SEEING **THROUGH** THE STORM

FBD Insurance plc Annual Report 2014

FBD

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OVERVIEW

2014 was a very difficult year for the Irish insurance market and FBD, with a significant market-wide deterioration in the claims environment and severe weather experience. As a result, the Company recorded a loss before taxation of €5.9m. The Company's first priority is to return to profitability and, although significant progress was made in 2014, it will be some time before the full benefits of the actions taken are reflected in profitability.

While it was known that the improving economy would have an impact on the claims environment, the worsening of the claims environment far exceeded the expectations of the Company and the industry. Action was taken throughout the year to adjust premium rates upwards, leading to the first increase in the size of the property and casualty insurance market since 2003. The increase in rates, while welcome, did not impact quickly enough to match the sharp increase in claims experienced during the year. The market Combined Operating Ratio (COR) for both 2012 and 2013 was 109%. The deterioration in the claims environment is likely to have resulted in another loss making year for the market in 2014.

FBD's gross premium written increased by 3.6% to €363.7m. This growth was rate led and reflects the Company's prudent approach to volume growth in a recovering economy experiencing increased frequency of motor and liability claims and an otherwise deteriorating claims environment. In this context, FBD prioritised underwriting discipline and profitability over volume growth. Notwithstanding this focus, FBD's rate-led growth still delivered a marginal increase in market share from 13.6% to 13.7%.

In 2014, FBD's customers and the Company's profitability were impacted by the worst weather in the Company's history, an increase in claims frequency associated with economic growth, poor large claims experience and adverse development of some prior year injury claims. FBD's loss ratio increased from 67.9% to 86.0%.

Actual investment return was 3.2%, an exceptional result in the current low-rate environment.

The Company continues to have a strong Balance Sheet, with a solvency level of 67.6% of net earned premium, or 343% of the statutory requirement.

FBD has a track record of delivering superior returns to shareholders. The nature of the insurance market is cyclical and business must be able to respond to the changes in the cycle of claims. In 2015, the Company's focus will be on implementing a strategy which is appropriate for a higher claims environment and returning the business to profitability. Although 2014 was a very challenging year and market conditions remain difficult, the Board is confident that FBD remains well positioned to outperform the market and to continue to deliver strong returns through the cycle.

BUSINESS REVIEW

Underwriting

Premium Income

FBD's gross premium written increased by 3.6% to €363.7m (2013: €351.2m), marginally increasing the Company's market share to 13.7%. FBD shifted emphasis during the year so as to increase focus on risk selection and rate-led price adequacy. This was necessary given that the industry is incurring losses, there is significant deterioration in the claims environment and that the Company's objective is to deliver only profitable growth. In the full year, FBD reduced policy volume by 1.9%, with volume in the second half of 2014 down 6.3% on the same period in 2013. Average rates were increased by 4.5% for the full year, with average rates for the second half of 2014 increased by 7.0% as the Company made the adjustments necessary to compensate for the increasing cost of risk. Insurable values rose as a result of the increase in economic activity and improved up-selling, reversing the declining trend between 2007 and 2013.

At times during the insurance cycle, the Shareholders interests will be best served by foregoing growth in policy volume, avoiding sectors of the market which have become unprofitable. A similar situation arose in 2008 when FBD concluded that the rates achievable in the motor market were not sufficient and as a result reduced exposure. FBD believes that the Irish insurance market is at a similar point in the cycle and that on-going prudence is again warranted.

A key strategic priority for FBD is to deliver on the complete insurance needs of farming and direct business customers. In 2014 FBD expanded its product offering to farmers by launching cover for theft of livestock. In addition, FBD carried out a full review on the provision of its services to farming and direct business customers, taking customer feedback into account. As a result, call handling processes were redesigned, resulting in the removal of automated response systems and much improved personal interaction for the customer. Non-core activity was centralised to enable the sales teams to better focus on servicing our existing customers and on new business development. These changes to customer service as well as our response to the weather related events (discussed below) resulted in significant improvements in our already market leading net promoter scores in our core customer groups.

Net premium earned increased by 2.4% to €303.4m.

Claims

Net claims incurred were €260.9m, an increase of 29.6% on 2013, bringing the loss ratio from 67.9% to 86.0%. The claims environment for the whole Irish insurance market was challenging and deteriorated significantly as the year progressed.

In 2014, FBD's customers and the Company's profitability were impacted by severe weather, an increase in claims frequency associated with economic growth, poor large claims experience and adverse development of some prior year injury claims.

- The cost of the weather experienced in the first quarter of 2014 was the highest in the Company's history. The wind storm in mid-February ("Storm Darwin") and a series of persistent wind storms in the preceding six weeks cost the Company €15.2m, net of reinsurance (inclusive of reinstatement premiums). Storm Darwin was the single biggest weather event in the Company's history and had a devastating impact on areas of Ireland where the Company's core customer base is most concentrated. These weather events created enormous difficulties for 9,000 of the Company's customers directly affected. Customer feedback on the Company's response to this severe weather was very positive. Moreover, the Company's reinsurance treaties served FBD well and reduced the overall loss to the Company by more than €20m.
- As the domestic economy moved from contraction to recovery more quickly than anticipated, increased activity led to higher claims frequency in motor and liability lines. This increase in claims frequency is not restricted to one segment of FBD's book and applies across all customer profiles.

FBD has taken the underwriting and rating actions necessary to compensate for this increased frequency. While the increase in economic activity is positive for FBD in the medium term, the pace of growth in economic activity and resultant claims activity has impacted profitability in the near-term and a time lag is to be expected before underwriting actions and rate increases are fully reflected in profitability.

- The Company experienced an increase in large claims costs due to a very small number of very large accident and liability claims (cost greater than €1m, net of reinsurance). Such large claims, volatile by definition over a short period, cost €4m more than expected in the full year. While the occurrence of such large claims can be expected to revert to norm over a longer period, we note that their severity is trending upwards.
- The development pattern of a small number of prior year medium-sized injury claims (cost between €0.2m and €1m, net of reinsurance) was significantly higher than expected. This adverse development related to accidents that occurred in 2011 and 2012 and was due to factors such as the deterioration in claimants' medical conditions or an increase in the probability of liability. Although the development pattern on this small company of claims was unfavourable, FBD continues to enjoy positive run-off experience across its book.
- In the last quarter of 2014, following a significant High Court judgement, FBD has provided for a potential reduction in the discount factor applied to very large injury claims. In addition, FBD has recognised the reserving implications of a potential increase in the time frame for settlement of injury claims.

The increase in farm related fatalities from 16 in 2013 to 30 in 2014 is troubling and is a tragedy for each of the families and communities involved. Greater awareness of the risks associated with farming and the typical Irish farmyard will bring this level down. FBD has committed substantial financial and human resources to initiatives targeting education, training and awareness in conjunction with many of the Company's partners in Ireland's agricultural and farming communities. FBD will maintain this increased focus in the future and hopes to see a reversal in the level of accidents and fatalities in 2015 and beyond.

The 4% increase in road deaths in Ireland in 2014 is very disappointing and the Company believes a concerted formal effort from the relevant authorities is necessary to ensure that the hard–won progress of previous years does not reverse.

Expenses

Net underwriting expenses were €82.2m in 2014 (€78.0m in 2013) increasing the expense ratio from 26.3% to 27.1%. This increase is attributable to reinstatement premiums payable to reinsurers following Storm Darwin in February 2014 and an increase in broker commissions payable. The Company continues to invest in its IT infrastructure in order to provide a platform for future profitable growth.

The Company's combined operating ratio for 2014 was 113.1% (2013: 94.2%) resulting in an underwriting loss of €39.6m, compared to an underwriting profit of €17.2m in 2013.

Investment return

The Company maintained its low allocation to long-dated bonds to protect shareholders from the risk of rising bond yields. Actual investment return for 2014 was €26.8m compared to €27.9m in 2013, representing a 3.2% return on underwriting investments. This excellent return was delivered despite the low interest rates prevalent in the market and was aided by improving valuations on the Company's investment properties, and the good performance in the equity markets.

The longer term rate of return was €29.2m, up from €28.7m in 2013.

Profit before taxation

Actual investment return was €2.5m lower (2013: €0.7m lower) than the longer term rate of return. Separately, the Company recorded an increase in the value of the Company's own property of €1.5m (2013: €1.1m decrease).

Loss before taxation amounted to €5.9m (2013: €47.4m profit). After a taxation credit of €1.4m (2013: €6.2m charge), the loss after taxation was €4.5m (2013: €41.1m profit).

Balance Sheet

The Company's financial position remains robust. Ordinary shareholders' funds stand at €224.2m. (December 2013: €243.0m). The reduction in shareholders' funds is mainly attributable to the payment of dividends of €15.1m during the year along with the loss recorded in the year.

The Company continues to be encouraged by the improvement in confidence in the global economy and by policymakers' actions to address the dislocation in the international monetary system. However recent ECB non-standard measures are likely to result in a sustained period of challenging investment yield conditions and continuing low interest rates for Euro-zone member countries.

Given these conditions, the Company believes it is appropriate to maintain its tactical lower-risk asset allocation and held 88.5% of its underwriting assets in cash and short dated bonds at 31 December 2014. The average term of the Company's assets remains shorter than the average term of its insurance liabilities, with more term deposits and less fixed interest securities than the Company's strategic investment allocation. FBD reduced its equity holdings by 44% in 2014 to take advantage of attractive valuations during the year and heightened volatility as market sentiment deteriorated. FBD's current investment allocation continues to be appropriate. The high allocation to cash provides FBD with the opportunity and agility to capitalise on higher yield opportunities should they emerge. This current tactical asset allocation is indicative of the Company's capital preservation strategy.

The Company had a solvency level of 67.6% (2013: 78.1%) of net premium earned at the end of 2014 which represents 343% of the minimum solvency margin and a reserving ratio of 251% (2013: 235%). FBD continues to have a prudent surplus over best estimate as at 31 December 2014. Run-off of the prior year outstanding claims was a positive €15.5m during 2014.

In line with all European insurers, the Company is preparing for the introduction of Solvency II regulations which are to come into effect on 1 January 2016. The Company has calculated its solvency capital requirement on the basis that Solvency II, as currently proposed, was effective at 31 December 2014 and the results show that the Company had sufficient capital to meet the requirement.

Outlook

Economic indicators point to an improved outlook for Ireland. This will be positive for FBD in the medium term. The Irish insurance market grew in 2014 following eleven consecutive years of decline. The rate of market growth in 2015 will be contingent on the speed and extent to which the market chooses to adjust rates to deliver an acceptable return.

Despite this welcome upturn in premium growth, industry profitability continues to be challenging. The Company believes the market will continue to be loss making during 2015 as rate increases already implemented take time to be reflected in earned premium. In addition, this will be compounded by the general deterioration in the claims environment and low investment yields. Further market rating actions will be necessary. In particular, the Company believe the claims environment is going through a period of heightened uncertainty. Increased claims frequency and potential changes in the claims settlement environment are contributing to current uncertainty in our outlook.

FBD is committed to achieving profitable growth in book value through underwriting discipline. The Company will continue to take appropriate underwriting and rating action in order to deliver full price adequacy across all lines of business and thus deliver strong shareholder returns. Although the underwriting actions and rate increases implemented by FBD since early 2014 are having a beneficial impact on the expected loss ratio, they will only be fully reflected towards the second half of 2015.

Sean Dorgan
Chairman

24 February 2015

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

Table 1 – Asset Allocation

	31 December 2014		31 December 2013	
Investment assets	**€m**	**%**	€m	%
Deposits and cash	**511**	**58%**	454	53%
Corporate bonds	**224**	**25%**	147	17%
Government bonds	**46**	**5%**	134	16%
Equities	**40**	**5%**	72	8%
UCITs	**25**	**3%**	24	3%
Own land & buildings	**16**	**2%**	15	2%
Investment property	**20**	**2%**	11	1%
Investment assets	**882**	**100**	857	100
Trade, other debtors and DAC	**99**		102	
Reinsurers' share of technical provisions	**57**		44	
Plant and equipment	**46**		30	
Total underwriting assets	**1,084**		1,033	

Board of Directors and Other Information

BOARD OF DIRECTORS

Sean Dorgan* *(Chairman) (Appointed 3 July 2014)*
Andrew Langford *(Chief Executive)*
Michael Berkery
Walter Bogaerts*
David Martin*
Fiona Muldoon *(Appointed 19 January 2015)*
Enda O'Brien
Cathal O'Caoimh
Vincent Sheridan*

*Independent non-executive Directors

SECRETARY AND REGISTERED OFFICE

Conor Gouldson,
FBD House,
Bluebell,
Dublin 12.

INDEPENDENT AUDITORS

Deloitte & Touche,
Chartered Accountants & Statutory Audit Firm,
Deloitte & Touche House,
Earlsfort Terrace,
Dublin 2.

Report of the Directors

The Directors present their annual report and audited financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the underwriting of motor, liability and property insurance within the Republic of Ireland. There has been no significant change in this activity during the year.

BUSINESS REVIEW

During 2014 the Company generated premium income of €363,735,000 (2013: €351,195,000). The operating loss for the year was €3,498,000 (2013 operating profit: €48,131,000).

A comprehensive review of the financial and non-financial key performance indicators of the Company is included within the Chairman's Statement starting on page 2. The key financial performance indicators include gross written premium (2014: €363.7m, 2013: €351.2m), combined operating ratio (2014: 113.06%, 2013: 94.22 %) and solvency ratio (2014: 67.6%, 2013: 78.1%).

The company has continued to invest substantially in the research and development of computer software during 2014.

FUTURE DEVELOPMENTS

The Directors expect that the present level of activity will be sustained for the foreseeable future.

RISK MANAGEMENT AND RISK APPETITE

The Directors have established a risk management process, the objective of which 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 capacity is the amount and type of risk that the Company could bear over a defined period of time without breaching capital requirements. Ultimately, the Company's risk capacity is defined by its surplus assets. The Company has the capacity to take a series of risks that combined (and net of diversification impact) would reduce or eliminate its surplus assets. It does not have the capacity to undertake a series of risks that combined (and net of diversification impact) could exceed its surplus assets.

Risk appetite is a measure of the amount and type of risks the Company is willing to accept or not accept over a defined period of time in pursuit of its objectives. The Company'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 of the Company is driven by an overarching desire to protect the solvency of the Company at all times. Through the proactive management of risk, the Company ensures that it does not currently 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 these liabilities fall due.

RISKS & UNCERTAINTIES

The Directors consider that the following are the principal risk factors that could materially and adversely affect the Company's future 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, inflation on settling claims and increased economic activity.

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

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

The extent of the Company'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 Company is committed to managing its capital so as to maximise return to shareholders. The risk is that inappropriate management of the Company'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 Company's growth plans.

Operational Risk

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

Market Risk

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

Liquidity Risk

The Company 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.

The Company employs actuaries to review its liabilities to ensure that the carrying amount of the liability is adequate. This is subject to review by external actuaries. Where the liabilities, net of any related deferred acquisition costs, are deemed to be inadequate, the deficiency is recognised immediately in the profit & loss account.

Interest Rate Risk

At any time, the Company has fixed interest quoted debt securities and financial instruments that are exposed to fair value interest rate risk whereby fluctuations in interest rates could have an adverse effect on the market value of the financial investments.

Credit Risk

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

Other Risks

- The risk that the strategy adopted by the Board is incorrect or not implemented appropriately resulting in sub optimal performance.
- The risk that deterioration in economic conditions globally and particularly in Ireland may lead to a reduction in revenue and profits.
- The risk that the loss of one or more key executive officer or other 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 the cost structure.
- The risk that an interruption or failure of information systems may result in a significant loss of business, assets, or competitive position.

The above risks are further detailed in note 15.

The Company has controls embedded within its systems and policies including its investment policy, underwriting policy and its reserving policy, to limit each of these potential exposures. Management and the Board regularly review, reassess and proactively limit the associated risks.

	2014	2013
RESULTS	**€000s**	**€000s**
Operating loss	**(3,498)**	48,131
Short term fluctuations in investment return	**(2,454)**	(756)
Loss on ordinary activities before tax	**(5,952)**	47,375
Tax credit for loss on ordinary activities	**1,358**	(6,185)
Loss on ordinary activities after tax	**(4,594)**	41,190
Distributions paid:		
Dividend of **72.29c** per ordinary share (2013: 144.58c) of €1.27 each	**(15,000)**	(30,000)
Dividend of **17.8c** per share (2013: 17.8c) on 14% non-cumulative	**(89)**	(89)
Transfer to revenue reserves	**(19,683)**	11,101

HOLDING COMPANY

At 31 December 2014 and throughout the year, FBD Holdings plc owned 100% of FBD Insurance plc.

In accordance with the Company's articles of association, Michael Berkery, Vincent Sheridan, Walter Bogaerts, David Martin and Sean Dorgan will retire at the Annual General Meeting, and being eligible, offer themselves for re-election.

On 3 July 2014, Mr. Sean Dorgan was appointed to the Board and was appointed Chairman. On 19 January 2015 Ms. Fiona Muldoon was appointed to the Board.

BIOGRAPHIES OF DIRECTORS

Sean Dorgan, Chairman and Independent Non-Executive Director

Sean Dorgan is currently non-executive Chairman of the Irish Management Institute (IMI) and is a non-executive director of Short Brothers plc. He has previously served as chairman and non-executive director of a number of companies and organisations in the private and public sectors. He was Chief Executive of IDA Ireland for nine years until his retirement at the end 2007. Prior to joining IDA he was secretary General of the Departments of Industry and Commerce and of Tourism and Trade and was Chief Executive of the Institute of Chartered Accountants in Ireland. Mr. Dorgan joined the Board of the Company's parent, FBD Holdings plc in January 2008, and joined the Board of the FBD Insurance plc in July 2014 as Chairman.

Vincent Sheridan, Independent Non-Executive Director

Mr. Sheridan served as Chairman of the Board from 5 March 2011 until 3rd July 2014.

He retired as Chief Executive of Vhi Healthcare during 2008 after seven years in that role. Prior to that he was Group Chief Executive of the Norwich Union Insurance Group in Ireland for ten years. He is a past president of the Institute of Chartered Accountants in Ireland, the Irish Insurance Federation, the Insurance Institute of Ireland and the Irish Association of Investment Managers. He was a director of the Irish Stock Exchange for nine years to June 2004. He is also a former council member of the International Federation of Health Plans and the Financial Reporting Council in the UK. He serves as a director of a number of companies. Mr. Sheridan retired from the Board of FBD Holdings plc in April 2014. Mr. Sheridan joined the Board of FBD Insurance plc in August 2009.

Mr. Sheridan brings to the Board his extensive experience at a leadership level in the insurance industry, his experience as a non-executive Director on other boards together with his knowledge of corporate governance, compliance and technical accounting issues.

Andrew Langford, Chief Executive Officer

Andrew Langford joined FBD Holdings plc as Group Financial Accountant in 1996. In July 2003, he was appointed Executive Director – Finance of FBD Insurance plc. In 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.

Michael Berkery, Non-Executive Director

Michael Berkery was elected Chairman of the Company in 1996, a role he held until 3 March 2011. He was Chief Executive Officer of the Irish Farmers' Association for 25 years until his retirement in March 2009. He also served on the National Economic and Social Council and the Central Review Committee of the Government National Partnership Programme. He is Chairman of FBD Trust Company Limited and is a director of a number of other companies. Mr. Berkery joined the Board in October 1982.

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 of the Company. He brings to the Board and to its Committees his communication and facilitation skills, business and economic knowledge, independence of mind and experience of management and motivation of people.

Walter Bogaerts, Independent Non-Executive Director

Walter Bogaerts was General Manager of the Corporate Insurances Division of KBC Insurance based in Belgium prior to his retirement in 2013. He joined KBC Group (previously ABB Insurances) in 1979 and has gained extensive experience throughout his career with KBC in underwriting, reinsurance and sales. He was general manager in charge of KBC Group's Central-European insurance businesses until appointed to his current role in 2012. He holds a Commercial Engineering degree from the Economic University of Brussels. Mr. Bogaerts joined the Board in January 2013.

David Martin, Independent Non-Executive Director

David Martin, a Chartered Management Accountant, was Finance Director of Aryzta plc (formerly IAWS Group plc) up until his retirement in 2004 after which he remained on the board of that company in a non-executive capacity until 2007. Previously he was a management consultant with KPMG working on a range of assignments in Ireland and abroad. An experienced finance professional, he was appointed as a non-executive Director of Barclays Bank Ireland plc during 2014. Mr. Martin serves on the Board of the Irish Auditing and Accounting Supervisory Authority. He is a former non-executive Director of One51 plc, the Sicon Group and of the Dormant Accounts Board. He joined the Board in March 2011.

Cathal O'Caoimh, Executive Director - Finance

Cathal O'Caoimh joined the Company in October 2008 and was appointed to the Board as Executive Director - Finance. 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.

Enda O'Brien, Executive Director and Chief Risk Officer

Enda O'Brien joined FBD in 1999 and was first appointed to the Board in 2004 and retired from the Board in 2011. Mr. O'Brien was reappointed to the Board in 2013. A Chartered Accountant, he joined FBD from New Ireland Holdings plc where he was an Executive Director and was also Deputy Managing Director of New Ireland Assurance plc. Prior to that, Mr. O'Brien was an Audit Manager with Deloitte & Touche. Mr. O'Brien is also a member of the Chartered Association of Certified Accountants.

Fiona Muldoon, Executive Director - Finance

Fiona Muldoon joined the Group in January 2015 as Group Finance Director and was appointed as an executive director and member of its Board. A Chartered Accountant, Ms. Muldoon was Director of Credit Institutions and Insurance Supervision at the Central Bank of Ireland from August 2011 to May 2014. Prior to this she was with XL Group for seventeen years and held a number of senior roles with this NYSE listed Property & Casualty Insurance firm in Ireland, London and Bermuda, including two years as Group Treasurer until July 2010.

DIRECTORS' AND SECRETARY'S INTERESTS

The directors and secretary had no interest in the share capital of the company. They had the following beneficial interests in the 60c ordinary share capital of FBD Holdings plc, the holding company:

	Number of 60c Ordinary Shares	
Directors:	**31/12/14**	**1/1/14 (or at date of appointment if later)**
Michael Berkery	**30,000**	30,000
Andrew Langford	**93,000**	75,000
David Martin	**4,000**	-
Enda O'Brien	**518**	518
Cathal O'Caoimh	**34,279**	20,179
Vincent Sheridan	**4,150**	4,150
Secretary:		
Conor Gouldson	**13,800**	9,120

	Number of share options			
	ESOS		LTIP	
	31/12/14	**1/01/14**	**31/12/14**	**1/01/14**
Andrew Langford	-	-	**44,150**	58,417
Cathal O'Caoimh	-	-	**25,037**	42,117
Conor Gouldson	-	-	**9,319**	14,162
Enda O'Brien	-	42,500	-	-

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the Company for the year. The Directors consider that, in preparing the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. Applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements. The Directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to assume the 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 to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with Irish statute comprising the Companies Acts, 1963 to 2013 and the European Communities (Insurance Undertakings: Accounts) Regulations, 1996.

The Directors have a general responsibility to take reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS

The independent auditors, Deloitte & Touche, Chartered Accountants & Statutory Audit Firm, have expressed their willingness to continue in office in accordance with 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 specific measures taken are the employment of suitably qualified accounting personnel and the maintenance of appropriate accounting systems. The books of account are located at FBD House, Bluebell, Dublin 12.

CORPORATE GOVERNANCE

The Corporate governance report on pages 11 to 12 forms part of this report and in this the Board has set out how it has applied the provisions of the Central Bank of Ireland's Corporate Governance Code for Credit Institutions and Insurance Undertakings (the "Code").

SOLVENCY II

In line with all European insurers, the Company is preparing for the introduction of the new Solvency II regulations which are likely to come into effect on 1 January 2016. FBD Insurance has calculated its solvency capital requirement on the basis that Solvency II, as currently proposed, was fully implemented at 31 December 2014. The results showed that FBD Insurance had excess capital over the proposed requirement. FBD Insurance is confident that it will meet all of the Solvency II requirements in advance of their introduction.

GOING CONCERN

The Directors have a reasonable expectation that the Company has 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 Company's budget for 2015 and forecasts for 2016 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 Company's corporate strategy.

SUBSEQUENT EVENTS

There were no events subsequent to year end requiring disclosure.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board on 24 February 2015.

Signed on behalf of the board:

Sean Dorgan	**Andrew Langford**
Chairman	*Chief Executive*

Corporate Governance Report

The Board of FBD Insurance plc ("FBD" or the "Company") recognises that an effective Corporate Governance regime is critical to the prudent management of its business. During 2014 the Company was required to comply with the provisions of the Central Bank of Ireland's 2010 Corporate Governance Code for Credit Institutions and Insurance Undertakings (the "Code"). The Code imposes the minimum standards upon all undertakings licensed or authorised by the Central Bank, which includes FBD Insurance plc. It also sets out additional requirements on entities which are designated as "major" institutions to reflect the risk and nature of those institutions. The Company has been designated as a major institution under the Code. The Directors are satisfied that the Company complied, in full, with the Code throughout 2014.

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 Company. The Board meets on a regular basis and during 2014 met on twelve occasions. It 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 Company'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 Company'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 opportunities or challenges for the Company come before the Board for consideration and decision.

At the end of 2014, the Board comprises three executive Directors and five non-executive Directors, including the Chairman. The Board believes that this is appropriate, being of sufficient size and diversity to ensure that there is healthy debate and input on the main business to be dealt with by it. The Board appointed an additional executive Director in January 2015. No further changes to the Board's size or structure are anticipated in the immediate future.

The Board has delegated responsibility for the management of the Company 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.

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 is the link between the Board and the Company. 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, ensuring constructive communications between the executive and non-executive Directors and for ensuring that members of the Board develop and maintain a clear understanding of the views of the shareholder. 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 Company's business within the authority limits set out by the Board. He is responsible for proposing and developing the Company'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.

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS DURING 2014

Director	Independent	Board		Audit		Remuneration		Nomination	
		A	B	A	B	A	B	A	B
Michael Berkery	No	12	12	-	-	-	-	3	3
Walter Bogaerts	Yes	12	12	3	3	1	1	-	-
Sean Dorgan	Yes	6 *	6	-	-	1	1	1 *	1
Andrew Langford	No	12	12	-	-	-	-	-	-
David Martin	Yes	12	12	3 *	3	2 *	2	3	3
Enda O'Brien	No	12	12	-	-	-	-	-	-
Cathal O'Caoimh	No	12	12	-	-	-	-	-	-
Vincent Sheridan	Yes	12	12	1	1	1	1	2	2

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.
* Indicates the Director was Chairman of the Board or the relevant Committee at 31 December 2014.

Biographies of the Directors in office as at 31 December 2014 are set out in the Directors' report as is a brief commentary on the specific skills and experience which each non-executive Director brings to the Board. The Board confirms that during 2014 it had available to it the skills, expertise and experience necessary for the proper functioning of the Board and its Committees. 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, and financial accounting.

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. Members 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.

BOARD COMMITTEES

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

- the Audit Committee;
- the Risk 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. The terms of reference are reviewed at least annually by the relevant Committee and updated by the Board where necessary.

INTERNAL CONTROL

The Board is responsible for the Company'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. The Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risks faced by the Company, 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 organisational structure with clearly defined lines of responsibility and authority;
- a comprehensive system of financial control incorporating budgeting, periodic financial reporting and variance analysis;
- a Risk committee 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 the Company and to assist the Risk committee, described earlier, in the discharge of its duties between meetings;
- an Internal Audit function whose broad function is to help the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- an Audit committee whose formal terms of reference include responsibility for assessing the significant risks facing the Company in the achievement of its objectives and the controls in place to mitigate those risks.
- a compliance committee whose role is to assist the compliance officer in carrying out his or her duties and to assist with development, implementation, and oversight of the compliance program.

The Company has a comprehensive system of financial reporting involving budgeting, monthly reporting and variance analysis. The Annual Budget 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 Company's system of internal control. This review took account of the principal risks facing the Company, the controls in place to manage those risks and the procedures in place to monitor them.

Independent Auditors' Report

TO THE MEMBERS OF FBD INSURANCE PLC

We have audited the financial statements of FBD Insurance Plc for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Reconciliation of Movement in Ordinary Shareholders Funds, the Statement of Accounting Policies and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

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

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the affairs of the company as at 31 December 2014 and of the loss for the year then ended; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2013.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY THE COMPANIES ACTS, 1963 TO 2013

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion proper books of account have been kept by the company.
- The financial statements are in agreement with the books of account.
- In our opinion the information given in the report of the directors is consistent with the financial statements.
- The net assets of the company, as stated in the balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2014 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the provisions in the Companies Acts, 1963 to 2013 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Brian O'Callaghan
For and on behalf of Deloitte & Touche
Chartered Accountants and Statutory Audit Firm
Dublin

24 February 2015

Statement of Accounting Policies

FOR THE YEAR ENDED 31 DECEMBER 2014

BASIS OF PREPARATION

The financial statements are prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts 1963 to 2013 and the European Communities (Insurance Undertakings: Accounts) Regulations, 1996.

The principal accounting policies adopted by the Directors are:

A) ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention as modified by the revaluation of land and buildings and certain financial investments.

B) TECHNICAL RESULT

The technical result is determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

(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.

(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 daily pro-rata basis of premium written. At each balance sheet date, 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 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 each period end.

(iv) Unexpired Risks

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. Post balance sheet events are considered when determining whether a provision for unexpired risks is required.

(v) Claims Incurred

Claims incurred comprise the cost of all 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 balance sheet 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 balance sheet date in settling those claims.

The Company 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 Company 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.

Recoveries and salvage are recognised on a receipts basis.

Provision is also made in respect of the Company's share of the estimated liability for outstanding claims of the Motor Insurers' Bureau of Ireland ('MIBI'), based on an estimate of the Company's current market share and the current outstanding claims of the MIBI.

(vi) Transfer of Investment Return to Technical Account – General Business

A transfer of longer term investment return is made from the non-technical account to the technical account - general business to reflect the return made on those assets directly attributable to the insurance business.

(vii) 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 Company 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.

(viii) Funds withheld from Reinsurers

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

C) INVESTMENT RETURN

Operating profits are reported on the basis of a longer term investment return. The short term fluctuation between the longer term investment return and the actual investment return, which includes realised and unrealised gains and losses, is incorporated as an adjustment figure in arriving at profit before taxation. As a result, the operating profit is not subject to distortion from short term fluctuations in investment returns.

D) INVESTMENTS

(i) Shares and Debt Securities

Quoted shares and debt securities are stated at market value. Unquoted shares are stated at the lower of cost and net realisable value.

(ii) Investment Properties

Investment property held to earn rentals and/or for capital appreciation is stated at market value at the balance sheet date. Gains and losses arising from changes in the market value are included in the profit and loss account in the period in which they arise. The gain or loss arising on disposal of an investment property is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

E) TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset. Cost includes internal staff costs directly attributable to self-constructed assets. Depreciation is provided in respect of all tangible fixed assets, which are available for use as at the balance sheet date 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 as follows:-

Fixtures and fittings:	5 to 10 years
Motor vehicles:	5 years
Computer equipment:	5 years

F) TAXATION

The yearly charge for taxation is based on the (loss)/profit for the year and is calculated with reference to the tax rates applying at the balance sheet date. Deferred taxation is calculated on the differences between the company's taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Full provision for deferred tax assets and liabilities is provided at current tax rates on differences that arise between the recognition of gains and losses in the financial statements and their recognition in the tax computation.

Deferred tax assets are only recognised when it is deemed more than likely that the Company will be able to recover them.

G) PENSIONS

Defined Benefit Scheme

The expected cost of providing pensions to employees is charged to the profit and loss account, at a substantially level percentage of payroll, over the employees' expected service lives. Any difference between the amount so charged and the amount contributed to pension funds is included as a provision in the financial statements. The Company is part of a multi-employer scheme and is unable to identify the assets and liabilities of the scheme specific to the Company. Accordingly, the Company has availed of disclosure exemptions permitted under FRS 17 'Retirement Benefits'.

Defined Contribution Scheme

Costs arising in respect of the Company's defined contribution pension scheme are charged to the profit and loss account in the period in which they are incurred. Under this scheme, the company has no obligation to pay further contributions in the event that the fund does not hold sufficient assets to meet its benefit commitments.

H) CURRENCY

All amounts are stated in Euro. Balances in foreign currencies have been translated into Euro at contract rates where the amounts are covered by forward contracts. No forward contracts were used during 2014. All other balances are translated at the rate ruling at the year end. Non-monetary items are translated at the exchange rate at the date of transaction.

I) SHARE BASED PAYMENTS

The Company's parent, FBD Holdings plc, operates a share option scheme based on non-market vesting conditions. Options under the scheme have been issued to certain employees of the Company. The fair value of options is determined at the date of grant and expensed in the profit and loss account and credited to a capital contribution reserve over the period during which the employees become unconditionally entitled to the options. Payments made by the Company to FBD Holdings in respect of the exercise of the options are debited to the capital contribution reserve.

J) LEASES

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

(i) The Company as Lessor

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

(ii) The Company as Lessee

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

K) RESTRUCTURING COSTS

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

L) LAND & BUILDINGS

Land and buildings held for own uses are stated at market value. It is the Company's policy and practice to maintain all Company properties in a continual state of sound repair. As a result, the Directors consider that the residual values of these properties are such that any depreciation is insignificant and therefore not provided. Land and buildings are subject to a full revaluation by appropriately qualified personnel on a periodic basis.

M) DEBTORS FROM INSURANCE OPERATIONS

Amounts due from policyholders and intermediaries are accounted for on an accruals basis.

N) OTHER INCOME

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

Profit and Loss Account/Technical Account - General Business

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 €000s	2014 €000s	2013 €000s	2013 €000s
Earned premiums, net of reinsurance					
Gross premiums written		**363,735**		351,195	
Outward reinsurance premiums		**(52,312)**		(49,109)	
Net premiums written	*1(a)*		**311,423**		302,086
Change in the provision for unearned premiums					
Gross amount		**(4,269)**		(5,137)	
Reinsurers' share		**(3,710)**		(562)	
Change in net provision for unearned premiums			**(7,979)**		(5,699)
Earned premiums, net of reinsurance	*1(b)*		**303,444**		296,387
Allocated investment return transferred from the non-technical account	*1(c)*		**25,205**		24,193
Claims incurred, net of reinsurance					
Claims paid:					
Gross amount		**(242,648)**		(229,740)	
Reinsurers' share		**37,920**		23,541	
Net claims paid		**(204,728)**		(206,199)	
Change in the provision for claims					
Gross amount		**(72,892)**		15,520	
Reinsurers' share		**16,750**		(10,544)	
Change in the net provision for claims		**(56,142)**		4,976	
Claims incurred, net of reinsurance	*1(d)*		**(260,870)**		(201,223)
Net operating expenses	*1(e)*		**(82,214)**		(78,027)
Balance on the technical account - general business	*1(f)*		**(14,435)**		41,330

The accompanying notes on pages 23-43 form an integral part of the financial statements.

Profit and Loss Account/Non-Technical Account

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 €000s	2013 €000s
Balance on the technical account - general business		**(14,435)**	41,330
Longer term investment return	*2(b)*	**29,240**	28,677
Allocated investment return transferred to the technical account - general business		**(25,205)**	(24,193)
Other income		**5,912**	5,488
Other expenditure		**(490)**	-
Restructuring costs		**-**	(2,050)
Revaluation/(Impairment) of owner occupied property		**1,480**	(1,121)
Operating loss		**(3,498)**	48,131
Short term fluctuations in investment return	*2(b)*	**(2,454)**	(756)
Loss on ordinary activities before tax	*3*	**(5,952)**	47,375
Tax credit for loss on ordinary activities	*5*	**1,358**	(6,185)
Loss on ordinary activities after tax		**(4,594)**	41,190

All recognised gains and losses have been included in the above Profit and Loss Account and arise from continuing activities.

The financial statements were approved by the board on 24 February 2015 and signed on its behalf by:

Sean Dorgan Chairman

Andrew Langford Chief Executive

The accompanying notes on pages 23-43 form an integral part of the financial statements.

Balance Sheet - Assets

AT 31 DECEMBER 2014

	Notes	2014 €000s	2013 €000s
Investments			
Land and buildings	*7(a)*	**36,029**	26,476
Financial investments	*7(b)*	**846,838**	830,279
		882,867	856,755
Reinsurers' share of technical provisions			
Provision for unearned premiums	*14(e)*	**16,010**	19,720
Claims outstanding	*14(e)*	**41,300**	24,550
		57,310	44,270
Debtors			
Debtors arising out of direct insurance operations	*8(a)*	**47,207**	50,719
Other debtors	*8(b)*	**1,314**	4,305
		48,521	55,024
Other assets			
Tangible assets	*9*	**45,891**	29,900
Current tax		**8,542**	3,840
Prepayments and accrued income			
Accrued interest and rent	*10*	**2,655**	3,051
Deferred acquisition costs		**28,427**	26,429
Other prepayments and accrued income		**10,375**	13,987
		41,457	43,467
Total assets		**1,084,588**	1,033,256

The accompanying notes on pages 23-43 form an integral part of the financial statements.

Balance Sheet – Equity and Liabilities

AT 31 DECEMBER 2014

	Notes	2014 €000s	2013 €000s
Capital and reserves			
Ordinary share capital	*11*	**26,353**	26,353
Reserves	*12*	**197,850**	216,589
Preference share capital	*13*	**635**	635
Total shareholders' funds		**224,838**	243,577
Technical provisions			
Provision for unearned premiums	*14(d)*	**179,650**	175,381
Claims outstanding	*14(c)*	**638,504**	565,612
		818,154	740,993
Deferred tax liability	*16*	**1,590**	905
Creditors			
Funds withheld from reinsurers	*17*	**11,437**	14,267
Other creditors including tax and social security	*18*	**18,429**	18,866
Bank overdraft		**10,140**	14,648
		40,006	47,781
Total equity and liabilities		**1,084,588**	1,033,256

The financial statements were approved by the board on 24 February 2015 and signed on its behalf by:

Sean Dorgan Chairman

Andrew Langford Chief Executive

The accompanying notes on pages 23-43 form an integral part of the financial statements.

Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 €000s	2013 €000s
Net cash inflow from operating activities	*19(a)*	**57,812**	46,943
Corporation tax paid		**(2,660)**	(4,418)
Capital expenditure	*9*	**(24,062)**	(18,545)
Disposal of fixed assets		**19**	28
Dividends paid		**(15,089)**	(30,089)
		16,020	(6,081)
Cash flows were invested as follows			
Net portfolio investment			
Quoted shares		**(38,558)**	18,637
Quoted debt securities		**(3,303)**	23,946
Unquoted shares		**(1,779)**	(66)
Deposits with banks		**56,522**	(44,135)
Bank overdraft		**4,508**	(4,400)
Loans and advances		**(19)**	(63)
Land and property		**(1,351)**	-
Net source of cash flows	*19(c)*	**16,020**	(6,081)

Statement of Reconciliation of Movement in Ordinary Shareholders' Funds

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	**2014 €000s**	**2013 €000s**
Loss after tax		**(4,594)**	41,190
Less: Preference dividend	6	**(89)**	(89)
Loss attributable to ordinary shareholders		**(4,683)**	41,101
Dividends	6	**(15,000)**	(30,000)
Capital contribution – share based payments		**944**	977
Ordinary shareholders' funds at beginning of year		**242,942**	230,864
Ordinary shareholders' funds at end of year		**224,203**	242,942

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2014

1. SEGMENTAL INFORMATION

	2014			2013		
	Gross €000s	**Ceded €000s**	**Net €000s**	**Gross €000s**	**Ceded €000s**	**Net €000s**
(a) Written premiums						
Motor	**167,841**	**(7,040)**	**160,801**	157,422	(6,455)	150,967
Liability	**68,648**	**(2,642)**	**66,006**	65,661	(2,335)	63,326
Fire and other damage to property	**121,542**	**(42,391)**	**79,151**	122,303	(40,212)	82,091
Miscellaneous	**5,704**	**(239)**	**5,465**	5,809	(107)	5,702
	363,735	**(52,312)**	**311,423**	351,195	(49,109)	302,086

All gross premiums are written in the Republic of Ireland.

	2014			2013		
	Gross €000s	**Ceded €000s**	**Net €000s**	**Gross €000s**	**Ceded €000s**	**Net €000s**
(b) Earned premiums						
Motor	**165,319**	**(7,040)**	**158,279**	151,166	(6,455)	144,711
Liability	**66,636**	**(2,642)**	**63,994**	64,245	(2,335)	61,910
Fire and other damage to property	**121,850**	**(45,851)**	**75,999**	124,835	(40,804)	84,031
Miscellaneous	**5,661**	**(489)**	**5,172**	5,812	(77)	5,735
	359,466	**(56,022)**	**303,444**	346,058	(49,671)	296,387

	2014			2013		
	Gross Inv. Income €000s	**Inv. Expenses €000s**	**Net Inv. Income €000s**	**Gross Inv. Income €000s**	**Inv. Expenses €000s**	**Net Inv. Income €000s**
(c) Allocated investment return						
Motor	**13,401**	**(470)**	**12,931**	12,330	(255)	12,075
Liability	**9,508**	**(333)**	**9,175**	9,090	(187)	8,903
Fire and other damage to property	**2,972**	**(104)**	**2,868**	3,055	(63)	2,992
Miscellaneous	**239**	**(8)**	**231**	228	(5)	223
	26,120	**(915)**	**25,205**	24,703	(510)	24,193

Notes to the Financial Statements (continued)

1. SEGMENTAL INFORMATION (continued)

	2014			2013		
	Gross €000s	Ceded €000s	Net €000s	Gross €000s	Ceded €000s	Net €000s
(d) Incurred claims						
Motor	**166,650**	**(14,709)**	**151,941**	118,768	(3,770)	114,998
Liability	**61,562**	**(1,452)**	**60,110**	38,815	539	39,354
Fire and other damage to property	**82,740**	**(37,410)**	**45,330**	52,649	(8,843)	43,806
Miscellaneous	**4,588**	**(1,099)**	**3,489**	3,988	(923)	3,065
	315,540	**(54,670)**	**260,870**	214,220	(12,997)	201,223

	2014			2013		
	Gross €000s	Ceded €000s	Net €000s	Gross €000s	Ceded €000s	Net €000s
(e) Operating expenses						
Motor	**43,991**	**(535)**	**43,456**	40,052	-	40,052
Liability	**17,993**	**(258)**	**17,735**	16,706	-	16,706
Fire and other damage to property	**31,856**	**(12,290)**	**19,566**	31,117	(11,190)	19,927
Miscellaneous	**1,495**	**(38)**	**1,457**	1,478	(136)	1,342
	95,335	**(13,121)**	**82,214**	89,353	(11,326)	78,027

Net operating expenses are comprised as follows:

	2014 Net €000s	2013 Net €000s
Administration costs	**26,645**	22,504
Acquisition costs	**51,751**	52,930
Commission	**5,816**	4,370
Change in deferred acquisition costs	**(1,998)**	(1,777)
	82,214	78,027

(f) Technical result	2014 €000s	2013 €000s
Motor	**(24,187)**	1,736
Liability	**(4,676)**	14,753
Fire and other damage to property	**13,971**	23,290
Miscellaneous	**457**	1,551
	(14,435)	41,330

2. INVESTMENT INCOME

(a) Longer term investment return

The principal assumptions 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 future investment return.

	2014 %	2013 %
Government bonds	**3.00**	3.00
Other quoted debt securities	**4.00**	4.00
Quoted shares	**6.75**	6.75
Deposits with banks	**2.75**	2.75
UCITs	**6.75**	6.75
Investment properties held for rental	**6.25**	6.25

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

	2014 €000s	2013 €000s
Actual return		
Revaluation of investment property	**9,744**	881
Other unrealised movements in investments	**(4,405)**	7,173
Profit on realisation of investments	**8,333**	2,005
	13,672	10,059
Income from interest, dividends and rental properties	**14,029**	18,420
Investment expenses	**(915)**	(558)
Actual investment return	**26,786**	27,921
Less longer term investment return	**(29,240)**	(28,677)
Short term fluctuations	**(2,454)**	(756)

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAX

	2014 €000s	2013 €000s
Loss on ordinary activities before tax has been stated after charging:		
Directors' remuneration:		
For services as Directors	**187**	151
Other Emoluments	**895**	1,020
Auditor's Remuneration:		
Audit services	**125**	125
Other assurance services	**-**	-
Tax advisory	**50**	50
Other non-audit services	**-**	-
	175	175
Depreciation	**8,071**	7,547

Notes to the Financial Statements (continued)

4. STAFF COSTS AND NUMBERS

The average number of persons employed in the Company in the financial year was 809 (2013:732). All staff are employed in insurance and investment operations.

	2014 €000s	2013 €000s
The aggregate payroll of these persons was as follows:		
Wages and salaries	**40,323**	38,455
Social welfare costs	**4,523**	4,223
Pension costs	**6,086**	6,041
Share based payments	**944**	977
	51,876	49,696

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2014 €000s	2013 €000s
Irish corporation tax charge	**1,871**	(5,218)
Current tax charge	**1,871**	(5,218)
Deferred tax charge	**(513)**	(967)
	1,358	(6,185)
The tax assessed for the year is lower than the standard rate of corporation tax in Ireland.		
The differences are explained below:		
Profit on ordinary activities before tax	**(5,952)**	47,375
Corporation tax at standard rate of 12.5% (2013: 12.5%)	**744**	(5,922)
Depreciation for year in excess of capital allowances	**(104)**	(103)
Non-taxable income/unrealised gains or expenses not deductible for tax purposes	**1,402**	938
Pension paid	**(164)**	(124)
Income taxable at a higher rate	**(7)**	(7)
Tax charge for current year	**1,871**	(5,218)
Deferred tax charge	**(513)**	(967)
	1,358	(6,185)

6. DIVIDENDS

Paid:	2014 €000s	2013 €000s
Dividend of **72.29c** per ordinary share (2013: 144.58c) of €1.27 each	**15,000**	30,000
Dividend of **17.8c** per share (2013: 17.8c) on 14% non-cumulative	**89**	89
Transfer to revenue reserves	**15,089**	30,089

7. INVESTMENTS

(a) Land and buildings

	Inv. Properties held for rental €000s	Land & buildings held for own use €000s	Total €000s
Balance at 1 January 2013	**10,686**	**16,030**	**26,716**
Revaluation/(impairment)	**881**	**(1,121)**	**(240)**
Balance at 31 December 2013	**11,567**	**14,909**	**26,476**
Revaluation/(impairment)	**9,421**	**1,480**	**10,901**
Disposal	**(1,353)**	**(319)**	**(1,672)**
Gain on Disposal	**324**	**-**	**324**
Balance at 31 December 2014	**19,959**	**16,070**	**36,029**

Land and buildings held for own use and investment properties held for rental located in Ireland were valued by external valuers on an open market basis at 31 December 2014 by C.B. Richard Ellis, Valuation Surveyors. Investment property held for rental located outside Ireland were valued by external valuers on an open market basis at 31 December 2014 by Colliers International Valuation UK LLP. The historical cost of land and buildings is €43,687,422.

(b) Financial Investments

	2014 €000s	2013 €000s
Quoted debt securities at market value	**269,837**	274,657
Unquoted debt securities at market value	**-**	3,809
Quoted shares at market value	**39,956**	71,787
UCITs	**24,509**	23,523
Unquoted investments	**843**	1,313
Deposits with banks	**510,963**	454,441
Other loans	**730**	749
	846,838	830,279
Quoted debt securities at cost	**271,056**	280,240
Quoted shares at cost	**39,741**	61,736

In the opinion of the directors the stated value of the unquoted investments is not less than their realisable value.

8. DEBTORS

(a) Debtors arising out of direct insurance operations

	2014 €000s	2013 €000s
Policyholders	**41,085**	45,244
Intermediaries	**6,122**	5,475
	47,207	50,719

Notes to the Financial Statements (continued)

8. DEBTORS (continued)

(b) Other debtors

	2014 €000s	2013 €000s
Other debtors	**1,314**	4,305
	1,314	4,305

9. TANGIBLE ASSETS

	Computer Equipment €000s	Fixtures & Fittings €000s	Other €000s	Total €000s
Cost:				
Cost as at 01 Jan 2013	65,040	17,683	446	83,169
Additions	18,051	494	-	18,545
Disposals	-	-	(117)	(117)
Cost as at 31 Dec 2013	83,091	18,177	329	101,597
Additions	22,615	1,447	-	24,062
Disposals	-	-	(150)	(150)
Cost as at 31 Dec 2014	**105,706**	**19,624**	**179**	**125,509**
Depreciation:				
Depreciation as at 01 Jan 2013	49,954	13,932	349	64,235
Charge for year	6,413	1,092	42	7,547
Disposals	-	-	(85)	(85)
Depreciation as at 31 Dec 2013	56,367	15,024	306	71,697
Charge for year	7,011	1,052	8	8,071
Disposals	-	-	(150)	(150)
Depreciation as at 31 Dec 2014	**63,378**	**16,076**	**(164)**	**79,618**
Net book value at beginning of year	26,724	3,153	23	29,900
Net book value at end of year	**42,328**	**3,548**	**15**	**45,891**

Assets amounting to €26,222,000 included within the carrying value of computer equipment above have not been depreciated as they are in the course of construction.

10. ACCRUED INTEREST AND RENT

	2014 €000s	2013 €000s
Deposit interest due	**2,039**	3,051
Rental income due	**616**	-
	2,655	3,051

11. ORDINARY SHARE CAPITAL

	2014 Number	2013 Number	2014 €000s	2013 €000s
Authorised:				
Ordinary shares of €1.27 each	**20,750,000**	20,750,000	**26,353**	26,353
"A" ordinary shares of €1.27 each	**1,000,000**	1,000,000	**1,270**	1,270
"B" ordinary shares of €1.27 each	**5,000,000**	5,000,000	**635**	635
			28,258	28,258
Issued and fully paid:				
At beginning and end of year				
Ordinary shares of €1.27 each		20,750,000	**26,353**	26,353

12. RESERVES

	2014 €000s	2013 €000s
Revenue reserves		
At beginning of year	**212,386**	201,285
Transfer from profit and loss account	**(4,594)**	41,190
Dividends	**(15,089)**	(30,089)
At end of year	**192,703**	212,386
Capital contribution		
At beginning of year	**4,203**	3,226
Received during year	**944**	977
At end of year	**5,147**	4,203
	197,850	216,589

The capital contributions received from FBD Holdings plc, the Company's parent, are in the form of share options granted to the Company by its parent.

13. PREFERENCE SHARE CAPITAL

	Number	2014 €000s	2013 €000s
Authorised:			
14% non-cumulative preference shares of €1.27 each	500,000	**635**	635
10% non-cumulative preference shares of €1.27 each	500,000	**635**	635
		1,270	1,270
Issued and fully paid:			
At beginning and end of year:			
14% non-cumulative preference shares of €1.27 each	500,000	**635**	635

14. TECHNICAL PROVISIONS

(a) Gross Claims outstanding

	Prior years €000s	2005 €000s	2006 €000s	2007 €000s	2008 €000s	2009 €000s	2010 €000s	2011 €000s	2012 €000s	2013 €000s	2014 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year		323,734	391,532	339,311	382,742	376,788	351,673	261,597	252,558	263,945	326,884	
One year later		276,710	305,494	314,909	372,808	341,492	333,792	231,835	233,037	251,707	-	
Two years later		242,367	298,615	308,015	372,985	340,400	331,479	239,627	240,057	-	-	
Three years later		228,175	295,254	302,621	371,617	340,620	325,032	242,299	-	-	-	
Four years later		223,433	289,862	299,594	367,095	328,232	320,063	-	-	-	-	
Five years later		217,325	286,115	294,460	359,085	327,462	-	-	-	-	-	
Six years later		216,196	283,287	289,154	356,807	-	-	-	-	-	-	
Seven years later		215,988	279,330	286,743	-	-	-	-	-	-	-	
Eight years later		214,588	279,750	-	-	-	-	-	-	-	-	
Nine years later		215,465	-	-	-	-	-	-	-	-	-	
Estimate of cumulative claims		215,465	279,750	286,743	356,807	327,462	320,063	242,299	240,057	251,707	326,884	
Cumulative payments		(208,428)	(272,866)	(275,637)	(338,105)	(298,203)	(270,240)	(170,940)	(145,724)	(122,340)	(116,715)	
Claims outstanding at 31 December 2014	10,465	7,037	6,884	11,106	18,702	29,259	49,823	71,359	94,333	129,367	210,169	**638,504**
Claims outstanding at 31 December 2013	11,392	7,723	9,010	16,764	27,316	40,087	71,649	87,825	107,497	186,349	-	**565,612**
Movement during year	(927)	(686)	(2,126)	(5,658)	(8,614)	(10,828)	(21,826)	(16,466)	(13,164)	(56,982)	210,169	**72,892**

14. TECHNICAL PROVISIONS (continued)

(b) Net Claims outstanding

	Prior years €000s	2005 €000s	2006 €000s	2007 €000s	2008 €000s	2009 €000s	2010 €000s	2011 €000s	2012 €000s	2013 €000s	2014 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year		289,982	296,995	305,826	335,047	301,648	274,844	233,362	235,041	247,872	276,030	
One year later		286,471	256,154	278,608	315,022	275,864	259,867	208,430	218,763	232,081	-	
Two years later		221,391	251,968	275,336	313,620	278,612	260,351	215,507	225,759	-	-	
Three years later		210,223	249,476	270,174	313,296	276,679	254,533	217,731	-	-	-	
Four years later		205,559	244,075	267,528	308,310	266,038	249,838	-	-	-	-	
Five years later		203,399	240,946	261,371	300,648	264,909	-	-	-	-	-	
Six years later		198,694	237,985	256,643	298,419	-	-	-	-	-	-	
Seven years later		198,005	234,325	254,340	-	-	-	-	-	-	-	
Eight years later		196,771	234,752	-	-	-	-	-	-	-	-	
Nine years later		197,695	-	-	-	-	-	-	-	-	-	
Estimate of cumulative claims		197,695	234,752	254,340	298,419	264,909	249,838	217,731	225,759	232,081	276,030	
Cumulative payments		(190,772)	(227,973)	(243,546)	(280,105)	(237,288)	(200,773)	(149,801)	(132,125)	(113,184)	(86,600)	
Claims outstanding at 31 December 2014	7,817	6,923	6,779	10,794	18,314	27,621	49,065	67,930	93,634	118,897	189,430	**597,204**
Claims outstanding at 31 December 2013	8,606	7,560	8,902	15,768	26,901	37,982	70,420	84,148	106,352	174,423	-	**541,062**
Movement during the year	(789)	(637)	(2,123)	(4,974)	(8,587)	(10,361)	(21,355)	(16,218)	(12,718)	(55,526)	189,430	**56,142**

Notes to the Financial Statements (continued)

14. TECHNICAL PROVISIONS (continued)

Claims Outstanding

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 Company 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 Company 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 profit & loss account.

Provision is also made in respect of the Company's share of the estimated liability for outstanding claims of the Motor Insurers' Bureau of Ireland ("MIBI"). This provision is based on the Company's 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 2013	**581,132**	546,038
Change in provision for claims	**(15,520)**	(4,976)
Balance at 31 December 2013	**565,612**	541,062
Change in provision for claims	**72,892**	56,142
Balance at 31 December 2014	**638,504**	597,204

(d) Reconciliation of provision for unearned premium

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

	2014 €000s	2013 €000s
Balance at 1 January	**175,381**	170,244
Net premium written	**311,423**	302,086
Less: net premium earned	**(303,444)**	(296,387)
Changes in provision for unearned premium – reinsurers share	**(3,710)**	(562)
Provision for unearned premium at 31 December	**179,650**	175,381

14. TECHNICAL PROVISIONS (continued)

(e) Reconciliation of reinsurers' share of technical provisions

	Claims Outstanding €000s	UPR €000s
Balance at 1 January 2013	**35,094**	20,283
Change	**(10,544)**	(563)
Balance at 31 December 2013	**24,550**	19,720
Change	**16,750**	(3,710)
Balance at 31 December 2014	**41,300**	16,010

15. RISK MANAGEMENT

The Company recognises the critical importance of efficient and effective risk management. Board committees and executive management committees have been established to provide the appropriate governance and risk management structure for the Company. The Board committees include the audit committee and the risk committee. The executive management committees include the pricing committee, the reserving committee, the investment committee and the Solvency II steering committee, all of which assist the Board in the identification and management of exposures and capital.

Risk Appetite

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 capacity is the amount and type of risk that the Company could bear over a defined period of time without breaching capital requirements. Ultimately, the Company's risk capacity is defined by its surplus assets. The Company has the capacity to take a series of risks that combined (and net of diversification impact) would reduce or eliminate its surplus assets. It does not have the capacity to undertake a series of risks that combined (and net of diversification impact) could exceed its surplus assets.

Risk appetite is a measure of the amount and type of risks the Company is willing to accept or not accept over a defined period of time in pursuit of its objectives. The Company'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 of the Company is driven by an overarching desire to protect the solvency of the Company at all times. Through the proactive management of risk the Company ensures that it does not currently 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 these liabilities fall due.

Risk is categorised as follows:

- General Insurance Risk
- Operational Risk
- Capital Risk
- Investment Risk
- Liquidity Risk
- Market Risk
- Credit Risk
- Concentration Risk

Notes to the Financial Statements (continued)

15. RISK MANAGEMENT (continued)

General Insurance Risk

Underwriting Risk & Competition

The Company 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 Company's underwriting strategy is incorporated in the overall corporate strategy that is approved by the Board of Directors and includes the employment of appropriately qualified underwriting personnel; the targeting of certain types of business; constant review of the Company'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 Company's reinsurance treaties.

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

Reserving

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

The Company employs actuaries to review its liabilities to ensure that the carrying amount of the liabilities is adequate. This is subject to review by external actuaries. Where the liabilities, net of any related deferred acquisition costs, are deemed to be inadequate, the deficiency is recognised immediately in the Company Profit & Loss account.

Reinsurance counterparties

The Company purchases reinsurance protection to limit its exposure to single claims and the aggregation of claims from catastrophic events. The Company places reinsurance with companies that it believes are strong financially and operationally. Credit exposures to these companies are closely managed by senior management. All of the Company's current reinsurers have either a credit rating of A- or better or have appropriate security in place with the Company. The Company has assessed these credit ratings as being satisfactory in diminishing the Company's exposure to the credit risk of its reinsurance receivables.

Operational Risk

Operational risk arises 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 Company is exposed and strategic and Company risks that are not 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 Company's 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 Risk committee reviews 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 Company has taken significant steps to minimise the impact of business interruption that could result from a major external event. A formal disaster recovery plan is in place for both workspace recovery and retrieval of communications, IT systems and data. In the event of a major event, these procedures will enable the Company to move the affected operations to alternative facilities within very short periods of time. The disaster recovery plan is tested regularly and includes disaster simulation tests. In the event of a loss of staff, for example as a result of a pandemic, a plan is in place to re-assign key responsibilities and transfer resources to ensure key business functions can continue to operate.

15. RISK MANAGEMENT (continued)

Capital Risk

The Company's primary objectives when managing its capital position are:

1) to safeguard its ability to continue as a going concern, so that it can continue to provide long-term growth;

2) to provide an adequate return to the Company's shareholders by pricing its insurance products and services commensurately with the level of risk;

3) the attainment of an efficient cost of capital; and

4) to comply with all regulatory requirements by a significant margin.

In order to obtain or maintain an optimal capital structure the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, assume debt, or sell assets to reduce debt.

The Company's activities are funded by a mixture of capital sources including issued equity share capital and retained earnings. The Board ensures that the use and allocation of capital are given a primary focus in all significant operational actions. During the year the Company was in compliance with capital requirements imposed by regulators.

The Company has a range of policies designed to mitigate and manage risks that could have an impact on the Company's capital base, including the Company's investment strategy, reinsurance policy and counterparty credit policy. The Company uses a number of sensitivity based risk analysis tools as part of its decision making and planning process to understand and manage the volatility of earnings and capital requirements more effectively. The Company 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 risks to which the business and its capital base are exposed.

There were no changes in the Company's approach to capital risk management during the current or prior year under review.

Capital modelling and regulation

The capital requirement of the Company is determined by its exposure to risk and the solvency criteria established by management and statutory regulations. The table below sets out the statutory minimum capital requirement and FBD Insurance plc's available capital.

	2014 **€000**	**2013** **€000**
Statutory minimum capital requirement	**59,806**	59,806
Actual capital available to cover the solvency requirement	**204,997**	231,560
Excess Solvency Cover	**342%**	387%
Net Earned Premium	**303,444**	296,387
Solvency margin	**67.6%**	78.1%

The Company has also calculated its Solvency II capital requirement, based upon the most up to date EIOPA guidance.

Investment Risk

The investment policy is designed to maximise returns within the overall risk appetite of the Company. Technical funds, the investments held for the payment of future claims, are primarily invested in government bonds, corporate bonds and cash. The high quality and short duration of these funds allows the Company to meet its solvency requirements and fund claims as they fall due. These funds are maintained in the currency of the insurance policy to reduce foreign exchange risk. A proportion of the Company's assets are allocated to riskier assets, principally equities. Here, it is the Company's philosophy to take a long-term view in search of acceptable risk adjusted returns. The proportion of the Company's funds invested in risk assets will depend on the outlook for investment and underwriting markets.

15. RISK MANAGEMENT (continued)

Liquidity Risk

Liquidity risk is the risk of being unable to meet liabilities to customers or other creditors as they fall due, or the risk of incurring excessive costs in selling assets or having to raise finance in a very short period. The majority of the Company's cash inflows and outflows are routine and can be forecast well in advance. The primary source of inflows is insurance premiums and investment income whilst outflows are to policyholders for claims and expenses. Free cash is invested according to the Company's investment policy and cash requirements can normally be met through regular income streams (i.e. premiums or investment income), existing cash balances or realising investments that have reached maturity. The Company's liquidity risk arises from large, unplanned cash requirements and the principal source of liquidity risk is a major catastrophe resulting in a large cash requirement in advance of recovery from a reinsurance partner. To mitigate this risk, sufficient levels of investments are held in liquid assets. On this basis the Company believes the likelihood of being unable to fund its liabilities, or of incurring excessive costs in doing so, to be extremely remote.

The following table provides an analysis of assets into their relevant maturity based on the remaining period at the balance sheet date to their contractual maturities.

Assets 31 December 2014	Total €000s	Within 1 year €000s	Within 2-5 years €000s	After 5 years €000s
Quoted debt securities at market value	269,837	58,917	176,860	34,060
Quoted Shares at market value	39,956	39,956	-	-
Unquoted shares	843	843	-	-
Deposits with banks	510,962	414,962	96,000	-
Other loans	730	-	730	-
Reinsurers share of technical provisions	57,310	24,876	27,502	4,932
Debtors arising out of direct insurance operations	47,207	47,207	-	-
Other debtors	1,314	1,314	-	-
UCITs	24,509	24,509	-	-
	952,668	612,584	301,092	38,992

Analysis of expected maturity of liabilities

The following table shows the liabilities at 31 December analysed by duration. Total liabilities are split up by duration in proportion to the cash flows estimated to arise during that period.

Liabilities 31 December 2014	Total €000s	Within 1 year €000s	Within 2-5 years €000s	After 5 years €000s
Technical Provisions	818,154	260,162	447,298	110,694
Other Liabilities	40,006	40,006	-	-
	858,160	300,168	447,298	110,694

15. RISK MANAGEMENT (continued)

Assets 31 December 2013	Total €000s	Within 1 year €000s	Within 2-5 years €000s	After 5 years €000s
Quoted debt securities at market value	274,656	70,951	191,606	12,099
Unquoted debt securities at market value	3,809	3,809	-	-
Quoted Shares at market value	71,787	71,787	-	-
Unquoted shares	1,313	1,313	-	-
Deposits with banks	454,441	408,441	46,000	-
Other loans	749	-	749	-
Reinsurers share of technical provisions	44,271	28,367	13,519	2,385
Debtors arising out of direct insurance operations	50,719	50,719	-	-
Other debtors	3,746	3,746	-	-
UCITs	23,523	23,523	-	-
	929,014	662,656	251,874	14,484

Liabilities 31 December 2013	Total €000s	Within 1 year €000s	Within 2-5 years €000s	After 5 years €000s
Technical Provisions	740,993	271,553	369,204	100,236
Other Liabilities	46,835	46,835	-	-
	787,828	318,388	369,204	100,236

Market risk

The Company has invested in quoted and unquoted 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 Company's investment portfolio. All unrealised movements in market value are as a result of market risk.

Interest rate risk

Interest rate risk arises primarily from the Company's investments in quoted debt securities held for trading. 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.

Equity price risk

The Company 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 Company's Investment Committee using the framework set out in the Company's investment policy which is approved annually by the Board of Directors. The investment policy 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 Company to hold a diversified portfolio of assets thereby reducing exposure to individual sectors.

15. RISK MANAGEMENT (continued)

Foreign currency risk

The Company holds investment assets in foreign currencies and is therefore exposed to exchange rate fluctuations. The Company is primarily exposed to Sterling. Derivative instruments are used for the purposes of protecting the Euro value of assets denominated in non-Euro currencies in circumstances where the cost of the hedge is deemed commercial having regard to the potential foreign currency risk. None were used in 2014.

The Company did not hold any derivative instruments at 31 December 2014 or 31 December 2013. The carrying amount of the Company's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

Assets	2014 €000s	2013 €000s
GBP – equities	**5,888**	10,466
US$ – equities	**541**	8,406
Swiss Franc – equities	**2,871**	2,890
US$ – cash balance	**3,458**	-
Total assets	**12,758**	21,762
Liabilities	**-**	-

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 credit ratings issued by credit rating agencies. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets that fall outside this range are classified as speculative grade. All of the Company's bank deposits are with either A rated or higher financial institutions or banks covered by a government guarantee.

The Company's quoted debt securities at market value have the following characteristics:

	Market Value €'000	Rating	Duration (Years)
Irish government bonds	45,808	A-	2.63
Listed corporate bonds (average)	224,029	A	2.05

Given the ratings and durations of its quoted debt securities portfolio, the Company deems the credit risk to be acceptable.

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

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 Company is exposed are as follows:

- The Irish government bonds carry a credit rating of A- and have duration of 2.63 years. Given the short duration of these bonds and the improvement in the economic outlook for Ireland and the wider European and global economies, the Company deems any concentration risk to be acceptable.
- The listed corporate bonds carry an average credit rating of A, with none of the listed corporate bond fund being invested in bonds with a rating of BBB (the lowest rating allowed within the fund). The average duration of the fund is 2.05 years. Given the ratings, spread of investments and duration of the listed corporate bonds, the Company deems any concentration risk to be acceptable.

15. RISK MANAGEMENT (continued)

Concentration risk (continued)

- All deposits are held in banks that have a credit rating of A- or better or are covered by a government guarantee. The total investment with any one institution made by way of deposit, corporate bonds or equity investments, cannot exceed €55m. Given the rating and the spread of deposits across a range of banks operating in different jurisdictions, 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 Company has set counterparty limits and the exposure to a single counterparty by way of deposits, corporate bonds or equities cannot exceed that limit.

Concentration risk resulting from adverse weather events, i.e., floods, storms or freezes in Ireland, is mitigated by an appropriate reinsurance strategy and other risk selection techniques.

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

16. DEFERRED TAX

	Revaluation of investments €'000	Other timing differences €'000	Total €'000
Balance as at 1 Jan 2013	84	(22)	62
Charged to the profit & loss account in 2014	(1,138)	171	(967)
Balance as at 31 Dec 2013	**(1,054)**	**149**	**(905)**
Charged to the profit & loss account in 2014	(1,108)	423	(685)
Balance as at 31 Dec 2014	**(2,162)**	**572**	**(1,590)**

17. FUNDS WITHELD FROM REINSURERS

Included within the total amounts owed to reinsurers are funds withheld of €12,668,000.

18. OTHER CREDITORS INCLUDING TAX AND SOCIAL SECURITY

	2014 €000s	2013 €000s
Amounts falling due within one year:		
Creditors and accruals	**16,764**	16,583
PAYE/PRSI	**1,296**	1,895
Trading balance with parent company	**369**	388
	18,429	18,866

Notes to the Financial Statements (continued)

19. CASHFLOW ANALYSIS

(a) Reconciliation of loss on ordinary activities before tax to net cash inflow from operating activities

	2014 €000s	2013 €000s
Loss on ordinary activities before tax	**(5,952)**	47,375
Unrealised gains	**(14,599)**	(8,614)
Technical provisions	**64,122**	723
Other debtors and creditors	**5,245**	(1,069)
Depreciation	**8,071**	7,549
Profit on disposal of fixed assets	**(19)**	2
Share based payments	**944**	977
	57,812	46,943

(b) Movement in opening and closing portfolio investments net of finance

	2014 €000s	2013 €000s
Movement arising from cash flows	**16,020**	6,081
Increase in market value	**14,599**	8,615
Total movement in portfolio investments net of financing	**30,619**	14,696
Portfolio investments net of financing at 1 January	**842,108**	819,257
Portfolio investments net of financing at 31 December	**872,727**	833,953

(c) Analysis of cash flows for headings netted in the cash flow statement

	2014 €000s	2013 €000s
Portfolio investments		
Purchase of quoted shares	**(25,818)**	(63,048)
Sale of quoted shares	**64,376**	44,411
Purchase of quoted debt securities held at amortised cost	**(17,217)**	-
Sale of quoted debt securities held at amortised cost	**104,711**	78,900
Purchase of quoted debt securities at market value	**(129,308)**	(103,493)
Sale of quoted debt securities at market value	**45,117**	647
Decrease/(increase) in deposits with banks	**(56,522)**	44,135
Increase/(decrease) in bank overdraft	**(4,508)**	4,400
Increase in loans and advances	**19**	63
Purchases of unquoted shares	**(145)**	(319)
Sales of unquoted shares	**1,924**	385
Decrease in land and property	**1,351**	-
	(16,020)	6,081

19. CASHFLOW ANALYSIS (continued)

(d) Movement in Cash, Portfolio Investments and Financing

	1/1/14 €000s	Less cashflow €000s	Changes to market values €000s	31/12/14 €000s
Quoted shares	71,787	(34,749)	2,918	**39,956**
UCITs	23,523	-	986	**24,509**
Quoted debt securities at market value	274,658	(3,306)	(1,515)	**269,837**
Unquoted debt securities at market value	3,809	(3,809)	-	**-**
Unquoted shares	1,313	(1,779)	1,309	**843**
Deposits with banks	454,441	56,522	-	**510,963**
Bank overdraft	(14,648)	4,508	-	**(10,140)**
Other loans	749	(19)	-	**730**
Land and buildings	26,476	(1,348)	10,901	**36,029**
	842,108	16,020	14,599	**872,727**

20. PENSIONS

Certain employees of the Company are members of a defined benefit pension scheme operated by the Company's parent, FBD Holdings plc. In addition the Company operates a defined contribution scheme. The assets of both schemes are held in separate trustee administered funds. The total defined benefit pension cost for the company was **€4,426,584** (2013: €4,490,711). In 2004, the company made a special pension contribution of €15,274,800. This is charged to the profit & loss account over the average expected service lives of the employees in the scheme, being 15 years. The pension charge above includes a charge of **€1,018,000** (2013: €1,018,000) relating to the special pension contribution. The pension cost is assessed in accordance with the advice of a qualified actuary using the attained age method of funding. The latest actuarial assessments of the schemes were carried out as at 30 June 2013. The principal assumption used in the actuarial valuations was that the difference between the investment return and pensionable remuneration increases would average 2%.

Contributions made by the Company to the defined contribution pension scheme amounted to **€1,267,893** (2013: €1,120,000).

Contributions made by the Company to the 'Increased Pension Scheme' amounted to **€386,039** (2013: €430,192).

Certain employees are members of a defined benefit pension scheme operated by the Company's parent, FBD Holdings plc. The assets and liabilities of the scheme attributable to the members from this Company are not separately identifiable and therefore the scheme meets the definition of a multi-employer scheme under FRS 17 – Retirement Benefits. The Company has availed of disclosure exemptions applicable to multi-employer schemes under FRS 17. Based on the latest actuarial valuation advised by the scheme's trustees the pension scheme is in deficit. However, it does meet the minimum funding standard of the Pension Board. The total net deficit on the FBD Holdings plc defined benefit pension scheme amounted to **€54,254,000** (2013: €28,500,000) at the reporting date.

	2014 %	2013 %
(a) Assumptions used to calculate scheme liabilities		
Inflation rate increase	**1.50***	2.00
Salary rate increase	**1.00 - 2.50**	3.00
Pension payment increase	**0.00 - 1.50**	2.00
Discount rate	**2.20**	3.80

*Inflation assumed to be 0% p.a. for the next 3 years and 1.50% p.a. thereafter

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

20. PENSIONS (continued)

(b) Mortality Assumptions	2014 Years	2013 Years
The average life expectancy of current and future retirees used in the scheme at age 65 is as follows:		
Male	**20.8**	22.3
Female	**23.4**	24.1

The weighted average duration of the expected benefit payments from the scheme is circa 23 years.

21. SHARE BASED PAYMENTS

FBD Holdings plc Executive Share Option Scheme

The Company's parent, FBD Holdings plc operates an equity settled executive share option scheme, the FBD Holdings plc Executive Share Option Scheme ("ESOS"), under which options to purchase Ordinary Shares of €0.60 each ("ordinary shares") in FBD Holdings plc are granted to certain executive directors and senior management. Under the terms of the ESOS, the options are exercisable at the market price prevailing at the date of the grant of the option (the "option price"). Under the terms of an amendment to the ESOS approved by FBD Holdings plc's 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. The fair value of the most recent grant of options under the ESOS in August 2009 was €1.62.

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

	2014 Weighted average exercise price in € per share	2014 Options	2013 Weighted average exercise price in € per share	2013 Options
At 1 January	**7.45**	**325,000**	6.64	968,825
Granted	-	-	-	-
Exercised	**7.45**	**(325,000)**	6.21	(633,825)
Lapsed	-	-	7.45	(10,000)
At 31 December	-	-	7.45	325,000
Total exercisable at 31 December	-	-	7.45	325,000

FBD Group Performance Share Plan

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

21. SHARE BASED PAYMENTS (continued)

Fair value calculations

Conditional awards were made in November 2011 over 252,077 ordinary shares, in March 2013 over 140,940 ordinary shares and in April 2014 over 108,631 ordinary shares.

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

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

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

Accounting charge for share based payments

Grant date	Vesting period (years)	Number of options granted	Number outstanding at 31 December 2014	Grant price	Market value at grant date	Fair value at grant date	2014	2013
				€	€	€	€000s	€000s
18.11.2011 LTIP	2.37	252,077	-	-	6.55	6.18	**145**	588
04.03.2013 LTIP	3.00	140,940	140,940	-	12.70	11.54	**470**	389
14.04.2014 LTIP	3.00	108,631	108,631	-	17.00	14.25	**329**	-
Total							**944**	977

22. SUBSEQUENT EVENTS

There were no events subsequent to year end requiring disclosure.

23. GROUP MEMBERSHIP

The Company has availed of an exemption as set out in the European Communities (Companies: Group Accounts) Regulations, 1992, not to prepare consolidated financial statements. The smallest and largest group into which these financial statements are consolidated is that of FBD Holdings plc.

The Company has availed of an exemption as set out in FRS 8, not to disclose related party transactions as these are disclosed in full in the consolidated accounts of FBD Holdings plc.

The Company is a subsidiary of FBD Holdings plc, a company incorporated in Ireland. Copies of the group financial statements, in which these financial statements are consolidated, are available from the registered office of FBD Holdings plc at FBD House, Bluebell, Dublin 12.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the thirty-eighth annual general meeting of the Company will be held in FBD House, Bluebell, Dublin 12, on 12 May 2015, at 4 pm for the following purposes:

(a) To receive and consider the Directors' Report and financial statements for the year ended 31 December 2014.

(b) To re-elect Directors under Article 14(a);

The following persons are recommended by the board for re-election:
Mr. Michael Berkery
Mr. Walter Bogaerts
Mr. Sean Dorgan
Mr. David Martin
Mr. Vincent Sheridan

(c) To authorise the Directors to fix the remuneration of the Auditors.

(d) To transact any other Ordinary Business of the Company.

BY ORDER OF THE BOARD

Conor Gouldson
Secretary

Dated: 29 March 2015

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