



**FBD HOLDINGS PLC**  
**Half yearly Report**  
**For the Six Months ended 30 June 2021**

**KEY HIGHLIGHTS**

- Profit Before Tax of €22m compared to a Loss Before Tax of €9m in 2020.
- Combined Operating Ratio of 92%.
- The result includes a €13m provision for consequential payments following Financial Services and Pensions Ombudsman (FSPO) rulings on Business Interruption complaints after consideration of the Central Bank of Ireland's Business Interruption Insurance Supervisory Framework.
- The Business Interruption best estimate of ultimate net costs for public house claims increased marginally to €67m.
- Investment portfolio annualised return of 0.9% at Half Year, equating to positive investment returns of €5m.
- Our capital position remains strong with a Solvency Capital Ratio of 198% (unaudited).
- Average premium down 2.1% across the portfolio with Motor down 5.7%.
- Increase of 3,500 policy holders since the beginning of 2021.
- Brand awareness maintained in the top 3 according to the National Brand Health Tracker.
- Launch of Inclusio software that combines technology, behavioural science and psychology to support employees as we drive towards Silver Accreditation from the Irish Centre of Diversity.

**FINANCIAL SUMMARY**

	<b>30 Jun 2021</b>	<b>30 Jun 2020</b>
	<b>€000s</b>	<b>€000s</b>
Gross written premium	<b>181,433</b>	<b>176,216</b>
Underwriting profit/(loss)	<b>13,022</b>	<b>(4,676)</b>
Profit/(Loss) before taxation	<b>21,991</b>	<b>(9,349)</b>
Loss ratio	<b>66.3%</b>	<b>74.6%</b>
Expense ratio	<b>25.7%</b>	<b>28.4%</b>
Combined operating ratio	<b>92.0%</b>	<b>103.0%</b>
	<b>Cent</b>	<b>Cent</b>
Basic earnings/(loss) per share	<b>55</b>	<b>(24)</b>
Net asset value per share	<b>1,137</b>	<b>1,035</b>

- Gross Written Premium (GWP) €181m (2020: €176m), down 1% excluding €5m of pandemic related premium rebates (€11m rebates in H1 2020). Written policy count increased by 1.4%.
- Underwriting profit of €13m (2020: loss of €5m), equating to a H1 COR of 92% (2020: 103%), due to claims frequency reductions, benign weather and positive prior year reserve development of €7m, offset by a €13m provision for consequential payments following FSPO rulings on Business Interruption complaints.
- Positive investment returns of €10m through the Income Statement (2020: -€3m) offset by -€5m through Other Comprehensive Income (2020: -€7m). These returns reflect a strong performance from risk assets with increasing yields impacting the valuation of our bond portfolios.
- Expense ratio of 25.7% (2020: 28.4%), with reduction in expenses reflecting the absence of bonus payments in current year.
- Net Asset Value per share 1,137 cent has increased from 1,095 cent at the end of 2020.

Commenting on these results Tomás Ó'Midheach, Group Chief Executive, said:

"I am delighted to report that FBD has delivered a strong set of interim results with a positive backdrop of reducing restrictions and an advancing vaccination program. The real impact on the economy will become clearer when Government income supports are removed and despite the variant uncertainty there are many reasons for renewed optimism.

The Business Interruption judgement from the quantum hearing held in July will rule on a number of issues with the issue of partial closure being the largest outstanding point of clarification. This judgement should provide clarity on the gross liability and the certainty required to finalise discussions with reinsurers on recoveries due. In the meantime we have continued to make interim payments to customers who have provided requested information. We believe our approach has been correct in seeking to have the complex matters involved resolved by way of a legal case.

Recent FSPO decisions have a wider beneficial impact for FBD Public House Insurance policyholders. In line with the Central Bank of Ireland's Business Interruption Insurance Supervisory Framework, we will extend payments to all FBD Public House policyholders and will ensure this benefit is passed on in a timely manner.

We opened our retail offices and contact centre in line with government guidelines and look forward to welcoming the remainder of our colleagues back when all workers are permitted to return. The world of work has changed forever and the senior management team and I are very thankful to our employees for their continued support and we recognise the need to develop a more flexible future working model.

The business continues to evolve and future and current relationships with partners, our strong presence in local and farming communities along with our enhanced digital capabilities will enable us to continue delivering on our customer centric model.

Our customers are paying less for their insurance in most cases. The updated Personal Injuries Guidelines are welcome and on the back of them we implemented reductions to product pricing and we expect to see the benefit in reduced claim settlements costs in due course.

It has been an interesting seven months since I started with FBD and my initial impressions have been borne out as we have a strong underlying business and capital base to work from. With the talented team supporting me and with relentless focus, the future looks promising and the business will be well positioned to deliver more for all stakeholders."

A presentation will be available on our Group website [www.fbdgroup.com](http://www.fbdgroup.com) from 9.00 am today.

#### **Enquiries**

#### **FBD**

Michael Sharpe, Investor Relations

#### **Telephone**

+353 87 9152914

#### **Drury Communications**

Billy Murphy

Paul Clifford

+353 87 231 3085

+353 87 327 2161

#### **About FBD Holdings plc ("FBD")**

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.

#### **Forward Looking Statements**

Some statements in this announcement are forward-looking. They represent expectations for the Group's business, and involve risks and uncertainties. These forward-looking statements are based on current expectations and projections about future events. The Group believes that current expectations and assumptions with respect to these forward-looking statements are reasonable. However, because they involve known and unknown risks, uncertainties and other factors, which are in some cases beyond the Group's control, actual results or performance may differ materially from those expressed or implied by such forward-looking statements.

The following details relate to FBD's ordinary shares of €0.60 each which are publicly traded:

Listing	Euronext Dublin	UK Listing Authority
Listing Category	Premium	Premium (Equity)
Trading Venue	Euronext Dublin	London Stock Exchange
Market	Main Securities Market	Main Market
ISIN	IE0003290289	IE0003290289
Ticker	FBD.I or EG7.IR	FBH.L

## OVERVIEW

The Group reported a profit before tax of €22.0m (2020 loss: €9.3m), supported by a strong underwriting performance including claims frequency improvements, strong investment returns of €10.3m, positive prior year reserve releases of €7.2m and benign weather partially offset by a €13.4m provision for consequential payments following FSPO decisions on Business Interruption complaints.

The Group reported an underwriting profit of €13.0m (2020 loss: €4.7m) and GWP of €181.4m (2020: €176.2m) which is 1% lower than prior year when the pandemic related premium rebates are excluded.

The quantum hearing in respect of the Business Interruption claims payments was heard in July with an expected judgement in December. The definition of partial closure is the largest outstanding point of clarification remaining and whether indemnity should operate when pubs were allowed to open, but with restrictions in place to meet Covid-19 social distancing requirements.

The pandemic continues to affect our customers, our employees and our business as many continue to work remotely and although some normality is returning it will take some time to adjust. The Group continues to support our customers through web sales, our Mullingar support centre and branch network which are fully operational and following Government guidelines.

## UNDERWRITING

### Premium income

Gross written premium (excluding rebates) was 1% lower than 2020 levels with a continuing impact from the pandemic as average premium reduced along with economic activity. GWP was €181.4m (2020: €176.2m). Commercial rebates of €4.8m have been deducted from 2021 premium (2020: €11.1m Motor and Commercial customer rebates). Commercial customers' rebates reflect the reduced exposure to Employers Liability, Public Liability and Business Interruption claims while businesses were closed.

Customer policies increased by 3,500 compared to 2020. Retention of customers remains high in a very competitive market.

Average premium reduced by 2.1% across the book. Average premium for Motor reduced by 5.7% in a competitive environment reflecting improved underlying claims experience. Business and Commercial Motor reduced by 8% and 11% respectively reflecting reduced exposures and rating reductions. Average Tractor premium increased by 3.8% due to larger tractors being insured. Farm average premium reduced by 1.2% with farm activity levels unaffected by the pandemic. Home average premium increased marginally.

FBD expect to be fully compliant with the Consumer Insurance Contracts Act 2019 by the September 2021 deadline. This includes changes to how information about risks being insured is provided by and presented back to customers, changes to rules around cooling off periods/cancellations and also changes in the reliance that can be put on certain information and policy conditions.

### Reinsurance

The 2021 reinsurance programme remained largely unchanged from 2020 with modest rate increases. The programme limits our exposure to large claims, weather events and other aggregations of claims. The impact of our Business Interruption claim will form part of the 2022 reinsurance renegotiation.

### Claims

Net claims incurred (Net claims and benefits plus movements in Other provisions) reduced by €9.5m to €107.5m (2020: €117.0m) with the main changes relating to Business Interruption claims costs incurred in the first half of 2020 of €30.0m compared to €2.1m in 2021. This has been offset by a €13.4m provision for consequential payments following FSPO decisions on Business Interruption complaints, after consideration of the CBI's Business Interruption Insurance Supervisory Framework. Positive prior year reserve releases of €7.2m (2020: €8.0m) are coming primarily from sustained lower than expected frequency (in particular for the 2020 accident year).

The quantum hearing took place in July in the legal case for Business Interruption with the judgement expected in December. Once the judgement is delivered we will make claims settlements as expeditiously as possible with interim settlements of €20m already paid. The best estimate gross claims cost increased by €33m to approximately €183m primarily due to higher expected legal costs and a reassessment of the estimated amounts that will be paid to customers based on the latest available information including reopening dates of public houses. The quantum hearing judgement should allow progress to be made towards finalising the reinsurance recovery position. A margin for uncertainty over the best estimate is held to address the uncertainty in arriving at the best estimate.

Motor damage and injury claims frequency has been lower than normal over the period primarily due to the Government restrictions on movement. It has been noticeable that the frequency for Commercial policies (Motor and Liability) has not experienced the same fall as that experienced in early 2020. Excluding Business Interruption claims, Property claims frequency remained relatively consistent with the 2020 experience. No significant weather events occurred in the first half of the year.

The average cost of injury claims settlements continues to be slightly lower than that experienced pre-Covid. This is due to a change in the mix of settled cases, affected by court closures and the inability to engage in pre-trial negotiation with a backlog of cases building up in the courts system. The average cost of property claims experienced a significant inflationary increase with further inflation expected on domestic building costs. Motor damage claims continue to experience high inflation as costs of parts, paint and average labour hours per repair increase.

Other provisions includes Premium rebates of €4.8m (2020: €11.1m), the Motor Insurers Bureau of Ireland (MIBI) levy and Motor Insurers Insolvency Compensation Fund (MIICF) contribution which combined totalled €5.1m (2020: €6.2m) and a consequential payments provision of €13.4m (2020: €0).

#### Claims Environment

The first half of 2021 continued to be affected by Covid-19 as court closures and restrictions were still in place impacting settlement activity. As Government restrictions were lifted in June the number of court cases listed is still reduced and claims settlement activity continues to be impacted. Traffic volume has increased in 2021 as restrictions ease and non-essential retail and outdoor/indoor dining reopens, although remote working continues.

FBD welcomes the new Personal Injuries Guidelines that came into force on 24 April 2021 and apply to any pre litigation cases where there is no PIAB award at the time of introduction and also introduced capping of general damages. In litigation cases the guidelines apply where legal proceedings were issued and/or served on or after 24 April 2021. The impact of the guidelines will take 12 to 24 months to fully emerge. Although recent trends indicate a reduction in general and soft tissue damage awards, the early commentary in respect of drastically reduced awards needs validation.

Perjury legislation has passed through all stages of the Oireachtas and is awaiting the Minister's signature. It provides for considerable penalties against those who commit the offence of perjury and related offences with a maximum penalty on indictment of up to ten years imprisonment and/or a fine of €100,000. This should act as a deterrent against false claims or untruthful statements by claimants.

All changes required for claims handling in respect of system and process changes are in place to ensure FBD is compliant with the Consumer Insurance Contracts Act 2019. Funds retained pending completion of property repair have been reduced and explanations on third party claim settlements are provided with engagement of policyholders on liability claims/decisions.

FBD responded to the Department of Enterprise, Trade and Employment's public consultation seeking measures to enhance and reform PIAB, through our representative body. The reforms would increase the number of personal injury cases assessed by PIAB and would expect to see cases settled quicker and at a lower cost. The consultation process is seeking views on a new mediation process and reform of the PIAB Acts which could include claims that currently fall outside the remit of PIAB because of the type of injury (e.g. dominant injury is psychological) or the complexity of an injury involved (e.g. claimant has a pre-existing injury).

The Dáil passed The Civil Law (Miscellaneous Provisions) Bill 2021 on 30 June 2021 to enable the appointment of five additional High Court judges increasing the number from 37 to 42. The additional judges will assist in clearing the pandemic created backlog of cases.

There is still a possible challenge coming to the current discount rate used for personal injury claims which would increase future claims liabilities. No clarity has been received yet 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 appropriate rate.

FBD continue to monitor the trend in respect of legal costs particularly in the Circuit Court and High Court. The inflation experienced in allowances granted by the Office of the Legal Costs Adjudicator and the County Registrars reduced in recent months.

Motor damage claims and average repairs costs are continuing to increase well ahead of general inflation with supply chains still adjusting to Brexit and Covid disruption. New technology in cars can result in claims costing multiples of the past with replacement sensors, headlights and driver assisted supports. Property claims are seeing double-digit inflation over a rolling 12 month period. All of these trends are being closely monitored.

#### Weather, Claims Frequency and Large Claims

No significant weather events of note occurred during 2021 to date, which is consistent with the experience in 2020.

As a result of the Covid-19 pandemic and the restrictions put in place by the Government there has been a significant reduction in the frequency of Motor and Liability claims during the year to date when compared to pre-Covid levels. The reduction was particularly evident in January and February, with frequency increasing as the economy opened up and following the schools reopening in March. Employer Liability claims have returned to more normal levels with Motor and Public Liability claims remaining lower than normal. The frequency of claims relating to Farm activities remained relatively stable throughout the year to date, however the month of June experienced the highest number of tractor injury claims in a single month than any other over the past ten years.

Less than 50% of the normal number of large claims, defined as a value greater than €250k, have been reported to 30 June with Covid-19 affecting frequency and possibly impacting the normal flow of information on large claims.

#### Expenses

The Group's expense ratio was 25.7% (2020: 28.4%). Other underwriting expenses were €41.7m which is lower than the previous year primarily due to the absence of bonus payments. The ratio is impacted by the decrease in earned premium as a result of the Covid-19 pandemic rebates to customers without which the ratio would be 25.0%. Also an additional €1.3m has been allocated to claims handling expenses following an updated cost allocation review.

#### **GENERAL**

FBD's Combined Operating Ratio ("COR") was 92.0% (2020: 103.0%) generating an underwriting profit of €13.0m (2020: loss of €4.7m).

#### Investment Return

FBD's total annualised investment return for the first six months of 2021 was 0.9% (2020: -1.9%). This is made up of annualised investment income of 1.8% (2020: -0.6%) through the Income Statement and annualised mark to market movements of -0.9% (2020: -1.3%) in Other Comprehensive Income (OCI).

The positive investment return reflects the strong economic growth as economies reopen following lockdowns and with central banks remaining accommodative. Risk assets performed strongly, led by equities. FBD's Global equity investments increased by 13.8% and the Emerging Markets equities increased by 10.9% in

the first six months. Increased interest rates have reduced the valuation of bonds leading to negative mark to market returns through OCI.

The pension surplus decreased during the period as the investment return reduced by more than the decrease in scheme liabilities. The scheme liabilities decreased as a result of an increase in the discount rate offset to some extent by an increase in the inflation assumption. The assets and liabilities are reasonably well matched as a result of the structural changes made to the pension scheme in 2015 and 2016.

### **Financial Services**

The Group's financial services operations returned a loss before tax of €0.1m for the period (2020: profit €0.7m). Revenue reduced by €1.8m reflecting the impact of customer forbearance measures and lower commission in the Life & Pension business. Costs reduced by €1m to €3.2m primarily due to reduced legal and other expenses in the Holding company.

### **Profit per share**

The diluted profit per share was 53 cent per ordinary share, compared to a loss of 23 cent per ordinary share in 2020.

## **STATEMENT OF FINANCIAL POSITION**

### **Capital position**

Ordinary shareholders' funds at 30 June 2021 amounted to €398.6m (December 2020: €384.0m). The increase in shareholders' funds is driven by the following:

- Profit after tax for the half year of €19.3m;
- An increase of €1.0m due to share based payments;
- A decrease in the revaluation reserve of €0.2m;
- A decrease in the defined benefit pension scheme surplus of €0.8m after tax; and
- Mark to market losses on Available for Sale investments of €4.7m after tax.

Net asset value per ordinary share is 1,137 cent, compared to 1,095 cent per share at 31 December 2020.

### **Investment Allocation**

The Group has a conservative investment strategy that ensures that its technical reserves are matched by cash and fixed interest securities of similar nature and duration. There have been no material changes to investment allocation since year end 2020. The Group continues to maintain a high cash allocation to provide sufficient liquidity for Business Interruption claims payments.

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

	<b>30 June 2021</b>		<b>31 December 2020</b>	
	<b>€m</b>	<b>%</b>	<b>€m</b>	<b>%</b>
Corporate bonds	551	46%	552	47%
Government bonds	307	26%	311	26%
Deposits and cash	185	16%	180	15%
Other risk assets	83	7%	68	6%
Equities	51	4%	49	4%
Investment property	17	1%	17	2%
	<b>1,194</b>	<b>100%</b>	<b>1,177</b>	<b>100%</b>

### **Solvency**

The half year Solvency Capital Ratio (SCR) was 198% (unaudited). The audited Solvency Capital Ratio (SCR) at 31 December 2020 was 197%. There is still a high degree of uncertainty in the calculation of the Solvency Capital Ratio due to the on-going Business Interruption claims issue and associated reinsurance recoveries.

## RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group are outlined on pages 17-28 of the Group's Annual Report for the year ended 31 December 2020 and remain consistent at 30 June 2021 and for the foreseeable future. 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.

Claims volumes continue to be lower than pre-Covid levels in the first half of 2021 as economic activity and traffic volumes are below normal levels expected. The risk still remains around possible increased propensity to claim by financially stressed customers when Government supports are removed. Courts opened in June although the lists are still restricted impacting the ability to settle claims and settlement times have increased during the period.

The risk of reduced exposures and consequently reduced premiums on the Commercial account continues until commercial activity returns to pre-Covid levels. Commercial premium rebates have been provided to many businesses who have recently been allowed to reopen. Commercial rebates will cease following the reopening of most businesses and the risk of contraction of the Commercial insurance book due to businesses not reopening will become clearer over the coming months.

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

FBD has modelled future results that reflect changes of which we are now aware and other uncertainties that may impact future business plans including the new Judicial Council Guidelines for personal injury claim awards. The scenario modelling includes 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 can change and unforeseen challenges and events could occur.

A quantum hearing was held in July in the Business Interruption legal case and the judgement is due in December 2021. This judgement should provide clarity on the calculation of the quantum of losses in respect of Business Interruption insurance claims resulting from Covid-19 pandemic public health measures. The issues to be agreed include the definition of imposed closure, the level of wages to be allowed and any compensation in respect of late payments. The judgement should set a clear legal position on liability and quantum under our public house policies and will facilitate completing discussions with reinsurers and therefore the level of reinsurance recoveries.

The Business Interruption best estimate is €67m (including reinsurance reinstatement premium). FBD has assessed all available and up to date information which may impact on ultimate costs. The current estimate of gross claims costs has increased to approximately €183m. The Group has also modelled a number of different scenarios in the calculation of gross and net losses. In arriving at the best estimate, probabilities have been assigned to gross and reinsurance scenarios based on discussions with reinsurers, our reinsurance broker and specialist legal advice. While more adverse outcomes for the Group are possible relative to the booked best estimate, 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 198% (unaudited) (31 December 2020: 197%). 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.

An 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 monitoring the movements and working with customers to ensure continuation of cover where possible. As at the reporting date there was no obvious increase in distressed customers and this will be continuously monitored.

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 7 with a 12% allocation to risk assets.

Our overall business strategy is continually monitored to ensure it remains relevant in the current environment and is well placed to meet the needs of our customers.

The current business processes and distribution models changed to address Covid-19 pandemic challenges and have operated effectively throughout the period. FBD itself has been able to adapt to the changing environment with many of FBD's employees still working from home as restrictions ease in line with Government guidelines. All functions were largely able to maintain business as usual. We have not implemented job reduction programmes and we have not received 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. However with the loosening of restrictions the risk has reduced.

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 reopened. 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 continues to be a priority as restrictions ease and we emerge from the Covid pandemic. 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. As the vaccination program gathers pace and more of the population are protected the risk is reducing, although different variants can emerge causing on-going concerns. FBD have provided forbearance measures to support our customers through these challenging times. We continue to support the Irish Olympic Team who are now in Tokyo and 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.

## **OUTLOOK**

The first half of 2021 started with a continuing lockdown and ended with the reopening of non-essential services and businesses including public houses outdoors and the continuation of a successful adult vaccination roll out. The economy is expected to see growth in the second half of the year with the release of pent up consumer demand and the expected return of employees to offices in due course.

Business Interruption resolution took another step forward as the quantum hearing finished on 16 July and the judgement is due in December. The judgement is required to enable Business Interruption claim payments to be agreed as the most important decision around liability for "partial closure" will be provided and it will facilitate the finalisation of reinsurance recoveries with our reinsurers. €20m of interim payments have been made to Business Interruption claimants and we continue to issue settlement offers to those who have provided the requested information.

We have reacted quickly to the new Personal Injury Guidelines and expect they 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.

As we start to emerge from the pandemic and look forward to returning to social events, offices and hobbies we continue to be mindful of the threat of variants and the need to continue to mind each other. FBD operate in full compliance with all Government guidelines and restrictions to ensure our employees and customers are protected and feel safe in their interactions with us. The Government supports will continue in the short term with a phasing out expected near the end of the year and the full economic reality from the pandemic will become evident.

Farm accidents unfortunately have increased again with a 10 year high in Tractor claims notified in June this year. This emphasises the need for continuing vigilance around farm safety.

Brexit has happened and despite the disruption experienced by some industries, most have innovated and adapted to the changes. The resilience of the Irish farmers, businesses and consumers was evident as they responded to the challenges posed.

Phase two of the Consumer Insurance Contract Act 2019 (CICA) comes into effect on 1 September 2021. Customers will have a statutory obligation to answer “honestly and with reasonable care” all questions asked by their insurer, replacing “utmost good faith”. FBD as an insurer have many new obligations including providing all premiums and claims paid for the preceding 5 years as well as limited ability to cancel policies for non-disclosure including ensuring questions are specific, in plain English and avoiding assumptions. In addition the act will impact on the reliance that can be put on certain information and policy conditions in order to defend a claim, and an expansion of the circumstances in which a claim may be payable. The changes require system, process and procedure changes which have been completed in time for the September 2021 deadline and provide more transparency of policy wordings and procedures and also strengthen consumer rights.

We note the recent report published by the Central Bank of Ireland in respect of differential pricing and are undertaking a review of the issues raised and look forward to contributing to the public consultation process.

The underlying insurance business is delivering strong returns, is well-capitalised and is growing policy numbers. We are putting our customer at the heart of what we do and delivering unrivalled customer service. Our strategic intent is to deliver profitable growth while maintaining underwriting discipline underpinned by a strong capital position. This will ensure the business delivers for all our stakeholder groups.

**FBD HOLDINGS PLC**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATED INCOME STATEMENT**  
For the half year ended 30 June 2021

	Notes	Half year ended 30/06/21 (unaudited) €000s	Half year ended 30/06/20 (unaudited) €000s	Year ended 31/12/20 (audited) €000s
<b>Revenue</b>	<b>3</b>	<b>191,545</b>	187,614	380,999
<b>Income</b>				
Gross written premium		181,433	176,216	358,230
Reinsurance premium		<u>(16,319)</u>	<u>(14,797)</u>	<u>(43,034)</u>
Net written premium		165,114	161,419	315,196
Change in net provision for unearned premiums		<u>(2,868)</u>	<u>(4,626)</u>	<u>36</u>
Net premium earned		162,246	156,793	315,232
Net investment return		10,324	(3,274)	10,388
Financial services income – Revenue from contracts with customers		1,127	2,129	4,211
– Other financial services income		<u>2,038</u>	<u>2,827</u>	<u>5,172</u>
<b>Total income</b>		<b>175,735</b>	158,475	335,003
<b>Expenses</b>				
Net claims and benefits	4 (iii)	(88,980)	(110,821)	(221,403)
Other underwriting expenses	4	(41,728)	(44,451)	(88,527)
Movement in other provisions	5	(18,516)	(6,197)	(9,681)
Financial services and other costs		(3,248)	(4,241)	(7,276)
Impairment of property, plant and equipment		-	(842)	(734)
Finance costs		<u>(1,272)</u>	<u>(1,272)</u>	<u>(2,580)</u>
<b>Profit/(Loss) before taxation</b>		<b>21,991</b>	(9,349)	4,802
Income taxation (charge)/ credit	12	<u>(2,738)</u>	<u>1,135</u>	<u>(412)</u>
<b>Profit/(Loss) for the period</b>		<b>19,253</b>	(8,214)	4,390
<b>Attributable to:</b>				
Equity holders of the parent		<u>19,253</u>	<u>(8,214)</u>	<u>4,390</u>

**FBD HOLDINGS PLC**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**For the half year ended 30 June 2021**

	Notes	Half year ended 30/06/21 (unaudited) Cent	Half year ended 30/06/20 (unaudited) Cent	Year ended 31/12/20 (audited) Cent
<b>Earnings per share</b>				
Basic	9	<u>55</u>	<u>(24)</u>	<u>13</u>
Diluted	9	<u>53<sup>1</sup></u>	<u>(23)<sup>1</sup></u>	<u>12<sup>1</sup></u>

<sup>1</sup> Diluted earnings per share reflects the potential vesting of share based payments.

**FBD HOLDINGS PLC**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the half year ended 30 June 2021**

	<b>Half year ended 30/06/21 (unaudited) €000s</b>	<b>Half year ended 30/06/20 (unaudited) €000s</b>	<b>Year ended 31/12/20 (audited) €000s</b>
<b>Profit/ (Loss) for the period</b>	<b>19,253</b>	<b>(8,214)</b>	<b>4,390</b>
<i>Items that will or may be reclassified to profit or loss in subsequent periods:</i>			
Net (loss)/gain on available for sale assets	(4,682)	(7,207)	4,491
(Gain)/ loss transferred to the Consolidated Income Statement on disposal during the period	(718)	(32)	14
Taxation credit/(charge) relating to items that will or may be reclassified to profit or loss in subsequent periods	675	905	(563)
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Actuarial (loss)/gain on retirement benefit obligations	(849)	4,577	2,326
Property held for own use revaluation loss	-	-	(419)
Taxation charge (relating to items not to be reclassified in subsequent periods)	(124)	(572)	(431)
<b>Other comprehensive (expense)/income after taxation</b>	<b>(5,698)</b>	<b>(2,329)</b>	<b>5,418</b>
<b>Total comprehensive income/(expense) for the period</b>	<b>13,555</b>	<b>(10,543)</b>	<b>9,808</b>
<b>Attributable to:</b>			
Equity holders of the parent	<b>13,555</b>	<b>(10,543)</b>	<b>9,808</b>

**FBD HOLDINGS PLC**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**At 30 June 2021**

ASSETS	Notes	30/06/21 (unaudited) €000s	30/06/20 (unaudited) €000s	31/12/20 (audited) €000s
Property, plant and equipment		23,899	27,148	25,085
Policy administration system		35,287	37,704	36,721
Intangible assets		7,340	3,356	5,100
Investment property		17,054	18,554	17,051
Right of use asset		5,245	6,045	5,635
Loans		650	624	601
Deferred taxation asset		-	1,193	1,294
<b>Financial assets</b>				
Available for sale investments		859,091	799,617	863,880
Investments held for trading		134,223	105,615	116,930
Deposits with banks		10,000	50,000	40,000
		<u>1,003,314</u>	<u>955,232</u>	<u>1,020,810</u>
<b>Reinsurance assets</b>				
Provision for unearned premiums		1,741	172	1,033
Claims outstanding	8	<u>162,469</u>	<u>73,046</u>	<u>122,760</u>
		<u>164,210</u>	<u>73,218</u>	<u>123,793</u>
Retirement benefit surplus	10	10,000	13,300	10,849
Current taxation asset	12	4,602	12,326	7,510
Deferred acquisition costs		33,638	33,032	34,079
Other receivables		68,781	75,717	65,402
Cash and cash equivalents		<u>166,832</u>	<u>127,605</u>	<u>129,535</u>
<b>Total assets</b>		<u>1,540,852</u>	<u>1,385,054</u>	<u>1,483,465</u>

**FBD HOLDINGS PLC**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**  
**At 30 June 2021**

<b>EQUITY AND LIABILITIES</b>	<b>Notes</b>	<b>30/06/21 (unaudited) €000s</b>	<b>30/06/20 (unaudited) €000s</b>	<b>31/12/20 (audited) €000s</b>
<b>Equity</b>				
Called up share capital presented as equity	<b>7</b>	<b>21,409</b>	21,409	21,409
Capital reserves		<b>25,786</b>	23,967	24,756
Revaluation reserve		<b>749</b>	-	978
Retained earnings		<b>350,622</b>	317,465	336,838
<b>Equity attributable to ordinary equity holders of the parent</b>				
Preference share capital		<b>2,923</b>	2,923	2,923
<b>Total Equity</b>		<b>401,489</b>	365,764	386,904
<b>Liabilities</b>				
<b>Insurance contract liabilities</b>				
Provision for unearned premiums		<b>188,115</b>	188,341	184,541
Claims outstanding	<b>8</b>	<b>819,118</b>	720,970	794,416
		<b>1,007,233</b>	909,311	978,957
<b>Other provisions</b>	<b>13</b>	<b>26,073</b>	13,813	12,067
<b>Subordinated debt</b>		<b>49,573</b>	49,514	49,544
<b>Lease liability</b>		<b>5,489</b>	6,204	5,843
<b>Deferred taxation liability</b>		<b>3,583</b>	4,649	5,421
<b>Current taxation liability</b>	<b>12</b>	-	30	-
<b>Payables</b>		<b>47,412</b>	35,769	44,729
<b>Total liabilities</b>		<b>1,139,363</b>	1,019,290	1,096,561
<b>Total equity and liabilities</b>		<b>1,540,852</b>	1,385,054	1,483,465

**FBD HOLDINGS PLC**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the half year ended 30 June 2021

	Half year ended 30/06/21 (unaudited) €000s	Half year ended 30/06/20 (unaudited) €000s	Year ended 31/12/20 (audited) €000s
<b>Cash flows from operating activities</b>			
Profit/(Loss) before taxation	21,991	(9,349)	4,802
Adjustments for:			
(Profit)/Loss on investments held for trading	(6,970)	5,785	(5,356)
Loss on investments available for sale	971	1,860	3,531
Interest and dividend income	(3,925)	(4,139)	(9,481)
Depreciation/amortisation of property, plant and equipment, intangible assets and policy administration system	5,434	5,049	11,041
Depreciation of right of use asset	390	410	821
Share-based payment expense	1,030	1,156	1,945
Fair value (gain)/ loss on investment property	(3)	139	1,569
Impairment of property, plant and equipment	-	842	734
(Decrease)/increase in insurance contract liabilities	(12,141)	35,568	54,638
Increase in other provisions	14,006	5,396	3,650
	<hr/>	<hr/>	<hr/>
Operating cash flows before movement in working capital	20,783	42,717	67,894
(Increase) in receivables and deferred acquisition costs	(3,817)	(12,837)	(3,154)
Decrease in payables	3,963	1,351	10,680
Interest on lease liabilities	117	131	263
Purchase of investments held for trading	(36,628)	(24,964)	(54,008)
Sale of investments held for trading	26,306	24,964	53,835
	<hr/>	<hr/>	<hr/>
Cash generated from operations	10,724	31,362	75,510
Interest and dividend income received	4,802	5,275	10,204
Income taxes received/(paid)	178	(10,304)	(6,611)
	<hr/>	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	15,704	26,333	79,103
	<hr/>	<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Purchase of available for sale investments	(93,452)	(91,072)	(217,013)
Sale of available for sale investments	91,868	94,341	166,093
Purchase of property, plant and equipment	(194)	(1,615)	(1,839)
Addition to policy administration system	(2,103)	(2,243)	(4,796)
Additions of intangible assets	(2,756)	(1,368)	(3,593)
Refurbishment of investment property	-	-	(1,922)
Sale of investment property	-	-	1,994
(Increase)/decrease in loans and advances	(49)	(13)	10
Maturities of deposits invested with banks	30,000	10,000	40,000
Additional deposits invested with banks	-	-	(20,000)
	<hr/>	<hr/>	<hr/>
<b>Net cash generated from/(used in) investing activities</b>	23,314	8,030	(41,066)
	<hr/>	<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Ordinary and preference dividends paid	-	-	-
Interest payments on subordinated debt	(1,250)	(1,250)	(2,500)
Principal elements of lease payments	(471)	(490)	(984)
	<hr/>	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	(1,721)	(1,740)	(3,484)
	<hr/>	<hr/>	<hr/>
Net increase in cash and cash equivalents	37,297	32,623	34,553
Cash and cash equivalents at the beginning of the period	129,535	94,982	94,982
	<hr/>	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	166,832	127,605	129,535



**FBD HOLDINGS PLC**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**For the half year ended 30 June 2021**

	Called up share capital presented as equity €000s	Capital Reserves €000s	Revaluation Reserve €000s	Retained earnings €000s	Attributable to Ordinary shareholders €000s	Preference share capital €000s	Total equity €000s
<b>Balance at 1 January 2021</b>	21,409	24,756	978	336,838	383,981	2,923	386,904
<b>Profit after taxation</b>	-	-	-	19,253	19,253	-	19,253
<b>Other comprehensive expense</b>	-	-	(229)	(5,469)	(5,698)	-	(5,698)
	21,409	24,756	749	350,622	397,536	2,923	400,459
<b>Recognition of share based payments</b>	-	1,030	-	-	1,030	-	1,030
<b>Balance at 30 June 2021</b>	21,409	25,786	749	350,622	398,566	2,923	401,489
<b>Balance at 1 January 2020</b>	21,409	22,811	-	328,008	372,228	2,923	375,151
<b>Profit after taxation</b>	-	-	-	(8,214)	(8,214)	-	(8,214)
<b>Other comprehensive income</b>	-	-	-	(2,329)	(2,329)	-	(2,329)
	21,409	22,811	-	317,465	361,685	2,923	364,608
<b>Recognition of share based payments</b>	-	1,156	-	-	1,156	-	1,156
<b>Balance at 30 June 2020</b>	21,409	23,967	-	317,465	362,841	2,923	365,764

**FBD HOLDINGS PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the half year ended 30 June 2021**

**Note 1 - Statutory information**

The half yearly financial information is considered non-statutory financial statements for the purposes of the Companies Act 2014 and in compliance with section 340(4) of that Act we state that:

- the financial information for the half year to 30 June 2021 does not constitute the statutory financial statements of the company;
- the statutory financial statements for the financial year ended 31 December 2020 have been annexed to the annual return and delivered to the Registrar;
- the statutory auditors of the company have made a report under section 391 Companies Act 2014 in respect of the statutory financial statements for year ended 31 December 2020; and
- the matters referred to in the statutory auditors' report were unqualified, and did not include a reference to any matters to which the statutory auditors drew attention by way of emphasis without qualifying the report.

This half yearly financial report has not been audited but has been reviewed by the auditors of the Company.

**Note 2 – Accounting policies**

**Basis of preparation**

The annual financial statements of FBD Holdings plc are prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union.

**Going concern**

The Directors have, at the time of approving the interim 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 up to date solvency, liquidity and profitability projections for the Group, including base and potential downside scenarios. The key areas of judgement in this assessment are the net cost of the public house Covid-19 Business Interruption claims, the potential impact of Covid-19 factors on the Group's business and the potential impact of The Judicial Council Personal Injuries Guidelines on the Group's business.

The economic environment may impact on premiums including potential reductions in exposures, new business and retention levels. The pace of recovery in the economy as we emerge from lockdown will also impact on the claims frequency and severity. Expense assumptions can change depending on the level of premiums as discretionary spend and resources are adjusted. 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 the worst case scenario the Group's Capital Ratio remained in excess of the Solvency Capital Requirement and in compliance with liquidity policies.

**FBD HOLDINGS PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the half year ended 30 June 2021**

**Note 2 – Accounting policies (continued)**

**Going concern (continued)**

The Directors considered the liquidity requirements of the business to ensure it is projected to have cash resources available to pay claims and other expenditure as they fall due, including under potential net cost outcomes in relation to public house Covid-19 Business Interruption claims. The business is expected to have adequate cash resources available to support business requirements as well as potential net costs in relation to public house Covid-19 Business Interruption claims as they fall due. In addition the Group has a highly liquid investment portfolio with over 50% of the portfolio invested in corporate and sovereign bonds with a minimum A rating.

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 employees continue to work remotely while our offices are open and available for business, as everyone operates in line with Government guidelines. No structural changes are required by the business as a result of the Covid-19 pandemic and planned capital investment projects are 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, 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. Therefore the Directors continue to adopt the going concern basis of accounting in preparing the interim financial statements.

**Consistency of accounting policy**

The accounting policies and methods of computation used by the Group to prepare the interim financial statements for the six month period ended 30 June 2021 are the same as those used to prepare the Group Annual Report for the year ended 31 December 2020.

**Standards adopted in the period**

The impact of new standards, amendments to existing standards and interpretations issued and effective for annual periods beginning on or after 1 January 2021 has been assessed by the Directors and none have had or are expected to have a material effect for the Group.

**Standards and interpretations not yet effective**

IFRS 17 Insurance Contracts<sup>1</sup>

IFRS 9 Financial instruments<sup>2</sup>

<sup>1</sup> Effective for annual periods on or after 1 January 2023, with earlier application permitted.

<sup>2</sup> Effective for annual periods 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.

**FBD HOLDINGS PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the half year ended 30 June 2021**

**Note 2 – Accounting policies (continued)**

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.

An initial assessment of the impact of IFRS 17 on the Group's financial statements is on-going and work has now started on the design and build of the systems that will provide the foundation for reporting under IFRS 17 from 1 January 2023. The Group expects to be able to apply the simplified premium allocation approach to all material insurance and reinsurance contract groups.

IFRS 9 has been issued to replace IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39). IFRS 4 permits an insurance company that meets the criteria a temporary exemption from applying IFRS 9 and continue to apply IAS 39. The Group meets the criteria and has elected to defer the application of IFRS 9 to the reporting period beginning on 1 January 2023, alongside IFRS 17. Implementation plans are on track.

**Critical accounting estimates and judgements in applying accounting policies**

In the application of the Group's 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 judgements and the key sources of estimation uncertainty that have the most significant effect on the amounts recognised in the interim financial statements are detailed below. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis and actual results may differ from these estimates.

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 the period 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 and the first half of 2021 as historic patterns have been distorted by Covid-19.

A Commercial Court judgement issued on 5 February 2021 confirmed the Group is liable to cover Business Interruption claims as a consequence of the Covid-19 pandemic for publican customers. The Commercial Court judgement provided more clarity on likely gross claims costs however the outcome of the quantum module of the Court proceedings will bring more certainty to this element of the estimated provisions. On 23 April 2021, the Judge ruled on three more areas of the legal case: Partial closures, Territorial Extent of Covid and Legal Costs. In this Judgement the Judge ruled that the pub is still subject to an imposed closure when customers were not allowed to eat and/or drink indoors, the Territorial extent of Covid was worldwide and legal costs to be awarded on a Party to Party basis.

**FBD HOLDINGS PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the half year ended 30 June 2021**

**Note 2 – Accounting policies (continued)**

**Critical accounting estimates and judgements in applying accounting policies (continued)**

The 23 April 2021 Judgement also provided the plaintiffs an opportunity to argue that they were subject to a partial closure during the periods when they were open to the public. The plaintiff's primary argument is that the Bar Counter area continued to be subject to an imposed closure while the pub was open because the customer was not allowed to sit and consume their alcohol at the bar counter. This issue, together with other macro issues, including accrual of salaries and late payment were argued at the recent quantum hearing and the Judgement in December could potentially change the estimated gross claims provisions. The foregoing demonstrates the continuing estimation uncertainty that exists.

The full imposed closure of public houses ceased on 26 July when vaccinated customers and their children were allowed to eat and drink indoors and FBD consider that from then on there is no exposure to any potential future complete closures of public houses. There continues to be a risk of exposure if the Judge rules that the pub continues to be partially closed and this exposure will continue until the partial closure ceases or the end of the indemnity period of the policy, whichever is sooner.

FBD has now received information from approximately 300 pub policyholders in order to assess the claims and has been making interim payments based on these assessments. Further payments will be made, where appropriate, to these policyholders once the quantum Judgement is set down, which is expected to be in December. The recent data has provided more certainty in respect to a number of assumptions underlying the best estimate of the Business Interruption losses and more certainty will be achieved as further judgements and particulars of more claims are received.

There also continues to be uncertainty relating to the legal costs associated with the legal case. FBD has estimated the legal costs based on FBD's own legal advisor costs with some prudent adjustments.

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.

As a result of the uncertainties noted, the Group sets provisions at a margin above the actuarial best estimate, inclusive of an amount specifically allocated to the Business Interruption estimate.

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 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.

**FBD HOLDINGS PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the half year ended 30 June 2021**

**Note 2 – Accounting policies (continued)**

**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 reinsurance recovery 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 relative to the booked best estimate, our assessment is that these have a lower probability of occurrence. This process has resulted in a reinsurance asset of approximately €115m 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 with the potential of 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.

Other Provisions – Consequential Payments

The FSPO decisions relating to complaints made by public house customers on the Group's initial refusal to accept liability for public house Business Interruption claims arising as a result of Covid-19, resulted in a consequential award being made to the policyholders. Under the Central Bank of Ireland (CBI) Business Interruption Insurance Supervisory Framework, a consequential payment should be provided to similarly affected Business Interruption customers. The Group has arrived at a basis for making these payments, which it believes is in line with the CBI's Business Interruption Insurance Supervisory Framework. It estimates this will result in a cost of €13.4m. The Group is therefore required to provide for a present obligation that is likely to result in an outflow from the business and can be reliably estimated. The provision is included in the same manner as other provisions in the interim results.

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, the Covid-19 pandemic or other factors such as shares being traded less frequently. The market capitalisation being below net assets is considered to be an external indicator of impairment and creates 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 and the impact of Judicial Council changes to Personal Injuries Guidelines, these estimates are considered a critical accounting estimate as at the reporting date.

**FBD HOLDINGS PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the half year ended 30 June 2021**

**Note 2 – Accounting policies (continued)**

**Critical accounting estimates and judgements in applying accounting policies (continued)**

The Value in Use cash flow projections are based on the latest quarterly forecast for 2021 and an updated view of the three-year business plan for 2021-2023. A projection for 2024 up to half year 2027 is included using the updated business plan assumptions. The total time period used in the cash flow projections is less than the weighted average remaining useful life of the assets in the FBD General Insurance business being assessed. This projection and plan refresh represent management's best estimate of future underwriting profits and fee income for FBD.

General Insurance business projections factors 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 from 2021-2024 is 2.0% followed by a 0% growth rate for later years. Future cash flows are discounted using an estimated weighted average cost of capital (WACC) of 8.7% that is considered a reasonable estimate for 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. The sensitivities include additional Business Interruption costs, other negative claims impacts along with changes to the discount rate.

The scenarios run resulted in headroom ranging from 1.3 to 1.6 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.

**FBD HOLDINGS PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the half year ended 30 June 2021**

**Note 3 – 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. The profit earned by each segment is reported to the chief operating decision maker, the Group Chief Executive, for the purpose of resource allocation and assessment of segmental performance. Central administration costs and Directors' salaries are allocated based on actual activity. Income taxation is a direct cost to each segment. Discrete financial information is prepared and reviewed on a regular basis for these two segments. The accounting policies of the reportable segments are the same as the Group accounting policies.

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

**Half year ended 30/06/2021**

	<b>Underwriting €000s</b>	<b>Financial Services €000s</b>	<b>Total €000s</b>
Revenue	188,380	3,165	<b>191,545</b>
Investment return	10,324	-	<b>10,324</b>
Finance costs	(1,272)	-	<b>(1,272)</b>
Profit/(Loss) before taxation	22,074	(83)	<b>21,991</b>
Income taxation (charge)/credit	(2,759)	21	<b>(2,738)</b>
Profit/(Loss) after taxation	19,315	(62)	<b>19,253</b>
<b>Other information</b>			
Capital additions	5,053	-	<b>5,053</b>
Impairment of other assets	-	-	-
Depreciation/amortisation	(5,434)	-	<b>(5,434)</b>
<b>Statement of Financial Position</b>			
Segment assets	1,519,572	21,280	<b>1,540,852</b>
Segment liabilities	1,133,411	5,952	<b>1,139,363</b>



**FBD HOLDINGS PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the half year ended 30 June 2021

**Note 3 – Segmental information (continued)**

**(a) Operating segments (continued)**

**Half year ended 30/06/2020**

	<b>Underwriting €000s</b>	<b>Financial Services €000s</b>	<b>Total €000s</b>
Revenue	182,659	4,955	187,614
Investment return	(3,274)	-	(3,274)
Finance costs	(1,272)	-	(1,272)
(Loss)/ Profit before taxation	(10,064)	715	(9,349)
Income taxation credit/(charge)	1,258	(123)	1,135
(Loss)/Profit after taxation	(8,806)	592	(8,214)
<b>Other information</b>			
Capital additions	4,454	-	4,454
Impairment of other assets	(842)	-	(842)
Depreciation/amortisation	(5,049)	-	(5,049)
<b>Statement of Financial Position</b>			
Segment assets	1,366,153	18,901	1,385,054
Segment liabilities	1,012,148	7,142	1,019,290

**Year ended 31/12/2020**

	<b>Underwriting €000s</b>	<b>Financial Services €000s</b>	<b>Total €000s</b>
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 credit/(charge)	91	(503)	(412)
Profit after taxation	2,786	1,604	4,390
<b>Other information</b>			
Capital additions	8,357	-	8,357
Impairment of other assets	(2,303)	-	(2,303)
Depreciation/amortisation	(11,041)	-	(11,041)
<b>Statement of Financial Position</b>			
Segment assets	1,461,755	21,710	1,483,465
Segment liabilities	1,088,963	7,598	1,096,561

**FBD HOLDINGS PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the half year ended 30 June 2021**

**Note 3 – Segmental information (continued)**

**(b) Geographical segments**

The Group's operations are located in Ireland.

**Note 4 – Underwriting result**

	<b>Half year ended 30/06/21 (unaudited) €000s</b>	<b>Half year ended 30/06/20 (unaudited) €000s</b>	<b>Year ended 31/12/20 (audited) €000s</b>
Gross written premium	<u>181,433</u>	<u>176,216</u>	<u>358,230</u>
Net earned premium	<b>162,246</b>	156,793	315,232
Net claims incurred	<b>(88,980)</b>	(110,821)	(225,399)
Consequential payments	<b>(13,400)</b>	-	-
Motor Insurers Bureau of Ireland Levy and related payments	<u><b>(5,116)</b></u>	<u>(6,197)</u>	<u>(9,681)</u>
Underwriting result before net operating expenses	<u><b>54,750</b></u>	<u>39,775</u>	<u>80,152</u>
Gross management expenses	<b>(40,191)</b>	(42,735)	(82,862)
Deferred acquisition costs	<b>(441)</b>	(150)	897
Reinsurers' share of expense	<b>1,873</b>	1,197	2,872
Broker commissions payable	<u><b>(2,969)</b></u>	<u>(2,763)</u>	<u>(5,438)</u>
Net operating expenses	<u><b>(41,728)</b></u>	<u>(44,451)</u>	<u>(88,527)</u>
Underwriting result	<u><b>13,022</b></u>	<u>(4,676)</u>	<u>(4,379)</u>

The Group's half yearly results are not subject to any significant impact arising from seasonality of operations.

**FBD HOLDINGS PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the half year ended 30 June 2021

**Note 4 – Underwriting result (continued)**

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

(i) Gross premium written	Half year ended 30/06/21 (unaudited)			Half year ended 30/06/20 (unaudited)		
	Gross €000s	Ceded €000s	Net €000s	Gross €000s	Ceded €000s	Net €000s
Motor	94,845	(8,370)	86,475	90,674	(6,941)	83,733
Fire and other damage to property	51,729	(5,111)	46,618	50,683	(5,313)	45,370
Liability	32,264	(2,422)	29,842	32,328	(2,361)	29,967
Miscellaneous	2,595	(416)	2,179	2,531	(182)	2,349
	<b>181,433</b>	<b>(16,319)</b>	<b>165,114</b>	176,216	(14,797)	161,419

Included in the gross premium written balance of €181,433,000 are premium rebates of €4,809,000 (June 2020: €11,100,000) relating to reduced insurance exposure as a result of Covid-19 restrictions.

(ii) Net premium earned	Half year ended 30/06/21 (unaudited)			Half year ended 30/06/20 (unaudited)		
	Gross €000s	Ceded €000s	Net €000s	Gross €000s	Ceded €000s	Net €000s
Motor	91,718	(7,732)	83,986	84,386	(6,940)	77,446
Fire and other damage to property	52,457	(5,041)	47,416	52,208	(5,142)	47,066
Liability	31,278	(2,422)	28,856	32,384	(2,361)	30,023
Miscellaneous	2,404	(416)	1,988	2,440	(182)	2,258
	<b>177,857</b>	<b>(15,611)</b>	<b>162,246</b>	171,418	(14,625)	156,793

(iii) Incurred claims including claims handling expenses	Half year ended 30/06/21 (unaudited)			Half year ended 30/06/20 (unaudited)		
	Gross €000s	Ceded €000s	Net €000s	Gross €000s	Ceded €000s	Net €000s
Motor	41,281	(6,976)	34,305	36,447	(970)	35,477
Fire and other damage to property	69,532	(31,877)	37,655	64,109	(7,835)	56,274
Liability	17,168	(2,670)	14,498	17,726	(407)	17,319
Miscellaneous	2,564	(42)	2,522	1,782	(31)	1,751
	<b>130,545</b>	<b>(41,565)</b>	<b>88,980</b>	120,064	(9,243)	110,821

Net claims and benefits of €88,980,000 includes additional net costs for Business Interruption claims as a result of Covid-19 of €3,830,000 (June 2020: €30,000,000). The gross incurred claims costs for Business Interruption increased by €33,500,000 in 2021 and is offset by the benefit of reinsurance for Covid-19 Business Interruption claims included in Ceded claims above which increased by €29,670,000 in 2021. The increase in the gross claims cost and reinsurance asset is primarily due to higher expected legal costs and a reassessment of the estimated compensation that will be paid to customers based on the latest available information including reopening dates of public houses.

**FBD HOLDINGS PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the half year ended 30 June 2021**

**Note 4 – Underwriting result (continued)**

<b>(iv) Other underwriting expenses</b>	<b>Half year ended 30/06/21 (unaudited)</b>			<b>Half year ended 30/06/20 (unaudited)</b>		
	<b>Gross €000s</b>	<b>Ceded €000s</b>	<b>Net €000s</b>	<b>Gross €000s</b>	<b>Ceded €000s</b>	<b>Net €000s</b>
Motor	22,792	(1,081)	21,711	22,540	(632)	21,908
Fire and other damage to property	12,431	(522)	11,909	12,598	(322)	12,276
Liability	7,754	(227)	7,527	8,036	(224)	7,812
Miscellaneous	624	(43)	581	629	(19)	610
	<b>43,601</b>	<b>(1,873)</b>	<b>41,728</b>	<b>43,803</b>	<b>(1,197)</b>	<b>42,606</b>

**Note 5 – Movement in Other Provisions**

Movement in Other Provisions in the Consolidated Income Statement includes a provision of €13,400,000 for consequential payments to public house Business Interruption customers. The Board approved a consequential payment provision in line with the Central Bank of Ireland Business Interruption Insurance Supervisory Framework following decisions from the Financial Services and Pensions Ombudsman in respect of a Business Interruption customer complaints. Refer to note 2 Critical accounting estimates and judgements in applying policies.

**Note 6 – Dividends**

No dividends have been paid in 2020 or in 2021 to date due to uncertainty in respect of Business Interruption and following regulatory guidance issued to insurance companies as a result of the Covid-19 pandemic. Given the continuing uncertainty prevailing, the Board continues to believe that capital preservation is paramount. The Board will however keep the matter of capital return to shareholders under continuous review.

**FBD HOLDINGS PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the half year ended 30 June 2021**

**Note 7 – Ordinary share capital**

	Number	Half year ended 30/06/21 (unaudited) €000s	Half year ended 30/06/20 (unaudited) €000s	Year ended 31/12/20 (audited) €000s
(i) Ordinary shares of €0.60 each				
<b>Authorised:</b>				
At beginning and end of period	<u>51,326,000</u>	<u>30,796</u>	<u>30,796</u>	<u>30,796</u>
<b>Issued and fully paid:</b>				
At beginning and end of period	<u>35,461,206</u>	<u>21,277</u>	<u>21,277</u>	<u>21,277</u>
(ii) 'A' Ordinary shares of €0.01 each				
<b>Authorised:</b>				
At beginning and end of period	<u>120,000,000</u>	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>
<b>Issued and fully paid:</b>				
At beginning and end of period	<u>13,169,428</u>	<u>132</u>	<u>132</u>	<u>132</u>
<b>Total Ordinary Share Capital</b>		<u>21,409</u>	<u>21,409</u>	<u>21,409</u>

The number of ordinary shares of €0.60 each held as treasury shares at 30 June 2021 was 408,744. At 31 December 2020 the number held was 408,744.

**Note 8 – Claims outstanding**

The net ultimate gross cost of Covid-19 Business Interruption claims is estimated at €182,500,000 at 30 June 2021. Included in the gross claims outstanding balance at 30 June 2021 is €152,300,000 (December 2020: €149,000,000) for Covid-19 Business Interruption claims (including legal and other expenses, net of payments made to date of €30,200,000). The best estimate net claims outstanding for Covid-19 Business Interruption claims at 30 June 2021 is €27,630,000 (December 2020: €54,000,000).

**FBD HOLDINGS PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the half year ended 30 June 2021**

**Note 9 – 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:

	<b>Half year ended 30/06/21 (unaudited) €000s</b>	Half year ended 30/06/20 (unaudited) €000s	Year ended 31/12/20 (audited) €000s
<b>Earnings</b>			
Profit/(Loss) for the period for the purpose of basic earnings per share	<u>19,253</u>	<u>(8,214)</u>	<u>4,390</u>
Profit/(Loss) for the period for the purpose of diluted earnings per share	<u>19,253</u>	<u>(8,214)</u>	<u>4,390</u>
<b>Number of shares</b>			
	<b>No.</b>	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share (excludes treasury shares)	<u>35,052,462</u>	<u>34,932,408</u>	<u>34,992,763</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share (excludes treasury shares)	<u>35,987,399</u>	<u>35,634,096</u>	<u>35,719,059</u>
	<b>Cent</b>	<b>Cent</b>	<b>Cent</b>
Basic earnings per share	<u>55</u>	<u>(24)</u>	<u>13</u>
Diluted earnings per share	<u>53<sup>1</sup></u>	<u>(23)<sup>1</sup></u>	<u>12<sup>1</sup></u>

<sup>1</sup> 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 '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.

There was no difference between the profit or loss attributable to the parent entity for the amounts used as the numerators in calculating basic and diluted earnings per share in each of the periods.

**FBD HOLDINGS PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the half year ended 30 June 2021**

**Note 9 – Earnings per €0.60 ordinary share (continued)**

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:

	<b>Half year ended 30/06/21 (unaudited) No.</b>	Half year ended 30/06/20 (unaudited) No.	Year ended 31/12/19 (audited) No.
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>35,052,462</u>	<u>34,932,408</u>	<u>34,992,763</u>
Potential vesting of share based payments	<u>934,937</u>	<u>701,688</u>	<u>726,296</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u><b>35,987,399</b></u>	<u>35,634,096</u>	<u>35,719,059</u>

**Note 10 – Retirement Benefit Surplus**

The Group operates a funded defined benefit retirement scheme for qualifying employees that is closed to future accrual and new entrants. The return on assets during the period reduced by more than the decrease in scheme liabilities. The retirement benefit liabilities decreased during the period as a result of the discount rate increasing from 0.5% to 0.9% and offset to some extent by the inflation assumption increasing from 1.2% to 1.5%.

The amounts recognised in the Condensed Consolidated Statement of Financial Position are as follows:

	<b>30/06/21 (unaudited) €000s</b>	30/06/20 (unaudited) €000s	31/12/20 (audited) €000s
Fair value of plan assets	<b>98,900</b>	103,500	105,776
Present value of defined benefit obligation	<u><b>(88,900)</b></u>	<u>(90,200)</u>	<u>(94,927)</u>
Net retirement benefit surplus	<u><b>10,000</b></u>	<u>13,300</u>	<u>10,849</u>

**FBD HOLDINGS PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the half year ended 30 June 2021

**Note 11 – Financial Instruments and Fair Value Measurement**

**(a) Financial Instruments**

	<b>30/06/21 (unaudited) €000s</b>	<b>30/06/20 (unaudited) €000s</b>	<b>31/12/20 (audited) €000s</b>
<b><u>Financial Assets</u></b>			
<b>At amortised cost:</b>			
Deposits with banks	<b>10,000</b>	50,000	40,000
Cash and cash equivalents	<b>166,832</b>	127,605	129,535
Other receivables	<b>68,781</b>	75,717	65,402
Loans	<b>650</b>	624	601
<hr/>			
<b>At fair value:</b>			
Available for sale investments	<b>859,091</b>	799,617	863,880
Investments held for trading	<b>134,223</b>	105,615	116,930
<hr/>			
<b><u>Financial Liabilities</u></b>			
<b>At amortised cost:</b>			
Payables	<b>47,412</b>	35,769	44,729
Subordinated debt	<b>49,573</b>	49,514	49,544
Lease liability	<b>5,489</b>	6,204	5,843
<hr/>			

**(b) Fair value measurement**

The following table compares the fair value of financial instruments not held at fair value with the fair value of those assets and liabilities:

	<b>30/06/21 (unaudited) Fair value €000s</b>	<b>30/06/21 (unaudited) Carrying value €000s</b>	<b>30/06/20 (unaudited) Fair value €000s</b>	<b>30/06/20 (unaudited) Carrying value €000s</b>	<b>31/12/20 (audited) Fair value €000s</b>	<b>31/12/20 (audited) Carrying value €000s</b>
<b>Assets</b>						
Loans	<b>780</b>	<b>650</b>	749	624	721	601
<b>Financial liabilities</b>						
Subordinated debt	<b>54,414</b>	<b>49,573</b>	52,095	49,514	53,924	49,544

The carrying amount of the following assets and liabilities is considered a reasonable approximation of their fair value:

- Deposits with banks
- Cash and cash equivalents
- Other Receivables
- Payables
- Lease liability



**FBD HOLDINGS PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the half year ended 30 June 2021**

**Note 11 – Financial Instruments and Fair Value Measurement (continued)**

**(b) Fair value measurement (continued)**

Certain assets and liabilities are measured in the Condensed Consolidated 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). There are no assets/liabilities deemed to be held at this level at 30 June 2021.
- 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 used 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 period 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 2020 and a review of the continued appropriateness of those valuations is considered at the interim period end. 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.

**FBD HOLDINGS PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the half year ended 30 June 2021**

**Note 11 – Financial Instruments and Fair Value Measurement (continued)**

**(b) Fair value measurement (continued)**

<b>30 June 2021 (unaudited)</b>	<b>Level 1 €000s</b>	<b>Level 2 €000s</b>	<b>Level 3 €000s</b>	<b>Total €000s</b>
<b>Assets</b>				
Investment property	-	-	17,054	<b>17,054</b>
Property held for own use	-	-	15,507	<b>15,507</b>
<b>Financial assets</b>				
Investments held for trading – collective investment schemes	124,209	-	10,014	<b>134,223</b>
AFS <sup>1</sup> investments - quoted debt securities	858,279	-	-	<b>858,279</b>
AFS <sup>1</sup> investments - unquoted investments	-	-	812	<b>812</b>
<b>Total assets</b>	<b>982,488</b>	<b>-</b>	<b>43,387</b>	<b>1,025,875</b>
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup>Available for sale

<b>30 June 2020 (unaudited)</b>	<b>Level 1 €000s</b>	<b>Level 2 €000s</b>	<b>Level 3 €000s</b>	<b>Total €000s</b>
<b>Assets</b>				
Investment property	-	-	18,554	<b>18,554</b>
Property held for own use	-	-	16,003	<b>16,003</b>
<b>Financial assets</b>				
Investments held for trading – collective investment schemes	100,336	-	5,279	<b>105,615</b>
AFS <sup>1</sup> investments - quoted debt securities	798,805	-	-	<b>798,805</b>
AFS <sup>1</sup> investments - unquoted investments	-	-	812	<b>812</b>
<b>Total assets</b>	<b>899,141</b>	<b>-</b>	<b>40,648</b>	<b>939,789</b>
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup>Available for sale

**FBD HOLDINGS PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the half year ended 30 June 2021

**Note 11 – Financial Instruments and Fair Value Measurement (continued)**

**(b) Fair value measurement (continued)**

<b>31 December 2020 (audited)</b>	<b>Level 1 €000s</b>	<b>Level 2 €000s</b>	<b>Level 3 €000s</b>	<b>Total €000s</b>
<b>Assets</b>				
Investment property	-	-	17,051	17,051
Property held for own use	-	-	15,565	15,565
<b>Financial assets</b>				
Investments held for trading – collective investment schemes	108,199	-	8,731	108,199
AFS <sup>1</sup> investments - quoted debt securities	863,068	-	-	863,068
AFS <sup>1</sup> investments - unquoted investments	-	-	812	812
<b>Total assets</b>	<b>971,267</b>	<b>-</b>	<b>42,159</b>	<b>1,013,426</b>
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<sup>1</sup> Available for sale				

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

	<b>30/06/21 (unaudited) €000s</b>	<b>30/06/20 (unaudited) €000s</b>	<b>31/12/20 (audited) €000s</b>
Opening balance Level 3 financial assets	<b>42,159</b>	3,945	3,945
Transfers-in	-	35,539	35,539
Additions	<b>930</b>	2,411	7,754
Disposals	-	-	(1,995)
Impairment	-	(842)	(2,722)
Unrealised gains/(losses) recognised in Consolidated Income Statement	<b>298</b>	(405)	(362)
Closing balance Level 3 financial assets	<b>43,387</b>	40,648	42,159

Available for sale investments grouped into Level 3 comprise unquoted securities consisting of a number of small investments as well as Investment property and property held for own use.

The values attributable to the unquoted investments are derived from a number of valuation techniques including the net present value of future cash flows based on operating projections. A change in one or more of these inputs could have an impact on valuations.

Investment property and property held for own use were fair valued by independent external professional valuers at 31 December 2020 (refer to note 13 and note 16 in the Group Annual Report for year ended 31 December 2020). The valuations at 31 December 2020 were reviewed at the period end 30 June 2021 including informal discussions with external professional valuers and it was decided that the valuations for owner occupied property and investment property would remain unchanged from the 31 December 2020 valuation.

## For the half year ended 30 June 2021

### Note 12 – Taxation

The current taxation asset has decreased by €2.9m compared to 31 December 2020. This is as a result of the additional taxation liability in the first six months of €2.7m and a refund of €0.2m received in the period.

The effective tax rate for the period was 12.5% (2020: 12.1%) which is the best estimate of the weighted average annual income tax rate expected for the full year.

### Note 13 – Other Provisions

	Premium rebates €000s	MIICF Contribution €000s	MIBI Levy €000s	Consequential Payments €000s	Total €000s
Balance at 1 January 2021	2,027	3,609	6,431	-	12,067
Provided in the six months	4,809	1,901	3,215	13,400	23,325
Net amounts paid	(2,495)	(3,609)	(3,215)	-	(9,319)
<b>Closing balance 30 June 2021</b>	<b>4,341</b>	<b>1,901</b>	<b>6,431</b>	<b>13,400</b>	<b>26,073</b>
Balance at 1 January 2020	-	3,652	4,765	-	8,417
Provided in the six months	11,122	1,944	4,253	-	17,319
Net amounts paid	(6,629)	(3,652)	(1,642)	-	(11,923)
Closing balance 30 June 2020	4,493	1,944	7,376	-	13,813

#### Premium Rebates

FBD committed to rebating 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 Commercial premium rebates provided for in the period was €4,809,000 (2020: €5,082,000). The remaining €4,341,000 provision represents an estimate of the remaining Commercial rebates due, this is expected to settle in advance of 31 December 2021. In 2020 Motor rebates of €6,040,000 were provided for and paid by 30 June 2020.

#### MIICF Contribution

The Group's contribution to the Motor Insurers' Insolvency Compensation Fund "MIICF" for 2021 is based on 2% of its Motor Gross Written Premium. Payment is expected to be made in the first half of 2022.

#### MIBI Levy

The Group's share of the Motor Insurers' Bureau of Ireland "MIBI" levy for 2021 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.

#### Consequential Payments

This is the best estimate of the Consequential Payments provision in respect of the FSPO decisions as at 30 June 2021 and we expect to make the payments in the short term – refer to note 5.

**FBD HOLDINGS PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the half year ended 30 June 2021**

**Note 14 – Transactions with related parties**

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 members of the Executive Management Team. Full disclosure in relation to the compensation of the Board of Directors and details of Directors’ share options are provided in the Report on Directors’ Remuneration in the 2020 Annual Report. An analysis of share-based payments to key management personnel is also included in Note 35 of the 2020 Annual Report. The level and nature of related party transactions in the first half of 2021 are consistent with the transactions disclosed in the 2020 Annual Report.

**Note 15 – Contingent liabilities and contingent assets**

There were no contingent liabilities or contingent assets at 30 June 2021, 30 June 2020 or 31 December 2020.

**Note 16 – Subsequent events**

The quantum hearing on Business Interruption claims was held in July with the Judgement expected in December 2021. The Indoor services for public houses reopened with restrictions from 26 July 2021. Both of these developments have been considered in arriving at the provision for Business Interruption claims in the half year results.

**Note 17 – Information**

This half yearly report and the Annual Report for the year ended 31 December 2020 are available on the Company’s website at [www.fbdgroup.com](http://www.fbdgroup.com).

**Note 18 – Approval of Half Yearly Report**

The half yearly report was approved by the Board of Directors of FBD Holdings plc on 5 August 2021.

**FBD HOLDINGS PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the half year ended 30 June 2021**

**RESPONSIBILITY STATEMENT**

The Directors are responsible for preparing the Half Yearly Financial Report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, as amended and Part 2 (Transparency Requirements) of the Central Bank of Ireland (Investment Market Conduct) Rules 2019, as issued under the 2014 Act (the “IMC Rules”) and with IAS 34, Interim Financial Reporting as adopted by the European Union.

We confirm that to the best of our knowledge:

- a) the Group condensed set of interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the European Union;
- b) the interim management report includes a fair review of the important events that have occurred during the first six months of the financial year, and their impact on the condensed set of interim financial statements and the principal risks and uncertainties for the remaining six months of the financial year;
- c) the interim management report includes a fair review of related party transactions that have occurred during the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during that period, and any changes in the related parties’ transactions described in the last Annual Report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

On behalf of the Board

Liam Herlihy  
Chairman

Tomás Ó’Midheach  
Group Chief Executive

5 August 2021

**FBD HOLDINGS PLC**  
**APPENDIX**  
**ALTERNATIVE PERFORMANCE MEASURES (APM's)**

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 written premium.

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 written premium refers to the revenue of an insurance company and is widely used across the general insurance industry.

The calculation of the APM's is based on the following data:

	Half year ended 30/06/21 (unaudited) €000s	Half year ended 30/06/20 (unaudited) €000s	Year ended 31/12/20 (audited) €000s
<b>Loss ratio</b>			
Net claims and benefits	88,980	110,821	221,403
Movement in other provisions	18,516	6,197	9,681
Total claims incurred	<u>107,496</u>	<u>117,018</u>	<u>231,084</u>
Net premium earned	162,246	156,793	315,232
Loss ratio (Total claims incurred/Net premium earned)	<u>66.3%</u>	<u>74.6%</u>	<u>73.3%</u>
<b>Expense ratio</b>			
Other underwriting expenses	41,728	44,451	88,527
Net premium earned	162,246	156,793	315,232
Expense ratio (Underwriting expenses/Net premium earned)	<u>25.7%</u>	<u>28.4%</u>	<u>28.1%</u>
<b>Combined operating ratio</b>			
	%	%	%
Loss ratio	66.3%	74.6%	73.3%
Expense ratio	25.7%	28.4%	28.1%
Combined operating ratio (Loss ratio + Expense ratio)	<u>92.0%</u>	<u>103.0%</u>	<u>101.4%</u>
Investment return recognised in consolidated income statement	10,324	(3,274)	10,388
Investment return recognised in statement of comprehensive income	(5,400)	(7,239)	4,505
Total investment return	<u>4,924</u>	<u>(10,513)</u>	<u>14,893</u>
Average investment assets	1,171,620	1,095,839	1,117,036
Investment return (Total investment return/Average underwriting investment assets)	<u>0.9%<sup>1</sup></u>	<u>(1.9%)<sup>1</sup></u>	<u>1.3%</u>

<sup>1</sup>Annualised

**FBD HOLDINGS PLC**  
**APPENDIX**  
**ALTERNATIVE PERFORMANCE MEASURES (APM's)**

	<b>Half year ended 30/06/21 (unaudited) €000s</b>	<b>Half year ended 30/06/20 (unaudited) €000s</b>	<b>Year ended 31/12/20 (audited) €000s</b>
<b>Net asset value per share (NAV per share)</b>			
Shareholders' funds – equity interests	<u>398,566</u>	<u>362,841</u>	<u>383,981</u>
<b>Number of shares</b>			
Closing number of ordinary shares	<u>35,052,462</u>	<u>35,052,462</u>	<u>35,052,462</u>
	<u>Cent</u>	<u>Cent</u>	<u>Cent</u>
Net asset value per share (Shareholders funds /Closing number of ordinary shares)	<u>1,137</u>	<u>1,035</u>	<u>1,095</u>
<b>Return on Equity</b>	€000s	€000s	€000s
Weighted average equity attributable to ordinary equity holders of the parent	<u>391,274</u>	<u>367,535</u>	<u>378,105</u>
Result for the period	<u>19,253</u>	<u>(8,214)</u>	<u>4,390</u>
Return on equity (Result for the period/Weighted average equity attributable to ordinary equity holders of the parent)	<u>10%<sup>1</sup></u>	<u>(4%)<sup>1</sup></u>	<u>1%</u>

**Gross premium written:** The total premium on insurance underwritten by an insurer or reinsurer during a specified period, before deduction of reinsurance premium.

**Underwriting result:** Net premium earned less net claims and benefits, other underwriting expenses and movement in other provisions.

**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.

<sup>1</sup>Annualised



# ***Independent review report to FBD Holdings plc***

## **Report on the condensed consolidated interim financial statements**

---

### **Our conclusion**

We have reviewed FBD Holdings plc's condensed consolidated interim financial statements (the "interim financial statements") in the half-yearly report of FBD Holdings plc for the six month period ended 30 June 2021. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007, as amended and Part 2 (Transparency Requirements) of the Central Bank (Investment Market Conduct) Rules 2019, as issued under the 2014 Act (the "IMC Rules").

---

### **What we have reviewed**

The interim financial statements, comprise:

- the condensed consolidated statement of financial position as at 30 June 2021;
- the condensed consolidated income statement and condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half-yearly report have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007, as amended and Part 2 (Transparency Requirements) of the Central Bank (Investment Market Conduct) Rules 2019, as issued under the 2014 Act (the "IMC Rules").

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

---

## **Responsibilities for the interim financial statements and the review**

---

### **Our responsibilities and those of the directors**

The half-yearly report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, as amended and Part 2 (Transparency Requirements) of the Central Bank (Investment Market Conduct) Rules 2019, as issued under the 2014 Act (the "IMC Rules").

Our responsibility is to express a conclusion on the interim financial statements in the half-yearly report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Transparency (Directive 2004/109/EC) Regulations 2007, as amended and Part 2 (Transparency Requirements) of the Central Bank (Investment Market Conduct) Rules 2019, as issued under the 2014 Act (the "IMC Rules") and for no other purpose. We do not, in giving this conclusion, 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.

---

### **What a review of interim financial statements involves**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the

Auditing Practices Board for use in the United Kingdom and Ireland. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

**PricewaterhouseCoopers**  
**Chartered Accountants**  
**Dublin**  
**5 August 2021**

Notes:

- (a) The maintenance and integrity of the FBD Holdings plc 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.
- (b) Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.