degree of injury than in the past.

The combination of the above factors suggested that significant claims inflation was underway in the Irish market and at 30 June 2015 led FBD to increase prior year reserves by €88m.

In November 2015 a Court of Appeal judgement was delivered following the appeal of the Russell vs HSE ruling on the discount rate applied to settlement awards. The outcome of the appeal was to broaden the judged application, with the lower discount rate now applicable to a broader range of claims than envisaged in the original judgement. This has resulted in an increase in FBD's prior year reserves of €8m in the second half of the year. While the Group had provided for this within the margin for uncertainty at 30 June 2015, given the level of uncertainty still prevalent in the claims environment, the Group has decided not to release this element from the margin for uncertainty at 31 December 2015. As a result prior year reserves have been increased by a further €8m in the second half of 2015, bringing the total prior year reserve and margin for uncertainty charge in 2015 to €95.8m. Other than the impact of this discount rate judgement the prior year development since 30 June 2015 has been negligible. The clarity provided by the November 2015 Court of Appeal judgement has led to some early indications of an emerging willingness by claimants to settle since that date.

The Group is engaged with policy makers, through the Government Working Group and Insurance Ireland to investigate ways of improving the claims environment, to ensure that Government policy and the legal system is effective at working to reduce the cost of insurance and of insurance legal costs for all customers and policyholders.

Movement in reserves

	H1 2015 €m	Full year 2015 €m
Opening Reserves (restated)	**716.3**	**716.3**
Prior Year Strengthening	87.9	95.8
Current Year Claims	123.2	245.4
Payments	(96.6)	(210.6)
Increase/(decrease) in UPR	4.4	(0.4)
Closing Reserves (insurance contract liabilities less reinsurance assets)	**835.2**	**846.6**

Focused

Focused on what matters

In the last year we simplified our strategy, to focus on doing fewer things, better than ever. We dedicate our efforts to our direct agricultural, small business and consumer customers, and concentrate on those markets where we have a significant competitive advantage.

Weather, Claims Frequency and Large Claims

Ireland was hit by a number of storms during November and December 2015. Individually, none of the storms were of sufficient size to breach the Group's catastrophe reinsurance retention limit of €5m. The total net cost of these weather events in the last quarter was €11.4m.

Motor injury frequency declined as the underwriting and risk selection actions taken by the Group since the second half of 2014 started to prove effective.

While large claims (greater than €1m) were in line with average historic norms in the first half of 2015, the experience in the second half of 2015 was less favourable. The net cost of large claims for 2015 was €6.8m higher than the average over the previous three years.

Expenses

The Group's expense ratio was 27.4% (2014: 27.0%). Net expenses increased by €3.9m to €85.7m (2014: €81.8m).

Much of this was driven by the movement in deferred acquisition costs arising from the earn through of higher levels of broker channel business in 2015 compared to 2014. Net earned premium increased by 3.2%.

General

FBD's combined operating ratio, excluding prior year reserve strengthening and the increase in the margin for uncertainty, was 105.8% for 2015.

The Group's charge for the Motor Insurers Bureau of Ireland ("MIBI") was €11.6m (2014: €7.3m). This charge was previously included within claims incurred, however, following the adoption of new Irish GAAP by FBD Insurance plc, this is no longer included as a technical provision but is instead included in other provisions. The Group now provides for its share of the estimated levy call for the following year. Previously the Group provided for its share of the total outstanding claims of MIBI. Prior year comparatives have been restated to reflect this change in accounting policy.

Investment return

FBD's actual investment return for 2015 was 2.2% or €20.3m (2014: €26.1m). This better than expected performance reflected a number of one off gains from the sale of investment property in the UK, revaluation of Irish commercial property and equity gains. The outlook for investment income remains very challenging, as world-wide monetary policy keeps interest rates low. As long as quantitative easing persists as the cornerstone of the European Central Bank's monetary policy, a prolonged period of low investment returns appears likely. Therefore, the investment income outlook continues to be poor and the returns the Group expects to deliver in the near term are likely to be below the returns achieved over the last 5 years.

The Group recognised a loss of €1.8m (2014: profit of €1.0m) within the statement of other comprehensive income relating to mark to market movements on available for sale investments, in accordance with its accounting policy. This reflects net investment returns of €18.5m in 2015 (2014: €27.1m).

Financial Services

The Group's financial services operations include premium instalment services and life, pension and investment broking (FBD Financial Solutions) less holding company costs. These generated a solid performance in a tough environment, delivering a profit of €3.9m (2014: €5.2m) before exceptional items.

Property and Leisure Joint Venture

On 24 August 2015, the Group announced that it had reached an agreement with Farmer Business Developments plc to sell its 50% share of the Property and Leisure joint venture for €48.5m, representing fair value of the Group's share of the joint venture's net assets. The proceeds of the sale were invested in equity in FBD Insurance plc, in order to fulfil its capital requirement on transition to Solvency II on 1 January 2016.

Loss per share

FBD is no longer reporting an operating EPS based on the longer term rate of investment return. This brings FBD in line with practice in most general insurers.

The diluted loss per share was 213 cent per ordinary share, compared to a loss of 7 cent (restated) per ordinary share in 2014.

Delive
ring

Delivering on our Promises

We have a long history of delivering to all our stakeholders. During the second half of the year we delivered on the important initiatives we announced in August, by streamlining the business, cutting costs and strengthening our capital. We have a proud track record of profitable business and excellent relationships with our agriculturual, small business and consumer customers. We are confident we are on the path to recovery.

Statement Of Financial Position

Capital Position

Ordinary shareholders' funds at 31 December 2015 amounted to €215.9m (2014: €270.6m restated). The reduction in shareholders' funds for the full year is mainly attributable to the losses in the period of €74.2m and the payment of the final 2014 dividend of €11.8m offset by both other comprehensive income of €12.9m and the accounting treatment of a portion of the convertible bond recognised in equity of €18.2m. Net assets per ordinary share are 623 cent, compared to 786 cent per share (restated) at December 2014. In the second half of the year the NAV per share increased from 512c to 623c, an increase of 111c per share.

The Group's net asset value has benefited by €32m following a change in accounting policy for the Group's share of the MIBI outstanding claims. This follows a change in accounting standards framework applicable to the Group's principal subsidiary, FBD Insurance plc. Previously FBD Insurance plc provided for its market share of the total outstanding claims of MIBI. Under new accounting standards applicable from 1 January 2015, FBD Insurance plc may only provide for its share of the following year's MIBI levy. This change increased the net asset value per share by 93c.

As announced on 16 September 2015, the Group reached an agreement with Fairfax Financial Holdings Limited ("Fairfax"), whereby Fairfax would invest €70m in FBD by private placement of a convertible bond instrument in FBD Insurance plc. This was approved by shareholders on 30 December 2015.

The Convertible Bond is a 10 year Solvency II compliant instrument and carries a coupon of 7.0% per annum which is payable semi-annually. The conversion price has been set at €8.50, a 37% premium over the closing share price on 15 September 2015. Unless previously redeemed, the Convertible Bond is exercisable from year 3 to year 10 and, in the event that the 30 day volume weighted average share price exceeds the conversion price for a period of 180 days, the Convertible Bond will automatically convert into ordinary shares in FBD Holdings plc at the conversion price. It has been accounted for in accordance with IFRS, whereby it is split into a liability component and an equity component. The fair value of the liability component has been determined with reference to the fair value of a similar liability without an equity conversion option. The equity component is recognised initially as the difference between the fair value of the convertible note as a whole and the fair value of the liability component. This investment is a significant vote of confidence in the Group from a very well established global insurance investor.

Solvency

Solvency I:

FBD Insurance plc had a Solvency I level of 46.9% of net premium earned at 31 December 2015, which represents 209% (2014: 366%) of the Solvency I minimum solvency margin, and had a reserving ratio of 270% (2014: 240%).

Solvency II:

The solvency capital requirement ("SCR") is the amount of capital which the company needs to hold to withstand a 1 in 200 year event or series of events. This is a risk based calculation which stresses the main risks faced by a general insurance company, namely underwriting and reserving risk, catastrophe risk, market risk, operational risk and default risk. The solvency capital ratio is the ratio of the capital available to the capital requirement. A solvency capital ratio of over 100% means that FBD has sufficient capital within the business to withstand a 1 in 200 year event as described by Solvency II.

Solvency II became effective from 1 January 2016 and is a higher capital standard and one which creates more volatility in the solvency calculation. The capital actions taken by the Group over the past number of months, which included the issue of the €70m Solvency II compliant convertible bond, the divestment of its share in the property and leisure joint venture for €48.5m and the subsequent investment of the proceeds as equity in FBD Insurance plc, and the restructuring of the Group's defined benefit pension scheme, have led to a substantial increase in the Group's economic capital over the course of the second half of 2015. The Group's economic capital is within its long term target range of 110-130% of SCR.

Investment Allocation

This table shows the assets of the Group.

	31 December 2015		31 December 2014	
Underwriting investment assets	**€m**	**%**	**€m**	**%**
Deposits and cash	**398**	**39%**	511	58%
Corporate bonds	**432**	**43%**	224	25%
Government bonds	**101**	**10%**	46	5%
Equities	**24**	**2%**	41	5%
Unit trusts	**25**	**2%**	25	3%
Own land & buildings	**16**	**2%**	16	2%
Investment property	**15**	**2%**	20	2%
Underwriting investment assets	**1,011**	**100%**	883	100%
Working capital & other assets	**117**		118	
Reinsurers' share of provisions	**80**		57	
Investment in joint venture	**-**		47	
Plant and equipment	**56**		47	
Total assets	**1,264**		1,152	

Investment Background

The introduction of quantitative easing by the ECB and continuing low interest rates for the Euro area present challenging investment yield conditions. The divergence in monetary policy between Europe and the US brings market volatility. This divergence, when coupled with uneven global growth and elevated geopolitical risks, justifies our cautious strategy that seeks to minimise volatility in our investment portfolio.

FBD's Investment Allocation

In early 2015 the Group reduced allocation to equities due to our perception of stretched valuations and the poor macro-economic outlook. The Group also divested some development land. Both actions reduced risk assets from 9% to 6%. The Group believes this is an appropriate strategy at this time. The Group holds 92% of its underwriting assets in cash and short dated bonds at 31 December 2015. This large liquid position creates flexibility to act as conditions change and as investment opportunities present themselves. The interest rate environment and the introduction of Solvency II in 2016 provides an opportunity to further develop our strategic asset allocation and reposition the portfolio to deliver sustainable returns over the medium term. The sell-off in financial markets in Q4 allowed the Group to reposition its allocation to corporate bonds at modestly improved book yields.

Dividends

As noted in the half yearly report published in August 2015, the Board has decided that no final dividend will be recommended for 2015.

Outlook

Economic indicators continue to point to an expanding domestic economy. This improved outlook for Ireland will be positive for FBD in the medium term. The Irish insurance market continued to grow in 2015, as insurers increased rates following market losses. There was increasing evidence of claims inflation coupled with the higher increased level of frequency experienced in a recovering economy. Insurance rates have hardened considerably in 2015 for both motor insurance and business insurance. The Group expects this trend to continue into 2016.

Despite rate hardening, industry profitability continues to be challenging, and the Group believes that the industry will continue to be loss making for 2016, as the market has not yet increased rates sufficiently to compensate for the significant deterioration in the claims environment. The Group's weather loss experience since the start of 2016 was not severe.

A lot of progress has been made in delivering the key intermediate objectives outlined in 2015. There is still considerable work to be undertaken to return the Group to profitability. The Group's simplified strategy will enable it to focus on achieving its goals. FBD will dedicate its resources primarily to its direct agricultural, small business and consumer customers, and will concentrate on those markets where it has developed a significant competitive advantage. The Group will also focus on a single FBD brand strategy. This strategy will deliver sustainable efficiencies and better returns. FBD's business model remains sound, and it has the customers, infrastructure and underwriting experience to return to profitability.

The Group is committed to taking whatever action is required to return the business to profitability. The Group intends to maintain underwriting discipline and to deliver sustainable shareholder value through growth in book value.

FBD has a proud track record of profitable business and excellent customer relationships with its farming, small business and consumer customers. Although 2015 has been a very challenging year and market conditions remain difficult in an inherently cyclical industry, we are confident that FBD is on the right path to recovery.

Fiona Muldoon
Group Chief Executive

26 February 2016

Looking back at 2015

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In 2015, FBD's continued focus on farm safety was centred around a new campaign we called 'Champions for Change'. The aim of the campaign is to encourage a change in attitudes towards farm safety. To capture the imagination of all ages within the rural community, FBD worked on the ground at events and through partners to distribute farm safety packs and signage. To connect with the younger generation of farmers FBD created a new digital platform www.championsforchange.ie and used social media channels to create a nationwide community of interest, discussion and support around all of the issues involved.

1. Seán O'Brien urges everyone to stand together in the battle against farm fatalities

Coming on board as leading ambassador to launch www.championsforchange.ie, O'Brien said of the campaign; "It's not about telling farmers what to do, it's about us as farmers taking responsibility to keep our farms safe". In 2015, over 3000 young farmers signed up to become Champions for change and over 1 million people engaged with the Champions for Change tips and content on social media channels.

2. Donegal GAA Team sport a Champions for Change jersey

In 2014, Donegal had the second highest rate of farm fatalities in the country. To highlight the paramount importance of farm safety and to show support for Champions for Change, Donegal's Senior Footballers wore a specially commissioned jersey in their first Championship match of the year.

3. New Child Safety Sponsorship at National Ploughing Championships

Anna May McHugh, NPA and Christy Doherty, Head of Farm & Business at FBD launch new pioneering Child Safety Wristband initiative for the National Ploughing Championships. The white wristbands, which were handed out at all of the event entrances allowed for a contact phone number to be written on the band in the event that the wearer got lost in the crowd.

4. Community Spirit

Approaching the winter months, FBD focused on the importance of community with the motto "let's look out for each other". To inspire people to nominate their community champion for change, FBD launched the story of farmer, Francis Fannon and his neighbours from Kilteevan, Roscommon. Francis tragically lost his wife to illness in the springtime, the height of calving and lambing season. With four children to care for, as well as all the work on the farm, it was twenty of Francis' neighbours who set about establishing a rota to help him back on track.

5. FBD CEO Fiona Muldoon Opens the Women & Agriculture Conference 2015

Fiona Muldoon's first speaking engagement as new Chief Executive of FBD took place in October when she addressed the 700 Irish farming women attending the FBD Women & Agriculture Conference.

6. FBD Continues to Support Local Clubs

FBD continued its sponsorship of the Terenure College Mini & Youth rugby club as part of its commitment to having a strong presence within the communities of the greater Dublin area.


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Corporate Information

Registered Office and Head Office

FBD House
Bluebell
Dublin 12
D12 Y0HE
Ireland

Independent Auditors for 2015

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

Solicitors

Dillon Eustace
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Registrar

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Bankers

Allied Irish Banks plc
Bank of Ireland
Barclays Bank plc
BNP Paribas
Close Brothers International
Credit Agricole Corporate & Investment Bank
Credit Suisse (UK) Limited
Deutsche Bank AG
Lloyds TSB Bank plc
Mizuho Bank Limited London Branch
Nordea Bank Finland London Branch
Permanent TSB plc
Rabodirect Ireland
Societe Generale

Stockbrokers

Goodbody Stockbrokers
Ballsbridge Park
Ballsbridge
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Shore Capital
The Corn Exchange
Fenwick Street
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Report of the Directors

The Directors present their report and the audited Financial Statements for the financial year 2015.

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 page 4 and in the Group Chief Executive's Review of Operations on pages 8 to 17. Information in respect of the significant events since the financial year end and a review of the key performance indicators are also included in these sections. The key performance indicators include gross premium written, operating earnings, profit for the year and net asset value per share.

The Group has continued to invest substantially in its IT infrastructure during 2015.

Results

The results for the year are shown in the Consolidated Income Statement on page 54. The loss, which was transferred from reserves, is shown in Note 25 on page 103.

Subsequent Events

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

Risk and Uncertainties

Risk Management is embedded across the Group through our Risk Management Framework. 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 financial 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 market participants, 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.

The past 18 months has seen increased volatility and deterioration in the claims environment driven by a number of factors:

- Introduction of the Court of Appeal;
- Change in the court jurisdiction limits;
- Introduction of the Recovery of Benefit Assistance Scheme;
- Reduction in the discount rate to be used following the Russell vs HSE case;
- Proposed introduction of Periodic Payment Orders;
- Shift in settlement approach of claimants' solicitors;
- Potential impact on the MIBI reserve; and
- Significant court award inflation.

The claims environment is very uncertain and this is leading to difficulties in reaching settlement agreements, with settlements slowing down. Given this uncertainty, a detailed review of the actuarial best estimate methods, models and assumptions was conducted at year-end 2014. This was done again at 30 June 2015 to ensure that the best estimate at 30 June 2015 fully reflected what was known about the deteriorating claims environment. As at 30 June 2015 reserves were strengthened by €88m primarily attributable to prior year development (liability and motor bodily injury) affecting outstanding claims from 2011 onwards mainly. Reserves were strengthened by a further €8m in the second half of 2015. This was due to an increase in the best estimate reserves arising from the impact of the discount rate appeal judgement in November 2015 and also partially due to an increase in the reserving risk margin.

Private motor rates are hardening across the Industry and FBD Insurance has taken considerable pricing and underwriting action throughout 2015.

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. The Solvency II directive, applicable from 1 January 2016, introduces a requirement for undertakings to conduct a Forward Looking Assessment of Own Risks ("FLAOR"). The FLAOR is a very important process as it provides the Board with a comprehensive view and understanding of the risks to which FBD Insurance plc is exposed or could face in the future and how they translate into capital needs or alternatively require mitigation actions.

To aid in the assessment of the overall solvency needs and business and capital planning process, a number of stress and scenarios were tested to assess their potential impact on capital requirements and solvency cover. The stress and scenarios were chosen to ensure the material risks to which FBD Insurance is exposed to are sufficiently wide ranging and challenging, to provide an adequate basis for the assessment of overall solvency needs. Each FLAOR is presented by the Risk Function to both the Board Risk Committee and the FBD Insurance plc Board. The output from the FLAOR assists the Board in making strategic decisions including in relation to:

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

Management actions taken in 2015 have significantly reduced the capital requirement relating to the Defined Benefit Pension Scheme under Solvency II. These actions are detailed in note 40 Risk Management.

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.

A new insurance policy administration system is being implemented in FBD Insurance plc in 2016. Following programme delays in 2015, significant improvements were made in programme structure, governance and control with significant design and development completed during 2015.

The Company launched a Voluntary Severance and Early Retirement Scheme in August 2015. Given the high level of organisational change the potential impact on operations will continue to be monitored.

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. 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;
- The impact of climate change may result in increased volatile weather patterns and more frequent severe weather events; and
- The risk that processes and techniques to protect computer systems and information assets from unintended or unauthorised access, changes or destruction are inadequate.

All of the foregoing risks are dealt with in further detail in note 40.

The Group has controls embedded within its systems to limit each of these potential exposures. The Board confirms that it has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

FBD uses the three lines of defence model in the management of risk. Under the three lines of defence model:

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

FBD has developed a suite of risk policies to assist in the management of risk which include roles and responsibilities, risk management processes, risk limits and metrics and escalation processes. The risk policies including the Risk Management Framework and Risk Appetite Framework are reviewed at least annually by the FBD Insurance Risk Committee and the Board or more frequently if the system, or area concerned undergoes significant change. FBD has a framework in place to identify, assess, manage and monitor risk which is actively reported and reviewed at Executive Risk Committee meetings and quarterly Board Risk Committee meetings.

Subsidiaries

The Company's principal subsidiaries, as at 31 December 2015, are listed on page 114 (note 35).

Directors

The present Directors of the Company, together with a biography on each, are set out on pages 27 and 28. The Board has decided that all Directors continuing in office will submit themselves for re-election at each Annual General Meeting.

The Directors who served at any time during 2015 were as follows:

Michael Berkery	
Emer Daly	
Sean Dorgan	
Eddie Downey	
Liam Herlihy	Appointed 1 September, 2015
Brid Horan	
Andrew Langford	Resigned 31 July, 2015
Fiona Muldoon	Appointed 19 January, 2015
Dermot Mulvihill	Resigned 14 January, 2015
Cathal O'Caoimh	Retired 30 September, 2015
Ruairí O'Flynn	Appointed 14 May, 2015
Padraig Walshe	

Annual General Meeting

The notice of the Annual General Meeting of the Company which will be held at 11 a.m. on 29 April 2016 in the Irish Farm Centre, Old Naas Road, Bluebell, Dublin 12, is set out on pages 136 to 138.

A letter from the Chairman detailing the business to come before the Annual General Meeting is included at pages 130 to 135.

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 2015 and 1 January 2015 (or date of appointment, if later) were as follows:

	Number of ordinary shares of €0.60 each	
Beneficial	**31 December 2015**	**1 January 2015***
Michael Berkery	**30,000**	30,000
Liam Herlihy (appointed 01/09/2015)	**3,000**	-
Brid Horan	**3,000**	-
Padraig Walshe	**1,100**	1,100
Conor Gouldson (Company Secretary)	**13,800**	13,800

**or at date of appointment, if later*

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 38 to 46.

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 27 and 28, Share Option Schemes and the Performance Share Plan in note 38 and the Report on Directors' Remuneration on pages 38 to 46 are deemed to be incorporated in this part of the Report of the Directors.

Substantial Shareholdings

As at 26 February 2016, the Company has been notified of the following interests of 3% or more in its share capital:

Ordinary shares of €0.60 each	No.	% of Class
Farmer Business Developments plc	8,531,948	24.6
FBD Trust Company Limited	2,984,737	8.6
FMR LLC	1,787,843	5.7
Prudential plc*	1,489,791	4.3
Schroders plc	1,322,887	3.8
FIL Limited	1,056,660	3.0

**including the holdings of M&G Group Limited and subsidiaries*

14% Non-cumulative preference shares of €0.60 each		
Farmer Business Developments plc	1,340,000	100.0

8% Non-cumulative preference shares of €0.60 each		
FBD Trust Company Limited	2,062,000	58.4
Farmer Business Developments plc	1,470,292	41.6

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	34,648,122*	87.7
14% Non-cumulative preference shares of €0.60 each	1,340,000	3.4
8% Non-cumulative preference shares of €0.60 each	3,532,292	8.9
	39,520,414	**100.0**

** excluding 813,084 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

During the year the Board appointed PricewaterhouseCoopers as independent auditors with effect from 2016. Accordingly the 2015 financial statements will be the last upon which Deloitte shall express an opinion as independent auditors. The Board is very grateful to Deloitte for their services since the establishment of the Company.

Accounting Records

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

Corporate Governance

The Corporate Governance Report on pages 26 to 37 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 Directors' statement on going concern is set out in the Corporate Governance Report on page 37.

Approval of Financial Statements

The Financial Statements were approved by the Board on 26 February 2016.

Signed on behalf of the Board

Michael Berkery
Chairman

Fiona Muldoon
Group Chief Executive

26 February 2016

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 2015 and to the date of this report, we applied the principles of the Code and except where otherwise expressly stated complied with the provisions of both the Code and the Annex.

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

The Board of Directors and its Role

The Group is managed by the Board of Directors.

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

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

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

This schedule ensures that the skills, expertise and experience of the Directors are harnessed to best effect and ensures that any major opportunities or challenges for the Group come before the Board for consideration and decision. The schedule was last reviewed in January 2016.

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 2015 the Board comprised two executive Directors and eight non-executive Directors, including the Chairman. This structure was deemed appropriate by the Board.

The Board deemed it appropriate that it should have between 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.

Six of the non-executive Directors in office at the end of 2015 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 2016 AGM	Considered to be independent
E Daly	May 2015	1	Yes
S Dorgan	Apr 2008	8	Yes
E Downey	May 2015	1	Yes
L Herlihy	-	0	Yes
B Horan	Apr 2012	4	Yes
R O'Flynn	-	0	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 Group has announced that the Company and its principal subsidiary, FBD insurance plc, will have a Board comprised of the same directors and the dual board structure in operation up to the end of 2015 will be retired. This new structure will be implemented over the first half of 2016.

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. The Board also considers it desirable to attract individuals with technology and consumer goods and services experience.

Directors' Biographies

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

Michael Berkery, Chairman

Michael Berkery (aged 67) 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 Director of Enable Ireland and a number of other companies. In September 2015 Mr. Berkery was appointed as a member of the EU High Level Group on simplification of European Structural & Investment Funds. 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.

Emer Daly, independent non-executive Director

Emer Daly (aged 52) is currently non-executive Director of Permanent TSB Group Holdings plc, and Permanent TSB plc where she also serves as Chairman of the Audit Committee. She also serves as a non-executive Director of Friends Provident International Limited and Lombard S.A. and as Chairman of the Audit, Risk and Compliance Committee for both companies. Ms. Daly joined the Board, the Audit Committee and the Remuneration Committee in November 2014.

Ms. Daly is a Fellow of Chartered Accountants Ireland and has valuable experience of the general insurance industry, having previously worked in senior roles with PricewaterhouseCoopers and AXA Insurance. She served as a Director with Axa between 2000 and 2006 with responsibility for Financial Operations, Strategy and Risk Management.

Ms. Daly is also a member of the audit committee of the Department of Foreign Affairs and Trade and lectures in risk management in the UCD Graduate Business School. She previously held non-executive roles with Eigrid p.l.c., Payzone p.l.c, the Property Registration Authority and the Dublin Dental Hospital where she was board chairman for seven years. Ms. Daly brings to the Board extensive skills, expertise and experience in insurance, accounting, risk management and governance.

Sean Dorgan, independent non-executive Director

Sean Dorgan (aged 64) is currently non-executive Chairman of the Irish Management Institute 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, and as Chairman of the Audit Committee and Senior Independent Director in April 2014.

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.

Eddie Downey, independent non-executive Director

Eddie Downey (aged 54) was the 14th President of the Irish Farmers' Association up until his resignation in November 2015. He is a director of Bord Bia, the Irish Food Board, an organisation which develops international markets for Irish food produce.

He is also a Director of the Agricultural Trust (publisher of the Irish Farmers Journal). Mr. Downey joined the Board, and the Audit Committee, in April 2014. He was appointed to the Nomination Committee in February 2015. He stepped down from the Audit Committee in May 2015.

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

Liam Herlihy, independent non-executive Director

Liam Herlihy (aged 64) was, until May of 2015, Group Chairman of Glanbia plc, a leading Irish based performance nutrition and ingredients group, having served in that role for 7 years during which he presided over a period of significant structural change and unprecedented growth for Glanbia. Mr. Herlihy joined the Board in September 2015.

Mr. Herlihy completed the Institute of Directors Development Programme and holds a certificate of merit in Corporate Governance from University College Dublin. He brings to the Board a wealth of commercial experience and some deep insights into the farming and general agricultural industries in Ireland which, together, comprise the Group's core customer base.

Brid Horan, independent non-executive Director

Brid Horan (aged 62) is a member of the Governing Authority of DCU and a Council Member of the Irish Management Institute. Ms. Horan was up until 2014 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, Ms. 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.

Fiona Muldoon, Group Chief Executive

Fiona Muldoon (aged 48) joined the Group in January 2015 as Group Finance Director Designate and was appointed as an executive Director and member of the Board. In October 2015, Ms. Muldoon was appointed as Group Chief Executive.

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

Ruairí O'Flynn, independent non-executive Director

Mr. O'Flynn (aged 58) is Chairman of Canada Life International Reinsurance and London Life and General Reinsurance. He is also a non-executive Director of Irish Life Investment Managers and Setanta Asset Management and a member of the Board of Córas Iompair Éireann (CIE). He joined the Board and the Audit Committee in May 2015.

Mr. O'Flynn has over 20 years' experience at CEO and Board level in the financial services industry in Ireland and the UK. He was formerly CEO at Canada Life Ireland, Setanta Asset Management and Lifetime Assurance.

Mr. O'Flynn was also a full time member of faculty at the Irish Management Institute and he lectures in Corporate Governance and Leadership. He graduated from Trinity College Dublin with the degrees of Bachelor of Business Studies and MSc.(Mgt.) in Organisational Behaviour. He has completed the Program for Management Development at Harvard Business School, and the International Directors Programme at Insead Business School.

He brings to the Board extensive experience at senior executive level in the financial services industry together with his expertise in the areas of strategy, leadership and corporate governance.

Padraig Walshe, non-executive Director

Padraig Walshe (aged 58) 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.

As at the date of this report, the Board was comprised as follows:

Tenure of Director

0 – 2 years	55%
3 – 6 years	22%
7 – 9 years	11%
Over 9 years	11%

Gender

Male	67%
Female	33%

Executive/non-executive

Non-executive	89%
Executive	11%

Experience and skills

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

Insurance or financial services	55%
General industry	67%
Agri/farming	44%
Corporate finance	44%
Regulatory and compliance	67%
Financial accounting	55%
Executive reward	67%

Key Roles and Responsibilities

Chairman

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

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

Group Chief Executive

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

- running the Group's business;
- proposing and developing the Group's strategy and overall objectives in close consultation with the Chairman and the Board; and
- implementing the decisions of the Board and its Committees.

Senior Independent Director

The Senior Independent Director is responsible for:

- being available to shareholders if they have concerns which they have not been able to resolve through the normal channels of the Chairman, the Group Chief Executive or the 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 Directors have access, in a timely fashion, to the papers and information necessary to enable them to discharge their duties;
- assists the Chairman by organising and delivering induction and training programmes as required; and
- is responsible for ensuring that Board procedures are followed and that the Directors are fully briefed on corporate governance matters.

Board effectiveness and performance evaluation

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

Board Evaluation

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

Towards the end of 2015, the Board had its evaluation process externally facilitated by Praesta Ireland, an independent consultancy which has no other connections with the Group. 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 2015 took place in December 2015 and January 2016. 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.

Key recommendations from the evaluation process include:

- the amalgamation of the two Boards of the Group's principal entities – FBD Holdings plc and FBD Insurance plc;
- the appointment of highly experienced insurance executives and non-executives to this Board;
- improvements in certain of the management information coming to the Board;
- making appointments to the senior management team as quickly as possible; and
- improvements in succession planning, executive development and Director training.

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 2015

	Board	Audit	Nomination	Remuneration
M Berkery	15/15	-	4/4	1/1
E Daly	14/15	6/6	-	3/3
S Dorgan	15/15	6/6	1/1	3/3
E Downey	13/15	1/2	2/3	-
L Herlihy	8/8	-	-	-
B Horan	13/15	-	4/4	3/3
A Langford	4/4	-	1/1	-
F Muldoon	13/13	-	-	-
C O'Caoimh	9/9	-	-	-
R O'Flynn	12/12	4/4	-	-
P Walshe	14/15	-	-	-

If a Director is unable for any reason to attend a Board or Committee 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 meeting 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 during the year

CURRENT

S Dorgan	Independent non-executive Director, Committee Chairman
E Daly	Independent non-executive Director
R O'Flynn	Independent non-executive Director, appointed to the Committee on 14 May 2015

PREVIOUS

E Downey	Independent non-executive Director, stepped down from Committee on 14 May 2015

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 Ms. Daly, Mr. Dorgan and Mr. O'Flynn have recent and relevant financial experience.

Objective of Committee

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

Key responsibilities delegated to the Committee

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

Meetings

The Committee met on six occasions during 2015. Meetings are attended by Committee members and, on occasion, by invitation, the Chief Financial Officer. The statutory Auditor and the Head of Group Internal Audit are invited to attend all scheduled meetings of the Committee. The Committee regularly meets separately with the statutory auditor and with the Head of Group Internal Audit, without members of management present.

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

Activities of the Committee during 2015

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 and Half Yearly Reports;
- 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.

The specific judgements and estimates used in the formulation of the financial statements and considered by the Committee included:

- claims best estimate and the margin for uncertainty;
- change in the accounting treatment of MIBI reserve;
- asset valuations;
- accounting treatment of the convertible bond instrument;
- revenue recognition and the treatment of unearned premium reserve;
- accounting for the defined benefit pension scheme; and
- recoverability of deferred tax asset following losses incurred in 2015.

The Committee considered specific comprehensive papers on these issues presented by management and was satisfied with the treatment proposed in each case.

Having put the provision of audit services out to competitive tender during 2015 the Committee recommended that PricewaterhouseCoopers be appointed as statutory auditor in respect of the 2016 Financial Statements. This was approved by the Board. This change was implemented as a result of requirements under the new European Audit Directive and Regulations to rotate audit firms every ten years.

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.

Sean Dorgan
On behalf of the Audit Committee

26 February 2016

Report of the Nomination Committee

Membership during the year

CURRENT

M Berkery	Committee Chairman, non-executive Director, Board chairman
B Horan	Independent non-executive Director
E Downey	Independent non-executive Director, appointed to the Committee on 27 February 2015

PREVIOUS

A Langford	Chief Executive Officer stepped down from Committee on 27 February 2015

Objective of Committee

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

Key responsibilities delegated to the Committee

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

During the year the Committee consulted a number of external firms to assist it in the identification of suitable individuals for appointment to executive and non–executive positions and in the drafting of employment contracts.

Meetings

The Committee met four times during 2015 to consider potential candidates for appointment to the Board to fulfil vacancies which arose during the year and to oversee the detailed succession planning process undertaken in the Group's principal subsidiary, FBD Insurance plc. At its meeting in May, the Committee reviewed and approved the Board succession plan.

Evaluation

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

The composition of the Committee at the end of 2015 fully met the requirements of the Code as a majority of Committee members were Directors considered to be independent.

Michael Berkery
On behalf of the Nomination Committee

26 February 2016

Report of the Remuneration Committee

Membership during the year

CURRENT

S Dorgan	Committee Chairman, and independent non-executive Director
E Daly	Independent non-executive Director
B Horan	Independent non-executive Director
PREVIOUS	
M Berkery	Non-executive Director, stepped down from the Committee on 27 February 2015

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 under the Group's approved share scheme; and
- preparation of the detailed Report on Directors' Remuneration.

Meetings

The Group Chief Executive may attend meetings of the Committee but only by invitation and not at a time when his or her individual remuneration arrangements are discussed. The Committee met three times during 2015.

Activities of the Committee during 2015

The principal activities undertaken by the Committee during 2015 include:

- annual review of remuneration arrangements for executive Directors and other senior executives, including bonuses paid for performance in 2014 and the conditions attaching to the 2015 bonus plan;
- review and approval of the Report on Directors' Remuneration for 2014;
- making of two conditional awards of shares under the FBD Performance Share Plan and setting the conditions attached; and
- approving the terms and conditions of appointment of the Group Chief Executive in Q4 2015.

The Committee Chairman consulted a number of external firms in the drafting of the CEO employment contract and in selecting appropriate conditions to attach to the LTIP awards.

Full details of Directors' Remuneration are set in the Report on Directors' Remuneration on pages 38 to 46.

Evaluation

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

Sean Dorgan
On behalf of the Remuneration Committee

26 February 2016

Shareholder Engagement

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

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

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

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

The Board receives 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 2016 meeting will be held on 29 April.

Who attends?

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

Members of the media are also invited and permitted to attend.

What business takes place at the meeting?

- the Group Chief Executive makes a presentation on the results and performance to the meeting prior to the Chairman dealing with the formal business of the meeting itself;
- 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 September 2014, *"Guidance on Risk Management, Internal Control and Related Financial and Business Reporting"*, the Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risks faced by the Group, that it has been in place for the year under review and up to the date of approval of the Financial Statements and that this process is regularly reviewed by the Board.

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

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

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

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

The Group has established a "Speak Up" Policy for employees the purpose of which is to reassure employees that it is safe and 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 were effective throughout the period covered by this report and up to the date of its approval.

Viability Statement

The Directors have assessed the prospects of the Group and its ability to meet its liabilities as they fall due in the medium term. The Directors selected a three year timeframe as this corresponds with the Board's strategic planning process. The objectives of the strategic planning process are to consider the key strategic choices facing the Group and to build a financial model with various scenarios. This assessment has been made with reference to the Group's current position and prospects, the Group's strategy, the Board's risk appetite and the principal risks and uncertainties facing the Group, as outlined on pages 118 to 129.

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

The strategic plan has been tested for a number of scenarios which assess the potential impact of some of the strategic and commercial risks facing the Group. The Group performs a FLAOR at least annually which subjects FBD's solvency capital levels to a number of extreme stress scenarios. This was last performed in December 2015. Based on the results of these tests the Directors confirm that they have performed a robust assessment of the principal risks facing the Group, including those that would threaten its business model, its future performance and solvency and that they can have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Chairman's Statement and the Review of Operations, as are the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition, note 40 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 being a period of at least twelve months from the date of this report. As a result they continue to adopt the going concern basis of accounting in preparing the Financial Statements. In forming this view, the Directors have reviewed the Group's budget for 2016 and forecast for 2017 and 2018, which take account of reasonably foreseeable changes in trading performance, the key risks facing the business and the medium-term plans approved by the Board in its review of the Group's corporate strategy along with the Group's capital projections and requirements under the new Solvency II regime effective from 1 January 2016. The Directors have concluded that there are no material uncertainties that cast significant doubt over the company's and the Group's ability to continue as a going concern.

The Group has experienced very significant challenges during 2015 and has taken decisive action to return the business to profitability. This includes focusing its resources on its farming and small business customers together with pursuing a consumer strategy under a single brand. In parallel FBD has taken significant underwriting and rating action to reduce risk in its book.

The Group took decisive action to improve its capital position during 2015, which included the issuing of a Solvency II compliant tier II convertible bond of €70m, the divestment of its property and leisure joint venture for €48.5m and the investment of the net proceeds as equity in FBD Insurance plc and the de-risking of the Group's defined benefit pension scheme, which was closed to future accrual in September 2015. These actions have ensured that the Group's principal subsidiary, FBD Insurance plc, met its Solvency II capital requirements before the effective date of 1 January 2016.

Directors' Remuneration

Letter from the Remuneration Committee

Dear Shareholder,

On behalf of the Remuneration Committee and the Board, I am pleased to set out in the section following, the details of the Directors' Remuneration for the year ended 31 December 2015.

Executive Director Salary Levels

In light of the challenging economic and operating environment which faced the Group in 2015 which has continued into 2016, pay restraint for executive Directors has continued. There were no bonuses awarded to senior Executives. Salary levels for executive Directors continue to be well below those pertaining at the beginning of 2008.

Paying for Performance

There has always been a clear link between the performance of the Group and the remuneration of senior Executives. Arrangements for salaries and Annual Performance Bonuses, as described later in the Report, fully reflect the challenges which faced the Group throughout 2014 and 2015, while balancing the necessity to attract, retain and reward strong capable insurance talent in our markets.

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. During the year the Committee consulted Towers Watson to advise on market practice in the formulation of the performance conditions to be attached to an award under the LTIP.

Share Ownership

The Committee approved a share ownership policy in 2010 for senior Executives. This policy is intended to closely align the economic interests of senior Executives with those of shareholders by encouraging Executives to build up a shareholding in the Group which is material to their income and net worth.

Shareholder Dialogue and Support

The Remuneration Report for this year has been compiled, mindful of any improvements suggested by shareholders and others in 2015.

Despite the fact that there is no 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 ("AGM") each year since 2010 for an advisory vote. At the 2015 AGM, this report received 93.9% support from shareholders.

The Committee requests shareholders to consider and approve the annual remuneration report set out on the pages following at the 2016 AGM.

Sean Dorgan
Chairman of the Remuneration Committee

26 February 2016

Role of Remuneration Committee

Responsibility for determining the levels of remuneration of the senior Executives has been delegated by the Board to the Remuneration Committee whose membership is set out in the Corporate Governance Report on page 34.

Policy

It is the policy of the Group to provide all members of executive management, middle management and employees of the Group with appropriate remuneration and incentives that reward performance and ensure that they are, in a fair and responsible manner, rewarded for specific contributions closely aligned to the financial success of the Group. This is done whilst 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 who 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 (fixed remuneration)		
To help recruit and retain senior experienced Executives	Base salaries are reviewed annually with effect from 1 April taking the following factors into account: ■ The individual's role and experience ■ Company performance ■ Personal performance ■ Market practice and benchmarking Although salaries are reviewed annually there is no automatic right for any Executive to receive a salary increase.	No change to policy.
Benefits (fixed remuneration)		
To provide market competitive benefits	Benefits provided take the form of a motor allowance and an agreed percentage contribution to health and other insurance costs.	No change to policy.

Element and link to strategy	Policy and operation	Changes to policy
Pension Provision (fixed remuneration)		
To provide market competitive benefits and reward performance over a long period, enabling Executives to save for retirement	The Group closed its defined benefit pension scheme to new members from September 2005. The scheme was closed to future accrual from 30 September 2015 and the small number of senior Group Executives who were active members of the scheme up until that date, are provided with retirement benefits under a defined contribution arrangement from 1 October 2015. Neither Mr. O'Caoimh nor Ms. Muldoon were members at any time of the defined benefit pension scheme. They have accrued benefits under a defined contribution scheme since they joined the Group in 2008 and 2015 respectively. Mr. Langford received a taxable cash allowance in lieu of pension benefits foregone having withdrawn from the defined benefit pension scheme in 2010.	No change to policy.
Annual Performance Bonuses (variable remuneration)		
To reward achievement of company targets, personal performance and contribution	The performance measures for annual performance bonuses for the executive Directors and other senior Executives are based on attainment of the profitability targets of combined operating ratio and return on equity and also for targets for premium income growth. The maximum bonus potential, as a percentage of base salary for the Chief Executive for 2015, was 70%. More detail on the actual operation of the Annual Performance Bonus arrangements appear later in this Report.	There have been no changes to either the policy or the operation of annual performance bonuses.
Longer Term Incentives – the FBD Performance Share Plan ("LTIP") (variable remuneration)		
To align the financial interests of Executives with those of shareholders	The FBD Performance Share Plan ("LTIP") was approved by shareholders in 2007. Under the LTIP, the Remuneration Committee may, at its sole discretion, make conditional awards of shares to Executives. Conditional awards of shares under the LTIP are limited to 10% of the Company's issued ordinary shares of €0.60 each over a 10 year period. The market value of the shares which are the subject of a conditional award to an individual may not, in any financial year, normally exceed 100% of the participant's base salary as at the date of grant. The period over which the performance conditions applying to a conditional award under the LTIP are measured may not be less than three years. The extent to which a conditional award may vest in the future will be determined by the Remuneration Committee by reference to the performance conditions set at the time of the award. These conditions were designed so as to ensure alignment between the economic interests of the plan participants and those of shareholders. Different conditions, or the same conditions in differing proportions, can be used by the Remuneration Committee for future awards under the LTIP rules, provided that the Committee remains satisfied that they are challenging and are aligned with the interests of the Company's shareholders.	

No changes are permitted to the conditions attaching to a particular award once they are set by the Remuneration Committee.

Conditional Awards of Shares in 2015

During 2015 two Conditional Awards of Shares were made under the LTIP: in March 2015 to executive directors and senior management, and in October 2015 to the newly appointed CEO. The Performance Conditions attaching to the March 2015 award, and the corresponding conditions attaching to the 2014 awards, were as follows:

a) TSR performance condition

Up to 50% (2014 Grant: 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:

	Proportion of Award Vesting	
Company's TSR Ranking	**2015 Grant**	**2014 Grant**
Below median	0%	0%
Median (50th percentile)	25%	20%
Between median and 75th percentile	Straight line between 25% and 50%	Straight line between 20% and 40%
75th percentile or higher	50%	40%

b) Market share condition

For the grant in 2015, no market share condition was applied. In 2014, 20% of the shares subject to the award may vest according to the share of the Irish non-life insurance market held by FBD Insurance plc in the Financial Year 2016. The extent to which an award vests will be determined according to the following table:

	Proportion of Award Vesting
FBD Insurance plc's share of the Irish non-life insurance market	**2014 Grant only**
Less than 13.5%	0%
13.5%	10%
Between 13.5% and 15.0%	Straight line between 10% and 20%
15.0% or higher	20%

c) Combined ratio performance condition

Up to 50% (2014 Grant: 40%) 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:

	Proportion of Award Vesting	
FBD Insurance plc's Combined Ratio in comparison with median company	**2015 Grant**	**2014 Grant**
Greater than median company	0%	0%
Equal to median company	25%	20%
Between median company and 4 percentage points below median company	Straight line between 25% and 50%	Straight line between 20% and 40%
4 or more percentage points below the median company	50%	40%

The Committee made a conditional award of shares under the LTIP to the Chief Executive on her appointment to this role in October 2015 and the Committee and Ms. Muldoon agreed that the conditional award granted on 2 March 2015 would be cancelled.

The conditions attached to the new award, which reflect the Board's turnaround plans, were as follows:

- One third based on TSR, expressed in terms of FBD Holdings plc share price on 31 December 2018;
- One third based on a weighted average Combined Operating Ratio over the three years ending 31 December 2018; and
- One third based on a comprehensive, stretching business scorecard specific to the Board's turnaround plan, the conditions for which will also be measured over the three years ending 31 December 2018. These are considered commercially sensitive and are not disclosed.

The targets for the other conditions and the thresholds for vesting are as follows:

	Threshold Level	Proportion vesting	Upper Level	Proportion vesting
TSR	€8.25	50%	€11.50	100%
COR	100%	50%	95%	100%

Performance between the threshold and upper levels will result in the proportion vesting to increase on a straight line basis.

Outstanding Conditional Awards

During 2015, no previous conditional award under the LTIP fell due for measurement to determine the extent to which it had vested.

Directors' and Company Secretary's Conditional LTIP Awards

Details of the conditional share awards made under the LTIP in 2013, 2014 and 2015 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.

	At 1 January 2015	Granted during year	Vested during year	Cancelled during year	At 31 Dec 2015	Performance Period	Earliest vesting date	Market price on award €
Executive Directors								
Fiona Muldoon	-	17,778	-	(17,778)	-	N/A	N/A	10.80
	-	54,545	-	-	54,545	01.01.16 – 31.12.18	Mar 2019	6.60
Andrew Langford	23,150	-	-	-	23,150	01.01.13 – 31.12.15	Mar 2016	12.70
	21,000	-	-	-	21,000	01.01.14 – 31.12.16	Mar 2017	17.00
	-	31,111	-	-	31,111	01.01.15 – 31.12.17	Mar 2018	10.80
Cathal O'Caoimh	14,331	-	-	-	14,331	01.01.13 – 31.12.15	Mar 2016	12.70
	10,706	-	-	-	10,706	01.01.14 – 31.12.16	Mar 2017	17.00
Company Secretary								
Conor Gouldson	4,819	-	-	-	4,819	01.01.13 – 31.12.15	Mar 2016	12.70
	4,500	-	-	-	4,500	01.01.14 – 31.12.16	Mar 2017	17.00
	-	7,523	-	-	7,523	01.01.15 – 31.12.17	Mar 2018	10.80

The total number of shares subject to conditional awards outstanding under the LTIP amounts to 386,943 being 1.1% of the Company's ordinary share capital (excluding treasury shares) at 31 December 2015 (2014: 249,571 shares and 0.7% of ordinary share capital).

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 six conditional awards made over an aggregate of 822,048 shares or 2.4% of the Company's ordinary share capital (excluding treasury shares).

The Committee agreed good leaver status for both Mr. Langford and Mr. O'Caoimh who left employment on 31 July 2015 and 30 September 2015 respectively. In accordance with the Scheme Rules, the unvested awards listed above will vest in line with the normal vesting timetable pro-rated for time and for the achievement of the performance conditions attached on grant.

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 which was approved by the Remuneration Committee on 23 December 2010, is to build and retain a shareholding with a valuation relative to base salary, at a minimum, as noted hereunder. Until such time as this requirement has been met, those to whom the Policy applies are precluded from disposing of any shares issued to them under the Group's share schemes.

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

Non-executive Director Remuneration

The remuneration of the non-executive Directors is determined by the Board, and reflects the time commitment and responsibilities of their role. In setting 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 2015 (2014: €39,600) and remains below the level pertaining at the beginning of 2008.

The Chairman, Mr. Michael Berkery received fees of €126,225 during the year (2014: €126,225) inclusive of the basic non-executive Director fee. The Senior Independent Director, Mr. Sean Dorgan, received fees of €104,000 during the year inclusive of his basic non-executive Director fee, which reflects his additional responsibilities as Chairman of the Audit Committee and as Chairman of FBD Insurance plc, roles which he took on during the course of 2014 when his total remuneration amounted to €79,000.

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 Group Chief Executive provide for the following periods of notice of termination of employment:

	From Company	From Director
Fiona Muldoon	12 months	6 months

Payments to Directors for loss of office

Mr. Andrew Langford resigned as Group Chief Executive and from the Company on 31 July 2015. He had a six month contractual notice period, and, following his employment ending, he was paid in lieu of notice a sum of €269,000 representing six month's salary and benefits. Mr. Langford agreed to make his experience and services available to the Company from 1 February 2016 until 31 December 2016 for a fee of €16,300 per month so long as he was not in full-time employment elsewhere. In the event that his input on this basis is utilised, he may be in receipt of such consultancy fees during 2016, full details of which will be published in the 2016 Annual Report.

External appointments held by the executive Directors

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

During the year, Mr. Andrew Langford served as a non-executive Director of KBC Insurance N.V. In the period up to 31 July 2015, he earned fees amounting to €75,833 from this appointment. Ms. Fiona Muldoon was appointed as a non-executive Director of the Governor and Company of the Bank of Ireland on 12 June 2015. Over the remainder of 2015 she earned fees of €35,321 from this appointment.

Determination of Annual Performance Bonus for the year ended 31 December 2015

As previously noted, the overall Annual Performance Bonus arrangements, the targets and their achievement are approved by the Remuneration Committee each year.

While the component of the bonus scheme relating to Gross Written Premium would ordinarily result in that element of the annual bonus being earned for 2015, the overall scheme provides for a minimum level of profitability to be attained in any year failing which no bonus may be paid at all. In view of the performance of the Group during 2015, the Remuneration Committee has determined that no annual performance bonus will be paid.

Executive and non-executive Directors' Remuneration details

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

	Fees[1] €000s	Salary[2] €000s	Other Payments[3] €000s	Benefits[4] €000s	Pension Contribution[5] €000s	2015 Total €000s
Executive Directors:						
Fiona Muldoon[6]	-	360	-	29	60	449
Andrew Langford[3]	-	257	269	19	49	594
Cathal O'Caoimh[3]	-	195	37	29	36	297
Non-executive Directors:						
Michael Berkery (Chairman)	126	-	-	-	-	126
Emer Daly	40	-	-	-	-	40
Sean Dorgan	104	-	-	-	-	104
Eddie Downey	40	-	-	-	-	40
Liam Herlihy[7]	13	-	-	-	-	13
Brid Horan	40	-	-	-	-	40
Dermot Mulvihill[8]	3	-	-	-	-	3
Ruairí O'Flynn[9]	26	-	-	-	-	26
Padraig Walshe	40	-	-	-	-	40
	432	812	306	77	145	1,772

Notes (2015 Only)

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

2 Salaries are paid to executive Directors only.

3 Mr. Langford, who resigned from executive office on 31 July 2015 received pay in lieu of notice under his contract of employment in the amount of €269,000, representing six month's salary and benefits. A bonus of €37,000 was awarded to Mr. O'Caoimh on the successful completion of a strategic project for which he had responsibility prior to his retirement on 30 September 2015, in accordance with Mr. O'Caoimh's short term incentive arrangements approved by the Committee earlier in 2015.

4 Benefits relate exclusively to a motor allowance and contribution towards health insurance costs.

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

6 Ms. Fiona Muldoon was appointed as a Director on 19 January 2015, as Interim Group Chief Executive on 31 July 2015 and as Group Chief Executive on 7 October 2015.

7 Mr. Liam Herlihy was appointed as a Director on 1 September 2015.

8 Mr. Dermot Mulvihill resigned as a Director on 14 January 2015.

9 Mr. Ruairí O'Flynn was appointed as a Director on 14 May 2015.

Directors' Remuneration *(continued)*

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	2014 Total €000s
Executive Directors:						
Andrew Langford[3]	-	420	-	34	84	538
Cathal O'Caoimh	-	260	-	27	49	336
Non-executive Directors:						
Michael Berkery (Chairman)	126	-	-	-	-	126
John Bryan	7	-	-	-	-	7
Emer Daly	7	-	-	-	-	7
Sean Dorgan	79	-	-	-	-	79
Eddie Downey	30	-	-	-	-	30
Brid Horan	40	-	-	-	-	40
Dermot Mulvihill	40	-	-	-	-	40
Vincent Sheridan	38	-	-	-	-	38
Johan Thijs	7	-	-	-	-	7
Padraig Walshe	40	-	-	-	-	40
	414	680	-	61	133	1,288

Notes (2014 Only)

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

2 Salaries are paid to executive Directors only.

3 While bonuses of €28,000 to Mr. Langford and €10,000 to Mr. O'Caoimh were earned under the terms of the performance bonus arrangements, the Committee and the Executives agreed that no bonuses be paid to them in light of the overall performance of the Group in 2014.

4 Benefits relate exclusively to a motor allowance and contribution towards health insurance costs.

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

Directors' Responsibilities Statement

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

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

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

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

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

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

The Directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007 (as amended by the Transparency (Directive 2004/109/EC) (Amendment) Regulations, 2012) 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 2015 and of the result for the financial year then ended;
- the Report of the Directors, the Chairman's Statement and the Review of Operations include a fair review of the development and performance of the Group's business and the state of affairs of the Group at 31 December 2015, together with a description of the principal risks and uncertainties facing the Group; and
- the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to access the performance, strategy and business model of the Company.

On behalf of the Board

Michael Berkery
Chairman

Fiona Muldoon
Group Chief Executive

26 February 2016

Independent Auditor's Report

To the Members of FBD Holdings Plc

Opinion on the financial statements of FBD Holdings plc

In our opinion, the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group and the Company as at 31 December 2015 and of the Group's loss for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and in particular, with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the Company Statement of Financial Position, the Company Statement of Cash Flows, the Company Statement of Changes in Equity and the related notes 1 to 41. The financial reporting framework that has been applied in the preparation of the Group and Parent Company financial statements is Irish law and IFRSs as adopted by the European Union.

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the directors' statement contained within the Corporate Governance Report on page 37 that the Group is a going concern.

We have nothing material to add or draw attention to in relation to:

- the directors' confirmation on page 23 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on page 21 to 23 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the director's explanation on page 37 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. 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
Claims Outstanding and Reinsurance Claims Outstanding *This risk related to the estimation of the liability for claims outstanding under insurance contracts written. The Group has significant claims outstanding totaling €748 million, with a related reinsurance asset of €65 million, as at 31 December 2015. The valuation of claims outstanding is the key judgmental area for management given the level of subjectivity inherent in estimating the impact of claims events that have occurred but for which the ultimate outcome remains uncertain. This risk of material misstatement is heightened given the uncertainty and volatility in the current claims environment.*	*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 operating effectiveness of controls in the reserving process, including controls over the completeness and accuracy of the claim estimates recorded. We performed substantive tests on the amounts recorded for a sample of claims notified.* *Using actuarial reserving specialists we assessed the appropriateness of actuarial techniques used by management in estimating the liability and related asset, and, in particular, the tailoring of those techniques to the current claims environment.* *We evaluated the completeness and accuracy of data, the key assumptions used and the results of liability adequacy tests.*
Revenue Recognition *This risk of material misstatement in the financial statements related to the recognition of premium revenue and the judgement in the deferral of unearned premium in line with the expiration of risk. The Group earned net premium income of €313 million.*	*Our procedures included an assessment of the design of controls over premium recording and collection, and testing their operating effectiveness. We carried out tests of detail on a statistical sample of policies and also used analytical procedures 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.*
Capital *This risk related to whether the outcomes of the actions taken by the Group to improve the capital position of its' principal underwriting subsidiary, FBD Insurance Plc, were not sufficient to meet the capital requirements of the new Solvency II regime and as a result the carrying values of the assets and liabilities in the Statement of Financial Position are inappropriate, as assets may not be recoverable or realised, and liabilities may not be recognised.*	*Our procedures included an evaluation of management's conclusions regarding FBD Insurance Plc's ability to maintain an adequate level of capital. Our procedures included an assessment of the design of controls over the budgeting and forecasting process used, and tests of details on the completeness and accuracy of the data used by management. We considered and challenged the key assumptions supporting management's conclusion.* *We also carried out tests of details on the specific management actions taken to improve the capital position, including the sale of the Joint Venture, the issuance of the convertible bond and the restructuring of the pension scheme arrangements.*

Policy Administration IT System *This risk related to the recoverability of the new policy administration system asset recognised in the financial statements at €36.9 million. There is a level of subjectivity inherent in estimating whether the asset is impaired which may give rise to a material misstatement in the financial statements.*	*Our procedures included an initial evaluation of management's judgement regarding the timeframe to implementation of the system, the related projected costs, and the specific risks impacting implementation.* *We carried out tests of detail on management's process to identify any indicators of impairment and subsequently on the calculation of the recoverable amount. This included tests of detail on the completeness and accuracy of the data used by management. We considered and challenged the key assumptions supporting management's conclusion.* *Our procedures also included an assessment of the design of controls over the budgeting and forecasting process used to support the calculation of the recoverable amount.*
Convertible Bond Instrument *This risk related to the valuation and accounting treatment of the convertible bond instrument issued during 2015. The valuation and accounting treatment of the convertible bond instrument is a key judgmental area for management which may lead to a material misstatement in the financial statements.*	*Our procedures included an assessment of the design of controls over the valuation of the convertible bond instrument, and the accounting and financial reporting treatment of the transaction.* *We assessed the appropriateness of management's conclusions regarding the treatment of the bond as a compound instrument, in accordance with the contractual documentation. We also performed tests of detail on management's valuation of the total instrument and the liability element, in accordance with the accounting policies.*

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee set out on page 32.

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 in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person 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 €4 million (2014: €4 million) using consolidated Shareholders Equity and Revenue as the key determining factors. The planning materiality chosen is below 2% of consolidated Shareholder Equity and below 1% of Revenue.

We agreed with the Audit Committee that we would report to the Committee any audit differences in excess of €200,000, 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 was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work in two principal subsidiaries operating in the Republic of Ireland and the Joint Venture operating in the Republic of Ireland and Spain, including its disposal. These components comprise the principal business units of the Group and account for the majority of the Group's revenue and total assets. These components were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. The remaining non-significant components were subject to review procedures to confirm there were no significant risks of material misstatement in the Group financial statements. Our audit work on all components, both significant and non-significant, was executed at levels of materiality applicable to each individual entity which were lower than Group materiality.

At the Parent Company level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit.

Opinion on other matters prescribed by the Companies Act 2014

Report of the Directors and Corporate Governance Report

In our opinion the information given in the Report of the Directors is consistent with the financial statements and, based on the work undertaken in the course of the audit, the description in the Corporate Governance Report of the main features of the internal control and risk management systems in relation to the financial reporting process, and the information required under Regulation 21(2)(c), (d), (f), (h) and (i) of the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 (S.I. No. 255 of 2006), are consistent with the financial statements and have been prepared in accordance with section 1373 of the Companies Act 2014. Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in this information. In our opinion, the information required pursuant to section 1373(2)(a), (b), (e) and (f) of the Companies Act 2014 is contained in the company's Corporate Governance Report.

Adequacy of explanations received and accounting records

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

Matters on which we are required to report by exception

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.

Directors' remuneration

Under the Listing Rules of the Irish Stock Exchange 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 Act 2014 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 Report

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

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 and otherwise comply with the Companies Act 2014. 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 391 of the Companies Act 2014. 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.

Brian O'Callaghan
For and on behalf of Deloitte
Chartered Accountants and Statutory Audit Firm
Dublin
26 February 2016

Consolidated Income Statement

For the financial year ended 31 December 2015

Continuing Operations	Notes	2015 €000s	Restated 2014 €000s
Revenue	4(a)	**403,532**	406,263
Income			
Gross premium written	4(c)	**363,263**	363,735
Reinsurance premiums	4(c)	**(50,497)**	(52,312)
Net premium written	4(c)	**312,766**	311,423
Change in provision for unearned premiums	4(c)	**388**	(7,979)
Net premium earned	4(c)	**313,154**	303,444
Net investment return	5	**20,260**	26,068
Financial services income	4(a)	**14,277**	15,380
Total income		**347,691**	344,892
Expenses			
Net claims and benefits	4(c)	**(341,260)**	(252,091)
Other underwriting expenses	4(c)	**(85,725)**	(81,786)
Movement in other provisions	29	**(11,581)**	(7,259)
Financial services expenses	4(e)	**(10,325)**	(10,173)
Revaluation of property, plant and equipment	14	**175**	1,480
Restructuring and other costs	6	**(11,415)**	-
Finance Costs	30	**(1,357)**	-
Pension Curtailment	31(c)	**28,340**	-
Result before taxation from continuing operations	8	**(85,457)**	(4,937)
Income taxation credit	11	**11,222**	1,013
Result for the financial year from continuing operations		**(74,235)**	(3,924)
Discontinued operations			
Result for the financial year from discontinued operations, including loss from sale	7	**668**	1,930
Result for the financial year		**(73,567)**	(1,994)
Attributable to:			
Equity holders of the parent		**(73,685)**	(2,089)
Non-controlling interests	27	**118**	95
		(73,567)	(1,994)

Loss per share From continuing operations		2015 Cent	Restated 2014 Cent
Basic	13	**(215)**	(13)
Diluted	13	**(215)**	(13)
From continuing and discontinued operations			
Basic	13	**(213)**	(7)
Diluted	13	**(213)**	(7)

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

The above results derive from continuing operations and discontinued operations.

The Financial Statements were approved by the Board and authorised for issue on 26 February 2016.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2015

	Notes	2015 €000s	Restated 2014 €000s
Result for the financial year		**(73,567)**	(1,994)
Items that will or may be reclassified to profit or loss in subsequent periods:			
Net (loss)/gain on available for sale financial assets during the year		**(1,762)**	1,028
Taxation credit/(charge) relating to items that will or may be reclassified to profit or loss in subsequent periods	*11*	**698**	(257)
Items that will not be reclassified to profit or loss in subsequent periods:			
Actuarial gain/ (loss) on retirement benefit obligations	*31(d)*	**15,914**	(25,058)
Taxation (charge)/credit relating to items not to be reclassified in subsequent periods	*31(d)*	**(1,989)**	3,214
Other comprehensive income/(expense) after taxation		**12,861**	(21,073)
Total comprehensive expense for the financial year		**(60,706)**	(23,067)
Attributable to:			
Equity holders of the parent		**(60,824)**	(23,162)
Non-controlling interests	*27*	**118**	95
		(60,706)	(23,067)

Consolidated Statement of Financial Position

At 31 December 2015

ASSETS	Notes	2015 €000s	Restated 2014 €000s
Property, plant and equipment	*14*	**72,617**	62,625
Investment property	*15*	**14,550**	19,959
Investment in joint venture	*7*	**-**	47,167
Loans	*16*	**832**	971
Deferred taxation asset	*17*	**13,139**	5,572
Financial assets			
Available for sale investments	*18(a)*	**489,837**	224,977
Investments held for trading	*18(a)*	**94,375**	116,428
Deposits with banks	*18(a)*	**371,333**	494,909
		955,545	836,314
Reinsurance assets			
Provision for unearned premiums	*28(e)*	**15,332**	16,010
Claims outstanding	*28(e)*	**64,751**	41,300
		80,083	57,310
Retirement benefit asset	*31(f)*	**9,110**	-
Current taxation asset	*19*	**8,813**	8,742
Deferred acquisition costs	*20*	**27,545**	28,427
Other receivables	*21*	**59,506**	58,951
Cash and cash equivalents	*22*	**22,244**	26,190
Total assets		**1,263,984**	1,152,228

Consolidated Statement of Financial Position *(continued)*

At 31 December 2015

EQUITY AND LIABILITIES	Notes	2015 €000s	Restated 2014 €000s
Equity			
Called up share capital presented as equity	*23*	**21,409**	21,409
Capital reserves	*24(a)*	**18,553**	18,756
Retained earnings	*25*	**157,670**	230,444
Other reserves	*30*	**18,232**	-
Shareholders' funds - equity interests		**215,864**	270,609
Preference share capital	*26*	**2,923**	2,923
Equity attributable to equity holders of the parent		**218,787**	273,532
Non-controlling interests	*27*	**451**	483
Total equity		**219,238**	274,015
Liabilities			
Insurance contract liabilities			
Provision for unearned premiums	*28(d)*	**178,584**	179,650
Claims outstanding	*28(c)*	**748,144**	593,983
		926,728	773,633
Other provisions	*29*	**10,938**	7,920
Convertible debt	*30*	**50,036**	-
Retirement benefit obligation	*31(f)*	**-**	54,254
Deferred taxation liability	*32*	**2,990**	5,266
Payables	*33(a)*	**54,054**	37,140
Total liabilities		**1,044,746**	878,213
Total equity and liabilities		**1,263,984**	1,152,228

The accompanying notes form an integral part of the Financial Statements.
The Financial Statements were approved by the Board and authorised for issue on 26 February 2016.

They were signed on its behalf by:

Michael Berkery
Chairman

Fiona Muldoon
Group Chief Executive

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2015

	Notes	2015 €000s	Restated 2014 €000s
Cash flows from operating activities			
Loss before taxation		**(84,789)**	(3,007)
Adjustments for:			
Profit on disposal of investments held for trading		**(535)**	(3,709)
Loss on investments held to maturity		**-**	288
Loss on investments available for sale		**5,493**	2,284
Interest and dividend income		**(13,123)**	(13,352)
Depreciation of property, plant and equipment	*14*	**8,392**	8,197
Share-based payment (credit)/expense	*38*	**(203)**	944
Revaluation of investment property	*15*	**(3,450)**	(9,261)
Revaluation of property, plant and equipment	*14*	**(175)**	(1,480)
Profit on the sale of investment property	*15*	**(8,915)**	(324)
Decrease in insurance contract liabilities		**130,320**	63,523
Decrease in other provisions	*29*	**3,018**	(920)
Effect of foreign exchange rate changes	*15*	**(485)**	(160)
Profit on disposal of property, plant and equipment		**-**	(19)
Joint venture trading result	*7*	**(1,461)**	(1,930)
Operating cash flows before movement in working capital		**34,087**	41,074
Decrease in receivables and deferred acquisition costs		**1,004**	3,900
Decrease in payables		**(30,408)**	(3,229)
Cash generated from operations		**4,683**	41,745
Interest and dividend income received		**12,339**	16,795
Income taxes refunded /(paid)		**126**	(2,684)
Net cash from operating activities		**17,148**	55,856
Cash flows from investing activities			
Purchase of investments held for trading		**(32,561)**	(45,545)
Sale of investments held for trading		**55,149**	143,057
Realisation of investments held to maturity		**-**	30,000
Purchase of available for sale investments		**(408,318)**	(129,453)
Sale of available for sale investments		**136,202**	45,117
Purchase of property, plant and equipment	*14*	**(18,209)**	(24,094)
Sale of property, plant and equipment		**-**	339
Sale of investment property	*15*	**18,259**	1,353
Decrease in loans and advances	*16*	**139**	65
Decrease/(increase) in deposits invested with banks	*18(a)*	**123,577**	(56,932)
Net cash inflow from sale of joint venture	*7(d)*	**48,500**	-
Net cash used in investing activities		**(77,262)**	(36,093)
Cash flows from financing activities			
Ordinary and preference dividends paid	*34*	**(11,950)**	(17,505)
Dividends paid to non-controlling interests	*27*	**(150)**	(75)
Proceeds from issue of convertible bond	*30*	**68,268**	-
Proceeds of re-issue of ordinary shares		**-**	2,421
Net cash generated from/(used in) financing activities		**56,168**	(15,159)
Net (decrease)/increase in cash and cash equivalents		**(3,946)**	4,604
Cash and cash equivalents at the beginning of the year	*22*	**26,190**	21,586
Cash and cash equivalents at the end of the financial year	*22*	**22,244**	26,190

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2015

	Called up share capital presented as equity	Capital reserves	Retained earnings	Other reserves	Attributable to ordinary shareholders	Preference share capital	Non-controlling interests	Total equity
	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s
Balance at 1 January 2014 - Restated	21,409	17,812	268,690	-	**307,911**	2,923	463	**311,297**
Loss after taxation - restated	-	-	(2,089)	-	**(2,089)**	-	95	**(1,994)**
Other comprehensive expense	-	-	(21,073)	-	**(21,073)**	-	-	**(21,073)**
	21,409	17,812	245,528	-	**284,749**	2,923	558	**288,230**
Dividends paid and approved on ordinary and preference shares	-	-	(17,505)	-	**(17,505)**	-	-	**(17,505)**
Reissue of ordinary shares	-	-	2,421	-	**2,421**	-	-	**2,421**
Recognition of share based payments	-	944	-	-	**944**	-	-	**944**
Dividend paid to non-controlling interests	-	-	-	-	**-**	-	(75)	**(75)**
Balance at 31 December 2014 - Restated	**21,409**	**18,756**	**230,444**	**-**	**270,609**	**2,923**	**483**	**274,015**
Loss after taxation	-	-	(73,685)	-	**(73,685)**	-	118	**(73,567)**
Other comprehensive income	-	-	12,861	-	**12,861**	-	-	**12,861**
	21,409	18,756	169,620	-	**209,785**	2,923	601	**213,309**
Issue of convertible bond	-	-	-	18,232	**18,232**	-	-	**18,232**
Dividends paid and approved on ordinary and preference shares	-	-	(11,950)	-	**(11,950)**	-	-	**(11,950)**
Recognition of share based payments	-	(203)	-	-	**(203)**	-	-	**(203)**
Dividend paid to non-controlling interests	-	-	-	-	**-**	-	(150)	**(150)**
Balance at 31 December 2015	**21,409**	**18,553**	**157,670**	**18,232**	**215,864**	**2,923**	**451**	**219,238**

Company Statement of Financial Position

At 31 December 2015

	Notes	2015 €000s	2014 €000s
ASSETS			
Investments			
Investment in subsidiaries	*35(b)*	**106,079**	38,975
Financial assets		**1,248**	6,155
Deposits with banks		**8,195**	18,947
Investment in joint venture		**-**	46,088
		115,522	110,165
Cash and cash equivalents		**64**	117
Current taxation		**-**	161
Other receivables		**3,435**	1,832
Total assets		**119,021**	112,275
EQUITY AND LIABILITIES			
Equity			
Called up share capital presented as equity	*23*	**21,409**	21,409
Capital reserves	*24(b)*	**18,553**	18,756
Retained earnings		**52,246**	64,142
Other reserves	*30*	**18,232**	-
Shareholders' funds – equity interests		**110,440**	104,307
Preference share capital	*26*	**2,923**	2,923
Equity attributable to equity holders of the parent		**113,363**	107,230
Payables	*33(b)*	**5,658**	5,045
Total equity and liabilities		**119,021**	112,275

The accompanying notes form an integral part of the Financial Statements.
The Financial Statements were approved by the Board and authorised for issue on 26 February 2016.

They were signed on its behalf by:

Michael Berkery
Chairman

Fiona Muldoon
Group Chief Executive

Company Statement of Cash Flows

For the financial year ended 31 December 2015

	2015 €000s	2014 €000s
Cash flows from operating activities		
(Loss)/profit before taxation	**(2,355)**	14,661
Adjustments for:		
Profit on disposal of investments held for trading	**(143)**	-
Share-based payment (credit)/expense	**(203)**	944
Effect of foreign exchange rate changes	**-**	(24)
Operating cash flows before movement in working capital	**(2,701)**	15,581
Increase in receivables	**(1,603)**	(764)
Increase/(decrease) in payables	**611**	(54)
Cash (used in)/generated from operations	**(3,693)**	14,763
Income taxes refunded	**161**	-
Net cash (used in)/from operating activities	**(3,532)**	14,763
Cash flows from investing activities		
Purchase of investments held for trading	**(144)**	(2,509)
Sale of investments held for trading	**5,193**	3,145
Increase in investment in subsidiaries	**(48,872)**	(694)
Decrease in deposits invested with banks	**10,752**	413
Net cash inflow from sale of joint venture	**48,500**	-
Net cash from investing activities	**15,429**	355
Cash flows from financing activities		
Ordinary and preference dividends paid	**(11,950)**	(17,505)
Proceeds of re-issue of ordinary shares	**-**	2,421
Net cash used in financing activities	**(11,950)**	(15,084)
Net (decrease)/increase in cash and cash equivalents	**(53)**	34
Cash and cash equivalents at the beginning of the financial year	**117**	83
Cash and cash equivalents at the end of the financial year	**64**	117

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

The layout of the Company Statement of Cash Flows has changed from the prior year, providing greater information.

Company Statement Of Changes In Equity

For the financial year ended 31 December 2015

	Called up share capital presented as equity	Capital reserves	Share option reserve	Retained earnings	Other reserves	Attributable to ordinary shareholders	Preference share capital	Total equity
	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s
Balance at 1 January 2014	**21,409**	**11,593**	**6,219**	**64,565**	**-**	**103,786**	**2,923**	**106,709**
Profit after taxation	-	-	-	14,661	-	**14,661**	-	**14,661**
Reissue of ordinary shares	-	-	-	2,421	-	**2,421**	-	**2,421**
Recognition of share based payments	-	-	944	-	-	**944**	-	**944**
Ordinary and preference dividends paid and approved	-	-	-	(17,505)	-	**(17,505)**	-	**(17,505)**
Balance at 31 December 2014	**21,409**	**11,593**	**7,163**	**64,142**	**-**	**104,307**	**2,923**	**107,230**
Profit after taxation	-	-	-	54	-	**54**	-	**54**
Issue of convertible bond	-	-	-	-	18,232	**18,232**	-	**18,232**
Recognition of share based payments	-	-	(203)	-	-	**(203)**	-	**(203)**
Ordinary and preference dividends paid and approved	-	-	-	(11,950)	-	**(11,950)**	-	**(11,950)**
Balance at 31 December 2015	**21,409**	**11,593**	**6,960**	**52,246**	**18,232**	**110,440**	**2,923**	**113,363**

Notes to the Financial Statements

For the financial year ended 31 December 2015

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 25 and in the Review of Operations on pages 8 to 17.

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 Corporate Governance Report on page 37.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

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

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

Standards adopted during the period

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015.

- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*.
- Annual Improvements to IFRSs 2010 – 2012 Cycle and 2011 – 2013 Cycle.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions.

The amendments require the Group to account for employee contributions as follows:

- Discretionary employee contributions are accounted for as a reduction of the service cost upon payments to the plans.
- Employee contributions specified in the defined benefit plans are accounted for as a reduction of the service cost, only if such contributions are linked to services. Specifically, when the amount of such contribution depends on the number of years of service, the reduction to service cost is made by attributing the contributions to periods of service in the same manner as the benefit attribution. On the other hand, when such contributions are determined based on a fixed percentage of salary (i.e. independent of the number of years of service), the Group recognises the reduction in the service cost in the period in which the related services are rendered.

Annual Improvements to IFRSs 2010 – 2012 Cycle and 2011 – 2013 Cycle

The Group has applied the amendments to IFRSs included in the Annual Improvements to IFRSs 2010 – 2012 Cycle and 2011 – 2013 Cycle for the first time in the current year.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards and Interpretations not yet effective

IFRS 9	*Financial Instruments*[2]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interest in Joint Operations*[1]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IAS 1	*Disclosure Initiative*[1]
Annual Improvements to IFRSs: 2012-2014 Cycle	*Annual Improvements to IFRSs: 2012-2014 Cycle*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]

[1] *Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.*

[2] *Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.*

[3] *Effective date has been deferred indefinitely.*

The Directors anticipate that the adoption of the 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.

The Group has changed its treatment of the provision relating to the Motor Insurer's Bureau of Ireland, the impact of which is described as follows.

Change in basis of measurement in the Motor Insurers Bureau of Ireland provision

The basis of measurement of the Motor Insurers Bureau of Ireland "MIBI" provision in the Group's largest subsidiary, FBD Insurance plc, has changed effective from 1 January 2015 and hence, 2014 comparatives have been restated. Previously, FBD Insurance plc, calculated this provision based on the estimated current market share of the Irish motor insurance market and the current outstanding claims of MIBI.

Under the revised market convention, insurance companies writing motor business will provide for their share of the MIBI levy for the following year only, based on their estimated market share in the current financial year at the balance sheet date. Therefore this change in measurement basis has also been reflected in the Group financial statements. The provision for the MIBI levy has been disclosed separately as "other provisions" on the Consolidated Statement of Financial Position.

Other changes

The layout of the Company Statement of Cash Flows has changed from the prior year, providing greater information.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

This change in the basis of measurement has resulted in the following adjustments to the opening reserves in the Consolidated Statement of Financial Position at 1 January 2014:

	01/01/14 as previously stated €000s	01/01/14 Impact of change €000s	01/01/14 Restated €000s
Consolidated Statement of Financial Position at 1 January 2014			
Equity: Retained earnings	237,993	30,697	268,690
Liabilities: Claims outstanding	565,611	(43,921)	521,690
Liabilities: Other provisions	-	8,840	8,840
Liabilities: Deferred taxation liability	691	4,385	5,076

This change in the basis of measurement has resulted in the following adjustments to the December 2014 comparatives within the Group Consolidated Income Statement:

	2014 as previously stated €000s	2014 Impact of change €000s	2014 Restated €000s
Consolidated Income Statement			
Expenses			
Net claims and benefits	(260,870)	8,779	(252,091)
Movement in other provisions	-	(7,259)	(7,259)
Result before taxation	**(4,527)**	**1,520**	**(3,007)**
Income taxation credit/(charge)	1,203	(190)	1,013
Result for the period	**(3,324)**	**1,330**	**(1,994)**

(Loss)/earnings per share	**Cent**	**Cent**	**Cent**
Basic	(11)	4	(7)
Diluted	(11)	4	(7)
Consolidated Statement of Financial Position at 31 December 2014			
Equity: Retained earnings	198,417	32,027	230,444
Liabilities: Claims outstanding	638,504	(44,521)	593,983
Liabilities: Other provisions	-	7,920	7,920
Liabilities: Deferred taxation liability	691	4,575	5,266

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTING POLICIES

The principal accounting policies adopted by the Board are:

A) ACCOUNTING CONVENTION

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

B) BASIS OF CONSOLIDATION

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

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

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

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, 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.

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.

When the Group disposes of its interest in a joint venture, the profit or loss on the sale is calculated as the difference between the consideration received and the share of the net assets of the joint venture at the date of disposal less costs associated with the sale.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) REVENUE RECOGNITION

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

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

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

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

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

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

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

D) INSURANCE CONTRACTS

(i) Premiums written

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

(ii) Unearned premiums

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

(iii) Deferred acquisition costs

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

(iv) Unexpired risks

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) REVENUE RECOGNITION (CONTINUED)

(v) Claims incurred

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

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

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

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

(vi) Reinsurance

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

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

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

E) OTHER PROVISIONS

The Group estimates its obligation to pay its share of the Motor Insurers' Bureau of Ireland ('MIBI') levy call for the financial year, based on its share of the Irish motor market in the previous year.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) PROPERTY, PLANT AND EQUIPMENT

(i) Property

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

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.

(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. Depreciation on assets in development commences when the assets are ready for their intended use.

G) 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.

H) 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. In prior years the Group's share of results before taxes was 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 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 value is reviewed for impairment on an annual basis. The profit or loss on the disposal of a joint venture is calculated as the difference between the consideration received and the share of the net assets of the joint venture at the date of disposal less costs associated with the sale.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I) FINANCIAL INSTRUMENTS

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

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

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

(i) Investments held for trading at fair value

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

Investments are held for trading if:

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

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

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

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

(ii) 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I) FINANCIAL INSTRUMENTS (CONTINUED)

(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 bid prices. They are recognised on a trade date basis at fair value, and are subsequently revalued at each reporting date to fair value, with gains and losses being included directly in the Consolidated Statement of Comprehensive Income until the investment is disposed of or determined to be impaired, at which time the cumulative gain or loss previously recognised in the Consolidated Statement of Comprehensive Income, is included in the Consolidated Income Statement for the year.

(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.

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.

J) LEASES

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

(i) The Group as Lessor

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

K) 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)

L) 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.

M) RETIREMENT BENEFITS

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

(i) Defined benefit scheme

A full actuarial valuation of the scheme is undertaken every three years and is updated annually to reflect current conditions in the intervening periods for the purposes of preparing the Financial Statements. Scheme assets are valued at fair value. Scheme liabilities are measured on an actuarial basis and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The projected unit credit method is used to calculate scheme liabilities. The surplus or deficit on the scheme is carried in the Consolidated Statement of Financial Position as an asset or liability. Any asset resulting from this calculation is limited to 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 under other underwriting and financial services expense. Credit resulting from the curtailment of the pension is disclosed seperately in the Consolidated Income Statement.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M) RETIREMENT BENEFITS (CONTINUED)

(ii) Defined Contribution Schemes

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

N) 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.

O) 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.

P) TREASURY SHARES

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q) IMPAIRMENT OF ASSETS

(i) Impairment of tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered 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) Impairment of financial assets

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q) IMPAIRMENT OF ASSETS (CONTINUED)

(ii) Impairment of financial assets (continued)

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

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

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

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

R) 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.

S) 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.

T) FINANCIAL SERVICES INCOME

Financial income comprises income earned from premium instalment services and life, pension and investment broking.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U) COMPOUND FINANCIAL INSTRUMENTS

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

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

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

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

V) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The principal accounting policies adopted by the Group are set out on pages 63 to 77. 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 judgements in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see note V (ii) on page 79) 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.

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. Depreciation on assets in development commences when the assets are ready for their intended use.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

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

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is recognised initially at cost and stated in the Statement of Financial Position at fair value at the reporting date. The fair value of investment property in Ireland is determined by valuations conducted at the reporting date by qualified independent professional valuers, CB Richard Ellis, Valuation Surveyors. The fair value of investment property in the United Kingdom is determined by valuations conducted at the reporting date by qualified independent professional valuers, Colliers International. 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")

From January 2015 the Group estimates its obligation to pay its share of the MIBI levy call for the financial year based on its share of the Irish Motor market in the previous year. Prior to this the Group used the estimated current market share to estimate the total outstanding claims of the MIBI.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

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

Recoverability of pension asset

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

Convertible Bond

The Directors have assessed the contractual requirements of the convertible bond and in particular have considered whether the settlement of the bond can be achieved in ways other than by delivery of a fixed number of shares for a fixed consideration. The Directors have concluded that the Fixed for Fixed criteria has been materially met, and therefore the equity component of the Financial Instrument should be included 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 28 to the Financial Statements.

Valuation of financial instruments

As described in note 18, 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 18 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.

As described in note 30, the Group has determined fair value of the liability component of its convertible bond with reference to the fair value of a similar liability without an equity conversion option. The equity component has been calculated as the difference between the fair value of the financial instrument as a whole and the value of the liability component. The Directors believe that the valuation technique used and the classification of the components of the convertible bond between liability and equity are appropriate.

Deferred acquisition costs

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

Note 40, Risk Management identifies the Group's key sensitivity factors and tests the impact of a change in each one of these factors has on pre-taxation profit and shareholders' equity.

4 SEGMENTAL INFORMATION

(a) OPERATING SEGMENTS

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

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

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

2015	Underwriting €000s	Financial services €000s	Total €000s
Revenue	389,255	14,277	403,532
(Loss)/profit before taxation	(90,265)	4,808	(85,457)
Income taxation credit	10,924	298	11,222
(Loss)/profit after taxation	(79,341)	5,106	(74,235)
Other information			
Capital additions	18,185	24	18,209
Revaluation of other assets	3,625	-	3,625
Depreciation and amortisation	8,274	118	8,392
Statement of Financial Position			
Segment assets	1,249,387	14,597	1,263,984
Segment liabilities	1,038,528	6,218	1,044,746

4 SEGMENTAL INFORMATION (CONTINUED)

(a) OPERATING SEGMENTS (CONTINUED)

2014	Restated Underwriting €000s	Financial services €000s	Total €000s
Revenue	390,883	15,380	406,263
(Loss)/profit before taxation	(10,144)	7,137	(3,007)
Income taxation credit/(charge)	1,041	(28)	1,013
(Loss)/profit after taxation	(9,103)	7,109	(1,994)
Other information			
Capital additions	24,069	25	24,094
Revaluation of other assets	(10,741)	-	(10,741)
Depreciation and amortisation	8,071	126	8,197
Statement of Financial Position			
Segment assets	1,073,697	78,531	1,152,228
Segment liabilities	868,236	9,977	878,213

The investment in the joint venture totalling €47,167,000 is included in financial services assets in 2014.

Included above are non-cash revaluations relating to investment property and property held for own use of €3,625,000 (2014: €10,741,000), 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.

4 SEGMENTAL INFORMATION (CONTINUED)

(a) OPERATING SEGMENTS (CONTINUED)

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

	2015 €000s	2014 €000s
Direct insurance – motor	**164,343**	167,841
Direct insurance – fire and other damage to property	**121,242**	121,542
Direct insurance – liability	**71,710**	68,648
Direct insurance – interest and other revenue	**25,991**	27,148
Direct insurance – other	**5,969**	5,704
Financial services revenue	**14,277**	15,380
Total revenue	**403,532**	406,263

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

	2015 €000s	2015 €000s	Restated 2014 €000s	Restated 2014 €000s
Earned premiums, net of reinsurance				
Gross premium written	**363,263**		363,735	
Outward reinsurance premiums	**(50,497)**		(52,312)	
Net premium written	**312,766**		311,423	
Change in provision for unearned premium				
Gross amount	**1,066**		(4,269)	
Reinsurers' share	**(678)**		(3,710)	
Change in net provision for unearned premium	**388**		(7,979)	
Premium earned, net of reinsurance		**313,154**		303,444
Claims paid, net of recoveries from reinsurers				
Claims paid				
Gross amount	**(225,541)**		(234,468)	
Reinsurers' share	**14,991**		37,920	
Claims paid, net of recoveries from reinsurers	**(210,550)**		(196,548)	
Change in provision for claims				
Gross amount	**(154,161)**		(72,293)	
Reinsurers' share	**23,451**		16,750	
Change in insurance liabilities, net of reinsurance	**(130,710)**		(55,543)	
Claims incurred net of reinsurance		**(341,260)**		(252,091)
Management expenses	**(92,307)**		(91,089)	
Deferred acquisition costs	**(882)**		1,998	
Gross management expenses	**(93,189)**		(89,091)	
Reinsurers share of expenses	**12,799**		13,121	
Broker commissions payable	**(5,335)**		(5,816)	
Net operating expenses		**(85,725)**		(81,786)
Underwriting result		**(113,831)**		(30,433)

Net claims incurred in 2015 were €341,260,000, up 35% on the net claims incurred of €252,091,000 in 2014 and one of the main contributors to the Groups loss for the year. As detailed in The Review of Operations (pages 8 to 17) this adverse claims development pattern was driven by a number of structural changes in the claims environment including over 20 new judicial appointments made between the Circuit and High Courts, the introduction of the Recovery of Benefit and Assistance Scheme which enables the Department of Social Protection to recover some welfare payments from personal injury awards directly for the insurer and the introduction of Heads of Bill for Periodic Payment Orders. Volatility in court awards has led claimants' expectations to increase as court awards in turn influence out of court settlement levels.

4 SEGMENTAL INFORMATION (CONTINUED)

(c) UNDERWRITING RESULT (CONTINUED)

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 credit to the Consolidated Income Statement of €66,000 (2014: credit of €11,769,000).

(d) UNDERWRITING MANAGEMENT EXPENSES

	2015 €000s	2014 €000s
Employee benefit expense	**59,131**	57,740
Rent, rates, insurance and maintenance	**7,165**	7,662
Depreciation	**8,268**	8,071
Other	**17,743**	17,616
Total underwriting management expenses	**92,307**	91,089

(e) FINANCIAL SERVICES EXPENSES

	2015 €000s	2014 €000s
Employee benefit expense	**5,456**	6,324
Rent, rates, insurance and maintenance	**1,603**	2,363
Depreciation	**124**	126
Other	**3,142**	1,360
Total financial services expenses	**10,325**	10,173

5 INVESTMENT INCOME

	2015 €000s	2014 €000s
Actual return		
Interest and similar income	**12,276**	11,938
Income from investment properties	**410**	1,189
Realised profits on investments	**7,330**	7,418
Dividend income	**506**	901
Revaluation of investment properties	**3,450**	9,744
Loss on financial investments	**(3,712)**	(5,122)
Total investment income	**20,260**	26,068
By Classification of investment		
Deposits with banks	**2,832**	3,148
Investments held to maturity	**-**	313
Investments held for trading	**2,801**	10,753
Investment properties	**13,260**	11,064
Available for sale investments	**1,367**	790
Total investment income	**20,260**	26,068

Interest and similar income received by the Group's underwriting segment during the period was €11,918,000 (2014: €15,667,000).

6 RESTRUCTURING AND OTHER COSTS

	2015 €000s	2014 €000s
Restructuring costs	**11,415**	-
Total restructuring and other costs	**11,415**	-

These costs relate to a voluntary redundancy program which was completed in the second half of 2015.

7 JOINT VENTURE

(a) SHARE OF RESULTS OF JOINT VENTURE

On 24 August 2015, the Group announced that it had entered into a conditional agreement for the divestment of all of its stake in its joint venture, FBD Property & Leisure Ltd, through a sale of the Group's entire shareholding to Farmer Business Developments plc, the other shareholder in FBD Property & Leisure Ltd, and the redemption of all of its loan notes in FBD Property & Leisure Ltd. The sale was approved by shareholders on 23 October 2015.

Total consideration received for the sale of the joint venture was €48,500,000.

The property and leisure joint venture was owned 50%/50% by FBD and Farmer Business Developments plc, the Group's largest shareholder. The two joint venture partners held a combination of equity and convertible loan notes.

The key benefits resulting from the sale of the joint venture are:

- the Group can now focus its resources on insurance underwriting, its core strategic business in line with the strategy put forward at the establishment of the joint venture in 2011;
- this divestment significantly reduces exposure to fluctuations in property values; and
- the proceeds have been used by the Group to subscribe for new equity capital in the Group's core general insurance underwriting subsidiary, FBD Insurance plc. The issue of this new equity increases the capital available in FBD Insurance plc to provide an additional capital buffer ahead of the introduction of the Solvency II regime in January 2016.

(b) INVESTMENT IN JOINT VENTURE

	At date of disposal 2015 €000s	2014 €000s
At start of year	**47,167**	45,237
Share of results of joint venture	**1,461**	1,930
Share of joint venture at date of disposal/end of year	**48,628**	47,167

(c) SHARE OF RESULTS OF JOINT VENTURE

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

	At date of disposal 2015 €000s	2014 €000s
Operating profit	**2,315**	2,900
Finance costs	**(854)**	(970)
Group's share of results of joint venture	**1,461**	1,930

7 JOINT VENTURE (CONTINUED)

(d) LOSS ON THE SALE OF THE JOINT VENTURE:

	2015 €000s
Consideration received	48,500
Less investment in Joint Venture	(48,628)
Less costs associated with sale	(665)
Loss on the sale of the Joint Venture	**(793)**
Share of profits for the year	**1,461**
Result for financial year including loss on the sale	**668**

8 LOSS BEFORE TAXATION

	2015 €000s	2014 €000s
Loss before taxation has been stated after charging:		
Depreciation	**8,392**	8,197

The remuneration of the Directors is set out in detail in the Report on Directors' Remuneration on pages 38 to 46.

9 INFORMATION RELATING TO AUDITOR'S REMUNERATION

Analysis of fees payable and associated out of pocket expenses to the statutory audit firm, Deloitte, is as follows:

	2015		2014	
	Company €000s	Group €000s	Company €000s	Group €000s
Description of service				
Audit of individual accounts	**93**	**211**	41	167
Other assurance services	**118**	**75**	126	-
Taxation advisory services	**82**	**166**	18	55
Other non-audit services	**40**	**40**	12	12
Auditors remuneration	**333**	**492**	197	234

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

10 STAFF COSTS AND NUMBERS

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

	2015	2014
Underwriting	**967**	928
Financial services	**56**	60
Total	**1,023**	988

	2015 €000s	2014 €000s
The aggregate employee benefit expense was as follows:		
Wages and salaries	**52,262**	51,444
Social welfare costs	**5,514**	5,457
Pension costs	**7,014**	6,219
Share based payments	**(203)**	944
Total employee benefit expense	**64,587**	64,064

11 INCOME TAXATION CREDIT

	2015 €000s	Restated 2014 €000s
Irish corporation taxation	**273**	1,460
Adjustments in respect of prior financial years	**(185)**	4
Current taxation charge	**88**	1,464
Deferred taxation credit/(debit)	**11,134**	(451)
Income taxation credit	**11,222**	1,013

11 INCOME TAXATION CREDIT (CONTINUED)

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

	2015 €000s	Restated 2014 €000s
Loss before taxation	**(84,789)**	(3,007)
Corporation taxation charge at standard rate of 12.5% (2014: 12.5%)	**(10,599)**	(376)
Effects of:		
Differences between capital allowances for period and depreciation	**(152)**	(105)
Non-taxable income/unrealised gains/losses not chargeable/deductible for taxation purposes	**(741)**	(539)
Higher rates of taxation on other income	**85**	11
Adjustments in respect of prior years	**185**	(4)
Income taxation credit	**(11,222)**	(1,013)
Taxation as a percentage of loss before taxation	**13.24%**	33.69%

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

	2015 €000s	2014 €000s
Deferred taxation		
Actuarial (gain)/loss on retirement benefit obligations	**(1,989)**	3,214
Loss/(gain) on available for sale investments	**698**	(257)
Total income taxation recognised directly in the Consolidated Statement of Comprehensive Income	**(1,291)**	2,957

12 PROFIT FOR THE YEAR

The Company's profit for the financial year determined in accordance with IFRS, as adopted by the European Union, is €54,000 (2014: €14,661,000 profit).

In accordance with section 148(8) of the Companies Act 2014, 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.

13 LOSS 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:

	2015 €000s	Restated 2014 €000s
Earnings		
Loss for the year	**(73,567)**	(1,994)
Non-controlling interests	**(118)**	(95)
Preference dividends	**(169)**	(282)
Loss for the purpose of basic and diluted earnings per share	**(73,854)**	(2,371)
Adjustments to exclude profit for the year from discontinued operations	**(668)**	(1,930)
Earnings from continued operations for the purpose of basic and diluted earnings per share excluding discontinued operations	**(74,522)**	(4,301)

Number of shares	**2015**	**2014**
Weighted average number of ordinary shares for the purpose of basic earnings per share (excludes treasury shares)	**34,648,122**	34,414,709

From continuing operations	**Cent**	**Cent**
Basic loss per share	**(215)**	(13)
Diluted loss per share	**(215)**	(13)

From discontinued operations	**Cent**	**Cent**
Basic earnings per share	**2**	6
Diluted earnings per share	**2**	6

14 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 2014	21,295	103,221	124,516
Additions	-	24,094	24,094
Disposals	(320)	(150)	(470)
At 1 January 2015	20,975	127,165	148,140
Additions	**100**	**18,109**	**18,209**
At 31 December 2015	**21,075**	**145,274**	**166,349**
Comprising:			
At cost	**-**	**145,274**	**145,274**
At valuation	**21,075**	**-**	**21,075**
At 31 December 2015	**21,075**	**145,274**	**166,349**

	Property held for own use €000s	Plant and equipment €000s	Total property, plant and equipment €000s
Accumulated depreciation and revaluation			
At 1 January 2014	6,380	72,568	78,948
Depreciation charge for the year	-	8,197	8,197
Elimination on disposal	-	(150)	(150)
Revaluations	(1,480)	-	(1,480)
At 1 January 2015	**4,900**	**80,615**	**85,515**
Depreciation charge for the year	**-**	**8,392**	**8,392**
Revaluations	**(175)**	**-**	**(175)**
At 31 December 2015	**4,725**	**89,007**	**93,732**
Carrying amount			
At 31 December 2015	**16,350**	**56,267**	**72,617**
At 31 December 2014	16,075	46,550	62,625

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property held for own use

Property held for own use at 31 December 2015 and 2014 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 an asset or liability should exchange on valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion"*. The report also states that the market value *"has been primarily derived using comparable recent market transactions on arm's length terms"*. It also states that the properties have been valued individually and no account taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously either as lots or as a whole.

The valuers state that they made various assumptions as to tenure, letting and town planning, condition and repair of buildings and sites, including ground and groundwater contamination. They have determined market value using a range of capital values per square metre ranging from between €549psm - €3,132psm, 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:

	2015 €000s	2014 €000s
Property held for own use	**14,966**	15,446

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

Assets amounting to €36,917,000 (2014: €26,222,000) 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 18, Financial Instruments and Fair Value Measurement.

15 INVESTMENT PROPERTY

	2015 €000s	2014 €000s
Fair value of investment property		
At 1 January	**19,959**	11,567
Fair value movement during the year	**3,450**	9,261
Sale of investment property	**(18,259)**	(1,353)
Gain on disposal of investment property	**8,915**	324
Effect of movement in foreign exchange	**485**	160
At 31 December	**14,550**	19,959

The investment property held for rental in Ireland was valued at fair value at 31 December 2015 and at 31 December 2014 by independent external professional valuers, CB Richard Ellis, Valuation Surveyors. The valuation was prepared in accordance with the RICS Valuation – Professional Standards 2012 (Red Book). The valuers confirm that they have sufficient current local and national knowledge of the particular property market involved and have skills and understanding to undertake the valuations competently.

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

The investment property held for rental in the UK was valued at fair value at 31 December 2014 by independent external professional valuers, Colliers International. The valuation of the property was prepared in accordance with RICS Valuation – Professional Standards January 2014 (The Red Book). The valuations were prepared by a suitably qualified valuer, as defined by PS 2.3 of the Professional Standards.

The valuation statement received from the external professional valuer states that the valuations have been prepared on the basis of *"Market Value"* which they define as *"the estimated amount for which an asset or liability 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 valuers stated that while they have not carried out building surveys of the property or tested drainage or service installations they have assumed that no deleterious materials have been used in the construction or subsequent alteration of the building.

They commented that the UK commercial property investment market has recently emerged from its most severe and prolonged downturn since reliable records began and cite the improving economy, which rebounded more quickly than expected, as the main catalyst for increased property values.

15 INVESTMENT PROPERTY (CONTINUED)

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

There was an increase in the fair value in 2015 of €3,450,000, while the gain in 2014 was €9,261,000.

The rental income earned by the Group from its investment properties amounted to €1,419,000 (2014: €1,927,000). Direct operating costs associated with investment properties amounted to €1,009,000 (2014: €680,000).

The historical cost of investment property is as follows:

	2015 €000s	2014 €000s
Historical cost at 1 January	**22,266**	22,266
Disposals	**(2,186)**	-
Historical cost at 31 December	**20,080**	22,266

Non-cancellable operating lease receivables	2015 €000s	2014 €000s
Not longer than 1 year	**797**	321
Longer than 1 year and not longer than 5 years	**4,904**	1,284
Total non-cancellable operating lease receivables	**5,701**	1,605

Fair value hierarchy disclosures required by IFRS13 *Fair Value Measurement* have been included in note 18, Financial Instruments and Fair Value Measurement.

16 LOANS

	2015 €000s	2014 €000s
Other loans	**832**	971
Total loans	**832**	971

Fair value hierarchy disclosures required by IFRS13 *Fair Value Measurement* have been included in note 18, Financial Instruments and Fair Value Measurement.

17 DEFERRED TAXATION ASSET

	Retirement benefit asset €000s	Unrealised losses on investments & loans €000s	Accelerated capital allowances €000s	Insurance Contracts €000s	Losses carried forward €000s	Total €000s
At 1 January 2014	3,567	(1,046)	734	-	-	3,255
Credited/(debited) to the Consolidated Statement of Comprehensive Income	3,215	(257)	-	-	-	2,958
(Debited)/credited to Consolidated Income Statement	-	(1,236)	595	-	-	(641)
At 31 December 2014	6,782	(2,539)	1,329	-	-	5,572
Credited to the Consolidated Statement of Comprehensive Income	**-**	**698**	**-**	**-**	**-**	**698**
Credited to Consolidated Income Statement	**-**	**2,538**	**(138)**	**-**	**15,826**	**18,226**
Reclassified to deferred taxation liability	**(6,782)**	**-**	**-**	**(4,575)**	**-**	**(11,357)**
At 31 December 2015	**-**	**697**	**1,191**	**(4,575)**	**15,826**	**13,139**

A deferred taxation asset of €6,782,000 was recognised in 2014 in respect of the retirement benefit obligation €54,254,000. In 2015, a deferred taxation liability has been recognised of €1,139,000 on the retirement benefit asset of €9,110,000. A deferred taxation asset of €15,826,000 has been recognised in respect of losses carried forward.

The Directors have considered and are satisfied that the deferred taxation asset will be fully recoverable against future taxable profits.

18 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT

(a) Financial assets

	2015 €000s	2014 €000s
(i) At amortised cost		
Deposits with banks	**371,333**	494,909
	371,333	494,909
(ii) At fair value		
Available for sale investments – unquoted investments	**844**	948
Available for sale investments – quoted debt securities	**488,993**	224,029
Available for sale investments	**489,837**	224,977
Investments held for trading – quoted shares	**25,671**	46,110
Investments held for trading – quoted debt securities	**44,082**	45,808
Investments held for trading – UCITS	**24,622**	24,510
Investments held for trading	**94,375**	116,428
(iii) At cost		
Cash and cash equivalents	**22,244**	26,190

18 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

(a) Financial assets (continued)

Fair value measurement

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

	2015 Fair value €000s	2015 Carrying value €000s
Financial assets		
Loans	**998**	832
Financial instruments	**955,545**	955,545
Other receivables	**59,506**	59,506
Cash & cash equivalents	**22,244**	22,244
Financial liabilities		
Payables	**54,054**	54,054
Financial liabilities at amortised cost	**50,036**	50,036

	2014 Fair value €000s	2014 Carrying value €000s
Financial assets		
Loans	1,126	971
Financial instruments	836,314	836,314
Other receivables	58,951	58,951
Cash & cash equivalents	26,190	26,190
Financial liabilities		
Payables	37,140	37,140

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.

18 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

(a) Financial assets (continued)

2015	Level 1 €000s	Level 2 €000s	Level 3 €000s	Total €000s
Assets				
Investment property	-	14,550	-	14,550
Loans	-	998	-	998
Other receivables	-	59,506	-	59,506
Financial assets				
Investments held for trading - quoted shares	25,671	-	-	25,671
Investments held for trading - quoted debt securities	44,082	-	-	44,082
Investments held for trading - UCITS	24,622	-	-	24,622
AFS investments - quoted debt securities	488,993	-	-	488,993
AFS investments - unquoted investments	-	-	844	844
Deposits with banks	371,333	-	-	371,333
Cash and cash equivalents	22,244	-	-	22,244
Total assets	976,945	75,054	844	1,052,843
Liabilities				
Payables	-	54,054	-	54,054
Convertible debt	-	50,036	-	50,036
Total liabilities	-	104,090	-	104,090

18 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

(a) Financial assets (continued)

2014	Level 1 €000s	Level 2 €000s	Level 3 €000s	Total €000s
Assets				
Investment property	-	19,959	-	19,959
Loans	-	1,126	-	1,126
Other receivables	-	58,951	-	58,951
Financial assets				
Investments held for trading - quoted shares	46,110	-	-	46,110
Investments held for trading - quoted debt securities	45,808	-	-	45,808
Investments held for trading - UCITS	24,510	-	-	24,510
AFS investments - quoted debt securities	224,029	-	-	224,029
AFS investments - unquoted investments	-	-	948	948
Deposits with banks	494,909	-	-	494,909
Cash and cash equivalents	26,190	-	-	26,190
Total assets	861,556	80,036	948	942,540
Liabilities				
Payables	-	37,141	-	37,141
Total liabilities	-	37,141	-	37,141

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

	2015 €000s	2014 €000s
At 1 January	**948**	1,368
Additions	**-**	145
Disposals	**(103)**	(1,115)
Unrealised (losses)/gains recognised in the Consolidated Income Statement	**(1)**	550
At 31 December	**844**	948

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 €844,000 (2014: €948,000). 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 2015 or 2014 except for those disclosed in note 33(a) payables and note 30 convertible debt.

19 CURRENT TAXATION ASSET

	2015 €000s	2014 €000s
Income taxation receivable	**8,813**	8,742

This balance relates to corporation taxation refunds due.

20 DEFERRED ACQUISITION COSTS

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

	2015 €000s	2014 €000s
At 1 January	**28,427**	26,429
Net acquisition costs deferred during the year	**(882)**	1,998
At 31 December	**27,545**	28,427

All deferred acquisition costs are expected to be recovered within one year from 31 December 2015.

21 OTHER RECEIVABLES

	2015 €000s	2014 €000s
Policyholders	**40,154**	41,082
Intermediaries	**3,447**	6,121
Other debtors	**7,630**	3,639
Accrued interest and rent	**1,650**	2,919
Prepayments and accrued income	**6,625**	5,190
Total other receivables	**59,506**	58,951

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.

22 CASH AND CASH EQUIVALENTS

	2015 €000s	2014 €000s
Demand deposits*	**21,034**	24,861
Cash in hand	**1,210**	1,329
Total cash and cash equivalents	**22,244**	26,190

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

23 CALLED UP SHARE CAPITAL PRESENTED AS EQUITY

	Number	2015 €000s	2014 €000s
(i) Ordinary shares of €0.60 each			
Authorised:			
At the beginning and the end of the year	51,326,000	**30,796**	30,796
Issued and fully paid:			
At the beginning and the end of the year	35,461,206	**21,277**	21,277
(ii) 'A' Ordinary shares of €0.01 each			
Authorised:			
At the beginning and the end of the year	120,000,000	**1,200**	1,200
Issued and fully paid:			
At the beginning and the end of the year	13,169,428	**132**	132
Total – issued and fully paid		**21,409**	21,409

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

The holders of the two classes of non-cumulative preference shares rank ahead of the two classes of ordinary shares in the event of a winding up (see note 26). 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 813,084. This represented 2.3% of the shares of this class in issue and had a nominal value of €487,850. There were no ordinary shares of €0.60 each purchased by the Company during the year. No shares were re-issued from treasury during the year under the FBD Holdings plc Executive Share Option Scheme or the FBD Performance Share Plan. Therefore there was a balance of 813,084 ordinary shares of €0.60 each in treasury at the end of the year which had a nominal value of €487,850 and represented 2.3% 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.

All issued shares have been fully paid.

24 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 2014	5,540	1,627	4,426	6,219	17,812
Recognition of share-based payments	-	-	-	944	944
Balance at 31 December 2014	5,540	1,627	4,426	7,163	18,756
Recognition of share-based payments	**-**	**-**	**-**	**(203)**	**(203)**
Balance at 31 December 2015	**5,540**	**1,627**	**4,426**	**6,960**	**18,553**

(b) COMPANY

	Share premium €000s	Capital conversion reserve €000s	Capital redemption reserve €000s	Share option reserve €000s	Total Company €000s
Balance at 1 January 2014	5,540	1,627	4,426	6,219	17,812
Recognition of share-based payments	-	-	-	944	944
Balance at 31 December 2014	5,540	1,627	4,426	7,163	18,756
Recognition of share-based payments	**-**	**-**	**-**	**(203)**	**(203)**
Balance at 31 December 2015	**5,540**	**1,627**	**4,426**	**6,960**	**18,553**

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

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

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

25 RETAINED EARNINGS

	2015 €000s	Restated 2014 €000s
Balance at 1 January	**230,444**	268,690
Result attributable to equity holders of the parent	**(60,824)**	(23,162)
Dividends paid and approved	**(11,950)**	(17,505)
Exercise of share options	**-**	2,421
Balance at 31 December	**157,670**	**230,444**

26 PREFERENCE SHARE CAPITAL

	Number	2015 €000s	2014 €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.

27 NON-CONTROLLING INTERESTS

	2015 €000s	2014 €000s
At 1 January	**483**	463
Share of result for the financial year	**118**	95
Dividends paid to non-controlling interests	**(150)**	(75)
At 31 December	**451**	483

28 CLAIMS OUTSTANDING

(a) Gross Claims Outstanding 2015

	Prior years €000s	2006 €000s	2007 €000s	2008 €000s	2009 €000s	2010 €000s	2011 €000s	2012 €000s	2013 €000s	2014 €000s	2015 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year	-	374,415	320,499	361,150	358,406	332,367	243,158	232,311	245,007	307,517	302,581	-
One year later	-	289,753	300,091	354,154	325,757	316,414	216,308	215,445	236,839	342,422	-	-
Two years later	-	284,911	293,535	356,526	324,549	314,526	225,300	224,720	266,183	-	-	-
Three years later	-	284,755	290,424	355,945	326,530	310,583	230,001	235,966	-	-	-	-
Four years later	-	280,578	289,201	354,876	318,012	308,360	234,204	-	-	-	-	-
Five years later	-	277,057	285,497	348,560	317,471	306,442	-	-	-	-	-	-
Six years later	-	276,395	281,348	346,620	318,133	-	-	-	-	-	-	-
Seven years later	-	272,438	279,962	346,164	-	-	-	-	-	-	-	-
Eight years later	-	272,620	279,495	-	-	-	-	-	-	-	-	-
Nine years later	-	271,645	-	-	-	-	-	-	-	-	-	-
Estimate of cumulative claims	-	271,645	279,495	346,164	318,133	306,442	234,204	235,966	266,183	342,422	302,581	-
Cumulative payments	-	(267,858)	(272,084)	(332,956)	(299,427)	(277,360)	(183,840)	(158,152)	(142,161)	(162,251)	(71,845)	-
Claims outstanding at 31 December 2015:	12,843	3,787	7,411	13,208	18,706	29,082	50,364	77,814	124,022	180,171	230,736	**748,144**
Claims outstanding at 31 December 2014 - restated:	15,637	6,646	10,357	16,626	26,678	45,580	65,831	86,448	121,198	198,982	-	**593,983**
Movement during 2015:	(2,794)	(2,859)	(2,946)	(3,418)	(7,972)	(16,498)	(15,467)	(8,634)	2,824	(18,811)	230,736	**154,161**

28 CLAIMS OUTSTANDING (CONTINUED)

(b) Net Claims Outstanding 2015

	Prior years €000s	2006 €000s	2007 €000s	2008 €000s	2009 €000s	2010 €000s	2011 €000s	2012 €000s	2013 €000s	2014 €000s	2015 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year	-	278,336	287,308	315,394	288,061	262,562	214,923	214,793	228,819	256,663	270,279	-
One year later	-	240,692	264,960	299,784	269,324	247,735	192,904	201,171	217,098	292,223	-	-
Two years later	-	240,210	262,261	301,447	269,696	248,931	201,181	210,422	243,373	-	-	-
Three years later	-	238,686	260,120	301,681	270,073	245,617	205,434	221,438	-	-	-	-
Four years later	-	236,192	258,403	301,109	263,303	243,668	209,533	-	-	-	-	-
Five years later	-	233,086	254,308	295,142	262,402	241,134	-	-	-	-	-	-
Six years later	-	232,432	250,736	293,249	261,737	-	-	-	-	-	-	-
Seven years later	-	228,772	249,458	291,606	-	-	-	-	-	-	-	-
Eight years later	-	228,961	249,106	-	-	-	-	-	-	-	-	-
Nine years later	-	228,001	-	-	-	-	-	-	-	-	-	-
Estimate of cumulative claims	-	228,001	249,106	291,606	261,737	241,134	209,533	221,438	243,373	292,223	270,279	-
Cumulative payments	-	(224,329)	(241,801)	(279,972)	(245,726)	(213,534)	(162,617)	(144,366)	(131,960)	(125,576)	(65,107)	-
Claims outstanding at 31 December 2015:	9,951	3,672	7,305	11,634	16,011	27,600	46,916	77,072	111,413	166,647	205,172	**683,393**
Claims outstanding at 31 December 2014 - restated:	12,876	6,541	10,045	16,237	25,040	44,822	62,402	85,748	110,729	178,243	-	**552,683**
Movement during 2015:	(2,925)	(2,869)	(2,740)	(4,603)	(9,029)	(17,222)	(15,486)	(8,676)	684	(11,596)	205,172	**130,710**

28 CLAIMS OUTSTANDING (CONTINUED)

(b) Net Claims Outstanding 2015 (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.

As detailed in the Review of Operations the adverse claims development pattern was driven by a number of structural changes in the claims environment including over 20 new judicial appointments made between the Circuit and High Courts, the introduction of the Recovery of Benefit and Assistance Scheme which enables the Department of Social Protection to recover some welfare payments from personal injury awards directly for the insurer and the introduction of Heads of Bill for Periodic Payment Orders. Volatility in court awards has led claimants' expectations to increase as court awards in turn influence out of court settlement levels.

(c) Reconciliation of claims outstanding

	Gross €000s	Net €000s
Balance at 1 January 2014 – restated	521,690	496,540
Change in provision for claims	**72,293**	**56,143**
Balance at 31 December 2014 - restated	593,983	552,683
Change in provision for claims	**154,161**	**130,710**
Balance at 31 December 2015	**748,144**	**683,393**

(d) Reconciliation of provision for unearned premium

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

	2015 €000s	2014 €000s
Balance at 1 January	**179,650**	175,381
Net premium written	**312,766**	311,423
Net premium earned	**(313,154)**	(303,444)
Changes in provision for unearned premium – reinsurers' share	**(678)**	(3,710)
Provision for unearned premium at 31 December	**178,584**	179,650

28 CLAIMS OUTSTANDING (CONTINUED)

(e) Reconciliation of reinsurance assets

	Claims outstanding €000s	Unearned premium reserve €000s
Balance at 1 January 2014	24,550	19,720
Movement during year	16,750	(3,710)
Balance at 31 December 2014	41,300	16,010
Movement during year	**23,451**	**(678)**
Balance at 31 December 2015	**64,751**	**15,332**

29 OTHER PROVISIONS

	2015 €000s	Restated 2014 €000s
Balance at 1 January	**7,920**	8,840
Provision for MIBI levy	**11,581**	7,259
Levy paid	**(8,563)**	(8,179)
Balance at 31 December	**10,938**	7,920

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

30 CONVERTIBLE DEBT

Financial liabilities carried at amortised cost comprise convertible notes.

	2015 €000s	2014 €000s
Proceeds from issue of convertible notes net of costs	**68,268**	-
Amount classified as equity	**(18,232)**	-
Carrying amount of liability at 31 December	**50,036**	-

On 23 September 2015, FBD Insurance plc issued a non-convertible bond of €70,000,000 carrying an interest rate of 11.66%. On 30 December 2015, following shareholder approval, this non-convertible bond was replaced with a convertible note carrying an interest rate of 7% and convertible into equity shares of FBD Holdings plc.

30 CONVERTIBLE DEBT (CONTINUED)

The notes carry an interest rate of 7% and are convertible into equity of FBD Holdings plc at a conversion price of €8.50 per share, and are convertible at any time between 23 September 2018 and 23 September 2025 at the option of the holder. A mandatory conversion of the notes occurs if the 30 day volume weighted average price of FBD Holdings plc exceeds €8.50 for 180 days after 23 September 2018. On conversion, 8,235,294 new shares will be issued to the holder.

Unconverted notes will become repayable on 23 September 2025.

The carrying value of the notes has been determined with reference to the fair value of a similar liability without an equity conversion option. The equity component is recognised initially as the difference between the fair value of the convertible note as a whole and the fair value of the liability component.

Interest costs associated with the non-convertible bond up to 30 December totalling €1,357,000 (2014: nil) were incurred during the financial year.

31 RETIREMENT BENEFIT ASSET/OBLIGATION

The Group operates a funded defined benefit retirement scheme and defined contribution schemes for qualifying employees. The defined benefit plans are administered by a separate Trustee Company that is legally separated from the entity. The Trustee Company, who is responsible for ensuring compliance with the Pensions Act 1990 and other relevant legislation, is composed of representatives from both the employers and current and former employees. The Trustees are required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. They are responsible for the investment policy with regard to the assets of the fund.

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

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

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 of the defined benefit scheme was carried out on 1 July 2013, using the projected unit credit method, and the minimum funding standard was updated to 31 December 2015 by the schemes' independent and qualified actuary and confirms that the scheme continues to satisfy the minimum funding standard. The next full actuarial valuation of the scheme is expected to be carried out during 2016 with a valuation date of 1 July 2016.

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

31 RETIREMENT BENEFIT ASSET/OBLIGATION (CONTINUED)

(a) Assumptions used to calculate scheme liabilities

	2015 %	2014 %
Inflation rate increase	**1.50***	1.50
Salary rate increase	**N/A****	0.00 - 2.50
Pension payment increase	**0.00**	0.00 - 1.50
Discount rate	**2.40**	2.20

* Inflation assumed to be 0% p.a. for the next 2 years and 1.50% p.a. thereafter.

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

(b) Mortality Assumptions

	2015 Years	2014 Years
The average life expectancy of current and future retirees used in the scheme at age 65 is as follows:		
Male	**21.0**	20.8
Female	**23.6**	23.4

The weighted average duration of the expected benefit payments from the scheme is circa 17 years.

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 2015 was €210,048 (2014: €966,213) and was paid out of the pension funds on or before September 2015 and will be recovered from members' pensions in future years.

The basis used to determine the expected return on plan assets is the money weighted rate of return achieved on the asset values used for the purpose of calculating the long-term funding rate. The actual return on the scheme assets for the year was a gain of €6,275,000 (2014: €11,263,000).

(c) Consolidated Income Statement

	2015 €000s	2014 €000s
Charged to Consolidated Income Statement:		
Service cost: employer's part of current service cost	**4,220**	4,100
Past service gains	**(11,010)**	(912)
Gain on curtailments and settlement	**(18,430)**	-
Net interest expense	**870**	1,102
Costs associated with curtailment	**1,100**	-
(Credited)/charged to Consolidated Income Statement	**(23,250)**	4,290

Charges to the Consolidated Income Statement have been included in other underwriting and financial services expenses while the credit of €28,340,000 relating to the curtailment has been reflected separately.

31 RETIREMENT BENEFIT ASSET/OBLIGATION (CONTINUED)

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

	2015 €000s	2014 €000s
Net actuarial (gains)/losses in the year due to:		
Changes in financial and demographic assumptions	**(13,060)**	33,180
Experience adjustments on benefit obligations	**401**	(1,786)
Actual return on plan assets less interest on plan assets	**(3,255)**	(6,336)
Actuarial (gain)/loss	**(15,914)**	25,058
Deferred taxation charge/(credit)	**1,989**	(3,214)
Actuarial (gain)/loss net of deferred taxation	**(13,925)**	21,844

(e) History of experience gains and losses

	2015 €000s	2014 €000s	2013 €000s	2012 €000s	2011 €000s
Present value of defined benefit obligations	**106,490**	195,669	158,769	149,520	127,620
Fair value of plan assets	**115,600**	141,415	130,231	118,754	105,928
Net pension (asset)/liability	**(9,110)**	54,254	28,538	30,766	21,692
Experience gains and losses on scheme liabilities	**(401)**	1,786	3,406	1,660	1,993
Actuarial gain/(loss)	**15,914**	(25,058)	2,851	(9,345)	(14,323)

The cumulative charge to the Consolidated Statement of Comprehensive Income is €84,508,000 (2014: €107,758,000).

(f) Assets in scheme at market value

	2015 €000s	2014 €000s
Equities	**-**	51,334
Bonds	**76,730**	13,152
Property	**7,530**	6,505
Managed funds	**27,190**	43,838
Cash deposits and other	**4,150**	26,586
Scheme assets	**115,600**	141,415
Actuarial value of liabilities	**(106,490)**	(195,669)
Net pension asset/(obligation)	**9,110**	(54,254)

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

31 RETIREMENT BENEFIT ASSET/OBLIGATION (CONTINUED)

(g) Movement from deficit to surplus during the year

	2015 €000s	2014 €000s
Net deficit in scheme at 1 January	**(54,254)**	(28,538)
Current service cost	**(4,220)**	(4,100)
Past service gain	**11,010**	912
Employer contributions	**23,100**	3,632
Interest on scheme liabilities	**(3,890)**	(6,029)
Interest on scheme assets	**3,020**	4,927
Gains on curtailments and settlement	**18,430**	-
Actuarial gain/(loss)	**15,914**	(25,058)
Net surplus/(deficit) at 31 December	**9,110**	(54,254)

(h) Movement on assets and liabilities

	2015 €000s	2014 €000s
Assets		
Assets in scheme at 1 January	**141,415**	130,231
Actual return less interest on scheme assets	**3,255**	6,336
Employer contributions	**23,100**	3,632
Employee contributions	**40**	68
Interest on scheme assets	**3,020**	4,927
Assets paid as part of ETV exercise	**(50,780)**	-
Benefits paid	**(4,450)**	(3,779)
Assets in scheme at 31 December	**115,600**	141,415
Liabilities		
Liabilities in scheme at 1 January	**195,669**	158,769
Experience gains and losses on scheme liabilities	**401**	(1,786)
Changes in financial and demographic assumptions	**(13,060)**	33,180
Current service cost	**4,220**	4,100
Past service gain	**(11,010)**	(912)
Employee contributions	**40**	68
Interest on scheme liabilities	**3,890**	6,029
Liabilities extinguished as part of ETV exercise	**(54,330)**	-
Gain on curtailments (closure to future accrual)	**(14,880)**	-
Benefits paid	**(4,450)**	(3,779)
Liabilities in scheme at 31 December	**106,490**	195,669

31 RETIREMENT BENEFIT ASSET/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 €16.2m. A 1% reduction in the discount rate would increase the value of the scheme liabilities by €21.1m.
- A 1% increase in inflation would increase the value of the scheme liabilities by €7.3m. A 1% reduction in inflation would reduce the value of the scheme liabilities by €5.3m.
- The effect of assuming all members of the scheme will live one year longer would increase the scheme's liabilities by €3.3m.
- The current best estimate of 2016 contributions to be made by the Group to the pension fund is €1,240,000 (2015: €2,250,000).

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 €1,600,711 (2014: €1,929,000) relating to these pension schemes.

32 DEFERRED TAXATION LIABILITY

	Retirement benefit asset €000s	Insurance Contracts €000s	Revaluation surplus on investment properties €000s	Other timing differences €000s	Total €000s
At 1 January 2014 - restated	-	4,385	-	691	5,076
Credited to Consolidated Income Statement	-	190	-	-	190
At 31 December 2014 - restated	-	4,575	-	691	5,266
Credited to the Consolidated Statement of Comprehensive Income	**1,989**	**-**	**-**	**-**	**1,989**
Credited to Consolidated Income Statement	**5,932**	**-**	**1,155**	**5**	**7,092**
Reclassified to deferred taxation asset	**(6,782)**	**(4,575)**	**-**	**-**	**(11,357)**
At 31 December 2015	**1,139**	**-**	**1,155**	**696**	**2,990**

In 2015, a deferred taxation liability of €1,139,000 has been recognised on the retirement benefit asset of €9,110,000.

33 PAYABLES

(a) GROUP

	2015 €000s	2014 €000s
Amounts falling due within one year:		
Payables and accruals	**27,751**	25,125
Restructuring accrual	**8,180**	-
PAYE/PRSI	**1,375**	1,296
Proposed dividends on preference shares	**169**	169
Payables arising out of direct insurance operations	**16,579**	10,550
Total payables	**54,054**	37,140

(b) COMPANY

	2015 €000s	2014 €000s
Amounts falling due within one year:		
Payables and accruals	**5,489**	4,876
Proposed dividends on preference shares	**169**	169
Total payables	**5,658**	5,045

34 DIVIDENDS

	2015 €000s	2014 €000s
Paid during year:		
2014 final dividend of 34.0 cent (2013: 33.25 cent) per share on ordinary shares of €0.60 each	**11,781**	11,333
2015 interim dividend of nil cent (2014: 17.00 cent) per share on ordinary shares of €0.60 each	**-**	5,890
Dividend of 4.8 cent (2014: 4.8 cent) per share on 8% non-cumulative preference shares of €0.60 each	**169**	169
Dividend of nil cent (2014: 8.4 cent) per share on 14% non-cumulative preference shares of €0.60 each	**-**	113
Total dividends paid	**11,950**	17,505

34 DIVIDENDS (CONTINUED)

	2015 €000s	2014 €000s
Proposed:		
Dividend of 4.8 cent (2014 only) per share on 8% non-cumulative preference shares of €0.60 each	-	169
Final dividend of 34.0 cent (2014 only) per share on ordinary shares of €0.60 each	-	11,780
Total dividends proposed	-	11,949

No final dividend has been proposed for 2015.

35 PRINCIPAL SUBSIDIARIES

(a) Subsidiaries	Nature of Operations	% Owned
FBD Insurance plc	General insurance underwriter	100
FBD Life & Pensions Limited	Investment services, pensions and life brokers	100

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

All shareholdings are in the form of ordinary shares.

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

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

(b) In the Company Statement of Financial Position on page 60, €47,834,145 of the increase in the investment in subsidiaries relates to an additional investment in the Group's underwriting subsidiary, FBD Insurance plc using the proceeds of €48,500,000 from the sale of the joint venture less associated costs. A further €18,232,000 of the increase relates to the issue of convertible notes.

36 CAPITAL COMMITMENTS

	2015 €000s	2014 €000s
Capital commitments at 31 December authorised by the Directors but not provided for in the Financial Statements:		
Contracted for	**8,083**	573
Not contracted for	-	875

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.

37 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets at either 31 December 2015 or 31 December 2014.

38 SHARE BASED PAYMENTS

FBD Holdings Plc Executive Share Option Scheme

The Company's parent, FBD Holdings plc operates an equity settled executive share option scheme, the FBD Holdings plc Executive Share Option Scheme ("ESOS"), under which options to purchase Ordinary Shares of €0.60 each ("ordinary shares") in FBD Holdings plc are granted to certain executive directors and senior management. Under the terms of the ESOS, the options are exercisable at the market price prevailing at the date of the grant of the option (the "option price"). Under the terms of an amendment to the ESOS approved by 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:

	2015 Weighted average exercise price in € per share	2015 Options	2014 Weighted average exercise price in € per share	2014 Options
At 1 January	-	-	7.45	325,000
Granted	-	-	-	-
Exercised	-	-	7.45	(325,000)
Lapsed	-	-	-	-
At 31 December	-	-	-	-
Total exercisable at 31 December	-	-	-	-

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. The extent to which these conditions have been met and any award (or part of an award) has therefore vested will be determined in due course by the Remuneration Committee.

38 SHARE BASED PAYMENTS (CONTINUED)

Fair value calculations

Conditional awards were made in November 2011 over 252,077 ordinary shares, in March 2013 over 140,940 ordinary shares, in April 2014 over 108,631 ordinary shares, in March 2015 over 167,706 shares and October 2015 over 54,545 shares.

The fair values of these conditional share awards have been calculated as follows using the assumptions noted in a Monte Carlo simulation model:

	LTIP award November 2011	LTIP award March 2013	LTIP award April 2014	LTIP award March 2015	LTIP award October 2015
Share price at grant	€6.55	€12.70	€17.00	€10.80	€6.65
Initial option/award price	€6.55	€12.70	€17.00	€10.80	€6.60
Expected volatility	30%	30%	25%	30%	35%
Expected life in years	2.37	3	3	3	3
Risk free interest rate	1.2%	0.5%	0.3%	0.0%	0.0%
Expected dividend yield %	n/a	n/a	n/a	n/a	n/a
Fair value	€6.18	€11.54	€14.25	€8.49	€5.39

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 2015	% of options expected to vest %	Market value at grant date €	Fair value at grant date €	2015 €000s	2014 €000s
18.11.2011 LTIP	2.37	252,077	-	100	6.55	6.18	**-**	145
04.03.2013 LTIP	3.00	140,940	112,969	18	12.70	11.54	**(215)**	470
14.04.2014 LTIP	3.00	108,631	91,227	0	17.00	14.25	**(115)**	329
02.03.2015 LTIP	3.00	167,706	128,202	0	10.80	8.49	**107**	-
09.10.2015 LTIP	3.00	54,545	54,545	90	6.65	5.39	**20**	-
Total							**(203)**	944

Given the performance of the Company over the vesting period, the Directors estimate that only 18% of the 2013 award will vest and that 0% of the 2014 award will vest. Consequently, the charge relating to the non-market based vesting conditions taken in previous years relating to the shares that are now unlikely to vest, has been reversed in the current year.

For the March 2015 award, 0% of the award is expected to vest, therefore only the charge relating to the market based conditions for the outstanding shares granted has been charged to the Consolidated Statement of Comprehensive Income.

39 TRANSACTIONS WITH RELATED PARTIES

Farmer Business Developments plc has a substantial shareholding in the Group at 31 December 2015, details of which are set out in the Report of the Directors.

Included in the Financial Statements at the year end is € Nil (2014: €67,500) due from Farmer Business Developments plc. This balance is made up of recharges for services provided and recoverable costs. The amount due is repayable on demand.

Transactions with Farmer Business Developments plc	2015 €000s	2014 €000s
Opening balance	**67**	530
Management charges	**75**	67
Payments by related party	**(142)**	(530)
Closing balance	**-**	67

On 24 August 2015, the Group announced that it had reached an agreement with Farmer Business Developments plc to sell to it the Group's 50% share of the Property and Leisure joint venture. The proceeds of the sale were invested in equity in FBD Insurance plc. in order to fulfil its capital requirement on transition to Solvency II on 1 January 2016. For further details on the sale please see note 7.

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 of 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:

	2015 €000s	2014 €000s
Short term employee benefits[1]	**2,594**	2,476
Post-employment benefits	**249**	294
Share based payments	**552**	466
Charge to the Consolidated Income Statement	**3,395**	3,236

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

Full disclosure in relation to the 2015 and 2014 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 €56,280 (2014: €70,292).

40 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. The key components of the Risk Management Framework include Risk Appetite; Risk Governance; Risk Process; People.

Risk Appetite

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

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

Risk Governance

Risk is governed through business standards, risk policies, oversight committees and clear role and responsibilities and delegated authorities.

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

- 1st Line – Accountable for the management of all risks relevant to the business of the function
- 2nd Line – Provide objective challenge and oversight of 1st line management of risks
- 3rd Line - Internal Audit provides independent assurance to the Audit Committee of the Board on risk-taking activities.

Risk Process

Identify and Measure

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

Monitor and Report

FBD regularly monitors risk exposures against risk appetite, risk indicators, risk tolerances and limits and monitors the effectiveness of controls in place to manage risk. Risk reporting is dynamic and includes material risks, risk appetite, trends, changes in risk profile, risk mitigation programmes, strategy and emerging risks.

People

Risk Management is embedded in the Group through leadership, governance and transparency, rewarding appropriate risk taking, risk resources and training.

40 RISK MANAGEMENT (CONTINUED)

For the purposes of managing risks, the Group classifies risks into the following categories:

- General Insurance
- Capital Management
- Operational
- Liquidity
- Market
- Credit
- Concentration
- Macro – Economic

(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 28, claims outstanding.

Underwriting

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 FBD Insurance plc underwriting policies and within the terms of FBD Insurance plc reinsurance treaties.

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.

Reserving

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, changes in regulatory environment, change in economic activity or any other reason. Such an increase could have a material impact on the results and financial position of the Group.

40 RISK MANAGEMENT (CONTINUED)

(a) GENERAL INSURANCE RISK (CONTINUED)

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 costs 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 has experienced an adverse claims development environment during 2015. It was driven by a number of structural changes in the claims environment. These changes included:

- A new Court of Appeal was established on the 28th October 2014 with 9 judges who previously sat in the High Court. The positions left by these departures were backfilled mainly from existing judges in the Circuit Court which in turn created new vacancies in the Circuit Court. In all over 20 new judicial appointments were made between the Circuit and High Courts. Many of these new appointments were made in 2015.
- In February 2014 the District Court jurisdiction over claims increased from €6,400 to €15,000 whilst the Circuit Court limit increased from €38,000 to €60,000 for personal injury claims and €75,000 for property damage. This was widely flagged in the media and by the Minister for Justice at the time as a cost saving measure. This increased jurisdiction applied to all new proceedings issued after that date and as such very few cases were seen for trial in 2014 under the new jurisdiction limits. It was during the course of 2015 that the volume of cases began to be heard in the Circuit Court and trends began to emerge in relation to higher Court awards.
- In addition, from August 2014 the introduction of the Recovery of Benefit and Assistance Scheme enables the Department of Social Protection to recover some welfare payments from personal injury awards directly from the insurer. The discount rate used in valuing personal injury awards was reduced from the traditional 3% to between 1% and 1.5% following the Russell vs HSE case in December 2014.
- Taken together during the course of 2015 FBD began to see strong trends emerging connected to these factors in relation to the level of damages being awarded. Volatility in court awards has led claimants' expectations to increase as court awards in turn influence out of court settlement levels.

Other risks to claims awards have arisen during 2015:

- The introduction of Heads of Bill for Periodic Payment Orders.
- On the 27th May 2015 the Heads of Bill for Periodic Payment Orders (PPOs) were published. Submissions were invited before the 31st July 2015. The finalised bill has not been published. The proposed introduction of PPOs will bring about the effective annuitisation of lump sum awards.
- Revision of the Book of Quantum.

40 RISK MANAGEMENT (CONTINUED)

(a) GENERAL INSURANCE RISK (CONTINUED)

The Injuries Board are collating data on personal injury awards and settlements from the Insurance Industry, and it is likely the revised Book will be published over the next 12 months. The Group experienced a significant increase in motor injury claim frequency in 2014 and also began to see a shift in the claimant culture with more claimants a) likely to make an injury claim arising out of rear end motor collisions and b) reporting a greater degree of injury than in the past.

These structural changes have led to a broad slowdown in the settlement of claims. The combination of the above factors suggested significant claims inflation was underway in the Irish market.

Reinsurance

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 surplus, 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. 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 23 to 25. 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 2014.

Following the very significant challenges faced by the Group in 2015, the Group took decisive action to improve its capital position. These actions included the following:

- On 24 August 2015, the Group announced that it had reached agreement with Farmer Business Developments plc to divest its half of the Property & Leisure joint venture for €48.5m. This was approved by shareholders on 23 October 2015, and closed immediately afterwards.
- On 16 September 2015, the Group announced that it had reached an agreement with Fairfax Financial Holdings Limited ("Fairfax"), whereby Fairfax invested €70m in FBD Insurance plc by private placement of a convertible bond instrument. This convertible bond (convertible into equity of FBD Holdings plc) was approved by shareholders on 30 December 2015.
- The Group reached agreement with its staff in relation to the future of its defined benefit pension scheme. 95% of the active members in the scheme chose to leave the scheme in exchange for an enhanced transfer value to a defined contribution arrangement. The impact of the change in benefits coupled with the reduced number of members in the scheme has resulted in the elimination of the deficit of €54.3m as reported at 31 December 2014. A surplus of €9.1m was recorded at year end. The change in scheme benefits, net of the payment of enhanced transfer values has resulted in a credit to the income statement of €28.3m.

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 and is actively managed and monitored through the Capital Management Policy. To provide protection against material events or shocks, the Group ensures that its insurance subsidiary holds sufficient capital to maintain significant regulatory surpluses.

40 RISK MANAGEMENT (CONTINUED)

(b) CAPITAL MANAGEMENT RISK (CONTINUED)

As at 31 December 2015, FBD Insurance plc had admissible assets to cover the required solvency margin of €147,246,000 (2014: €204,997,000) versus a requirement of €70,374,000 (2014: €59,806,000) 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.

The Solvency II directive introduced a requirement for undertakings to conduct a Forward Looking Assessment of Own Risks ("FLAOR"). In advance of this, the Group has updated its risk and capital management processes. The FLAOR is a very important process as it provides a comprehensive view and understanding of the risks to which the Company is exposed or could face in the future and how they translate into capital needs or alternatively require mitigation actions.

FBD Insurance plc has developed and implemented processes 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 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 Irish Stock Exchange Listing Rules as well as the U.K. Corporate Governance Code, 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 inadequate or failed internal processes, or from personnel or systems 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.

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

40 RISK MANAGEMENT (CONTINUED)

(c) OPERATIONAL RISK (CONTINUED)

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

The Group is dependent upon the quality, ability and commitment of key personnel in order to sustain, develop and grow its business. There can be no assurance that the Group will be able to retain all of 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. 2016 will see the implementation of a new policy administration system in FBD Insurance plc.

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

Assets – 2015	Carrying value total €000s	Contracted Value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Financial assets	904,408	932,281	409,153	364,312	158,816
Reinsurance assets	80,083	80,083	28,494	41,231	10,358
Loans and receivables	60,338	60,338	59,672	666	-
Cash and cash equivalents	22,244	22,244	22,244	-	-
Total	**1,067,073**	**1,094,946**	**519,563**	**406,209**	**169,174**
Liabilities – 2015					
Insurance contract liabilities	926,728	926,728	292,311	520,197	114,220
Payables	54,054	54,054	54,054	-	-
Other provision	10,938	10,938	10,938	-	-
Convertible debt	50,036	119,000	4,900	19,600	94,500
Total	**1,041,756**	**1,110,720**	**362,206**	**539,797**	**208,720**

40 RISK MANAGEMENT (CONTINUED)

(d) LIQUIDITY RISK (CONTINUED)

Assets – 2014	Carrying value total €000s	Contracted Value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Financial assets	764,747	778,332	454,145	291,160	33,027
Reinsurance assets	57,310	57,310	24,876	27,502	4,932
Loans and receivables	59,922	59,922	59,215	707	-
Cash and cash equivalents	26,190	26,190	26,190	-	-
Total	908,169	921,754	564,426	319,369	37,959

Liabilities – 2014 – restated					
Insurance contract liabilities – restated	773,633	773,633	215,640	447,299	110,694
Other provision	7,920	7,920	7,920	-	-
Payables	37,140	37,140	37,140	-	-
Total	818,693	818,693	260,700	447,299	110,694

(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.

40 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 2015, the Group held the following deposits and quoted and unquoted debt securities:

	2015		2014	
	Market value €000s	Weighted average interest rate %	Market value €000s	Weighted average interest rate %
Time to maturity				
In one year or less	**394,495**	**0.77**	442,826	0.86
In more than one year, but not more than two years	**117,167**	**4.93**	165,287	2.09
In more than two years, but not more than three years	**61,469**	**1.75**	77,233	4.03
In more than three years, but not more than four years	**78,958**	**1.47**	17,619	2.08
In more than four years, but not more than five years	**92,897**	**1.84**	27,722	1.53
More than five years	**159,422**	**2.17**	34,060	2.04
Total	**904,408**		764,747	

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 18(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.

40 RISK MANAGEMENT (CONTINUED)

(e) MARKET RISK (CONTINUED)

The Group did not hold any derivative instruments at 31 December 2015 or 31 December 2014.

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

	2015 €000s	2014 €000s
GBP	**5,771**	7,595
USD	**4,500**	4,515
Other	**1,580**	3,549

(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 €44,082,000 government bonds (2014: €45,808,000) with investment grade. Available for sale investments comprise €488,993,000 (2014: 224,029,000) of listed corporate bonds with an average duration of 3 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 total exposure the Group has in relation to of these unrated investments is €844,000 (2014: €948,000).

All of the Group's current reinsurers either have a credit rating of A- or better. The Group has assessed these credit ratings and security as being satisfactory in diminishing the Group's exposure to the credit risk of its reinsurance receivables. The maximum balance owed to the Group by an individual reinsurer at 31 December 2015 was € 203,000 (2014: €308,000).

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:

- Listed corporate bonds carry an average credit rating of A with 9% of the listed corporate bonds being invested in bonds with a rating of BBB+. The average duration of the fund is 2 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.
- 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 40(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.

40 RISK MANAGEMENT (CONTINUED)

(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.

Sensitivity analysis

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

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

40 RISK MANAGEMENT (CONTINUED)

(h) MACRO-ECONOMIC RISK (CONTINUED)

The pre-taxation impacts on profit and shareholders' equity at 31 December 2015 and at 31 December 2014 of each of the sensitivity factors outlined overleaf are as follows:

		2015 €000s	2014 €000s
Interest rates	1.0%	**4,878**	5,048
Interest rates	(0.25%)	**(1,220)**	(1,262)
FX rates	10%	**1,185**	1,566
FX rates	(10%)	**(1,185)**	(1,566)
Equity	10%	**2,567**	4,611
Equity	(10%)	**(2,567)**	(4,611)
Available for sale investments	5%	**22,492**	11,249
Available for sale investments	(5%)	**(22,492)**	(11,249)
Investment property	10%	**1,455**	1,996
Investment property	(10%)	**(1,455)**	(1,996)
Net loss ratio	5%	**(15,658)**	(15,172)

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

31 December 2015	Change in assumptions	Increase in gross technical reserves €000s	Increase in net technical reserves €000s	Impact on profit before taxation €000s	Reduction in shareholders' equity €000s
Injury claims IBNR	**+10%**	**3,594**	**3,561**	**(3,561)**	**3,116**
Other claims IBNR	**+10%**	**1,038**	**864**	**(864)**	**756**
Legal fees revert to pre PIAB levels		**8,597**	**7,737**	**(7,737)**	**6,770**
31 December 2014					
Injury claims IBNR	+10%	2,495	1,936	(1,936)	1,694
Other claims IBNR	+10%	675	463	(463)	405
Legal fees revert to pre PIAB levels		9,080	8,172	(8,172)	7,151

40 RISK MANAGEMENT (CONTINUED)

(h) MACRO-ECONOMIC RISK (CONTINUED)

Limitations of sensitivity analysis

The tables overleaf 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.

41 SUBSEQUENT EVENTS

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

FBD Holdings plc

FBD House
Bluebell
Dublin 12
Ireland

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

LETTER FROM THE CHAIRMAN IN RELATION TO THE ANNUAL GENERAL MEETING

31 March 2016

Dear Shareholder,

The Notice of the Annual General Meeting of the Company, which will be held at 11.00 a.m. on 29 April 2016 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 4)

Resolution 1 deals with the consideration of the Financial Statements of the Company for the year ended 31 December 2015.

Resolution 2 deals with the approval of the Report on Directors' Remuneration. This Report is set out on pages 38 to 46 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 3 deals with the proposed re-election of all of the Directors who are going forward for re-election. The Board has adopted the practice that all Directors continuing in office will submit themselves for re-election at each Annual General Meeting. This was done for the first time in 2011. Biographies of all the Directors proposed for re-election are set out on pages 27 to 28 of the Annual Report in the Corporate Governance Section. A formal evaluation of the performance of each of the Directors has been undertaken. I can confirm that each of the Directors continues to perform effectively and demonstrates commitment to the role.

Mr. Walter Bogaerts was appointed as a Director on 26 February 2016. He is proposed for re-election at the Annual General Meeting. Mr. Bogaerts was appointed as an independent non-executive Director of FBD Insurance plc in January 2013 and is chairman of its risk committee and a member of both its audit and remuneration committees.

Mr. Bogaerts is the holder of a Masters Commercial Engineer Degree from the Economic University of Brussels. He worked for the KBC Insurance Group in Belgium for 34 years. He retired from a senior executive role in 2013 having served in a variety of roles during his career in underwriting, reinsurance, sales and general management. Between 2006 and 2012, Mr. Bogaerts was a member of the supervisory board of KBC's central European insurance business.

Resolution 4 is a standard resolution which authorises the Directors to fix the remuneration of the Auditors. During the year ended 31 December 2015 the Audit Committee put the provision of independent audit services out to tender and supervised the tender process. As a result of a recommendation from the Audit Committee, the Board appointed PricewaterhouseCoopers to the role. The purpose of resolution 4 is to authorise the Directors to fix their remuneration for the year ending 31 December 2016.

Registered in Ireland, Registration Number: 135882
Registered Office: FBD House, Bluebell, Dublin 12, Ireland.
Directors: M Berkery (Chairman), W Bogaerts, E Daly, S Dorgan, E Downey, L Herlihy, B Horan, F Muldoon (Group Chief Executive), R O'Flynn, P Walshe

SPECIAL BUSINESS (RESOLUTIONS 5 TO 10)

Resolution 5 will be proposed as a Special Resolution to renew the Directors' authority, usually sought every year, 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 nominal value of €1,063,836 (representing approximately 5% of the Company's issued ordinary share capital at the date of this letter).

The Board will only exercise this authority if it considers it to be in the best interests of Shareholders generally at that time. This authority will, if renewed, expire on the earlier of the date of the next Annual General Meeting of the Company or 29 July 2017.

Resolution 6 will be proposed as a Special Resolution to renew the authority, usually sought every year, for the Company, or any subsidiary of the Company, to make market purchases of the Company's ordinary shares up to 10% of the aggregate nominal value of the Company's total issued share capital. The text of the resolution sets out the minimum and maximum prices which may be paid for ordinary shares purchased in this manner.

The total number of conditional awards over ordinary shares in the Company outstanding on 31 March 2016 is 386,943 representing 0.98% of the total issued share capital. If the Directors were to exercise the authority being renewed by this resolution up to the maximum allowed and to cancel such shares and all other shares held in treasury, these conditional awards would represent 1.12% of the total issued share capital.

The Board will only exercise this authority if it considers it to be in the best interests of Shareholders generally at that time. This authority will, if renewed, expire on the earlier of the date of the next Annual General Meeting of the Company or 29 July 2017.

Resolution 7 will be proposed as a Special Resolution to set the price ranges at which the Company may re-issue treasury shares off-market.

The Board will only exercise this authority if it considers it to be in the best interests of Shareholders generally at that time. This authority will, if renewed, expire on the earlier of the date of the next Annual General Meeting of the Company or 29 July 2017.

Resolution 8 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.

The Board will only exercise this authority if it considers it to be in the best interests of Shareholders generally at that time.

Resolution 9 is being proposed as a Special Resolution to make minor amendments to paragraphs 2 and 3(iii) of the Memorandum of Association so as to update the statutory references in these Clauses for consistency with the new Companies Act 2014 and to delete the word 'The' and the inverted commas in paragraph 5 which were included in error.

Resolution 10 is being proposed as a Special Resolution. Under this resolution, it is proposed to make the following amendments to the Articles of Association:

COMPANIES ACT 2014 AMENDMENTS

(a) Articles 1, 2(g), 3, 8, 29, 30, 52, 100 and 108 contain references to sections in the previous Irish Companies Acts. This resolution will amend these statutory references in order to ensure that they refer to the corresponding provisions in the Companies Act 2014.

(b) The Companies Act 2014 adopts a new approach with respect to the articles of association of all companies. Instead of making provision for an optional, model set of articles of association as was provided under Table A of the First Schedule to the Companies Act 1963 ("Table A"), the Companies Act 2014 now contains specific statutory provisions that apply to all companies unless the company's articles of association specifically exclude them. As those provisions deal with matters that are already dealt with in the Company's existing Articles of Association (which also disapply the model set of articles of association provided in Table A), it is proposed that a new provision will be included in the opening clause of the revised Articles of Association to disapply those optional sections of the Companies Act 2014. As Table A is no longer relevant, its disapplication in Article 1 is no longer necessary. A summary of each of the provisions which are being specifically excluded by the new Article 1 is set out below:

(i) Section 43(2) deals with use of a company's seal. This section is being disapplied as provision for use of the Company's seal is made in Articles 100 to 101;

(ii) Sections 65(2) to (7) deal with the power of a company to convert shares into stock and to reconvert stock into shares. These sections are being disapplied as the matter is already provided for in Articles 39 to 42;

(iii) Sections 77 to 81 deal with the making of calls in respect of unpaid amounts due on shares issued by a company. These sections are being disapplied as the matter is already provided for in Articles 18 to 24;

(iv) Section 95(1)(a) is being disapplied as the Directors' discretion to decline a transfer of shares is dealt with more restrictively in Article 31;

(v) Section 95(2)(a) is being disapplied as Article 34 provides that no fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share;

(vi) Sections 96(2) to (11) deal with the transmission of shares in a company. These sections are being disapplied as the matter is already provided for in Articles 36 to 38;

(vii) Sections 124 and 125 deal with the declaration and payment of dividends by a company. These sections are being disapplied as the relevant subject matter is already provided for in Articles 102 to 111;

(viii) Sections 144(3) and 144(4) deal with the appointment of directors of a company. These sections are being disapplied as the matter is already provided for in Articles 81 to 84;

(ix) Section 148(2) deals with how the office of a director of a company may be vacated early. This section is being disapplied as the matter is already provided for in Article 85;

(x) Section 158(3) deals with the borrowing powers of the directors of a company. This section is being disapplied as the matter is already provided for in Article 80;

(xi) Sections 159 to 165 deal with the appointment of a managing director, the establishment of board committees, matters relating to board procedure and the appointment of alternate directors. These sections are being disapplied as these matters are already provided for in Articles 87 to 97;

(xii) Section 181(1) is being disapplied as the notice period for calling general meetings is already provided for by Article 50;

(xiii) Section 182(2) and (5) deal with the quorum required for a meeting of the Company. These sections are being disapplied as the matter is already covered by Article 51;

(xiv) Section 183(3) is being disapplied as otherwise it would prohibit the appointment of multiple proxies, which is permitted by the new language in Article 66;

(xv) Section 187 deals with the conduct of general meetings of a company. This section is being disapplied as the matter is already provided for in Articles 51 to 70;

(xvi) Section 188 deals with voting at general meetings of a company. This section is being disapplied as the matter is already provided for in Articles 60 to 66;

(xvii) Sections 218(3), (4) and (5) deal with the service of notice on members of a company. These sections are being disapplied as detailed provision in this regard is made in respect of the Company by Articles 115 to 122;

(xviii) Sections 229, 230 and 1113 deal with the interests of directors of a company. These sections are being disapplied as the matter is already provided for in Articles 88 to 90;

(xix) Sections 338(5) and 338(6) deal with the delivery of the financial statements of the company. These sections are being disapplied as delivery methods are already dealt with in Article 116;

(xx) Section 618(1)(b) deals with the distribution of property on a winding up of a company. This section is being disapplied as the matter is already provided for in Articles 123 and 124;

(xxi) Section 1090 deals with the rotation of directors of a company. This section is being disapplied as the matter is already provided for in Article 81; and

(xxii) Section 1092 deals with the remuneration of the directors of a company. This section is being disapplied as the matter is already provided for in Articles 72 to 74 and Articles 78 and 87.

(c) The definition of “Auditors” in Article 1(b) is being amended to include the word “statutory” (which is consistent with the Companies Act 2014).

(d) In various places in the Articles of Association, references to “stock exchange nominee” are being deleted as this term is no longer in use following the repeal of the Companies (Amendment) Act 1977.

(e) In various places in the Articles of Association, the expression “undenominated capital” is being inserted as this expression is now used in the Companies Act 2014 to refer to that part of a company’s issued share capital that is not represented by the nominal value paid up on issued shares.

(f) In various places in the Articles of Association, the expression “statutory financial statements” is being inserted as this expression is now used in the Companies Act 2014 and replaces the term “accounts” – the new expression includes a balance sheet, a profit and loss account and other statements and notes.

(g) Chapter 2 of Part 6 of the Companies Act 2014 uses new terminology and introduces some new provisions with regard to accounting records including the ability to send summary financial statements in lieu of the full statutory financial statements. It is proposed to include a new Article 47(b) to provide that the Company may send summary financial statements provided that, where the Directors elect to do so, any shareholder may request a full copy of the financial statements of the Company to be sent to him or her.

(h) Section 186(3) of the Companies Act 2014 provides that a member can only appoint one proxy. In addition to disapplying Section 186(3), Article 66 is amended to clarify that members may appoint more than one proxy.

(i) Section 228(1)(d) is an entirely new restriction regarding the use of company property by directors. A new Article 74(b) is therefore being adopted in order to ensure that Directors can continue to use Company property, subject to such conditions as may be approved or delegated by the Board.

(j) Sections 228(1)(e) and 228(2) are entirely new. It is proposed therefore to include a new Article 88(c) in order to make it clear that Section 228(1)(e) will not restrict anything that may be done by any Director in accordance with the authorisation of the Board or a Board committee.

(k) Article 120 is being amended to provide that the company secretary (together with any other person entitled to receive notice under the Companies Act 2014) is entitled to receive notice of general meetings as provided for under Section 180(1)(d) of the Companies Act 2014.

GENERAL HOUSEKEEPING AMENDMENTS

(l) A number of additional “housekeeping” changes are provided for in the revised Articles of Association, including:

(i) Articles 8(b) and (c) are deleted to eliminate any confusion between these provisions and the resolutions of the Company pursuant to which the Directors have been granted authority to allot shares and to disapply pre-emption rights (the Directors’ current authority is derived from to the resolutions passed at the EGM of the Company on 30 December 2015 and, if approved, Resolution 5 as proposed at this AGM);

(ii) Reference to a ‘printed’ copy of the statutory financial statements together with directors’ and auditors’ reports in Article 47 is deleted to remove any ambiguity in relation to the service of documents electronically by the Company as permitted by Article 116;

(iii) the reference at the beginning of Article 95 to ‘any appointment to the office of Chairman made pursuant to these Articles’ is being deleted to eliminate any confusion as Article 95 contains the only provision in the Articles for appointing the Chairman of the Board;

(iv) references to Article 120 (contained Article 1(b) and Article 116(iv)) were incorrect and have been amended to refer to Article 122; and

(v) references to Article 57 (contained in Article 118) were incorrect and have been amended to refer to Article 64.

AMENDMENT TO DIRECTOR RETIREMENT AGE

(m) It is proposed to amend sub-clause (d) of Article 81 by the deletion of the words “as and from 1st January 2000” and the amendment of reference to a director’s 65th birthday to 70th birthday.

The effect of this proposed amendment is to provide for the compulsory retirement of directors no later than the date of the AGM following their 70th birthday and to remove the existing carve out relation to directors appointed before 1 January 2000. This represents a change from the existing provision which provides for compulsory retirement of all directors appointed to the Board of Directors after 1 January 2000 no later than the AGM following their 65th birthday. This resolution is being proposed in order to enable the Board to benefit from the wealth of experience directors can continue to bring and in recognition of the change in work practices since the existing limitation was introduced in 2000.

FORM OF PROXY

Those shareholders unable to attend the Meeting may appoint a proxy. The appointment may be submitted by post by completing the enclosed Form of Proxy and returning it to the Company's Registrar, Computershare Investor Services (Ireland) Limited, PO Box 954, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland. Your Form of Proxy may also be submitted through the internet. Instructions on how to do this are set out on the Form of Proxy. CREST members who wish to appoint a proxy or proxies via the CREST electronic proxy appointment service should refer to 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 Form of Proxy will not prevent you attending and voting at the Meeting should you wish to do so.

RECOMMENDATION

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

Yours faithfully,

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 Friday 29 April 2016, at 11 a.m. 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 2015.

2 To approve the Report on Directors' Remuneration appearing in the Financial Statements for the year ended 31 December 2015 (Advisory Resolution).

3 To re-appoint the following persons as Directors of the Company:

(a) Michael Berkery

(b) Sean Dorgan

(c) Liam Herlihy

(d) Fiona Muldoon

(e) Padraig Walshe

(f) Walter Bogaerts

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

AS SPECIAL BUSINESS

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

"That the Directors be and they are hereby empowered pursuant to Section 1023 of the Companies Act 2014 to allot equity securities (within the meaning of Section 1023 of the said Act) for cash pursuant to the authority conferred on them by the ordinary resolution of the Company passed on 30 December 2015 as if sub-section (1) of Section 1022 of the said Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to but not exceeding an aggregate nominal amount of €1,063,836 and shall expire at the close of business on the earlier of the date of the next Annual General Meeting of the Company in 2017 or the date 15 months from the date of the passing of this resolution, and provided that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power hereby conferred had not expired."

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

"That the Company and/or any of its subsidiaries (as defined by Section 7 of the Companies Act 2014) be and are hereby generally authorised to make market purchases (as defined in Section 1072 of the Companies Act 2014) of shares of any class of the Company ("the Shares") on such terms and conditions and in such manner as the Directors may from time to time determine but subject, however, to the provisions of the Companies Act 2014, the Articles of Association of the Company and to the following restrictions and provisions:

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

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

(c) the maximum price which may be paid for any Share (a "Relevant Share") shall be 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 1074 of the Companies Act 2014. The Company or any such subsidiary may before such expiry enter into a contract for the purchase of Shares which would or might be wholly or partly executed after such expiry and may complete any such contract as if the authority conferred hereby had not expired."

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

"That for the purposes of Section 1078 of the Companies Act 2014 the re-issue price range at which any treasury shares (as defined by the said Companies Act 2014) for the time being held by the Company may be re-issued off-market shall be as follows:

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

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

(i) in the case of an Option Scheme (as defined in paragraph (d) below), an amount equal to the 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 1078 of the Companies Act 2014."

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

"That it is hereby resolved, in accordance with Section 1102 of the Companies Act 2014, the Directors be and they are hereby authorised to call a General Meeting, other than an Annual General Meeting or a meeting for the passing of a special resolution, on not less than 14 days' notice and accordingly that the provision in Article 50(a) of the Company's Articles of Association shall continue to be effective."

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

"That the wording in the Memorandum of Association of the Company be updated as follows:

(a) by the deletion in paragraph 2 of the words "The Company is to be a public limited company" and the substitution therefore of the words "The Company is a public limited company for the purposes of Part 17 of the Companies Act 2014";

(b) in paragraph 3(iii), by the deletion of the words "Section 155, Companies Act, 1963" and the substitution therefore of the words "the Companies Act 2014"; and

(c) in paragraph 5, by the deletion of the word 'The' and the use of inverted commas."

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

"That the Articles of Association produced to the meeting (a copy of which regulations are signed by the Chairman for identification purposes) be adopted as the new Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association of the Company."

By order of the Board

Conor Gouldson
Company Secretary

FBD House, Bluebell, Dublin 12, Ireland

31 March 2016

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 11 a.m. on 27 April 2016. 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.

   To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number 3RA50) not later than 11 a.m. on 27 April 2016. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Companies Act, 1990 (Uncertificated Securities) Regulations 1996.

   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 1105 of the Companies Act, 2014 and pursuant to Regulation 14 of the Companies Act, 1990 (Uncertificated Securities) Regulations, 1996, the Company hereby specifies that only those Shareholders registered in the Register of Members of the Company as at 6 p.m. on the day which is two days before the date of the meeting shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes in the Register after that time will be disregarded in determining the right of any person to attend and/or vote at the meeting or the number of votes any Shareholder may have in the case of a poll vote.

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

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

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

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

5. Tabling Agenda Items

If you or a group of Shareholders hold 1,185,613 or more ordinary or preference shares of €0.60 each in FBD Holdings plc (i.e. at least 3% of the issued share capital of the Company carrying voting rights), you or the group of Shareholders acting together have the right to put an item on the agenda for the AGM. In order to exercise this right, written details of the item you wish to have included on the agenda for the AGM together with a written explanation setting out why you wish to have the item included on the agenda, and evidence of the shareholding, must have been received by the Company Secretary at FBD Holdings plc, FBD House, Bluebell, Dublin 12, Ireland or by e-mail to company.secretary@fbd.ie no later than 11 a.m. on Thursday 18 March 2016 (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 1,185,613 or more ordinary and/or preference shares of €0.60 each in FBD Holdings plc (i.e. at least 3% of the issued share capital of the Company carrying voting rights), you or the group of Shareholders acting together have the right to table a draft resolution for inclusion on the agenda for the AGM subject to any contrary provision in company law.

In order to exercise this right, the text of the draft resolution and evidence of shareholding must have been received by post by the Company Secretary at FBD Holdings plc, FBD House, Bluebell, Dublin 12, Ireland or by email to company.secretary@fbd.ie no later than 11 a.m. on Thursday 18 March 2016 (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 1104 of the Companies Act 2014, shareholders have a right to ask questions related to items on the AGM agenda and to have such questions answered by the Company subject to any reasonable measures the Company may take to ensure the identification of shareholders.

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

The annual financial statements, reports of the Directors and the Auditors and the Report of the Remuneration Committee are contained in the Company's Annual Report which was dispatched to Shareholders on 31 March 2016. 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.

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