FBD

FBD Holdings plc
Annual Report 2009

Our focus
is you

Contents

Financial Highlights

	2009 €000s	2008 €000s
Gross premiums written	**357,244**	385,638
Net premiums earned	**314,604**	343,075
Operating Profit	**28,880**	65,783
Loss before taxation	**(34,644)**	(38,607)

	2009 Cent	2008 Cent
Operating earnings per 60 cent ordinary share	**75**	172
Ordinary dividend per 60 cent ordinary share	**30**	40
Net assets per 60 cent ordinary share	**576**	709

Calendar

Preliminary announcement	**3 March 2010**
Annual General Meeting	**30 April 2010**
Final Dividend Payment Date	**5 May 2010**

Chairman's Statement

"...2009 was another year of significant strategic and operational progress for FBD Group."

I am very pleased to report that 2009 was another year of significant strategic and operational progress for FBD Group. The contraction of the Irish economy and the insurance industry, particularly in the early part of 2009, provided a challenging business environment but it is notable that the rate of economic decline slowed as the year progressed. The Group's underwriting business is, by its nature, defensive and its spread of business is not over-exposed to any particular sector. It delivered a solid operating profit in 2009, achieving an improved underlying combined operating ratio.

FBD has made significant progress in its strategic initiative to increase penetration of urban markets, particularly Dublin. NoNonsense.ie and FBD.ie (our on-line offerings) continue to attract a higher proportion of customers from Dublin and other urban centres. Likewise the broker initiatives undertaken in the last eighteen months have delivered increased new business insurance from urban centres. Following the successful realignment of our office network, local office staff are focused on providing an enhanced level of service to our farming and commercial customers, a key strategic priority.

The industry was heavily impacted by severe weather claims as a result of the flooding in November 2009 and freezes in December 2009 and January 2010. The weather incidents in that eight week period will cost the industry up to €550m, far in excess of any previous weather related event in the Irish market. By comparison, the cost of all similar events over the last ten years combined was €358m. In this environment, FBD's underwriting discipline and prudent reinsurance policy have served their purpose and protected the Group's trading result, its capital base and solvency.

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

Regaining national competitiveness is key to Irish economic prospects. Claims reforms initiated in recent years have delivered significant benefits to businesses and the consumer in the form of lower insurance premiums. However, claims costs in Ireland remain high relative to other economies. While credit must be given for progress in reducing road fatalities and accident rates, continued reform is required, for example, the privatisation of speed cameras. Personal injury awards must be brought into line with other jurisdictions to deliver comparable premium levels.

Market conditions for the Group's leisure and property businesses have remained challenging. Excess capacity exists in the hotel market, particularly in Ireland, and the timing of recovery is dependent on a reduction in industry capacity. We support the Irish Hotel Federation's call for the removal of tax provisions that act as a major 'barrier to exit' for inherently unviable 'tax based' hotel businesses.

While the Group delivered a solid operating performance with an operating profit of €28.9m in 2009, the result before tax was adversely impacted by negative fluctuations in investment returns, reflecting the volatility in property markets. The Directors have taken a conservative approach to the valuation of assets and the potential for further downside has been greatly reduced.

The Group's underlying operating performance improved significantly in the second half of the financial year as a result of action on rates, the implementation of claims initiatives and the benefit of cost reductions. FBD has the people, plans, infrastructure and financial strength to continue to deliver long-term profitable growth, particularly in an environment where rates are hardening.

The Group is committed to a progressive dividend strategy while maintaining a strong balance sheet and robust solvency margins. The Board is recommending a 2009 final dividend payout of 20 cent per ordinary share, bringing the full 2009 dividend to 30 cent per ordinary share. This equates to a dividend payout ratio of 46% and reflects the Board's expectation that earnings volatility will reduce now that the level of activity in the economy as a whole has stabilised.

There were no changes in the composition of the Board during 2009.

Finally, I would like to extend my sincere thanks to the Board, the management and the staff for their combined efforts in demonstrating the Group's capacity to deliver operating results for the Group in a difficult environment. We will continue to focus on maximising benefits for all stakeholders, and I am confident that FBD will continue to outperform its peers in delivering superior returns for shareholders.

Michael Berkery
Chairman

2 March 2010

Review of Operations

"...FBD's underwriting discipline and prudent reinsurance policy protected the Group's trading results, its capital base and solvency."

Overview

FBD continued to deliver solid operational performance in 2009, a challenging year for both the insurance industry and Ireland's economy. Against a background of an unprecedented level of weather related claims and the economic decline, FBD's underwriting discipline and prudent reinsurance policy protected the Group's trading results, its capital base and solvency. At the same time, the Group made significant progress in advancing its strategic priorities.

At €28.9m, operating profit was lower than 2008. Operating profit in our primary underwriting business was €22.4m and non-underwriting operating profit was €6.5m. Profitability in the underwriting business was lower principally because of (i) lower premium income as a result of the reduction in economic activity, (ii) FBD's decision not to grow volume in certain areas at uneconomic rates, (iii) a deterioration in the loss ratio and (iv) a lower longer term investment return. The deterioration in the loss ratio relates particularly to an unusual level of weather events and a higher cost of large claims. The industry claims experience has contributed to a hardening of insurance rates across the Irish market. Notably, the rate of decline in gross premium income diminished as the year progressed.

Despite the impact of reducing volumes, industry data shows that FBD maintained its position as the second largest property and casualty insurer in Ireland, a position achieved for the first time in 2008. At the same time as maintaining its market position, FBD's insurance risk exposure reduced.

Underwriting management expenses remained in line with 2008 as the expected benefits of the office realignment process and other cost containment exercises were crystallised.

In challenging market conditions, FBD's non-underwriting operations have delivered a solid result. The Group's property & leisure businesses in Ireland and Spain delivered operating profits and positive cash flows in 2009. Oversupply in the market place is the key challenge facing the businesses and market capacity needs to reduce to match falling consumer demand. New marketing and sales initiatives and operational cost efficiencies continue to be identified and implemented to achieve targets. Sunset Beach Resort performed particularly strongly.

FBD's financial services businesses continued to deliver a solid performance in difficult market environments. These businesses have proactively managed their cost structures to reflect the economic circumstances.

The value of the Group's property assets has reduced in line with market values in Ireland and Spain. Valuation adjustments of €63.1m (2008: €126.5m), including €57.8m charged to the consolidated income statement and €5.3m directly to reserves, have been booked in 2009 on the basis of mark-to-market or fair value accounting principles. After charging finance costs of €3.4m (2008: €4.5m) the Group recorded a loss before tax of €34.6m (2008: €38.6m). FBD Group continues to have a strong capital base and balance sheet. FBD Insurance had a solvency level of 52% of net premium earned at 31 December 2009, up from 50% at 31 December 2008.

The Group's underlying operating performance improved significantly in the second half of the financial year as a result of action on rates, the implementation of claims initiatives and the benefit of cost reductions.

Business Review

Underwriting

The Irish insurance market contracted by 7.1% during 2009 as the reduction in insurable risk and values more than offset increasing prices. FBD's gross premium written reduced by 7.4% to €357.2m (2008: €385.6m) as the Group was not prepared to grow volume in certain less profitable personal lines segments. Net premium earned amounted to €314.6m (2008: €343.1m).

FBD's progress in Dublin and other large urban centres has continued with 13% of total premium income now coming from Dublin and market share just below 5%. The initiative launched in April 2008 to increase commercial lines business in Dublin, via intermediaries, has proved successful and further brokers have been added to our panel. NoNonsense.ie and FBD.ie (our on-line offerings) continue to attract a higher proportion of customers from Dublin and other urban centres. Following the realignment of our office network, local office staff are focused on providing an enhanced level of service to our farming and commercial customers, a key strategic priority.

Over 75% of motor and home insurance customers are now using the internet or telephone to purchase insurance. For customers wishing to use the internet, FBD.ie and NoNonsense.ie provide an on-line full service facility enabling customers to choose the level of cover they require and pay on-line. In September 2009, FBD.ie launched an on-line renewal facility that has improved customer service and efficiency. Take-up to date is ahead of expectations. For customers wishing to organise their insurance over the phone, FBD's support centre provides the Group with the sales and service capacity to grow personal lines business in the most cost efficient and customer focused manner.

Net claims incurred amounted to €263.5m (2008: €271.2m). The loss ratio (claims incurred, net of reinsurance as a percentage of earned premium net of reinsurance) for 2009 was 83.8% (2008: 79.1%) and was heavily impacted by severe weather events and higher than normal large claims experience, attributable to deterioration in a small number of prior year claims. On the other hand, Ireland continues to experience a reduction in the number of road deaths. FBD's frequency of motor injury claims has reduced.

Severe weather claims were a major feature of 2009. The cost of the unprecedented flooding and freeze incidents in November and December, are far in excess of any previous weather related event in the Irish market. The 2009 cost to FBD was €13.5m, net of reinsurance. FBD's risk management policy determines the Group's appetite for risk and limits the exposure that FBD is prepared to accept from any event or series of events. In respect of weather related events, the objective is to limit the Group's exposure so as to protect profitability, solvency and shareholders' capital. This objective was achieved in recent months.

While the Group's reported loss ratio has disimproved from 79.1% in 2008 to 83.8% in 2009, there has been a continuing improvement in the underlying loss ratio (excluding exceptional large claims experience and claims related to unusual levels of weather events), which is down from 69.3% in 2008 to 63.9% in 2009 and reduced further in the second half of 2009 to 61.8%. The underlying loss ratio has improved in each of the property, motor and liability accounts and has benefited from the Group's timely action on rates and its initiatives to reduce the cost of claims.

Claims reserves provided a positive runoff again in 2009 despite deterioration in a small number of prior year large claims, demonstrating the strength of the Group's reserving position.

Underwriting management expenses in 2009 were in line with the previous year. The benefit of the office network realignment process, together with other cost initiatives undertaken by the Group were fully realised in the second half of the year.

A rise in the cost of reinsurance and the impact of reducing net premium earned have contributed to an increase in the net expense ratio (other underwriting expenses as a percentage of earned premium, net of reinsurance) for 2009 to 20.3% (2008: 17.0%). Group head count (full-time equivalents) has reduced from 1,941 at 31 December 2008 to 1,743 at 31 December 2009.

The Group's combined operating ratio for 2009 was 104.1% (2008: 96.1%) resulting in an underwriting loss of €12.9m (2008: profit of €13.4m).

Longer term investment return at €35.3m was lower than the €43.9m in 2008 as the rate of return attributable to investments has reduced in light of a lower expectation for future interest rates. The average asset mix throughout the year was also more conservative.

Non-underwriting

Market conditions for the non-underwriting businesses in Ireland and Spain continue to be challenging. However, in this environment, non-underwriting operations generated an operating profit of €6.5m (2008: €8.5m).

The Group's leisure and property interests include La Cala and Sunset Beach Resort in Spain and FBD Hotels in Ireland. In the unprecedented difficult trading conditions these businesses delivered a solid result generating an operating profit of €2.8m (2008: €6.0m) and positive cash flow from operations. The operating profit was lower than the previous year principally because the hotels located in Ireland were impacted by market oversupply. Sunset Beach Resort continued to perform strongly and the sale of properties in La Cala improved in the latter part of the year.

Keeping our

promises

Financial services/other, includes the contributions from general insurance broking (FBD Brokers), life assurance/ pension, broking/investment advice (FBD Financial Solutions), instalment finance and holding company costs. Operating profits of €3.7m were generated (2008: €3.4m). Reduced holding company costs more than offset the impact of reduced customer appetite for retail investment products in FBD Financial Solutions.

Pre-tax result

The result before taxes was adversely impacted by a negative fluctuation in investment return amounting to €28.8m (2008: €92.3m) and revaluation of property, plant and equipment of €29.0m (2008: Nil). This reflects the impact of reducing property prices. Restructuring costs of €2.3m (2008: €7.6m) have been charged to the consolidated income statement in 2009 in respect of the finalisation of the office network realignment process and the implementation of cost restructuring in the property and leisure operations.

After charging finance costs of €3.4m (2008: €4.5m), the Group recorded a loss before tax of €34.6m (2008: €38.6m).

Earnings per share

Operating earnings per 60 cent ordinary share based on longer term investment return amounted to 74.61 cent compared to 171.50 cent the previous year. Diluted earnings per 60 cent ordinary share were (91.05) cent (2008: 100.59 cent).

Dividends

The Board is committed to ensuring that the Group's capital position continues to be robust and its balance sheet well managed. This reflects the Board's view that it is in the long-term interest of all shareholders to maintain strong solvency and liquidity margins. The Group is committed to a progressive dividend policy and efficient capital management.

The Board is recommending a 2009 final dividend payout of 20 cent per 60 cent ordinary share (2008: 10 cent) bringing the full 2009 dividend to 30 cent (2008: 40.25 cent). This equates to a dividend payout ratio (dividend as a percentage of operating earnings after finance charges) of 46% (2008: 25%). In line with the Group's target payout ratio, the increase in the payout ratio reflects the Board's expectation that earnings volatility will reduce now that the level of activity in the Irish economy as a whole has stabilised. Subject to the approval of shareholders at the Annual General Meeting to be held on 30 April 2010, this final dividend for 2009 will be paid on 5 May 2010 to the holders of shares on the register on 12 March 2010.

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

Statement of Financial Position (Balance Sheet)

The Group's statement of financial position remains very strong. Ordinary shareholders' funds amounted to €191.5m (2008: €235.4m) and net assets per ordinary share were 576 cent (2008: 709 cent).

FBD Insurance maintains a low risk investment strategy with 86% of its total investment portfolio invested in government gilts and cash assets. In 2009 the Group invested a further €115.0m in government gilts. Table 1 shows how the assets of the underwriting business were invested at the beginning and end of the year.

Table 1 – Underwriting Business Asset Allocation

	31 December 2009 €m	31 December 2009 %	31 December 2008 €m	31 December 2008 %
Government gilts	581	56%	466	45%
Deposits & cash	110	11%	206	20%
Trade, other debtors and DAC	101	10%	102	10%
Reinsurers' share of technical provisions	93	9%	59	6%
Investment property	43	4%	53	5%
Secured loans	37	3%	58	6%
Equities & corporate bonds	36	3%	45	4%
Own land & buildings	22	2%	24	2%
Plant & equipment	17	2%	16	2%
	1,040	100%	1,029	100%

In 2009, under mark-to-market or fair value accounting principles, the Group as a whole booked €57.8m (2008: €92.3m) of valuation adjustments through the consolidated income statement and wrote off a further €5.3m (2008: €34.2m) directly to reserves, a total of €63.1m (2008: €126.5m). These adjustments are set out in Table 2 below.

Table 2 – Group Assets/Valuation Adjustments

	Assets 31 December 2009 €m	Assets 31 December 2008 €m	Valuation adjustments 2009 €m
Government gilts	**581.1**	465.8	–
Hotel & golf resort assets	**136.3**	167.1	(31.4)
Deposits & cash	**119.5**	218.9	–
Trade, other debtors and DAC	**106.7**	103.5	–
Reinsurers' share of technical provisions	**93.2**	59.0	–
Inventories	**59.2**	62.4	–
Investment property	**43.3**	52.5	(8.5)
Equities & corporate bonds	**39.5**	49.1	4.3
Secured loans	**36.9**	57.9	(24.5)
Own land & buildings	**21.8**	24.4	(2.5)
Plant & equipment	**18.3**	17.2	(0.5)
	1,255.8	1,277.8	(63.1)

The Group's portfolio of prime property assets held for the long-term were valued by professional external valuers or at a lower amount if the Directors deemed it appropriate to take a more prudent view. Investment properties are incorporated in the balance sheet at a current yield of 7.83% and secured loans are valued at a level approximating the value of the underlying security. The cumulative valuation adjustments made in the last two years are summarised in the following table:

Table 3 – Cumulative valuation adjustments as a percentage of December 2007 values

	%
Hotel & golf resort assets	29%
Investment property	47%
Secured loans	47%

UK property values stabilised late in the second half of 2009 and, while Spanish property values declined during 2009, the rate has slowed. In Ireland, however, professional valuers have become significantly more prudent since June. We believe that as a result of the valuation impairments recognised and the de-risking of our investment book, the potential for further downside from the Group's investments has been greatly reduced.

All Group investments are accounted for on a mark-to-market or fair value basis, with the exception of development land at La Cala and government gilts. La Cala development land is included within inventories at the lower of cost and net realisable value. The independent external valuation conducted at 31 December 2009 reported a value which exceeded cost by €30.8m. Government gilts held to maturity are included in the balance sheet at amortised cost. If these gilts were recognised on a mark-to-market basis, a surplus of €30.7m would arise.

FBD Group has a strong capital base and balance sheet. FBD Insurance had a solvency level of 52% of net premium earned at the end of 2009, up from 50% at the end of 2008. FBD also has a prudent reserving strategy and in the same period, its reserving ratio (net technical provisions divided by net premium earned) increased from 220% to 240%. This is supported by a positive run-off of claims reserves again in 2009, despite the deterioration in a small number of prior year large claims.

Outlook

Underwriting

While economic uncertainty remains, the rate of Irish economic contraction has slowed considerably. The Group's underwriting business is, by its nature, defensive and its spread of business is not overly exposed to any one sector.

With an industry combined operating ratio of over 100% in 2009 and the prospect of lower investment returns, further industry rate increases are required to deliver an acceptable return on capital. The Directors expect the Group's focus on rating discipline, managing claims costs and expense containment to deliver an improved combined ratio in 2010. We expect that the rate of FBD's volume decline, which has slowed since early 2009, will continue to slow, if not reverse.

The severe weather conditions continued into January of 2010 and the related claims costs in 2010 are currently estimated at €12m, net of reinsurance. There is evidence in the market that the weather related claims in late 2009 and early 2010, which will cost the industry in the region of €550m, have already led to market rate increases and further increases are anticipated. Given FBD's relatively fixed cost base, the Group will benefit from positive operating leverage as prices rise.

FBD Insurance will focus on profitable growth, constantly evolving its business to reflect customers' needs. The Group will continue to implement its plan to increase penetration of key urban markets, in particular Dublin, and the commercial insurance market. At the same time, the Group continues to devote considerable resources to developing its core farming account, a key strategic priority.

Non-underwriting

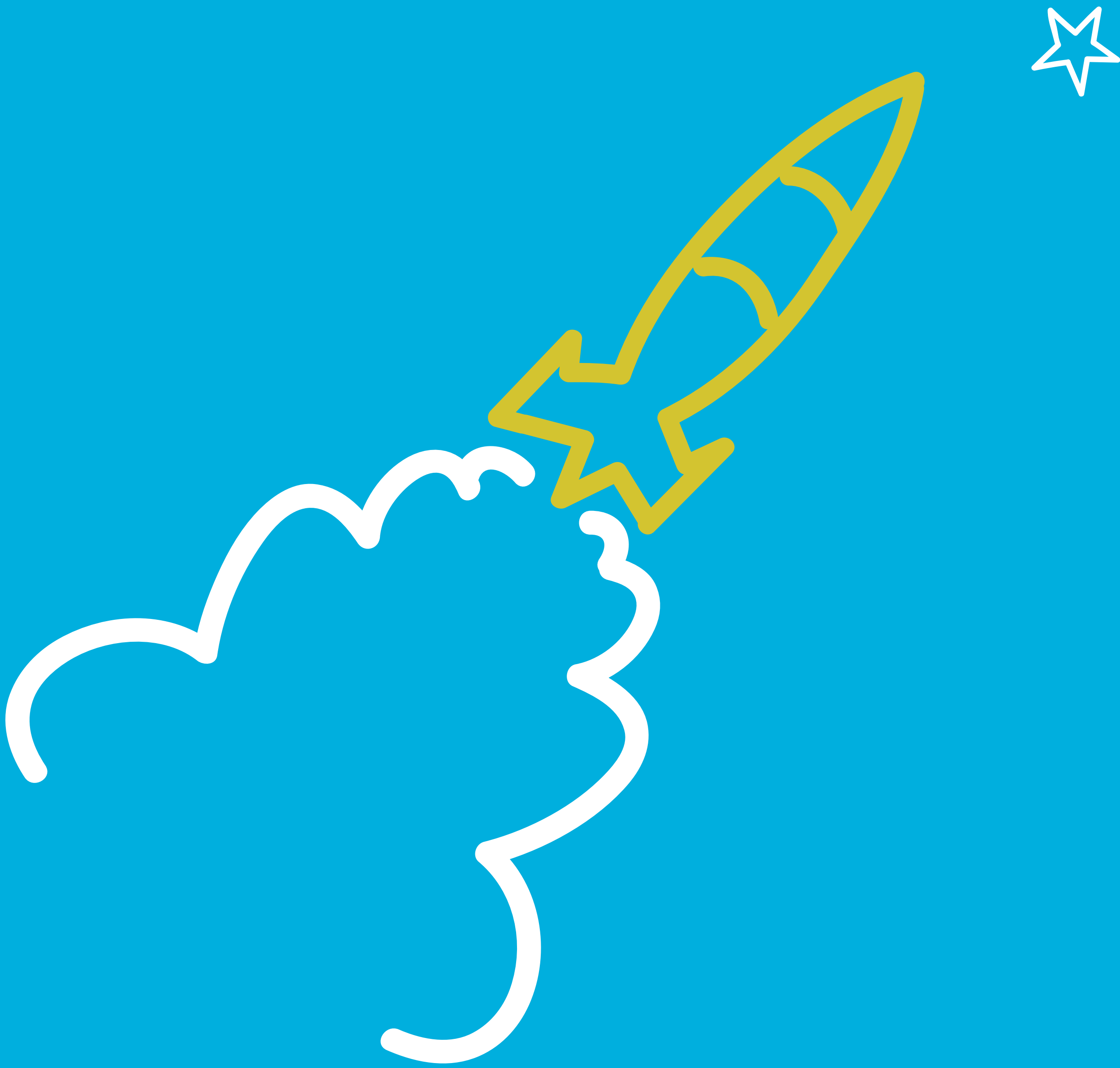
The environment for the non-underwriting businesses is expected to remain difficult in 2010. Oversupply in the market place is the key challenge facing the property and leisure businesses, particularly in Ireland and recovery will be dependent on a reduction in market capacity. The Group will continue to outperform competitors by focusing on initiatives that will enhance revenue and/or reduce costs, so as to maintain profitable and cash generative businesses through the recessionary period.

Group

FBD Group has a strong capital base and balance sheet and a prudent reserving strategy. The Board is confident that FBD will continue to outperform its peers in delivering superior returns to shareholders. FBD has demonstrated its capacity to deliver operating profits in difficult market conditions and is well positioned to deliver long-term profitable growth, particularly in an environment where premium rates are hardening.

Andrew Langford
Group Chief Executive

2 March 2010



Leading
the way

Directors and Other Information

Directors

Michael Berkery *(Chairman)*

Executive Directors

Andrew Langford *(Group Chief Executive)*
Cathal O'Caoimh
Adrian Taheny

Non-Executive Directors

John Donnelly
Sean Dorgan
Philip Lynch
Patrick O'Keeffe
Vincent Sheridan *(Senior Independent Director)*
Johan Thijs
Padraig Walshe

Company Secretary

Conor Gouldson

Registered Office

FBD House
Bluebell
Dublin 12
Ireland

Auditors

Deloitte & Touche
Chartered Accountants and Registered Auditors
Deloitte & Touche House
Earlsfort Terrace
Dublin 2
Ireland

Solicitors

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

Stockbrokers

Bloxham
International Financial Services Centre
2/3 Exchange Place
Dublin 1
Ireland

Goodbody Stockbrokers
Ballsbridge Park
Ballsbridge
Dublin 4
Ireland

Registrar

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

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 December 2009.

Principal Activities

The Company is a holding company incorporated in Ireland. The primary business of the Group is general insurance underwriting. The Group also has non-underwriting operations including leisure/property interests and financial services businesses.

Business Review

The review of the performance of the Group including and analysis of financial information and the outlook for its future development is contained in the Chairman's Statement on pages 2 and 3 and in the Group Chief Executive's Review of Operations on pages 4 to 11. Information in respect of the significant events since the year end and a review of the key performance indicators are also included in these sections. The key performance indicators include gross premium written, operating profit per share and net asset value.

Results and Dividends

The results for the year are shown in the consolidated income statement on page 43. The Directors propose the payment of a final dividend for the year on the 60 cent ordinary shares of 20 cent (2008: 10 cent). During the year an interim dividend of 10 cent was paid (2008: 30.25 cent). The total dividend for the year amounts therefore to 30.0 cent (2008: 40.25 cent). The policy of the Board in relation to dividends is outlined in the Chairman's Statement on pages 2 to 3.

During 2008 the Company made a distribution from financial reserves of 150 cent per ordinary share of 60 cent each.

Risk and Uncertainties

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

General Insurance Risk

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

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

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

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

Capital Management Risk

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

Operational Risk

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

Market Risk

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

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.

Interest Rate Risk

At any time, the Group has fixed interest quoted debt securities and financial instruments that are exposed to fair value interest rate risk. Loans made by the Group are at floating interest rates.

Credit Risk

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.

The Group uses independent actuaries to review its liabilities to ensure that the carrying amount of the liability 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.

The Group has provided loans that are secured on land over which the Group has first charge. There is no significant concentration of credit risk relating to these loans.

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, UK and Spain may lead to a reduction in revenue and profits.
- The risk that the loss of a key executive officer or other key employees, 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 structure.
- The risk that an interruption or failure of information systems may result in a significant loss of business, assets, or competitive position.

All of the above risks are further detailed in note 37.

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

Subsidiaries

The Company's principal subsidiaries, as at 31 December 2009, are listed on page 88 (note 31).

Directors

The present Directors of the Company are listed on page 13. There were no changes to membership of the Board during the year.

In accordance with provision A.7.2 of the Combined Code on Corporate Governance, Mr. Michael Berkery, Mr. John Donnelly, Mr. Philip Lynch and Dr. Patrick O'Keeffe, all having served longer than nine years, will retire at the Annual General Meeting and, being eligible, they each offer themselves for re-election.

With regard to non-executive Directors proposed by the Board for re-election, the Board confirms its view that, following a formal performance evaluation each individual Director's performance continues to be effective and demonstrates commitment to the role.

No service contracts exist for any of the Directors that provide for a notice period of more than one year.

Biographies of the Directors

Michael Berkery, Chairman

Michael Berkery 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 also served on the National Economic and Social Council and the Central Review Committee of the Government National Partnership Programme. He is a director of FBD Trust Company Limited and a number of other companies. Mr. Berkery joined the Board in 1989.

John Donnelly, Non-executive Director

John Donnelly is a farmer. He is a former President of the Irish Farmers' Association and was a member of the EU's Economic and Social Committee between 1994 and 2006. He is a director of FBD Trust Company Limited and is a director of a number of other companies. Mr. Donnelly joined the Board in 1989.

Sean Dorgan, Non-executive Director

Sean Dorgan is currently non-executive Chairman of both Ulster Bank Limited and Tesco Ireland Limited and he is also Chairman of the Governing Body of Dublin Institute of Technology. He is a non-executive Director of Short Brothers plc and Fineos Corporation Limited. He was Chief Executive of IDA Ireland for nine years until his retirement at the end of 2007. Prior to joining IDA he was Secretary General of the Departments of Industry and Commerce and of Tourism and Trade and was Chief Executive of The Institute of Chartered Accountants in Ireland. Mr. Dorgan joined the Board in 2008.

Andrew Langford, Group Chief Executive

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

Philip Lynch, Non-executive Director

Philip Lynch is the Chief Executive Officer of One51 plc. He is also Chief Executive and an Executive Director of the Irish Agricultural Wholesale Society Limited. He is a Non-Executive Director of C&C Group plc and OpenHydro Group Limited and he is Chairman of the National Paediatric Hospital Development Board. Mr. Lynch joined the Board in 1996.

Cathal O'Caoimh, Group Finance Director

Cathal O'Caoimh joined the Group in October 2008 and was appointed to the Board as Group Finance Director. A Chartered Accountant, he joined FBD from Horizon Technology Group plc where he was Chief Financial Officer since 2001. Prior to that Mr. O'Caoimh was Group Finance Director of Hibernian Insurance Group, having previously been Group Finance Director of Norwich Union Insurance Group in Ireland.

Dr. Patrick O'Keeffe, Non-executive Director

Patrick O'Keeffe retired as Chairman of the Company in 1996 having served in that role since the Company's incorporation in 1988. He was Chairman of the original FBD companies, which comprise the Group, since their incorporation in the early 1970s. A former Editor and Chief Executive of the Irish Farmers' Journal, he is currently Chairman of the Agricultural Trust Limited, Farmer Business Developments plc, FBD Trust Company Limited and is also a director of a number of other companies. Mr. O'Keeffe joined the Board in 1989.

Vincent Sheridan, Non-executive Director

Vincent Sheridan retired as Chief Executive of Vhi Healthcare during 2008 after seven years in that role. Prior to that he was Group Chief Executive of the Norwich Union Insurance Group in Ireland for ten years. He is a past president of the Institute of Chartered Accountants in Ireland, the Irish Insurance Federation, the Insurance Institute of Ireland and the Irish Association of Investment Managers. He was a director of the Irish Stock Exchange for nine years to June 2004. He is also a former council member of the International Federation of Health Plans and the Financial Reporting Council in the UK. He serves as a director of a number of companies. Mr. Sheridan joined the Board in 2004.

Adrian Taheny, Executive Director Marketing & Sales

Adrian Taheny joined FBD Holdings plc as Group Development Manager in 1997. In July 2003 he was appointed Executive Director – Marketing & Sales of FBD Insurance plc. In December 2004 he was appointed to the Board of FBD Holdings plc as Executive Director – Insurance Marketing & Sales. Prior to joining FBD, he worked with EBS Building Society, where he held the position of General Manager – Marketing.

Johan Thijs, Non-executive Director

Johan Thijs is Chief Executive Officer Belgium Business Unit – KBC Bank & Insurance Group. He obtained a Master of Science (Applied Mathematics) degree and qualified as an Actuary at KU Leuven. He joined KBC Insurance in 1998 and held a number of executive positions prior to his appointment to his current role. Mr. Thijs joined the Board in 2004.

Padraig Walshe, Non-executive Director

Padraig Walshe was elected as President of Copa, the organisation representing European farmers, in April 2009. He is the immediate past president of the Irish Farmers' Association having held office from 2006 to January 2010. He is a non-executive director of Farmer Business Developments plc and FBD Trust Company Limited. He was one of the first Irish Nuffield Scholarship Award recipients in 1996. Between 1987 and 1989 he was President of Macra na Feirme. Mr. Walshe joined the Board in 2006.

Directors' and Company Secretary's Interests

The interests of the Directors (together with their respective family interests) in the share capital of the Company, at 31 December 2009 and 1 January 2009, were as follows:

	Number of ordinary shares of 60 cent each	
Beneficial	**31 December 2009**	**1 January 2009**
Michael Berkery	30,000	30,000
John Donnelly	24,256	24,256
Andrew Langford	21,500	9,250
Philip Lynch	20,000	20,000
Patrick O'Keeffe	72,770	72,770
Vincent Sheridan	4,150	–
Adrian Taheny	13,500	13,500
Padraig Walshe	600	600

The interests of the Directors and the Company Secretary in share options and conditional awards over the share capital of the Company under the shareholder approved share schemes are detailed in note 30 to the financial statements.

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 16 and 17, Share Option Schemes, Savings Related Share Option Schemes and the Performance Share Plan in note 34 and the Report on Directors' Remuneration in note 30 are deemed to be incorporated in this part of the Report of the Directors.

Substantial Shareholdings

As at 2 March 2010 the Company has been notified of the following interests of 3% or more in its share capital:

Ordinary shares of 60 cent each	%
Farmer Business Developments plc	25.64%
FBD Trust Company Limited	8.97%
Prudential plc group of companies	4.06%
Bank of Ireland Asset Management Limited	3.90%
Morgan Stanley Investment Management Limited	3.37%

14% Non-cumulative preference shares of 60 cent each	
Farmer Business Developments plc	100%

8% Non-cumulative preference shares of 60 cent each	
FBD Trust Company Limited	58.38%
Farmer Business Developments plc	41.62%

Share Capital

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

Voting shares	Number in issue	% of total
Ordinary shares of 60 cent each	33,269,476*	87.2
14% Non-cumulative preference shares of 60 cent each	1,340,000	3.5
8% Non-cumulative preference shares of 60 cent each	3,532,292	9.3
	38,141,768	**100.0**

** excluding 2,191,730 shares held in treasury.*

The Company's ordinary shares of 60 cent each are listed on the Irish Stock Exchange and the UK Listing Authority and 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 shares enjoy 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 1 cent 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 1 cent 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.

Auditors

The auditors, Deloitte & Touche, Chartered Accountants, will continue in office in accordance with the provisions of Section 160(2) of the Companies Act, 1963.

Proper Books and Records

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

Corporate Governance

The Corporate Governance Statement on pages 22 to 26 forms part of this report and in this the Board has set out how it has applied the principles set out on Section 1 of the Combined Code on Corporate Governance (June 2008) which was adopted by both the Irish Stock Exchange and the UK Listing Authority.

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 37 of the financial statements includes the Group's policies and processes for risk management.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. As a result they continue to adopt the going concern basis of accounting in preparing the financial statements. In forming this view, the Directors have reviewed the Group's budget for 2010, forecasts for 2011 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.

Annual General Meeting

The notice of the Annual General Meeting of the Company which will be held at 12.00 noon on 30 April 2010 in FBD House, Bluebell, Dublin 12, is set out on pages 102 to 105.

Additional Item of Ordinary Business for the Annual General Meeting

The Board has decided to put the Report on Directors' Remuneration to a shareholder vote through Resolution 4. There is no legal obligation on the Company to put such a resolution to Shareholders, so it is an advisory resolution and is not binding on the Company. Notwithstanding this, the Remuneration Committee and the Board recognise that the tabling of such a resolution is best practice in this area.

Special Business for the Annual General Meeting

In addition to the usual business, your Board proposes the following Resolutions numbered 7 to 12 which are summarised as follows:

Limited disapplication of pre-emption rights

Resolution 7 will be proposed at the meeting as a Special Resolution to renew the authority for the Directors to issue shares for cash otherwise than strictly pro-rata to existing shareholdings, up to a maximum of 5% of the issued ordinary share capital.

Authority to purchase own shares

Resolution 8 will be proposed at the meeting as a Special Resolution to renew the authority for the Company, or any subsidiary of the Company, to make market purchases of the Company's shares up to 10% of the aggregate nominal value of the issued share capital and the text of the resolution sets the minimum and maximum prices payable for such purchases.

Re-issue price for treasury shares

Resolution 9 will be proposed at the meeting as a Special Resolution to set the price range at which the Company's shares which are held in treasury can be re-issued off-market.

Shareholders Rights Directive Regulations

The Board is proposing two Special Resolutions (Resolutions 10 and 11) to reflect the implementation of the Shareholders' Rights (Directive 2007/36/EC) Regulations 2009 (the "Regulations").

Resolution 10 will be proposed to maintain the existing authority in the Company's Articles of Association which permits the Company to convene an extraordinary general meeting on 14 days notice in writing where the purpose of the meeting is to consider an Ordinary Resolution. In future years, this resolution will be tabled under the ordinary business of the AGM.

Resolution 11 will be proposed to amend the Company' Articles of Association so as to update the Articles to make them consistent with the Regulations through incorporation of the following changes:

a) allowing for the convening of shareholder meetings to consider an Ordinary Resolution with 14 days notice provided that the Company offers its shareholders the facility to vote electronically and provided that the members agree to this at a general meeting. That consent will be valid only up to the date of the following Annual General Meeting. Therefore, the consent will be renewed annually;

b) removal of the casting vote of the Chairman at general meetings of the Company;

c) allowing for the fixing of the record date and time which shall determine the eligibility of shareholders to participate and vote at a general meeting;

d) requiring that any request by a member to table a draft resolution under Section 133(1)(b) of the Companies Act, 1963 shall be received by the Company in writing or in electronic form at least 42 days prior to the meeting.

Non-Executive Directors' Remuneration

As a completely separate matter to the advisory Resolution 4, the Company's Articles of Association provide that "the ordinary remuneration of the Directors shall from time to time be determined by an ordinary resolution of the Company". This refers to the basic fees of the non-executive Directors only. Resolution 12 will be proposed as an Ordinary Resolution to authorise the Board to determine these fees subject to an overall aggregate limit.

The Directors unanimously recommend that Shareholders 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 held by them, amounting in total to 186,776 ordinary shares as at the date of this report, which represents approximately 0.49% of the voting rights of the Company.

Approval of Financial Statements

The financial statements were approved by the Board on 2 March 2010.

Signed on behalf of the Board

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

2 March 2010

Corporate Governance Statement

Compliance with the Combined Code on Corporate Governance

The Board of FBD Holdings plc is committed to maintaining the highest standards of corporate governance throughout the Group. This statement sets out in detail how FBD has applied the principles set out in Section 1 of the Combined Code on Corporate Governance (June 2008) (the "Combined Code" or the "Code") which was published by the Financial Reporting Council in the UK and adopted by both the Irish Stock Exchange and the UK Listing Authority.

The Board of Directors

The Board provides leadership and maintains effective control over the activities of the Group. The Board meets on a regular basis and has a formal schedule of matters reserved to it for consideration and decision. This includes the approval of the Group's objectives and strategy, approval of financial statements, dividends, appointment and removal of Directors and the Company Secretary, approval of the annual budget including capital expenditure and the review of the Group's systems of internal control.

The Board has delegated responsibility for the management of the Group to the Group Chief Executive and, through him, to executive management. The Board has also delegated some additional responsibilities to Committees of the Board established by it whose powers, obligations and responsibilities are set out in written terms of reference.

The Board is comprised of three executive Directors and eight non-executive Directors, including its Chairman. Brief biographies of the Directors are set out on pages 16 and 17. The Board has considered and believes that during the year it had the appropriate range of skills, experience and objectivity to fulfil its role effectively.

The Board has determined that with the sole exception of the Chairman, by virtue of the office he holds, each of the non-executive Directors is independent. In arriving at this determination, the Board took full account of all factors, including the circumstances listed in Provision A.3.1 of the Code as potential indicators of non-independence. The Board believes that a Director can and should be considered to be independent notwithstanding that one or more of these circumstances applies. The Board further believes that it is the strength of character, integrity and judgement of the individual Director which determines his independence. Two of the non-executive Directors were Directors of Farmer Business Developments plc at the year end and four of the non-executive Directors were Directors of FBD Trust Company Limited. These companies hold 25.64% and 8.97% respectively of the ordinary share capital of the Company. Their shareholdings represent a financial investment based on the normal expectation of dividend income and capital appreciation. Four of the non-executive Directors have served on the Board for a period of greater than nine years. The Board has taken account of the foregoing circumstances and has concluded that, when combined with the other relevant factors highlighted earlier, it is satisfied that in the case of each of its non-executive Directors their independence of character and judgement was not and is not compromised in any way.

On appointment, and regularly thereafter, Directors are briefed in writing and orally by the Chairman and executive management. Papers are sent to each member of the Board in sufficient time before Board meetings. Each member of the Board may take independent professional advice at the Company's expense if deemed necessary in the furtherance of their duties. They have access to the advice and the services of the Company Secretary who has responsibility to ensure that Board procedures are followed and that applicable rules, regulations and other obligations are complied with.

Senior Independent Director

The Board has appointed Mr. Vincent Sheridan as the Senior Independent Director. Mr. Sheridan is available to shareholders who have concerns which cannot be addressed through contact with the Chairman, the Group Chief Executive or the Group Finance Director.

Performance Appraisal

The Board has conducted an evaluation of its performance and that of its Committees and individual Directors. This was achieved through discussion and written evaluation submissions. The Chairman's performance was evaluated by the non executive-Directors, led by Mr. Sheridan, the Senior Independent Director, and taking into account the views of the executive Directors.

Board Committees

As stated earlier, the Board has established three Committees to assist in the execution of its responsibilities. These are

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

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

The Audit Committee

The Audit Committee consists solely of non-executive Directors all of whom are considered by the Board to be independent – Vincent Sheridan (its chairman), Sean Dorgan and Patrick O'Keeffe. The Board has determined that Mr. Sheridan is the Audit Committee's financial expert.

The Group Chief Executive, the Group Finance Director, the Company Secretary and the Head of Internal Audit normally attend meetings of the Committee while the external auditors attend as required and have unrestricted access to the Committee chairman at all times.

The main roles and responsibilities for the Audit Committee are set out in its terms of reference and include:

- monitoring the integrity of the Group's financial statements and reviewing the significant financial reporting issues and judgements contained in them;
- reviewing the half yearly report and the financial statements prior to their submission to the Board;
- considering and making recommendations to the Board in relation to the appointment, reappointment and removal of the external auditors;
- reviewing the terms of engagement of the external auditors;
- assessing annually the independence and objectivity of the external auditors;
- reviewing annually the audit plan with the external auditors;
- reviewing the statement on internal control prior to its consideration by the Board;
- assessing the significant risks facing the Group in the achievement of its objectives;
- reviewing and where appropriate approving the activities, effectiveness, structure and resourcing of the internal audit function; and
- approving the Group's arrangements for employees to raise concerns, in confidence, about possible wrongdoing.

These responsibilities are discharged by the Committee throughout the year through a formal programme of work which focuses on all of these areas. The Committee also meets separately, at least annually, with the external auditors and with the Head of Internal Audit, without executive management present.

As previously noted, one of the responsibilities of the Committee is to make recommendations to the Board in relation to the reappointment of the external auditors. During the year, as part of this process, the Committee has considered external auditor objectivity and independence in the circumstance of the audit firm providing non-audit services. As part of its deliberations the Committee took into account the relevant sections of the FRC's Guidance on Audit Committees. The Committee concluded that sufficient safeguards are in place to safeguard auditor objectivity and independence, most notably:

- prohibitions on the types of non-audit work which the external auditor can undertake;
- fee limits for such work above which Committee pre-approval is required; and
- annual review by the Committee of the level of fees payable to the external auditor for both audit and non-audit work.

The Audit Committee has recommended to the Board that the external auditors continue in office.

The Remuneration Committee

The Remuneration Committee consists solely of non-executive Directors – Michael Berkery (its chairman), Philip Lynch and Patrick O'Keeffe.

The principal responsibilities of the Committee are set out in its terms of reference and include:

- determining the Group's framework or policy for the remuneration of executives;
- determining the individual remuneration packages of each executive Director, the Company Secretary and other senior members of executive management;
- reviewing the design of share based incentive plans and making recommendations for change in this area to the Board for subsequent approval by shareholders as necessary; and
- granting awards under the FBD Performance Share Plan and granting options over shares under the FBD Holdings plc Executive Share Option Scheme.

The Committee has access to the advice of independent firms of compensation and benefit consultants when necessary. The Report on Directors' Remuneration is set out in note 30 to the financial statements.

It is intended to table a resolution at the Annual General Meeting of the Company for shareholders to vote on the remuneration report. As there is no legal obligation on the Company to put such a resolution to shareholders, it is an advisory resolution and is not binding on the Company. Notwithstanding this, the Remuneration Committee and the Board recognise that the tabling of such a resolution is best practice in this area.

The Nomination Committee

The Nomination Committee consists solely of non-executive Directors – Michael Berkery (its chairman), John Donnelly, Philip Lynch and Patrick O'Keeffe.

The Committee makes recommendations to the Board to ensure that the composition of the Board and its Committees is appropriate to the needs of the Company and the Group.

The process used is to assess the skills, knowledge and experience required and determine how these are currently represented on the Board. Where disparities are recognised and agreed with the Board, the Committee establishes the means of identifying suitable candidates for appointment.

No recommendations were made to the Board during the year for changes to the membership of the Board.

Attendance at Board and Board Committee Meetings During 2009

	Board		Audit		Remuneration		Nomination	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Michael Berkery	7	7	–	–	2	2	2	2
John Donnelly	7	7	–	–	–	–	2	2
Sean Dorgan	7	7	4	4	–	–	–	–
Andrew Langford	7	7	–	–	–	–	–	–
Philip Lynch	7	7	–	–	2	2	2	1
Cathal O'Caoimh	7	7	–	–	–	–	–	–
Patrick O'Keeffe	7	7	4	4	2	2	2	2
Vincent Sheridan	7	7	4	4	–	–	–	–
Adrian Taheny	7	7	–	–	–	–	–	–
Johan Thijs	7	5	–	–	–	–	–	–
Padraig Walshe	7	5	–	–	–	–	–	–

A *indicates the number of meetings held during the period the Director was a member of the Board or Committee.*
B *indicates the number of meetings attended during the period the Director was a member of the Board or Committee.*

Accountability and Audit

A statement dealing with the responsibilities of the Directors in relation to the preparation of the financial statements is set out on page 27. The responsibilities of the Company's independent auditors are set out in their report on pages 28 and 29.

Relations with Shareholders

Communications with shareholders are given high priority. Through its annual report and regulatory announcements during the year, the Group provides a review of the Group's performance and prospects. The Group's website www.fbdgroup.com provides the full text of its Annual and Interim Reports, in addition to the significant regulatory announcements made including annual financial statements, half yearly reports, trading statements and interim management statements.

The Group Chief Executive, Group Finance Director and other senior executives meet with institutional shareholders and analysts principally at the time of the release of the annual and half yearly results. During the year, the Board received reports from management on the issues raised by investors and analysts in the course of such meetings.

Analyst and broker notes on the Company are circulated to the Board at regular intervals throughout the year.

Investors are encouraged to attend the Annual General Meeting at which they can meet and question the Chairman and the Board on its performance and that of the Company and the Group. Notice of the Annual General Meeting, together with the Annual Report and financial statements, is sent to shareholders at least 20 business days before the meeting. A separate resolution is proposed on each substantially separate issue including a particular resolution relating to the Directors' Report and financial statements. Details of the proxy votes cast for and against each resolution are announced at the meeting after the result is declared on the show of hands. These details are also notified to the Stock Exchanges and are published on the Group's website.

Going Concern

The Financial Statements have been prepared on the going concern basis and, as required by the Combined Code, the Directors report that they have satisfied themselves that the Group is a going concern, having adequate resources to continue in operational existence for the foreseeable future. This matter is elaborated further on page 19 in the Report of the Directors.

Internal Control

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

In accordance with the revised FRC guidance for Directors on internal control published in October 2005, "Internal Control Revised Guidance for Directors on the Combined Code", the Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risks faced by the Group, that it has been in place for the year under review and up to the date of approval of the financial statements, that this process is regularly reviewed by the Board. The key risk management and internal control procedures include:

- skilled and experienced management and staff;
- an organisation structure with clearly defined lines of responsibility and authority;
- a comprehensive system of financial control incorporating budgeting, periodic financial reporting and variance analysis;
- the operation of approved risk management policies in the areas of underwriting, claims, investment and treasury;
- an internal control group comprising senior management whose main role is to identify, keep under review and manage significant internal control risks facing the Group;
- an internal audit function;
- a risk management 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.

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.

Compliance

FBD has complied, throughout the year ended 31 December 2009, with the provisions set out in Section 1 of the Combined Code on Corporate Governance with the exception of the following matter. The Chairman continues to be Chairman of the Remuneration Committee. The Board remains of the view that he is the most appropriate person for this position and further believes that the composition of the Committee ensures that an appropriate balance of experience and skills are available to the Committee and also ensures that no one person's opinion is allowed to dominate proceedings.

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under such law, the Directors have prepared the Company and Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU ("IFRSs") and in accordance with the provisions of the Companies Acts, 1963 to 2009.

The Company and Group financial statements are required by law and IFRSs to present fairly the financial position and performance of the Company and the Group. The Companies Acts, 1963 to 2009 provide in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Company and Group financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements are free from material misstatement or error and comply with the Companies Acts, 1963 to 2009. The Directors are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

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

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

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

- the financial statements, prepared in accordance with IFRSs, give a true and fair view of the assets, liabilities and financial position for the Group as at 31 December 2009 and of the result for the year then ended; and
- the Report of the Directors, the Chairman's Statement and the Review of Operations include a fair review of the development and performance of the Group's business and the state of affairs of the Group at 31 December 2009, together with a description of the principal risks and uncertainties facing the Group.

On behalf of the Board

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

2 March 2010

Independent Auditors' Report

TO THE MEMBERS OF FBD HOLDINGS PLC

We have audited the financial statements of FBD Holdings Plc for the year ended 31 December 2009 which comprise the Group Financial Statements including the Statement of Accounting Policies, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Pro-forma Reconciliation of Consolidated Operating Profit to Loss before Tax, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the Company Financial Statements including the Company Statement of Financial Position, the Company Statement of Cash Flows, the Company Statement of Changes in Equity and the related notes 1 to 38. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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

Respective Responsibilities of Directors and Auditors

The directors are responsible, as set out in the Statement of Directors' Responsibilities, for preparing the Annual Report, including the preparation of the Group Financial Statements and the Parent Company Financial Statements in accordance with applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Our responsibility, as independent auditor, is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group Financial Statements and the Parent Company Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009, and Article 4 of the IAS Regulation. We also report to you whether in our opinion: proper books of account have been kept by the Company; whether, at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Report of the Directors is consistent with the financial statements. The information included in the Report of the Directors includes that specific information presented in the Review of Operations as cross referenced from the Report of the Directors and that specific information presented in the Corporate Governance Statement as cross referenced from the Report of the Directors. In addition, we state whether we have obtained all the information and explanations necessary for the purpose of our audit and whether the Company's Statement of Financial Position is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law or the Listing Rules of the Irish Stock Exchange regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review by the Listing Rules of the Irish Stock Exchange, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its internal risk and control procedures.

We read the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the affairs of the Group as at 31 December 2009 and of its loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009 and Article 4 of the IAS Regulations;
- the Parent Company Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, as applied in accordance with the provisions of the Companies Acts 1963 to 2009, of the state of the parent Company's affairs as at 31 December 2009; and
- the Parent Company Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

We have obtained all the information and explanations we considered necessary for the purpose of our audit. In our opinion proper books of account have been kept by the Company. The Company's Statement of Financial Position is in agreement with the books of account.

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

The net assets of the Company, as stated in the Statement of Financial Position are more than half the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2009 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the Company.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Dublin

2 March 2010

Statement of Accounting Policies

FOR THE YEAR ENDED 31 DECEMBER 2009

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.

In the current year, the layout of the consolidated income statement has been amended and an additional statement has been added to the financial statements. The additional statement, a pro-forma reconciliation of consolidated operating profit to loss before tax, which is not governed by IFRSs is designed to provide supplementary information to users of the financial statements including operating profit, a key performance measure monitored by the Board. Further detail on this additional statement is included in note 38 to the financial statements.

Adoption of New and Revised International Financial Reporting Standards ("IFRSs")

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements:

Standards affecting presentation and disclosure

Standard	Nature of change
IAS 1 (as revised in 2007): Presentation of Financial Statements	IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)	The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.
IFRS 8: Operating Segments	IFRS 8 is a disclosure standard that has resulted in the provision of additional information on the Group's reportable segments.

Standards and Interpretations adopted with no effect on financial statements

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

Standard	Description
IAS 23 (as revised in 2007): Borrowing Costs	The principal change to the standard was to eliminate the option to expense all borrowing costs when incurred.
Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.
Amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards and IAS 27: Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The amendments deal with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRSs for the first time and with the recognition of dividend income from subsidiaries in a parent's separate financial statements.
Amendments to IFRS 2: Share-based Payment – Vesting Conditions and Cancellations	The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.
Amendments to IAS 38: Intangible Assets	As part of Improvements to IFRSs (2008), IAS 38 has been amended to state that an entity is permitted to recognise a prepayment asset for advertising or promotional expenditure only up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services.
Amendments to IAS 40: Investment Property	As part of Improvements to IFRSs (2008), IAS 40 has been amended to include within its scope investment property in the course of construction.

Standards and Interpretations not yet effective

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

Standard
IFRS 3 (as revised in 2008): Business Combinations (effective date: accounting periods beginning on or after 1 July 2009)
Amendments to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations (effective date: accounting periods beginning on or after 1 January 2010)
Amendments to IAS 7: Statement of Cash Flows (effective date: accounting periods beginning on or after 1 January 2010)
IAS 27 (as revised in 2008): Consolidated and Separate Financial Statements (effective date: accounting periods beginning on or after 1 July 2009)
IAS 28 (as revised in 2008): Investments in Associates (effective date: accounting periods beginning on or after 1 July 2009)
IFRIC 17: Distributions of Non-cash Assets to Owners (effective date: accounting periods beginning on or after 1 July 2009)
IFRIC 18: Transfers of Assets from Customers (effective date: accounting periods beginning on or after 1 July 2009)

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact (other than presentation and disclosure) on the financial statements of the Group when the relevant standards come into effect.

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

(i) the revaluation of property, investments held for trading, available for sale investments and investment property, which are measured at fair value and

(ii) investments held to maturity, which are measured at amortised cost.

B) Basis of Consolidation

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

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

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

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

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

Minority interests are credited with their share of income and expense. Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

C) Revenue Recognition

Revenue represents gross premiums written, broking commissions, fees, other commissions, interest and dividends receivable, rents receivable, sales of goods and services and sales by the property, hotel and leisure operations, net of discounts, levies, VAT and other sales related taxes. Sales of goods and services are recognised when the goods and services are delivered and title has passed.

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.

Hotel revenue is recognised in line with the provision of the related service. Receipts from advance bookings are deferred and recognised as revenue at the time of use.

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 period end. Unearned premiums are computed on a daily pro-rata basis of premium written. At 31 December each year, an assessment is made of whether the provision for unearned premiums is adequate.

(iii) Deferred acquisition costs

Deferred acquisition costs represent the proportion of net acquisition costs 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.

(iv) Unexpired risks

At 31 December each year, an assessment is made of whether the provision for unearned premiums is adequate. Provision for unexpired risks is made where the expected claims, related expenses and deferred acquisition costs are expected to exceed unearned premiums, after taking account of future investment income.

(v) Claims incurred

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

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

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

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

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

(vi) Reinsurance

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

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

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

E) Operating Profit

Operating profit is reported on the basis of a longer term investment return. The long-term nature of much of the Group's operations means that, for management decision-making and internal performance management, short-term realised and unrealised investment gains and losses are treated as non-operating items. The Group focuses instead on an operating profit measure that incorporates an expected return on investments. Finance costs (note 4) and the fluctuation between the longer term investment return and the actual investment return (note 2 (c)), which includes realised and unrealised gains and losses and profits or losses arising from substantial non recurring transactions are charged or credited to the pro-forma reconciliation of consolidated operating profit to loss before tax. As a result, the operating profit is not subject to distortion from fluctuations in investment returns.

F) Property, Plant and Equipment

(i) Property

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

Property held under financing arrangements which transfer substantially all of the risks and rewards of ownership to the Group are treated as if they had been purchased outright and are included in the consolidated statement of financial position at fair value. The corresponding commitments are shown as liabilities.

It is the Group's policy and practice to maintain all Group properties in a continual state of sound repair. As a result and taking into consideration the regular revaluations undertaken, the Directors consider that the residual values of these properties are such that any depreciation is immaterial and is therefore not provided.

(ii) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided in respect of all plant and equipment, and is calculated in order to write off the cost or valuation of the assets over their expected useful lives on a straight line basis over a five to ten year period.

G) Financial Assets

Financial assets and financial liabilities are recognised in the Group's 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.

(i) Investment property

Investment property which is property held to earn rentals and/or for capital appreciation is 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. 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) Investments held for trading at fair value

Investments held for trading are stated at fair value and include quoted shares and debt securities. They are recognised and derecognised on a trade date basis at cost 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-taking; or
- they are derivatives that are not designated and effective as hedging instruments.

Investments other than investments held for trading may be designated as an 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, and information about the Group is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as an FVTPL.

(iii) Investments held to maturity

Investments held to maturity include debt securities where the intention is to hold them to maturity. They are recognised on a trade date basis at fair value and are subsequently measured at amortised cost. At subsequent reporting dates, these investments are measured at amortised cost using the effective interest rate method, less any impairment loss.

(iv) Available for sale investments

Available for sale investments include unquoted investments, and are stated at fair value where fair value can be reliably measured. Fair value is calculated using prices achieved in most recent transactions. They are recognised on a trade date basis at cost, and are subsequently revalued to fair value, with gains and losses being included directly in equity until the investment is disposed of or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity, is included in the consolidated income statement for the period.

(v) Derivative financial instruments

From time to time, the Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and foreign currency swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in the consolidated income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(vi) 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.

H) Loans and Receivables

(i) Loans

Loans are carried at amortised cost using the effective interest rate method. When it is not possible to estimate reliably the cash flows or the expected life of a loan, the projected cash flows over the full term of the loan are used to determine fair value. Loans are stated in the consolidated statement of financial position recognising any impairment loss to reflect estimated irrecoverable amounts. Specific provisions are made on a case-by-case basis after taking into account factors such as the financial condition of the borrower, security held and costs of realisation.

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

(ii) 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 as reduced by appropriate allowances for estimated irrecoverable amounts.

I) Leases

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

(i) The Group as Lessor

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

(ii) The Group as Lessee

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

J) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenditure incurred in bringing the inventory to its present condition. Net realisable value is the estimated selling price less all further costs to completion and the estimated costs necessary to make the sale.

In addition to work in progress, land held for development and resale is included within inventories.

K) Cash and Cash Equivalents

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

L) Taxation

Income tax expense or credit represents the sum of the tax currently payable or receivable and that element of deferred tax charged or credited to the consolidated income statement. Deferred tax charged or credited to equity is recognised in the consolidated statement of comprehensive income.

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

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

Deferred tax 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.

The carrying amount of deferred tax 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 tax is measured at the tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse based on tax rates and laws enacted or substantially enacted at the reporting date.

Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax 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 both defined benefit and defined contribution retirement benefit schemes for the majority of its Irish based employees.

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 surplus or deficit on the scheme is carried in the consolidated statement of financial position as an asset or liability.

Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions to future contributions to the scheme. Actuarial gains and losses are recognised immediately in equity through the consolidated statement of comprehensive income.

The current service cost and past service cost of the scheme and the expected return on assets net of the change in the present value of the scheme liabilities arising from the passage of time, are charged to profit.

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

The projected unit credit method is used to calculate scheme liabilities.

Defined Contribution Schemes

Costs arising in respect of the Group's defined contribution retirement benefit schemes are charged to the consolidated income statement in the period in which they are incurred.

N) Currency

The functional and the presentation currency of the Group financial statements is euro denoted by the symbol €. Transactions in currencies other than euro are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities in foreign currencies have been translated into euro at closing rates at the reporting date. Gains and losses on translation are recognised in the consolidated income statement in the period in which they arise except when they relate to items for which gains and losses are recognised in equity. Non-monetary items are translated at the exchange rate at the date of transaction.

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 and 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 Payment

The Group operates share option schemes based on market and non-market vesting conditions. The fair value of the options is determined at the date of grant using either the Black Scholes or Monte Carlo Simulation models and expensed in the consolidated income statement over the vesting period at the conclusion of which the employees become unconditionally entitled to the options. The corresponding amount to the expense is credited to a separate reserve in the consolidated statement of financial position. At each period end, the Group reviews its estimate of the number of options that it expects to vest and any adjustment relating to current and past vesting periods is brought to the consolidated income statement. Share options are all equity settled.

P) Treasury Shares

Where any Group company purchases the Company's equity share capital, the consideration paid is shown as a deduction from ordinary shareholders' equity. No gain or loss is recognised on the sale, issue or cancellation of treasury shares. Consideration received on the subsequent sale or issue of treasury shares is credited to ordinary shareholders' equity. Treasury shares are excluded when calculating earnings per share.

Q) Impairment of Assets

(i) Impairment of tangible and intangible assets

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

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-tax 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. An impairment 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 an impairment 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 impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment 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 impairment loss is treated as a revaluation increase.

(ii) Impairment of financial assets

Financial assets, other than those at FVTPL (fair value through profit or loss), are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been impacted.

For all other financial assets, including redeemable notes classified as being available for sale 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 any impairment loss for all financial assets.

When an AFS (available for sale) financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss, 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 profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

R) Borrowing Costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

S) Restructuring Costs

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

T) Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and judgements that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

A summary of the principle accounting estimates and judgements is as follows:

Accounting estimates

- The estimation of the ultimate liability arising from claims made under insurance contracts written. Further details are set out in note 23 to the financial statements.
- The assumptions used in estimating retirement benefit obligations, of which details are set out in note 25 to the financial statements.
- Revenue recognition, which is covered under accounting policy C.

Judgements

- The valuation of property held for own use and investment properties, of which details are set out in note 10 and 13 of the financial statements, respectively.
- The amount recoverable from loans and receivables, of which details are set out in note 11 and note 17 of the financial statements.
- The recoverability of the deferred tax asset, details of which are set out in note 12 to the financial statements.

Further consideration of the Group's critical accounting estimates and judgements have been dealt with in note 37, risk management.

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 €000s	Restated 2008 €000s
Revenue	*1(a)*	**476,159**	521,571
Income			
Gross premium written		**357,244**	385,638
Reinsurance premiums		**(54,107)**	(57,083)
Net premium written	*1(c)*	**303,137**	328,555
Change in provision for unearned premiums	*1(c)*	**11,467**	14,520
Net premium earned		**314,604**	343,075
Net investment return	*2(a)*	**6,515**	(48,377)
Non-underwriting income		**72,774**	80,203
Total income		**393,893**	374,901
Expenses			
Net claims and benefits	*1(c)*	**(263,492)**	(271,205)
Other underwriting expenses	*1(c)*	**(64,020)**	(58,470)
Non-underwriting expenses	*1(d)*	**(66,285)**	(71,750)
Revaluation of property, plant and equipment	*10*	**(29,048)**	–
Restructuring costs	*3*	**(2,315)**	(7,609)
Finance costs	*4*	**(3,377)**	(4,474)
Loss before tax	*5*	**(34,644)**	(38,607)
Income tax credit	*7*	**3,714**	5,607
Loss for the year	*8*	**(30,930)**	(33,000)
Attributable to:			
Equity holders of the parent		**(30,190)**	(33,270)
Minority interest		**(740)**	270
		(30,930)	(33,000)

		2009 Cent	2008 Cent
Basic loss per 60 cent ordinary share	*9*	**(91.59)**	(100.94)
Diluted loss per 60 cent ordinary share	*9*	**(91.05)**	(100.59)

Comparative figures for the year ended 31 December 2008 have been restated as detailed in note 38. All results derived from continuing operations. The financial statements were approved by the Board and authorised for issue on 2 March 2010.

They were signed on its behalf by:

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 €000s	Restated 2008 €000s
Loss for the year	**(30,930)**	(33,000)
(Loss)/gain on available for sale financial assets	**(1,554)**	199
Revaluation of property, plant and equipment	**(5,241)**	(34,166)
Actuarial loss on retirement benefit obligations	**(8,556)**	(10,174)
Exchange differences on translation of foreign operations	**747**	(1,070)
Other comprehensive expense before tax	**(14,604)**	(45,211)
Tax credit relating to other comprehensive expense	**6,884**	5,813
Other comprehensive expense after tax	**(7,720)**	(39,398)
Total comprehensive expense for the year	**(38,650)**	(72,398)
Attributable to:		
Equity holders of the parent	**(37,664)**	(71,205)
Minority interests	**(986)**	(1,193)
	(38,650)	(72,398)

Comparative figures for the year ended 31 December 2008 have been restated as detailed in note 38. The financial statements were approved by the Board and authorised for issue on 2 March 2010.

They were signed on its behalf by:

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

Pro Forma Reconciliation of Consolidated Operating Profit to Loss before Tax

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 €000s	2008 €000s
Underwriting	*1(a)*	**22,391**	57,330
Non-underwriting	*1(a)*	**6,489**	8,453
Operating profit before tax		**28,880**	65,783
Investment return – fluctuations	*2(c)*	**(28,784)**	(92,307)
Revaluation of property, plant and equipment	*10*	**(29,048)**	–
Restructuring costs	*3*	**(2,315)**	(7,609)
Finance costs	*4*	**(3,377)**	(4,474)
Loss before tax		**(34,644)**	(38,607)

Refer to note 38 for the basis of preparation of this pro-forma statement, which is supplementary to the primary statements required under International Financial Reporting Standards.

Consolidated Statement of Financial Position

AT 31 DECEMBER 2009

Assets

	Notes	2009 €000s	2008 €000s
Property, plant and equipment	*10*	**176,479**	208,659
Loans	*11*	**43,863**	70,489
Deferred tax asset	*12*	**6,907**	–
Financial assets			
Investments held to maturity	*13(a)*	**581,096**	479,626
Available for sale investments	*13(a)*	**9,476**	11,051
Investment property	*13(c)*	**43,267**	52,538
Investments held for trading	*13(a)*	**30,000**	24,112
Deposits with banks		**75,462**	183,143
		739,301	750,470
Reinsurance assets			
Provision for unearned premiums	*1(c)*	**25,503**	25,450
Claims outstanding	*23*	**67,686**	33,544
		93,189	58,994
Inventories	*14*	**59,226**	62,383
Current tax asset	*15*	**175**	4,820
Deferred acquisition costs	*16*	**19,963**	17,733
Other receivables	*17*	**72,681**	68,539
Cash and cash equivalents	*18*	**44,036**	35,713
Total assets		**1,255,820**	1,277,800

Consolidated Statement of Financial Position

AT 31 DECEMBER 2009

Equity and Liabilities

	Notes	2009 €000s	2008 €000s
Equity			
Ordinary share capital	*19*	**21,409**	21,409
Capital reserves	*20*	**14,297**	13,599
Revaluation reserves	*21*	**742**	3,295
Translation reserves		**66**	(681)
Retained earnings		**154,994**	197,788
Shareholders' funds – equity interests		**191,508**	235,410
Preference share capital	*22*	**2,923**	2,923
Equity attributable to equity holders of the parent		**194,431**	238,333
Minority interests		**3,030**	4,151
Total equity		**197,461**	242,484
Liabilities			
Insurance contract liabilities			
Provision for unearned premiums	*1(c)*	**176,603**	188,017
Claims outstanding	*23*	**671,429**	626,188
		848,032	814,205
Borrowings	*24*	**120,051**	110,968
Retirement benefit obligation	*25*	**23,103**	16,112
Deferred tax liability	*26*	**10,507**	15,062
Payables	*27*	**56,666**	78,969
Total liabilities		**1,058,359**	1,035,316
Total equity and liabilities		**1,255,820**	1,277,800

The financial statements were approved by the Board and authorised for issue on 2 March 2010.

They were signed on its behalf by:

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 €000s	Restated 2008 €000s
Cash flows from operating activities			
Loss before tax		**(34,644)**	(38,607)
Adjustments for:			
(Profit)/loss on investments held for trading	*28*	**(4,925)**	46,819
Loss on investments held to maturity	*28*	**417**	276
Provision for loans & advances	*28*	**21,000**	–
Depreciation of property, plant and equipment		**6,206**	5,432
Share-based payment expense		**698**	442
Decrease in fair value of investment property		**8,479**	30,481
Decrease in fair value of property, plant and equipment		**29,048**	–
(Decrease) in insurance contract liabilities		**(368)**	(6,233)
Loss on disposal of property, plant and equipment		**25**	246
Operating cash flows before movement in working capital		**25,936**	38,856
(Increase) in receivables and deferred acquisition costs		**(5,552)**	(1,187)
(Decrease)/increase in payables		**(24,003)**	4,677
Decrease in inventories		**3,157**	3,362
Cash (used by)/generated from operations		**(462)**	45,708
Income taxes received/(paid)		**3,779**	(20,119)
Net cash from operating activities		**3,317**	25,589
Cash flows from investing activities			
Investments held for trading	*28*	**(963)**	113,039
Investments held to maturity	*28*	**(101,887)**	–
Investments available for sale	*28*	**21**	(1,310)
Sale of property, plant and equipment	*28*	**–**	985
Purchase of property, plant and equipment	*10, 28*	**(8,474)**	(6,144)
Sale of investment property	*28*	**792**	–
Repayment of loans	*28*	**5,626**	6,214
Deposits invested with banks	*28*	**107,681**	(110,109)
Net cash generated from investing activities		**2,796**	2,675
Cash flows from financing activities			
Ordinary dividends paid	*29*	**(6,936)**	(27,623)
Special dividend on ordinary shares	*29*	**–**	(416)
Special dividend on 'A' ordinary shares	*29*	**–**	(19,622)
Buyback of 'A' ordinary shares		**–**	(30,150)
Proceeds of re-issue of ordinary shares		**–**	180
Increase in borrowings	*28*	**22,980**	50,532
(Decrease) in borrowings	*28*	**(13,897)**	–
Net cash used in financing activities		**2,147**	(27,099)
Net increase in cash and cash equivalents		**8,260**	1,165
Cash and cash equivalents at the beginning of the year		**35,713**	35,618
Effect of foreign exchange rate changes		**63**	(1,070)
Cash and cash equivalents at the end of the year	*18*	**44,036**	35,713

Comparative figures for the year ended 31 December 2008 have been restated as detailed in note 38.

Consolidated Statement of Changes in Equity

FOR YEAR ENDED 31 DECEMBER 2009

	Ordinary share capital	Capital reserves	Restated revaluation and other reserves	Translation reserve	Retained earnings	Attributable to ordinary shareholders	Preference share capital	Restated minority interest	Total equity
	€000s	**€000s**	**€000s**	**€000s**	**€000s**	**€000s**	**€000s**	**€000s**	**€000s**
2008 Restated									
Balance at 1 January 2008	21,277	12,956	29,986	389	318,981	**383,589**	2,923	5,689	**392,201**
Loss after taxation	–	–	–	–	(33,270)	**(33,270)**	–	270	**(33,000)**
Other comprehensive expense	–	–	(26,691)	(1,070)	(10,174)	**(37,935)**	–	(1,463)	**(39,398)**
	21,277	12,956	3,295	(681)	275,537	**312,384**	2,923	4,496	**319,803**
Dividends paid on ordinary and preference shares	–	–	–	–	(27,741)	**(27,741)**	–	–	**(27,741)**
Special dividend paid on ordinary shares	–	–	–	–	(416)	**(416)**	–	–	**(416)**
Special dividends paid on 'A' ordinary shares	–	–	–	–	(19,622)	**(19,622)**	–	–	**(19,622)**
Issue of 'A' ordinary shares	333	–	–	–	–	**333**	–	–	**333**
Buyback of 'A' ordinary shares	–	–	–	–	(30,150)	**(30,150)**	–	–	**(30,150)**
Cancellation of 'A' ordinary shares	(201)	201	–	–	–	**–**	–	–	**–**
Reissue of ordinary shares	–	–	–	–	180	**180**	–	–	**180**
Dividend paid to minority interests	–	–	–	–	–	**–**	–	(345)	**(345)**
Recognition of share based payments	–	442	–	–	–	**442**	–	–	**442**
Balance at 31 December 2008	**21,409**	**13,599**	**3,295**	**(681)**	**197,788**	**235,410**	**2,923**	**4,151**	**242,484**
2009									
Loss after taxation	–	–	–	–	(30,190)	**(30,190)**	–	(740)	**(30,930)**
Other comprehensive expense	–	–	(2,553)	747	(5,668)	**(7,474)**	–	(246)	**(7,720)**
	21,409	13,599	742	66	161,930	**197,746**	2,923	3,165	**203,834**
Dividends paid on ordinary and preference shares	–	–	–	–	(6,936)	**(6,936)**	–	–	**(6,936)**
Dividend paid to minority interests	–	–	–	–	–	**–**	–	(135)	**(135)**
Recognition of share based payments	–	698	–	–	–	**698**	–	–	**698**
Balance at 31 December 2009	**21,409**	**14,297**	**742**	**66**	**154,994**	**191,508**	**2,923**	**3,030**	**197,461**

Comparative figures for the year ended 31 December 2008 have been restated as detailed in note 38.

Company Statement of Financial Position

AT 31 DECEMBER 2009

Assets

	Notes	2009 €000s	2008 €000s
Investments			
Interest in subsidiaries	*31*	**100,053**	56,692
Deposits with banks		**9**	203
		100,062	56,895
Cash and cash equivalents		**6**	84
Receivables		**654**	608
Total assets		**100,722**	57,587

Equity and Liabilities

	Notes	2009 €000s	2008 €000s
Equity			
Ordinary share capital	*19*	**21,409**	21,409
Capital reserves	*20*	**14,297**	11,593
Reserves		**61,782**	19,346
Shareholders' funds – equity interests		**97,488**	52,348
Preference share capital	*22*	**2,923**	2,923
Equity attributable to equity holders of the parent		**100,411**	55,271
Payables	*27*	**311**	2,316
Total equity and liabilities		**100,722**	57,587

The financial statements were approved by the Board and authorised for issue on 2 March 2010.

They were signed on its behalf by:

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

Company Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 €000s	2008 €000s
Cash flows from operating activities		
Profit before tax for the year	**49,462**	63,075
(Increase)/Decrease in receivables	**(21,021)**	12,490
(Decrease)/Increase in payables	**(2,005)**	2,013
Income taxes received	**231**	321
Net cash from operating activities	**26,667**	77,899
Cash flows from investment activities		
(Increase) in investments	**(20,003)**	–
Deposits withdrawn from/(invested with) financial institutions	**194**	(200)
Net cash used in investing activities	**(19,809)**	(200)
Cash flows from financing activities		
Dividends paid on ordinary and preference shares	**(6,936)**	(27,623)
Special dividend on ordinary shares	**–**	(416)
Special dividend on 'A' ordinary shares	**–**	(19,622)
Buyback of 'A' ordinary shares	**–**	(30,150)
Proceeds of re-issue of ordinary shares	**–**	180
Net cash used in financing activities	**(6,936)**	(77,631)
Net (decrease)/increase in cash and cash equivalents	**(78)**	68
Cash and cash equivalents at the beginning of the year	**84**	16
Cash and cash equivalents at the end of the year	**6**	84

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2009

	Ordinary share capital	Capital reserves	Share option reserve	Retained earnings	Attributable to ordinary shareholders	Preference share capital	Total equity
	€000s	€000s	€000s	€000s	€000s	€000s	€000s
2008							
Balance at 1 January 2008	21,277	11,392	–	33,495	**66,164**	2,923	**69,087**
Profit after taxation	–	–	–	63,600	**63,600**	–	**63,600**
Ordinary and preference dividends paid	–	–	–	(27,741)	**(27,741)**	–	**(27,741)**
Issue of 'A' ordinary shares	333	–	–	–	**333**	–	**333**
Buyback of 'A' ordinary shares	–	–	–	(30,150)	**(30,150)**	–	**(30,150)**
Cancellation of 'A' ordinary shares	(201)	201	–	–	**–**	–	**–**
Special dividend paid on ordinary shares	–	–	–	(416)	**(416)**	–	**(416)**
Special dividend paid on 'A' ordinary shares	–	–	–	(19,622)	**(19,622)**	–	**(19,622)**
Re-issue of ordinary shares	–	–	–	180	**180**	–	**180**
Balance at 31 December 2008	**21,409**	**11,593**	**–**	**19,346**	**52,348**	**2,923**	**55,271**
2009							
Profit after taxation	–	–	–	49,372	**49,372**	–	**49,372**
Recognition of share based payments	–	–	2,704	–	**2,704**	–	**2,704**
Ordinary and preference dividends paid	–	–	–	(6,936)	**(6,936)**	–	**(6,936)**
Balance at 31 December 2009	**21,409**	**11,593**	**2,704**	**61,782**	**97,488**	**2,923**	**100,411**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009

1 Segmental Information

(a) Operating segments

For management purposes, the Group is currently organised in two operating segments – underwriting and non-underwriting. 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. There has been no change in the Group's reportable segments during the year.

The principal activities of the Group are underwriting of general insurance business and non-underwriting operations, including leisure/property and financial services.

2009

	Underwriting €000s	**Non-underwriting €000s**	**Total €000s**
Revenue	403,385	72,774	476,159
Operating profit	22,391	6,489	28,880
Investment return – fluctuations	(28,784)	–	(28,784)
Revaluation of property	(128)	(28,920)	(29,048)
Restructuring costs	(1,976)	(339)	(2,315)
Finance costs	–	(3,377)	(3,377)
Loss before tax	(8,497)	(26,147)	(34,644)
Income tax credit	3,651	63	3,714
Loss after tax	(4,846)	(26,084)	(30,930)
Other information			
Capital additions	7,710	764	8,474
Depreciation and amortisation	5,969	237	6,206
Statement of financial position			
Segment assets	1,031,462	224,358	1,255,820
Segment liabilities	904,598	153,761	1,058,359

Included above are non-cash items relating to property revaluations, investment property revaluations and loan impairments totalling €58,559,000 (underwriting €29,639,000, non-underwriting €28,920,000).

1 Segmental Information [continued]

2008

	Underwriting €000s	Non-underwriting €000s	Total €000s
Revenue	441,368	80,203	521,571
Operating profit	57,330	8,453	65,783
Investment return – fluctuations	(92,307)	–	(92,307)
Restructuring costs	(7,171)	(438)	(7,609)
Interdivisional finance costs	2,554	(2,554)	–
Finance costs	–	(4,474)	(4,474)
(Loss)/Profit before tax	(39,594)	987	(38,607)
Income tax credit/(charge)	5,752	(145)	5,607
(Loss)/Profit after tax	(33,842)	842	(33,000)
Other information			
Capital additions	4,300	1,843	6,143
Depreciation and amortisation	5,176	256	5,432
Statement of financial position			
Segment assets	1,018,774	259,026	1,277,800
Segment liabilities	855,570	179,746	1,035,316

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. Finance costs, restructuring costs and income tax are direct costs of each segment. Segment profit is the measure reported to the chief operating decision maker, the Group Chief Executive, for the purpose 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.

1 Segmental Information *[continued]*

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

	2009 €000s	2008 €000s
Direct insurance – motor	**159,598**	182,436
Direct insurance – liability	**65,658**	71,106
Direct insurance – fire and other damage to property	**126,025**	126,605
Direct insurance – other	**5,963**	5,491
Direct insurance – interest and other revenue	**46,141**	55,730
Non-underwriting revenue	**72,774**	80,203
Total	**476,159**	521,571

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

(b) Geographical segments

The Group's operations are located in Ireland and the rest of the European Union. The Group's underwriting operation is located in Ireland while its non-underwriting operations are located in Ireland and the rest of the European Union. The following table provides an analysis of the Group's revenue, assets and liabilities by geographical market, irrespective of the origin of the services.

	Ireland €000s	European Union €000s	Total €000s
2009			
Revenue	444,977	31,182	476,159
Segment assets	1,109,739	146,081	1,255,820
Segment liabilities	1,025,531	32,828	1,058,359
2008			
Revenue	488,022	33,549	521,571
Segment assets	1,132,601	145,199	1,277,800
Segment liabilities	961,466	73,850	1,035,316

1 Segmental Information [continued]

(c) Underwriting result

	2009 €000s	2009 €000s	2008 €000s	2008 €000s
Earned premiums, net of reinsurance				
Gross premiums written	**357,244**		385,638	
Outward reinsurance premiums	**(54,107)**		(57,083)	
Net premiums written	**303,137**		328,555	
Change in provision for unearned premiums				
Gross amount	**11,414**		11,060	
Reinsurers' share	**53**		3,460	
Change in net provision for unearned premiums	**11,467**		14,520	
Premium earned, net of reinsurance		**314,604**		343,075
Claims paid, net of recoveries from reinsurers				
Claims paid				
Gross amount	**(293,333)**		(302,240)	
Reinsurers' share	**40,940**		39,316	
Claims paid, net of recoveries from reinsurers	**(252,393)**		(262,924)	
Change in provision for claims				
Gross amount	**(45,241)**		(13,336)	
Reinsurers' share	**34,142**		5,055	
Change in insurance liabilities, net of reinsurance	**(11,099)**		(8,281)	
Claims incurred net of reinsurance		**(263,492)**		(271,205)
Gross management expenses	**(75,860)**		(75,516)	
Reinsurers' share	**13,943**		18,756	
Broker commissions payable	**(2,103)**		(1,710)	
Net operating expenses		**(64,020)**		(58,470)
Underwriting result		**(12,908)**		13,400

The above note shows the movement on the insurance liabilities between 1 January 2009 and 31 December 2009 and the movement on the reinsurance assets for the same period. The movement in deferred acquisition costs for the period was a credit to the income statement of €2,230,000 (2008: Credit of €2,462,000).

All reinsurance contracts are for no more than one year so have no material effect on the amount, timing and uncertainty of cash flows. There are no security arrangements for reinsurance transactions. The impact of buying reinsurance was a credit to the income statement of €34,971,000 (2008: Credit of €7,928,000).

1 Segmental Information *[continued]*

(d) Non-underwriting expenses

	2009 €000s	2008 €000s
Staff costs	**30,751**	33,486
Other	**35,534**	38,264
	66,285	71,750

2 Investment Income

(a) Actual return

	2009 €000s	2008 €000s
Income from investment properties	**2,937**	3,594
Interest and similar income	**31,413**	19,700
Dividend income	**348**	3,877
Unrealised losses on investments	**(19,942)**	(52,280)
Realised losses on investments	**(8,241)**	(23,268)
	6,515	(48,377)
By Classification of investment		
Investment properties	**(5,574)**	(26,885)
Deposits with banks	**3,483**	6,867
Investments held for trading	**5,348**	(41,356)
Available for sale investments	**281**	12
Investments held to maturity	**23,720**	20,803
Loans	**(20,743)**	(7,818)
	6,515	(48,377)

Interest and similar income received during the period was €24,619,000 (2008: €23,878,000).

2 Investment Income *[continued]*

(b) Longer term investment return

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

	2009 %	2008 %
Government gilts	**4.00**	4.00
Other quoted debt securities	**6.00**	6.00
Quoted shares	**6.75**	7.50
Deposits with banks	**3.25**	3.63
Investment properties	**6.25**	6.00
Investments held to maturity	**Actual**	Actual

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

	2009 €000s	2008 €000s
Longer term investment return	**35,299**	43,930
Investment return fluctuation	**(28,784)**	(92,307)
Actual investment return	**6,515**	(48,377)

3 Restructuring Costs

The consolidated income statement includes a restructuring charge for the cost of realigning the FBD Insurance local office network, reducing the number of offices from 47 to 34, and implementing cost restructuring in the property and leisure operations. The breakdown of the restructuring costs are as follows:

	2009 €000s	2008 €000s
Redundancy costs	**2,315**	6,269
Termination of leases	**–**	685
Other	**–**	655
Total	**2,315**	7,609

4 Finance Costs

	2009 €000s	2008 €000s
Interest on borrowings	**3,377**	4,474

Interest paid during the period was €3,495,000 (2008: €3,421,000).

5 Loss Before Tax

	2009 €000s	2008 €000s
Loss before tax has been stated after charging:		
Fees paid to audit firms in respect of:		
– Audit services	**460**	477
	460	477
– Non audit services: Taxation	**229**	506
Actuarial	**–**	104
	229	610
Depreciation	**6,206**	5,432
Foreign exchange (gains)/losses	**(19)**	95
Inventory charge	**3,224**	3,286

The remuneration of Directors is set out in detail on pages 82 to 87 (note 30).

6 Staff Costs and Numbers

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

	2009	2008
Underwriting	**739**	811
Non-underwriting	**1,004**	1,130
Total	**1,743**	1,941

The aggregate payroll of these persons was as follows:

	2009 €000s	2008 €000s
Wages and salaries	**71,847**	70,898
Social welfare costs	**8,545**	8,927
Pension costs	**4,502**	5,912
Share based payments	**698**	442
	85,592	86,179

7 Income Tax Credit

	2009 €000s	2008 €000s
Irish corporation tax	**(374)**	2,118
Foreign tax	**(163)**	(3,281)
Adjustments in respect of prior years	**(523)**	(66)
Current tax charge	**(1,060)**	(1,229)
Deferred tax credit	**4,774**	6,836
	3,714	5,607

The tax assessed for the year in the consolidated income statement is higher than the standard rate of corporation tax in Ireland. The differences are explained below:

	2009 €000s	2008 €000s
Loss before tax	**(34,644)**	(38,607)
Corporation tax credit at standard rate of 12.5% (2008: 12.5%)	**(4,330)**	(4,826)
Effects of:		
Depreciation for period in excess of capital allowances	**77**	88
Non-taxable income/unrealised gains/losses not chargeable/ deductible for tax purposes	**944**	(850)
Higher rates of tax on other income	**118**	47
Adjustments in respect of prior years	**(523)**	(66)
Income tax credit	**(3,714)**	(5,607)

In addition to the amount charged to the income statement, the following taxation amounts have been recognised directly in other comprehensive income:

	2009 €000s	2008 €000s
Current tax	**–**	–
Deferred tax		
Revaluation of property	**3,802**	5,838
Revaluation of available for sale financial assets	**194**	(25)
Actuarial loss on retirement benefit obligations	**2,888**	–
Total income tax recognised directly in other comprehensive income	**6,884**	5,813

7 Income Tax Credit *[continued]*

Deferred tax assets not recognised at the reporting date

	2009 €000s	2008 €000s
Tax losses	**21,710**	14,524
Unused tax credits	**2,503**	2,778
	24,213	17,302

Of the unused tax losses, €5,667,000 (2008: €6,555,295) will expire by 2021 and a further €14,112,000 (2008: €7,968,989) will expire in 2024. The remaining losses/credits may be carried forward indefinitely.

8 Profit for the Year

The Company's profit for the financial year determined in accordance with IFRS is €49,372,000 (2008: €63,600,000). In accordance with section 148(8) of the Companies Act, 1963 and section 7(1A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting its individual income statement to the Annual General Meeting and from filing it with the Registrar of Companies.

9 Loss/Earnings per 60 cent Ordinary Share

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

	2009 €000s	2008 €000s
Earnings		
Loss for the year	**(30,930)**	(33,000)
Minority interest	**740**	(270)
Preference dividend	**(282)**	(282)
Loss for the purpose of basic and diluted loss per share	**(30,472)**	(33,552)

	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**33,269,000**	33,241,000
Effect of dilutive potential of share options outstanding	**198,000**	114,000
Weighted average number of ordinary shares for the purpose of diluted loss per share	**33,467,000**	33,355,000

The 'A' ordinary shares of 1 cent each that are in issue have no impact on the loss per share calculation.

9 Loss/Earnings per 60 cent Ordinary Share *[continued]*

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

	2009 €000s	2008 €000s
Operating profit after taxation*	**25,299**	57,560
Minority interest	**(193)**	(270)
Preference dividend	**(282)**	(282)
	24,824	57,008

	Cent	Cent
Operating earnings per share	**74.61**	171.50

** 2009 effective tax rate of 12.4% (2008: 12.5%).*

10 Property, Plant and Equipment

	Property held for own use €000s	Hotels and golf resort assets €000s	Total property €000s	Plant and equipment €000s	Total property plant and equipment €000s
Cost or valuation					
At 1 January 2008	32,806	192,352	225,158	55,276	280,434
Additions	639	1,010	1,649	4,494	6,143
Disposals	–	(1,218)	(1,218)	(62)	(1,280)
Revaluation increase	–	474	474	–	474
Revaluation decrease	(9,110)	(25,530)	(34,640)	–	(34,640)
At 1 January 2009	**24,335**	**167,088**	**191,423**	**59,708**	**251,131**
Additions	**–**	**728**	**728**	**7,746**	**8,474**
Disposals	**–**	**(134)**	**(134)**	**(270)**	**(404)**
Revaluation decrease	**(2,367)**	**(2,874)**	**(5,241)**	**–**	**(5,241)**
At 31 December 2009	**21,968**	**164,808**	**186,776**	**67,184**	**253,960**
Comprising:					
At cost	**–**	**137**	**137**	**67,184**	**67,321**
At valuation	**21,968**	**164,671**	**186,639**	**–**	**186,639**
At 31 December 2009	**21,968**	**164,808**	**186,776**	**67,184**	**253,960**

10 Property, Plant and Equipment *[continued]*

	Property held for own use €000s	Hotels and golf resort assets €000s	Total property €000s	Plant and equipment €000s	Total property plant and equipment €000s
Accumulated depreciation and impairment					
At 1 January 2008	–	–	–	37,090	37,090
Depreciation charge for the year	–	–	–	5,432	5,432
Elimination on disposals	–	–	–	(50)	(50)
At 1 January 2009	**–**	**–**	**–**	**42,472**	**42,472**
Depreciation charge for the year	**–**	**–**	**–**	**6,206**	**6,206**
Elimination on disposals	**–**	**–**	**–**	**(245)**	**(245)**
Impairments	**128**	**28,462**	**28,590**	**458**	**29,048**
At 31 December 2009	**128**	**28,462**	**28,590**	**48,891**	**77,481**
Carrying amount					
At 31 December 2009	**21,840**	**136,346**	**158,186**	**18,293**	**176,479**
At 31 December 2008	24,335	167,088	191,423	17,236	208,659

Property held for own use and hotels and golf resort assets were valued at 31 December 2008 and 2009 by independent professional valuers and were included in the Statement of Financial Position at fair value or at a lower amount if, in the opinion of the Directors, a lower amount more accurately reflected fair value. The external professional valuers for property held for own use and Irish hotels and golf resort assets were CB Richard Ellis, Valuation Surveyors while hotels and golf resort assets located outside Ireland were valued by American Appraisal, Valuation Surveyors. In forming their opinion on fair values, the Directors took into account the report of the professional valuers and, in relation to certain specific properties, took more prudent assumptions on the underlying profit projections and/or timing of underlying cash flows.

The valuation statement received from the external professional valuers states that *"Market value is defined as the estimated amount for which the property could exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein parties had each acted knowledgeably, prudently and without compulsion".*

The external professional valuers state in their report that there has been a lack of transactional evidence and, as a result, other valuation techniques were used. These techniques made various assumptions as to tenure, letting, town planning, condition and repair as well as achievable and maintainable earnings.

At each reporting date, the Group reviews the carrying value of its property to determine if there is any indication that those assets have suffered an impairment loss. The Group made impairment provisions in 2009 of €34,289,000 (2008: €34,640,000).

Included in hotels and golf resort assets are assets valued at €14,500,000 (2008: €22,836,221) on which the Group has recognised obligations under property financing arrangements. Hotel and golf resort assets have been used as security for bank loans totalling €40,947,000.

10 Property, Plant and Equipment *[continued]*

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

	2009 €000s	2008 €000s
Property held for own use	**21,840**	22,088
Hotels & golf resort assets	**135,521**	148,508
Total	**157,361**	170,596

11 Loans

	2009 €000s	2008 €000s
Secured loans		
At 1 January	**57,863**	72,458
Accrued interest	**3,495**	7,310
Origination of loans	**–**	136
Repayment of loans	**–**	(6,350)
Less loan provision	**(24,495)**	(15,691)
At 31 December	**36,863**	57,863
Other Loans	**7,000**	12,626
Total Loans	**43,863**	70,489

The Group has extended loans with a gross maximum credit risk exposure of €84,049,000 (2008: €86,180,000). Net of impairment provisions the net maximum credit risk exposed is €43,863,000 (2008: €70,489,000). Of these net exposures, €36,863,000 (2008: €57,863,000) are secured on land over which the Group has collateral of first charges. The remaining loans outstanding are unsecured. There are no loans past due at 31 December 2009. Loans do not have a fixed repayment schedule and are expected to be recovered in more than one year.

The secured loans were provided for the purchase of sites, located in prime areas of London, Manchester and the Isle of Man, over which the Group has collateral of first charges. The secured loans are repayable before commencement of construction, with reviews at regular intervals. The weighted average interest rate applicable to these secured loans is 4.62%. The fair value of the collateral held is approximately equal to the fair value of the secured loans, which is the carrying value. There are no conditions associated with the use of the Group's collateral and the Group has an obligation to return the security when the loans are fully discharged.

The credit quality of the loans is assessed at each reporting date and in 2009 the Directors made an additional impairment provision of €24,495,000 bringing the cumulative impairment provision to €40,186,000 in recognition that the value of the land provided by the borrowers as security for the loans had diminished. Given this impairment provision, the Directors are satisfied that the balances at 31 December 2009 are recoverable and consider the carrying amount of the loans to be their fair value.

12 Deferred Tax Asset

	2009 €000s	2008 €000s
Opening balance	**–**	–
Credited to other comprehensive income	**2,888**	–
Credited to income statement	**4,019**	–
	6,907	–

A deferred tax asset of €2,888,000 has been recognised in respect of the retirement benefit obligation deficit of €23,103,000. A further deferred tax asset of €4,019,000 has been recognised in respect of losses forward to the extent that it is probable, based on management projections, that taxable profits will be available against which the losses can be utilised in the future.

13 Financial Assets

(a) Financial Instruments

	2009 €000s	2008 €000s
(i) At amortised cost		
Investments held to maturity	**581,096**	479,626
Loans	**43,863**	70,489
(ii) At fair value		
Available for sale investments – unquoted shares	**9,476**	11,051
Investments held for trading – quoted shares	**26,191**	20,303
Investments held for trading – quoted debt securities	**3,809**	3,809
(iii) At cost		
Cash and cash equivalents	**44,036**	35,713
Deposits with banks	**75,462**	183,143

The fair value of investments held to maturity at closing bid prices was €611,835,000 (2008: €508,648,000).

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

13 Financial Assets *[continued]*

	Level 1 €000s	Level 2 €000s	Level 3 €000s	Total €000s
Investments held for trading				
Quoted shares	26,191	–	–	**26,191**
Quoted debt securities	3,809	–	–	**3,809**
AFS investments				
Unquoted shares	–	–	9,476	**9,476**
	30,000	–	9,476	**39,476**

Available for sale investments comprise unquoted securities and consist of a number of investments each of relatively small value. The values attributable to these investments are derived from a number of valuation techniques including net asset or net book value or the net present value of future cash flows.

(b) Financial Liabilities

Financial liabilities at amortised cost consist of borrowings which at the year end amounted to €120,051,000 (2008: €110,968,000).

(c) Investment Property

	2009 €000s	2008 €000s
Fair value of investment property		
At beginning of year	**52,538**	83,019
Decrease in fair value during the year	**(8,479)**	(30,481)
Sale of investment property	**(792)**	–
At end of year	**43,267**	52,538

Investment properties held for rental were valued at fair value at 31 December 2009 by external professional valuers, Savills, Valuation Surveyors. Valuers define fair value for investment properties in exactly the same way as for property held for own use (see note 10 above).

In their report, the external professional valuers state that there has been a lack of transactional evidence and, as a result, other valuation techniques were used. These techniques made various assumptions as to tenure, letting, town planning, condition and repair as well as achievable and maintainable rental income.

At each reporting date, the Group reviews the carrying value of its investment properties to determine if there is any indication that those assets have suffered an impairment loss. The Group made impairment provisions in 2009 of €8,479,000 (2008: €30,481,000).

The rental income earned by the Group from its investment properties amounted to €3,339,000 (2008: €3,895,000). Direct operating costs associated with investment properties amounted to €402,000 (2008: €301,000).

All properties in the portfolio generated rental income during both 2008 and 2009. Investment properties are leased to tenants on long-term full repair leases varying in term from one to eighty-two years. No contingent rents were recognised as income in the period.

13 Financial Assets *[continued]*

The historical cost of investment property is as follows:

	2009 €000s	2008 €000s
Historical cost at 1 January	**80,023**	80,023
Sale of investment property	**(1,241)**	–
Historical cost at 31 December	**78,782**	80,023
Non-cancellable operating lease receivables		
Not longer than 1 year	**3,449**	3,368
Longer than 1 year and not longer than 5 years	**10,546**	11,970
Longer than 5 years	**5,171**	22,890
	19,166	38,228

14 Inventories

	2009 €000s	2008 €000s
Work in progress	**28,756**	31,577
Development land held for resale	**30,470**	30,806
	59,226	62,383

Inventories valued at €4,357,770 are expected to be recovered within 1 year (2008: €879,849). The amount of inventory charged as an expense relating to sale of properties in La Cala is €3,224,000 (2008: €3,286,000).

15 Current Tax Asset

	2009 €000s	2008 €000s
Income tax receivable	**175**	4,820

16 Deferred Acquisition Costs

The movements in deferred acquisition costs during the year were:

	2009 €000s	2008 €000s
Gross carrying amount at 1 January	**17,733**	15,271
Net acquisition costs deferred during the year	**2,230**	2,462
Gross carrying amount at 31 December	**19,963**	17,733

All deferred acquisition costs are expected to be recovered within one year from 31 December 2009.

17 Other Receivables

	2009 €000s	2008 €000s
Policyholders	**34,415**	33,347
Intermediaries	**1,987**	1,133
Due from reinsurers	**1**	(1)
Other debtors	**20,798**	21,514
Accrued interest and rent	**913**	576
Prepayments and accrued income	**14,567**	11,970
	72,681	68,539

Receivables arising out of direct insurance operations are considered by the Directors to have a low credit risk. As such, the Group has not made provision for bad or doubtful debts. There is no significant concentration of risk in receivables arising out of direct insurance operations or any other activities.

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

18 Cash and Cash Equivalents

	2009 €000s	2008 €000s
Demand deposits	**43,376**	35,183
Cash in hand	**660**	530
	44,036	35,713

There are no restrictions on the use of demand deposits.

19 Ordinary Share Capital

	Number (2009 only)	2009 €000s	2008 €000s
(i) Ordinary shares of 60 cent 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 1 cent 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 of the year	13,169,428	**132**	–
Issued during the year	–	**–**	333
Cancellation of shares	–	**–**	(201)
At the end of the year	13,169,428	**132**	132
		21,409	21,409

19 Ordinary Share Capital *[continued]*

The 'A' ordinary shares of 1 cent 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 1 cent 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 22). Before any dividend can be declared on the ordinary shares of 60 cent each, the dividend on the non-cumulative preference shares must firstly be declared or paid.

The number of ordinary shares of 60 cent each held as treasury shares at the beginning and end of the year (and the maximum number held during the year) was 2,191,730. This represented 6.18% of the shares of this class in issue and had a nominal value of €1.315m. There were no movements during the year in the Company's holding of treasury shares.

The weighted average number of ordinary shares of 60 cent each in the earnings per share calculation has been reduced by the number of such shares held in treasury.

At 31 December 2009, the total number of ordinary shares of 60 cent each under option amounted to 1,199,422 (2008: 397,477). The related options had been granted under the FBD Holdings plc Executive Share Option Scheme ("ESOS") and the FBD Group Save as You Earn (SAYE) Scheme (the "SAYE Scheme"). 249,825 (2008: 294,825) of the options outstanding under the ESOS may be exercised prior to October 2013 at a subscription price of €2.50 per share. 905,000 (2008: nil) of the options outstanding under the ESOS may be exercised between August 2012 and September 2014 at a subscription price of €7.45 per share conditional on certain performance conditions being met. The 44,597 (2008: 147,652) options outstanding under the SAYE Scheme may be exercised after February 2011 at a subscription price of €18.46 per share.

All issued shares have been fully paid.

20 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 2008	5,540	1,627	4,225	1,564	**12,956**
Recognition of share-based payments	–	–	–	442	**442**
Share buyback of 'A' ordinary shares	–	–	201	–	**201**
Balance at 31 December 2008	5,540	1,627	4,426	2,006	**13,599**
Recognition of share-based payments	**–**	**–**	**–**	**698**	**698**
Balance at 31 December 2009	**5,540**	**1,627**	**4,426**	**2,704**	**14,297**

20 Capital Reserves *[continued]*

(b) Company

	Share premium €000s	Capital conversion reserve €000s	Capital redemption reserve €000s	Share option reserve €000s	Total Company €000s
Balance at 1 January 2008	5,540	1,627	4,225	–	**11,392**
Share buyback of 'A' ordinary shares	–	–	201	–	**201**
Balance at 31 December 2008	5,540	1,627	4,426	–	**11,593**
Recognition of share-based payments	**–**	**–**	**–**	**2,704**	**2,704**
Balance at 31 December 2009	**5,540**	**1,627**	**4,426**	**2,704**	**14,297**

Capital conversion reserve arose on the redenomination of ordinary, 14% and 8% non-cumulative preference shares from IR50p into ordinary or non-cumulative preference shares of 63.4869 cent. Each such share was then renominalised to an ordinary or a non-cumulative preference share of 60 cent, an amount equal to the reduction in the issued share capital was transferred to the capital conversion reserve fund.

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

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

21 Revaluation Reserves

	Restated property, plant and equipment €000s	Available for sale investments €000s	Restated total €000s
Balance at 1 January 2008	28,791	1,195	**29,986**
Revaluation of property, plant and equipment	474	–	**474**
Revaluation of property, plant and equipment	(34,640)	–	**(34,640)**
Minority interest share of revaluation of property, plant and equipment	2,251	–	**2,251**
Deferred tax on revaluation of property, plant and equipment	5,050	–	**5,050**
Revaluation of AFS investments	–	199	**199**
Deferred tax on revaluation of AFS investments	–	(25)	**(25)**
Balance at 1 January 2009	1,926	1,369	**3,295**

21 Revaluation Reserves *[continued]*

	Property, plant and equipment €000s	Available for sale investments €000s	Total €000s
Balance at 1 January 2009	**1,926**	**1,369**	**3,295**
Revaluation of property, plant and equipment	**(5,241)**	**–**	**(5,241)**
Deferred tax on revaluation of property, plant and equipment	**3,802**	**–**	**3,802**
Minority interest share of revaluation of property, plant and equipment	**246**	**–**	**246**
Revaluation of AFS investments	**–**	**(1,554)**	**(1,554)**
Deferred tax on revaluation of AFS investments	**–**	**194**	**194**
Balance at 31 December 2009	**733**	**9**	**742**

The revaluation reserve arises on the revaluation of property and investment properties. When such assets are sold, the portion of the revaluation reserve that relates to that asset, and that is effectively realised, is transferred directly to retained earnings.

Distributions from the revaluation reserve can be made where they are in accordance with the requirements of the Company's Memorandum and Articles of Association and the Companies Acts and relevant case law. The Directors do not currently intend to make any distributions from the revaluation reserve. The deferred tax liability in respect of the revaluation reserve is set out in note 26.

Details of the impairment of property, plant and equipment and investment properties are set out in notes 10 and 13(c) respectively.

22 Preference Share Capital

	Number	2009 €000s	2008 €000s
Authorised:			
At the beginning and the end of the year			
14% Non-cumulative preference shares of 60 cent each	1,340,000	**804**	804
8% Non-cumulative preference shares of 60 cent 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 60 cent each	1,340,000	**804**	804
8% Non-cumulative preference shares of 60 cent each	3,532,292	**2,119**	2,119
		2,923	2,923

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 1 cent each and the holders of the ordinary shares of 60 cent each.

23 Claims Outstanding

(a) Gross Claims Outstanding 2009

	Prior years €000s	2001 €000s	2002 €000s	2003 €000s	2004 €000s	2005 €000s	2006 €000s	2007 €000s	2008 €000s	2009 €000s	Total €000s
Estimate of cumulative claims:											
At end of underwriting year	–	204,550	269,756	262,132	329,087	329,501	393,944	340,460	383,918	378,839	–
One year later	–	200,668	222,441	225,267	277,415	278,281	306,441	316,394	373,373	–	–
Two years later	–	198,406	209,284	206,220	255,510	243,243	299,096	308,665	–	–	–
Three years later	–	182,112	198,551	185,363	223,571	229,877	297,147	–	–	–	–
Four years later	–	168,013	174,132	165,686	215,480	224,577	–	–	–	–	–
Five years later	–	162,933	165,741	156,734	207,644	–	–	–	–	–	–
Six Years Later	–	158,137	158,403	151,625	–	–	–	–	–	–	–
Seven Years Later	–	155,619	157,472	–	–	–	–	–	–	–	–
Eight Years Later	–	154,184	–	–	–	–	–	–	–	–	–
Estimate of cumulative claims	–	154,184	157,472	151,625	207,644	224,577	297,147	308,665	373,373	378,839	–
Cumulative payments	–	(143,542)	(150,188)	(140,066)	(181,544)	(179,645)	(228,113)	(208,779)	(226,673)	(137,646)	–
Claims outstanding	14,099	10,642	7,284	11,559	26,100	44,932	69,034	99,886	146,700	241,193	671,429
2008:	20,633	15,493	12,568	21,416	42,903	68,247	91,647	128,491	224,790	–	626,188
Movement:	(6,534)	(4,851)	(5,284)	(9,857)	(16,803)	(23,315)	(22,613)	(28,605)	(78,090)	241,193	45,241

23 Claims Outstanding *[continued]*

(b) Net Claims Outstanding 2009

	Prior years €000s	2001 €000s	2002 €000s	2003 €000s	2004 €000s	2005 €000s	2006 €000s	2007 €000s	2008 €000s	2009 €000s	Total €000s
Estimate of cumulative claims:											
At end of underwriting year	–	187,573	211,714	221,439	265,069	290,028	297,864	307,269	338,162	308,494	–
One year later	–	184,898	195,516	203,161	227,657	286,600	257,379	281,264	319,002	–	–
Two years later	–	185,859	187,346	182,746	213,828	221,359	254,396	277,391	–	–	–
Three years later	–	173,695	170,686	167,233	183,663	210,457	251,078	–	–	–	–
Four years later	–	157,573	147,562	148,354	176,006	205,132	–	–	–	–	–
Five years later	–	151,206	142,054	141,356	171,196	–	–	–	–	–	–
Six Years Later	–	145,668	138,321	136,829	–	–	–	–	–	–	–
Seven Years Later	–	144,435	136,028	–	–	–	–	–	–	–	–
Eight Years Later	–	142,108	–	–	–	–	–	–	–	–	–
Estimate of cumulative claims	–	142,108	136,028	136,829	171,196	205,132	251,078	277,391	319,002	308,494	–
Cumulative payments	–	(132,017)	(128,256)	(124,558)	(141,831)	(161,732)	(185,112)	(180,229)	(188,692)	(114,330)	–
Claims outstanding	13,242	10,091	7,772	12,271	29,365	43,400	65,966	97,162	130,310	194,164	603,743
2008	21,597	15,041	13,712	21,550	42,780	65,978	88,468	119,744	203,774	–	592,644
Movement	(8,355)	(4,950)	(5,940)	(9,279)	(13,415)	(22,578)	(22,502)	(22,582)	(73,464)	194,164	11,099

23 Claims Outstanding *[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 income statement.

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

(c) Reconciliation of claims outstanding

	Gross €000s	Net €000s
Balance at 1 January 2008	612,852	584,362
Change in provision for claims	13,336	8,282
Balance at 31 December 2008	626,188	592,644
Change in provision for claims	45,241	11,099
Balance at 31 December 2009	671,429	603,743

24 Borrowings

	2009 €000s	2008 €000s
Bank loans	**101,534**	92,451
Obligation under property financing arrangements	**18,517**	18,517
Borrowings	**120,051**	110,968

Liabilities in respect of the obligation under property financing arrangements fall due for settlement in 2012 and relates to a loan which is guaranteed by the Group as described in note 35.

24 Borrowings *[continued]*

	2009 €000s	2008 €000s
Bank loans	**101,534**	92,451

The borrowings are repayable as follows:		
On demand or within one year	**2,516**	3,816
In the second year	**62,162**	2,647
In the third year	**12,964**	52,982
In the fourth year	**1,382**	6,632
In the fifth year	**1,382**	6,609
After five years	**21,128**	19,765
	101,534	92,451

All borrowings at 31 December 2009 and 2008 are denominated in euro and are at floating interest rates, exposing the Group to cash flow interest rate risk.

	2009	2008
The average interest rates were as follows:	**2.94%**	5.81%

All interest on the borrowings was charged to the income statement.

25 Retirement Benefit Obligation

The Group operates a funded defined benefit retirement benefit scheme for qualifying employees of its Irish based staff. Under the non-contributory defined benefit plan, employees are entitled to retirement benefits of 1/60th of final salary for each year of service on attainment of a retirement age of 65. A full actuarial valuation was carried out on 1 January 2009, using the projected unit credit method, and updated to 31 December 2009 by the schemes' independent and qualified actuary. The long-term investment objective of the Trustees and the Group is to limit the risk of the assets failing to meet the liabilities of the scheme over the long term, and to maximise returns consistent with an acceptable level of risk so as to control the long-term costs of the scheme. To meet these objectives, the scheme's assets are invested in a diversified portfolio, consisting primarily of equity and debt securities. These reflect the current long-term asset allocation ranges, having regard to the structure of liabilities within the scheme. The major assumptions used by the actuary were:

(a) Assumptions used to calculate scheme liabilities

	2009 %	2008 %
Inflation rate increase	**2.00**	1.75
Salary rate increase	**3.00**	3.75
Pension payment increase	**2.00**	1.75
Discount rate	**5.25**	5.75

(b) Expected rate of return on scheme assets

	2009 %	2008 %
Quoted shares	**6.75**	7.50
Government gilts	**4.00**	4.00
Investment properties	**6.25**	6.00

25 Retirement Benefit Obligation *[continued]*

(c) Mortality Assumptions

	2009	2008
The average life expectancy of current and future retirees used in the scheme at age 65 is as follows:		
Male	**24.1**	21.4
Female	**27.8**	26.4

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 €11,210,000 (2008: loss of €29,977,000).

(d) Consolidated income statement

	2009 €000s	2008 €000s
Charged to income statement:		
Current service cost	**3,289**	4,537
Past service cost	**–**	1,120
Death in service cost	**24**	103
	3,313	5,760
Interest on scheme liabilities	**(5,630)**	(6,373)
Expected return on scheme assets	**4,686**	7,099
	(944)	726
	4,257	5,034

Charges to the income statement have been included in other underwriting and non-underwriting expenses.

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

	2009 €000s	2008 €000s
Expected return on scheme assets	**4,686**	7,099
Actual return on scheme assets	**11,210**	(29,977)
Actual return less expected return on scheme assets	**6,524**	(37,076)
Experience gains and losses on scheme liabilities	**(1,315)**	2,889
Changes in demographic and financial assumptions	**(13,765)**	24,013
Actuarial loss	**(8,556)**	(10,174)
Deferred tax credit	**2,888**	–
Actuarial loss net of deferred tax	**(5,668)**	(10,174)

25 Retirement Benefit Obligation *[continued]*

(f) History of Experience Gains and Losses

	2009 €000s	2008 €000s	2007 €000s	2006 €000s	2005 €000s
Present value of defined benefit obligations	**120,755**	98,956	115,871	112,706	94,995
Fair value of plan assets	**97,652**	82,844	109,630	109,119	92,645
Deficit	**23,103**	16,112	6,241	3,587	2,350
Difference between expected and actual return on assets	**6,524**	(37,076)	(9,735)	7,114	9,399
Experience gains and losses on scheme liabilities	**(1,315)**	2,889	(2,300)	(5,000)	(3,289)
Actuarial loss	**(8,556)**	(10,174)	(4,677)	(3,869)	(3,802)

The cumulative charge to the consolidated statement of comprehensive income is €66,014,000 (2008: €57,458,000).

(g) Assets in scheme at market value

	2009 €000s	2008 €000s
Equities	**42,158**	43,500
Bonds	**36,019**	23,851
Property and other	**19,475**	15,493
	97,652	82,844
Actuarial value of liabilities	**(120,755)**	(98,956)
Net pension liability	**(23,103)**	(16,112)

(h) Movement in Deficit During the Year

	2009 €000s	2008 €000s
Net deficit in scheme at 1 January	**(16,112)**	(6,241)
Current service cost	**(3,289)**	(4,537)
Past service cost	**–**	(1,120)
Employer contributions	**5,798**	5,234
Interest on scheme liabilities	**(5,630)**	(6,373)
Expected return on scheme assets	**4,686**	7,099
Actuarial loss	**(8,556)**	(10,174)
Net deficit at 31 December	**(23,103)**	(16,112)

25 Retirement Benefit Obligation *[continued]*

(i) Movement on Assets and Liabilities

	2009 €000s	2008 €000s
Assets		
Assets in scheme at 1 January	**82,844**	109,630
Actual return less expected return on scheme assets	**6,524**	(37,076)
Contributions	**5,798**	5,234
Employee contributions	**261**	242
Expected return on scheme assets	**4,686**	7,099
Benefits paid	**(2,461)**	(2,285)
Assets in scheme at 31 December	**97,652**	82,844
Liabilities		
Liabilities in scheme at 1 January	**98,956**	115,871
Experience gains and losses on scheme liabilities	**1,315**	(2,889)
Changes in demographic and financial assumptions	**13,765**	(24,013)
Current service cost	**3,289**	4,537
Past service cost	**–**	1,120
Employee contributions	**261**	242
Interest on scheme liabilities	**5,630**	6,373
Benefits paid	**(2,461)**	(2,285)
Liabilities in scheme at 31 December	**120,755**	98,956

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 €23.2m. A 1% reduction in the discount rate would increase the value of the scheme liabilities by €32.0m.
- The effect of inflation and salaries have been analysed together because they are linked. A rise in the long term inflation assumption will increase the long term salary increase assumption and similarly for a fall in the long term inflation assumption.
- A 1% increase in inflation/salaries would increase the value of the scheme liabilities by €31.4m. A 1% reduction in inflation/salaries would reduce the value of the scheme liabilities by €23.2m.
- The effect of assuming all members of the scheme will live one year longer would increase the scheme's liabilities by €2.0m.
- The current best estimate of 2010 contributions to be made by the Group to the pension fund is €6,075,000 (2009: €5,483,000). The Group is in discussions with staff and their representatives and the Trustees of the defined benefit pensions scheme so as to develop a plan to deal with the defined benefit pension deficit.

The Group also operates defined contribution retirement benefit plans for qualifying employees in Ireland who opt to join the plans. The assets of the plans are held separately from those of the Group in funds under the control of Trustees. The Group recognised an expense of €1,097,000 (2008: €981,931) relating to its defined contribution pension schemes.

26 Deferred Tax Liability

The following are the major deferred tax liabilities recognised by the Group, and the movements thereon, during the current and prior reporting periods.

	Restated revaluation of property, plant and equipment €000s	Revaluation of investment property €000s	Revaluation of financial investments €000s	Insurance contracts €000s	Pension contribution prepayment €000s	Other timing differences €000s	Total €000s
At 1 January 2008	11,949	1,668	2,512	7,024	1,476	3,109	27,738
(Credited) to other comprehensive income	(5,050)	–	–	–	–	–	(5,050)
(Credited) to minority interest	(790)	–	–	–	–	–	(790)
Charged/(credited) to income statement	–	(880)	(2,847)	–	231	(3,340)	(6,836)
At 31 December 2008	6,109	788	(335)	7,024	1,707	(231)	15,062
(Credited) to other comprehensive income	**(3,802)**	**–**	**(194)**	**–**	**–**	**–**	**(3,996)**
Charged/(credited) to income statement	**(2,215)**	**(788)**	**530**	**3,326**	**(1,707)**	**295**	**(559)**
At 31 December 2009	**92**	**–**	**1**	**10,350**	**–**	**64**	**10,507**

27 Payables

(a) Group

	2009 €000s	2008 €000s
Payables arising out of direct insurance operations	**11,752**	16,703
Amounts falling due within one year:		
Payables and accruals	**42,878**	60,573
PAYE/PRSI	**1,867**	1,524
Proposed dividends on preference shares	**169**	169
	44,914	62,266
	56,666	78,969

27 Payables [continued]

(b) Company

	2009 €000s	2008 €000s
Amounts falling due within one year:		
Payables and accruals	**142**	2,147
Proposed dividends on preference shares	**169**	169
	311	2,316

28 (a) Analysis of Cash Flows for headings netted in the Cash Flow Statement

	2009 €000s	2008 €000s
Investment activities		
Purchase of investments held for trading	**(21,131)**	(92,972)
Sale of investments held for trading	**20,168**	206,011
Purchase of investments held to maturity	**(115,887)**	–
Sale of investments held to maturity	**14,000**	–
Purchase of available for sale investments	**–**	(1,348)
Sale of available for sale investments	**21**	38
Sale of property, plant and equipment	**–**	985
Purchase of property, plant and equipment	**(8,474)**	(6,144)
Sale of investment property	**792**	–
(Increase)/decrease in deposits with banks	**107,681**	(110,109)
Decrease in loans	**5,748**	6,664
(Increase) in loans	**(122)**	(450)
	2,796	2,675

28 (b) Movement in Cash, Portfolio Investment and Financing

2009

	1 January 2009 €000s	Cash flow €000s	Changes to market value €000s	31 December 2009 €000s
Cash	35,713	8,323	–	**44,036**
Investments held for trading	24,112	963	4,925	**30,000**
Investments held to maturity	479,626	101,887	(417)	**581,096**
Investments available for sale	11,051	(21)	(1,554)	**9,476**
Deposits with banks	183,143	(107,681)	–	**75,462**
Loans	70,489	(5,626)	(21,000)	**43,863**
Property	191,423	728	(33,965)	**158,186**
Inventory	62,383	(3,157)	–	**59,226**
Investment property	52,538	(792)	(8,479)	**43,267**
Borrowings	(92,451)	(9,083)	–	**(101,534)**
	1,018,027	(14,459)	(60,490)	**943,078**

2008

	1 January 2008 €000s	Cash flow €000s	Changes to market value €000s	31 December 2008 €000s
Cash	35,618	95	–	**35,713**
Investments held for trading	183,970	(113,039)	(46,819)	**24,112**
Investments held to maturity	479,902	–	(276)	**479,626**
Investments available for sale	9,542	1,310	199	**11,051**
Deposits with banks	73,034	110,109	–	**183,143**
Loans	76,703	(6,214)	–	**70,489**
Property	225,158	431	(34,166)	**191,423**
Inventory	65,745	(3,362)	–	**62,383**
Investment property	83,019	–	(30,481)	**52,538**
Borrowings	(41,919)	(50,532)	–	**(92,451)**
	1,190,772	(61,202)	(111,543)	**1,018,027**

29 Dividends

	2009 €000s	2008 €000s
Paid during year:		
Dividend of 4.8 cent (2008: 4.8 cent) per share on 8% non-cumulative preference shares of 60 cent each	**169**	169
Dividend of 8.4 cent (2008: 8.4 cent) per share on 14% non-cumulative preference shares of 60 cent each	**113**	113
2008 Final dividend of 10.0 cent (2007: 52.0 cent) per share on ordinary shares of 60 cent each	**3,327**	17,277
2009 Interim dividend of 10.0 cent (2008: 30.25 cent) per share on ordinary shares of 60 cent each	**3,327**	10,064
Special dividend of 1.25 cent on ordinary shares of 60 cent each	**–**	416
Special dividend of 149 cent on 'A' ordinary shares of 1 cent each	**–**	19,622
	6,936	47,661
Proposed:		
Dividend of 4.8 cent (2008: 4.8 cent) per share on 8% non-cumulative preference shares of 60 cent each	**169**	169
Final dividend of 20.0 cent (2008: 10.0 cent) per share on ordinary shares of 60 cent each	**6,654**	3,327
	6,823	3,496

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

30 Report on Directors' Remuneration

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 Statement on page 24. It is the aim of the Remuneration Committee to ensure that the remuneration policy serves to attract, retain and motivate the executive Directors and other senior members of management and aligns, as closely as possible, their individual interests with those of shareholders.

30 Report on Directors' Remuneration *[continued]*

In setting remuneration levels, the Remuneration Committee attempts to ensure that the remuneration of executive Directors reflects their individual performance and market rates, taking into consideration the remuneration practices of other quoted companies in Ireland. The Committee also has access to independent professional advisers as it deems appropriate. While no independent professional adviser was consulted during the year under review, the Committee has in recent years sought such professional advice.

Executive Director Remuneration

The various elements of the remuneration package for executive Directors comprise the following:

- **Basic Salary and Benefits.** In addition to the basic salary determined by the Committee, the benefits of the executive Directors relate primarily to the part subsidisation of health insurance premiums and payment of a car allowance.
- **Annual Bonus.** Executive Directors can receive bonus payments based on a predetermined percentage of basic salary. For 2009 this percentage ranged from 45% to 70%. Between 40% and 50% of the bonus potential is contingent on achievement of annual financial targets and between 50% and 60% is contingent on the achievement of individual agreed strategic priorities.
- **Pension Scheme.** The Group operates a defined benefit pension scheme which closed to new members in 2005. The scheme is based on an accrual rate of 1/60th of pensionable salary for each year of pensionable service up to a maximum of two thirds of salary at retirement for full service. Pensionable salary is defined as basic salary as reduced by 1.5 times the state pension benefit. No elements of remuneration other than basic salary are pensionable. One executive Director joined the Group since the closure of the defined benefit pension scheme and this Director is a member of the Group's defined contribution pension plan, to which contributions are made at an agreed fixed rate.
- **Share Options and Awards.** The executive Directors participate in the FBD Holdings plc Executive Share Option Scheme ("ESOS") (under which the ability to grant options expired in September 2009) and the FBD Group Performance Share Plan ("LTIP") which was introduced in 2007. Both Schemes were approved by shareholders and comply with IAIM guidelines and further details on both are set out later in this note and in note 34, Share Based Payments. The Committee believes that participation in these Schemes motivates high performance and aligns the interests of the Directors with those of shareholders.

Non-executive Director Remuneration

The remuneration of the non-executive Directors is determined by the Board, and reflects the time commitment and responsibilities of the role.

30 Report on Directors' Remuneration *[continued]*

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

	Fees[1] €000s	Salary €000s	Bonus €000s	Benefits[6] €000s	Pension contribution €000s	2009 Total €000s
Executive Directors:						
Andrew Langford[2]	**–**	**464**	**67**	**34**	**82**	**647**
Cathal O'Caoimh[3]	**–**	**270**	**48**	**26**	**40**	**384**
Adrian Taheny[4]	**–**	**351**	**50**	**26**	**59**	**486**
Non-executive Directors:						
Michael Berkery (Chairman)	**126**	**–**	**–**	**–**	**–**	**126**
John Donnelly	**40**	**–**	**–**	**–**	**–**	**40**
Sean Dorgan	**40**	**–**	**–**	**–**	**–**	**40**
Philip Lynch	**40**	**–**	**–**	**–**	**–**	**40**
Patrick O'Keeffe	**40**	**–**	**–**	**–**	**–**	**40**
Vincent Sheridan	**75**	**–**	**–**	**–**	**–**	**75**
Johan Thijs	**40**	**–**	**–**	**–**	**–**	**40**
Padraig Walshe	**40**	**–**	**–**	**–**	**–**	**40**
	441	**1,085**	**165**	**86**	**181**	**1,958**

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

	Fees €000s	Salary €000s	Bonus €000s	Benefits[6] €000s	Pension contribution €000s	2008 Total €000s
Executive Directors:						
Philip Fitzsimons[7]	–	200	500	9	34	743
Andrew Langford	–	469	119	21	79	688
Cathal O'Caoimh	–	75	16	6	11	108
Adrian Taheny	–	375	85	26	63	549
Non-executive Directors:						
Michael Berkery (Chairman)	149	–	–	–	–	149
John Donnelly	44	–	–	–	–	44
Sean Dorgan	44	–	–	–	–	44
Philip Lynch	44	–	–	–	–	44
Patrick O'Keeffe	44	–	–	–	–	44
Vincent Sheridan	83	–	–	–	–	83
Johan Thijs	44	–	–	–	–	44
Padraig Walshe	44	–	–	–	–	44
	496	1,119	720	62	187	2,584

30 Report on Directors' Remuneration *[continued]*

Notes

1 Fees are payable to the non-executive Directors only. At the meeting of the Board held on 3 March 2009, it was agreed that the Chairman would waive 15% of his fees for 2009 and that the other non-executive Directors would waive 10% of their fees.

2 Mr. Langford was appointed as Group Chief Executive with effect from 16 May 2008. The Remuneration Committee increased his salary to €525,000 with effect from that date. After the Remuneration Committee awarded a cost of living increase of 4% with effect from 1 January 2009, Mr. Langford voluntarily waived 15% of his revised salary for 2009.

3 Mr. O'Caoimh was appointed as Group Finance Director with effect from 1 October 2008 on a basic salary of €300,000. He voluntarily waived 10% of this salary during 2009.

4 Mr. Taheny was awarded a cost of living increase of 4% by the Remuneration Committee with effect from 1 January 2009. He voluntarily waived 10% of his revised salary for 2009.

5 With effect from 1 January 2010, the executive Directors have all agreed to make the voluntary waivers of salary permanent and have also accepted further salary reductions of up to 9.5% for 2010.

6 Benefits relate principally to motor allowance and health insurance subsidy.

7 Mr. Fitzsimons died on 20 April 2008.

The executive Directors' defined benefit pension earned during the year and accrued at year end are as follows:

	Service costs 2009 €000s	Increase in accrued pension benefits during 2009 €000s	Total accrued pension benefit at year end €000s	Transfer value of increase in accrued benefits €000s
Andrew Langford	**136**	**14**	**128**	**92**
Adrian Taheny	**115**	**15**	**201**	**196**
	251	**29**	**329**	**288**

The transfer values shown above, which have been calculated in accordance with Actuarial Guidance Note GN11, do not represent sums paid or due to the individual Directors. Rather they represent the amount which the pension scheme would transfer to another pension scheme, in relation to the benefits accrued during 2009, in the event of the Director leaving service.

Service Contracts

No service contracts exist for any of the executive Directors which provide for a notice period of more than one year.

30 Report on Directors' Remuneration *[continued]*

Share Options

The FBD Holdings plc Executive Share Option Scheme ("ESOS")

To encourage focus on long-term shareholder value, senior executives including executive Directors are eligible for grants of share options under the terms of the Executive Share Option Scheme, which was approved by shareholders. The exercise of options granted since 18 April 2000 is conditional on growth in earnings per share of at least 2% p.a., compound, above the increase in the Consumer Price Index over not less than 3 years from date of grant. The percentage of share capital which may be issued under the Scheme complies with the guidelines of the Irish Association of Investment Managers.

During the year, the Remuneration Committee granted options under the ESOS to senior executives, including the executive Directors and the Company Secretary. No further options can be granted under the ESOS after 5 September 2009. Dependent on the performance condition for the exercise of options under the ESOS having been met, all outstanding options under the ESOS must be exercised no later than 5 September 2014.

Directors' and Company Secretary's Share Options

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

	At 1 January 2009	Exercised during year	Granted during year	At 31 December 2009	Weighted average exercise price €	Normal exercise period
Executive Directors						
Andrew Langford	30,000	–	90,000	120,000	6.21	Oct 2006 - Sept 2014
Cathal O'Caoimh	–	–	75,000	75,000	7.45	Aug 2012 - Sept 2014
Adrian Taheny	70,000	–	65,000	135,000	4.88	Oct 2006 - Sept 2014
Company Secretary						
Conor Gouldson	–	–	35,000	35,000	7.45	Aug 2012 - Sept 2014

The FBD Group Save as You Earn (SAYE) Scheme

The SAYE Scheme was approved by shareholders in 2007. Late in 2007, options were granted under the Scheme to those eligible Group employees, including executive Directors, who joined the Scheme and entered into the necessary 3 year savings contract under the Scheme rules. Savings commenced in January 2008. The options were granted at an option price of €19.95 per share, which represented a discount of 20% to the then market price for the shares as permitted under the Scheme Rules. Consequent to the Return of Capital and the Special Dividend of €1.49 declared and paid in October 2008, the Option Price was reduced by €1.49 per share as permitted under the Scheme Rules having obtained the necessary prior approval of the Revenue Commissioners.

30 Report on Directors' Remuneration *[continued]*

Directors' SAYE Scheme Options

Details of SAYE options held by executive Directors are given below:

	At 1 January 2009	Exercised during year	Granted during year	At 31 December 2009	Exercise price €
Andrew Langford	599	–	–	**599**	18.46
Adrian Taheny	599	–	–	**599**	18.46

All of the above options are exercisable from February 2011.

FBD Performance Share Plan

The FBD Performance Share Plan ('LTIP') was approved by shareholders in 2007. Conditional awards under the LTIP are dependent on the Group meeting onerous performance targets in terms of EPS growth, total shareholder returns and maintenance of the combined operating ratio ahead of peer companies in the European general insurance sector. The extent to which these conditions have been met and any award (or part of an award) has therefore vested will be determined by the Remuneration Committee. The performance targets applying ensure absolute alignment between the interests of the plan participants and those of shareholders.

In view of the grant of share options to senior executives under the FBD Holdings plc Executive Share Option Scheme during the year, no conditional awards were made in 2009 under the LTIP. Details of the conditional share awards made by the Remuneration Committee under the LTIP in 2008 to the executive Directors, and the Company Secretary, are given below. The number of shares is the maximum possible number which could vest for the individual concerned if all of the performance conditions previously described are met.

Directors' and Company Secretary's Conditional LTIP Awards

	At 1 January 2009	Granted during year	Lapsed during year	At 31 December 2009
Executive Directors				
Andrew Langford	26,453	–	–	**26,453**
Cathal O'Caoimh	11,627	–	–	**11,627**
Adrian Taheny	14,534	–	–	**14,534**
Company Secretary				
Conor Gouldson	4,156	–	–	**4,156**

31 Principal Subsidiaries

Subsidiaries	Nature of operations	% owned
FBD Insurance plc	General insurance underwriter	100
FBD Insurance Brokers Limited	General insurance brokers	100
FBD Life & Pensions Limited	Investment services, pensions and life brokers	100
FBD Property & Leisure Limited	Property investment and marketing	100
La Cala Golf Club S.L.	Golf resort	75
Ranchos Reunidos S.A.	Property	100
Sunset Beach Club S.A.	Hoteliers	100
FBD Hotels (Ireland) Limited	Hoteliers	100

The Registered Office of each of the above subsidiaries is at FBD House, Bluebell, Dublin 12, with the exception of Ranchos Reunidos S.A. and La Cala Golf Club S.L. which are at La Cala Resort, La Cala de Mijas, 29647 Mijas-Costa, Malaga, Spain and Sunset Beach Club S.A. which is at Avenida Del Sol No. 5, Benalmadena-Costa, Malaga, Spain.

All shareholdings are in the form of ordinary shares.

The financial year end for all subsidiaries is 31 December.

FBD Holdings plc is an Irish registered public limited company. The Company's ordinary shares of 60 cent 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.

32 Capital Commitments

	2009 €000s	2008 €000s
Capital commitments at 31 December authorised by the Directors but not provided for in the financial statements:		
Contracted for	**559**	172
Not contracted for	**–**	141

33 Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets at either 31 December 2009 or 31 December 2008.

34 Share Based Payments

FBD Holdings plc Executive Share Option Scheme

In September 1989, the Group established an equity settled executive share option scheme, the FBD Holdings plc Executive Share Option Scheme ("ESOS") under which options to purchase ordinary shares of 60 cent each ("ordinary shares") in the Company are granted to certain executive Directors and senior management. Under the terms of the ESOS the options are exercisable at the market price prevailing at the date of the grant of the option (the "option price"). Under the terms of an amendment to the ESOS approved by shareholders in April 2006, the option price may be reduced by the amount of any special dividends paid to shareholders. Options were granted under the ESOS in September 1989, September 1995, May 2000, October 2003 and August 2009. The exercise of options granted since 18 April 2000 is conditional on growth in earnings per share of at least 2% per annum, compound, over the increase in the consumer price index over not less than three years from the date of grant.

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

	2009 Average exercise price in € per share	2009 Options	2008 Average exercise price in € per share	2008 Options
At 1 January	**2.50**	**249,825**	3.99	294,825
Granted	**7.45**	**905,000**	–	–
Exercised	**–**	**–**	3.99	45,000
Lapsed	**–**	**–**	–	–
At 31 December	**6.38**	**1,154,825**	*2.50	249,825
Total exercisable at 31 December	**2.50**	**249,825**	2.50	249,825

** During 2008 the option price was reduced by €1.49 as a consequence of the payment of a special dividend of €1.49 per share in October 2008 as permitted under the Scheme rules.*

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

No further options can be granted under the ESOS.

FBD Group Save as You Earn (SAYE) Scheme

In May 2007, shareholders approved the establishment of the FBD Group Save as You Earn (SAYE) Scheme (the "SAYE Scheme"). Under the SAYE Scheme, eligible Group employees can be granted options to subscribe for ordinary shares in the Company at a discount of up to 25% to the prevailing market price of the Company's ordinary shares, as provided for under the SAYE Scheme Rules which are Revenue Commissioners approved. The option price can be reduced, in accordance with the SAYE Scheme Rules, by the amount of any special dividends paid to shareholders provided that any such reduction has the approval of the Revenue Commissioners.

34 Share Based Payments *[continued]*

The only grant of options under the plan to date was made in October 2007 and was aligned to three year savings contracts which commenced in January 2008. Options were granted over a total of 164,573 ordinary shares at an option price of €19.95 which represented a discount of 20% to the prevailing market price at the time of grant. As a consequence of the payment of a special dividend of €1.49 per share during the year the option price was reduced, by agreement with the Revenue Commissioners, to €18.46. Options over 103,055 shares lapsed during the year (2008: 16,921). No options under the SAYE Scheme were exercised during the year. Options remain outstanding over a total of 44,597 ordinary shares at 31 December 2009 (2008: 147,652), none of which are exercisable.

The fair value of the options under the SAYE Scheme has been independently calculated at €5.84 using the assumptions detailed below.

FBD Group Performance Share Plan

The FBD Group Performance Share Plan (the "LTIP") was approved by shareholders in May 2007. Conditional awards of ordinary shares under the LTIP are dependent on the Group meeting onerous performance targets in terms of EPS growth, total shareholder returns and maintenance of the combined operating ratio ahead of peer companies in the European general insurance sector. The extent to which these conditions have been met and any award (or part of an award) has therefore vested will be determined in due course by the Remuneration Committee. Only one conditional award has been made under the LTIP to date, in August 2008. This award was over a total of 98,149 ordinary shares. The fair value of the award has been independently calculated to be €6.45 per share using the assumptions detailed below.

Fair value calculations

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

	ESOS grant October 2003	SAYE grant October 2007	LTIP award August 2008	ESOS grant August 2009
Share price at grant	€10.59	€24.42	€12.90	€7.40
Initial option/award price	€10.59	€19.95	€12.90	€7.45
Expected volatility	20%	20%	35%	35%
Expected life in years	3	3	2.58	3
Risk free interest rate	2.98%	4.1%	4.0%	2.5%
Dividend yield %	2%	3%	n/a	4.5%
Fair value	€12.03	€5.84	€6.45	€1.62

34 Share Based Payments *[continued]*

Accounting Charge for Share based payments

Grant date	Vesting period (years)	Number of options granted	Number outstanding at 31 December 2009	Grant price* €	Market value at grant date €	Fair value at grant date €	2009 €000	2008 €000
26.10.07 SAYE	3.00	164,573	44,597	18.46	24.94	5.84	**299**	363
27.08.08 LTIP	2.58	98,149	98,149	–	12.90	6.45	**229**	79
26.08.09 ESOS	3.00	905,000	905,000	7.45	7.40	1.62	**170**	–
Total							**698**	442

** adjusted for special dividends paid since grant date.*

35 Guarantees

The Company has provided four guarantees as follows:

- Firstly and secondly, two guarantees for the value of €18,517,000 have been provided by the Company in respect of Castleknock Hotel. The first is in respect of a bank loan drawn down by an unrelated third party that has borrowed money from a bank for the purchase of Castleknock Hotel. The second is in respect of a put and call option between the same third party and a subsidiary of FBD Holdings plc. FBD Holdings plc has guaranteed that if its subsidiary cannot meet its obligation to exercise its put and call option, it shall provide the funding to enable it to do so. The benefits and obligations have been included in full in the financial statements to reflect the substance of the transaction. The annual charge paid to the third party has been included in the finance costs in the consolidated income statement.
- Thirdly, the Company has guaranteed a working capital loan of €3,985,000 drawn down for the purpose of fitting out Castleknock Hotel.
- Finally, the Company has guaranteed a loan from Farmer Business Developments plc to a subsidiary, FBD Property & Leisure Limited, of €60,000,000.

The guarantees are deemed to have a fair value of nil because there is no residual liability applying to the Group as the obligations have already been included in full in the consolidated statement of financial position and the associated finance charges are included in the consolidated income statement.

36 Transactions with Related Parties

Farmer Business Developments plc has a substantial shareholding in the Group at 31 December 2009 details of which are set out in the Report of the Directors.

Included in the financial statements is an unsecured loan of €60,000,000 (2008: €50,000,000) from Farmer Business Developments plc to FBD Property & Leisure Limited, a 100% owned subsidiary of the Group. This loan is guaranteed by the Company. The term of the loan is 3 years and it is due to be repaid in full in August 2011. Interest is charged on this balance at market rate which is defined under the terms of the loan agreement as 3 month Euribor rate plus a margin capped at 225 basis points.

Included in the financial statements at the year end is €331,601 (2008: €484,170) due from Farmer Business Developments plc. This balance is made up of recharges for services provided and recoverable costs. Interest is charged on this balance at the market rate. The amount due is repayable on demand.

For the purposes of the disclosure requirements of IAS 24, the term "key management personnel" (i.e. those persons having authority and responsibility for planning directing and controlling the activities of the Company) comprises the Board of Directors which manages the business and affairs of the Company. Full disclosure in relation to the 2009 and 2008 compensation entitlements of the Board of Directors is provided in the Report on Directors' Remuneration in note 30. 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 €35,090 (2008: €374,397). Details of Directors' share options are outlined in note 34. The share based payment charge to profit or loss relating to the Executive Directors during the year was €168,007 (2008: €44,503).

37 Risk Management

The Group recognises the critical importance of efficient and effective risk management. Risk is categorised as follows:

- General Insurance risk
- Capital Management risk
- Operational risk
- Liquidity risk
- Market risk
- Credit risk
- Concentration risk

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

37 Risk Management *[continued]*

(a) General Insurance risk

The risk attached to any insurance policy written is the possibility that an insured event occurs and the uncertainty of the amount of the resulting claim.

The Group has developed its insurance underwriting strategy to diversify the type of insurance risks written and within each of the types of risk, to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The principal risks covered include motor, employers' and public liability and property. All risks underwritten are located in the Republic of Ireland, with no significant concentration in any one area.

The frequency and severity of claims can be affected by several factors, most notably 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 23, claims outstanding.

The Group manages these risks through its underwriting strategy, proactive claims handling and its reinsurance arrangements. The only significant concentration of insurance risk is that all of the Group's underwriting business is conducted in Ireland.

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; constant review of the Group's pricing policy using up-to-date statistical analysis and claims experience; and the surveying of risks carried out by experienced personnel. All risks underwritten are within the terms of the Group's reinsurance treaties.

For its motor, employers' liability and public liability business, the Group has in place excess of loss reinsurance treaties and for its property business, quota share and catastrophe reinsurance treaties operate. The Group's retention on all reinsurance treaties is approved by the Board of Directors on an annual basis.

The Group 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.

(b) Capital management

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. 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 Financial Regulator that it has done so. The capital position of FBD Insurance plc is reviewed frequently by its Board of Directors. To provide protection against material events or shocks, the Group ensures that its insurance subsidiary holds sufficient capital to maintain significant regulatory surpluses.

37 Risk Management *[continued]*

As at 31 December 2009, FBD Insurance plc had admissible assets to cover the required solvency margin of €162,085,000 (2008: €169,785,000). The required solvency margin is €64,475,000 (2008: €64,475,000) and is calculated with reference to the European Communities (Non-Life Insurance) Framework (Amendment) Regulations 2004. The Company maintained its robust capital position and complied with all regulatory solvency margin requirements throughout the year under review and the prior year.

The Group has an investment committee and an internal control group and the insurance subsidiary has a pricing committee and a Solvency II project group, all of which assist the Board in the identification and management of exposures and capital.

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

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

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

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

(c) Operational risk

Operational risk could arise as a result of inadequately controlled internal processes or systems, human error, or from external events.

This definition is intended to include all risks to which the Group is exposed and strategic and Group risks that are considered elsewhere. Hence, operational risks include for example, information technology, information security, human resources, project management, outsourcing, tax, legal, fraud and compliance risks.

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

37 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 matching the maturity profiles of financial assets and liabilities. In addition to its strong liquidity position, the Group has committed borrowing facilities from a highly rated bank to further mitigate this risk.

The following tables provide an analysis of assets and liabilities into their relevant maturity groups based on the remaining period at the balance sheet date to their contractual maturities.

Assets – 2009	**Carrying value total €000s**	**Contracted value €000s**	**Cashflow within 1 year €000s**	**Cashflow 1-5 years €000s**	**Cashflow after 5 years €000s**
Inventories	**59,226**	59,226	4,357	54,869	–
Financial assets	**739,301**	806,678	135,766	616,390	54,522
Reinsurance assets	**93,189**	93,189	71,508	16,870	4,811
Deferred acquisition costs	**19,963**	19,963	19,963	–	–
Loans and receivables	**116,544**	123,916	74,155	49,761	–
Cash and cash equivalents	**44,036**	44,036	44,036	–	–
	1,072,259	1,147,008	349,785	737,890	59,333

Assets – 2008	**Carrying value total €000s**	**Contracted value €000s**	**Cashflow within 1 year €000s**	**Cashflow 1-5 years €000s**	**Cashflow after 5 years €000s**
Inventories	62,383	62,383	880	61,503	–
Financial assets	750,470	838,153	248,731	530,046	59,376
Reinsurance assets	58,994	58,994	47,939	9,291	1,764
Deferred acquisition costs	17,733	17,733	17,733	–	–
Loans and receivables	139,028	139,028	68,539	70,489	–
Cash and cash equivalents	35,713	35,713	35,713	–	–
	1,064,321	1,152,004	419,535	671,329	61,140

37 Risk Management *[continued]*

Liabilities – 2009	Carrying value €000s	Contracted value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Insurance contract liabilities	**848,032**	848,032	301,196	357,714	189,122
Borrowings	**120,051**	138,593	4,934	104,403	29,256
Retirement benefit obligations	**23,103**	23,103	2,310	9,240	11,553
Payables	**56,666**	56,671	56,671	–	–
	1,047,852	1,066,399	365,111	471,357	229,931

Liabilities – 2008	Carrying value €000s	Contracted value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Insurance contract liabilities	814,205	814,205	273,190	354,482	186,533
Borrowings	110,968	134,223	7,451	98,557	28,215
Retirement benefit obligations	16,112	16,112	1,611	6,444	8,057
Payables	78,969	78,969	78,969	–	–
	1,020,254	1,043,509	361,221	459,483	222,805

(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 guidelines, as approved annually by the Board of Directors and employment of appropriately qualified and experienced personnel to manage the Group's investment portfolio.

Interest rate risk

Interest rate risk arises primarily from the Group's investments in quoted debt securities, deposits and borrowings. The Investment Committee regularly reviews the appropriate level of exposure to interest rate risk from trading. Factors taken into consideration are yield volatility and historical returns.

37 Risk Management *[continued]*

At 31 December 2009, the Group held the following quoted debt securities for trading and deposits:

	2009 Weighted market value €000s	2009 Weighted average interest rate	2008 Market value €000s	2008 Average interest rate
Time to maturity				
In one year or less	**75,462**	**3.07%**	183,143	3.15%
In more than one year, but not more than two years	**–**	**–**	–	–
In more than two years, but not more than three years	**–**	**–**	–	–
In more than three years, but not more than four years	**–**	**–**	–	–
In more than four years, but not more than five years	**3,809**	**6.85%**	–	–
More than five years	**–**	**–**	3,809	6.85%
	79,271		186,952	

These financial instruments are exposed to fair value interest rate risk. Loans and deposits made by the Group are at floating interest rates. All borrowings are also at floating interest rates.

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 by the Investment Committee using the framework set out in the Group's investment policy which is approved annually by the Board of Directors. The Investment Committee places limits on the type of shares held, liquidity of shares, size of share-holding and exposure to any one sector. In addition local asset admissibility solvency regulations require the Group to hold a diversified portfolio of assets thereby reducing exposure to individual sectors. Part of the portfolio is held directly while part is outsourced to a number of external investment managers. The amounts exposed by equity price risk are set out in note 13(a).

Foreign currency risk

The Group holds investment assets and equities in foreign currencies hence exposure to exchange rate fluctuations arise. The Group is primarily exposed to Sterling and US dollars. Derivative instruments are used for the purposes of protecting the Euro value of assets denominated in non Euro currencies in circumstances where the cost of the hedge is deemed commercial having regard to the potential foreign currency risk.

The Group did not hold any derivative instruments at 31 December 2009 or 31 December 2008.

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

	Assets	Assets
	2009 €000s	2008 €000s
GBP	**2,474**	4,761
USD	**–**	–
Other	**–**	857

37 Risk Management *[continued]*

(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 soverign guarantee. Quoted debt securities comprise €581,096,000 government gilts which carry a sovereign rating and €3,809,000 corporate bonds which are unrated.

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. The maximum balance owed to the Group by an individual reinsurer at 31 December 2009 was €12,981,000.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

(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:

- At 31 December 2009, the Group held €497,777,000 in German government gilts.
- All of the underwriting business is conducted in Ireland.

The resultant concentration risk from adverse weather events, i.e. floods, storms or freezes in Ireland, are mitigated by an appropriate re-insurance strategy as outlined in note 37(a).

Receivables arising out of direct insurance operations are a low credit risk and there is no significant concentration of risk. As such, the Group has not made provision for bad or doubtful debts. There is no significant concentration of risk in other receivables.

(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 ECB benchmark reference interest rate by ±0.5% (e.g. if a current interest rate is 5%, the impact of an immediate change to 4.5% and 5.5%).
Exchange rates movement	The impact of a change in foreign exchange rates by ± 5%.
Equity market values	The impact of a change in equity market values by ±10%
Property market values	The impact of a change in property market values by ±10%
Net loss ratios	The impact of an increase in net loss ratios for general insurance business by 5%.

37 Risk Management *[continued]*

The above sensitivity factors are applied using actuarial and statistical models, with the following pre-tax impacts on profit and shareholders' equity at 31 December 2009 and at 31 December 2008:

		2009 €000s	**2008 €000s**
Interest rates	0.5%	**430**	726
Interest rates	(0.5%)	**(430)**	(726)
FX rates	5%	**124**	281
FX rates	(5%)	**(124)**	(281)
Equity	10%	**2,619**	2,030
Equity	(10%)	**(2,619)**	(2,030)
Investment Property	10%	**4,327**	5,254
Investment Property	(10%)	**(4,327)**	(5,254)
Net loss ratio	5%	**(16,376)**	(17,035)

In addition the impact of changes in the assumptions used to calculate general insurance liabilities and sensitivities are indicated in the table below:

31 December 2009	**Change in assumptions**	**Increase in gross technical reserves €000s**	**Increase in net technical reserves €000s**	**Impact on profit before tax €000s**	**Reduction in shareholders' equity €000s**
Injury claims IBNR	+10%	2,635	2,635	(2,635)	2,306
Property claims IBNR	+10%	884	598	(598)	(523)
Legal fees revert to pre PIAB levels		10,806	9,732	(9,732)	(8,516)

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 analyses do 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 analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty and the assumption that all interest rates move in an identical fashion.

38 Prior Year Restatement

(a) New layout of Consolidated Income Statement and additional Pro-forma Statement

The Group continuously reviews its external financial reporting with a view to improving the quality of the information it provides. In the current year, the layout of the consolidated income statement has been amended and an additional statement has been added to the financial statements. The additional statement, produced on page 45, pro-forma reconciliation of consolidated operating profit to loss before tax is supplementary to the primary statements required under International Financial Reporting Standards. It is designed to provide supplementary information to users of the financial statements including operating profit, a key performance measure monitored by the Board, which was disclosed on the face of the consolidated income statement up to and including 2008.

Operating profit is reported on the basis of a longer term investment return. The nature of the Group's underwriting operations means that, for management decision making and internal performance management, short-term realised and unrealised investment gains and losses are treated as non-operating items. The Group focuses instead on an operating profit measure incorporating an expected return on investment. The fluctuations between longer term investment return and the actual investment return, which include realised and unrealised gains and losses and profits or losses arising from substantial non-recurring transactions, are charged or credited after operating profit is arrived at. As a result, operating profit is not subject to distortions for fluctuations in investment returns.

The rates of investment return underlying the calculation of the longer term investment return are set out in note 2(b) and are reviewed annually and reflect both historical experience and the Directors' current expectations for future investment returns. The longer term rate of return is applied to all investment assets held by the Group's underwriting operations including investment properties held for resale, investments held for trading, available for sale investments, investments held to maturity, loans and receivables and bank deposits. A comparison of the longer term investment return and actual returns for the last two years is set out in note 2(c) of the financial statements.

This treatment of investment returns has no impact on profit before tax, earnings per share or shareholders' funds reported in the financial year ending 31 December 2008 or 31 December 2009. In line with IAS 8, the amounts of the amendments for each financial statement line item is detailed below:

Consolidated Income Statement	**2008 As previously stated €000s**	**2008 Impact of change €000s**	**2008 Restated €000s**
Investment income – longer term rate of return	43,930	(43,930)	–
Investment return – fluctuations	(92,307)	92,307	–
Net investment return	–	(48,377)	(48,377)
	(48,377)	–	(48,377)

38 Prior Year Restatement *[continued]*

(b) Other changes

The comparative figures for the year ended 31 December 2008 have been restated so as to (i) correct a mis-classification of items in the detailed analysis of the consolidated statement of cash flows, (ii) provide more detail of the revaluation of property, plant and equipment and the deferred tax thereon, including the portion attributable to minority interests and (iii) to more accurately reflect exchange differences on revaluation recognised directly in equity.

In line with IAS 8, the amount of the amendment for each financial statement line item is detailed below. These adjustments have no impact on the profit before tax, earnings per share or shareholders' funds previously reported for the financial year ended 31 December 2008.

	2008 As previously stated €000s	2008 Impact of change €000s	2008 Restated €000s
Consolidated statement of cash flows			
Loss on disposal of property, plant and equipment	–	246	246
Income taxes paid	(24,007)	3,888	(20,119)
Sale of property, plant and equipment	259	726	985
Decrease in inventories	–	3,362	3,362
Increase in payables	12,899	(8,222)	4,677
Consolidated statement of comprehensive income			
Exchange differences on translation of foreign operations	–	(1,070)	(1,070)
Income attributable to minority interests	270	1,463	(1,193)
Note 21 revaluation reserves			
Minority interests share of revaluation of property, plant and equipment	–	2,251	2,251
Deferred tax on revaluation of property, plant and equipment	7,301	(2,251)	5,050
Note 26 deferred tax			
Revaluation of property, plant and equipment			
(Credited) to other comprehensive income	(5,840)	790	(5,050)
(Credited) to minority interests	–	(790)	(790)

The Directors have considered the requirement under IAS 1 to disclose the consolidated statement of financial position for the last three reporting periods in the event of a restatement of the financial statements. The restatements explained above have no impact on the consolidated statement of financial position in any of the last three reporting periods. The Directors have decided not to present the consolidated statement of financial position as at 31 December 2007, as it would provide no incremental information.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held in FBD House, Bluebell, Dublin 12, on Friday 30 April 2010, at 12 noon for the following purposes:

As Ordinary Business

1 To receive and consider the Report of the Directors and the Financial Statements for the year ended 31 December 2009.

2 To declare a dividend on the 8% non-cumulative preference shares.

3 To declare the final dividend of 20 cent per ordinary share which is recommended by the Directors.

4 To approve the Report on Directors' Remuneration appearing in note 30 to the Financial Statements for the year ended 31 December 2009 (advisory resolution).

5 To re-elect the following persons as Directors of the Company under Article 80 (c)

Mr. Michael Berkery	Resolution 5 (a)
Mr. John Donnelly	Resolution 5 (b)
Mr. Philip Lynch	Resolution 5 (c)
Dr. Patrick O'Keeffe	Resolution 5 (d)

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

As Special Business

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

"In accordance with the provisions of the Companies (Amendment) Act, 1983, the Directors be and are hereby empowered to allot "equity securities" (as defined in Section 23 (13) of the Companies (Amendment) Act, 1983) pursuant to the authority conferred on them by the Ordinary Resolution of the Company passed on 29 April 2009 as if Section 23 (1) of the Companies (Amendment) Act, 1983 did not apply to any allotment made pursuant to the said authority provided that this power shall be limited to the allotment of equity securities up to but not exceeding an aggregate nominal value of 5 per cent of the issued ordinary share capital as at the date of this Resolution and that the authority hereby conferred shall expire at the close of business on the earlier of the date of the next Annual General Meeting of the Company or a date 15 months from the date of passing hereof and that the Directors be entitled to make at any time prior to the expiry of the power hereby conferred, any offer or agreement which would or might require equity securities to be allotted after the expiry of such power. Provided that such power shall, subject as aforesaid, cease to have effect when the said authority is revoked or would, if renewed, expire but if the authority is renewed the said power may also be renewed, for a period not longer than that for which the authority is renewed, by a further Special Resolution of the Company passed in General Meeting"

and

"that the expiry date noted in Article 8 (c) be amended to read "30 July 2011", being fifteen months after the date of this Annual General Meeting in accordance with the foregoing."

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

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

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

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

(c) the maximum price which may be paid for any Share (a "Relevant Share") shall be an amount equal to 105 per cent of the average of the five amounts resulting from determining whichever of the following ((i), (ii) or (iii) specified below) in relation to the Shares of the same class as the Relevant Share shall be appropriate for each of the five consecutive business days immediately preceding the day on which the Relevant Share is purchased, as determined from the information published in the Irish Stock Exchange Daily Official List reporting the business done on each of those five business days;

(i) if there shall be more than one dealing reported for the day, the average of the prices at which such dealings took place; or

(ii) if there shall be only one dealing reported for the day, the price at which such dealing took place; or

(iii) if there shall not be any dealing reported for the day, the average of the closing bid and offer prices for the day

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

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

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

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

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

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

(i) in the case of an Option Scheme (as defined in paragraph (d) below), an amount equal to the option price as provided for in such Option Scheme; or

(ii) in all other cases and circumstances where treasury shares are reissued off-market, an amount equal to 95% of the Appropriate Price (as defined in paragraph (c)); and

(c) "Appropriate Price" means the average of the five amounts resulting from determining whichever of the following ((i), (ii) or (iii) specified below) in relation to shares of the class of which such treasury shares to be re-issued shall be appropriate in respect of each of the five business days immediately preceding the day on which the treasury share is re-issued, as determined from information published in the Irish Stock Exchange Daily Official List reporting the business done on each of those five business days;

(i) if there shall be more than one dealing reported for the day, the average of the prices at which such dealings took place; or

(ii) if there shall be only one dealing reported for the day, the price at which such dealing took place; or

(iii) if there shall not be any dealing reported for the day, the average of the closing bid and offer prices for the day;

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

(d) "Option Scheme" means any scheme or plan which involves either the issue of options to acquire ordinary shares in the Company or the conditional award of ordinary shares in the Company which has been approved by the Company's shareholders in General Meeting.

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

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

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

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

"That the Articles of Association of the Company be and are hereby substituted with the proposed new Articles of Association of the Company which have been signed by the Chairman of the Company for the purposes of identification and which have been available for inspection at the Registered Office of the Company since the date of this Notice."

12 To consider and, if thought fit, pass the following Ordinary Resolution:

"That in accordance with Article 71 of the Articles of Association of the Company the ordinary remuneration of the Directors, that is to say the basic fees payable to the non-executive Directors, shall be determined by the Board and shall not, in aggregate, exceed €450,000 per annum".

By Order of the Board

Conor Gouldson
Secretary

FBD House, Bluebell, Dublin 12

30 March 2010

Information for Shareholders Pursuant to the Shareholders' Rights Directive

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

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

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

2. **Appointment of Proxy**

   If you cannot attend the AGM in person, you may appoint a proxy (or proxies) to attend, speak, ask questions and vote on your behalf. For this purpose a Form of Proxy has been sent to all registered shareholders. A proxy need not be a member of the Company. You may appoint the Chairman of the Company or another individual as your proxy. You may appoint a proxy by completing the Form of Proxy, making sure to sign and date the form at the bottom and return it in the pre-paid envelope provided to the Company's Registrar, Computershare Investor Services (Ireland) Limited, P.O. Box 954, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland to be received no later than 12.00 noon on 28 April 2010. 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.computershare.com/ie/voting/fbd. You will need your shareholder reference number and your PIN number, which can be found on the Form of Proxy.

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

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

3. **Record Date for AGM**

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

4. How to Exercise Your Voting Rights

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

4.1 By attending the AGM in person;

4.2 By appointing the Chairman or some other person as a proxy to vote on your behalf;

4.3 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 1,143,054 or more ordinary or preference shares of 60 cent each in FBD Holdings plc (i.e. at least 3% of the issued share capital of the Company carrying voting rights), you or the group of Shareholders acting together have the right to put an item on the agenda for the AGM. In order to exercise this right, written details of the item you wish to have included on the agenda for the AGM together with a written explanation setting out why you wish to have the item included on the agenda, and evidence of your shareholding, must be received by the Company Secretary at FBD Holdings plc, FBD House, Bluebell, Dublin 12, Ireland or by e-mail to company.secretary@fbd.ie no later than 12.00 noon on Friday 19 March 2010 (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 1,143,054 or more ordinary or preference shares of 60 cent each in FBD Holdings plc (i.e. at least 3% of the issued share capital of the Company carrying voting rights), you or the group of Shareholders acting together have the right to 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 your shareholding must be received by post by the Company Secretary at FBD Holdings plc, FBD House, Bluebell, Dublin 12, Ireland or by e-mail to company.secretary@fbd.ie no later than 12.00 noon on Friday 19 March 2010 (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 which impose other conditions on the right of shareholders to propose resolutions at a general meeting of a company.

7. Right to Ask Questions

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

8. How to Request/Inspect Documentation Relating to the Meeting

The annual Financial Statements, Report of the Auditors and the Report of the Remuneration Committee are contained in the Company's Annual Report which was dispatched to shareholders 30 March 2010. The Annual Report is also available on the Company's website www.fbdgroup.com.

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

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

9. Further Information

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

Printed on paper sourced from sustainably managed forests.

www.fbdgroup.com

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FBD