DIRECTORS' REPORT AND FINANCIAL STATEMENTS

NEW IRELAND ASSURANCE COMPANY
Public Limited Company

FOR THE YEAR ENDED 31 DECEMBER 2014

COMPANY NUMBER: 7336

CONTENTS

DIRECTORS AND OTHER INFORMATION

CHAIRMAN	Pat Healy (appointed chairman 30/04/2014) John Collins (resigned 30/04/2014)
DIRECTORS	Tom Barry (appointed 10/04/2014) Sean Casey (Managing Director) Sean Crowe (appointed 30/07/2014) Des Crowley Eilish Finan (appointed 18/11/2014) Ashok Gupta Aidan Holton (resigned 30/06/2014) Denis Kelleher Liam McLoughlin Dermot Murray (resigned 31/07/2014) David Roberts David Swanton Mick Sweeney
SECRETARY	Peter Gray
REGISTERED OFFICE	11 – 12 Dawson Street Dublin 2.
APPOINTED ACTUARY	David Roberts FSAI
AUDITORS	PricewaterhouseCoopers Chartered Accountants and Statutory Audit Firm One Spencer Dock North Wall Quay Dublin 1.
BANKERS	Bank of Ireland 2 College Green Dublin 2.
SOLICITOR	A&L Goodbody International Financial Services Centre North Wall Quay Dublin 1.

The Directors are pleased to submit their Annual Report and Financial Statements of the Company for the year ended 31 December 2014.

Principal activities

The principal activity of the Company is the transaction of life assurance and pension business in the Republic of Ireland.

Review of the Business

The Company performed well in 2014 in a competitive and challenging environment for the Irish life insurance industry.

- The Company has an excellent distribution network and a strong product range particularly in the protection market with the Life Choice contract and with its suite of investment funds, including its iFunds range which was launched in 2014. Through its strong relationship with some of the world's leading investment managers, the Company have created a range of diversified portfolios called iFunds. Each iFunds portfolio offers diversification by investment manager, fund and asset class and has been built to match a specific risk profile. Since its launch, iFunds have performed well in terms of both sales and fund performance.
- New business volumes increased by 7% in Annual Premium Equivalent terms (regular premium new business plus 10% of single premiums) in line with the market. The Company's overall market share of new business remained at 24%. The overall market is showing signs of recovery but over-capacity remains a significant challenge that continues to put pressure on prices across all channels.
- Sales were ahead in each channel with pension regular premium and life single premium sales showing strong growth. The nature of the life single premium market has changed recently with a move back towards equity and property based funds and away from capital guaranteed products.
- The Company's capital position continues to be strong with cover of over 1.71 times the minimum statutory solvency margin requirement in 2014. The Company paid a dividend of €270.0 million to its parent during the year.
- Over the year, the Company has invested a significant amount of its resources in supporting the life on line system for the bank channel. Life on line provides customers with access to their policy information through the Bank of Ireland banking on line service.
- New Ireland retained its number one position in the PIBA Broker awards for the third year in a row.
- In July 2014 the Company completed a capital restructuring exercise. This comprised of a €80 million perpetual subordinated debt issued by New Ireland to the Bank of Ireland Group and a contingent loan of €120 million with an external third party investor secured on the value in force of certain unit linked policies.

Financial Review

The embedded value method is widely used within the life assurance industry and the Company considers that the performance of the business is more appropriately reflected in the embedded value profit reporting methodology which shows a strong rise in the Company's operating profits. Under this approach, which is set out below, the operating profit for the twelve month period ended 31 December 2014 was €92.2 million (2013: €88.1 million).

Embedded Value Performance

	2014 €m	2013 €m
New business profits	10.6	13.5
Existing business portfolio		
- Planned profit	66.6	64.7
- Experience variance mortality	8.3	9.0
- Experience variance persistency	4.7	1.7
- Actuarial basis changes	2.0	(0.8)
	81.6	74.6
Operating profit	92.2	88.1

Financial Review (continued)

The accounts as prepared in accordance with accounting standards generally accepted in Ireland show a reduction in profit for the year to €64.9 million (2013: €112.4 million) which is caused by falling interest rates in 2014 and the positive impact of the bases changes in 2013.
Across the key lines the experience can be described as follows:

- Total premiums received in the year of €1.8 billion were broadly in line with 2013 (€1.7 billion). Premiums net of reassurance of €1.73 billion (2013: €1.49 billion) were higher as the prior year included the impact of the partnership arrangement to reinsure the annuity business.
  Premiums accounted for as insurance contracts rose by 12% to €1.44 billion (2013: €1.29 billion).
- Total investment return was a positive €1.5 billion (2013: €1.2 billion) reflecting growth in equity and bond markets during the year. Irish property values grew strongly while property investments outside the Euro zone benefited from exchange rate movements. Total assets grew by 10% to €16.6 billion (2013: €15.1 billion).
- Gross insurance claims paid decreased by 6% to €1.04 billion (2013: €1.10 billion) as persistency trends continue to improve.
- Net technical provisions increased by €1.3 billion (2013: increase €0.6 billion), due mainly to the increase in value of policyholders investments.
- Net operating expenses (excluding commissions, cost of sales, depreciation and non core costs) were €76.1 million in the year (2013: €71.1 million). This reflected increased pension costs and the one off costs arising from the new career and reward framework implemented in 2014.

Actuarial Valuations

The Company's assurance liabilities at 31 December 2014, as detailed in Notes 17, 18 and 19, were valued by the Company's Appointed Actuary, Mr. David Roberts, FSAI. The bases and methods of valuation employed are consistent with those used in the returns prepared under the European Communities (Life Assurance) Framework Regulations, 1994. The valuation set out in the regulatory returns is adjusted for inclusion in these financial statements through the removal of certain prudential reserves required by regulation.

Distributable Profits for the year

	2014 €m	2013 €m
Profit on ordinary activities before tax	74.2	128.5
Tax on profit on ordinary activities	(9.3)	(16.1)
Profit on ordinary activities after tax	64.9	112.4
Transfer to non-distributable reserves	110.1	(12.4)
Distributable profit for the year	175.0	100.0

The distributable profit represents a transfer of €175.0 million (2013: €100.0 million) from the policyholder funds to the shareholder funds. This transfer is a movement of the free funds within the Company from the Long Term fund to distributable profit. Dividends can only be paid out of distributable profits, subject to board approval and a satisfactory solvency position.

Capital Movements and Dividends

Shareholder funds decreased by €235.3 million (2013: increase €22.6 million) in the year due to profits after tax of €64.9 million less an increase in the pension fund deficit of €30.2 million (net of tax of €4.4 million) and €270.0 million of dividends paid.

In 2014 the Directors authorised the payment of a dividend of €270.0 million (2013: €93.0 million) to Bank of Ireland Life Holdings Limited. Of this, €200m was related to the perpetual subordinated debt of €80 million and a contingent loan of €120 million received and paid to its parent BIL Holdings on the 29 July 2014.

Summary Income Statement Presentation

The table below summarises the profit and loss account into its various constituent components (premiums, claims, investment income, expenses and policyholder liabilities).

	2014 €m	2013 €m
Premium Income	1,832.6	1,709.8
Reinsurers' share of premiums	(103.2)	(223.7)
Claims paid	(1,734.9)	(1,822.8)
Reinsurers' share of claims	75.0	70.6
Investment Return	1,545.9	1,227.7
Operating Expenses	(167.6)	(162.4)
Change in Deferred Income Liability	6.4	6.0
Investment charges	(15.6)	(19.5)
Interest on loans and borrowings	(2.6)	-
	1,436.0	785.7
Movement in linked liabilities	(914.2)	(607.1)
Net movement in non linked liabilities	(420.3)	(24.4)
Tax charge attributable to the life assurance business	(36.6)	(41.8)
Profit for the financial year	64.9	112.4

Holding Company

The Company is a wholly-owned subsidiary of Bank of Ireland Life Holdings Limited which is incorporated in the Republic of Ireland. The ultimate parent company is the Governor and Company of the Bank of Ireland which is also incorporated in the Republic of Ireland.

Subsidiaries

The information required by Section 16(1) of the Companies (Amendment) Act, 1986 is contained in the information provided in Note 23 to the financial statements.

In 2011 a receiver was appointed to BSQ Limited, a subsidiary of the Company. BSQ Limited is a special purpose vehicle created to purchase on behalf of policyholders, a development known as Beacon South Quarter in Sandyford, Dublin. The acquisition was financed by way of a limited recourse loan from Bank of Ireland. The value of this development has fallen significantly below the loan value and the current income from the development is insufficient to meet interest repayments. As the loan is limited recourse we anticipate, in accordance with the Loan Agreement (subject to formal notification from the Bank), that the assets of BSQ Limited will be liquidated and the proceeds will be retained by the Bank in final discharge of the loan. There has been no change in the status of BSQ Limited during 2014.

Directors and Secretary

The names of persons who were directors at any time during the year are set out on page 2. Unless otherwise stated, the Directors served for the entire period.

Directors' and Secretary's interest in shares

The beneficial interests of the Directors and Secretary of the Company, in office at 31 December 2014, including those of spouses and minor children, in the shares of the Governor and Company of the Bank of Ireland at 1 January 2014 (or date of appointment if later) and 31 December 2014 were

	31 December 2014	**1 January 2014 (or date of appointment)**
Directors	Ordinary shares of €0.64 each	Ordinary shares of €0.64 each
Pat Healy	-	-
Sean Casey	45,365	45,365
David Swanton	32,196	32,196
Denis Kelleher	11,613	11,613
Des Crowley	1,515,253	1,515,253
Mick Sweeney	194,653	194,653
David Roberts	6,893	6,893
Liam McLoughlin	82,933	82,933
Ashok Gupta	-	-
Tom Barry	265,010	265,010
Sean Crowe	34,572	34,572
Eilish Finan	-	-
Secretary		
Peter Gray	6,031	6,031

The Directors and Secretary and their spouses and minor children had no other interests in the issued shares of any group company at 31 December 2014.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with Irish law.

Irish law requires the directors to prepare financial statements giving a true and fair view of the state of the company's affairs and of its profit or loss for the year then ended. Under that law the directors have elected to prepare the financial statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland).

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements have been properly prepared in accordance with the requirements of the Companies Acts 1963 to 2013.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Basis of Preparation

The financial statements have been prepared on a going concern basis and in accordance with the Companies Acts, 1963 to 2013, the European Communities (Insurance Undertakings: Accounts) Regulations, 1996 and Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland).

Books of Account

The measures taken by the Directors to secure compliance with the Company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are kept at 11/12 Dawson Street, Dublin 2.

Governance

The Company is subject to requirements of the Central Bank of Ireland's Corporate Governance Code for Credit Institutions and Insurance Undertakings (2013), including those additional requirements for major institutions, as the Company has been so designated by the Central Bank of Ireland. This code imposes minimum core standards upon all insurance undertakings licensed or authorised by the Central Bank of Ireland and additional requirements upon major institutions, so as to ensure that an appropriate and robust corporate governance framework is in place and implemented to reflect the risk and nature of the undertaking.

Governance Structure

The Board acknowledges primary responsibility for the corporate governance within the Company. The Board has approved a Board Charter and a schedule of Matters Reserved.

The Board operates the following committees;

- Audit
- Risk
- Investment
- Nomination & Governance
- Remuneration

Each committee of the Board is subject to a Terms of Reference (drafted in accordance with the Company's standard) which details the authority delegated to the committee, how it should be exercised and the means by which the committee reports to the Board. The Board then delegates executive management of the Company to the Managing Director subject to a set of key policies. The Managing Director's key objective is to manage the business to achieve (and report against) the annual budget subject to the approved risk appetite statement and key policies of the Company.

The Managing Director, working with the senior management team is responsible for ensuring that the objectives of the team are clear and consistent with the strategic plan through personal objectives and key priorities. He must also ensure that resources and skills are adequate to deliver the plan within the policies of the Company.

Board and Board Composition

In accordance with the requirements of the Corporate Governance Code, the Board undertook a review of Board and Director effectiveness during the year including confirming Directors had sufficient time to dedicate to the role.

A summary of each of the Directors is as follows;

Director	**Category**	**Date of Appointment**	**Committee memberships**
Pat Healy	Senior Independent NED Chairman	28/04/2010 (Appointed Chairman 30/04/2014)	Nomination and Governance, Remuneration
John Collins	Independent NED	15/09/2004 (Resigned 30/04/2014)	Nomination and Governance, Remuneration
Sean Casey	Executive- Managing	03/04/1996	Risk, Investment
Dermot Murray	Group NED	30/09/1999 (Resigned 31/07/2014)	
David Swanton	Executive	03/04/1996	Investment
Denis Kelleher	Executive	27/03/2008	
Des Crowley	Group NED	27/03/2008	
Mick Sweeney	Group NED	30/09/2009	Nomination and Governance, Remuneration, Investment, Risk
David Roberts	Executive	23/02/2010	Risk, Investment
Liam McLoughlin	Group NED	16/02/2011	Audit
Ashok Gupta	Independent NED	01/01/2013	Risk (Chair), Audit
Aidan Holton	Independent NED	26/04/2013 (resigned 30/06/2014)	Investment (Chair), Audit
Tom Barry	Independent NED	10/04/2014	Nomination and Governance (Chair), Remuneration (Chair), Audit (Chair), Risk
Sean Crowe	Group NED	30/07/2014	Investment
Eilish Finan	Independent NED	18/11/2014	Investment (Chair), Audit

Fitness and Probity

The Central Bank Reform Act (2010) introduced a statutory system for the regulation by the Central Bank of Ireland of persons performing control functions and pre approved control functions in regulated entities. The Fitness and Probity Standards (Code issued under Section 50 of the Act) specify the minimum standards of fitness and probity which all persons performing control functions or pre approved control functions shall apply in relation to the areas of competence and capability, acting honestly, ethically and with integrity and being financially sound.

The regime applied to pre approved control functions from 2011, and from December 2012 to control functions. Following a Board review, the Board was able to conclude that all control functions pre approved control functions, including all Directors and certain other employees were compliant with the Fitness and Probity Standards and had obtained each person's written agreement to abide by the Standards.

Risk Strategy

The Company is required under the Corporate Governance Code to have a documented risk appetite. The Board is required to ensure that the risk management framework and internal controls reflect the risk appetite and that there are adequate arrangements in place to ensure that there is regular reporting to the Board on compliance with the risk appetite.

The risk strategy sets out the key principles which define the framework of risk management within the Company. This ensures risk is managed in a manner consistent with the Company's Strategic Plan and that the Company's capital and reputation is maintained in order to compete aggressively in the life assurance and pensions market. Risk controls and reporting mechanisms are in place to alert management to breaches (including potential breaches) of this risk strategy.

The key principles of the Company's risk strategy are:

Capital	
Solvency	The Central Bank of Ireland requires that the ratio of free assets to the Required Minimum Solvency Margin should exceed 150%.
Company's Capital	Manage the interests of the Company within the risk appetite approved by the Board.
Strategic Decisions	Financial Condition Report / Own Risk Solvency Assessment (ORSA) used as part of major and strategic decision making process.
Profit	
Embedded Value	The impact of the net aggregate exposure to stress tests should not reduce the current embedded value by more than 30%.
Reputational	
Culture	Ensure risk management is part of the culture of every aspect of the business.
Documentation	All marketing literature, contractual documentation and correspondence will be clear, transparent and easy to understand. The Company's strategy is to ensure that its customers can make informed decisions based on the presentation of its documentation.
Advice	Advice offered by its financial advisors is at all times compliant with all regulatory requirements and best industry practice.
Treating Customers Fairly	All customers are treated fairly and honestly at all times when transacting business with the Company.
Regulator	An open and transparent relationship is maintained with the Central Bank of Ireland. Compliance with all legal and statutory requirements.
Operational / HR	
Employees	Protect the safety of the Company's employees.
Resources	Ensure the Company has sufficient and adequately qualified staff. Key staff are of good repute and integrity and meet fit and proper criteria at all times.
Remuneration	Incentive schemes will reward long term financial stability and risk control and will not promote growth outside risk appetite.
Business Recovery	The Company will maintain and regularly test an adequate business recovery plan.

Risk Management

The Board has assigned the following duties to the Board Risk Committee under the Committee's Terms of Reference:

The preparation for approval by the Board of:

- the risk management framework,
- the risk management policy,
- the risk appetite statement, and
- the risk management annual plan.
- the Financial Condition Report / ORSA.

The Board Risk Committee will also monitor the following:

- adequacy of controls to ensure appropriateness, early prevention, detection and completeness.
- controls are proportionate to risk.
- the review of escalation mechanisms.
- the review of remedial action proposals where exposure in (potential) breach of tolerance limits.
- liaison with Internal Audit to consider their annual audit plan.

The Company applies a three line of defence approach to risk management. The first line of defence is the senior manager responsible for the risk and internal control environment of the relevant area. It is the responsibility of the relevant senior manager to identify, quantify, measure (against the risk appetite and tolerance), control, manage, mitigate and report on risk exposures in his/her area. The second line of defence is provided by the Risk Management and Compliance functions. These units support good risk management oversight and independently assess and report on the key risk areas of the business. The third line of defence is that of Internal Audit.

Solvency II

The current Solvency I regime will be replaced by the Solvency II regime on the 1 January 2016. The European Union bodies and the Central Bank of Ireland have issued legislation and regulation to support the new regime and requirements for the interim phase. The Company has a planned programme of work to provide for a managed transition to Solvency II.

Political Donations

Political donations are required to be disclosed under the Electoral Acts 1992 to 2012. The Directors, on enquiry, have satisfied themselves that there were no political donations made during the year ended 31 December 2014.

Principal Financial Risks

The most significant financial risks faced by the Company are in the areas of interest rate risk, equity price risk, currency risk, lapse risk, liquidity risk and credit risk. A description of these risks is contained in Note 26 to the accounts.

Internal Controls

The Directors acknowledge their overall responsibility for the Company's systems of internal control. Such systems can provide only reasonable and not absolute assurance against material financial misstatement or fraud. Such losses could arise because of the nature of the Company's business in undertaking a wide range of financial services that inherently involve varying degrees of risk.

The Company's overall control systems include:

- A clearly defined organisation structure with defined authority limits and reporting mechanisms to higher levels of management and to the Board which support the maintenance of a strong control environment;
- Board Committees, with appropriate terms of reference, responsible for core policy areas;
- An annual budgeting and monthly financial reporting system, which enables progress against longer-term objectives and annual plans to be monitored, trends to be evaluated and variances to be acted upon;
- A comprehensive set of policies and procedures relating to capital expenditure, financial risks (including interest, currency and liquidity risk) and operational risk management, and
- An Audit Committee that reviews the effectiveness of the systems of control.

Controls are reviewed systematically by Group Internal Audit of the Governor and Company of the Bank of Ireland, which has a group-wide role and which links in directly to the Chair of the Company's Audit Committee. Emphasis is focused on areas of greatest risk as identified by risk analysis.

The effectiveness of the Company's internal controls is assessed on an ongoing basis and is formally reviewed by the Audit Committee and by the Board. This is achieved primarily by a review of the risk self assessment returns from management, of the work of the Group Internal Audit function, and of the reports provided by the Company's external auditors, which include details of any material internal control issues identified.

The Directors confirm that the systems of internal control in existence in the Company for the year ended 31 December 2014 are satisfactory.

Subsequent Events

No significant events, affecting the Company or any of its subsidiary undertakings, have occurred since the balance sheet date.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to be re-appointed in accordance with section 160(2) of the Companies Act, 1963.

Directors

Date: 30 April 2015

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INDEPENDENT AUDITORS' REPORT
To the members of New Ireland Assurance Company, Public Limited Company

We have audited the financial statements of New Ireland Assurance Company, Public Limited Company for the year ended 31 December 2014 which comprise the accounting policies and estimation techniques, the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (generally accepted accounting practice in Ireland).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with generally accepted accounting practice in Ireland of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2013 and the European Communities (Insurance Undertakings: Accounts) Regulations, 1996.

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Chartered Accountants

INDEPENDENT AUDITORS' REPORT
To the members of New Ireland Assurance Company, Public Limited Company – continued

Matters on which we are required to report by the Companies Acts, 1963 to 2013

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

Matters on which we are required to report by exception

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

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

30 April 2015

The significant accounting policies and estimation techniques adopted by the Company are as follows:

Basis of Preparation

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute, comprising the Companies Acts, 1963 to 2013 and the European Communities (Insurance Undertakings: Accounts) Regulations, 1996 (the "Regulations"), which cover the format and content of insurance company accounts. The financial statements have been prepared in accordance with applicable standards. A summary of the more important accounting policies is set out below, together with an explanation of where changes have been made to previous policies on adoption of new accounting standards in the year. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

Compliance with Statement of Standard Accounting Practice ("SSAP") 19 - Accounting for Investment Properties requires departure from the requirements of the Regulations relating to depreciation and an explanation of the departure is given in the accounting policy note relating to investments below. The financial statements also comply with the statement of recommended practice on Accounting for Insurance Business ("ABI SORP") issued by the Association of British Insurers in December 2005 and revised in December 2006.

Historic Cost Convention

The financial statements are prepared under the historical cost convention modified by the valuation of investments as outlined in the accounting policy for investments noted below.

Contract Classification

The Company issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 5% or more than the benefits payable if the insured event did not occur. A contract classified as an insurance contract continues to be treated as such until all rights and obligations under the contract expire. All non unit linked policies issued are insurance contracts.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Unit linked contracts written by the Company where the liability under the contract is dependent on the value of the underlying financial assets, derivatives and / or investment property are classified as investment contracts unless the contracts also contain features that transfer significant insurance risk.

Insurance Premiums

Premiums written, other than those in respect of unit linked policies, are accounted for on an accruals basis. Unit linked insurance contract premiums are accounted for in the same period as the policy liabilities resulting from those premiums are created. This is normally the period of receipt.

Outward reinsurance premiums are accounted for in accordance with the contract terms when due for payment.

Insurance Claims

Maturity claims and annuities are recognised when due for payment. Surrenders are accounted for when paid or, if earlier, on the date when the policy ceases to be included within the calculation of the life assurance business provision and /or the technical provision for linked liabilities. Death claims and all other claims are accounted for when notified. Reinsurance recoveries are accounted for in the same period as the related claim. A provision is made to reflect risk related claims incurred in the year but which were not notified to the Company at the balance sheet date.

Unit Linked Investment Contracts

Amounts received in respect of investment contracts, which principally involve the transfer of financial risk, are accounted for using deposit accounting, under which amounts collected are credited directly to the balance sheet, as an adjustment to the liability to the policyholder. Financial liabilities in respect of investment contracts are carried in the balance sheet within ‘Technical provisions for linked liabilities’.

Fees receivable from investment contracts (included in ‘Other technical income’), investment income and interest payable on contract balances are recognised in the profit and loss account in the year they are assessed unless they relate to services to be provided in future years, in which case they are deferred and recognised as the service is provided.

Incremental costs that are directly attributable to securing investment contracts and are expected to be recoverable, are deferred and recognised in the balance sheet as deferred acquisition costs. The asset is amortised as the related fees for investment management services are recognised.

Investment Return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges. Dividends are included as investment income on the date that the shares are quoted ex-dividend. Interest, rent and expenses are accounted for on an accruals basis.

Realised gains and losses on investments carried at fair value are calculated as the difference between net sales proceeds and purchase price. In the case of investments included at amortised cost, realised gains and losses are calculated as the difference between sale proceeds and their latest carrying value. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price or their fair value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment in Subsidiaries

Investments in subsidiary undertakings and participating interests are stated in the balance sheet at cost. Investments are written down where necessary to reflect impairment where the carrying value exceeds net realisable value.

Management Expenses

Management expenses, administration and non-acquisition costs are charged to the technical account for life assurance business when incurred.

Deferred Acquisition Costs

Acquisition costs comprise the direct and indirect costs of acquiring and processing new business.

For regular premium contracts, where a series of future premiums are expected to be received, only a portion of the acquisition costs incurred in the year of sale are covered by the revenue margins received in that year. The balance remains to be covered by margins in future years and is shown as deferred acquisition costs in the financial statements.

For contracts which recoup charges during an initial non allocation period, the rate of amortisation of the deferred acquisition costs is based on a prudent assessment of the expected pattern of receipt of the future revenue margins. The future revenue margins utilised include only those margins earned during the non-allocation period.

For contracts where the charges are spread over the life of the policy, the amortisation rate is uniform over the first five/ten years of the contracts (five for insurance contracts and structured products and ten for investment contracts).

For single premium business and group risk contracts, where acquisition expenses are recovered immediately, there is no deferral of acquisition costs. For single premium business, where acquisition expenses are not recovered immediately, there is deferral of the acquisition costs, with a uniform amortisation rate over the first five/ten years of the contract.

Foreign Currency

Items included in the financial statements of the Company are measured using Euro, the functional currency of the economic environment in which the Company operates.

Foreign currency transactions are translated into Euro using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account for the period.

Translation differences on non monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

Operating Leases

Rentals payable under operating leases are charged to the profit and loss account as incurred over the lease term.

Dividends

Dividends are recognised when paid.

Pensions

The Company operates a defined benefit pension scheme. The pension asset / liability recognised in the balance sheet is the present value of the schemes' liabilities less the value of the schemes' assets net of related deferred tax. The pension cost for the scheme is analysed between current service cost, past service cost and net return on the pension scheme. Current service cost is the actuarially calculated present value of the benefits earned by the active employees in each period. Past service costs, relating to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits, are recognised in the profit and loss – technical account on a straight-line basis over the period in which the increase in benefit vests.

Net expected return on the pension assets comprises of the expected return on the pension scheme assets less interest on scheme liabilities.

The actuarial gains and losses which arise from a valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are taken to the statement of total recognised gains and losses for the period. The attributable deferred taxation is shown separately in the statement of total recognised gains and losses.

Taxation

Taxation is provided on profits and income earned to date less relief.

Deferred tax is provided in relation to unrealised gains or losses on unit linked assets and explicitly on all other timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are temporary differences between profits as computed for tax purposes and profits as stated in the financial statements, which arise because certain items of income and expenditure in the financial statements are dealt with in different years for tax purposes.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is recognised in the profit and loss account for the period, except to the extent that it is attributable to a gain or loss that is recognised directly in the statement of total recognised gains and losses.

Investments

Land and buildings

Land and buildings are valued at open market valuation. Full valuations are made by independent, professionally qualified valuers every year.

In accordance with SSAP 19, no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. Under the Regulations, land and buildings are required to be depreciated over their expected useful economic lives. This requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The Directors consider that, as these properties are held for investment, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

Other financial investments

The Company classifies its financial assets into the following categories: Shares and other variable-yield securities and units in unit trusts – at fair value through profit or loss; debt securities and other fixed-income securities – at fair value through profit or loss; and deposits with credit institutions - loans and receivables. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

(a) Shares and other variable-yield securities and units in unit trusts, and debt securities and other fixed interest securities – at fair value through profit or loss

Financial assets designated at fair value through profit and loss at inception are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the entity's key management personnel. The investment strategy for these asset types is to invest in listed and unlisted equity securities and fixed interest rate debt securities, and derivatives designated upon initial recognition at fair value through profit or loss.

The fair values of listed investments are based on current bid prices on the balance sheet date. Unlisted investments for which a market exists are also stated at the current bid price on the balance sheet date or the last trading day before that date. The fair values of other unlisted investments, for which no active market exists, are established by the Directors using valuation techniques which have prudent regard to the likely realisable value. These include use of recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and other pricing models.

Realised gains or losses on investments are presented in the profit and loss account within investment income. Unrealised gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the profit and loss account within 'Unrealised gains on investments' or 'Unrealised losses on investments' in the period in which they arise.

(b) Deposits with credit institutions - Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company intends to sell in the short term or that it has designated at fair value through profit or loss. When a financial asset is recognised initially it is measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Loans and receivables are included at the amount of the advance outstanding at the balance sheet date, less a provision for any irrecoverable amount. This basis of valuation is viewed by the Directors as having prudent regard to the likely realisable value.

Derivative Financial Instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the profit and loss account. Fair values are obtained from the quoted market prices in active markets, or using valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets within investments for the benefit of life assurance policyholders who bear the investment risk.

Derivative financial instruments also include foreign exchange contracts, which include spot and forward contracts. These represent agreements to exchange the currency of one country for the currency of another country at an agreed price and settlement date. Gains and losses are recognised in the profit and loss based on the exchange rate on date of settlement or balance sheet date.

Tangible Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to amortise the cost of the assets over the period of their estimated useful lives at the following rates:

Computer equipment	20%-25% straight line
Office equipment	20%-25% straight line

Life Assurance Provision

The life assurance provision is calculated by the Company’s Appointed Actuary with due regard to the actuarial principles laid down in the European Communities (Life Assurance) Framework Regulations, 1994. The principal assumptions are contained in note 19.

The technical provisions relating to term assurance and term critical illness are calculated using a gross premium valuation method, based on generally accepted actuarial principles. The provision is not less than that which would be determined on an appropriate net premium valuation method. An expense provision is made for pension insurance contracts secured by recurring single premiums and for annuity and future claim payments under immediate annuity contracts. Tests of adequacy are carried out on the reserves held for group life and disability insurance.

Technical Provision for Linked Liabilities

Liabilities under unit linked contracts are recognised as and when the units are created and are dependent on the value of the underlying financial assets, derivatives and / or investment properties.

Unit linked contracts which transfer significant insurance risk, including guaranteed benefits, are classified as insurance contracts and are carried in the balance sheet at an amount determined by the valuation of the related units on the valuation date.

Unit linked contracts which principally involve the transfer of financial risk are classified as investment contracts and are carried in the balance sheet at fair value. The fair value of these financial liabilities is equivalent to the amount payable on demand without penalty.

Reinsurers’ Share of Technical Provisions

The reinsurers’ share of the technical provisions is calculated on a basis consistent with the calculation of the corresponding liabilities.

Financial Liabilities

Financial liabilities which include bank overdrafts, creditors, loans , borrowings and subordinated debt are recognised at fair value. Other financial liabilities, carried at fair value, relate to unit linked investment contracts under ‘Technical provision for Linked Liabilities’.

Non-Distributable Reserve

The surplus available for distribution is determined by the Appointed Actuary following his annual investigation in accordance with the requirements of the European Communities (Life Assurance) Framework Regulations, 1994. This surplus is released from the non technical reserve and retained in the profit and loss account. All non distributable amounts in the profit and loss - non technical account are transferred to the non-distributable reserve.

NEW IRELAND ASSURANCE COMPANY, PUBLIC LIMITED COMPANY
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014

Technical Account - Life Assurance Business

	Notes	2014 €m	2013 €m
Earned premiums, net of reinsurance			
Gross premiums written	1	1,443.0	1,287.7
Outward reinsurance premiums		(103.2)	(223.7)
		1,339.8	1,064.0
Income and realised gains on investments	3	658.6	835.4
Unrealised gains on investments	3	887.3	392.3
Other technical income, net of reinsurance	4	57.8	55.8
Total technical income		2,943.5	2,347.5
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		(1,045.8)	(1,099.9)
- reinsurers' share		76.0	76.1
		(969.8)	(1,023.8)
Change in the provision for claims			
- gross amount	18	10.6	(6.4)
- reinsurers' share	18	(1.0)	(5.5)
		9.6	(11.9)
		(960.2)	(1,035.7)
Change in technical provisions, net of reinsurance			
Life assurance business provision, net of reinsurance			
- gross amount	18	(719.3)	(107.2)
- reinsurers' share	18	299.0	82.8
		(420.3)	(24.4)
Technical provisions for linked liabilities	17	(1,275.7)	(951.3)
		(1,696.0)	(975.7)
Net operating expenses	5	(167.6)	(162.4)
Investment charges	3	(15.6)	(19.5)
Interest on loans and borrowings	29	(2.6)	-
Tax charge attributable to the life assurance business	8	(36.6)	(41.8)
		(222.4)	(223.7)
Balance on the technical account - life assurance business		64.9	112.4

All of the amounts above are in respect of continuing operations.
The accounting policies and estimation techniques on pages 14 to 19 and notes on pages 24 to 54 form an integral part of these financial statements.

Directors

D Robert
[illegible]

Date: 30 April 2015

NEW IRELAND ASSURANCE COMPANY, PUBLIC LIMITED COMPANY
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014

Non-Technical Account

	Notes	2014 €m	2013 €m
Balance on the technical account - life assurance business		64.9	112.4
Tax attributable to shareholders' profit	8	9.3	16.1
Profit on ordinary activities before tax	7	74.2	128.5
Tax on profit on ordinary activities	8	(9.3)	(16.1)
Profit for the financial year		64.9	112.4
Transfer from / (to) non-distributable reserve	18	110.1	(12.4)
Distributable profit		175.0	100.0
Dividend	9	(270.0)	(93.0)
Retained profit for the financial year		(95.0)	7.0
Retained profit at the start of the year		100.2	93.2
Retained profit at the end of the year	18	5.2	100.2

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Notes	2014 €m	2013 €m
Profit on ordinary activities after tax		64.9	112.4
Actuarial (loss) / Gain	24	(34.6)	3.7
Deferred tax on actuarial loss / (Gain)	24	4.4	(0.5)
Total gains and losses recognised relating to the year		34.7	115.6

The accounting policies and estimation techniques on pages 14 to 19 and notes on pages 24 to 54 form an integral part of these financial statements.

Directors

Date: 30 April 2015

NEW IRELAND ASSURANCE COMPANY, PUBLIC LIMITED COMPANY
BALANCE SHEET AS AT 31 DECEMBER 2014

Assets	Notes	Dec-14 €m	Dec-13 €m
Investments			
Land and buildings	10	17.1	13.4
Other financial investments	11	1,761.6	1,492.1
		1,778.7	1,505.5
Investments for the benefit of life assurance policyholders who bear the investment risk	12	13,142.3	12,191.1
Reinsurers' share of technical provisions			
Life assurance business provision	18	1,322.4	1,023.4
Claims outstanding	18	11.7	12.7
		1,334.1	1,036.1
Debtors			
Debtors arising out of direct insurance operations - policyholders	13	53.3	46.7
Due from fellow subsidiaries		0.9	0.7
Other debtors		5.1	4.4
		59.3	51.8
Other assets			
Tangible assets	14	6.0	7.5
Deferred taxation	21	-	6.6
Cash at bank		18.6	15.9
		24.6	30.0
Prepayments and accrued income			
Accrued interest and rent		37.5	56.2
Other prepayments and accrued income		0.8	4.5
Deferred acquisition costs	15	205.7	206.2
		244.0	266.9
Total assets		16,583.0	15,081.4

The accounting policies and estimation techniques on pages 14 to 19 and notes on pages 24 to 54 form an integral part of these financial statements.

Directors

Date: 30 April 2015

NEW IRELAND ASSURANCE COMPANY, PUBLIC LIMITED COMPANY
BALANCE SHEET AS AT 31 DECEMBER 2014

Liabilities	Notes	Dec-14 €m	Dec-13 €m
Capital and reserves			
Called up share capital	20	22.8	22.8
Share premium account		25.7	25.7
Capital reserve	18	42.7	42.7
Non - distributable reserve	18	263.0	403.3
Profit and loss account	18	5.2	100.2
Shareholders' funds - equity interests	25	359.4	594.7
Technical provisions			
Life assurance business provision	18	2,573.0	1,853.7
Claims outstanding	18	121.8	132.4
		2,694.8	1,986.1
Technical provisions for linked liabilities	17	13,006.2	12,092.0
Accruals and deferred income		63.6	78.4
Deferred taxation	21	7.4	-
Creditors - Amounts falling due within one year			
Creditors arising out of direct insurance operations		44.3	137.7
Due to fellow subsidiaries		11.8	9.9
Bank overdraft		42.7	48.2
Other creditors including tax and social security	16	61.6	76.8
		160.4	272.6
Creditors - Amounts falling due after one year			
Loans and borrowings	29	202.6	-
Total liabilities excluding pension liability		16,494.4	15,023.8
Pension liability	24	88.6	57.6
Total liabilities including pension liability		16,583.0	15,081.4

The accounting policies and estimation techniques on pages 14 to 19 and notes on pages 24 to 54 form an integral part of these financial statements.

Directors

Date: 30 April 2015

1 PREMIUMS WRITTEN - CONTRACTS CLASSIFIED AS INSURANCE

A. Gross Premiums Written

	Individual Life €m	Individual Pensions €m	Group Contracts €m	2014 Total €m	Individual Life €m	Individual Pensions €m	Group Contracts €m	2013 Total €m
Unit-linked	81.0	75.1	65.3	221.4	90.6	67.1	64.5	222.2
Non Unit-linked	115.0	0.7	35.8	151.5	105.4	0.7	23.6	129.7
Periodic premiums	196.0	75.8	101.1	372.9	196.0	67.8	88.1	351.9
Unit-linked	444.6	352.9	40.3	837.8	333.3	306.2	28.9	668.4
Non Unit-linked	-	90.0	142.3	232.3	-	101.0	166.4	267.4
Single premiums	444.6	442.9	182.6	1,070.1	333.3	407.2	195.3	935.8
Total premiums written	640.6	518.7	283.7	1,443.0	529.3	475.0	283.4	1,287.7

The written premiums above in 2014 and 2013 arise from contracts which meet the FRS 26 definition of insurance.
All business is written in the Republic of Ireland.
The written premiums from insurance contracts is €1,443.0 million (2013 : €1,287.7 million)
The written premiums premiums from insurance contracts and investment contracts is €1,832.6 million (2013: €1,709.8 million)

1 PREMIUMS WRITTEN (CONTINUED)

B. Gross New Business Premiums

	Individual Life €m	Individual Pensions €m	Group Contracts €m	2014 Total €m	Individual Life €m	Individual Pensions €m	Group Contracts €m	2013 Total €m
Unit-linked	5.0	36.9	19.5	61.4	5.3	26.8	16.5	48.6
Non Unit-linked	19.3	-	-	19.3	21.7	-	-	21.7
Periodic premiums	24.3	36.9	19.5	80.7	27.0	26.8	16.5	70.3
Unit-linked	444.6	352.9	40.3	837.8	333.3	306.2	28.9	668.4
Non Unit-linked	-	90.0	142.3	232.3	-	101.0	166.4	267.4
Single premiums	444.6	442.9	182.6	1,070.1	333.3	407.2	195.3	935.8
Total new business premiums	468.9	479.8	202.1	1,150.8	360.3	434.0	211.8	1,006.1

The new business premiums above in 2014 and 2013 arise from contracts which meet the FRS 26 definition of insurance.
New business premiums from insurance contracts is €1,150.8 million (2013 : €1,006.1 million)
New business premiums from insurance contracts and investment contracts is €1,404.5 million (2013: €1,321.7 million)
All business is written in the Republic of Ireland.

2. STAFF COSTS

	2014 €m	2013 €m
Wages and salaries	33.4	32.1
Social security costs	3.5	3.3
Other pension costs (note 24)	6.0	5.8
	42.9	41.2

The average number of employees during the year was as follows:		
Sales and Marketing	146	157
Policy administration	296	310
Other adminstration	153	150
	595	617

Included in wages and salaries are sales commission payments to staff of €2.3 million (2013: €2.8 million).

3. INVESTMENT INCOME

	2014 €m	2013 €m
Income from land and buildings	36.5	40.3
Income from listed investments	222.2	194.8
Income from other investments	36.3	34.3
	295.0	269.4
Net gains on realisation of investments	363.6	566.0
	658.6	835.4

Investment Activity Report

	2014 €m	2013 €m
Investment income	295.0	269.4
Investment management expenses	(15.6)	(19.5)
Net realised gains	363.6	566.0
Net unrealised gains	887.3	392.3
Total investment return	1,530.3	1,208.2

Included in the total investment return are net gains or losses on financial assets at fair value through profit or loss:

	2014 €m	2013 €m
Designated at FVTPL	363.6	566.0
Unrealised gains	887.3	392.3
Total net realised and unrealised gains included in investment return	1,250.9	958.3

None of the investment income is derived from investments in any other group undertakings of Bank of Ireland Life Holdings Limited, the Company's immediate parent.

4. OTHER TECHNICAL INCOME, NET OF REASSURANCE

Other technical income of €57.8 million (2013: €55.8 million) comprises fees for policy administration and asset management services arising from unit – linked investment contracts and movement in the deferred income liability.

5. NET OPERATING EXPENSES

	2014 €m	2013 €m
Acquisition expenses	79.7	75.4
Change in deferred acquisition costs	0.5	4.1
Other expenses	87.4	82.9
	167.6	162.4

The analysis of operating expenses between core operating cost and cost of sales is as follows:

Core operating expenses	76.1	71.1
Depreciation	2.9	4.3
Non core costs	1.8	0.6
	80.8	76.0
Comission payments (including to employees)	83.0	79.5
Other sales related costs	3.3	2.8
Change in deferred acquisition costs	0.5	4.1
Total operating expenses	167.6	162.4

Acquisition expenses include an allocation of commission on new business and operating expenses relating to the acquisition of new business.
Non core costs reflect the impact in 2014 of the payment relating to the new career and reward framework.

6. COMMISSIONS

Total commissions for direct insurance incurred by the Company during the year, excluding payments to employees was €80.7 million (2013: €76.7 million).

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation

This is stated after charging	2014 €m	2013 €m
Depreciation	2.9	4.3
Operating lease rentals other	0.5	0.5
Operating lease rentals property	1.9	1.7
Auditors' remuneration		
- Statutory audit	0.4	0.4
- Other assurance services	-	-
- Tax advisory services	-	-
- Other non audit services	-	-
Total auditors' remuneration	0.4	0.4

8. TAXATION

	2014 €m	2013 €m
Technical Account Charge		
Corporation tax charge for the year	9.8	13.2
Relief for double taxation	(1.8)	(1.6)
Overseas tax	14.5	13.9
Prior year over provision	0.1	0.8
	22.6	26.3
Deferred tax charge (note 21): Origination and reversal of timing differences	14.0	15.5
	36.6	41.8
Non-Technical Account Charge		
Irish corporation tax on profits for the year	9.3	16.1

The tax charge on the non technical account for 2014 and 2013 is the same as the charge that would result from applying the standard rate of Irish corporation tax to profit on ordinary activities. The statutory rate applied to profit before tax is 12.5%.

9. DIVIDEND

	2014 €m	2013 €m
Dividend paid	270.0	93.0

A dividend of €1.54 (2013: €0.53) per share was paid during the year.

10. LAND AND BUILDINGS

	2014 Mkt Value €m	2014 Cost €m	2013 Mkt Value €m	2013 Cost €m
Investment properties	0.1	0.2	0.1	0.2
Owner occupied properties	17.0	9.9	13.3	9.9
	17.1	10.1	13.4	10.1

A. Freehold	2014 Mkt Value €m	2014 Cost €m	2013 Mkt Value €m	2013 Cost €m
Investment properties	-	-	-	-
Owner occupied properties	1.4	1.2	1.4	1.2
	1.4	1.2	1.4	1.2

B. Leasehold	2014 Mkt Value €m	2014 Cost €m	2013 Mkt Value €m	2013 Cost €m
Investment properties	0.1	0.2	0.1	0.2
Owner occupied properties	15.6	8.7	11.9	8.7
	15.7	8.9	12.0	8.9
Total	17.1	10.1	13.4	10.1

10. LAND AND BUILDINGS (continued)

Land and buildings are stated in the balance sheet at market value. Movements in market value are included in the total investment return. While the accounting standards would normally require the systematic depreciation of investment properties and other land and buildings, the Directors consider that no depreciation is required as to depreciate them would not give a true and fair view. Had investment properties and other land and buildings been depreciated, there would have been no significant effect on the profit retained for the year.

The valuations have been undertaken by Lisney (Chartered Surveyors) in Ireland at a valuation date of 31 December 2014, in accordance with The Statements of Asset Valuation Practice and Guidance Notes issued by the Society of Chartered Surveyors in Ireland and in compliance with the European Communities (Life Assurance Accounts, Statements and Valuations) Regulations, 1986.

11. OTHER FINANCIAL INVESTMENTS

Financial Assets	**2014 Mkt Value €m**	**2014 Cost €m**	**2013 Mkt Value €m**	**2013 Cost €m**
Financial Assets at fair value through profit and loss				
Designated upon initial recognition	1,593.3	1,314.4	1,204.2	1,160.6
Loans and receivables	168.3	168.3	287.9	287.9
Total financial assets	1,761.6	1,482.7	1,492.1	1,448.5
Included in the balance sheet as follows:				
Shares and other variable yield securities	17.0	17.0	17.6	17.6
Debt securities and other fixed income securities	1,576.1	1,297.2	1,186.4	1,142.8
Loans secured by mortgages and other loans	0.2	0.2	0.2	0.2
Deposits with credit institutions	168.3	168.3	287.9	287.9
	1,761.6	1,482.7	1,492.1	1,448.5

The debt securities and other fixed income securities included above with a market value of €1,576.1 million (2013: €1,186.4 million) are listed on a recognised investment exchange.

12. INVESTMENTS FOR THE BENEFIT OF LIFE ASSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK

	2014		2013	
	Mkt Value	Cost	Mkt Value	Cost
	€m	€m	€m	€m
Assets held to cover unit - linked insurance contracts	7,458.9	6,823.7	6,683.3	6,421.7
Assets held to cover unit - linked investment contracts	5,683.4	5,199.5	5,507.8	5,292.3
	13,142.3	12,023.2	12,191.1	11,714.0

The carrying amounts disclosed above reasonably approximate the fair value at the balance sheet date. The market value of these assets, where the investment risk is borne by the policyholders, includes €2,080.9 million (2013: €1,864.7 million) in respect of group pension funds.

Derivative financial instruments, at fair value through profit and loss, held for trading.

Included within assets held to cover linked liabilities are forward currency contracts with a fair value gain of €18.0 million (2013: €7.8 million loss). Movements in fair value arise due to variations in exchange rates prevailing at the dates on which contracts mature and are reflected in the profit and loss account. Gains for the year on foreign currency contracts amounted to €25.8 million (2013: €5.9 million loss).

13. DEBTORS ARISING FROM DIRECT INSURANCE OPERATIONS

	2014	2013
	€m	€m
Policyholders	37.7	31.8
Intermediaries	15.6	14.9
	53.3	46.7

All amounts are due within one year. The carrying amounts disclosed above reasonably approximate fair value at the balance sheet date.

14. TANGIBLE FIXED ASSETS

	Computer Equipment	Office Equipment	Total
Cost	**€m**	**€m**	**€m**
At 1st January 2014	92.1	0.6	92.7
Additions	0.6	0.8	1.4
Disposals and adjustments	(4.7)	(0.6)	(5.3)
At 31 December 2014	88.0	0.8	88.8
Accumulated Depreciation			
At 1st January 2014	(84.7)	(0.5)	(85.2)
Charge for the year	(2.8)	(0.1)	(2.9)
Disposals and adjustments	4.7	0.6	5.3
At 31 December 2014	(82.8)	-	(82.8)
Net Book Amounts			
31st December 2014	5.2	0.8	6.0
31st December 2013	7.4	0.1	7.5

For year ended 31 December 2014 €4.7m (2013: €5.9m) of disposals and adjustments relates to computer software with book value of Nil and no longer in use and €0.6m (2013: €Nil) refers to fixtures and fittings with book value of Nil and no longer in use.

15. DEFERRED ACQUISITION COSTS

	2014 €m	2013 €m
Deferred expenses at 1 January	206.2	210.3
Acquisition expenses incurred during the year	79.7	75.4
Charged to the technical account	(11.2)	(10.4)
Apportionment for the year	274.7	275.3
Amortisation of prior year acquisition expenses	(69.0)	(69.1)
Deferred expenses at 31 December	205.7	206.2
On insurance contracts	174.9	166.4
On investment contracts	30.8	39.8
	205.7	206.2

Acquisition expenses includes an allocation of commission on new business and operating expenses relating to the acquisition of new business

16. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	€m	€m
Taxation and social security	7.9	6.7
Government duties and levies	26.5	12.0
Other	27.2	58.1
	61.6	76.8

All amounts are due within one year.

17. ACTUARIAL VALUATION AND UNIT LINKED LIABILITIES

An actuarial valuation of the Company's liabilities was carried out at 31 December 2014 which disclosed a surplus within the fund. The amount of surplus applied to meet the total cost of policyholders' bonus was €0.5 million (2013: €0.3 million). The shareholders' share of the distributed surplus was €175.0 million (2013: €100.0 million). The technical provisions relating to insurance and investment contracts are:

	Unit linked Investment contracts	Unit linked Insurance contracts	Total
	2014 €m	2014 €m	2014 €m
At 1 January	5,463.1	6,628.9	12,092.0
Deposits received from policyholders under investment contracts	389.6	-	389.6
Payments made to policyholders of, and fees deducted from investment contracts	(699.7)	-	(699.7)
Gross policy fees	(51.4)	-	(51.4)
Change in technical provision as shown in the technical account	578.4	697.3	1,275.7
At 31 December	5,680.0	7,326.2	13,006.2

	Unit linked Investment contracts	Unit linked Insurance Contracts	Total
	2013 €m	2013 €m	2013 €m
At 1 January	5,244.2	6,240.7	11,484.9
Deposits received from policyholders under investment contracts	422.1	-	422.1
Payments made to policyholders of, and fees deducted from investment contracts	(716.5)	-	(716.5)
Gross policy fees	(49.8)	-	(49.8)
Change in technical provision as shown in the technical account	563.1	388.2	951.3
At 31 December	5,463.1	6,628.9	12,092.0

Financial liabilities in respect of unit–linked contracts designated as investment are carried on the balance sheet at fair value. The related fair value of these financial liabilities is €5,680.0 million (2013: €5,463.1 million), which is equivalent to the amount payable under the contract.

18. RESERVES AND POLICYHOLDERS LIABILITIES

	Life Assurance Provision	Claims outstanding	Profit and Loss Account	Non-Distributable Reserve	Capital Reserve
	€m	**€m**	**€m**	**€m**	**€m**
Gross:					
At 1 January 2014	1,853.7	132.4	100.2	403.3	42.7
Change in technical provision	719.3	(10.6)	-	-	-
Profit for the financial year	-	-	64.9	-	-
Transfer to non-distributable reserve	-	-	110.1	(110.1)	-
Actuarial gain on pension scheme (net of deferred tax)	-	-	-	(30.2)	-
Dividends	-	-	(270.0)	-	-
At 31 December 2014	2,573.0	121.8	5.2	263.0	42.7
Reinsurers share:					
At 1 January 2014	(1,023.4)	(12.7)	-	-	-
Change in technical provision	(299.0)	1.0	-	-	-
At 31 December 2014	(1,322.4)	(11.7)	-	-	-
Net Amount:					
At 1 January 2014	830.3	119.7	100.2	403.3	42.7
At 31 December 2014	1,250.6	110.1	5.2	263.0	42.7

18. RESERVES AND POLICYHOLDERS LIABILITIES (Continued)

	Life Assurance Provision	Claims outstanding	Profit and Loss Account	Non-Distributable Reserve	Capital Reserve
	€m	**€m**	**€m**	**€m**	**€m**
Gross:					
At 1 January 2013	1,746.5	126.0	93.2	387.7	42.7
Change in technical provision	107.2	6.4	-	-	-
Profit for the financial year	-	-	112.4	-	-
Transfer to non-distributable reserve	-	-	(12.4)	12.4	-
Actuarial loss on pension scheme (net of deferred tax)	-	-	-	3.2	-
Dividends	-	-	(93.0)	-	-
At 31 December 2013	1,853.7	132.4	100.2	403.3	42.7
Reinsurers share:					
At 1 January 2013	(940.6)	(18.2)	-	-	-
Change in technical provision	(82.8)	5.5	-	-	-
At 31 December 2013	(1,023.4)	(12.7)	-	-	-
Net Amount:					
At 1 January 2013	805.9	107.8	93.2	387.7	42.7
At 31 December 2013	830.3	119.7	100.2	403.3	42.7

19. TECHNICAL PROVISIONS

The principal assumptions used in the calculation of the life assurance provision are set out below:

	Interest Rate		Mortality Table	
Class of business	**2014**	**2013**	**2014**	**2013**
Industrial assurance	0.95%	1.45%	A1967 - 70 + 1	A1967 - 70 + 1
Non profit life assurance	1.30%	2.10%	90% AM00/AF00	90% AM00/AF00
Life Choice	1.30%	2.10%	80% AM00/AF00	90% AM00/AF00
Pension immediate annuity	1.38%	2.63%	95% PMA00 MC/2.0%	95% PMA00 MC/2.0%

Expense Inflation		**2014**	**2013**
	Industrial assurance	0% p.a.	0% p.a.
	Non profit life assurance	4.5% p.a	4.5% p.a
	Life Choice	4.5% p.a	4.5% p.a
	Pension immediate annuity	4.5% p.a	4.5% p.a

Renewal Expenses		**2014**	**2013**	Expenses as % Reserves
		€pa	€pa	
	Industrial Assurance	60% of premium income	60% of premium income	0.10% p.a.
	Non-linked Protection	€47	€49	0.10% p.a.
	Life Choice	€47	€49	0.10% p.a.
	Pension immediate annuity	€43	€44	0.10% p.a.

Explicit provision is made in the life assurance provision for vested reversionary bonuses and a level of future bonus. Also included in the Life Assurance provision is an amount of €2.3 million (2013: €2.3 million) for terminal bonuses.

The principal assumptions used in the calculation of the technical provision for linked liabilities are set out below:

	Interest Rate		Mortality Table	
Class of business	**2014**	**2013**	**2014**	**2013**
Unit Linked Pensions	1.30%	2.60%	110% AM00/AF00	110% AM00/AF00
Unit Linked Life	0.85%	2.65%	110% AM00/AF00	110% AM00/AF00

	2014	**2013**
Expense Inflation	4.5% p.a	4.5% p.a

20. EQUITY SHARE CAPITAL

	2014 €m	**2013 €m**
Authorised		
200,000,000 ordinary shares of 13c each (2013 : 200,000,000)	26.0	26.0
Issued and Fully Paid		
175,500,001 ordinary shares of 13c each (2013 : 175,500,001)	22.8	22.8

21. PROVISION FOR OTHER RISKS AND CHARGES – Deferred taxation asset

	2014 €m	2013 €m
Deferred tax (asset) / liability at 1 January	(6.6)	(22.1)
Net change for the year (Note 8)	14.0	15.5
	7.4	(6.6)

	2014 €m	2013 €m
The provision for deferred taxation comprises:		
Unrealised gains / (losses) on investments	7.3	(6.5)
Other timing differences	0.1	(0.1)
Deferred tax (asset) / liability at 31 December	7.4	(6.6)

The deferred tax asset on the pension liability of €12.7 million (2013: €8.3 million) is shown as part of the net pension scheme liability (Note 24). The movement in the year of €4.4 million is shown in the Statement of total recognised gains and losses.

22. DIRECTORS EMOLUMENTS

	2014 €m	2013 €m
Fees	0.3	0.3
Salaries for management services	1.3	1.2
Company pension contributions	0.2	0.2
	1.8	1.7

23. SUBSIDIARIES	**Nature of Business**	**Percentage Owned**	**Country**
General Investment Trust Limited	Pension Trustee Company	100%	Ireland
Leopardstown Offices Management Limited	Property Company	100%	Ireland
Weesperplein 6 Holding BV	Holding Company	100%	Netherlands
Weesperplein 6 BV	Property Company	100%	Netherlands
Life Fund Syndication Holding BV	Holding Company	100%	Netherlands
Life Fund Syndication BV	Property Company	100%	Netherlands
SCI Jupiter Immeuble	Property Company	100%	France
Noisy Le Grand Paris SARL	Holding Company	100%	Luxembourg
Rue Saint George SARL	Holding Company	100%	Luxembourg
SCI Immeuble Saint George	Property Company	100%	France
Les Borromees SARL	Holding Company	100%	Luxembourg
SCI Sang Rouge	Property Company	100%	France
BSQ Limited	Property Company	100%	Ireland

General Investment Trust is a company which offers pension trustee services to corporate pension clients of New Ireland Assurance plc.

The other companies are vehicles with respect to property funds.

The registered office of General Investment Trust Limited is situated at 11-12 Dawson Street, Dublin 2.

The registered office of Leopardstown Offices Management Limited is situated at Bank of Ireland, 40 Mespil Road, Dublin 4.

The registered office of the Netherlands subsidiaries is TMF Group, Luna ArenA, Herikerbergweg 238, 1101 CM Amsterdam P.O. Box 23393, 1100 DW Amsterdam

The registered office of the Luxembourg subsidiaries except Lisbonne Lux SARL, is TMF Group, L 1855 Luxembourg, 46A Avenue JF Kennedy.

The registered office of the French subsidiaries is Grandite & Ardoise, 4 Rue Cambon, 75001, Paris.

The Company’s investment in these subsidiaries consists of ordinary shares.

BSQ Limited is in receivership with KPMG Dublin.

Lisbonne Lux SARL was liquidated on 31 December 2014.

24. PENSION COSTS

The Company operates a group defined benefit pension scheme, which is closed to new members and covers the majority of the Company's employees and directors. The assets of the scheme are held in separate trustee administered fund. The pension cost is assessed in accordance with the advice of an independent actuary using the Projected Unit Credit method.

The latest actuarial assessment of the New Ireland Assurance pension scheme was at 31 March 2013. The principal assumption used in the actuarial valuation was that the difference between the investment return and pensionable remuneration increases would average 3.5%. At the date of the latest actuarial valuation, the market value of the schemes' assets was €174.9m and the actuarial value of the assets was less than the accrued liabilities based on current earnings, and was equivalent to 95% of the liabilities allowing for expected future increases in earnings. At that date, actuarial advice confirmed that the scheme did not meet the required Funding Standard. However a further valuation at 31 May 2013 indicated that the fund met the Funding Standard at that date due mainly to a strong asset performance over the intervening period from 31 March 2013.

The actuarial report is available for inspection by members of the scheme, but not for public inspection. No contributions are outstanding at the year end.

The following are the major assumptions used by the actuary in the calculation of the amounts recognised in the financial statements

	2014	**2013**
Inflation	1.50%	2.00%
Salary Increases	2.00%	2.50%
Pension payment increases	1.25%	1.75%
Pension increases for deferred benefits	1.45%	1.90%
Discount rate	2.20%	3.65%

The assumption for price inflation is set by reference to the European Central Bank inflation target for Eurozone countries

The discount rate at 31 December 2014 has been determined with reference to market yields at the balance sheet date on high quality corporate bonds (AA rated or equivalent) of a duration appropriate to the scheme.

The annual expenses which relate to active members are recorded within the service cost. The impact is not material.

The mortality tables adopted are:
62% PNML00 for males
70% PNFL00 for females.

	2014 Males	**2014 Females**	**2013 Males**	**2013 Females**
Longevity at age 65 for members currently aged 65 years	21.8	23.6	22.1	23.6
Longevity at age 65 for members currently aged 35 years	25.3	26.7	25.6	26.7

24. PENSION COSTS (continued)

The balance recognised in the Balance Sheet is:

	2014 €m	2013 €m
Actuarial value of liabilities	(310.2)	(252.8)
Fair value of scheme assets	208.9	186.9
Deficit in the scheme	(101.3)	(65.9)
Related deferred tax	12.7	8.3
Net pension liability	(88.6)	(57.6)

The reconciliation of the movements to the Balance Sheet is as follows:

	€m	€m
Deficit at 1 January	(65.9)	(70.0)
Employer contributions	5.2	6.2
Net benefit expense for period	(6.0)	(5.8)
Actuarial (loss) / gain	(34.6)	3.7
Deficit at 31 December	(101.3)	(65.9)

The following discloses the changes in the scheme's liabilities and assets

	2014 €m	2013 €m
Scheme liabilities at 1 January	252.8	237.5
Employer service cost	4.9	4.6
Interest cost	9.1	9.1
Scheme participants contribution	1.0	1.0
Actuarial loss	49.7	7.5
Benefits paid	(7.3)	(6.9)
Scheme liabilities at 31 December	310.2	252.8

24. PENSION COSTS (continued)

Change in Scheme Assets

	2014 €m	2013 €m
Scheme assets at 1 January	186.9	167.5
Actual return on assets	23.1	19.2
Employer contribution	5.2	6.1
Scheme participants contribution	1.0	1.0
Benefits paid	(7.3)	(6.9)
Scheme assets at 31 December	208.9	186.9

The major categories of plan assets as a percentage of total plan assets are as follows

	2014	2013
Equities	56.0%	60.0%
Fixed Interest	26.0%	24.0%
Property	10.0%	9.0%
Cash	8.0%	7.0%

The assets do not include any of New Ireland Assurance Company plc own financial instruments or any property occupied by New Ireland Assurance Company plc.

The amounts recognised in the profit and loss accounts are as follows

	2014 €m	2013 €m
Expected return on scheme assets	8.0	8.0
Less interest on scheme liabilities	(9.1)	(9.1)
Employer service cost	(4.9)	(4.7)
Total charge to Profit and Loss (note 2)	(6.0)	(5.8)

24. PENSION COSTS (continued)

Analysis of amounts recognised in Statement of Total Recognised Gains and Losses

	2014 €m	2013 €m
Gains on assets	15.1	11.2
Reduction in liabilities	1.5	3.6
Change in assumptions	(51.2)	(11.1)
	(34.6)	3.7

History of experience gains and losses for year ended 31 December	2014	2013	2012	2011	2010
Difference between expected and actual return on scheme assets (€m)	15.1	11.2	12.5	(13.9)	6.3
Percentage of scheme assets	7%	6%	7%	-10%	4%
Experience losses on schemes liabilities (€m)	1.5	3.6	8.9	0.6	6.3
Percentage of scheme liabilities	0%	1%	4%	0%	4%
Liability assumptions					
Liability movement during period (€m)	(51.2)	(11.1)	(52.4)	(6.4)	19.1
Percentage of scheme liabilities	-17%	-4%	-22%	-3%	11%
Deficit in the plan (€m)					
Actuarial value of liability (€m)	(310.2)	(252.8)	(237.5)	(187.2)	(175.2)
Fair value of assets (€m)	208.9	186.9	167.5	146.0	149.9
Deficit in the plan (€m)	(101.3)	(65.9)	(70.0)	(41.2)	(25.3)

Expected employer contributions for the year ended 31 December 2015 are €5.3 million. Expected employee contributions for the year ended 31 December 2015 are €1.1 million.

Sensitivity analysis for each of the key assumptions used to measure the scheme liabilities at 31 December 2014

Factor	Change in assumption	Impact on scheme liabilites (€m)
Discount rate	0.1% decrease	6.7
Rate of inflation	0.1% decrease	(6.1)
Rate of salary growth	0.1% decrease	(2.0)
Life expectancy	1 year increase	9.9

25. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS FUNDS.

	€m	€m
Profit for the financial year	64.9	112.4
Other recognised (losses) / gains during the year	(30.2)	3.2
Total gains and losses recognised relating to the year	34.7	115.6
Dividends	(270.0)	(93.0)
Net (decrease) / increase in equity shareholders' funds	(235.3)	22.6
Opening equity shareholders' funds	594.7	572.1
Closing equity shareholders' funds	359.4	594.7

26. MANAGEMENT OF FINANCIAL RISK

Financial risk management objectives

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from non-linked insurance policies as they fall due. The most important components of this financial risk are interest rate risk, credit risk and liquidity risk.

The principal technique of the Company's Asset Liability management policy is to match assets to the non-linked liabilities by reference to the type of benefits payable to contract holders. The Company invests in a portfolio of sovereign and corporate bonds to match these liabilities. The Company is exposed to market risk on this business to the extent that the discounted value of the liabilities differs from the market value of the assets.

The Company has not changed the processes used to manage its risks from previous periods.

The investment return on assets backing unit-linked liabilities flows directly to the policyholders and they bear the investment risk on these assets. There is little in the way of options in the portfolio. Where guarantees have been granted (typically a minimum return of the amount invested), these guarantees have been provided by Bank of Ireland Global Markets.

26. MANAGEMENT OF FINANCIAL RISK (continued)

The following tables reconcile the entire balance sheet to each distinct category of liability:

Classification at 31 December 2014

	Unit Linked Contracts	Non-linked Contracts	Other	Total
	€m	€m	€m	€m
Shares and other variable yield securities and units in unit trusts				
at fair value through the profit and loss: - Listed securities	7,961.3	-	59.6	8,020.9
- Unlisted securities	585.9	-	17.0	602.9
Debt securities and other fixed income securities - at fair value				
through profit and loss: - Listed	1,375.5	1,228.2	319.3	2,923.0
Derivative financial instruments, at FVTPL	1,709.3	-	-	1,709.3
Loans and receivables	-	-	0.2	0.2
Deposits and cash balances	768.0	-	186.9	954.9
Property	741.4	-	17.1	758.5
Reinsurance assets	-	1,359.5	-	1,359.5
Other assets	0.9	4.1	248.8	253.8
Total assets	**13,142.3**	**2,591.8**	**848.9**	**16,583.0**
Long term business provision	-	2,573.0	-	2,573.0
Claims outstanding	-	-	121.8	121.8
Technical provisions for linked liabilities	13,006.2	-	-	13,006.2
Deposits received from reinsurers	-	18.8	-	18.8
Loans and borrowings	-	-	245.3	245.3
Provisions for other risks and charges	-	-	7.4	7.4
Other liabilities	136.1	-	115.0	251.1
Total liabilities	**13,142.3**	**2,591.8**	**489.5**	**16,223.6**

26. MANAGEMENT OF FINANCIAL RISK (continued)

Classification at 31 December 2013

	Unit Linked Contracts	Non-linked Contracts	Other	Total
	€m	€m	€m	€m
Shares and other variable yield securities and units in unit trusts				
at fair value through the profit and loss: - Listed securities	7,251.5	-	21.4	7,272.9
- Unlisted securities	603.5	-	17.7	621.2
Debt Securities and other fixed Income securities - at fair value				
through profit and loss: - Listed	1,313.9	871.0	319.5	2,504.4
Derivative financial instruments, at FVTPL	1,451.4	-	-	1,451.4
Loans and receivables	-	-	0.2	0.2
Deposits and cash balances	851.0	-	303.7	1,154.7
Property	717.0	-	13.4	730.4
Reinsurance assets	-	1,023.4	12.7	1,036.1
Provisions for other risks and charges	-	-	6.6	6.6
Other assets	2.8	-	300.7	303.5
Total assets	**12,191.1**	**1,894.4**	**995.9**	**15,081.4**
Long term business provision	-	1,853.7	-	1,853.7
Claims outstanding	-	-	132.4	132.4
Technical provisions for linked liabilities	12,092.0	-	-	12,092.0
Deposits received from reinsurers	-	19.9	-	19.9
Loans and borrowings	-	-	48.2	48.2
Other liabilities	99.1	20.8	220.6	340.5
Total liabilities	**12,191.1**	**1,894.4**	**401.2**	**14,486.7**

MARKET RISK

(a) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. In addition to the extent that the present value of future claim costs are related to interest rates, liabilities to policyholders are exposed to interest rate risk. Insurance contracts may have benefit payments that are fixed and guaranteed at the inception of the contract. The financial component of these benefits is usually a guaranteed fixed interest rate (for the insurance contracts, this rate may apply to maturity and/or death benefits) and hence the Company's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities is insufficient to fund the guaranteed benefits payable. The Company monitors interest rate risk by calculating the mean duration of the investment portfolio and of the liabilities to policyholders under insurance contracts. The mean duration is an indicator of the sensitivity of the assets and liabilities to changes in current interest rates. The mean duration of the liabilities is determined by means of projecting expected cash flows from the contracts using prudent estimates of mortality and voluntary terminations. This is calculated in a consistent manner with the prior year. Any gap between the mean duration of the assets and the estimated mean duration of the liabilities is minimised by means of buying and selling fixed interest securities of different durations.

26. MANAGEMENT OF FINANCIAL RISK (continued)

The Company invests in government fixed interest securities and corporate bonds of appropriate term to secure the promised benefits. The Company is not exposed to stock market movements on this business. As a result typical interest rate movements are matched by equivalent movements in liabilities. To the extent however, that interest rate movements are risk related, this will have an impact on the Company's capital position.
The government securities are diversified between Irish, French, Belgian, Italian and Austrian bonds. The corporate bonds are predominantly made up of a portfolio in excess of 100 different bonds and there is maximum exposure to any issuer of 5%. The fund is spread across a number of different countries (according to countries of risk). There is also a spread among industries but the guidelines explicitly exclude any investment in bank bonds as a way of diversifying from the Company's sovereign risk exposure. Asset backed securities are also excluded from this fund.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. Management monitors the sensitivity of interest rate movements by assessing the expected changes in the different portfolios due to parallel movements of 50 basis points in all yield curves.

The following table demonstrates the sensitivity to a possible change in interest rates, with all other variables held constant, of the Company's profit and net assets.

Impact on Profit and Net Assets

	2014	**2013**
	€m	**€m**
Increase in yield curve +50 bps	7.7	(3.3)
Decrease in yield curve – 50bps	(12.8)	1.0

The above sensitivities do not include any impact in respect of the Company's pension schemes.

(b) Equity price Risk
The Company does not bear any of the equity price risk directly – this is borne by the policyholders who receive the gains or losses associated with the equities. The Company does indirectly derive income from management fees arising from the value of funds under management. A 5% increase in equity markets half way through the year will increase profits by €1.4 million (2013: €1.4 million).

(c) Currency Risk
The Company does not bear any currency risk directly – this is borne by the policyholders. All assets held to match non linked liabilities are denominated in Euro. The Company does indirectly derive income from management fees arising from the value of funds under management. A 5% movement in exchange rates half way through the year will change profits by €0.6 million (2013: €0.7 million).

(d) Lapse Risk
Lapse risk is the risk that a greater than anticipated number of policies cease paying premiums or surrender from the Company. The Company derives income from the management fees, premium charges and other cash flows from its contracts. When a higher number of policies lapse than anticipated this will have a negative impact on the profit of the year.

(e) Liquidity Risk
Liquidity risk is the risk that cash may not be available at a reasonable cost to pay obligations when due. The Company is exposed to daily calls on its available cash resources mainly from claims arising from non linked insurance contracts. The Company holds sufficient short term cash deposits to cover such claims.

The Company manages its liquidity risk by adopting a policy of matching assets and liabilities. Of the financial assets at fair value through profit or loss, €10.9 billion (2013: €9.8 billion) are listed on recognised exchanges and are regularly traded and therefore these financial assets could be realised on demand if required to cover liabilities under insurance and investment contracts which due to surrender options could be payable on demand.

26. MANAGEMENT OF FINANCIAL RISK (continued)

	Demand €m	0 - 3 mths €m	3 - 12 mths €m	1 - 5 years €m	5 years + €m	Total €m
31 December 2014						
Financial liabilities under investment contract	5,680.0	-	-	-	-	5,680.0
Due to fellow subsidiaries	-	11.8	-	-	-	11.8
Creditors and accruals	-	114.4	-	-	-	114.4
Bank overdraft	-	42.7	-	-	-	42.7
Loans and borrowings	-	-	2.6	120.0	80.0	202.6
Total	5,680.0	168.9	2.6	120.0	80.0	6,051.5

	Demand €m	0 - 3 mths €m	3 - 12 mths €m	1 - 5 years €m	5 years + €m	Total €m
31 December 2013						
Financial liabilities under investment contract	5,463.1	-	-	-	-	5,463.1
Due to fellow subsidiaries	-	9.9	-	-	-	9.9
Creditors and accruals	-	221.5	-	-	-	221.5
Bank overdraft	-	48.2	-	-	-	48.2
Loans and borrowings	-	-	-	-	-	-
Total	5,463.1	279.6	-	-	-	5,742.7

(f) Credit Risk
Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- amounts due from insurance intermediaries;
- amounts due from sovereign and corporate bond issuers;
- amounts due from insurance contract holders;
- amounts on deposit with other credit institutions:
- reinsurers’ share of insurance liabilities; and,
- amounts due from reinsurers in respect of claims already paid.

The Company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty or groups of counterparties. Such risks are subject to regular review.

The Company has a material credit risk exposure to a number of reinsurance companies. Reinsurance is used to manage insurance risk. This does not, however, discharge the Company’s liability as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. An analysis of reinsurers by Standard & Poors rating (or equivalent) is produced periodically.

The Company uses a panel of highly rated reinsurance companies to diversify credit risk. The Company also operates a Reinsurance Committee that reports to the Risk Committee at least annually and in addition on material items as they arise. Inter alia, the Committee considers retention levels across the business lines, the credit rating of the reinsurance companies and the extent of our exposure to each reinsurance Company. Reinsurance in respect of annuity business is on a collateralised basis.

26. MANAGEMENT OF FINANCIAL RISK (continued)

The assets bearing credit risk are summarised below:

	Unit Linked Contracts	Non-linked Contracts	Other	Total
	€m	€m	€m	€m
31 December 2014				
Debt Securities and other fixed Income securities - at fair value through profit and loss:- Listed	1,375.5	1,228.2	319.3	2,923.0
Derivative financial instruments, at FVTPL	1,709.3	-	-	1,709.3
Loans and receivables	-	-	0.2	0.2
Deposits and cash balances	768.0	-	186.9	954.9
Reinsurance assets	-	1,359.5	-	1,359.5
Total Assets	3,852.8	2,587.7	506.4	6,946.9
31 December 2013				
Debt Securities and other fixed Income securities - at fair value through profit and loss:- Listed	1,313.9	871.0	319.5	2,504.4
Derivative financial instruments, at FVTPL	1,451.4	-	-	1,451.4
Loans and receivables	-	-	0.2	0.2
Deposits and cash balances	851.0	-	303.7	1,154.7
Reinsurance assets	-	1,023.4	12.7	1,036.1
Total Assets	3,616.3	1,894.4	636.1	6,146.8

An analysis of the credit rating of assets bearing credit risk which includes the reinsurance asset, Irish sovereign bonds, Euro sovereign bonds, corporate bonds and cash deposits are summarised below:

	2014 Unit Linked Contracts	2014 Non-linked / Other Contracts	2013 Unit Linked Contracts	2013 Non-linked Contracts
	€m	€m	€m	€m
AAA	271.9	-	359.0	-
AA+	232.9	246.3	372.6	510.1
AA	428.3	532.1	7.0	13.5
AA -	0.6	1,207.0	95.8	533.4
A+	178.0	236.1	12.1	205.2
A	379.5	580.8	238.7	73.7
A -	2.2	69.5	2.6	64.4
BBB+	168.5	30.6	507.5	436.4
BBB	-	66.2	18.0	113.5
BBB-	19.3	52.3	-	17.2
BB+	2,171.6	73.2	2,003.0	129.5
Other and unrated	-	-	-	433.6
	3,852.8	3,094.1	3,616.3	2,530.5

No credit limits were exceeded during the period. No financial assets are past due or impaired at the reporting date and management expects no significant losses from non-performance by these counterparties.

The Company maintains strict control limits on open derivative positions, by both amount and term. The amount subject to credit risk at any one time is limited to the current fair value of derivative financial assets.

26. MANAGEMENT OF FINANCIAL RISK (continued)

(g) Unit linked contracts

For unit–linked contracts the Company matches all the liabilities with assets in the portfolio on which the unit prices are based. Therefore there is no interest, price, currency or credit risk attaching to these assets for the Company as all risk is borne by the policyholder. However the Company does carry the reputational risk of managing these amounts on behalf of policyholders and receives investment management fees based on the unit-linked assets under management. The Company therefore has an indirect exposure to the performance of world equity markets. The amount related to unit linked contracts included in the assets bearing credit risk was €13.1 billion (2013: €12.2 billion).

(h) Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Company faces operational risks in the normal pursuit of its business objectives. The primary goals of operational risk management and assurance are ensuring the sustainability and integrity of the Company's operations and the protection of its reputation by controlling, mitigating or transferring the risk of financial losses. By its nature, operational risk cannot be fully eliminated, however the Company has established a formal approach to the management of operational risk in the form of an 'Operational Risk Management Framework' which defines the Company's approach to identifying, assessing, managing, monitoring and reporting the operational risks which may impact the achievement of the Company's business objectives.

FAIR VALUE HIERARCHY

The table below shows, for the Company's financial assets and liabilities that are recognised and measured at fair value, their classification within a three – level fair value hierarchy.

Level 1 comprises financial assets and liabilities valued using quoted market prices in active markets. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Level 2 comprises financial assets and liabilities valued using techniques based significantly on observable market data.

Level 3 comprises financial assets and liabilities valued using techniques where the impact of the non observable market data is significant in determining the fair value of the instrument. Non observable market data is not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on observable inputs of a similar nature, or analytical techniques.

	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Category				
Financial Assets held at fair value at 31 December 2014				
Equities and unit trusts	8,020.9	585.9	17.0	8,623.8
Debt securities	2,923.0	-	-	2,923.0
Derivative instruments	-	1,709.3	-	1,709.3
Non Financial Assets held at fair value at 31 December 2014				
Investment Property	-	-	741.4	741.4
Owner Occupied Property	-	-	17.1	17.1
	10,943.9	2,295.2	775.5	14,014.6
Financial Liabilities held at fair value at 31 December 2014				
Liabilities to customers				
Under insurance contracts	-	7,326.2	-	7,326.2
Under investment contracts	-	5,680.0	-	5,680.0
	-	13,006.2	-	13,006.2

26. MANAGEMENT OF FINANCIAL RISK (continued)

Category	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial Assets held at fair value at 31 December 2013				
Equities and unit trusts	7,272.9	603.5	17.7	7,894.1
Debt Securities	2,504.4	-	-	2,504.4
Derivative instruments	-	1,451.4	-	1,451.4
Non Financial Assets held at fair value at 31 December 2013				
Investment Property	-	-	717.0	717.0
Owner Occupied Property	-	-	13.4	13.4
	9,777.3	2,054.9	748.1	12,580.3
Financial Liabilities held at fair value at 31 December 2013				
Liabilities to customers				
Under insurance contracts	-	6,628.9	-	6,628.9
Under investment contracts	-	5,463.1	-	5,463.1
	-	12,092.0	-	12,092.0

Movements in Level 3 Assets

	Equities and Unit Trusts €m	Investment Property €m	Owner Occupied Property €m	Total €m
Opening Balance 2014	17.7	717.0	13.4	748.1
Investment Gains	-	106.9	3.7	110.6
Additions	-	57.1	-	57.1
Disposals	(0.7)	(139.6)	-	(140.3)
Closing Balance 2014	**17.0**	**741.4**	**17.1**	**775.5**

CAPITAL MANAGEMENT

The Company maintains an efficient capital structure from a combination of equity shareholders' funds and borrowings consistent with the Company's risk profile and the regulatory and market requirements of its business.

The Company holds technical reserves to meet its liabilities to policyholders based on prudent actuarial assumptions. In addition, the Central Bank of Ireland requires the Company to hold an excess of assets over liabilities to meet a required minimum statutory solvency margin.

In reporting our financial strength, capital and solvency is measured using the regulations prescribed by the Central Bank of Ireland. These regulatory capital tests are based upon required levels of solvency capital and a series of prudent assumptions in respect of the type of business written by the Company.

(a) Capital management objectives

The Company's objectives in managing its capital are:

- to meet the requirements of the Central Bank of Ireland;
- to provide security for policyholders;
- to maintain sufficient financial strength to support new business growth; and
- to manage the interests of the Company within the risk appetite approved by the Board.

(b) Restrictions on available capital resources

The Company must maintain sufficient capital to meet the threshold of the required minimum statutory solvency margin requirement. The Central Bank of Ireland would expect a Company to exceed the minimum amount and this is reflected in the Company's capital management policy. Subject to the above, surplus that has been transferred to the shareholders fund is unencumbered. Surplus retained within the life assurance fund is not available for distribution to shareholders.

The capital held within the shareholders' funds is generally available to meet any requirements. It remains the intention of the Board and management to ensure that there is adequate capital to exceed the Company's regulatory requirements.

(c) Available capital resources

The table below sets out the levels of free assets held by the Company compared to the minimum required by regulation ('regulatory basis').

26. MANAGEMENT OF FINANCIAL RISK (continued)

	2014 €m	2013 €m
Total shareholder funds	359.4	594.7
Adjustments :		
Regulatory reserve	(55.9)	(55.2)
Adjustment for investment contract reserves	(52.0)	(40.4)
Deferred acquisition costs / Deferred income liability	(175.8)	(169.9)
Deferred tax	(21.1)	(12.7)
Asset valuation adjustment	(18.0)	(18.9)
Capital restructure : financial reinsurance	120.0	-
Capital restructure : subordinated debt	80.0	-
Pension scheme - FRS 17 basis	88.6	57.6
Total free assets available for regulatory solvency purposes	325.2	355.2
Minimum statutory solvency requirement	(190.6)	(175.2)
Excess assets over solvency margin requirement	134.6	180.0
Total policyholder liabilities on regulatory basis		
Unit linked liabilities	13,217.5	12,297.8
Non linked liabilities	1,198.7	748.1
Total liabilities	14,416.2	13,045.9
Cost of bonus	0.5	0.3
	14,416.7	13,046.2

The cover for the required minimum statutory solvency margin at December 2014 was satisfactory, with assets of €325.2 million available to cover a solvency margin requirement of €190.6 million, representing cover of 1.71 (2013: 2.03) times the required amount.

26. MANAGEMENT OF FINANCIAL RISK (continued)

(d) Movements in capital resources

	2014 €m	2013 €m
Balance at 1st January	355.2	328.0
Cash generated (after new business strain)	42.0	60.9
Change in pension scheme	2.1	24.9
Risk benefits	8.2	4.9
Markets and basis movements	2.7	43.5
Other items	(12.4)	(14.0)
Capital restructure : financial reinsurance	120.0	-
Capital restructure : subordinated debt	80.0	-
Interest on capital instruments	(2.6)	-
Dividend	(270.0)	(93.0)
Balance at 31st December	325.2	355.2

(e) Capital resource sensitivities

The Company carries out regular assessments of the projected future solvency position, under a number of different scenarios, which are documented in the Financial Condition Report. This Report is made available to the Central Bank of Ireland. As part of this Report, a projection of the Company's solvency position over the next five years is documented. This Report has confirmed the financial strength of the Company's capital position and the resilience of this capital position under the stress tests examined. An examination of the risks to which the Company is exposed, and the steps we have taken to mitigate these risks, is set out below.

Market risk:
The Company's capital position is relatively insensitive to market movements as the bulk of our liabilities are unit linked with policyholders bearing the investment risk. Non-linked liabilities are closely matched by government-guaranteed fixed interest securities and corporate bonds of appropriate duration as outlined above. The Company's free assets are mainly held in cash and short-term financial instruments. The Company holds a number of corporate bonds and government guaranteed fixed interest securities. To the extent that yield increases on the assets are risk related, represents a market risk for the Company.

The Company's pension schemes contain an exposure to market risk which can impact on the capital position of the Company.

Insurance risk:
The Company uses reinsurance to mitigate the impact of mortality and morbidity risks. Our current policy is to reinsure 90% of new guaranteed protection business and to reinsure only a small part of flexible protection unit-linked contracts. The Company reinsures 50% of all new individual annuity contracts. The company also reinsures 75% of new income protection business.

Credit risk:
The Company uses a number of different reinsurance companies of appropriate financial strength in managing its life assurance business. The Company's asset liability matching policy includes significant holdings of corporate bonds and sovereign debt of a number of Euro zone countries. The most significant holding of sovereign debt is French sovereign debt.

(f) Options & Guarantees

The Company has a very limited range of options and guarantees in its business portfolio as the bulk of the business is unit linked without investment guarantees. Where investment guarantees have been given on unit linked business they have been fully hedged (as in the case of structured products such as tracker bonds and Guaranteed Evergreen Bond). The Company has not granted guaranteed annuity options on any of its business.

27. FUTURE CAPITAL COMMITMENTS NOT PROVIDED FOR

	2014 €m	2013 €m
Authorised but not contracted	0.2	0.4
Contracted	0.0	0.2

28. OTHER FINANCIAL COMMITMENTS

At 31 December 2014 the Company had annual commitments under non-cancellable operating leases of €8.8 million (2013: €8.5 million). The leases are due to expire as follows:

	2014 €m	2013 €m
Total		
Within one year	1.2	1.2
More than one year - within five years	4.0	3.4
More than five years	3.6	3.9
	8.8	8.5
Property		
Within one year	1.1	1.2
More than one year - within five years	3.8	3.1
More than five years	3.6	3.9
	8.5	8.2
Other		
Within one year	0.1	-
More than one year - within five years	0.2	0.3
More than five years	-	-
	0.3	0.3

29. LOANS AND BORROWINGS

	2014 €m	2013 €m
Financial reinsurance	120.9	-
Subordinated debt	81.7	-
	202.6	-

Movement during the year

	2014 Financial reinsurance €m	2014 Subordinated debt €m	2014 Total €m
At 1 January 2014	-	-	-
Issued in 2014	120.0	80.0	200.0
Interest charged	0.9	1.7	2.6
At 31 December 2014	120.9	81.7	202.6

29. LOANS AND BORROWINGS (continued)

The subordinated debt of €80 million was issued by New Ireland Assurance plc to Bank of Ireland Governor & Co at a fixed rate up to the first call date in 2019. The subordinated debt terms include mandatory interest payments to the note holder, a step up in the rate charged after a defined period and a block on dividend payments to shareholders whilst any interest repayments are outstanding. The interest rate is fixed at 4.9% per annum until 29 July 2019 (the first reset date).

New Ireland Assurance plc and an external third party executed a Financial Reassurance agreement regarding a contingent loan of €120 million secured against a defined block of the in force book of business. Under the agreement, New Ireland has an obligation to repay the loan along with a risk premium over the term of agreement but the obligation is contingent on the surpluses arising from the defined portion of the value of in force emerging in the future. The risk premium was set at 1.75% in 2014.

30. HOLDING COMPANY

The Company is a wholly-owned subsidiary of Bank of Ireland Life Holdings Ltd which is incorporated in the Republic of Ireland. The ultimate parent Company is the Governor and Company of the Bank of Ireland which is also incorporated in the Republic of Ireland. The Governor and Company of the Bank of Ireland is the parent company of the only group for which group financial statements are drawn up and of which the Company is a member. Copies of the group financial statements of the Governor and Company of the Bank of Ireland are available from Bank of Ireland, 40 Mespil Road, Dublin 4.

31. RELATED PARTY TRANSACTIONS

Transactions with other companies within the group are not disclosed as the Company has taken advantage of the exemption available under FRS 8 on the basis that the group financial statements of the Governor and Company of the Bank of Ireland are publicly available as referred to in note 30.

32. POST BALANCE SHEET EVENTS

No significant events, affecting the Company or any of its subsidiary undertakings, have occurred since the balance sheet date.

33. CASH FLOW STATEMENT

The financial statements of the parent Company, the Governor and Company of the Bank of Ireland, include a consolidated cash flow statement dealing with the cash flows of the group. In accordance with the exemptions afforded by FRS 1, the Company has not presented a cash flow statement.

34. GROUP ACCOUNTS

The Company has not prepared consolidated financial statements as it has taken advantage of the exemption available under both paragraph 21 of Financial Reporting Standard 2 “Accounting for Subsidiary Undertakings” and Regulation 8 of the European Communities (Companies: Group Accounts) Regulations, 1992, on the basis that its results are included in the group accounts of the Governor and Company of the Bank of Ireland.

35. COMPARATIVE INFORMATION.

Some information in relation to the prior year has been amended for comparative purposes. The net return from pension scheme is now included in net operating expenses.

36. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Directors on 30 April 2015. .