FBD Holdings plc
Annual Report 2016

Protection.
It's in our nature.

FBD

CONTENTS

FINANCIAL STATEMENTS

OTHER ITEMS (NOT FORMING PART OF THE FINANCIAL STATEMENTS)

Financial Highlights

	2016 €000s	Restated* 2015 €000s	Restated* 2014 €000s	Restated* 2013 €000s	Restated* 2012 €000s
Gross premium written	**361,799**	363,263	363,735	351,195	344,255
Net premium earned	**308,226**	313,154	303,444	296,387	300,625
Result for the year – continuing operations	**9,027**	(74,628)	(4,239)	43,278	46,037

	2016 Cent	2015 Cent	2014 Cent	2013 Cent	2012 Cent
Diluted earnings/(loss) per share	**26**	(216)	(13)	127	135
Net asset value per share	**651**	623	786	823	721
Ordinary dividend per share	**-**	-	51.00	49.00	42.25

Calendar

Preliminary announcement	**27 February 2017**
Annual General Meeting	**5 May 2017**

*Restated to reflect sale of the Passage East Ferry Company

1. FULL YEAR

€362m
GWP stable at €362m

99%
Combined Operating Ratio

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

1.9%
Investment return

2. STRONG PROGRESS IN 2016

SIMPLIFY

- Board streamlined
- Reorganised customer focus
- Single brand – FBD new brand launch
- Launch & rollout of IT system

FOCUS

- Improving claims settlement
- Changed Financial Solutions business model
- Voluntary redundancy programme
- Cost reduction

DE-RISK

- Pricing and underwriting actions
- De-risk pension scheme
- Follow on deferred members ETV offer
- Focus on direct customer relationships

STRENGTHEN

- Strengthen balance sheet
- Capital actions
- Management and Board appointments
- Build out management team
- New reinsurance programme

CHAIRMAN
Michael Berkery

I am pleased to report that 2016 saw a **marked turnaround** in the fortunes of our company with FBD again **returned to profitability**

CHAIRMAN'S STATEMENT

Performance

I am pleased to report that 2016 saw a marked turnaround in the fortunes of our company with FBD again returned to profitability. We achieved a group profit before taxation of €11m from continuing operations, benefitting from a one-time pension gain of €7m but importantly also generating an underwriting profit for the year. In addition we disposed of our shareholding in Passage East Ferries realising a net €1.9m.

This stabilisation of our business and a welcome underwriting profit for the year, though modest, reflects the strong risk selection and pricing actions started in 2015 and continued through this year.

At this early stage in my report I want to acknowledge the vital contribution of FBD staff throughout our organisation. Under the guidance and leadership of the Group Chief Executive Fiona Muldoon, we have achieved this turnaround within a relatively short time span, and this advances our return to normalised profitability for FBD. We look forward to future profitable growth and FBD is now well positioned and committed to generating sustainable returns for our shareholders.

Management Changes

With the support of the Board, our Group Chief Executive concentrated on strengthening the FBD senior management team throughout 2016 appointing a number of key individuals who will take our business forward. These include a new Chief Financial Officer, Chief Commercial Officer, Chief Claims Officer, Chief Technology & Operations Officer and Chief Risk Officer & Company Secretary. The changes ensure the Group is well positioned for the future through a mixture of both internal and external appointments. The Board looks forward to this team successfully executing our agreed strategic objectives.

There were some employee changes in 2016 that saw many longstanding staff leave the business through the voluntary redundancy programme. We wish all our FBD colleagues well in the next chapter of their careers and the Board is grateful for the hard work and commitment of both current and past employees during the transition. The restructuring is almost complete and has delivered a leaner FBD business for the future.

Board Reorganisation and Governance Changes

Our streamlined business with its concentrated focus on the general insurance subsidiary, FBD Insurance plc, and our life, pensions and investment intermediary, FBD Financial Solutions is delivering the results and stability expected. The new streamlined governance structure of one Board for FBD Holdings plc and FBD Insurance plc is working very effectively.

The new governance arrangements implemented during the year necessitated significant changes in Board personnel which is now complete. In addition our Senior Independent Director, Mr. Sean Dorgan having served nine years on the Board is announcing his intention not to stand for re-election at the AGM. I am very grateful to have had Sean's confidence and wise counsel over the last number of years. He has made a significant contribution to FBD and he takes our deep respect and best wishes with him for the future.

I am delighted to welcome five new non-executive Board members to FBD Holdings plc: Mr. Walter Bogearts, Ms. Mary Brennan, Mr. Dermot Browne, Ms. Orlagh Hunt and Mr. David O'Connor, as well as executive director & Chief Financial Officer, Mr. John O'Grady. The appointments demonstrate a breadth of talent and a strong diversity of insurance experience both home and abroad that I am certain will serve us well in the years ahead.

The Board is well advanced in selecting the new Chairman and we anticipate being in a position to announce this at the AGM (subject to regulatory approval). As I leave the Board, I am satisfied we have completed the necessary personnel changes to ensure continuity and stability for the future of FBD.

Brand

We have launched a new FBD brand and advertising campaign that tells our unique story in Ireland and in farming. It centres on our fundamental commitment to protect our customers. Our new brand shows FBD Insurance with a strap-line, *'Protection. It's in our nature'*. Inspired by FBD's rich heritage and building on our unique position as an indigenous Irish insurer, it is a reminder that we have been supporting local farms, businesses and communities across the country for almost fifty years. It is a departure from our previous advertising campaigns and I very much hope you like it and can see its value.

We believe both our shareholders and customers will engage with the brand as we continue to also broaden our appeal. We are aiming to foster relationships with new customers in selected markets and thus bring them into the FBD fold.

Claims Environment

The claims environment continues to be uncertain and the Government Cost of Insurance Working Group report sets out recommendations to drive further change. Many of the recommendations will help to reduce the cost of claims if implemented well.

The recognition that we must look outside the Irish market at court award levels and at other jurisdictions' practices is important and benchmarking ourselves internationally is the first step.

The intention to foster better co-operation between the industry and law enforcers through improved data, fraud initiatives and road safety can only be positive. We need to work together to get better results.

In summary, the inflationary claims environment continues to affect our business and our customers and any attempts to improve the cost of claims will assist us in retaining our customers and driving sustainable profitability for our shareholders.

Dividend

While 2016 has shown a modest underwriting profit, as a Board we will need to see sustained profitability before any return to paying a dividend. As such, the preservation of adequate capital levels remains a priority and the Board has decided that there will be no dividend paid in respect of the 2016 results. As the underlying profitability of the business continues to improve, the Board will revisit this position.

Conclusion

I want to extend my sincere thanks to the Board for their active involvement and support during 2016. I reiterate my thanks to all FBD staff and management for their commitment in delivering a solid result in 2016 in very difficult trading circumstances.

I would also like to thank our customers for their unwavering support. Their continued loyalty, trust and confidence have enabled the turnaround of our business. FBD is ready for the challenges ahead and I am confident the FBD Group will enjoy a successful future under the leadership of our new Chairman, the Board and management.

Finally, I want to record my sincere thanks to you, our shareholders, for staying the course with us. I believe there are better days ahead for FBD. It has been an honour and a privilege to serve as Chairman of FBD for the past 21 years and I wish my successor and the Company every success in the future. Thank you.

Michael Berkery
Chairman

24 February 2017

CHIEF EXECUTIVE
Fiona Muldoon

During 2016, FBD continued to **stabilise** and returned to **profitability.**

Actions taken by the Group to **improve financial performance** are starting to show the desired effect.

REVIEW OF OPERATIONS

During 2016, FBD continued to stabilise and returned to profitability.

The claims environment stabilised somewhat during 2016 but remains challenging, and this has led to continuing re-pricing of certain risk classes across the market.

Actions taken by the Group to improve financial performance are starting to show the desired effect. The pricing and underwriting action, along with careful cost management have resulted in a welcome modest underwriting profit for 2016, albeit aided by benign winter weather during the year.

The increase in the cost of insurance in Ireland has been the subject of much public discourse. The Group welcomes the publication of the report from the Government's Cost of Insurance Working Group, but notes that insurance premiums will only reduce when the cost of claims is reduced. FBD continues to believe that sustained public policy action is needed to improve the claims environment in Ireland.

The Group recorded a profit before tax from continuing operations of €11.4m in 2016 (2015: loss of €85.9m). The Group delivered an underwriting profit of €3.2m, compared to the underwriting loss of €125.4m in 2015.

Underwriting

Premium income

The Group continues to focus on its core Farm and SME customers, along with a single brand consumer strategy. During 2016 it reduced its exposure to business written through brokers.

Overall, gross written premium has declined by €1.5m to €361.8m (2015: €363.3m), with increased premium from direct operations of €14.5m (+4%) offset by a €16.0m (-44%) reduction in business written through brokers. Excluding broker business, average rates across the book are up 9%, while policy volume has declined by 5% with an increase in average cover of 1%. However, certain classes of insurance have seen more substantial increases year on year (eg: Motor +16%).

New business volumes were lower than historic levels as the Group concentrated on improving the profitability of the business. The loss of policy volume slowed during the year with a volume reduction of 4% in the second half of 2016, compared to 7% in the first half for business written directly.

Claims

Net claims incurred amounted to €217.5m (2015: €341.3m). Overall reserves are developing as expected. Adverse prior year development on public liability claims has largely been offset by positive development in other classes. This modest adverse development has been largely in 2014 and 2015 accident years and was offset by modest releases from 2013 and prior. The comparable claims incurred figure for 2015 includes a charge of €95.8m for strengthening prior year claims reserves and increasing the margin for uncertainty.

The Group also incurred €7.8m (2015: €11.6m) relating to its MIBI levy obligation, which is calculated based on the Group's expected share of the motor market for 2016 and the estimated levy call by the MIBI, which is lower than in the prior year.

Claims Environment

The claims environment continues to be uncertain with claims inflation still prevalent, albeit with some emerging evidence of moderation in its growth.

There are a number of factors which have impacted the claims settlement environment. These include:

- The release of the updated Book of Quantum by the Injuries Board has the potential to lead to greater consistency in personal injury awards, but its consistent adoption by the judiciary is critical in this regard. There is a concern that the increased number of injury categories may lead to inflation in award levels. It is too early yet to establish if this is the case and the Group will continue to monitor court awards carefully.
- There is evidence of more claimants being represented in injury claims at an earlier stage in their lifecycle with a reduction in the proportion of claims settled directly with the claimant;
- The Group is continuing to see an impact from the increase in court awards following the change in Circuit Court jurisdiction from €38k to €60k;
- The protracted and contentious process for agreeing plaintiffs' legal costs, despite the enactment of the Legal Services Regulation Act, is leading to higher legal costs for all;
- On a more positive note, the level of general damages awarded in the High Court appears to have stabilised in recent months. The Court of Appeal reduced a number of original awards by close to 50% and it issued general guidelines on damages. These actions are beginning to influence lower courts and are removing some of the extreme volatility previously observed.

The net impact of the above factors is that the claims environment has stabilised somewhat but continues to be difficult. FBD has seen claim settlement rate increases in 2016 compared to observed slowdowns in 2014 and 2015. However those 2016 settlements are being made in an inflationary environment.

FBD welcomes the report prepared by the Cost of Insurance Working Group and the focus that the taskforce has brought to the complexities surrounding the rising cost of claims and in turn insurance costs for Irish customers. In particular, we are pleased to see the plans to create a Personal Injuries Commission to benchmark awards internationally and the proposals to strengthen the Injuries Board assessment process. These are measures we have previously advocated as tangible ways to improve the claims environment in Ireland. It is critical that these proposals are implemented if there is to be help for farmers, consumers and small Irish businesses to manage their insurance costs. Certain key recommendations would, if successful, lead to a reduction in the cost of claims. These include:

- Greater power given to the Personal Injuries Assessment Board with regard to non-co-operation and non-attendance at medicals and generally strengthening its powers;
- Benchmarking of awards with those in other relevant jurisdictions. Should awards be brought in line with other jurisdictions, it would have a significant impact on the cost of claims;
- Improved ability to data share between stakeholders to better identify and fight claims fraud. The effective implementation of automatic number plate recognition (ANPR) would combat the increased levels of uninsured drivers on Irish roads whose claims are ultimately paid by law-abiding motorists.

Weather, Claims Frequency and Large Claims

Weather during 2016 was relatively benign and there were no events of note.

Motor injury frequency continued to decline with the underwriting and risk selection actions taken by the Group having an appropriate effect.

The net cost of large claims (greater than €500k) was €2m lower than the average over the previous three years driven by a lower incidence of such claims.

Expenses

The Group's expense ratio was 25.9% (2015: 27.4%). Net expenses reduced by €6.0m to €79.7m (2015: €85.7m) largely driven by the reduction in staff costs arising from the voluntary redundancy programme launched in the second half of 2015, and partially offset by technology costs. The Group's new policy administration system was rolled out at the end of June 2016. Depreciation of the system has commenced and increased costs by €2.2m in the second half of 2016.

General

FBD's combined operating ratio was 99.0%, leading to an underwriting profit of €3.2m (2015: loss of €125.4m).

Investment Return

FBD's total investment return for 2016 was 1.9% (2015: 2.0%), with 0.8% (2015: 2.2%) recognised in the consolidated income statement and 1.1% (2015: -0.2%) recognised in the consolidated statement of other comprehensive income. The better than expected investment return reflects market value gains in the corporate bond portfolio as corporate bonds spreads narrowed as well as a €1.9m revaluation of the Group's investment property.

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. This generated a solid performance through a period of restructuring, delivering a profit of €2.0m (before restructuring charges) (2015: €3.5m, restated).

In 2015 the Group carried out a review of FBD Financial Solutions and concluded that there was further opportunity for FBD in the life and pensions area. However, the Group identified a need to transform the operating model to generate greater long term value. In 2016, FBD Financial Solutions entered into a preferred provider arrangement with New Ireland, one of Ireland's largest life companies. This arrangement enables FBD to provide a customer focussed life and pensions advisory service to customers, reduce expenses and increase the profitability of the business. The transformation project is complete and the business is expected to generate a profit from 2017 onwards.

On 23 May 2016 FBD divested its 70% shareholding in Passage East Ferry Company for a total consideration of €2.7m, realising a profit on disposal of €1.9m. The Passage East Ferry Company was a non-core asset, and the proceeds realised will be used for general corporate purposes.

Profit/(loss) per share

The diluted profit per share from continuing operations was 26 cent per ordinary share, compared to a loss of 216 cent (restated) per ordinary share in 2015.

Statement of Financial Position

Capital position

Equity Attributable to ordinary shareholders at 31 December 2016 amounted to €225.5m (December 2015: €215.9m). The increase in shareholders' funds is mainly attributable to the following:

- Profit in the period of €10.7m;
- The increase in the defined benefit pension scheme obligation of €10.7m after tax driven mainly by a 0.7% reduction in the discount rate, recognised in the statement of other comprehensive income. The actions taken by the Group in 2015 for current members and in 2016 for deferred members to restructure and de-risk its defined benefit scheme limited the impact of the decrease in the discount rate;
- Mark to market gains on the Group's Available for Sale investments of €9.1m after tax recognised in the statement of other comprehensive income.

Net assets per ordinary share are 651 cent, compared to 623 cent per share at December 2015.

Following on from the successful enhanced transfer value (ETV) programme for active members of the scheme in 2015, the Group launched an ETV programme for deferred members in 2016. The impact of the ETV programme for deferred members was a reduction in the IAS19 liability of €27.9m and a €7.2m income statement gain. This further reduces the inherent interest rate exposure of the scheme and its potential volatility on the capital position of the Group.

Investment Allocation

This table shows the underwriting investment assets of the Group.

	31 December 2016		31 December 2015	
	€m	**%**	**€m**	**%**
Deposits and cash	**270**	**27%**	398	40%
Corporate bonds	**493**	**49%**	432	43%
Government bonds	**177**	**18%**	101	10%
Equities	**24**	**2%**	24	2%
Unit trusts	**24**	**2%**	25	3%
Investment property	**16**	**2%**	15	2%
	1,004	**100%**	995	100%

During 2016, FBD further increased its allocation to corporate and government bonds, and reduced its exposure to term deposits to move further towards its strategic asset allocation benchmark.

Solvency

Solvency II became effective from 1 January 2016. The Group's economic capital is within its target range of 110-130% of SCR.

Outlook

FBD has delivered on its commitment to simplify its strategy and stabilise the business. Over the past two years the Group has taken the necessary action to return the business to profitability. Its underwriting and rating actions mean that the Group is now well positioned to begin to deliver sustainable shareholder returns through growth in book value.

It is the Group's ambition to seek careful growth in consumer and small commercial business within its risk appetite and in line with Irish economic growth generally. As previously noted, the increasing likelihood of a hard "Brexit" introduces business and trading uncertainty for all indigenous Irish businesses, including FBD and its core customers in farming and other small businesses.

It appears likely that Britain departing the EU will have negative effects for business and business confidence in Ireland, particularly in the medium term and the Group believes this will continue to be a significant headwind to otherwise strong Irish economic prospects.

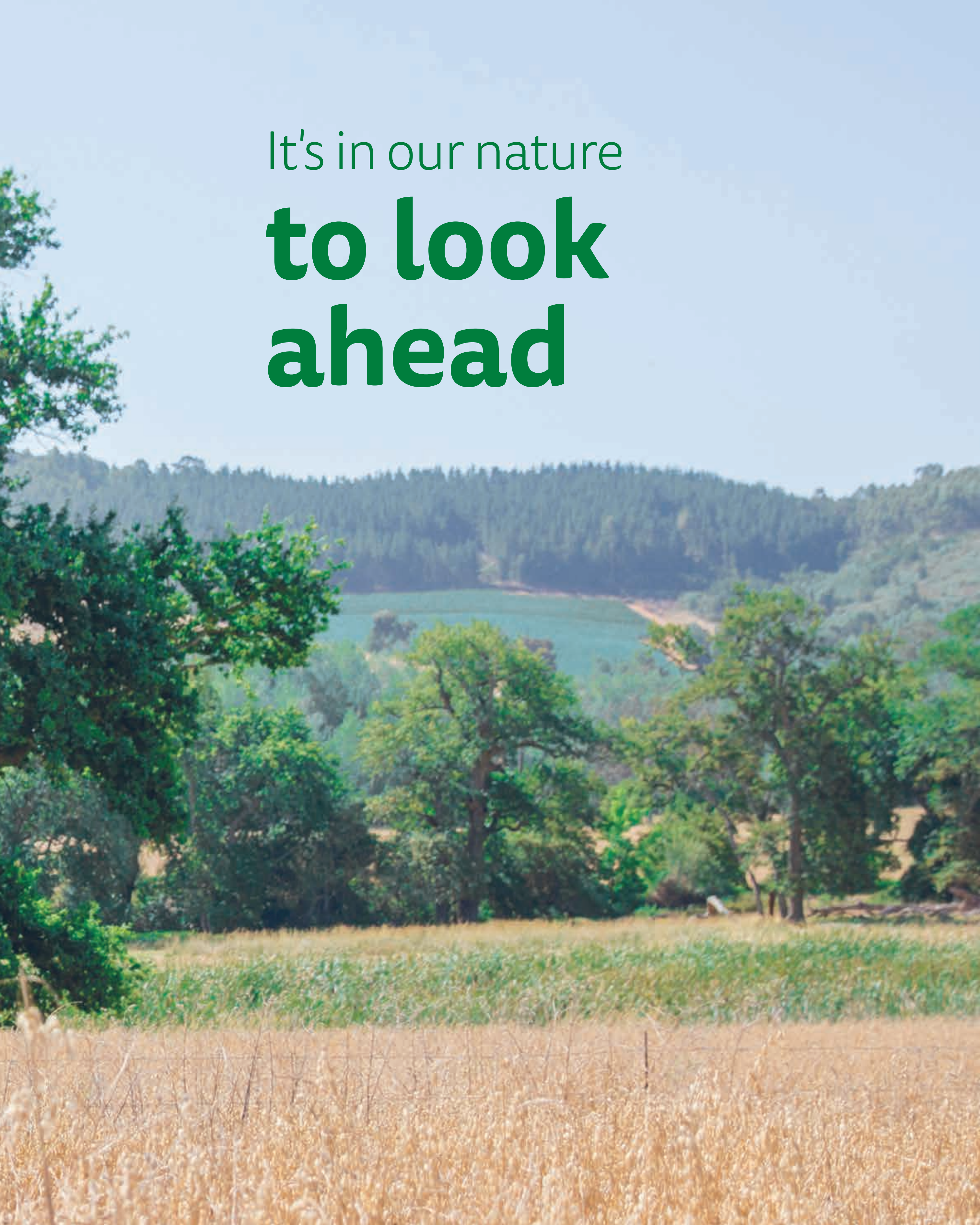
FBD has begun a substantial brand campaign aimed at broadening its customer base, while giving the Group a differentiated proposition from its competitors. Specifically, the new campaign aims to grow a high quality urban segment by increasing its relevance outside rural Ireland. The Group will also position itself for future changes in buying patterns by further developing its digital capabilities.

Fiona Muldoon
Group Chief Executive

24 February 2017

It's in our nature

to look ahead



CORPORATE INFORMATION

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

Independent Auditors for 2016
PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

Bankers
Allied Irish Banks plc
Bank of Ireland
Barclays Bank plc
BNP Paribas
Close Brothers International
Credit Suisse (UK) Limited
Danske Bank
Deutsche Bank AG
Lloyds TSB Bank plc
Mizuho Bank Limited, London Branch
Permanent TSB plc
Rabodirect Ireland

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

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

Stockbrokers
Goodbody Stockbrokers
Ballsbridge Park
Ballsbridge
Dublin 4
Ireland

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

REPORT OF THE DIRECTORS

The Directors present their report and the audited Financial Statements for the financial year 2016.

Principal Activities

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

Business Review

The review of the performance of the Group, including an analysis of financial information and the outlook for its future development, is contained in the Chairman's Statement on pages 4 to 7 and in the Group Chief Executive's Review of Operations on pages 8 to 13. Information in respect of events since the financial year end and a review of the key performance indicators are also included in these sections. The key performance indicators include gross premium written, earnings per share, loss ratio, expense ratio, combined operating ratio, profit for the year and net asset value per share.

The Group has continued to invest in its IT infrastructure during 2016, and successfully rolled out its new policy administration system.

Results

The results for the year are shown in the Consolidated Income Statement on page 60.

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 its 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 claims environment continues to be uncertain with claims inflation still prevalent, albeit with some emerging evidence of moderation in its growth. There are a number of factors which have impacted the claims settlement environment. These include:

- The release of the updated Book of Quantum by the Injuries Board has the potential to lead to greater consistency in personal injury awards, but its consistent adoption by the judiciary will be critical in this regard. There is however a concern that the increased number of injury categories could lead to inflation in award levels. It is too early yet to establish this and the Group will continue to monitor it;

- There is evidence of more claimants being represented in injury claims at an earlier stage in their lifecycle with a reduction in the proportion of claims settled directly with the claimant;
- The Group is continuing to see an impact from the increase in court awards following the change in Circuit Court jurisdiction from €38k to €60k;
- The protracted and contentious process for agreeing plaintiffs' legal costs, despite the enactment of the Legal Services Regulation Act, is leading to higher legal costs for all;
- The level of general damages awarded in the High Court appears to have stabilised in recent months. The Court of Appeal made a number of decisions that reduced the original awards by close to 50% and it issued general guidelines on damages. These actions are beginning to influence lower courts and are removing some of the extreme volatility previously observed.

The net impact of the above factors is that the claims environment has stabilised somewhat but continues to be difficult. FBD has seen claim settlement rates increase in 2016 compared to observed slowdowns in 2014 and 2015, albeit those settlements are being made in a continuing inflationary environment.

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 26. 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 principal subsidiary, FBD Insurance 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 is reviewed frequently by its Board of Directors. To provide protection against material events or shocks, the Group ensures that its insurance subsidiary holds sufficient capital to maintain appropriate regulatory surpluses.

FBD Insurance maintained its required 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 an Own Risk and Solvency Assessment "ORSA". The ORSA 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 an investment committee, a pricing committee, a capital management forum, 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 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.

Operational Risk

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

Liquidity Risk

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

Market Risk

The Group has invested in quoted debt securities, quoted shares, unquoted 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, with a significant focus on the agri sector, it is spread over a wide geographical area with no concentration in any one county or region. The 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 with regard to the Group's quoted debt securities and bank deposits, 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. The increasing likelihood of a hard "Brexit" introduces business and trading uncertainty for all indigenous Irish businesses, including FBD and the Group's core customers in farming and other small businesses. It appears likely that Britain departing the EU will have negative effects for business and business confidence in Ireland, particularly in the medium term and the Group believe this will continue to be a significant headwind to otherwise strong Irish economic prospects.

Other Risks

- The risk that the strategy adopted by the Board is incorrect or not implemented appropriately resulting in sub-optimal performance.
- The risk that deterioration in economic conditions globally and particularly in Ireland may lead to a reduction in revenue and profits.
- 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, whether caused by security breaches, cyber-attacks or other failures or malfunctions, may result in a significant loss of business, assets, or competitive position.
- The impact of climate change may result in increasingly volatile weather patterns and more frequent severe weather events.

- 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 3 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 Function, Compliance Function and Actuarial Function.
- 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 are reviewed at least annually by the FBD Insurance Risk Committee and the Board or more frequent if a system, or area concerned undergoes significant change. FBD has a framework in place to identify, assess, manage and monitor risk and 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 2016, are listed in note 35.

Directors

The present Directors of the Company, together with a biography on each, are set out on pages 26 to 29. 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 2016 were as follows:

Michael Berkery	*(Chairman)*
Walter Bogaerts	*Appointed 26 February 2016*
Mary Brennan	*Appointed 31 August 2016*
Dermot Browne	*Appointed 5 July 2016*
Emer Daly	*Resigned 29 April 2016*
Sean Dorgan	*(Senior Independent Director)*
Eddie Downey	*Resigned 29 April 2016*
Liam Herlihy	
Brid Horan	*Resigned 29 April 2016*
Orlagh Hunt	*Appointed 31 August 2016*
Fiona Muldoon	
David O'Connor	*Appointed 5 July 2016*
Ruairí O'Flynn	*Resigned 29 April 2016*
John O'Grady	*Appointed 1 July 2016*
Padraig Walshe	

Annual General Meeting

The notice of the Annual General Meeting of the Company which will be held at 11 a.m. on 5 May 2017 in the Irish Farm Centre, Old Naas Road, Bluebell, Dublin 12, is set out on pages 132 to 134. A letter from the Chairman detailing the business to come before the Annual General Meeting is included at pages 130 to 131.

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 2016 and 1 January 2016 (or date of appointment if later) were as follows:

	Number of ordinary shares of €0.60 each	
Beneficial	**31 December 2016**	**1 January 2016***
Michael Berkery	**30,000**	30,000
Walter Bogaerts	**0**	0
Mary Brennan	**0**	0
Dermot Browne	**0**	0
Sean Dorgan	**0**	0
Liam Herlihy	**3,000**	3,000
Orlagh Hunt	**0**	0
Fiona Muldoon	**0**	0
David O'Connor	**1,500**	0
John O'Grady	**0**	0
Padraig Walshe	**1,100**	1,100
Company Secretary		
Derek Hall (appointed 1 December 2016)	**1,755**	1,755

*or at date of appointment if later

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

The interests of the Directors and the Company Secretary in conditional awards over the share capital of the Company under the shareholder approved share scheme are detailed in the Report on Directors' Remuneration on pages 39 to 47.

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 20 and 21, the Performance Share Plan in note 38 and the Report on Directors' Remuneration on pages 39 to 47 are deemed to be incorporated in this part of the Report of the Directors.

Substantial Shareholdings

As at 24 February 2017 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	25%
FBD Trust Company Limited	2,984, 737	9%
Prudential plc	2,561,622	7%
Fidelity Management and Research LLC	1,969,044	6%
Black Creek International	1,776,831	5%
Fidelity Investments International Limited	1,671,948	5%

Preference Share Capital

14% Non-cumulative preference shares of €0.60 each		
Farmer Business Developments plc	1,340,000	100%

8% Non-cumulative preference shares of €0.60 each		
FBD Trust Company Limited	2,062,000	58.38%
Farmer Business Developments plc	1,470,292	41.62%

Share Capital

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

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

* excluding 795,005 shares held in treasury

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

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

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

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

Independent Auditors

The independent auditors, PricewaterhouseCoopers, Chartered Accountants and Statutory Audit Firm, have signified their willingness to continue in office in accordance with the provisions of Section 383(2) of the Companies Act 2014.

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

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

Accounting Records

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

Directors' compliance statement

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

(i) a compliance policy statement setting out the Company's policies with regard to complying with the relevant obligations under the 2014 Act has been prepared;

(ii) arrangements and structures have been put in place that they consider sufficient to secure material compliance with the Company's relevant obligations; and

(iii) a review of arrangements and structures has been conducted during the financial year to which the directors' report relates.

Corporate Governance

The Corporate Governance Report on pages 26 to 38 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.

Viability Statement

The Directors have assessed the prospects of the Group and its ability to meet its liabilities as they fall due in the medium term. The Directors selected a three year timeframe as this corresponds with the Board's strategic planning process. The objectives of the strategic planning process are to consider the key strategic choices facing the Group and to incorporate these into a financial model with various scenarios. This assessment has been made with reference to the Group's current position and prospects, the Group's strategy, the Board's risk appetite and the principal risks and uncertainties facing the Group, as outlined on pages 17 to 20.

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

The strategic plan has been tested for a number of scenarios which assess the potential impact of some of the strategic and commercial risks facing the Group. The Group performs an ORSA at least annually which subjects FBD's solvency capital levels to a number of extreme stress scenarios. This was last performed in December 2016. 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 2017 and forecast for 2018 and 2019, which take account of reasonably foreseeable changes in trading performance, the key risks facing the business and the medium-term plans approved by the Board in its review of the Group's corporate strategy along with the Group's capital projections and requirements under the Solvency II regime. The Directors have concluded that there are no material uncertainties that cast significant doubt over the Group's ability to continue as a going concern.

Approval of Financial Statements

The Financial Statements were approved by the Board on 24 February 2017.

Signed on behalf of the Board

Michael Berkery
Chairman

Fiona Muldoon
Group Chief Executive

24 February 2017

It's in our nature
to protect

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 2016 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 2017.

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

Board Composition and Independence

At 31 December 2016 the Board comprised two executive Directors and nine non-executive Directors, including the Chairman. This structure was deemed appropriate by the Board.

The Board deemed it appropriate that it should have between 8 and 12 members and that this size is appropriate, being of sufficient breadth and diversity to ensure that there is healthy debate and input on the main business to be dealt with by it. Four Directors retired and six were appointed during 2016.

Seven of the non-executive Directors in office at the end of 2016 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 2017 AGM	Considered to be independent
Mary Brennan	31 Aug 2016	0.75	Yes
Dermot Browne	31 Aug 2016	0.75	Yes
Sean Dorgan	29 Apr 2008	9.0	Yes
Liam Herlihy	29 Apr 2016	1.0	Yes
Orlagh Hunt	31 Aug 2016	0.75	Yes
David O'Connor	31 Aug 2016	0.75	Yes
Walter Bogaerts	29 Apr 2016	1.0	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 skills and experience identified by the Board as critical to its composition and that of its Committees at this time include expertise in insurance or other financial services, actuarial, general and farming/agri industry experience, corporate finance, corporate governance, 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 68) 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.

Walter Bogaerts, Independent Non-Executive Director

Walter Bogaerts (aged 59) was General Manager of the Corporate Insurances Division of KBC Insurance based in Belgium prior to his retirement in 2013. He joined KBC Group (previously ABB Insurances) in 1979 and has gained extensive experience throughout his career with KBC in underwriting, reinsurance, audit, risk management and sales. He was general manager in charge of KBC Group's Central-European insurance businesses until appointed to his most recent role in 2012. In that role he was member of the Supervisory Boards, Audit and Risk Committees of KBC's insurance subsidiaries in Czech Republic, Slovakia, Hungary, Poland and Bulgaria. He holds a Commercial Engineering degree from the Economic University of Brussels.

Mary Brennan, independent non-executive Director

Ms. Mary Brennan (aged 51) is a Chartered Director and a Fellow of Chartered Accountants Ireland. In a career spanning over 30 years, Ms. Brennan has worked internationally in audit in a number of publicly listed companies, including Elan plc and Occidental Petroleum Corp. She is currently a non-executive Director of BNP Paribas Ireland where she also chairs the Audit Committee, and is an experienced non-executive Director of a number of life and non-life reinsurance companies.

Dermot Browne, independent non-executive Director

Mr. Dermot Browne (aged 54) is a Fellow of Chartered Accountants Ireland. Between 2007 and 2011, Mr. Browne held a number of senior executive roles in Aviva Ireland, including the position of CEO with responsibility for all Aviva businesses in Ireland across general insurance, health insurance and life assurance. Prior to this he was a senior executive with Zurich Life over a sixteen year period with responsibility for finance, sales, marketing and information technology. Between 2012 and 2016 he rejoined Zurich Group in a Global Strategy role based in Switzerland. He is currently a Non-Executive Director in one other financial services company in Ireland.

Sean Dorgan, independent non-executive Director

Sean Dorgan (aged 65) has had extensive experience as chairman and non-executive director in companies and organisations in the private and public sectors. He has previously served as Chairman of Ulster Bank Group, Tesco Ireland, the Governing Body of Dublin Institute of Technology and other boards. In his earlier career he was Secretary General of the Departments of Industry and Commerce and of Tourism and Trade, and CEO of Chartered Accountants Ireland and of IDA Ireland until his retirement from that position in 2007.

He joined the Board of FBD Holdings 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. He served as Chairman of FBD Insurance plc from July 2014 until February 2016 when the two boards were streamlined.

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

Liam Herlihy, independent non-executive Director

Mr. Herlihy (aged 65) 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.

Orlagh Hunt, independent non-executive Director

Ms. Orlagh Hunt (aged 44) is a Fellow of the Chartered Institute of Personnel Development and is a human resources executive with extensive financial services experience in firms such as Allied Irish Banks plc, RSA Group and Axa Life Insurance, as well as with a number of FMCG and retail companies.

Fiona Muldoon, Group Chief Executive

Fiona Muldoon (aged 49) joined the Group in January 2015 as Group Finance Director Designate and was appointed as an executive Director and member of its Board. In October 2015, Ms. Muldoon was appointed as Group Chief Executive.

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

David O'Connor, independent non-executive Director

Mr. David O'Connor (aged 59) is a Fellow of the Society of Actuaries in Ireland. He commenced his career in New Ireland Assurance before joining Allianz Ireland in 1988 to set up its non-life actuarial function. He was a member of Allianz Executive Management Board and held a number of senior management positions there prior to joining Willis Towers Watson in 2003 to set up its Property and Casualty consultancy unit in Dublin, where he worked until June 2016.

John O'Grady, Group Finance Director

John O'Grady (aged 55) is a Chartered Accountant and an experienced insurance executive. He joined FBD from Liberty Insurance Limited where he held the role of Finance Director. Prior to his role in Liberty, Mr. O'Grady worked for Aviva and its predecessor companies in

Ireland in various roles between 1989 and 2012, including Finance Director, Claims Director and Operations Director.

Padraig Walshe, non-executive Director

Padraig Walshe (aged 59) 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.

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

Tenure of Director

0 – 2 years	73%
3 – 6 years	9%
7 – 9 years	9%
Over 9 years	9%

Gender

Male	73%
Female	27%

Executive/non-executive

Non-executive	82%
Executive	18%

Experience and skills

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

Insurance or financial services	82%
Actuarial	9%
General industry	100%
Agri/farming	27%
Corporate finance	36%
Accounting and Auditing	45%
Corporate Governance	91%
Compliance	73%
Executive reward	64%

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 Board and that the Directors are fully briefed on corporate governance matters.

Board effectiveness and performance evaluation

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

Board Evaluation

Every year the Board evaluates its performance and that of its Committees. Directors are expected to take responsibility for identifying their own training needs and to take steps to ensure that they are adequately informed about the Group and about their responsibilities as a Director. Six Directors joined the Board during 2016 and received comprehensive induction training. 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 Board intends to have its evaluation externally facilitated again at the end of 2018.

The evaluation process for 2016 took place in January 2017. The purpose of the process was to identify areas which the Board can identify for improvement and to affirm positively those areas where it is playing an effective role in leading the Group. This was achieved through a combination of direct discussion between the Chairman and individual Directors and confidential written evaluation submissions which were collated by the Company Secretary and reported back to the Board in a non-attributable manner. The Board is satisfied that the confidentiality of the evaluation process ensured that objectivity was safeguarded.

The output from the evaluation process for 2016 reaffirmed that the Board is operating effectively and is fulfilling its role.

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 2016

	Board	Audit	Nomination	Remuneration
M Berkery	14/14	-	5/5	-
W Bogaerts	11/12	2/2	-	2/2
M Brennan	5/5	1/1	-	-
D Browne	7/7	2/2	-	-
E Daly	4/4	1/1	-	2/2
S Dorgan	12/14	3/3	5/5	4/4
E Downey	4/4	-	1/1	-
L Herlihy	13/14	-	3/3	-
B Horan	3/4	-	1/1	2/2
O Hunt	5/5	-	-	1/1
F Muldoon	14/14	-	-	-
D O'Connor	7/7	-	-	-
R O'Flynn	3/4	1/1	-	-
J O'Grady	7/7	-	-	-
P Walshe	11/14	-	-	-

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 Board to the Chairman.

Board Committees

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

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

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

The Company Secretary acts as secretary to the Committees. Minutes of all of the Committees' meetings are either circulated to all of the Directors in the case of the Audit Committee or are available to any Director on request in the case of the other two Committees.

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

Report of the Audit Committee

Membership during the year

CURRENT		Length of time served on Committee
S Dorgan	Senior Independent non-executive Director, Committee Chairman	9 years
W Bogaerts	Independent non-executive Director, appointed 26 February 2016	.83 years
D Browne	Independent non-executive Director, appointed 5 July 2016	.50 years
M Brennan	Independent non-executive Director, appointed 31 August 2016	.33 years
PREVIOUS		
E Daly	Independent non-executive Director resigned 29 April 2016	
R O'Flynn	Independent non-executive Director, stepped down from Committee on 29 April 2016	

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

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

Objective of Committee

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

Key responsibilities delegated to the Committee

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

Meetings

The Committee met on three occasions during 2016. Meetings are attended by Committee members and 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 2016

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;
- appraisal of the Internal Audit function, plan, work, reports and issues arising and monitoring the scope and effectiveness of the function;
- assessment of compliance with laws, regulations, codes and financial reporting requirements; and
- reporting to the Board on its activities and confirming the degree to which the Committee's delegated responsibilities had been discharged through verbal reports to the Board after each meeting and a formal written report presented annually.

The critical judgements and estimates used in the formulation of the financial statements are set out in note 3. All are considered by the Committee, with particular focus on the following in 2016:

- Insurance contract liabilities and related reinsurance assets. The Group had net claims outstanding of €676.2m and Net UPR of €166.7m at 31 December 2016. In order to satisfy itself that the balances were appropriately stated, the Committee reviewed the Actuarial Reserve analysis prepared by Management, which is also subject to the approval of the Reserving Committee of FBD Insurance plc, and subject to both internal and external actuarial peer review. The Committee also reviewed the Margin for Uncertainty report. The Audit Committee concluded that the carrying value of claims outstanding and UPR included in the financial statements are appropriate.
- Accounting for the defined benefit pension scheme. The Group had a defined benefit pension scheme asset at €8.7m at 31 December 2016, and during 2016, undertook an Enhanced Transfer Value (ETV) programme for deferred members. In order to satisfy itself that the balance and the accounting for the ETV exercise were appropriately stated, the Committee reviewed papers prepared by management dealing with the accounting treatment of the defined benefit pension scheme and the impact of the ETV. The Committee concluded carrying value of the defined benefit pension scheme asset and the accounting for the ETV included in the financial statements are appropriate.
- Recoverability of deferred tax asset. The Group had a deferred tax asset of €12.2m at 31 December 2016, primarily relating to losses forward. In order to determine whether the deferred tax asset is recoverable, the Committee reviewed the assumptions made by management in determining the recoverability of the deferred tax asset which included review of the strategic projections and underlying assumptions and also considered the progress made to date in implementing its turnaround strategy. The Committee concluded carrying value of the deferred tax asset included in the financial statements is appropriate.

PricewaterhouseCoopers were appointed as Auditors of the Company in respect of the financial year ended 31 December 2016.

In line with the "One Board" governance arrangements announced on 29 February 2016, the Committees of FBD Holdings plc and FBD Insurance plc have been streamlined.

Fair, balanced and understandable

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

Evaluation

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

Sean Dorgan
On behalf of the Audit Committee

24 February 2017

Report of the Nomination Committee

Membership during the year

CURRENT		**Length of time served on Committee**
M Berkery	Committee Chairman, non-executive Director, Board chairman	12 years
S Dorgan	Senior Independent non executive Director	1 year
L Herlihy	Independent non executive director, appointed 5 July 2016	.58 years
PREVIOUS		
B Horan	Independent non-executive Director, resigned 29 April 2016	
E Downey	Independent non-executive Director, resigned on 29 April 2016	

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 with 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 five times during 2016 to consider potential candidates for appointment to the Board to fill 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 December, 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 2016 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

24 February 2017

Report of the Remuneration Committee

Membership during year

CURRENT		Length of time served on Committee
S Dorgan	Committee Chairman, and Senior independent non-executive Director	5 years
W Bogaerts	Independent non-executive Director, appointed 29 April 2016	.66 years
O Hunt	Independent non-executive Director, appointed 31 August 2016	.33 years
PREVIOUS		
E Daly	Independent non-executive Director, resigned 29 April 2016	
B Horan	Independent non-executive Director, resigned 29 April 2016	

Objective of Committee

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

Key responsibilities delegated to the Committee

- determining the broad policy for the remuneration of the Group's executive Directors, Company Secretary and other senior executives;
- determining the total remuneration packages for the foregoing individuals, including salaries, variable remuneration, pension and other benefit provision and any compensation on termination of office;

- ensuring that the Group operates to recognised good governance standards in relation to remuneration;
- making awards of shares under the Group's approved share scheme; and
- preparation of the detailed Report on Directors' Remuneration.

Meetings

The Group Chief Executive may attend meetings of the Committee but only by invitation and not at a time when his or her individual remuneration arrangements are discussed. The Committee met four times during 2016.

Activities of the Committee during 2016

The principal activities undertaken by the Committee during 2016 include:

- annual review of remuneration arrangements for executive Directors and other senior executives;
- review and approval of the Report on Directors' Remuneration for 2016;
- making of a conditional award of shares under the FBD Performance Share Plan and setting the conditions attached; and
- Commissioned research from an external party aimed at improving the Group's remuneration philosophy and further aligning executive and shareholder interests.

Full details of Directors' Remuneration are set in the Report on Directors Remuneration on pages 39 to 47.

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

24 February 2017

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 reports 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 2017 meeting will be held on 5 May 2017.

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

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

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

- skilled and experienced management and staff in line with fit and proper requirements.
- roles and responsibilities including reporting lines clearly defined with performance linked to company objectives.
- an organisation structure with clearly defined lines of responsibility and authority;a comprehensive system of financial control incorporating budgeting, periodic financial reporting and variance analysis;
- a Risk Committee of the Board 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 Internal Audit function;
- an Audit Committee whose formal terms of reference include responsibility for assessing the significant risks facing the Group in the achievement of its objectives and the controls in place to mitigate those risks;
- a disaster recovery framework is in place and is regularly tested;
- a business continuity framework is in place and is 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 an Own Risk and Solvency Assessment "ORSA" linking to 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 appropriate to raise any concern that they may have about malpractice and to enable them to raise such concerns safely and properly. This policy is reviewed 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 systems of internal control in place were effective throughout the period covered by this report and up to the date of its approval.

REPORT ON DIRECTORS' REMUNERATION

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 2016.

Paying for Performance

There is a clear link between the performance of the Group and the remuneration of senior executives. Arrangements for salaries and Annual Performance Bonuses, as described later in the Report, fully reflect the challenges which faced the Group throughout 2016, our success in addressing those challenges as well as the need to attract, retain and reward strong insurance talent.

External Advice

During the year the Committee undertook an assignment with Willis Towers Watson aimed at improving FBD's total compensation approach and to ensure best practice in the alignment of Executive and Shareholder interests. The work will conclude during 2017 and a new Long Term Incentive Plan (LTIP) is also required in the same time frame.

Shareholder Dialogue and Support

Despite the fact that there is no obligation to do so under Irish law, the Board, on the recommendation of this Committee table the Report on Directors' Remuneration at the Annual General Meeting each year for an advisory vote. At the 2016 AGM, this report received 86% support from shareholders

The Committee requests shareholders to consider and approve the annual remuneration report set out on the pages following at the 2017 AGM.

Sean Dorgan
Chairman of the Remuneration Committee

24 February 2017

Role of Remuneration Committee

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

Policy

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

It is also the policy of the Group to provide a remuneration framework that attracts, motivates and rewards Executives of the highest calibre who bring experience to the strategic 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 remuneration policy for Executive Directors and senior Executives, their purpose and how they link to strategy.

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

Element and link to strategy	Policy and operation	Changes to policy
Annual Performance Bonuses (variable remuneration)		
To reward achievement of company targets, personal performance and contribution	The performance measures for annual performance bonuses for the Executive Directors and other senior Executives are based on attainment of the Combined Operating Ratio target for 2016, which was the measure used to reflect the company's need to return to profitability. For the CEO it is based 60% on Combined Operating Ratio and 40% based on achievement of four specific turn-around goals for 2016. The bonus potential, as a percentage of base salary for the Chief Executive for 2016, 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. This is the last year of its operation. 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 are designed to ensure alignment between the economic interests of the plan participants and those of shareholders. Different conditions, or the same conditions in differing proportions, can be used by the Remuneration Committee in different years under the LTIP rules, provided that the Committee is satisfied that they are challenging targets and that they are aligned with the interests of the Company's shareholders.	

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 2016

During 2016 one Conditional Award of Shares were made under the LTIP. This was made in March 2016 to executive directors and senior management.

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

- One third based on total shareholder return (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 (2013-2015)

The Committee considered the extent to which the performance conditions underpinning this award were met in the three Financial Years 2013 to 2015 (the "Performance Period"). The Committee concluded that 16.7% of the award vested by virtue of the operation of the relative Market Share Condition during that period. The remainder of the 2013 conditional award has now lapsed.

Under the award, former Executive Directors, Andrew Langford and Cathal O'Caoimh received 3,329 and 2,193 shares respectively.

Payment to former Director

Mr. Andrew Langford resigned from the company in 2015. Mr. Langford agreed to make his services available to the company on a consultancy basis for a monthly fee of €16,300 per month from the 1st February to the 31st December 2016. Under the terms of this arrangement Mr. Langford undertook a strategic review of certain markets, the exact nature of which is considered commercially sensitive. He was paid €179,300 for his services, which have now terminated.

Directors' and Company Secretary's Conditional LTIP Awards

Details of the conditional share awards made under the LTIP plan to the CEO and to the Company Secretaries 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 2016	Granted during year	Vested during year	Lapsed during year	Forfeited during year	At 31 Dec 2016	Performance Period	Earliest vesting date	Market price on award €
Executive Directors									
Fiona Muldoon	54,545	-	-	-	-	54,545	2016-2018	Mar-19	6.60
	-	54,961	-	-	-	54,961	2016-2018	Mar-19	6.55
Total	**54,545**	**54,961**	**-**	**-**	**-**	**109,506**			
Company Secretary									
Derek Hall[1]	3,051	-	244	2,807	-	-	2013-2015	Mar-16	12.70
	2,153	-	-	-	-	2,153	2014-2016	Mar-17	17.00
	3,588	-	-	-	-	3,588	2015-2017	Mar-18	10.80
	-	15,114	-	-	-	15,114	2016-2018	Mar-19	6.55
Total	**8,792**	**15,114**	**244**	**2,807**	**-**	**20,855**			
Company Secretary									
Conor Gouldson[2]	4,819	-	385	4,434	-	-	2013-2015	Mar-16	12.70
	4,500	-	-	-	406	4,094	2014-2016	Mar-17	17.00
	7,523	-	-	-	3,254	4,269	2015-2017	Mar-18	10.80
		17,404	-	-	13,113	4,291	2016-2018	Mar-19	6.55
Total	**16,842**	**17,404**	**385**	**4,434**	**16,773**	**12,654**			

[1] Mr. Hall was appointed Company Secretary on 1 December 2016 and Chief Risk Officer in January 2017.

[2] Mr. Gouldson resigned as Company Secretary effective 30 November 2016.

The total number of shares subject to conditional awards outstanding under the LTIP amounts to 478,014 being 1.4% of the Company's ordinary share capital (excluding treasury shares) at 31 December 2016 (2015: 386,943 shares and 1.1% of ordinary share capital).

The aggregate limit of 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 with an aggregate of 1,118,747 shares or 3.2% of the Company's ordinary share capital (excluding treasury shares).

Share Ownership Policy

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

Executives are expected to maintain a significant long-term equity interest in the Company. The requirement, which is set out in a policy document by the Remuneration Committee, approved and reviewed annually, is to build and retain a valuable shareholding relative to base salary, at a minimum, as noted hereunder. Until such time as this requirement has been met, those to whom the Policy applies are precluded from disposing of any shares issued to them under the Group's share schemes.

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

Non-Executive Director Remuneration

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

The basic non-Executive Director fee was €39,600 per annum up to 30 June 2016. From 1 July 2016 the basic non-Executive Director fee increased to €50,000. This fee had not increased since 2008. These fees ensure FBD attracts non-Executive Directors of the highest calibre, expertise and experience.

The Chairman, Mr. Michael Berkery received fees of €127,175 during the year (2015: €126,225) inclusive of the basic non-Executive Director fee. The Senior Independent Director, Mr. Sean Dorgan, received fees of €100,200 (2015: €104,000) during the year inclusive of the basic non-Executive Director fee, and reflecting his additional responsibilities as Chairman of the Audit Committee and as Chairman of the Remuneration committee.

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

Service Contracts

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

Executive	From Company	From CEO
Fiona Muldoon	12 months	6 months

External appointments held by the Executive Directors

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

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

Determination of Annual Performance Bonus for the year ended 31 December 2016

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

The 2016 annual performance bonus scheme was designed such that on plan Company performance for the year 2016 (which was planned as a modest loss) would deliver 80% of the available target bonus. At 99% Combined Operating Ratio, a 90% pay out of the target is deemed payable and given the better than planned result and in line with the previously agreed stretch targets, the Remuneration committee has approved this bonus pool for all eligible employees to be split according to performance.

As previously noted, in the case of Ms. Muldoon for 2016 60% of her annual performance bonus (of 70%), is determined by the Combined Operating Ratio for FBD Insurance plc. The remaining 40% is determined by the specific business objectives for 2016 as set by the Remuneration Committee. The committee has determined that she has achieved 100% of her assigned specific business objectives. Therefore, in accordance with the bonus scheme and in line with the strong results achieved, a bonus of €315,000 has been awarded to Ms. Muldoon.

In the case of Mr. O'Grady 100% of his annual performance bonus is based on the Combined Operating Ratio for FBD Insurance plc. Mr. O'Grady has been awarded a bonus of €50,000. This is also reflective of his service pro rata for 2016.

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	2016 Total €000s
Executive Directors:						
Fiona Muldoon	-	450	315	43	90	898
John O'Grady[6]	-	110	50	7	17	184
Non-executive Directors:						
Michael Berkery (Chairman)	127	-	-	-	-	127
Emer Daly[7]	16	-	-	-	-	16
Sean Dorgan	100	-	-	-	-	100
Eddie Downey[8]	14	-	-	-	-	14
Liam Herlihy[9]	47	-	-	-	-	47
Brid Horan[10]	15	-	-	-	-	15
Ruairi O'Flynn[11]	15	-	-	-	-	15
Padraig Walshe	45	-	-	-	-	45
Dermot Browne[12]	29	-	-	-	-	29
Orlagh Hunt[13]	18	-	-	-	-	18
David O'Connor[14]	28	-	-	-	-	28
Walter Boegarts[15]	66	-	-	-	-	66
Mary Brennan[16]	18	-	-	-	-	18
	538	560	365	50	107	1,620

Notes (2016)

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

2 Salaries are paid to Executive Directors only.

3 Bonuses of €315,000 and €50,000 were awarded to Ms Muldoon and Mr O'Grady under the bonus scheme in 2016. The bonus for Ms Muldoon was calculated in accordance with the Annual Performance Arrangements described earlier and both Ms Muldoon's and Mr O'Grady bonuses were approved by the Remuneration committee on the 23rd February 2017.

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

5 Pension contributions relate to contributions to a defined contribution pension scheme or a payment in lieu.

6 John O'Grady was appointed Executive Director on 1st July 2016.

7 Emer Daly resigned as Director on 29 April 2016.

8 Eddie Downey resigned as a Director on 29 April 2016.

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

10 Brid Horan resigned as a Director on 29 April 2016

11 Ruairi O'Flynn resigned as Director on 29 April 2016.

12 Dermot Browne was appointed as a Director on 5 July 2016

13 Orlagh Hunt was appointed as a Director on 31 August 2016.

14 David O'Connor was appointed as a Director on 5 July 2016.

15 Walter Bogaerts was appointed as a Director on 26 February 2016.

16 Mary Brennan was appointed as a Director on 31 August 2016.

The following table sets out the detail for the previous financial year (2015):

	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
Ruairi 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. Ruairi O'Flynn was appointed as a Director on 14 May 2015.

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 2016 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 2016, 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

24 February 2017

INDEPENDENT AUDITORS' REPORT

To the members of FBD Holdings plc

Report on the financial statements

Our opinion

In our opinion:

- FBD Holdings plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the group's and the company's assets, liabilities and financial position as at 31 December 2016 and of the group's profit and the group's and the company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the group financial statements, Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Consolidated and Company Statements of Financial Position as at 31 December 2016;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statements of Cash Flows for the year then ended;
- the Consolidated and Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Irish law and IFRSs as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

Our audit approach

Overview

- Overall group materiality: EUR4.0 million which represents 1% of revenue.

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

- Valuation of claims outstanding.
- Valuation of defined benefit pension obligation.
- Recoverability of deferred tax assets.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements.

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

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Valuation of claims outstanding *Refer to page 33 (Corporate Governance Statement), page 73 (group accounting policies), page 80 (critical accounting estimates and judgements), and pages 106 to 108 (notes 28(a) to 28(c)) to the group financial statements).* The provision for claims outstanding is the group's largest liability and its valuation involves considerable judgement. The actuarial best estimate is determined using complex actuarial calculations and requires the consideration of detailed methodologies, multiple assumptions and significant judgements, particularly for the longer tails classes of business such as motor bodily injury and liability. The key assumptions underlying the calculations are past development patterns, loss ratios and assumptions regarding frequency, severity and duration of claims. The valuation is also dependent on the completeness and accuracy of the data used in the actuarial modelling, in particular data relating to amounts of claims paid and incurred in prior years. The provision includes a margin over actuarial best estimate to provide for the risk of adverse claims development and to cater for known events not in the underlying data. As a result, the valuation of claims outstanding was a key area of focus.	We evaluated the actuarial methodologies and key assumptions with the assistance of our actuarial specialists. This involved: ■ testing the design and operating effectiveness of the controls over claims processing and payment; ■ reconciliation of the data used in the actuarial models to the underlying systems; ■ assessing the assumptions and methodologies underpinning management's actuarial valuation; ■ carrying out our own independent valuations for the main classes of business; and ■ reconciliation of the actuarial valuation outputs to the financial statements. Our work included an assessment of management's analysis of the output of the calculations including consideration of the development of prior accident years' estimates and analysis of the current accident year estimate. In making this assessment we considered the Group's historic claims experience, development in the Irish claims environment and our broader knowledge of developments in the insurance industry. We tested the calculation of the margin over actuarial best estimate and discussed the rationale for the level of this element of the provision with management with particular focus on the consideration of the appropriateness of changes in the amount since the prior year.

Area of focus	How our audit addressed the area of focus
Valuation of defined benefit pension obligation *Refer to pages 33 (Corporate Governance Statement), pages 76 and 77 (group accounting policies), page 80 (critical accounting estimates and judgements), and pages 110 to 114 (note 31 to the group financial statements).* The group operates a defined benefit pension scheme which is been closed to future accrual and closed to new members. The scheme has an IAS 19 surplus of EUR8.7 million at 31 December 2016. The surplus is the excess of the fair value of the scheme assets over the present value of the defined benefit obligation. We focused on the defined benefit obligation as its valuation is complex and requires judgement in choosing appropriate actuarial assumptions, especially the discount rate used and the inflation assumption. These assumptions can have a material impact on the calculation of the defined benefit obligation. The valuation is also dependent on the completeness and accuracy of the data used in the model, in particular membership data and payroll details.	We considered the reasonableness of the key actuarial assumptions used to determine the defined benefit obligation with the assistance of our pension specialists. We challenged management in relation to the assumptions and methodology applied including benchmarking to external data as appropriate. Because the setting of the assumptions and the calculations relied to a significant extent on the advice of the group's external actuarial experts, we considered their independence, reviewed reports prepared by them for management and discussed and challenged their recommended assumptions. We also reconciled the underlying membership and payroll data used in the model to the Group's records.
Recoverability of deferred tax assets *Refer to pages 33 (Corporate Governance Statement), pages 76 (group accounting policies), page 80 (critical accounting estimates and judgements), and pages 97 and 114 (notes 17 and 32 to the group financial statements).* Deferred tax includes an amount of EUR13.8 million arising from tax losses carried forward. In order for the group to recognise an asset for unutilised losses, it must have convincing evidence of future taxable profits against which the losses can be utilised. This relies on management's judgements surrounding the probability, timing and sufficiency of future taxable profits, which in turn is based on assumptions concerning future economic conditions and business performance. We focused on this area because the group's deferred tax assets primarily arise from historical operating losses and a key judgement is whether there is convincing evidence of the availability of sufficient future taxable profits against which those losses can be utilised.	In determining the recoverability of tax losses carried forward, management have used the profit forecasts set out in the most recent strategic plan approved by the directors. We considered whether the combination of the Group's current profitability and the profit forecasts provide convincing evidence that sufficient taxable profits will be available to utilise the tax losses carried forward, particularly in the light of underwriting losses in 2015 and the continued challenges faced by the insurance sector. We evaluated the relevant macroeconomic assumptions and growth assumptions underlying the profit forecasts in the light of market developments in both premium rate increases and claims trends.

How we tailored the audit scope

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

The group has two operating segments, underwriting and financial services. The group financial statements are a consolidation of individual reporting entities within these segments, primarily its two principal subsidiaries, FBD Insurance plc (underwriting) and FBD Life & Pensions Limited (financial services), and the holding company.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed at each reporting entity by us. The group engagement team performed all the required audit work in relation to the individual reporting entities.

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

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

Materiality

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

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

Overall group materiality	EUR4.0 million.
How we determined it	1% of revenue.
Rationale for benchmark applied	We have applied this benchmark as the group's profit has fluctuated significantly in recent years and revenue is considered an appropriate benchmark given the circumstances and size of the group

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above EUR0.2 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 23, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the group and company has adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's and company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2014 opinion

In our opinion the information given in the Report of the Directors is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & 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 and company acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
■ the statement given by the directors on page 34, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company acquired in the course of performing our audit.	We have no exceptions to report.
■ the section of the Annual Report on pages 32 to 34, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

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

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

■ the directors' confirmation on page 23 of the Annual Report, in accordance with provision C.2.1 of the Code, 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.	We have nothing material to add or to draw attention to.
■ the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
■ the directors' explanation on page 23 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the group and the directors' statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Directors' remuneration and transactions

Under the Companies Act 2014, we are required to report to you if, in our opinion, the disclosure of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made, and under the Listing Rules we are required to review the six specified elements of disclosures in the report to shareholders by the Board on directors' remuneration. We have no exceptions to report arising from these responsibilities.

Corporate governance statement

- In our opinion, based on the work undertaken in the course of our audit of the financial statements:
  - the description of the main features of the internal control and risk management systems in relation to the financial reporting process; and
  - the information required by Section 1373(2)(d) of the Companies Act 2014;

  included in the Corporate Governance Statement, is consistent with the financial statements and has been prepared in accordance with section 1373(2) of the Companies Act 2014.
- Based on our knowledge and understanding of the company and its environment obtained in the course of our audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process and the information required by section 1373(2)(d) of the Companies Act 2014 included in the Corporate Governance Statement.
- In our opinion, based on the work undertaken during the course of our audit of the financial statements, the information required by section 1373(2)(a),(b),(e) and (f) is contained in the Corporate Governance Statement.
- Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the company's compliance with ten provisions of the UK Corporate Governance Code and the two provisions of the Irish Corporate Governance Annex specified for our review. We have nothing to report having performed our review.

Other matters on which we are required to report by the Companies Act 2014

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 48, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

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 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

Paraic Joyce
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
24 February 2017

(a) The maintenance and integrity of the FBD Holdings plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.


TIPS


It's in our nature
to help businesses grow

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2016

Continuing Operations	Notes	2016 €000s	Restated 2015 €000s
Revenue	4(a)	**397,003**	401,889
Income			
Gross premium written	4(c)	**361,799**	363,263
Reinsurance premiums	4(c)	**(50,086)**	(50,497)
Net premium written	4(c)	**311,713**	312,766
Change in provision for unearned premiums	4(c)	**(3,487)**	388
Net premium earned	4(c)	**308,226**	313,154
Net investment return	5	**8,338**	20,260
Financial services income	4(a)	**8,542**	12,634
Total income		**325,106**	346,048
Expenses			
Net claims and benefits	4(c)	**(217,510)**	(341,260)
Other underwriting expenses	4(c)	**(79,749)**	(85,725)
Movement in other provisions	29	**(7,747)**	(11,581)
Financial services expenses	4(e)	**(6,592)**	(9,130)
Revaluation of property, plant and equipment	14	**(330)**	175
Restructuring and other costs	6	**(2,794)**	(11,415)
Finance costs	30	**(6,156)**	(1,357)
Pension curtailment	31(c)	**7,214**	28,340
Result before taxation from continuing operations	8	**11,442**	(85,905)
Income taxation (charge)/credit	11	**(2,415)**	11,277
Result for the financial year from continuing operations		**9,027**	(74,628)
Discontinued operations			
Result for the financial year from discontinued operations, including profit from sale	7	**1,653**	1,061
Result for the financial year		**10,680**	(73,567)
Attributable to:			
Equity holders of the parent		**10,759**	(73,685)
Non-controlling interests	27	**(79)**	118
		10,680	(73,567)

Earnings/(loss) per share From continuing operations		2016 Cent	Restated 2015 Cent
Basic	13	**26**	(216)
Diluted	13	**26**	(216)
From continuing and discontinued operations			
Basic	13	**31**	(213)
Diluted	13	**31**	(213)

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 24 February 2017.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Notes	2016 €000s	2015 €000s
Result for the financial year		**10,680**	(73,567)
Net gain/(loss) on available for sale financial assets during the year		**10,371**	(1,762)
Taxation (charge)/credit relating to items that will or may be reclassified to profit or loss in subsequent periods		**(1,296)**	698
Items that will not be reclassified to profit or loss in subsequent periods:			
Actuarial (loss)/gain on retirement benefit obligations	*31(d)*	**(12,233)**	15,914
Taxation credit/(charge) relating to items not to be reclassified in subsequent periods	*31(d)*	**1,529**	(1,989)
Other comprehensive (expense)/income after taxation		**(1,629)**	12,861
Total comprehensive income/(expense) for the financial year		**9,051**	(60,706)
Attributable to:			
Equity holders of the parent		**9,130**	(60,824)
Non-controlling interests	*27*	**(79)**	118
		9,051	(60,706)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

ASSETS

	Notes	2016 €000s	2015 €000s
Property, plant and equipment	*14*	**72,994**	72,617
Investment property	*15*	**16,400**	14,550
Loans	*16*	**732**	832
Deferred taxation asset	*17*	**12,234**	13,139
Financial assets			
Available for sale investments	*18(a)*	**629,498**	489,837
Investments held for trading	*18(a)*	**90,302**	94,375
Deposits with banks	*18(a)*	**236,897**	371,333
		956,697	955,545
Reinsurance assets			
Provision for unearned premiums	*28(e)*	**13,954**	15,332
Claims outstanding	*28(e)*	**69,260**	64,751
		83,214	80,083
Retirement benefit asset	*31(f)*	**8,715**	9,110
Current taxation asset	*19*	**4,162**	8,813
Deferred acquisition costs	*20*	**25,004**	27,545
Other receivables	*21*	**62,770**	59,506
Cash and cash equivalents	*22*	**26,561**	22,244
Total assets		**1,269,483**	1,263,984

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 31 December 2016

EQUITY AND LIABILITIES

	Notes	**2016 €000s**	2015 €000s
Equity			
Called up share capital presented as equity	23	**21,409**	21,409
Capital reserves	24(a)	**19,041**	18,553
Retained earnings	25	**166,866**	157,670
Other reserves	30	**18,232**	18,232
Equity attributable to ordinary equity holders of the parent		**225,548**	215,864
Preference share capital	26	**2,923**	2,923
Equity attributable to equity holders of the parent		**228,471**	218,787
Non-controlling interests	27	**-**	451
Total equity		**228,471**	219,238
Liabilities			
Insurance contract liabilities			
Provision for unearned premiums	28(d)	**180,692**	178,584
Claims outstanding	28(c)	**745,490**	748,144
		926,182	926,728
Other provisions	29	**11,247**	10,938
Convertible debt	30	**51,136**	50,036
Deferred taxation liability	32	**3,347**	2,990
Payables	33(a)	**49,100**	54,054
Total liabilities		**1,041,012**	1,044,746
Total equity and liabilities		**1,269,483**	1,263,984

The accompanying notes form an integral part of the Financial Statements.
The Financial Statements were approved by the Board and authorised for issue on 24 February 2017.

They were signed on its behalf by:

Michael Berkery *Chairman Group*

Fiona Muldoon *Chief Executive*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016

	Notes	2016 €000s	(Restated) 2015 €000s
Cash flows from operating activities			
Profit/(loss) before taxation		**13,095**	(84,789)
Adjustments for:			
Loss/(profit) on disposal of investments held for trading		**2,596**	(535)
Loss on investments available for sale		**4,467**	5,493
Interest and dividend income		**(14,233)**	(13,123)
Depreciation of property, plant and equipment	*14*	**10,795**	8,392
Share-based payment (credit)/expense	*38*	**488**	(203)
Revaluation of investment property	*15*	**(1,850)**	(3,450)
Revaluation of property, plant and equipment	*14*	**330**	(175)
Profit on the sale of investment property	*15*	**-**	(8,915)
Increase/(decrease) in insurance contract liabilities		**(3,677)**	130,320
Decrease in other provisions	*29*	**309**	3,018
Effect of foreign exchange rate changes	*15*	**-**	(485)
Profit on disposal of discontinued operation	*7 (a)*	**(1,916)**	-
Joint venture trading result	*7 (b)*	**-**	(1,461)
Operating cash flows before movement in working capital		**10,404**	34,087
Decrease in receivables and deferred acquisition costs		**64**	1,004
Decrease in payables		**(17,252)**	(30,408)
Purchase of investments held for trading		**(13,996)**	(32,561)
Sale of investments held for trading		**15,473**	55,149
Cash generated from operations		**(5,307)**	27,271
Interest and dividend income received		**13,441**	12,339
Income taxes refunded /(paid)		**5,561**	126
Net cash from operating activities		**13,695**	39,736
Cash flows from investing activities			
Purchase of available for sale investments		**(322,503)**	(408,318)
Sale of available for sale investments		**188,746**	136,202
Purchase of property, plant and equipment	*14*	**(12,113)**	(18,209)
Sale of property, plant and equipment		**80**	-
Sale of investment property	*15*	**-**	18,259
Decrease in loans and advances	*16*	**100**	139
Decrease in deposits invested with banks	18(a)	**134,436**	123,577
Net cash inflow from sale of subsidiary undertaking		**1,930**	-
Net cash inflow from sale of joint venture	*7 (b)*	**-**	48,500
Net cash used in investing activities		**(9,324)**	(99,850)
Cash flows from financing activities			
Ordinary and preference dividends paid	*34*	**-**	(11,950)
Dividends paid to non-controlling interests	*27*	**(120)**	(150)
Proceeds from issue of convertible bond	*30*	**-**	68,268
Proceeds of re-issue of ordinary shares		**66**	-
Net cash (used in)/generated from financing activities		**(54)**	56,168
Net increase/(decrease) in cash and cash equivalents		**4,317**	(3,946)
Cash and cash equivalents at the beginning of the year	*22*	**22,244**	26,190
Cash and cash equivalents at the end of the financial year	*22*	**26,561**	22,244

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	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 2015	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 expense	-	-	12,861	-	**12,861**	-	-	**12,861**
	21,409	18,756	169,620	-	**209,785**	2,923	601	**213,309**
Dividends paid and approved on ordinary and preference shares	-	-	(11,950)	-	**(11,950)**	-	-	**(11,950)**
Issue of convertible bond	-	-	-	18,232	**18,232**	-	-	**18,232**
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**
Profit after taxation	-	-	10,759	-	**10,759**	-	(79)	**10,680**
Other comprehensive income	-	-	(1,629)	-	**(1,629)**	-	-	**(1,629)**
	21,409	18,553	166,800	18,232	**224,994**	2,923	372	**228,289**
Reissue of ordinary shares	-	-	66	-	**66**	-	-	**66**
Recognition of share based payments	-	488	-	-	**488**	-	-	**488**
Dividend paid to non-controlling interests	-	-	-	-	**-**	-	(120)	**(120)**
Disposal of subsidiary undertaking	-	-	-	-	**-**	-	(252)	**(252)**
Balance at 31 December 2016	**21,409**	**19,041**	**166,866**	**18,232**	**225,548**	**2,923**	**-**	**228,471**

COMPANY STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 €000s	(Restated) 2015 €000s
ASSETS			
Investments			
Investment in subsidiaries	*35(b)*	**110,063**	106,079
Financial assets		**1,498**	1,248
Deposits with banks		**2,346**	8,195
Investment in joint venture		**-**	-
		113,907	115,552
Cash and cash equivalents		**55**	64
Retirement benefit asset		**2,109**	2,600
Other receivables		**1,141**	3,435
Total assets		**117,212**	121,621
EQUITY AND LIABILITIES			
Equity			
Called up share capital presented as equity	*23*	**21,409**	21,409
Capital reserves	*24(b)*	**19,041**	18,553
Retained earnings		**49,020**	54,521
Other reserves	*30*	**18,232**	18,232
Shareholders' funds – equity interests		**107,702**	112,715
Preference share capital	*26*	**2,923**	2,923
Equity attributable to equity holders of the parent		**110,625**	115,638
Deferred tax liability		**264**	325
Payables	*33(b)*	**6,323**	5,658
Total equity and liabilities		**117,212**	121,621

The accompanying notes form an integral part of the Financial Statements.
The Financial Statements were approved by the Board and authorised for issue on 24 February 2017.

They were signed on its behalf by:

Michael Berkery
Chairman Group

Fiona Muldoon
Chief Executive

COMPANY STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016

	2016 €000s	(Restated) 2015 €000s
Cash flows from operating activities		
(Loss)/profit before taxation	**(1,892)**	1,851
Adjustments for:		
Profit on investments held for trading	**(222)**	(143)
Profit on disposal of subsidiary undertaking	**(1,517)**	-
Profit on disposal of joint venture	**-**	(2,412)
Share-based payment expense/(credit)	**488**	(203)
Operating cash flows before movement in working capital	**(3,143)**	(907)
Increase in receivables	**2,829**	(1,603)
Decrease in payables	**(3,183)**	(1,183)
Purchase of investments held for trading	**(27)**	(144)
Sale of investments held for trading	**-**	5,193
Cash used in operations	**(3,524)**	1,356
Income taxes refunded	**-**	161
Net cash used in operating activities	**(3,524)**	1,517
Cash flows from investing activities		
Increase in investment in subsidiaries	**(4,592)**	(48,872)
Decrease in deposits invested with banks	**5,849**	10,752
Net cash inflow from disposal of subsidiary undertaking	**2,305**	48,500
Net cash from investing activities	**3,562**	10,380
Cash flows from financing activities		
Ordinary and preference dividends paid	**-**	(11,950)
Proceeds of re-issue of ordinary shares	**66**	-
Net cash generated from/(used in) financing activities	**66**	(11,950)
Net (decrease)/increase in cash and cash equivalents	**(9)**	(53)
Cash and cash equivalents at the beginning of the financial year	**64**	117
Cash and cash equivalents at the end of the financial year	**55**	64

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

COMPANY STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	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 2015 – Restated	**21,409**	**11,593**	**7,163**	**55,942**	**-**	**96,107**	**2,923**	**99,030**
Profit after taxation	-	-	-	1,824	-	**1,824**	-	**1,824**
Other comprehensive income	-	-	-	8,705	-	**8,705**	-	**8,705**
	21,409	11,593	7,163	66,471	-	**106,636**	2,923	**109,559**
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 - Restated	**21,409**	**11,593**	**6,960**	**54,521**	**18,232**	**112,715**	**2,923**	**115,638**
Loss after taxation	-	-	-	(1,725)	-	**(1,725)**	-	**(1,725)**
Other comprehensive income	-	-	-	(3,842)	-	**(3,842)**	-	**(3,842)**
	21,409	11,593	6,960	48,954	18,232	**107,148**	2,923	**110,071**
Reissue of ordinary shares	-	-	-	66	-	**66**	-	**66**
Recognition of share based payments	-	-	488	-	-	**488**	-	**488**
Balance at 31 December 2016	**21,409**	**11,593**	**7,448**	**49,020**	**18,232**	**107,702**	**2,923**	**110,625**

1 GENERAL INFORMATION

FBD Holdings plc is an Irish registered public limited company. The address of the registered office is given on page 16. The nature of the Group's operations and its principal activities are set out in the Report of the Directors on pages 17 to 23 and in the Review of Operations on pages 8 to 13.

2 GOING CONCERN

The Directors have, at the time of approving the Financial Statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Financial Statements. Further detail is contained in the Report of the Directors on page 23.

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.

Certain restatements have been made in the Company prior year Financial Statements to record the Company's share of the Group's defined benefit plan assets (€2,600,000), a deferred taxation liability thereon (€325,000) and a corresponding increase in retained earnings (€2,275,000), and to appropriately record the disposal of the joint venture separately in the Company statement of cashflows.

Certain restatements have been made to the Group consolidated Income Statement and the Group consolidated Statement of Cashflows to appropriately reflect discontinued operations.

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 2016.

- Amendments to IAS 1 *Disclosure Initiative*.
- Annual Improvements to IFRSs 2012 – 2014 Cycle.

Amendments to IAS 1 *Disclosure Initiative*

The Group has applied the amendments to IAS 1 *Disclosure Initiative* in the current year. The adoption of this standard has not had a material impact of the financial statements in the current year.

Annual Improvements to IFRSs 2012 – 2014 Cycle

The Group has applied the amendments to IFRSs included in the Annual Improvements to IFRSs 2012 – 2014 Cycle for the first time in the current year. The adoption of this standard has not had a material impact of the financial statements in the current year.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards and Interpretations not yet effective

IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
Amendments 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 2018, with earlier application permitted.

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

3 Effective date has been deferred indefinitely.

The Directors have reviewed the implication of the adoption of IFRS 9 and IFRS 15. The adoption of these Standards is not expected to have a material impact (other than presentation and disclosure) on the Financial Statements of the Group in future periods. The Directors are currently assessing the implications of the adoption of IFRS 16.

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 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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 in the sale is calculated on 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 as set out in accounting policy D (iv) below.

(iii) Deferred acquisition costs

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

(iv) Unexpired risks

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Claims incurred

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

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

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

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

(v) 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.

(vi) Funds withheld from Reinsurers

Some of the Company's reinsurance contracts are on a funds withheld basis. Under the agreements, the Company retains an agreed percentage of the premiums that would have been otherwise paid to the reinsurer.

E) OTHER PROVISIONS

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

F) PROPERTY, PLANT AND EQUIPMENT

(i) Property

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 three 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

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

The Group's share of results after taxes is reported in "Result for the financial year from discontinued operations", included 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 a 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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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) Available for sale investments

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

(iii) Loans and other receivables

Loans

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

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

Other receivables

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Deposits with banks

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

J) LEASES

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

(i) The Group as Lessor

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

(ii) The Group as Lessee

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

K) CASH AND CASH EQUIVALENTS

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

L) TAXATION

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

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

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Defined benefit scheme

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

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

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

(ii) Defined Contribution Schemes

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

N) CURRENCY

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

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

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

O) SHARE-BASED PAYMENTS AND LONG TERM INCENTIVE PLANS

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

P) TREASURY SHARES

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

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 an impairment 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 impairment loss is treated as a revaluation decrease.

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

(ii) Impairment of financial assets

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

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

R) RESTRUCTURING AND OTHER COSTS

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

S) FINANCIAL SERVICES INCOME

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

T) COMPOUND FINANCIAL INSTRUMENTS

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

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

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

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

U) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The principal accounting policies adopted by the Group are set out on pages 70 to 79. In the application of these accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Claims provisions

Claims provisions represent the estimation of the cost of claims outstanding under insurance contracts written. Actuarial techniques, based on statistical analysis of past experience, are used to calculate the estimated cost of claims outstanding at year end. Allowance is made for any changes or uncertainties that may cause the cost of unsettled claims to increase or reduce. At each reporting date liability adequacy tests are performed to ensure the adequacy of the liabilities. Any deficiency is recognised in the Consolidated Income Statement. Further details are set out in note 28 to the Financial Statements.

Motor Insurers' Bureau of Ireland ("MIBI")

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

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.

The Directors have reviewed financial projections for the Group and are satisfied that there is sufficient evidence that there will be sufficient future taxable profits to utilise the losses forward.

Recoverability of pension asset

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

Other critical judgements and estimates applied by the Directors include:

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. Gains or losses arising from changes in the fair value are included in the Consolidated Income Statement for the period in which they arise.

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.

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 segments.

2016	Underwriting €000s	Financial services €000s	Total €000s
Revenue	388,461	8,542	397,003
Profit before taxation	9,102	2,340	11,442
Income taxation charge	(2,188)	(227)	(2,415)
Profit after taxation	6,914	2,113	9,027
Other information			
Capital additions	12,104	9	12,113
Revaluation of other assets	1,520	-	1,520
Depreciation and amortisation	10,769	26	10,795
Statement of Financial Position			
Segment assets	1,256,614	12,869	1,269,483
Segment liabilities	1,029,471	11,541	1,041,012

4 SEGMENTAL INFORMATION (CONTINUED)

(a) Operating segments (continued)

2015

	Underwriting €000s	(Restated) Financial services €000s	(Restated) Total €000s
Revenue	389,255	12,634	401,889
(Loss)/profit before taxation	(90,266)	4,361	(85,905)
Income taxation (charge)/ credit	10,925	352	11,277
(Loss)/profit after taxation	(79,341)	4,713	(74,628)
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

Included above in the current period is a net non-cash revaluation charge relating to investment property and property held for own use of €1,520,000 (2015: €3,625,000), all of which relates to the underwriting segment.

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:

	2016 €000s	(Restated) 2015 €000s
Direct insurance – motor	**171,857**	164,343
Direct insurance – fire and other damage to property	**115,637**	121,242
Direct insurance – liability	**68,662**	71,710
Direct insurance – interest and other revenue	**26,487**	25,991
Direct insurance – other	**5,818**	5,969
Financial services revenue	**8,542**	12,634
Total revenue	**397,003**	401,889

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

	2016 €000s	2016 €000s	(Restated) 2015 €000s	(Restated) 2015 €000s
Earned premiums, net of reinsurance				
Gross premium written	**361,799**		363,263	
Outward reinsurance premiums	**(50,086)**		(50,497)	
Net premium written	**311,713**		312,766	
Change in provision for unearned premium				
Gross amount	**(2,108)**		1,066	
Reinsurers' share	**(1,379)**		(678)	
Change in net provision for unearned premium	**(3,487)**		388	
Premium earned, net of reinsurance		**308,226**		313,154
Claims paid, net of recoveries from reinsurers				
Claims paid				
Gross amount	**(240,634)**		(225,541)	
Reinsurers' share	**15,962**		14,991	
Claims paid, net of recoveries from reinsurers	**(224,672)**		(210,550)	
Change in provision for claims				
Gross amount	**2,652**		(154,161)	
Reinsurers' share	**4,510**		23,451	
Change in insurance liabilities, net of reinsurance	**7,162**		(130,710)	
Claims incurred net of reinsurance		**(217,510)**		(341,260)
Motor insurers bureau of Ireland levy		**(7,747)**		(11,581)
Management expenses	**(85,742)**		(92,307)	
Deferred acquisition costs	**(2,541)**		(882)	
Gross management expenses	**(88,283)**		(93,189)	
Reinsurers share of expenses	**11,660**		12,799	
Broker commissions payable	**(3,126)**		(5,335)	
Net operating expenses		**(79,749)**		(85,725)
Underwriting result		**3,220**		(125,412)

Net claims incurred in 2016 were €217,510,000, down 36% on the net claims incurred of €341,260,000 in 2015 and one of the main contributors to the Groups return to profitability during the year. Included within claims incurred in 2015 was a €95,800,000 strengthening of prior year claims and the margin for uncertainty. Improved claims frequency and a reduction in exposure have also led to an improvement in net claims incurred. 2015 comparatives for the above note have been restated to include the Group's share of the Motor Insurers bureau of Ireland levy within the underwriting result.

4 SEGMENTAL INFORMATION (CONTINUED)

The Group's reinsurance policy dictates that all of the Group's reinsurers must have a credit rating of A- or better, or provide appropriate security. The impact of buying reinsurance was a charge to the Consolidated Income Statement of €19,332,000 (2015: credit of €66,000).

(d) Underwriting management expenses

	2016 €000s	2015 €000s
Employee benefit expense	**48,394**	59,131
Rent, rates, insurance and maintenance	**6,561**	7,165
Depreciation	**10,769**	8,268
Other	**20,018**	17,743
Total underwriting management expenses	**85,742**	92,307

(e) Financial services expenses

	2016 €000s	(Restated) 2015 €000s
Employee benefit expense	**3,938**	5,456
Rent, rates, insurance and maintenance	**658**	1,603
Depreciation	**12**	124
Other	**1,984**	1,947
Total financial services expenses	**6,592**	9,130

5 INVESTMENT INCOME

	2016 €000s	2015 €000s
Actual return		
Interest and similar income	**13,760**	12,276
Income from investment properties	**585**	410
Realised profits on investments	**(1,746)**	7,330
Dividend income	**657**	506
Revaluation of investment properties	**1,850**	3,450
Unrealised loss on financial investments	**(6,768)**	(3,712)
Total investment income	**8,338**	20,260
By Classification of investment		
Deposits with banks	**121**	2,832
Investments held for trading	**105**	2,801
Investment properties	**2,435**	13,260
Available for sale investments	**5,677**	1,367
Total investment income	**8,338**	20,260

Interest and similar income received by the Group's underwriting segment during the period was €14,223,000 (2015: €11,918,000).

6 RESTRUCTURING AND OTHER COSTS

	2016 €000s	2015 €000s
Restructuring costs	**2,794**	11,415

7 DISCONTINUED OPERATIONS

	2016 €000s	2015 €000s
Disposal of Subsidiary, including profit/(loss) to date of disposal (a)	**1,653**	393
Sale of Joint Venture, including share of profits to date of disposal (b)	**-**	668
	1,653	1,061

(a) Disposal of Subsidiary

On 23 May 2016 the Group disposed of its 70% shareholding in the Passage East Ferry Company Limited. In line with the Group's strategic objective to focus resources on its insurance underwriting business, the Passage East Ferry Company was considered a non-core asset and was therefore disposed, with the proceeds of sale being reinvested within the business.

Profit on Sale:	2016 €000s	2015 €000s
Consideration received	**2,662**	-
Less carrying value of the investment	**(583)**	-
Less share of costs associated with the sale	**(163)**	-
Profit on the sale of subsidiary	**1,916**	-
Result for the Period:		
Financial services income	**420**	1,643
Financial services expenses	**(501)**	(1,196)
(Loss)/profit before taxation	**(81)**	447
Income taxation charge	**(182)**	(54)
(Loss)/profit for the period to date of disposal/year	**(263)**	393
Result for financial year including profit on the sale	**1,653**	393
Attributable to:		
Equity holders of the parent	**1,732**	275
Non-controlling interests	**(79)**	118
Result for financial year including profit on the sale	**1,653**	393

(b) Sale of Joint Venture

On 24 August 2015, the Group announced it had entered a conditional agreement with Farmer Business Developments plc, its joint venture partner in FBD Property & Leisure Limited, for the sale of its 50% shareholding to them and the redemption of its loan notes in the business. Farmer Business Developments plc is the Group's largest shareholder. The sale was approved by shareholders on 23 October 2015.

The key benefits of the disposal were:

- the disposal enabled the Group to focus its resources on insurance underwriting, its core strategic business;
- this divestment significantly reduced the Group's exposure to fluctuations in property values; and
- the proceeds were used by the Group to subscribe for additional equity capital in the its core general insurance underwriting subsidiary, FBD Insurance plc, thereby increasing capital reserves in FBD Insurance plc and providing it an additional capital buffer prior to the introduction of the Solvency II regime from January 2016.

7 DISCONTINUED OPERATIONS (CONTINUED)

(b) Sale of Joint Venture (continued)

	2016 €000s
Consideration received	**48,500**
Less investment in Joint Venture	**(48,628)**
Less costs associated with the sale	**(665)**
Loss on the sale of the Joint Venture	**(793)**
Share of profits for the period to date of disposal	**1,461**
Result for financial year including loss on the sale	**668**

8 PROFIT/(LOSS) BEFORE TAXATION

	2016 €000s	2015 €000s
Profit/(Loss) before taxation has been stated after charging:		
Depreciation	**10,795**	8,392

The remuneration of the Directors is set out in detail in the Report on Directors' Remuneration on pages 39 to 47.

9 INFORMATION RELATING TO AUDITOR'S REMUNERATION

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

	2016		2015	
	Company €000s	Group €000s	Company €000s	Group €000s
Description of service				
Audit of individual accounts	**60**	**320**	93	211
Other assurance services	**-**	**100**	118	75
Taxation advisory services	**-**	**-**	82	166
Other non-audit services	**-**	**-**	40	40
Auditors remuneration	**60**	**420**	333	492

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

10 STAFF COSTS AND NUMBERS

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

	2016	2015
Underwriting	**859**	967
Financial services	**38**	56
Total	**897**	1,023

	2016 €000s	2015 €000s
The aggregate employee benefit expense was as follows:		
Wages and salaries	**42,536**	52,262
Social welfare costs	**4,855**	5,514
Pension costs	**4,453**	7,014
Share based payments	**488**	(203)
Total employee benefit expense	**52,332**	64,587

11 INCOME TAXATION CHARGE

	2016 €000s	(Restated) 2015 €000s
Irish corporation taxation	**(10)**	328
Adjustments in respect of prior financial years	**(910)**	(185)
Current taxation charge	**(920)**	143
Deferred taxation (debit)/credit	**(1,495)**	11,134
Income taxation (charge)/credit	**(2,415)**	11,277

11 INCOME TAXATION CHARGE (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:

	2016 €000s	(Restated) 2015 €000s
Profit/(loss) before taxation	**11,442**	(85,905)
Corporation taxation charge at standard rate of 12.5% (2015: 12.5%)	**1,430**	(10,738)
Effects of:		
Differences between capital allowances for period and depreciation	**-**	(152)
Non-taxable income/unrealised gains/losses not		
chargeable/deductible for taxation purposes	**65**	(657)
Higher rates of taxation on other income	**10**	85
Adjustments in respect of prior years	**910**	185
Income taxation charge/(credit)	**2,415**	(11,277)
Taxation as a percentage of profit/(loss) before taxation	**21.1%**	13.1%

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

	2016 €000s	2015 €000s
Deferred taxation		
Actuarial loss/(gain) on retirement benefit obligations	**1,529**	(1,989)
(Gain)/loss on available for sale investments	**(1,296)**	698
Total income taxation recognised directly in the Consolidated Statement of Comprehensive Income	**(1,246)**	(1,291)

12 LOSS FOR THE YEAR

The Company's loss for the financial year determined in accordance with IFRS, as adopted by the European Union, is €1,725,000 (2015: profit of €1,824,000 (restated)).

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

13 EARNINGS/(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:

	2016 €000s	Restated 2015 €000s
Earnings		
Profit/(loss) for the year	**10,680**	(73,567)
Non-controlling interests loss/(profit)	**79**	(118)
Preference dividends	**-**	(169)
Profit/loss for the purpose of basic and diluted earnings per share	**10,759**	(73,854)
Adjustments to exclude profit for the year from discontinued operations	**(1,653)**	(1,061)
Profit/(loss) from continued operations for the purpose of basic and diluted earnings per share excluding discontinued operations	**9,106**	(74,915)

Number of shares	**2016**	**2015**
Weighted average number of ordinary shares for the purpose of basic earnings per share (excludes treasury shares)	**34,654,611**	34,648,122
Weighted average number of ordinary shares for the purpose of diluted earnings per share (excludes treasury shares)	**34,782,247**	34,648,122

From continuing operations	**Cent**	**Cent**
Basic earnings/(loss) per share	**26**	(216)
Diluted earnings/(loss) per share	**26**	(216)

From discontinued operations	**Cent**	**Cent**
Basic earnings per share	**5**	3
Diluted earnings per share	**5**	3

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 2015	20,975	127,165	148,140
Additions	100	18,109	18,209
At 1 January 2016	21,075	145,274	166,349
Additions	**-**	**12,113**	**12,113**
Disposals	**(80)**	**(1,863)**	**(1,943)**
Disposal of subsidiary	**-**	**(1,732)**	**(1,732)**
At 31 December 2016	**20,995**	**153,792**	**174,787**
Comprising:			
At cost	**-**	**153,792**	**153,792**
At valuation	**20,995**	**-**	**20,995**
At 31 December 2016	**20,995**	**153,792**	**174,787**

	Property held for own use €000s	Plant and equipment €000s	Total property plant and equipment €000s
Accumulated depreciation and revaluation			
At 1 January 2015	4,900	80,615	85,515
Depreciation charge for the year	-	8,392	8,392
Revaluations	(175)	-	(175)
At 1 January 2016	**4,725**	**89,007**	**93,732**
Depreciation charge for the year	**-**	**10,795**	**10,795**
Elimination on disposal	**-**	**(1,861)**	**(1,861)**
Revaluations	**330**	**-**	**330**
Disposal of subsidiary	**-**	**(1,203)**	**(1,203)**
At 31 December 2016	**5,055**	**96,738**	**101,793**
Carrying amount At 31 December 2016	**15,940**	**57,054**	**72,994**
At 31 December 2015	16,350	56,267	72,617

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property held for own use

Property held for own use at 31 December 2016 and 2015 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 based on appropriate local evidence. The valuer states that they have not viewed any tenancy agreements and have assumed for the purposes of valuation that the properties (with the exception of FBD House, Naas Road, Dublin 12) are subject to vacant possession.

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

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

	2016 **€000s**	**2015** **€000s**
Property held for own use	**14,886**	14,966

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

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

15 INVESTMENT PROPERTY

	2016 €000s	2015 €000s
Fair value of investment property		
At 1 January	**14,550**	19,959
Fair value movement during the year	**1,850**	3,450
Sale of investment property	**-**	(9,344)
Effect of movement in foreign exchange	**-**	485
At 31 December	**16,400**	14,550

The investment property held for rental in Ireland was valued at fair value at 31 December 2016 and at 31 December 2015 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 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 2016 of €1,850,000 (2015: €3,450,000).

15 INVESTMENT PROPERTY (CONTINUED)

The rental income earned by the Group from its investment properties amounted to €815,000 (2015: €1,419,000). Direct operating costs associated with investment properties amounted to €240,000 (2015: €1,009,000).

The historical cost of investment property is as follows:

	2016 €000s	2015 €000s
Historical cost at 1 January	**20,080**	22,266
Disposals	**-**	(2,186)
Historical cost at 31 December	**20,080**	20,080

Non-cancellable operating lease receivables	2016 €000s	2015 €000s
Not longer than 1 year	**797**	797
Longer than 1 year and not longer than 5 years	**4,107**	4,904
Total non-cancellable operating lease receivables	**4,904**	5,701

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

16 LOANS

	2016 €000s	2015 €000s
Other loans	**732**	832
Total loans	**732**	832

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 2015	6,782	(2,539)	1,329	-	-	5,572
Credited to the Consolidated Statement of Comprehensive Income	-	698	-	-	-	698
(Debited)/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
Debited to the Consolidated Statement of Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**-**
Debited to Consolidated Income Statement	**-**	**(1,743)**	**23**	**1,830**	**(2,061)**	**(1,951)**
Reclassified to deferred taxation liability	**-**	**1,046**	**-**	**-**	**-**	**1,046**
At 31 December 2016	**-**	**-**	**1,214**	**(2,745)**	**13,780**	**12,234**

A deferred taxation asset of €13,780,000 (2015: €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 Instruments

	2016 €000s	2015 €000s
Financial Assets		
At Amortised Cost:		
Deposits with banks	**236,897**	371,333
At fair value:		
Loans	**732**	832
Other receivables	**62,770**	59,506
Investments held for trading	**90,302**	94,375
Available for sale investments	**629,498**	489,837
At Cost:		
Cash and cash equivalents	**26,561**	22,244
Financial Liabilities		
At Amortised Cost:		
Convertible debt (note 30)	**51,136**	50,036
At Fair Value:		
Payables	**49,100**	54,054

18 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

(b) Fair value measurement

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

	2016 Fair value €000s	2016 Carrying value €000s
Assets		
Loans	**878**	**732**
Investment property	**16,400**	**16,400**
Property held for own use	**15,940**	**15,940**
Financial Assets		
Investments held for trading	**90,302**	**90,302**
Available for sale investments	**629,498**	**629,498**
Deposits with banks	**236,897**	**236,897**
Cash & cash equivalents	**26,561**	**26,561**
Liabilities		
Convertible debt	**54,880**	**51,136**

	2015 Fair value €000s	2015 Carrying value €000s
Assets		
Loans	998	832
Investment property	14,550	14,550
Property held for own use	16,350	16,350
Financial Assets		
Investments held for trading	94,375	94,375
Available for sale investments	489,837	489,837
Deposits with banks	371,333	371,333
Cash & cash equivalents	22,244	22,244
Liabilities		
Convertible debt	50,036	50,036

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

18 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

Certain financial instruments are measured in the statement of financial position at fair value using a fair value hierarchy of valuation inputs. The following table provides an analysis of 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 derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

2016	**Level 1 €000s**	**Level 2 €000s**	**Level 3 €000s**	**Total €000s**
Assets				
Loans	-	878	-	**878**
Investment property	-	16,400	-	**16,400**
Property held for own use	-	15,940	-	**15,940**
Financial assets				
Investments held for trading - quoted shares	24,188	-	-	**24,188**
Investments held for trading - quoted debt securities	41,956	-	-	**41,956**
Investments held for trading - UCITs	24,158	-	-	**24,158**
AFS investments - quoted debt securities	628,654	-	-	**628,654**
AFS investments - unquoted investments	-	-	844	**844**
Deposits with banks	236,897	-	-	**236,897**
Cash and cash equivalents	26,561	-	-	**26,561**
Total assets	**982,414**	**33,668**	**844**	**1,016,926**
Liabilities				
Convertible debt	-	51,136	-	**51,136**
Total liabilities	**-**	**51,136**	**-**	**51,136**

18 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

2015	Level 1 €000s	Level 2 €000s	Level 3 €000s	Total €000s
Assets				
Loans	-	998	-	998
Investment property	-	14,550	-	14,550
Property held for own use	-	16,350	-	16,350
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	31,898	844	1,009,687
Liabilities				
Convertible debt	-	50,036	-	50,036
Total liabilities	-	50,036	-	50,036

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

	2016 €000s	2015 €000s
At 1 January	**844**	948
Additions	**-**	-
Disposals	**-**	(103)
Unrealised (losses)/gains recognised in the Consolidated Income Statement	**-**	(1)
At 31 December	**844**	844

Available for sale investments grouped into Level 3 comprise unquoted securities and consist of a number of small investments. The values attributable to these investments are derived from a number of valuation techniques including the net present value of future cash flows based on 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 (2015: €844,000). The Directors' do not consider it necessary to provide a sensitivity analysis on financial investments grouped into Level 3 as they do not consider them material.

19 CURRENT TAXATION ASSET

	2016 €000s	2015 €000s
Income taxation receivable	**4,162**	8,813

20 DEFERRED ACQUISITION COSTS

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

	2016 €000s	2015 €000s
At 1 January	**27,545**	28,427
Net acquisition costs released during the year	**(2,541)**	(882)
At 31 December	**25,004**	27,545

All deferred acquisition costs are expected to be recovered within one year from 31 December 2016.

21 OTHER RECEIVABLES

	2016 €000s	2015 €000s
Policyholders	**42,283**	40,154
Intermediaries	**4,093**	3,447
Other debtors	**8,570**	7,630
Accrued interest and rent	**379**	1,650
Prepayments and accrued income	**7,445**	6,625
Total other receivables	**62,770**	59,506

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

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

22 CASH AND CASH EQUIVALENTS

	2016 €000s	2015 €000s
Demand deposits*	**24,938**	21,034
Cash in hand	**1,623**	1,210
Total cash and cash equivalents	**26,561**	22,244

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

23 CALLED UP SHARE CAPITAL PRESENTED AS EQUITY

	Number	2016 €000s	2015 €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 (2015: 813,084). 18,079 ordinary shares were re-issued from treasury during the year under the FBD Performance Share Plan. The number of ordinary shares of €0.60 each held as treasury shares at the end of the year was 795,005 (2015: 813,084). This represented 2.2% (2015: 2.3%) of the shares of this class in issue and had a nominal value of €477,003 (2015: €498,055). There were no ordinary shares of €0.60 each purchased by the Company during the year.

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

All issued shares have been fully paid.

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 2015	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
Recognition of share-based payments	**-**	**-**	**-**	**488**	**488**
Balance at 31 December 2016	**5,540**	**1,627**	**4,426**	**7,448**	**19,041**

(b) COMPANY

	Share premium €000s	Capital conversion reserve €000s	Capital redemption reserve €000s	Share option reserve €000s	Total Company €000s
Balance at 1 January 2015	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
Recognition of share-based payments	**-**	**-**	**-**	**488**	**488**
Balance at 31 December 2016	**5,540**	**1,627**	**4,426**	**7,448**	**19,041**

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

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

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

25 RETAINED EARNINGS

	€000s
Balance at 1 January 2015	230,444
Net loss for the financial year	(60,824)
Dividends paid and approved	(11,950)
Balance at 31 December 2015	157,670
Net profit for the financial year	**9,130**
Reissue of ordinary shares	**66**
Balance at 31 December 2016	**166,866**

26 PREFERENCE SHARE CAPITAL

	Number	2016 €000s	2015 €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

	2016 €000s	2015 €000s
At 1 January	**451**	483
Share of result for the financial year	**(79)**	118
Dividends paid to non-controlling interests	**(120)**	(150)
Disposal of subsidiary undertaking	**(252)**	-
At 31 December	**-**	451

On 23 May 2016 the Group disposed of its 70% shareholding in the Passage East Ferry Company Limited. In line with the Group's strategic objective to focus resources on its insurance underwriting business, the Passage East Ferry Company was considered a non-core asset and was therefore disposed, with the proceeds of sale being reinvested within the business (see note 7).

28 CLAIMS OUTSTANDING

(a) Gross Claims Outstanding 2016

	Prior years €000s	2007 €000s	2008 €000s	2009 €000s	2010 €000s	2011 €000s	2012 €000s	2013 €000s	2014 €000s	2015 €000s	2016 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year	-	320,499	361,150	358,406	332,367	243,158	232,311	245,007	307,517	302,581	253,962	**-**
One year later	-	300,091	354,154	325,757	316,414	216,308	215,445	236,839	342,422	304,108	-	**-**
Two years later	-	293,535	356,526	324,549	314,526	225,300	224,720	266,183	344,123	-	-	**-**
Three years later	-	290,424	355,945	326,530	310,583	230,001	235,966	260,580	-	-	-	**-**
Four years later	-	289,201	354,876	318,012	308,360	234,204	233,434	-	-	-	-	**-**
Five years later	-	285,497	348,560	317,471	306,442	227,755	-	-	-	-	-	**-**
Six years later	-	281,348	346,620	318,133	305,963	-	-	-	-	-	-	**-**
Seven years later	-	279,962	346,164	316,528	-	-	-	-	-	-	-	**-**
Eight years later	-	279,495	344,519	-	-	-	-	-	-	-	-	**-**
Nine years later	-	279,056	-	-	-	-	-	-	-	-	-	**-**
Estimate of cumulative claims	-	279,056	344,519	316,528	305,963	227,755	233,434	260,580	344,123	304,108	253,962	**-**
Cumulative payments	-	(274,803)	(336,956)	(305,756)	(284,149)	(203,487)	(180,205)	(166,368)	(196,400)	(123,713)	(64,823)	**-**
Claims outstanding at 31 December 2016:	12,122	4,253	7,563	10,772	21,814	24,268	53,229	94,212	147,723	180,395	189,139	**745,490**
Restated claims outstanding at 31 December 2015:	16,630	7,411	13,208	18,706	29,082	50,364	77,814	124,022	180,171	230,736	-	**748,144**
Movement during year:	(4,508)	(3,158)	(5,645)	(7,934)	(7,268)	(26,096)	(24,585)	(29,810)	(32,448)	(50,341)	189,139	**(2,654)**

28 CLAIMS OUTSTANDING (CONTINUED)

(b) Net Claims Outstanding 2016

	Prior years €000s	2007 €000s	2008 €000s	2009 €000s	2010 €000s	2011 €000s	2012 €000s	2013 €000s	2014 €000s	2015 €000s	2016 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year	-	287,308	315,394	288,061	262,562	214,923	214,793	228,819	256,663	270,279	228,107	-
One year later	-	264,960	299,784	269,324	247,735	192,904	201,171	217,098	292,223	274,000	-	-
Two years later	-	262,261	301,447	269,696	248,931	201,181	210,422	243,373	295,223	-	-	-
Three years later	-	260,120	301,681	270,073	245,617	205,434	221,438	237,733	-	-	-	-
Four years later	-	258,403	301,109	263,303	243,668	209,533	218,979	-	-	-	-	-
Five years later	-	254,308	295,142	262,402	241,134	205,131	-	-	-	-	-	-
Six years later	-	250,736	293,249	261,737	239,086	-	-	-	-	-	-	-
Seven years later	-	249,458	291,606	260,597	-	-	-	-	-	-	-	-
Eight years later	-	249,106	290,833	-	-	-	-	-	-	-	-	-
Nine years later	-	248,631	-	-	-	-	-	-	-	-	-	-
Estimate of cumulative claims	-	248,631	290,833	260,597	239,086	205,131	218,979	237,733	295,223	274,000	228,107	-
Cumulative payments	-	(244,491)	(283,933)	(251,648)	(220,158)	(181,190)	(166,027)	(155,833)	(158,942)	(111,774)	(57,330)	-
Claims outstanding at 31 December 2016:	9,236	4,140	6,900	8,949	18,928	23,941	52,952	81,900	136,281	162,226	170,777	**676,230**
Claims outstanding at 31 December 2015	13,623	7,305	11,634	16,011	27,600	46,916	77,072	111,413	166,647	205,172	-	**683,393**
Movement during year:	(4,387)	(3,165)	(4,734)	(7,062)	(8,672)	(22,975)	(24,120)	(29,513)	(30,366)	(42,946)	170,777	**(7,163)**

28 CLAIMS OUTSTANDING (CONTINUED)

(b) Net Claims Outstanding 2016 (continued)

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

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

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

(c) Reconciliation of claims outstanding

	Gross €000s	Net €000s
Balance at 1 January 2015 – restated	593,983	552,683
Change in provision for claims	**154,161**	**130,710**
Balance at 31 December 2015	748,144	683,393
Change in provision for claims	**(2,654)**	**(7,163)**
Balance at 31 December 2016	**745,490**	**676,230**

(d) Reconciliation of provision for unearned premium

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

	2016 €000s	2015 €000s
Balance at 1 January	**178,584**	179,650
Net premium written	**311,713**	312,766
Net premium earned	**(308,226)**	(313,154)
Changes in provision for unearned premium – reinsurers' share	**(1,379)**	(678)
Provision for unearned premium at 31 December	**180,692**	178,584

28 CLAIMS OUTSTANDING (CONTINUED)

(e) Reconciliation of reinsurance assets

	Claims outstanding €000s	Unearned premium reserve €000s
Balance at 1 January 2015	41,300	16,011
Movement during year	23,451	(678)
Balance at 31 December 2015	64,751	15,332
Movement during year	**4,509**	**(1,378)**
Balance at 31 December 2016	**69,260**	**13,954**

29 OTHER PROVISIONS

	2016 €000s	2015 €000s
Balance at 1 January	**10,938**	7,920
Provision for MIBI levy	**7,747**	11,581
Levy paid	**(7,438)**	(8,563)
Balance at 31 December	**11,247**	10,938

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.

	2016 €000s	2015 €000s
Balance at 1 January	**50,036**	-
Proceeds from issue of convertible notes (net of costs)	**-**	68,232
Amount classified as equity	**-**	(18,232)
Amortised during the year	**1,100**	36
Balance at 31 December	**51,136**	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 convertible notes. The convertible notes carry an interest rate of 7% and are convertible into equity of FBD Holdings plc at a conversion price of €8.50 per share. They are convertible at any time between 23 September 2018 and 23 September 2025 at the option of the holder. A mandatory conversion of the notes occurs if the 30 day volume weighted average price of FBD holdings plc exceeds €8.50 for 180 days after 23 September 2018. On conversion, 8,235,294 new shares will be issued to the holder.

30 CONVERTIBLE DEBT (CONTINUED)

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 at 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 Convertible Bond totalling €6,156,000 (2015: €1,357,000) were incurred during the financial year. On initial recognition, €18,232,000 was recognised in equity and included in other reserves.

31 RETIREMENT BENEFIT ASSET

Defined Contribution Pension

The Group operates defined contribution retirement benefit plans for qualifying employees who opt to join. The assets of the plans are held separately from those of the Group in funds under the control of Trustees. The Group recognised an expense of €4,132,626 (2015: €1,600,711) relating to these pension schemes during the year ended 31 December 2016.

Defined Benefit Pension

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

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

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

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

Under the defined benefit pension scheme, 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 pension scheme was carried out on 1 July 2013, using the projected unit credit method, and the minimum funding standard was updated to 31 December 2016 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 completed by 31 March 2017 (once the enhanced transfer value exercise is complete) 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 (CONTINUED)

(a) Assumptions used to calculate scheme liabilities

	2016 %	2015 %
Inflation rate increase	**1.70***	1.50*
Salary rate increase	**N/A****	N/A**
Pension payment increase	**0.00**	0.00
Discount rate	**1.70**	2.40

* Inflation assumed to be 0% p.a. for the next 2 years from 2015 and 1.70% 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

	2016 Years	2015 Years
The average life expectancy of current and future retirees used in the scheme at age 65 is as follows:		
Male	**21.2**	21.0
Female	**23.7**	23.6

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

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

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 2013, .75% for 2014 and .15% for 2015. The levy was payable on the value of assets at 30 June or the previous year end date. The levy for 2016 was €nil (2015: €210,048).

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 €5,156,000 (2015: €6,275,000).

(c) Consolidated Income Statement

	2016 €000s	2015 €000s
(Credited)/charged to Consolidated Income Statement:		
Service cost: employer's part of current service cost	**493**	4,220
Past service gains	**-**	(11,010)
Gain on curtailments and settlement	**(7,571)**	(18,430)
Net interest (credit)/expense	**(173)**	870
Costs associated with curtailment	**357**	1,100
Credited to Consolidated Income Statement	**(6,894)**	(23,250)

Charges to the Consolidated Income Statement have been included in other underwriting and financial services expenses while the credit of €7,214,000 (2015: €28,340,000) the curtailment has been reflected separately.

31 RETIREMENT BENEFIT ASSET (CONTINUED)

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

	2016 €000s	2015 €000s
Net actuarial losses/(gains) in the year due to:		
- Changes in financial and demographic assumptions	**14,394**	(13,060)
- Experience adjustments on benefit obligations	**266**	401
Actual return on plan assets less interest on plan assets	**(2,427)**	(3,255)
Actuarial loss/(gain)	**12,233**	(15,914)
Deferred taxation (credit)/debit	**(1,529)**	1,989
Actuarial loss/(gain) net of deferred taxation	**10,704**	(13,925)

(e) History of experience gains and losses

	2016 €000s	2015 €000s	2014 €000s	2013 €000s	2012 €000s
Present value of defined benefit obligations	**90,887**	106,490	195,669	158,769	149,520
Fair value of plan assets	**99,602**	115,600	141,415	130,231	118,754
Net pension (asset)/liability	**(8,715)**	(9,110)	54,254	28,538	30,766
Experience gains and losses on scheme liabilities	**(266)**	(401)	1,786	3,406	1,660
Actuarial (loss)/gain	**(12,233)**	15,914	(25,058)	2,851	(9,345)

The cumulative charge to the Consolidated Statement of Comprehensive Income is € 77,614,000 (2015: €84,508,000).

(f) Assets in scheme at market value

	2016 €000s	2015 €000s
Bonds	**71,508**	76,730
Property	**8,334**	7,530
Managed funds	**19,139**	27,190
Cash deposits and other	**621**	4,150
Scheme assets	**99,602**	115,600
Actuarial value of liabilities	**(90,887)**	(106,490)
Net pension asset	**8,715**	9,110

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

31 RETIREMENT BENEFIT ASSET (CONTINUED)

(g) Movement in net surplus/(deficit) during the year

	2016 €000s	2015 €000s
Net surplus/(deficit) in scheme at 1 January	**9,110**	(54,254)
Current service cost	**(493)**	(4,220)
Past service gain	**-**	11,010
Employer contributions	**4,577**	23,100
Interest on scheme liabilities	**(2,546)**	(3,890)
Interest on scheme assets	**2,729**	3,020
Gains on curtailments and settlement	**7,571**	18,430
Actuarial (loss)/gain	**(12,233)**	15,914
Net surplus at 31 December	**8,715**	9,110

(h) Movement on assets and liabilities

	2016 €000s	2015 €000s
Assets		
Assets in scheme at 1 January	**115,600**	141,415
Actual return less interest on scheme assets	**2,427**	3,255
Employer contributions	**4,577**	23,100
Employee contributions	**-**	40
Interest on scheme assets	**2,729**	3,020
Assets paid as part of ETV exercise	**(20,807)**	(50,780)
Benefits paid	**(4,924)**	(4,450)
Assets in scheme at 31 December	**99,602**	115,600
Liabilities		
Liabilities in scheme at 1 January	**106,490**	195,669
Experience gains and losses on scheme liabilities	**266**	401
Changes in financial and demographic assumptions	**14,394**	(13,060)
Current service cost	**493**	4,220
Past service gain	**-**	(11,010)
Employee contributions	**-**	40
Interest on scheme liabilities	**2,546**	3,890
Liabilities extinguished as part of ETV exercise	**(27,847)**	(54,330)
Gain on curtailments	**(531)**	(14,880)
Benefits paid	**(4,924)**	(4,450)
Liabilities in scheme at 31 December	**90,887**	106,490

31 RETIREMENT BENEFIT ASSET (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 €13.0 million. A 1% reduction in the discount rate would increase the value of the scheme liabilities by €16.9 million.
- A 1% increase in inflation would increase the value of the scheme liabilities by €4.7 million. A 1% reduction in inflation would reduce the value of the scheme liabilities by €4.0 million.
- The effect of assuming all members of the scheme will live one year longer would increase the scheme's liabilities by €3.3 million.
- The current best estimate of 2016 contributions to be made by the Group to the pension fund is €nil (2015: €1,240,000).

32 DEFERRED TAXATION LIABILITY

	Retirement benefit asset €000s	Unrealised losses on investments & loans €000s	Insurance Contracts €000s	Revaluation surplus on investment properties €000s	Other timing differences €000s	Total €000s
At 1 January 2015	-	-	4,575	-	691	5,266
Debited to the Consolidated Statement of Comprehensive Income	1,989	-	-	-	-	1,989
Debited to the Consolidated Income Statement	5,932	-	-	1,155	5	7,092
Reclassified from/to deferred taxation asset	(6,782)	-	(4,575)	-	-	(11,357)
At 31 December 2015	1,139	-	-	1,155	696	2,990
Credited to the Consolidated Statement of Comprehensive Income	**(1,529)**	**-**	**-**	**1,296**	**-**	**(233)**
Debited/(credited) to the Consolidated Income Statement	**1,479**	**-**	**-**	**(1,239)**	**(696)**	**(456)**
Reclassified from deferred taxation asset	**-**	**1,046**	**-**	**-**	**-**	**1,046**
At 31 December 2016	**1,089**	**1,046**	**-**	**1,212**	**-**	**3,347**

A deferred taxation liability of €1,089,375 has been recognised in 2016 in respect of the retirement benefit obligation of €8,715,000. In 2015 a deferred taxation liability of €1,138,750 was recognised on the retirement benefit asset of €9,110,000.

33 PAYABLES

(a) GROUP

	2016 €000s	2015 €000s
Amounts falling due within one year:		
Payables and accruals	**27,014**	27,751
Employer contributions as part of ETV exercise	**4,577**	-
Restructuring accrual	**1,011**	8,180
PAYE/PRSI	**1,511**	1,375
Proposed dividends on preference shares	**-**	169
Payables arising out of direct insurance operations	**14,987**	16,579
Total payables	**49,100**	54,054

(b) COMPANY

	2016 €000s	2015 €000s
Amounts falling due within one year:		
Payables and accruals	**4,759**	5,489
Employer contributions as part of ETV exercise	**1,564**	-
Proposed dividends on preference shares	**-**	169
Total payables	**6,323**	5,658

34 DIVIDENDS

	2016 €000s	2015 €000s
Paid during year:		
2015 final dividend of nil cent (2014 final dividend: 34 cent) per share on ordinary shares of €0.60 each	**-**	11,781
2015 dividend of nil cent (2014 preference dividend : 4.8 cent) per share on 8% non-cumulative preference shares of €0.60 each	**-**	169
Total dividends paid	**-**	11,950

No dividends were paid or proposed in respect of the current or preceding financial years.

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 66, €4.1 million of the increase in the investment in subsidiaries relates to an additional investment in the Group's financial services subsidiary, FBD Life & Pensions Ltd.

36 CAPITAL COMMITMENTS

	2016 €000s	2015 €000s
Capital commitments at 31 December authorised by the Directors but not provided for in the Financial Statements:		
Contracted for	-	8,083
Not contracted for	-	-

37 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets at either 31 December 2016 or 31 December 2015.

38 SHARE BASED PAYMENTS

FBD Group Performance Share Plan

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

Fair value calculations

Conditional awards were made in March 2013 over 140,940 ordinary shares, in April 2014 over 108,631 ordinary shares, in March 2015 over 167,706 shares, in October 2015 over 54,545 shares and in March 2016 over 296,669 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 March 2013	LTIP award April 2014	LTIP award March 2015	LTIP award October 2015	LTIP award March 2015
Share price at grant	€12.70	€17.00	€10.80	€6.65	€6.55
Initial option/award price	€12.70	€17.00	€10.80	€6.65	€6.55
Expected volatility	30%	25%	30%	35%	35%
Expected life in years	3	3	3	3	3
Risk free interest rate	0.5%	0.3%	0.0%	0.0%	0.0%
Expected dividend yield %	n/a	n/a	n/a	n/a	n/a
Fair value	€11.54	€14.25	€8.49	€5.39	€5.25

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

Accounting charge for share based payments

Grant date	Vesting period (years)	Number of share awards granted	Number vested during year	Number outstanding at 31 December 2016	% of options expected to vest %	Share price at grant date €	Fair value of share award at grant date €	2016 €000s	2015 €000s
04.03.2013 LTIP	3.00	140,940	18,079	-	28%	12.70	11.54	**(80)**	(215)
14.04.2014 LTIP	3.00	108,631	-	62,430	0%	17.00	14.25	**18**	(115)
02.03.2015 LTIP	3.00	167,706	-	93,805	0%	10.80	8.49	**66**	107
09.10.2015 LTIP	3.00	54,545	-	54,545	100%	6.65	5.39	**92**	20
23.03.2016 LTIP	3.00	296,669	-	267,234	100%	6.55	5.25	**392**	-
Total								**488**	(203)

Given the performance of the Company over the vesting period, the Directors estimate that 0% of the 2014 award will vest. 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 in these years have been charged to the consolidated income statement for the years ended 31 December 2015 and 31 December 2016.

39 TRANSACTIONS WITH RELATED PARTIES

Farmer Business Developments plc has a substantial shareholding in the Group at 31 December 2016. Details of their shareholding and related party transactions are set out in the Annual Report.

Included in the Financial Statements at the year-end is € Nil (2015: €nil) due from Farmer Business Developments plc. There were no transactions with Farmers Business Developments plc during the year. During 2015, the transactions with Farmers Business Developments plc consisted of recharges for services provided and recoverable costs. Any amount due is repayable on demand.

Transactions with Farmer Business Developments plc	2016 €000s	2015 €000s
Opening balance	-	67
Management charges	-	75
Payments by related party	-	(142)
Closing balance	-	-

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

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

	2016 €000s	2015 €000s
Short term employee benefits[1]	**3,005**	2,594
Post-employment benefits	**222**	249
Share based payments	**183**	552
Charge to the Consolidated Income Statement	**3,410**	3,395

[1] Short term benefits include fees to non-executive Directors, salaries and other short-term benefits to Key Management Personnel.

Full disclosure in relation to the 2016 and 2015 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 €Nil (2015: €56,280).

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 roles 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
- 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. Risk 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

We regularly monitor our risk exposures against risk appetite, risk indicators, risk tolerances and limits and monitor 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.

40 RISK MANAGEMENT (CONTINUED)

People

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

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 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.

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 the FBD Insurance's 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.

40 RISK MANAGEMENT (CONTINUED)

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 condition of the Group.

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

Reinsurance

The Group purchases reinsurance protection to limit its exposure to single claims and the aggregation of claims from catastrophic events. The Group's reinsurance is approved by the Board of Directors on an annual basis. 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 26. 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 principal subsidiary, FBD Insurance plc, must maintain an adequate regulatory solvency position and must satisfy the Central Bank of Ireland that it has done so. The capital position of FBD Insurance plc is reviewed frequently by its Board of Directors. To provide protection against material events or shocks, the Group ensures that its insurance subsidiary holds sufficient capital to maintain regulatory surpluses.

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. Following the commencement of the Solvency II capital regime on 1 January 2016, FBD Insurance plc maintained its Solvency Capital Requirement (SCR) coverage within its target range of 110% to 130% throughout the year.

The Solvency II directive introduced a requirement for undertakings to conduct an Own Risk and Solvency Assessment "ORSA". The ORSA 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.

40 RISK MANAGEMENT (CONTINUED)

FBD Insurance plc has an investment committee, a pricing committee, a capital management forum, 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 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.

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

In addition, the Group has taken significant steps to minimise the impact of business interruption that could result from a major external event. A formal disaster recovery plan is in place for both workspace recovery and retrieval of communications, IT systems and data. If a major event occurs, these procedures will enable the Group to move the affected operations to alternative facilities within very short periods of time. The disaster recovery plan is tested regularly and includes disaster simulation tests. 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.

40 RISK MANAGEMENT (CONTINUED)

(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 – 2016	Carrying value total €000s	Contracted Value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Financial assets	**907,506**	**935,105**	**330,489**	**434,751**	**169,865**
Reinsurance assets	**83,214**	**83,214**	**29,926**	**41,866**	**11,422**
Loans and receivables	**63,502**	**63,502**	**63,502**	**-**	**-**
Cash and cash equivalents	**26,651**	**26,651**	**26,651**	**-**	**-**
Total	**1,080,873**	**1,108,472**	**450,568**	**476,617**	**181,287**
Liabilities – 2016					
Insurance contract liabilities	**926,182**	**926,182**	**286,362**	**518,396**	**121,424**
Payables	**49,100**	**49,100**	**49,100**	**-**	**-**
Other provision	**11,247**	**11,247**	**11,247**	**-**	**-**
Convertible debt*	**51,136**	**114,100**	**4,900**	**19,600**	**89,600**
Total	**1,037,665**	**1,100,629**	**351,609**	**537,996**	**211,024**

*See note 30

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)

(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 rules, 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.

Interest rate & spread risk

Interest rate & spread 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 2016, the Group held the following deposits and quoted debt securities:

	2016		2015	
	Market value €000s	Weighted average interest rate %	Market value €000s	Weighted average interest rate %
Time to maturity				
In one year or less	**333,923**	**1.52**	394,495	0.77
In more than one year, but not more than two years	**61,995**	**1.18**	117,167	4.93
In more than two years, but not more than three years	**102,063**	**1.12**	61,469	1.75
In more than three years, but not more than four years	**150,728**	**2.51**	78,958	1.47
In more than four years, but not more than five years	**87,259**	**1.42**	92,897	1.84
More than five years	**171,539**	**1.38**	159,422	2.17
Total	**907,507**		904,408	

Equity price risk

The Group is subject to equity price risk due to daily changes in the market values of its holdings of quoted shares. Equity price risk is actively managed using the framework set out in the Group's investment policy which is approved annually by the Board of Directors. The Group places limits on the type of shares held, liquidity of shares, size of share-holding and exposure to any one sector. The amounts exposed to equity price risk are set out in note 18(a) (ii).

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 is monitored regularly. The Group is primarily exposed to Sterling and US dollars.

40 RISK MANAGEMENT (CONTINUED)

The Group did not hold any derivative instruments at 31 December 2016 or 31 December 2015.

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

	2016 €000s	2015 €000s
GBP	**4,792**	5,771
USD	**3,547**	4,500
Other	**1,419**	1,580

(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. The Group holds the following listed Government bonds and listed corporate bonds, with the following credit profile:

	2016		2015	
	Market value €000s	Weighted Average Duration	Market value €000s	Weighted Average Duration
Government bonds				
AAA	**10,132**	**1.7**	-	-
AA	**10,236**	**1.4**	-	-
A	**101,133**	**1.5**	101,279	2.5
BB+	**55,791**	**3.5**	-	-
Total	**177,292**	**2.1**	101,279	2.5
Corporate Bonds				
AAA	**2,414**	**3.4**	2,433	4.3
AA+	**-**	**-**	1,007	7.6
AA	**7,895**	**3.8**	14,778	3.2
AA-	**55,648**	**2.6**	58,718	2.3
A+	**55,927**	**3.2**	51,924	2.9
A	**83,500**	**2.9**	104,058	3.3
A-	**96,051**	**3.6**	69,365	3.5
BBB+	**116,511**	**3.6**	85,852	4.0
BBB	**58,545**	**3.4**	32,175	4.5
BBB-	**16,827**	**3.9**	11,485	3.2
Total	**493,318**	**3.3**	431,795	3.4

All of the Group's current reinsurers either have a credit rating of A- or better. The Group has assessed these credit ratings and security as being satisfactory in diminishing the Group's exposure to the credit risk of its reinsurance receivables. At 31 December 2016, the maximum balance owed to the Group by an individual reinsurer, including reinsurers' share of insurance contract liabilities not yet called, was €6,755,000.

40 RISK MANAGEMENT (CONTINUED)

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-. The average duration of the fund is 3.3 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.
- While all of the Group's underwriting business is conducted in Ireland, with a significant focus on the agri sector, it is spread over a wide geographical area with no concentration in any one county or region. The resultant concentration risk from adverse weather events, i.e. floods, storms or freezes in Ireland, are mitigated by a flood mapping solution and an appropriate reinsurance strategy.

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

(h) Macro-economic risk

Economic downturn

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

Increasing competition

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

Changing market trends

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

The Group operates in competitive markets. Success is dependent on anticipating changes in consumer preferences and on successful new product development and product launches in response to such changes in consumer behaviour. The Group'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.

40 RISK MANAGEMENT (CONTINUED)

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.

(h) 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%.

The pre-taxation impacts on profit and shareholders' equity at 31 December 2016 and at 31 December 2015 of each of the sensitivity factors outlined above are as follows:

		2016 €000s	2015 €000s
Interest rates	1.0%	**(10,159)**	4,878
Interest rates	(0.25%)	**2,539**	(1,220)
FX rates	10%	**901**	1,185
FX rates	(10%)	**(901)**	(1,185)
Equity	10%	**2,353**	2,567
Equity	(10%)	**(2,353)**	(2,567)
Available for sale investments	5%	**31,475**	22,492
Available for sale investments	(5%)	**(31,475)**	(22,492)
Investment property	10%	**1,640**	1,455
Investment property	(10%)	**(1,640)**	(1,455)
Net loss ratio	5%	**15,411**	15,658

40 RISK MANAGEMENT (CONTINUED)

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

31 December 2016	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%**	**3,311**	**3,267**	**(3,267)**	**2,859**
Other claims IBNR	**+10%**	**410**	**306**	**(306)**	**268**
Legal fees revert to pre PIAB levels	**8,811**	**8,811**	**7,930**	**(7,930)**	**6,939**
31 December 2015					
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

Limitations of sensitivity analysis

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

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk. They assume 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.

ALTERNATIVE PERFORMANCE MEASURES (APM'S)

For the financial year ended 31 December 2016

The Group uses the following alternative performance measures: Loss ratio, expense ratio, combined operating ratio, investment return and net asset value per share.

Loss ratio (LR), expense ratio (ER) and combined operating ratio (COR) are widely used as a performance measure by insurers, and give users of the financial statements an understanding of the underwriting performance of the entity. Investment return is used widely as a performance measure to give users of financial statements an understanding of the performance of an entities investment portfolio. Net asset value per share (NAV) is a widely used performance measure which provides the users of the financial statements the book value per share.

The calculation of the APM's is based on the following data:

	2016 €000s	2015 €000s
Loss ratio		
Net claims and benefits	**217,510**	341,260
Movement in other provisions	**7,747**	11,581
Total claims incurred	**225,257**	352,841
Net premium earned	**308,226**	313,154
Loss ratio (total claims/Net premium earned)	**73.1%**	112.7%
Expense ratio		
Other underwriting expenses	**79,749**	85,725
Net premium earned	**308,226**	313,154
Expense ratio (underwriting expenses/Net premium earned)	**25.9%**	27.4%
Combined operating ratio	**%**	%
Loss ratio	**73.1%**	112.7%
Expense ratio	**25.9%**	27.4%
Combined operating ratio	**99.0%**	140.1%
	2016	2015
Investment return	**€000s**	€000s
Investment return recognised in consolidated income statement	**8,338**	20,260
Investment return recognised in statement of comprehensive income	**10,371**	(1,762)
Total investment return	**18,709**	18,498
Average underwriting investment assets	**991,152**	905,577
Investment return %	**1.9%**	2.0%
Shareholders' funds – equity interests	**225,546**	215,864
Number of Shares		
Number of ordinary shares in issue (excluding treasury)	**34,666,201**	34,648,122
	Cent	Cent
Net asset value per share (NAV)	**651**	623

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 2017

Dear Shareholder,

The Notice of the Annual General Meeting of the Company, which will be held at 11.00 a.m. on 5 May 2017 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 2016.

Resolution 2 deals with the approval of the Report on Directors' Remuneration. This Report is set out on pages 39 to 47 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 proposed for re-election. The Board has adopted the practice that all Directors continuing in office will submit themselves for re-election at each Annual General Meeting. This was done for the first time in 2011. Biographies of all the Directors proposed for re-election are set out on pages 27 to 29 of the Annual Report in the Corporate Governance Section. A formal evaluation of the performance of each of the Directors has been undertaken. I can confirm that each of the Directors continues to perform effectively and demonstrates commitment to the role.

Resolution 4 is a standard resolution which authorises the Directors to fix the remuneration of the Auditors. Under Irish Company law, the Auditors, PricewaterhouseCoopers, are deemed to be re-appointed in accordance with S.383 of the Companies Act 2014. The Audit Committee last put the provision of audit services to the Company out to tender in 2015.

Special Business (Resolutions 5 to 8)

Resolution 5 will be proposed as a Special Resolution to renew the Directors' authority to issue shares for cash other than strictly pro-rata to existing shareholdings. The proposed authority, the renewal of which is usually sought every year, disapplies statutory pre-emption provisions in the event of a rights issue or any other issue of shares for cash and is limited to an aggregate nominal value of €1,063,836 (representing approximately 5% of the Company's issued ordinary share capital at the date of this letter).

The Board currently has no intention to issue shares pursuant to this authority except for issues of ordinary shares under the Company's share option plans and the Board will only exercise this authority if it considers it to be in the best interests of Shareholders generally at that time. This authority, if renewed, will expire on the earlier of the date of the next Annual General Meeting of the Company or 5 August 2018.

Registered in Ireland, Registration Number: 135882
Registered Office: FBD House, Bluebell, Dublin 12, Ireland.

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

The total number of conditional awards over ordinary shares in the Company outstanding on 31 March 2017 is 478,014 representing 1.4% 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 3.7% of the total issued share capital.

The Board will only exercise this authority if it considers it to be in the best interests of Shareholders generally at that time. This authority, if renewed, will expire on the earlier of the date of the next Annual General Meeting of the Company or 5 August 2018.

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, if renewed, will expire on the earlier of the date of the next Annual General Meeting of the Company or 5 August 2018.

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.

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 5 May 2017, 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 2016.

2 To approve the Report on Directors' Remuneration appearing in the Financial Statements for the year ended 31 December 2016 (Advisory Resolution).

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

(a) Walter Bogaerts

(b) Mary Brennan

(c) Dermot Browne

(d) Liam Herlihy

(e) Orlagh Hunt

(f) Fiona Muldoon

(g) David O'Connor

(h) John O'Grady

(i) Padraig Walshe

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 2018 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."

By order of the Board

Derek Hall
Company Secretary

FBD House, Bluebell, Dublin 12, Ireland

31 March 2017

INFORMATION FOR SHAREHOLDERS

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 3 May 2017. If you are appointing someone other than the Chairman as your proxy, then you must fill in the details of that person in the box located underneath the wording "I/We hereby appoint the Chairman of the Meeting OR the following person" on the Form of Proxy.

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

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

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

3. **Record Date for AGM**

   Pursuant to Section 1095 of the Companies Act, 2014 and pursuant to Regulation 14 of the Companies Act, 1990 (Uncertificated Securities) Regulations, 1996, the Company hereby specifies that only those Shareholders registered in the Register of Members of the Company as at 6 p.m. on the day which is two days before the date of the meeting shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes in the Register after that time will be disregarded in determining the right of any person to attend and/or vote at the meeting or the number of votes any Shareholder may have in the case of a poll vote.

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

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

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

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

5. Tabling Agenda Items

If you or a group of Shareholders hold 1,186,155 or more ordinary or preference shares of €0.60 each in FBD Holdings plc (i.e. at least 3% of the issued share capital of the Company carrying voting rights), you or the group of Shareholders acting together have the right to put an item on the agenda for the AGM. In order to exercise this right, written details of the item you wish to have included on the agenda for the AGM together with a written explanation setting out why you wish to have the item included on the agenda, and evidence of the shareholding, must have been received by the Company Secretary at FBD Holdings plc, FBD House, Bluebell, Dublin 12, Ireland or by e-mail to company.secretary@fbd.ie no later than 11 a.m. on Friday 24 March 2017 (i.e. 42 days before the time scheduled for the holding of the AGM). An item cannot be included on the agenda for the AGM unless the foregoing conditions are satisfied and it is received by the stated deadline.

6. Tabling Draft Resolutions

If you or a group of Shareholders hold 1,186,155 or more ordinary and/or preference shares of €0.60 each in FBD Holdings plc (i.e. at least 3% of the issued share capital of the Company carrying voting rights), you or the group of Shareholders acting together have the right to table a draft resolution for inclusion on the agenda for the AGM subject to any contrary provision in company law.

In order to exercise this right, the text of the draft resolution and evidence of shareholding must have been received by post by the Company Secretary at FBD Holdings plc, FBD House, Bluebell, Dublin 12, Ireland or by email to company.secretary@fbd.ie no later than 11 a.m. on Friday 24 March 2017 (i.e. 42 days before the time scheduled for the holding of the AGM). A resolution cannot be included on the agenda for the AGM unless it is received in either of the foregoing manners by the stated deadline. Furthermore, Shareholders are reminded that there are provisions in company law, and otherwise, which impose other conditions on the right of shareholders to propose resolutions at a general meeting of a company.

7. Right to ask questions

Pursuant to Section 1107 of the Companies Act 2014, shareholders have a right to ask questions related to items on the AGM agenda and to have such questions answered by the Company subject to any reasonable measures the Company may take to ensure the identification of shareholders.

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

The annual financial statements, reports of the Directors and the Auditors and the Report of the Remuneration Committee are contained in the Company's Annual Report which was dispatched to Shareholders on 31 March 2017. 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 are available on the Company's website www.fbdgroup.com and may also be inspected during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the Company's Registered Office at FBD House, Bluebell, Dublin 12, Ireland up to and including the date of the Annual General Meeting and at the Annual General Meeting itself.

9. Further Information

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

Design by fabrik.ie

Printed on paper sourced from sustainably managed forests.