FBD Holdings plc
Annual Report 2011

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Financial Highlights

	Continuing operations		Continuing & discontinued operations	
	2011 €000s	**2010 €000s**	**2011 €000s**	**2010 €000s**
Gross premium written	**351,111**	358,385	**351,111**	358,385
Net premium earned	**301,952**	302,540	**301,952**	302,540
Operating profit before taxation	**62,507**	38,462	**64,900**	40,666
Profit/(loss) before taxation	**52,280**	14,657	**59,718**	(3,083)
	2011 Cent	**2010 Cent**	**2011 Cent**	**2010 Cent**
Operating earnings per share	**164**	100	**170**	106
Basic earnings per share	**130**	42	**153**	(8)
Ordinary dividend per share	**34.5**	31.5	**34.5**	31.5
Net asset value per share	**630**	547	**630**	547

Calendar:

Preliminary announcement	**5 March 2012**
Annual General Meeting	**30 April 2012**
Final dividend payment date	**4 May 2012**

“An excellent year for FBD in terms of both operational performance and strategic developments”

Michael Berkery
CHAIRMAN

Chairman's Statement

I am very pleased to report an excellent year for FBD in both operational performance and strategic developments in 2011, a year in which the Group delivered operating profits before taxation of €62.5 million. The contraction of the Irish economy and the insurance industry continued to provide a challenging business environment. However, FBD benefited from the relative strength of the agricultural sector and the continued development of its multi-channel distribution strategy in 2011 and delivered an improved combined operating ratio and strong profitability. The Group recorded an improvement in the detection of fraudulent claims during 2011 and this will benefit all policyholders in the form of lower insurance premiums. It is in the interests of all policyholders that the industry and the State's institutions remain vigilant in detecting and eliminating exaggerated or fraudulent insurance claims.

FBD also made significant progress in its strategic initiatives. The Group entered into a joint venture to own and manage its property and leisure operations and sold its general insurance broking business. These two initiatives will allow the Group to focus on insurance underwriting. In addition, the Group increased penetration of urban markets, particularly Dublin, and increased distribution via brokers. The Company's sales office network has continued to successfully develop farming and business insurance during 2011, a key strategic priority for FBD.

The Group is committed to a progressive dividend policy while maintaining a strong balance sheet and robust solvency margins. The Board is recommending a 2011 final dividend payout of 23.25 cent per ordinary share, bringing the full 2011 dividend to 34.5 cent per ordinary share.

During the year, in furtherance of FBD's commitment to best practice in Corporate Governance in every respect, the Board completed a careful review of its composition with the support of the Nomination Committee. This review was designed to ensure that the composition of the Board, and its Committees, included an appropriate mix of independence together with the specific skills and experience required to do its work. As a result of this review, the Board has implemented a programme of refreshment during the course of 2011.

Dr. Patrick O'Keeffe, the founding chairman of FBD, and Mr. John Donnelly retired from the Board on 29 August 2011 and Mr. Philip Lynch retired on 23 December 2011. It is difficult to overstate the enormous contribution which each has made to the Board of FBD, to its Committees and to the development of the Group's business in the extensive period over which each served as non-executive Directors. The success, strength and focus of the FBD Group today are testament to their energy, wisdom and entrepreneurial vision. On behalf of the Board and the Group, I want to record our deepest appreciation to each of them for their contribution.

I am very pleased to welcome Mr. Dermot Mulvihill, who was co-opted to the Board in August 2011, and Mr. Padraig Walshe and Ms. Brid Horan who were co-opted in December 2011 and I look forward greatly to their contribution to the Board in the years ahead.

Finally, I would like to again extend my sincere thanks to the Board, the management and the staff for their combined efforts in delivering an excellent profit performance 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 2012

"FBD has demonstrated its capacity to deliver operating profits in difficult market conditions"

Andrew Langford
GROUP CHIEF EXECUTIVE

Review of Operations

Overview

FBD delivered an excellent performance in 2011 and made significant progress in advancing its strategic priorities. In continuing difficult economic conditions, FBD generated a profit before taxation of €59.7m, a significant turnaround from the loss of €3.1m incurred in 2010.

At €64.9m, operating profit before tax was up by 60% on 2010. Operating profit in our core underwriting business increased 61.5% to €58.3m (2010: €36.1m), influenced by benign weather and an exceptionally low level of large claims. Like most sectors in the Irish economy, the property and casualty insurance market contracted again in 2011. By focusing on the development of opportunities within FBD's risk appetite and through disciplined underwriting, the Group increased market share and delivered substantially improved profitability.

Gross premium written of €351.1m is down 2.0% on 2010 in a market that declined by 4.9%. FBD has continued its growth in market share, now standing at 12.2%, with market share gains in ten of the last eleven years.

Net claims incurred in 2011 reduced by 14.1% or €33.1m. The Company made significant progress in the key elements that contributed to this reduction that were within its control including claims management initiatives, risk selection and other underwriting improvements. Factors over which the company has less influence such as weather events, the frequency of large claims and the reduction in economic activity, contributed positively to the reduction in 2011 claims incurred. All of these three factors are not expected to behave in such a positive manner in each financial year and therefore claim costs are likely to revert towards the norm in 2012.

FBD's financial services operations have delivered an operating profit of €4.2m in challenging market conditions, which was ahead of the €2.3m (restated) achieved in 2010. Operating profit from discontinued activities was €2.4m (2010: €2.2m).

Following a strategic review, the Board concluded that FBD should focus on the Group's core insurance underwriting operations. As a result, two transactions were undertaken during 2011. Firstly, FBD entered into a joint venture, which now owns and manages the Group's former property and leisure operations. Secondly, the Group sold its general insurance broking business. These two transactions represent significant strategic steps for the Group, allowing it to focus on insurance underwriting and to pursue further growth in the business insurance market through the wider broker channel.

Operating earnings per 60 cent ordinary share ("share") increased by 60.4% from 106 cent to 170 cent. Fully diluted earnings per share at 152 cent represents a significant turnaround from the loss of 8 cent per share in 2010. The Group further strengthened its capital base and balance sheet with net asset value per share increasing by 15% to 630 cent. From this position of strength, the Board has decided to increase the full-year dividend by 9.5% to 34.5 cent (2010: 31.5 cent). FBD Insurance had a solvency level of 66% of net premium earned at 31 December 2011, up from 61% at 31 December 2010.

Business Review

Underwriting

Premium income

The Irish insurance market contracted by 4.9% in 2011 as the benefit of hardening rates during the year was offset by the continued reduction in insurable risk and values, in line with economic activity in Ireland. FBD's gross premium written reduced by 2.0% to €351.1m (2010: €358.4m) thereby increasing FBD's market share from 11.8% to 12.2%. This growth in market share, all organic, is primarily driven by the continuing development of the Group's multi-channel distribution strategy, particularly the development of NoNonsense.ie and an expanded presence in the broker market.

"FBD gave us our first payment within a week of the fire happening and that got us back on track. Within two months, we had received 90% of the policy money and were able to get back into production and meet orders nationwide. FBD put their money where their mouth was…they were saying, we support you, we won't drag this out, we'll make sure you're looked after."

SIOBHAN AND PAUL LAWLESS, THE FOODS OF ATHENRY, FAMILY BAKERY

Review of Operations (continued)

The rate of contraction in FBD's gross premium written reduced as the year progressed – from 3.1% in the first half to 0.9% in the second half. Improved retention rates and higher conversion rates contributed to this trend, with policy volumes increasing in 2011, the first increase since 2007.

This increase in volume was offset by lower average premium per policy as the reduction in insurable values exceeded the benefit of harder rates. FBD maintained its underwriting discipline, choosing not to grow volumes at uneconomic rates, particularly in the larger commercial risk segment. FBD continued to focus on segments that provided value and were within the Group's risk appetite. The reduction in gross premium written was compensated for by the decision to increase the proportion of the property insurance book that is retained. Net premium earned was €302.0m, in line with 2010.

Platform for growth

In response to changing customer behaviour, FBD has continued to implement its multi-channel distribution strategy and made significant progress within all channels during 2011. The Group's sales office network has been particularly successful in further developing farming and related insurance during 2011, a key strategic priority for FBD. Despite Ireland's economic challenges, the agricultural sector has performed very strongly and FBD's commitment to the sector has led to continuing growth in the number of farms insured and to an increase in premium from agriculture and connected businesses.

FBD's progress in Dublin and other large urban centres has continued with NoNonsense.ie and FBD.ie continuing to attract growth in customer numbers. NoNonsense.ie has surpassed 20,000 customers and more FBD customers are using on-line facilities.

The initiative to develop business insurance in Dublin and elsewhere, via intermediaries, continues to prove successful and additional brokers have been added to FBD's panel. Business insurance premium income has shown strong growth, albeit slightly behind the level originally anticipated because of intense competitor activity and FBD's decision not to grow volumes at uneconomic rates. The Group will continue to expand and develop the broker channel within it's risk appetite.

Claims

Net claims incurred amounted to €201.1m, a 14.1% reduction on 2010 because of an improved loss ratio, that is, net claims incurred as a percentage of net earned premium, which for 2011 was 66.6% (2010: 77.4%). Hardening premium levels and a range of claims management initiatives contributed to this reduction. 2011 was an unusual year from a claims perspective with benign weather, low incidence of large claims and falling economic activity combining to provide an unusually low claims cost.

Ireland continued to experience a reduction in the number of road deaths due to additional road safety measures and lower road usage. Miles driven in Ireland, as evidenced by fuel consumption, are down approximately 28% from peak in 2007, resulting in reduced frequency of motor claims.

Unlike each of the previous three years, FBD's result in 2011 was not adversely affected by severe weather events. Flooding during the month of October is likely to cost the insurance industry approximately €125m. However, FBD's cost was only €6m because the flooding primarily occurred in Dublin. The Group's risk appetite excludes some of the major risks involved and limits the exposure that FBD is prepared to accept from any event or series of events.

"I deal with the team at FBD because they understand what we're doing and they have a lot of years of experience behind them. I depend on them to do their job because that's part of the deal. We all need safety nets and FBD is a safety net for me."

NOEL O'TOOLE, IRISH DAIRY BOARD DAIRY FARMER OF THE YEAR 2010

Claims provisions strengthened further during the year. Despite this, claims reserves provided a positive run-off again in 2011, demonstrating the strength of the Group's reserving position. FBD has benefited from a large positive run-off in every year since 2003.

Expenses

Gross underwriting management expenses increased by 5.2% in 2011 to €80.9m compared to €77.0m in 2010 and the net expense ratio (net operating expenses as a percentage of net premium earned) increased from 22.0% to 24.2%. The increase relates to the Group's ongoing investment in marketing and a fall in reinsurance commissions receivable as reinsurance became more expensive and FBD ceded less risk to reinsurers. Reinsurance costs have risen for three successive years reflecting the poor weather-related claims history in Ireland and internationally over the same period. Marketing expenses increased to enable the Group to maintain its share of voice as competitors increased their advertising presence.

The Group's combined operating ratio (net claims incurred plus net operating expenses as a percentage of net premium earned) for 2011 was 90.8% (2010: 99.4%) resulting in an underwriting profit of €27.8m, a significant improvement on the €1.6m achieved in 2010.

Investment return

The longer-term investment return of €30.5m in 2011 was lower than the €34.5m in 2010 due to the decision to maintain a more conservative investment portfolio and the maturation of some of the Group's high yielding German bonds. FBD, like other responsible insurance companies worldwide, has adopted a more prudent investment strategy in the face of the current financial market turmoil. The Group's overriding investment principle is to protect its solvency and asset base even if this has an impact on investment returns. On an industry-wide basis, the consequent reduction in investment returns should discourage irrational underwriting in this and other markets.

Strategic initiatives

During the year the Group sold its insurance broking operation and established a joint venture to own and manage its Irish and Spanish property and leisure operations. The initiatives followed a strategic review by the Board and its consequent decision to increase the focus on the Group's core insurance underwriting business, a significant strategic step forward for FBD.

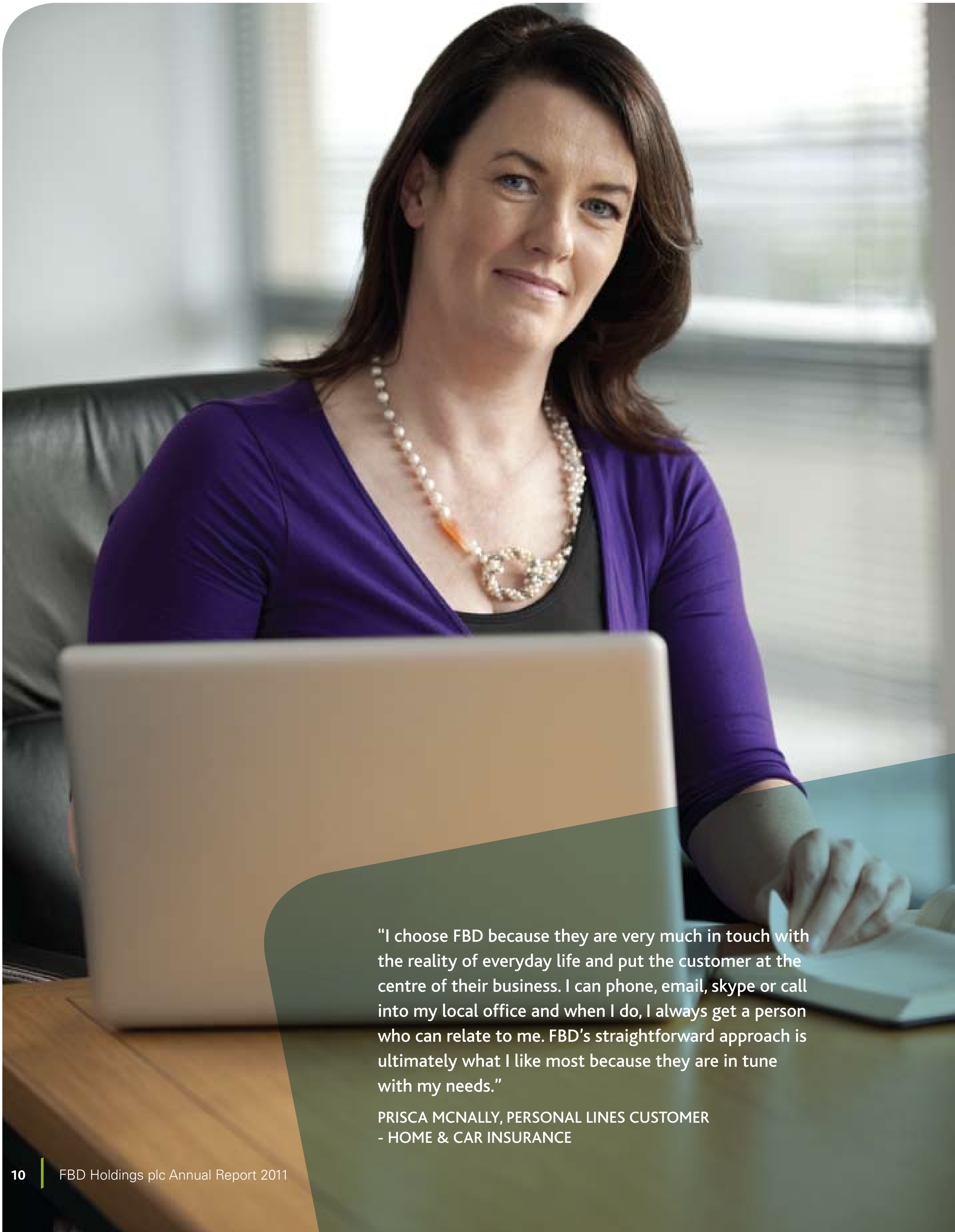
As a result of the property and leisure joint venture, which was completed in October 2011, the property and leisure operations are now owned 50%/50% by FBD and Farmer Business Developments plc, a related party that owns 29.7% of the voting rights in FBD. The two joint venture partners will hold a combination of equity and convertible loan notes. These loan notes are irredeemable and will convert into equity between the fifth and tenth anniversaries of completion, unless otherwise agreed between the parties.

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

Following completion, the Group accounts for its share of the joint venture under the equity method of accounting including its share of the net assets in the consolidated statement of financial position and its share of the profits or losses in the Consolidated Income Statement. A profit on the sale of €2.5m was credited to the Consolidated Income Statement.

The key benefits of the joint venture for the Group are as follows:

- The Group can now increase focus on its core insurance underwriting business;
- The Group's exposure to property valuation fluctuations has reduced;



"I choose FBD because they are very much in touch with the reality of everyday life and put the customer at the centre of their business. I can phone, email, skype or call into my local office and when I do, I always get a person who can relate to me. FBD's straightforward approach is ultimately what I like most because they are in tune with my needs."

PRISCA MCNALLY, PERSONAL LINES CUSTOMER
- HOME & CAR INSURANCE

Review of Operations (continued)

- The operating profit of the Group, post completion of the transaction, more clearly reflects the contribution from its core business;
- Group debt reduced from €117.8m to nil and guarantees provided by the Group reduced by €52.5m; and
- The ability of the property and leisure operation to realise value over time has been enhanced because its funding structure has been substantially strengthened.

In December, the Group announced the sale of its insurance broking operation, FBD Brokers. This business manages the commercial insurance needs of large commercial and corporate clients and is a leading provider of insurance broking services to the food processing, waste management and renewable energy sectors. The total consideration for the sale is up to €8.5m comprising an initial payment, received in 2011, of €6.75m, an additional payment of €0.5m based on working capital at completion and a deferred payment of up to €1.25m, payable in 2013 based on FBD Brokers' financial performance in the year following completion. Profit on the sale of €5.9m was credited to the Consolidated Income Statement.

The sale of FBD Brokers allows the Group to focus on its core insurance underwriting business and to pursue further growth in the business insurance market through the wider broker channel. The Group will continue to provide insurance to the food processing sector directly and via brokers and the transaction will give FBD Brokers, as part of the Jardine Lloyd Thompson Group, an enhanced capacity to provide global services to its clients.

The implementation of the decisions arising from the Board's strategic review is now complete and no further sales are anticipated.

Financial services

Market conditions for FBD's financial services businesses continue to be challenging. However, in this environment, the Group's continuing financial services operations generated an operating profit of €4.2m (2010: €2.3m).

Financial services includes life, pension and investment broking (FBD Financial Solutions) and premium instalment services less holding company costs. FBD Financial Solutions had a strong performance during 2011, growing profitability despite Ireland's economic decline through focus on customer service and cost efficiency.

Joint venture

Following the establishment of the property and leisure joint venture, the Group's €0.5m share of the loss of the joint venture, is included within continuing operations within the Consolidated Income Statement.

Profit after taxation

The benefit of the excellent operating performance was somewhat reduced by €5.1m (2010: €30.1m) of negative fluctuations on investment return, mostly attributable to movements in equities and the difference between current and long-term deposit rates. In addition, the impairment of property, plant and equipment of €1.0m (2010: €19.9m) reflects the impact of reducing property prices on the Group's property held for own use.

After recognising restructuring charges of €3.7m, the Group recorded a profit before tax on continuing operations of €52.3m (2010: €14.7m). After a taxation charge on continuing operations of €8.6m (2010: €0.2m) and profit after taxation from discontinued operations, including the profit on the sale of subsidiaries of €7.4m (2010: loss of €17.7m), the total profit after taxation amounted to €51.0m (2010: loss of €3.2m).

Review of Operations (continued)

Earnings per share

Operating earnings per share based on longer-term investment return amounted to 170 cent compared to 106 cent the previous year. The fully diluted earnings per share was 152 cent (2010: loss of 8 cent). Excluding discontinued operations, operating earnings per share amounted to 164 cent (2010: 100 cent), while fully diluted earnings per share was 130 cent (2010: 42 cent).

In 2011 return on equity (earnings over ordinary shareholders' funds) was 24% (2010: negative 2%). On the basis of continuing operating earnings, return on equity amounted to 30% (2010: 21%).

Dividends

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

The Board is recommending a 2011 final dividend payout of 23.25 cent per share (2010: 21.0 cent) bringing the full 2011 dividend to 34.5 cent (2010: 31.5 cent), an increase of 9.5% over 2010. Subject to the approval of shareholders at the Annual General Meeting to be held on 30 April 2012, this final dividend for 2011 will be paid on 4 May 2012 to the holders of shares on the register on 16 March 2012.

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

The Group's financial position strengthened significantly again in 2011. Ordinary shareholders' funds grew to €209.9m (2010: €182.1m) and net assets per share were increased 15% to 630 cent (2010: 547 cent).

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

Table 1 – Underwriting Asset Allocation

	31 December 2011		31 December 2010	
Investment assets	**€m**	**%**	**€m**	**%**
German government bonds	406	49%	497	61%
Deposits and cash	345	42%	217	27%
Equities & corporate bonds	28	3%	22	3%
Secured loans	22	3%	21	2%
Own land & buildings	17	2%	18	2%
Investment property	9	1%	42	5%
Investment assets	827	100%	817	100%
Trade, other debtors and DAC	93		91	
Reinsurers' share of technical provisions	64		96	
Plant and equipment	16		17	
Total underwriting assets	1,000		1,021	

International financial market volatility continued throughout 2011. In such an unpredictable environment, FBD, like its peers globally, is focussed on capital preservation. As a result, the Group has adopted a short-term, low-risk investment policy. This policy will be maintained until the sovereign debt crisis abates and investment volatility subsides.

At the year end, 91% of the underwriting investment assets were invested in bank deposits, German government bonds and money market funds. The average term of these assets is less than six months, far shorter than the average term of FBD's liabilities, thereby reducing the risk of investment volatility, albeit at the cost of a lower investment return.

The Group has reduced its portfolio of investment properties from €42m to €9m during the year, selling four of its five properties, generating €37m of cash and a profit over 2010 book value of €5.2m. The remaining investment property, located in a prime commercial area in Dublin, is delivering an 11% yield at its current valuation.

There has been no cash movement on secured loans during 2011. In previous years, the Group wrote down these secured loans to the value of the underlying security on a current use market value basis. Cumulative provisions stand at 70% of the 2007 year end value and, in some cases, the underlying assets are valued as agricultural land or car parks.

The establishment of the property and leisure joint venture and the sale of FBD Brokers have strengthened the quality of the Group's balance sheet considerably. Borrowings have reduced from €117.8m to nil as all debt related to the property and leisure operations. Bank guarantees have reduced from €104m to €51.5m.

In common with most companies that operate defined benefit pension schemes, FBD's obligation for retirement benefits have increased during 2011 primarily because of a reduction in the discount rate applied in calculating the International Accounting Standard 19: *Employee Benefits* ("IAS19") pension liability. As a result of the unpredictability of international financial markets, corporate bond yields, which are used to determine the discount rate, fell during 2011, leading to a significant portion of the increase in scheme liabilities from €10.9m to €21.7m.

A notable change in the Group's Statement of Financial Position during 2011 is that claims outstanding have reduced by €54.5m and reinsurers' share of claims outstanding have reduced by €27.3m. This reflects the timing of the December 2010 freeze. The associated claims were provided for in the 2010 financial year but paid out to claimants in the 2011 financial year. As a result, the Group's reserving ratio (net technical provisions divided by net premium earned) has reduced to 236% from 244% in 2010.

FBD Group has a strong capital base and balance sheet. FBD Insurance had a solvency level of 66% of net premium earned at the end of 2011, up from 61% at the end of 2010. FBD also has a conservative reserving strategy and this is supported by a positive run-off of prior-year claims reserves of €32m in 2011, despite a further strengthening of claims provisions. The Group has a long history of recording positive run-offs on its claims reserves.

In line with all European insurers, the Group's underwriting business, FBD Insurance, is preparing for the introduction of the new Solvency II regulations which are to come into effect over the next few years. FBD Insurance has calculated its solvency capital requirement on the basis that Solvency II, as currently proposed, was fully implemented at 31 December 2011. The results showed that FBD Insurance had excess capital over the proposed requirement.

Review of Operations (continued)

Outlook

Economic uncertainty has reduced but Irish domestic demand (the best indicator of risk available to the insurance market) is still likely to decline further. Austerity measures, coupled with high levels of household debt, will influence economic activity and underlying insurance values. As a result, the opportunity for FBD premium income growth in 2012 will be limited. However, FBD is committed to achieving profitable growth by 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 business insurance market. The opportunities provided by NoNonsense.ie and the expansion of the broker channel will provide the Group with the ability to outperform the market again in 2012. At the same time, the Group continues to devote considerable resources to developing its core farming base, a key strategic priority.

During 2011, the Group benefited from favourable weather, a low level of large claims and reduced economic activity. All three factors are unlikely to be so positive in 2012 and therefore the Group expects claims costs to revert towards the norm in 2012. However, the Group's initiatives on those aspects of claims costs which are within our control will continue to have a positive impact on the loss ratio. Reinsurance costs have increased further in 2012 as a result of recent adverse reinsurance experience in both the global and Irish markets.

As financial markets continue to be volatile, insurance companies will remain conservative in their investment mix and become more reliant on positive underwriting results to achieve an adequate return on investment. FBD will continue to prioritise capital protection over investment return. Lower returns on deposits and bonds in 2012 will lead to negative short-term investment fluctuations.

FBD Group has a strong capital base and statement of financial position, a low-risk investment allocation and a prudent reserving strategy. The growth in profits achieved in 2011 puts the Group in a very strong position to progress its strategic plans and 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.

Andrew Langford
Group Chief Executive

2 March 2012

Directors and Other Information

Directors
Michael Berkery *(Chairman)*

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

Non-Executive Directors
John Bryan
Sean Dorgan
Brid Horan
Dermot Mulvihill
Vincent Sheridan *(Senior Independent Director)*
Johan Thijs
Padraig Walshe

Company Secretary
Conor Gouldson

Registered Office
FBD House
Bluebell
Dublin 12
Ireland

Independent 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

Bankers
Allied Irish Banks plc
Bank of Ireland
Barclays Bank plc
Credit Suisse (UK) Limited
Deutsche Bank AG
HSBC Bank plc
Irish Life & Permanent plc
JP Morgan Chase Bank
KBC Bank N.V.
Lloyds TSB Bank plc
Rabobank International
Scotiabank
Ulster Bank Limited

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
Dublin 18
Ireland

Biographies of the Directors

Michael Berkery, Chairman

Michael Berkery (aged 63) was elected Chairman of the Company in 1996. He was Chief Executive Officer of the Irish Farmers' Association for 25 years until his retirement in March 2009. He served on the National Economic and Social Council for over 20 years and was a director of the Agricultural Trust (publisher of the Irish Farmers Journal). He is a director of FBD Trust Company Limited and a number of other companies. Mr. Berkery joined the Board in October 1988.

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

John Bryan, Non-executive Director

John Bryan (aged 54) is the 13th President of the Irish Farmers' Association. He is a director of Bord Bia, the Irish Food Board, an organisation which develops international markets for Irish food produce. He is also a director of the Agricultural Trust (publisher of the Irish Farmers Journal), and of Kilkenny Co-Operative Mart Limited. Mr. Bryan joined the Board in June 2010 and was appointed to the Audit Committee in December 2011.

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

Sean Dorgan, Non-executive Director

Sean Dorgan (aged 60) is currently non-executive Chairman of both Ulster Bank Limited and 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 Chartered Accountants Ireland. Mr. Dorgan joined the Board, and the Audit Committee, in January 2008. He was appointed as Chairman of the Remuneration Committee in December 2011.

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

Brid Horan, Non-executive Director

Brid Horan (aged 58) is currently Executive Director in ESB, Ireland's largest electricity utility, with responsibility for ESB's supply business, Electric Ireland, and ESB's internal business services. Previously she was the ESB Group Pensions Manager having joined ESB from KPMG Pension and Actuarial Consulting. Ms. Horan served on the Board and Remuneration Committee of IDA Ireland between 1996 and 2006 and on the National Pensions Reserve Fund Commission from its establishment in 2001 up to 2009. Ms. Horan joined the Board, the Remuneration Committee and the Nomination Committee in December 2011.

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

Andrew Langford, Group Chief Executive

Andrew Langford (aged 42) joined FBD Holdings plc as Group Financial Accountant in 1996. In July 2003, he was appointed Executive Director – Finance of FBD Insurance plc. In December 2004, he was appointed to the Board of FBD Holdings plc as Executive Director – Finance. In May 2008, he was appointed Group Chief Executive. Prior to working in FBD, he worked in Deloitte & Touche where he qualified as a Chartered Accountant. He was appointed to the Nomination Committee in June 2010.

Dermot Mulvihill, Non-executive Director

Dermot Mulvihill (aged 62) is a Chartered Accountant and was Group Finance Director of Kingspan Group plc for 26 years up until his retirement in May 2011. Mr. Mulvihill joined the Board and the Audit Committee in August 2011 and was appointed to the Nomination Committee in December 2011.

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

Cathal O'Caoimh, Group Finance Director

Cathal O'Caoimh (aged 54) 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. Mr. O'Caoimh is a member of the Council of Chartered Accountants Ireland.

Vincent Sheridan, Non-executive Director, Senior Independent Director

Vincent Sheridan (aged 63) 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 Beazley plc and a number of other companies. Mr. Sheridan joined the Board, and the Audit Committee in August 2004, and was appointed to the Remuneration Committee in December 2011.

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

Adrian Taheny, Executive Director - Marketing & Sales

Adrian Taheny (aged 55) 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 (aged 46) is a member of the executive Committee of KBC Bank and Insurance Group and is Chief Executive Officer, Belgium Business Unit. 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. As of 3 May 2012 he will be appointed as Chief Executive Officer of KBC Group.

Mr. Thijs brings to the Board his experience at executive level in a substantial general insurance business and his detailed appreciation of the core factors which influence the success and failure of such business.

Padraig Walshe, Non-executive Director

Padraig Walshe (aged 54) is Chairman of Farmer Business Developments plc, the Company's largest shareholder. He is a past President of COPA, the European Farmers' Organisation and of the Irish Farmers' Association. Mr. Walshe previously served on the Board of FBD between 2006 and 2010, and rejoined the Board in December 2011.

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

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 December 2011.

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 financial services operations including a successful life and pensions brokerage, FBD Financial Solutions.

Business Review

The review of the performance of the Group including an analysis of financial information and the outlook for its future development is contained in the Chairman's Statement on page 3 and in the Group Chief Executive's Review of Operations on pages 5 to 14. Information in respect of the significant events since the year end and a review of the key performance indicators are also included in these sections. The key performance indicators include gross premium written, operating earnings and net asset value per share.

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 23.25 cent (2010: 21 cent). During the year an interim dividend of 11.25 cent was paid (2010: 10.5 cent). The total dividend for the year amounts therefore to 34.5 cent (2010: 30.5 cent). The policy of the Board in relation to dividends is outlined in the Chairman's Statement and the Group Chief Executive's Review of Operations.

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 them.

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

Capital Management Risk

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

Operational Risk

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

Liquidity Risk

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

Market Risk

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

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

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

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

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 foregoing risks are dealt with in further detail in note 43.

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.

Report of the Directors (continued)

Subsidiaries

The Company's principal subsidiaries, as at 31 December 2011, are listed on page 111 (note 37).

Directors

The present Directors of the Company, together with a biography on each, are set out on pages 16 and 17. Dr. Patrick O'Keeffe and Mr. John Donnelly retired from the Board on 29 August 2011. Mr. Dermot Mulvihill was co-opted to the Board on the same date. Mr. Philip Lynch retired from the Board on 23 December 2011. Mr. Padraig Walshe and Ms. Brid Horan were co-opted to the Board on the same date. Other than this there were no changes to the Board during 2011 or since the year end.

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

Annual General Meeting

The notice of the Annual General Meeting of the Company which will be held at 12.00 noon on 30 April 2012 in the Irish Farm Centre, Old Naas Road, Bluebell, Dublin 12, is set out on pages 128 to 130.

A letter from the Chairman detailing the business to come before the Annual General Meeting is included at pages 126 to 127.

Directors' and Company Secretary's interests

The interests of the Directors and Company Secretary (together with their respective family interests) in the share capital of the Company, at 31 December 2011 and 1 January 2011 (or date of appointment, if later), were as follows:

	Number of Ordinary shares of €0.60 each	
Beneficial	**31 December 2011**	**1 January 2011***
Michael Berkery	**30,000**	30,000
Andrew Langford	**28,182**	21,500
Cathal O'Caoimh	**1,179**	-
Vincent Sheridan	**4,150**	4,150
Adrian Taheny	**14,974**	13,500
Padraig Walshe	**1,100**	1,100
Conor Gouldson (Company Secretary)	**420**	-

** or date of appointment if later.*

The interests of the Directors and the Company Secretary in share options and conditional awards over the share capital of the Company under the shareholder approved share schemes are detailed in the Report on Directors' Remuneration on pages 32 to 39.

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 to 17, Share Option Schemes, Savings Related Share Option Schemes and the Performance Share Plan in note 40 and the Report on Directors' Remuneration on pages 32 to 39 are deemed to be incorporated in this part of the Report of the Directors.

Substantial Shareholdings

As at 2 March 2012 the Company has been notified of the following interests of 3% or more in its share capital:

Ordinary shares of €0.60 each	%
Farmer Business Developments plc	25.62%
FBD Trust Company Limited	8.96%

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

8% Non-cumulative preference shares of €0.60 each	
FBD Trust Company Limited	58.38%
Farmer Business Developments plc	41.62%

Share Capital

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

Voting Shares	Number in Issue	% of Total
Ordinary shares of €0.60 each	33,296,894*	87.2
14% Non-cumulative preference shares of €0.60 each	1,340,000	3.5
8% Non-cumulative preference shares of €0.60 each	3,532,292	9.3
	38,169,186	**100.0**

** excluding 2,164,312 shares held in treasury*

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

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

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

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

Independent Auditors

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

Proper Books and Records

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

Report of the Directors (continued)

Corporate Governance

The Corporate Governance Statement on pages 23 to 31 forms part of this report and in this the Board has set out how it has applied the principles set out in the UK Corporate Governance Code, which was adopted by both the Irish Stock Exchange and the UK Listing Authority, and the Irish Corporate Governance Annex.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Chairman's Statement and the Review of Operations, as are the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition note 43 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 2012 and forecast for 2013, which take account of reasonably foreseeable changes in trading performance, the key risks facing the business and the medium-term plans approved by the Board in its review of the Group's corporate strategy.

Approval of Financial Statements

The financial statements were approved by the Board on 2 March 2012.

Signed on behalf of the Board

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

2 March 2012

Corporate Governance Report

The Board acknowledges the importance of good corporate governance and the Group applies the principles and provisions of The UK Corporate Governance Code ("the Code") as adopted by the Irish Stock Exchange and the UK Financial Services Authority and of the Irish Corporate Governance Annex ("the Annex") issued by the Irish Stock Exchange. Both the Code and the Annex came into effect for the Group from 1 January 2011 replacing the previous Combined Code on Corporate Governance which has been withdrawn.

The Board of Directors

The primary role of the Board is to provide leadership and strategic direction while maintaining effective control over the activities of the Group. The Board meets on a regular basis and has a formal schedule of matters reserved to it for consideration and decision. This schedule is reviewed and validated at least annually. This schedule includes the approval of the Group's objectives and strategy, approval of financial statements, dividends, the appointment 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. This schedule ensures that the skills, expertise and experience of the Directors are harnessed to best effect and ensures that any major challenges for the Group come before the Board for consideration and decision.

The Board comprises three executive Directors and eight non-executive Directors of which at least six comprise non-executive Directors who are considered to be fully independent. The Board believes that this size is appropriate being large and diverse enough to ensure that there is healthy debate on the main business to come before it but not so large as to be unmanageable. The specific skills which each of the Directors brings to the Board is set out with their biographies and the Board confirms that the skills, expertise and experience necessary for the proper functioning of the Board and its Committees are present. No changes to the Board size or structure are anticipated for the immediate future.

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 and whose activities during the year are described more fully in this report.

There is a clear division of responsibilities between the Chairman and the Chief Executive. The Chairman leads the Board and is responsible for ensuring that it is effective as a unitary Board and at individual Director level. He sets the Board agenda and ensures that Directors receive accurate and timely information to enable it to fulfil its role. He is responsible for facilitating effective contributions by all Directors and ensuring constructive communications between the executive and non-executive Directors. If a Director is unable to attend a Board meeting he or she will receive Board papers in advance of the meeting and is given an opportunity to communicate any views on or input into the business to come before the Board in advance. The Chief Executive is responsible for running the Group's business within the authority limits set out by the Board. He is responsible for proposing and developing the Group's strategy and overall commercial objectives, which he does in close consultation with the Chairman and the Board, and for implementing the decisions of the Board and its Committees.

Corporate Governance Report (continued)

Board and Board Committee Composition as at 31 December 2011

Name	Role	Considered Independent by Board	Board Committee Composition: Audit Committee	Remuneration Committee	Nomination Committee
M. Berkery	Chairman	No (Chairman)		Member	Chairman
J. Bryan	Non-executive	Yes	Member		
S. Dorgan	Non-executive	Yes	Member	Chairman	
B. Horan	Non-executive	Yes		Member	Member
A. Langford	Chief Executive	No (Executive)			Member
D. Mulvihill	Non-executive	Yes	Member		Member
C. O'Caoimh	Executive	No (Executive)			
V. Sheridan	Non-executive	Yes	Chairman	Member	
A. Taheny	Executive	No (Executive)			
J. Thijs	Non-executive	Yes			Member
P. Walshe	Non-executive	No*			

All of the Directors bring independent judgement to bear on all issues coming before the Board including strategy, performance and oversight and the Board believes that each has the necessary strength of character, integrity and experience to ensure that this independence is not impaired. The table above sets out the Board's assessment of whether each Director in office on 31 December 2011 meets the independence criteria set out in the Code.* As Mr. Walshe is Chairman of Farmer Business Developments plc, the Group's largest shareholder, he is not considered by the Board to fully meet these criteria.

During 2011, the Board completed its review of its composition and that of its Committees to ensure that in this respect it fully met the expectations and requirements of the Code. This was undertaken with the support of the Nomination Committee. This review was designed to ensure that the composition of the Board included an appropriate mix of independence together with the specific skills and experience required to do its work. The skills and experience identified by the Board as critical to its composition and that of its Committees at this time include expertise in insurance, general and farming/agri industry experience, corporate finance, corporate governance, regulatory and other compliance, financial accounting and executive reward principles and practice.

The Board is comprised of three executive Directors and eight non-executive Directors, including its Chairman. Biographies of the Directors are set out on pages 16 to 17 as is a brief commentary on the skills and experience which each non-executive Director brings to the Board. The Board has considered and confirms that during 2011 it had the appropriate range of skills, experience and objectivity to fulfil its role effectively. The conclusion of the review of Board composition and the implementation of the changes found to be desirable and necessary has resulted in the Board comprising a majority of non-executive Directors who meet the independence criteria of the Code in every respect and who have the appropriate range of skills and experience.

Directors receive a formal induction on appointment. All Directors are briefed regularly thereafter in writing and orally by the Chairman and by 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 Senior Independent Director, Mr. Vincent Sheridan, is available to shareholders who have concerns which cannot be addressed through contact with the Chairman or the Chief Executive or for which such contact is inappropriate.

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 Vincent Sheridan, the Senior Independent Director, and taking into account the views of the executive Directors.

Objectivity was safeguarded in the process, in as much as possible, through confidentiality of individual written submissions and reporting comment and feedback to the Board in a non-attributable manner. The Board is satisfied that the forthright and open nature of dialogue between members of the Board at meetings, combined with the confidentiality afforded to the written performance evaluation process was sufficient to highlight any areas for improvement in its performance and that of its Committees.

The Board intends to have its performance evaluation externally facilitated for the first time during 2012 to allow the recently appointed Board members time to contribute meaningfully to this process for the benefit of the Board as a whole.

Board Committees

The Board has established three Committees to assist it 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 and set out the Committees' powers, responsibilities and obligations. All of these terms of reference are available on the Group's website www.fbdgroup.com. The terms of reference are reviewed at least annually by the relevant Committee and updated by the Board where necessary.

The Audit Committee

Membership of the Audit Committee is set out on page 24. During the year Dr. Patrick O'Keeffe resigned from the Committee and Mr. Dermot Mulvihill and Mr. John Bryan were appointed to the Committee by the Board. The Board has determined that its Chairman, Vincent Sheridan, a Chartered Accountant, is the Audit Committee's financial expert.

The Group Chief Executive, the Group Finance Director and the Head of Internal Audit attend meetings regularly at the request of the Committee Chairman while the external auditors attend as required and have unrestricted access to the Committee Chairman at all times. The Committee meets on a regular basis with the external auditors and with the Head of Internal Audit respectively without management being present.

The Company Secretary is secretary to the Committee and is responsible for recording the activities of the Committee, circulating papers in advance of its meetings and ensuring that appropriate procedures are followed.

The main roles and responsibilities for the Audit Committee are detailed in its terms of reference which are publicly available as described above. These terms of reference include all of the provisions listed in Section C.3 of the Code.

During the year the Committee undertook all of its principal scheduled activities through a formal programme of work. Its Chairman reported to the Board in detail at each subsequent Board meeting and minutes of its meetings are routinely circulated to the Board for information and noting. In addition, the following activities undertaken during the year merit particular mention:

- The Committee undertook a detailed review of the accounting treatment of the joint venture transaction entered into by the Group during the year;
- The Committee also assessed the potential impact on the independence of the Group's auditors on account of the appointment of that firm to provide an Accountants' Report for the Class I circular sent to shareholders during the year and concluded that the provision of these services by the Group's auditors was in the best interests of the Group given the work and reporting timelines involved and that the independence of the auditors would not be impaired by engaging them for this work.

During 2010 the Committee put the provision of the independent audit services out to tender and reported on this process in the 2010 annual report. The Committee will keep under review the desirability or necessity for repeating this process.

The Group audit engagement partner rotates every five years and the current partner assumed the engagement commencing with the audit of the 2009 financial statements. The Committee pays particular attention to ensuring the independence of the external auditors is safeguarded. While the engagement of the external auditors in the provision of non-audit services is not prohibited outright, such services are not permitted to be provided where the auditors may be required to audit their own work. The level of fees paid to the external auditors for the provision of non-audit services is closely monitored so as to ensure that both their independence and the perception of their independence is not diminished. While the level of such fees payable in 2011 exceeds the level of fees payable in respect of audit services, principally on account of the work on the Class I circular referred to earlier, the Committee is satisfied that there are sufficient other safeguards in place to ensure the external auditors' independence.

The Remuneration Committee

Membership of the Remuneration Committee is set out on page 24. During the year Mr. Philip Lynch and Dr. Patrick O'Keeffe resigned from the Committee and Mr. Sean Dorgan, Ms. Brid Horan and Mr. Vincent Sheridan were appointed to the Committee by the Board. Mr. Dorgan was appointed as Committee Chairman in place of Mr. Michael Berkery who remains on the Committee.

The role, responsibilities and powers of the Committee are set out in written terms of reference which are approved by the Board and are available on the Company's website www.fbdgroup.com. Principal amongst its responsibilities is to determine the policy for the remuneration of executive Directors and senior management and the individual remuneration packages of each executive Director, the Company Secretary and other senior managers in the Group. The grant of awards under the FBD Group Performance Share Plan and the setting of the performance conditions and the determination of whether the performance conditions have been met under any of the Group's Share Schemes are further matters reserved to the Committee.

The Remuneration Committee consults with the Group Chief Executive on the remuneration proposals for the other executive Directors and for senior management and has access, where it deems it necessary, to obtain external professional advice from compensation and benefit consultants. The Group participates in industry-specific and wider remuneration and reward surveys and the Committee benchmarks the remuneration arrangements for the executive Directors and senior management against the results of these surveys. The Committee did not deem it necessary, following this review process, to consult any external benefit consultants during the year.

The Committee oversees the preparation of the Report on Directors' Remuneration which is set out on pages 32 to 39. The Board has again resolved on the Committee's recommendation, to present this Report to shareholders at the Annual General Meeting for the purposes of a non-binding advisory vote.

The Nomination Committee

Membership of the Nomination Committee is set out on page 24. During the year Mr. John Donnelly, Mr. Philip Lynch and Dr. Patrick O'Keeffe resigned from the Committee and Ms. Brid Horan, Mr. Dermot Mulvihill and Mr. Johan Thijs were appointed to the Committee by the Board.

The role, responsibilities and powers of the Committee are set out in written terms of reference which are approved by the Board and are available on the Company's website www.fbdgroup.com. Amongst its responsibilities it must review Board and Board Committee composition, size, structure and succession planning and to make recommendations to the Board on these matters for its approval. In formulating its recommendations on Board and Board Committee composition, the Committee takes account of the skills and experience available to the Board and any identified gaps having regard to the Group's approved strategy and its business environment.

During the year the Committee made three recommendations to the Board in relation to the appointments of Directors, Ms. Brid Horan, Mr. Dermot Mulvihill and Mr. Padraig Walshe. The Committee input into the drafting of the announcements of their appointments for the approval of the Board paying particular attention to describing the particular skills and experience which each would bring to the Group, to the Board and to its Committees. These announcements are available on the Group's website www.fbdgroup.com and copies are obtainable from the Company Secretary. In addition the Committee made recommendations during the year for substantial change to the composition of the Board's Committees drawing from existing Board members and the Directors appointed during 2011. The Nomination Committee and the Board are satisfied that the Board Committees comprise individuals of appropriate qualification, skills and experience to undertake their responsibilities effectively and that the Committees fully meet the requirements of the Code in terms of the proportion of the Committees comprising individuals considered independent under the Code.

During the year the Committee availed of the services of an external search consultancy as part of its work to identify potential suitable candidates for appointment to the Board during the year and in the future.

Corporate Governance Report (continued)

Attendance at Board and Board Committee Meetings during 2011

	Board		Audit		Remuneration		Nomination	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Michael Berkery	11	11	-	-	2	2	4	4
John Bryan	11	8	-	-	-	-	-	-
John Donnelly	7	7	-	-	-	-	3	3
Sean Dorgan	11	11	4	4	-	-	-	-
Brid Horan	-	-	-	-	-	-	-	-
Andrew Langford	11	11	-	-	-	-	4	4
Philip Lynch	11	10	-	-	2	2	4	3
Dermot Mulvihill	4	4	1	1	-	-	-	-
Cathal O'Caoimh	11	11	-	-	-	-	-	-
Patrick O'Keeffe*	7	5	3	3	1	1	3	3
Vincent Sheridan	11	11	4	4	-	-	-	-
Adrian Taheny	11	11	-	-	-	-	-	-
Johan Thijs	11	8	-	-	-	-	-	-
Padraig Walshe	-	-	-	-	-	-	-	-

** Dr. Patrick O'Keeffe, who is a Director of Farmer Business Developments plc, voluntarily absented himself from Board meetings at which the joint venture transaction with that company was discussed so as to ensure that no potential for a conflict of interest could emerge.*

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

The Directors are responsible for the preparation of the financial statements and a statement detailing the full extent of these responsibilities is set out on page 40.

Relations with Shareholders

The Board gives high priority to communications with shareholders. 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 Half Yearly Reports, in addition to the significant regulatory announcements made which include Interim Management Statements.

The Group Chief Executive, Group Finance Director and other senior executives meet with institutional shareholders and analysts throughout the year principally at the time of the release of the annual and half yearly results. During the year the Board receives reports both from management and from the Company's appointed stockbrokers on the issues raised in the course of such meetings. The Board also regularly reviews analyst research on the Company. Throughout the year the

Company responds to letters and e-mail communications received from shareholders. Shareholders have access to the Chairman and, if required, to the Senior Independent Director.

Shareholders' General Meetings

The Company holds its Annual General Meeting ("AGM") in Ireland each year. All shareholders are entitled to and encouraged to attend this meeting. At the AGM shareholders can meet with the Chairman, the Directors and senior executives and the chairmen of the Board Committees. Notice of the AGM, 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, the Report on Directors' Remuneration and on the re-election of each of the Directors. Details of the proxy votes cast for and against each resolution together with any votes withheld 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 www.fbdgroup.com.

All other general meetings are called Extraordinary General Meetings ("EGMs"). An EGM called for the passing of a special resolution must be called by at least 21 clear days' notice. Provided shareholders have passed a special resolution at the immediately preceding AGM and the Company continues to allow shareholders to vote by electronic means, an EGM to consider an ordinary resolution may, if the Directors deem it appropriate, be called at 14 clear days' notice. A quorum for a general meeting of the Company is constituted by 3 or more shareholders entitled to vote present in person or by proxy. The passing of resolutions at a general meeting of the Company, other than special resolutions, requires a simple majority. To be passed, a special resolution requires a majority of at least 75% of the votes cast.

All shareholders have the right to attend, speak, ask questions and vote at general meetings. In accordance with Irish company law, the Company specifies record dates for general meetings, by which date shareholders must be registered in the Register of Members of the Company to be entitled to attend. Record dates are specified in the notes to the Notice of a general meeting. Shareholders may exercise their right to vote by appointing a proxy/proxies, by electronic means or in writing, to vote some or all of their shares. The requirements for the receipt of valid proxy forms are set out in the notes to the Notice convening the meeting. A shareholder, or a group of shareholders, holding at least 5% of the issued share capital of the Company, has the right to requisition a general meeting. A shareholder, or a group of shareholders, holding at least 3% of the issued share capital of the Company, has the right to put an item on the agenda of an AGM or to table a draft resolution for inclusion in the agenda of a general meeting, subject to any contrary provision in Irish company law.

Memorandum and Articles of Association

The Company's Memorandum and Articles of Association set out the principal objects and the powers of the Company. The Articles of Association detail the rights attaching to the different classes of shares, the method by which the Company's shares can be purchased by the Company and re-issued, the provisions applying to the holding of and voting at general meetings of the Company and the provisions relating to the appointment, removal, remuneration and re-election of Directors together with their duties and powers. The Company's Articles of Association can only be amended by the passing of a Special Resolution by shareholders (requiring a majority of at least 75% of the votes cast) at the annual or an extraordinary general meeting of the Company.

A copy of the Memorandum and Articles of Association can be obtained from the Group website www.fbdgroup.com or on application to the Company Secretary.

Going Concern

The Financial Statements have been prepared on the going concern basis and, as required by the 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. In forming this view, the Directors have reviewed the Group's budget for 2012 and forecast for 2013 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.

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 and that this process is regularly reviewed by the Board. The key risk management and internal control procedures include:

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

The Group has a comprehensive system of financial reporting involving budgeting, monthly reporting and variance analysis. The Annual Budget, Half-Year Report and Annual Report are reviewed and approved by the Board. Financial results with comparisons against budget are reported to executive Directors on a monthly basis and are reported to the Board at each Board meeting. Forecasts are updated regularly to reflect changes in circumstances.

The 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

The Board has carefully considered the matter and reports that FBD has complied, throughout the year ended 31 December 2011, with the provisions set out in the UK Corporate Governance Code and the Irish Stock Exchange Annex except for the fact that the Chairman of the Board continued, for most of the year, to be Chairman of the Remuneration Committee prior to the appointment of Mr. Sean Dorgan to this role in December following completion of the process of refreshment of the Board and its Committees. Until this process was completed, the Board concluded that he remained the most appropriate person for the role.

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 Report 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.

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 together with other relevant unquoted companies. The Committee consults published research in this area from Towers Watson and the Group participates in the Towers Watson Executive Reward Survey in Ireland. The Committee also has access to independent professional advisers should it deem it appropriate. While no independent professional adviser was consulted during the year under review, the Committee has in recent years obtained such professional advice.

Executive Director Remuneration

The various elements of the remuneration package for executive Directors comprise fixed remuneration and performance related remuneration.

Fixed Remuneration

Base salaries and benefits: The salaries of executive Directors are set by the Remuneration Committee and are reviewed annually with effect from 1 January having regard to personal performance, Company performance and competitive market practice. No fees are payable to the executive Directors. The salaries paid to executive Directors have remained at the same level since 2010 following cumulative reductions of up to 23.1% taken in 2009 and 2010 over 2008 salary levels.

In addition to base salaries, the remuneration packages of executive Directors include a motor allowance and a fixed percentage contribution to the healthcare insurance costs of the Director.

Pension benefits: The Group closed its defined benefit pension scheme to new members from September 2005. Mr. Langford and Mr. Taheny became deferred members of this pension scheme with effect from 7 December 2010. With effect from that date they are both provided with a payment directly from the Company on a defined contribution basis in lieu of continued accrual of benefits from the Group's defined benefit pension plan.

Mr. O'Caoimh is a member of the Group's defined contribution pension plan to which contributions are made by the Group at an agreed fixed rate.

Performance Related Remuneration

Annual performance bonuses: Annual performance bonuses are payable to the executive Directors and to other senior Group management in respect of each financial year which are subject to the achievement of clear performance targets. These targets are reviewed and set by the Remuneration Committee annually so as to align, as closely as possible, the interests of the Directors and management with those of shareholders. The performance targets vary by individual and are based on both company performance and individual performance and contribution, but in each case the required contribution by the individual will be targeted towards those initiatives within the individual's control, and or influence, which directly support the Board's strategic goals for the Group.

For 2011 executive Directors could earn between 45% and 70% of their base salary through an annual performance bonus. A significant proportion of this, up to 70%, was contingent on the achievement by the Group of financial targets for operating profit and gross written premium and the balance on the achievement of individual agreed priorities targeted towards supporting the Board's approved strategic goals. A key factor in the level of performance bonus awarded to the executive Directors for 2011 was the successful completion of two strategic initiatives during the year, the establishment of a joint venture and the sale of a subsidiary.

In 2012, annual performance bonuses will be contingent on achievement by FBD of agreed targets for combined operating ratio, gross written premium and return on equity.

Long-term Incentives: The executive Directors and other senior Group management are eligible for participation in the FBD Performance Share Plan ("LTIP"). The LTIP was approved by shareholders in 2007 and was designed to align the interests of the executive Directors and other participants with those of the Group's shareholders over the medium to long-term.

The details of the plan are as follows:

FBD Performance Share Plan

The Remuneration Committee undertook a review of long-term incentive arrangements for executive Directors and senior management in 2006 and was advised by independent consultants, Mercer HR Consulting. As a consequence the FBD Performance Share Plan ("LTIP") was drafted and this was approved by shareholders in May 2007.

Under the LTIP, the Remuneration Committee may, at its sole discretion, make conditional awards of shares to executive Directors and senior management. Conditional awards of shares under the LTIP are limited to 10% of the Company's issued ordinary shares of €0.60 each over a 10 year period.

The market value of the shares which are the subject of a conditional award to an individual may not, in any financial year, normally exceed 100% of the participant's base salary as at the date of grant.

The period over which the performance conditions applying to a conditional award under the LTIP are measured may not be less than three years. The extent to which a conditional award may vest in the future will be determined by the Remuneration Committee by reference to the performance conditions set out below. These conditions were designed so as to ensure absolute alignment between the interests of the plan participants and those of shareholders. Different conditions, or the same conditions in differing proportions, can be used by the Remuneration Committee for future awards under the LTIP rules, provided that they remain challenging and are aligned with the interests of the Company's shareholders. The conditions below were those applying to the conditional award in 2008. The Remuneration Committee made a conditional award in 2011 and applied the same conditions although in different proportions which are noted.

a) TSR performance condition

Up to 50% (2011: 40%) of the shares subject to an award may vest depending on the Group's Total Shareholder Return ("TSR") over the performance period commencing on 1 January in the year the award is made compared to the TSR of a designated peer group. This peer group comprises the constituent companies of the Irish Stock Exchange ISEQ Overall Index excluding companies in the technology, pharmaceutical and exploration sectors. The extent to which an award vests will be determined according to the following table:

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

b) EPS performance condition

Up to 25% (2011: 40%) of the shares subject to an award may vest depending on the Group's adjusted operating EPS performance over the performance period. The extent to which an award vests will be determined according to the following table:

Company's annualised adjusted operating EPS growth in excess of annualised CPI increase	Proportion of Award Vesting
Fewer than 3 percentage points	0%
3 percentage points	10%
Between 3 and 5.5 percentage points	Straight line between 10% and 25%
5.5 or more percentage points	25%

c) Combined ratio performance condition

Up to 25% (2011: 20%) of the shares subject to an award may vest depending on the Group's combined ratio performance over the performance period in comparison to the median combined ratio of other European non-life insurance companies. The extent to which an award vests will be determined according to the following table:

Company's Combined Ratio in comparison with median company	Proportion of Award Vesting
Greater than median company	0%
Equal to median company	10%
Between median company and 4 percentage points below median company	Straight line between 10% and 25%
4 or more percentage points below the median company	25%

A conditional award of shares was made by the Remuneration Committee under the LTIP in 2011. Details of the conditional share awards made under the LTIP in 2008 and 2011 to the executive Directors, and the Company Secretary, are given on page 35. 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.

During the year the Remuneration Committee considered the performance conditions attaching to the LTIP award in 2008 and concluded that the Combined Ratio performance for FBD Insurance plc in 2010 of 98.65%, being 2.08 percentage points below the median combined ratio of other European non-life insurance companies, resulted in 17.8% of the 2008 award vesting for the participants. The peer group comprised the following non-life insurance companies throughout Europe against whom the performance of FBD is benchmarked by the Group's stockbrokers: Omega, Baloise, Allianz, Vienna, Generali, Fondiaria, RSA, Chaucer, Zurich, Hardy, Brit, Mapfre, AXA, Aviva, Trygvesta, Novae, Sampo and Topdanmark.

None of the other performance conditions were met and accordingly the remainder of the 2008 award lapsed.

Directors' and Company Secretary's Conditional LTIP Awards

	At 1 January 2011	Granted during year	Vested during year	Lapsed during year	At 31 Dec 2011	Performance Period	Earliest vesting date	Market price on award €
Executive Directors								
Andrew Langford	26,453	-	(5,120)	(21,333)	-	01.01.08 – 31.12.10	Mar 2011	12.90
	-	35,267	-	-	35,267	01.01.11 – 31.12.13	Mar 2014	6.20
Cathal O'Caoimh	11,627	-	(2,250)	(9,377)	-	01.01.08 – 31.12.10	Mar 2011	12.90
	-	27,786	-	-	27,786	01.01.11 – 31.12.13	Mar 2014	6.20
Adrian Taheny	14,534	-	(2,813)	(11,721)	-	01.01.08 – 31.12.10	Mar 2011	12.90
	-	24,809	-	-	24,809	01.01.11 – 31.12.13	Mar 2014	6.20
Company Secretary								
Conor Gouldson	4,156	-	(803)	(3,353)	-	01.01.08 – 31.12.10	Mar 2011	12.90
	-	9,343	-	-	9,343	01.01.11 – 31.12.13	Mar 2014	6.20

The total number of shares subject to conditional awards outstanding under the LTIP amounts to 0.8% of the Company's ordinary share capital (excluding treasury shares) at 31 December 2011.

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

Executive Directors, the Company Secretary and other senior management participated in the FBD Holdings plc Executive Share Option Scheme which had been approved by shareholders in 1989. The period during which options could be granted under this Scheme expired in September 2009. 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.

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

Report on Directors' Remuneration (continued)

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 2011	Exercised during year	Granted during year	At 31 December 2010	Weighted Average Exercise Price €	Normal Exercise Period
Executive Directors						
Andrew Langford	120,000	-	-	120,000	6.21	Oct 2006 – Sept 2014
Cathal O'Caoimh	75,000	-	-	75,000	7.45	Aug 2012 – Sept 2014
Adrian Taheny	135,000	-	-	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 to €18.46 per share as permitted under the Scheme Rules having obtained the necessary prior approval of the Revenue Commissioners.

Directors' SAYE Scheme Options

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

	At 1 January 2011	Exercised during year	Granted during year	Lapsed during year	At 31 December 2011	Exercise Price €
Andrew Langford	599	-	-	(599)	-	18.46
Adrian Taheny	599	-	-	(599)	-	18.46

No options were granted under the SAYE Scheme during the year or the previous year.

Non-executive Director Remuneration

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

The basic non-executive Director fee amounted to €39,600 per annum in 2011 – the same levels as in 2009 and 2010. In 2009 the Board reduced the fees of the Chairman and the non-executive Directors by 15% and 10% respectively over the levels paid in 2008 and the fees have been kept at this level since.

The Chairman received fees of €126,225 during the year (2010: €126,225) inclusive of the basic non-executive fee. The Senior Independent Director received fees of €104,000 during the year (2010: €80,250) inclusive of the basic non-executive Director fee. This reflects his additional responsibilities as Chairman of the Audit Committee and as Chairman of FBD Insurance plc, a role which he took on during 2011.

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

Service Contracts

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

Report on Directors' Remuneration (continued)

Executive and non-executive Directors' Remuneration details

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

	Fees [1] €000s	Salary [2] €000s	Performance Bonus [3] €000s	Benefits [4] €000s	Pension Contribution [5] €000s	2011 Total €000s
Executive Directors:						
Andrew Langford	-	420	130	34	84	668
Cathal O'Caoimh	-	260	117	26	49	452
Adrian Taheny	-	325	75	26	65	491
Non-executive Directors:						
Michael Berkery (Chairman)	126	-	-	-	-	126
John Bryan [6]	40	-	-	-	-	40
John Donnelly [7]	40	-	-	-	-	40
Sean Dorgan	40	-	-	-	-	40
Philip Lynch	40	-	-	-	-	40
Dermot Mulvihill [8]	13	-	-	-	-	13
Patrick O'Keeffe [7]	40	-	-	-	-	40
Vincent Sheridan	104	-	-	-	-	104
Johan Thijs	40	-	-	-	-	40
Padraig Walshe [9]	-	-	-	-	-	-
	483	1,005	322	86	198	2,094

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

	Fees [1] €000s	Salary [2] €000s	Performance Bonus [3] €000s	Benefits [4] €000s	Pension Contribution [5] €000s	2010 Total €000s
Executive Directors:						
Andrew Langford	-	420	67	34	73	594
Cathal O'Caoimh	-	260	50	26	49	385
Adrian Taheny	-	325	50	26	57	458
Non-executive Directors:						
Michael Berkery (Chairman)	126	-	-	-	-	126
John Bryan [6]	21	-	-	-	-	21
John Donnelly[7]	40	-	-	-	-	40
Sean Dorgan	40	-	-	-	-	40
Philip Lynch	40	-	-	-	-	40
Patrick O'Keeffe[7]	40	-	-	-	-	40
Vincent Sheridan	80	-	-	-	-	80
Johan Thijs	40	-	-	-	-	40
Padraig Walshe [9]	14	-	-	-	-	14
	441	1,005	167	86	179	1,878

Notes

1. Fees are payable to the non-executive Directors only.
2. Salaries are paid to executive Directors only.
3. A key factor in the level of performance bonus awarded to the executive Directors for 2011 was the successful completion of two strategic initiatives during the year, the establishment of a joint venture and the sale of a subsidiary.
4. Benefits relate principally to motor allowance and health insurance subsidy.
5. Pension contributions relate to contributions either to a defined contribution pension scheme or payments to the Director concerned on a defined contribution basis in lieu of continued accrual in the Group's defined benefit pension plan.
6. Mr. John Bryan was co-opted to the Board on 18 June 2010.
7. Mr. John Donnelly and Dr. Patrick O'Keeffe retired from the Board on 29 August 2011 and in recognition of their substantial contribution over many years, the Board resolved to pay both a full year's basic non-executive Directors fees for the year 2011.
8. Mr. Dermot Mulvihill was co-opted to the Board on 29 August 2011.
9. Mr. Padraig Walshe retired as a Director on 6 May 2010. He was subsequently co-opted onto the Board on 23 December 2011.

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 judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with applicable IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements are free from material misstatement or error and comply with the Companies Acts, 1963 to 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 2011 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 2011, 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 2012

Independent Auditor's Report

TO THE MEMBERS OF FBD HOLDINGS PLC

We have audited the financial statements of FBD Holdings plc for the year ended 31 December 2011 which comprise the Group Financial Statements (the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Pro-forma Reconciliation of Consolidated Operating Profit to Profit/(Loss) after Tax, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity), the Parent Company Financial Statements (the Company Statement of Financial Position, the Company Statement of Cash Flows and the Company Statement of Changes in Equity) and the related notes 1 to 43. These financial statements have been prepared under the accounting policies set out therein.

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 Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purpose of our audit and whether the Company 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 are required by law to report to you our opinion as to whether the description in the Corporate Governance Statement set out in the Report of the Directors of the main features of the internal control and risk management systems in relation to the process for preparing the group financial statements is consistent with the group financial statements. In addition, we review whether the Corporate Governance Report reflects the Company's compliance with the nine provisions of the UK Corporate Governance Code and the two provisions of the Irish Corporate Governance Annex specified for our review 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 controls.

We read the other information contained in the Annual Report and consider whether it is consistent with the financial statements. The other information comprises only the Report of the Directors, the Chairman's Statement, the Review of Operations and the Corporate Governance Report. Our responsibilities do not extend to 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 2011 and of its profit 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 affairs as at 31 December 2011; 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 Parent 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 and the description in the annual Corporate Governance Report of the main features of the internal control and risk management systems in relation to the process for preparing the Group financial statements is consistent with the Group financial statements.

The net assets of the Parent Company, as stated in the Parent Company 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 2011 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the Parent Company.

Mary Fulton
For and on behalf of
Deloitte & Touche
Chartered Accountants and Registered Auditors
Dublin
2 March 2012

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2011

Continuing Operations	Notes	**2011 €000s**	**Restated 2010 €000s**
Revenue	4(a)	**402,535**	413,685
Income			
Gross premium written		**351,111**	358,385
Reinsurance premiums		**(46,955)**	(55,172)
Net premium written	4(c)	**304,156**	303,213
Change in provision for unearned premiums	4(c)	**(2,204)**	(673)
Net premium earned		**301,952**	302,540
Net investment return	5(a)	**25,450**	4,421
Financial services income		**13,276**	14,044
Total income		**340,678**	321,005
Expenses			
Net claims and benefits	4(c)	**(201,123)**	(234,268)
Other underwriting expenses	4(c)	**(73,002)**	(66,653)
Financial services expenses	4(d)	**(9,106)**	(11,715)
Impairment of property, plant and equipment	15	**(975)**	(3,160)
Retirement benefit - past service gain	33(d)	**-**	11,063
Restructuring and other costs	6	**(3,725)**	(1,615)
Share of results of joint venture	12	**(467)**	-
Profit before tax	7	**52,280**	14,657
Income tax charge	10	**(8,615)**	(174)
Profit for the year from continuing operations		**43,665**	14,483
Discontinued operations			
Profit/(loss) for the year from discontinued operations, including profit from sale	13(d)	**7,362**	(17,718)
Profit/(loss) for the year		**51,027**	(3,235)
Attributable to:			
Equity holders of the parent		**51,096**	(2,408)
Non-controlling interests – continuing operations	30	**38**	89
Non-controlling interests – discontinued operations	30	**(107)**	(916)
		51,027	(3,235)

Earnings per share		**2011 Cent**	**Restated 2010 Cent**
From continuing operations			
Basic	14	**130**	42
Diluted	14	**130**	42
From continuing and discontinued operations			
Basic	14	**153**	(8)
Diluted	14	**152**	(8)

The accompanying notes form an integral part of the financial statements.

The financial statements were approved by the Board and authorised for issue on 2 March 2012.

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 2011

	Notes	**2011 €000s**	**2010 €000s**
Profit/(loss) for the year		**51,027**	(3,235)
Actuarial (loss)/gain on retirement benefit obligations	*33(e)*	**(14,323)**	4,131
Exchange differences on translation of foreign operations		**-**	(164)
Other comprehensive (expense)/income before tax		**(14,323)**	3,967
Tax charge/(credit) relating to other comprehensive (expense)/income	*10*	**1,354**	(1,531)
Other comprehensive (expense)/income after tax		**(12,969)**	2,436
Total comprehensive income/(expense) for the year		**38,058**	(799)
Attributable to:			
Equity holders of the parent		**38,127**	28
Non-controlling interests – continuing operations	*30*	**38**	89
Non-controlling interests – discontinued operations	*30*	**(107)**	(916)
		38,058	(799)

The accompanying notes form an integral part of the financial statements.

The financial statements were approved by the Board and authorised for issue on 2 March 2012.

They were signed on its behalf by:

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

Pro Forma Reconciliation of Consolidated Operating Profit to Profit/(Loss) after Tax

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Continuing operations €000s	Discontinued operations €000s	Total 2011 €000s	Continuing & discontinued operations 2010 €000s
Operating profit					
Underwriting	*4(a)*	**58,337**	**-**	**58,337**	36,133
Financial services	*4(a)*	**4,170**	**2,393**	**6,563**	4,533
Operating profit before tax		**62,507**	**2,393**	**64,900**	40,666
Investment return – fluctuations	*5(c)*	**(5,060)**	**-**	**(5,060)**	(30,093)
Impairment of property, plant and equipment	*15*	**(975)**	**-**	**(975)**	(19,868)
Retirement benefit – past service gain	*33(d)*	**-**	**-**	**-**	11,063
Restructuring and other costs	*6*	**(3,725)**	**-**	**(3,725)**	(1,615)
Finance costs		**-**	**(3,329)**	**(3,329)**	(3,236)
Profit on sale of subsidiaries	*13(d)*	**-**	**8,374**	**8,374**	-
Share of results of joint venture	*12*	**(467)**	**-**	**(467)**	-
Profit/(loss) before tax		**52,280**	**7,438**	**59,718**	(3,083)
Income tax charge	*10, 13(a)*	**(8,615)**	**(76)**	**(8,691)**	(152)
Profit/(loss) after tax		**43,665**	**7,362**	**51,027**	(3,235)
		Cent	**Cent**	**Cent**	**Cent**
Operating earnings per share		**164**	**6**	**170**	106

Refer to page 53 *Summary of Significant Accounting Policies – Basis of Preparation* for additional information on this pro-forma statement, which is supplementary to the primary statements required under International Financial Reporting Standards.

Consolidated Statement of Financial Position

AT 31 DECEMBER 2011

ASSETS	Notes	2011 €000s	2010 €000s
Property, plant and equipment	*15*	**33,797**	155,959
Investment property	*16*	**8,818**	42,368
Investment in joint venture	*12*	**45,621**	-
Loans	*17*	**23,086**	24,618
Deferred tax asset	*18*	**8,348**	9,247
Financial assets			
Investments held to maturity	*19(a)*	**405,848**	496,852
Available for sale investments	*19(a)*	**6,282**	7,282
Investments held for trading	*19(a)*	**34,608**	17,859
Deposits with banks	*19(a)*	**305,321**	195,172
		752,059	717,165
Reinsurance assets			
Provision for unearned premiums	*31(e)*	**20,385**	24,706
Claims outstanding	*31(e)*	**43,606**	70,916
		63,991	95,622
Inventories	*20*	**-**	46,045
Current tax asset	*21*	**2,134**	6,003
Deferred acquisition costs	*22*	**22,199**	20,531
Other receivables	*23*	**60,827**	71,279
Cash and cash equivalents	*24*	**35,658**	36,714
Total assets		**1,056,538**	1,225,551

Consolidated Statement of Financial Position (continued)

AT 31 DECEMBER 2011

EQUITY AND LIABILITIES	Notes	2011 €000s	2010 €000s
Equity			
Ordinary share capital	*25*	**21,409**	21,409
Capital reserves	*26(a)*	**15,927**	15,313
Revaluation reserves	*27*	**-**	742
Translation reserves		**-**	(98)
Retained earnings	*28*	**172,596**	144,757
Shareholders' funds – equity interests		**209,932**	182,123
Preference share capital	*29*	**2,923**	2,923
Equity attributable to equity holders of the parent		**212,855**	185,046
Non-controlling interests	*30*	**458**	2,053
Total equity		**213,313**	187,099
Liabilities			
Insurance contract liabilities			
Provision for unearned premiums	*31(d)*	**174,362**	176,479
Claims outstanding	*31(c)*	**603,190**	657,656
		777,552	834,135
Borrowings	*32*	**-**	117,766
Retirement benefit obligation	*33(g)*	**21,692**	10,859
Deferred tax liability	*34*	**9,643**	11,751
Payables	*35(a)*	**34,338**	63,941
Total liabilities		**843,225**	1,038,452
Total equity and liabilities		**1,056,538**	1,225,551

The accompanying notes form an integral part of the financial statements.

The financial statements were approved by the Board and authorised for issue on 2 March 2012.

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 2011

	Notes	2011 €000s	2010 €000s
Cash flows from operating activities			
Profit/(loss) before tax		**59,718**	(3,083)
Adjustments for:			
Loss/(profit) on investments held for trading		**4,050**	(1,075)
Loss on investments held to maturity		**971**	7,901
Loss on investments available for sale		**1,000**	2,076
Interest and dividend income		**(25,979)**	(30,152)
Interest expense		**3,774**	3,236
Provision for loans & advances		**(1,374)**	16,329
Depreciation of property, plant and equipment		**6,451**	6,476
Share-based payment expense		**614**	1,016
Impairment of investment property		**2,182**	899
Profit on sale of investment property		**(5,200)**	-
Impairment of property, plant and equipment		**975**	19,868
Retirement benefit – past service gain		**-**	(11,063)
Decrease in insurance contract liabilities		**(24,952)**	(16,330)
Effect of foreign exchange rate changes		**(98)**	(146)
Loss/(profit) on disposal of property, plant and equipment		**1**	(85)
Profit on sale of subsidiaries		**(8,374)**	-
Joint venture trading result before tax		**467**	-
Operating cash flows before movement in working capital		**14,226**	(4,133)
Decrease/(increase) in receivables and deferred acquisition costs		**1,311**	(57)
(Decrease)/increase in payables		**(10,057)**	9,605
Decrease in inventories		**6,375**	13,181
Cash generated from operations		**11,855**	18,596
Interest and dividend income received		**27,040**	31,043
Interest paid		**(3,448)**	(2,898)
Income taxes paid		**(2,701)**	(8,611)
Net cash from operating activities		**32,746**	38,130
Cash flows from investing activities			
Purchase of investments held for trading		**(32,995)**	(7,440)
Sale of investments held for trading		**12,188**	20,656
Purchase of investments held to maturity		**(69,967)**	(14,893)
Realisation of investments held to maturity		**160,000**	91,236
Sale of available for sale investments		**-**	118
Purchase of property, plant and equipment		**(5,409)**	(6,415)
Sale of property, plant and equipment		**55**	680
Sale of investment property		**36,568**	-
Decrease in loans and advances		**347**	2,916
Increase in deposits invested with banks		**(110,150)**	(119,710)
Net cash outflow from sale of subsidiaries		**(12,396)**	-
Net cash generated from investing activities		**(21,759)**	(32,852)
Cash flows from financing activities			
Ordinary and preference dividends paid	*36*	**(11,012)**	(10,147)
Dividends paid to non-controlling interests	*30*	**-**	(150)
Proceeds of re-issue of ordinary shares		**80**	-
Decrease in borrowings		**(1,111)**	(2,285)
Net cash used in financing activities		**(12,043)**	(12,582)
Net decrease in cash and cash equivalents		**(1,056)**	(7,304)
Cash and cash equivalents at the beginning of the year		**36,714**	44,036
Effect of foreign exchange rate changes		**-**	(18)
Cash and cash equivalents at the end of the year	*24*	**35,658**	36,714

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2011

	Ordinary share capital	Capital reserves	Revaluation and other reserves	Translation reserve	Retained earnings	Attributable to ordinary shareholders	Preference share capital	Non-controlling interests	Total equity
	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s
Balance at 1 January 2010	21,409	14,297	742	66	154,994	**191,508**	2,923	3,030	**197,461**
Loss after taxation	-	-	-	-	(2,408)	**(2,408)**	-	(827)	**(3,235)**
Other comprehensive income	-	-	-	(164)	2,600	**2,436**	-	-	**2,436**
	21,409	14,297	742	(98)	155,186	**191,536**	2,923	2,203	**196,662**
Dividends paid and approved on ordinary and preference shares	-	-	-	-	(10,429)	**(10,429)**	-	-	**(10,429)**
Dividend paid to non-controlling interests	-	-	-	-	-	**-**	-	(150)	**(150)**
Recognition of share based payments	-	1,016	-	-	-	**1,016**	-	-	**1,016**
Balance at 31 December 2010	21,409	15,313	742	(98)	144,757	**182,123**	2,923	2,053	**187,099**
Profit after taxation from continuing operations	-	-	-	-	43,627	**43,627**	-	38	**43,665**
Profit after taxation from discontinued operations	-	-	-	-	7,469	**7,469**	-	(107)	**7,362**
Transfer to retained earnings	-	-	(742)	98	644	**-**	-	-	**-**
Other comprehensive expense	-	-	-	-	(12,969)	**(12,969)**	-	-	**(12,969)**
	21,409	15,313	-	-	183,528	**220,250**	2,923	1,984	**225,157**
Dividends paid and approved on ordinary and preference shares	-	-	-	-	(11,012)	**(11,012)**	-	-	**(11,012)**
Reissue of ordinary shares	-	-	-	-	80	**80**	-	-	**80**
Recognition of share based payments	-	614	-	-	-	**614**	-	-	**614**
Reduction in non-controlling interests on sale of subsidiary	-	-	-	-	-	**-**	-	(1,526)	**(1,526)**
Balance at 31 December 2011	**21,409**	**15,927**	**-**	**-**	**172,596**	**209,932**	**2,923**	**458**	**213,313**

Company Statement of Financial Position

AT 31 DECEMBER 2011

Assets	Notes	2011 €000s	2010 €000s
Investments			
Interest in subsidiaries	*37*	**38,544**	98,111
Deposits with banks		**5,725**	1
Investment in joint venture	*12*	**46,088**	-
		90,357	98,112
Cash and cash equivalents		**-**	88
Receivables		**1,369**	720
Total assets		**91,726**	98,920

Equity and liabilities	Notes	2011 €000s	2010 €000s
Equity			
Ordinary share capital	*25*	**21,409**	21,409
Capital reserves	*26(b)*	**15,927**	15,313
Reserves		**43,280**	58,051
Shareholders' funds – equity interests		**80,616**	94,773
Preference share capital	*29*	**2,923**	2,923
Equity attributable to equity holders of the parent		**83,539**	97,696
Bank overdraft		**160**	-
Payables	*35(b)*	**8,027**	1,224
Total equity and liabilities		**91,726**	98,920

The accompanying notes form an integral part of the financial statements.

The financial statements were approved by the Board and authorised for issue on 2 March 2012.

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 2011

	2011 €000s	2010 €000s
Cash flows from operating activities		
(Loss)/profit before tax for the year	**(8,477)**	6,323
Adjustments for		
Decrease in investments	**59,567**	1,944
Share based payment expense	**614**	1,016
Investment in joint venture	**(46,088)**	-
	5,616	9,283
(Increase)/decrease in receivables	**(1,096)**	157
Increase in payables	**6,515**	630
Income taxes received	**171**	151
Net cash from operating activities	**11,206**	10,221
Cash flows from investing activities		
Sale of subsidiary investment	**5,202**	-
Deposits (invested in)/withdrawn from financial institutions	**(5,724)**	8
Net cash (used in)/from investing activities	**(522)**	8
Cash flows from financing activities		
Dividends paid on ordinary and preference shares	**(11,012)**	(10,147)
Proceeds from re-issue of ordinary shares	**80**	-
Net cash used in financing activities	**(10,932)**	(10,147)
Net (decrease)/increase in cash and cash equivalents	**(248)**	82
Cash and cash equivalents at the beginning of the year	**88**	6
Cash and cash equivalents at the end of the year	**(160)**	88

Company Statement Of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2011

	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**
2010							
Balance at 1 January 2010	21,409	11,593	2,704	61,782	**97,488**	2,923	**100,411**
Profit after taxation	-	-	-	6,698	**6,698**	-	**6,698**
Recognition of share based payments	-	-	1,016	-	**1,016**	-	**1,016**
Ordinary and preference dividends paid and approved	-	-	-	(10,429)	**(10,429)**	-	**(10,429)**
Balance at 31 December 2010	21,409	11,593	3,720	58,051	**94,773**	2,923	**97,696**
2011							
Loss after taxation	-	-	-	(3,839)	**(3,839)**	-	**(3,839)**
Re-issue of ordinary shares	-	-	-	80	**80**	-	**80**
Recognition of share based payments	-	-	614	-	**614**	-	**614**
Ordinary and preference dividends paid and approved	-	-	-	(11,012)	**(11,012)**	-	**(11,012)**
Balance at 31 December 2011	**21,409**	**11,593**	**4,334**	**43,280**	**80,616**	**2,923**	**83,539**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2011

1 General Information

FBD Holdings plc is an Irish registered public limited company. The address of the registered office is given on page 15. The nature of the group's operations and its principal activities are set out in the Report of the Directors on pages 18 to 22 and in the Review of Operations on pages 5 to 14.

2 Going Concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Report of the Directors on page 22.

3 Summary of Significant Accounting Policies

BASIS OF PREPARATION

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

Comparative figures in the Consolidated Income Statement and relevant notes as indicated for the year ended 31 December 2010 have been restated to reflect comparatives for the discontinued operations in 2011.

An additional statement, produced on page 45, pro-forma reconciliation of consolidated operating profit to profit/(loss) after 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.

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 and the fluctuation between the longer-term investment return and the actual investment return (note 5 (c)), which includes realised and unrealised gains and losses and profits or losses arising from substantial non-recurring transactions are charged or credited to the pro-forma reconciliation of consolidated operating profit to profit/(loss) before tax. As a result, the operating profit is not subject to distortion from fluctuations in investment returns.

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

3 Summary of Significant Accounting Policies (continued)

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

Standards affecting presentation and disclosure

New and revised statements and interpretations have been adopted in the current period, none of which have affected presentation and disclosures reported in these financial statements.

Standards and Interpretations adopted with no effect on financial statements

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

Amendments to IFRS 1: *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*

Amendments to IFRS 1: *First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters resulting from May 2010 annual improvements to IFRSs*

Amendments to IFRS 3: *Business Combinations*

Amendments to IFRS 7: *Financial Instruments*

Amendments to IAS 39: *Financial Instruments: Recognition and measurement*

Amendments to IAS 1: *Presentation of Financial Statements*

Amendments to IAS 24: *Related Party Disclosures*

Amendments to IAS 27: *Consolidated and Separate Financial Statements*

Amendments to IAS 32: *Financial Instruments Presentation – Classification of Rights Issues*

Amendments to IAS 34: *Interim Financial Reporting*

3 Summary of Significant Accounting Policies (continued)

Standards and Interpretations not yet effective

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

Amendments to IFRS 7:	*Disclosures – Transfers of Financial Assets* [1]
IFRS 9 (as amended in 2010):	*Financial Instruments* [2]
Amendments to IAS 12:	*Deferred Tax: Recovery of Underlying* [4]
Amendments to IFRS 1:	*First time adoption of IFRS* [1]
IFRS 9 (as amended in 2010):	*Financial Instruments* [2]
IFRS 10:	*Consolidated Financial Statements* [2]
IFRS 11:	*Joint Arrangements* [2]
IFRS 12:	*Disclosure of Interests in Other Entities* [2]
IFRS 13:	*Fair Value Measurement* [2]
Amendments to IAS 1:	*Presentation of Financial Statements* [3]
IAS 12:	*Income Taxes* [4]
Amendments to IAS 19:	*Employee Benefits* [2]
Amendments to IAS 27:	*Consolidated and Separate Financial Statements* [2]
Amendments to IAS 28:	*Investments in Associates* [2]

1 Effective for annual periods beginning on or after 1 July 2011.

2 Effective for annual periods beginning on or after 1 January 2013.

3 Effective for annual periods beginning on or after 1 July 2012.

4 Effective for annual periods beginning on or after 1 January 2012.

The adoption of IFRS 9 which the Group plans to adopt for the year beginning 1 January 2015, if endorsed by the E.U., will impact both the measurement and disclosure of Financial Instruments.

The Directors anticipate that the amendments to IAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 may have an impact on amounts reported in respect of the Group's defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

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

Accounting Policies

The principal accounting policies adopted by the Board are:

A) ACCOUNTING CONVENTION

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

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.

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

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

Accounting Policies (continued)

B) BASIS OF CONSOLIDATION (continued)

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

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

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

C) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents gross premiums written, broking commissions, fees, other commissions, interest and dividends receivable, rents receivable, net of discounts, levies, VAT and other sales related taxes. In 2010, revenue included sales of goods and services and sales by the property, hotel and leisure operations. Sales of goods are recognised when the goods are delivered and title has passed. Sales of services are recognised when the services are delivered.

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.

In 2010, hotel revenue was recognised in line with the provision of the related service. Receipts from advance bookings were 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.

Accounting Policies (continued)

D) INSURANCE CONTRACTS

(i) Premiums written

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

(ii) Unearned premiums

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

(iii) Deferred acquisition costs

Deferred acquisition costs represent the proportion of net acquisition costs 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.

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.

Accounting Policies (continued)

D) INSURANCE CONTRACTS (continued)

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

(vi) Reinsurance

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

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

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

(vii) Liability adequacy test

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

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

Accounting Policies (continued)

E) PROPERTY, PLANT AND EQUIPMENT (continued)

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 principal portion of 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, depreciation is not provided for on these properties.

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

(ii) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) Depreciation

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

F) INVESTMENT PROPERTY

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

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

G) FINANCIAL INSTRUMENTS

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.

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

Accounting Policies (continued)

G) FINANCIAL INSTRUMENTS (continued)

(i) Investments held for trading at fair value

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

Investments are held for trading if:

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

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

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

They are derecognised at their carrying amount which in this case is the fair value recorded at a previous reporting date.

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

(ii) Investments held to maturity

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 plus transaction costs are measured at amortised cost taking into account any impairment using the effective interest rate method.

Accounting Policies (continued)

G) FINANCIAL INSTRUMENTS (continued)

(iii) 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 fair value, and are subsequently revalued at each reporting date to fair value, with gains and losses being included directly in other comprehensive income until the investment is disposed of or determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income, is included in the Consolidated Income Statement for the year.

(iv) Loans and receivables

Loans

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

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

Other receivables

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

(v) Deposits with banks

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

H) 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.

Accounting Policies (continued)

H) LEASES (continued)

(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.

I) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenditure incurred in bringing inventories to their 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.

J) CASH AND CASH EQUIVALENTS

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

K) 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 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.

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

Deferred 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.

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.

Accounting Policies (continued)

L) RETIREMENT BENEFITS

The Group provides both defined benefit and defined contribution retirement benefit schemes for the majority of its Irish based employees.

(i) Defined benefit scheme

A full actuarial valuation of the scheme is undertaken every three years and is updated annually to reflect current conditions in the intervening periods for the purposes of preparing the financial statements. Scheme assets are valued at fair value. Scheme liabilities are measured on an actuarial basis and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The 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.

(ii) Defined Contribution Schemes

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

M) CURRENCY

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

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

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

Accounting Policies (continued)

N) SHARE-BASED PAYMENTS

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 brought to the Consolidated Income Statement. Share options are all equity settled.

O) TREASURY SHARES

Where any Group company purchases the Company's equity share capital, the consideration paid is shown as a deduction from ordinary shareholders' equity. 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.

P) IMPAIRMENT OF ASSETS

(i) Impairment of tangible and intangible assets

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

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.

Accounting Policies (continued)

P) IMPAIRMENT OF ASSETS (continued)

(ii) Impairment of financial assets

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

For listed and unlisted equity investments classified as Available for Sale ("AFS"), a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

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

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

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

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in 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.

Accounting Policies (continued)

Q) BORROWING COSTS

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

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

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

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

R) RESTRUCTURING AND OTHER COSTS

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

S) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The principal accounting policies adopted by the Group are set out on pages 53 to 67. In the application of these accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Accounting Policies (continued)

S) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(i) Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see note S (ii) below) that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Retirement benefit obligations
The assumptions used in estimating retirement benefit obligations.

The Group's obligations under its funded defined benefit retirement scheme are determined by an independent qualified actuarial advisor, Lane Clark & Peacock. The valuation is updated at least annually and the net obligation amounted to €21,692,000 at 31 December 2011. The amount of this deficit is sensitive to actuarial assumptions. IAS 19 requires that the actuarial assumptions used should be best estimates, unbiased and mutually compatible. The assumptions used for calculating the obligations of the scheme under IAS 19 at 31 December 2011 have been derived consistently with those adopted by the Group in previous years. Those key assumptions include:

- A discount rate of 4.65%, set by reference to the yield on high-rated corporate bonds
- General salary increases of 3%
- Pension payment increases ranging from 0% - 2%
- Price inflation of 2%.

The scheme's liabilities are sensitive to fluctuations in the principal assumptions, details of which are set out in note 33.

Valuation of properties
The valuation of property held for own use and investment properties.

Property valuations are affected by general economic and market conditions. Property held for own use and investment properties are included in the Statement of Financial Position at fair value. Fair value of investment properties is determined by valuations conducted at the reporting date by independent professional valuers. Properties held for own use are determined by valuations conducted at the reporting date by independent professional valuers. The external professional valuers for property held for own use were CB Richard Ellis, Valuation Surveyors.The external professional valuers for investment property in Ireland were CB Richard Ellis, Valuation Surveyors. Investment properties in the UK were valued by Savills, Valuation Surveyors.

Accounting Policies (continued)

S) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

Reinsurance recoveries

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

Secured loans

The Group's portfolio of investments includes secured loans with a net book value of €21,908,000. The secured loans are included in the Statement of Financial Position at fair value, as determined by valuations conducted on the underlying collateral at the reporting date by independent professional valuers.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable 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, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred 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.

Accounting Policies (continued)

S) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(ii) Key sources of estimation uncertainty

Claims provisions

The estimation of the cost of claims outstanding under insurance contracts written. Actuarial techniques, based on statistical analysis of past experience, are used to calculate the estimated cost of claims outstanding at year end. Allowance is made for any changes or uncertainties that may cause the cost of unsettled claims to increase or reduce. At each reporting date liability adequacy tests are performed to ensure the adequacy of the liabilities. In determining the provision for outstanding claims, the Directors take into consideration the advice of the independent reporting actuary, PricewaterhouseCoopers. Any deficiency is recognised in the Consolidated Income Statement. Further details are set out in note 31(e) to the financial statements.

Held-to-maturity financial assets

During 2010, the Group disposed of certain held to maturity investments in advance of their normal maturity date. The Directors are satisfied that the disposals do not call into question the Group's intention to hold other investments to maturity on the basis that the investments disposed of suffered a significant and actual deterioration in the issuers creditworthiness after the securities were acquired. The remaining financial assets have not suffered deterioration and will be held to their normal maturity date. The carrying amount of the held-to-maturity financial assets is €405,848,000 (2010: €496,852,000). Details of these assets are set out in note 19.

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.

Valuation of financial instruments

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

4 Segmental Information

(a) Operating segments

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

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

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

2011	Underwriting €000s	Financial services €000s	Total €000s
Revenue	391,913	10,622	402,535
Operating profit	58,337	4,170	62,507
Investment return - fluctuations	(5,060)	-	(5,060)
Impairment of property	(975)	-	(975)
Restructuring and other costs	(2,656)	(1,069)	(3,725)
Share of results of joint venture	-	(467)	(467)
Profit before tax	49,646	2,634	52,280
Income tax charge	(7,868)	(747)	(8,615)
Profit after tax	41,778	1,887	43,665
Other information			
Capital additions*	5,327	76	5,403
Impairment of loans and other assets	3,157	-	3,157
Depreciation and amortisation*	6,337	22	6,359
*Differs from note 15 because discontinued operations have been removed.			
Statement of financial position			
Segment assets	997,448	59,090	1,056,538
Segment liabilities	832,331	10,894	843,225

Included above are non-cash items relating to property impairments, investment property impairments and loan impairments totalling €3,157,000 (2010 restated: €26,263,000) – underwriting €3,157,000 (2010: €26,263,000), financial services €nil (2010 restated: €nil).

Notes to the Financial Statements (continued)

4 Segmental Information (continued)

2010

	Underwriting €000s	Restated Financial services €000s	Restated Total €000s
Revenue	403,864	9,821	413,685
Operating profit	36,133	2,329	38,462
Investment return – fluctuations	(30,093)	-	(30,093)
Impairment of property	(3,160)	-	(3,160)
Retirement benefits – past service gain	11,063	-	11,063
Restructuring and other costs	-	(1,615)	(1,615)
Profit before tax	13,943	714	14,657
Income tax (charge)/credit	(498)	324	(174)
Profit after tax	13,445	1,038	14,483

Other information

Capital additions*	5,983	31	6,014
Impairment of loans and other assets	26,263	-	26,263
Depreciation and amortisation*	6,302	40	6,343

*Differs from Note 15 because discontinued operations have been removed.

Statement of financial position (not restated)

Segment assets	1,029,576	195,975	1,225,551
Segment liabilities	882,712	155,740	1,038,452

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 purposes of resource allocation and assessment of segmental reporting.

In monitoring segment performance and allocating resources between segments:

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

4 Segmental Information (continued)

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

	2011 €000s	Restated 2010 €000s
Direct insurance – motor	**148,438**	153,427
Direct insurance – liability	**63,162**	64,850
Direct insurance – fire and other damage to property	**133,661**	134,537
Direct insurance – other	**5,850**	5,571
Direct insurance – interest and other revenue	**40,802**	45,479
Financial services revenue	**10,622**	9,821
Total	**402,535**	413,685

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 on 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 financial services 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 other than Ireland €000s	Total €000s
2011			
Revenue	**401,503**	**1,032**	**402,535**
***Segment assets**	**1,047,670**	**8,868**	**1,056,538**
Segment liabilities	**830,393**	**12,832**	**843,225**
2010			
Revenue – restated	413,685	-	413,685
Segment assets – not restated	1,102,676	122,875	1,225,551
Segment liabilities – not restated	1,006,738	31,714	1,038,452

* Included in segment assets in 2011 is the share of net assets in the joint venture of €45,621,000.

4 Segmental Information (continued)

(c) Underwriting result

	2011 €000s	2011 €000s	2010 €000s	2010 €000s
Earned premiums, net of reinsurance				
Gross premiums written	**351,111**		358,385	
Outward reinsurance premiums	**(46,955)**		(55,172)	
Net premiums written	**304,156**		303,213	
Change in provision for unearned premiums				
Gross amount	**2,117**		124	
Reinsurers' share	**(4,321)**		(797)	
Change in net provision for unearned premiums	**(2,204)**		(673)	
Premium earned, net of reinsurance		**301,952**		302,540
Claims paid, net of recoveries from reinsurers				
Claims paid				
Gross amount	**(281,160)**		(308,077)	
Reinsurers' share	**52,881**		56,806	
Claims paid, net of recoveries from reinsurers	**(228,279)**		(251,271)	
Change in provision for claims				
Gross amount	**54,466**		13,773	
Reinsurers' share	**(27,310)**		3,230	
Change in insurance liabilities, net of reinsurance	**27,156**		17,003	
Claims incurred net of reinsurance		**(201,123)**		(234,268)
Management expenses	**(82,593)**		(77,527)	
Deferred acquisition costs	**1,668**		568	
Gross management expenses	**(80,925)**		(76,959)	
Re-insurers share of expenses	**10,631**		12,743	
Broker commissions payable	**(2,708)**		(2,437)	
Net operating expenses		**(73,002)**		(66,653)
Underwriting result		**27,827**		1,619

All reinsurance contracts are for no more than one year so have no material effect on the amount, timing and uncertainty of cash flows. All reinsurers have a credit rating of A- or better. There are no security arrangements for reinsurance transactions. The impact of buying reinsurance was a debit to the Consolidated Income Statement of €15,074,000 (2010: credit of €16,810,000).

4 Segmental Information (continued)

(d) Financial services expenses – continuing operations

	2011 €000s	Restated 2010 €000s
Staff costs	**3,762**	3,596
Depreciation	**22**	40
Other	**5,322**	8,079
	9,106	11,715

5 Investment Income

(a) Actual return

	2011 €000s	2010 €000s
Income from investment properties	**1,957**	2,852
Interest and similar income	**27,587**	29,817
Dividend income	**811**	335
Impairment of investments	**(6,967)**	(24,397)
Realised profits/(losses) on investments	**2,062**	(4,186)
	25,450	4,421
By Classification of investment		
Investments held to maturity	**18,728**	16,741
Investment properties	**4,975**	1,953
Deposits with banks	**4,391**	2,110
Investments held for trading	**(2,994)**	1,660
Available for sale investments	**(1,025)**	(1,769)
Secured loans	**1,375**	(16,274)
	25,450	4,421

Interest and similar income received during the period was €27,040,000 (2010: €31,403,000).

5 Investment Income (continued)

(b) Longer-term investment return

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

	2011 %	2010 %
Government gilts	**4.00**	4.00
Other quoted debt securities	**6.00**	6.00
Quoted shares	**6.75**	6.75
Deposits with banks	**3.00**	3.25
Investment properties	**6.25**	6.25
Investments held to maturity	**Actual**	Actual

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

	2011 €000s	2010 €000s
Longer-term investment return	**30,510**	34,514
Investment return fluctuation	**(5,060)**	(30,093)
Actual investment return	**25,450**	4,421

6 Restructuring And Other Costs – continuing operations

	2011 €000s	2010 €000s
Redundancy costs	**2,725**	-
Provision for termination of leases	**1,000**	1,615
Total	**3,725**	1,615

7 Profit Before Tax

	2011 €000s	2010 €000s
Profit before tax has been stated after charging:		
Depreciation	**6,451**	6,476

The remuneration of Directors is set out in detail on pages 32 to 37.

8 Information Relating to Auditors' Remuneration – continuing operations

	2011		Restated 2010	
	Company €000s	Group €000s	Company €000s	Group €000s
Description of service				
Audit services	**25**	**225**	25	275
Other assurance services	**200**	**-**	250	-
Tax advisory services	**100**	**298**	40	298
Other non-audit services	**-**	**160**	-	-

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

9 Staff Costs and Numbers – continuing operations

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

	2011	Restated 2010
Underwriting	**849**	865
Financial services	**56**	56
Total	**905**	921

The aggregate employee benefit expense for these persons was as follows:	2011 €000s	Restated 2010 €000s
Wages and salaries	**47,597**	45,947
Social welfare costs	**4,959**	4,740
Pension costs	**5,129**	5,592
Share based payments	**614**	1,016
	58,299	57,295

10 Income Tax Charge – continuing operations

	2011 €000s	Restated 2010 €000s
Irish corporation tax	**(5,327)**	(3,560)
Foreign tax	**(61)**	(39)
Adjustments in respect of prior years	**(1,509)**	1,126
Current tax charge	**(6,897)**	(2,473)
Deferred tax (debit)/credit	**(1,718)**	2,299
	(8,615)	(174)

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:

	2011 €000s	Restated 2010 €000s
Profit before tax	**52,280**	14,657
Corporation tax credit at standard rate of **12.5%** (2010: 12.5%)	**6,535**	1,832
Effects of:		
Differences between capital allowances for period and depreciation	**(43)**	(65)
Non-taxable income/unrealised gains/losses not		
chargeable/deductible for tax purposes	**(4)**	(516)
Higher rates of tax on other income	**618**	49
Adjustments in respect of prior years	**1,509**	(1,126)
Income tax charge	**8,615**	174

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

	2011 €000s	2010 €000s
Deferred tax		
Actuarial loss/(gain) on retirement benefit obligations	**1,354**	(1,531)
Total income tax recognised directly in the Statement of Other Comprehensive Income	**1,354**	(1,531)

Included in the profit/(loss) in discontinued operations (note 13(a)) is a tax charge of €76,000 (2010: €22,000 credit).

11 Loss/Profit For The Year

The Company's loss for the financial year determined in accordance with IFRS as adopted by the European Union is €3,839,000 (2010: profit €6,698,000).

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.

12 Joint Venture

On 19 October 2011 shareholders approved an agreement with Farmer Business Developments plc, a related party owning 29.7% of the voting rights in FBD, to establish a joint venture to own and manage the Group's Irish and Spanish property and leisure operations.

This followed a strategic review undertaken by the Board of FBD. This review resulted in a decision by the Board to focus on the Group's core insurance underwriting business. The Board believes the key benefits to the Group from the establishment of the property and leisure joint venture are as follows:

- The Group can now increase focus on its core insurance underwriting business;
- The Group's exposure to property valuation fluctuations have reduced;
- The operating profit of the Group, post completion of the transaction, reflects the contribution from its core business;
- Both the Group's debt and loan guarantees reduced; and
- The ability of the property and leisure operations to realise value over time has been enhanced because its funding structure has been substantially strengthened.

The transaction was completed on 19 October 2011 on which date FBD Holdings plc and Farmer Business Developments plc acquired joint control of the property and leisure operations.

As a result of the property and leisure joint venture, which was completed in October 2011, the property and leisure operation will initially be owned 50%/50% by FBD and Farmer Business Developments plc, which owns 29.7% of the voting rights in FBD. The two joint venture partners will hold a combination of equity and convertible loan notes. These loan notes are irredeemable and will convert into equity between the fifth and tenth anniversary of completion, unless otherwise agreed between the parties.

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

12 Joint Venture (continued)

The results of the discontinued operations, which have been included in the Consolidated Income Statement, were as follows:

	Period ended 19 October 2011 €000s	2010 €000s
Revenue	**43,598**	59,874
Expenses	**(45,226)**	(62,249)
Operating loss	**(1,628)**	(2,375)
Revaluation of property	**-**	(16,708)
Loss before tax	**(1,628)**	(19,083)

The net assets of the property and leisure operations at the date of completion of the joint venture agreement and at 31 December 2010 were as follows:

	As at 19 October 2011 €000s	2010 €000s
Assets		
Property, plant and equipment	**119,838**	119,869
Loans	**2,558**	3,025
Deferred tax assets	**295**	295
Financial assets		
Investments held for trading	**8**	8
Deposits with banks	**9,135**	4,135
Inventories	**39,670**	46,045
Other receivables	**5,252**	4,232
Cash and cash equivalents	**4,856**	3,282
Total assets	**181,612**	180,891
Liabilities		
Borrowings	**116,655**	117,766
Current tax	**2,069**	2,082
Payables	**19,406**	20,864
Inter company loans	**62,604**	57,946
Non-controlling interests	**1,526**	-
Currency translation reserve	**(67)**	-
Total liabilities	**202,193**	198,658
Net liabilities	**(20,581)**	(17,767)
Share of net assets of joint venture at date of transaction	**46,088**	-
The share of the results of joint venture included in Consolidated Income Statement	**(467)**	-
Share of net assets of joint venture at year end	**45,621**	-

Fair value of the share of the net assets of the joint venture at the date of transaction was determined at €46,088,000 at 30 June 2011 by an independent valuation conducted by BDO Corporate Finance.

12 Joint Venture (continued)

The joint venture has been reflected in the accounts of the Company as follows:

	2011 €000s
Original investment in property and leisure operations	**62,604**
Investment in assets transferred less share of net assets in joint venture	**(16,516)**
Share of net assets of joint venture at date of transaction	**46,088**

13 Sale of Subsidiaries

On 19 October 2011 the Group sold its Irish and Spanish property and leisure operations. On the same day it established a joint venture with Farmer Business Developments plc to jointly own and manage those same assets.

On 30 December 2011 the Group sold FBD Insurance Brokers Limited, International Loss Control Services Limited and FBD Risk Management Services Limited collectively referred to as "FBD Brokers".

(a) Results of discontinued operations have been included in the Consolidated Income Statement as follows:

	2011 €000s	2010 €000s
Income	**47,836**	64,970
Expenses	**(48,772)**	(82,710)
Loss before taxation	**(936)**	(17,740)
Taxation	**(76)**	22
Loss after taxation	**(1,012)**	(17,718)

(b) Consideration received

	2011 €000s
Share of net assets of joint venture	46,088
Net liabilities sold to acquire share of joint venture*	20,581
Consideration received in cash and cash equivalents	6,750
Deferred sales proceeds	1,057
Total consideration received	**74,476**

* Analysis of the net liabilities sold to acquire share of joint venture are included in Note 12 – Joint Venture.

13 Sale of Subsidiaries (continued)

(c) Analysis of assets and liabilities disposed of on sale of FBD Brokers

	2011 €000s
Assets	
Property, plant and equipment	**25**
Loans	**25**
Financial assets	
Deposits with banks	**656**
Other receivables	**2,489**
Cash and cash equivalents	**3,363**
Total assets	**6,558**
Liabilities	
Payables	**6,189**
Current tax	**98**
Total liabilities	**6,287**
Net assets disposed of on sale of FBD Brokers	**271**
Net liabilities sold to acquire share of joint venture (see note 12)	**(20,581)**
Total net liabilities over which control was lost	**(20,310)**

(d) Gain on sale of subsidiaries

	2011 €000s
Consideration received per (b) above	**74,476**
Less: investment in joint venture (original investment at cost)	**(62,604)**
Net assets sold per (c) above	**(271)**
Costs associated with sales	**(3,227)**
Gain on sale of subsidiaries	**8,374**
Loss from discontinued operations during 2011 after tax per (a) on page 81	**(1,012)**
Profit on discontinued operations including the gain on sale	**7,362**

14 Earnings/(Loss) Per 60 Cent Ordinary Share

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

Earnings	2011 €000s	Restated 2010 €000s
Profit/(loss) for the year	**51,027**	(3,235)
Non-controlling interests	**69**	827
Preference dividend	**(282)**	(282)
Profit/(loss) for the purpose of basic and diluted earnings/(loss) per share	**50,814**	(2,690)
Adjustments to exclude (profit)/loss for the year from discontinued operations	**(7,362)**	17,718
Adjustments to exclude non-controlling interests for the year from discontinued operations	**(107)**	(916)
Earnings from continuing operations for the purpose of basic and diluted earnings per share excluding discontinued operations	**43,345**	14,112

Number of shares	2011	2010
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share (excludes treasury shares)	**33,296,894**	33,269,476
Effect of dilutive potential of share options outstanding	**148,206**	149,089
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**33,445,100**	33,418,565

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

From continuing operations	Cent	Cent
Basic earnings per share	**130**	42
Diluted earnings per share	**130**	42

From discontinued operations		
Basic earnings per share	**23**	(50)
Diluted earnings per share	**22**	(50)

14 Earnings/(Loss) Per 60 Cent Ordinary Share (continued)

Options outstanding at the end of 2010 were excluded from the calculation of diluted loss per share in 2010 because they were anti-dilutive.

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

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

	2011 €000s	**Restated 2010 €000s**
Operating profit after taxation*	**56,852**	35,623
Non-controlling interests	**69**	(125)
Preference dividend	**(282)**	(282)
	56,639	35,216
Adjustments to exclude operating profit for the year from discontinued operations	**(2,203)**	(1,894)
	54,436	33,322

	Cent	**Cent**
Operating earnings per share – continuing operations	**164**	100
Operating earnings per share – discontinued operations	**6**	6
Operating earnings per share – total	**170**	106

*2011 effective tax rate of 12.4% (2010: 12.4%).

Non-controlling interests exclude non-operating movements.

15 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 2010	21,968	164,808	186,776	67,184	253,960
Additions	-	366	366	6,049	6,415
Disposals	(565)	-	(565)	(183)	(748)
At 1 January 2011	21,403	165,174	186,577	73,050	259,627
Additions	**-**	**6**	**6**	**5,403**	**5,409**
Disposals	**-**	**-**	**-**	**(223)**	**(223)**
Elimination on sale of subsidiaries	**-**	**(165,043)**	**(165,043)**	**(3,596)**	**(168,639)**
Reclassification	**-**	**(137)**	**(137)**	**-**	**(137)**
At 31 December 2011	**21,403**	**-**	**21,403**	**74,634**	**96,037**
Comprising:					
At cost	**-**	**-**	**-**	**74,634**	**74,634**
At valuation	**21,403**	**-**	**21,403**	**-**	**21,403**
At 31 December 2011	**21,403**	**-**	**21,403**	**74,634**	**96,037**

	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 & impairment					
At 1 January 2010	128	28,462	28,590	48,891	77,481
Depreciation charge for the year	-	-	-	6,476	6,476
Elimination on disposal	-	-	-	(157)	(157)
Impairments	3,160	16,708	19,868	-	19,868
At 1 January 2011	3,288	45,170	48,458	55,210	103,668
Depreciation charge for the year	**-**	**-**	**-**	**6,451**	**6,451**
Elimination on disposal	**-**	**-**	**-**	**(121)**	**(121)**
Elimination on sale of subsidiaries	**-**	**(45,170)**	**(45,170)**	**(3,563)**	**(48,733)**
Impairments	**975**	**-**	**975**	**-**	**975**
At 31 December 2011	**4,263**	**-**	**4,263**	**57,977**	**62,240**
Carrying amount					
At 31 December 2011	**17,140**	**-**	**17,140**	**16,657**	**33,797**
At 31 December 2010	18,115	120,004	138,119	17,840	155,959

15 Property, Plant and Equipment (continued)

(a) Property held for own use

Property held for own use at 31 December 2010 and 2011 were valued at fair value which is determined by independent external professional valuers CB Richard Ellis, Valuation Surveyors. The valuation was prepared in accordance with the RICS / SCS Appraisal and Valuation Standards, Seventh Edition. The valuers confirm that they have sufficient current local and national knowledge of the particular property market involved and have skills and understanding to undertake the valuations competently.

The valuation report received from the independent professional valuers states that *"we would advise caution in the current market as there has been a lack of transactional evidence in the last 24 months on which to base values. This is a result of a lack of available bank funding and ongoing turbulence in the financial markets. This has led to uncertainty as to where the market is at present".* The report also states that the valuations have been prepared on the basis of "Market Value" which is defined in the report as *"the estimated amount for which the property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein parties had each acted knowledgeably, prudently and without compulsion".*

The valuers state that they made various assumptions as to tenure, letting and town planning, condition and repair of buildings and sites, including ground and groundwater contamination. They have taken into consideration the age and apparent condition of the properties. In relation to title, tenure, planning and lettings, the valuers state their understanding that *"the properties are held freehold/long leasehold and free of encumbrances, restrictions or outgoings of an onerous nature other than those indicated to us at the time of inspection which would affect value".*

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

(b) Hotel and golf resort assets

On 19 October 2011 a joint venture agreement was completed whereby the Group and Farmer Business Developments plc acquired joint control of FBD Property & Leisure Limited. The joint venture owns the hotels and golf resort assets previously held within FBD Holdings Group. Details of this transaction are included in note 12.

At 31 December 2010, the hotels and golf resort assets were valued by independent external professional valuers. Those located within Ireland were valued by CB Richard Ellis, Valuation Surveyors while those located outside Ireland were valued by American Appraisal, Valuation Surveyors.

The hotels and golf resort assets were valued at fair value, which was determined either by independent professional valuers or at a lower amount if, in the opinion of the Directors, a lower amount more accurately reflected fair value. In forming their opinion on fair values, the Directors took into account the report of the professional valuers and, in relation to one specific property, took more prudent assumptions on the underlying profit projections and/or timing of underlying cash flows. In relation to that property, the Directors considered that, while the external professional valuers had taken into consideration general market variables such as reduced tourist numbers and the impact of overcapacity in the hotel industry, they were unlikely to have taken adequate account of the volatility in earnings during the period immediately before the year-end. As a result, the Directors agreed that it would take a longer period of time for the profitability of that hotel to return to normalised earnings level and thus decided that the fair value was lower than the valuation received from the external professional valuer by €3m.

15 Property, Plant and Equipment (continued)

(b) Hotel and golf resort assets (continued)

The valuation statement received from both CB Richard Ellis, Valuation Surveyors and from American Appraisal, Valuation Surveyors, stated 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 valuers for the Irish hotels stated that they made various assumptions as to tenure, letting and town planning, condition and repair of buildings and sites, including ground and groundwater contamination. In relation to title, tenure, planning and lettings, the valuers state their understanding that *"the properties are held freehold/long leasehold and free of encumbrances, restrictions or outgoings of an onerous nature which would affect value".*

The approach used to valuing the Irish hotels is the income capitalisation method using stabilised profit and deducting the aggregate of the annual shortfalls for each year. As there has been a lack of transactional evidence the comparative method has only been used as a cross check.

American Appraisal, Valuation Surveyors, the external independent valuers for the hotel and golf assets located outside of Ireland, stated that in formulating their opinion they have considered the three traditional approaches: income, market and cost. These were described as follows:

> ***"Market Approach:*** *The Market approach is predicted on actual sales transaction data. Sales are adjusted for comparability including time, location, size, condition, utility and intangible benefits.*
>
> ***Income Approach:*** *The income approach is predicted on the fact that desirability of ownership can be estimated by the capitalisation of probable expected income from the property.*
>
> ***Cost Approach:*** *Cost of replacement new is defined as the estimated amount required to replace the entire property by a modern new unit using the most current technology and materials that will duplicate the production capacity and utility of an existing unit at current market prices for materials, labour, and manufactured equipment; contractors' overhead and profit; and fees; but without provision for overtime, bonuses for labour, or premiums for material or equipment".*

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 2010 of €19,868,000.

In 2010 hotel and golf resort assets included assets valued at €13,000,000 on which the Group had obligations under property financing arrangements which were included in borrowings, see note 32. In 2010 hotel and golf resort assets had been used as security for bank loans totalling €38,866,000.

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

	2011 €000s	**2010 €000s**
Property held for own use	**17,140**	18,115
Hotels and golf resort assets	**-**	119,271
Total	**17,140**	137,386

16 Investment Property

Fair value of investment property	2011 €000s	2010 €000s
At beginning of year	**42,368**	43,267
Impairment during the year	**(2,182)**	(899)
Sale of investment property	**(31,368)**	-
At end of year	**8,818**	42,368

The investment property held for rental in Ireland was valued at fair value at 31 December 2010 and 31 December 2011 by independent external professional valuers, CB Richard Ellis, Valuation Surveyors. The valuation was prepared in accordance with the RICS/SCS Appraisal and Valuation Standards, Seventh edition. The valuers confirm that they have sufficient current local and national knowledge of the particular property market involved and have skills and understanding to undertake the valuations competently.

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

Investment properties held for rental in the UK were valued at fair value at 31 December 2010 by independent external professional valuers, Savills, Valuation Surveyors. 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".*

In their reports, 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.

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

During 2011, four of the Groups investment properties located in the UK were sold. The combined proceeds from the sale of the properties was €36,568,000 and a profit of €5,200,000 over the December 2010 valuation.

The Group made impairment provisions in 2011 of €2,182,000 (2010: €899,000).

The rental income earned by the Group from its investment properties amounted to €2,180,000 (2010: €3,075,000). Direct operating costs associated with investment properties amounted to €358,000 (2010: €361,000).

All properties in the portfolio generated rental income during both 2010 and 2011. At 31 December 2011, the Group had one remaining investment property. The investment property is currently fully let with the lease due to expire on 31 December 2014. No contingent rents were recognised as income in the period.

16 Investment Property (continued)

The historical cost of investment property is as follows:

	2011 €000s	2010 €000s
Historical cost at 1 January	**78,782**	78,782
Sale of investment property	**(58,722)**	-
Historical cost at 31 December	**20,060**	78,782

	2011 €000s	2010 €000s
Non-cancellable operating lease receivables		
Not longer than 1 year	**1,174**	2,391
Longer than 1 year and not longer than 5 years	**2,513**	6,607
Longer than 5 years	**-**	882
	3,687	9,880

17 Loans

	2011 €000s	2010 €000s
Secured loans		
At 1 January	**20,534**	36,863
Accrued interest	**3,108**	2,748
Loan write-back/(impairment)	**1,374**	(19,077)
Provision for loan interest	**(3,108)**	-
At 31 December	**21,908**	20,534
Other loans	**1,178**	4,084
Total loans	**23,086**	24,618

The Group has extended loans with a gross maximum credit risk exposure of €84,083,000 (2010: €83,881,000). Net of impairment provisions the net maximum credit risk exposed is €23,086,000 (2010: €24,618,000). Of these net exposures, €21,908,000 (2010: €20,534,000) are secured on land over which the Group has collateral of first charges. The remaining loans outstanding are unsecured.

17 Loans (continued)

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 5.1% (2010: 4.62%). The fair value of the collateral held is approximately equal to the impaired value of the secured loans, which is the carrying value. The development sites held as collateral were valued at fair value at 31 December 2010 and at 31 December 2011 by independent external professional valuers on an existing use basis. 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 2011 the Directors decreased the impairment provision by €1,374,000 in recognition that the value of the land provided by the borrowers as security for the loans had increased. An additional provision was created for the accrued interest of €3,108,000 which brought the cumulative principal impairment provision to €58,250,000. At 31 December 2011 one loan with a gross balance outstanding of €29,245,000 before provisions which was due to be repaid during 2010 remains outstanding. Given the impairment provisions, the Directors are satisfied that the amounts at which the loans are being carried at 31 December 2011 are recoverable and consider the carrying amount of the loans to be their recoverable value.

18 Deferred Tax Asset

	Retirement benefit obligation €000s	Tax losses €000s	Unrealised losses on investment & loans €000s	Accelerated capital allowances €000s	Total €000s
At 1 January 2010	2,888	4,019	-	-	6,907
Re-classified from deferred tax liability	-	-	790	568	1,358
Debited to Other Comprehensive Income	(1,531)	-	-	-	(1,531)
Credited to Consolidated Income Statement	-	(2,789)	4,935	73	2,219
Credit re-discontinued activities	-	294	-	-	294
At 31 December 2010	1,357	1,524	5,725	641	9,247
Re-classified from current tax asset	**-**	**-**	**1,759**	**-**	**1,759**
Credited to Other Comprehensive Income	**1,354**	**-**	**-**	**-**	**1,354**
Debited to Consolidated Income Statement	**-**	**(1,230)**	**(2,544)**	**56**	**(3,718)**
Elimination on sale of subsidiaries	**-**	**(294)**	**-**	**-**	**(294)**
At 31 December 2011	**2,711**	**-**	**4,940**	**697**	**8,348**

18 Deferred Tax Asset (continued)

A deferred tax asset of €2,711,000 (2010: €1,357,000) has been recognised in respect of the retirement benefit obligation of €21,693,000 (2010: €10,859,000). A further tax asset of €5,637,000 (2010: €7,890,000) has been recognised in respect of unrealised losses on investment and loans and accelerated capital allowances to the extent that it is probable, based on management projections, that taxable profits will be available against which the losses can be utilised in the future, €5,637,000 (2010: €7,596,000) of this deferred tax asset relates to the underwriting operations.

Deferred tax assets not recognised at the reporting date:

	2011 €000s	2010 €000s
Tax losses	-	23,453
Unused tax credits	-	1,808
	-	25,261

Prior year unused tax losses and tax credits all related to discontinued activities.

19 Financial Instruments

(a) Financial assets

	2011 €000s	2010 €000s
(i) At amortised cost		
Investments held to maturity	**405,848**	496,852
(ii) At fair value		
Available for sale investments – unquoted investments	**6,282**	7,282
Investments held for trading – quoted shares	**30,799**	14,050
Investments held for trading – unquoted debt securities	**3,809**	3,809
(iii) At cost		
Cash and cash equivalents	**35,658**	36,714
Deposits with banks	**305,321**	195,172

The fair value of investments held to maturity at closing bid prices was €413,146,000 (2010: €517,690,000).

During 2011 deposits with banks increased by €110,150,000 mainly as a result of the realisation of certain held to maturity investments during the year.

19 Financial Instruments (continued)

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

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

2011	**Level 1 €000s**	**Level 2 €000s**	**Level 3 €000s**	**Total €000s**
Investments held for trading				
Quoted shares	30,799	-	-	**30,799**
Unquoted debt securities	-	3,809	-	**3,809**
AFS investments				
Unquoted investments	-	-	6,282	**6,282**
	30,799	**3,809**	**6,282**	**40,890**

2010	**Level 1 €000s**	**Level 2 €000s**	**Level 3 €000s**	**Total €000s**
Investments held for trading				
Quoted shares	14,050	-	-	14,050
Unquoted debt securities	-	3,809	-	3,809
AFS investments				
Unquoted investments	-	-	7,282	7,282
	14,050	3,809	7,282	25,141

19 Financial Instruments (continued)

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

	2011 €000s	2010 €000s
Level 3 financial assets at 1 January	**7,282**	9,476
Unrealised losses recognised in Consolidated Income Statement	**(1,000)**	(2,000)
Disposals	**-**	(194)
Level 3 financial assets at 31 December	**6,282**	7,282

Available for sale investments comprise unquoted securities and consist of a number of small investments. The values attributable to these investments are derived from a number of valuation techniques including cost, net asset or net book value or the net present value of future cash flows based on conservative operating projections. A change in one or more of these inputs could have a significant impact on valuations. The maximum exposure the Group has in relation to Level 3 valued financial assets is €6,282,000 (2010: €7,282,000).

(b) Financial liabilities

Financial liabilities at amortised cost consisted of borrowings which at the year end amounted to nil (2010: €117,766,000). These borrowings were transferred on the establishment of the joint venture in 2011.

20 Inventories

	2011 €000s	2010 €000s
Work in progress	**-**	18,008
Development land held for resale	**-**	28,037
	-	46,045

Inventories were transferred to the joint venture established on 19 October 2011. Details of this transaction are included in Note 12.

In 2010 inventories at a carrying value of €11,200,000 were expected to be recovered within 1 year. The value of inventory charged as a cost of sale relating to the sale of properties in La Cala in 2011, until the date of sale of the subsidiary, was €6,238,000 (2010: €13,181,000).

21 Current Tax Asset

	2011 €000s	2010 €000s
Income tax receivable	**2,134**	6,003

This balance relates to corporation tax refunds due.

Notes to the Financial Statements (continued)

22 Deferred Acquisition Costs

The movements in deferred acquisition costs during the year were:

	2011 €000s	2010 €000s
Gross carrying amount at 1 January	**20,531**	19,963
Net acquisition costs deferred during the year	**1,668**	568
Gross carrying amount at 31 December	**22,199**	20,531

All deferred acquisition costs are expected to be recovered within one year from 31 December 2011.

23 Other Receivables

	2011 €000s	2010 €000s
Policyholders	**36,477**	36,168
Intermediaries	**4,470**	2,473
Due from reinsurers	**-**	1
Other debtors	**7,840**	20,674
Accrued interest and rent	**1,070**	525
Prepayments and accrued income	**10,970**	11,438
	60,827	71,279

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

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

24 Cash And Cash Equivalents

	2011 €000s	2010 €000s
Demand deposits	**35,000**	28,586
Cash in hand	**658**	8,128
	35,658	36,714

There are no restrictions on the use of demand deposits.

25 Ordinary Share Capital

	Number	2011 €000s	2010 €000s
(i) Ordinary shares of €0.60 each			
Authorised:			
At the beginning and the end of the year	51,326,000	**30,796**	30,796
Issued and fully paid:			
At the beginning and the end of the year	35,461,206	**21,277**	21,277
(ii) 'A' Ordinary shares of €0.01 each			
Authorised:			
At the beginning and the end of the year	120,000,000	**1,200**	1,200
Issued and fully paid:			
At the beginning and the end of the year	13,169,428	**132**	132
Total – Issued and fully paid		**21,409**	21,409

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

The holders of the two classes of non-cumulative preference shares rank ahead of the two classes of ordinary shares in the event of a winding up (see note 29). Before any dividend can be declared on the ordinary shares of €0.60 each, the dividend on the non-cumulative preference shares must firstly be declared or paid.

The number of ordinary shares of €0.60 each held as treasury shares at the beginning (and the maximum number held during the year) was 2,191,730. This represented 6.18% of the shares of this class in issue and had a nominal value of €1,315,000. There were no ordinary shares of €0.60 each purchased by the Company during the year. A total of 9,000 ordinary shares of €0.60 each were re-issued from treasury during the year for €2.50 each under the FBD Holdings plc Executive Share Option Scheme. A further 18,418 ordinary shares of €0.60 each were re-issued from treasury during the year for €6.55 per share under the FBD Performance Share Plan. Proceeds were credited directly to distributable reserves. This left a balance of 2,164,312 ordinary shares of €0.60 each in treasury which had a nominal value of €1,298,000 and represented 6.1% of the ordinary shares of €0.60 each in issue.

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

At 31 December 2011, the total number of ordinary shares of €0.60 each under option amounted to 1,118,923 (2010: 1,161,864). 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"). Of the options outstanding under the ESOS, 240,825 (2010: 249,825) may be exercised prior to October 2013 at a subscription price of €2.50 per share. Of the options outstanding under the ESOS, 875,000 (2010: 875,000) 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 3,098 (2010: 37,039) options outstanding under the SAYE Scheme as at 31 December 2011 were exercisable at a subscription price of €18.46 per share and have lapsed since the year end.

All issued shares have been fully paid.

26 Capital Reserves

(a) Group

	Share premium €000s	Capital conversion reserve €000s	Capital redemption reserve €000s	Share option reserve €000s	Total Group €000s
Balance at 1 January 2010	5,540	1,627	4,426	2,704	14,297
Recognition of share-based payments	-	-	-	1,016	1,016
Balance at 31 December 2010	5,540	1,627	4,426	3,720	15,313
Recognition of share-based payments	**-**	**-**	**-**	**614**	**614**
Balance at 31 December 2011	**5,540**	**1,627**	**4,426**	**4,334**	**15,927**

(b) Company

	Share premium €000s	Capital conversion reserve €000s	Capital redemption reserve €000s	Share option reserve €000s	Total Company €000s
Balance at 1 January 2010	5,540	1,627	4,426	2,704	14,297
Recognition of share-based payments	-	-	-	1,016	1,016
Balance at 31 December 2010	5,540	1,627	4,426	3,720	15,313
Recognition of share-based payments	**-**	**-**	**-**	**614**	**614**
Balance at 31 December 2011	**5,540**	**1,627**	**4,426**	**4,334**	**15,927**

The 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 €0.60, an amount equal to the reduction in the issued share capital was transferred to the capital conversion reserve fund.

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

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

27 Revaluation Reserves

	Property, plant and equipment €000s	Available for sale investments €000s	Total €000s
Balance at 1 January 2010 and 31 December 2010	733	9	742
Transfer to retained earnings on sale of subsidiaries	**(733)**	**(9)**	**(742)**
Balance at 31 December 2011	**-**	**-**	**-**

The entire revaluation reserve was transferred to retained earnings in 2011 on the sale of subsidiaries.

The revaluation reserve arose on the revaluation of property and available for sale investments. When such assets are sold, the portion of the revaluation reserve which relates to that asset, and which is effectively realised, is transferred directly to retained earnings.

There had been no movement on revaluation reserves in 2010.

28 Retained Earnings

	€000s
Balance at 1 January 2010	154,994
Net profit for the year	192
Dividends paid and approved	(10,429)
Balance at 31 December 2010	144,757
Net profit for the year	**38,127**
Dividends paid and approved	**(11,012)**
Exercise of share options	**80**
Transfer from revaluation reserve on sale of subsidiaries	**742**
Transfer from translation reserve on sale of subsidiaries	**(98)**
Balance at 31 December 2011	**172,596**

29 Preference Share Capital

	Number	2011 €000s	2010 €000s
Authorised:			
At the beginning and the end of the year			
14% Non-cumulative preference shares of €0.60 each	1,340,000	**804**	804
8% Non-cumulative preference shares of €0.60 each	12,750,000	**7,650**	7,650
		8,454	8,454
Issued and fully paid:			
At the beginning and the end of the year			
14% Non-cumulative preference shares of €0.60 each	1,340,000	**804**	804
8% Non-cumulative preference shares of €0.60 each	3,532,292	**2,119**	2,119
		2,923	2,923

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

30 Non-Controlling Interests

	2011 €000s	2010 €000s
Balance at 1 January	**2,053**	3,030
Share of non-controlling interests transferred to joint venture	**(1,526)**	-
Share of profit for year – continuing operations	**38**	89
Share of (loss)/profit for year – discontinued operations	**(107)**	36
Share of impairment of property, plant and equipment	**-**	(952)
Dividends paid to non-controlling interests	**-**	(150)
Balance at 31 December	**458**	2,053

31 Claims Outstanding

(a) Gross Claims Outstanding 2011

	Prior years €000s	2002 €000s	2003 €000s	2004 €000s	2005 €000s	2006 €000s	2007 €000s	2008 €000s	2009 €000s	2010 €000s	2011 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year	-	269,756	262,132	329,087	329,501	393,944	340,460	383,918	378,839	352,635	261,596	
One year later	-	222,441	225,267	277,415	278,281	306,441	316,394	373,373	342,548	334,162	-	-
Two years later	-	209,284	206,220	255,510	243,243	299,096	308,665	373,203	341,007	-	-	-
Three years later	-	198,551	185,363	223,571	229,877	297,147	303,432	371,095	-	-	-	-
Four years later	-	174,132	165,686	215,480	224,576	291,218	300,170	-	-	-	-	-
Five years later	-	165,741	156,734	207,644	218,926	286,636	-	-	-	-	-	-
Six years later	-	158,403	151,625	208,007	217,015	-	-	-	-	-	-	-
Seven years later	-	157,472	150,762	206,588	-	-	-	-	-	-	-	-
Eight years later	-	156,795	149,988	-	-	-	-	-	-	-	-	-
Nine years later	-	156,277	-	-	-	-	-	-	-	-	-	-
Ten years later	-	-	-	-	-	-	-	-	-	-	-	-
Estimate of cumulative claims	-	156,277	149,988	206,588	217,015	286,636	300,170	371,095	341,007	334,162	261,596	-
Cumulative payments	-	(153,137)	(145,199)	(196,814)	(201,719)	(259,045)	(248,981)	(293,032)	(242,714)	(204,248)	(86,013)	-
Claims outstanding												
At 31 December 2011:	9,558	3,140	4,789	9,774	15,296	27,591	51,189	78,063	98,293	129,914	175,583	**603,190**
At 31 December 2010:	13,045	4,775	7,650	16,963	27,230	43,678	74,703	105,451	127,198	236,963	-	**657,656**
Movement during 2011:	(3,487)	(1,635)	(2,861)	(7,189)	(11,934)	(16,087)	(23,514)	(27,388)	(28,905)	(107,049)	175,583	**(54,466)**

31 Claims Outstanding (continued)

(b) Net Claims Outstanding 2011

	Prior years €000s	2002 €000s	2003 €000s	2004 €000s	2005 €000s	2006 €000s	2007 €000s	2008 €000s	2009 €000s	2010 €000s	2011 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year	-	211,714	221,439	265,069	290,028	297,864	307,269	338,162	308,494	282,830	233,361	-
One year later	-	195,516	203,161	227,657	286,600	257,379	281,264	319,002	286,115	265,482	-	-
Two years later	-	187,346	182,746	213,828	221,359	254,396	277,391	318,124	286,153	-	-	-
Three years later	-	170,686	167,233	183,663	210,457	251,077	273,128	316,831	-	-	-	-
Four years later	-	147,562	148,354	176,006	205,132	246,832	269,372	-	-	-	-	-
Five years later	-	142,054	141,356	171,196	200,640	242,665	-	-	-	-	-	-
Six years later	-	138,321	136,829	168,266	198,584	-	-	-	-	-	-	-
Seven years later	-	136,028	135,158	166,822	-	-	-	-	-	-	-	-
Eight years later	-	134,827	134,395	-	-	-	-	-	-	-	-	-
Nine years later	-	134,305	-	-	-	-	-	-	-	-	-	-
Ten years later	-	-	-	-	-	-	-	-	-	-	-	-
Estimate of cumulative claims	-	134,305	134,395	166,822	198,584	242,665	269,372	316,831	286,153	265,482	233,361	-
Cumulative payments	-	(131,180)	(129,622)	(157,088)	(183,559)	(215,344)	(219,042)	(241,032)	(195,069)	(147,974)	(76,147)	-
Claims outstanding												
At 31 December 2011:	7,671	3,125	4,773	9,734	15,025	27,321	50,330	75,799	91,084	117,508	157,214	**559,584**
At 31 December 2010:	11,130	4,759	7,612	16,950	27,133	43,333	74,118	99,045	113,792	188,868	-	**586,740**
Movement during 2011:	(3,459)	(1,634)	(2,839)	(7,216)	(12,108)	(16,012)	(23,788)	(23,246)	(22,708)	(71,360)	157,214	**(27,156)**

31 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 Consolidated Income Statement.

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

(c) Reconciliation of claims outstanding

	Gross €000s	Net €000s
Balance at 1 January 2010	671,429	603,743
Change in provision for claims	(13,773)	(17,003)
Balance at 31 December 2010	657,656	586,740
Change in provision for claims	**(54,466)**	**(27,156)**
Balance at 31 December 2011	**603,190**	**559,584**

(d) Reconciliation of provision for unearned premium

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

	2011 €000s	2010 €000s
Balance at 1 January	**176,479**	176,603
Net premium written	**304,156**	303,213
Net premium earned	**(301,952)**	(302,540)
Changes in provision for unearned premium – reinsurers' share	**(4,321)**	(797)
Provision for unearned premium at 31 December	**174,362**	176,479

31 Claims Outstanding (continued)

(e) Reconciliation of reinsurance assets

	Claims outstanding €000s	Unearned premium reserve €000s
Balance at 1 January 2010	67,686	25,503
Movement during year	3,230	(797)
Balance at 31 December 2010	70,916	24,706
Movement during year	**(27,310)**	**(4,321)**
Balance at 31 December 2011	**43,606**	**20,385**

32 Borrowings

	2011 €000s	2010 €000s
Bank loans	-	39,249
Other loans from related parties	-	60,000
Obligation under property financing arrangements	-	18,517
Total borrowings	-	117,766

The total movement on borrowings was as follows:	2011 €000s	2010 €000s
Balance at 1 January	**117,766**	120,051
Repayment prior to sale of subsidiary	**(1,111)**	(2,285)
Sale of subsidiary	**(116,655)**	-
Balance at 31 December	-	117,766

In 2010 hotel and golf resort assets to the fair value of €50,000,000 were used as security for bank loans totalling €38,866,000.

32 Borrowings (continued)

The maturity profile of the Group's bank and other loans are analysed as follows:

	2011 €000s	2010 €000s
Bank and other loans	-	99,249
The borrowings are repayable as follows:		
On demand or within one year	-	1,831
In the second year	-	65,539
In the third year	-	31,879
In the fourth year	-	-
In the fifth year	-	-
After five years	-	-
	-	99,249

All borrowings at 31 December 2010 were denominated in euro and were at floating interest rates, exposing the Group to cash flow interest rate risk.

	2011	2010
The average interest rates were as follows:	-	2.74%

All interest on the borrowings was charged to the Consolidated Income Statement.

33 Retirement Benefit Obligation

The Group operates a funded defined benefit retirement scheme for qualifying employees of its Irish based staff. Under the 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 July 2010, using the projected unit credit method, and the minimum funding standard was updated to 31 December 2011 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

	2011 %	**2010 %**
Inflation rate increase	**2.00**	2.00
Salary rate increase	**3.00**	3.00
Pension payment increase:		
- past service average	**2.00**	2.00
- future service	**0.00**	0.00
Discount rate	**4.65**	5.00

(b) Expected rate of return on scheme assets

	2011 %	**2010 %**
Quoted shares	**6.75**	6.75
Government gilts	**4.00**	4.00
Investment properties	**6.25**	6.25

(c) Mortality Assumptions

	2011 Years	**2010 Years**
The average life expectancy of current and future retirees used in the scheme at age 65 is as follows:		
Male	**21.7**	21.6
Female	**23.4**	23.3

During the year, the Finance (No. 2) Act introduced an annual levy of 0.6% on the market value of assets held in pension schemes in Ireland from 2011 to 2014. The levy is payable on the value of assets at 30 June or the previous year end date. The levy for 2011 was €612,662 and was paid out of the pension funds on or before September 2011.

The basis used to determine the expected return on plan assets is the money weighted rate of return achieved on the asset values used for the purpose of calculating the long-term funding rate. The actual return on the scheme assets for the year was a loss of €765,000 (2010: a gain of €6,881,000). In 2010, the actual return on the scheme assets was positively impacted by the credit of €11,063,000 detailed on page 105.

33 Retirement Benefit Obligation (continued)

(d) Consolidated Income Statement

	2011 €000s	2010 €000s
Charged to Consolidated Income Statement:		
Current service cost	**3,663**	3,993
Gains on curtailments	**(942)**	-
Past service cost /(gain)	**867**	(11,063)
	3,588	(7,070)
Interest on scheme liabilities	**(5,714)**	(6,335)
Expected return on scheme assets	**5,730**	5,478
	16	(857)
Charge/(credit) to Consolidated Income Statement	**3,572**	(6,213)

Charges to the Consolidated Income Statement have been included in other underwriting and financial services expenses. In 2010, the reduction in the Group's liability for retirement benefits as a result of changes in pay and conditions agreed by management and staff vested immediately and therefore was reflected as a credit of €11,063,000 in the Consolidated Income Statement.

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

	2011 €000s	2010 €000s
Expected return on scheme assets excess of actuarial return	**5,730**	5,478
Actual return on scheme assets	**(765)**	6,881
Actual return less expected return on scheme assets	**(6,495)**	1,403
Experience gains and losses on scheme liabilities	**1,993**	2,270
Changes in demographic and financial assumptions	**(9,821)**	458
Actuarial (loss)/gain	**(14,323)**	4,131
Deferred tax credit/(charge)	**1,354**	(1,531)
Actuarial (loss)/gain net of deferred tax	**(12,969)**	2,600

33 Retirement Benefit Obligation (continued)

(f) History of experience gains and losses

	2011 €000s	2010 €000s	2009 €000s	2008 €000s	2007 €000s
Present value of defined benefit obligations	**127,620**	114,367	120,755	98,956	115,871
Fair value of plan assets	**105,928**	103,508	97,652	82,844	109,630
Deficit	**21,692**	10,859	23,103	16,112	6,241
Difference between expected and actual return on assets	**(6,495)**	1,403	6,524	(37,076)	(9,735)
Experience gains and losses on scheme liabilities	**1,993**	2,270	(1,315)	2,889	(2,300)
Actuarial (loss)/gain	**(14,323)**	4,131	(8,556)	(10,174)	(4,677)

The cumulative charge to the Consolidated Statement of Comprehensive Income is €76,206,000 (2010: €61,883,000).

(g) Assets in scheme at market value

	2011 €000s	2010 €000s
Equities	**46,024**	49,607
Bonds	**27,878**	26,550
Property	**4,560**	4,554
Managed funds	**14,218**	13,777
Cash deposits and other	**13,248**	9,020
	105,928	103,508
Actuarial value of liabilities	**(127,620)**	(114,367)
Net pension liability	**(21,692)**	(10,859)

33 Retirement Benefit Obligation (continued)

(h) Movement in deficit during the year

	2011 €000s	2010 €000s
Net deficit in scheme at 1 January	**(10,859)**	(23,103)
Current service cost	**(3,663)**	(3,993)
Gains on curtailments	**942**	-
Past service (cost)/gain	**(867)**	11,063
Employer contributions	**7,062**	1,900
Interest on scheme liabilities	**(5,714)**	(6,335)
Expected return on scheme assets	**5,730**	5,478
Actuarial (loss)/gain	**(14,323)**	4,131
Net deficit at 31 December	**(21,692)**	(10,859)

(i) Movement on assets and liabilities

	2011 €000s	2010 €000s
Assets		
Assets in scheme at 1 January	**103,508**	97,652
Actual return less expected return on scheme assets	**(6,495)**	1,403
Contributions	**7,062**	1,900
Employee contributions	**95**	160
Expected return on scheme assets	**5,730**	5,478
Benefits paid	**(3,972)**	(3,085)
Assets in scheme at 31 December	**105,928**	103,508
Liabilities		
Liabilities in scheme at 1 January	**114,367**	120,755
Experience gains and losses on scheme liabilities	**(1,993)**	(2,270)
Changes in demographic and financial assumptions	**9,821**	(458)
Current service cost	**3,663**	3,993
Gains on curtailments	**(942)**	-
Past service cost/(gain)	**867**	(11,063)
Employee contributions	**95**	160
Interest on scheme liabilities	**5,714**	6,335
Benefits paid	**(3,972)**	(3,085)
Liabilities in scheme at 31 December	**127,620**	114,367

33 Retirement Benefit Obligation (continued)

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

- A 1% increase in the discount rate would reduce the value of the scheme liabilities by €22.0m. A 1% reduction in the discount rate would increase the value of the scheme liabilities by €29.4m.

- 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 €19.5m. A 1% reduction in inflation/salaries would reduce the value of the scheme liabilities by €15.9m.

- The effect of assuming all members of the scheme will live one year longer would increase the scheme's liabilities by €2.7m.

- The current best estimate of 2012 contributions to be made by the Group to the pension fund is €4,300,000 (2011: €4,836,000).

The Group also operates defined contribution retirement benefit plans for qualifying employees who opt to join. The assets of the plans are held separately from those of the Group in funds under the control of Trustees. The Group recognised an expense of €1,538,000 (2010: €1,534,000) relating to these pension schemes.

The cost of the annual levy of 0.6% detailed in (c) on page 104 has been paid by the members as a deduction to their contributions.

34 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 years.

	Revaluation of property, plant and equipment €000s	**Insurance contracts €000s**	**Other timing differences €000s**	Total €000s
At 1 January 2010	92	10,350	65	10,507
Reclassed to deferred tax asset	-	1,358	-	1,358
Reclassed to current tax	-	(19)	-	(19)
Credited to Consolidated Income Statement	-	(82)	-	(82)
Credited re-discontinued activities	-	(13)	-	(13)
At 31 December 2010	92	11,594	65	11,751
Credited to Consolidated Income Statement	**-**	**(1,951)**	**(49)**	**(2,000)**
Arising on sale of subsidiaires	**(92)**	**-**	**(16)**	**(108)**
At 31 December 2011	**-**	**9,643**	**-**	**9,643**

35 Payables

(a) Group

	2011 €000s	**2010 €000s**
Payables arising out of direct insurance operations	**9,237**	8,744
Amounts falling due within one year:		
Payables and accruals	**22,720**	52,282
PAYE/PRSI	**1,930**	2,464
Proposed dividends on preference shares	**451**	451
	25,101	55,197
	34,338	63,941

35 Payables (continued)

(b) Company

	2011 €000s	2010 €000s
Amounts falling due within one year:		
Payables and accruals	**7,288**	773
Corporation tax	**288**	-
Proposed dividends on preference shares	**451**	451
	8,027	1,224

36 Dividends

	2011 €000s	2010 €000s
Paid during year:		
Dividend of 4.8 cent (2010: nil cent) per share on 8% non-cumulative preference shares of €0.60 each	**169**	-
Dividend of 8.4 cent (2010: nil cent) per share on 14% non-cumulative preference shares of €0.60 each	**113**	-
2010 final dividend of 21.0 cent (2009: 20.0 cent) per share on ordinary shares of €0.60 each	**6,987**	6,654
2011 interim dividend of 11.25 cent (2010: 10.5 cent) per share on ordinary shares of €0.60 each	**3,743**	3,493
	11,012	10,147

	2011 €000s	2010 €000s
Approved but not paid:		
Dividend of 4.8 cent (2010: 4.8 cent) per share on 8% non-cumulative preference shares of €0.60 each	**169**	169
Dividend of 8.4 cent (2010: 8.4 cent) per share on 14% non-cumulative preference shares of €0.60 each	**113**	113
	282	282

36 Dividends (continued)

	2011 €000s	2010 €000s
Proposed:		
Dividend of 4.8 cent (2010: 4.8 cent) per share on 8% non-cumulative preference shares of €0.60 each	**169**	169
Final dividend of 23.25 cent (2010: 21.0 cent) per share on ordinary shares of €0.60 each	**7,742**	6,987
	7,911	7,156

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.

37 Principal Subsidiaries and Joint Ventures

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

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

All shareholdings are in the form of ordinary shares.

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

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

38 Capital Commitments

	2011 €000s	2010 €000s
Capital commitments at 31 December authorised by the Directors but not provided for in the financial statements:		
Contracted for	**-**	-
Not contracted for	**-**	184

39 Contingent Liabilities And Contingent Assets

There were no contingent liabilities or contingent assets at either 31 December 2011 or 31 December 2010.

40 Share Based Payments

FBD Holdings plc Executive Share Option Scheme

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

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

	2011 Weighted average exercise price in € per share	2011 Options	2010 Weighted average exercise price in € per share	2010 Options
At 1 January	**6.35**	**1,124,825**	6.38	1,154,825
Granted	**-**	**-**	-	-
Exercised	**2.50**	**9,000**	-	-
Lapsed	**-**	**-**	7.45	30,000
At 31 December	**6.38**	**1,115,825**	6.35	1,124,825
Total exercisable at 31 December	**2.50**	**240,825**	2.50	249,825

The fair values of the options granted under the ESOS in October 2003 and August 2009 were calculated at €12.03 and €1.62 respectively. These fair values were independently calculated using the assumptions detailed on page 114.

The following share options were exercised during year:

Date option granted	Exercise date	Number exercised	Share price at exercise date
17 October 2003	20 October 2011	7,500	€6.30
17 October 2003	07 September 2011	1,500	€6.65

No further options can be granted under the ESOS.

40 Share Based Payments (continued)

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 Commissioner 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.

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 at that time over a total of 164,573 ordinary shares at an option price of €19.95 which represented a discount of 20% to the then prevailing market price. As a consequence of the payment of a special dividend of €1.49 per share during 2008 the option price was reduced, by agreement with the Revenue Commissioners, and in accordance with the Scheme Rules, to €18.46. Options over 33,941 shares lapsed during the year (2010: 7,558). Options remain outstanding over 3,098 ordinary shares at 31 December 2011 (2010: 37,039), all of which are exercisable at that date. All of these options lapsed in the period between 31 December 2011 and the date of approval of the financial statements.

The fair value of the options under the SAYE Scheme has been independently calculated at €5.84 using the assumptions detailed on page 114.

FBD Group Performance Share Plan

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

A conditional award was made under the LTIP in August 2008 over a total of 98,149 ordinary shares. During the year the Remuneration Committee determined that 17.8% of this award had vested and the Company allotted 18,418 ordinary shares to the relevant participants after taking account of dividends paid since the award date. The balance of the conditional award made in August 2008 lapsed. A conditional award was made in November 2011 over 252,077 ordinary shares. The fair value of both awards has been independently calculated at €6.04 and €6.18 per share respectively using the assumptions detailed on page 114 in a Monte Carlo simulation model.

40 Share Based Payments (continued)

Fair value calculations

The fair values of the options and conditional share awards noted on pages 112 and 113 have been calculated using the following assumptions:

	ESOS grant October 2003	SAYE grant October 2007	LTIP award August 2008	ESOS grant August 2009	LTIP award November 2011
Share price at grant	€10.59	€24.42	€12.90	€7.40	€6.55
Initial option/award price	€10.59	€19.95	€12.90	€7.45	€6.55
Expected volatility	20%	20%	35%	35%	30%
Expected life in years	3	3	2.58	3	2.37
Risk free interest rate	2.98%	4.1%	4.0%	2.5%	1.2%
Expected dividend yield %	2%	3%	n/a	4.5%	n/a
Fair value	€12.03	€5.84	€6.04	€1.62	€6.18

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

Accounting charge for share based payments

Grant Date	Vesting period (Years)	Number of options granted	Number outstanding at 31 December 2011	Grant price €	Market value at grant date €	Fair value at grant date €	2011 €000s	2010 €000s
26.10.2007 SAYE	3.00	164,573	3,098	*18.46	24.94	5.84	**-**	299
27.08.2008 LTIP	2.58	98,149	-	-	12.90	6.04	**56**	229
26.08.2009 ESOS	3.00	905,000	875,000	7.45	7.40	1.62	**489**	488
18.11.2011 LTIP	2.37	252,077	252,077	6.55	6.55	6.18	**69**	-
Total							**614**	1,016

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

41 Guarantees

In 2011, on the establishment of the joint venture, the guarantee which had been provided to Farmer Business Development plc for €60,000,000 was replaced with a guarantee for €7,500,000 in respect of a loan to the joint venture.

The Company has provided four other 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 Property & Leisure Ltd. FBD Holdings plc has guaranteed that if that company cannot meet its obligation to exercise its put and call option, FBD Holdings plc will provide the funding to enable it to do so.
- 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 the interest payment on a €2,900,000 loan from a third party to the Group's defined benefit pension scheme.

In the 2011 and 2010 financial statements the guarantees were deemed to have a fair value of nil because there was no residual liability applying to the Group.

42 Transactions with Related Parties

Farmer Business Developments plc has a substantial shareholding in the Group at 31 December 2011 details of which are set out in the Report of the Directors.

During 2011 a joint venture was formed between the Group and Farmer Business Developments plc to own and manage the hotel and golf assets previously 100% owned by the Group. Further details on this joint venture are disclosed in note 12.

Included in the financial statements in 2010 was an unsecured loan of €60,000,000 from Farmer Business Developments plc to FBD Property & Leisure Limited, which was a 100% owned subsidiary of the Group in 2010. This loan was guaranteed by the Company. The loan was due to be repaid in full in July 2012. Interest was charged at market rate which is defined under the terms of the loan agreement as the 3 month Euribor rate plus a margin capped at 225 basis points. Total interest expensed in the Consolidated Income Statement for 2010 relating to this loan was €1,834,405 and interest payable at 31 December 2010 was €489,440. This loan was repaid as part of the joint venture transaction. Also, as part of the establishment of the joint venture, a new loan was provided to the joint venture by Farmer Business Developments plc for €7,500,000.

42 Transactions with Related Parties (continued)

Included in the financial statements at the year end is €127,294 (2010: €671,227) due from Farmer Business Developments plc. This balance is made up of recharges for services provided, recoverable costs and interest. Interest is charged on this balance at the market rate. The amount due is repayable on demand.

During 2010 a number of non-trading subsidiary companies were voluntarily struck-off the Companies Register.

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 2011 and 2010 compensation entitlements of the Board of Directors is provided in the Report on Directors' Remuneration. In common with all shareholders, Directors received payments/distributions related to their holdings of shares in the Company during the year, amounting in total to €49,126 (2010: €56,904). Details of Directors' share options are outlined in the Report on Directors' Remuneration on pages 32 to 39. The share based payment charge to profit or loss relating to the Executive Directors during the year was €178,589 (2010: €248,990).

43 Risk Management

The objective of the risk management process is to provide a systematic, effective and efficient way for managing risk in the organisation and to ensure it is consistent with the overall business strategy and the risk appetite of the Company.

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

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

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
- Macro-economic risk.

43 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 frequency and severity of claims can be affected by several factors, most notably economic activity, the level of awards and inflation on settling claims.

The history of claims development is set out, both gross and net of reinsurance in note 31, claims outstanding.

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 Group manages these risks through its underwriting strategy, proactive claims handling and its reinsurance arrangements. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks written and to reduce the variability of the expected outcome by each risk category. The only significant concentration of insurance risk is that all of the Group's underwriting business is conducted in Ireland.

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

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

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

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

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.

43 Risk Management (continued)

(b) Capital Management risk

The Group is committed to managing its capital so as to maximise returns to shareholders. The capital of the Group comprises of issued capital, reserves and retained earnings as detailed in notes 25 to 28. The Board of Directors reviews the capital structure frequently to determine the appropriate level of capital required to pursue the Group's growth plans. The Group's overall strategy remains unchanged from 2010.

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

As at 31 December 2011, FBD Insurance plc had admissible assets to cover the required solvency margin of €201,468,000 (2010: €183,800,000). The required solvency margin is €61,021,000 (2010: €63,681,000) 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 both the year under review and the prior year.

FBD Insurance plc has developed and is in the process of implementing plans to ensure compliance with all aspects of the new Solvency II regime and has conducted tests which show that it has sufficient capital to meet the Solvency Capital Requirement of Solvency II as determined under the EU Quantitative Impact Study 5.

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.

43 Risk Management (continued)

(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.

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

(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 strategically matching the maturity profiles of financial assets and liabilities.

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 - 2011	Carrying value total €000s	Contracted value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Investment property	**8,818**	8,818	8,818	-	-
Financial assets	**752,059**	762,750	730,828	31,922	-
Reinsurance assets	**63,991**	63,991	41,226	20,892	1,873
Loans and receivables	**83,913**	83,913	83,913	-	-
Cash and cash equivalents	**35,658**	36,017	36,017	-	-
	944,439	955,489	900,802	52,814	1,873

Liabilities - 2011	Carrying value total €000s	Contracted value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Insurance contract liabilities	**777,552**	777,552	300,345	386,590	90,617
Payables	**34,338**	34,338	34,338	-	-
	811,890	811,890	334,683	386,590	90,617

43 Risk Management (continued)

Assets - 2010	Carrying value total €000s	Contracted value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Investment property	42,368	42,368	42,368	-	-
Inventories	46,045	46,045	11,200	34,845	-
Financial assets	717,165	747,215	396,272	350,943	-
Reinsurance assets	95,622	95,622	60,372	31,795	3,455
Loans and receivables	95,897	95,897	71,279	24,618	-
Cash and cash equivalents	36,714	36,714	36,714	-	-
	1,033,811	1,063,861	618,205	442,201	3,455

Liabilities - 2010	Carrying value total €000s	Contracted value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Insurance contract liabilities	834,135	834,135	333,885	407,018	93,232
Borrowings	117,766	124,876	4,943	119,933	-
Payables	63,941	63,941	63,941	-	-
	1,015,842	1,022,952	402,769	526,951	93,232

(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. The overriding philosophy of the investment policy is to protect and safeguard the Company's assets and to ensure that the Company's capacity to underwrite is not put at risk.

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.

43 Risk Management (continued)

At 31 December 2011, the Group held the following deposits, held to maturity investments and unquoted debt securities:

	2011		2010	
	Weighted market value €000s	Weighted average interest rate %	Weighted market value €000s	Weighted average interest rate %
Time to maturity				
In one year or less	**679,770**	**2.66**	354,867	2.67
In more than one year, but not more than two years	**-**		-	
In more than two years, but not more than three years	**35,208**	**2.80**	-	
In more than three years, but not more than four years	**-**		340,966	4.22
In more than four years, but not more than five years	**-**		-	
More than five years	**-**		-	
	714,978		695,833	

These financial instruments are exposed to fair value interest rate risk. Loans and deposits made by the Group are 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. The amounts exposed to equity price risk are set out in note 19(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.

The Group did not hold any derivative instruments at 31 December 2011 or 31 December 2010.

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

	2011 €000s	2010 €000s
GBP	**4,511**	2,862
USD	**2,063**	-
Other	**433**	-

43 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 sovereign guarantee. Quoted debt securities comprise €405,848,000 government gilts which carry AAA rating and €3,809,000 corporate bonds which are unrated. These ratings are unchanged since 2010. Available for sale investments comprise unquoted securities and consist of a number of small investments many of which are unrated. The maximum exposure the Group has in relation to these investments is €6,282,000 (2010: €7,282,000).

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 2011 was €6,173,000 (2010: €7,806,000).

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

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

(g) Concentration risk

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

- Quoted debt securities comprise €405,848,000 (2010: €496,852,000) of government bonds which carry an AAA rating and €3,809,000 (2010: €3,809,000) of corporate bonds which are unrated. Given the rating of its government bond portfolio, the Company deems any concentration risk to be acceptable.
- All of the underwriting business is conducted in Ireland over a wide geographical spread with no concentration in any county or region.

The resultant concentration risk from adverse weather events, i.e. floods, storms or freezes in Ireland, are mitigated by an appropriate reinsurance strategy as outlined in note 43(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.

43 Risk Management (continued)

(h) Macro-economic risk

Economic downturn

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

Increasing competition

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

Changing market trends

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

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

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

Taxation risk

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

43 Risk Management (continued)

(i) Sensitivity analysis

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

Sensitivity factor	Description of sensitivity factor applied
Interest rate and investment return	The impact of a change in the market interest rate by an increase of 1% or a decrease of 0.25%. (e.g. if a current interest rate is 5%, the impact of an immediate change to 6% and 4.75%).
Exchange rates movement	The impact of a change in foreign exchange rates by ± 10%.
Equity market values	The impact of a change in equity market values by ±10%.
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%.

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 2011 and at 31 December 2010:

		2011 €000s	2010 €000s
Interest rates	1.0%	**1,822**	637
Interest rates	(0.25%)	**(456)**	(159)
FX rates	10%	**701**	286
FX rates	(10%)	**(701)**	(286)
Equity	10%	**3,080**	1,405
Equity	(10%)	**(3,080)**	(1,405)
Investment property	10%	**882**	4,237
Investment property	(10%)	**(882)**	(4,237)
Net loss ratio	5%	**(15,098)**	(15,125)

43 Risk Management (continued)

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 2011	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%**	**2,328**	**2,030**	**(2,030)**	**1,776**
Other claims IBNR	**+10%**	**232**	**224**	**(224)**	**196**
Legal fees revert to pre PIAB levels		**8,544**	**7,690**	**(7,690)**	**6,729**

31 December 2010	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%	2,218	2,218	(2,218)	1,905
Other claims IBNR	+10%	773	561	(561)	491
Legal fees revert to pre PIAB levels		11,397	10,257	(10,257)	(8,975)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results. The sensitivity analysis 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 analysis 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.

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Letter from the Chairman in relation to the Annual General Meeting

29 March 2012

Dear Shareholder,

The Notice of the Annual General Meeting of the Company which will be held at 12.00 noon on 30 April 2012 in the Irish Farm Centre, Old Naas Road, Bluebell, Dublin 12 follows this letter.

I want to set out in this letter, details of the business to come before this meeting.

Ordinary Business (Resolutions 1 to 6)

Resolution 1 deals with the consideration of the financial statements of the Company for the year ended 31 December 2011.

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

Resolution 3 deals with the declaration of a final dividend of 23.25 cent per ordinary share for the year ended 31 December 2011.

Resolution 4 deals with the approval of the Report on Directors' Remuneration. This Report is set out on pages 32 to 39 of the Annual Report and it has been the practice of the Board since 2010 to put the Report on Directors' Remuneration to a shareholder vote. Shareholders should note that there is no legal obligation on the Company to put such a resolution to Shareholders. While it is therefore an "advisory" resolution and not binding on the Company, the Board recognises that the tabling of such a resolution is best practice in this area and is an acknowledgement of shareholders' rights to have a "say on pay".

Resolution 5 deals with the proposed re-election of all of the Directors. The Board has adopted the practice that all Directors will submit themselves for re-election at each Annual General Meeting. This was done for the first time in 2011. Biographies of all the Directors are set out on pages 16 and 17 of the Annual Report. Each of the Directors brings to the Board substantial and relevant business experience.

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

Special Business (Resolutions 7 to 10)

Resolutions 7 to 9 are the usual annual resolutions which relate to the share capital of the Company and propose to renew authorities previously approved by Shareholders. I want to assure you that the Board will only exercise these authorities if it considers it to be in the best interests of Shareholders generally at that time.

Resolution 10 deals with the fixing of the notice period for the convening of an Extraordinary General Meeting of the Company.

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

Registered in Ireland, Registration Number: 135882
Registered Office: FBD House, Bluebell, Dublin 12, Ireland.
Directors: M Berkery (Chairman), J Bryan, S Dorgan, B Horan, A Langford (Chief Executive), D Mulvihill, C O'Caoimh, V Sheridan, A Taheny, J Thijs (Belgium), P Walshe

Disapplication of pre-emption rights (Resolution 7)

Resolution 7 will be proposed as a Special Resolution to renew the Directors' authority to issue shares for cash other than strictly pro-rata to existing shareholdings. The proposed authority is limited to the allotment of shares in specific circumstances relating to rights issues and other issues up to an aggregate of 5% of the Company's issued ordinary share capital.

This authority will, if renewed, expire on the earlier of the date of the next Annual General Meeting of the Company or 30 July 2013.

Authority to purchase own shares (Resolution 8)

Resolution 8 will be proposed as a Special Resolution to renew the authority of the Company, or any subsidiary of the Company, to make market purchases of the Company's ordinary shares up to 10% of the aggregate nominal value of the Company's total issued share capital. The text of the resolution sets out the minimum and maximum prices which may be paid for ordinary shares purchased in this manner.

The total number of options to subscribe for ordinary shares in the Company outstanding on 29 March 2012 is 1,367,902 representing 3.58% of the total issued share capital. If the Directors were to exercise the authority being renewed by this resolution up to the maximum allowed and to cancel such shares and all other shares held in treasury, these options would represent 4.01% of the total issued share capital.

This authority will, if renewed, expire on the earlier of the date of the next Annual General Meeting of the Company or 30 July 2013.

Re-issue price range of treasury shares (Resolution 9)

Resolution 9 will be proposed as a Special Resolution to set the price ranges at which the Company may re-issue treasury shares off-market.

This authority will, if renewed, expire on the earlier of the date of the next Annual General Meeting of the Company or 30 July 2013.

Notice period for Extraordinary General Meetings (Resolution 10)

Resolution 10 will be proposed as a Special Resolution to maintain the existing authority in the Company's Articles of Association which permits the convening of an Extraordinary General Meeting of the Company on 14 day's notice where the purpose of the meeting is to consider an Ordinary Resolution.

Form of Proxy

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

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

Recommendation

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

Yours faithfully,

Michael Berkery
Chairman

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held in the Irish Farm Centre, Old Naas Road, Bluebell, Dublin 12, Ireland on Monday 30 April 2012, 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 2011.

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

3 To declare a final dividend of 23.25 cent per ordinary share.

4 To approve the Report on Directors' Remuneration appearing in the Financial Statements for the year ended 31 December 2011 (Advisory Resolution).

5 To re-elect the following persons as Directors of the Company:
(a) Michael Berkery
(b) John Bryan
(c) Sean Dorgan
(d) Brid Horan
(e) Andrew Langford
(f) Dermot Mulvihill
(g) Cathal O'Caoimh
(h) Vincent Sheridan
(i) Adrian Taheny
(j) Johan Thijs
(k) Padraig Walshe

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

As Special Business

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

"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 2013", 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 re-issued off-market, an amount equal to 95% of the Appropriate Price (as defined in paragraph (c)); and

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

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

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

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

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

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

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

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."

By order of the Board

Conor Gouldson
Company Secretary

FBD House, Bluebell, Dublin 12, Ireland

29 March 2012

Information for Shareholders Pursuant to the Shareholders' Rights Directive

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

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

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

2 Appointment of Proxy

If you cannot attend the AGM in person, you may appoint a proxy (or proxies) to attend, speak, ask questions and vote on your behalf. For this purpose a Form of Proxy has been sent to all registered shareholders. A proxy need not be a member of the Company. You may appoint the Chairman of the Company or another individual as your proxy. You may appoint a proxy by completing the Form of Proxy, making sure to sign and date the form at the bottom and return it in the pre-paid envelope provided to the Company's Registrar, Computershare Investor Services (Ireland) Limited, P.O. Box 954, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland to be received no later than 12.00 noon on 27 April 2011. If you are appointing someone other than the Chairman as your proxy, then you must fill in the details of that person in the box located underneath the wording "I/We hereby appoint the Chairman of the Meeting OR the following person" on the Form of Proxy.

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

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

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

3 Record Date for AGM

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

4 How to exercise your voting rights

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

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

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

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

5 Tabling Agenda Items

If you or a group of Shareholders hold 1,145,076 or more ordinary or preference shares of 60 cent each in FBD Holdings plc (i.e. at least 3% of the issued share capital of the Company carrying voting rights), you or the group of Shareholders acting together have the right to put an item on the agenda for the AGM. In order to exercise this right, written details of the item you wish to have included on the agenda for the AGM together with a written explanation setting out why you wish to have the item included on the agenda, and evidence of the shareholding, must have been received by the Company Secretary at FBD Holdings plc, FBD House, Bluebell, Dublin 12, Ireland or by email to company.secretary@fbd.ie no later than 12.00 noon on Monday 19 March 2012 (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 1,145,076 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 shareholding must have been received by post by the Company Secretary at FBD Holdings plc, FBD House, Bluebell, Dublin 12, Ireland or by email to company.secretary@fbd.ie no later than 12.00 noon on Monday 19 March 2012 (i.e. 42 days before the time scheduled for the holding of the AGM). A resolution cannot be included on the agenda for the AGM unless it is received in either of the foregoing manners by the stated deadline. Furthermore, Shareholders are reminded that there are provisions in company law, and otherwise, which impose other conditions on the right of shareholders to propose resolutions at a general meeting of a company.

7 Right to ask questions

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

8 How to request/inspect documentation relating to the meeting

The annual Financial Statements, Report of the Auditors and the Report of the Remuneration Committee are contained in the Company's Annual Report which was dispatched to shareholders on 29 March 2012. The Annual Report is also available on the Company's website www.fbdgroup.com.

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

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

9 Further Information

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

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www.fbdgroup.com

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