



FBD Holdings plc
Annual Report 2010



Driven by

Ambition

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Financial Highlights

	2010 €000s	2009 €000s
Gross premium written	358,385	357,244
Net premium earned	302,540	314,604
Operating profit before tax	40,666	28,880
Loss before taxation	(3,083)	(34,644)

	2010 Cent	2009 Cent
Operating earnings per 60 cent ordinary share	106	75
Ordinary dividend per 60 cent ordinary share	31.5	30.0
Net assets per 60 cent ordinary share	547	576

Calendar:

Preliminary announcement	8 March 2011
Annual General Meeting	29 April 2011
Final dividend payment date	5 May 2011

Chairman's Statement

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



I am very pleased to report that 2010 was another year of significant strategic and operational progress for FBD Group. The contraction of the Irish economy and the insurance industry, continued to provide a challenging business environment. The Group's underwriting business is, by its nature, defensive and its spread of business is not over-exposed to any particular sector. It benefited from the relative strength of the agricultural sector in 2010 and delivered a solid operating profit, achieving an improved combined operating ratio, despite the severe weather events.

FBD has made significant progress in its strategic initiative to increase penetration of urban markets, particularly Dublin. NoNonsense.ie and FBD.ie (our on-line offerings) continue to attract a higher proportion of customers from Dublin and other urban centres. Likewise the initiative to increase distribution via brokers has delivered increased business insurance from urban

centres. The Company's sales office network has been successful in further developing farming and business insurance during 2010, a key strategic priority for FBD.

The industry was heavily impacted by severe weather claims as a result of the freezes in both January and December 2010. In this environment, FBD's underwriting discipline and prudent reinsurance policy have served their purpose and protected the Group's trading result, its capital base and solvency.

Regaining national competitiveness is key to Irish economic prospects. Claims reforms initiated in recent years have delivered significant benefits to businesses and the consumer in the form of lower insurance premiums. The Group is encouraged by the recent introduction of a nationwide network of speed cameras. However, claims costs in Ireland remain high relative to other economies. While credit must be given for progress

in reducing road fatalities and accident rates, continued reform is required. Personal injury awards must be brought into line with other jurisdictions to deliver comparable premium levels.

Market conditions for the Group's leisure and property businesses have remained challenging. Excess capacity exists in the hotel market, particularly in Ireland, and the timing of recovery is dependent on a reduction in industry capacity. FBD is supportive of the Irish Tourist Industry Confederation's recent report which recommends a 10 point plan to enable tourism to recover to become a major engine of Irish economic growth. Recovery in the hotel sector will depend on achieving sustainable rates, and this will not occur until overcapacity is resolved.

While the Group delivered a solid operating performance with an operating profit of €40.7m in 2010, the result before tax was adversely impacted by negative fluctuations in investment returns, reflecting the volatility in investment markets. The Directors have taken a conservative approach to the valuation of assets and the potential for further downside has been greatly reduced.

FBD has the people, plans, infrastructure and financial strength to continue to deliver long-term profitable growth, particularly in an environment where rates are hardening.

The Group is committed to a progressive dividend strategy while maintaining a strong balance sheet and robust solvency margins. The Board is recommending a 2010 final dividend payout of 21.0 cent per ordinary share, bringing the full 2010 dividend to 31.5 cent per ordinary share.

There were two changes in the composition of the Board during 2010. Mr. Padraig Walshe resigned as a Director in May 2010. On behalf of the Board, I would like to thank Padraig for his input and advice in the period since his appointment to the Board in 2006. We wish him every success in the future.

Mr. John Bryan was co-opted to the Board in June 2010. As President of the Irish Farmers Association, his long involvement with and insights and linkage into the farming community will be of great benefit to the Group, particularly given that one of our key strategic priorities is the further development of farming business.

During the year, in recognition of the Board's commitment to compliance with the Combined Code of Corporate Governance in every respect, the Board commenced a careful review of its composition with the support of the Nomination Committee. This review was designed to ensure that the composition of the Board included an appropriate mix of independence together with the specific skills and experience required to do its work. As a result of this review the Board has embarked on a programme of refreshment which shall be implemented during the course of 2011.

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

Michael Berkery

Chairman

7 March 2011

Review of Operations

“In response to changing customer behaviour, FBD’s multi-channel distribution strategy has continued to develop with progress within all channels during 2010”



Overview

FBD delivered another strong operational performance and made significant progress in advancing its strategic priorities in 2010, a challenging year for Ireland’s economy and the insurance sector. However, the benefit of rate increases, underwriting discipline and proactive management of claims and expenses were partially masked by the impact of the severe weather conditions in both January and December 2010. In a second consecutive year of abnormal weather related claims, FBD’s underwriting discipline and prudent reinsurance policy protected the Group’s trading results, its capital base and solvency.

At €40.7m, operating profit before tax was up by 41% on 2009. Operating profit in our primary underwriting business increased 61% to €36.1m (2009: €22.4m) as a €14.5m turnaround in the underwriting result was offset by a reduction in investment returns.

Gross written premium of €358.4m is up 0.3% on 2009, the first increase since 2007, in a market that declined by a further 2.6% in 2010. FBD has continued its growth in market share, now standing at 11.8%, with market share gains in nine of the last ten years. At the same time as gaining market share, FBD’s insurance risk exposure reduced during 2010.

Net claims incurred in 2010 reduced by 11.1% relative to 2009 due to a combination of (i) lower insurance exposure, (ii) better 2010 large claims experience, (iii) decrease in non-weather related property claims frequency, (iv) FBD’s decision not to grow volume in certain segments at uneconomic rates and (v) the benefit of claims management initiatives. Recent industry weather claims experience has contributed to a hardening of insurance rates across the Irish market in 2010.

Gross underwriting management expenses reduced by 0.7% in 2010 as the benefits of cost containment exercises began to crystallise. The net expense ratio has risen to 22.0% (2009: 20.3%) because of the impact of a rise in the cost of reinsurance and lower net premium earned.

In challenging market conditions, FBD's non-underwriting operations have delivered an operating profit of €4.6m (2009: €6.5m). The Group's property and leisure businesses delivered operating profits and positive cash flows again in 2010. The key challenge facing the business in Ireland is oversupply in the market. This is further exacerbated by a reduction in the number of foreign visitors. New marketing and sales initiatives and operational cost efficiencies continue to be identified and implemented to achieve targets.

FBD's financial services businesses continued to deliver a positive performance in difficult market environments. FBD Brokers won additional new business during 2010 and FBD Financial Solutions achieved strong growth in profitability, significantly outperforming the industry. These businesses have proactively managed their cost structures to reflect the economic circumstances.

The value of the Group's property assets has reduced in line with market values in Ireland and Spain, although the pace of the market decline has slowed. Asset impairments of €50.0m (2009: €57.8m) have been charged to the consolidated income statement. Members of the Group's defined benefit pension scheme agreed to a restructuring of pension benefits and the introduction of pension contributions. As a result the Group's obligations for retirement benefits reduced by €11.1m. After charging finance costs of €3.2m (2009: €3.4m), the Group recorded a loss before tax of €3.1m (2009: €34.6m).

Operating earnings per ordinary share increased from 75 cent to 106 cent. The Group continues to have a strong capital base and balance sheet. FBD Insurance had a solvency level of 61% of net premium earned at 31 December 2010, up from 52% at 31 December 2009.

Business Review

Underwriting

Premium income

The Irish insurance market contracted by 2.6% during 2010 as the benefit of hardening rates was offset by the continuing reduction in insurable risk and values, in line with economic activity in Ireland. FBD's gross premium written increased by 0.3% to €358.4m (2009: €357.2m) as improved retention rates and higher conversion rates combined with rate increases led to growth for the first time since 2007. Net premium earned reduced to €302.5m from €314.6m because 2009 benefited from the higher level of gross premium written in 2008. Premium rates continued to harden in the Irish insurance market, particularly for home and business insurance, while motor insurance rates have been slower to increase. The flood and freeze conditions over the 2009 and 2010 winters accelerated the implementation of necessary rate increases in property insurance.

A key feature of 2010 has been the reductions in insurance risk and values reflecting the decline in economic activity in Ireland. Despite rate increases, average policy premiums have not increased significantly. The market for large insurance risks has become more competitive and FBD has chosen not to compete for business at unsustainable rates.

Claims

Net claims incurred amounted to €234.3m, an 11.1% reduction on 2009 because of a combination of lower exposure and an improved loss ratio. The loss ratio (claims incurred, net of reinsurance as a percentage of earned premiums net of reinsurance) for 2010 was 77.4% (2009: 83.8%).



We are

Driven

by ambition in a challenging
business environment

FBD experienced an improvement in non-weather related property claims, particularly towards the end of the financial year. Ireland continued to experience a reduction in the number of road deaths and large claim experience improved considerably. The frequency of both (non-weather related) property claims and motor injury claims has reduced. The improvement in the loss ratio is also attributable to rate increases and underwriting and claims management initiatives.

Not unlike the previous year, 2010 was adversely affected by severe weather events with abnormal freezes in both January and December, the latter being the coldest December on record. Adding the severe flooding in November 2009 and the prolonged freezing conditions in December 2009 means that, in a fourteen month period, FBD made good the weather related losses of 14,000 of our customers amounting to over €90m. Ultimately, an insurance company's promise to its customers is that it will meet their expectations in their time of need and this objective was achieved over the fourteen month period. The Directors wish to express gratitude to the staff and suppliers who responded by providing customers with outstanding and professional service in difficult conditions. During the fourteen month period, the cost to FBD was €39m, net of reinsurance.

FBD's risk management policy determines the Group's appetite for risk and limits the exposure that FBD is prepared to accept from any event or series of events. In respect of weather related events, the objective is to limit the Group's exposure so as to protect profitability, solvency and shareholders' capital. This objective was achieved in both 2009 and 2010.

Claims reserves provided a positive run off again in 2010 demonstrating the strength of the Group's reserving position. FBD has benefited from a positive run off since 2003.

Expenses

Gross underwriting management expenses reduced by 0.7% in 2010 to €77.5m (2009: €78.0m) as the benefits of cost containment exercises began to crystallise. In the last year, the Group has negotiated a comprehensive programme of changes with its employees which includes changes in pay ranges, hours of work and other productivity measures designed to underpin the Group's competitive cost advantage and provide it with the flexibility to grow premium income in a difficult economic environment. The changes agreed include a combination of salary reductions and freezes, the restructuring of employment and pension conditions and the introduction of pension contributions. The Directors acknowledge the co-operation of staff to accept these progressive changes so as to ensure the Group's future prosperity.

A rise in the cost of reinsurance and the impact of reducing net premium earned have contributed to an increase in the net expense ratio (other underwriting expenses as a percentage of earned premium, net of reinsurance) for 2010 to 22.0% (2009: 20.3%). The Group remains committed to maintaining its cost competitiveness.

The Group's combined operating ratio for 2010 was 99.4% (2009: 104.1%) resulting in an underwriting profit of €1.6m (2009: loss of €12.9m).

Investment Return

Longer term investment return at €34.5m was lower than the €35.3m in 2009 as a result of the slight reduction in assets available for investment and because the average asset mix through the year was more conservative. In line with insurers worldwide, FBD's investment mix has become more conservative in recent years in recognition of the volatility of investment markets and the imperative to protect the Group's solvency and asset base. The consequent reduction in investment returns discourages irrational underwriting in the market.

Review of Operations (continued)

Ambition and customer focus

In response to changing customer behaviour, FBD's multi-channel distribution strategy has continued to develop with progress within all channels during 2010. The Group's sales office network has been particularly successful in further developing farming and business insurance during 2010, a key strategic priority. The agricultural sector has performed very strongly during Ireland's economic decline and FBD's commitment to this sector has led to an increase in premium from agriculture and connected business.

FBD's progress in Dublin and other large urban centres has continued with 14% of total premium income now coming from Dublin representing market share of over 5%. The initiative to increase business insurance in Dublin, via intermediaries, has proved successful and further brokers have been added to our panel. As planned, NoNonsense.ie and FBD.ie (our on-line offerings) continue to attract a higher proportion of customers from Dublin and other urban centres.

Non-underwriting

Market conditions for the non-underwriting businesses in Ireland and Spain continue to be challenging. However, in this environment, non-underwriting operations generated an operating profit of €4.5m (2009: €6.5m).

The Group's leisure and property interests include La Cala and Sunset Beach Resorts in Spain and FBD Hotels in Ireland. In the difficult trading conditions these businesses delivered a solid result generating an operating profit of €1.3m (2009: €2.8m) and cash flow from operations of €1.2m. The operating profit was lower than the previous year principally because the hotels located in Ireland were impacted by market oversupply. Oversupply in the marketplace is the key challenge facing the hotel business in Ireland and market capacity needs to be reduced to match falling customer demand. Overseas visitors to Ireland reduced from 7.7m arrivals in 2007 to 5.6m in 2010, while revenue generated from the domestic leisure market has reduced due to the

economic downturn. Sunset Beach Resort continued to perform strongly and 46 properties in La Cala were sold generating cash of €13.9m, significantly ahead of both last year and expectations.

Financial services/other, includes the contributions from general insurance broking (FBD Brokers), life assurance/pension, broking/investment advice (FBD Financial Solutions), instalment finance and holding company costs. Operating profits of €3.2m were generated (2009: €3.7m). Both FBD Brokers and FBD Financial Solutions had a strong 2010, growing profitability despite Ireland's economic decline through focus on customer service and cost efficiency.

Pre-tax result

The result before tax was adversely impacted by a negative fluctuation in investment return amounting to €30.1m (2009: €28.8m) and impairment of property, plant and equipment of €19.9m (2009: €29.0m) reflecting reducing property prices.

During 2010, as stated above, the Group agreed a variety of changes in pay and conditions with its employees. Some of these changes had an impact on the defined benefit retirement obligations recorded as a liability in the Group's statement of financial position. The reduction in the Group's liability for retirement benefits as a result of the changes agreed by management and staff is reflected as a credit of €11.1m in the consolidated income statement. In addition, the salary reductions agreed by senior management reduced the Group's retirement benefit obligations by a further €2.6m, which is credited to the consolidated statement of comprehensive income.

After charging finance costs of €3.2m (2009: €3.4m), the Group recorded a loss before tax of €3.1m (2009: €34.6m).

Earnings per share

Operating earnings per 60 cent ordinary share based on longer term investment return amounted to 106 cent compared to 75 cent the previous year. The diluted loss per 60 cent ordinary share was 8 cent (2009: 92 cent).

Dividends

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

The Board is recommending a 2010 final dividend payout of 21.0 cent per 60 cent ordinary share (2009: 20.0 cent) bringing the full 2010 dividend to 31.5 cent (2009: 30.0 cent), an increase of 5% over 2009. Subject to the approval of shareholders at the Annual General Meeting to be held on 29 April 2011, this final dividend for 2010 will be paid on 5 May 2011 to the holders of shares on the register on 18 March 2011.

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

Statement of Financial Position

The Group's financial position remains very strong. Ordinary shareholders' funds amounted to €182.1m (2009: €191.5m) and net assets per ordinary share were 547 cent (2009: 576 cent).

FBD Insurance maintains a low risk investment strategy with 88% of its total investment portfolio invested in government gilts and cash assets at year end. Table 1 shows how the assets of the underwriting business were invested at the beginning and end of the year.

Table 1 – Underwriting Business Asset Allocation

	31 December 2010		31 December 2009	
	€m	%	€m	%
Government gilts	497	61%	581	70%
Deposits & cash	217	27%	110	13%
Investment property	42	5%	43	5%
Equities & corporate bonds	22	3%	36	4%
Secured loans	21	2%	37	5%
Own land & buildings	18	2%	22	3%
	817	100%	829	100%
Reinsurers' share of technical provisions	96		93	
Trade, other debtors and DAC	91		101	
Plant and equipment	17		17	
	1,021		1,040	



We

Focus

on our customers'
needs

In 2010, the Group as a whole booked €50.0m (2009: €57.8m) of reductions in asset values through the consolidated income statement. These adjustments are set out in Table 2 below.

Table 2 – Group Assets/Asset Value Reductions

	Assets 31 December 2010 €m	Assets 31 December 2009 €m	Asset Value Reductions 2010 €m
Government gilts	497	581	(8)
Deposits & cash	231	120	-
Hotel & golf resort assets	120	136	(17)
Trade, other debtors and DAC	112	107	-
Reinsurers' share of technical provisions	96	93	-
Inventories	46	59	-
Investment property	42	43	(1)
Equities & corporate bonds	25	40	(2)
Secured loans	21	37	(19)
Own land & buildings	18	22	(3)
Plant & equipment	18	18	-
	1,226	1,256	(50)

The Group's portfolio of prime property assets was valued at fair value which was determined either by independent professional valuers or at a lower amount if, in the opinion of the Directors, a lower amount more accurately reflected fair value. The most significant asset write down in 2010 was in respect of the secured loans as the Directors believed that it was appropriate to eliminate any uncertainty about valuations by writing the secured loans down to the value of the underlying security on a current use market value basis. On this basis, the underlying assets are, in some cases, valued as agricultural land or car parks. As a result, additional provisions of €19.1m have been made in respect of secured loans bringing cumulative provisions to 72% of the 2007 year end value.

Investment properties are incorporated in the balance sheet at particularly high yields, with the property located in Dublin delivering an 11.4% yield at its current valuation. Subsequent to the year end, two of the Group's four investment properties located in the UK were sold and a third is in the course of being sold. Combined, the three sales will generate €20.6m in cash and a profit of €0.5m over the 2010 valuation.

Review of Operations (continued)

The cumulative reductions in asset values over the three years 2008-2010 are summarised in the following table:

Table 3 – Cumulative asset value reductions as a percentage of December 2007 values

	% Decrease
Hotel & golf resort assets	
– Sunset Beach resort	0%
– La Cala Hotel and golf resort	43%
– FBD Hotels	45%
Own land and buildings	45%
Investment property	48%
Secured loans	72%

The Directors believe that as a result of the impairment provisions recognised over the last three years and the de-risking of the investment book, the potential for further downside from the Group's investments is limited. Within the underwriting business, such downside is negligible.

La Cala development land is included within inventories at the lower of cost and net realisable value. The independent external valuation conducted at 31 December 2010 reported a value which exceeded this by €24m. Government gilts held to maturity are included in the statement of financial position at amortised cost. If these gilts were recognised on a mark-to-market basis, a surplus of €20.8m would arise.

After asset value reductions, gearing in the property and leisure operations at end 2010 was 73% (2009: 64%). Interest is covered by operating cash flows generated by the business 4.4 times in 2010 (2009: 1.4 times).

FBD Group has a strong capital base and balance sheet. FBD Insurance had a solvency level of 61% of net premium earned at the end of 2010, up from 52% at the end of 2009.

FBD also has a conservative reserving strategy and in the same period, its reserving ratio (net technical provisions divided by net premium earned) strengthened three percentage points to 243%. This is supported by a positive run-off of prior year claims reserves of €48.6m in 2010. The Group has a long history of recording positive run off on its claims reserves.

In line with all European Insurers, the Group's underwriting business, FBD Insurance, is preparing for the introduction of the new Solvency II regulations which are to come into effect from 1 January 2013. During 2010, FBD Insurance conducted a Quantitative Impact Study (QIS 5) designed to test the adequacy of its reserves at the end of 2009 compared to QIS 5 capital requirements from 2013. The results showed that FBD Insurance met the required standard and had excess capital over the QIS 5 requirement. FBD Insurance expects to be in a position to meet all of the Solvency II requirements in advance of their introduction on 1 January 2013.

Outlook

Underwriting

Economic uncertainty has reduced but Irish domestic demand (the best indicator of insurance market exposure) is still likely to decline further, albeit at a diminishing rate. It is likely that austerity measures will influence economic activity and underlying insurance values. On the other hand, rate increases will positively impact market premiums. Market size will depend on whether the benefit of rate increases will exceed the contraction in volume and cover. As a result, the opportunity for FBD premium income growth in 2011 will be limited. However, the Directors are confident that underwriting disciplines and cost containment will deliver improved profitability in 2011. The Group's underwriting business is, by its nature, defensive and its spread of business is not overly exposed to any one sector.

As insurance companies become more conservative in their investment mix and as international investment returns remain low, insurers become more reliant on positive underwriting results to achieve an adequate return on investment. This dependence on underwriting results and the impact of severe weather events in 2009 and 2010 are likely to lead to further rate increases in the market.

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

Non-underwriting

The environment for the non-underwriting businesses is expected to remain difficult in 2011. Oversupply in the market place is the key challenge facing the property and leisure businesses, particularly in Ireland and recovery will be dependent on a reduction in market capacity. No significant change to the oversupply is anticipated in 2011 and concerted action is required to increase the number of tourists visiting Ireland. Despite that, as a result of actions taken, we anticipate an improved contribution from FBD Hotels in 2011. Sales of properties in La Cala are expected to continue in 2011.

FBD Brokers is developing new market segments while providing enhanced customer value, and is well positioned to benefit from the buoyancy of the agri business sector. FBD Financial Solutions will continue to focus on customer needs and cost efficiency to deliver growth in profitability in 2011.

The Group will continue to outperform competitors by focusing on initiatives that will enhance revenue and/or reduce costs, so as to maintain profitable and cash generative businesses through the recessionary period.

Group

FBD Group has a strong capital base and balance sheet and a conservative reserving strategy. The Board is satisfied that as a result of the impairment provisions recognised and the de-risking of the investment book, the potential for further downside from the Group's investment portfolio is limited. The Board is confident that FBD will continue to outperform its peers in delivering superior returns to shareholders. FBD has demonstrated its capacity to deliver operating profits in difficult market conditions and is well positioned to deliver long-term profitable growth.

Andrew Langford

Group Chief Executive

7 March 2011



We aim to

Deliver

Directors and Other Information

Directors

Michael Berkery (Chairman)

Executive Directors

Andrew Langford (Group Chief Executive)

Cathal O'Caoimh

Adrian Taheny

Non-Executive Directors

John Bryan

John Donnelly

Sean Dorgan

Philip Lynch

Patrick O'Keeffe

Vincent Sheridan (Senior Independent Director)

Johan Thijs

Company Secretary

Conor Gouldson

Registered Office

FBD House

Bluebell

Dublin 12

Ireland

Auditors

Deloitte & Touche

Chartered Accountants and

Registered Auditors

Deloitte & Touche House

Earlsfort Terrace

Dublin 2

Ireland

Solicitors

Dillon Eustace

33 Sir John Rogerson's Quay

Dublin 2

Ireland

Bankers

Allied Irish Bank plc

Anglo Irish Bank Corporation Limited

Bank of Ireland

Bank of Scotland plc

Barclays Bank Ireland plc

BNP Paribas

Danske Bank A/S (trading as National Irish Bank)

EBS Building Society

Irish Life & Permanent plc

Ulster Bank Ireland Limited

Stockbrokers

Bloxham

International Financial Services Centre

2/3 Exchange Place

Dublin 1

Ireland

Goodbody Stockbrokers

Ballsbridge Park

Ballsbridge

Dublin 4

Ireland

Registrar

Computershare Investor Services (Ireland) Limited

Heron House

Corrig Road

Sandyford Industrial Estate

Dublin 18

Ireland

Biographies of the Directors

Michael Berkery, Chairman

Michael Berkery (aged 62) was elected Chairman of the Company in 1996. He was Chief Executive Officer of the Irish Farmers' Association for 25 years until his retirement in March 2009. He also served on the National Economic and Social Council and the Central Review Committee of the Government National Partnership Programme. He is a director of FBD Trust Company Limited and a number of other companies. Mr. Berkery joined the Board in October 1988.

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

John Bryan, Non-executive Director

John Bryan (aged 53) is the 13th President of the Irish Farmers' Association. He is a director of Bord Bia, the Irish Food Board, an organisation which develops international markets for Irish food produce. He is also a director of the Agricultural Trust (publisher of the Irish Farmers Journal), and of Kilkenny Co-Operative Mart Limited.

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

John Donnelly, Non-executive Director

John Donnelly (aged 63) is a farmer. He is a former President of the Irish Farmers' Association and was a member of the EU's Economic and Social Committee between 1994 and 2006. He is a director of FBD Trust Company Limited, Portumna Co-Op Mart Limited and a number of other companies. Mr. Donnelly joined the Board in October 1988. He was appointed to the Nomination Committee in June 2004.

Mr. Donnelly brings to the Board his substantial experience as a non-executive Director, his deep knowledge of the Group's businesses accumulated during his involvement with the Group at Board level and both his agricultural and general industry experience.

Sean Dorgan, Non-executive Director

Sean Dorgan (aged 59) is currently non-executive Chairman of both Ulster Bank Limited and Tesco Ireland Limited and he is also Chairman of the Governing Body of Dublin Institute of Technology. He is a non-executive Director of Short Brothers plc and Fineos Corporation Limited. He was Chief Executive of IDA Ireland for nine years until his retirement at the end of 2007. Prior to joining IDA he was Secretary General of the Departments of Industry and Commerce and of Tourism and Trade and was Chief Executive of The Institute of Chartered Accountants in Ireland. Mr. Dorgan joined the Board, and the Audit Committee, in January 2008.

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

Andrew Langford, Group Chief Executive

Andrew Langford (aged 41) joined FBD Holdings plc as Group Financial Accountant in 1996. In July 2003, he was appointed Executive Director – Finance of FBD Insurance plc. In December 2004, he was appointed to the Board of FBD Holdings plc as Executive Director – Finance. In May 2008, he was appointed Group Chief Executive. Prior to working in FBD, he worked in Deloitte & Touche where he qualified as a Chartered Accountant. He was appointed to the Nomination Committee in June 2010.

Philip Lynch, Non-executive Director

Philip Lynch (aged 64) is the Chief Executive Officer of One51 plc. He is a non-executive Director of C & C Group plc and OpenHydro Group Limited. Mr. Lynch joined the Board in March 1996 and was appointed to both the Nomination and Remuneration Committees in June 2004.

Mr. Lynch brings to the Board, and its Committees, his extensive general industry and agri-sector experience at executive level together with experience of corporate finance, corporate governance and executive reward principles and practice.

Cathal O’Caoimh, Group Finance Director

Cathal O’Caoimh (aged 53) joined the Group in October 2008 and was appointed to the Board as Group Finance Director. A Chartered Accountant, he joined FBD from Horizon Technology Group plc where he was Chief Financial Officer since 2001. Prior to that Mr. O’Caoimh was Group Finance Director of Hibernian Insurance Group, having previously been Group Finance Director of Norwich Union Insurance Group in Ireland. Mr. O’Caoimh is a member of the Council of Chartered Accountants Ireland.

Dr. Patrick O’Keeffe, Non-executive Director

Patrick O’Keeffe (aged 87) retired as Chairman of the Company in 1996 having served in that role since the Company’s incorporation in 1988. He was Chairman of the original FBD companies, which comprise the Group, since their incorporation in the early 1970s. A former Editor and Chief Executive of the Irish Farmers’ Journal, he is currently Chairman of Agricultural Trust Limited (publisher of the Irish Farmers Journal), Farmer Business Developments plc, FBD Trust Company Limited and is also a director of a number of other companies. Dr. O’Keeffe joined the Board in October 1988, the Audit Committee in November 2001 and both the Nomination and Remuneration Committees in June 2004.

Dr. O’Keeffe was one of the founding Directors of the companies which have become the FBD Group. He brings to the Board his deep knowledge of the Group, of Ireland’s agricultural industry together with his entrepreneurial spirit and challenge to the Board and management to target greater performance from the Group for shareholders.

Biographies of the Directors (continued)

Vincent Sheridan, Non-executive Director

Vincent Sheridan (aged 62) retired as Chief Executive of Vhi Healthcare during 2008 after seven years in that role. Prior to that he was Group Chief Executive of the Norwich Union Insurance Group in Ireland for ten years. He is a past president of the Institute of Chartered Accountants in Ireland, the Irish Insurance Federation, the Insurance Institute of Ireland and the Irish Association of Investment Managers. He was a director of the Irish Stock Exchange for nine years to June 2004. He is also a former council member of the International Federation of Health Plans and the Financial Reporting Council in the UK. He serves as a director of Beazley plc and a number of other companies. Mr. Sheridan joined the Board, and the Audit Committee, in August 2004.

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

Adrian Taheny, Executive Director – Marketing & Sales

Adrian Taheny (aged 54) joined FBD Holdings plc as Group Development Manager in 1997. In July 2003, he was appointed Executive Director – Marketing & Sales of FBD Insurance plc. In December 2004 he was appointed to the Board of FBD Holdings plc as Executive Director – Insurance Marketing & Sales. Prior to joining FBD, he worked with EBS Building Society, where he held the position of General Manager – Marketing.

Johan Thijs, Non-executive Director

Johan Thijs (aged 45) is a member of the executive Committee of KBC Bank and Insurance Group and is Chief Executive Officer Belgium Business Unit. He obtained a Master of Science (Applied Mathematics) degree and qualified as an Actuary at KU Leuven. He joined KBC Insurance in 1998 and held a number of executive positions prior to his appointment to his current role. Mr. Thijs joined the Board in 2004.

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

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 December 2010.

Principal Activities

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

Business Review

The review of the performance of the Group including an analysis of financial information and the outlook for its future development is contained in the Chairman's Statement on pages 2 and 3 and in the Group Chief Executive's Review of Operations on pages 4 to 13. Information in respect of the significant events since the year end and a review of the key performance indicators are also included in these sections. The key performance indicators include gross premium written, operating earnings and net asset value per share.

Results and Dividends

The results for the year are shown in the consolidated income statement on page 43. The Directors propose the payment of a final dividend for the year on the 60 cent ordinary shares of 21.0 cent (2009: 20.0 cent). During the year an interim dividend of 10.5 cent was paid (2009: 10.0 cent). The total dividend for the year amounts therefore to 31.5 cent (2009: 30.0 cent). The policy of the Board in relation to dividends is outlined in the Chairman's Statement and the Group Chief Executive's Review of Operations.

Risk and Uncertainties

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

General Insurance Risk

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

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

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

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

Capital Management Risk

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

Operational Risk

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

Market Risk

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

Liquidity Risk

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

Interest Rate Risk

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

Credit Risk

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

The Group uses independent actuaries to review its liabilities to ensure that the carrying amount of the liability is adequate. Where the liabilities, net of any related deferred acquisition costs, are deemed to be inadequate, the deficiency is recognised immediately in the consolidated income statement.

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

Other Risks

- The risk that the strategy adopted by the Board is incorrect or not implemented appropriately resulting in sub-optimal performance.
- The risk that deterioration in economic conditions globally and particularly in Ireland, UK and Spain may lead to a reduction in revenue and profits.
- The risk that the loss of a key executive officer or other key employees, the adoption of inappropriate HR policies or regulatory changes affecting the work force or the limited availability of qualified personnel may disrupt operations or increase cost structure.
- The risk that an interruption or failure of information systems may result in a significant loss of business, assets, or competitive position.

All of the foregoing risks are dealt with in further detail in note 42.

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

Subsidiaries

The Company's principal subsidiaries, as at 31 December 2010, are listed on page 107 (note 36).

Directors

The present Directors of the Company, together with a biography on each, are set out on pages 16 to 18. Mr. Pdraig Walshe resigned as a non-executive Director on 6 May 2010. Mr. John Bryan was co-opted to the Board on 18 June 2010. Other than this there were no changes to the Board during 2010. As detailed in the

Board's Corporate Governance Report, the Board has commenced a programme of refreshment and its plans for changes are being developed by the Nomination Committee for decision, in due course, by the Board.

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

Annual General Meeting

The notice of the Annual General Meeting of the Company which will be held at 12.00 noon on 29 April 2011 in the Irish Farm Centre, Old Naas Road, Bluebell, Dublin 12, is set out on pages 123 to 125.

A letter from the Chairman detailing the business to come before the Annual General Meeting is included at pages 120 to 122.

Directors' and Company Secretary's interests

The interests of the Directors (together with their respective family interests) in the share capital of the Company, at 31 December 2010 and 1 January 2010, were as follows:

Beneficial	Number of ordinary shares of €0.60 each	
	31 December 2010	1 January 2010
Michael Berkery	30,000	30,000
John Donnelly	24,256	24,256
Andrew Langford	21,500	21,500
Philip Lynch	20,000	20,000
Patrick O'Keeffe	72,770	72,770
Vincent Sheridan	4,150	4,150
Adrian Taheny	13,500	13,500

The interests of the Directors and the Company Secretary in share options and conditional awards over the share capital of the Company under the shareholder approved share schemes are detailed in the Report on Directors' Remuneration on pages 32 to 38.

European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006

For the purposes of Regulation 21 of the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006, the information on the Board of Directors on pages 16 to 18, Share Option Schemes, Savings Related Share Option Schemes and the Performance Share Plan in note 39 and the Report on Directors' Remuneration on pages 32 to 38 are deemed to be incorporated in this part of the Report of the Directors.

Substantial shareholdings

As at 7 March 2011 the Company has been notified of the following interests of 3% or more in its share capital:

Ordinary shares of 60 cent each	%
Farmer Business Developments plc	25.64%
FBD Trust Company Limited	8.97%
Invesco Limited and subsidiary companies	4.01%
Morgan Stanley Investment Management Limited	3.37%
14% Non-cumulative preference shares of 60 cent each	
Farmer Business Developments plc	100%
8% Non-cumulative preference shares of 60 cent each	
FBD Trust Company Limited	58.38%
Farmer Business Developments plc	41.62%

Report of the Directors (continued)

Share Capital

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

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

* excluding 2,191,730 shares held in treasury

The Company's ordinary shares of 60 cent each are listed on the Main Securities Market of the Irish Stock Exchange and have a premium listing on the UK Listing Authority. They are traded on both the Irish Stock Exchange and the London Stock Exchange. Neither class of preference share is traded on a regulated market.

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

Non-voting shares	Number in issue
'A' ordinary shares of 1 cent each	13,169,428

The rights attaching to the 'A' ordinary shares are clearly set out in the Articles of Association of the Company. They are not transferable except only to the Company. Other than a right to a return of paid up capital of 1 cent per 'A' ordinary share in the event of a winding up, the 'A' ordinary shares have no right to participate in the capital or the profits of the Company.

Auditors

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

Proper Books and Records

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

Corporate Governance

The Corporate Governance Statement on pages 24 to 31 forms part of this report and in this the Board has set out how it has applied the principles set out on Section 1 of the Combined Code on Corporate Governance (June 2008) which was adopted by both the Irish Stock Exchange and the UK Listing Authority.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Chairman's Statement and the Review of Operations as are the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition note 42 of the financial statements includes the Group's policies and processes for risk management.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. As a result they continue to adopt the going concern basis of accounting in preparing the financial statements. In forming this view, the Directors have reviewed the Group's budget for 2011 and forecasts for 2012 which take account of reasonably foreseeable changes in trading performance, the key risks facing the business and the medium term plans approved by the Board in its review of the Group's corporate strategy.

Approval of Financial Statements

The financial statements were approved by the Board on 7 March 2011.

Signed on behalf of the Board

Michael Berkery

Chairman

Andrew Langford

Group Chief Executive

7 March 2011

Corporate Governance Report

Compliance with the Combined Code on Corporate Governance (June 2008)

This Report sets out in detail how FBD has applied the principles set out in Section 1 of the Combined Code on Corporate Governance (June 2008) (the “Combined Code” or the “Code”) which was published by the Financial Reporting Council in the UK and adopted by both the Irish Stock Exchange and the UK Listing Authority. The Code was replaced in May 2010 by the UK Corporate Governance Code and this was further supplemented in December 2010 by the Irish Stock Exchange’s Irish Corporate Governance Annex. For FBD, both the UK Corporate Governance Code and the Irish Corporate Governance Annex apply from 1 January 2011, however in drafting this Report, the Board has attempted to address the spirit of the updated requirements where possible.

The Board of Directors

The primary role of the Board is to provide leadership and strategic direction while maintaining effective control over the activities of the Group. The Board meets on a regular basis and has a formal schedule of matters reserved to it for consideration and decision. This schedule is reviewed and validated at least annually. This schedule includes the approval of the Group’s objectives and strategy, approval of financial statements, dividends, appointments of Directors and the Company Secretary, approval of the annual budget including capital expenditure and the review of the Group’s systems of internal control.

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

There is a clear division of responsibilities between the Chairman and the Chief Executive. The Chairman leads the Board and is responsible for ensuring that it is effective as a unitary Board and at individual Director level. He sets the Board agenda and ensures that Directors receive accurate and timely information to enable it to fulfil its role. He is responsible for facilitating effective contributions by all Directors and ensuring constructive communications between the executive and non-executive Directors. The Chief Executive is responsible for running the Group’s business within the authority limits set out by the Board. He is responsible for proposing and developing the Group’s strategy and overall commercial objectives, which he does in close consultation with the Chairman and the Board and for implementing the decisions of the Board and its Committees.

Board and Board Committee Composition as at 31 December 2010

Name	Role	Considered Independent by Board	Board Committee Composition		
			Audit Committee	Remuneration Committee	Nomination Committee
M. Berkery	Chairman	No (Chairman)		Chairman	Chairman
J. Bryan	Non Executive	Yes			
J. Donnelly	Non Executive	Yes			Member
S. Dorgan	Non Executive	Yes	Member		
A. Langford	Chief Executive	No (Executive)			Member
P. Lynch	Non Executive	Yes		Member	Member
C. O’Caoimh	Executive	No (Executive)			
P. O’Keeffe	Non Executive	Yes	Member	Member	Member
V. Sheridan	Non Executive	Yes	Chairman		
A. Taheny	Executive	No (Executive)			
J. Thijs	Non Executive	Yes			

All of the Directors bring independent judgement to bear on all issues coming before the Board including strategy, performance and oversight. While the Board believes that it is the strength of character, integrity and judgement of an individual Director which determines his or her independence it is mindful that certain of its non-executive Directors do not meet all of the indicators of independence set out in the Code and this requires increasingly careful consideration. During the year, in recognition of the Board’s commitment to compliance with the Code in every respect, the Board commenced a careful review of its composition with the support of the Nomination Committee. This review was designed to ensure that the composition of the Board included an appropriate mix of independence together with the specific skills and experience required to do its work. At the end of this review it is intended that the Board will embark on a programme of refreshment. The skills and experience identified by the Board as critical to its composition and that of its Committees at this time

include expertise in insurance, general and farming/agri industry experience, corporate finance, corporate governance, regulatory and other compliance, financial accounting and executive reward principles and practice.

The Board is comprised of three executive Directors and eight non-executive Directors, including its Chairman. Brief biographies of the Directors are set out on pages 16 to 18 as is a brief commentary on the skills and experience which each non-executive Director brings to the Board. The Board has considered and confirms that during 2010 it had the appropriate range of skills, experience and objectivity to fulfil its role effectively. It is intended that at the conclusion of the review of its composition and the implementation of any changes found to be desirable or necessary that the Board will comprise a majority of non-executive Directors who meet the independence criteria of the Code in every respect and who have the appropriate range of skills and experience. This process is expected to be implemented during 2011.

Corporate Governance Report (continued)

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

Senior Independent Director

The Senior Independent Director, Mr. Vincent Sheridan, is available to shareholders who have concerns which cannot be addressed through contact with the Chairman or the Chief Executive or for which such contact is inappropriate.

Performance Appraisal

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

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

Board Committees

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

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

Each of the Committees has written terms of reference which were approved by the Board and set out the Committees' powers, responsibilities and obligations. All of these terms of reference are available on the Group's website www.fbdgroup.com. The terms of reference are reviewed at least annually by the relevant Committee and updated by the Board where necessary.

The Audit Committee

Membership of the Audit Committee is set out on page 25. There were no changes to the Committee during the year. The Board has determined that its chairman, Vincent Sheridan, Chartered Accountant, is the Audit Committee's financial expert.

The Group Chief Executive, the Group Finance Director and the Head of Internal Audit attend meetings regularly at the request of the Committee while the external auditors attend as required and have unrestricted access to the Committee chairman at all times. The Committee meets on a regular basis with the external auditors and with the Head of Internal Audit respectively without management being present. The Company Secretary is Secretary to the Committee and is responsible for recording the activities of the Committee, circulating papers in advance of its meetings and ensuring that appropriate procedures are followed.

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

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

- The Committee put the provision of independent audit services out to tender and supervised the tender process. Following a detailed review of the submissions received and a direct engagement with each tendering firm, the Committee concluded that the Company's interests would be best served by appointing the incumbent auditors, Deloitte, to the role and it so recommended to the Board, which approved this recommendation. There are no contractual terms with Deloitte which restrict the Committee's choice of external auditor;
- The Committee put the provision of the IT internal audit services out to tender and following this process, appointed Grant Thornton to provide these services in the future to the Group's internal audit department in line with an agreed three year plan;
- The Committee reviewed and approved the Internal Audit three year plan for 2011 to 2013 inclusive and the detailed work programme for 2011. These were compiled using a risk based approach to the work to be undertaken and the resources to be allocated to it.

The Group audit engagement partner rotates every five years and the current partner assumed the engagement commencing with the audit of the 2009 financial statements. The Committee pays particular attention to ensuring the independence of the external auditors is safeguarded. While the engagement of the external auditors in the provision of non-audit services is not prohibited outright, such services are not permitted to be provided where the auditors may be required to audit their own work. The level of fees paid to the external auditors for the provision of non-audit services is closely monitored so as to ensure that both their independence and the perception of their independence is not diminished.

The Remuneration Committee

Membership of the Remuneration Committee is set out on page 25. There were no changes to the Committee during the year.

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

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

The Committee oversees the preparation of the Report on Directors' Remuneration which is set out on pages 32 to 38. The Board has again resolved to present this Report to shareholders at the Annual General Meeting for the purposes of a non-binding advisory vote.

The Nomination Committee

Membership of the Nomination Committee is set out on page 25. Mr. Andrew Langford was appointed to the Committee during the year as the Committee and the Board believe that his input into the Committee's work in his capacity as Group Chief Executive will be of benefit to it.

Corporate Governance Report (continued)

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

During the year the Committee made one recommendation for the appointment of a Director to the Board. Mr. John Bryan was subsequently appointed to the Board on 18 June 2010. In addition to his commercial acumen, he brings to the Board a deep knowledge of Ireland's agricultural sector and as President of the Irish

Farmers' Association he is at the forefront of thinking and strategy for this important sector of Ireland's economy, a sector in which the Group, through its insurance subsidiary, FBD Insurance plc, has substantial interest.

The Committee commenced a detailed review of the general composition of the Board and its Committees during the year and was by year end developing its recommendations for change to the Board and to its Committees for implementation during 2011. As noted elsewhere in this Corporate Governance Report, the Board is committed to ensuring that its composition and that of its Committees fully meets the requirements of the Combined Code, the UK Corporate Governance Code and the Irish Corporate Governance Annex.

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

Attendance at Board and Board Committee Meetings during 2010

Name	Board		Audit		Remuneration		Nomination	
	A	B	A	B	A	B	A	B
M. Berkery	8	8	-	-	2	2	2	2
J. Bryan	5	5	-	-	-	-	-	-
J. Donnelly	8	8	-	-	-	-	2	2
S. Dorgan	8	6	4	4	-	-	-	-
A. Langford	8	8	-	-	-	-	2	2
P. Lynch	8	6	-	-	2	2	2	2
C. O'Caoimh	8	8	-	-	-	-	-	-
P. O'Keeffe	8	8	4	2	2	2	2	2
V. Sheridan	8	8	4	4	-	-	-	-
A. Taheny	8	8	-	-	-	-	-	-
J. Thijs	8	5	-	-	-	-	-	-
P. Walshe	3	3	-	-	-	-	-	-

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

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

Accountability and Audit

The Directors are responsible for the preparation of the financial statements and a statement detailing the full extent of these responsibilities is set out on page 39.

Relations with Shareholders

The Board gives high priority to communications with shareholders. Through its Annual Report and regulatory announcements during the year, the Group provides a review of the Group's performance and prospects. The Group's website www.fbdgroup.com provides the full text of its Annual and Half Yearly Reports, in addition to the significant regulatory announcements made which include interim management statements.

The Group Chief Executive, Group Finance Director and other senior executives meet with institutional shareholders and analysts principally at the time of the release of the annual and half yearly results. During the year the Board receives reports both from management and from the Company's appointed stockbrokers on the issues raised in the course of such meetings. The Board also regularly reviews analyst research on the Company. Throughout the year the Company responds to letters and e-mail communications received from shareholders. Shareholders have access to the Chairman and, if required, to the Senior Independent Director.

Shareholders' General Meetings

The Company holds its Annual General Meeting ("AGM") in Ireland each year. All shareholders are entitled to and encouraged to attend. At the AGM shareholders can meet with the Chairman, the Directors and senior executives and the Chairmen of the Board Committees. Notice of the AGM, together with the Annual Report and Financial Statements, is sent to shareholders at least 20 business days before the meeting. A separate resolution is proposed on each substantially separate issue including a particular resolution relating to the Directors' Report and Financial Statements, the Report on Directors' Remuneration and on the re-election of the Directors.

Details of the proxy votes cast for and against each resolution together with any votes withheld are announced at the meeting after the result is declared on the show of hands. These details are also notified to the Stock Exchanges and are published on the Group's website www.fbdgroup.com.

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

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

Memorandum and Articles of Association

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

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

Going Concern

The Financial Statements have been prepared on the going concern basis and, as required by the Combined Code, the Directors report that they have satisfied themselves that the Group is a going concern, having adequate resources to continue in operational existence for the foreseeable future. In forming this view, the Directors have reviewed the Group's budget for 2011 and forecasts for 2012 which take account of reasonably foreseeable changes in trading performance, the key risks facing the business and the medium term plans approved by the Board in its review of the Group's corporate strategy.

Internal Control

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

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

- skilled and experienced management and staff;
- an organisation structure with clearly defined lines of responsibility and authority;
- a comprehensive system of financial control incorporating budgeting, periodic financial reporting and variance analysis;
- the operation of approved risk management policies in the areas of underwriting, reinsurance, claims reserving, investment and treasury;
- an Internal Control Group comprising senior management whose main role is to identify, keep under review and manage significant internal control risks facing the Group;
- a Risk Committee in its main subsidiary, FBD Insurance plc, comprising senior management whose main role is to establish, document and devolve throughout that company a comprehensive risk management framework which fully meets the requirements of Solvency II;

- an Internal Audit function;
- an Audit Committee whose formal terms of reference include responsibility for assessing the significant risks facing the Group in the achievement of its objectives and the controls in place to mitigate those risks.

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

The Board has reviewed the effectiveness of the Group's system of internal control. This review took account of the principal risks facing the Group, the controls in place to manage those risks and the procedures in place to monitor them.

Compliance with the Combined Code

The Board has carefully considered the matter and reports that FBD has complied, throughout the year ended 31 December 2010, with the provisions set out in Section 1 of the Combined Code on Corporate Governance except for the fact that the Chairman of the Board continued, during 2010, to be Chairman of the Remuneration Committee. During the year the Board concluded that he remained the most appropriate person for the role. As already noted the Nomination Committee commenced a detailed review of the general composition of the Board and its Committees during the year and was by year end developing its recommendations for change to the Board and to its Committees for implementation during 2011. One of the expectations from this review is that the Chairman will cease to be a member of the Remuneration Committee during 2011. The Board is committed to fully meeting the requirements of the UK Corporate Governance Code and the Irish Corporate Governance Annex (which apply from 1 January 2011) during the course of 2011 through the refreshment of the membership of the Board and its Committees.

Report on Directors' Remuneration

Role of Remuneration Committee

Responsibility for determining the levels of remuneration of the executive Directors has been delegated by the Board to the Remuneration Committee whose membership is set out in the Corporate Governance Statement on page 25. It is the aim of the Remuneration Committee to ensure that the remuneration policy serves to attract, retain and motivate the executive Directors and other senior members of management and aligns, as closely as possible, their individual interests with those of shareholders.

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

Executive Director Remuneration

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

Fixed Remuneration

Base salaries and benefits: The salaries of executive Directors are set by the Remuneration Committee and are reviewed annually with effect from 1 January having regard to personal performance, Company performance and competitive market practice. No fees are payable to the executive Directors. In addition to base salaries, the remuneration packages of executive Directors include a motor allowance and a fixed percentage contribution to the healthcare insurance costs of the Director.

Pension Benefits: The Group closed its defined benefit pension scheme to new members from September 2005. The pension benefits of two of the executive Directors are funded through this scheme. The scheme provides for an accrual rate of 1/60th of pensionable salary for each year of service up to a maximum of two thirds of salary at retirement for full service. Pensionable salary is defined as basic salary as reduced by 1.5 times the state pension benefit. No elements of remuneration other than basic salary are pensionable.

One executive Director joined the Group since the closure of the defined benefit pension scheme and this Director is a member of the Group's defined contribution pension plan to which contributions are made by the Group at an agreed fixed rate.

Performance Related Remuneration

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

For 2010 the percentage of base salary which could be earned by executive Directors through an annual bonus ranged from 45% to 70%. Between 40% and 50% of the bonus is contingent on achievement by the Group of its annual financial targets (primarily comprised in the Board's approved budget) and between 50% and 60% is contingent on the achievement of individual agreed priorities which support the Board's strategic growth initiatives.

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

Full details of the plan follow.

FBD Performance Share Plan

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

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

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

The period over which the performance conditions applying to a conditional award under the LTIP are measured may not be less than three years. The extent to which a conditional award may vest in the future will be determined by the Remuneration Committee by reference to the performance conditions set out below. These conditions were designed so as to ensure absolute alignment between the interests of the plan participants and those of shareholders.

a) TSR performance condition

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

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

b) EPS performance condition

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

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

Report on Directors' Remuneration (continued)

c) Combined ratio performance condition

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

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

No conditional awards were made under the LTIP in 2010. Details of the conditional share awards made by the Remuneration Committee under the LTIP in 2008 to the executive Directors, and the Company Secretary, are given below. The number of shares is the maximum possible number which could vest for the individual concerned if *all* of the performance conditions previously described are met.

Directors' and Company Secretary's Conditional LTIP Awards

	At 1 January 2010	Granted during year	At 31 December 2010	Performance Period	Earliest vesting date	Market price on award €
Executive Directors						
Andrew Langford	26,453	-	26,453	1 Jan 2008 to 31 Dec 2010	Mar 2011	12.90
Cathal O'Caoimh	11,627	-	11,627	1 Jan 2008 to 31 Dec 2010	Mar 2011	12.90
Adrian Taheny	14,534	-	14,534	1 Jan 2008 to 31 Dec 2010	Mar 2011	12.90
Company Secretary						
Conor Gouldson	4,156	-	4,156	1 Jan 2008 to 31 Dec 2010	Mar 2011	12.90

The total number of shares subject to conditional awards granted under the LTIP amounts to 0.3% of the Company's ordinary share capital (excluding treasury shares) at 31 December 2010.

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

Executive Directors and other senior management participated in the FBD Holdings plc Executive Share Option Scheme which had been approved by Shareholders in 1989. The period during which options could be granted under this Scheme expired in September 2009. Dependent on the performance condition for the exercise of options under the ESOS having been met, all outstanding options under the ESOS must be exercised no later than 5 September 2014.

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

Directors' and Company Secretary's Share Options

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

	At 1 January 2010	Exercised during year	Granted during year	At 31 December 2010	Weighted Average Exercise Price €	Normal Exercise Period
Executive Directors						
Andrew Langford	120,000	-	-	120,000	6.21	Oct 2006 – Sept 2014
Cathal O'Caoimh	75,000	-	-	75,000	7.45	Aug 2012 – Sept 2014
Adrian Taheny	135,000	-	-	135,000	4.88	Oct 2006 – Sept 2014
Company Secretary						
Conor Gouldson	35,000	-	-	35,000	7.45	Aug 2012 – Sept 2014

The FBD Group Save as You Earn (SAYE) Scheme

The SAYE Scheme was approved by shareholders in 2007. Late in 2007 options were granted under the Scheme to those eligible Group employees, including executive Directors, who joined the Scheme and entered into the necessary 3 year savings contract under the Scheme Rules. Savings commenced in January 2008. The options were granted at an option price of €19.95 per share,

which represented a discount of 20% to the then market price for the shares as permitted under the Scheme Rules. Consequent to the Return of Capital and the Special Dividend of €1.49 declared and paid in October 2008, the Option Price was reduced by €1.49 to €18.46 per share as permitted under the Scheme Rules having obtained the necessary prior approval of the Revenue Commissioners.

Report on Directors' Remuneration (continued)

Directors' SAYE Scheme Options

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

	At 1 January 2010	Exercised during year	Granted during year	At 31 December 2010	Exercise Price €
Andrew Langford	599	-	-	599	18.46
Adrian Taheny	599	-	-	599	18.46

All of the above options are exercisable from February 2011.

Non-executive Director Remuneration

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

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

The Chairman and Senior Independent Director, who is also Chairman of the Audit Committee, received fees of €126,225 and €80,250 respectively, inclusive of their basic fees in respect of these roles for the Group.

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

Service Contracts

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

Executive and non-executive Directors' Remuneration Details

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

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

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

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

Report on Directors' Remuneration (continued)

Notes

- 1 Fees are payable to the non-executive Directors only.
- 2 With effect from 1 January 2010, the executive Directors accepted further salary reductions of up to 9.5% in addition to the reductions implemented in 2009.
- 3 Benefits relate principally to motor allowance and health insurance subsidy.
- 4 Mr. John Bryan was co-opted to the Board on 18 June 2010.
- 5 Mr. Padraig Walshe resigned as a Director on 6 May 2010.

Executive Directors' Defined Benefit Pensions

The following table sets out the increase in the accrued pension benefits to which the executive Directors have become entitled during 2010 under the Group's defined benefit pension scheme, together with the transfer value of the increase in accrued benefit independently calculated in accordance with ASP PEN-11, the Actuarial Standard of Practice PEN 11 "Disclosure of Directors Pension Costs under Irish Stock Exchange Listing Rules."

	Service Costs 2010	Increase in accrued pension benefits during 2010	Total Accrued pension benefit at year end	Transfer value of increase in accrued benefits
	€000s	€000s	€000s	€000s
Andrew Langford	146	11	153	46
Adrian Taheny	132	6	213	30
	278	17	366	76

The transfer values do not represent sums paid or due to the individual Directors. Rather they represent the amount which would transfer to another pension scheme, in relation to the benefits accrued during 2010, in the event of the Director leaving service. The total accrued pension benefit represents the pension payable to the Director concerned from normal retirement age based on pensionable service to 31 December 2010.

The reduction in salary for the two executive Directors has also had a significant impact on the present value of their defined benefit liabilities. In particular, the year end values of accrued pension benefits as calculated under IAS 19 in respect of Mr. Langford and Mr. Taheny are €620,000 and €670,000 lower respectively than expected following the reduction in pensionable salaries. These amounts are included in the experience gain on pension liabilities set out in Note 31.

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

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

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

- the financial statements, prepared in accordance with IFRSs, give a true and fair view of the assets, liabilities and financial position for the Group as at 31 December 2010 and of the result for the year then ended; and
- the Report of the Directors, the Chairman's Statement and the Review of Operations include a fair review of the development and performance of the Group's business and the state of affairs of the Group at 31 December 2010, together with a description of the principal risks and uncertainties facing the Group.

On behalf of the Board

Michael Berkery

Chairman

Andrew Langford

Group Chief Executive

7 March 2011

Independent Auditor's Report

TO THE MEMBERS OF FBD HOLDINGS PLC

We have audited the financial statements of FBD Holdings plc for the year ended 31 December 2010 which comprise the Group Financial Statements [the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Pro-forma Reconciliation of Consolidated Operating Profit to Loss before Tax, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity], the Parent Company Financial Statements [the Company Statement of Financial Position, the Company Statement of Cash Flows and the Company Statement of Changes in Equity] and the related notes 1 to 42. These financial statements have been prepared under the accounting policies set out therein.

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

Respective Responsibilities of Directors and Auditors

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

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

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

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

We are required by law to report to you our opinion as to whether the description in the annual Corporate Governance Report set out in the Report of the Directors of the main features of the internal control and risk management systems in relation to the process for preparing the group financial statements is consistent with the group financial statements. In addition, we review whether the Corporate Governance Report reflects the Company's compliance with the nine provisions of the 2008 FRC Combined Code specified for our review by the Listing Rules of the Irish Stock Exchange and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report and consider whether it is consistent with the financial statements. The other information comprises only the Report of the Directors, the Chairman's Statement, the Review of Operations and the Corporate Governance Report. Our responsibilities do not extend to other information.

Basis of Audit Opinion

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

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

Opinion

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the affairs of the Group as at 31 December 2010 and of its loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009 and Article 4 of the IAS Regulations;
- the Parent Company Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, as applied in accordance with the provisions of the Companies Acts, 1963 to 2009, of the state of the parent company affairs as at 31 December 2010; and
- the Parent Company Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

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

Independent Auditor's Report (continued)

In our opinion the information given in the Report of the Directors is consistent with the financial statements and the description in the annual Corporate Governance Report of the main features of the internal control and risk management systems in relation to the process for preparing the Group financial statements is consistent with the Group financial statements.

The net assets of the Parent Company, as stated in the Parent Company Statement of Financial Position are more than half the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2010 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the Parent Company.

Deloitte & Touche

Chartered Accountants and Registered Auditors

Dublin

7 March 2011

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 €000s	2009 €000s
Revenue	3(a)	478,566	476,159
Income			
Gross premium written		358,385	357,244
Reinsurance premiums		(55,172)	(54,107)
Net premium written	3(c)	303,213	303,137
Change in provision for unearned premiums	3(c)	(673)	11,467
Net premium earned		302,540	314,604
Net investment return	4(a)	4,421	6,515
Non-underwriting income		79,014	72,774
Total income		385,975	393,893
Expenses			
Net claims and benefits	3(c)	(234,268)	(263,492)
Other underwriting expenses	3(c)	(66,653)	(64,020)
Non-underwriting expenses	3(d)	(74,481)	(66,285)
Impairment of property, plant and equipment	13	(19,868)	(29,048)
Retirement benefit – past service gain	31(d)	11,063	-
Restructuring and other costs	5	(1,615)	(2,315)
Finance costs	6	(3,236)	(3,377)
Loss before tax	7	(3,083)	(34,644)
Income tax (charge)/credit	10	(152)	3,714
Loss for the year		(3,235)	(30,930)
Attributable to:			
Equity holders of the parent		(2,408)	(30,190)
Non-controlling interests	28	(827)	(740)
		(3,235)	(30,930)
		2010 Cent	2009 Cent
Basic loss per 60 cent ordinary share	12	(8.08)	(91.59)
Diluted loss per 60 cent ordinary share	12	(8.08)	(91.59)

All results derived from continuing operations. The accompanying notes form an integral part of the financial statements. The financial statements were approved by the Board and authorised for issue on 7 March 2011.

They were signed on its behalf by:

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 €000s	2009 €000s
Loss for the year		(3,235)	(30,930)
Loss on available for sale financial assets		-	(1,554)
Revaluation of property, plant and equipment	13	-	(5,241)
Actuarial gain/(loss) on retirement benefit obligations	31(e)	4,131	(8,556)
Exchange differences on translation of foreign operations		(164)	747
Other comprehensive income/(expense) before tax		3,967	(14,604)
Tax (charge)/credit relating to other comprehensive income/(expense)	10	(1,531)	6,884
Other comprehensive income/(expense) after tax		2,436	(7,720)
Total comprehensive expense for the year		(799)	(38,650)
Attributable to:			
Equity holders of the parent		28	(37,664)
Non-controlling interests	28	(827)	(986)
		(799)	(38,650)

The accompanying notes form an integral part of the financial statements. The financial statements were approved by the Board and authorised for issue on 7 March 2011.

They were signed on its behalf by:

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

Pro Forma Reconciliation of Consolidated Operating Profit to Loss before Tax

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 €000s	2009 €000s
Underwriting	3(a)	36,133	22,391
Non-underwriting	3(a)	4,533	6,489
Operating profit before tax		40,666	28,880
Investment return – fluctuations	4(c)	(30,093)	(28,784)
Impairment of property, plant and equipment	13	(19,868)	(29,048)
Retirement benefit – past service gain	31(d)	11,063	-
Restructuring and other costs	5	(1,615)	(2,315)
Finance costs	6	(3,236)	(3,377)
Loss before tax		(3,083)	(34,644)

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

Consolidated Statement of Financial Position

AT 31 DECEMBER 2010

Assets

	Notes	2010 €000s	2009 €000s
Property, plant and equipment	13	155,959	176,479
Investment property	14	42,368	43,267
Loans	15	24,618	43,863
Deferred tax asset	16	9,247	6,907
Financial assets			
Investments held to maturity	17(a)	496,852	581,096
Available for sale investments	17(a)	7,282	9,476
Investments held for trading	17(a)	17,859	30,000
Deposits with banks	17(a)	195,172	75,462
		717,165	696,034
Reinsurance assets			
Provision for unearned premiums	29(e)	24,706	25,503
Claims outstanding	29(e)	70,916	67,686
		95,622	93,189
Inventories	18	46,045	59,226
Current tax asset	19	6,003	175
Deferred acquisition costs	20	20,531	19,963
Other receivables	21	71,279	72,681
Cash and cash equivalents	22	36,714	44,036
Total assets		1,225,551	1,255,820

Consolidated Statement of Financial Position

AT 31 DECEMBER 2010

Equity and Liabilities

	Notes	2010 €000s	2009 €000s
Equity			
Ordinary share capital	23	21,409	21,409
Capital reserves	24	15,313	14,297
Revaluation reserves	25	742	742
Translation reserves		(98)	66
Retained earnings	26	144,757	154,994
Shareholders' funds – equity interests		182,123	191,508
Preference share capital	27	2,923	2,923
Equity attributable to equity holders of the parent		185,046	194,431
Non-controlling interests	28	2,053	3,030
Total equity		187,099	197,461
Liabilities			
Insurance contract liabilities			
Provision for unearned premiums	29(d)	176,479	176,603
Claims outstanding	29(c)	657,656	671,429
		834,135	848,032
Borrowings	30	117,766	120,051
Retirement benefit obligation	31(g)	10,859	23,103
Deferred tax liability	32	11,751	10,507
Payables	33	63,941	56,666
Total liabilities		1,038,452	1,058,359
Total equity and liabilities		1,225,551	1,255,820

The accompanying notes form an integral part of the financial statements. The financial statements were approved by the Board and authorised for issue on 7 March 2011.

They were signed on its behalf by:

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 €000s	2009 €000s
Cash flows from operating activities			
Loss before tax		(3,083)	(34,644)
Adjustments for:			
Profit on investments held for trading	34(b)	(1,075)	(4,925)
Loss on investments held to maturity	34(b)	7,901	417
Loss on investments available for sale	34(b)	2,076	-
Provision for loans & advances	34(b)	16,329	21,000
Depreciation of property, plant and equipment		6,476	6,206
Share-based payment expense		1,016	698
Impairment of investment property		899	8,479
Impairment of property, plant and equipment	34(b)	19,868	29,048
Retirement benefit – past service gain		(11,063)	-
Decrease in insurance contract liabilities		(16,330)	(368)
Effect of foreign exchange rate changes		(146)	-
(Profit)/loss on disposal of property, plant and equipment		(85)	25
Operating cash flows before movement in working capital		22,783	25,936
Decrease/(increase) in receivables and deferred acquisition costs		834	(5,552)
Increase/(decrease) in payables		9,943	(24,003)
Decrease in inventories		13,181	3,157
Cash generated from/(used by) operations		46,741	(462)
Income taxes (paid)/received		(8,611)	3,779
Net cash from operating activities		38,130	3,317
Cash flows from investing activities			
Investments held for trading	34(b)	13,216	(963)
Investments held to maturity	34(b)	76,343	(101,887)
Investments available for sale	34(b)	118	21
Sale of property, plant and equipment	34	680	-
Purchase of property, plant and equipment	13, 34(a)	(6,415)	(8,474)
Sale of investment property	34	-	792
Repayment of loans	34(a)	2,916	5,626
Deposits invested with banks	34(a)	(119,710)	107,681
Net cash (used in)/generated from investing activities		(32,852)	2,796
Cash flows from financing activities			
Ordinary dividends paid	35	(10,147)	(6,936)
Dividends paid to non-controlling interests	28	(150)	-
Increase in borrowings	34	-	22,980
Decrease in borrowings	34(b)	(2,285)	(13,897)
Net cash (used in)/generated from financing activities		(12,582)	2,147
Net (decrease)/increase in cash and cash equivalents		(7,304)	8,260
Cash and cash equivalents at the beginning of the year		44,036	35,713
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies		(18)	63
Cash and cash equivalents at the end of the year	22	36,714	44,036

Included in the above statement is the following information:

Interest and similar income received during the year was €31,403,000 (2009: €24,619,000).

Interest paid during the year was €2,898,000 (2009: €3,495,000).

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2010

	Ordinary share capital	Capital reserves	Revaluation and other reserves	Translation reserve	Retained earnings	Attributable to ordinary shareholders	Preference share capital	Non-controlling interests	Total equity
	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s
Balance at 1 January 2009	21,409	13,599	3,295	(681)	197,788	235,410	2,923	4,151	242,484
Loss after taxation	-	-	-	-	(30,190)	(30,190)	-	(740)	(30,930)
Other comprehensive expense	-	-	(2,553)	747	(5,668)	(7,474)	-	(246)	(7,720)
	21,409	13,599	742	66	161,930	197,746	2,923	3,165	203,834
Dividends paid on ordinary and preference shares	-	-	-	-	(6,936)	(6,936)	-	-	(6,936)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(135)	(135)
Recognition of share based payments	-	698	-	-	-	698	-	-	698
Balance at 31 December 2009	21,409	14,297	742	66	154,994	191,508	2,923	3,030	197,461
Loss after taxation	-	-	-	-	(2,408)	(2,408)	-	(827)	(3,235)
Other comprehensive income	-	-	-	(164)	2,600	2,436	-	-	2,436
	21,409	14,297	742	(98)	155,186	191,536	2,923	2,203	196,662
Dividends paid and approved on ordinary and preference shares	-	-	-	-	(10,429)	(10,429)	-	-	(10,429)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(150)	(150)
Recognition of share based payments	-	1,016	-	-	-	1,016	-	-	1,016
Balance at 31 December 2010	21,409	15,313	742	(98)	144,757	182,123	2,923	2,053	187,099

Company Statement of Financial Position

AT 31 DECEMBER 2010

	Notes	2010 €000s	2009 €000s
Assets			
Investments			
Interest in subsidiaries	36	98,111	100,053
Deposits with banks		1	9
		98,112	100,062
Cash and cash equivalents		88	6
Receivables		720	654
Total assets		98,920	100,722
Equity and liabilities			
Equity			
Ordinary share capital	23	21,409	21,409
Capital reserves	24(b)	15,313	14,297
Reserves		58,051	61,782
Shareholders' funds – equity interests		94,773	97,488
Preference share capital	27	2,923	2,923
Equity attributable to equity holders of the parent		97,696	100,411
Payables	33(b)	1,224	311
Total equity and liabilities		98,920	100,722

The accompanying notes form an integral part of the financial statements. The financial statements were approved by the Board and authorised for issue on 7 March 2011.

They were signed on its behalf by:

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

Company Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 €000s	2009 €000s
Cash flows from operating activities		
Profit before tax for the year	6,323	49,462
Decrease/(Increase) in receivables	157	(21,021)
Increase/(Decrease) in payables	630	(2,005)
Income taxes received	151	231
Net cash from operating activities	7,261	26,667
Cash flows from investment activities		
Decrease/(Increase) in investments	2,960	(20,003)
Deposits withdrawn from financial institutions	8	194
Net cash from investing activities	2,968	(19,809)
Cash flows from financing activities		
Dividends paid on ordinary and preference shares	(10,147)	(6,936)
Net cash used in financing activities	(10,147)	(6,936)
Net increase/(decrease) in cash and cash equivalents	82	(78)
Cash and cash equivalents at the beginning of the year	6	84
Cash and cash equivalents at the end of the year	88	6

Company Statement Of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2010

	Ordinary share capital	Capital reserves	Share option reserve	Retained earnings	Attributable to ordinary shareholders	Preference share capital	Total equity
	€000s	€000s	€000s	€000s	€000s	€000s	€000s
2009							
Balance at 1 January 2009	21,409	11,593	-	19,346	52,348	2,923	55,271
Profit after taxation	-	-	-	49,372	49,372	-	49,372
Recognition of share based payments	-	-	2,704	-	2,704	-	2,704
Ordinary and preference dividends paid	-	-	-	(6,936)	(6,936)	-	(6,936)
Balance at 31 December 2009	21,409	11,593	2,704	61,782	97,488	2,923	100,411
2010							
Profit after taxation	-	-	-	6,698	6,698	-	6,698
Recognition of share based payments	-	-	1,016	-	1,016	-	1,016
Ordinary and preference dividends paid and approved	-	-	-	(10,429)	(10,429)	-	(10,429)
Balance at 31 December 2010	21,409	11,593	3,720	58,051	94,773	2,923	97,696

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

1 General Information

FBD Holdings plc is an Irish registered public limited company. The address of the registered office is given on page 15. The nature of the group's operations and its principal activities are set out in the Report of the Directors on pages 19 to 23 and in the Review of Operations on pages 4 to 13.

2 Summary of Significant Accounting Policies

BASIS OF PREPARATION

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

An additional statement, produced on page 45, pro-forma reconciliation of consolidated operating profit to loss before tax is supplementary to the primary statements required under International Financial Reporting Standards. It is designed to provide supplementary information to users of the financial statements including operating profit, a key performance measure monitored by the Board.

Operating profit is reported on the basis of a longer term investment return. The long-term nature of much of the Group's operations means that, for management decision-making and internal performance management, short-term realised and unrealised investment gains and losses are treated as non-operating items. The Group focuses instead on an operating profit measure that incorporates an expected return on investments. Finance costs (note 6) and the fluctuation between the longer term investment return and the actual investment return (note 4 (c)), which includes realised and unrealised gains and losses and profits or losses arising from substantial non-recurring transactions are charged or credited to the pro-forma reconciliation of consolidated operating profit to loss before tax. As a result, the operating profit is not subject to distortion from fluctuations in investment returns.

The rates of investment return underlying the calculation of the longer term investment return are set out in note 4(b) and are reviewed annually and reflect both historical experience and the Directors' current expectations for future investment returns. The longer term rate of return is applied to all investment assets held by the Group's underwriting operations including investment properties held for resale, investments held for trading, available for sale investments, investments held to maturity, loans and receivables and bank deposits. A comparison of the longer term investment return and actual returns for the last two years is set out in note 4(c) of the financial statements.

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

Standards affecting presentation and disclosure

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

2 Summary of Significant Accounting Policies (continued)

Standards and Interpretations adopted with no effect on financial statements

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

IFRS 3 (Revised): <i>Business Combinations</i>	This standard establishes principles for how the acquirer recognises, measures and discloses in its financial statements the goodwill acquired in a business combination and the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. Contingent consideration will be measured at fair value with subsequent changes recognised in the Income Statement and transaction costs, other than share and debt issue costs, will be expensed as incurred.
Amendments to IFRS 1: <i>First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>	The amendments provide two exemptions when adopting IFRSs for the first time relating to oil and gas assets, and the determination as to whether an arrangement contains a lease.
Amendments to IFRS 2: <i>Share-based Payment – Group Cash – settled Share-based Payment Transactions</i>	The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.
Amendments to IFRS 5: <i>Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2008)</i>	The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.
Amendments to IAS 39 Financial Instruments: <i>Recognition and Measurement – Eligible Hedged Items</i>	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.
IFRIC 17: <i>Distributions of Non-cash Assets to Owners</i>	The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.
IFRIC 18: <i>Transfers of Assets from Customers</i>	The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with IAS 18 <i>Revenue</i> .
<i>Improvements to IFRSs issued in 2009</i>	The application of <i>Improvements to IFRSs</i> issued in 2009 has not had any material effect on amounts reported in the consolidated financial statements.

2 Summary of Significant Accounting Policies *(continued)*

Standards and Interpretations not yet effective

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

Amendments to IFRS 1	<i>Limited Exemption from Comparative</i> IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after 1 July 2010).
Amendments to IFRS 7	<i>Disclosures – Transfers of Financial Assets</i> (effective for annual periods beginning on or after 1 July 2011).
IFRS 9 (as amended in 2010)	<i>Financial Instruments</i> (effective for annual periods beginning on or after 1 January 2013).
Amendments to IAS 12	<i>Deferred Tax: Recovery of Underlying Asset</i> (effective for annual periods beginning on or after 1 January 2012).
IAS 24 (revised in 2009)	<i>Related Party Disclosures</i> (effective for annual periods beginning on or after 1 January 2011).
Amendments to IAS 32	<i>Classification of Rights Issues</i> (effective for annual periods beginning on or after 1 February 2010).
Amendments to IFRIC 14	<i>Prepayments of a Minimum Funding Requirement</i> (effective for annual periods beginning on or after 1 January 2011).
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> (effective for annual periods beginning on or after 1 July 2010).

The adoption of IFRS 9 which the Group plans to adopt for the year beginning 1 January 2013 will impact both the measurement and disclosure of Financial Instruments.

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

Accounting Policies

The principal accounting policies adopted by the Board are:

A) ACCOUNTING CONVENTION

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

B) BASIS OF CONSOLIDATION

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

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

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

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

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

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

Accounting Policies

B) BASIS OF CONSOLIDATION (continued)

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

C) GOING CONCERN

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

D) REVENUE RECOGNITION

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

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

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

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

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

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

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

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

E) INSURANCE CONTRACTS

(i) Premiums written

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

Accounting Policies

E) INSURANCE CONTRACTS (continued)

(ii) *Unearned premiums*

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

(iii) *Deferred acquisition costs*

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

(iv) *Unexpired risks*

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

(v) *Claims incurred*

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

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

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

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

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

Accounting Policies

E) INSURANCE CONTRACTS (continued)

(vi) Reinsurance

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

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

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

F) PROPERTY, PLANT AND EQUIPMENT

(i) Property

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

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

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

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

Accounting Policies

F) PROPERTY, PLANT AND EQUIPMENT (continued)

(ii) Plant and equipment

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

(iii) Depreciation

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

G) INVESTMENT PROPERTY

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

H) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

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

(i) Investments held for trading at fair value

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

Investments are held for trading if:

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

Accounting Policies

H) FINANCIAL INSTRUMENTS (continued)

(i) *Investments held for trading at fair value (continued)*

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the investment forms part of a group of investments or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented investment policy, and information about the Group is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as a FVTPL.

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

(ii) *Investments held to maturity*

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

(iii) *Available for sale investments*

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

(iv) *Loans and receivables*

Loans

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

Accounting Policies

H) FINANCIAL INSTRUMENTS (continued)

(iv) *Loans and receivables (continued)*

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

Other receivables

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

(v) *Derivative financial instruments*

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

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

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

(vi) *Deposits with banks*

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

Accounting Policies

I) LEASES

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

(i) *The Group as Lessor*

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

(ii) *The Group as Lessee*

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

J) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenditure incurred in bringing inventories to their present condition. Net realisable value is the estimated selling price less all further costs to completion and the estimated costs necessary to make the sale. In addition to work in progress, land held for development and resale is included within inventories.

K) CASH AND CASH EQUIVALENTS

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

L) TAXATION

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Accounting Policies

L) TAXATION (continued)

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle on a net basis.

M) RETIREMENT BENEFITS

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

Defined benefit scheme

A full actuarial valuation of the scheme is undertaken every three years and is updated annually to reflect current conditions in the intervening periods for the purposes of preparing the financial statements. Scheme assets are valued at fair value. Scheme liabilities are measured on an actuarial basis and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The surplus or deficit on the scheme is carried in the consolidated statement of financial position as an asset or liability. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions to future contributions to the scheme. Actuarial gains and losses are recognised immediately in equity through the consolidated statement of comprehensive income.

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

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

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

Accounting Policies

M) RETIREMENT BENEFITS (continued)

Defined Contribution Schemes

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

N) CURRENCY

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

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

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

O) SHARE-BASED PAYMENTS

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

P) TREASURY SHARES

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

Accounting Policies

Q) IMPAIRMENT OF ASSETS

(i) *Impairment of tangible and intangible assets*

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

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

(ii) *Impairment of financial assets*

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

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

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

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

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

Accounting Policies

Q) IMPAIRMENT OF ASSETS (continued)

(ii) *Impairment of financial assets (continued)*

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

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

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

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

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

R) BORROWING COSTS

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

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

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

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

S) RESTRUCTURING AND OTHER COSTS

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

Accounting Policies

T) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

The Directors consider that the accounting estimates, assumptions and judgements described below are the critical judgements that they have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Claims Provisions

The estimation of the cost of claims outstanding under insurance contracts written.

Actuarial techniques, based on statistical analysis of past experience, are used to calculate the estimated cost of claims outstanding at year end. Allowance is made for any changes or uncertainties that may cause the cost of unsettled claims to increase or reduce. At each reporting date liability adequacy tests are performed to ensure the adequacy of the liabilities. In determining the provision for outstanding claims, the Directors take into consideration the advice of the independent reporting actuary, PricewaterhouseCoopers.

Any deficiency is recognised in the income statement. Further details are set out in note 29 to the financial statements.

Retirement Benefit Obligations

The assumptions used in estimating retirement benefit obligations.

The Group's obligations under its funded defined benefit retirement scheme are determined by an independent qualified actuarial advisor, Lane, Clark & Peacock. The valuation is updated at least annually and the net obligation amounted to €10,859,000 at 31 December 2010. The amount of this deficit is sensitive to actuarial assumptions. IAS 19 requires that the actuarial assumptions used should be best estimates, unbiased and mutually compatible. The assumptions used for calculating the obligations of the scheme under IAS 19 at 31 December 2010 have been derived consistently with those adopted by the Group in previous years. Those key assumptions include:

- A discount rate of 5%, set by reference to the yield on high-rated corporate bonds
- General salary increases of 3%
- Pension payment increases ranging from 0% - 2%
- Price inflation of 2%

The scheme's liabilities are sensitive to fluctuations in the principal assumptions, details of which are set out in note 31.

Accounting Policies

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

Valuation of properties

The valuation of property held for own use, hotel and golf resort assets and investment properties.

Property valuations are affected by general economic and market conditions. Property held for own use, hotels and golf resort assets and investment properties are included in the Statement of Financial Position at fair value. Fair value of investment properties is determined by valuations conducted at the reporting date by independent professional valuers. Properties held for own use and hotel and golf resort assets are determined by valuations conducted at the reporting date by independent professional valuers or at a lower amount if, in the opinion of the Directors, a lower amount more accurately reflects fair value. The external professional valuers for property held for own use and Irish hotels and golf resort assets were CB Richard Ellis Valuation Surveyors while hotels and golf resort assets located outside Ireland were valued by American Appraisal Valuation Surveyors.

Held-to-maturity financial assets

During 2010, the Group disposed of certain held to maturity investments in advance of their normal maturity date. The Directors are satisfied that the disposals do not call into question the Group's intention to hold other investments to maturity on the basis that the investments disposed of suffered a significant and actual deterioration in the issuer's creditworthiness after the securities were acquired. The remaining financial assets have not suffered deterioration and will be held to their normal maturity date. The carrying amount of the held-to-maturity financial assets is €496,852,000 (2009: €581,096,000). Details of these assets are set out in note 17.

Reinsurance recoveries

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

Secured Loans

The Group's portfolio of investments includes secured loans with a net book value of €20,534,000. The secured loans are included in the Statement of Financial Position at fair value, as determined by valuations conducted on the underlying collateral at the reporting date by independent professional valuers.

3 SEGMENTAL INFORMATION

(a) Operating segments

For management purposes, the Group is organised in two operating segments – underwriting and non-underwriting. These two segments are the basis upon which information is reported to the chief operating decision maker, the Group Chief Executive, for the purpose of resource allocation and assessment of segmental performance. Discrete financial information is prepared and reviewed on a regular basis for these two segments. There has been no change in the Group's reportable segments during the year.

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

2010

	Underwriting €000s	Non- underwriting €000s	Total €000s
Revenue	403,864	74,702	478,566
Operating profit	36,133	4,533	40,666
Investment return – fluctuations	(30,093)	-	(30,093)
Impairment of property	(3,160)	(16,708)	(19,868)
Retirement benefits – past service gain	11,063	-	11,063
Restructuring and other costs	-	(1,615)	(1,615)
Finance costs	-	(3,236)	(3,236)
Profit/(Loss) before tax	13,943	(17,026)	(3,083)
Income tax (charge)/credit	(498)	346	(152)
Profit/(Loss) after tax	13,445	(16,680)	(3,235)

Other information

Capital additions	5,983	432	6,415
Impairment of loans and other assets	26,263	16,708	42,971
Depreciation and amortisation	6,302	174	6,476

Statement of financial position

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

Included above are non-cash items relating to property impairments, investment property impairments and loan impairments totalling €42,971,000 (2009: €58,559,000) underwriting €26,263,000 (2009: €29,639,000), non-underwriting €16,708,000 (2009: €28,920,000).

3 SEGMENTAL INFORMATION *(continued)*

(a) Operating segments *(continued)*

2009

	Underwriting €000s	Non- underwriting €000s	Total €000s
Revenue	403,385	72,774	476,159
Operating profit	22,391	6,489	28,880
Investment return – fluctuations	(28,784)	-	(28,784)
Revaluation of property	(128)	(28,920)	(29,048)
Restructuring costs	(1,976)	(339)	(2,315)
Finance costs	-	(3,377)	(3,377)
Loss before tax	(8,497)	(26,147)	(34,644)
Income tax credit	3,651	63	3,714
Loss after tax	(4,846)	(26,084)	(30,930)

Other information

Capital additions	7,710	764	8,474
Depreciation and amortisation	5,969	237	6,206
Impairment of loans and other assets	29,639	28,920	58,559

Statement of financial position

Segment assets	1,031,462	224,358	1,255,820
Segment liabilities	904,598	153,761	1,058,359

The accounting policies of the reportable segments are the same as the Group accounting policies. Segment profit represents the profit earned by each segment. Central administration costs and Directors' salaries are allocated based on actual activity. Finance costs, restructuring costs and income tax are direct costs of each segment. Segment profit is the measure reported to the chief operating decision maker, the Group Chief Executive, for the purposes of resource allocation and assessment of segmental reporting.

In monitoring segment performance and allocating resources between segments:

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

3 SEGMENTAL INFORMATION (continued)

(a) Operating segments (continued)

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

	2010 €000s	2009 €000s
Direct insurance – motor	153,427	159,598
Direct insurance – liability	64,850	65,658
Direct insurance – fire and other damage to property	134,537	126,025
Direct insurance – other	5,571	5,963
Direct insurance – interest and other revenue	45,479	46,141
Non-underwriting revenue	74,702	72,774
Total	478,566	476,159

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

(b) Geographical segments

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

	Ireland €000s	European Union other than Ireland €000s	Total €000s
2010			
Revenue	437,669	40,897	478,566
Segment assets	1,102,676	122,875	1,225,551
Segment liabilities	1,006,738	31,714	1,038,452
2009			
Revenue	444,977	31,182	476,159
Segment assets	1,109,739	146,081	1,255,820
Segment liabilities	1,025,531	32,828	1,058,359

3 SEGMENTAL INFORMATION *(continued)*

(c) Underwriting result

	2010 €000s	2010 €000s	2009 €000s	2009 €000s
Earned premiums, net of reinsurance				
Gross premiums written	358,385		357,244	
Outward reinsurance premiums	(55,172)		(54,107)	
Net premiums written	303,213		303,137	
Change in provision for unearned premiums				
Gross amount	124		11,414	
Reinsurers' share	(797)		53	
Change in net provision for unearned premiums	(673)		11,467	
Premium earned, net of reinsurance		302,540		314,604
Claims paid, net of recoveries from reinsurers				
Claims paid				
Gross amount	(308,077)		(293,333)	
Reinsurers' share	56,806		40,940	
Claims paid, net of recoveries from reinsurers	(251,271)		(252,393)	
Change in provision for claims				
Gross amount	13,773		(45,241)	
Reinsurers' share	3,230		34,142	
Change in insurance liabilities, net of reinsurance	17,003		(11,099)	
Claims incurred net of reinsurance		(234,268)		(263,492)
Staff Costs	(54,141)		(54,143)	
Depreciation	(6,302)		(5,968)	
Other gross management expenses	(17,084)		(17,980)	
	(77,527)		(78,091)	
Deferred acquisition costs	568		2,231	
Reinsurers' share of expenses	12,743		13,943	
Broker commissions payable	(2,437)		(2,103)	
Net operating expenses		(66,653)		(64,020)
Underwriting result		1,619		(12,908)

All reinsurance contracts are for no more than one year so have no material effect on the amount, timing and uncertainty of cash flows. There are no security arrangements for reinsurance transactions. The impact of buying reinsurance was a credit to the income statement of €16,810,000 (2009: Credit of €34,971,000).

3 SEGMENTAL INFORMATION (continued)

(d) Non-underwriting expenses

	2010 €000s	2009 €000s
Staff costs	29,732	30,751
Depreciation	174	237
Cost of sales	21,077	9,889
Other	23,498	25,408
	74,481	66,285

Cost of sales includes cost of property sales in La Cala.

4 INVESTMENT INCOME

(a) Actual return

	2010 €000s	2009 €000s
Income from investment properties	2,852	2,937
Interest and similar income	29,817	31,413
Dividend income	335	348
Impairment of investments	(24,397)	(19,942)
Realised losses on investments	(4,186)	(8,241)
	4,421	6,515
By Classification of investment		
Investment properties	1,953	(5,574)
Deposits with banks	2,110	3,483
Investments held for trading	1,660	5,348
Available for sale investments	(1,769)	281
Investments held to maturity	16,741	23,720
Loans	(16,274)	(20,743)
	4,421	6,515

Interest and similar income received during the period was €31,403,000 (2009: €24,619,000).

4 INVESTMENT INCOME *(continued)*

(b) Longer term investment return

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

	2010 %	2009 %
Government gilts	4.00	4.00
Other quoted debt securities	6.00	6.00
Quoted shares	6.75	6.75
Deposits with banks	3.25	3.25
Investment properties	6.25	6.25
Investments held to maturity	Actual	Actual

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

	2010 €000s	2009 €000s
Longer term investment return	34,514	35,299
Investment return fluctuation	(30,093)	(28,784)
Actual investment return	4,421	6,515

5 RESTRUCTURING AND OTHER COSTS

	2010 €000s	2009 €000s
Redundancy costs	-	2,315
Provision for termination of leases	1,615	-
Total	1,615	2,315

6 FINANCE COSTS

	2010 €000s	2009 €000s
Interest on borrowings	3,236	3,377

Interest paid during the year was €2,898,000 (2009: €3,495,000).

No interest was capitalised during 2010 or 2009.

7 LOSS BEFORE TAX

	2010 €000s	2009 €000s
Loss before tax has been stated after charging:		
Depreciation	6,476	6,206
Cost of goods sold from inventory	13,181	3,224

The remuneration of Directors is set out in detail on pages 32 to 38.

8 INFORMATION RELATING TO AUDITORS' REMUNERATION

	2010 €000s	2009 €000s
Description of service		
Audit services		
– Group	150	189
– Company	25	23
Other assurance services		
– Group	125	150
– Company	-	-
Tax advisory services		
– Group	298	182
– Company	40	54
Other non-audit services		
– Group	-	-
– Company	-	-

	2010 €000s	2009 €000s
Fees payable to other Deloitte firms outside of Ireland are as follows:		
Audit Services	65	79
Tax advisory services	39	107
	104	186

9 STAFF COSTS AND NUMBERS

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

	2010	2009
Underwriting	722	739
Non-underwriting	915	1,004
Total	1,637	1,743

The aggregate employee benefit expense for these persons was as follows:

	2010 €000s	2009 €000s
Wages and salaries	68,265	71,847
Social welfare costs	8,360	8,545
Pension costs	6,232	4,502
Share based payments	1,016	698
	83,873	85,592

10 INCOME TAX CHARGE

	2010 €000s	2009 €000s
Irish corporation tax	(3,697)	(1,420)
Foreign tax	(50)	(163)
Adjustments in respect of prior years	989	523
Current tax charge	(2,758)	(1,060)
Deferred tax credit	2,606	4,774
	(152)	3,714

10 INCOME TAX CHARGE (continued)

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

	2010 €000s	2009 €000s
Loss before tax	(3,083)	(34,644)
Corporation tax credit at standard rate of 12.5% (2009: 12.5%)	(385)	(4,330)
Effects of:		
Differences between capital allowances for period and depreciation	(73)	77
Non-taxable income/unrealised gains/losses not chargeable/deductible for tax purposes	1,538	944
Higher rates of tax on other income	61	118
Adjustments in respect of prior years	(989)	(523)
Income tax charge/(credit)	152	(3,714)

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

	2010 €000s	2009 €000s
Current tax	-	-
Deferred tax		
Revaluation of property	-	3,802
Revaluation of available for sale financial assets	-	194
Actuarial (gain)/loss on retirement benefit obligations	(1,531)	2,888
Total income tax recognised directly in other comprehensive income	(1,531)	6,884

11 PROFIT FOR THE YEAR

The Company's profit for the financial year determined in accordance with IFRS as adopted by the European Union is €6,698,000 (2009: €49,372,000).

In accordance with section 148(8) of the Companies Act, 1963 and section 7(1A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting its individual income statement to the Annual General Meeting and from filing it with the Registrar of Companies.

12 LOSS PER 60 CENT ORDINARY SHARE

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

	2010 €000s	2009 €000s
Earnings		
Loss for the year	(3,235)	(30,930)
Non-controlling interests	827	740
Preference dividend	(282)	(282)
Loss for the purpose of basic and diluted loss per share	(2,690)	(30,472)
Number of shares	2010	2009
Weighted average number of ordinary shares for the purpose of basic loss per share (excludes treasury shares)	33,269,476	33,269,476
Effect of dilutive potential of share options outstanding	149,089	159,309
Weighted average number of ordinary shares for the purpose of diluted loss per share	33,418,565	33,428,785
	Cent	Cent
Basic loss per share	(8.08)	(91.59)
Diluted loss per share	(8.08)	(91.59)

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

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

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

	2010 €000s	2009 €000s
Operating profit after taxation*	35,623	25,299
Non-controlling interests	(125)	(193)
Preference dividend	(282)	(282)
	35,216	24,824
	Cent	Cent
Operating earnings per share	105.85	74.61

*2010 effective tax rate of 12.4% (2009: 12.4%).

Non-controlling interests exclude non-operating movements.

13 PROPERTY, PLANT AND EQUIPMENT

	Property held for own use €000s	Hotels and golf resort assets €000s	Total property €000s	Plant and equipment €000s	Total property plant and equipment €000s
Cost or valuation					
At 1 January 2009	24,335	167,088	191,423	59,708	251,131
Additions	-	728	728	7,746	8,474
Disposals	-	(134)	(134)	(270)	(404)
Impairment	(2,367)	(2,874)	(5,241)	-	(5,241)
At 1 January 2010	21,968	164,808	186,776	67,184	253,960
Additions	-	366	366	6,049	6,415
Disposals	(565)	-	(565)	(183)	(748)
At 31 December 2010	21,403	165,174	186,577	73,050	259,627
Comprising:					
At cost	-	137	137	73,050	73,187
At valuation	21,403	165,037	186,440	-	186,440
At 31 December 2010	21,403	165,174	186,577	73,050	259,627

13 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Property held for own use €000s	Hotels and golf resort assets €000s	Total property €000s	Plant and equipment €000s	Total property plant and equipment €000s
Accumulated depreciation & impairment					
At 1 January 2009	-	-	-	42,472	42,472
Depreciation charge for the year	-	-	-	6,206	6,206
Elimination on disposals	-	-	-	(245)	(245)
Impairments	128	28,462	28,590	458	29,048
At 1 January 2010	128	28,462	28,590	48,891	77,481
Depreciation charge for the year	-	-	-	6,476	6,476
Elimination on disposals	-	-	-	(157)	(157)
Impairments	3,160	16,708	19,868	-	19,868
At 31 December 2010	3,288	45,170	48,458	55,210	103,668
Carrying amount					
At 31 December 2010	18,115	120,004	138,119	17,840	155,959
At 31 December 2009	21,840	136,346	158,186	18,293	176,479

Property held for own use and hotels and golf resort assets at 31 December 2009 and 2010 were valued at fair value which is determined either by independent professional valuers or at a lower amount if, in the opinion of the Directors, a lower amount more accurately reflected fair value. The external professional valuers for property held for own use and Irish hotels and golf resort assets were CB Richard Ellis, Valuation Surveyors while hotels and golf resort assets located outside Ireland were valued by American Appraisal, Valuation Surveyors. In forming their opinion on fair values, the Directors took into account the report of the professional valuers and, in relation to certain specific properties, took more prudent assumptions on the underlying profit projections and/or timing of underlying cash flows.

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

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

13 PROPERTY, PLANT AND EQUIPMENT (continued)

At each reporting date, the Group reviews the carrying value of its property to determine if there is any indication that those assets have suffered an impairment loss. The Group made impairment provisions in 2010 of €19,868,000 (2009: €34,289,000).

Included in hotels and golf resort assets are assets valued at €13,000,000 (2009: €14,500,000) on which the Group has obligations under property financing arrangements which are included in borrowings, see note 30. Hotel and golf resort assets have been used as security for bank loans totalling €38,866,000 (2009: €40,185,000).

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

	2010 €000s	2009 €000s
Property held for own use	18,115	21,840
Hotels & golf resort assets	119,271	135,521
Total	137,386	157,361

14 INVESTMENT PROPERTY

	2010 €000s	2009 €000s
Fair value of investment property		
At beginning of year	43,267	52,538
Impairment during the year	(899)	(8,479)
Sale of investment property	-	(792)
At end of year	42,368	43,267

Investment properties held for rental were valued at fair value at 31 December 2009 and 2010 by independent external professional valuers, Savills, Valuation Surveyors. The valuation statement received from the external professional valuers states that *"Market value is defined as the estimated amount for which the property could exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein parties had each acted knowledgeably, prudently and without compulsion."*

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

The Group made impairment provisions in 2010 of €899,000 (2009: €8,479,000).

14 INVESTMENT PROPERTY *(continued)*

The rental income earned by the Group from its investment properties amounted to **€2,852,000** (2009: €2,937,000). Direct operating costs associated with investment properties amounted to **€138,000** (2009: €402,000).

All properties in the portfolio generated rental income during both 2009 and 2010. Investment properties are leased to tenants on long-term full repair leases varying in term from one to ninety eight years. No contingent rents were recognised as income in the period.

Subsequent to the year end, two of the Group's investment properties located in the UK were sold and a third is in the course of being sold. Combined, the three sales will generate €20,600,000 in cash and a profit of €500,000 over the December 2010 valuation.

The historical cost of investment property is as follows:

	2010 €000s	2009 €000s
Historical cost at 1 January	78,782	80,023
Sale of investment property	-	(1,241)
Historical cost at 31 December	78,782	78,782
Non-cancellable operating lease receivables		
Not longer than 1 year	2,391	3,449
Longer than 1 year and not longer than 5 years	6,607	10,546
Longer than 5 years	882	5,171
	9,880	19,166

15 LOANS

	2010 €000s	2009 €000s
Secured loans		
At 1 January	36,863	57,863
Accrued interest	2,748	3,495
Origination of loans	-	-
Repayment of loans	-	-
Less loan impairment	(19,077)	(24,495)
At 31 December	20,534	36,863
Other Loans	4,084	7,000
Total Loans	24,618	43,863

The Group has extended loans with a gross maximum credit risk exposure of **€81,133,000** (2009: €84,049,000). Net of impairment provisions the net maximum credit risk exposed is **€24,618,000** (2009: €43,863,000). Of these net exposures, **€20,534,000** (2009: €36,863,000) are secured on land over which the Group has collateral of first charges. The remaining loans outstanding are unsecured.

The secured loans were provided for the purchase of sites, located in prime areas of London, Manchester and the Isle of Man, over which the Group has collateral of first charges. The secured loans are repayable before commencement of construction, with reviews at regular intervals. The weighted average interest rate applicable to these secured loans is 4.62%. The fair value of the collateral held is approximately equal to the fair value of the secured loans, which is the carrying value. The development sites held as collateral were valued at fair value at 31 December 2010 by independent external professional valuers on an existing use basis. There are no conditions associated with the use of the Group's collateral and the Group has an obligation to return the security when the loans are fully discharged.

The credit quality of the loans is assessed at each reporting date and in 2010 the Directors made an additional impairment provision of €19,077,000 bringing the cumulative principal impairment provision to €56,515,000 in recognition that the value of the land provided by the borrowers as security for the loans had diminished. At 31 December 2010 one loan with a gross balance outstanding of €29,245,000 before provisions which was due to be repaid during 2010 remains outstanding. Given the impairment provisions, the Directors are satisfied that the amounts at which the loans are being carried at 31 December 2010 are recoverable and consider the carrying amount of the loans to be their fair value.

16 DEFERRED TAX ASSET

	Retirement benefit obligation €000s	Tax losses €000s	Unrealised losses on investment & loans €000s	Accelerated capital allowances €000s	Total €000s
At 1 January 2009	-	-	-	-	-
Credited to other comprehensive income	2,888	-	-	-	2,888
Credited to income statement	-	4,019	-	-	4,019
At 31 December 2009	2,888	4,019	-	-	6,907
Re-classified from deferred tax liability	-	-	790	568	1,358
Debited to other comprehensive income	(1,531)	-	-	-	(1,531)
Credited to income statement	-	(2,495)	4,935	73	2,513
At 31 December 2010	1,357	1,524	5,725	641	9,247

A deferred tax asset of €1,357,000 has been recognised in respect of the retirement benefit obligation of €10,859,000. A further deferred tax asset of €1,524,000 has been recognised in respect of losses forward to the extent that it is probable, based on management projections, that taxable profits will be available against which the losses can be utilised in the future.

Deferred tax assets not recognised at the reporting date:

	2010 €000s	2009 €000s
Tax losses	23,453	21,710
Unused tax credits	1,808	2,503
	25,261	24,213

Of the unused tax losses, €4,167,000 (2009: €5,667,000) will expire by 2021 and a further €16,593,000 (2009: €14,112,000) will expire in 2025. The remaining losses/credits may be carried forward indefinitely.

17 FINANCIAL INSTRUMENTS

(a) Financial Assets

	2010 €000s	2009 €000s
(i) At amortised cost		
Investments held to maturity	496,852	581,096
(ii) At fair value		
Available for sale investments – unquoted investments	7,282	9,476
Investments held for trading – quoted shares	14,050	26,191
Investments held for trading – unquoted debt securities	3,809	3,809
(iii) At cost		
Cash and cash equivalents	36,714	44,036
Deposits with banks	195,172	75,462

The fair value of investments held to maturity at closing bid prices was €517,690,000 (2009: €611,835,000).

During 2010, the Group disposed of certain held to maturity investments in advance of their normal maturity date. The Directors are satisfied that the disposals do not call into question the Group's intention to hold other investments to maturity on the basis that the investments disposed of suffered a significant and actual deterioration in the issuer's creditworthiness after the securities were acquired.

Deposits with banks have increased by €119,710,000 mainly as a result of the disposal of the held to maturity investments during 2010.

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

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

17 FINANCIAL INSTRUMENTS *(continued)*

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

2009	Level 1 €000s	Level 2 €000s	Level 3 €000s	Total €000s
Investments held for trading				
Quoted shares	26,191	-	-	26,191
Unquoted debt securities	-	3,809	-	3,809
AFS investments				
Unquoted investments	-	-	9,476	9,476
	26,191	3,809	9,476	39,476

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

	2010 €000s	2009 €000s
Level 3 financial assets at 1 January	9,476	11,051
Total losses recognised in Income Statement	(2,000)	-
Revaluation decrease	-	(1,554)
Disposals	(194)	(21)
Level 3 financial assets at 31 December	7,282	9,476

Available for sale investments comprise unquoted securities and consist of a number of small investments. The values attributable to these investments are derived from a number of valuation techniques including cost, net asset or net book value or the net present value of future cash flows based on conservative operating projections.

17 FINANCIAL INSTRUMENTS (continued)

(b) Financial Liabilities

Financial liabilities at amortised cost consist of borrowings which at the year end amounted to €117,766,000 (2009: €120,051,000).

18 INVENTORIES

	2010 €000s	2009 €000s
Work in progress	18,008	28,756
Development land held for resale	28,037	30,470
	46,045	59,226

Inventories at a carrying value of €11,200,000 are expected to be recovered within 1 year (2009: €4,357,770). The amount of inventory charged as a cost of sale relating to sale of properties in La Cala is €13,181,000 (2009: €3,224,000).

19 CURRENT TAX ASSET

	2010 €000s	2009 €000s
Income tax receivable	6,003	175

20 DEFERRED ACQUISITION COSTS

The movements in deferred acquisition costs during the year were:

	2010 €000s	2009 €000s
Gross carrying amount at 1 January	19,963	17,733
Net acquisition costs deferred during the year	568	2,230
Gross carrying amount at 31 December	20,531	19,963

All deferred acquisition costs are expected to be recovered within one year from 31 December 2010.

21 OTHER RECEIVABLES

	2010 €000s	2009 €000s
Policyholders	36,168	34,415
Intermediaries	2,473	1,987
Due from reinsurers	1	1
Other debtors	20,674	20,798
Accrued interest and rent	525	913
Prepayments and accrued income	11,438	14,567
	71,279	72,681

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

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

22 CASH AND CASH EQUIVALENTS

	2010 €000s	2009 €000s
Demand deposits	28,586	43,376
Cash in hand	8,128	660
	36,714	44,036

There are no restrictions on the use of demand deposits.

23 ORDINARY SHARE CAPITAL

	Number	2010 €000s	2009 €000s
(i) Ordinary shares of 60 cent each			
Authorised:			
At the beginning and the end of the year	51,326,000	30,796	30,796
Issued and fully paid:			
At the beginning and the end of the year	35,461,206	21,277	21,277
(ii) 'A' Ordinary shares of 1 cent each			
Authorised:			
At the beginning and the end of the year	120,000,000	1,200	1,200
Issued and fully paid:			
At the beginning and the end of the year	13,169,428	132	132
		21,409	21,409

The 'A' ordinary shares of 1 cent each are non-voting. They are non-transferable except only to the Company. Other than a right to a return of paid up capital of 1 cent per 'A' ordinary share in the event of a winding up, the 'A' ordinary shares have no right to participate in the capital or the profits of the Company.

The holders of the two classes of non-cumulative preference shares rank ahead of the two classes of ordinary shares in the event of a winding up (see note 27). Before any dividend can be declared on the ordinary shares of 60 cent each, the dividend on the non-cumulative preference shares must firstly be declared or paid.

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

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

At 31 December 2010, the total number of ordinary shares of 60 cent each under option amounted to 1,161,864 (2009: 1,199,422). The related options had been granted under the FBD Holdings plc Executive Share Option Scheme ("ESOS") and the FBD Group Save as You Earn (SAYE) Scheme (the "SAYE Scheme"). 249,825 (2009: 249,825) of the options outstanding under the ESOS may be exercised prior to October 2013 at a subscription price of €2.50 per share. 875,000 (2009: 905,000) of the options outstanding under the ESOS may be exercised between August 2012 and September 2014 at a subscription price of €7.45 per share conditional on certain performance conditions being met. The 37,039 (2009: 44,597) options outstanding under the SAYE Scheme may be exercised after February 2011 at a subscription price of €18.46 per share.

All issued shares have been fully paid.

24 CAPITAL RESERVES

(a) GROUP

	Share premium €000s	Capital conversion reserve €000s	Capital redemption reserve €000s	Share option reserve €000s	Total Group €000s
Balance at 1 January 2009	5,540	1,627	4,426	2,006	13,599
Recognition of share-based payments	-	-	-	698	698
Balance at 31 December 2009	5,540	1,627	4,426	2,704	14,297
Recognition of share-based payments	-	-	-	1,016	1,016
Balance at 31 December 2010	5,540	1,627	4,426	3,720	15,313

(b) COMPANY

	Share premium €000s	Capital conversion reserve €000s	Capital redemption reserve €000s	Share option reserve €000s	Total Company €000s
Balance at 1 January 2009	5,540	1,627	4,426	-	11,593
Recognition of share-based payments	-	-	-	2,704	2,704
Balance at 31 December 2009	5,540	1,627	4,426	2,704	14,297
Recognition of share-based payments	-	-	-	1,016	1,016
Balance at 31 December 2010	5,540	1,627	4,426	3,720	15,313

Capital conversion reserve arose on the redenomination of ordinary, 14% and 8% non-cumulative preference shares from 1R50p into ordinary or non-cumulative preference shares of 63.4869 cent. Each such share was then renominised to an ordinary or a non-cumulative preference share of 60 cent, an amount equal to the reduction in the issued share capital was transferred to the capital conversion reserve fund.

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

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

25 REVALUATION RESERVES

	Property, plant and equipment €000s	Available for sale investments €000s	Total €000s
Balance at 1 January 2009	1,926	1,369	3,295
Revaluation of property, plant and equipment	(5,241)	-	(5,241)
Deferred tax on revaluation of property, plant and equipment	3,802	-	3,802
Non-controlling interests share of revaluation of property, plant and equipment	246	-	246
Revaluation of AFS investments	-	(1,554)	(1,554)
Deferred tax on revaluation of AFS investments	-	194	194
Balance at 31 December 2009	733	9	742
Balance at 31 December 2010	733	9	742

There has been no movement on revaluation reserves in 2010.

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

Distributions from the revaluation reserve can be made where they are in accordance with the requirements of the Company's Memorandum and Articles of Association and the Companies Acts and relevant case law. The Directors do not currently intend to make any distributions from the revaluation reserve. The deferred tax liability in respect of the revaluation reserve is set out in note 32.

26 RETAINED EARNINGS

	€000s
Balance at 1 January 2009	197,788
Dividends paid	(6,936)
Net loss for the year	(35,858)
Balance at 31 December 2009	154,994
Dividends paid and approved	(10,429)
Net profit for the year	192
Balance at 31 December 2010	144,757

27 PREFERENCE SHARE CAPITAL

	Number	2010 €000s	2009 €000s
Authorised:			
At the beginning and the end of the year			
14% Non-cumulative preference shares of 60 cent each	1,340,000	804	804
8% Non-cumulative preference shares of 60 cent each	12,750,000	7,650	7,650
		8,454	8,454
Issued and fully paid:			
At the beginning and the end of the year			
14% Non-cumulative preference shares of 60 cent each	1,340,000	804	804
8% Non-cumulative preference shares of 60 cent each	3,532,292	2,119	2,119
		2,923	2,923

The rights attaching to each class of share capital are set out in the Company's Articles of Association. In the event of the Company being wound up, the holders of the 14% non-cumulative preference shares rank ahead of the holders of the 8% non-cumulative preference shares, who in turn, rank ahead of the holders of both the 'A' ordinary shares of 1 cent each and the holders of the ordinary shares of 60 cent each.

28 NON-CONTROLLING INTERESTS

	2010 €000s	2009 €000s
Balance at 1 January	3,030	4,151
Share of profit for year	125	193
Share of impairment of property, plant and equipment	(952)	(1,179)
Dividends paid to non-controlling interests	(150)	(135)
Balance at 31 December	2,053	3,030

29 CLAIMS OUTSTANDING

(a) Gross Claims Outstanding 2010

	Prior years €000s	2001 €000s	2002 €000s	2003 €000s	2004 €000s	2005 €000s	2006 €000s	2007 €000s	2008 €000s	2009 €000s	2010 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year	-	204,550	269,756	262,132	329,087	329,501	393,944	340,460	383,918	378,839	352,635	-
One year later	-	200,668	222,441	225,267	277,415	278,281	306,441	316,394	373,373	342,548	-	-
Two years later	-	198,406	209,284	206,220	255,510	243,243	299,096	308,665	373,203	-	-	-
Three years later	-	182,112	198,551	185,363	223,571	229,877	297,147	303,432	-	-	-	-
Four years later	-	168,013	174,132	165,686	215,480	224,576	291,218	-	-	-	-	-
Five years later	-	162,933	165,741	156,734	207,644	218,926	-	-	-	-	-	-
Six years later	-	158,137	158,403	151,625	208,007	-	-	-	-	-	-	-
Seven years later	-	155,619	157,472	150,762	-	-	-	-	-	-	-	-
Eight years later	-	154,184	156,795	-	-	-	-	-	-	-	-	-
Nine years later	-	151,849	-	-	-	-	-	-	-	-	-	-
Estimate of cumulative claims	-	151,849	156,795	150,762	208,007	218,926	291,218	303,432	373,203	342,548	352,635	-
Cumulative payments	-	(147,469)	(152,020)	(143,112)	(191,044)	(191,696)	(247,540)	(228,729)	(267,752)	(215,350)	(115,672)	-
Claims outstanding												
At 31 December 2010:	8,665	4,380	4,775	7,650	16,963	27,230	43,678	74,703	105,451	127,198	236,963	657,656
At 31 December 2009:	14,099	10,642	7,284	11,559	26,100	44,932	69,034	99,886	146,700	241,193	-	671,429
Movement during 2010:	(5,434)	(6,262)	(2,509)	(3,909)	(9,137)	(17,702)	(25,356)	(25,183)	(41,249)	(113,995)	236,963	(13,773)

29 CLAIMS OUTSTANDING (continued)

(b) Net Claims Outstanding 2010

	Prior years €000s	2001 €000s	2002 €000s	2003 €000s	2004 €000s	2005 €000s	2006 €000s	2007 €000s	2008 €000s	2009 €000s	2010 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year	-	187,573	211,714	221,439	265,069	290,028	297,864	307,269	338,162	308,494	282,830	-
One year later	-	184,898	195,516	203,161	227,657	286,600	257,379	281,264	319,002	286,115	-	-
Two years later	-	185,859	187,346	182,746	213,828	221,359	254,396	277,391	318,124	-	-	-
Three years later	-	173,695	170,686	167,233	183,663	210,457	251,077	273,128	-	-	-	-
Four years later	-	157,573	147,562	148,354	176,006	205,132	246,832	-	-	-	-	-
Five years later	-	151,206	142,054	141,356	171,196	200,640	-	-	-	-	-	-
Six years later	-	145,668	138,321	136,829	168,266	-	-	-	-	-	-	-
Seven years later	-	144,435	136,028	135,158	-	-	-	-	-	-	-	-
Eight years later	-	142,108	134,827	-	-	-	-	-	-	-	-	-
Nine years later	-	138,991	-	-	-	-	-	-	-	-	-	-
Estimate of cumulative claims	-	138,991	134,827	135,158	168,266	200,640	246,832	273,128	318,124	286,115	282,830	-
Cumulative payments	-	(134,620)	(130,068)	(127,546)	(151,316)	(173,507)	(203,499)	(199,010)	(219,079)	(172,323)	(93,962)	-
Claims outstanding												-
At 31 December 2010:	6,759	4,371	4,759	7,612	16,950	27,133	43,333	74,118	99,045	113,792	188,868	586,740
At 31 December 2009:	13,242	10,091	7,772	12,271	29,365	43,400	65,966	97,162	130,310	194,164	-	603,743
Movement during 2010:	(6,483)	(5,720)	(3,013)	(4,659)	(12,415)	(16,267)	(22,633)	(23,044)	(31,265)	(80,372)	188,868	(17,003)

29 CLAIMS OUTSTANDING (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 Group takes all reasonable steps to ensure that it has appropriate information regarding notified claims and uses this information when estimating the cost of those claims.

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

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

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

(c) Reconciliation of claims outstanding

	Gross €000s	Net €000s
Balance at 1 January 2009	626,188	592,644
Change in provision for claims	45,241	11,099
Balance at 31 December 2009	671,429	603,743
Change in provision for claims	(13,773)	(17,003)
Balance at 31 December 2010	657,656	586,740

(d) Reconciliation of provision for unearned premium

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

	2010 €000s	2009 €000s
Balance at 1 January	176,603	188,017
Net premium written	303,213	303,137
Net premium earned	(302,540)	(314,604)
Changes in provision for unearned premium – reinsurers' share	(797)	53
Provision for unearned premium at 31 December	176,479	176,603

29 CLAIMS OUTSTANDING *(continued)*

(e) Reconciliation of reinsurance assets

	Claims outstanding €000s	Unearned premium reserve €000s
Balance at 1 January 2009	33,544	25,450
Movement during year	34,142	53
Balance at 31 December 2009	67,686	25,503
Movement during year	3,230	(797)
Balance at 31 December 2010	70,916	24,706

30 BORROWINGS

	2010 €000s	2009 €000s
Bank loans	39,249	40,734
Other loans from related parties	60,000	60,800
Obligation under property financing arrangements	18,517	18,517
Total borrowings	117,766	120,051

Hotel and golf resort assets to the value of €50,000,000 have been used as security for bank loans totalling €38,866,000 (2009: €40,185,000).

Liabilities in respect of the obligations under property financing arrangements fall due for settlement in 2012 and relate to a loan which is guaranteed by the Group as described in note 40.

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

	2010 €000s	2009 €000s
Bank and other loans	99,249	101,534
The borrowings are repayable as follows:		
On demand or within one year	1,831	2,516
In the second year	65,539	62,162
In the third year	31,879	12,964
In the fourth year	-	1,382
In the fifth year	-	1,382
After five years	-	21,128
	99,249	101,534

30 BORROWINGS (continued)

All borrowings at 31 December 2010 and 2009 are denominated in euro and are at floating interest rates, exposing the Group to cash flow interest rate risk.

	2010	2009
The average interest rates were as follows:	2.74%	2.94%

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

31 RETIREMENT BENEFIT OBLIGATION

The Group operates a funded defined benefit retirement benefit scheme for qualifying employees of its Irish based staff. Under the defined benefit plan, employees are entitled to retirement benefits of 1/60th of final salary for each year of service on attainment of a retirement age of 65. A full actuarial valuation was carried out on 1 July 2010, using the projected unit credit method, and updated to 31 December 2010 by the schemes' independent and qualified actuary. The long-term investment objective of the Trustees and the Group is to limit the risk of the assets failing to meet the liabilities of the scheme over the long term, and to maximise returns consistent with an acceptable level of risk so as to control the long-term costs of the scheme. To meet these objectives, the scheme's assets are invested in a diversified portfolio, consisting primarily of equity and debt securities. These reflect the current long-term asset allocation ranges, having regard to the structure of liabilities within the scheme. The major assumptions used by the actuary were:

(a) Assumptions used to calculate scheme liabilities

	2010 %	2009 %
Inflation rate increase	2.00	2.00
Salary rate increase	3.00	3.00
Pension payment increase:		
– past service average	2.00	2.00
– future service	0.00	2.00
Discount rate	5.00	5.25

(b) Expected rate of return on scheme assets

	2010 %	2009 %
Quoted shares	6.75	6.75
Government gilts	4.00	4.00
Investment properties	6.25	6.25

31 RETIREMENT BENEFIT OBLIGATION *(continued)*

(c) Mortality Assumptions

	2010 Years	2009 Years
The average life expectancy of current and future retirees used in the scheme at age 65 is as follows:		
Male	21.6	24.1
Female	23.3	27.8

The basis used to determine the expected return on plan assets is the money weighted rate of return achieved on the asset values used for the purpose of calculating the long-term funding rate. The actual return on the scheme assets for the year was €6,881,000 (2009: €11,210,000).

(d) Consolidated income statement

	2010 €000s	2009 €000s
Charged to consolidated income statement:		
Current service cost	3,993	3,289
Past service gain	(11,063)	-
Death in service cost	-	24
	(7,070)	3,313
Interest on scheme liabilities	(6,335)	(5,630)
Expected return on scheme assets	5,478	4,686
	(857)	(944)
(Credit)/charge to income statement	(6,213)	4,257

As the reduction in the Group's liability for retirement benefits as a result of changes in pay and conditions agreed by management and staff vested immediately it is reflected as a credit of €11,063,000 in the consolidated income statement. Other charges to the consolidated income statement have been included in other underwriting and non-underwriting expenses.

31 RETIREMENT BENEFIT OBLIGATION (continued)

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

	2010 €000s	2009 €000s
Expected return on scheme assets excess of actuarial return	5,478	4,686
Actual return on scheme assets	6,881	11,210
Actual return less expected return on scheme assets	1,403	6,524
Experience gains and losses on scheme liabilities	2,270	(1,315)
Changes in demographic and financial assumptions	458	(13,765)
Actuarial gain/(loss)	4,131	(8,556)
Deferred tax (charge)/credit	(1,531)	2,888
Actuarial gain/(loss) net of deferred tax	2,600	(5,668)

(f) History Of Experience Gains and Losses

	2010 €000s	2009 €000s	2008 €000s	2007 €000s	2006 €000s
Present value of defined benefit obligations	114,367	120,755	98,956	115,871	112,706
Fair value of plan assets	103,508	97,652	82,844	109,630	109,119
Deficit	10,859	23,103	16,112	6,241	3,587
Difference between expected and actual return on assets	1,403	6,524	(37,076)	(9,735)	7,114
Experience gains and losses on scheme liabilities	2,270	(1,315)	2,889	(2,300)	(5,000)
Actuarial gain/(loss)	4,131	(8,556)	(10,174)	(4,677)	(3,869)

The cumulative charge to the consolidated statement of comprehensive income is €61,883,000 (2009: €66,014,000).

31 RETIREMENT BENEFIT OBLIGATION *(continued)*

(g) Assets in scheme at market value

	2010 €000s	2009 €000s
Equities	49,607	42,158
Bonds	26,550	36,019
Property	4,554	4,565
Managed funds	13,777	12,472
Cash deposits and other	9,020	2,438
	103,508	97,652
Actuarial value of liabilities	(114,367)	(120,755)
Net pension liability	(10,859)	(23,103)

(h) Movement in Deficit During The Year

	2010 €000s	2009 €000s
Net deficit in scheme at 1 January	(23,103)	(16,112)
Current service cost	(3,993)	(3,289)
Past service gain	11,063	-
Employer contributions	1,900	5,798
Interest on scheme liabilities	(6,335)	(5,630)
Expected return on scheme assets	5,478	4,686
Actuarial gain/(loss)	4,131	(8,556)
Net deficit at 31 December	(10,859)	(23,103)

31 RETIREMENT BENEFIT OBLIGATION (continued)

(i) Movement on Assets and Liabilities

	2010 €000s	2009 €000s
Assets		
Assets in scheme at 1 January	97,652	82,844
Actual return less expected return on scheme assets	1,403	6,524
Contributions	1,900	5,798
Employee contributions	160	261
Expected return on scheme assets	5,478	4,686
Benefits paid	(3,085)	(2,461)
Assets in scheme at 31 December	103,508	97,652
Liabilities		
Liabilities in scheme at 1 January	120,755	98,956
Experience gains and losses on scheme liabilities	(2,270)	1,315
Changes in demographic and financial assumptions	(458)	13,765
Current service cost	3,993	3,289
Past service gain	(11,063)	-
Employee contributions	160	261
Interest on scheme liabilities	6,335	5,630
Benefits paid	(3,085)	(2,461)
Liabilities in scheme at 31 December	114,367	120,755

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

- A 1% increase in the discount rate would reduce the value of the scheme liabilities by €19.4m. A 1% reduction in the discount rate would increase the value of the scheme liabilities by €25.8m.
- The effect of inflation and salaries have been analysed together because they are linked. A rise in the long term inflation assumption will increase the long term salary increase assumption and similarly for a fall in the long term inflation assumption.
- A 1% increase in inflation/salaries would increase the value of the scheme liabilities by €17.8m. A 1% reduction in inflation/salaries would reduce the value of the scheme liabilities by €14.4m.
- The effect of assuming all members of the scheme will live one year longer would increase the scheme's liabilities by €2.4m.
- The current best estimate of 2011 contributions to be made by the Group to the pension fund is €4,836,000 (2010: €4,866,000).

31 RETIREMENT BENEFIT OBLIGATION *(continued)*

The Group also operates defined contribution retirement benefit plans for qualifying employees who opt to join. The assets of the plans are held separately from those of the Group in funds under the control of Trustees. The Group recognised an expense of €1,534,000 (2009: €1,097,000) relating to these pension schemes.

32 DEFERRED TAX LIABILITY

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

	Revaluation of property, plant and equipment €000s	Revaluation of investment property €000s	Revaluation of financial investments €000s	Insurance contracts €000s	Pension contribution prepayment €000s	Other timing differences €000s	Total €000s
At 1 January 2009	6,109	788	(335)	7,024	1,707	(231)	15,062
Credited to other comprehensive income	(3,802)	-	(194)	-	-	-	(3,996)
(Credited)/debited to income statement	(2,215)	(788)	530	3,326	(1,707)	295	(559)
At 31 December 2009	92	-	1	10,350	-	64	10,507
Reclassified to deferred tax asset	-	-	-	1,358	-	-	1,358
Reclassified to current tax	-	-	-	(19)	-	-	(19)
Credited to income statement	-	-	-	(95)	-	-	(95)
At 31 December 2010	92	-	1	11,594	-	64	11,751

33 PAYABLES

(a) GROUP

	2010 €000s	2009 €000s
Payables arising out of direct insurance operations	8,744	11,752
Amounts falling due within one year:		
Payables and accruals	52,282	42,878
PAYE/PRSI	2,464	1,867
Proposed dividends on preference shares	451	169
	55,197	44,914
	63,941	56,666

(b) COMPANY

	2010 €000s	2009 €000s
Amounts falling due within one year:		
Payables and accruals	773	142
Proposed dividends on preference shares	451	169
	1,224	311

34 (a) ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2010 €000s	2009 €000s
Investment activities		
Purchase of investments held for trading	(7,440)	(21,131)
Sale of investments held for trading	20,656	20,168
Purchase of investments held to maturity	(14,893)	(115,887)
Sale of investments held to maturity	91,236	14,000
Sale of available for sale investments	118	21
Purchase of property, plant and equipment	(6,415)	(8,474)
Sale of property, plant and equipment	680	-
Sale of investment property	-	792
(Increase)/decrease in deposits with banks	(119,710)	107,681
Decrease in loans	2,916	5,626
	(32,852)	2,796

34 (b) MOVEMENT IN CASH, PORTFOLIO INVESTMENT AND FINANCING

2010	1 January 2010 €000s	Cash flow €000s	Changes to market value €000s	31 December 2010 €000s
Cash	44,036	(7,322)	-	36,714
Investments held for trading	30,000	(13,216)	1,075	17,859
Investments held to maturity	581,096	(76,343)	(7,901)	496,852
Investments available for sale	9,476	(118)	(2,076)	7,282
Deposits with banks	75,462	119,710	-	195,172
Loans	43,863	(2,916)	(16,329)	24,618
Property	158,186	(199)	(19,868)	138,119
Inventory	59,226	(13,181)	-	46,045
Investment property	43,267	-	(899)	42,368
Borrowings	(101,534)	2,285	-	(99,249)
	943,078	8,700	(45,998)	905,780

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

35 DIVIDENDS

	2010 €000s	2009 €000s
Paid during year:		
Dividend of Nil cent (2009: 4.8 cent) per share on 8% non-cumulative preference shares of 60 cent each	-	169
Dividend of Nil cent (2009: 8.4 cent) per share on 14% non-cumulative preference shares of 60 cent each	-	113
2009 Final dividend of 20.0 cent (2008: 10.0 cent) per share on ordinary shares of 60 cent each	6,654	3,327
2010 Interim dividend of 10.5 cent (2009: 10.0 cent) per share on ordinary shares of 60 cent each	3,493	3,327
	10,147	6,936
Approved but not paid:		
Dividend of 4.8 cent (2009: Nil cent) per share on 8% non-cumulative preference shares of 60 cent each	169	-
Dividend of 8.4 cent (2009: Nil cent) per share on 14% non-cumulative preference shares of 60 cent each	113	-
	282	-
Proposed:		
Dividend of 4.8 cent (2009: 4.8 cent) per share on 8% non-cumulative preference shares of 60 cent each	169	169
Final dividend of 21.0 cent (2009: 20.0 cent) per share on ordinary shares of 60 cent each	6,987	6,654
	7,156	6,823

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

36 PRINCIPAL SUBSIDIARIES

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

The Registered Office of each of the above subsidiaries is at FBD House, Bluebell, Dublin 12, with the exception of Ranchos Reunidos S.A. and La Cala Golf Club S.L. which are at La Cala Resort, La Cala de Mijas, 29649 Mijas-Costa, Malaga, Spain and Sunset Beach Club S.A. which is at Avenida Del Sol No. 5, 29630 Benalmadena-Costa, Malaga, Spain.

All shareholdings are in the form of ordinary shares.

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

FBD Holdings plc is an Irish registered public limited company. The Company's ordinary shares of 60 cent each are listed on the Irish Stock Exchange and the UK Listing Authority and are traded on both the Irish Stock Exchange and London Stock Exchange.

37 CAPITAL COMMITMENTS

	2010 €000s	2009 €000s
Capital commitments at 31 December authorised by the Directors but not provided for in the financial statements:		
Contracted for	-	559
Not contracted for	184	-

38 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets at either 31 December 2010 or 31 December 2009.

39 SHARE BASED PAYMENTS

FBD Holdings plc Executive Share Option Scheme

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

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

	2010 Weighted Average exercise price in € per share	2010 Options	2009 Weighted Average exercise price in € per share	2009 Options
At 1 January	6.38	1,154,825	2.50	249,825
Granted	-	-	7.45	905,000
Exercised	-	-	-	-
Lapsed	7.45	30,000	-	-
At 31 December	6.35	1,124,825	6.38	1,154,825
Total exercisable at 31 December	2.50	249,825	2.50	249,825

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

No further options can be granted under the ESOS.

FBD Group Save as You Earn (SAYE) Scheme

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

39 SHARE BASED PAYMENTS *(continued)*

The only grant of options under the plan to date was made in October 2007 and was aligned to three year savings contracts which commenced in January 2008. Options were granted over a total of 164,573 ordinary shares at an option price of €19.95 which represented a discount of 20% to the prevailing market price at the time of grant. As a consequence of the payment of a special dividend of €1.49 per share during 2008 the option price was reduced, by agreement with the Revenue Commissioners, to €18.46. Options over 7,558 shares lapsed during the year (2009: 103,055). No options under the SAYE Scheme were exercised during the year. Options remain outstanding over a total of 37,039 ordinary shares at 31 December 2010 (2009: 44,597), none of which are exercisable at that date.

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

FBD Group Performance Share Plan

The FBD Group Performance Share Plan (the "LTIP") was approved by shareholders in May 2007. Conditional awards of ordinary shares under the LTIP are dependent on the Group meeting onerous performance targets in terms of EPS growth, total shareholder returns and maintenance of the combined operating ratio ahead of peer companies in the European general insurance sector. These targets are described in more detail in the Report on Directors Remuneration. The extent to which these conditions have been met and any award (or part of an award) has therefore vested will be determined in due course by the Remuneration Committee. Only one conditional award has been made under the LTIP to date, in August 2008. This award was over a total of 98,149 ordinary shares. The fair value of the award has been independently calculated to be €6.04 per share using the assumptions detailed below.

Fair value calculations

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

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

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

39 SHARE BASED PAYMENTS (continued)

Accounting Charge for Share Based Payments

Grant Date	Vesting Period (Years)	Number of Options Granted	Number outstanding at 31 December 2010	Grant Price €	Market Value at Grant Date €	Fair Value at Grant Date €	2010 €000s	2009 €000s
26.10.07 SAYE	3.00	164,573	37,039	* 18.46	24.94	5.84	299	299
27.08.08 LTIP	2.58	98,149	95,251	-	12.90	6.04	229	229
26.08.09 ESOS	3.00	905,000	875,000	7.45	7.40	1.62	488	170
Total							1,016	698

* adjusted for special dividends paid since grant date.

40 GUARANTEES

The Company has provided five guarantees as follows:

- Firstly and secondly, two guarantees for the value of €18,517,000 have been provided by the Company in respect of Castleknock Hotel. The first is in respect of a bank loan drawn down by an unrelated third party that has borrowed money from a bank for the purchase of Castleknock Hotel. The second is in respect of a put and call option between the same third party and a subsidiary of FBD Holdings plc. FBD Holdings plc has guaranteed that if its subsidiary cannot meet its obligation to exercise its put and call option, it shall provide the funding to enable it to do so. The benefits and obligations have been included in full in the financial statements to reflect the substance of the transaction. The annual charge paid to the third party has been included in the finance costs in the Consolidated Income Statement.
- Thirdly, the Company has guaranteed a working capital loan of €3,985,000 drawn down for the purpose of fitting out Castleknock Hotel.
- Fourthly, the Company has guaranteed a loan from Farmer Business Developments plc to a subsidiary, FBD Property & Leisure Limited, of €60,000,000.
- Finally, the Company has guaranteed the interest payment on a €2,900,000 loan from a third party to the Group's defined benefit pension scheme.

The guarantees are deemed to have a fair value of nil because there is no residual liability applying to the Group as the obligations have already been included in full in the Consolidated Statement of Financial Position and the associated finance charges are included in the Consolidated Income Statement.

41 TRANSACTIONS WITH RELATED PARTIES

Farmer Business Developments plc has a substantial shareholding in the Group at 31 December 2010 details of which are set out in the Report of the Directors.

Included in the financial statements is an unsecured loan of €60,000,000 (2009: €60,000,000) from Farmer Business Developments plc to FBD Property & Leisure Limited, a 100% owned subsidiary of the Group. This loan is guaranteed by the Company. The loan is due to be repaid in full in July 2012. Interest is charged at market rate which is defined under the terms of the loan agreement as the 3 month Euribor rate plus a margin capped at 225 basis points. Total interest expensed in the Consolidated Income Statement for 2010 relating to this loan was €1,834,405 and interest payable at 31 December 2010 was €489,440.

Included in the financial statements at the year end is €671,227 (2009: €331,601) due from Farmer Business Developments plc. This balance is made up of recharges for services provided, recoverable costs and interest. Interest is charged on this balance at the market rate. The amount due is repayable on demand.

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

For the purposes of the disclosure requirements of IAS 24, the term "key management personnel" (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Company) comprises the Board of Directors which manages the business and affairs of the Company. Full disclosure in relation to the 2010 and 2009 compensation entitlements of the Board of Directors is provided in the Report on Directors' Remuneration. In common with all shareholders, Directors received payments/distributions related to their holdings of shares in the Company during the year, amounting in total to €56,904 (2009: €35,090). Details of Directors' share options are outlined in the Report on Directors' Remuneration on pages 32 to 38. The share based payment charge to profit or loss relating to the Executive Directors during the year was €248,990 (2009: €168,007).

42 RISK MANAGEMENT

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

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

The risk appetite in the Group's underwriting subsidiary is driven by an 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 have or will not take on an individual risk or combination of risks that could threaten the solvency of the company. This ensures that the company has and will have in the future sufficient capital to pay its policyholders and all other creditors in full as liabilities fall due.

42 RISK MANAGEMENT (continued)

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

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

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

(a) General Insurance risk

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

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

The frequency and severity of claims can be affected by several factors, most notably the level of awards and inflation on settling claims. The history of claims development is set out, both gross and net of reinsurance in note 29, claims outstanding.

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

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

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

The Group uses independent actuaries to review its liabilities to ensure that the carrying amount of the liabilities is adequate. Where the liabilities net of any related deferred acquisition costs are deemed to be inadequate, the deficiency is recognised immediately in the Consolidated Income Statement.

42 RISK MANAGEMENT *(continued)*

(b) Capital Management risk

The Group is committed to managing its capital so as to maximise returns to shareholders. The capital of the Group comprises of issued capital, reserves and retained earnings as detailed in notes 23 to 27. The Board of Directors reviews the capital structure frequently to determine the appropriate level of capital required to pursue the Group's growth plans. The Group's overall strategy remains unchanged from 2009.

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

As at 31 December 2010, FBD Insurance plc had admissible assets to cover the required solvency margin of €183,800,000 (2009: €162,085,000). The required solvency margin is €63,681,000 (2009: €64,475,000) and is calculated with reference to the European Communities (Non-Life Insurance) Framework (Amendment) Regulations 2004. The Company maintained its robust capital position and complied with all regulatory solvency margin requirements throughout the year under review and the prior year.

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

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

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

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

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

(c) Operational risk

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

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

42 RISK MANAGEMENT (continued)

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

(d) Liquidity risk

The Group is exposed to daily calls on its cash resources, mainly for claims payments. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

	Carrying value total €000s	Contracted value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Assets – 2010					
Investment property	42,368	42,368	42,368	-	-
Inventories	46,045	46,045	11,200	34,845	-
Financial assets	717,165	747,215	396,272	350,943	-
Reinsurance assets	95,622	95,622	60,372	31,795	3,455
Loans and receivables	95,897	95,897	71,279	24,618	-
Cash and cash equivalents	36,714	36,714	36,714	-	-
	1,033,811	1,063,861	618,205	442,201	3,455
	Carrying value total €000s	Contracted value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Liabilities – 2010					
Insurance contract liabilities	834,135	834,135	333,885	407,018	93,232
Borrowings	117,766	124,876	4,943	119,933	-
Payables	63,941	63,941	63,941	-	-
	1,015,842	1,022,952	402,769	526,951	93,232

42 RISK MANAGEMENT *(continued)*

	Carrying value total €000s	Contracted value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Assets – 2009					
Investment property	43,267	43,267	-	43,267	-
Inventories	59,226	59,226	4,357	54,869	-
Financial assets	696,034	763,412	135,766	573,124	54,522
Reinsurance assets	93,189	93,189	71,508	16,870	4,811
Loans and receivables	116,544	116,544	72,681	43,863	-
Cash and cash equivalents	44,036	44,036	44,036	-	-
	1,052,296	1,119,674	328,348	731,993	59,333
	Carrying value total €000s	Contracted value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Liabilities – 2009					
Insurance contract liabilities	848,032	848,032	301,196	357,714	189,122
Borrowings	120,051	138,593	4,934	104,403	29,256
Payables	56,666	56,666	56,666	-	-
	1,024,749	1,043,291	362,796	462,117	218,378

(e) Market risk

The Group has invested in quoted debt securities, investment property and quoted and unquoted shares. These investments are subject to market risk, whereby the value of the investments may fluctuate as a result of changes in market prices, changes in market interest rates or changes in the foreign exchange rates of the currency in which the investments are denominated. The extent of the exposure to market risk is managed by the formulation of, and adherence to, an investment policy incorporating clearly defined investment guidelines, as approved annually by the Board of Directors and employment of appropriately qualified and experienced personnel to manage the Group's investment portfolio. The overriding philosophy of the investment policy is to protect and safeguard the Company's assets and to ensure that the Company's capacity to underwrite is not put at risk.

Interest rate risk

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

42 RISK MANAGEMENT (continued)

At 31 December 2010, the Group held the following deposits and unquoted debt securities:

	2010		2009	
	Weighted market value €000s	Weighted average interest rate %	Weighted Market value €000s	Weighted Average interest rate %
Time to maturity				
In one year or less	195,172	1.89	75,462	3.07
In more than one year, but not more than two years	-		-	
In more than two years, but not more than three years	-		-	
In more than three years, but not more than four years	3,809	6.85	-	
In more than four years, but not more than five years	-		3,809	6.85
More than five years	-		-	
	198,981		79,271	

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

Equity price risk

The Group is subject to equity price risk due to daily changes in the market values of its holdings of quoted shares. Equity price risk is actively managed by the Investment Committee using the framework set out in the Group's investment policy which is approved annually by the Board of Directors. The Investment Committee places limits on the type of shares held, liquidity of shares, size of share-holding and exposure to any one sector. In addition local asset admissibility solvency regulations require the Group to hold a diversified portfolio of assets thereby reducing exposure to individual sectors. The amounts exposed to equity price risk are set out in note 17(a).

Foreign currency risk

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

The Group did not hold any derivative instruments at 31 December 2010 or 31 December 2009.

42 RISK MANAGEMENT *(continued)*

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

	2010 €000s	2009 €000s
GBP	2,862	2,474
USD	-	-
Other	-	-

(f) Credit risk

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

Financial assets are graded according to current credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as speculative grade. All of the Group's bank deposits are either with financial institutions which have a minimum A rating or have a sovereign guarantee. Quoted debt securities comprise €496,852,000 government gilts which carry AAA rating and €3,809,000 corporate bonds which are unrated.

All of the Group's current reinsurers have credit ratings of A- or better. The Group has assessed these credit ratings as being satisfactory in diminishing the Group's exposure to the credit risk of its reinsurance receivables. The maximum balance owed to the Group by an individual reinsurer at 31 December 2010 was €7,806,000.

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

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

(g) Concentration risk

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

- Quoted debt securities comprise €496,852,000 of government bonds which carry an AAA rating and €3,809,000 of corporate bonds which are unrated. Given the rating of its government bond portfolio, the Company deems any concentration risk to be acceptable.
- All of the underwriting business is conducted in Ireland with 13% of total premium income coming from Dublin.

The resultant concentration risk from adverse weather events, i.e. floods, storms or freezes in Ireland, are mitigated by an appropriate reinsurance strategy as outlined in note 42(a).

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

42 RISK MANAGEMENT (continued)

(h) Sensitivity analysis

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

Sensitivity Factor	Description of sensitivity factor applied
Interest rate and investment return	The impact of a change in the ECB benchmark reference interest rate by an increase of 1% or a decrease of 0.25%. (e.g. if a current interest rate is 5%, the impact of an immediate change to 6% and 4.75%).
Exchange rates movement	The impact of a change in foreign exchange rates by $\pm 10\%$.
Equity market values	The impact of a change in equity market values by $\pm 10\%$
Property market values	The impact of a change in property market values by $\pm 10\%$
Net loss ratios	The impact of an increase in net loss ratios for general insurance business by 5%.

The above sensitivity factors are applied using actuarial and statistical models, with the following pre-tax impacts on profit and shareholders' equity at 31 December 2010 and at 31 December 2009:

		2010 €000s	2009 €000s
Interest rates	1.0%	637	865
Interest rates	(0.25%)	(159)	(216)
FX rates	10%	286	247
FX rates	(10%)	(286)	(247)
Equity	10%	1,405	2,619
Equity	(10%)	(1,405)	(2,619)
Investment Property	10%	4,237	4,327
Investment Property	(10%)	(4,237)	(4,327)
Net loss ratio	5%	(15,125)	(16,376)

42 RISK MANAGEMENT *(continued)*

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

	Change in assumptions	Increase in gross technical reserves €000s	Increase in net technical reserves €000s	Impact on profit before tax €000s	Reduction in shareholders' equity €000s
31 December 2010					
Injury claims IBNR	+10%	2,218	2,218	(2,218)	1,905
Property claims IBNR	+10%	773	561	(561)	491
Legal fees revert to pre PIAB levels		11,397	10,257	(10,257)	(8,975)
31 December 2009					
Injury claims IBNR	+10%	2,635	2,635	(2,635)	2,306
Property claims IBNR	+10%	884	598	(598)	(523)
Legal fees revert to pre PIAB levels		10,806	9,732	(9,732)	(8,516)

Limitations of sensitivity analysis

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

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

Letter from the Chairman in relation to the Annual General Meeting

30 March 2011

Dear Shareholder,

The Notice of the Annual General Meeting of the Company which will be held at 12.00 noon on 29 April 2011 in the Irish Farm Centre, Old Naas Road, Bluebell, Dublin 12 follows this letter.

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

Ordinary Business (Resolutions 1 to 6)

Resolution 1 deals with the consideration of the financial statements of the Company for the year ended 31 December 2010.

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

Resolution 3 deals with the declaration of a final dividend of 21.0 cent per ordinary share for the year ended 31 December 2010.

Resolution 4 deals with the approval of the Report on Directors' Remuneration. This Report is set out on pages 32 to 38 of the Annual Report and it has been the practice of the Board since 2010 to put the Report on Directors' Remuneration to a shareholder vote. Shareholders should note that there is no legal obligation on the Company to put such a resolution to Shareholders. While it is therefore an "advisory" resolution and not binding on the Company, the Board recognises that the tabling of such a resolution is best practice in this area and is an acknowledgement of shareholders' rights to have a "say on pay".

Resolution 5 deals with the proposed re-election of all of the Directors. For the first time in 2011 the Board has adopted the practice that all Directors will submit to re-election at each Annual General Meeting.

Resolution 6 is a standard resolution which authorises the Directors to fix the remuneration of the Auditors. During the year ended 31 December 2010 the Audit Committee put the provision of independent audit services out to tender and supervised the tender process. As a result of a recommendation from the Audit Committee, the Board appointed Deloitte & Touche to the office of statutory auditor.

Special Business (Resolutions 7 to 11)

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

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

Resolution 11 deals with a proposed amendment to the Articles of Association of the Company.

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

Disapplication of pre-emption rights (Resolution 7)

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

This authority will, if renewed, expire on the earlier of the date of the next Annual General Meeting of the Company or 29 July 2012.

Authority to purchase own shares (Resolution 8)

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

The total number of options to subscribe for ordinary shares in the Company outstanding on 30 March 2011 is 1,217,076 representing 3.19% of the total issued share capital. If the Directors were to exercise the authority being renewed by this resolution up to the maximum allowed and to cancel such shares and all other shares held in treasury, these options would represent 3.57% of the total issued share capital.

This authority will, if renewed, expire on the earlier of the date of the next Annual General Meeting of the Company or 29 July 2012.

Reissue price range of treasury shares (Resolution 9)

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

This authority will, if renewed, expire on the earlier of the date of the next Annual General Meeting of the Company or 29 July 2012.

Notice period for Extraordinary General Meetings (Resolution 10)

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

Amendments to the Articles of Association (Resolution 11)

Resolution 11 will be proposed as a Special Resolution to amend the Company's Articles of Association primarily to give the Company flexibility regarding payment methods for dividends and to provide that amounts due to shareholders who provide no, or invalid, bank account details may be held in a non-interest bearing account in the Company's name until such shareholder nominates a valid account. In order to improve the security of dividend payments to shareholders and to reduce costs, the Company intends to commence paying dividend payments on its shares by direct credit transfer into a bank or building society account nominated by the shareholder. The Company will write to shareholders in advance of implementing this change and does not intend to implement it until the payment of any final dividend for 2011, in May 2012, at the earliest.

A copy of the Articles of Association of the Company showing the amendments which would be incorporated into same if Resolution 11 is passed is available at the Company's website, www.fbdgroup.com and may also be inspected during usual business hours at the Registered Office of the Company up to and including the date of the Annual General Meeting and at the Annual General Meeting itself.

Form of Proxy

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

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

Recommendation

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

Yours faithfully,

Michael Berkery

Chairman

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held in the Irish Farm Centre, Old Naas Road, Bluebell, Dublin 12, Ireland on Friday 29 April 2011, at 12 noon for the following purposes:

As Ordinary Business

- 1 To receive and consider the Report of the Directors and the Financial Statements for the year ended 31 December 2010.
- 2 To declare a dividend on the 8% non-cumulative preference shares.
- 3 To declare a final dividend of 21.0 cent per ordinary share.
- 4 To approve the Report on Directors' Remuneration appearing in the Financial Statements for the year ended 31 December 2010 (Advisory Resolution).
- 5 To re-elect the following persons as Directors of the Company
 - (a) Michael Berkery
 - (b) John Bryan
 - (c) John Donnelly
 - (d) Sean Dorgan
 - (e) Andrew Langford
 - (f) Philip Lynch
 - (g) Cathal O'Caoimh
 - (h) Patrick O'Keeffe
 - (i) Vincent Sheridan
 - (j) Adrian Taheny
 - (k) Johan Thijs
- 6 To authorise the Directors to fix the remuneration of the Auditors.

As Special Business

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

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

and

"that the expiry date noted in Article 8 (c) be amended to read "29 July 2012", being fifteen months after the date of this Annual General Meeting in accordance with the foregoing."

Notice of Annual General Meeting (continued)

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

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

- (a) the aggregate nominal value of the Shares authorised to be acquired pursuant to the terms of this resolution shall not exceed 10 per cent of the aggregate nominal value of the issued share capital of the Company as at the close of business on the date of the passing of this resolution;
- (b) the minimum price which may be paid for any Share shall be the nominal value of the Share;
- (c) the maximum price which may be paid for any Share (a "Relevant Share") shall be an amount equal to 105 per cent of the average of the five amounts resulting from determining whichever of the following ((i), (ii) or (iii) specified below) in relation to the Shares of the same class as the Relevant Share shall be appropriate for each of the five consecutive business days immediately preceding the day on which the Relevant Share is purchased, as determined from the information published in the Irish Stock Exchange Daily Official List reporting the business done on each of those five business days;
 - (i) if there shall be more than one dealing reported for the day, the average of the prices at which such dealings took place; or
 - (ii) if there shall be only one dealing reported for the day, the price at which such dealing took place; or
 - (iii) if there shall not be any dealing reported for the day, the average of the closing bid and offer prices for the day and if there shall be only a bid (but not an offer) or an offer (but not a bid) price reported, or if there shall not be any bid or offer price reported, for any particular day then that day shall not count as one of the said business days for the purposes of determining the maximum price. If the means of providing the foregoing information as to dealings and prices by reference to which the maximum price is to be determined is altered or is replaced by some other means, then a maximum price shall be determined on the basis of the equivalent information published by the relevant authority in relation to dealings on the Irish Stock Exchange or its equivalent.

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

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

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

- (a) the maximum price shall be an amount equal to 120 per cent of the Appropriate Price as defined in paragraph (c); and
- (b) subject to paragraph (c) hereof, the minimum price shall be:
 - (i) in the case of an Option Scheme (as defined in paragraph (d) below), an amount equal to the option price as provided for in such Option Scheme; or
 - (ii) in all other cases and circumstances where treasury shares are re-issued off-market, an amount equal to 95% of the Appropriate Price (as defined in paragraph (c)); and

- (c) "Appropriate Price" means the average of the five amounts resulting from determining whichever of the following ((i), (ii) or (iii) specified below) in relation to shares of the class of which such treasury shares to be re-issued shall be appropriate in respect of each of the five business days immediately preceding the day on which the treasury share is re-issued, as determined from information published in the Irish Stock Exchange Daily Official List reporting the business done on each of those five business days;
- (i) if there shall be more than one dealing reported for the day, the average of the prices at which such dealings took place; or
 - (ii) if there shall be only one dealing reported for the day, the price at which such dealing took place; or
 - (iii) if there shall not be any dealing reported for the day, the average of the closing bid and offer prices for the day; and if there shall be only a bid (but not an offer) or an offer (but not a bid) price reported, or if there shall not be any bid or offer price reported for any particular day, then that day shall not count as one of the said business days for the purposes of determining the Appropriate Price. If the means of providing the foregoing information as to dealings and prices by reference to which the Appropriate Price is to be determined is altered or is replaced by some other means, then the Appropriate Price shall be determined on the basis of the equivalent information published by the relevant authority in relation to dealings on the Irish Stock Exchange or its equivalent; and
- (d) "Option Scheme" means any scheme or plan which involves either the issue of options to acquire ordinary shares in the Company or the conditional award of ordinary shares in the Company which has been approved by the Company's shareholders in General Meeting.

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

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

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

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

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

By order of the Board

Conor Gouldson

Company Secretary

FBD House, Bluebell, Dublin 12, Ireland

30 March 2011

Information for Shareholders Pursuant to the Shareholders' Rights Directive

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

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

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

2. Appointment of Proxy

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

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

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

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

3. Record Date for AGM

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

4. How to exercise your voting rights

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

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

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

5. Tabling Agenda Items

If you or a group of Shareholders hold 1,143,054 or more ordinary or preference shares of 60 cent each in FBD Holdings plc (i.e. at least 3% of the issued share capital of the Company carrying voting rights), you or the group of Shareholders acting together have the right to put an item on the agenda for the AGM. In order to exercise this right, written details of the item you wish to have included on the agenda for the AGM together with a written explanation setting out why you wish to have the item included on the agenda, and evidence of the shareholding, must have been received by the Company Secretary at FBD Holdings plc, FBD House, Bluebell, Dublin 12, Ireland or by email to company.secretary@fbd.ie no later than 12.00 noon on Friday 18 March 2011 (i.e. 42 days before the time scheduled for the holding of the AGM). An item cannot be included on the agenda for the AGM unless the foregoing conditions are satisfied and it is received by the stated deadline.

6. Tabling Draft Resolutions

If you or a group of Shareholders hold 1,143,054 or more ordinary or preference shares of 60 cent each in FBD Holdings plc (i.e. at least 3% of the issued share capital of the Company carrying voting rights), you or the group of Shareholders acting together have the right to table a draft resolution for inclusion on the agenda for the AGM subject to any contrary provision in company law.

In order to exercise this right, the text of the draft resolution and evidence of shareholding must have been received by post by the Company Secretary at FBD Holdings plc, FBD House, Bluebell, Dublin 12, Ireland or by email to company.secretary@fbd.ie no later than 12.00 noon on Friday 18 March 2011 (i.e. 42 days before the time scheduled for the holding of the AGM). A resolution cannot be included on the agenda for the AGM unless it is received in either of the foregoing manners by the stated deadline. Furthermore, Shareholders are reminded that there are provisions in company law, and otherwise, which impose other conditions on the right of shareholders to propose resolutions at a general meeting of a company.

7. Right to ask questions

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

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

The annual Financial Statements, Report of the Auditors and the Report of the Remuneration Committee are contained in the Company's Annual Report which was dispatched to shareholders on 30 March 2011. The Annual Report is also available on the Company's website www.fbdgroup.com.

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

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

9. Further Information

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

www.fbdgroup.com

FBD Holdings plc

FBD House

Bluebell

Dublin 12

T: +353 1 409 3200

W: www.fbdgroup.com

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