

2020
ANNUAL REPORT



FBD HOLDINGS PLC

SUPPORT.
IT'S WHAT WE DO.

FBD

In this Report

Strategic Report

Governance

Financial Statements

Other Information

FBD at a Glance

Established in the 1960s by farmers for farmers, FBD has built on our roots in agriculture to become a leading general insurer directly serving the needs of agricultural, small business and consumer customers throughout Ireland.

Explore online
Visit our website to find out more: **www.FBD.ie**
or follow us and join the conversation

2020 Performance Highlights

Profit before tax
€4.8m
(2019: €112m)

Combined operating ratio
101%
(2019: 72%)

Gross premium written
€358m
(2019: €370m)

Return on Equity
1%
(2019: 30%)

Net Asset Value
1,095
(2019: 1,068c)

Further information on the above measures is found in Alternative Performance Measures on pages 159 and 160.

Financial Highlights

	2020 €000s	2019 €000s
Gross premium written	**358,230**	370,063
Net premium earned	**315,232**	337,553
Profit for the financial year	**4,390**	98,225

	2020 Cent	2019 Cent
Basic earnings per share	**13**	281
Diluted earnings per share	**12**[1]	276[1]
Net asset value per share	**1,095**	1,068
Ordinary dividend per share proposed	**—**	100
Ordinary dividend per share paid	**—**	50

	2020 %	2019 %
Combined operating ratio	**101.4%**	72.3%
Return on equity	**1%**	30%

[1] *Diluted earnings per share reflects the potential vesting of share based payments*

Financial Calendar

Preliminary announcement	26 February 2021
Annual General Meeting	12 May 2021

Our Purpose

FBD's purpose is to support, protect and stand with Ireland's families, farms and businesses to enable our customers to grow and thrive.

We are proud of our roots in farming and of our Irish heritage. We are proud of our expertise and appreciate the trust of our customers. We take pride in being part of the communities we serve. We evolve to meet the changing needs of our customers and the next generation of customers.

We look forward to supporting families and family businesses for generations in the same way we have supported Ireland's farmers.

We will carefully grow our business, building the FBD brand and securing FBD's future.

Chairman's Statement

“

The pandemic presented its own challenges but despite these the Group has produced a robust set of results in the circumstances.

Liam Herilhy
Chairman

Performance

The past year has been a very difficult one for people across the country with the impact of the pandemic felt by individuals personally as well as the economic challenges caused by the necessary public health measures put in place by the Government.

For FBD the pandemic presented its own challenges but despite these the Group has produced a robust set of results in the circumstances. Despite providing for costs of €65m relating to Covid-19 business interruption claims for customers holding our public house policies, we have been able to report a Group Profit before Tax of €4.8m and our Net Asset Value (book value) per share grew to 1,095 cents. Our Solvency Capital Ratio continues to be very strong at 197% (unaudited). This demonstrates the resilience of our business in trying circumstances.

I would like to particularly acknowledge our loyal FBD staff for their unwavering commitment and contribution in this very challenging year. They have successfully adopted remote working and have continued to provide the dedication to customers and great customer service that continues to be a differentiator for FBD. This has not been easy and it is much appreciated by the Board and I would like to say a very sincere thank you to all.

Board of Directors

I am delighted that Tomás Ó'Midheach joined the Group on 4th January 2021 as Chief Executive Officer (CEO) and Executive Director of both the Group and of FBD Insurance plc. Tomás has considerable knowledge of the Irish financial services landscape and he brings a wealth of experience to FBD in areas including finance, data, customer analytics, direct channels and digital. Tomás previously worked with Citibank and most recently has been Deputy CEO and an Executive Board member of AIB. I look forward to working with him to grow our business and deliver for our customers and stakeholders.

I would like to acknowledge the contribution to FBD of Paul D'Alton, who acted as Interim Chief Executive Officer since April 2020 and to thank him for his steady leadership through the challenging times brought about by Covid-19. We wish him well in his next endeavours.

I was also pleased to announce the appointment of Tim Cullinan as an

Group profit before tax

€5m

Net asset value per share

1,095c

independent Non-Executive Director in December last. Tim was elected President of the Irish Farmers' Association (IFA) in December 2019 and has been heavily involved in the IFA over the past 15 years. He is also a Non-Executive Director of Bord Bia and represents Irish farmers at EU level on COPA, which is the official umbrella representative body for European farmers. Tim brings to FBD considerable and valuable understanding and insights into Ireland's rural and agricultural communities.

I would like to thank Joe Healy who resigned from the Board in July 2020 following the conclusion of his period in office as IFA President. Joe brought many helpful insights on issues affecting the farming community throughout his three years on the Board and I very much appreciate his contribution and wish him well for the future.

Covid-19 Pandemic Response

The Covid-19 pandemic has resulted in significant personal and professional challenges for people and businesses across the country. We have introduced a number of measures to assist our customers through the Covid-19 pandemic including premium rebates, suspension of cover reductions and payment flexibility where required. We have also assisted customers with a wide range of supports reflecting the changed environment for individuals and businesses. We are grateful to our loyal customers for their continued support.

From an operational perspective our business continuity plans continue to work very well. Service to customers has been maintained and in FBD it has been business as usual. A significant proportion of our employees have worked remotely since late March. FBD has developed its own action plan to ensure operational resilience and the safety of staff and customers through extra health and security measures as offices re-open. We are following all Government and HSE public health guidelines and ensuring that the appropriate social distancing measures are in place.

Business Interruption Claims

We have experienced a lot of publicity in recent months regarding Covid-19 related business interruption claims by customers holding public house policies. We acknowledge the difficulties that the pandemic is causing these businesses. Our approach has been to achieve clarity on the liability and quantum position by taking proceedings in the Commercial Court by way of test case. We believed that this was the quickest and most efficient way of achieving clarity for our customers. The hearing took place in October 2020 and the judgement was issued on 5th February last, where the interpretation of the policy wording was challenged.

FBD notes the decision of the Court that our public house policies do provide cover in the circumstances reviewed. We have now commenced the process of settling claims for the customers involved which will include issuing interim payments in the short-term while awaiting final clarity on quantum. FBD will also consider the effects of the judgement with its long standing high quality panel of reinsurers and seek agreement on the correct application of our reinsurance cover.

Customers and Communities

FBD strives to be truly customer centric through delivering the best customer experience no matter the way the customer chooses to shop with us. We are determined to be the Irish insurer of choice with our customers and communities at the heart of what we do and who we are.

In 2020 FBD Insurance became the first general insurance company to feature in the Top 10 Companies in Ireland for excellent customer experience. The results of the annual CXi Ireland survey showed FBD claiming the number 8 position. The annual independent "Customer Experience" (CX) study commissioned by The CXi Company is carried out by Amárach Research who interview 2,500 Irish consumers regarding their customer experience across Ireland's top 150+ brands. The 2020 report shows FBD having risen 17 places since 2019, and 102 places since 2017, the highest of any brand. The 2020 CXi Ireland ranking places FBD as best in class in terms of insurers in Ireland as defined by customer experience. We are very proud of this external validation of the excellent customer service we provide and it is a credit to our staff.

FBD continues to support Irish communities through investments in farm and agricultural excellence, encouraging education and safety as well as sustainability. FBD displays commitment to partnerships with local communities. We also provide insurance cover to sectors which are crucial to the economic and social fabric of the many communities we serve, particularly in rural Ireland.

Farming is a hazardous occupation and the continuing high number of farm accidents annually is cause for great concern to us. FBD supports many initiatives which make the farm a safer place for all. An example is our Farm Protect campaign to encourage farmers to make small but meaningful changes to their working behaviours.

We are also working to improve our sustainable business practices through active measurement, management and mitigation of our carbon footprint and to minimise our environmental impact. Our sustainability projects include a commitment to using less paper, printing less, being more efficient in our energy usage and encouraging others to be responsible through integrating Environmental, Social, and Governance (ESG) factors into our investment portfolio.

Claims Environment

FBD continues to be supportive of the Government's insurance reform agenda and welcomes the establishment of a specific cabinet committee to prioritise and oversee the implementation of key actions required to reduce the cost of claims. Initiatives such as the work of the Personal Injuries Guidelines Committee charged with providing guidance on soft tissue injuries, as well as the proposed capping of general damages by the Judicial Council have the potential to make a real difference in lowering costs and providing consistency. The willingness of the Court of Appeal to reduce excessive awards is also to be welcomed. However we remain concerned about legal costs in both the High Court and Circuit Court as they continue to increase. In the meantime the level of compensation remains too high and without reform Irish farmers, businesses and consumers will continue to bear the cost of significantly higher premiums than those seen in other countries.

Capital

The Board believes that it is in the long-term interest of all stakeholders to maintain a strong solvency margin and it is focussed on ensuring that the Group's capital position is robust and its financial position well managed. This has been particularly important over the past year with the Covid-19 pandemic and its effect on investment markets and economic activity generally. FBD has also had additional uncertainty surrounding business interruption claims on public house policies.

Following the statement issued in April by the European Insurance and Occupational Pensions Authority (EIOPA) urging the suspension of all discretionary dividend distributions, the heightened uncertainty resulting from Covid-19 and the importance of maintaining capital in the business, FBD decided not to proceed with the previously proposed dividend payment for the 2019 Financial Year.

Given the continuing uncertainty prevailing, the Board continues to believe that capital preservation is paramount and therefore no dividend is being proposed at this time. The Board will however keep the matter of capital return to shareholders under continuous review.

Our capital position remains strong with a Solvency Capital Ratio of 197% (unaudited) at 31 December 2020.

Conclusion

I would like to thank the Board for their continued support and hard work throughout the year. In an uncertain world, I am confident that whatever challenges lie ahead, FBD is strong and will continue to prosper as a business.

Finally, as always, thanks to our customers for their continuing support, loyalty, trust and confidence. Because of them, FBD is strongly positioned for the future.

With Best Regards.

Liam Herlihy
Chairman
25 February 2021

Review of Operations

“

All businesses faced extraordinary challenges in 2020 and, as we navigate towards a "new normal", we can reflect on a resilient performance over a uniquely challenging year for FBD.

Tomás Ó'Midheach
Group Chief Executive

Further information on the measures referred to in our Review of Operations is found in Alternative Performance Measures on pages 159 and 160.

Overview

All businesses faced extraordinary challenges in 2020 and, as we navigate towards a "new normal", we can reflect on a resilient performance over a uniquely challenging year for FBD.

The challenges were highlighted by the recent judgement from the Commercial Court in respect of business interruption claims for public house policies. The team at FBD remains determined to meet our customer obligations and we have commenced paying interim payments for all valid claims and will endeavour to settle claims as quickly as possible. We are considering the impact of this judgement with our reinsurance partners and are confident about a satisfactory outcome.

We continue to support our customers with forbearance measures and commercial rebates continue to be provided to affected businesses. Our employees have risen to the challenges of the pandemic with excellent service levels maintained and productivity unaffected.

Some positives have come out of 2020 as we improved our ability to serve our customers in the ways they increasingly want to interact with us. Our enhanced digital capabilities led to more online purchases and an increased number of customers joining our business and staying with us. New opportunities launching in 2021 will include, the broadening of the Bank of Ireland relationship to include general insurance as well as life and pensions, and the successful evolution of other existing partnerships.

The insurance market continues to be very competitive and we have seen the premiums paid by our customers decreasing, particularly in Motor. We foresee a period of economic uncertainty ahead as the economic impact of the pandemic becomes known. We will adapt and change to ensure we are able to meet the evolving needs of our customers.

We are very supportive of the Government's insurance reform agenda to reduce claims costs and consequently insurance premiums for farmers, businesses and consumers.

I am delighted to take the helm of the only Irish insurer in the market, with a reputation second to none in customer service, earned over more than 50 years in business. I joined FBD in January and have been hugely impressed by the determination and ability of my new colleagues. The core of the business is strong with good underlying profitability, future growth prospects and resilient capital strength. We intend to build on this strong base to deliver more for all stakeholders in the years ahead.

Summary

The Group reported a profit before tax of €4.8m (2019 profit: €112.5m), reduced by Covid-19 pandemic related business interruption provision of €65.0m offset by positive prior year reserve development of €23.3m and lower frequency of claims. The investment returns reported of €10.4m through the Income Statement and €4.5m through Other Comprehensive Income (OCI) reflect the strong turnaround for most asset classes after the downturn in March caused by the Covid-19 pandemic.

The Group reported an underwriting loss of €4.4m (2019 profit: €93.7m) reflecting the Covid-19 pandemic related business interruption provision of €65.0m. GWP decreased by 3% to €358.2m (2019: €370.1m). GWP was in line with 2019 excluding Covid-19 pandemic related premium rebates.

The recent Commercial Court judgement provides greater clarity for FBD and our customers with public house policies around business interruption cover. We are now moving forward with the payment of claims including making interim payments pending the finalisation of all claims. We are actively engaging with reinsurers on the finalisation of reinsurance recoveries following the Court judgement.

We note the preliminary findings last September from the Competition and Consumer Protection Commission (CCPC) alleging that Irish insurers engaged in anti-competitive cooperation to which FBD has responded. We have also cooperated with the Central Bank in respect of the dual pricing investigation and await the final report during 2021.

Underwriting

Premium income

Gross premium written decreased to €358.2m in 2020 (2019: €370.1m) primarily due to Covid-19 rebates of €11.8m. Excluding Motor and Commercial rebates of €6.0m and €5.8m respectively the gross written premium figure is in line with 2019, which is a solid result. Motor customers were rebated through €35 One4All vouchers in June reflecting the reduced claims frequency as a result of Covid restrictions. Commercial rebates of €5.8m reflected the reduced exposure of businesses to Employers Liability, Public Liability and Business Interruption claims.

Customer policy count increased by 3% which represents over 14,400 policies, with new business volumes increasing year on year by 18%. Our policy retention continues to be strong and increased by 1.7%.

Average premium reduced by 3.0% across the book. Average premium for Private Motor reduced by 5.7% due to a change in mix and increased discounting in a competitive market. Average Farm premium reduced by 1.5% reflecting additional discounting. Home average premium reduced 2.2% due to rate reductions and discounting. Average premium for Commercial increased 2.8% reflecting a mix change rather than rate increases.

Reinsurance

The reinsurance programme for 2021 was successfully negotiated with a similar structure to that expiring. The negotiation of the 2021 renewal was not materially impacted by the potential of Covid-19 related business interruption claims as there was no judgement at that time.

Claims

Net claims incurred increased by €72.7m to €221.4m (2019: €148.7m) and includes €54.0m in respect of the Covid-19 pandemic related business interruption costs. There was positive prior year reserve development of €23.3m but lower than the €40.1m in 2019. This development was driven primarily by better than expected settlements and a very low large claims frequency in some recent accident years.

On 5th February the Commercial Court ruled in relation to the publicans' business interruption claims as a consequence of the Covid-19 pandemic public health measures. We will not be appealing this judgement and will work with our customers to ensure claims settlements are paid as expediently as possible. Gross claims costs (including legal and other expenses) are currently estimated to be approximately €150m. Engagement continues with our reinsurers to finalise the position on reinsurance recoveries.

Motor damage and injury frequency reduced during 2020 as claim notification patterns mirrored the lockdown and reopening of the economy. Injury claims severity in 2020 remains uncertain as the restrictions have affected access to updated medical information. Property claims frequency increased as business interruption claims were notified. There was also an increase in attritional weather claims for smaller weather events throughout 2020.

The average cost of injury claims settlements marginally decreased since 2019 due to a change in the mix of settled cases, affected by court closures and the inability to engage in pre-trial negotiation. The average cost of property claims saw a small increase in 2020 with further inflation expected on domestic building costs. Motor damage claims saw double digit inflation as costs of parts, paint and average labour hours per repair increased.

The Motor Insurers Bureau of Ireland (MIBI) levy and Motor Insurers Insolvency Compensation Fund (MIICF) contribution combined were €9.7m (2019: €8.0m).

Claims Environment

Covid-19 continued to affect the claims environment throughout 2020 as easing of restrictions over the summer and Christmas periods were followed by further lockdowns. Lower injury and motor damage claims frequency was experienced in 2020 compared with 2019, as many businesses were forced to close and traffic volumes decreased due to remote working. Claim settlement activity also decreased as cases being prepared for settlement were impacted as well as actual settlement negotiation meetings and court trials.

FBD welcomes the prioritisation of the insurance reform agenda, including the establishment of a sub-committee of the Cabinet Committee on Economic Recovery and Investment with an objective of reducing insurance costs for businesses and consumers.

The Personal Injury guidelines could bring about a real reduction in both personal injury awards and settlements through reducing the awards currently four times higher than the UK and providing more consistency. Recent examples indicate a welcome downward trend in awards following Court of Appeal decisions.

The Judicial Council's proposed capping of general damages would also significantly assist in reducing claims costs and consequently insurance premiums.

We continue to support the Government's initiatives on reform of the insurance industry and have recently sent the latest National Claims Information Database submission. Increased market capacity could provide wanted cover in areas not within our risk appetite and increased competition helps to maintain a healthy insurance industry.

The majority of the new provisions of the Consumer Insurance Contracts Act 2019 commenced by way of ministerial order with effect from 1 September 2020. The requirements of the new Act has important implications for claims handling as changes to systems and processes are required for insurers who operate in an already heavily regulated environment. The Act reinforces existing duties and obligations adhered to by insurers under the Consumer Protection Code. Examples of the changes include reducing the retention on property damage claims, a requirement for explanations on third party claim settlements and engagement with policyholders on liability claims/decisions.

There is a possible challenge coming to the current discount rate used for personal injury claims which would increase future claims liabilities. No update has yet been provided in respect of the public consultation launched by the Minister for Justice and Equality on the manner in which the discount rate should be set in future. The discount rate could be set in future by the judiciary or the Minister along with potential proposals to amend the current assumed investment strategy in determining the discount rate.

Legal costs are on average at a higher level than 2019. There is significant inflation coming through in recent months on allowances being made by the Office of the Legal Costs Adjudicator and the County Registrars. We have seen costs increase by up to 30% in some cases. FBD are monitoring this worrying trend closely.

Brexit is already having an impact on supply chains, which in turn will increase motor and property damage repair claims. There is also a potential impact on construction costs from imported raw materials. The real impact from the trade deal will be observed over the next few months.

Weather, Claims Frequency and Large Claims

No significant weather events of note occurred during 2020 which is consistent with the experience in 2019. January and February brought a return to the more normal level of attritional weather claims and June experienced a number of lightning claims. In addition August's Storm Ellen brought with it the highest number of property claims in any month of 2020. Overall weather claims cost €10.0m which was more than double 2019 weather costs.

As a result of the Covid-19 pandemic and the restrictions put in place by the Government there has been a significant reduction in Motor and Liability claims during the year. This was particularly evident in the second half of March and all of April with frequency for Employers Liability and Public Liability claims increasing in the second half of the year but remaining at slightly lower levels. Frequency of Motor claims remained below normal levels in the second half of the year, albeit at much higher levels than those observed in March and April. The frequency of claims relating to Farm activities remained relatively stable throughout the year.

A much lower than normal number of large claims, those with a value greater than €250k, have been reported to FBD as at 31 December 2020. However, the flow of claims information may prove unreliable as there has been restricted access to medical information in order to place a reliable estimate on injuries being reported. This uncertainty has been allowed for in arriving at our best estimate of claims liabilities.

Expenses

The Group's expense ratio was 28.1% (2019: 25.9%). Other underwriting expenses were €88.5m, an increase of €1.3m. The increase is due to an additional €1.0m in commission payments, €0.5m in telecoms costs due to remote working and a €0.5m increase in depreciation charges net of reductions in other staff costs of €0.7m due to Covid-19 impacts on travel, training, recruitment and entertainment. Excluding Covid-19 impacts on earned premium from rebates and assumed reinsurance reinstatement premium the expense ratio would be 1.9 percentage points lower at 26.2%.

General

FBD generated an underwriting loss of €4.4m (2019: €93.7m) which translates to a COR of 101.4% (2019: 72.3%).

Investment Return

FBD's total investment return for 2020 was 1.3% (2019: 2.7%). 0.9% (2019: 1.7%) is recognised in the Consolidated Income Statement and 0.4% (2019: 1.0%) in the Consolidated Statement of Other Comprehensive Income (OCI). The positive returns represent a strong turnaround for most asset classes after the downturn in March caused by the Covid-19 pandemic.

The Income Statement return reflects the strong performance of the Group's risk asset portfolio. Equities in particular rallied towards the end of the year on the positive outlook for the development and distribution of vaccines. FBD's Global equity fund ended the year 11.6% higher and our Emerging Market equity fund ended 8.1% higher. Falling interest rates and tightening credit spreads, aided by strong central bank stimulus measures, resulted in positive mark to market returns on FBD's sovereign and corporate bond portfolios and this is reflected in the OCI.

Financial Services Income and Other Costs

The Group's financial services operations delivered a profit before tax of €2.1m for the year (2019: €3.7m). The life, pension and investment broking operation (FBD Financial Solutions) remained relatively flat year on year with income of €4.2m (2019: €4.3m), a strong performance in difficult circumstances, with minimal cost increases. Other financial services fees decreased by 7% as forbearance measures offered to customers reduced revenue. Holding company costs increased from €2.8m to €3.9m mainly due to legal expenses and increased management fees in 2020.

Profit per share

The diluted profit per share was 12 cent per ordinary share, compared to 276 cent per ordinary share in 2019.

Statement of Financial Position

Capital position

Ordinary shareholders' funds at 31 December 2020 amounted to €384.0m (2019: €372.2m). The increase in shareholders' funds is mainly attributable to the following:

The allocation of the Group's investment assets is as follows:

	31 December 2020		31 December 2019	
	€m	**%**	€m	%
Corporate bonds	**552**	**47%**	509	46%
Government bonds	**311**	**26%**	302	27%
Deposits and cash	**180**	**15%**	168	15%
Other risk assets	**68**	**6%**	65	6%
Equities	**49**	**4%**	46	4%
Investment property	**17**	**2%**	19	2%
	1,177	**100%**	1,109	100%

- Profit after tax for the year of €4.4m;
- Mark to market movement on our Bond portfolio of €3.9m after tax in the Statement of Other Comprehensive Income;
- Share based payments of €1.9m;
- An increase in the defined benefit pension scheme surplus of €2.0m after tax arising from gains in asset values being offset partially by increases in liabilities from reducing discount rates;
- Offset by a revaluation loss on property held for own use of €0.4m.

Net assets per ordinary share are 1,095 cent, compared to 1,068 cent per share at 31 December 2019.

Investment Allocation

The Group adopts a conservative investment strategy to ensure that its technical reserves are matched by cash and fixed interest securities of low risk and similar duration. FBD invested an additional €40m into its corporate bond portfolio during the year. The additional cash resulted from the non-payment of the 2019 dividend and slower than usual payment of claim settlements.

Solvency

The latest (unaudited) Solvency Capital Ratio (SCR) is 197% compared to the 2019 SCR of 209% when excluding the 2019 dividend previously accrued.

Risks and Uncertainties

The principal risks and uncertainties faced by the Group are outlined on pages 22 to 33 for the year ended 31 December 2020. The Covid-19 pandemic and the measures taken to mitigate its impact continue to have a significant effect on economic activity and give rise to additional specific risks and uncertainties for the Group.

We have experienced a reduction in claims volumes at points throughout the year as a result of the restrictions put in place to tackle the spread of the virus. However it is feasible that shortages in parts and/or other supplies and a possible increased propensity to claim by financially stressed customers will result in increased claims costs. Court closures and difficulties in obtaining medical reports are impacting our ability to settle claims. We are continuously monitoring claims patterns as the situation unfolds.

FBD anticipates there may be further impacts on revenue as some customers reconsider their coverage amidst changing needs and financial strain causes some businesses not to re-open or individuals not to renew.

Future financial market movements and their impact on balance sheet valuations, pension surplus and investment income are unknown.

FBD has modelled a number of possible scenarios on the potential impact of the Covid-19 pandemic and other uncertainties on its future business plans. The scenario modelling included assumptions on the potential impact on revenue, expenses, claims frequency, claims severity, investment market movements and in turn solvency. The output of the modelling demonstrates that the Group is likely to be profitable and remain in a strong capital position. However, the situation cannot be accurately predicted and unforeseen difficulties and events could arise.

FBD notes the judgement on 5th February 2021 by the Commercial Court in Ireland in the test case taken, relating to public house policies, with the objective of achieving clarity for all parties around the application of business interruption insurance cover for losses suffered as a result of Covid-19 pandemic public health measures. The decision of the Court was that our public house policies do provide cover in the circumstances reviewed. FBD is currently considering the effects of the judgement with its reinsurers in order to obtain agreement on the level of reinsurance recoveries to be received.

In arriving at the business interruption best estimate of €65m (including reinsurance reinstatement premium), FBD has assessed all available and up to date information which may impact on ultimate costs. The Commercial Court judgement has provided more clarity on likely gross claims costs albeit with some aspects of the calculation of quantum yet to be determined. The current estimate of gross claims costs is approximately €150m. The Group has also modelled a number of different scenarios relating to the application of reinsurance cover. In arriving at the best estimate, probabilities have been assigned to reinsurance scenarios based on discussions with reinsurers, our reinsurance broker and specialist legal advice. While more adverse outcomes for the Group are possible, our assessment is that these have a lower probability of occurrence. Business interruption as with all uncertainties, is assessed when the Group is considering the margin for uncertainty, being a provision held as an amount over the best estimate of claims liabilities net of expected reinsurance recoveries.

The solvency of the Group remains robust and is currently at 197% (unaudited) (31 December 2019: 209% before accruing proposed dividend). As noted above, there is more than normal uncertainty surrounding the calculation of the Solvency Capital Ratio pending final determination of the net cost of Covid-19 pandemic related business interruption claims.

Economic downturn threatens increased credit exposure and concentration risk. The Group's Investment Policy, which defines investment limits and rules and ensures there is an optimum spread and duration of investments, is being continuously monitored. Regular review of the Group's reinsurers' credit ratings, term deposits and outstanding debtor balances is in place. All of the Group's current reinsurers have a credit rating of A- or better. All of the Group's fixed term deposits are with financial institutions which have a minimum A- rating. An increase in customer defaults is possible and we are actively working with customers to ensure continuation of cover where possible. As at the reporting date there was no obvious increase in distressed customers but this will be subject to on-going monitoring.

The Group continues to manage liquidity risk through ongoing monitoring of forecast and actual cash flows, including expected business interruption claims payments, ensuring that the maturity profile of its financial assets is well matched to the maturity profile of its liabilities and maintaining a minimum amount available on term deposit at all times. The Group's asset allocation is outlined on page 10 with a less than 12% allocation to risk assets.

Monitoring of overall business strategy adopted is required to determine continuing relevance considering the potential impacts of the pandemic on customer needs and the way in which we operate.

The restrictions put in place to fight the Covid-19 pandemic resulted in the need for current business processes and distribution models to be re-imagined by all. FBD itself has been able to adapt to the changing environment with substantially all employees working from home at the height of the restrictions. The majority of functions were largely able to maintain business as usual. We have not implemented job reduction programmes or received any Government support.

From a third party risk management perspective, alternative processes were put in place with many providers to ensure continuity of service while under restricted movement. Unfortunately, due to Government guidelines, our vehicle repairers and windscreen providers were at times only able to support emergency repairs for essential workers.

FBD has developed its own action plan to ensure operational resilience and the safety of staff and customers through extra health and security measures as offices re-open. We are following all Government and HSE public health guidelines and ensuring that the appropriate social distancing measures are in place.

There is an inherent increased risk of regulatory action and reputational damage associated with how well a business is perceived to respond to the crisis. At FBD the safety of our staff, customers and the community within which we operate is a priority as we navigate through these difficult times. We understand the extraordinary and unprecedented challenges our customers are experiencing as a result of the actions taken to reduce the spread of Covid-19. FBD is taking several measures to support our customers through these challenging times including rebates to business customers for temporary closures and rebates to motor customers covering periods of restricted travel. From our support of the Irish Olympic Team to our sponsorship of the many other national and local initiatives, FBD is committed to continue supporting the local communities in which we operate and in which our customers live and work. Having received clarity from the Commercial Court on liability for business interruption claims on our public house policies, we will strive to settle all valid claims as expediently as possible.

Outlook

2020 was a particularly challenging year for everyone as we faced the unforeseen challenge of the Covid-19 pandemic. The impact stretches into 2021 with a continued lockdown and further restrictions. The business interruption ruling has provided clarity around the liability for FBD and we have commenced the payment of claims to pub customers. We are working with our reinsurers to finalise the position on recoveries on the business interruption claims. Other uncertainties such as the length of the current lockdown are still unknown and we continue to monitor the situation. The vaccine rollout indicates the end of restrictions is in sight although the timing is unknown.

There are positive impacts in the 2020 result as the weather was reasonably good and positive prior year reserve development, together with continued quality risk selection and underwriting discipline contributed to strong underlying profitability. New business policy count has grown despite overall premium levels decreasing.

The Covid-19 pandemic has dominated all our lives during 2020 and changed our working and business environment as we embrace new possibilities of alternative working in the future. We work tirelessly to adhere to all Government guidelines and restrictions to protect our employees and customers and look forward to a time in the near future when we can come together again safely. The continuing Government supports mean we cannot see the full economic reality from the pandemic and we expect a clearer picture to unfold during 2021.

A Brexit deal was signed at the end of 2020 but it has been disruptive for many industries. We continue to monitor the evolving economic impact for farms and businesses, as well as consumers.

We anticipate the new Personal Injury guidelines will bring about consistency in awards and a real reduction in claims settlements in personal injury cases. This will positively result in lower premiums for customers.

The underlying insurance business is strong, well-capitalised and growing profitably. The new strategic opportunities are delivering for the business. We will continue to deliver careful growth while maintaining underwriting discipline. FBD will preserve its capital strength to guarantee its future ability to pay claims and deliver unrivalled customer service to our customers.

Tomás Ó'Midheach
Group Chief Executive
25 February 2021

FBD INSURANCE OFFICIAL SPONSOR OF THE 'DARE TO BELIEVE' PROGRAMME

"I am delighted to be a 'Dare to Believe' ambassador and I'm thrilled that Team Ireland sponsor, FBD Insurance, has come on board to support this brilliant programme. When I was young, it was always my dream to be an Olympian and I trained and worked extremely hard to try and make that a reality. I am honoured to be part of a programme that aims to inspire the next generation of Olympic athletes. I look forward to telling them my story, passing on all of the skills I have learned from sport and trying to leave a positive impact on these pupils."

OLIVER DINGLEY
Diver & 'Dare to Believe' ambassador


FBD
INSURANCE
DARE TO
BELIEVE
adidas

Keeping our customers and communities at the heart of who we are and what we do.

We offer clear solutions to customer's insurance needs through out 34 branches nationwide, on the phone, online or through our partner and broker networks.

Inputs

FBD empowers our people to deliver for customers and shareholders alike

Our people
The expertise, experience and local knowledge of our 900 employees provides our customers with tailored service based on in-depth awareness of their requirements

Financial
FBD seeks to maintain a resilient and stable balance sheet that is well reserved with a low risk investment portfolio

Social & Relationships
FBD is a responsible member of local communities throughout Ireland and works hard to provide significant support to farm, business and community groups

Natural
FBD's reinsurance program reduces our exposure to adverse weather and climate change while maximizing the protection that we offer our communities

Intellectual
Founded by farmers for farmers, FBD has an unrivalled knowledge of farm enterprises through over 50 years of protection and close relationships with farming organisations. Today FBD has expertise in Farm, SME and Consumer segments

Technology
FBD has evolved with changing customer needs for over 50 years. FBD will continue to change and adapt our customer proposition to offer unrivalled service and protection in the digital era

Business Activities / Create Value

FBD creates value through our customer centric focus, our broad distribution network and our expertise in three main customer segments; Farm, SME and Consumer

Customer centric focus

Through our 34 offices located across the country and a multi-channel distribution strategy, we are never too far away and always ready to support our customers

Underwriting Risk selection

At FBD we understand the Irish farm, SME and consumer customer. We measure and model risk effectively which enables us to price accurately, competitively and fairly

Manage claims

FBD maintains its customer centric focus throughout the customer journey. We are focused on paying honest claims quickly and efficiently

Reserve appropriately

FBD has a prudent approach to reserving, supported by strong governance including extensive peer reviews and regular external reviews

Capital Management

FBD follows a conservative investment policy. We manage our assets and claims liabilities to ensure we meet our obligations to our policyholders

Outputs

FBD offers products that meet our customers needs,no matter the channel we deliver a strong service proposition

Our products

FBD protects our customers through our range of Farm; SME and consumer products

Expanded distribution network

We meet the customer where they choose to shop. FBD offers great service through our 34 branches, on the phone, online and through our broker and our partner network

Financial Advisory Services

FBD Life & Pensions provides advice to personal and corporate customers, through our team of financial planning advisors

Outcomes

Position FBD for the future, deliver for our customers and all other stakeholders

Our stakeholders

We protect our customers by delivering products that meet their needs and deliver sustainable returns for our shareholders

Our employees

We invest in our people, helping them grow their skills and expertise so that they can excel in their careers. We provide market competitive rewards and benefits linked to individual and Group performance

Local Communities

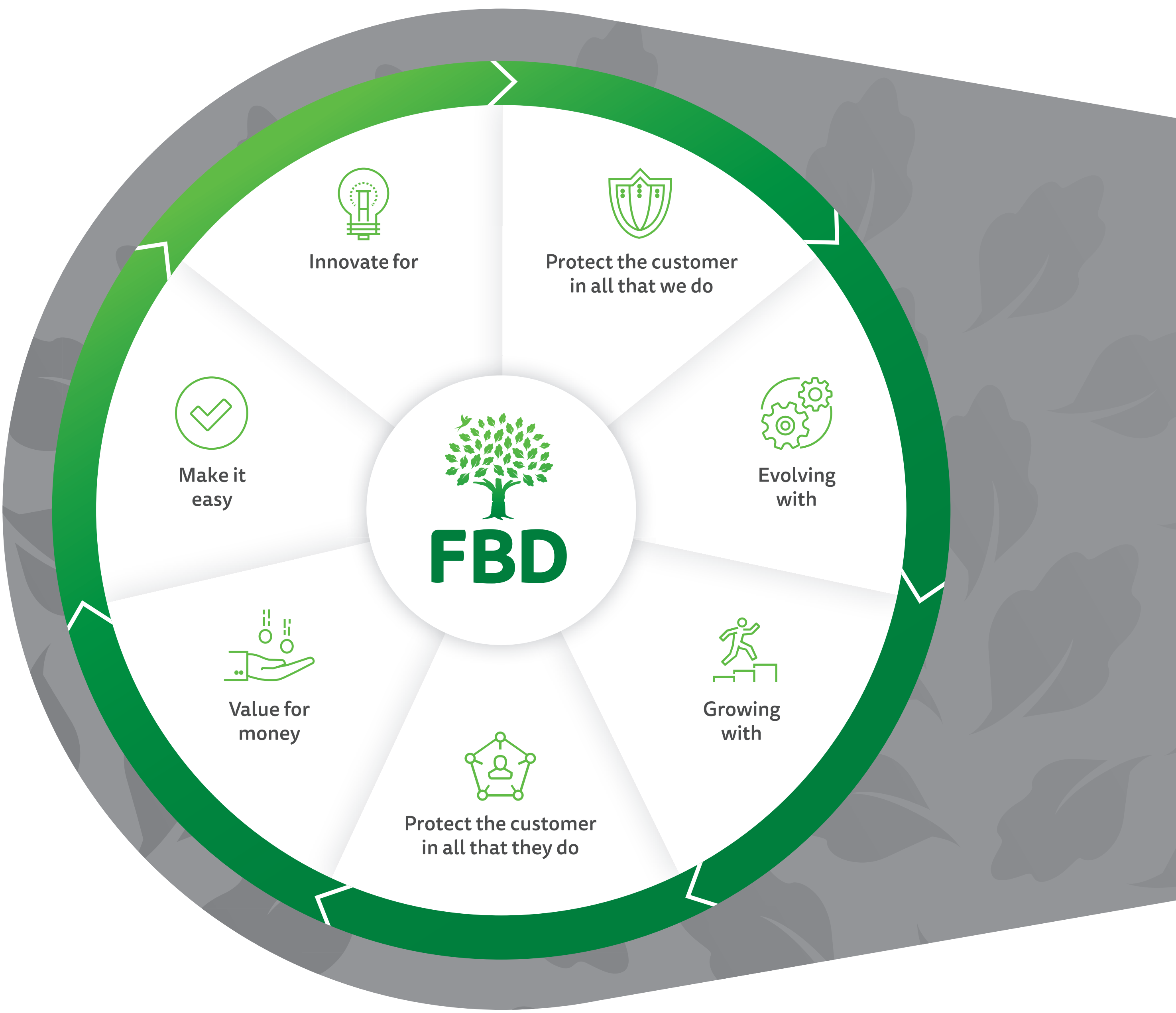
We invest in the communities in which we operate through corporate sponsorship (reference Corporate Social Responsibility section) and by partnering with charities, trusts and local events

Position FBD for Profitable Growth

We invest in broadening our distribution network and leveraging technology to deliver for our customers that in turn delivers profitable growth

Our Strategy

Our mission is to be the Irish insurer of choice. We aim to be truly customer centric; delivering the best customer experience, no matter the way the customer chooses to shop with us.



Our Vision

Be truly customer centric

Delivering the best customer experience, no matter the way the customer chooses to shop with us.

Our Values

Respect

Belief

Innovation

Community

Ownership

Communication

2020 was a challenging year, where pre-existing trends accelerated. Our business has been adapting to the "new normal", and we are demonstrating this by:

- Making it easier for customers to do business with us through increased digitalisation and our recently expanded distribution network
- Supporting our customers through a challenging year with rebates and flexible payment terms
- Investing in our people
- Developing new markets and leveraging technology to drive greater efficiency within our existing business

We must now evolve further to position FBD for the future.

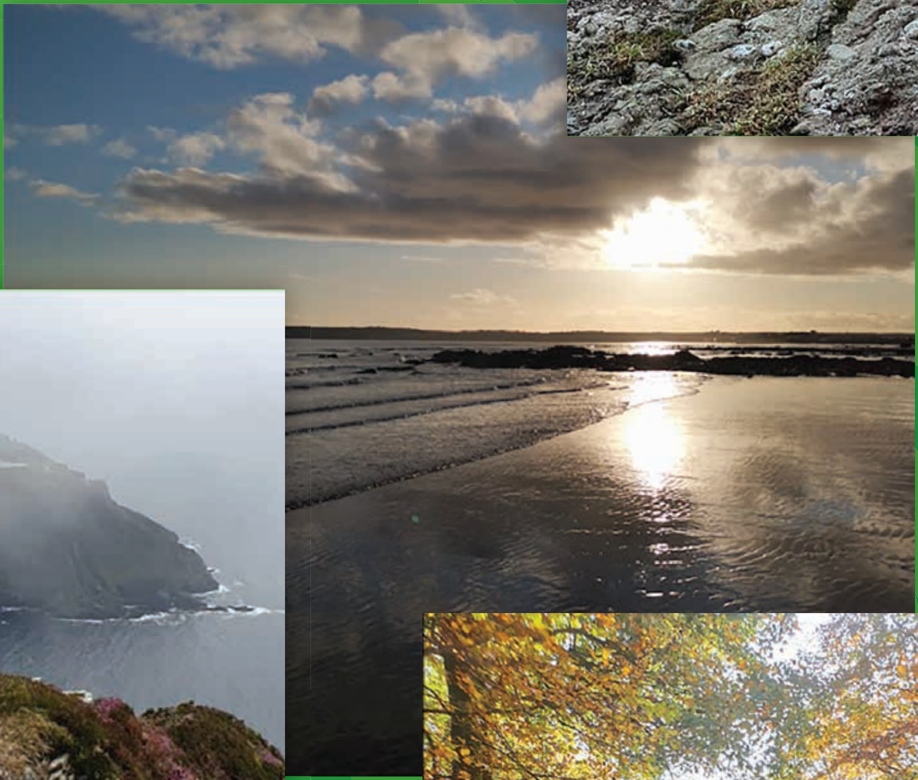
In this new environment, FBD's customer centric strategy is even more relevant.

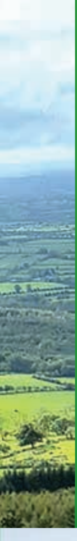
Our focus in 2021 is the evolution of our business to appeal to a new generation of customers and with the changing behaviours of our existing customers, while steering a path through the uncertainty and exceptional effects of external factors.

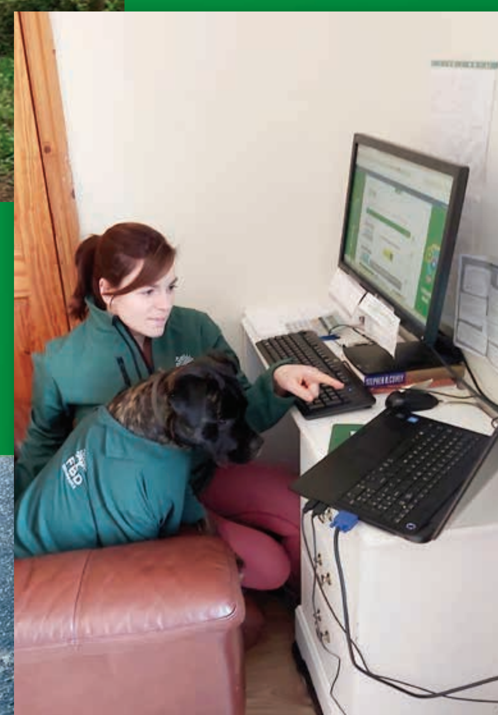
Our customers and our community are at the heart of who we are and what we do

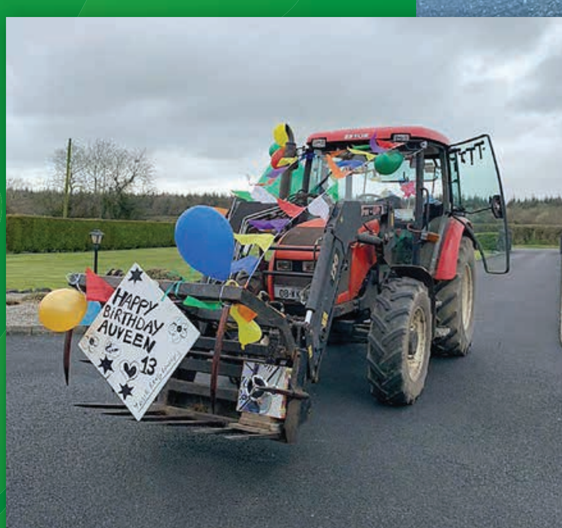
2020 IN PICTURES

Some of the socially distanced activities that kept us going in 2020








HAPPY BIRTHDAY AUVEEN 13

Risk & Uncertainties

A. Overview

Risk taking is inherent in the provision of financial services and FBD assumes a variety of risks in undertaking its business activities. FBD defines risk as any event that could impact the core earnings capacity of the Group; increase earnings or cash-flow volatility; reduce capital; threaten business reputation or viability; and/or breach regulatory or legal obligations.

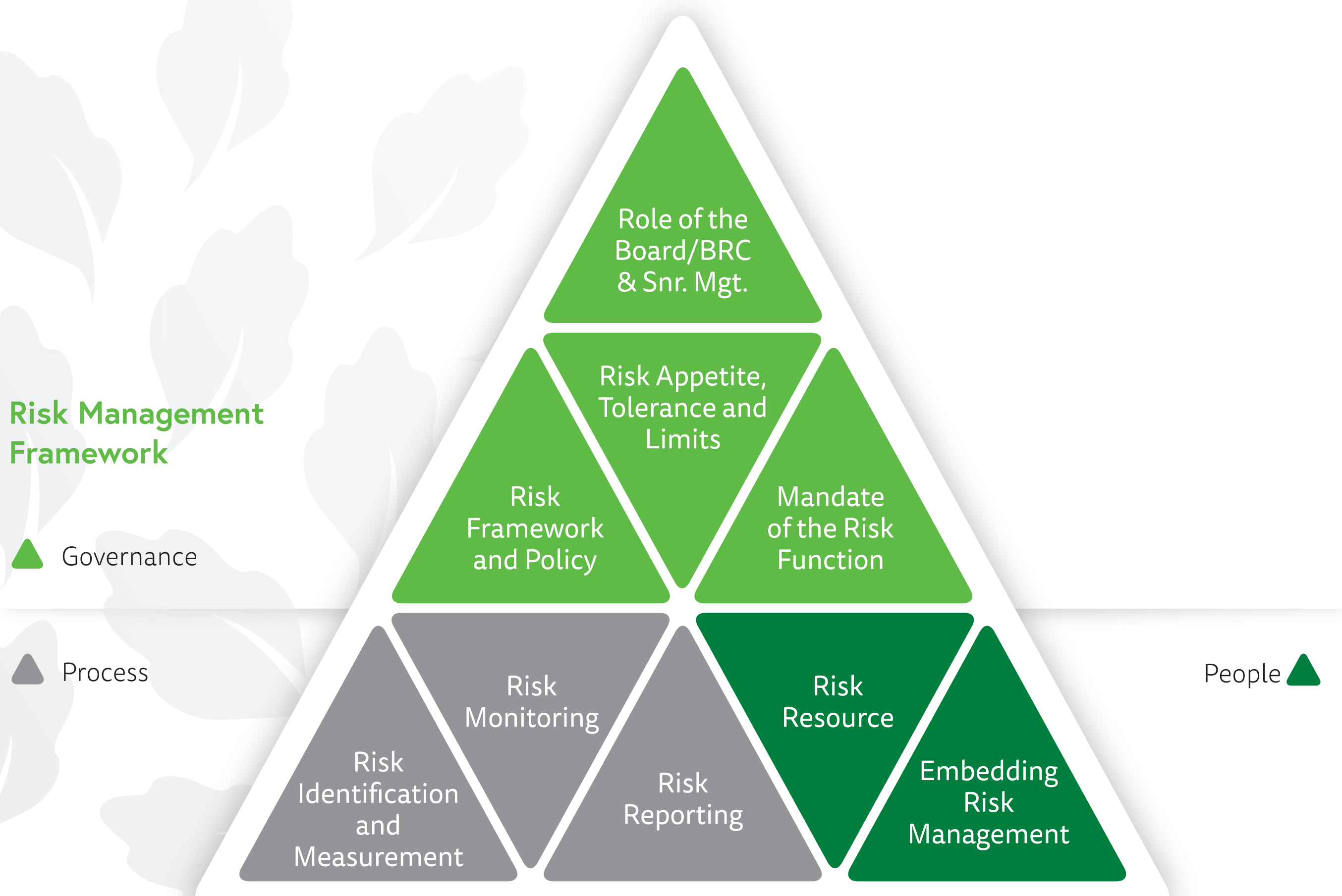
The Group has adopted an Enterprise Risk Management approach to identifying, assessing and managing risks. This approach is incorporated in the Risk Management Framework which is approved by the Board and subject to annual update and review. The key components of the Risk Management Framework include Risk Appetite; Risk Governance; Risk Process and People.

B. Risk Management Framework

Risk Appetite

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

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



Risk Governance

The Board set the business strategy and have ultimate responsibility for the governance of all risk taking activity in FBD. Risk is governed through business standards, risk policies and Oversight Committees with clear roles, responsibilities and delegated authorities.

FBD uses a 'three lines of defence' framework in the delineation of accountabilities for risk governance:

- Primary responsibility for risk management lies with line management.
- Line management is supported by the second line Risk, Actuarial and Compliance Functions who provide objective challenge and oversight of first line management of risks.
- The third and final line of defence is the Internal Audit function, which provides independent assurance to the Audit Committee of the Board on risk-taking activities.

Risk Process

Identify and Measure

Risk, including emerging risk, is identified and assessed through a combination of top-down and bottom-up risk assessment processes. Top-down processes focus on broad risk types and common risk drivers rather than specific individual risk events, and adopt a forward-looking view of perceived threats over the planning horizon. Bottom-up risk assessment processes are more granular, focusing on risk events that have been identified through specific qualitative or quantitative measurement tools. Top-down and bottom-up views of risk come together through a process of upward reporting of, and management response to, identified and emerging risks. This ensures that the view of risk remains sensitive to emerging trends and common themes. FBD measures risk on the basis of economic capital and other bases (where appropriate) to determine materiality, potential impact and appropriate management. Risks are recorded on the Group Risk Register.

Monitor and Report

We regularly monitor our risk exposures against risk appetite, risk tolerances and limits and monitor the effectiveness of controls in place to manage risk. Reporting to the Risk Committees is dynamic and includes material risks, emerging risks, risk appetite monitoring, changes in risk profile, risk mitigation programmes, reportable errors, breaches of risk policies (if any) and results of independent assessments performed by the Risk Function.

People

Risk Management is embedded in the Group through leadership, governance, decision making and competency. The Risk Management Framework establishes the roles and responsibilities of risk resources. A risk training programme is in place to ensure all risk resources have the knowledge and competency to perform their roles effectively.

In accordance with Group policy, business unit management has primary responsibility for the effective identification, management, monitoring and reporting of risks. There is an annual review by the Risk Committee of all major risks and emerging risks, to ensure all risks are identified and evaluated. Each risk is assessed by considering the potential impact and the probability of the event occurring. Impact assessments are made against financial, operational, regulatory, reputational and customer impact criteria.

Key Risks and Mitigants

All individual risks recorded on the Group Risk Register are assigned to key risk categories which are reviewed regularly by the Risk Committees. FBD's key risk categories and mitigants are provided in the table below. Escalation parameters for key risks that are outside of tolerance / appetite and a 'three lines of defence' system, complemented with external reviews are in place. The Board is satisfied that FBD maintains a robust and effective risk management framework.

The Covid-19 outbreak and its associated risk impact was closely monitored by the Board and Risk Committees throughout 2020. The impact of Covid-19 on FBD's key risk categories and mitigants is detailed further in the table below.

Additionally the impact from Brexit was subject to ongoing monitoring throughout 2020. Further detail on the impact of Brexit on the Group's risk profile is provided in Section C below.

Risk	Key Mitigants
Capital Management Risk **The risk that the Group fails to maintain an adequate regulatory solvency position.**	▪ The Group has an Investment Committee, a Pricing & Underwriting Committee, a Capital Management Forum, an Audit Committee, a Reserving Committee and Board and Executive Risk Committees, all of which assist the Board in the identification and management of exposures and capital. ▪ The annual Own Risk and Solvency Assessment 'ORSA' provides a comprehensive view and understanding of the risks to which the Group is exposed or could face in the future and how they translate into capital needs or alternatively require mitigation actions. ▪ An experienced Actuarial team is in place with policies and procedures to ensure that Technical Provisions are calculated in an appropriate manner and represent a best estimate. ▪ Technical Provisions are internally peer reviewed every quarter, audited once a year and subject to external peer review every two years. ▪ An approved reinsurance programme is in place to minimise the solvency impact of Catastrophe events to the Group. ▪ The Chief Financial Officer (CFO) is responsible for consideration of the implications for capital position as part of the strategic planning process and key strategic decision-making and for ensuring appropriate action is taken as approved by the Board/CEO/relevant committee. ▪ On at least an annual basis, thresholds for Solvency Capital Requirements (SCR) Ratio, developed as part of the annual planning/budgeting process, are approved by the Board as part of the Risk Appetite Statements in the Risk Appetite Framework. ▪ The Group also devotes considerable resources to managing its relationships with the providers of capital within the capital markets, for example, existing and potential shareholders, financial institutions, stockbrokers and corporate finance houses. **Covid-19 impact and FBD Response** ▪ During 2020 the Board increased its Solvency Capital Ratio Risk Appetite from a range of 120% to 140% up to 150% to 170%. The solvency of the Group remains robust at 197% (unaudited) at 31 December 2020 (31 December 2019: 209% before accruing proposed dividend). There is more than normal uncertainty surrounding the calculation of the Solvency Capital Ratio pending final determination of the net cost of Covid-19 pandemic related business interruption claims.

Risk	Key Mitigants

Underwriting Risk

This is the risk that underwritten business is less profitable than planned due to insufficient pricing and setting of claims case reserves as a result of higher than expected claims frequency, higher average cost per claim and catastrophic claims.

The Group manages this risk through its underwriting strategy, proactive claims handling and its reinsurance arrangements.

Underwriting Strategy:

- The Group's underwriting strategy is incorporated in the overall corporate strategy which is approved by the Board of Directors and includes the employment of appropriately qualified underwriting personnel; the targeting of certain types of business that conform with the Group's risk appetite and reinsurance treaties; ongoing review of the Group's Pricing Policy using up-to-date statistical analysis and claims experience; and the surveying of risks carried out by experienced personnel. All risks underwritten are within the Group's underwriting policies.
- The Group has developed its insurance underwriting strategy to diversify the type of insurance risks written and, within each of the types of cover, to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The principal insurance cover provided by the Group include, Motor, Employers' and Public Liability and Property.
- The only significant concentration of insurance risk is that all of the Group's underwriting business is conducted in Ireland. Within Ireland there is no significant concentration risk in any one area.

Reserving:

- The Group uses statistical and actuarial methods to calculate the quantum of claims provisions and uses independent actuaries to review its liabilities to ensure that the carrying amount of the liabilities is adequate. The provision includes a margin for uncertainty to minimise the risk that actual claims exceed the amount provided. The Reserving Committee assists the Board in its review of the adequacy of the Group's claims provisions.
- Case reserve estimates are subject to robust controls including system controls preventing claim handlers from increasing reserves above their reserve limits without supervisor approval and secondary review and challenge of case reserve estimates.

Reinsurance Arrangements:

- The Group purchases reinsurance protection to limit its exposure to single claims and the aggregation of claims from catastrophic events. The Group's reinsurance programme is approved by the Board on an annual basis. FBD has purchased a reinsurance programme which has been developed to meet the local domestic risk profile and tailored to FBD's risk appetite. The programme protects Motor, Liability, Property and other classes against both individual large losses and events.

Risk	Covid-19 impact and FBD Response
Underwriting Risk (continued) **This is the risk that underwritten business is less profitable than planned due to insufficient pricing and setting of claims case reserves as a result of higher than expected claims frequency, higher average cost per claim and catastrophic claims.**	**Claims volumes:** ■ We have experienced some reduction in claims volumes as a result of the restrictions put in place to tackle the spread of the virus. However it is feasible that shortages in parts and/or other supplies and a possible increased propensity to claim by financially stressed customers will result in increased claims costs. Court closures and difficulties in obtaining medical reports are impacting our ability to settle injury claims. We are continuously monitoring claims patterns as the situation unfolds. **Business Interruption Claims:** ■ FBD notes the judgement on 5 February 2021 by the Commercial Court in Ireland in the test case taken, relating to public house policies, with the objective of achieving clarity for all parties around the application of business interruption insurance cover for losses suffered as a result of Covid-19 pandemic public health measures. The decision of the Court was that our public house policies do provide cover in the circumstances reviewed. FBD is currently considering the effects of the judgement with its reinsurers in order to obtain agreement on the level of reinsurance recoveries to be received. ■ In arriving at the business interruption best estimate of €65m (including reinsurance reinstatement premium), FBD has assessed all available and up to date information which may impact on ultimate costs. The Commercial Court judgement on 5 February 2021 has provided more clarity on likely gross claims costs albeit with some aspects of the calculation of quantum yet to be determined. The Group has also modelled a number of different scenarios relating to the application of reinsurance cover. In arriving at the best estimate, probabilities have been assigned to reinsurance scenarios based on discussions with reinsurers, our reinsurance broker and specialist legal advice. While more adverse outcomes for the Group are possible, our assessment is that these have a lower probability of occurrence. It is acknowledged that there is a high degree of uncertainty in arriving at the best estimate of likely costs and in addition the Group holds a margin for uncertainty over the best estimate of claims liabilities.

Risk	Key Mitigants
Market Risk The risk that the value of the Group's investments may fluctuate as a result of changes in market prices, changes in market interest rates or changes in the foreign exchange rates of the currency in which the investments are denominated.	■ The extent of the exposure to market risk is managed by the formulation of, and adherence to, an Investment Policy incorporating clearly defined investment limits and rules, as approved annually by the Board of Directors and employment of appropriately qualified and experienced personnel and external investment management specialists to manage the Group's investment portfolio. The overriding philosophy of the Investment Policy is to protect and safeguard the Group's assets and to ensure its capacity to underwrite is not put at risk. ■ The Group will only invest in assets the risks of which can be properly identified, measured, monitored, managed and controlled in line with the Prudent Person Principle under Solvency II. ■ The Group has an Asset Liability Matching policy whereby its liabilities are backed by fixed interest assets of similar currency and duration. ■ The Group monitors its allocation to the various asset classes and has a long term Strategic Asset Allocation target. **Covid-19 impact and FBD Response** ■ The early days of the pandemic saw significant unrealised losses in both our risk asset and fixed interest portfolios. Markets rebounded strongly following these early days thanks to the unprecedented stimulus provided by central banks and governments of developed countries. Asset valuations remain high and the prospect of an economic downturn when the impact of the Covid-19 restrictions become clearer and the impact of stimulus measures recede, mean that market risk will remain high for the foreseeable future. Future financial market movements and their impact on balance sheet valuations, pension surplus and investment income are unknown and will be closely monitored by the Group.

Risk	Key Mitigants
Credit & Concentration Risk **This is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations and/or over allocation to a single entity that may default or fall in value resulting in adverse financial impact.**	■ Credit and concentration risk is managed by the formulation of, and adherence to, an Investment Policy that is approved annually by the Board of Directors. The Investment Policy incorporates clearly defined investment limits and rules and ensures that there is an optimum spread and duration of investments. ■ The Group only places reinsurance with companies that it believes are strong financially and operationally. Credit exposures to these companies are closely monitored by senior management. All of the Group's current reinsurers have either a credit rating of A- or better. The reinsurance programme structure ensures that there is no significant concentration of risk. All of the Group's fixed term deposits are with financial institutions which have a minimum A- rating. **Covid-19 impact and FBD Response** ■ The corporate bond universe witnessed a wave of downgrades during 2020 as the impact of the virus became more apparent. FBD's corporate bond portfolio proved to be very resilient. The average credit quality of the portfolio has been maintained at A- and the Group held the bonds of only four issuers who were downgraded to high yield (<2% of the overall portfolio). The Group traded out of these names once sufficient liquidity returned to the market. ■ Regular review of the Group's reinsurers' credit ratings, term deposits and outstanding debtor balances is in place. All of the Group's current reinsurers continue to have a credit rating of A- or better despite the Covid-19 impact on reinsurers asset values and liabilities. All of the Group's fixed term deposits continue to be held with financial institutions which have a minimum A- rating. An increase in customer defaults is possible and we are actively working with customers to ensure continuation of cover where possible. As at the reporting date there was no obvious increase in distressed customers but will be subject to on-going monitoring.

Risk	Key Mitigants
Liquidity Risk This is the risk of insufficient liquidity to pay claims and other liabilities due to inappropriate monitoring and management of liquidity levels or inadequate Asset Liability Management.	■ The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring that the maturity profile of its financial assets is well matched to the maturity profile of its liabilities and maintaining a minimum amount available on term deposit at all times. **Covid-19 impact and FBD Response** ■ The Group continues to manage liquidity risk effectively in line with its defined processes and controls. ■ The business continues to be capital accretive and has adequate cash resources available to support business requirements as well as business interruption claims as they fall due. ■ The Group has a highly liquid portfolio with over 60% of the portfolio invested in high quality corporate and sovereign bonds.

Risk	Key Mitigants
Strategy Risk The risk that the strategy adopted by the Board is incorrect or not implemented appropriately resulting in sub-optimal performance and impact on profitability.	■ The Group has a strategic planning cycle which commences with a fundamental review of strategy at least every 5 years (normally every 3 years). Further supporting this is an annual review of the strategy by the Board to determine the continuing relevance. To ensure the strategy is implemented effectively, the Group engages in a robust business planning and review process that results in an annual plan including key initiatives and budget. **Covid-19 impact and FBD Response** ■ FBD anticipates an impact on revenue as some customers reconsider their coverage amidst changing needs and financial strain causes some businesses not to re-open or individuals not to renew. ■ FBD has modelled a number of possible scenarios on the potential impact of the Covid-19 pandemic to its business plans. The scenario modelling included assumptions on the potential impact of the pandemic on revenue, expenses, claims frequency, claims severity, investment market recovery and in turn solvency. The output of the modelling demonstrates that the Group is likely to be profitable and remain in a strong capital position. However, the situation cannot be accurately predicted and unforeseen difficulties and events could arise.

Risk	Key Mitigants
Reputational Risk **The risk of reputational or brand damage arising from inadequate or failed processes and systems or badly executed strategy/poorly executed communication.**	■ The Group's Board and senior management set the ethical and behavioural tone for the Group. In support of this a number of Group policies are utilised which influence employee behaviour, including a Reputational Risk Policy, Fitness & Probity Policy, an Anti-Fraud Policy, Code of Conduct Policy, Conflicts of Interest Policy and a Speak Up Policy. ■ The Group has established a Corporate Governance Framework which is in full compliance with the requirements of the Central Bank of Ireland's Corporate Governance Requirements for Insurance Undertakings and the UK Corporate Governance Code. ■ Reputation, integrity and character of persons are key considerations in establishing business arrangements and throughout the life of the relationship. ■ Independent customer satisfaction research is undertaken and customer complaints are dealt with efficiently to ensure the quality of products and services offered to customers. ■ The Group's claims philosophy is to be "Fair to the customer and fair to FBD". This philosophy guides the claims function in its handling of all customer claims. **Covid-19 impact and FBD Response** ■ There is an inherent increased risk of reputational damage associated with how well a business is perceived to respond to the crisis. The Group has taken several measures to support our customers through these challenging times including rebates to business customers for temporary closures and rebates to motor customers covering periods of restricted travel. From our support of the Irish Olympic Team to our sponsorship of the many other national and local initiatives, the Group is committed to continue supporting the local communities in which we operate and in which our customers live and work. ■ We have experienced a lot of publicity in recent months regarding Covid-19 related business interruption claims by customers holding public house policies. We acknowledge the difficulties that the pandemic is causing for these businesses. Our approach has been to achieve clarity on the liability and quantum position by taking proceedings in the Commercial Court by way of test case. We believed that this was the quickest and most efficient way of achieving clarity for our customers. The hearing took place in October 2020 and the judgement was issued on 5 February 2021. FBD notes the decision of the Court that our public house policies do provide cover in the circumstances reviewed. We have now commenced the process of settling claims for the customers involved which will include issuing interim payments in the short-term while awaiting final clarity on quantum.

Risk	Key Mitigants

Operational Risk

Adverse operational impacts could arise as a result of inadequately controlled internal processes or systems, human error or from external events.

This definition is intended to include all risks to which the Group is exposed and that are not considered elsewhere. Hence, operational risks include for example, information technology, information security, human resources, project management, outsourcing, taxation, legal, fraud and regulatory risks.

Risk Management Framework

- Operational risk is governed through business standards covering key processes. This is complemented by our Risk Management Framework that defines the structure in place to identify, measure, manage, monitor and report on operational risks and mitigating controls with defined risk tolerances and Key Risk Indicators (KRIs).
- There is a 'three lines of defence' system in place, with line management being primarily responsible for risk management, with extensive second and third line challenge over the operational control environment.
- The Own Risk Solvency Assessment (ORSA) provides for a scenario based approach to determine the appropriate level of capital to be held in respect of operational risks.

Information Technology Controls

- Sound information technology controls are in place across the Group, including a dedicated IT security team with overall responsibility for managing information technology security standards, which together with on-going employee training and regular cyber-risk reviews are used to mitigate such information technology risks.

Business Continuity Plans

- The Group has taken significant steps to minimise the impact of business interruption that could result from a major external event. Formal Business Continuity and Disaster Recovery plans are in place for both workspace recovery and retrieval of communications, IT systems and data. If a major event occurs, these plans will enable the Group to either move the affected operations amongst its various sites or invoke remote working from home. The Business Continuity and Disaster Recovery plans are tested regularly.

Personnel

- The success of the Group depends upon its ability to retain, attract, motivate and develop talent. FBD are committed to providing employees at all levels with appropriate training, development and education relevant to their role. Training needs are identified through performance management and operational planning. A Talent Management and Succession Plan is in place and reviewed regularly. This ensures that FBD develops and retains key talent and is best placed to replace key roles in a seamless manner should they arise.

Risk	Covid-19 impact and FBD Response
Operational Risk (continued) **Adverse operational impacts could arise as a result of inadequately controlled internal processes or systems, human error or from external events.** **This definition is intended to include all risks to which the Group is exposed and that are not considered elsewhere. Hence, operational risks include for example, information technology, information security, human resources, project management, outsourcing, taxation, legal, fraud and regulatory risks.**	▪ The restrictions put in place to fight the Covid-19 pandemic resulted in the need for current business processes and distribution models to be re-imagined by all. FBD itself has been able to adapt to the changing environment with substantially all employees working from home at the height of the restrictions. The majority of functions were largely able to maintain business as usual. We have not implemented job reduction programmes or received any Government support. ▪ From a third party risk management perspective, alternative processes were put in place with many providers to ensure continuity of service while under restricted movement. ▪ To prepare for the country re-opening, FBD has developed its own transition plan. Pre-planned actions aim to ensure operational resilience and the safety of staff and customers through extra health and security measures. We are following all Government and HSE public health guidelines and ensuring that the appropriate social distancing measures are in place.

C. Brexit

The UK legally left the EU on the 31 January 2020 with the Transition period ending in December 2020 when the EU-UK Trade and Cooperation agreement was finalised. At the heart of the deal is tariff-free, quota-free access to each other's market for goods. The deal includes the introduction of trusted trader schemes and self-verification systems to reduce the impact of the hard customs and regulatory border that apply to all parts of the United Kingdom except Northern Ireland. The agreement also requires a level playing field in employment rights, environmental standards and state aid to ensure open and fair competition. However there are checks and increased bureaucracy which will make trade costlier and more cumbersome for indigenous Irish businesses, including the Group's core customers in farming and other small businesses. Future trade deals of the UK with other countries could also affect competition for Irish businesses offering products and services there. We continue to monitor and support the needs of our customers impacted by Brexit.

The impact of Brexit risk on FBD is low and mitigated by our exclusive focus on the Republic of Ireland for insurance business. Operationally, Brexit has not posed an issue with our UK service providers. Market risk is mitigated from a Brexit perspective due to the low level of exposure to sterling assets in our investment portfolio. FBD's fixed interest assets are all denominated in Euro and match its liability profile which are similarly almost entirely Euro denominated.

D. Emerging Risks

An Emerging Risk is a risk which may or may not develop, is difficult to quantify, may have a high loss potential and is marked by a high degree of uncertainty. We have a defined process in place for the identification of and response to emerging risks, which is informed through the use of subject matter experts, workshops, Risk and Control Self Assessments and consulting a range of external documentation. Key emerging risks are monitored regularly by the Board and Risk Committees to assess whether they might become significant for the business and require specified action to be taken.

Key Emerging Risks include:

- Covid-19 impact on society's future insurance needs and claims types and frequencies.
- The impact of climate change may result in increasingly volatile weather patterns and more frequent severe weather events.
- Technological advances changing the shape of the insurance industry and competitive environment.
- Changes in customer behaviour including the potential expectation to communicate largely through mobile channels or the expectation of self-service and self-solve.
- Global deterioration in economic conditions and particularly in Ireland may lead to a reduction in revenue and profits.
- Global socio-political uncertainty that may cause an adverse impact on profitability.
- Evolving regulatory and legislative landscape. We continuously monitor developments at both a local and EU level to ensure continued compliance with legislative and regulatory requirements.

Corporate Social Responsibility

FOR OVER 50 YEARS FBD HAS BEEN INVESTED IN AGRICULTURE, FARMING AND RURAL LIFE IN IRELAND.

We believe farms, businesses, consumers and wider society feel real economic and social benefits as a result of our business activities. As an organisation that plans for the future, we are mindful of our impact on Society, the Environment, and the Communities in which we operate. FBD has aligned its CSR initiatives to the UN 17 point Sustainable Development Goal (SDG) Charter to assist it focus and influence on improving the lives of our customers and wider society.

SUPPORTING OUR COMMUNITIES
SUPPORTING OUR ROOTS

FBD's initiatives in supporting Irish communities has **Quality Education (SDG 4); Decent Work and Economic Growth (SDG 8); Industry, Innovation and Infrastructure (SDG 9)** and **Partnerships for the Goals (SDG 17)** at their core. We display our commitment to strong partnerships and cooperation by supporting communities and providing insurance cover to different sectors which are crucial to the economic and social fabric of the communities we serve.

QUALITY EDUCATION

Education - Investing in Farm and Agricultural Excellence

The FBD TRUST

FBD Trust is the philanthropic arm of FBD Group. The Trust was established as a means to give back to our loyal customers by providing support to advance the interests of Irish farm families and the communities where they live and work. The FBD Trust supports research and educational scholarships for training and development, while also supporting groups and organisations that advocate for Irish farmers and their communities.

FBD Student of the Year Award

The annual FBD Student of the Year awards are presented to the highest achieving graduates from the previous year, from Teagasc agricultural colleges across the country. A bursary, sponsored by FBD, is presented to the overall winner and first and second runners up. Nominees for these awards are the next generation of farm leaders and innovators. Enda Farrell from County Longford, was named the Teagasc/FBD Student of the Year at an online virtual awards ceremony.

Nuffield Scholarships

FBD sponsors the Nuffield Farming Scholarship Programme. This programme provides agri-scholars the opportunity to achieve a global perspective and exposure to new methods and ideas. Scholars regularly go on to become influencers of sustainable change and improvement within their sector. FBD supports Nuffield scholarships to promote excellence by developing and supporting these individuals. Gareth Lamberton from Donegal was awarded the FBD Trust sponsored Nuffield Scholarship for 2020.

ASA Conference Partner

The Agricultural Science Association is the professional body for graduates in agricultural, horticultural, forestry, environmental and food science. It is the voice of the Agricultural profession in Ireland. FBD has been the ASA conference partner for many years. Due to Covid-19, the conference was held virtually this year with panel discussions online and addresses from the Taoiseach Michéal Martin and Minister Simon Coveney.

Taoiseach Michéal Martin speaking at ASA virtual conference 2020

DECENT WORK AND ECONOMIC GROWTH

FBD's Supplier Charter

FBD's 'Supplier Charter' outlines the standards that we expect to see throughout our supply chain. We set high standards for ourselves and our suppliers. We insist that all of our business activities are conducted lawfully, sustainably and above all ethically. Our charter sets out FBD's zero tolerance approach to modern slavery in all its forms in our own business and in our supply chain. This means not using forced or compulsory labour, and/or labour held under slavery or servitude. We also understand how important prompt payment is to our suppliers. Our standard payment terms are net 30 days and we work hard to make sure we meet this. FBD expects that all of our suppliers pay employees at least the minimum wage, and provides each employee with all legally mandated benefits.

Protecting Information

FBD collects and retains information from and about our customers and third parties. This is a vital and necessary part of providing insurance products. Keeping information secure is a top priority for us. We continue to implement appropriate technical and organisational measures to protect data from unlawful or unauthorised processing and against accidental loss, destruction, damage, alteration or disclosure.

Using Language that everyone understands

We understand that some insurance terminology can be complex and difficult to understand. We aim to write all our customer documents in plain language to ensure that we are more readily understood. Our documents are approved by the National Adult Literacy Agency before they are published.

INDUSTRY, INNOVATION AND INFRASTRUCTURE

The FBD Young Farmer of the Year Awards

The FBD 'Young Farmer of the Year' is a national competition held in conjunction with Macra na Feirme. It recognises and rewards top-performing young farmers. It promotes knowledge-sharing, networking opportunities, a platform to showcase and highlight Irish agriculture and the fantastic work being done by young farmers. Adjudication is based on a number of criteria including business initiative and innovation on the farm. The judges also consider farm efficiency levels, enterprise quality, farm safety, environmental protection awareness, agricultural knowledge and community involvement.

Dara Killeen (2020 FBD Young Farmer of the Year)

FBD CellCheck Awards

The CellCheck Milking for Quality Awards is an initiative held in conjunction with Animal Health Ireland (AHI) to recognise and reward excellence on Irish dairy farms. Since the inception of the Awards in 2014, FBD has sponsored the 'Best 500' Award for the 500 milk suppliers nationally with the lowest weighted annual average somatic cell count.

Patron Member of Agri Aware

A founding member of Agri Aware, FBD was one of a number of agri-businesses that recognised the need for an independent body to provide the general public with information and education on the importance of agriculture and the food industry to the Irish economy. FBD's support assists Agri Aware in continuing its programme of educational and public awareness initiatives among the non-farming community. Topics include modern agriculture, the rural environment, animal welfare, food quality and safety.

SUPPORTING GOOD HEALTH & WELLBEING

PARTNERSHIPS FOR THE GOALS

Guaranteed Irish

FBD is a proud member of the Guaranteed Irish programme. As Ireland's only indigenous insurance company, FBD has a proud heritage of supporting local communities. The Guaranteed Irish symbol is awarded to companies that create quality jobs, contribute to local communities and are committed to Irish provenance.

Chambers of Commerce

With 34 branches located around Ireland, FBD is a committed member of many local Chambers of Commerce. Working collaboratively with local businesses, Chambers of Commerce provide a forum to promote initiatives, knowledge sharing and to assist local business in communities across Ireland.

GOOD HEALTH AND WELL-BEING

Employees Giving Back

FBD employees are active in supporting a wide range of local and national charity based organisations. At a Group level, FBD employees chose to appoint the MAKE-A-WISH foundation and Our Lady's Hospital, Crumlin as charity partners for 2020 and a range of fund raising events took place. FBD employees based in Dublin, donated 1,600 hampers worth over €40,000 to The People's Foodbank in Bluebell in late 2020. The Foodbank delivers food and creates a human connection with those in receipt of food in a friendly and assuring way.

hooves 4 hospice

hooves 4 hospice is a major project to raise funds needed to build a hospice to serve the Midlands regions of Laois, Offaly, Longford and Westmeath, which is the only area in the country without its own dedicated hospice. FBD Trust are making a donation to purchase animals to be reared by host farmers and sold after a period of 12 to 24 months. The proceeds of the sales will be donated to help fund the building of the hospice.

FBD Supports Farm Customers With Covid-19

FBD launched an initiative in 2020, supported by IFA and Farm Relief Service (FRS), to financially assist farm customers affected by a Covid-19 diagnosis. Upon diagnosis and if a farmer is unable to work, an FRS voucher will be provided to assist in keeping farms operational.

Pat Lalor (Chairperson, h4h), David Connor (Host farmer), Amanda Dunne (Branch Manager, FBD Tullamore).

Farm Protect

Farming is a unique way of life and many positive aspects are associated with the occupation. However, by its nature, it is also a hazardous occupation. The continually high number of farm accidents is cause for great concern to us. FBD's mission is to support initiatives which will make the farm a safer place for all. This embodies **SDG 3 – Good Health and Well-Being**. In addition we have dedicated employees who work directly with farms and businesses to help improve safety standards and awareness in the workplace. Ciaran Roche, FBD Risk Manager, represented FBD on the National Farm Safety Partnership in 2020.

FBD's Farm Protect campaign aims to encourage farmers to make small but meaningful changes to their working behaviour. While farmers' attitudes to health and safety are generally positive, simple changes can make a big difference. We focus on promoting awareness of the critical behavioural changes required through press and online adverts, social media and through distributing safety materials and farm safety signs at events and through our network of branches.

Free Mart Risk Assessment

FBD works closely with Livestock Marts to provide a safe and suitable environment for all patrons. Free Risk Assessments are carried out by qualified health and safety professionals from a third party professional risk manager Farm Relief Services (FRS). These Risk Assessments are intended to help mart managers to identify hazards within the mart and advise on best practice to mitigate these risks. This service complements the significant FBD efforts made in improving Livestock Mart risks including; Safety Training Videos and the development of a Mart Lockdown Code of Practice. This service is currently suspended due to the Covid-19 pandemic.

Champions for Safety

Over the last eight years, FBD has led "Champions for Safety" seminars across Agricultural Colleges around the country. Speakers include staff from FBD, Teagasc, the HSA, ESB Networks and farm accident survivor testimonials who raise awareness of the importance of safety for the students' on-farm work experience.

UCD Farm Safety Lecturer

This is the fifth year that FBD Trust has sponsored the farm safety and health lecturer position in the School of Agriculture, University College Dublin. This position has a central role in educating the emerging generation of farming experts at Ireland's largest university.

Tractor Training Skills

FBD supports the Farm Relief Services (FRS) tractor training skills course for young people over the age of 14, to ensure that safe driving practises are adopted early.

Farm Safety Videos

FBD are currently working with Teagasc to produce an updated suite of high quality farm safety videos. The videos will cover all key farm safety hazards including; tractors, ATVs, machinery, livestock, slurry, work at height, chemicals, etc.

Farm Safety Communication

FBD run regular farm safety communications in the media. During 2020, FBD ran monthly farm safety adverts and advertorials in the Irish Farmers Journal and in the Irish Farmers Monthly. These focused on timely, seasonal hazards, their associated risks and appropriate safety controls and messages. FBD's Risk Manager, Ciaran Roche, was a regular contributor on the topic of farm safety to the Irish Farmers Journal 'Farm Tech Talks' series of webinars.

Health & Safety

FBD is committed to providing a safe place of work and conducting all aspects of its business activities in such a way as to achieve the best possible standards of Health and Safety and Welfare for its employees. The FBD Safety Statement is the cornerstone of our safety management system. The Safety Statement clearly outlines FBD's commitment to health and safety, identifies persons with safety responsibilities, outlines the company safety policies and includes site risk assessments.

GENDER EQUALITY

Promoting Diversity & Inclusion

Consistent with SDG 5 – Gender Equality, FBD's Diversity & Inclusion strategy underpins the importance of creating an environment where everyone can do their best work, have fair and equal access to opportunities and resources, and can contribute fully to FBD's success.

FBD are proud members and supporters of the '30% Club'. This International organisation was established with a goal of achieving a better gender balance on boards and in executive leadership. 20 per cent of the Board of Directors of FBD Holdings plc is female. 25 per cent of executive level and 41 per cent of manager/specialists level in FBD are female. 60 per cent of FBD's overall employees are female.

Age Friendly Ireland

FBD joined Age Friendly Ireland in 2020. This Programme is a government initiative to prepare for the rapid ageing of our population. It aims to create an inclusive, equitable society in which older people can live full, active valued and healthy lives. Age Friendly Ireland supports businesses to implement low cost changes which signal a strong welcome for older people. Extensive staff training has taken place to support our staff in contributing to this Programme.

The Women and Agriculture Awards

Women are key decision makers on farms, in businesses and in rural communities. These awards, run by the Irish Farmers Journal and sponsored by FBD, provide welcome recognition for the important contribution of women to Ireland's agricultural sector. The winners of the Women and Agriculture Awards 2020 were announced at a virtual award ceremony on 21 October 2020. Catherine O'Grady Powers of Glen Keen Farm & Visitor Centre, Co. Mayo, took home the top spot in the Innovation on Farm Category and Norma Dinneen of Bó Rua Farm, Co. Cork, was named the runner-up. Anne Marie Feighery of Feighery Farm Beetroot Juice won the Innovation in Agriculture & Food Category. Mary Fogarty of the Cottage Loughmore, Co. Tipperary was the runner-up in this category.

SUPPORTING CLIMATE ACTION

RESPONSIBLE CONSUMPTION AND PRODUCTION

As an organisation that plans for the future and in keeping with **SDG 12 - Responsible Consumption and Production and SDG 13 – Climate Action** we are working to become a leader in sustainable business practices in our industry. FBD actively measures, manages and mitigates our carbon footprint and aims to minimise our environmental impact. Adopting smarter business practices is the right thing to do and it is something the organisation is embracing and playing a part in realising. Group wide initiatives raise awareness amongst internal stakeholders and employees on how simple, effective and relevant activities can contribute to a healthier planet. Our sustainability projects include a commitment to being more efficient in our energy usage. Our investment department are integrating Environmental, Social and Governance (ESG) factors into our investment portfolio.

Taking responsibility for our Carbon Footprint

In 2020, FBD once again engaged with Vita Ireland to purchase voluntary carbon credits to offset the tonnes of carbon created by our business kilometres, using carbon credits from Vita's innovative Green Impact Fund. Vita is an Irish overseas development agency working in Africa fighting hunger and the impacts of climate change. FBD's longer term goal is to build the business case for achieving Carbon Neutral status, aided by Vita Ireland this goal helps support **SDG 2 – Zero Hunger**.

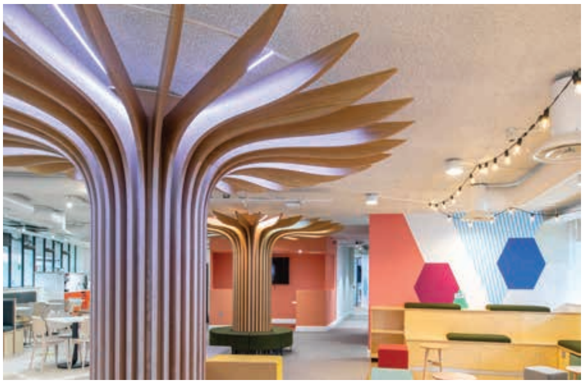
"Catherine O'Grady Powers of Glen Keen Farm & Visitor Centre, Co. Mayo, took home the top spot in the Innovation on Farm Category."

Drive to reduce unnecessary printing

In 2020, FBD began to transition customers from paper based printing to digital document management. This will continue in 2021.

LED Lighting Upgrade

Our commitment to sustainable business practices began in our branch network and encompasses all areas of our business. In 2020, at our head office we continued the rollout of LED lighting to open plan office areas and a new employee facility called "The Tree House". These projects have resulted in less power consumption and enabled innovative use of efficient lighting to create an attractive shared space for employees. This provided a significant financial saving and also generates 25% more light. LED is a more energy efficient and environmentally friendly light source employee facility called "The Tree House". These projects have resulted in less power consumption and enabled innovative use of efficient lighting to create an attractive shared space for employees. This provided a significant financial saving and also generates 25% more light. LED is a more energy efficient and environmentally friendly light source.



Grass10 – Grassland Excellence for Irish Livestock

FBD has sponsored the 'Grass10' programme a multi-year campaign launched by Teagasc since 2017. The aim of the programme is to increase grass utilisation on Irish livestock farms. Achieving 'Grass10' targets will require changes in farm practices associated with both grass production and utilisation, delivering best practice, and promoting sustainable agricultural methods.

CLIMATE ACTION

Carbon Disclosure Project (CDP)

FBD has proactively engaged with the Carbon Disclosure Project to better understand and mitigate our environmental impact. CDP is a non-profit charity which supports the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. CDP takes independently verified information supplied by FBD, and scores our progress on climate action on a scale from A to F.

FBD's 2020 score improved to A-; which signifies the 'Leadership' band – we are implementing current best practices on climate issues higher than the Europe regional average of C and higher than the financial services sector average of B.

Integrating Environmental, Social and Governance (ESG) factors into our investment portfolio

FBD, directly and through its external investment managers, actively integrates Environmental, Social and Governance (ESG) considerations into its investment processes across its book of more than €1bn assets. We continue to monitor closely the ESG characteristics, risks and opportunities of our portfolio and the actions we can take to invest in a more sustainable future.

Corporate Information

Registered Office and Head Office
FBD House
Bluebell
Dublin 12
D12 Y0HE
Ireland

Stockbrokers
Goodbody Stockbrokers
Ballsbridge Park
Ballsbridge
Dublin 4
D04 YW83
Ireland

Shore Capital
The Corn Exchange
Fenwick Street
Liverpool L2 7RB
United Kingdom

Independent Auditors
PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
One Spencer Dock
North Wall Quay
Dublin 1
D01 X9R7
Ireland

Bankers
Allied Irish Banks plc
Bank of Ireland
Ulster Bank
Barclays Bank plc
BNP Paribas
Close Brothers International
Credit Suisse (Luxembourg) S.A.
Deutsche Bank AG

Solicitors
Dillon Eustace
33 Sir John Rogerson's Quay
Dublin 2
D02 XK09
Ireland

Registrar
Computershare Investor Services (Ireland) Limited
3100 Lake Drive
Citywest Business Campus
Dublin 24
D24 AK82
Ireland

CONTINUING TO TRANSFORM OUR CUSTOMER EXPERIENCE

I choose FBD because they have an excellent structure of relationship managers who are local and they know agriculture. They understand the line of work we are in and that is so important. Their advice has been invaluable. You can't trade without insurance; I consider FBD an essential part of my business, more like a partnership in a way. I can trade with confidence – I know they have me covered.

TOM BARRY
Managing Director, Biogold Agri

Board of Directors

Biographical details of the Directors in office on the date of this Report are as follows:

Liam Herlihy
Chairman

Appointed
1 September 2015

Background & Career
Liam Herlihy is a farmer and was appointed Chairman in May 2017. He was appointed Chairman of the Teagasc Authority in September 2018 and was, until May of 2015, Group Chairman of Glanbia plc, a leading Irish based performance nutrition and ingredients group, having served in that role for 7 years during which he presided over a period of significant structural change and unprecedented growth for Glanbia plc. Mr Herlihy completed the Institute of Directors Development Programme and holds a certificate of merit in Corporate Governance from University College Dublin. He brings to the Board a wealth of commercial experience and some deep insights into the farming and general agricultural industries in Ireland which, together, comprise the Group's core customer base. (Aged 69)

Tomás Ó'Midheach
Group Chief Executive

Appointed
4 January 2021

Background & Career
Tomás Ó'Midheach has 25 years' experience in the financial services industry spanning many diverse areas including finance, data, customer analytics, direct channels and digital. He spent 11 years with Citibank in the UK, Spain and Dublin where he held several senior positions in Finance ultimately assuming the position of CFO at Citibank Ireland. He joined AIB in June 2006 and held a number of senior executive positions including Head of Direct Channels & Analytics, Chief Digital Officer and Chief Operating Officer. Prior to joining FBD, Mr Ó'Midheach held the position Deputy CEO and was an Executive Board Member of AIB. (Aged 51)

Walter Bogaerts
Independent Non-Executive Director

Appointed
26 February 2016

Background & Career
Walter Bogaerts was General Manager of the Corporate Insurances Division of KBC Insurance based in Belgium prior to his retirement in 2013. He joined KBC Group (previously ABB Insurances) in 1979 and has gained extensive experience throughout his career with KBC in underwriting, reinsurance, audit, risk management and sales. He was general manager in charge of KBC Group's Central-European insurance businesses until appointed to his most recent role in 2012. In that role he was a member of the Supervisory Boards, Audit and Risk Committees of KBC's insurance subsidiaries in Czech Republic, Slovakia, Hungary, Poland and Bulgaria. He holds a Commercial Engineering degree from the Economic University of Brussels. (Aged 63)

Mary Brennan
Independent Non-Executive Director

Appointed
31 August 2016

Background & Career
Mary Brennan is a Chartered Director, Certified Investment Fund Director and a Fellow of Chartered Accountants Ireland. In a career spanning over 30 years, Ms Brennan has worked internationally in audit in KPMG and in a number of publicly listed companies, including Elan plc and Occidental Petroleum Corp. She is a highly experienced Non-Executive Director and currently holds the position of Chair of the Board, Chair of the Audit Committee and Chair of the Risk Committee in her portfolio of financially regulated directorships. Ms Brennan previously served on the Boards of BNP Paribas Ireland, Atradius Reinsurance Dac, the Social Finance Foundation and Microfinance Ireland. (Aged 55)

Tim Cullinan
Independent Non-Executive Director

Appointed
31 December 2020

Background & Career
Tim Cullinan is from Toomevara, Co. Tipperary, where he runs a pig enterprise alongside a feed mill operation. Mr Cullinan was elected the 16th President of the Irish Farmers' Association in December 2019. He has been heavily involved in the Irish Farmers' Association over the past 15 years holding various positions including National Pigs Committee Chairman and County Chairman and most recently the position of National Treasurer. He is a Board Member of Bord Bia – the Irish Food Board which is an Irish semi state Agency whose remit is to market and promote Ireland's food, drink and horticulture industry in Ireland and abroad. Mr Cullinan is Vice President of COPA (Committee of Professional Agricultural Organisations) and represents Irish farmers at EU level on COPA, which is the official umbrella representative body for European farmers. Mr Cullinan established world first DNA traceability for Irish pig meat and previously held the position Pig Expert to the Copa Cogeca. (Aged 60)

Sylvia Cronin
Independent
Non-Executive Director

Appointed
28 November 2019

Background & Career
Sylvia Cronin was Director of Insurance Supervision in the Central Bank of Ireland until October 2019 and was a Member of the European Insurance and Occupational Pensions Authority ("EIOPA") Board of Supervisors. Before joining the Central Bank, Ms Cronin spent the majority of her career working in the insurance industry, most recently as Chief Executive of Augura Life Ireland Ltd. Previously, Ms Cronin was the Chief Executive of MGM International Assurance Ltd. and spent several years with the AXA Group where she was head of Business Development, Services and Marketing in Ireland. Ms Cronin started her insurance career with the Fortis Group where her focus was on IT Management. Ms Cronin holds a Masters in Business Administration, was admitted as a Chartered Director to the Institute of Directors in London and is a CEDR Certified Mediator. (Aged 58)

David O'Connor
Senior Independent
Non-Executive Director

Appointed
5 July 2016

Background & Career
David O'Connor is a Fellow of the Society of Actuaries in Ireland. He commenced his career in New Ireland Assurance before joining Allianz Ireland in 1988 to set up its non-life actuarial function. He was a member of Allianz Executive Management Board and held a number of senior management positions there prior to joining Willis Towers Watson in 2003 to set up its Property and Casualty consultancy unit in Dublin, where he worked until June 2016. (Aged 63)

Richard Pike
Independent
Non-Executive Director

Appointed
18 September 2019

Background & Career
Richard Pike has extensive experience of working with financial institutions throughout the world, assisting companies in managing enterprise risk more efficiently while addressing local regulatory guidelines and standards. As well as being the founder and CEO of Governor Software, Richard is currently Chairman of Citadel Securities (Ireland) Ltd and an Independent Non-Executive Director of National Cyber Security Society, Starling International and Citadel Securities Europe. Prior to Governor Software, Richard has worked in various senior banking, insurance, credit and market risk roles at Wolters Kluwer Financial Services, ABN AMRO, Bain, COMIT Gruppe and Quay Financial Software. Richard lectures on Risk Management and Governance at the Institute of Banking and the Smurfit Business School and was a contributing author to two books on risk management. Richard has also received the designation of 'Certified Bank Director' by the Institute of Banking. (Aged 53)

John O'Grady
Group Finance Director

Appointed
1 July 2016

Background & Career
John O'Grady is a Chartered Accountant and an experienced insurance executive. He joined FBD from Liberty Insurance Limited where he held the role of Finance Director. Prior to his role in Liberty, Mr O'Grady worked for Aviva and its predecessor companies in Ireland in various roles between 1989 and 2012, including Finance Director, Claims Director and Operations Director. (Aged 59)

Padraig Walshe
Non-Executive Director

Appointed
23 December 2011

Background & Career
Padraig Walshe is Chairman of Farmer Business Developments plc, the Company's largest shareholder, and a dairy farmer. He is a past President of COPA, the European Farmers' Organisation and of the Irish Farmers' Association. Mr Walshe previously served on the Board of FBD between 2006 and 2010, and rejoined the Board in December 2011. Mr Walshe's extensive leadership experience at national and international level and his deep understanding of Ireland's farming community and the Irish food sector are of immense benefit to the Board. (Aged 63)

Report of the Directors

The Directors present their report and the audited financial statements for the financial year 2020.

Principal Activities

FBD is one of Ireland's largest property and casualty insurers looking after the insurance needs of farmers, private individuals and business owners through its principal subsidiary, FBD Insurance plc. The Group also has financial services operations including a successful life and pensions intermediary. The Company is a holding company incorporated in Ireland.

Business Review

The review of the performance of the Group, including an analysis of financial information and the outlook for its future development, is contained in the Chairman's Statement on pages 4 to 6 and in the Group Chief Executive's Review of Operations on pages 7 to 15. Information in respect of events since the financial year end and a review of the key performance indicators are also included in these sections. The key performance indicators include gross premium written, earnings per share, loss ratio, expense ratio, combined operating ratio, profit for the year, net asset value per share and return on equity.

Results

The results for the year are shown in the Consolidated Income Statement on page 92.

Financial Instruments

The Group makes routine use of financial instruments in the carry-on of its activities. The use of financial instruments is material to an assessment of the financial statements. Detail on the Group's financial risk management objectives and policies are included in the Risks and Uncertainties Report on pages 22 to 33. The Group's exposure to liquidity, market, foreign currency, credit and concentration risk are included in note 37 of the financial statements.

Dividends

Please refer to note 31 for further details.

Subsequent Events

The Irish Commercial Court judgement in respect of Covid-19 related business interruption cover for public house policies was issued on 5 February 2021 and FBD were deemed liable to cover the claims cost when the public houses were closed by Government. FBD accept this judgement and will pay interim claim payments to our affected customers in a timely manner with final payments to follow once all required information is received and processed. Post year end extensions to the period of Level 5 Covid-19 restrictions initially imposed on 24 December 2020 impacted the valuation of 2020 Covid-19 related business interruption claims. The continuation of the Covid-19 restrictions will continue to impact on the business in 2021. Please refer to note 39 for further details.

Risk and Uncertainties

A description of the risks and uncertainties facing the Group are set out in the Risks and Uncertainties Report on pages 22 to 33.

Subsidiaries

The Company's principal subsidiaries, as at 31 December 2020, are listed in note 32.

Directors

The present Directors of the Company, together with a biography on each, are set out on pages 44 to 45. The Board has decided that all Directors continuing in office will submit themselves for re-election at each Annual General Meeting (AGM).

The Directors who served at any time during 2020 were as follows:

Liam Herlihy	*Chairman*
Walter Bogaerts	*Independent Non-Executive Director*
Mary Brennan	*Independent Non-Executive Director*
Sylvia Cronin	*Independent Non-Executive Director*
Tim Cullinan	*Independent Non-Executive Director (Appointed 31 December 2020)*
Paul D'Alton	*Interim Chief Executive Officer and Executive Director (Appointed 3 April 2020, Resigned 4 January 2021)*
Joe Healy	*Independent Non-Executive Director (Resigned 31 July 2020)*
Fiona Muldoon	*Group Chief Executive (Resigned 15 May 2020)*
David O'Connor	*Senior Independent Non-Executive Director*
John O'Grady	*Group Chief Financial Officer*
Richard Pike	*Independent Non-Executive Director*
Padraig Walshe	*Non-Executive Director*

Tomás Ó'Midheach took up the role as Chief Executive Officer and Executive Director on 4 January 2021.

Annual General Meeting

The AGM is scheduled to be held on Wednesday, 12 May 2021. The notice of the AGM of the Company will be sent to shareholders giving 21 clear days' notice.

Directors' and Company Secretary's interests

The interests of the Directors and Company Secretary (together with their respective family interests) in the share capital of the Company, at 31 December 2020 and 1 January 2020 were as follows:

	Number of ordinary shares of €0.60 each	
Beneficial	**31 December 2020**	**1 January 2020**
Liam Herlihy	**8,000**	8,000
Walter Bogaerts	**0**	0
Mary Brennan	**0**	0
Sylvia Cronin	**0**	0
Tim Cullinan	**0**	0
Paul D'Alton	**0**	0
David O'Connor	**1,500**	1,500
John O'Grady	**10,743**	0
Richard Pike	**2,500**	0
Padraig Walshe	**1,100**	1,100
Company Secretary		
Derek Hall	**12,724**	7,383

There has been no change in the interests of the Directors and Company Secretary (together with their respective family interests) in the share capital of the Company up to the date of this report.

The interests of the Directors and the Company Secretary in conditional awards over the share capital of the Company under the shareholder approved Performance Share Plans are detailed in the Report on Directors' Remuneration on pages 66 to 78.

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

For the purposes of Regulation 21 of the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006, the information on the Board of Directors on pages 44 to 45, the Performance Share Plans in note 35 and the Report on Directors' Remuneration on pages 66 to 78 are deemed to be incorporated in this part of the Report of the Directors.

Substantial Shareholdings

As at 31 December 2020 the Company has been notified of the following interests of 3% or more in its share capital (there were no subsequent notifications of changes to these interests up until 31 January 2021):

Ordinary shares of €0.60 each	No.	% of Class
Farmer Business Development Plc	8,531,948	24.3%
FBD Trust Company Limited	2,984,737	8.5%
M&G Investment Management Ltd.	2,585,349	7.4%
INVESCO Asset Management Ltd.	1,968,535	5.6%
Highclere International Investors LLP	1,903,864	5.4%
Fidelity Management & Research Company	1,820,734	5.2%
Black Creek Investment Management Inc.	1,533,926	4.4%

Preference Share Capital

14% Non-cumulative preference shares of €0.60 each	No.	% of Class
Farmer Business Developments plc	1,340,000	100%

8% Non-cumulative preference shares of €0.60 each	No.	% of Class
FBD Trust Company Limited	2,062,000	58.38%
Farmer Business Developments plc	1,470,292	41.62%

Share Capital

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

Voting shares	Number in issue	% of Total
Ordinary shares of €0.60 each	35,052,462*	87.8%
14% Non-cumulative preference shares of €0.60 each	1,340,000	3.4%
8% Non-cumulative preference shares of €0.60 each	3,532,292	8.8%
	39,924,754	**100.0%**

**excluding 408,744 shares held in treasury*

Report of the Directors (continued)

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

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

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

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

Non-Financial Statement

Under the EU Non-Financial Disclosure Regulations (Directive 2014/95/EU) FBD Holdings plc must provide a brief description of the Group's Business Model and disclose information in relation to:

- Environmental matters;
- Social and employee matters;
- Respect for human rights; and
- Anti-corruption and anti-bribery matters.

Any risk relating to the above matters are identified, assessed, managed and reported in line with the risk management framework as out lined on page 22.

FBD's Business Model

FBD's business model is outlined on pages 16 and 17. Customers and our communities are at the heart of our business model. We offer our customers clear solutions to their insurance needs using extensive distribution networks which deliver the best customer experience. FBD invests in its people, empowering them to deliver for customers and shareholders alike.

Environmental Matters

FBD started measuring our use of energy ten years ago through an engagement with the Carbon Disclosure Project (CDP). Please see further information in Corporate Social Responsibility Statement on pages 34 to 40.

Initially, this initiative was about understanding how the use of energy is measured and in turn managing FBD's own use of energy. In 2016, a decision was made to undertake third party validation of the energy consumption data and in 2018 a further step was taken on the journey to look beyond "Energy Management" to the consideration of Climate Change and the Environment. These decisions were driven by the growth of concern regarding climate change and the environment from shareholders, employees, the management team and the wider community.

In 2020, in recognition of FBD's environmental responsibilities and the Global Community, FBD once again purchased voluntary carbon credits to offset our business kilometres with Vita Ireland. Please refer to our Corporate Social Responsibility Statement on pages 34 to 40 for further details on this initiative.

FBD Scope 1 and Scope 2 Emissions Data

	Scope 1	Scope 2 – Location Based	Scope 2 – Market Based
Scope descriptions	Includes CO_2 emissions generated from gas and heating oil	Includes emissions from the purchase of electricity by location. Individual FBD property consumption approach.	Includes emissions based on FBD's purchasing decisions. From July 2020, FBD are purchasing 100% renewable electricity (Green contracts) for all our sites.
2020 Consumption	122 tCO_2e	754 tCO_2e	281 tCO_2e
2019 Consumption	89 tCO_2e	978 tCO_2e	636 tCO_2e
Progress in 2020	Scope 1 emissions are up by 33 tCO_2e, the increase is up 37% on the previous year and arises from Covid-19 ventilation requirements. Actions have been taken to reduce this increase in 2021.	Scope 2 location based emissions are down 23% on the previous year, due to a reduction in consumption associated with lower workplace occupancy and more efficient lighting.	Scope 2 market based emissions are down 56% on the previous year, due to a reduction in consumption associated with lower workplace occupancy, more efficient lighting and the purchase of renewable electricity.

Investment Portfolio

FBD, directly and through its external investment managers, actively integrates Environmental, Social and Governance (ESG) considerations into its investment processes across its book of more than €1bn in assets. This FBD ESG framework incorporates the following aspects:

Asset Manager Selection: FBD's external asset manager due diligence reviews and selection and retention processes place a strong emphasis on the manager's ESG capabilities and credentials. All our external managers are signatories of the UN's Principles for Responsible Investment (PRI) and are required to provide Sustainability Policies/Reports detailing how they promote ESG factors both within their own corporate structures and through active stewardship of the underlying companies which they manage for FBD.

Corporate Bond Portfolio: FBD's corporate bond manager rates all its securities, using its proprietary scoring system, on a scale from A-F (A being the best in class from an ESG perspective, F being the worst offenders or ESG laggards). In determining these ratings the manager utilises data from a number of the leading ESG specialist companies in the marketplace. FBD has committed to holding a 0% allocation in those securities rated F on this scale and a maximum of 5% in E rated securities and 20% in D rated securities.

Social and Employee Matters

FBD has a range of policies in place to ensure full compliance with legislation and with our commitment to providing a safe and supportive working environment for our employees. Fundamental to these policies and the embedded culture, is a regard for the individual, their rights and the mutual advantage of fostering our employees' potential and supporting their career development.

These policies are communicated to all staff joining FBD as part of the on-boarding process. They provide information, guidelines and rules where appropriate in relation to every stage of employment including recruitment and selection; equality and diversity; probation; learning and development; all types of leave; benefits; remuneration; disciplinary and grievance.

These policies are reviewed regularly and updates are notified to employees. Additional policies are introduced from time to time to support the organisation's focus on enhancing the working environment and ensuring full compliance with legislative requirements.

Our employees and their welfare was a key priority following the outbreak of Covid-19 in March. As a company we mobilised immediately and developed protocols for the organisation in line with Government guidelines with over 90% of employees working at home from March. A small number of employees continued to attend the workplace to ensure we were meeting our operational obligations. A Covid-19 risk manager was appointed in April to support implementation and ongoing monitoring of our plan to ensure we continued to adhere to all Government guidelines as we moved through the levels 1 - 5.

Respect for Human Rights

Under FBD's Equal Opportunities, Diversity and Inclusion Policy, all employees who work in FBD, and those who use services provided by FBD, are treated with dignity and respect, receive equality of opportunity and are not subject to discrimination. FBD seeks to ensure that respect for diversity, equality and inclusion are embedded in all the services we provide and the work we do. To this end, FBD's Supplier Charter details how FBD supports the Universal Declaration of Human Rights and will work to enforce these rights within our supply chain.

Anti-Bribery and Anti-Corruption

FBD requires all employees at all times to act honestly and with integrity and to safeguard the resources for which they are responsible. Our Code of Conduct Policy sets out the professional and responsible behaviour expected to ensure that we are appropriately focused on delivering the right outcomes for shareholders and customers, meeting our legal and regulatory requirements and appropriately managing and mitigating risks.

This is further underpinned by our:

- Delivery of mandatory ethics training to all staff annually;
- The Anti-Fraud Policy which outlines the role and responsibilities for the reporting and investigation of fraud;
- The Speak Up Policy which provides a framework for staff to raise concerns about unlawful or inappropriate conduct, financial malpractice, danger to the public or the environment, possible fraud or risks to the Group.

Independent Auditors

PricewaterhouseCoopers, Chartered Accountants and Statutory Audit Firm, were appointed by the Directors in 2016 to audit the financial statements for the financial year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is five years, covering the financial years ended 31 December 2016 to 31 December 2020. PricewaterhouseCoopers have signified their willingness to continue in office in accordance with the provisions of Section 383(2) of the Companies Act 2014.

Regarding disclosure of information to the Auditors, the Directors confirm that:

As far as they are aware, there is no relevant audit information of which the Group's statutory auditors are unaware; and they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's statutory auditors are aware of that information.

Report of the Directors (continued)

Accounting Records

The Directors have taken appropriate measures to ensure compliance with Sections 281 to 285 of the Companies Act, 2014 – the requirement to keep proper accounting records – through the employment of suitably qualified accounting personnel and the maintenance of appropriate accounting systems. The accounting records are located at FBD House, Bluebell, Dublin 12, Ireland.

Directors' Compliance Statement

The Directors of the Company acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in the Companies Act 2014 (the "2014 Act")) and, as required by section 225 of the 2014 Act, the Directors confirm that:

(i) a compliance policy statement setting out the Company's policies with regard to complying with the relevant obligations under the 2014 Act has been prepared;

(ii) arrangements and structures have been put in place that they consider sufficient to secure material compliance with the Company's relevant obligations; and

(iii) a review of arrangements and structures has been conducted during the financial year to which the Directors' report relates.

Corporate Governance

The Corporate Governance Report on pages 52 to 62 forms part of this report and in this the Board has set out how it has applied the principles set out in the UK Corporate Governance Code 2018, which was adopted by both Euronext Dublin and the UK Listing Authority, the Irish Corporate Governance Annex, and the Central Bank of Ireland Corporate Governance Code requirements for Insurance Undertakings 2015.

Board Committees

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

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

Political Donations

The Group did not make any political donations during 2020.

Viability Statement

The Directors have assessed the prospects of the Group and its ability to meet its liabilities as they fall due in the medium term. The Directors selected a three year timeframe which they consider appropriate as this corresponds with the Board's strategic planning process. The objectives of the strategic planning process are to consider the key strategic choices facing the Group and to incorporate these into a financial model with various scenarios. This assessment has been made with reference to the Group's current position and prospects, the Group's strategy, the Board's risk appetite and the principal risks and uncertainties facing the Group, as outlined in the Risks and Uncertainties Report on pages 22 to 33. The impact of Covid-19 on the business has been considered in detail for each principal risk identified along with its associated risk impact.

The Directors review and renew the Group's three year plan at least annually. Progress against the strategic plan is reviewed regularly by the Board and senior management. Associated risks are considered within the Board's risk management framework.

The strategic plan has been tested for a number of scenarios which assess the potential impact of some of the strategic and commercial risks facing the Group. The Group performs an ORSA at least annually which subjects FBD's solvency capital levels to a number of extreme stress scenarios and Covid-19 had been considered as part of this. This was last performed in December 2020. Based on the results of these tests the Directors confirm that they have performed a robust assessment of the principal risks facing the Group, including those that would threaten its business model, its future performance and solvency and that they can have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Chairman's Statement and the Review of Operations, as is the financial position of the Group. In addition, the Risks and Uncertainties Report on pages 22 to 33 and note 37 of the financial statements include the Group's policies and processes for financial risk management.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future being a period of at least twelve months from the date of this report.

In making this assessment the Directors considered the continuing impact of the Covid-19 pandemic on the Group's business. This included reviewing projections reflecting the Covid-19 pandemic potential impacts on future years. The scenarios included a range of estimates based on the length of time the economy takes to recover as well as the impact from the business interruption claims the company is liable for following the recent judgement. In addition the ORSA process monitors current and future solvency needs. The scenarios were projected as part of the ORSA process as well as a number of more extreme stress events. In all scenarios the Group's capital ratio remained in excess of the Solvency Capital Requirement.

On the basis of the scenarios projected by the Group and the additional ORSA scenarios carried out, the Directors are satisfied that there are no material uncertainties which cast significant doubt on the ability of the Group or Company to continue as a going concern over the period of assessment being not less than 12 months from the date of this report. Thus the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Approval of Financial Statements

The financial statements were approved by the Board on 25 February 2021.

Signed on behalf of the Board

Liam Herlihy
Chairman

Tomás Ó'Midheach
Group Chief Executive

25 February 2021

Corporate Governance

Your Board of Directors is committed to the highest standards of corporate governance. Good governance stems from a positive culture and well embedded values. FBD's core values of respect, belief, innovation, community, ownership and communication are central to how the Board conducts its business and discharges its responsibilities. Equally, however, these values are as relevant to every employee working throughout the Group in their interactions with each other, and with our customers, shareholders and other stakeholders.

UK Corporate Governance Code and the Irish Corporate Governance Annex

The UK Corporate Governance Code 2018 ("the Code") and the Irish Corporate Governance Annex ("the Annex") codify the governance arrangements which apply to listed companies such as FBD. Combined, these represent corporate governance standards of the highest international level.

Throughout 2020 and to the date of this report, we applied the principles of the Code and except where otherwise expressly stated complied with the provisions of both the Code and the Annex.

This section of the Annual Report sets out the governance arrangements in place in FBD Holdings plc.

Location of information required pursuant to Euronext Dublin Listing Rule 6.1.80

Listing Rule	Information to be included:
6.1.77 (4)	Refer to Report on Director's Remuneration on pages 66 to 78

No information is required to be disclosed in respect of Listing Rules 6.1.77 (1), (2), (3), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14).

The Board of Directors and its Role

The Group is managed by the Board of Directors.

The primary role of the Board is to provide leadership and strategic direction while maintaining effective control over the activities of the Group.

The Board has approved a Corporate Governance Framework setting out its role and responsibilities. This is reviewed annually as part of the Board's evaluation of its performance and governance arrangements. The Framework includes a formal schedule of matters reserved to the Board for its consideration and decision, which includes:

- the approval of the Group's objectives and strategy;
- approval of the annual budget including capital expenditure and the review of the Group's systems of internal control;
- maintenance of the appropriate level of capital, the allocation thereof and decisions as to the recommendation or payment of dividends;
- approval of Financial Statements; and
- the appointment of Directors and the Company Secretary.

This schedule ensures that the skills, expertise and experience of the Directors are harnessed to best effect and ensures that any major opportunities or challenges for the Group come before the Board for consideration and decision. The schedule was last reviewed in February 2021.

Other specific responsibilities of the Board are delegated to Board appointed Committees, details of which are given later in this report.

Board Composition and Independence

At 31 December 2020 the Board comprised two Executive Directors and eight Non-Executive Directors, including the Chairman. This structure was deemed appropriate by the Board.

The Board deemed it appropriate that it should have between 8 and 12 members and that this size is appropriate, being of sufficient breadth and diversity to ensure that there is healthy debate and input.

Six of the Non-Executive Directors in office at the end of 2020 were considered to meet all of the criteria indicating independence set out in the Code.

	Date first elected by shareholders	Years from first election to 2021 AGM	Considered to be independent
Mary Brennan	31 Aug 2016	4.70	Yes
Walter Bogaerts	29 Apr 2016	5.1	Yes
Sylvia Cronin	31 July 2020	0.79	Yes
Tim Cullinan	Awaiting Election	Awaiting Election	Yes
David O'Connor	31 Aug 2016	4.70	Yes
Richard Pike	31 July 2020	0.79	Yes

Padraig Walshe, who is chairman of the Group's largest shareholder, Farmer Business Developments plc, is not considered to be independent.

Key Roles and Responsibilities

Chairman

The role of the Chairman is set out in writing in the Corporate Governance Framework. He is responsible, *inter alia*, for:

- the effective running of the Board, setting its agenda and ensuring that it receives accurate, timely and clear information;
- facilitating constructive board relations and the effective contribution of all Non-Executive Directors;
- ensuring that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives; and
- ensuring that the Board has a clear understanding of the views of the shareholders.

Group Chief Executive

The role of the Group Chief Executive is set out in writing in the Corporate Governance Framework. He is responsible, *inter alia*, for:

- running the Group's business and reporting regularly on the progress and performance of the Group;
- proposing, developing and executing the Group's strategy and overall objectives in close consultation with the Chairman and the Board; and
- implementing the decisions of the Board and its Committees.

Senior Independent Director

The Senior Independent Director is responsible for:

- being available to shareholders if they have concerns which they have not been able to resolve through the normal channels of the Chairman, the Group Chief Executive or the Group Chief Financial Officer, or for which such contact is inappropriate;
- conducting an annual review of the performance of the Chairman;
- acting as a sounding board for the Chairman; and
- serving as an intermediary for the other Non-Executive Directors as required.

Company Secretary

The Company Secretary acts as Secretary to the Board and to its Committees. In so doing, he:

- assists the Chairman in ensuring that the Directors have access, in a timely fashion, to the papers and information necessary to enable them to discharge their duties;
- assists the Chairman by organising and delivering induction and training programmes as required; and
- is responsible for ensuring that Board procedures are followed and that the Board and that the Directors are fully briefed on corporate governance matters.

Board Effectiveness and Performance Evaluation

Board effectiveness is reviewed annually as part of the Board's performance evaluation process. The Chairman is responsible for ensuring that each Director receives an induction on joining the Board and that he or she receives any additional training he or she requires. The induction itself is organised and delivered by the Company Secretary and other members of the management team.

Board Evaluation

Every year the Board evaluates its performance and that of its Committees. Directors are expected to take responsibility for identifying their own training needs and to take steps to ensure that they are adequately informed about the Group and about their responsibilities as a Director. The Board is confident that all of its members have the requisite knowledge and experience and support from within the Group to perform their role as a Director of the Group.

Towards the end of 2019, the Board had its evaluation process externally facilitated by Independent Audit, an independent consultancy which has no other connections with the Group. FBD is committed to ensuring that it has a high-performing Board, which is equipped to anticipate, meet and overcome future challenges and to ensure alignment with the Group's long-term strategy. The Board welcomed the constructive and enhancing recommendations from this external evaluation and a plan to implement the suggested actions was developed and progressed during 2020.

Further details of the 2020 Board Effectiveness and Performance Evaluation are set out in the Report of the Nomination and Governance Committee on pages 63 to 65.

Re-election of Directors

The Board has, since 2011, adopted the practice that all Directors will submit themselves for re-election at each AGM regardless of length of service or the provisions of the Company's Articles of Association.

Corporate Governance (continued)

Access to advice

All members of the Board have access to the advice and the services of the Company Secretary who is responsible for ensuring that Board procedures are followed and that applicable rules, regulations and other obligations are complied with.

In addition members of the Board may take independent professional advice at the Company's expense if deemed necessary in the furtherance of their duties.

If a Director is unable for any reason to attend a Board or Committee meeting, he or she will receive Board/Committee papers in advance of the meeting and is given an opportunity to communicate any views on or input into the business to come before the Board/Committee to the Board/Committee Chairman.

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

The Company Secretary acts as secretary to the committees. Minutes of all of the Committees' meetings are available to the Board.

Each of these Committees has provided a report in the sections following.

Attendance at Board and Board Committee Meetings during 2020

	Board	Audit	Nomination and Governance	Remuneration	Risk
W Bogaerts	25/25	9/9	6/6	10/11	6/6
M Brennan	25/25	9/9			
T Cullinan	0/0				
S Cronin	25/25		5/5	10/10	5/5
P D'Alton	20/20				
J Healy	16/16				
L Herlihy	25/25		6/6		5/6
F Muldoon	4/7				
D O'Connor	24/25	6/9	1/1	10/11	1/1
J O'Grady	23/25				
R Pike	24/25				5/5
P Walshe	25/25				

Report of the Audit Committee

Mary Brennan
Committee Chairperson

Membership during the year

		Length of time served on committee
M Brennan	Committee Chairperson, Independent Non-Executive Director	4.33 years
W Bogaerts	Independent Non-Executive Director	4.83 years
D O'Connor	Independent Non-Executive Director, Senior Independent Director	1.58 years

The Committee members have been selected to ensure that the Committee has available to it the range of skills and experience necessary to discharge its responsibilities.

The Board agrees that all Members are considered to have recent and relevant financial experience and qualifications. The Committee as a whole has the competence relevant to the General Insurance sector.

Objective of Committee

To assist the Board of the Group in fulfilling its oversight responsibilities for such matters as financial reporting, the system of internal control and management of financial risks, the audit process and the Group's process for monitoring compliance with laws and regulations.

Key responsibilities delegated to the Committee

- reviewing the Group's financial results announcements and financial statements;
- overseeing the relationship with the external auditors including reviewing and approving their terms of engagement and fees;
- review and monitor the independence and objectivity of the Statutory Auditor and the effectiveness of the audit process;
- reviewing the scope, resources, results and effectiveness of the Group's internal audit function; and
- performing detailed reviews of specific areas of financial reporting as required by the Board or the Committee.

Meetings

The Committee met on nine occasions during 2020. Attendance at the scheduled meetings held during 2020 is outlined on page 54. Meetings are attended by Committee members. The Chief Financial Officer, the Statutory Auditor, the Head of Group Internal Audit, the Head of Actuarial Function and the Chief Risk Officer are invited to attend all scheduled meetings of the Committee. The Committee regularly meets separately with the Statutory Auditor and with the Head of Group Internal Audit, without members of management present.

The minutes of Committee meetings are circulated routinely to the Board. The Committee chairperson also provides a verbal report to the Board after each Committee meeting. The Committee reports formally to the Board annually on the overall work undertaken and the degree to which it discharged the responsibilities delegated to it.

Activities of the Committee during 2020

The principal activities undertaken by the Committee during 2020 include:

- assessment of financial and other risks facing the Group and of the operation of internal controls;
- review of all aspects of the relationship with the external auditors, including the statutory audit plan, audit findings and recommendations and consideration of the independence of the external auditors and the arrangement in place to safeguard this, including partner rotation, prohibition on share ownership and levels of fees payable to the statutory auditor for non-audit assignments; consideration of issues of financial reporting, particularly those involving substantial judgement and the risk of material misstatement including claims estimates and provisions;
- review of drafts of the Annual Report and the Half Yearly Report prior to their consideration by the Board;
- consideration and review of the Key Judgements and Uncertainties and Going Concern Assessment;
- review of reserving adequacy including the financial impact of business interruption claims;
- appraisal of the Internal Audit function, plan, work, reports and issues arising and monitoring the scope and effectiveness of the function;
- assessment of compliance with laws, regulations, codes and financial reporting requirements; and
- reporting to the Board on its activities and confirming the degree to which the Committee's delegated responsibilities had been discharged through verbal reports to the Board after each meeting and a formal written report presented annually.

Report of the Audit Committee (continued)

In 2020 the Committee considered the independence of the Auditors and acknowledged the independence and quality control safeguards operated within PricewaterhouseCoopers. The External Audit Partner is due to rotate in 2021 having served as Audit Partner for a five year period.

Additionally, the Board has approved a Non-Audit Services Policy which is in place to mitigate any risks threatening, or appearing to threaten, the external audit firm's independence and objectivity arising through the provision of non-audit services. No non-audit services were provided by PricewaterhouseCoopers other than the audit of those elements of the Solvency and Financial Condition Report that PricewaterhouseCoopers are required to audit and the provision of certificates of premium amounts to the Motor Insurers Bureau of Ireland.

As part of its responsibilities the Committee reviews the External Audit Plan, the audit approach and objectives and Audit Findings and has concluded that the external audit process has remained effective.

PricewaterhouseCoopers were reappointed as Auditors of the Group in respect of the financial year ended 31 December 2020. The audit was last put out to tender in 2015 and PricewaterhouseCoopers was appointed as Auditors from 2016. PricewaterhouseCoopers have been auditors to the Group for five years.

The significant issues, critical judgements and estimates used in the formulation of the financial statements are set out in note 3. All are considered by the Committee, with particular focus on the following in 2020:

Key Issue	Committee conclusion
Valuation of claims provisions	The Committee reviewed the best estimate, claims handling provision and margin for uncertainty, as well as the actuarial methodologies and key assumptions. The Committee separately reviewed the business interruption claims provisions given the complexity and judgements involved in the calculations. The Committee was satisfied with the measurement and valuation of all claims provisions.
Valuation of reinsurance asset	The Committee reviewed the assumptions in respect of the estimated recoveries under the Group reinsurance programme for the Covid-19 business interruption claims. Given the uncertainty, judgement was applied in the calculation of the estimated recoveries including a probability weighted assessment. The Committee concluded following the review that the valuation prepared by management was reasonable.

Key Issue	Committee conclusion
Impairment testing	The Committee reviewed management's documentation of the impairment assessment of the Group, given the current economic conditions as a result of the Covid-19 pandemic and the market capitalisation being below net assets. The Committee was satisfied that no impairment of the assets was required.
Non-standard adjustments to premium revenue (rebates)	The Committee reviewed the accounting treatment, classification and measurement of premium rebates. The Committee was satisfied with the methodology and assumptions used in calculating the premium rebates paid and the provision included in the financial statements at 31 December 2020.
Going concern	The Committee reviewed management's documentation of the going concern assessment. The Committee was satisfied that there were no material uncertainties which cast significant doubt on the ability of the Group or Company to continue as a going concern over the period of assessment being not less than 12 months from the date of this report.

Fair, balanced and understandable

The Committee formally advises the Board on whether the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable, in accordance with Provision 27 of the UK Corporate Governance Code 2018. The Committee must ensure that the Annual Report and financial statements also provide the information necessary for Shareholders to assess the performance of the Group, along with its business model and strategy and the Committee is satisfied that the above requirements have been met.

Evaluation

The Committee has reviewed the activities which it performed and its overall effectiveness and has concluded that it has operated effectively in providing the Board with the assurances needed to discharge its responsibilities.

Mary Brennan
On behalf of the Audit Committee

25 February 2021

Report of the Risk Committee

Walter Bogaerts
Committee Chairman

Membership during the year

		Length of time served on committee
W Bogaerts	Committee Chairman, Independent Non-Executive Director	4.00 years
S Cronin (appointed 26 February 2020)	Independent Non-Executive Director	1.00 years
L Herlihy	Independent Non-Executive Director and Board Chairman	4.00 years
R Pike (appointed 26 February 2020)	Independent Non-Executive Director	1.00 years
D O'Connor (stepped down on 26 February 2020)	Senior Independent Director	3.00 years

Following new Board appointments towards the end of 2019, the composition of the Committee was reviewed in February 2020. Mr O'Connor was replaced by Ms Cronin as a Member of the Committee and Mr Pike was appointed as a Member of the Committee.

The Committee members have been selected to ensure that the Committee has available to it the range of skills and experience necessary to discharge its responsibilities.

Objective of Committee

The Board Risk Committee is the forum for risk governance within FBD. It is responsible for providing oversight and advice to the Board in relation to current and potential future risk exposures of the Group and future risk strategy. This advice includes recommending a risk management framework incorporating strategies, policies, risk appetites and risk indicators to the Board for approval. The Risk Committee oversees the risk management function, which is managed on a daily basis by the Chief Risk Officer.

Key responsibilities delegated to the Committee

- promote a risk awareness culture within the Group;
- ensure that the material risks and emerging risks facing the Group have been identified and that appropriate arrangements are in place to manage and mitigate those risks effectively;
- advise the Board on the effectiveness of strategies and policies with respect to maintaining, on an ongoing basis, the amounts, types and distribution of capital adequate to cover the risks of the Group;
- review and challenge risk information received by the Chief Risk Officer from the business departments to ensure that the Group is not exceeding the risk limits set by the Board;
- present a profile of the Group's key risks, risk management framework, risk appetite and tolerance and risk policies at least annually together with a summary of the Committee's business to the Board.

Meetings

The Committee met on six occasions during 2020. Meetings are attended by Committee members. The Chief Risk Officer, the Chief Executive Officer, the Chief Financial Officer, the Chief Underwriting Officer, the Head of Actuarial Function, the Head of Compliance and the Head of Internal Audit are invited to attend all scheduled meetings of the Committee.

The minutes of Committee meetings are circulated routinely to the Board. The Committee chairman also provides a verbal report to the Board after each Committee meeting. The Committee reports formally to the Board annually on the overall work undertaken and the degree to which it discharged the responsibilities delegated to it.

Activities of the Committee during 2020

The principal activities undertaken by the Committee during 2020 include:

- assisted the Board in the review and update of its risk policies, including frameworks, risk appetite, risk indicators and risk tolerance;
- appraised the Risk Function plan, to ensure that the plan is sufficient and appropriate to effectively identify, monitor, manage and report, on a continuous basis, the risks to which the Group could be exposed; ensured that the material risks facing the Group have been identified and appropriately managed and mitigated;
- reviewed the emerging risks facing the Group;
- reviewed the risks and uncertainties arising from Covid-19 and business interruption related issues;
- considered whether business interruption cover existed on commercial policies;

Report of the Risk Committee (continued)

- reviewed and challenged risk information reported to the Committee to ensure that the Group is operating within the risk limits set by the Board;
- reviewed the quarterly Solvency Capital Ratio;
- considered the results of risk policy stress tests and peer reviews of the Actuarial Best Estimate that were performed by the Risk Function;
- assessed the results of Control Design Reviews, Blank Page Risk Reviews and Emerging Risks Reviews undertaken by the Risk Function; and
- reviewed the 2020 ORSA report prior to its consideration by the Board.

Evaluation

The Committee has reviewed the activities which it performed and its overall effectiveness and has concluded that it has operated effectively in providing the Board with the assurances needed to discharge its responsibilities.

Walter Bogaerts
On behalf of the Risk Committee

25 February 2021

Report of the Nomination and Governance Committee

Liam Herlihy
Committee Chairman

Membership during the year

		Length of time served on committee
L Herlihy	Committee Chairman, Non-Executive Director, Board Chairman	4.58 years
W Bogaerts	Independent Non-Executive Director	1.58 years
S Cronin (appointed 26 February 2020)	Independent Non-Executive Director	1.00 years
D O'Connor (stepped down on 26 February 2020)	Senior Independent Non-Executive Director	2.66 years

Following new Board appointments towards the end of 2019, the composition of the Committee was reviewed in February 2020. Mr O'Connor was replaced by Ms Cronin as a Member of the Committee.

Objective of Committee

To ensure that the Board and its Committees are made up of individuals with the necessary skills, knowledge and experience to ensure that the Board is effective in discharging its responsibilities.

Key responsibilities delegated to the Committee

- reviewing the structure, size and composition of the Board and making recommendations to the Board for any appointments or other changes;
- recommending changes to the Board's Committees;
- advising the Board in relation to succession planning both for the Board and the senior executives in the Group;
- monitor the Group's compliance with corporate governance best practice with applicable legal, regulatory and listing requirements and to recommend to the Board such changes as deemed appropriate; and
- overseeing, in conjunction with the Board Chairman, the conduct of the annual evaluation of the Board, Board Committees, Chairman and individual Director Performance.

Meetings

The Committee met six times during 2020. The Group Chief Executive may attend meetings of the Committee but only by invitation and not at a time when their succession arrangements are discussed.

The minutes of Committee meetings are circulated routinely to the Board. The Committee chairman also provides a verbal report to the Board after each Committee meeting. The Committee reports formally to the Board annually on the overall work undertaken and the degree to which it discharged the responsibilities delegated to it.

Activities of the Committee during 2020

- led the search process for a successor to the CEO;
- reviewed employee engagement;
- reviewed the Board evaluation process;
- reviewed the Corporate Governance report;
- reviewed the talent management and succession plan for the Group and its principal subsidiary, FBD Insurance plc.
- reviewed the Diversity and Inclusion Policy and the Diversity and Inclusion Strategy; and reviewed compliance with governance best practice; and
- reviewed the Fitness and Probity Policy including a number of related policies.

Further details of their activities are laid out in on the Nomination and Governance report on pages 63 to 65.

Evaluation

The Committee has reviewed the activities which it performed and its overall effectiveness and has concluded that it has operated effectively in providing the Board with the assurances needed to discharge its responsibilities.

Liam Herlihy
On behalf of the Nomination and Governance Committee

25 February 2021

Report of the Remuneration Committee

David O'Connor
Committee Chairman

Membership during year

		Length of time served on committee
D O'Connor	Committee Chairman, Senior Independent Non-Executive Director	3.66 years
W Bogaerts	Independent Non-Executive Director	4.66 years
S Cronin (appointed 26 February 2020)	Independent Non-Executive Director	1.00 years

Following new Board appointments in 2019 the composition of the Committee was reviewed in February 2020. Ms Cronin was appointed as a Member of the Committee.

Objective of Committee

To assist the Board of the Group in ensuring that the level of remuneration in the Group and the split between fixed and variable remuneration are sufficient to attract, retain and motivate Executive Directors and senior management of the quality required to run the Group in a manner which is fair and in line with market norms, while not exposing the Group to unnecessary levels of risk.

Key responsibilities delegated to the Committee

- ensuring that the Group's overall reward strategy is consistent with achievement of the Group's strategic objectives;
- determining the broad policy for the remuneration of the Group's Executive Directors, Company Secretary and Executive Management;
- determining the total remuneration packages for the foregoing individuals, including salaries, variable remuneration, pension and other benefit provision and any compensation on termination of office;
- ensure that remuneration schemes promote long-term shareholdings by Executive Directors that support alignment with long-term shareholder interests;
- review the on-going appropriateness and relevance of the Remuneration Policy;
- ensuring that the Group operates to recognised good governance standards in relation to remuneration;
- making awards of shares under the Group's approved share scheme; and
- preparation of the detailed Report on Directors' Remuneration.

Meetings

The Committee met eleven times during 2020. The Group Chief Executive may attend meetings of the Committee but only by invitation and not at a time when individual remuneration arrangements are discussed.

The minutes of Committee meetings are circulated routinely to the Board. The Committee chairman also provides a verbal report to the Board after each Committee meeting. The Committee reports formally to the Board annually on the overall work undertaken and the degree to which it discharged the responsibilities delegated to it.

Activities of the Committee during 2020

The principal activities undertaken by the Committee during 2020 include:

- annual review of remuneration arrangements for Executive Directors and other senior executives;
- review and approval of the Report on Directors' Remuneration for 2020;
- making of a conditional award of shares under the FBD Performance Share Plan and setting the conditions attached;
- undertook an external review of Non-Executive Director fees;
- undertook an external review and benchmarking exercise of executive remuneration; and
- keeping under review upcoming legislation impacting the Group.

Full details of Directors' Remuneration are set in the Report on Directors Remuneration on pages 66 to 78.

Evaluation

The Committee has reviewed the activities which it performed and its overall effectiveness and has concluded that it has operated effectively in providing the Board with the assurances needed to discharge its responsibilities.

David O'Connor
On behalf of the Remuneration Committee

25 February 2021

Engagement

FBD has identified the following as its key stakeholders:

- Shareholders
- Employees
- Policyholders/Customers
- Regulators
- Wider Society.

The Board is committed to ensuring that excellent lines of communication exist and are fostered between the Group and its stakeholders. Initiatives undertaken are outlined in the Corporate Social Responsibility Statement report on pages 34 to 40.

A planned programme of investor relations activities is undertaken throughout the year which includes:

- briefing meetings with all major shareholders after the full year and half yearly results announcements;
- regular meetings between institutional investors and analysts with the Group Chief Executive, Chief Financial Officer and/or Head of Investor Relations to discuss business performance and strategy and to address any issues of concern; and
- responding to letters and queries received directly from shareholders and from proxy adviser firms.

Should a significant proportion of votes be cast against a resolution at any general meeting, the Board will endeavour to identify the shareholders concerned and will initiate contact with them with the view to understanding the reasons for the adverse vote. In 2020 no resolution had 20% or more votes cast against it.

The Board receives reporting on shareholder engagement which includes details of meetings held, feedback received and issues either of interest or of concern raised. Any issues arising are addressed at Board meetings.

FBD has numerous channels through which it can engage with customers. FBD has 34 branches in its network making face to face contact easily accessible for customers. In addition FBD is present at a significant number of events throughout the country. 2020 has been a challenging year and as a result of a number of Government restrictions, our branches were temporarily closed at certain times. FBD is committed to supporting and maintaining service to our customers during the closure of our branches. Staff continue to be available while working remotely to discuss customer requirements. We have a number of supports in place to help our Car and Home Customers, Farm Customers and Business Customers. In addition a number of events that FBD support and are heavily involved in were held in a virtual capacity.

Through regular meetings with Board members and senior management, the Group has an engaging relationship with the Central Bank of Ireland, its regulator. Through attendance at Oireachtas meetings on insurance related matters the Group engages with Government bodies.

Director Appointed for Engagement with the Workforce

Sylvia Cronin is the appointed Director for Workforce Engagement for FBD. Her key role ensures the views and concerns of the workforce are heard and understood, shared with the Board and taken into account in the decision making of the Board.

Throughout 2020 Sylvia took the time to understand the views and concerns of the workforce by spending time with a number of employees as well as initiating an employee survey to hear the views of the wider workforce. The importance of employee engagement particularly during Covid-19 was a key area of focus for Sylvia as well as the mental health and well-being of all employees.

Regular updates took place throughout 2020 in respect of all areas of importance to the working lives of employees to ensure that Sylvia had a clear understanding of what really matters and any areas of concern.

FBD and Wider Environment

In addition FBD spokespeople on Insurance, Farm Safety and the Claims Environment participate in and contribute to societal debate on topical issues.

Annual General Meeting

The Company's AGM is held each year in Dublin. The 2021 meeting will be held on 12 May 2021.

Who attends?

- Directors;
- Senior Group Executives;
- Shareholders;
- Company Advisers; and
- Members of the media are also invited and permitted to attend.

What business takes place at the meeting?

- the Group Chief Executive makes a presentation on the results and performance to the meeting prior to the Chairman dealing with the formal business of the meeting itself; and

Corporate Governance (continued)

- all shareholders present, either in person or by proxy can question the Chairman, the Committee Chairpersons and the rest of the Board during the meeting and afterwards.

All formal resolutions are dealt with on a show of hands. Once the vote is declared by the Chairman, the votes lodged with the Company in advance of the meeting are displayed prominently in the venue for those present to see. Immediately after the meeting is concluded the results are published on the Group's website www.fbdgroup.com and also via the Euronext Dublin and London Stock Exchange.

The notice of the AGM is issued to shareholders at least 20 working days in advance of the meeting. Details will be available in due course in respect to the holding of the AGM considering the Covid-19 pandemic. The 2020 AGM and recent EGM were held under restricted circumstances.

Internal Control

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

In accordance with the revised Financial Reporting Council (FRC) guidance for directors on internal control published in September 2014, "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting", the Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risks faced by the Group, that it has been in place for the year under review and up to the date of approval of the financial statements and that this process is regularly reviewed by the Board.

The key risk management and internal control procedures which cover all material controls include:

- skilled and experienced management and staff in line with fit and proper requirements;
- roles and responsibilities including reporting lines clearly defined with performance linked to Group objectives;
- an organisation structure with clearly defined lines of responsibility and authority;
- a comprehensive system of financial control incorporating budgeting, periodic financial reporting and variance analysis;
- a Risk Committee of the Board and a Risk Management Framework comprising a risk function headed by a Chief Risk Officer, a clearly stated risk appetite and risk strategy supported by approved risk management policies and processes;
- an Executive Risk Committee comprising senior management whose main role includes reviewing and challenging key risk information and to assist the Board Risk Committee, described earlier, in the discharge of its duties between meetings;
- the risk strategy, framework and appetite are articulated in a suite of policies covering all risk types and supported by detailed procedural documents. Each of these documents is subject to annual review and approval by the Board;
- performance of an ORSA linking to risk management, strategy and capital management;
- a Group Internal Audit function;
- a Group Compliance function;
- a Data Protection Officer;
- an Audit Committee whose formal terms of reference include responsibility for assessing the significant risks facing the Group in the achievement of its objectives and the controls in place to mitigate those risks;
- a disaster recovery framework is in place and is regularly tested;
- a business continuity framework is in place and is regularly tested; and
- a number of key Group policies in place include a Corporate Governance Framework, Fitness and Probity Policy, Financial Reporting Policy, Speak Up Policy and Code of Conduct.

The Annual Budget, Half-Yearly Report and Annual Report are reviewed and approved by the Board. Financial results with comparisons against budget are reported to Executive Directors on a monthly basis and are reported to the Board quarterly.

The risk management, internal control, reporting and forecasting processes are important to the Board in the exercise of its Governance and Oversight role. The Board constantly strives to further improve their quality.

The Group has established a 'Speak Up' Policy for employees the purpose of which is to reassure employees that it is safe and appropriate to raise any concern that they may have about malpractice and to enable them to raise such concerns safely and properly. This policy is reviewed annually and circulated thereafter to all Group employees.

The Board confirms that it has reviewed the effectiveness of the Group's Systems of Internal Control for the year ended 31 December 2020. The 2020 internal control assessment provides reasonable assurance that the Group's controls are effective, and that where control weaknesses are identified, they are subject to management oversight and action plans.

Nomination and Governance Report

Dear Shareholder,

On behalf of the Nomination and Governance Committee, I am pleased to set out a summary of its activities during 2020.

Board Changes during 2020

As notified to the Board in October 2019, Ms Muldoon left her position as Executive Director and CEO in 2020. Mr D'Alton was appointed as Interim CEO and Executive Director in April 2020 while the Nomination and Governance Committee completed its search for a permanent successor.

The Committee engaged an independent external executive search specialist firm, Odgers Berndtson, to assist it in its search. Following a thorough search process against specific and defined criteria, Tomás Ó'Midheach was appointed as Group Chief Executive Officer and Executive Director and commenced this role on 4 January 2021.

On behalf of the Committee I would like to thank Ms Muldoon for her hard work and effective contribution to FBD over the last five years.

Mr Healy did not go forward for re-election at the 2020 AGM having reached the end of his term as 15th President of the Irish Farmers Association. The Committee recommended the appointment of Mr Cullinan, elected 16th President of the IFA, as Independent Non-Executive Director and he joined the Board at the end of 2020.

We welcome Tomás and Tim to our Board and look forward to working with them in 2021 and beyond.

Diversity and Inclusion in FBD

At FBD, our commitment to working towards a consciously inclusive workplace is key to creating an environment that fosters innovation, employee engagement, creativity and the collaboration required to be the insurance employer of choice. Diversity and Inclusion (D&I) continues to be an area of focus and development for FBD. In 2020, we formed a D&I Committee to lead out on the D&I Strategy. The committee is made up of employees from all areas of the business and at all levels within the business.

Our Corporate Governance Framework and Recruitment policy reflects our continued commitment to promote a diverse and inclusive culture, valuing diversity of thought, skills, experience, knowledge and expertise including of educational and professional backgrounds, alongside diversity criteria such as gender, ethnicity and age. As set out in the Policy all Executive appointments and succession plans are made on merit and objective criteria, in the context of the skills and experience that are needed for the Board to be effective and to promote 'diverse thinking'.

FBD partnered with the Irish Centre for Diversity and underwent a review of a number of our policies to ensure they were inclusive of all people regardless of any of the nine grounds for discrimination. We were awarded a Bronze rating under the Irish Centre for Diversity Investors in Diversity Framework. We are committed to this partnership and will continue to work with the Irish Centre for Diversity in 2021.

During 2020 we also partnered with DCU's Centre of Diversity and began to develop our plan for the implementation of Inclusio, an application that will enable us to measure and report on D&I in FBD. This application will launch in 2021.

As part of FBD's D&I Strategy, Board members and some members of the Executive Management Team participated in Inclusive Leadership and Unconscious Bias training in 2020.

FBD recognises the importance of diverse talent and are a trusted partner of the Department of Enterprise, Trade and Employment so that international hires are supported in the best way possible.

FBD also continues to partner with the Trinity Centre for People with Intellectual Disabilities and plans are in place to have work placements in FBD for graduates of this programme commencing in 2021.

The Board has an objective to ensure the appropriate balance is achieved in the composition of the Board.

The Board values the major contribution which a mix of backgrounds, skills and experience brings to the Group and sees merit in increasing diversity at Board level in achieving the Group's strategic objectives. Differences in background, skills, experience and other qualities, including gender, are always considered and formally discussed at the Nomination and Governance Committee in determining the optimal composition of the Board, the principal aim being to achieve an appropriate balance between them.

While all appointments to the Board will have due regard to diversity, they will be made on merit, ensuring that the skills, experience and traits noted by the Board as being of particular relevance at any time are present on the Board and included in any planned recruitment.

The Board continues to comprise of a mix in backgrounds, experience and gender in line with the policy. As at the date of this report, the Board was comprised as follows:

Nomination and Governance Report (continued)

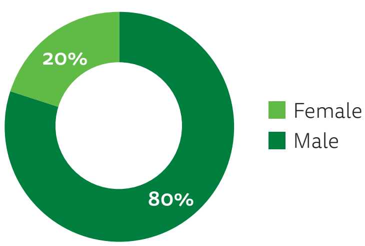
Tenure of Director

0 – 2 years	20%
3 – 6 years	70%
7 – 9 years	0%
Over 9 years	10%

Executive/Non-Executive

Non-Executive	80%
Executive	20%

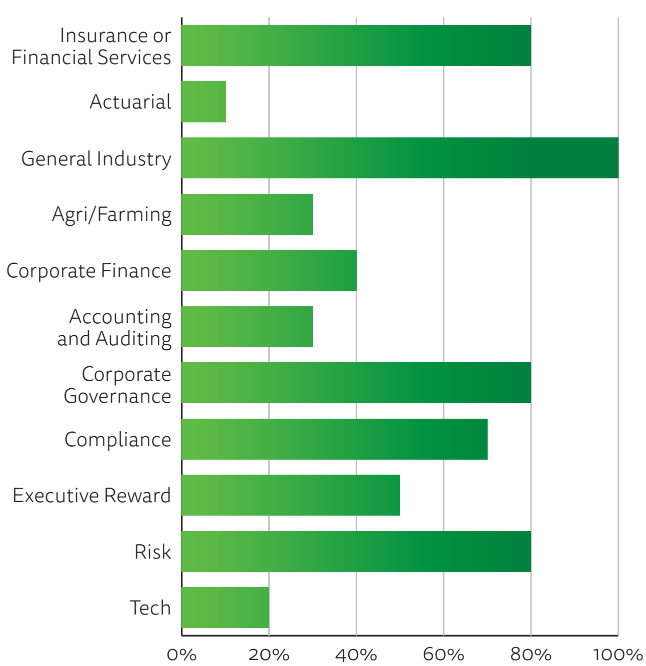
Board Gender



Experience and skills

The skills and experience identified by the Board as critical to its composition and that of its Committees at this time included expertise in insurance or other financial services, actuarial, general and farming/agri industry experience, corporate finance, accounting and auditing, corporate governance, compliance, executive reward, risk and technology.

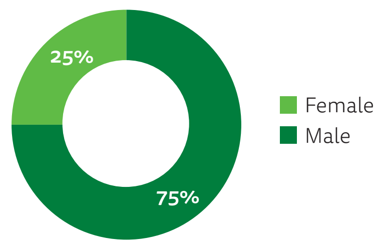
The percentage of the Board having the requisite skills and experience were as follows:



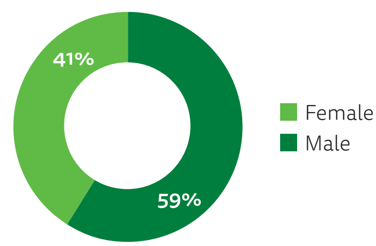
Gender Balance

The gender balance of those in the senior management and their direct reports.

Executive Management Team



Direct Reports



Culture

Our culture starts with our people guided by our company values. In 2019 we launched our Values and Behaviours and throughout 2020 we have continued to embed these values into the organisation, in order to achieve more innovation as well as enhancing customer value. Diversity and Inclusion are fundamental to our culture and core values, fostering an innovative, collaborative and high-energy work environment. At FBD, we constantly strive to promote health and well-being among our employees as well as investing in their continuous development.

The Board is committed to ensuring that the culture programme is embedded into the organisation and is actively engaged in the business of shaping, overseeing and monitoring culture. The Board is committed to having a clear understanding of the culture and ensuring that the purpose of the company is aligned to the company values, strategy and the overall business model.

Succession Planning and Senior Management Development

The Committee is responsible for reviewing the Talent Management and Succession Plan. The Succession Plan was last reviewed in December 2020 and as part of this process FBD had documented succession plans for the Board and senior roles with a view to ensuring that FBD develops and retains talent and is best placed to replace key roles in as seamless a manner as possible should they arise.

As a follow on to our comprehensive Senior Management Development Plan in 2019 we have embarked in 2020 with a High Performance Leadership programme to ensure we have an impactful leadership team who can mobilise change and collaborate with their peers to ensure we embed our culture. This is to ensure our employees and customers are placed together at the forefront of our business to support the continuous enhancement of our customer service. We also have a number of specific innovation projects to support long term retention and development of key pipeline talent.

Investment in the Workforce

The continued investment in Learning and Development has supported FBD to attract and retain top talent as well as enabling us to achieve standards of excellence through the services we provide to our customers. In order to achieve and sustain these standards of excellence we are committed to providing employees at all levels with appropriate training, development and education.

Employee development is a continuous process, working with employees to improve, enhance, refine and hone existing skills as well as developing new ones in order to support the organisations mission and goals as well as meeting the employees own development needs. We provide a comprehensive internal training and development programme to employees of the organisation at all levels, and to supplement this where necessary or appropriate with external development and education.

The training needs of employees are identified through performance management and operational planning in line with best practice and legislative guidelines. Additionally, FBD supports further educational and professional development of its employees.

Board Evaluation

Every year the Board evaluates its performance and that of its Committees. The evaluation of the Board for 2020 involved the following:

- Completion by each Director of a detailed questionnaire covering key aspects of Board effectiveness including composition of Board, meetings and processes, Board performance and reporting and performance of Board Committees.
- Through the completion of a questionnaire each Director evaluated their performance and this forms part of the review of their individual performance. Further areas of discussion include Board performance and effectiveness and feedback on the evaluation process.
- The Chairman met individually with each Director to discuss their feedback from the evaluation.
- The results of the evaluation and feedback are collated and reported to the Board and a plan is developed in relation to suggested areas for improvement.

The Senior Independent Director is responsible for leading the evaluation of the performance of the Chairman and this was carried out through a meeting with the Directors in the absence of the Chairman. Feedback is provided to the Chairman through the Senior Independent Director.

Recommendations from this review were addressed and progressed in line with an agreed action plan.

Liam Herlihy
On behalf of the Nomination and Governance Committee

25 February 2021

Report on Directors' Remuneration

Introductory Letter from the Remuneration Committee Chair

Dear Shareholder,

On behalf of the Remuneration Committee and the Board, I am pleased to set out in the section following, the details of the Directors' Remuneration for the year ended 31 December 2020.

The Remuneration Committee ensures that as a Group, we comply with all relevant remuneration and legislative requirements.

Paying for Performance

The Committee ensures alignment with the long term interests of the Group's key stakeholders by aligning remuneration metrics with the Group's business model and strategic objectives and by ensuring sufficient stretch in the performance targets.

External Advice

Willis Towers Watson (WTW) continued to provide advice in respect of FBD's Remuneration Policy in 2020. As part of our procurement policy this was put for tender in 2020 to ensure we continued to receive appropriate advice. Following a competitive selection process Willis Tower Watson were appointed to continue as our advisors.

Shareholder Dialogue and Support

Section 1110N of Companies Act 2014 (EU Shareholder Rights Directive), requires a vote on the Report on Directors' Remuneration at the AGM on an advisory basis. At the 2020 AGM, this report received 99.7% support from shareholders.

The Committee requests shareholders to consider and approve the annual remuneration report set out on the pages following at the 2021 AGM.

David O'Connor
Chairperson of the Remuneration Committee

25 February 2021

Role of Remuneration Committee

Responsibility for determining the levels of remuneration of the Executive Directors has been delegated by the Board to the Remuneration Committee whose membership is set out in the Corporate Governance Report.

In framing remuneration strategy, frameworks and policies, the Committee gives full consideration to the principles and provisions of the Corporate Governance Requirements for Insurance Undertakings 2015 and UK Corporate Governance Code 2018 as well as the update to the shareholders rights directive in 2020. It also takes into account the long term interests of shareholders, investors and other stakeholders of the Group.

The duties of the Remuneration Committee are to determine Directors Remuneration Policy and practices by reviewing performance structures, performance metrics, target setting and application of discretion.

The Remuneration Committee also reviews overall workforce remuneration and related policies and alignment of incentives and rewards with culture and takes these factors into account when setting the policy for Executive Director remuneration.

The Committee considers and reviews the Remuneration Policy and are in agreement that it is operating as intended in respect of Group performance quantum.

In determining outcomes under the bonus and the LTIP, the Remuneration Committee considers performance achieved during the year and satisfies themselves that the incentive outcomes were appropriately aligned with the extent to which the Group met its strategic goals and the shareholder experience.

Remuneration Policy

The following section sets out the Remuneration Policy for Executive and Non-Executive Directors, which will be put for shareholder approval on an advisory basis at the Group's 2021 AGM. It is intended that the below Remuneration Policy will apply for a four year period or until an amended Remuneration Policy is put to shareholders for approval in line with the European Union (Shareholders Rights) Regulations 2020.

Remuneration arrangements are determined throughout the Group based on the same principle – reward should be sufficient in order to attract, retain and motivate high performing individuals who are critical to the future development of the Group. The fair distribution of our Group's profits is an integral part of our corporate culture as we wish to reward our employees' contribution to the success of the Group.

The performance measures ensure everyone is focussed on delivering the same business priorities and that employees share in the success if the business strategy is delivered.

It is the policy of the Group to provide all members of executive management, middle management and employees of the Group with appropriate remuneration and incentives that reward performance. The aim is to ensure reward aligns to Group objectives in terms of profitability built on good customer outcomes together with balanced and responsible assumption of risk. This is done by ensuring that the principles of sound and prudent risk management are fully reflected and that excessive risk taking is neither encouraged nor rewarded. The appropriateness is assessed with reference to internal and external sources.

The Committee has aimed to build simplicity and transparency into the design and delivery of our Remuneration Policy which was revised and updated in 2020 to ensure it was in line with any recent updates in legislation. The remuneration structure is simple to understand for both participants and shareholders and is aligned to the strategic priorities of the business. We aim for our disclosures to clearly explain the design of our arrangements and the way that they have been operated so that they can be fully understood by all stakeholders.

When determining executive director remuneration policy and practices, all of the following are addressed:

- Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce;
- Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand;
- Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated;
- Predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.

Report on Directors' Remuneration (continued)

The Committee has the discretion to override formulaic outcomes and enable recovery and withholding of bonus where appropriate.

The Policy includes a number of points in its design, the aim of which is to mitigate potential risk:

- defined limits on the maximum opportunity levels under incentive plans;
- provisions to allow malus and clawback to be applied by the Remuneration Committee where appropriate;
- performance targets calibrated at appropriately stretching but sustainable levels in line with our business strategy so that executives are incentivised to deliver performance but not at the expense of going beyond the Group 's risk appetite; and
- shareholding requirements ensures alignment of interests between Executive Directors and Shareholders and encourages sustainable performance.
- 50% of any executive director bonus will be deferred into FBD shares for a period of three years. This practice will allow the committee to have flexibility to apply clawback if circumstances warranted.
- Persons subject to the remuneration policy shall commit to not using any personal hedging strategies or remuneration and liability-related insurance which would undermine the risk alignment effects embedded in their remuneration arrangement.

We aim for our disclosure to be clear to allow Shareholders to understand the range of potential values which may be earned under the remuneration arrangements. All incentive arrangements have defined and disclosed limits on pay out/award levels.

A significant proportion of executive director remuneration arrangements is share-based and we also require significant holding of shares which ensures that remuneration outcomes are closely aligned to shareholder returns for example, the CEO is required to build and maintain a shareholding equivalent to two times annual salary.

It is also the policy of the Group to provide a remuneration framework that attracts, motivates and rewards executives of the highest calibre who bring experience to the strategic direction and management of the Group and who will perform in the long term interests of the Group and its shareholders.

As part of our annual remuneration cycle a comprehensive analysis is completed in respect of comparison of changes to salary, benefits and annual bonus for executive directors, senior management and all employees. A gender pay gap comparison and gap analysis is also completed in respect of both pay and bonus around total workforce remuneration.

We are committed to ongoing and constructive engagement with our employees and use a number of channels to support our engagement process in order to incorporate their views into our business activities.

Among our key stakeholders is Farmers Business Development plc and as FBD's largest shareholder have a seat on the Board which benefits the Group as they share knowledge in respect of our largest customer base.

FBD is committed to being open and transparent in respect of its remuneration arrangements for all employees and as part of this transparency table the Report on Directors' Remuneration at the AGM each year for an advisory vote. The FBD Performance Share LTIP Plan (LTIP) was approved by Shareholders at AGM on 5th May, 2018. FBD engaged individually with a number of shareholders prior to the AGM in respect of the Long Term Investment Plan.

As part of the annual pay cycle, a communication is issued to all employees explaining how their bonus aligns to the Group Strategy and the steps taken to ensure fairness of distribution for all employees. Regular engagement takes place with employer representative bodies to discuss remuneration and other matters.

FBD also have a programme of Investor Relation Activities where we engage with all Shareholders in order to enhance bi-lateral communication by fostering objective orientated dialogue with Shareholders.

The following table sets out the key elements of the Remuneration Policy for Executive Directors and Senior Executives, their purpose and how they link to strategic rational.

Element and link to strategy	Policy and operation	Changes to policy
Base Salary (fixed remuneration)		
To help recruit and retain senior experienced Executives	Base salaries are reviewed annually with effect typically from 1 April taking the following factors into account: ■ The individual's role and experience ■ Group performance ■ Personal performance ■ Market practice and benchmarking Although salaries are reviewed annually there is no automatic right of any Executive to receive a salary increase.	No change to policy
Benefits (fixed remuneration)		
To provide market competitive benefits	Benefits provided include motor allowance and an agreed percentage contribution to health and other insurance costs.	No change to policy
Pension Provision (fixed remuneration)		
To provide market competitive benefits and reward performance over a long period, enabling Executives to save for retirement	Executive Directors receive defined contribution pension benefits (or equivalent cash in lieu), in line with existing scheme arrangements available to the wider workforce. The Remuneration Committee have determined that the level of pension contribution for any newly appointed Executive Director will be set in line with levels in operation for the majority of the workforce.	No change to policy

Report on Directors' Remuneration (continued)

Element and link to strategy	Policy and operation	Changes to policy
Annual Performance Bonuses (variable remuneration)		
To reward achievement of Group targets, personal performance and contribution	Annual bonus is based on stretching performance conditions set by the Remuneration Committee at the start of the year. The maximum opportunity level under the Policy for the CEO is 120% of base salary and 100% of base salary for other Executive Directors. In a given year, the Committee may determine that a maximum opportunity level below the above Policy levels will be operated. Annual bonus outcomes will be determined based on performance against company financial targets and the achievement of defined individual strategic objectives. The Remuneration Committee will determine the performance measures, their weightings and the calibration of targets each year and will clearly disclose these in the Remuneration report. Financial targets will determine the majority of the bonus. Financial targets will be set in a manner which will encourage enhanced performance in the best interests of the Group and its Shareholders and will be approved by the Remuneration Committee. In addition, if annual Group profit after tax does not reach a minimum level, to be determined annually by the Remuneration Committee after the budget has been approved, then the bonus may be revised downwards potentially to zero, the ultimate discretion over which rests with the Remuneration Committee following consultation with the Chief Executive. Individual performance will be assessed against agreed performance objectives, which will include a risk objective to ensure that all employees identify, evaluate and mitigate and control risks as part of our overall objectives to meet the organisation's strategic goals. The Remuneration Committee has the discretion to override formulaic outcomes in circumstances where it judges it would be appropriate to do so. Any such discretion would be fully disclosed in the relevant annual report. Any bonus payments are subject to the potential for the Remuneration Committee to apply provisions to withhold, reduce or require the repayment of awards for up to two years after payment if there is found to have been (a) material misstatement of the Group's financial results or (b) gross misconduct on the part of the individual. 50% of any executive bonus will be deferred into FBD shares for a period of three years. This practice will allow the committee to have flexibility to apply clawback if circumstances warranted.	The policy and operation of annual performance bonuses has been updated to include bonus deferral.

Element and link to strategy	Policy and operation	Changes to policy
Long Term Incentives - the FBD Performance Share Plan (variable remuneration)		
To align the financial interests of Executives with those of Shareholders	The Group Performance Share Plan (LTIP) was approved by shareholders in 2018. Under the LTIP, the Remuneration Committee may, at its sole discretion, make conditional awards of shares to Executives. Conditional awards of shares under the LTIP are limited to 10% in aggregate with any other employee share plan of the Company's issue ordinary shares of €0.60 each over a rolling 10 year period. The market value of shares which are the subject of a conditional award to an individual may not, in any financial year, normally exceed 150% of the participants base salary as at the date of the grant. The Remuneration Committee set performance conditions each year, selecting appropriate metrics based on key strategic priorities. The period over which the performance conditions applying to a conditional award under the LTIP are measured may not be less than three years. The extent to which a conditional award may vest in the future will be determined by the Remuneration Committee by reference to the performance conditions set at the time of the reward. These conditions are designed to ensure alignment between the economic interest of the plan participants and those of shareholders. Different conditions, or the same conditions in different proportions, can be used by the Remuneration Committee in different years under the LTIP rules, provided that the Committee is satisfied that they are challenging targets and that they are aligned with the interest of the Group's shareholders. The LTIP rules allow the Remuneration Committee (at its sole discretion) to make awards which may be subject to an additional post vesting holding period. Awards will vest after three years once applicable performance conditions have been achieved and the vested shares (net of tax) may be required to be held for a further two year period to provide continued alignment with shareholders. The Remuneration Committee has the discretion to override formulaic outcomes in circumstances where it judges it would be appropriate to do so and any such discretion will be fully disclosed in the relevant annual report. The LTIP includes provisions that allows the Remuneration Committee to withhold, reduce or require the repayment of rewards for up to two years after vesting (i.e. up to five years after grant) if there is found to have been (a) material misstatements of the Group's financial results (b) gross misconduct on the part of the award holder.	

Report on Directors' Remuneration (continued)

Share Ownership Policy

The Group incentivises its Executive Directors and Senior Executives with equity based awards under the Group's shareholder approved share schemes. Central to the philosophy underlying awards is the goal of aligning the economic interests of those individuals with those of shareholders.

Executives are expected to maintain a significant long-term equity interest in the Group. The requirement, which is set out in a policy document by the Remuneration Committee, approved and reviewed annually, is to build and retain a valuable shareholding relative to base salary, at a minimum, as noted hereunder.

Executive	Share ownership requirement
Group Chief Executive	2 times annual salary
Other Executive Directors	1.5 times annual salary
Other Senior Executives	1 times annual salary

Until such times as the requirement has been met Executive Directors are precluded from disposing of any shares issued to them under the group share schemes.

Executive Directors have a post employment shareholding requirement for at least two years at a level equal to the lower of the shareholding requirement immediately prior to departure or the actual shareholding on departure.

Recruitment Policy

When recruiting new Executive Directors, the policy is to pay what is necessary to attract individuals with the skills and experience appropriate to the role being filled, taking into account remuneration across the Group, including other senior executives as well as benchmarking against the financial services industry.

Base salary levels will be set in consideration of the skills, experience and expected contribution to the new role, the current salaries of other Executive Directors in the Group and current market levels for the role.

The Remuneration Committee have determined that the level of pension contribution for any newly appointed Executive Director, will be set in line with levels in operation for the majority of the workforce, as is the case with all employees.

Other fixed benefits will be considered in light of relevant market practice for the role and the provisions in place for Executive Directors.

In exceptional circumstances or where the Remuneration Committee determines that it is necessary for the recruitment of key executives, the Remuneration Committee reserves the right to offer additional cash and/or share based payments. Such payments may take into account remuneration relinquished when leaving the former employer and would reflect the nature, time horizons and performance requirements attached to the remuneration. The Remuneration Committee may also grant share awards on hiring an external candidate to buy out awards which will be forfeited on leaving previous employer.

For an internal appointment, the Remuneration Committee reserves the right to offer additional cash and/or share based payments on an internal promotion when it considers this to be in the best interests of the Group and its shareholders.

Service Contracts

The service contract for the Group Chief Executive and the Group Financial Officer provide for the following periods of notice of termination of employment;

Executive	From Company	From CEO/CFO
Tomás Ó'Midheach CEO	12 Months	6 Months
John O'Grady CFO	6 Months	6 Months

Termination Payments

Termination payments will be related to performance achieved over the whole period of activity and designed in a way that does not reward failure.

Bonus awards will generally be pro-rated to reflect the performance period which was worked and the performance outcomes achieved, although the Remuneration Committee retains discretion to dis-apply such pro-ration where it would be appropriate in the circumstances.

In the event of an Executive Director leaving before an LTIP award vests for reasons other than death, redundancy, injury, ill health or disability retirement with the agreement of the Remuneration Committee or any other reason approved by the Remuneration Committee the awards of the Executive Director's will lapse, except that the Remuneration Committee may at any time prior to vesting, in its absolute discretion revoke any determination to permit awards to vest where an Executive Director breaches a protective covenant.

Non-Executive Director Remuneration

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

Non-Executive Directors receive a basic fee. Additional fees are paid for acting as Senior Independent Director, being a member of and/or chairing Board Committees. These fees are reflective of their added responsibilities and time commitment.

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

Derogation from Remuneration Policy

The Remuneration Committee intends that remuneration arrangements will operate in accordance with the above Remuneration Policy for a four year period or until an amended Remuneration Policy is put to shareholders for approval. The European Union (Shareholders' Rights) Regulations 2020 allow for the potential for a temporary derogation from the Remuneration Policy where doing so is necessary in exceptional circumstances, to serve the long-term interests and sustainability of the traded plc as a whole or to assure its viability.

By definition, it is not possible to fully list all such exceptional circumstances, but the Remuneration Committee would only use such ability to apply a derogation after careful consideration and where the Remuneration Committee considers the circumstances were truly exceptional and the consequences for the Company and shareholders of not doing so would be significantly detrimental. Where time allowed shareholders would be consulted prior to applying such a change, or at minimum where this was not possible, the full details of the derogation would be communicated as soon as practical (e.g., by market announcement/on the Company's website) and disclosed in detail in the next Remuneration Report. Under the potential derogation, the Remuneration Committee would have the ability to vary the elements of the remuneration described in the above table, including levels of performance conditions applicable to incentive arrangements.

Remuneration Report

The information below on pages 74 to 78 of the Report on Directors' Remuneration identified as audited forms an integral part of the audited financial statements as described in the basis of preparation on page 101. All other information in the report on Directors Remuneration is additional information and does not form part of the audited financial statements.

Report on Directors' Remuneration (continued)

Executive and Non-Executive Directors' Remuneration details - Audited

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

	Fees[1] €000s	Salary[2] €000s	Benefits[3] €000s	Pension Contribution[4] €000s	2020 Total €000s
Executive Directors:					
Fiona Muldoon	–	700	35	79	814
John O'Grady	–	308	18	46	372
Paul D'Alton	790	–	–	–	790
Non-Executive Directors:					
Liam Herlihy (Chairman)	134	–	–	–	134
Walter Bogaerts	77	–	–	–	77
Mary Brennan	74	–	–	–	74
Sylvia Cronin	64	–	–	–	64
Tim Cullinan	–	–	–	–	–
Joe Healy	30	–	–	–	30
David O'Connor	88	–	–	–	88
Richard Pike	59	–	–	–	59
Padraig Walshe	55	–	–	–	55
	1,371	**1,008**	**53**	**125**	**2,557**

Notes (2020)

1. Fees were paid to Non-Executive Directors and to the Interim CEO. Fees of €790,000 were paid to Mr D'Alton in line with his contract.
2. Salaries are paid to Executive Directors. Ms Muldoon received payments arising from her service agreement when her employment ended.
3. Benefits relate exclusively to a motor allowance and contribution towards health insurance costs.
4. Pension contributions relate to contributions to a defined contribution pension scheme or a payment in lieu.
5. Joe Healy did not go forward for re-election as Non-Executive Director at the AGM on 31 July 2020.
6. Tim Cullinan was appointed Non-Executive Director on the 31 December 2020.

The following table sets out the detail for the previous financial year (2019):

	Fees[1] €000s	Salary[2] €000s	Other Payments[3] €000s	Benefits[4] €000s	Pension Contribution[5] €000s	2019 Total €000s
Executive Directors:						
Fiona Muldoon	–	450	414	39	90	993
John O'Grady	–	280	112	18	52	462
Non-Executive Directors:						
Liam Herlihy (Chairman)	119	–	–	–	–	119
Walter Bogaerts	71	–	–	–	–	71
Mary Brennan	62	–	–	–	–	62
Dermot Browne	31	–	–	–	–	31
Sylvia Cronin	5	–	–	–	–	5
Joe Healy	50	–	–	–	–	50
Orlagh Hunt	22	–	–	–	–	22
David O'Connor	70	–	–	–	–	70
Richard Pike	14	–	–	–	–	14
Padraig Walshe	50	–	–	–	–	50
	494	**730**	**526**	**57**	**142**	**1,949**

Notes (2019)

1. Fees were paid to the Non-Executive Directors.
2. Salaries are paid to Executive Directors.
3. Bonuses of €414,000 and €112,000 were awarded to Ms Muldoon and Mr O'Grady under the bonus scheme in 2019. The bonuses for both Ms Muldoon and Mr O'Grady were calculated in accordance with the Annual Performance Arrangements described earlier and both Ms Muldoon's and Mr O'Grady's bonuses were approved by the Remuneration Committee.
4. Benefits relate exclusively to a motor allowance and contribution towards health insurance costs.
5. Pension contributions relate to contributions to a defined contribution pension scheme or a payment in lieu. In respect of the CFO there was an underpayment of €9,000 in respect of prior years' which was corrected in 2019.
6. Dermot Browne and Orlagh Hunt did not go forward for re-election as Non-Executive Directors at the AGM on 10 May 2019.
7. Richard Pike was appointed as a Non-Executive Director on 18 September 2019.
8. Sylvia Cronin was appointed as a Non-Executive Director on 28 November 2019.

Determination of Annual Performance Bonus for the year ended 31 December 2020

As previously noted, the overall Annual Performance Bonus arrangements, the targets and their achievement are approved by the Remuneration Committee each year. Specifically the Remuneration Committee approve the merit pay and bonus arrangements for the Executive Directors in line with FBD's Remuneration Policy.

In 2020 the Remuneration Committee introduced a profit threshold that had to be reached in order to qualify for bonus. This threshold was not met therefore there is no bonus payable in respect of 2020 for all employees.

In the case of Mr O'Grady for 2020 there is no bonus payable as the profit threshold was not met.

Long Term Incentives

Conditional Awards of Shares in 2020 - Audited

During 2020 one Conditional Award of shares was made under the Performance Share Plan. This was made in March 2020 to Executive Directors and senior management.

The conditions attached to the award, which reflect the Board's strategic plans, were based 66.6% on the compound annual growth rate (CAGR) of Net Asset Value (NAV) per share, relative to the 1 January 2020 NAV for the three years ending 31 December 2022. The NAV has been chosen because the Committee considers it is the controllable measure most closely correlated to share price and ultimately to shareholder return. 33.4% of the award was based on Policy Count Growth which was chosen to reflect the ambition of the Board to grow the business over the strategic time period.

Vesting levels range between a threshold level of 25% to a maximum of 125% for out performance. The CAGR target for NAV is up to mid single digits percentages. The actual percentages are not disclosed due to commercial competitor sensitivity and because to do so would also constitute forward looking guidance.

The Committee will publish details regarding targets and vesting levels at the end of the performance period (2023).

The Committee has decided not to include relative performance to market targets as there is no relevant comparator in the Irish market.

The maximum and threshold for vesting for the performance conditions are as follows:

	Weighting	Threshold Level	Proportion vesting	Upper Level	Proportion vesting
NAV CAGR	**66.6%**	>1.4%	25%	Mid Single Digits	125%
In force policy count CAGR	**33.4%**	>2.1%	25%	Mid Single Digits	125%

Outstanding Conditional Awards (2017-19) - Audited

The Committee considered the extent to which the performance conditions underpinning this award were met in the three financial years 2017 to 2019 (the 'Performance Period'). The Committee concluded that 100% of NAV was met and 100% of COR was met however the result for In-Force Policy Count Target was 0%. Therefore in respect of the conditional awards granted in March 2017 90% vested. The performance conditions for the 2017 LTIP were previously amended to reflect the impact on Net Asset Value (NAV) of the repurchase and cancellation of the Fairfax convertible bond in October 2018. This was approved by the Remuneration Committee in February 2019.

Directors' and Company Secretary's Conditional LTIP Awards - Audited

Details of the conditional share awards to the Executive Directors who held office for any part of the financial year and to the Company Secretary made under the 2007 and 2018 LTIP plans are given in the table below. In respect of the 2018 and 2019 and 2020 awards the number of shares could increase to a maximum of 125% of the number of shares outlined below (which is 100%) if the performance conditions previously described are met at stretch target level.

	At 1 January 2020	Granted during year	Dividends	Lapsed during year	Vested during year	Forfeited during year	At 31 December 2020	Performance Period	Earliest vesting date	Market price on award €
Executive Directors (who held office for any part of the financial year)										
Fiona Muldoon	45,283	–	5,026	(4,528)	(45,781)	–	–	2017-2019	Mar-20	7.95
	33,256	–	–	–	–	(1,848)	31,408	2018-2020	Aug-21	10.83
	40,955	–	–	–	–	(15,927)	25,028	2019-2021	Mar-22	8.79
	–	58,824	–	–	–	(42,484)	16,340	2020-2022	Apr-23	6.12
Total	**119,494**	**58,824**	**5,026**	**(4,528)**	**(45,781)**	**(60,259)**	**72,776**			
John O'Grady	22,138	–	2,457	(2,214)	(22,381)	–	–	2017-2019	Mar-20	7.95
	17,737	–	–	–	–	–	17,737	2018-2020	Aug-21	10.83
	15,927	–	–	–	–	–	15,927	2019-2021	Mar-22	8.79
	–	22,876	–	–	–	–	22,876	2020-2022	Apr-23	6.12
Total	**55,802**	**22,876**	**2,457**	**(2,214)**	**(22,381)**	**-**	**56,540**			
Company Secretary										
Derek Hall	11,006	–	1,222	(1,101)	(11,127)	–	–	2017-2019	Mar-20	7.95
	11,316	–	–	–	–	–	11,316	2018-2020	Aug-21	10.83
	12,969	–	–	–	–	–	12,969	2019-2021	Mar-22	8.79
	–	15,931	–	–	–	–	15,931	2020-2022	Apr-23	6.12
Total	**35,291**	**15,931**	**1,222**	**(1,101)**	**(11,127)**	**-**	**40,216**			

The total number of shares subject to conditional awards outstanding under the 2007 and 2018 LTIP Schemes amount to 777,660 being 2.2% of the Company's ordinary share capital (excluding treasury shares) at 31 December 2020 (2019: 658,704 shares and 1.9% of ordinary share capital).

The aggregate limit of the number of shares over which conditional awards are permitted under the 2007 and 2018 LTIP scheme rules is 10% of the Company's issued share capital over a rolling 10 year period. Since 2010, there have been 10 conditional awards with an aggregate of 2,108,638 shares or 6.0% of the Company's ordinary share capital (excluding treasury shares).

Non-Executive Director Remuneration - Audited

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

The basic Non-Executive Director fee is €60,000 and this was reviewed in July 2020 following a benchmarking exercise carried out by WTW to ensure our Non-Executive remuneration was in line with the market rate. The previous review of Non-Executive Directors remuneration had taken place in 2016. Directors receive additional fees for being members of and/or chairing Board Committees as outlined within the Corporate Governance Report on pages 52 to 62. These fees are reflective of their added responsibilities.

European Union (Shareholders' Rights) Regulations 2020 came into force in Ireland on 30 March 2020 when they were transposed into Section 1110N of Companies Act 2014. The annual Non-Executive Director Remuneration over the last five years of those in office in 2020 is set out below:

Total Remuneration		**2016 €000s**	**2017 €000s**	**2018 €000s**	**2019 €000s**	**2020 €000s**
Liam Herlihy (Chairman)	Total Remuneration	47	102	119	119	**134**
	% change in year[1]	–	*116%*	*16%*	–	***13%***
Walter Bogaerts	Total Remuneration	66	68	70	71	**77**
	% change in year[1]	–	*4%*	*2%*	*2%*	***8%***
Mary Brennan	Total Remuneration	18	57	58	62	**74**
	% change in year[1]	–	*6%*	*1%*	*8%*	***20%***
Sylvia Cronin	Total Remuneration	–	–	–	5	**64**
	% change in year[1]	–	–	–	–	***17%***
Joe Healy	Total Remuneration	–	25	50	50	**30**
	% change in year[1]	–	–	–	–	**–**
David O'Connor	Total Remuneration	28	59	60	70	**88**
	% change in year[1]	–	*5%*	*2%*	*17%*	***25%***
Richard Pike	Total Remuneration	–	–	–	14	**59**
	% change in year[1]	–	–	–	–	***4%***
Padraig Walshe	Total Remuneration	45	50	50	50	**55**
	% change in year[1]	–	*12%*	–	–	***10%***

[1] *% change shows the increase in remuneration and does not include a percentage change if related to the first full year in office.*

The Chairman, Liam Herlihy received fees of €133,500 during the year (2019: €118,500) inclusive of the basic Non-Executive Director fee. David O'Connor, received fees of €88,000 during the year as he holds the position of Senior Independent Director (2019: €70,455) inclusive of the basic Non-Executive Director fee, and reflecting his additional responsibilities as Chairman of the Remuneration Committee.

The basic fee for Non-Executive Director is €60,000 with additional fees payable in respect of additional responsibility undertaken as member or chair of committees.

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

Report on Directors' Remuneration (continued)

External appointments held by the Executive Directors

In recognition of the benefits to both the Group and to our Executive Directors serving as Non-Executive Directors of other companies, our Executive Directors are, subject to advance agreement in each case, permitted to take on an external Non-Executive appointment and to retain any related fees paid to them. At present no current Executive Director holds such an appointment.

Change in Directors' Remuneration, Employee Remuneration and Group Performance

European Union (Shareholders' Rights) Regulations 2020 came into force in Ireland on 30 March 2020 when they were transposed into Section 1110N of Companies Act 2014.

The annual change over the last five years is set out below for CEO remuneration and remuneration of all other Group employees:

	2016	2017	2018	2019	2020
Chief Executive Officer					
Remuneration % change year on year	-14%	17%	-11%	6%	**-18%[1]**
All Group Employees					
Remuneration % change year on year	-13%	9%	1%	2%	**2%**

[1] *In addition Mr D'Alton was paid consultancy fees of €790,000 and overlapped for part of 2020*

The Group Net Asset Value (NAV) per share for the last five years is set out below:

	2016	2017	2018	2019	2020
Performance of the Group					
NAV per share	651	784	818	1,068	**1,095**

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and financial statements, in accordance with the Companies Act 2014 and the applicable regulations.

Irish company law requires the Directors to prepare financial statements for each financial year. Under the law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("relevant financial reporting framework"). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company as at the financial year end date and of the profit or loss of the Company for the financial year and otherwise comply with the Companies Act 2014.

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

- select suitable accounting policies for the Company and the Group financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- 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 ensuring that the Company and the Group keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company and the Group, enable at any time the assets, liabilities, financial position and profit or loss of the Company and the Group to be determined with reasonable accuracy, enable them to ensure that the Annual Report and financial statements comply with the Companies Act 2014 and the Listing Rules of the Euronext Dublin and enable the financial statements to be audited.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007 (Transparency (Directive 2004/109/EC) (Amendment) (No. 2) Regulations 2015) to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

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

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

- the financial statements, prepared in accordance with IFRSs as endorsed by the EU , give a true and fair view of the assets, liabilities and financial position for the Group as at 31 December 2020 and of the result for the financial year then ended;
- the Report of the Directors, the Chairman's Statement and the Review of Operations include a fair review of the development and performance of the Group's business and the state of affairs of the Group for the 12 months ending 31 December 2020, together with a description of the principal risks and uncertainties facing the Group; and
- the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to access the position, performance, strategy and business model of the Group.

On behalf of the Board

Liam Herlihy
Chairman

Tomás Ó'Midheach
Group Chief Executive

25 February 2021

UNDERSTANDING THAT SUPPORTING OUR CUSTOMERS IS A BIG THING

"

Our local FBD branch is only 15 minutes away. If we have a question we know we can easily call in or that we can phone and speak directly to a person who knows us. That personal relationship is a great comfort. In addition, our relationship manager visits the premises to review the cover we have. This gives us huge confidence, FBD knows our company and they have given us excellent advice about the options for cover that we need to consider – this was especially helpful when setting up our crisp business.

SANDRA BURNS
Joe's Farm Crisps

Independent Auditors' Report

to the members of FBD Holdings plc

Report on the audit of the financial statements

Opinion

In our opinion, FBD Holdings plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the group's and the company's assets, liabilities and financial position as at 31 December 2020 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2014; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise:

- the Consolidated and Company Statements of Financial Position as at 31 December 2020;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statements of Cash Flows for the year then ended;
- the Consolidated and Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the group or the company.

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the group or the company in the period from 1 January 2020 to 31 December 2020.

Our audit approach

Overview

Materiality

- €4.0 million (2019: €4.0 million) – Group financial statements.
- Based on circa 1% of revenue.
- €0.96 million (2019: €0.96 million) – Company financial statements.
- Based on circa 1% of equity attributable to equity holders of the parent.

Audit scope

- We performed a full scope audit of the complete financial information of the group's principal operating entity, FBD Insurance plc, and the holding company. We performed audit procedures on certain balances and transactions of the group's shared services entity, FBD Corporate Services Limited.
- Taken together, the entities where we performed a full scope audit of complete financial information and those selected balances at the group's shared services entity on which we performed audit procedures accounted for in excess of 95% of group revenues, 85% of group profit before taxation and 95% of the group's total assets.

Key audit matters

- Valuation of claims outstanding.
- Valuation of reinsurers' share of claims outstanding.
- Carrying value of the policy administration system.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation of claims outstanding *Refer to page 56 (Report of the Audit Committee), page 105 (Summary of significant accounting policies), page 113 (Critical accounting estimates and judgements in applying accounting policies) and pages 137 to 139 (note 25 (a) to (c) to the group financial statements).* The provision for claims outstanding is the group's largest liability and its valuation involves considerable judgement. The booked amount comprises: ■ an actuarial best estimate of the ultimate settlement cost of claims incurred at the reporting date including claims incurred but not reported at 31 December 2020; and ■ a margin over actuarial best estimate to provide for the risk of adverse development of the actuarial best estimate and to cater for known risk factors not in the underlying data used to calculate the actuarial best estimate. As set out in note 25, the actuarial best estimate of claims incurred includes €149 million gross of reinsurance in respect of Government COVID-19 restriction related business interruption claims incurred during the year, primarily under the group's public house commercial policies. For claims excluding Government COVID-19 restriction related business interruption claims, the actuarial best estimate is determined using complex actuarial calculations and requires the consideration of detailed methodologies, multiple assumptions and significant judgements. Methodologies and assumptions vary by class of business. The key items underlying the calculations are past claims development patterns and assumptions in respect of expected loss ratios and the expected frequency, severity and duration of claims. The valuation is also dependent on the completeness and accuracy of the data used in the actuarial modelling, in particular data relating to amounts of claims paid and incurred in the current and prior years and exposures such as sums insured and earned premiums.	We performed procedures to understand the claims and actuarial reserving processing cycles as they relate to financial reporting. We tested the design and operating effectiveness of the controls over claims processing and payment, and the valuation of claims outstanding. Based on the results of our risk assessment and materiality, we selected certain classes of business for independent valuation by actuarial specialists. This represented over 74% of the actuarial best estimate. The results of our independent valuation were compared to the group's valuation to assess the reasonability of the estimate. In respect of the remaining classes of business we assessed the reasonability of the group's valuation with the assistance of our actuarial specialists. This involved: ■ assessing the assumptions and methodologies underpinning management's actuarial valuation; and ■ considering the development of prior accident years' estimates and analysis of the current accident year estimate, including consideration of the group's historic claims experience, development in the Irish claims environment and our broader knowledge of developments in the insurance industry. We tested the determination of the best estimate provision in respect of Government COVID-19 restriction related business interruption claims incurred during the year under the group's public house commercial policies. This involved: ■ assessing the group's judgements concerning the definition of claim events and when they should be recognised; ■ assessing the assumptions applied in respect of the level of lost gross profit to be claimed, the level of expense savings expected to be deductible from this amount under the policy terms and the expected length of ongoing Government imposed closures of public houses by reference to data available and management's stress testing; and ■ performing our own sensitivity analysis based on alternative scenarios.

Key audit matter	How our audit addressed the key audit matter
For COVID-19 business interruption claims, the interpretation of the business interruption clause within the policy wording, as it relates to Government closure orders resulting from the pandemic, was subject to a Commercial Court test case during the year. The Commercial Court judged on 5 February 2021 that the group is liable under the policy. However the basis of the calculation of quantum has yet to be determined. Given that this type of claim has not been experienced previously, the group has performed a separate best estimate calculation in respect of the cost of these claims and the calculation applies assumptions concerning the level of lost gross profit to be claimed and the level of expense savings expected to be deductible from this amount under the policy terms. The length of ongoing Government imposed closures of public houses also impacts on the best estimate calculation. As a result of the unique circumstance of the claims there are no past claims development patterns available. The unique circumstances of these claims also result in significant judgement being required in respect of the valuation of the reinsurers' share of these claims as set out under the "Valuation of reinsurers' share of claims outstanding" below. The overall provision includes a margin over actuarial best estimate to provide for the risk of adverse claims development, to cater for known events not in the underlying data and to address the risks in respect of the valuation of the reinsurers' share of claims outstanding. As a result of the judgements and level of estimation detailed above, the valuation of claims outstanding was determined to be a key audit matter.	We tested the calculation of the margin over actuarial best estimate and discussed the rationale for the level of this element of the provision with management with particular focus on the consideration of the appropriateness of the provision in the context of the COVID-19 business interruption claims and other underlying uncertainties within the portfolio. We tested the reconciliation of the data used in the actuarial models to the underlying systems and reconciled the actuarial valuation outputs to the financial statements. For the COVID-19 business interruption claims, the data points are more limited and we tested these by reference to the underlying data of the sums insured. Based on the results of these procedures we concluded that the valuation of claims outstanding included in the group's financial statements is reasonable. We also assessed the appropriateness of the disclosures in the financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of reinsurers' share of claims outstanding *Refer to page 56 (Report of the Audit Committee), page 105 (Summary of significant accounting policies), pages 113 to 114 (Critical accounting estimates and judgements in applying accounting policies) and pages 137 to 139 (note 25 (a) to (c) to the group financial statements).* As set out in note 25 the reinsurers' share of claims outstanding asset includes an amount of €95 million (excluding reinstatement premiums) relating to estimated recoveries under the group's reinsurance programme on the gross best estimate provision of €149 million in respect of Government COVID-19 restriction related business interruption claims incurred during the year under the group's public house commercial policies. The calculation of this amount incorporates significant judgements as there is no established practice in relation to the response of the group's reinsurance to a peril of the nature which underlies the business interruption claims and the formal views of the group's reinsurers in respect of its reinsurance claim are uncertain. This has been considered in determining the overall level of margin for uncertainty attributed to the exposures in respect of these claims. As a result of these judgements and the associated inherent level of uncertainty, the valuation of the reinsurers' share of claims outstanding asset was determined to be a key audit matter.	We performed procedures to understand the calculation scenarios applied by the group in arriving at the reinsurers' share of Government COVID-19 restriction related business interruption claims outstanding. We obtained and reviewed: ■ the reinsurance contracts under which the group has made a claim and reviewed the relevant terms; ■ the reinsurance statement of claim submitted by the group to its reinsurers; ■ the group's correspondence with its reinsurers and reinsurance broker relating to cover in respect of the underlying claims; and ■ various expert legal advice received by the group in respect of the expected response of the group's reinsurance to the underlying claims. We assessed the appropriateness of the reinsurance scenarios modelled by the group and the probabilities assigned by the group to scenarios modelled and carried out our own stress tests. We tested the accuracy of the application of the assumptions as to how the reinsurance contract terms operate under the scenarios modelled. Based on the results of these procedures we concluded that, taking into account the margin for uncertainty, the valuation of the reinsurers' share of claims outstanding asset included in the group's financial statements is reasonable. We also assessed the appropriateness of the disclosures in the financial statements.

Key audit matter	How our audit addressed the key audit matter
Carrying value of the policy administration system *Refer to page 56 (Report of the Audit Committee), pages 111 to 112 (Summary of significant accounting policies), page 114 (Critical accounting estimates and judgements in applying accounting policies) and page 127 (note 14 to the group financial statements).* As set out in note 14, the net book value of the policy administration system is €36.7 million and internal development costs of €4.8 million were capitalised during the year. Management considered whether impairment indicators were present at the reporting date. The fact that COVID-19 impacts led to significant market and economic changes with adverse effects on the group and that the group's market capitalisation was below the value of its net assets at the reporting date were both considered to be impairment indicators and an impairment test was carried out. This impairment test incorporates a number of estimates and judgements, with the primary assumption being the future cash flows and the discount rate applied to the cash flows. As a result of these judgements the valuation of the policy administration system is determined to be a key audit matter.	We assessed the impairment assessment carried out and management's conclusion that there was no requirement to impair the value of the policy administration system. The recoverable amount was assessed through a value in use ("VIU") calculation. VIU is calculated based on the present value of future cash flows. In particular, we: ■ assessed and challenged the cash flow information used by reference to the group's Board approved profitability projections; and ■ assessed the discount rate used. Based on the results of these procedures we concluded that the valuation of the policy administration system included in the group's financial statements is reasonable.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

The group consists of the holding company, FBD Insurance plc, an insurance provider, 5 other entities (4 of which are non-trading) and a group shared services entity, FBD Corporate Services Limited. All group entities are managed and reported on from a single head office. The group financial statements are a consolidation of these individual entities.

On the basis of the group structure all audit procedures were performed by a single group audit team. We performed a full scope audit of the complete financial information of FBD Insurance plc and the holding company. Specific audit procedures on certain balances and transactions were performed in respect of FBD Corporate Services Limited. We also tested the consolidation process. This gave us the desired level of audit evidence for our opinion on the group financial statements as a whole.

This gave us coverage in excess of 95% of group revenues, 85% of group profit before taxation and 95% of the group's total assets.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	**Company financial statements**
Overall materiality	€4.0 million (2019: €4.0 million).	€0.96 million (2019: €0.96 million).
How we determined it	circa 1% of revenue.	circa 1% of equity attributable to equity holders of the parent.
Rationale for benchmark applied	We have applied this benchmark as it provides a more stable measure as the group's result has fluctuated significantly in recent years.	We have applied this benchmark as it is considered appropriate given the company's activity as a holding company.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €200,000 (group audit) (2019: €200,000) and €48,000 (company audit) (2019: €48,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group and company's ability to continue to adopt the going concern basis of accounting included:

- evaluating management's base case and downside scenarios for the period of the going concern assessment (being the period of 12 months from the date on which the financial statements are authorised for issue) and challenging the key assumptions. In evaluating these forecasts we considered the group's historic performance, its past record of achieving strategic objectives and management's assessment of the likely impact which COVID-19 may have on the group's financial performance, liquidity and regulatory solvency position;
- considering the projected solvency position of FBD Insurance plc under a number of stress scenarios set out in the group's Own Solvency Risk Assessment, comparing these to regulatory and the group's solvency capital requirement;
- considering whether the assumptions underlying the base case were consistent with related assumptions used in other areas of the entity's business activities, for example in testing for non-financial asset impairment;
- considering the group's liquidity position and investments maturity profile to assess liquidity through the going concern assessment period; and
- testing the mathematical integrity of the forecasts and the models and reconciling these to Board approved budgets.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's or the company's ability to continue as a going concern.

In relation to the company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

We are required to report if the directors' statement relating to going concern in accordance with Rule 6.1.82 (3) (a) of the Listing Rules for Euronext Dublin and Rule 9.8.6R(3) of the Listing Rules of the UK Financial Conduct Authority is materially inconsistent with our knowledge obtained in the audit. We have nothing to report in respect of this responsibility.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Report of the Directors, we also considered whether the disclosures required by the Companies Act 2014 (excluding the information included in the "Non Financial Statement" as defined by that Act on which we are not required to report) have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland), the Companies Act 2014 (CA14) and the Listing Rules applicable to the company (Listing Rules) require us to also report certain opinions and matters as described below (required by ISAs (Ireland) unless otherwise stated).

Report of the Directors

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Directors (excluding the information included in the "Non Financial Statement" on which we are not required to report) for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements. (CA14)
- Based on our knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Report of the Directors (excluding the information included in the "Non Financial Statement" on which we are not required to report). (CA14)

Corporate governance statement

- In our opinion, based on the work undertaken in the course of the audit of the financial statements:
  - the description of the main features of the internal control and risk management systems in relation to the financial reporting process; and
  - the information required by Section 1373(2)(d) of the Companies Act 2014;

  included in the Corporate Governance Statement and the Report of the Directors, is consistent with the financial statements and has been prepared in accordance with section 1373(2) of the Companies Act 2014. (CA14)
- Based on our knowledge and understanding of the company and its environment obtained in the course of the audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process and the information required by section 1373(2)(d) of the Companies Act 2014 included in the Corporate Governance Statement and the Report of the Directors. (CA14)
- In our opinion, based on the work undertaken during the course of the audit of the financial statements, the information required by section 1373(2)(a), (b), (e) and (f) of the Companies Act 2014 and regulation 6 of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 is contained in the Corporate Governance Statement and the Report of the Directors. (CA14)

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

We have nothing material to add or to draw attention to regarding:

- the directors' confirmation on page 50 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated; and
- the directors' explanation on page 50 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and the directors' statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and the company and their environment obtained in the course of the audit. (Listing Rules)

Other Code provisions

We have nothing to report in respect of our responsibility to report when:

- the statement given by the directors on page 79 that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit;
- the section of the Annual Report on pages 55 to 56 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; and
- the directors' statement relating to the company's compliance with the Code and the Irish Corporate Governance Annex does not properly disclose a departure from a relevant provision of the Code or the Annex specified, under the Listing Rules, for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 79, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 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.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the company financial statements to be readily and properly audited.
- The Company Statement of Financial Position is in agreement with the accounting records.

Other exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

We are required by the Listing Rules to review the six specified elements of disclosures in the report to shareholders by the Board on directors' remuneration. We have no exceptions to report arising from this responsibility.

Prior financial year Non Financial Statement

We are required to report if the company has not provided the information required by Regulation 5(2) to 5(7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 in respect of the prior financial year. We have nothing to report arising from this responsibility.

Appointment

We were appointed by the directors on 10 August 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 31 December 2016 to 31 December 2020.

Paraic Joyce
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
26 February 2021

- The maintenance and integrity of the FBD Group website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Income Statement

For the financial year ended 31 December 2020

	Note	2020 €000s	2019 €000s
Revenue	4(a)	**380,999**	394,639
Income			
Gross premium written	4(c)	**358,230**	370,063
Reinsurance premiums	4(c)	**(43,034)**	(31,836)
Net premium written	4(c)	**315,196**	338,227
Change in net provision for unearned premiums	4(c)	**36**	(674)
Net premium earned	4(c)	**315,232**	337,553
Net investment return	5	**10,388**	17,892
Financial services income – Revenue from contracts with customers	4(a)	**4,211**	4,268
– Other financial services income	4(a)	**5,172**	5,557
Total income		**335,003**	365,270
Expenses			
Net claims and benefits	4(c)	**(221,403)**	(148,679)
Other underwriting expenses	4(c)	**(88,527)**	(87,259)
Movement in other provisions	4(c)	**(9,681)**	(7,946)
Financial services and other costs	4(e)	**(7,276)**	(6,081)
Impairment of property, plant and equipment	13	**(734)**	(246)
Finance costs	27	**(2,580)**	(2,579)
Profit before taxation	6	**4,802**	112,480
Income taxation charge	10	**(412)**	(14,255)
Profit for the financial year		**4,390**	98,225
Attributable to:			
Equity holders of the parent		**4,390**	98,225

Earnings per share		**2020 Cent**	**2019 Cent**
Basic	12	13	281
Diluted	12	12[1]	276[1]

[1] *Diluted earnings per share reflects the potential vesting of share based payments.*

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

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

The financial statements were approved by the Board and authorised for issue on 25 February 2021.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2020

	Note	2020 €000s	2019 €000s
Profit for the financial year		**4,390**	98,225
Items that will or may be reclassified to profit or loss in subsequent periods:			
Net gain on available for sale financial assets during the year		**4,491**	11,356
Loss/(gain) transferred to the Consolidated Income Statement on disposal during the year		**14**	(432)
Taxation charge relating to items that will or may be reclassified to profit or loss in subsequent periods		**(563)**	(1,366)
Items that will not be reclassified to profit or loss in subsequent periods:			
Actuarial gain/(loss) on retirement benefit obligations	28(d)	**2,326**	(4,236)
Property held for own use revaluation loss		**(419)**	–
Taxation (charge)/credit relating to items not to be reclassified in subsequent periods		**(431)**	530
Other comprehensive income after taxation		**5,418**	5,852
Total comprehensive income for the financial year		**9,808**	104,077
Attributable to:			
Equity holders of the parent		**9,808**	104,077

Consolidated Statement of Financial Position

At 31 December 2020

ASSETS	Note	2020 €000s	2019 €000s
Property, plant and equipment	*13*	**25,085**	28,114
Policy administration system	*14*	**36,721**	38,603
Intangible assets	*15*	**5,100**	2,155
Investment property	*16*	**17,051**	18,693
Right of use assets	*9*	**5,635**	6,115
Loans		**601**	611
Deferred taxation asset	*17*	**1,294**	1,222
Financial assets			
Available for sale investments	*18(a)*	**863,880**	811,986
Investments held for trading	*18(a)*	**116,930**	111,399
Deposits with banks	*18(a)*	**40,000**	60,000
		1,020,810	983,385
Reinsurance assets			
Provision for unearned premiums	*25(e)*	**1,033**	1
Claims outstanding	*25(e)*	**122,760**	66,349
		123,793	66,350
Retirement benefit surplus	*28(f)*	**10,849**	8,723
Current taxation asset		**7,510**	3,949
Deferred acquisition costs	*19*	**34,079**	33,182
Other receivables	*20*	**65,402**	63,866
Cash and cash equivalents	*21*	**129,535**	94,982
Total assets		**1,483,465**	1,349,950

Consolidated Statement of Financial Position (continued)

At 31 December 2020

EQUITY AND LIABILITIES	Note	2020 €000s	2019 €000s
Equity			
Called up share capital presented as equity	22	**21,409**	21,409
Capital reserves	23(a)	**24,756**	22,811
Revaluation reserve		**978**	–
Retained earnings		**336,838**	328,008
Equity attributable to ordinary equity holders of the parent		**383,981**	372,228
Preference share capital	24	**2,923**	2,923
Total equity		**386,904**	375,151
Liabilities			
Insurance contract liabilities			
Provision for unearned premiums	25(d)	**184,541**	183,545
Claims outstanding	25(c)	**794,416**	683,332
		978,957	866,877
Other provisions	26	**12,067**	8,417
Subordinated debt	27	**49,544**	49,485
Lease liabilities	9	**5,843**	6,222
Deferred taxation liability	29	**5,421**	4,905
Current taxation liability		**–**	3,128
Payables	30(a)	**44,729**	35,765
Total liabilities		**1,096,561**	974,799
Total equity and liabilities		**1,483,465**	1,349,950

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

The financial statements were approved by the Board and authorised for issue on 25 February 2021.

They were signed on its behalf by:

Liam Herlihy
Chairman

Tomás Ó'Midheach
Group Chief Executive

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2020

	Note	2020 €000s	2019 €000s
Cash flows from operating activities			
Profit before taxation		**4,802**	112,480
Adjustments for:			
Profit on investments held for trading		**(5,356)**	(10,741)
Loss on investments available for sale		**3,531**	4,025
Interest and dividend income		**(9,481)**	(11,102)
Depreciation/amortisation of property, plant and equipment and intangible assets	*13, 14 & 15*	**11,041**	10,503
Depreciation on right of use assets	*9*	**821**	771
Share-based payment expense	*35*	**1,945**	2,381
Fair value loss/(gain) on investment property	*16*	**1,569**	(290)
Impairment of property, plant and equipment	*13*	**734**	246
Increase/(decrease) in insurance contract liabilities		**54,638**	(39,448)
Increase in other provisions	*26*	**3,650**	679
Operating cash flows before movement in working capital		**67,894**	69,504
Increase in receivables and deferred acquisition costs		**(3,154)**	(2,839)
Increase in payables		**10,680**	5,082
Interest on lease liabilities	*9*	**263**	278
Purchase of investments held for trading		**(54,008)**	(29,689)
Sale of investments held for trading		**53,835**	7,807
Cash generated from operations		**75,510**	50,143
Interest and dividend income received		**10,204**	11,717
Income taxes paid		**(6,611)**	(14,129)
Net cash generated from operating activities		**79,103**	47,731
Cash flows from investing activities			
Purchase of available for sale investments		**(217,013)**	(152,656)
Sale of available for sale investments		**166,093**	143,289
Purchase of property, plant and equipment	*13*	**(1,839)**	(4,518)
Additions to policy administration system	*14*	**(4,796)**	(4,414)
Purchase of intangible assets	*15*	**(3,593)**	(1,935)
Refurbishment of investment property	*16*	**(1,922)**	–
Sale of investment property	*16*	**1,994**	–
Decrease in loans and advances		**10**	4
Maturities of deposits invested with banks	*18(a)*	**40,000**	50,998
Additional deposits invested with banks	*18(a)*	**(20,000)**	(40,000)
Net cash used in investing activities		**(41,066)**	(9,232)
Cash flows from financing activities			
Ordinary and preference dividends paid	*31*	**–**	(17,714)
Interest payments on subordinated debt	*27*	**(2,500)**	(2,500)
Principal elements of lease payments	*9*	**(984)**	(942)
Net cash used in financing activities		**(3,484)**	(21,156)
Net increase in cash and cash equivalents		**34,553**	17,343
Cash and cash equivalents at the beginning of the year	*21*	**94,982**	77,639
Cash and cash equivalents at the end of the financial year	*21*	**129,535**	94,982

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2020

	Called up share capital presented as equity	Capital reserves	Revaluation reserve	Retained earnings	Attributable to ordinary shareholders	Preference share capital	Total equity
	€000s	€000s	€000s	€000s	€000s	€000s	€000s
Balance at 1 January 2019	21,409	20,430	–	241,645	283,484	2,923	286,407
Profit after taxation	–	–	–	98,225	98,225	–	98,225
Other comprehensive income after taxation	–	–	–	5,852	5,852	–	5,852
	21,409	20,430	–	345,722	387,561	2,923	390,484
Dividends paid and approved on ordinary and preference shares	–	–	–	(17,714)	(17,714)	–	(17,714)
Recognition of share based payments	–	2,381	–	–	2,381	–	2,381
Balance at 31 December 2019	**21,409**	**22,811**	**–**	**328,008**	**372,228**	**2,923**	**375,151**
Reclassification to revaluation reserve[1]	–	–	1,345	(1,345)	–	–	–
Profit after taxation	–	–	–	4,390	4,390	–	4,390
Other comprehensive income after taxation	–	–	(367)	5,785	5,418	–	5,418
	21,409	22,811	978	336,838	382,036	2,923	384,959
Recognition of share based payments	–	1,945	–	–	1,945	–	1,945
Balance at 31 December 2020	**21,409**	**24,756**	**978**	**336,838**	**383,981**	**2,923**	**386,904**

[1] *During the year the Group reclassified the reserve for revaluation gains on property held for own use previously included in retained earnings into a separate revaluation reserve.*

Company Statement of Financial Position

At 31 December 2020

	Note	2020 €000s	2019 €000s
Assets			
Investments			
Investment in subsidiaries	*32*	**91,831**	91,831
Financial assets		**1**	1
		91,832	91,832
Cash and cash equivalents		**880**	734
Retirement benefit surplus		**2,367**	1,946
Deferred taxation asset		**351**	351
Other receivables		**3,864**	4,101
Total assets		**99,294**	98,964
Equity and liabilities			
Equity			
Called up share capital presented as equity	*22*	**21,409**	21,409
Capital reserves	*23(b)*	**24,756**	22,811
Retained earnings		**47,353**	48,930
Shareholders' funds – equity interests		**93,518**	93,150
Preference share capital	*24*	**2,923**	2,923
Equity attributable to equity holders of the parent		**96,441**	96,073
Deferred taxation liability		**298**	243
Payables	*30(b)*	**2,555**	2,648
Total equity and liabilities		**99,294**	98,964

The Company's movement in retained earnings is total comprehensive expense for the financial year of €1,577,000 and dividend paid of €nil (2019: total comprehensive income of €19,997,000 and dividend paid of €17,714,000).

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

The financial statements were approved by the Board and authorised for issue on 25 February 2021.

They were signed on its behalf by:

Liam Herlihy
Chairman

Tomás Ó'Midheach
Group Chief Executive

Company Statement of Cash Flows

For the financial year ended 31 December 2020

	2020 €000s	2019 €000s
Cash flows from operating activities		
(Loss)/profit before taxation	**(2,420)**	20,960
Adjustments for:		
Share-based payment expense	**1,945**	2,381
Operating cash flows before movement in working capital	**(475)**	23,341
Decrease/(increase) in receivables	**695**	(3,293)
Decrease in payables	**(74)**	(1,659)
Net cash generated from operating activities	**146**	18,389
Net cash generated from investing activities	**–**	–
Cash flows from financing activities		
Ordinary and preference dividends paid	**–**	(17,714)
Net cash used in financing activities	**–**	(17,714)
Net increase in cash and cash equivalents	**146**	675
Cash and cash equivalents at the beginning of the financial year	**734**	59
Cash and cash equivalents at the end of the financial year	**880**	734

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

Company Statement of Changes in Equity

For the financial year ended 31 December 2020

	Called up share capital presented as equity	Capital reserves	Retained earnings	Attributable to ordinary shareholders	Preference share capital	Total equity
	€000s	€000s	€000s	€000s	€000s	€000s
Balance at 1 January 2019	**21,409**	**20,430**	**46,647**	**88,486**	**2,923**	**91,409**
Profit after taxation	–	–	20,962	20,962	–	20,962
Other comprehensive expense after taxation	–	–	(965)	(965)	–	(965)
	21,409	20,430	66,644	108,483	2,923	111,406
Dividends paid and approved on ordinary and preference shares	–	–	(17,714)	(17,714)	–	(17,714)
Recognition of share based payments	–	2,381	–	2,381	–	2,381
Balance at 31 December 2019	**21,409**	**22,811**	**48,930**	**93,150**	**2,923**	**96,073**
Loss after taxation	–	–	(1,963)	(1,963)	–	(1,963)
Other comprehensive income after taxation	–	–	386	386	–	386
	21,409	22,811	47,353	91,573	2,923	94,496
Recognition of share based payments	–	1,945	–	1,945	–	1,945
Balance at 31 December 2020	**21,409**	**24,756**	**47,353**	**93,518**	**2,923**	**96,441**

Notes to the Financial Statements

For the financial year ended 31 December 2020

1 GENERAL INFORMATION

FBD Holdings plc is an Irish registered public limited company. The registration number of the company is 135882. The address of the registered office is FBD House, Bluebell, Dublin 12, Ireland. FBD is one of Ireland's largest property and casualty insurers, looking after the insurance needs of farmers, consumers and business owners. Established in the 1960s by farmers for farmers, FBD has built on those roots in agriculture to become a leading general insurer serving the needs of its direct agricultural, small business and consumer customers throughout Ireland. It has a network of 34 branches nationwide.

2 GOING CONCERN

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future being a period of not less than 12 months from the date of this report.

In making this assessment the Directors considered the continuing impact of the Covid-19 pandemic on the Group's business. This included reviewing projections reflecting the Covid-19 pandemic potential impacts on 2021 and 2022 across base case, pessimistic and optimistic scenarios. The scenarios included a range of estimates based on the length of time the economy takes to recover as well as the impact from the business interruption claims the company is liable for following the recent judgement.

The economic environment may impact on premiums including potential reductions in exposures, new business and retention levels. The timing of recovery and the length of the continuing lockdown period may also impact on the claims frequency and severity. Expense assumptions change depending on the level of premiums as discretionary spend and resources are adjusted. A positive and more adverse view of investment markets were considered in arriving at assumptions for future investment returns. In addition the ORSA process monitors current and future solvency needs. The scenarios described above were projected as part of the ORSA process as well as a number of of more extreme stress events. The level of projected capital and liquidity is most sensitive to the ultimate net cost of Covid-19 related public house business interruption claims. In all scenarios the Group's Capital Ratio remained in excess of the Solvency Capital Requirement and in compliance with liquidity policies.

The Directors considered the liquidity requirements of the business to ensure it has cash resources available to pay claims and other expenditure as they fall due, including the impact from the business interruption judgement. The business continues to have adequate cash resources available to support business requirements as well as business interruption claims as they fall due. In addition the Group has a highly liquid investment portfolio with over 60% of the portfolio invested in high quality corporate and sovereign bonds.

We have implemented required health and safety changes to our branch offices, contact centre and head office to ensure the safe working conditions for all customers and employees. Many of our staff continue to work remotely in line with Government guidelines. No structural changes are required by the business as a result of the Covid-19 pandemic and no changes are expected to capital investment projects planned and in train, as we continue to deliver improvements in IT infrastructure and the customer journey ensuring our customers can do business with us the way they choose.

On the basis of the scenarios projected by the Group and the additional ORSA scenarios carried out, the Directors are satisfied that there are no material uncertainties which cast doubt on the ability of the Group or Company to continue as a going concern over the period of assessment being not less than 12 months from the date of this report. Thus the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. The Group and Company financial statements are prepared in compliance with the Companies Acts 2014.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Standards adopted during the period

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2020, unless otherwise stated.

- Amendments to References to the Conceptual Framework in IFRS Standards
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Definition of a Business (Amendment to IFRS 3)
- Covid-19-Related Rent Concessions (Amendment to IFRS 16) (effective on or after 1 June 2020)

The amendments of these standards has not had a material impact on the financial statements of the Group.

Standards and Interpretations not yet effective

IFRS 17	*Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[2]

[1] Effective for annual periods beginning on or after 1 January 2023, with earlier application permitted.

[2] Consolidated financial statements only. Effective for annual periods beginning on or after 1 January 2023, with earlier application permitted.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is effective for annual periods beginning on or after 1 January 2023.

IFRS 17 is expected to have a material impact on the consolidated financial statements of the Group. IFRS 17 is a comprehensive new accounting standard for all insurance contracts covering recognition and measurement, presentation and disclosure. The core of IFRS 17 is the general model, supplemented by an optional simplified premium allocation approach which is permitted for the liability for the remaining coverage for short duration contracts. The general model measures insurance contracts using the building blocks of: discounted probability weighted cash flows; an explicit risk adjustment; and a contractual service margin representing the unearned profit of the contract which is recognised as revenue over the coverage period. An IFRS 17 cross functional project team is in place to deliver the required reporting in line with required application timelines. The impact on adoption cannot be reasonably estimated at this time.

IFRS 9 Financial Instruments in respect of the consolidated financial statements is being considered as part of the project for the adoption of IFRS 17 Insurance Contracts.

ACCOUNTING POLICIES

The principal accounting policies adopted by the Board are detailed below. All accounting policies are applicable to the consolidated and company financial statements unless stated otherwise.

A) ACCOUNTING CONVENTION

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B) BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings to 31 December. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over an investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all the relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B) BASIS OF CONSOLIDATION (continued)

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

C) INVESTMENTS IN SUBSIDIARIES (Company only)

Investments in subsidiaries are accounted for at cost less accumulated impairment losses.

Dividend income from investments in subsidiaries is recognised when the Company's right to receive has been established.

D) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents gross premiums written, broking commissions, fees, other commissions, interest and dividends receivable, rents receivable, net of discounts, levies, VAT and other sales related taxes.

Revenue from insurance contracts is accounted for in accordance with accounting policy (E).

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

Broking commission is recognised as the Group satisfies its performance obligations. The Group's performance obligation in relation to broking commissions is satisfied at the point in time when the underlying policy has been contractually agreed between the insured and the provider. The transaction price is the expected commission income receivable by the Group for the satisfaction of this performance obligation. The transaction price includes a variable consideration estimation on the basis that elements of commissions receivable are dependent on the outcome of future events, namely the underlying policies sold remaining in force, and are paid in future periods. Thus an expected level of lapses is applied to policies sold in order to calculate an appropriate commission receivable in relation to the satisfaction of the performance obligation. Variable consideration is only recognised to the extent that it is highly probable that a significant reversal of revenue would not occur.

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

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

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

E) INSURANCE CONTRACTS

(i) Premiums written

Premiums written relate to contracts entered into during the accounting period, together with any difference between booked premiums for prior years and those previously accrued, and include estimates of premiums due. Premiums written exclude taxes and duties levied on premiums.

Premium rebates relate to elements of premium written returned to policyholders as a result of agreed reductions in risk exposure. The earnings impact of premium rebates is recognised over the period of reduced risk exposure.

(ii) Unearned premiums

Unearned premiums are those portions of premium income written in the year that relate to insurance cover after the year end. Unearned premiums are computed on a 365th of premium written. At 31 December each year, an assessment is made of whether the provision for unearned premiums is adequate as set out in accounting policy E (iv) below.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E) INSURANCE CONTRACTS (continued)

(iii) Deferred acquisition costs

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

(iv) Unexpired risks

At 31 December each year, an assessment is made of whether the provision for unearned premiums is adequate. Provision for unexpired risks is made where the expected claims, related expenses and deferred acquisition costs are expected to exceed unearned premiums, after taking account of future investment income. At each reporting date, the Group reviews its unexpired risks and carries out a liability adequacy test for any overall excess of expected claims and deferred acquisition costs over unearned premiums, using the current estimates of future cash flows under its contracts after taking account of the investment return expected to arise on assets. If these estimates show that the carrying amount of its insurance liabilities (less related deferred acquisition costs) is insufficient in light of the estimated future cash flows, the deficiency is recognised in the Income Statement by setting up a provision in the Statement of Financial Position.

(v) Claims incurred

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

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

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

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

(vi) Reinsurance

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

A reinsurance asset (reinsurers' share of claims outstanding and provision for unearned premium) is recognised to reflect the amount estimated to be recoverable under the reinsurance contracts in respect of the outstanding claims reported under insurance liabilities. The amount recoverable from reinsurers is initially valued on the same basis as the underlying claims provision.

The amount recoverable is reduced when there is an event arising after the initial recognition that provides objective evidence that the Group may not receive all amounts due under the contract and the event has a reliably measurable impact on the expected amount that will be recoverable from the reinsurer.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F) OTHER PROVISIONS

Other provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when the provision can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at management's best estimate, at the balance sheet date, of the expenditure required to settle the obligation.

G) PROPERTY, PLANT AND EQUIPMENT

(i) Property

Property held for own use in the supply of services or for administrative purposes is stated at revalued amounts, being the fair value at the date of revaluation which is determined by professional valuers, less subsequent depreciation for buildings. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. Any revaluation increase arising on the revaluation of such property is recognised in other comprehensive income and credited to the revaluation reserve within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised. A decrease on revaluation is charged as an expense to the Income Statement to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to previous revaluation of that asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement and any associated revaluation surplus is transferred to retained earnings.

(ii) Computer equipment and fixtures and fittings

Computer equipment and fixtures and fittings are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) Depreciation

Depreciation is provided in respect of computer equipment and fixtures and fittings, and is calculated in order to write off the cost or valuation of the assets over their expected useful lives on a straight line basis over a three to ten year period. Depreciation on assets under development commences when the assets are ready for their intended use.

Buildings are depreciated to their residual value over the useful economic life of the building, on a straight line basis. Land is not depreciated.

The assets' residual values, useful lives and methods of depreciation are reviewed at least each financial year end and adjusted if appropriate.

The estimated useful lives of property, plant and equipment are as follows:

Buildings: 30 years
Computer equipment: 3-5 years
Fixtures and fittings: 10 years

H) POLICY ADMINISTRATION SYSTEM

The Policy Administration System is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided in respect of the Policy Administration System and is calculated in order to write off the costs incurred to date, over its expected useful life which is determined to be 5.5 years on a straight line basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I) INTANGIBLE ASSETS

Intangible assets are stated at cost less accumulated amortisation and less any accumulated impairment losses. Intangible assets comprise computer software and these assets are amortised on a straight line basis over a five year period.

J) INVESTMENT PROPERTY

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

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

K) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

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

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

(i) Investments held for trading at fair value

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

Investments are held for trading if:

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K) FINANCIAL INSTRUMENTS (continued)

(ii) Available for sale investments

Available for sale investments include quoted debt securities and unquoted investments, and are stated at fair value where fair value can be reliably measured. Fair value is calculated using closing bid prices. They are recognised on a trade date basis at fair value, and are subsequently revalued at each reporting date to fair value, with gains and losses being included directly in the Statement of Comprehensive Income until the investment is disposed of or determined to be impaired, at which time the cumulative gain or loss previously recognised in the Statement of Comprehensive Income, is included in the Income Statement for the year.

(iii) Loans

Loans are recognised on a trade date basis at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method. When it is not possible to estimate reliably the cash flows or the expected life of a loan, the projected cash flows over the full term of the loan are used to determine fair value.

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

(iv) Other receivables

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

Other receivables (Company only)

Other debtors are measured at initial recognition at fair value and are subsequently measured at amortised cost less expected credit losses. Expected credit losses is a forward looking measure of impairment calculated on a probability of credit losses basis.

(v) Deposits with banks

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

(vi) Subordinated debt

Subordinated debt issued by the Group comprise callable dated deferrable subordinated notes.

The financial liability is initially recognised at fair value of the subordinated notes net of costs. Subsequent to initial recognition, the subordinated debt is measured at amortised cost using the effective interest rate method.

Interest and amortisation relating to the financial liability is recognised in the Income Statement.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)

The Group applies the temporary exemption from IFRS 9 Financial Instruments, as defined in the amendment "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – IFRS 4 amendments" issued by the IASB in September 2016, in its consolidated financial statements. This amendment allows an entity to defer the implementation of IFRS 9 if its activities are predominantly connected with insurance. As a result, the Group will continue to apply IAS 39, Financial Instruments: Recognition and Measurement in its consolidated financial statements until the reporting period beginning on 1 January 2023.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K) FINANCIAL INSTRUMENTS (continued)

During 2018 the Group performed an assessment of the amendments and reached the conclusion that its activities were predominantly connected with insurance as at 31 December 2015. The Group's percentage of its gross liabilities from contracts within the scope of IFRS 4 relative to its total liabilities at 31 December 2015 was 94.5% which is in excess of the 90% threshold required by IFRS 4. There has been no significant change to the activities of the Group requiring reassessment of the use of the temporary exemption from IFRS 9 to 31 December 2020.

IFRS 9 financial instruments deferral disclosures, as defined in IFRS 4, are included in note 38.

L) LEASES

(i) The Group as Lessor

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

(ii) The Group as Lessee

A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the Group has the right to direct the use of the identified asset throughout the period of use; and
- The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the lease liability is measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. The right of use asset is recognised as an amount equal to the lease liability, adjusted for amount of any prepaid or accrued lease payments relating to the lease.

The Group depreciates the right of use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The Group also assesses the right of use assets for impairment when such indicators exist.

Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

M) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits with maturities of 3 months or less held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Deposits with banks and cash and cash equivalents are valued at amortised cost.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N) TAXATION

Income tax expense or credit represents the sum of income tax currently payable and deferred income tax. Income tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Consolidated Income Statement because it excludes items of income or expense that are taxable or deductible in other years and further excludes items that are not taxable or deductible. The Group's liability for income tax is calculated using rates that have been enacted or substantively enacted at the reporting date. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity.

Deferred income tax is provided, using the liability method, on all differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is expected to be realised or the liability to be settled.

Deferred tax assets are recognised for all deductible differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit would be available to allow all or part of the deferred income tax asset to be utilised.

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

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle on a net basis.

O) RETIREMENT BENEFITS

The Group provides either defined benefit or defined contribution retirement benefit schemes for the majority of its employees.

(i) Defined benefit scheme

A full actuarial valuation of the scheme is undertaken every three years and is updated annually to reflect current conditions in the intervening periods for the purposes of preparing the financial statements.

The liability or asset recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Income Statement.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the Statement of Changes in Equity and in the Statement of Financial Position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the Income Statement as past service costs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O) RETIREMENT BENEFITS (continued)

(ii) Defined contribution schemes

Costs arising in respect of the Group's defined contribution retirement benefit schemes are charged to the Income Statement in line with the service received.

P) CURRENCY

For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in Euro, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

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

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

Q) SHARE-BASED PAYMENTS AND LONG TERM INCENTIVE PLANS

The Group operates a long-term incentive plan based on market and non-market vesting conditions. The fair value of the market based awarded shares is determined at the date of grant using either the Black Scholes or Monte Carlo Simulation models. The fair value of the non-market based awarded shares is determined with reference to the share price of the Group at the date of grant. The cost is expensed in the Income Statement over the vesting period at the conclusion of which the employees become unconditionally entitled to the shares once performance conditions are met. The corresponding amount to the expense is credited to a separate reserve in the Statement of Financial position. At each period end, the Group reviews its estimate of the number of shares that it expects to vest and any adjustment relating to current and past vesting periods is brought to the Income Statement. The share awards are all equity settled.

R) TREASURY SHARES

Where any group company purchases the Company's equity share capital, the consideration paid is shown as a deduction from ordinary shareholders' equity. Consideration received on the subsequent sale or issue of treasury shares is credited to ordinary shareholders' equity. Treasury shares are excluded when calculating earnings per share.

S) IMPAIRMENT OF ASSETS

(i) Impairment of tangible and intangible assets

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S) IMPAIRMENT OF ASSETS (continued)

(i) Impairment of tangible and intangible assets (continued)

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

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

(ii) Impairment of financial assets

Financial assets, other than those at FVTPL (fair value through profit or loss), are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been impacted. For listed and unlisted equity investments classified as Available for Sale ("AFS"), a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

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

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

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

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in the Statement of Comprehensive Income are reclassified to the Income Statement in the period.

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

In respect of AFS equity securities, impairment losses previously recognised in the Consolidated Income Statement are not reversed through the Income Statement. Any increase in fair value subsequent to an impairment loss is recognised in the Statement of Comprehensive Income.

T) OTHER FINANCIAL SERVICES INCOME

Other financial services income comprises interest on instalment premiums which is recognised on an effective interest method and other financial services income as detailed in accounting policy (D).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The principal accounting policies adopted by the Group are set out on pages 101 to 112. In the application of these accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The key source of judgement and estimation in the preparation of the financial statements are detailed below. The judgements and estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Claims provisions

Claims provisions represent the estimation of the cost of claims outstanding under insurance contracts written. Actuarial techniques, based on statistical analysis of past experience, are used to calculate the estimated cost of claims outstanding at year end.

Also included in the estimation of outstanding claims are factors such as the potential for inflation. Provisions for more recent claims make use of techniques that incorporate expected loss ratios and average claims cost (adjusted for inflation) and frequency methods. The average claims cost and frequency methods are particularly relevant when calculating the ultimate cost of claims for the 2020 accident year as historic patterns will have been distorted by Covid-19.

On 5 February 2021 the judgement was issued from the hearing in the Commercial Court between FBD and a number of publican customers claiming cover for business interruption as a consequence of the Covid-19 pandemic public health measures. The judgement confirmed that FBD is liable to cover business interruption cases for publican customers. The Commercial Court judgement has provided more clarity on likely gross claims costs albeit with some aspects of the calculation of quantum yet to be determined.

The calculations are particularly sensitive to the estimation of the ultimate cost of claims for the particular classes of business and the estimation of future claims handling costs. Actual claims experience may differ from the assumptions on which the actuarial best estimate is based and the cost of settling individual claims may exceed that assumed.

Due to the limited data available from the claimants at the current time the business interruption best estimate gross of reinsurance is sensitive to the assumed level of wage and expense savings experienced by the policyholder while the business was closed. In addition there is continued uncertainty as to when the pubs will reopen for business which impacts on the amount of a claim as the losses continue to increase from the last date a pub closed. The anticipated quantum hearing and receipt of the particulars of each claim will reduce this uncertainty as the year progresses.

As a result of the uncertainties noted, the Group sets provisions at a margin above the actuarial best estimate.

Further details are set out in note 25 to the financial statements and sensitivities are set out in note 37.

Reinsurance assets

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

The actual amount recovered from reinsurers is sensitive to the same uncertainties as the underlying large claims. To the extent that the underlying claim settles at a lower or higher amount than that assumed this will have a direct influence on the associated reinsurance asset.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

In relation to business interruption claims, given Covid-19 is a novel event with no real precedent in reinsurance the Group has modelled a number of different scenarios and applied judgement in relation to the application of reinsurance cover. In arriving at the best estimate, probabilities have been assigned to reinsurance scenarios based on discussions with reinsurers and our reinsurance broker and specialist legal advice. While more adverse outcomes for the Group are possible, our assessment is that these have a lower probability of occurrence. This process has resulted in a reinsurance asset of approximately €84m after reinstatements. It is acknowledged that there is currently a high degree of uncertainty in arriving at the best estimate of likely costs and the actual effect of reinsurance recoveries will become known with more certainty during 2021 with the potential that the ultimate reinsurance asset being higher or lower than the best estimate. Business interruption as with all uncertainties, is assessed when the Group is considering the margin for uncertainty, being a provision held as an amount over the best estimate of claims liabilities net of expected reinsurance recoveries.

Sensitivities of the reinsurance asset are set out in note 37.

Uncertainties in impairment testing

As at the reporting date it is noted that the market capitalisation, that is the quoted share price multiplied by the number of ordinary shares in issue, is lower than the Shareholders' Funds as per the Statement of Financial Position. There are a large number of factors driven by market conditions that can influence the market capitalisation of a company which includes but are not limited to, uncertainties such as Brexit and the Covid-19 pandemic or other factors such as shares being traded less frequently. The current economic conditions as a result of the global pandemic and the market capitalisation being below net assets are considered to be external indicators of impairment and create a necessity to make a formal estimate of recoverable amount to test whether any actual impairment exists. For tangible and intangible assets, the recoverable amount of an asset is the higher of its value in use or its fair value less costs to sell. In the case of the Property, Plant and Equipment (excluding Owner Occupied Property which is held at revalued amount), Policy Administration System, Intangible Assets and Right of Use Assets there is no reliable estimate of the price at which an orderly transaction to sell the assets would take place and there are no direct cash-flows expected from the individual assets. These assets are an integral part of the FBD General Insurance business, therefore, the smallest group of assets that can be classified as a cash generating unit is the FBD General Insurance business.

The Value in Use of the cash generating unit has been determined by estimating the future cash inflows and outflows to be derived from continuing use of the group of assets, and applying a discount rate to those future cash flows. As with all projections there are assumptions made that will be different to actual experience, however given the increased uncertainty surrounding the economic recovery from the pandemic these estimates are considered a critical accounting estimate as at the reporting date.

The Value in Use cash flow projections are based on business plans covering a three-year period. These plans represent management's best estimate of future underwriting profits and fee income for the FBD General Insurance business factoring in both past experience as well as expected future outcomes relative to market data and the strategy adopted by the Board. The underlying assumptions of these forecasts include average premium, number of policies written, claims frequency, claims severity, weather experience, commission rates, fee income charges and expenses. The average growth rate used for the first three years is 2.5% while a further two-year period is extrapolated using a lower growth rate on average of 0.8%. Future cash flows are discounted using an estimated weighted average cost of capital of 8.4% that is considered a prudent estimate for a market rate.

Sensitivity analysis was performed on the projections to allow for possible variations in the amount of the future cash flows and potential discount rate changes used to assess the impact on the headroom. Projections reflecting Covid-19 pandemic potential impacts across base case, pessimistic and optimistic scenarios were considered. These projections included a range of estimates based on the length of time the economy takes to recover as well as impacts of the continuing pandemic as well as further business interruption impacts.

The scenarios run resulted in headroom ranging from 1.0 to 1.5 times when comparing the Value in Use of the cash generating unit to the carrying value of the assets, indicating that there is no impairment of the assets.

Note 37, Financial Risk Management identifies the Group's key sensitivity factors and tests the impact of a change in each one of these factors has on pre-taxation profit and shareholders' equity.

4 SEGMENTAL INFORMATION

(a) Operating segments

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

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

The following is an analysis of the Group's revenue and results by reportable segments.

2020	Underwriting	Financial Services	Total
	€000s	€000s	€000s
Revenue	371,616	9,383	380,999
Investment return	10,388	-	10,388
Finance costs	(2,580)	-	(2,580)
Profit before taxation	2,695	2,107	4,802
Income taxation charge	91	(503)	(412)
Profit after taxation	2,786	1,604	4,390
Other information			
Capital additions	8,357	-	8,357
Impairment of other assets	(2,303)	-	(2,303)
Depreciation/amortisation	11,041	-	11,041
Statement of Financial Position			
Segment assets	1,461,755	21,710	1,483,465
Segment liabilities	1,088,963	7,598	1,096,561

Included above in the current period is a net non-cash impairment charge relating to property held for own use and revaluation loss relating to investment property of €2,303,000 (2019: revaluation of €44,000).

4 SEGMENTAL INFORMATION (continued)

(a) Operating segments (continued)

2019	Underwriting	Financial Services	Total
	€000s	€000s	€000s
Revenue	384,814	9,825	394,639
Investment return	17,892	–	17,892
Finance costs	(2,579)	–	(2,579)
Profit before taxation	108,736	3,744	112,480
Income taxation charge	(13,592)	(663)	(14,255)
Profit after taxation	95,144	3,081	98,225
Other information			
Capital additions	9,385	–	9,385
(Impairment)/Revaluation of other assets	(1,908)	1,952	44
Depreciation/amortisation	(10,503)	–	(10,503)
Statement of Financial Position			
Segment assets	1,335,431	14,519	1,349,950
Segment liabilities	967,810	6,989	974,799

The accounting policies of the reportable segments are the same as the Group accounting policies. Segment profit represents the profit earned by each segment. Central administration costs and Directors' salaries are allocated based on actual activity. Restructuring costs and income taxation are direct costs of each segment.

In monitoring segment performance and allocating resources between segments:

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

4 SEGMENTAL INFORMATION (continued)

(a) Operating segments (continued)

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

	2020 €000s	2019 €000s
Direct insurance – motor	**180,440**	182,586
Direct insurance – fire and other damage to property	**105,237**	107,399
Direct insurance – liability	**67,353**	74,690
Direct insurance – interest and other revenue	**13,386**	14,751
Direct insurance – other	**5,200**	5,388
Financial services income - revenue from contracts with customers	**4,211**	4,268
Financial services income - other financial services revenue	**5,172**	5,557
Total revenue	**380,999**	394,639

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

See below written premiums, earned premiums, incurred claims including claims handling expense, and other underwriting expenses split by product lines within the underwriting segment.

	2020			2019		
	Gross €000s	Ceded €000s	Net €000s	Gross €000s	Ceded €000s	Net €000s
(i) Written premiums						
Motor	180,440	(14,567)	**165,873**	182,586	(14,787)	167,799
Fire and other damage to property	105,237	(23,109)	**82,128**	107,399	(10,872)	96,527
Liability	67,353	(4,990)	**62,363**	74,690	(5,767)	68,923
Miscellaneous	5,200	(368)	**4,832**	5,388	(410)	4,978
	358,230	**(43,034)**	**315,196**	370,063	(31,836)	338,227

Included in the gross premium written balance of €358,230,000 are premium rebates of €11,817,000 relating to reduced insurance exposure as a result of Covid-19 restrictions. The ceded premiums balance of €43,034,000 includes assumed reinsurance reinstatement premium of €11,300,000 in respect of the Covid-19 business interruption claims.

	2020			2019		
	Gross €000s	Ceded €000s	Net €000s	Gross €000s	Ceded €000s	Net €000s
(ii) Earned premiums						
Motor	178,022	(14,041)	**163,981**	180,902	(14,787)	166,115
Fire and other damage to property	105,882	(22,602)	**83,280**	109,221	(10,873)	98,348
Liability	68,068	(4,990)	**63,078**	73,759	(5,767)	67,992
Miscellaneous	5,262	(369)	**4,893**	5,512	(414)	5,098
	357,234	**(42,002)**	**315,232**	369,394	(31,841)	337,553

4. SEGMENTAL INFORMATION (continued)

(a) Operating segments (continued)

	2020			2019		
	Gross	Ceded	Net	Gross	Ceded	Net
	€000s	€000s	€000s	€000s	€000s	€000s
(iii) Incurred claims including claims handling expenses						
Motor	55,840	(537)	**55,303**	61,321	10,789	72,110
Fire and other damage to property	198,125	(59,660)	**138,465**	37,658	(564)	37,094
Liability	24,422	(337)	**24,085**	35,486	829	36,315
Miscellaneous	3,594	(44)	**3,550**	3,111	49	3,160
	281,981	**(60,578)**	**221,403**	137,576	11,103	148,679

Net claims incurred in 2020 was €221,403,000, up 49% on net claims incurred of €148,679,000 in 2019. The majority of the increase relates to Covid-19 business interruption best estimate claims costs of €54,000,000. There was positive prior year reserve development of €23,300,000 as large claims experience was better than projected. This development was driven primarily by better than expected settlements and very low large claims frequency in some recent accident years.

	2020			2019		
	Gross	Ceded	Net	Gross	Ceded	Net
	€000s	€000s	€000s	€000s	€000s	€000s
(iv) Other underwriting expenses						
Motor	46,038	(1,519)	**44,519**	44,276	(1,360)	42,916
Fire and other damage to property	26,850	(844)	**26,006**	26,044	(518)	25,526
Liability	17,185	(472)	**16,713**	18,112	(559)	17,553
Miscellaneous	1,326	(37)	**1,289**	1,306	(42)	1,264
	91,399	**(2,872)**	**88,527**	89,738	(2,479)	87,259

Covid-19 related costs of €500,000 are included in other underwriting expenses relating to computer equipment requirements and additional cleaning of local offices and head office.

(b) Geographical segments

The Group's operations are located in Ireland.

4. SEGMENTAL INFORMATION (continued)

(c) Underwriting result

	2020 €000s	2020 €000s	2019 €000s	2019 €000s
Earned premiums, net of reinsurance				
Gross premium written	**358,230**		370,063	
Reinsurance premiums	**(43,034)**		(31,836)	
Net premium written	**315,196**		338,227	
Change in provision for unearned premium				
Gross amount	**(996)**		(670)	
Reinsurers' share	**1,032**		(4)	
Change in net provision for unearned premium	**36**		(674)	
Net premium earned		**315,232**		337,553
Claims paid, net of recoveries from reinsurers				
Claims paid:				
Gross amount	**(160,950)**		(182,434)	
Reinsurers' share	**4,167**		3,467	
Claims paid, net of recoveries from reinsurers	**(156,783)**		(178,967)	
Change in provision for claims				
Gross amount	**(111,085)**		54,693	
Reinsurers' share	**56,411**		(14,570)	
Change in insurance liabilities, net of reinsurance	**(54,674)**		40,123	
Claims handling expenses	**(9,946)**		(9,835)	
Net claims and benefits		**(221,403)**		(148,679)
Motor insurers bureau of Ireland levy and related payments		**(9,681)**		(7,946)
Management expenses	**(86,858)**		(86,499)	
Deferred acquisition costs	**897**		1,226	
Gross management expenses	**(85,961)**		(85,273)	
Reinsurers share of expenses	**2,872**		2,479	
Broker commissions payable	**(5,438)**		(4,465)	
Net operating expenses		**(88,527)**		(87,259)
Underwriting result		**(4,379)**		93,669

4. SEGMENTAL INFORMATION (continued)

(c) Underwriting result (continued)

The Group's reinsurance policy dictates that all of the Group's reinsurers must have a credit rating of A- or better, or provide alternative satisfactory security. The impact of buying reinsurance was a credit to the Consolidated Income Statement of €21,409,000 (2019: debit of €40,464,000).

(d) Underwriting management expenses

	2020 €000s	2019 €000s
Employee benefit expense	**47,069**	47,629
Rent, rates, insurance and maintenance	**6,472**	6,367
Depreciation/amortisation	**11,041**	10,503
Other	**22,276**	22,000
Total underwriting management expenses	**86,858**	86,499

(e) Financial services and other costs

	2020 €000s	2019 €000s
Employee benefit expense	**4,234**	3,553
Rent, rates, insurance and maintenance	**434**	396
Other	**2,608**	2,132
Total financial services and other costs	**7,276**	6,081

5 NET INVESTMENT RETURN

	2020 €000s	2019 €000s
Actual return		
Interest and similar income	**10,203**	11,658
Net income from investment properties	**310**	554
Realised gains/(losses) on investments	**160**	(814)
Dividend income	**1**	59
Revaluation of investment properties	**(1,569)**	290
Unrealised gains on financial investments	**1,283**	6,145
Total investment income	**10,388**	17,892
By classification of investment		
Deposits with banks	**(197)**	10
Investments held for trading	**5,411**	10,649
Investment properties	**(188)**	843
Available for sale investments	**5,362**	6,390
Total investment income	**10,388**	17,892

6 PROFIT BEFORE TAXATION

	2020 €000s	2019 €000s
Profit before taxation has been stated after charging:		
Depreciation and amortisation	**11,041**	10,503

The remuneration of the Directors is disclosed in the audited section of the Report on Directors' Remuneration on pages 66 to 78. These disclosures form an integral part of the financial statements.

7 INFORMATION RELATING TO AUDITORS' REMUNERATION

An analysis of fees payable to the statutory audit firm is as follows:

	2020		2019	
	Company €000s	Group €000s	Company €000s	Group €000s
Description of service				
Audit of statutory financial statements	**66**	**303**	65	296
Other assurance services	**–**	**119**	–	116
Total auditors remuneration	**66**	**422**	65	412

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

In 2020 and 2019, other assurance services relate to Solvency II audit which are prescribed under legislation or regulation.

8 STAFF COSTS AND NUMBERS

The average number of persons employed by the Group was as follows:

	2020 No.	2019 No.
Underwriting	**891**	887
Financial services	**27**	28
Total	**918**	915

	2020	2019
The aggregate employee benefit expense was as follows:	€000s	€000s
Wages and salaries	**46,700**	47,505
Social welfare costs	**5,646**	5,530
Pension costs	**5,016**	3,867
Share based payments	**1,945**	2,381
Total employee benefit expense	**59,307**	59,283

9 LEASES

Leases held are property leases for office space for the Group's branches and leases for computer equipment. The Group holds a number of property leases with remaining terms ranging from three to thirty-five years. None of the Group's leases have options for extensions or to purchase. There are no contingent rents payable and all lease payments are fixed and at market rates. The additional leases in 2020 relate to computer equipment leases, the remaining term being five years. Additional information on the Group's leases is detailed below:

Right of use assets

	2020 €000s	2019 €000s
Balance as at 1 January	**6,115**	6,886
Additions	**341**	–
Depreciation charge for the year	**(821)**	(771)
Balance as at 31 December	**5,635**	6,115

Lease liabilities

Maturity analysis - contractual undiscounted cash flows	2020 €000s	2019 €000s
Less than one year	**(942)**	(917)
One to five years	**(3,356)**	(3,341)
More than five years	**(2,932)**	(3,573)
Total undiscounted lease liabilities at 31 December	**(7,230)**	(7,831)
Contractual discounted cash flows		
Current	**(969)**	(903)
Non - current	**(4,874)**	(5,319)
Lease liabilities included in the statement of financial position at 31 December	**(5,843)**	(6,222)

Amounts recognised in profit or loss	2020 €000s	2019 €000s
Depreciation charge on right of use assets (included in Other underwriting expenses)	**(821)**	(771)
Interest on lease liabilities (included in Other underwriting expenses)	**(263)**	(278)
Expenses related to short-term leases (included in Other underwriting expenses)	**(25)**	(41)
Income from sub-leasing right of use assets (included in Other financial services income)	**64**	85

Total cash outflows recognised in the period in relation to leases were €984,000 (2019: €942,000).

10 INCOME TAXATION CHARGE

	2020 €000s	2019 €000s
Irish corporation taxation charge	**(893)**	(13,967)
Adjustments in respect of prior financial years	**(69)**	30
Current taxation charge	**(962)**	(13,937)
Deferred taxation credit/(charge)	**550**	(318)
Income taxation charge	**(412)**	(14,255)

The taxation charge in the Consolidated Income Statement is lower (2019: higher) than the standard rate of corporation taxation in Ireland. The differences are explained below:

	2020 €000s	2019 €000s
Profit before taxation	**4,802**	112,480
Corporation taxation charge at standard rate of 12.5% (2019: 12.5%)	**600**	14,060
Effects of:		
Non-taxable income/unrealised gains/losses or expenses not deductible for tax purposes	**(6)**	(38)
Higher rates of taxation on other income	**131**	263
Adjustments in respect of prior years	**(313)**	(30)
Income taxation charge	**412**	14,255
Taxation as a percentage of profit before taxation	**8.6%**	12.7%

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

	2020 €000s	2019 €000s
Deferred taxation on:		
Actuarial (gain)/loss on retirement benefit obligations	**(291)**	530
Property held for own use revaluation	**(140)**	–
Gain on available for sale investments	**(563)**	(1,366)
Total income taxation charge recognised directly in the Consolidated Statement of Comprehensive Income	**(994)**	(836)

11 LOSS FOR THE YEAR (COMPANY ONLY)

The Company's loss for the financial year determined in accordance with IFRS, as adopted by the European Union, is €1,963,000 (2019 profit: €20,962,000). The Company's other comprehensive income for the financial year is €386,000 (2019 other comprehensive expense: €965,000).

In accordance with section 304 of the Companies Act 2014 the Company is availing of the exemption from presenting its individual Income Statement to the AGM and from filing it with the Registrar of Companies.

12 EARNINGS PER €0.60 ORDINARY SHARE

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

	2020 €000s	2019 €000s
Earnings		
Profit for the year for the purpose of basic earnings per share	**4,390**	97,943
Profit for the year for the purpose of diluted earnings per share	**4,390**	97,943

Number of shares	2020 No.	2019 No.
Weighted average number of ordinary shares for the purpose of basic earnings per share (excludes treasury shares)	**34,992,763**	34,817,297
Weighted average number of ordinary shares for the purpose of diluted earnings per share (excludes treasury shares)	**35,719,059**	35,472,380

	Cent	Cent
Basic earnings per share	**13**	281
Diluted earnings per share	**12**	276

The 'A' ordinary shares of €0.01 each that are in issue have no impact on the earnings per share calculation. See note 22 for a description of the 'A' ordinary shares.

The below table reconciles the profit attributable to the parent entity for the year to the amounts used as the numerators in calculating basic and diluted earnings per share for the year and the comparative year including the individual effect of each class of instruments that affects earnings per share:

	2020 €000s	2019 €000s
Profit attributable to the parent entity for the year	**4,390**	98,225
2020 dividend of 0 cent (2019: 8.4 cent) per share on 14% non-cumulative preference shares of €0.60 each	**–**	(113)
2020 dividend of 0 cent (2019: 4.8 cent) per share on 8% non-cumulative preference shares of €0.60 each	**–**	(169)
Profit for the year for the purpose of calculating basic and diluted earnings	**4,390**	97,943

The below table reconciles the weighted average number of ordinary shares used as the denominator in calculating basic earnings per share to the weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share including the individual effect of each class of instruments that affects earnings per share:

	2020 No.	2019 No.
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**34,992,763**	34,817,297
Potential vesting of share based payments	**726,296**	655,083
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	**35,719,059**	35,472,380

13 PROPERTY, PLANT AND EQUIPMENT

	Property held for own use €000s	Computer Equipment €000s	Fixtures & Fittings €000s	Total €000s
Cost or valuation				
At 1 January 2019	**24,354**	**94,940**	**22,730**	**142,024**
Additions	–	1,875	1,817	3,692
Assets under development	–	826	–	826
Reclassification to investment property	(130)	–	–	(130)
At 1 January 2020	**24,224**	**97,641**	**24,547**	**146,412**
Additions	**–**	**1,341**	**292**	**1,633**
Assets under development	**–**	**206**	**–**	**206**
At 31 December 2020	**24,224**	**99,188**	**24,839**	**148,251**
Comprising:				
At cost	**–**	**99,188**	**24,839**	**124,027**
At valuation	**24,224**	**–**	**–**	**24,224**
At 31 December 2020	**24,224**	**99,188**	**24,839**	**148,251**

	Property held for own use €000s	Computer Equipment €000s	Fixtures & Fittings €000s	Total €000s
Accumulated depreciation and revaluation				
At 1 January 2019	7,169	87,481	19,034	113,684
Depreciation charge for the year	–	3,734	671	4,405
Reclassification to investment property	(37)	–	–	(37)
Impairment through the income statement	246	–	–	246
At 1 January 2020	**7,378**	**91,215**	**19,705**	**118,298**
Depreciation charge for the year	**128**	**2,812**	**775**	**3,715**
Impairment through the income statement	**734**	**–**	**–**	**734**
Impairment through the statement of comprehensive income	**419**	**–**	**–**	**419**
At 31 December 2020	**8,659**	**94,027**	**20,480**	**123,166**
Carrying amount				
At 31 December 2020	**15,565**	**5,161**	**4,359**	**25,085**
At 31 December 2019	16,846	6,426	4,842	28,114

13 PROPERTY, PLANT AND EQUIPMENT (continued)

Property held for own use

Properties held for own use at 31 December 2020 and 2019 were valued at fair value which is determined by independent external professional surveyors CB Richard Ellis, Valuation Surveyors. CB Richard Ellis confirm that the properties have been valued in accordance with RICS Valuation – Global Standards 2017 (Red Book) incorporating the IVSC International Valuation Standards issued June 2017.

The valuation report states that the valuations have been prepared on the basis of "Market Value" which is defined in the report as *"the estimated amount for which an asset or liability should exchange on valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion"*. The report also states that the market value *"has been primarily derived using comparable recent market transactions on arm's length terms"*.

Covid-19 impact on valuations

The 31 December 2020 valuations of the branch network of retail properties that represent 20% of the property balance at that date are faced with an unprecedented set of circumstances caused by Covid-19 and therefore are reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation - Global Standards. The valuation in relation to office assets representing 80% of the property balance at that date are not reported as being subject to 'material valuation uncertainty'.

The valuers state that they made various assumptions as to tenure, letting, taxation, town planning and the condition and repair of buildings and sites, including ground and groundwater contamination. They have determined market value using a range of capital values per square metre based on appropriate local evidence. The valuer states that they have not viewed any tenancy agreements and have assumed for the purposes of valuation that the properties are subject to vacant possession.

The Directors believe that the market value, determined by independent professional valuers is not materially different to fair value. The Directors have considered the 'material valuation uncertainty' as a result of Covid-19 on the branch network of retail properties and are satisfied this inclusion does not have a material impact on the valuation.

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

	2020	**2019**
	€000s	**€000s**
Property held for own use	**14,348**	15,237

Fair value hierarchy disclosures required by IFRS13 *Fair Value Measurement* have been included in note 18, Financial Instruments and Fair Value Measurement.

14 POLICY ADMINISTRATION SYSTEM

The most significant investment by the Group in recent years is in its underwriting policy administration system. The Group's policy administration system, TIA is the principal operating and core technology platform of the business.

	Policy Admin System
Cost	**€000s**
At 1 January 2019	**53,377**
Additions	4,414
At 1 January 2020	**57,791**
Additions	**4,796**
At 31 December 2020	**62,587**
Accumulated amortisation	**€000s**
At 1 January 2019	**13,225**
Amortisation charge for the year	5,963
At 1 January 2020	**19,188**
Amortisation charge for the year	**6,678**
At 31 December 2020	**25,866**
Carrying amount	
At 31 December 2020	**36,721**
At 31 December 2019	38,603

The additions to the Policy Administration System in 2020 are split 75% internally generated assets and 25% externally generated assets (2019: 75% internally generated assets and 25% externally generated assets).

The amortisation charge for the year is included in 'Other Underwriting Expenses' in the Consolidated Income Statement.

15 INTANGIBLE ASSETS

Cost:	Computer Software €000s
At 1 January 2019	399
Additions	1,279
Assets under development	656
At 1 January 2020	2,334
Additions	**1,928**
Assets under development	**1,665**
At 31 December 2020	**5,927**
Accumulated amortisation:	
At 1 January 2019	44
Amortisation charge for the year	135
At 1 January 2020	179
Amortisation charge for the year	**648**
At 31 December 2020	**827**
Carrying amount	
At 31 December 2020	**5,100**
At 31 December 2019	2,155

The additions during 2020 to Intangible Assets are split 20% internally generated assets and 80% externally generated assets (2019: 10% internally generated assets and 90% externally generated assets).

Assets under development at 31 December 2020 relate to investment in digital and cloud based applications. These assets are expected to be operational in Q1 2021.

The amortisation charge for the year is included in 'Other Underwriting Expenses' in the Consolidated Income Statement.

16 INVESTMENT PROPERTY

Fair value of investment property	2020 €000s	2019 €000s
At 1 January	**18,693**	18,310
Net gains or losses from fair value adjustments	**(1,569)**	290
Refurbishment of investment property	**1,922**	–
Disposal of investment property	**(1,995)**	–
Reclassification from property, plant & equipment	**–**	93
At 31 December	**17,051**	18,693

16 INVESTMENT PROPERTY (continued)

Investment property includes a commercial rental property in Dublin city centre and an immaterial holding of agricultural land in the United Kingdom. During the year commercial land held in the United Kingdom was sold.

The investment property held for rental in Ireland was valued at fair value at 31 December 2020 and at 31 December 2019 by independent external professional valuers, CB Richard Ellis, Valuation Surveyors. The valuation was prepared in accordance with RICS Valuation – Global Standards 2017 (Red Book) incorporating the IVSC International Valuation Standards issued June 2017. The valuers confirm that they have sufficient current local and national knowledge of the particular property market involved and have the skills and understanding to undertake the valuations competently.

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

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

There was a net decrease in the fair value in 2020 of €1,569,000 (2019 increase: €290,000).

The rental income earned by the Group from its investment properties amounted to €962,000 (2019: €901,000). Direct operating costs associated with investment properties amounted to €652,000 (2019: €343,000).

The historical cost of investment property is as follows:

	2020 €000s	2019 €000s
Historical cost at 1 January	**20,210**	20,080
Reclassification from property held for own use	**–**	130
Refurbishment costs	**1,922**	–
Disposal of investment property	**(79)**	–
Historical cost at 31 December	**22,053**	20,210

Maturity analysis - undiscounted non-cancellable operating lease receivables	2020 €000s	2019 €000s
Less than one year	**1,041**	704
One to five years	**2,315**	1,883
More than five years	**2,894**	2,357
Maturity analysis - undiscounted non-cancellable operating lease receivables	**6,250**	4,944

Fair value hierarchy disclosures required by IFRS13 Fair Value Measurement have been included in note 18, Financial Instruments and Fair Value Measurement.

17 DEFERRED TAXATION ASSET

	Accelerated capital allowances	Insurance contracts	Losses carried forward	Other timing differences	Total
	€000s	€000s	€000s	€000s	€000s
At 1 January 2019	586	(915)	1,240	170	1,081
(Debited)/credited to Consolidated Income Statement	(351)	915	(691)	268	141
At 31 December 2019	**235**	**–**	**549**	**438**	**1,222**
(Debited)/credited to Consolidated Income Statement	(235)	–	278	29	72
At 31 December 2020	**–**	**–**	**827**	**467**	**1,294**

A deferred taxation asset of €827,000 (2019: €549,000) has been recognised in respect of losses carried forward. The Directors have considered and are satisfied that the deferred taxation asset will be fully recoverable against future taxable profits.

18 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT

(a) Financial Instruments

	2020	2019
	€000s	€000s
Financial Assets		
At Amortised Cost:		
Deposits with banks	**40,000**	60,000
Cash and cash equivalents	**129,535**	94,982
Loans	**601**	611
Other receivables	**65,402**	63,866
At fair value:		
Available for sale investments	**863,880**	811,986
Investments held for trading	**116,930**	111,399
Financial Liabilities		
At Amortised Cost:		
Payables	**44,729**	35,765
Subordinated debt (note 27)	**49,544**	49,485
Lease liabilities	**5,843**	6,222

18 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (continued)

(b) Fair value measurement

The following table compares the carrying value of financial instruments not held at fair value with the fair value of those assets and liabilities:

	2020 Fair value €000s	2020 Carrying value €000s
Assets		
Loans	**721**	**601**
Liabilities		
Subordinated debt	**53,924**	**49,544**

	2019 Fair value €000s	2019 Carrying value €000s
Assets		
Loans	733	611
Liabilities		
Subordinated debt	53,148	49,485

The exemption from disclosing the fair value of short term receivables has been availed of.

Certain assets and liabilities are measured in the Statement of Financial Position at fair value using a fair value hierarchy of valuation inputs. The following table provides an analysis of assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 Fair value measurements derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Available for sale investments – quoted debt securities are fair valued using latest available closing bid price. Collective investment schemes, held for trading (Level 1) are valued using the latest available closing NAV of the fund.

Level 2 Fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Valuation techniques are outlined below:

- Collective investment schemes held for trading (Infrastructure and Senior Private Debt funds) are valued using the most up-to-date valuations calculated by the fund administrator allowing for any additional investments made up until year end.
- AFS unquoted investments securities are classified as Level 3 as they are not traded in an active market.
- Investment property and property held for own use were fair valued by independent external professional valuers at year end. Property assets were reclassified as Level 3 during 2020 following an internal review of the inputs that are used in their valuation. Group occupied properties have been valued on a vacant possession basis applying hypothetical 10-year leases and assumptions of void and rent free periods, market rents, capital yields and purchase costs which are derived from comparable transactions and adjusted for property specific factors as determined by the valuer. Group investment properties have been valued using the investment method based on the long leasehold interest in the subject property, the contracted values of existing tenancies, assumptions of void and rent free periods and market rents for vacant lots, and capital yields and purchase costs which are derived from comparable transactions and adjusted for property specific factors as determined by the valuer. Please refer to note 13 and note 16 for further details.

18 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (continued)

(b) Fair value measurement (continued)

2020	Level 1 €000s	Level 2 €000s	Level 3 €000s	Total €000s
Assets				
Investment property	–	–	17,051	**17,051**
Property held for own use	–	–	15,565	**15,565**
Financial assets				
Investments held for trading – collective investment schemes	108,199	–	8,731	**116,930**
AFS investments - quoted debt securities	863,068	–	–	**863,068**
AFS investments - unquoted investments	–	–	812	**812**
Total assets	**971,267**	**–**	**42,159**	**1,013,426**
Total liabilities	**–**	**–**	**–**	**-**

2019	Level 1 €000s	Level 2 €000s	Level 3 €000s	Total €000s
Assets				
Investment property	–	18,693	–	18,693
Property held for own use	–	16,846	–	16,846
Financial assets				
Investments held for trading – collective investment schemes	108,266	–	3,133	111,399
AFS investments - quoted debt securities	811,174	–	–	811,174
AFS investments - unquoted investments	–	–	812	812
Total assets	919,440	35,539	3,945	958,924
Total liabilities	–	–	–	–

18 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (continued)

(b) Fair value measurement (continued)

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

	2020 €000s	2019 €000s
At 1 January	**3,945**	623
Transfers-in	**35,539**	–
Additions	**7,754**	3,436
Disposals	**(1,995)**	–
Impairment	**(2,722)**	–
Unrealised loss recognised in the Consolidated Income Statement	**(362)**	(114)
At 31 December	**42,159**	3,945

The Directors review the inputs to asses fair value measurement at least annually to determine the appropriate level to be disclosed at. A sensitivity analysis of the Level 3 assets is completed in note 37(f).

19 DEFERRED ACQUISITION COSTS

The movements in deferred acquisition costs during the financial year were:

	2020 €000s	2019 €000s
At 1 January	**33,182**	31,956
Additions	**68,621**	67,347
Recognised in the Consolidated Income Statement	**(67,724)**	(66,121)
At 31 December	**34,079**	33,182

All deferred acquisition costs are expected to be recovered within one year from 31 December 2020.

20 OTHER RECEIVABLES

	2020 €000s	2019 €000s
Policyholders	**41,358**	42,703
Intermediaries	**6,187**	6,853
Other debtors	**11,606**	7,659
Accrued interest and rent	**34**	30
Prepayments and accrued income	**6,217**	6,621
Total other receivables	**65,402**	63,866

The Directors have performed an impairment review of the receivables arising out of direct insurance operations and no objective evidence came to their attention that an impairment exists. There is no significant concentration of risk in receivables arising out of direct insurance operations or any other activities.

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

21 CASH AND CASH EQUIVALENTS

	2020 €000s	2019 €000s
Short term deposits	**123,501**	91,177
Cash in hand	**6,034**	3,805
Total cash and cash equivalents	**129,535**	94,982

22 CALLED UP SHARE CAPITAL PRESENTED AS EQUITY

	Number	2020 €000s	2019 €000s
Ordinary shares of €0.60 each			
Authorised:			
At the beginning and the end of the year	51,326,000	**30,796**	30,796
Issued and fully paid:			
At the beginning and the end of the year	35,461,206	**21,277**	21,277
'A' Ordinary shares of €0.01 each			
Authorised:			
At the beginning and the end of the year	120,000,000	**1,200**	1,200
Issued and fully paid:			
At the beginning and the end of the year	13,169,428	**132**	132
Total – issued and fully paid		**21,409**	21,409

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

The holders of the two classes of non-cumulative preference shares rank ahead of the two classes of ordinary shares in the event of a winding up (see note 24). Before any dividend can be declared on the ordinary shares of €0.60 each, the dividend on the non-cumulative preference shares must firstly be declared or paid.

The number of ordinary shares of €0.60 each held as treasury shares at the beginning of the year (and the maximum number held during the year) was 598,742 (2019: 795,005). 189,998 ordinary shares were re-issued from treasury shares during the year under the FBD Performance Plan. The number of ordinary shares of €0.60 each held as treasury shares at the end of the year was 408,744 (2019: 598,742). This represented 1.2% (2019: 1.7%) of the shares of this class in issue and had a nominal value of €245,246 (2019: €359,245). There were no ordinary shares of €0.60 each purchased by the Company during the year.

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

All issued shares have been fully paid.

23 CAPITAL RESERVES

(a) GROUP

	Share premium	Capital conversion reserve	Capital redemption reserve	Share-based payment reserve	Total
	€000s	€000s	€000s	€000s	€000s
Balance at 1 January 2019	5,540	1,627	4,426	8,837	20,430
Recognition of share-based payments	–	–	–	2,381	2,381
Balance at 31 December 2019	5,540	1,627	4,426	11,218	22,811
Recognition of share-based payments	**–**	**–**	**–**	**1,945**	**1,945**
Balance at 31 December 2020	**5,540**	**1,627**	**4,426**	**13,163**	**24,756**

(b) COMPANY

	Share premium	Capital conversion reserve	Capital redemption reserve	Share-based payment reserve	Total
	€000s	€000s	€000s	€000s	€000s
Balance at 1 January 2019	5,540	1,627	4,426	8,837	20,430
Recognition of share-based payments	–	–	–	2,381	2,381
Balance at 31 December 2019	5,540	1,627	4,426	11,218	22,811
Recognition of share-based payments	**–**	**–**	**–**	**1,945**	**1,945**
Balance at 31 December 2020	**5,540**	**1,627**	**4,426**	**13,163**	**24,756**

The capital conversion reserve arose on the redenomination of Company's ordinary shares, 14% non-cumulative preference shares and 8% non-cumulative preference shares of IR£0.50 each into ordinary shares, 14% non-cumulative preference shares and 8% non-cumulative preference shares of 63.4869 cent. Each such share was then renominalised to an ordinary or a non-cumulative preference share of €0.60, an amount equal to the reduction in the issued share capital being transferred to the capital conversion reserve fund.

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

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

24 PREFERENCE SHARE CAPITAL

	Number	2020 €000s	2019 €000s
Authorised:			
At the beginning and the end of the year			
14% Non-cumulative preference shares of €0.60 each	1,340,000	**804**	804
8% Non-cumulative preference shares of €0.60 each	12,750,000	**7,650**	7,650
		8,454	8,454
Issued and fully paid:			
At the beginning and the end of the year			
14% Non-cumulative preference shares of €0.60 each	1,340,000	**804**	804
8% Non-cumulative preference shares of €0.60 each	3,532,292	**2,119**	2,119
		2,923	2,923

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

25 CLAIMS OUTSTANDING

(a) Gross claims outstanding 2020

	Prior years	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s
Estimate of cumulative claims:												
At end of underwriting year		243,158	232,311	245,007	307,517	302,581	253,962	247,145	252,435	219,244	371,639	
One year later		216,308	215,445	236,839	342,422	304,108	235,972	223,322	235,902	198,195	–	
Two years later		225,300	224,720	266,183	344,123	326,052	220,376	205,505	212,647	–	–	
Three years later		230,001	235,965	260,580	333,544	318,467	206,578	196,235	–	–	–	
Four years later		234,204	233,434	257,859	326,714	288,395	192,022	–	–	–	–	
Five years later		227,755	231,159	244,922	318,944	275,014	–	–	–	–	–	
Six years later		226,348	229,271	243,163	312,800	–	–	–	–	–	–	
Seven years later		224,753	228,677	237,930	–	–	–	–	–	–	–	
Eight years later		224,264	225,397	–	–	–	–	–	–	–	–	
Nine years later		222,963	–	–	–	–	–	–	–	–	–	
Ten years later		–	–	–	–	–	–	–	–	–	–	
Estimate of cumulative claims		222,963	225,397	237,930	312,800	275,014	192,022	196,235	212,647	198,195	371,639	
Cumulative payments		(216,912)	(212,307)	(222,351)	(272,410)	(208,870)	(145,772)	(125,902)	(117,293)	(80,768)	(67,877)	
Claims outstanding at 31 December 2020:	20,036	6,051	13,090	15,579	40,390	66,144	46,250	70,333	95,354	117,427	303,762	**794,416**
Claims outstanding at 31 December 2019:	24,821	8,622	17,976	27,639	52,766	93,287	72,113	90,546	132,594	162,968	–	**683,332**
Movement during year	(4,785)	(2,571)	(4,886)	(12,060)	(12,376)	(27,143)	(25,863)	(20,213)	(37,240)	(45,541)	303,762	**111,084**

25 CLAIMS OUTSTANDING (continued)

(b) Net claims outstanding 2020

	Prior years	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s
Estimate of cumulative claims:												
At end of underwriting year		214,923	214,793	228,819	256,663	270,279	228,107	212,750	228,501	206,343	265,748	
One year later		192,904	201,171	217,098	292,223	274,000	219,905	199,086	216,210	192,984	–	
Two years later		201,181	210,422	243,373	295,223	284,636	205,320	186,058	203,584	–	–	
Three years later		205,434	221,438	237,733	290,243	275,909	190,732	180,938	–	–	–	
Four years later		209,533	218,979	233,750	283,929	262,801	184,554	–	–	–	–	
Five years later		205,131	217,104	226,331	275,559	256,358	–	–	–	–	–	
Six years later		204,140	215,179	224,386	271,945	–	–	–	–	–	–	
Seven years later		202,480	214,396	221,848	–	–	–	–	–	–	–	
Eight years later		201,897	212,037	–	–	–	–	–	–	–	–	
Nine years later		201,025	–	–	–	–	–	–	–	–	–	
Ten years later												
Estimate of cumulative claims		201,025	212,037	221,848	271,945	256,358	184,554	180,938	203,584	192,984	265,748	
Cumulative payments		(194,589)	(198,115)	(205,318)	(230,114)	(192,655)	(136,888)	(117,702)	(112,425)	(80,777)	(67,682)	
Claims outstanding at 31 December 2020	16,901	6,436	13,922	16,530	41,831	63,703	47,666	63,236	91,159	112,207	198,066	**671,657**
Claims outstanding at 31 December 2019	20,709	8,578	17,887	24,492	51,678	83,022	63,836	79,260	117,632	149,889	–	**616,983**
Movement during the year	(3,808)	(2,142)	(3,965)	(7,962)	(9,847)	(19,319)	(16,170)	(16,024)	(26,473)	(37,682)	198,066	**54,674**

25 CLAIMS OUTSTANDING (continued)

(b) Net claims outstanding 2020 (continued)

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

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

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

Included in the gross claims outstanding balance at 31 December 2020 is €149,000,000 gross claims costs (including legal and other expenses) for Covid-19 business interruption claims. The best estimate net claims outstanding impact is €54,000,000 and is included in the net claims provision shown below. Further details regarding the business interruption claims provision and reinsurance assets are included in note 3 (U).

(c) Reconciliation of claims outstanding

	Gross €000s	Net €000s
Balance at 1 January 2019	738,025	657,106
Change in provision for claims	(54,693)	(40,123)
Balance at 31 December 2019	683,332	616,983
Change in provision for claims	111,084	54,674
Balance at 31 December 2020	**794,416**	**671,657**

(d) Reconciliation of provision for unearned premium

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

	2020 €000s	2019 €000s
Balance at 1 January	**183,545**	182,875
Net premium written	**315,196**	338,227
Net premium earned	**(315,232)**	(337,553)
Changes in provision for unearned premium – reinsurers' share	**1,032**	(4)
Provision for unearned premium at 31 December	**184,541**	183,545

25 CLAIMS OUTSTANDING (continued)

(e) Reconciliation of reinsurance assets

	Claims outstanding €000s	Unearned premium reserve €000s
Balance at 1 January 2019	80,919	6
Movement during year	(14,570)	(5)
Balance at 31 December 2019	66,349	1
Movement during year	56,411	1,032
Balance at 31 December 2020	**122,760**	**1,033**

26 OTHER PROVISIONS

	Premium rebates €000s	MIICF contribution €000s	MIBI levy €000s	Total €000s
Balance as at 1 January 2019	–	–	7,738	7,738
Provided in the year	–	3,857	4,089	7,946
Net amounts paid	–	(205)	(7,062)	(7,267)
Balance as at 31 December 2019	–	3,652	4,765	8,417
Provided in the year*	**11,817**	**3,609**	**6,072**	**21,498**
Net amounts paid	**(9,790)**	**(3,652)**	**(4,406)**	**(17,848)**
Balance as at 31 December 2020	**2,027**	**3,609**	**6,431**	**12,067**

**Premium rebates of €11,817,000 are included in Gross premium written, and MIICF and MIBI amounts of €9,790,000 are included in Movement in other provisions, both in the Consolidated Income Statement.*

Premium rebates

FBD committed to rebating Motor policy and certain elements of Commercial policy premiums to reflect the changing claims environment and enforced restrictions as a result of the Covid-19 pandemic. The total amount of premium rebates provided for in the year was €11,817,000 of which €9,790,000 was paid to 31 December 2020. The remaining €2,027,000 provision represents a best estimate of the remaining Commercial rebates due in respect of 2020.

MIICF contribution

The Group's contribution to the Motor Insurers' Insolvency Compensation Fund "MIICF" for 2020 is based on 2% of its Motor Gross Written Premium. Payment is expected to be made in the first half of 2021.

MIBI levy

The Group's share of the Motor Insurers' Bureau of Ireland "MIBI" levy for 2020 is based on its estimated market share in the current year at the Statement of Financial Position date. Payments of the total amount provided is paid in equal instalments throughout the year.

27 SUBORDINATED DEBT

	2020 €000s	2019 €000s
Balance at 1 January	**49,485**	49,426
Amortised during the year	**59**	59
Balance at 31 December	**49,544**	49,485

The amount relates to €50,000,000 Callable Dated Deferrable Subordinated Notes due 2028. The coupon rate on the notes is 5%. Interest costs associated with the subordinated notes totalling €2,500,000 (2019: €2,500,000) were incurred and recognised during 2020.

28 RETIREMENT BENEFIT SURPLUS

Defined Contribution Pension

The Group operates defined contribution retirement benefit plans for qualifying employees who opt to join. The assets of the plans are held separately from those of the Group in funds under the control of Trustees. The Group recognised an expense of €4,693,562 (2019: €3,513,401) relating to these pension schemes during the year ended 31 December 2020.

Defined Benefit Pension

The Group also operates a legacy funded defined benefit retirement pension scheme for certain qualifying employees. This scheme was closed to new members in 2005 and closed to future accrual in 2015. The defined benefit pension scheme is administered by a separate Trustee Company that is legally separated from the entity. The Trustee Company, who is responsible for ensuring compliance with the Pensions Act 1990 and other relevant legislation, is composed of an independent Trustee and representatives from both the employers and current and former employees. The Trustees are required by law and by its Articles of Association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. deferred members, retirees and employers. They are responsible for the investment policy with regard to the assets of the scheme.

Under the defined benefit pension scheme, qualifying members are entitled to retirement benefits of 1/60th of final salary for each year of service on attainment of a retirement age of 65. A full actuarial valuation of the defined benefit pension scheme was carried out as at 1 July 2019. This valuation was carried out using the projected unit credit method. The minimum funding standard was updated to 31 December 2020 by the schemes' independent and qualified actuary. This confirms that the Scheme continues to satisfy the minimum funding standard. The next full actuarial valuation of the scheme is expected to be completed no later than as at 1 July 2022.

The long-term investment objective of the Trustees and the Group is to limit the risk of the assets failing to meet the liabilities of the scheme over the long term, and to maximise returns consistent with an acceptable level of risk so as to control the long-term costs of the scheme. To meet these objectives, the scheme's assets are primarily invested in bonds with a smaller level of investment in diversified growth funds and property. These reflect the current long-term asset allocation ranges, having regard to the structure of liabilities within the scheme. The scheme typically exposes the Group to actuarial risks such as: investment risk, interest rate risk and longevity risk.

(a) Assumptions used to calculate scheme liabilities

	2020 %	2019 %
Inflation rate	**1.20**	1.30
Pension payment increase	**0.00**	0.00
Discount rate	**0.50**	0.90

28 RETIREMENT BENEFIT SURPLUS (continued)

(b) Mortality assumptions

	2020 Years	2019 Years
The average life expectancy of current and future retirees used in the scheme at age 65 is as follows:		
Male	**21.8**	21.7
Female	**24.2**	24.1

When taking into account members who have not yet retired and those who are currently in receipt of pensions, the weighted average duration of the expected benefit payments from the scheme is *circa* 16 years.

As required by IAS 19 disclosures; the discount rate is set by reference to yields available at 31 December 2020 on high quality corporate bonds having regard to the duration of the schemes liabilities. The actual return on the scheme assets for the year was a gain of €7,796,000 (2019: €9,764,000).

(c) Consolidated Income Statement

	2020 €000s	2019 €000s
Charged to Consolidated Income Statement:		
Service cost: employer's part of current service cost	**391**	338
Net interest credit	**(81)**	(233)
Charge to Consolidated Income Statement	**310**	105

Charges to the Consolidated Income Statement have been included in other underwriting and financial services and other costs.

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

	2020 €000s	2019 €000s
Remeasurements in the year due to:		
– Changes in financial assumptions	**5,595**	11,173
– Experience adjustments on benefit obligations	**(1,031)**	1,120
Actual return less interest on scheme assets	**(6,890)**	(8,057)
Total amount recognised in OCI before taxation	**(2,326)**	4,236
Deferred taxation debit/(credit)	**291**	(530)
Actuarial (gain)/loss net of deferred taxation	**(2,035)**	3,706

28 RETIREMENT BENEFIT SURPLUS (continued)

(e) History of experience gains and losses

	2020 €000s	2019 €000s	2018 €000s	2017 €000s	2016 €000s
Present value of defined benefit obligations	**94,927**	93,958	83,434	88,103	90,887
Fair value of plan assets	**105,776**	102,681	96,378	97,877	99,602
Net pension (asset)/liability	**(10,849)**	(8,723)	(12,944)	(9,774)	(8,715)
Experience gains/(losses) on scheme liabilities	**1,031**	(1,120)	999	150	(266)
Total amount recognised in OCI before taxation	**2,326**	(4,236)	3,232	275	(12,233)

The cumulative charge to the Consolidated Statement of Comprehensive Income is €102,480,000 (2019: €104,806,000).

(f) Assets in scheme at market value

	2020 €000s	2019 €000s
Managed bond funds - fair value at quoted prices	**87,108**	84,561
Managed unit trust funds - fair value at quoted prices	**5,173**	5,169
Managed infrastructure fund - fair value at unquoted prices	**5,442**	5,419
Managed dividend growth fund - fair value at quoted prices	**4,642**	4,291
Managed opportunities fund - fair value at quoted prices	**2,610**	2,629
Cash deposits and other - at amortised cost	**801**	612
Scheme assets	**105,776**	102,681
Actuarial value of liabilities	**(94,927)**	(93,958)
Net pension surplus	**10,849**	8,723

The assets are part of unitised funds which have a broad geographical and industry type spread with no significant concentration in any one geographical or industry type.

(g) Movement in net surplus during the year

	2020 €000s	2019 €000s
Net surplus in scheme at 1 January	**8,723**	12,944
Current service cost	**(391)**	(338)
Employer contributions	**120**	120
Interest on scheme liabilities	**(835)**	(1,474)
Interest on scheme assets	**906**	1,707
Total amount recognised in OCI before taxation	**2,326**	(4,236)
Net surplus at 31 December	**10,849**	8,723

28 RETIREMENT BENEFIT SURPLUS (continued)

(h) Movement on assets and liabilities

	2020 €000s	2019 €000s
Assets		
Assets in scheme at 1 January	**102,681**	96,378
Actual return less interest on scheme assets	**6,890**	8,057
Employer contributions	**120**	120
Interest on scheme assets	**906**	1,707
Benefits paid	**(4,821)**	(3,581)
Assets in scheme at 31 December	**105,776**	102,681
Liabilities		
Liabilities in scheme at 1 January	**93,958**	83,434
Experience gains and losses on scheme liabilities	**(1,031)**	1,120
Changes in financial assumptions	**5,595**	11,173
Current service cost	**391**	338
Interest on scheme liabilities	**835**	1,474
Benefits paid	**(4,821)**	(3,581)
Liabilities in scheme at 31 December	**94,927**	93,958

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

- A 1% increase in the discount rate would reduce the value of the scheme liabilities by €13.5 million. A 1% reduction in the discount rate would increase the value of the scheme liabilities by €17.4 million.
- A 1% increase in inflation would increase the value of the scheme liabilities by €4.3 million. A 1% reduction in inflation would reduce the value of the scheme liabilities by €3.7 million.
- The effect of assuming all members of the scheme will live one year longer would increase the scheme's liabilities by €4.2 million.
- The current best estimate of 2021 contributions to be made by the Group to the pension fund is €0.1million (2020: €0.1million).

29 DEFERRED TAXATION LIABILITY

	Retirement benefit surplus	Unrealised gains on investments & loans	Revaluation surplus on investment properties	Other timing differences	Total
	€000s	€000s	€000s	€000s	€000s
At 1 January 2019	1,618	325	1,329	338	3,610
(Credited)/debited to the Consolidated Statement of Comprehensive Income	(530)	1,366	–	–	836
Debited/(credited) to the Consolidated Income Statement	1	(46)	502	2	459
At 31 December 2019	**1,089**	**1,645**	**1,831**	**340**	**4,905**
Debited to the Consolidated Statement of Comprehensive Income	**291**	**563**	**–**	**140**	**994**
Credited to the Consolidated Income Statement	**(20)**	**–**	**(444)**	**(14)**	**(478)**
At 31 December 2020	**1,360**	**2,208**	**1,387**	**466**	**5,421**

30 PAYABLES

(a) GROUP

	2020	2019
	€000s	€000s
Amounts falling due within one year:		
Payables and accruals	**26,025**	28,348
PAYE/PRSI	**1,403**	1,674
Payables arising out of direct insurance operations	**17,301**	5,743
Total payables	**44,729**	35,765

(b) COMPANY

	2020	2019
	€000s	€000s
Amounts falling due within one year:		
Payables and accruals	**2,555**	2,648
Total payables	**2,555**	2,648

31 DIVIDENDS

	2020 €000s	2019 €000s
Paid during year:		
2019 dividend of 0.0 cent (2018: 8.4 cent) per share on 14% non-cumulative preference shares of €0.60 each	–	113
2019 dividend of 0.0 cent (2018: 4.8 cent) per share on 8% non-cumulative preference shares of €0.60 each	–	169
2019 final dividend of 0.0 cent (2018: 50.0 cent) per share on ordinary shares of €0.60 each	–	17,432
Total dividends paid	–	17,714

	2020 €000s	2019 €000s
Proposed:		
2020 dividend of 0.0 cent (2019: 8.4 cent) per share on 14% non-cumulative preference shares of €0.60 each	–	113
2020 dividend of 0.0 cent (2019: 4.8 cent) per share on 8% non-cumulative preference shares of €0.60 each	–	169
2020 final dividend of 0.0 cent (2019: 100.0 cent) per share on ordinary shares of €0.60 each	–	34,862
Total dividends proposed	–	35,144

The 2019 dividend was not paid due to uncertainty in respect of Covid-19 and following regulatory guidance issued to insurance companies. Given the continuing uncertainty prevailing, the Board continues to believe that capital preservation is paramount and therefore no dividend is being proposed at this time. The Board will however keep the matter of capital return to shareholders under continuous review.

32 PRINCIPAL SUBSIDIARIES

(a) Subsidiaries	Nature of Operations	% Owned
FBD Insurance plc	General insurance underwriter	100%
FBD Insurance Group Limited	Investment services, pensions and life brokers	100%
FBD Corporate Services Limited	Employee services company	100%

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

All shareholdings are in the form of ordinary shares.

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

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

All individual subsidiary's financial statements are prepared in accordance with FRS 102, the financial reporting standard applicable in the UK and Republic of Ireland with the exception of FBD Insurance plc whose financial statements are prepared in accordance with International Financial Reporting Standards ("IFRSs") adopted by the European Union, in preparation for the adoption of IFRS 17 Insurance Contracts from 1 January 2023 by the Group.

33 CAPITAL COMMITMENTS

There are no capital commitments at the financial year end (2019: €nil).

34 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets at either 31 December 2020 or 31 December 2019.

35 SHARE-BASED PAYMENTS

FBD Group Performance Share Plan

Conditional awards of ordinary shares are made under the FBD Group Performance Share Plan ("LTIP"). The LTIP was last approved by the shareholders of FBD Holdings plc at the 2018 AGM.

Conditional awards up to 2016 under the LTIP were dependent on the Group meeting onerous performance targets in terms of total shareholder returns, combined operating ratio, business scorecard metrics and share price performance (market conditions). The market conditions were removed from conditional awards in 2017 and subsequent years which are solely based on the non-market conditions as detailed. The extent to which these conditions have been met and any award (or part of an award) has therefore vested will be determined in due course by the Remuneration Committee of the Board of FBD Holdings plc. Further detail on the LTIP is available within the Report on Directors' Remuneration on pages 66 to 78.

Fair value calculations

The fair values of the below listed conditional share awards have been calculated using the assumptions noted in a Monte Carlo simulation model.

	LTIP award October 2015	**LTIP award March 2016**
Share price at grant	€6.65	€6.55
Initial award price	€6.65	€6.55
Expected volatility	35.0%	35.0%
Expected life in years	3	3
Risk free interest rate	0.0%	0.0%
Expected dividend yield %	n/a	n/a
Fair value	€5.39	€5.25

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

The fair value of the LTIP awards for 2017, 2018, 2019 and 2020 were determined to be equal to the share price at the grant date on the basis that no market conditions were attached to these awards.

35 SHARE-BASED PAYMENTS (continued)

Accounting charge for share based payments

Grant date	Number outstanding at 1 January 2020	Granted during year	Vested during year	Lapsed during year	Forfeited during year	Number outstanding at 31 December 2020	Performance Period	Earliest vesting date
28.03.2017 LTIP	190,501	–	(189,998)	(503)	–	-	2017-2019	Mar-20
23.08.2018 LTIP	204,069	–	–	–	(8,390)	195,679	2018-2020	Aug-21
25.03.2019 LTIP	264,134	–	–	–	(21,242)	242,892	2019-2021	Mar-22
24.04.2020 LTIP	–	381,573	–	–	(42,484)	339,089	2020-2022	Apr-23
Total	**658,704**	**381,573**	**(189,998)**	**(503)**	**(72,116)**	**777,660**		

Grant date	Vesting period (years)	Number outstanding at 31 December 2020	% of shares expected to vest	Share price at grant date	Fair value of share award at grant date	2020	2019
			%	€	€	€000s	€000s
09.10.2015 LTIP	3	–	0%	6.65	5.39	**–**	56
23.03.2016 LTIP	3	–	0%	6.55	5.25	**–**	220
28.03.2017 LTIP	3	–	90%	7.95	7.95	**92**	483
23.08.2018 LTIP	3	195,679	125%	10.80	10.80	**762**	1,009
25.03.2019 LTIP	3	242,892	125%	8.79	8.79	**878**	613
24.04.2020 LTIP	3	339,089	25%	6.12	6.12	**213**	–
Total		**777,660**				**1,945**	**2,381**

During the financial year 189,998 shares of the March 2017 award vested, with a value of €1,366,000.

The Directors' estimate 125% of the August 2018 awards will vest, 125% of the March 2019 awards will vest and 25% of the April 2020 awards will vest.

36 TRANSACTIONS WITH RELATED PARTIES

Farmer Business Developments plc and FBD Trust Company Ltd have a substantial shareholding in the Group at 31 December 2020. Details of their shareholdings and related party transactions are set out in the Report of the Directors on page 47.

Both companies have subordinated debt investment in the Group. Farmer Business Developments holds a €20.0m investment and FBD Trust Ltd holds a €13.0m investment. Interest payments are made to both companies on a quarterly basis in proportion to their holding. Please refer to note 27 for further details.

At 31 December 2020 the intercompany balance with other subsidiaries was €3,462,000 (2019: €3,755,000).

36 TRANSACTIONS WITH RELATED PARTIES (continued)

For the purposes of the disclosure requirements of IAS 24, the term *"key management personnel"* (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Group) comprises the Board of Directors and Company Secretary of FBD Holdings plc and the Group's primary subsidiary, FBD Insurance plc and the members of the Executive Management Team.

The remuneration of key management personnel ("KMP") during the year was as follows:

	2020 €000s	2019 €000s
Short term employee benefits[1]	**3,801**	3,501
Post-employment benefits	**295**	305
Share based payments	**1,012**	993
Charge to the Consolidated Income Statement	**5,108**	4,799

[1] *Short term benefits include fees to Non-Executive Directors, salaries and other short-term benefits to all key management personnel.*

Full disclosure in relation to the 2020 and 2019 compensation entitlements and share awards of the Board of Directors is provided in the Report on Directors' Remuneration.

In common with all shareholders, Directors received payments/distributions related to their holdings of shares in the Company during the year, amounting in total to €0 (2019: €27,830).

37 FINANCIAL RISK MANAGEMENT

(a) Capital management risk

The Group is committed to managing its capital to ensure it is adequately capitalised at all times and to maximise returns to shareholders. The capital of the Group comprises of issued capital, reserves and retained earnings as detailed in notes 22 to 24. The Group has an Investment Committee, a Pricing & Underwriting Committee, a Capital Management Forum, an Audit Committee, a Reserving Committee and Board and Executive Risk Committees, all of which assist the Board in the identification and management of exposures and capital.

The Group maintained its capital position and complied with all regulatory solvency margin requirements throughout both the year under review and the prior year. In 2020, the Group maintained its Solvency Capital Requirement (SCR) coverage above its target range of 150-170% of SCR.

An experienced Actuarial team is in place with policies and procedures to ensure that Technical Provisions are calculated in an appropriate manner and represent a best estimate. Technical Provisions are internally peer reviewed every quarter, audited once a year and subject to external peer review every two years.

An approved Reinsurance Programme is in place to minimise the solvency impact of Catastrophe events to the Group.

The annual ORSA provides a comprehensive view and understanding of the risks to which the Group is exposed or could face in the future and how they translate into capital needs or alternatively require mitigation actions.

The CFO is responsible for consideration of the implications for the capital position as part of the strategic planning process and key strategic decision-making and for ensuring appropriate action is taken as approved by the Board/CEO/relevant committee.

On at least an annual basis, a target range for its SCR Ratio, developed as part of the annual planning/budgeting process, is approved by the Board as part of the Risk Appetite Statements in the Risk Appetite Framework.

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

37 FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk

The Group is exposed to daily calls on its cash resources, mainly for claims payments. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring that the maturity profile of its financial assets is well matched to the maturity profile of its liabilities and maintaining a minimum cash amount available on short term access at all times.

The following tables provide an analysis of assets and liabilities into their relevant maturity groups based on the remaining period to contractual maturity. The contracted value below is the undiscounted cash flow.

Assets – 2020	Carrying value total €000s	Contracted Value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Financial assets	**1,019,998**	1,019,134	248,579	533,786	236,769
Reinsurance assets	**123,793**	123,793	101,398	19,723	2,672
Loans and receivables	**66,003**	66,003	66,003	–	–
Cash and cash equivalents	**129,535**	129,535	129,535	–	–
Total	**1,339,329**	**1,338,465**	**545,515**	**553,509**	**239,441**
Liabilities – 2020					
Insurance contract liabilities	**978,957**	978,957	351,962	533,641	93,354
Payables	**44,729**	44,729	44,729	–	–
Other provisions	**12,067**	12,067	12,067	–	–
Subordinated bond*	**49,544**	70,000	2,500	10,000	57,500
Total	**1,085,297**	**1,105,753**	**411,258**	**543,641**	**150,854**

**See note 27*

37 FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

Assets – 2019	Carrying value total €000s	Contracted Value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Financial assets	**982,573**	992,585	287,475	567,255	137,855
Reinsurance assets	**66,350**	66,350	19,701	37,854	8,795
Loans and receivables	**64,477**	64,477	64,477	–	–
Cash and cash equivalents	**94,982**	94,982	94,982	–	–
Total	**1,208,382**	**1,218,394**	**466,635**	**605,109**	**146,650**

Liabilities – 2019					
Insurance contract liabilities	**866,877**	866,877	283,051	475,893	107,933
Payables	**35,765**	35,765	35,765	–	–
Other provisions	**8,417**	8,417	8,417	–	–
Subordinated bond*	**49,485**	72,500	2,500	10,000	60,000
Total	**960,544**	**983,559**	**329,733**	**485,893**	**167,933**

*See note 27

(c) Market risk

The Group has invested in term deposits, listed debt securities, investment property and externally managed collective investment schemes which provide exposure to a broad range of asset classes. These investments are subject to market risk, whereby the value of the investments may fluctuate as a result of changes in market prices, changes in market interest rates or changes in the foreign exchange rates of the currency in which the investments are denominated. The extent of the exposure to market risk is managed by the formulation of, and adherence to, an Investment Policy incorporating clearly defined investment limits and rules, as approved annually by the Board of Directors and employment of appropriately qualified and experienced personnel and external investment management specialists to manage the Group's investment portfolio. The overriding philosophy of the investment policy is to protect and safeguard the Group's assets and to ensure its capacity to underwrite is not put at risk.

Interest rate and spread risk

Interest rate and spread risk arises primarily from the Group's investments in listed debt securities and deposits and their movement relatively to the Group's liabilities. The Group reviews its exposure to interest rate and spread risk on a quarterly basis by conducting an asset liability matching analysis. As part of this analysis it monitors the movement in assets minus liabilities for defined interest rate stresses and ensures that they remain within set limits as laid out in its Asset Liability Management policy. Similar monitoring is done for spread risk.

37 FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)

At 31 December 2020, the Group held the following deposits and listed debt securities:

	2020		2019	
	Market Value	Weighted average interest rate	Market Value	Weighted average interest rate
	€000s	%	€000s	%
Time to maturity				
In one year or less	**140,609**	**0.84**	169,259	1.81
In more than one year, but not more than two years	**201,410**	**1.13**	148,245	0.88
In more than two years, but not more than three years	**161,056**	**1.00**	185,279	1.21
In more than three years, but not more than four years	**83,953**	**1.21**	157,866	1.11
In more than four years, but not more than five years	**64,299**	**1.13**	67,902	1.35
More than five years	**251,741**	**1.17**	142,623	1.20
Total	**903,068**		871,174	

Equity price risk

The Group is subject to equity price risk due to its holdings in collective investment schemes which invest in equities.

The amounts exposed to equity price risk at the reporting date are:

	2020	2019
	€000s	€000s
Equity exposure	**48,931**	45,714

Foreign currency risk

The Group does not directly hold investment assets in foreign currencies; however, it does have exposure to non-euro exchange rate fluctuations through its collective investment scheme holdings. The underlying exposure to foreign currency is as follows.

	2020	2019
Assets	€000s	€000s
Emerging Markets[1]	**11,238**	32,928
USD	**9,600**	4,554
Other OECD	**435**	743

[1] The Emerging Markets currency exposure is achieved through the collective investment schemes and is highly diversified. The largest exposure to any one currency as at 31 December 2020 was €2.8m in Hong Kong Dollars.

The Group did not directly hold any derivative instruments at 31 December 2020 or 31 December 2019.

37 FINANCIAL RISK MANAGEMENT (continued)

(d) Credit risk

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

Financial assets are graded according to current credit ratings issued by the main credit rating agencies. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as speculative grade. All of the Group's bank deposits are with financial institutions which have a minimum A- rating. The Group holds the following listed Government bonds (average credit rating: A) and listed corporate bonds (average credit rating: A-), with the following credit profile:

	2020		2019	
	Market Value €000s	Weighted Average Duration	Market value €000s	Weighted Average Duration
Government bonds				
AAA	**47,166**	**1.5**	54,997	1.1
AA+	**8,113**	**2.2**	21,306	3.6
AA	**69,101**	**4.6**	42,579	5.4
A+	**40,700**	**1.2**	41,060	2.2
BBB+	**72,624**	**6.0**	71,236	6.9
BBB-	**73,171**	**5.8**	71,178	2.8
Total	**310,875**	**4.2**	302,356	3.8
Corporate Bonds				
AAA	**915**	**0.7**	937	1.7
AA+	**3,046**	**1.4**	–	–
AA	**11,688**	**2.4**	12,508	1.5
AA-	**39,454**	**2.0**	45,509	1.9
A+	**55,059**	**2.4**	45,133	2.1
A	**76,189**	**2.5**	68,909	2.2
A-	**91,141**	**2.7**	96,016	2.8
BBB+	**117,030**	**2.7**	109,077	2.5
BBB	**118,484**	**3.0**	100,812	2.9
BBB-	**39,187**	**2.4**	29,917	2.6
Total	**552,193**	**2.6**	508,818	2.5

All of the Group's current reinsurers either have a credit rating of A- or better. The Group has assessed these credit ratings and security as being satisfactory in diminishing the Group's exposure to the credit risk of its reinsurance receivables. At 31 December 2020, the maximum balance owed to the Group by an individual reinsurer, including reinsurers' share of insurance contract liabilities not yet called, was €25,639,000 (2019: €11,295,000).

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

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

37 FINANCIAL RISK MANAGEMENT (continued)

(e) Concentration risk

Concentration risk is the risk of loss due to overdependence on a singular investment or category of business. The main concentration risks to which the Group is exposed, and how they are mitigated, are as follows:

- Exposure to a single country, counterparty or security as part of its sovereign or corporate bond portfolio. The Group mitigates this risk by placing limits on these exposures with its investment managers which are continuously monitored.
- Exposure to a single counterparty as part of its cash and deposit holdings. The Group mitigates this risk by placing limits on its total exposures to banking counterparties as set out in the Group's Investment Policy, which is approved annually by the Board of Directors.
- While all of the Group's underwriting business is conducted in Ireland, with a significant focus on the agri sector, it is spread over a wide geographical area with no concentration in any one county or region. The resultant concentration risk from adverse weather events, i.e. floods, storms or freezes in Ireland, are mitigated by a flood mapping solution and an appropriate reinsurance strategy.

Receivables arising out of direct insurance operations and other receivables have no significant concentration of risk.

(f) Sensitivity analysis

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

Sensitivity factor	Description of sensitivity factor applied
Interest rate and investment return	The impact of a change in the market interest rate by an increase of 1% or a decrease of 0.25%. For example if a current interest rate is 2%, the impact of an immediate change to 3% and 1.75%.
Exchange rates movement	The impact of a change in foreign exchange rates by ± 10%.
Equity market values	The impact of a change in equity market values by ±10%.
Available for sale investments	The impact of a change in bond market valuations by ±5%.
Level 3 investments	The impact of a change in valuations by ±10%.
Net loss ratios	The impact of an increase in underwriting net loss ratios by 5%.

37 FINANCIAL RISK MANAGEMENT (continued)

(f) Sensitivity analysis (continued)

The pre-taxation impacts on profit and shareholders' equity at 31 December 2020 and at 31 December 2019 of each of the sensitivity factors outlined above are as follows:

		2020 €000s	2019 €000s
Interest rates	1%	**(30,634)**	(30,650)
Interest rates	(0.25%)	**6,772**	7,784

		2020 €000s	2019 €000s
FX rates	10%	**2,127**	3,822
FX rates	(10%)	**(2,127)**	(3,822)
Equity	10%	**4,893**	4,571
Equity	(10%)	**(4,893)**	(4,571)
Available for sale investments	5%	**43,153**	40,558
Available for sale investments	(5%)	**(43,153)**	(40,558)
Level 3 investments (note 18)	10%	**4,216**	394
Level 3 investments (note 18)	(10%)	**(4,216)**	(394)
Net loss ratio	(5%)	**15,762**	16,878

The sensitivity of changes in the assumptions used to calculate general insurance liabilities and reinsurance assets are set out in the table below:

31 December 2020	Change in assumptions	Increase in gross technical reserves €000s	Increase/ (decrease) in net technical reserves €000s	Impact on profit before taxation €000s	Reduction/ (increase) in shareholders' equity €000s
Injury claims IBNR and IBNER	**+10%**	**12,253**	**9,213**	**(9,213)**	**8,061**
Other claims IBNR and IBNER	**+10%**	**5,246**	**(4,876)**	**4,876**	**(5,572)**
Legal fees revert to pre PIAB levels		**6,196**	**5,577**	**5,577**	**4,880**
Reinsurance assets - claims outstanding	**(10 %)**	**–**	**12,276**	**(12,276)**	**10,742**

31 December 2019	Change in assumptions	Increase in gross technical reserves €000s	Increase/ (decrease) in net technical reserves €000s	Impact on profit before taxation €000s	Reduction/ (increase) in shareholders' equity €000s
Injury claims IBNR and IBNER	+10%	8,666	6,191	(6,191)	5,417
Other claims IBNR and IBNER	+10%	99	45	(45)	39
Legal fees revert to pre PIAB levels		6,845	6,160	(6,160)	5,390
Reinsurance assets - claims outstanding	(10 %)	–	6,635	(6,635)	5,806

37 FINANCIAL RISK MANAGEMENT (continued)

(f) Sensitivity analysis (continued)

Limitations of sensitivity analysis

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

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

38 IFRS 9 FINANCIAL INSTRUMENTS DEFERRAL DISCLOSURES

As set out in accounting policy K in note 3, the Group has chosen to defer application of IFRS 9 due to its activities being predominantly connected with insurance.

To facilitate comparison with entities applying IFRS 9, the table below presents an analysis of the fair value of the classes of financial assets as at the end of the reporting period, as well as the change in fair value during the reporting period. The financial asset classes are divided into two categories:

i. Solely Payments of Principal and Interest (SPPI): assets of which cash flows represent solely payments of principal and interest on an outstanding principal amount, but are not meeting the definition of held for trading in IFRS 9, or are not managed on a fair value basis; and,
ii. Other: all financial assets other than those specified in SPPI:
    1. with contractual terms that do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;
    2. that meet the definition of held for trading in IFRS 9; or
    3. that are managed and whose performance are evaluated on a fair value basis.

Fair Values as of 31 December 2020

Financial assets	Financial assets that passed SPPI	Other	Total Fair Value
	€000s	€000s	€000s
Other receivables	65,402	–	**65,402**
Deposits with banks	40,000	–	**40,000**
Cash and cash equivalents	129,535	–	**129,535**
Available for sale investments	–	863,880	**863,880**
Investments held for trading	–	116,930	**116,930**
Total Financial Assets	**234,937**	**980,810**	**1,215,747**

38 IFRS 9 FINANCIAL INSTRUMENTS DEFERRAL DISCLOSURES (continued)

Fair Values as of 31 December 2019

Financial assets	Financial assets that passed SPPI	Other	Total Fair Value
	€000s	€000s	€000s
Other receivables	63,866	–	63,866
Deposits with banks	60,000	–	60,000
Cash and cash equivalents	94,982	–	94,982
Available for sale investments	–	811,986	811,986
Investments held for trading	–	111,399	111,399
Total Financial Assets	218,848	923,385	1,142,233

For receivables, loans and cash and cash equivalents carried at amortised cost, the carrying value is considered to be approximately equal to fair value.

The below table presents fair value movements on financial assets measured on a fair value basis and investments held for trading.

There was no material change in fair value during the year in respect of financial assets that passed the SPPI test.

	Financial assets measured on a fair value basis	Financial instruments held for trading
	€000s	€000s
Balance as at 1 January 2020	811,986	111,399
Additions	217,014	54,009
Disposals	(166,093)	(53,835)
Realised (losses)/gains	(14)	557
Unrealised gains	987	4,800
Balance as at 31 December 2020	**863,880**	**116,930**

For financial assets whose cash flows represent SPPI as defined above, the table below provides information on credit risk exposure. The Group mitigates it's concentration risk to a single counterparty as part of its cash and deposit holdings by placing limits on its total exposures to banking counterparties, the Group's largest exposure to any counterparty for cash and deposit holdings is €33,000,000 (2019:€33,000,000).The financial assets are categorised by asset class with a carrying amount measured in accordance with IAS 39 requirements.

38 IFRS 9 FINANCIAL INSTRUMENTS DEFERRAL DISCLOSURES (continued)

As at 31 December 2020

Rating	Other receivables €000s	Deposits with banks €000s	Cash and cash equivalents €000s	Total €000s
AAA	**–**	**–**	**–**	**–**
AA	**–**	**–**	**6,467**	**6,467**
AA-	**–**	**–**	**25,494**	**25,494**
A+	**–**	**–**	**34,344**	**34,344**
A-	**–**	**40,000**	**60,997**	**100,997**
BBB	**–**	**–**	**2,233**	**2,233**
Unrated	**65,402**	**–**	**–**	**65,402**
Total	**65,402**	**40,000**	**129,535**	**234,937**

As at 31 December 2019

Rating	Other receivables €000s	Deposits with banks €000s	Cash and cash equivalents €000s	Total €000s
AAA	–	–	6,577	6,577
AA-	–	–	18,000	18,000
A	–	30,000	38,216	68,216
A-	–	30,000	33,242	63,242
BBB	–	–	(1,053)	(1,053)
Unrated	63,866	–	–	63,866
Total	63,866	60,000	94,982	218,848

39 SUBSEQUENT EVENTS

The Irish Commercial Court judgement in respect of Covid-19 related business interruption cover for public house policies was issued on 5 February 2021 and FBD were deemed liable to cover the claims cost when the public houses were closed by the Government. The judgement is an adjusting event for the purposes of the 2020 financial statements on the basis that the impacted claims are 2020 events. FBD accept this judgement and will pay interim claim payments to our affected customers in a timely manner with final payments to follow once all required information is received and processed. The net liability in respect of the public house business interruption claims is included in the 2020 result with a provision made of €65.3m (€54.0m included in the net claims incurred and €11.3m included in respect of assumed reinsurance reinstatement premium). Gross claims costs are currently estimated to be approximately €150m. Post year end extensions to the period of Level 5 Covid-19 restrictions initially imposed on 24 December 2020 are also adjusting events for the purposes of the 2020 financial statements on the basis that they impact the valuation of 2020 Covid-19 related business interruption claims. The impact of these extensions are included in the net liability detailed above. Discussions are on-going with our reinsurance partners to finalise the reinsurance recovery position.

Alternative Performance Measures

The Group uses the following alternative performance measures: Loss ratio, expense ratio, combined operating ratio, annualised investment return, net asset value per share, return on equity and gross premium written.

Loss ratio (LR), expense ratio (ER) and combined operating ratio (COR) are widely used as a performance measure by insurers, and give users of the financial statements an understanding of the underwriting performance of the entity. Investment return is used widely as a performance measure to give users of financial statements an understanding of the performance of an entities investment portfolio. Net asset value per share (NAV) is a widely used performance measure which provides the users of the financial statements the book value per share. Return on equity (ROE) is also a widely used profitability ratio that measures an entity's ability to generate profits from its shareholder investments. Gross premium written refers to the premium on insurance contracts entered into during the year and is widely used across the general insurance industry.

The calculation of the APM's is based on the following data:

	Note	**2020** **€000s**	**2019** **€000s**
Loss ratio			
Net claims and benefits	4(c)	**221,403**	148,679
Movement in other provisions	4(c)	**9,681**	7,946
Total claims incurred	4(c)	**231,084**	156,625
Net premium earned		**315,232**	337,553
Loss ratio (Total claims incurred/Net premium earned)		**73.3%**	46.4%
Expense ratio			
Other underwriting expenses	4(c)	**88,527**	87,259
Net premium earned	4(c)	**315,232**	337,553
Expense ratio (Underwriting expenses/Net premium earned)		**28.1%**	25.9%
Combined Operating Ratio		**%**	%
Loss ratio		**73.3%**	46.4%
Expense ratio		**28.1%**	25.9%
Combined operating ratio (Loss ratio + Expense ratio)		**101.4%**	72.3%

Investment return		**2020** **€000s**	**2019** **€000s**
Investment return recognised in Consolidated Income Statement	5	**10,388**	17,892
Investment return recognised in Statement of Comprehensive Income		**4,505**	10,924
Total investment return		**14,893**	28,816
Average investment assets		**1,117,036**	1,073,429
Investment return % (Total investment return/Average investment assets)		**1.3%**	2.7%

Alternative Performance Measures (continued)

	Note	2020 €000s	2019 €000s
Net Asset Value per share			
Shareholders' funds – equity interests		**383,981**	372,228
Number of shares			
Number of ordinary shares in issue (excluding treasury)	22	**35,052,462**	34,862,464
		Cent	**Cent**
Net asset value per share (NAV) (Shareholders' funds/Closing number of ordinary shares)		**1,095**	1,068
Return on Equity			
Weighted average equity attributable to ordinary equity holders of the parent		**378,105**	327,856
Result for the year		**4,390**	98,225
Return on equity (Result for the year/Weighted average equity attributable to ordinary equity holders of the parent)		**1%**	30%

Gross premium written: The total premium on insurance underwritten by an insurer or reinsurer during a specified period, before deduction of reinsurance premium.

Expense ratio: Underwriting and administrative expenses as a percentage of net earned premium.

Loss ratio: Net claims incurred as a percentage of net earned premium.

Combined Operating Ratio: The sum of the loss ratio and expense ratio. A combined operating ratio below 100% indicates profitable underwriting results. A combined operating ratio over 100% indicates unprofitable results.

Printed on paper sourced from sustainably managed forests.

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C105984