



FBD HOLDINGS PLC
PRELIMINARY ANNOUNCEMENT
For the year ended 31 December 2018

KEY HIGHLIGHTS

- €50m profit before tax
- Proposed 2018 dividend of 50c per share
- Full Year Return on Equity of 15%
- Combined Operating Ratio (“COR”) of 81% includes positive prior year reserve development of €29m and includes Storm Emma costs of net €6.6m
- Purchase and cancellation of the €70m Fairfax convertible bond at a cost of €86m was funded through the issue of non-convertible debt of €50m and cash reserves
- Excellent financial results demonstrate continued underwriting discipline:
 - Gross Written Premium down by €1m to €372m in a highly competitive environment
 - New business count growth of 11% in 2018
 - An Post Insurance partnership is successfully underway
 - A primary Team Ireland sponsor for the Tokyo 2020 Olympic games
 - Digital enhancement of FBD Insurance and Group websites
 - Increased urban presence with new branch opening in Baggot St, Dublin 2, relocations in Cork and Limerick

FINANCIAL SUMMARY

	2018	2017
	€000s	€000s
Gross written premium	371,504	372,459
Underwriting profit	63,418	44,935
Profit before taxation	50,065	49,736
Loss ratio	56.3%	62.9%
Expense ratio	24.9%	23.3%
Combined operating ratio	81.2%	86.2%
	Cent	Cent
Basic profit per share	122	123
Net assets per share	818	784

- Gross Written Premium of €371.5m (2017: €372.5m). New business levels are strong despite the competitive challenges.
- Net profit before tax of €50m, in line with €49.7m in 2017
- COR of 81.2%, improved from 86.2% in 2017, and includes a €28.7m (8.5%) benefit from prior year reserve release and Storm Emma net costs after reinsurance recoveries of €6.6m
- Annualised total investment return of -0.5% (2017: 1.2%), which is disappointing in challenged markets

- Solvency Capital Ratio of 164% (unaudited) after allowing for 2018 proposed dividend of €17.6m

Commenting on these results Fiona Muldoon, Group Chief Executive, said:

“Our continued focus on underwriting discipline has delivered excellent underwriting profits for 2018. I am delighted the Board has proposed to more than double the dividend to 50c per share on the back of such strong results, rewarding our loyal shareholders.

The successful purchase and cancellation of the Fairfax convertible bond in October demonstrated the financial strength of FBD.

2018 is a great team result and we intend to continue to deliver on our strategy in the coming years. From fifty years in business we know that having the right insurance cover at the right price is in the long-term best interests of our customers. We will continue to maintain underwriting discipline in order to provide stability in our core market. FBD continues to offer the broadest cover available to farm customers for property damage and to mitigate the financial impact of tragic farm accidents which are still all too frequent.

In 2019 we are focused on our growth plans as a strong, independent Irish business. While the impact of *any* Brexit is unwelcome to FBD and to our customers, we are resilient and we will navigate this together with Irish farming and with all other Irish businesses.”

A presentation will be made to analysts at 10.00am today, a copy of which will be available on our Group website www.fbdgroup.com.

Enquiries

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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
Listing Category
Trading Venue
Market
ISIN
Ticker

Euronext Dublin
Premium
Euronext Dublin
Main Securities Market
IE0003290289
FBD.I or EG7.IR

UK Listing Authority
Premium (Equity)
London Stock Exchange
Main Market
IE0003290289
FBH.L

OVERVIEW

In FBD's 50th year of business the Group delivered a profit of €50.0m (2017: €49.7m) and a return on equity of 15%. This is an excellent performance underpinned by continued underwriting discipline and supported by positive prior year reserve development.

In October, FBD successfully purchased the Fairfax convertible bond for €86m and subsequently issued non-convertible debt of €50m at a lower coupon rate of 5%. This is a strong result for the business demonstrating investor confidence in FBD's stability and future.

The Board has proposed a dividend of 50c per share (2017: 24c) in respect of the 2018 financial year. The underwriting profit has increased to €63.4m (2017: €44.9m) and includes Storm Emma net costs of €6.6m after reinsurance recoveries.

UNDERWRITING

Premium income

Strong competition in all customer segments has resulted in a decrease in gross written premium of €1m to €371.5m (2017: €372.5m). Increases in Commercial business were offset by reductions in Agri and Consumer as we maintained our underwriting discipline in the face of strong competition. The underlying loss performance of the book is improving with minimal rate increases carried across the book. New business volumes grew by 11% primarily in personal lines. Retention rates generally held up across the book with the aid of sustained efforts and customer initiatives.

Reinsurance

The 2018 reinsurance programme provided strong protection to the business. Storm Emma was the only extreme weather event in 2018, with a net cost after reinsurance recoveries of €6.6m. There was limited additional exposure to weather events in the second half of the year.

Claims

Net claims incurred amounted to €183.4m (2017: €203.1m). There was positive prior year reserve releases of €26.9m, mainly from the 2015 to 2017 accident years, which showed sustained improvements relative to previous expectations. There was a further release from prior year reserves of €1.8m as the timing of the introduction of the 2% Motor Insurance Insolvency Compensation Fund (MIICF) levy on insurers was delayed.

The Group incurred a net charge of €7.1m (2017: €1.9m) relating to its MIBI levy and related obligation, which is calculated based on the Group's expected share of the motor market for 2018. The 2017 charge includes the MIBI levy reserve release of €5.6m for the "Setanta" case.

Claims Environment

More moderate inflation is evident across the claims environment though the cost of claims continues to remain high. The level of increases in the average cost of smaller injury claims has slowed, though we have also observed a significant increase in the average cost of motor damage and property claims over the course of the year.

We continue to await the enactment by the Government of the PIAB (Amendment) Bill to tackle the non-co-operation of claimants and their legal representatives with the Injuries Board. This legislation is necessary to reduce the rate at which claimants are rejecting compensation offers by the Injuries Board and to ultimately lower the cost of claims. The Judicial Council is expected to rewrite the Book of Quantum although no bill has yet been drafted. Overall, we are very disappointed with the pace of reform, given that the key recommendations of the Cost of Insurance Working Group were published two years ago.

We are hopeful claims awards will reduce following the Court of Appeal case “Byrne v Ardenhealth Company Ltd” where a unanimous judgement confirmed that the occupier had not breached their statutory duty to take reasonable care and can assume visitors will take reasonable care of their own safety, overturning the earlier High Court damages award.

We continue to vigorously contest suspect claims. We welcome the amendment to the Civil Liability and Courts Act where a judge can dismiss a claim if a claimant gives false evidence having provided a sworn affidavit. This change may act as a deterrent for dishonest or false claims.

The Personal Injuries Commission report published in September 2018 highlighted inconsistencies between Irish and international awards that must be tackled if we are to reduce insurance costs for Irish businesses, farmers and consumers alike.

Weather, Claims Frequency and Large Claims

In March 2018 Storm Emma was a combination of snow and strong winds which created blizzard-like conditions impacting the whole of Ireland, particularly the south of the country. FBD received over 1,200 claims costing €6.6m net of reinsurance and reinstatement premia.

Stabilisation in motor injury frequency continued following reductions in 2016 and 2017.

The projected gross cost of large injury claims (greater than €0.5m) in 2018 is approximately in line with the five year average. While there has been a significant decrease in the number of personal motor large injury claims this year, this has been replaced by a significant increase in the number of employers liability claims, in particular large farm claims. We have also observed an improvement in the development of large claims from 2016 and 2017 relative to previous expectations.

Expenses

The Group’s expense ratio was 24.9% (2017: 23.3%). Other underwriting expenses were €84.1m, an increase of €8.1m. €4.6m of the increase relates to changes in the reinsurance arrangements and the balance reflects additional IT spend in respect of work for the introduction of GDPR, wage inflation and increased regulatory costs.

General

FBD’s Combined Operating Ratio (“COR”) was 81.2% generating an underwriting profit of €63.4m (2017: €44.9m).

Investment Return

FBD’s total investment return for 2018 was -0.5% (2017: 1.2%). 0.2% (2017: 0.9%) is recognised in the Consolidated Income Statement and -0.7% (2017: 0.3%) recognised in the Consolidated Statement of Other Comprehensive Income (OCI). The returns are a reflection of the challenging investment conditions experienced during 2018 especially Q4. The negative returns in OCI were driven by credit spread widening on the corporate bond portfolio and spread widening on some Eurozone sovereign bonds, particularly Italy.

Financial Services

The Group’s financial services operations delivered a profit before tax of €2.5m for the year (2017; €4.5m). The life, pension and investment broking operation (FBD Financial Solutions) increased revenue by 23% to €3.8m (2017: €3.1m) with modest cost increases to support the increased activity. Other financial services fees decreased marginally. Holding company costs increased from €1.4m to €3.5m primarily due to significant legal expenses during 2018 and higher allocated salary costs than prior year.

Profit per share

The diluted profit per share was 112 cent per ordinary share, compared to 111 cent per ordinary share in 2017.

Dividend

The Board is focused on the long-term interest of all stakeholders and maintains a robust capital position including strong solvency and liquidity margins. Given the strong financial performance of FBD in 2018 the Board proposes to pay a dividend of 50c per share for the 2018 financial year (2017: 24 cent). This is equivalent to a pay-out ratio of approximately 40% in respect of 2018 profits. The Group continues to target an annual 20% to 50% pay-out range of full year profits when appropriate, recognising that extreme weather events and inherent cyclicity are a feature of all insurance businesses.

Subject to the approval of shareholders at the Annual General Meeting to be held on 10 May 2019, the final dividend for 2018 will be paid on 17 May 2019 to the holders of shares on the register on 12 April 2019. The dividend is subject to withholding tax ("DWT") except for shareholders who are exempt from DWT and who have furnished a properly completed declaration of exemption to the Company's Registrar from whom further details may be obtained.

STATEMENT OF FINANCIAL POSITION

Capital position

Ordinary shareholders' funds at 31 December 2018 amounted to €283.5m (2017: €271.6m). The increase in shareholders' funds is mainly attributable to the following:

- Profit after tax for the year of €42.4m: Offset by
- €8.6m dividend payments in respect of the 2017 financial year
- Cancellation of the Fairfax bond of €21.0m
- Mark to market losses on Available for Sale investments of €6.8m after tax recognised in the statement of other comprehensive income
- Share based payments of €0.7m
- The increase in the defined benefit pension scheme surplus of €2.8m after tax following a 5bps increase in the discount rate to 1.8% and drop in long-term inflation to 1.5%.
- IFRS 15 transitional adjustment of €2.4m.

Net assets per ordinary share are 818 cent, compared to 784 cent per share at 31 December 2017.

Investment Allocation

The Group adopts a conservative investment policy where it ensures that its technical reserves are well matched by cash and fixed interest securities of similar nature and duration. FBD has increased its allocation to Government bonds and risk assets during the year in line with the company's current Strategic Asset Allocation framework. There has been a corresponding reduction in deposits and cash of €36.1m as a result of the cancellation and repayment of the Fairfax convertible bond.

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

	31 December 2018		31 December 2017	
	€m	%	€m	%
Corporate bonds	498	48%	499	47%
Government bonds	297	29%	259	25%
Deposits and cash	146	14%	230	22%
Equities	24	2%	22	2%
Investment property	18	2%	18	2%
Other risk assets	55	5%	24	2%
	1,038	100%	1,052	100%

Solvency

The latest (unaudited) Solvency Capital Ratio (SCR) is 164% which is in line with the 2017 SCR of 164%, after the partial use of own funds to pay for the Fairfax Convertible Bond transaction and includes the foreseeable dividend of €17.6m.

OUTLOOK

In 2018 FBD delivered a return on equity of 15% and a Current Year COR of 90%, through strong underwriting discipline and full price adequacy. This result includes Storm Emma net costs of €6.6m. In addition, the 2018 result also includes positive prior year reserve development of €26.9m and a MIBI levy reserve release of €1.8m.

The injury claims environment is showing signs of moderation although inflation is still present, particularly in motor damage and property claims. Injury costs remain stubbornly high, even if they are no longer increasing as substantially as in previous years. We also see continued inflation in legal costs. We urgently need an injection of pace from policymakers in the delivery of the recommendations from the Cost of Insurance Working Group in order to deliver reform and reduce insurance costs for our customers.

Storm Emma demonstrated again the quality of our farm cover and our claims processes. We delivered for our customers when we were needed. The increase in farm related employer's liability and tractor claims continues to emphasise the urgent need for better farm safety. FBD continues to invest significantly in this area. We understand the impact these accidents have on farmers and their families both financially and personally. FBD will continue to support farm safety organisations in education to change on-farm behaviour and help mitigate the personal impact of such tragic accidents.

Uncertainty still exists around Brexit and the likely impact is both unwelcome and hard to quantify for Irish farmers and businesses. Competition from other insurers is currently intense. FBD has been in Ireland for fifty years supporting our farm customers and we will maintain strong underwriting discipline in the face of both aggressive competition and economic uncertainty in order to deliver stability for our customers. FBD is focused on growing its urban presence in a measured fashion while continuing to maintain its large market share in rural Ireland through the delivery of outstanding products and outstanding customer service.

The Group expects to deliver a COR in the low 90s (absent exceptional weather) and is targeting a low double-digit return on equity ("ROE") through the cycle.

FBD Holdings plc
Consolidated Income Statement
For the financial year ended 31 December 2018

Continuing Operations

	2018 €000s	2017 €000s
Revenue	396,003	397,741
Income		
Gross premium written	371,504	372,459
Reinsurance premiums	(36,735)	(27,267)
Net premium written	334,769	345,192
Change in provision for unearned premiums	3,134	(19,260)
Net premium earned	337,903	325,932
Net investment return	2,482	9,361
Financial services income - Revenue from contracts with customers	3,754	3,059
- Other financial services income	5,282	5,674
Total income	349,421	344,026
Expenses		
Net claims and benefits	(183,367)	(203,144)
Other underwriting expenses	(84,054)	(75,908)
Movement in other provisions	(7,064)	(1,945)
Financial services and other costs	(6,548)	(4,200)
Revaluation of property, plant and equipment	(1,034)	(1,080)
Restructuring and other costs	-	(1,715)
Finance costs	(5,453)	(6,298)
Exceptional loss on purchase and cancellation of convertible debt	(11,836)	-
Profit before taxation	50,065	49,736
Income taxation charge	(7,682)	(7,040)
Profit for the financial year	42,383	42,696
Attributable to:		
Equity holders of the parent	42,383	42,696

FBD Holdings plc
Consolidated Income Statement
For the financial year ended 31 December 2018

Earnings per share	2018	2017
From continuing operations	Cent	Cent
Basic	<u>122</u>	<u>123</u>
Diluted	<u>112¹</u>	<u>111²</u>

¹ Diluted earnings per share reflects the potential conversion of convertible debt up until the date of repurchase and cancellation of the convertible debt and the potential vesting of share based payments.

² Diluted earnings per share reflected the potential conversion of convertible debt and 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 26 February 2019.

FBD Holdings plc
Consolidated Statement of Comprehensive Income
For the financial year ended 31 December 2018

	2018 €000s	2017 €000s
Profit for the financial year	42,383	42,696
<i>Items that will or may be reclassified to profit or loss in subsequent periods:</i>		
Net (loss)/gain on available for sale financial assets during the year	(7,845)	2,807
Taxation credit/(charge) relating to items that will or may be reclassified to profit or loss in subsequent periods	981	(351)
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>		
Actuarial gain on retirement benefit obligations	3,232	275
Taxation charge relating to items not to be reclassified in subsequent periods	(404)	(34)
Other comprehensive (expense)/ income after taxation	(4,036)	2,697
Total comprehensive income for the financial year	38,347	45,393
Attributable to:		
Equity holders of the parent	38,347	45,393

FBD Holdings plc
Consolidated Statement of Financial Position
At 31 December 2018

ASSETS

	2018 €000s	2017 €000s
Property, plant and equipment	68,492	68,251
Intangible assets	355	-
Investment property	18,310	18,000
Loans	615	681
Deferred taxation asset	1,081	5,467
Financial assets		
Available for sale investments	795,717	758,687
Investments held for trading	78,778	45,347
Deposits with banks	70,998	195,985
	945,493	1,000,019
Reinsurance assets		
Provision for unearned premiums	6	4
Claims outstanding	80,919	90,561
	80,925	90,565
Retirement benefit asset	12,944	9,774
Current taxation asset	3,949	3,934
Deferred acquisition costs	31,956	31,366
Other receivables	62,868	64,020
Cash and cash equivalents	77,639	27,176
Total assets	1,304,627	1,319,253

FBD Holdings plc
Consolidated Statement of Financial Position (continued)
At 31 December 2018

EQUITY AND LIABILITIES

	2018	2017
	€000s	€000s
Equity		
Called up share capital presented as equity	21,409	21,409
Capital reserves	20,430	19,726
Retained earnings	241,645	212,259
Other reserves	-	18,232
	<hr/>	<hr/>
Equity attributable to ordinary equity holders of the parent	283,484	271,626
Preference share capital	2,923	2,923
	<hr/>	<hr/>
Total equity	286,407	274,549
	<hr/>	<hr/>
Liabilities		
Insurance contract liabilities		
Provision for unearned premiums	182,875	186,008
Claims outstanding	738,025	765,012
	<hr/>	<hr/>
	920,900	951,020
Other provisions	7,738	6,647
Convertible debt	-	52,525
Subordinated debt	49,426	-
Deferred taxation liability	3,610	3,845
Current taxation liability	3,312	-
Payables	33,234	30,667
	<hr/>	<hr/>
Total liabilities	1,018,220	1,044,704
	<hr/>	<hr/>
Total equity and liabilities	1,304,627	1,319,253
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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 2018

	2018 €000s	2017 €000s
Cash flows from operating activities		
Profit before taxation	50,065	49,736
Adjustments for:		
Loss / (profit) of investments held for trading	4,411	(1,685)
Exceptional loss on purchase and cancellation of convertible bond	11,836	-
Loss on investments available for sale	4,825	5,981
Interest and dividend income	(12,072)	(12,735)
Depreciation/amortisation of property, plant and equipment and intangible assets	11,682	11,426
Share-based payment expense	704	685
Revaluation of investment property	(310)	(1,600)
Revaluation of property, plant and equipment	1,034	1,080
(Decrease)/increase in insurance contract liabilities	(20,480)	17,486
Increase/(decrease) in other provisions	1,091	(4,600)
	<hr/>	<hr/>
Operating cash flows before movement in working capital	52,786	65,774
Decrease/(increase) in receivables and deferred acquisition costs	3,390	(8,094)
Increase/(decrease) in payables	7,883	(13,084)
Interest payments on convertible debt	(5,130)	(4,900)
Purchase of investments held for trading	(82,916)	(958)
Sale of investments held for trading	45,075	47,597
	<hr/>	<hr/>
Cash generated from operations	21,088	86,335
Interest and dividend income received	11,992	13,218
Income taxes refunded	-	228
	<hr/>	<hr/>
Net cash generated from operating activities	33,080	99,781
Cash flows from investing activities		
Purchase of available for sale investments	(138,798)	(258,355)
Sale of available for sale investments	89,101	125,989
Purchase of property, plant and equipment	(13,003)	(7,869)
Sale of property, plant and equipment	90	106
Purchase of intangible assets	(399)	-
Decrease in loans and advances	66	51
Decrease in deposits invested with banks	124,987	40,912
	<hr/>	<hr/>
Net cash generated from / (used in) investing activities	62,044	(99,166)
Cash flows from financing activities		
Ordinary and preference dividends paid	(8,602)	-
Purchase and cancellation of convertible debt	(86,059)	-
Proceeds from issue of subordinate debt	50,000	-
	<hr/>	<hr/>
Net cash used in financing activities	(44,661)	-
	<hr/>	<hr/>
Net increase in cash and cash equivalents	50,463	615
Cash and cash equivalents at the beginning of the year	27,176	26,561
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial year	77,639	27,176

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 2018

	Called up share capital presented as equity	Capital reserves	Retained earnings	Other reserves	Attributable to ordinary shareholders	Preference share capital	Total equity
	€000s	€000s	€000s	€000s	€000s	€000s	€000s
Balance at 1 January 2017	21,409	19,041	166,866	18,232	225,548	2,923	228,471
Profit after taxation	-	-	42,696	-	42,696	-	42,696
Other comprehensive expense	-	-	2,697	-	2,697	-	2,697
	21,409	19,041	212,259	18,232	270,941	2,923	273,864
Recognition of share based payments	-	685	-	-	685	-	685
Balance at 31 December 2017	21,409	19,726	212,259	18,232	271,626	2,923	274,549
Transitional adjustment IFRS 15	-	-	2,404	-	2,404	-	2,404
Profit after taxation	-	-	42,383	-	42,383	-	42,383
Other comprehensive income	-	-	(4,036)	-	(4,036)	-	(4,036)
	21,409	19,726	253,010	18,232	312,377	2,923	315,300
Dividends paid and approved on ordinary and preference shares	-	-	(8,602)	-	(8,602)	-	(8,602)
Recognition of share based payments	-	704	-	-	704	-	704
Repurchase and cancellation of convertible debt	-	-	(2,763)	(18,232)	(20,995)	-	(20,995)
Balance at 31 December 2018	21,409	20,430	241,645	-	283,484	2,923	286,407

FBD Holdings plc
Supplementary Information
For the year ended 31 December 2018

Note 1 UNDERWRITING PROFIT

	2018 €000s	2017 €000s
Gross premium written	<u>371,504</u>	<u>372,459</u>
Net premium earned	337,903	325,932
Net claims incurred	(183,367)	(203,144)
Other provisions	(7,064)	(1,945)
Net underwriting expenses	<u>(84,054)</u>	<u>(75,908)</u>
Underwriting Profit	<u>63,418</u>	<u>44,935</u>
	2018 €000s	2017 €000s
Net underwriting expenses		
Management expenses	84,220	81,751
Deferred acquisition costs	<u>(590)</u>	<u>(6,363)</u>
Gross underwriting expenses	83,630	75,388
Reinsurance commissions receivable	(2,876)	(2,528)
Broker commission payable	<u>3,300</u>	<u>3,048</u>
Net underwriting expenses	<u>84,054</u>	<u>75,908</u>

FBD Holdings plc
Supplementary Information (continued)
For the year ended 31 December 2018

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	2018 €000s	2017 €000s
Profit for the year for the purpose of basic earnings per share	<u>42,383</u>	<u>42,696</u>
Profit for the year for the purpose of diluted earnings per share	<u>46,639</u>	<u>48,207</u>
Number of shares	2018 No.	2017 No.
Weighted average number of ordinary shares for the purpose of basic earnings per share (excludes treasury shares)	<u>34,666,201</u>	<u>34,666,201</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share (excludes treasury shares)	<u>41,507,329</u>	<u>43,329,630</u>
Basic earnings per share	<u>Cent 122</u>	<u>Cent 123</u>
Diluted earnings per share	<u>Cent 112¹</u>	<u>Cent 111²</u>

¹ Diluted earnings per share reflects the potential conversion of convertible debt up until the date of repurchase and cancellation of the convertible debt and the potential vesting of share based payments.

² Diluted earnings per share reflected the potential conversion of convertible debt and 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.

FBD Holdings plc
Supplementary Information (continued)
For the year ended 31 December 2018

Note 3 DIVIDENDS

	2018	2017
	€000s	€000s
Paid during year:		
2017 dividend of 8.4 cent (2016: nil cent) per share on 14% non-cumulative preference shares of €0.60 each	113	-
2017 dividend of 4.8 cent (2016: nil cent) per share on 8% non-cumulative preference shares of €0.60 each	169	-
2017 final dividend of 24.0 cent (2016: nil cent) per share on ordinary shares of €0.60 each	8,320	-
Total dividends paid	8,602	-
	2018	2017
	€000s	€000s
Proposed:		
2018 dividend of 8.4 cent (2017: 8.4 cent) per share on 14% non-cumulative preference shares of €0.60 each	113	113
2018 dividend of 4.8 cent (2017: 4.8 cent) per share on 8% non-cumulative preference shares of €0.60 each	169	169
2018 final dividend of 50 cent (2017: 24.0 cent) per share on ordinary shares of €0.60 each	17,333	8,320
Total dividends proposed	17,615	8,602

The proposed dividend is subject to approval by shareholders at the Annual General Meeting on 10 May 2019 and has not been included as a liability in the Consolidated Statement of Financial Position.

FBD Holdings plc
Supplementary Information (continued)
For the year ended 31 December 2018

Note 4 CALLED UP SHARE CAPITAL PRESENTED AS EQUITY

	Number	2018 €000s	2017 €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 795,005 (2017: 795,005). The number of ordinary shares of €0.60 each held as treasury shares at the end of the year was 795,005 (2017: 795,005). This represented 2.2% (2017: 2.2%) of the shares of this class in issue and had a nominal value of €477,003 (2017: €477,003). 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.

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 2018. Details of their shareholdings and related party transactions are set out in the Annual Report.

As part of the subordinated debt investment, Farmer Business Developments invested €20.0m and FBD Trust Ltd invested €13.0m.

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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:

	2018	2017
	€000s	€000s
Short term employee benefits ¹	3,545	3,590
Post-employment benefits	297	269
Share based payments	316	440
	<hr/>	<hr/>
Charge to the Consolidated Income Statement	4,158	4,299
	<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 2018 and 2017 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 €3,571 (2017: €nil).

Note 6 CHANGE IN ACCOUNTING POLICY

IFRS 15 Revenue from Contracts with Customers was effective from 1 January 2018 and was adopted by the Group on that date. The Group has applied the modified retrospective approach to the standard. At the date of initial adoption, the following adjustment was made on 1 January 2018:

- Increase in “Other Receivables” €2.7m
- Increase in “Deferred Tax Liability” €0.3m
- Increase in “Retained Earnings” €2.4m

Full disclosure on the impact of IFRS 15 is provided in the Annual Report.

Note 7 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

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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:

	2018 €000s	2017 €000s
Loss ratio		
Net claims and benefits	183,367	203,144
Movement in other provisions	7,064	1,945
Total claims incurred	190,431	205,089
Net premium earned	337,903	325,932
Loss ratio (Total claims/Net premium earned)	56.3%	62.9%
Expense ratio		
Other underwriting expenses	84,054	75,908
Net premium earned	337,903	325,932
Expense ratio (Underwriting expenses/Net premium earned)	24.9%	23.3%
Combined operating ratio	%	%
Loss ratio	56.3%	62.9%
Expense ratio	24.9%	23.3%
Combined operating ratio (Loss ratio + Expense ratio)	81.2%	86.2%
Investment return	2018 €'000s	2017 €'000s
Investment return recognised in Consolidated Income Statement	2,482	9,361
Investment return recognised in Consolidated Statement of Comprehensive Income	(7,845)	2,807
Total investment return	(5,363)	12,168
Average underwriting investment assets	1,047,711	1,027,637
Investment return % (Total investment return/Average underwriting investment assets)	-0.5%	1.2%

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	2018 €'000s	2017 €'000s
Net asset value per share		
Equity attributable to ordinary equity holders of the parent	<u>283,483</u>	<u>271,626</u>
Number of shares		
Number of ordinary shares in issue (excluding treasury)	<u>34,666,201</u>	<u>34,666,201</u>
	Cent	Cent
Net asset value per share (NAV) (Shareholders funds / Closing number of ordinary shares)	<u>818</u>	<u>784</u>
Return on Equity		
Weighted average equity attributable to ordinary equity holders of the parent	277,555	248,587
Result for the period	42,383	42,696
Return on equity (Result for the period/Weighted average equity attributable to ordinary equity holders of the parent)	<u>15%</u>	<u>17%</u>

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

Note 8 SUBSEQUENT EVENTS

There have been no subsequent events that would have a material impact on the Financial Statements.

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 2018 or 2017 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 the Euronext Dublin, the Financial Conduct Authority and comply with Article 4 of the EU IAS Regulation.

The 2018 and 2017 Financial Statements have been audited and received unqualified audit reports.

The 2018 Financial Statements were approved by the Board of Directors on 26 February 2019.

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.