



FBD HOLDINGS PLC
PRELIMINARY ANNOUNCEMENT
For the year ended 31 December 2020

KEY HIGHLIGHTS

- Profit Before Tax of €4.8m reflects a strong underlying business performance and includes positive prior year claims reserve development of €23m and an investment return of €10m.
- The Commercial Court judgement delivered on 5 February provides clarity around the liability for Covid-19 pandemic business interruption claims relating to our pub policies. Provision increased to €65m (best estimate net claims costs of €54m and €11m assumed for reinsurance reinstatement premium). Gross claims costs (including legal and other expenses) are currently estimated to be approximately €150m. The effects of the judgement are being considered with our reinsurance partners in order to finalise the reinsurance recovery position.
- Reported Combined Operating Ratio (COR) of 101.4% reflects the adverse business interruption impact of 20.3% (€65m) and positive prior year claims development of 7.4% (€23m). Excluding these the current year COR is 88.5%
- Gross Written Premium (GWP) of €358m is down 3% on 2019 (premium flat year on year excluding €12m Covid-19 pandemic related premium rebates).
- Increase of over 14,400 policy holders since the start of 2020 as partnership channels grow.
- Average premium down 3% across the portfolio. Private Motor down 5.7%, Farm down 1.5%, Home down 2.2% and Commercial up 2.8%.
- Our capital position remains strong with a Solvency Capital Ratio of 197% (unaudited) with the unpaid 2019 dividend no longer accrued. Given the continuing uncertainty prevailing, the Board continues to believe that capital preservation is paramount and therefore no dividend is being proposed at this time. The Board will however keep the matter of capital return to shareholders under continuous review.
- The customer remains at the heart of what we do:
 - Forbearance measures during 2020 included rebates for Motor and Commercial customers of €12m, removing administration and cancellation fees on Motor and Home to support continued cover and Farm Relief Services in conjunction with the IFA;
 - Web sales up 17% as purchasing patterns change, supported by competitive pricing;
 - Enhanced digital capability on Home website;
 - New Van product launched in April 2020;
 - New business Farm offer launched during the year;
 - Brand awareness increased to top 3; and
 - 1st Insurance Company to feature in the top 10 companies in Ireland for excellent customer service.
- Strategic Business Developments:
 - Bank of Ireland panel membership for Home and Motor insurance launching mid-2021
 - Post Insurance partnership performing well along with affinity partnerships driving new business sales
 - Extended sponsorship of 'Team Ireland' and 'Make A Difference' campaign launched to support Irish athletes on their Olympic journey

FINANCIAL SUMMARY

	2020 €000s	2019 €000s
Gross written premium	358,230	370,063
Underwriting (loss)/profit	(4,379)	93,669
Profit before taxation	4,802	112,480
Loss ratio	73.3%	46.4%
Expense ratio	28.1%	25.9%
Combined operating ratio	101.4%	72.3%
	Cent	Cent
Basic earnings per share	13	281
Net assets per share	1,095	1,068

- GWP of €358.2m (2019: €370.1m). Resilient performance in line with 2019 excluding premium rebates, new business policy numbers increased 18% and retention rates improved by 1.7%.
- Underwriting loss of €4.4m (2019 profit: €93.7m), impacted by business interruption claims costs of €54.0m, reductions in premium as a result of assumed reinsurance reinstatement premium of €11.3m plus Covid-19 premium rebates to customers of €11.8m, offset by frequency reductions in some classes of business and positive prior year reserve development of €23.3m.
- COR of 101.4% (2019: 72.3%). The current year COR of 108.8% reduces to 88.5% when Covid-19 related business interruption costs are excluded. The business is underpinned by on-going disciplined underwriting within our risk appetite with underlying profitability strong despite competitive and economic challenges.
- Expense ratio of 28.1% (2019: 25.9%). The ratio increase is explained through reduced earned premium because of assumed business interruption reinsurance reinstatement premium and Covid-19 premium rebates. Excluding these one off items, the expense ratio would be 26.2%.
- Strong investment returns through the Income Statement €10.4m (2019: €17.9m) reflecting good returns on most asset classes, coupled with €4.5m (2019: €10.9m) increase in mark to market (MTM) on the Group's bond portfolio through Other Comprehensive Income.

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

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

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

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

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

include general insurance as well as life and pensions, and the successful evolution of other existing partnerships.

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

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

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

A presentation will be available on our Group website www.fbdgroup.com from 9am today.

Enquiries

FBD

Michael Sharpe, Investor Relations

Telephone

+353 87 9152914

Powerscourt

Jack Hickey

+353 83 448 8339

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

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

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

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

UNDERWRITING

Premium income

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

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

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

Reinsurance

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

Claims

Net claims incurred increased by €72.7m to €221.4m (2019: €148.7m) and includes €54.0m in respect of the Covid-19 pandemic related business interruption costs. There was positive prior year reserve development of €23.3m but lower than the €40.1m in 2019. This development was driven primarily

by better than expected settlements and a very low large claims frequency in some recent accident years.

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

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

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

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

Claims Environment

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

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

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

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

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

The majority of the new provisions of the Consumer Insurance Contracts Act 2019 commenced by way of ministerial order with effect from 1 September 2020. The requirements of the new Act has important implications for claims handling as changes to systems and processes are required for insurers who operate in an already heavily regulated environment. The Act reinforces existing duties

and obligations adhered to by insurers under the Consumer Protection Code. Examples of the changes include reducing the retention on property damage claims, a requirement for explanations on third party claim settlements and engagement with policyholders on liability claims/decisions.

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

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

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

Weather, Claims Frequency and Large Claims

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

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

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

Expenses

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

General

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

Investment Return

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

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

Financial Services Income and Other Costs

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

Profit per share

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

Dividend

Payment of the 2019 proposed dividend was withdrawn due to uncertainty in respect of the impact of Covid-19 on the business. Given the continuing uncertainty prevailing, the Board continues to believe that capital preservation is paramount and therefore no dividend is being proposed at this time. The Board will however keep the matter of capital return to shareholders under continuous review.

STATEMENT OF FINANCIAL POSITION

Capital position

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

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

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

Investment Allocation

The Group adopts a conservative investment strategy to ensure that its technical reserves are matched by cash and fixed interest securities of low risk and similar duration. FBD invested an additional €40m

into its corporate bond portfolio during the year. The additional cash resulted from the non-payment of the 2019 dividend and slower than usual payment of claim settlements.

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

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

Solvency

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

RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group are outlined on pages 17-28 of the Group's Annual Report for the year ended 31 December 2020. The Covid-19 pandemic and the measures taken to mitigate its impact continue to have a significant effect on economic activity and give rise to additional specific risks and uncertainties for the Group.

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

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

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

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

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

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

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

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

The Group continues to manage liquidity risk through ongoing monitoring of forecast and actual cashflows, 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 8 with a less than 12% allocation to risk assets.

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

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

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

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

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

OUTLOOK

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

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

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

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

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

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

For 2021 we are targeting a current year COR of approximately 90%, absent exceptional weather.

FBD Holdings plc
Consolidated Income Statement
For the financial year ended 31 December 2020

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

FBD Holdings plc
Consolidated Income Statement
For the financial year ended 31 December 2020

Earnings per share	2020	2019
	Cent	Cent
Basic	<u>13</u>	<u>281</u>
Diluted	<u>12¹</u>	<u>276¹</u>

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

The accompanying notes form an integral part of the Financial Statements.

The Financial Statements were approved by the Board and authorised for issue on 25 February 2021.

FBD Holdings plc
Consolidated Statement of Comprehensive Income
For the financial year ended 31 December 2020

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

FBD Holdings plc
Consolidated Statement of Financial Position
At 31 December 2020

ASSETS

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

FBD Holdings plc
Consolidated Statement of Financial Position (continued)
At 31 December 2020

EQUITY AND LIABILITIES

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

The accompanying notes form an integral part of the Financial Statements.

FBD Holdings plc
Consolidated Statement of Cash Flows
For the financial year ended 31 December 2020

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

The accompanying notes form an integral part of the Financial Statements.

FBD Holdings plc
Consolidated Statement of Changes in Equity
For the financial year ended 31 December 2020

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

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

FBD Holdings plc
Supplementary Information
For the year ended 31 December 2020

Note I UNDERWRITING PROFIT

	2020 €000s	2019 €000s
Gross premium written	<u>358,230</u>	<u>370,063</u>
Net premium earned	315,232	337,553
Net claims incurred	(221,403)	(148,679)
Other provisions	(9,681)	(7,946)
Net underwriting expenses	<u>(88,527)</u>	<u>(87,259)</u>
Underwriting (loss)/profit	<u>(4,379)</u>	<u>93,669</u>

	2020 €000s	2019 €000s
Net underwriting expenses		
Management expenses	86,858	86,499
Deferred acquisition costs	<u>(897)</u>	<u>(1,226)</u>
Gross underwriting expenses	85,961	85,273
Reinsurance commission receivable	(2,872)	(2,479)
Broker commission payable	<u>5,438</u>	<u>4,465</u>
Net underwriting expenses	<u>88,527</u>	<u>87,259</u>

FBD Holdings plc
Supplementary Information (continued)
For the year ended 31 December 2020

Note 2 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:

Earnings	2020 €000s	2019 €000s
Profit for the year for the purpose of basic earnings per share	<u>4,390</u>	<u>97,943</u>
Profit for the year for the purpose of diluted earnings per share	<u>4,390</u>	<u>97,943</u>
Number of shares	2020 No.	2019 No.
Weighted average number of ordinary shares for the purpose of basic earnings per share (excludes treasury shares)	<u>34,992,763</u>	<u>34,817,297</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share (excludes treasury shares)	<u>35,719,059</u>	<u>35,472,380</u>
	Cent	Cent
Basic earnings per share	<u>13</u>	<u>281</u>
Diluted earnings per share	<u>12</u>	<u>276</u>

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

The below table reconciles the profit attributable to the parent entity for the year to the amounts used as the numerators in calculating basic and diluted earnings per share for the year and the comparative year including the individual effect of each class of instruments that affects earnings per share:

FBD Holdings plc
Supplementary Information (continued)
For the year ended 31 December 2020

	Year ended 31/12/20	Year ended 31/12/19
	€000s	€000s
Profit or loss attributable to the parent entity for the year	4,390	98,225
2020 dividend of 0 cent (2019: 8.4 cent) per share on 14% non-cumulative preference shares of €0.60 each	-	(113)
2020 dividend of 0 cent (2019: 4.8 cent) per share on 8% non-cumulative preference shares of €0.60 each	-	(169)
Profit for the year for the purpose of calculating basic and diluted earnings	4,390	97,943

The below table reconciles the weighted average number of ordinary shares used as the denominator in calculating basic earnings per share to the weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share including the individual effect of each class of instruments that affects earnings per share:

	Year ended 31/12/20	Year ended 31/12/19
	No.	No.
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	34,992,763	34,817,297
Potential vesting of share based payments	726,296	655,083
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	35,719,059	35,472,380

FBD Holdings plc
Supplementary Information (continued)
For the year ended 31 December 2020

Note 3 DIVIDENDS

	2020	2019
	€000s	€000s
Paid during year:		
2019 dividend of 0.0 cent (2018: 8.4 cent) per share on 14% non-cumulative preference shares of €0.60 each	0	113
2019 dividend of 0.0 cent (2018: 4.8 cent) per share on 8% non-cumulative preference shares of €0.60 each	0	169
2019 final dividend of 0.0 cent (2018: 50.0 cent) per share on ordinary shares of €0.60 each	0	17,432
Total dividends paid	0	17,714
	2020	2019
	€000s	€000s
Proposed:		
2020 dividend of 0.0 cent (2019: 8.4 cent) per share on 14% non-cumulative preference shares of €0.60 each	0	113
2020 dividend of 0.0 cent (2019: 4.8 cent) per share on 8% non-cumulative preference shares of €0.60 each	0	169
2020 final dividend of 0.0 cent (2019: 100.0 cent) per share on ordinary shares of €0.60 each	0	34,862
Total dividends proposed	0	35,144

The 2019 dividend was not paid due to uncertainty in respect of Covid-19 and following EIOPA guidance issued to insurance companies. Given the continuing uncertainty prevailing, the Board continues to believe that capital preservation is paramount and therefore no dividend is being proposed at this time. The Board will however keep the matter of capital return to shareholders under continuous review.

FBD Holdings plc
Supplementary Information (continued)
For the year ended 31 December 2020

Note 4 CALLED UP SHARE CAPITAL PRESENTED AS EQUITY

	Number	2020 €000s	2019 €000s
(i) Ordinary shares of €0.60 each			
Authorised:			
At the beginning and the end of the year	<u>51,326,000</u>	<u>30,796</u>	<u>30,796</u>
Issued and fully paid:			
At the beginning and the end of the year	<u>35,461,206</u>	<u>21,277</u>	<u>21,277</u>
(ii) 'A' Ordinary shares of €0.01 each			
Authorised:			
At the beginning and the end of the year	<u>120,000,000</u>	<u>1,200</u>	<u>1,200</u>
Issued and fully paid:			
At the beginning and the end of the year	<u>13,169,428</u>	<u>132</u>	<u>132</u>
Total – issued and fully paid		<u>21,409</u>	<u>21,409</u>

The 'A' ordinary shares of €0.01 each are non-voting. They are non-transferable except only to the Company. Other than a right to a return of paid up capital of €0.01 per 'A' ordinary share in the event of a winding up, the 'A' ordinary shares have no right to participate in the capital or the profits of the Company.

The holders of the two classes of non-cumulative preference shares rank ahead of the two classes of ordinary shares in the event of a winding up. Before any dividend can be declared on the ordinary shares of €0.60 each, the dividend on the non-cumulative preference shares must firstly be declared or paid.

The number of ordinary shares of €0.60 each held as treasury shares at the beginning (and the maximum number held during the year) was 598,742 (2019: 795,005). 189,998 ordinary shares were reissued from treasury during the year under the FBD Performance Plan. The number of ordinary shares of €0.60 each held as treasury shares at the end of the year was 408,744 (2019: 598,742). This represented 1.2% (2019: 1.7%) of the shares of this class in issue and had a nominal value of €245,246 (2019: €359,245). There were no ordinary shares of €0.60 each purchased by the Company during the year.

The weighted average number of ordinary shares of €0.60 each in the earnings per share calculation has been reduced by the number of such shares held in treasury.

All issued shares have been fully paid.

FBD Holdings plc
Supplementary Information (continued)
For the year ended 31 December 2020

Note 5 TRANSACTIONS WITH RELATED PARTIES

Farmer Business Developments plc and FBD Trust Company Ltd have a substantial shareholding in the Group at 31 December 2020. Details of their shareholdings and related party transactions are set out in the Annual Report.

Both companies have subordinated debt investment in the Group. Farmer Business Developments holds a €20.0m investment and FBD Trust Ltd holds a €13.0m investment. Interest payments are made to both companies on a quarterly basis in proportion to their holding.

At 31 December 2020 the intercompany balances with other subsidiaries was €3,462,000 (2019: €3,755,000).

For the purposes of the disclosure requirements of IAS 24, the term “*key management personnel*” (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Group) comprises the Board of Directors and Company Secretary of FBD Holdings plc and the Group’s primary subsidiary, FBD Insurance plc and the members of the Executive Management Team.

The remuneration of key management personnel (“KMP”) during the year was as follows:

	2020	2019
	€000s	€000s
Short term employee benefits ¹	3,801	3,501
Post-employment benefits	295	305
Share based payments	1,012	993
	<hr/>	<hr/>
Charge to the Consolidated Income Statement	5,108	4,799
	<hr/>	<hr/>

¹Short term benefits include fees to Non-Executive Directors, salaries and other short-term benefits to all key management personnel.

Full disclosure in relation to the 2020 and 2019 compensation entitlements and share awards of the Board of Directors is provided in the Annual Report.

In common with all shareholders, Directors received payments/distributions related to their holdings of shares in the Company during the year, amounting in total to €0 (2019: €27,830).

FBD Holdings plc
Supplementary Information (continued)
For the year ended 31 December 2020

Note 6 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 premium on insurance contracts entered into during the year and is widely used across the general insurance industry.

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

	2020 €000s	2019 €000s
Loss ratio		
Net claims and benefits	221,403	148,679
Movement in other provisions	9,681	7,946
Total claims incurred	231,084	156,625
Net premium earned	315,232	337,553
Loss ratio (Total claims incurred/Net premium earned)	73.3%	46.4%
Expense ratio		
Other underwriting expenses	88,527	87,259
Net premium earned	315,232	337,553
Expense ratio (Underwriting expenses/Net premium earned)	28.1%	25.9%
Combined operating ratio	%	%
Loss ratio	73.3%	46.4%
Expense ratio	28.1%	25.9%
Combined operating ratio (Loss ratio + Expense ratio)	101.4%	72.3%

FBD Holdings plc
Supplementary Information (continued)
For the year ended 31 December 2020

	2020 €'000s	2019 €'000s
Investment return		
Investment return recognised in Consolidated Income Statement	10,388	17,892
Investment return recognised in Consolidated Statement of Comprehensive Income	4,505	10,924
Total investment return	14,893	28,816
Average investment assets	1,117,036	1,073,429
Investment return % (Total investment return/Average investment assets)	1.3%	2.7%
	2020 €'000s	2019 €'000s
Net asset value per share		
Shareholders' funds - equity interests	383,981	372,228
Number of shares		
Number of ordinary shares in issue (excluding treasury)	35,052,462	34,862,464
	Cent	Cent
Net asset value per share (NAV) (Shareholders funds / Closing number of ordinary shares)	1,095	1,068
Return on equity		
Weighted average equity attributable to ordinary equity holders of the parent	378,105	327,856
Result for the year	4,390	98,225
Return on equity (Result for the year/Weighted average equity attributable to ordinary equity holders of the parent)	1%	30%

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

Expense ratio: Underwriting and administrative expenses as a percentage of net earned premium.

Loss ratio: Net claims incurred as a percentage of net earned premium.

Combined Operating Ratio: The sum of the loss ratio and expense ratio. A combined operating ratio below 100% indicates profitable underwriting results. A combined operating ratio over 100% indicates unprofitable results

Note 8 SUBSEQUENT EVENTS

The Irish Commercial Court judgement in respect of Covid-19 related business interruption cover for public house policies was issued on 5th February 2021 and FBD were deemed liable to cover the claims cost when the public houses were closed by the Government. The judgement is an adjusting event for the purposes of the 2020 financial statements on the basis that the impacted claims are 2020 events. FBD accept this judgement and will pay interim claim payments to our affected customers in a timely manner with final payments to follow once all required information is received and processed. The net liability in respect of the public house business interruption claims is included in the 2020 result with a provision made of €65.3m (€54.0m included in the net claims incurred and €11.3m included in respect of assumed reinsurance reinstatement premium). Gross claims costs are currently estimated to be approximately €150m. Post year end extensions to the period of Level 5 Covid-19 restrictions initially imposed on 24 December 2020 are also adjusting events for the purposes of the 2020 financial statements on the basis that they impact the valuation of 2020 Covid-19 related business interruption claims. The impact of these extensions are included in the net liability detailed above. Discussions are on-going with our reinsurance partners to finalise the reinsurance recovery position.

Note 9 GENERAL INFORMATION AND ACCOUNTING POLICIES

The financial information set out in this document does not constitute full statutory Financial Statements for the years ended 31 December 2020 or 2019 but is derived from same. The Group Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, applicable Irish law and the listing Rules of Euronext Dublin, the Financial Conduct Authority and comply with Article 4 of the EU IAS Regulation.

The 2020 and 2019 Financial Statements have been audited and received unqualified audit reports.

The 2020 Financial Statements were approved by the Board of Directors on 25 February 2021.

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