SUPPORT.
IT'S WHAT WE DO.

FBD HOLDINGS PLC | ANNUAL REPORT 2021

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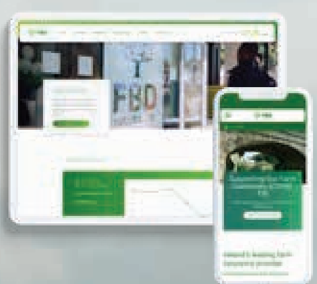
FBD at a Glance

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



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

2021 Performance Highlights

Profit before tax
€110.4m
(2020: €4.8m)

Combined operating ratio
71.5%
(2020: 101.4%)

Gross premium written
€366m
(2020: €358m)

Return on Equity
23%
(2020: 1%)

Net Asset Value
1,338c
(2020: 1,095c)

Further information on the above measures is found in Alternative Performance Measures on 165 and 166.

Strategic Report

Financial Highlights

	2021 €000s	2020 €000s
Gross premium written	**366,328**	358,230
Underwriting profit/(loss)	**95,197**	(4,379)
Profit before tax	**110,435**	4,802

	2021 Cent	2020 Cent
Basic earnings per share	**274**	13
Diluted earnings per share	**268**[1]	12[1]
Net asset value per share	**1,338**	1,095
Ordinary dividend per share proposed	**100**	–
Ordinary dividend per share paid	**–**	–

	2021 %	2020 %
Combined operating ratio	**71.5%**	101.4%
Return on equity	**23%**	1%

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

Further information on measures referred to in our Financial Highlights is found in Alternative Performance Measures on pages 165 and 166.

Financial Calendar

Preliminary announcement	4 March 2022
Annual General Meeting	12 May 2022

Our Purpose

At FBD Insurance we aim to serve the needs of agriculture, businesses and retail customers across Ireland by supporting, protecting and standing with them to enable them to grow and thrive.

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

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

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

Chairman's Statement

> "I am very pleased to announce an excellent set of financial results for 2021, including a proposed dividend payment to our shareholders of 100 cent per share".
>
> **Liam Herilhy**
> Chairman

Performance

I am very pleased to announce an excellent set of financial results for 2021, including a proposed dividend payment to our shareholders of 100 cent per share. Clarity on the quantum of Business Interruption claims following the recent High Court judgement and positive developments surrounding reinsurance recoveries, strong investment returns and lower claims costs, has culminated in a Group Profit before Tax of €110m for 2021. Our Net Asset Value (book value) per share grew to 1,338 cents. Our Solvency Capital Ratio continues to be very strong at 214% (unaudited). These results are a demonstration of the strong underlying profitability in our business.

We appreciate that our customers as well as our employees have been through a very difficult time over the past two years but, we are hopeful that the worst of the pandemic is behind us and we can look forward to brighter days ahead, for all.

As always our loyal and steadfast employees continue to show great commitment. Our operational resilience has been tested on numerous occasions over the past two years with the majority of employees working from home, while still maintaining an excellent level of customer service. This customer service and loyalty is borne out in our retention rates which are at their highest level in five years. I am happy to say that a phased return to the office has commenced, in line with public health guidelines, and on behalf of the Board I would like to thank you all.

Board of Directors

Our Chief Executive Officer (CEO) Tomás Ó Midheach joined the Board on 4 January 2021. Tomás has brought his considerable knowledge of the Irish and international financial services landscape to FBD and has been instrumental in reviewing and setting FBD's strategic direction.

Following a review of Board skills by our Nomination and Governance Committee a thorough search was conducted against specific and defined criteria. I am delighted that Ms Jean Sharp and Mr John O'Dwyer joined our Board in August 2021, following this process. Ms Sharp and Mr O' Dwyer both have extensive experience in the life and general insurance industries. Their knowledge and skills will be of great benefit to our Board and we look forward to working with them into the future.

The Board and I are also pleased to announce the appointment of Ms Nadine Conlon to the role of Company Secretary, with Derek Hall remaining as Chief Risk Officer. I would like to acknowledge the contribution of Derek in the dual role of Company Secretary and Chief Risk Officer over the past 5 years.

Mr Walter Bogaerts has indicated his intention not to go forward for re-election at the 2022 AGM. Mr Bogaerts has been a member of the Board since 2016 and has served a full nine years on the Board of FBD Insurance plc since 2013. We acknowledge the strong contribution Mr Bogaerts has made to the Board and planning for his succession will be carried out in line with the Board Succession Plan.

Covid-19

The recent High Court quantum hearing judgement has provided much needed clarity on many elements of the handling of business interruption claims and we will advance the settlement of claims in due course. I also note the application of reinsurance cover has been agreed with our panel of reinsurers on expected impacted layers of our programme. The removal of this uncertainty is positive for FBD and our customers.

While awaiting clarity on quantum we made interim payments to customers over the course of 2021 and we have also paid additional amounts to all impacted customers following the FSPO decisions earlier in the year.

We introduced a number of measures to assist our customers throughout the Covid-19 pandemic including premium rebates, suspension of cover reductions and payment flexibility, where required. We have also assisted customers with a wide range of supports reflecting the changed environment for individuals and businesses. We are grateful to our loyal customers for their continued support.

ESG

As an organisation we are committed to implementing sustainability into everything we do. We have aligned our existing activities under each of the ESG categories (Environmental, Social and Governance). A Sustainability Committee and Working Groups have been established, charged with driving ESG and sustainability within FBD. We are integrating ESG considerations into our Investment portfolios and we are supporting customers to make the transition to low carbon alternatives, where possible.

We are proud to support the next generation of farm leaders and innovators through our partnerships with Teagasc and the ASA, while FBD Trust continues to support research and educational scholarships for training and development.

As we know, farming can be one of the more dangerous occupations in Ireland and the persistently high number of farm fatalities and serious accidents is cause for significant concern to us. The Farm Protect Campaign promotes behavioural changes by working directly with farms and businesses to help improve safety standards and awareness. Our Champions for Safety and Agri Aware Safe Schools Programme continue to educate our future farmers on how they can make the farm a safer place for all.

I am delighted to announce that we have maintained our position as the leading general insurer, as defined by customer experience, following the latest CXi report carried out by Amárach Research. This external validation of the exceptional customer service we provide is a credit to our staff.

We recently secured the naming rights to Semple Stadium in a deal that will see the stadium renamed 'FBD Semple Stadium'. FBD have been backing the Tipperary men's football and hurling championships since 2019 and camogie from last year. We also offer ongoing support to local GAA clubs throughout the country through our Local Office Sponsorship Funds. We are very proud of our sporting heritage and I would like to acknowledge the Team Ireland success at the Tokyo Olympics and especially our former brand ambassadors Kellie Harrington and Paul O'Donovan who brought home gold medals.

Claims Environment

Covid-19 continued to affect the claims environment throughout 2021 with lengthy court delays experienced as well as an impact to settlement talks. As a result, settlement rates are showing a marked decline on last year.

We welcome the introduction of the new Personal Injury Guidelines however, we note the cautious approach of claimant solicitors, who are anxious to determine the attitude of the Courts to the adoption of the guidelines. Whilst the changes to Personal Injuries Guidelines are a positive move for the customer and the insurance industry, we continue to track injury settlements and note there have been no court awards as yet.

Submissions regarding the reform of PIAB were invited by the Department of Enterprise, Trade and Employment in April, and we supported Insurance Ireland in their engagement with this process. We await the outcome of the review and we also await the outcome of the 2020 Discount Rate consultation.

Brexit and Covid-19 are continuing to impact supply chains, with resultant increases in motor and property damage repair costs.

We fully support the work of the Government on the insurance reform agenda. We welcome the progress made to date towards the objective of reducing insurance premiums for Irish farmers, businesses and retail customers.

Capital/Dividend

The Board believes that it is in the long-term interest of all stakeholders to maintain a strong solvency margin and it is focused on ensuring that the Group's capital position is robust and its financial position well managed. This has been particularly important over the past two years during the Covid-19 pandemic and its effect on investment markets and economic activity generally.

Following the excellent financial performance for 2021 the Board are happy to propose a dividend of 100 cent per share. This is a reflection of our continuing confidence in the underlying profitability and future prospects of our Group. Our Dividend Policy is designed to ensure we maintain sufficient capital at all times.

Our capital position remains strong with a Solvency Capital Ratio of 214% (unaudited) at 31 December 2021.

Conclusion

I am hopeful that much of the uncertainty we have faced over the past two years is now behind us and that we can look forward, continue to grow, serve our customers and meet the expectations of all our stakeholders, well into the future.

During 2021 we established our strategic intent to be a digitally enabled, data enriched organisation which delivers an excellent customer and employee experience. As always, we will keep our customers and communities at the heart of who we are and what we do. At the core of our strategy are our three customer segments, farmers, businesses and retail customers, and the use of our people and technology to deliver profitable growth.

I would like to thank the Board for their continued guidance and support over the past year and of course, to our loyal customers, who have remained with FBD. We will endeavour to repay your trust and confidence in us, well into the future.

With Best Regards.

Liam Herlihy
Chairman

3 March 2022

Review of Operations

"The underlying insurance business is solid and has a strong foundation on which to grow while maintaining the customer's needs at the heart of the business. We will need to continue to adapt in an ever evolving world to build future success."

Tomás Ó Midheach
Group Chief Executive

Overview

The Group reported a profit before tax of €110.4m (2020 profit: €4.8m), supported by a strong underwriting performance including claims frequency improvements, lower severity of injury claims, benign weather, strong investment returns of €15.7m and positive prior year reserve development of €63.6m.

The Group reported an underwriting profit of €95.2m (2020 loss: €4.4m) and GWP of €366.3m (2020: €358.2m) which is in line with 2020 when the pandemic related premium rebates are excluded.

The quantum hearing judgement delivered on January 28th 2022 clarified the position for Business Interruption claims in respect of the definition of business closure and on other matters such as allowable wages. We agreed the reinsurance recovery levels with our reinsurers for the expected impacted layers of the catastrophe programme, clarifying the application of our reinsurance contract cover.

FBD is now ready to move to the next phase of the process and arrange final claims settlements with our public house customers.

Underwriting

Premium income

Gross written premium increased to €366.3m in 2021 (2020: €358.2m) and includes €3.3m of Covid-19 Commercial rebates (2020: €6.0m Motor and €5.8m Commercial rebates). Excluding rebates gross written premium is in line with last year, despite reducing average premium.

Customer policy count increased by 1.3%, with retention rates increasing 0.5% reaching the highest level in the last five years.

Average premium reduced by 1.3% across the book. Average premium for Private Motor reduced by 13.9% as rates reduced to reflect the Personal Injury Guidelines and benign injury claims trends.

Average premium on Farm was flat with strong retention levels. Home average premium increased by 1.2% reflecting a change in cover and mix. Average premium for Commercial increased 8.5% almost entirely due to a change in mix.

Reinsurance

The reinsurance programme for 2022 was successfully renegotiated with a similar structure to the expiring programme. The negotiation of the 2022 renewal reflects market rate increases that incorporate recent global events and overall we saw an increase in reinsurance rates of 7%.

Claims

Net claims incurred (Net claims and benefits plus movements in Other provisions) reduced by €85.4m to €145.7m (2020: €231.1m). The main change relates to an increase in positive prior year reserve development from €23.3m in 2020 to €63.6m in 2021. In addition the Business Interruption claims costs of €54.0m in 2020 did not recur in 2021. This has been offset by €13.2m costs for consequential payments following the application of the Central Bank Business Interruption Supervisory Framework to FSPO decisions on Business Interruption complaints.

Further information on measures referred to in our Review of Operations is found in Alternative Performance Measures on pages 165 and 166.

The positive prior year reserve development of €63.6m is coming from the reduction in the Business Interruption best estimate, reduced number of large claims and lower attritional claims frequency and severity in recent accident years.

Motor damage and injury claims frequency, while similar to 2020, has been lower than pre-Covid levels primarily due to the Government restrictions on movement. Excluding Business Interruption claims, Property claims frequency remained relatively consistent with the 2020 experience. There were no significant weather events in 2021; Storm Barra in December was a minor event incurring claims costs of approximately €4m.

The average cost of injury claims settlements continues to be slightly lower than that experienced pre-Covid. This is due to a change in the mix of settled cases affected by court closures and the inability to engage in pre-trial negotiation, with a backlog of cases building up in the courts system. In addition the introduction of the Personal Injuries Guidelines have had the desired impact of reducing the awards by approximately 40% for more minor injuries. As a result we have reflected the impact of this in premium reductions. It has yet to be seen what impact the new guidelines will have on claims settled after the PIAB process has been completed. The average cost of property claims increased 27% due to a change in mix and inflation, with further inflation expected on domestic building costs. Motor damage claims continue to experience high inflation of 8% in the year as costs of parts, paint and average labour hours per repair increase.

The increase in the movement in other provisions of €12.5m primarily relates to the FSPO consequential payments. The Motor Insurers Bureau of Ireland (MIBI) levy and Motor Insurers Insolvency Compensation Fund (MIICF) contribution combined totalled €9.0m (2020: €9.7m).

Claims Environment

Covid-19 continued to affect the claims environment throughout 2021. Social distancing restrictions have had a material impact on the courts, with lengthy delays experienced. While there were six new judicial appointments recently, we note there remains a backlog in the court system. Restrictions on our ability to arrange settlement talks have also impacted on settlement rates which are showing a marked decline on pre-Covid rates.

The introduction of the new Personal Injury Guidelines continues to bring caution to the approach of claimant solicitors, who are reluctant to engage in settlements for such cases and instead are anxious to determine the attitude of the courts to the adoption of the guidelines. We are experiencing a build-up of older, higher value injury claims as a result of slowdowns.

Whilst the changes to Personal Injuries Guidelines introduced in April are a positive move for the customer and the insurance industry, there are a number of uncertainties, namely, the extent of cost changes for future settlements and legal fees, the impact on the PIAB acceptance rate, and the potential for newly classified injuries to increase costs. We continue to track injury settlements and note there have been no court awards as yet.

There are a number of challenges to the Personal Injury Guidelines before the courts, over the constitutionality of the laws underpinning the guidelines. The applicants' claims include that the application of the guidelines breaches the separation of powers between the legislature and the judiciary and their constitutional right to bodily integrity, property and equality. Whatever the outcome it is likely to be appealed to the Supreme Court due to the novelty of the constitutional issues involved.

We welcome all initiatives in place to reduce the cost of claims including capping of general damages introduced in April and the passing of legislation dealing with perjury in injury claims. Submissions were invited regarding the reform of PIAB in which Insurance Ireland engaged and we await the outcome from the consultation on the determination of who should decide on the appropriate discount rate.

Weather, Claims Frequency and Large Claims

No significant weather events of note occurred during 2021 which is consistent with the experience of the previous two years. December's Storm Barra brought with it the highest number of property claims in any month of 2021 with a claims cost of €4m. Overall weather claims costs of approximately €9.0m were very similar to the weather costs experienced in 2020.

As a result of the Covid-19 pandemic and the restrictions put in place by the Government there continued to be a significant reduction in Motor and Liability claims during the year when compared to pre-Covid norms. This was particularly evident in the first two months of the year when the country was at Level 5 lockdown. Frequency of Motor claims remained below normal levels in the second half of the year, albeit at much higher levels than those observed at the beginning of the year. Frequency for liability claims has reverted back close to pre-Covid norms over the last few months of the year. The frequency of claims relating to Farm activities remained relatively stable throughout the year.

Large injury claims notified in 2021 are 31% lower than the average of previous pre-Covid years, defined as a value greater than €250k, with Covid-19 affecting frequency and possibly impacting the normal flow of information.

Expenses

The Group's expense ratio was 27.9% (2020: 28.1%). Other underwriting expenses were €93.4m, an increase of €4.8m on 2020. The increase in expenses is primarily made up of accelerated amortisation in respect of the policy administration system offset by a higher allocation to claims handling expenses following an updated cost allocation review.

The expense ratio reduced by 0.2% as a result of higher earned premium and additional costs allocated to claims handling expenses offset by accelerated amortisation on the policy administration system. Excluding the accelerated amortisation the expense ratio would be 26.1%.

General

FBD generated an underwriting profit of €95.2m (2020 loss: €4.4m) which translates to a COR of 71.5% (2020: 101.4%).

Investment Return

FBD's total investment return for 2021 was 0.3% (2020: 1.3%). 1.3% (2020: 0.9%) is recognised in the Consolidated Income Statement and -1.0% (2020: 0.4%) in the Consolidated Statement of Other Comprehensive Income (OCI). The positive investment return through the Income Statement is largely due to the strong performance of risk assets over the year.

Despite new Covid-19 variants and ensuing lockdowns, economic growth has been strong as economies re-opened and central banks remained accommodative. The Global Equity Fund was up 20.3% over the year and the Emerging Market Equity Fund was up 3.9%. Interest rates increased on fears of higher inflation which reduced the valuation of the Group's bond portfolios leading to negative mark-to-market returns through OCI. Credit spreads have remained tight reflecting the positive outlook for corporates.

Financial Services Income and Other Costs

The Group's financial services operations returned a profit before tax of €1.2m for the period (2020: profit €2.1m). Revenue reduced by €2.1m reflecting the impact of customer forbearance measures and lower commission in the Life & Pension business. Costs reduced by €1.1m to €6.1m primarily due to reduced legal and other expenses in the Holding company.

Profit Per Share

The diluted profit per share was 268 cent per ordinary share, compared to 12 cent per ordinary share in 2020.

Statement of Financial Position

Capital Position

Ordinary shareholders' funds at 31 December 2021 amounted to €472.4m (2020: €384.0m). The increase in shareholders' funds is mainly attributable to the following:

- Profit after tax for the year of €96.4m;
- An increase of €2.7m due to share based payments; and
- Offset by mark to market losses on our bond portfolio of €10.7m after tax;

Net assets per ordinary share are 1,338 cent, compared to 1,095 cent per share at 31 December 2020.

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 to earn higher

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

	31 December 2021		31 December 2020	
	€m	**%**	**€m**	**%**
Corporate bonds	**589**	**48 %**	552	47 %
Government bonds	**303**	**25 %**	311	26 %
Deposits and cash	**175**	**14 %**	180	15 %
Other risk assets	**88**	**7 %**	68	6 %
Equities	**50**	**4 %**	49	4 %
Investment property	**16**	**2 %**	17	2 %
	1,221	**100 %**	1,177	100 %

yield while allowing it to maintain sufficient liquidity. An additional €10m was invested in risk assets, predominantly emerging market debt. The Group continues to maintain a higher cash allocation to provide sufficient liquidity for payment of Business Interruption claims.

Solvency

The latest (unaudited) Solvency Capital Ratio (SCR) is 214% compared to the 2020 SCR of 197%.

Risks and Uncertainties

The principal risks and uncertainties faced by the Group are outlined on pages 18 to 25. Covid-19 was again a dominant influence during 2021 with a continuing impact on economic activity and wider society impacting a number of risks and uncertainties faced by the Group.

The claims environment continues to be impacted by the Covid-19 pandemic and lockdowns experienced during 2020 and 2021. Reduced frequency continues despite increased commercial activity to more normalised levels. In addition we are observing delays in the settlement of claims due to court backlogs and restrictions in place leading to difficulties entering into settlement discussions with solicitors. As a result a higher degree of uncertainty exists in the environment as the claims payment patterns and average settlement costs of the more recent Covid-19 years are a less reliable future indicator and must be carefully considered by the Actuarial function when arriving at claims projections. Supply chain issues in respect of materials and labour shortages particularly in respect of Construction and the Motor industry may impact claims costs in future years. Increased energy costs are also a risk that may drive increased general inflation.

With on-going Government supports ensuring businesses continue in operation the risk increases when supports are removed that businesses may close or contract, reducing exposures and premium on the Commercial account.

FBD model forward looking projections of key financial metrics on a periodic basis based on an assessment of the likely operating environment over the next number of years. The projections reflect changes of which we are aware and other uncertainties that may impact future business plans and includes assumptions on the potential impact on revenue, expenses, claims frequency, claims severity, investment market movements and in turn solvency. The output of the modelling demonstrates that the Group is likely to be profitable and remain in a strong capital position. However, the situation can change and unforeseen challenges and events could occur. The solvency of the Group remains solid and is currently at 214% (31 December 2020: 197%).

The quantum hearing judgement on Business Interruption claims was received on 28th January 2022 and clarified the definition of business closures and on other matters such as allowable wages reducing the uncertainty in respect of the gross claims cost.

The application of reinsurance contract cover to Business Interruption claims has been agreed with reinsurers for the expected impacted layers of the catastrophe programme. This reduces the uncertainty surrounding reinsurance recoveries and is the main reason for the favourable reduction in the Business Interruption booked reserves net of reinsurance. Potential future adverse events are assessed when the Group is considering the margin for uncertainty which is a provision held as an amount over the best estimate of claims liabilities net of expected reinsurance recoveries.

Rising inflation in developed markets has led to increasing risk free interest rates. A risk remains as to how high inflation will go and to the policy response in order to control it. Equity valuations are at near all-time highs and are therefore susceptible to large drawdowns. Future financial market movements and their impact on balance sheet valuations, pension surplus and investment income are unknown and market risk remains high for the foreseeable future.

The Group's Investment Policy, which defines investment limits and rules and ensures there is an optimum allocation 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 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. Customer defaults are at pre-pandemic levels and support is provided to customers when required as we monitor the situation closely.

The Group continues to manage liquidity risk through ongoing monitoring of forecast and actual cash flows and currently holds a higher allocation to short-term cash and corporate bonds in order to meet Business Interruption claims. The Group's cash flow projections from its financial assets are well matched to the cash flow projections of its liabilities and it maintains a minimum amount available on term deposit at all times. The Group's asset allocation is outlined on page 9.

The recruitment, motivation and retention of employees is key for the business as the world of work has evolved and flexible working, wellbeing and continuous development opportunities are differentiators. We continue to adjust to these changes to attract and retain a talented workforce.

Outlook

In terms of economic outlook for 2022, almost all pandemic restrictions were lifted on the 22 January across the economy and despite continuing high infection rates the severity of the virus and the impact on the health service is at a manageable level. Vaccination levels are very high which are supporting the reopening of the economy and many people are returning to places of work, and setting the economy on the path to post pandemic recovery.

We await the recommendations from the public consultation on the personal injury discount rate in the Republic of Ireland which started in June 2020 and will increase the cost of awards if the discount rate is decreased.

Differential pricing requirements when published may result in significant pricing changes in the market in the second half of 2022, as the insurance industry adapts creating potential opportunities and challenges.

It is early days for the Personal Injury Guidelines as claims settlements are at such low levels with Covid-19 impacting the claims settlement process and the courts. FBD are seeing reduced awards and are hopeful that consistency in awards and a real reduction in claims settlements in personal injury cases should come through, justifying the lower premiums charged to customers.

We are continuing our sustainability journey as we embed Environmental, Social and Governance (ESG) factors into the business and align our existing activities, some of which are mature and others which are under development. We have disclosed the Company's climate risk and strategy under the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) for the first time. In future we will further integrate ESG into our business model and decision making and provide additional metrics and disclosures to meet increasing investor and stakeholder expectations.

FBD, our customers and staff have come through a challenging time with Covid-19 and have demonstrated resilience in the face of challenging circumstances. Excellent service has been maintained across the business. The underlying insurance business is solid and has a strong foundation on which to grow while keeping our customer's needs at the heart of what we do. We are aware of the need to continually adapt in an ever evolving world to build future success.

Tomás Ó Midheach

Tomás Ó Midheach
Group Chief Executive

3 March 2022

SUPPORT.
IT'S WHAT WE DO.

At FBD Insurance we have over 50 years of experience dealing with your insurance needs, so you have one less thing to worry about. Support extends to all aspects of our business from community programs to sponsorships and from helpful claims advice to safety initiatives.

FARM

52%

Our Farm customers represent 52% of our premium

BUSINESS

29%

Our Business customers represent 29% of our premium

RETAIL

19%

Our Retail customers represent 19% of our premium

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

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

Inputs

FBD empowers our people to deliver for customers and shareholders alike.

Our Employees

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

Financial

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

Social

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

Environment

FBD seeks to do business in a sustainable way evidenced through investment choices and operational activities. FBD's reinsurance program reduces our exposure to adverse weather and climate change while maximising the protection that we offer our communities.

Relationships

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

Technology

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

Business Activities/ Create Value

FBD creates value through our customer centric focus, our broad distribution network and our expertise in three main customer segments; Farmer, Business and Retail.

Customer Centric Focus

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

Underwriting Risk Selection

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

Manage Claims

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

Reserve Appropriately

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

Capital Management

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

Outputs

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

Our Products

FBD protects our customers through our range of farm business and retail products.

Distribution Network

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

Financial Advisory Services

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

Stakeholder Outcomes

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

Our Customers

We protect our customers by delivering products that meet their needs. We invest in broadening our distribution network and leveraging our technology to deliver for our customers.

Our People

We promote diversity and inclusion in our workforce. We invest in our people, helping them to grow. We provide market competitive rewards and benefits linked to individual and Group performance.

Our Investors

By delivering for our customers we in turn deliver profitable growth which increases the value of the business and delivers sustainable returns for our shareholders.

Wider Society

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

Our Regulator

We deliver on our commitments to the regulator and endeavour to meet their evolving expectations to the highest standards.

FBD of 2026

A digitally enabled, data enriched organisation which delivers an excellent customer and employee experience

Strategic Objectives

1. **Focus** on our strengths to **deliver profitable growth**
2. For farmers we focus on **relationship strengthening**
3. For **business** we build on **momentum and relationships**
4. In **retail**, execute our intermediary promise and **build our offering for mass market**
5. **Key to success** is understanding **our customers and execution**

Strategic Pillars

- Customer Proposition
- Data
- Underwriting & Pricing
- Technology
- Process End to End
- People

Risk & Uncertainties Report

A. Overview

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

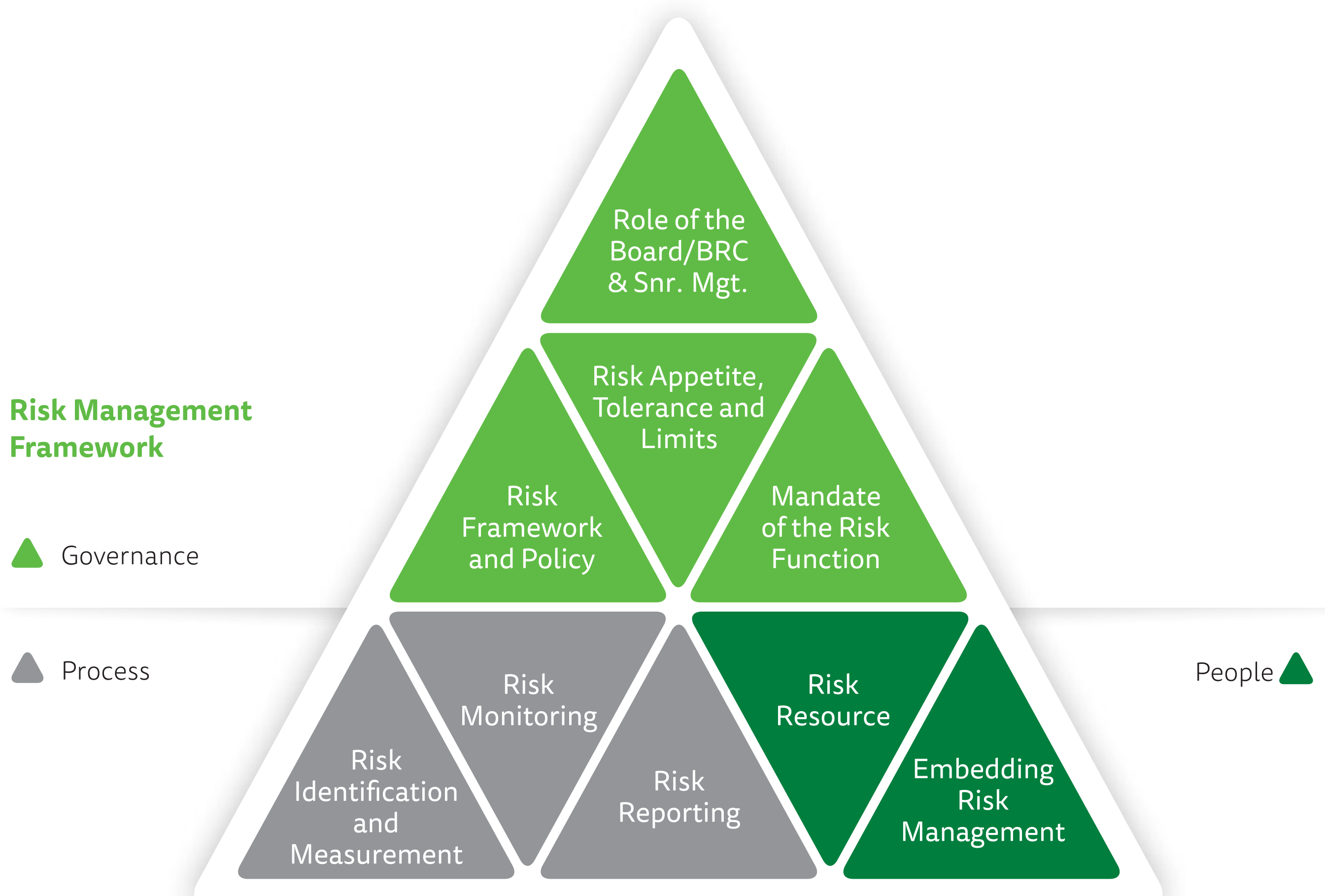
The Group has adopted an Enterprise Risk Management approach to identifying, assessing and managing risks. This approach is incorporated in the Risk Management Framework which is approved by the Board and subject to annual update and review. The key components of the Risk Management Framework include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

B. Risk Management Framework

Risk Appetite

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

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



Risk Governance

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

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

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

Risk Process

Identify and Measure

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

Monitor and Report

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

People

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

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

Key Risks and Mitigants

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

The Covid-19 outbreak and its associated risk impact continued to be monitored by the Board and Risk Committee throughout 2021. The impact of Covid-19 on FBD's key risk categories is detailed in Section C.

The management of risks associated with climate change were also considered on a forward looking basis in 2021, further detail is provided in Section D.

Capital Management Risk

The risk that the Group fails to maintain an adequate regulatory solvency position.

Key Mitigants	
	• The Group has an Investment Committee, a Pricing & Underwriting Committee, a Capital Management Forum, an Audit Committee, a Reserving Committee and Board and Executive Risk Committees, all of which assist the Board in the identification and management of exposures and capital. • The annual Own Risk and Solvency Assessment 'ORSA' provides a comprehensive view and understanding of the risks to which the Group is exposed or could face in the future and how they translate into capital needs or alternatively require mitigation actions. • An experienced Actuarial team is in place with policies and procedures to ensure that Technical Provisions are calculated in an appropriate manner and represent a best estimate. • Technical Provisions are internally peer reviewed every quarter, audited once a year and subject to external peer review every two years. • An approved Reinsurance Programme is in place to minimise the solvency impact of Catastrophe events to the Group. • The Chief Financial Officer is responsible for consideration of the implications for the capital position as part of the strategic planning process and key strategic decision-making and for ensuring appropriate action is taken as approved by the Board/Chief Executive Officer/ relevant committee. • On at least an annual basis, thresholds for Solvency Capital Requirements (SCR) Ratio, developed as part of the annual planning/budgeting process, are approved by the Board as part of the Risk Appetite Statements in the Risk Appetite Framework. • The Group also devotes considerable resources to managing its relationships with the providers of capital within the capital markets, for example, existing and potential shareholders, financial institutions, stockbrokers and corporate finance houses.

Underwriting Risk

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

Key Mitigants

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

Underwriting Strategy:

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

Reserving:

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

Reinsurance Arrangements:

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

Market Risk

The risk that the value of the Group's investments may fluctuate as a result of changes in market prices, changes in market interest rates or changes in the foreign exchange rates of the currency in which the investments are denominated.

Key Mitigants

- The extent of the exposure to market risk is managed by the formulation of, and adherence to, an Investment Policy incorporating clearly defined investment limits and rules, as approved annually by the Board of Directors and employment of appropriately qualified and experienced personnel and external investment management specialists to manage the Group's investment portfolio. The overriding philosophy of the Investment Policy is to protect and safeguard the Group's assets and to ensure its capacity to underwrite is not put at risk.
- The Group will only invest in assets the risks of which can be properly identified, measured, monitored, managed and controlled in line with the Prudent Person Principle under Solvency II.
- The Group has an Asset Liability Matching policy whereby its liabilities are backed by fixed interest assets of similar currency and duration.
- The Group monitors its allocation to the various asset classes and has a long term Strategic Asset Allocation target.

Credit & Concentration Risk

This is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations and/or over allocation to a single entity that may default or fall in value resulting in adverse financial impact.

Key Mitigants

- Credit and concentration risk is managed by the formulation of, and adherence to, an Investment Policy that is approved annually by the Board of Directors. The Investment Policy incorporates clearly defined investment limits and rules and ensures that there is an optimum spread and duration of investments.
- The Group only places reinsurance with companies that it believes are strong financially and operationally. Credit exposures to these companies are closely monitored by Senior Management. All of the Group's current reinsurers have either a credit rating of A- or better. The reinsurance programme structure ensures that there is no significant concentration of risk. All of the Group's fixed term deposits are with financial institutions which have a minimum A- rating.

Liquidity Risk

This is the risk of insufficient liquidity to pay claims and other liabilities due to inappropriate monitoring and management of liquidity levels or inadequate Asset Liability Management.

Key Mitigants	• The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring that the maturity profile of its financial assets is well matched to the maturity profile of its liabilities and maintaining a minimum amount available on term deposit at all times.

Strategy Risk

The risk that the strategy adopted by the Board is incorrect or not implemented appropriately resulting in sub-optimal performance and impact on profitability.

Key Mitigants	• The Group has a strategic planning cycle which commences with a fundamental review of strategy at least every 5 years (normally every 3 years). Further supporting this is an annual review of the strategy by the Board to determine the continuing relevance. To ensure the strategy is implemented effectively, the Group engages in a robust business planning and review process that results in an annual plan including key initiatives and budget.

Reputational Risk

The risk of reputational or brand damage arising from inadequate or failed processes and systems or badly executed strategy/poorly executed communication.

Key Mitigants	• The Group's Board and Senior Management set the ethical and behavioural tone for the Group. In support of this a number of Group policies are utilised which influence employee behaviour, including a Reputational Risk Policy, Fitness & Probity Policy, an Anti-Fraud Policy, Code of Conduct Policy, Conflicts of Interest Policy and a Speak Up Policy. • The Group has established a Corporate Governance Framework which is in full compliance with the requirements of the Central Bank of Ireland's Corporate Governance Requirements for Insurance Undertakings and the UK Corporate Governance Code. • Reputation, integrity and character of persons are key considerations in establishing business arrangements and throughout the life of the relationship. • Independent customer satisfaction research is undertaken and customer complaints are dealt with efficiently to ensure the quality of products and services offered to customers. • The Group's claims philosophy is to be "Fair to the customer and fair to FBD". This philosophy guides the Claims function in its handling of all customer claims.

Operational Risk

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

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

Key Mitigants

Risk Management Framework

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

Information Technology Controls

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

Business Continuity Plans

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

Personnel

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

C. Covid-19

Following a High Court decision in February 2021, FBD commenced interim claim payments to relevant customers related to Covid-19 pandemic Business Interruption claims. Final claims costs can now be estimated with greater confidence following the outcome of a 'Quantum module' of the test case in January 2022. In arriving at the Business Interruption best estimate of €44m, FBD has assessed all available and up to date information which may impact on ultimate costs. It is acknowledged that there remains some degree of uncertainty in arriving at the best estimate of likely costs as the outcome of a follow up hearing to clarify some remaining matters is still to conclude. The remaining uncertainties have been considered in the margin for uncertainty.

Markets continued to rebound strongly throughout 2021 despite the ongoing Covid-19 pandemic due to the continued unprecedented stimulus provided by Central Banks and Governments of developed countries, the intermittent reopening of society as well as economies adapting to the new environment. Asset valuations remain high and the trajectory and impact of monetary policy is uncertain and may diverge across regions meaning market risk will also remain high for the foreseeable future. Future financial market movements and their impact on balance sheet valuations, pension surplus and investment income are unknown and are being closely monitored.

The restrictions put in place to fight the Covid-19 pandemic continued to result in the need for current business processes and distribution models to be re-imagined by all. FBD itself has been able to continue to adapt to the changing environment with substantially all employees working from home throughout 2021. The majority of functions have again largely been able to maintain business as usual. From a third party risk management perspective, alternative processes put in place with many providers to ensure continuity of service while under restricted movement continued to operate. As the country re-opens, FBD has developed its own transition plan. Pre-planned actions aim to ensure operational resilience and the safety of staff and customers through extra health and security measures.

D. Climate Change

The management of climate risk is strategically important to FBD, from both a commercial and Stakeholder perspective. It is an area of focus for the Group and under active consideration, particularly;

- Physical risks to property and person from variable weather patterns and long term climate change.
- Transition risks from the process of adjustment to a low carbon economy.

FBD is managing climate risk operationally through a dedicated Emerging Risk process which integrates risks as they mature and are understood into the wider Risk Management system for ongoing mitigation and reporting including TCFD disclosures and the EU Taxonomy.

This approach ensures that climate risk is evaluated and managed within a defined Framework subject to ongoing independent challenge and validation, meaning ongoing analysis, monitoring and reporting of it are in place and embedded within governance structures as it evolves.

Climate risk has also already been integrated into capital planning as part of the Own Risk and Solvency Assessment (ORSA) process. Risks associated with actions aimed at limiting temperature increases and risks associated with temperatures increasing have been modelled (See TFCD disclosures for further detail).

In terms of transition risk, FBD has worked with Investment Managers to establish exposures to assets with high or excessive transition risk ratings. Stress tests have also been calibrated and performed on asset values to help determine the financial risk associated with these exposures.

Notwithstanding the ongoing work and analysis in this area, going forward FBD will continue to develop and enhance its approach. The Group will continue to develop the skills of its people through regular training, updates and role specific initiatives to ensure appropriate management of this risk going forward.

E. Emerging Risks

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

Key Emerging Risks include:

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

Environmental, Social and Governance (ESG)

FBD have incorporated their non-financial and climate related disclosures into this Environmental, Social and Governance section of the Annual Report. We have categorised the work that we do and the initiatives we have taken under the 3 headings as follows:

Environmental: We actively manage the challenge of climate change in FBD and we have recently adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) as the means by which we will disclose our climate ambitions. This section entitled 'FBD supporting the Environment' describes what TCFD is and goes onto describe the actions FBD have taken under its 11 detailed recommendations.

Social: Equally as important to FBD is the social aspect and responsibility that we bear as Ireland's only remaining listed insurance plc. FBD is committed to supporting our people, the agricultural and broader community.

Governance: In FBD we take corporate governance very seriously and have implemented the most effective governance structures and processes. In this section we describe the role and performance of the Board and its Committees. We also provide detailed information in relation to the Remuneration Policy and structures in place within the Group.

As per previous reports we have aligned our ESG initiatives to the UN 17 point Sustainable Development Goals (SDG's) charter to highlight the sustainability objective and assist the reader identify how they assist in improving the lives of our customers and wider society.

CLIMATE ACTION

FBD Supporting the Environment

Climate Related Disclosures for FBD

Climate change and its consequences will be a material challenge for society into the future. A key element in responding to this challenge is the availability of transparent and consistent data on how firms are engaging with this challenge. The information contained in this section of the report is produced following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). FBD falls within the scope of the TCFD recommendations as a result of the Financial Conduct Authority (FCA) mandatory ruling and its premium listing on the London Stock Exchange.

The recommendations of TCFD are becoming more standard in the marketplace and FBD believe that they are a good framework through which to disclose the Group's climate related risks and mitigation. This is the first year that FBD will be disclosing climate related information aligned to the TCFD recommendations and it will take some time to fully meet the recommendations.

FBD has described the activities that they currently undertake under the relevant TCFD recommendations. There is a lot of work ahead as the sustainability agenda and governance becomes embedded in the organisation and its risk management and we move toward full compliance with the TCFD guidelines – see section 'Future Developments' below for further detail. Nevertheless, good initial progress has been made and the Group will continue over the year ahead to further integrate the recommendations throughout the business.

About TCFD

The Task Force on Climate-related Financial Disclosures (TCFD) is a group of experts appointed by the Financial Stability Board to develop voluntary, consistent climate related financial disclosures that would be useful to investors, lenders and insurance underwriters in understanding material risks. The Task Force developed four core elements on climate related financial disclosures that are applicable to organisations across sectors and jurisdictions.

Under these 4 headings are a further eleven supporting recommended disclosures. FBD has summarised its climate related disclosures under these eleven supporting disclosures in the paragraphs below. The UK has made the disclosures mandatory for certain companies for accounting periods ended on or after 1 January 2021. For further detail on TCFD including the final recommendations, see the following link: https://www.fsb-tcfd.org/.

Core Elements of Recommended Climate-Related Financial Disclosures

Governance
The organisations' governance around climate-related risks and opportunities.

Strategy
The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

Risk Management
The processes used by the organisation to identify, assess and manage climate-related risks.

Metrics and Targets
The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

https://assets.bbhub.io/company/sites/60/2021/10/FINAL-2017-TCFD-Report.pdf

Governance

TCFD Recommendation:
"Describe the board's oversight of climate-related risks and opportunities."

The Board of FBD is ultimately responsible for decision making within the Group including the oversight of climate related risks. The Board has responsibility for oversight of climate related risk and for monitoring and mitigating this risk. It is responsible for the Group's climate strategy. The newly established FBD Sustainability Committee (see below) reports to the Board through the Chief Executive Officer. There will be a climate risk agenda item on all regular Board meetings, starting in 2022[1], where Directors will be kept informed of all developments in this area.

TCFD Recommendation:
"Describe management's role in assessing and managing climate-related risks and opportunities."

FBD has recently established a Sustainability Committee comprised of its Executive Management Team (EMT) and chaired by the Chief Executive Officer. The Committee is scheduled to meet at least quarterly[2]. The Committee is tasked with coordinating the Group's strategy for climate related risk mitigation and for driving the climate agenda across the Group. Supporting the Sustainability Committee will be the Sustainability Working Group. This is comprised of key personnel from across the business including representatives from Investments, Underwriting, Facilities, Claims, HR and Risk. Relevant departments will be required to implement FBD's strategy for climate risk management supported by reliable metrics.

The Risk function will be represented on the FBD Sustainability Committee and will be the second line function which monitors and oversees the implementation and integration of sustainability initiatives throughout the Group.

1 It is proposed that the first Board meeting of 2022 at which climate risk will be discussed is 3rd March 2022.
2 The first meeting of the Sustainability Committee occurred on 13th December 2021.

Strategy

TCFD Recommendation:
"Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term."

FBD has split climate risk into two sub-categories of risk:

- Transition risk - risks that arise from the transition to a low-carbon and climate resilient economy;
- Physical risk - risks that arise from the physical effects of climate change.

These risks are projected to impact on FBD in the medium to long term (3 years +). The evolution of the sustainability agenda is moving with such pace that the Group could be faced with some of the risks below in the short term.

Transition Risk – Market Risk

This is the risk of a reduction in the value of the Group's assets where the companies we have invested in lose value due to one or more of the following:

- Increased cost of raw materials;
- Reduced demand for existing assets (stranded assets), goods and services due to a shift in consumer preferences;
- Increased production costs due to changing input prices (e.g., energy, water) and output requirements (e.g., waste treatment);
- Abrupt and unexpected shifts in energy costs.

Transition Risk – Premium Risk

This is the risk to the Group of a fall in premium income due to the impact of climate change as the Group's customers transition to a low carbon economy.

- Climate change is challenging for Irish agriculture both in the context of greenhouse gas (GHG) emissions and the need for adaptation of farming practices to be more resilient to the impacts of climate change. In Ireland the Agriculture sector is a significant contributor to GHG emissions, mainly methane from livestock, and nitrous oxide due to the use of nitrogen fertiliser and manure management.
- Ireland is signed up to ambitious EU targets for emissions reduction over the coming years. In order to meet these targets new legislation may be needed that will cap the amount of agricultural activity. "Green"

legislation could reduce farm activity and in turn FBD's GWP growth into the future. However, we believe it will take some time to fully understand the consequences of these changes on farming practices. There are also opportunities for FBD in this transition.

Selecting the assets that will benefit from this transition will be important and avoiding the ESG laggards. When it comes to agriculture there will be opportunities for FBD to increase its GWP among farmers by understanding their needs and aiding them in any transition.

Physical Risk

The physical effects of climate change can affect FBD in a number of ways:

- Increased severity of extreme weather events e.g. storms, flooding, wildfires, etc;
- Changes in rainfall patterns, average temperature rises and increasing sea levels leading to changing claim patterns and exposure to risk;
- Cost of reinsurance for catastrophe events becoming too high or becoming unavailable.

The opportunity here will be to design insurance products that continue to meet the needs of an ever changing world and provide value for money to our customers.

TCFD Recommendation:
"Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning."

Investments

FBD recognises that as an asset owner it has an important role to play in the journey to a low carbon economy and the goal of limiting future global temperature increases enshrined in the Paris Agreement. Over the last number of years, we have approached our climate related objectives through the prism of the ESG (Environmental Social Governance) framework. As better data analytics have become available we have also begun the process of analysing the carbon intensity of the investment portfolio with a view to implementing reduction strategies and ultimately transitioning towards a net-zero portfolio.

FBD actively integrates ESG considerations into its investment processes across its book of more than €1bn in assets. We are continually seeking to enhance our understanding of the ESG investment landscape, the ESG characteristics, risks and opportunities of our portfolio and the actions we can take to invest in a more sustainable future.

There is broad acknowledgement across the investment industry that including sustainability as part of the investment process provides a wider perspective on risk, potentially reducing volatility and enhancing risk-adjusted returns. The FBD ESG framework incorporates the following measures:

Asset Manager Selection including Stewardship

FBD's external asset manager due diligence review, selection and retention processes place a strong emphasis on the manager's ESG capabilities and credentials. All our external managers are signatories of the UN's Principles for Responsible Investment (PRI) and are required to provide Sustainability Policies/Reports detailing how they promote ESG both within their own corporate structures and through engagement with underlying companies and fund managers in relation to ESG transparency and proxy voting on company resolutions. Stewardship is the process by which asset owners can use their voting rights to influence the management of a company to act in a more sustainable manner – FBD's main asset managers are signatories to the UK's Stewardship Code, the global gold standard.

Integration of ESG Factors into Investment Portfolio

FBD's corporate bond manager has developed their own proprietary ESG scoring system, on a scale of A-F (A being the best in class from an ESG perspective and F being the ESG laggards) which takes into account the current ESG profile and the steps the companies are taking to improve their ratings. FBD has built quantitative limits based on this scoring system into the Investment Policy, committing to excluding F rated securities and holding a maximum of 5% in E rated securities and 20% in D rated securities. Excluding or limiting investment in these lower rated companies decreases demand for their bonds and increases the cost of funding which in turn incentivises companies to adopt more sustainable practices.

The Risk Asset Fund is invested through collective investment schemes and the external manager undertakes due diligence and selection placing an emphasis on how ESG is built into the underlying manager's investment strategy and processes. They rate the managers on these criteria as well as on the traditional investment metrics. In 2021, FBD switched 50% of our developed market equity exposure into a Sustainable Global Equity Fund which seeks to promote environmental and social characteristics in line with Article 8 of the Sustainable Finance Disclosure Regulations (SFDR). While we are restricted by the availability of sustainable investment products in some of the asset classes within the risk asset portfolio, we continue to monitor developments and expect to make more active investment decisions in the future.

Insurance

In FBD we seek to identify opportunities to promote a transition to a low carbon environment. We take into consideration climate change and ESG considerations in our product development process. We aim to incentivise customers to make the transition to low carbon alternatives where possible. One example of this is via a premium discount for new home insurance customers whose BER rating is a minimum of B3. This feature is available to all of our home insurance product offerings. On our website we also offer suggestions on how to make a person's home more energy efficient: https://www.fbd.ie/protection-stories/home/how-to-improve-your-homes-ber-rating/.

On FBD's Farm Multiperil product we have included environmental liability cover for farmers as a standard feature. This will respond to the clean-up and remediation costs associated with an insured environmental incident including first party clean up (the farmers own property), for example leaking of silage effluent, slurry or oil resulting in contamination of lands or watercourse.

FBD also provide insurance cover for farmers investing in forestry. This is a key mitigant against climate change giving forestry farmers the peace of mind that their investment will not be lost due to fire or storm. FBD is constantly seeking to innovate in its product features. We are continually reviewing changes in the Agricultural sector to ascertain if we can support policy aligned to improving our climate footprint. Currently, policy makers are finalising new criteria for the Common Agricultural Policy (CAP) which we are actively monitoring.

Facilities

The Facilities department in FBD manage all of the Group's buildings and infrastructure. A key objective of the department includes energy usage reduction and consequent emissions reduction. A 5% energy reduction target is now a mandatory objective within the scope of all mechanical and electrical infrastructure projects. The Facilities Manager's business objectives, which feed into their remuneration outcome, include energy usage reduction targets with consequent emissions reduction.

The Facilities team coordinate a number of initiatives aimed at reducing the Group's carbon footprint:

- In 2020, FBD moved all its electrical energy consumption to renewable sources.
- In 2020, FBD began to transition customers from paper based printing to digital document management. This continued into 2021.
- In 2021, at our head office we continued the rollout of LED lighting to open plan office areas. LED is a more energy efficient and environmentally friendly light source.

Procurement

FBD expects our suppliers to measure, manage and reduce their carbon footprint, to prevent environmental damage and at all times comply with legislative and regulatory requirements. The Head of Procurement in FBD has introduced an ESG assessment tool on all large and strategic tenders as part of its selection criteria for providers.

TCFD Recommendation:
"Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario."

FBD has undertaken stress testing in relation to its investment portfolio for transition risk (a scenario where the increase in average global temperatures is limited to 2°C or lower). The stress testing involved FBD obtaining stresses for its corporate bonds based on the 'transition risk rating' of the underlying securities. These stresses were obtained from the Group's corporate bond portfolio manager and derived by expert judgement. FBD's Investment department extrapolated the stresses to the rest of the Group's investment portfolio adopting a prudent approach and calculated an overall stress of €12m on the Group's €1.2bn investment portfolio (or 1% of the overall portfolio).

The transition risk stress for the Group is relatively low demonstrating that the Group is resilient in respect of its investment portfolio. This risk is further mitigated by:

- The average duration of the corporate bond portfolio is less than three years and FBD will have time to reinvest maturities into companies with less transition risk.
- Transition risk is more applicable to equities and is less likely to result in the inability of companies to repay their corporate debt over such a short timeframe to maturity.
- Equity allocation is achieved through highly diversified global equity funds (including an actively managed sustainable equity fund) and the assumptions used in this stress test are likely to be prudent.
- Politically and economically it may take years to implement legislation that would significantly increase costs for companies.
- Many of the companies that currently rate poorly are also investing in "Green" solutions so their ratings are likely to improve.

- FBD actively integrates ESG (Environmental Social Governance) considerations into its investment processes across its book of €1.2bn in assets and is continually seeking to enhance both its understanding of the ESG investment landscape and the actions it can take to invest in a more sustainable future.

Concurrently, Stress and Scenario Tests have been carried out on the Company's underwriting portfolio to understand the potential impact of physical risks including;

- The impact of an increase in the frequency and severity of catastrophe (CAT) weather events on reinsurance costs over a period of years;
- The impact of a severe windstorm event (modelled on 2014 and adjusted for inflation and climate change effects) on the current capital position;
- The impact of a severe flood event (modelled on 2014 and adjusted for inflation and climate change effects) on the current capital position;
- The impact of a 1 in 100 year weather event on the current capital position, and;
- The impact of a 1 in 200 year weather event on the current capital position.

The scenario analysis highlights that Climate change could make Reinsurance a lot more expensive and this could lower profits if these costs are not passed on to customers. Also if the current level of cover became unaffordable or unavailable FBD would be more exposed to these CAT events.

Risk Management

TCFD Recommendation:
"Describe the organisation's processes for identifying and assessing climate-related risks."

FBD has adopted an enterprise risk management approach to identify, measure, monitor, manage and report on risk. Risks are identified through a combination of top-down and bottom-up forward looking risk assessment processes, outlined in a documented risk management framework, which is approved by the Board and subject to annual update and review.

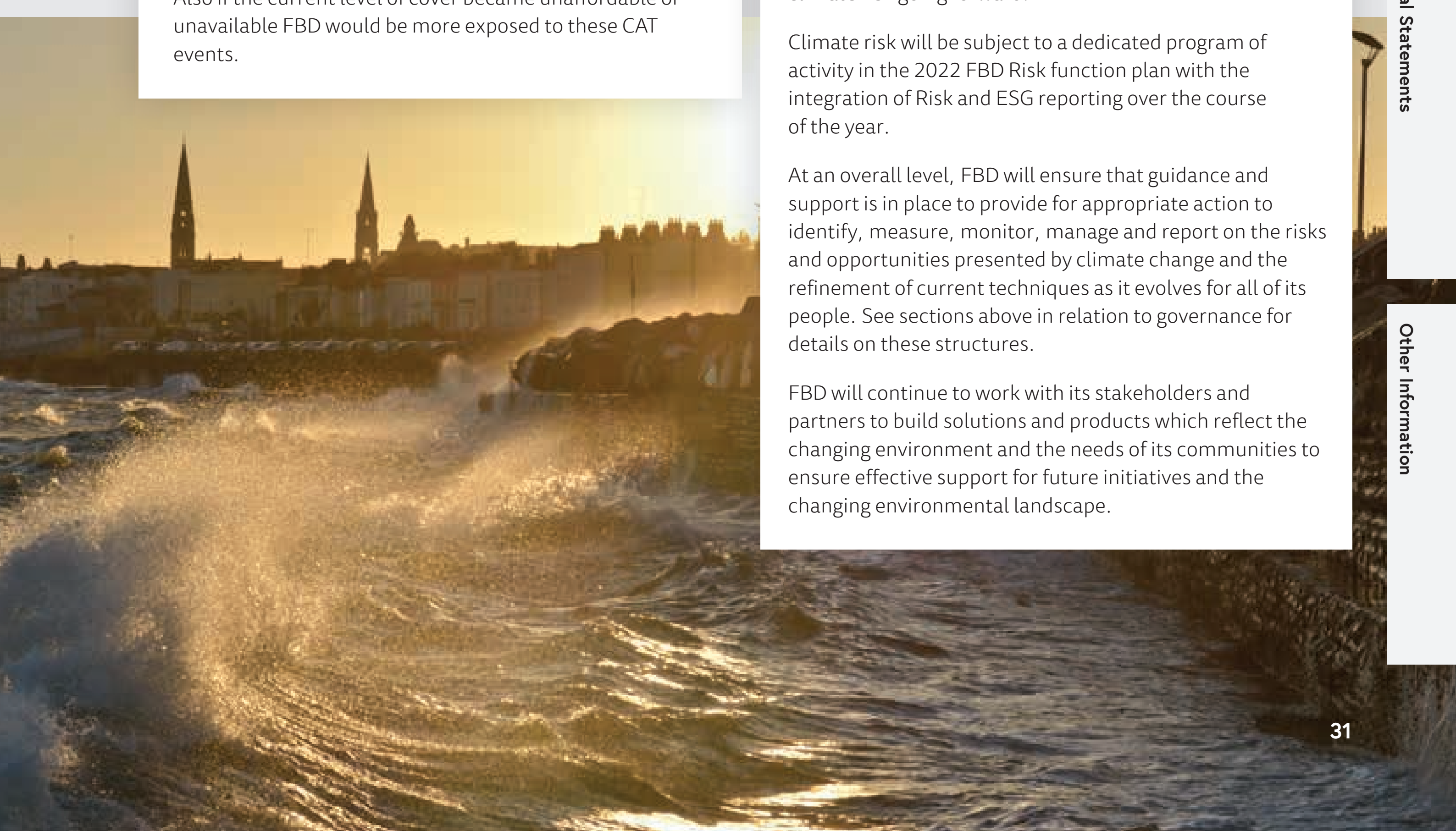
Operationally a 'three lines of defence' framework is deployed to support the mitigation of each risk identified. This framework ensures appropriate oversight of identified risks through ongoing review and challenge from independent Risk Management, Compliance and Internal Audit functions. This enables FBD to understand and assess risk effectively and integrate risk based decision making into strategic planning and reporting.

Notwithstanding the ongoing work and analysis in this area, FBD will continue to develop and enhance its approach to climate risk. The Group will continue to develop the skills of its people through regular training, updates and role specific initiatives to ensure appropriate management of climate risk going forward.

Climate risk will be subject to a dedicated program of activity in the 2022 FBD Risk function plan with the integration of Risk and ESG reporting over the course of the year.

At an overall level, FBD will ensure that guidance and support is in place to provide for appropriate action to identify, measure, monitor, manage and report on the risks and opportunities presented by climate change and the refinement of current techniques as it evolves for all of its people. See sections above in relation to governance for details on these structures.

FBD will continue to work with its stakeholders and partners to build solutions and products which reflect the changing environment and the needs of its communities to ensure effective support for future initiatives and the changing environmental landscape.



TCFD Recommendation:
"Describe the organisation's processes for managing climate-related risks."

The management of climate risk is strategically important to FBD, from both a commercial and stakeholder perspective. It is an area of focus for the Group and already under active consideration, particularly;

- Physical risks to property and people from variable weather patterns and long term climate change;
- Transition risks from the process of adjustment to a low carbon economy.

FBD is managing climate risk operationally through a dedicated Emerging Risk process which integrates risks as they mature and are understood into the wider Risk Management system for ongoing mitigation and reporting.

This approach ensures that climate risk is evaluated and managed within a defined Framework subject to ongoing independent challenge and validation, meaning ongoing analysis, monitoring and reporting of it are in place and embedded within local governance structures as it evolves.

TCFD Recommendation:
"Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management."

Climate risk has been integrated into capital planning as part of the Own Risk and Solvency Assessment (ORSA) process. Risks associated with actions aimed at limiting temperature increases to 1.5°C (transition risks) and risks associated with temperatures increasing beyond 1.5°C (physical risks) have been modelled.

In terms of transition risk, FBD has worked with Investment Managers to establish exposures to assets with high or excessive transition risk ratings. Stress tests have been calibrated and performed on asset values to help determine the financial risk associated with these exposures. A qualitative assessment has also been carried out to understand how the Group's customers may be impacted by transition risks as the world tries to limit temperature increases to 1.5°C.

RESPONSIBLE CONSUMPTION AND PRODUCTION

Metrics

TCFD Recommendation:
"Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process."

GHG Emissions

Since 2017 FBD has been obtaining independent third party validation of its energy consumption i.e. its green house gas (GHG) emissions. It has enlisted the services of Clearstream Solutions for this measurement. They have calculated Scope 1 and Scope 2 emissions for FBD. The GHG verification methodology employed entailed:

- Interviews with key personnel;
- Review of methodology for data collection, aggregation and appropriate classification of emission sources;
- Review of data and information systems and controls.

Description of		
Scope 1	**Scope 2 – Location Based**	**Scope 2 – Market Based**
Includes CO_2 emissions generated from gas and heating oil.	Includes emissions from the purchase of electricity by location. Individual FBD property consumption approach.	Includes emissions based on FBD's purchasing decisions. From July 2020, FBD are purchasing 100% renewable electricity (Green contracts) for all our sites.

Carbon Neutrality

FBD has purchased carbon offsets from an Irish overseas development agency called Vita to offset the total amount of carbon emissions generated by FBD in 2020. This includes the total of Scope 1 and Scope 2 emissions above as well as those emissions generated by business mileage done by its employees. FBD has therefore become carbon neutral in respect of these GHG emissions for 2020.

Vita is a smart, dynamic, Irish overseas development agency working in Africa for nearly thirty years, fighting hunger and latterly, the impacts of climate change. Vita sells voluntary carbon offsets on the wholesale and retail voluntary market using the Gold Standard, an independent and highly respected accreditation agency that operates to UN rules which determines the emission savings from projects.

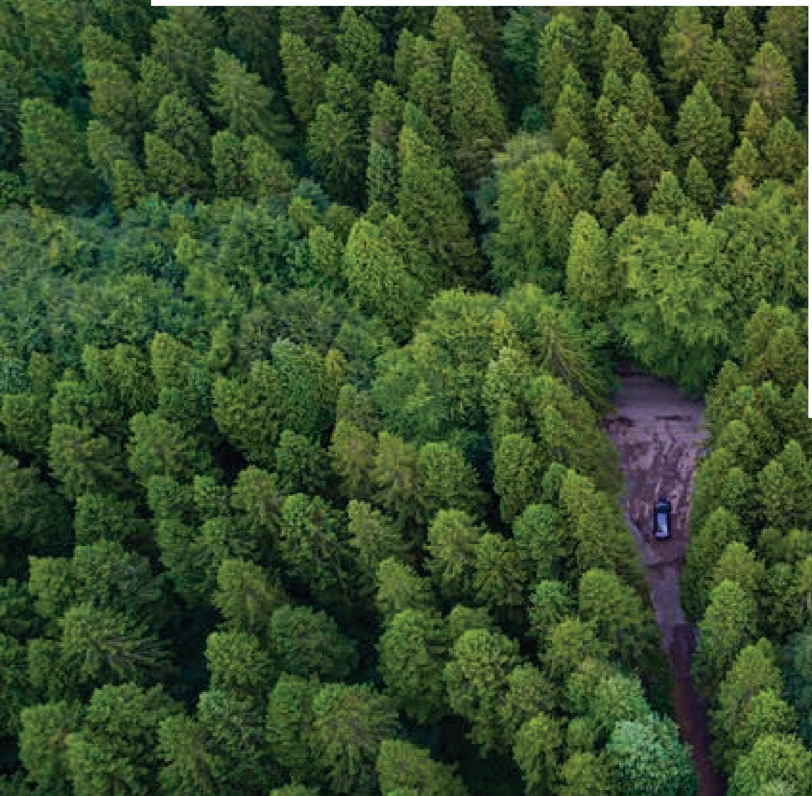
Carbon Disclosure Project

On an annual basis FBD completes voluntary disclosure to the Carbon Disclosure Project (CDP). CDP is a non-profit charity which supports the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. CDP takes independently verified information supplied by FBD, and scores our progress on climate action on a scale from A to F.

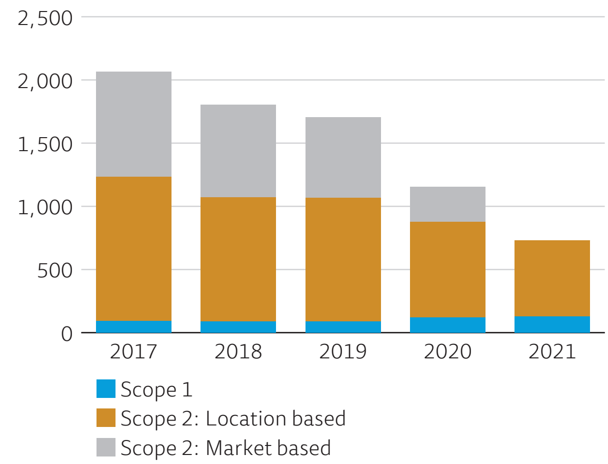
FBD's 2021 rating is C which is in the Awareness category and defined by CDP as 'Knowledge of impacts on, and of, climate issues'. The European Regional and the Financial Services sector averages are B.

TCFD Recommendation:
"Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks."

The following graph illustrates the GHG emissions by year from 2017-2021. While the impact of Covid-19 on workplace occupancy had a big impact on the GHG emissions reduction in 2020, we can see from the following graph that they have been on a downward trajectory since 2017.



GHG Emissions by year (tCO_2e)



Progress Made on Emissions in 2021:

Scope 1	+4% ↑	Scope 1 emissions were up by 5 tCO_2e. The increase of 4% on the previous year arises from Covid-19 ventilation and heating requirements. Note, however, that heating control changes at FBD House were completed late in 2021 and this change will reduce Scope 1 emissions in 2022.
Scope 2 – Location Based	-20% ↓	Scope 2 location based emissions were down 20% on the previous year. Lower workplace attendance persisted in 2021. The lower attendance combined with continuing investment in LED lighting and a focus on reducing waste contributed to the downward trend in 2021.
Scope 2 – Market Based	-100% ↓	Scope 2 market based emissions are down 100% on the previous year, due to a change in electrical energy procurement policy. FBD are now purchasing energy from renewable sources only.

FBD do not currently disclose metrics in relation to its Scope 3 emissions – these are indirect emissions from its upstream and downstream activities. Whilst it has started to calculate Scope 3 emissions in respect of its employee business travel and waste further work is required to properly identify and measure other Scope 3 emissions.

TCFD Recommendation:
"Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets."

Carbon Intensity of Corporate Bond Portfolio

The carbon intensity of a bond portfolio expresses the carbon emissions of the companies in relation to their revenue, weighted according to the respective share of a security in the overall portfolio. In the case of FBD's corporate bond portfolio, which accounts for almost 50% of its overall assets, FBD has set a target to reduce the carbon intensity[3] of the portfolio by a factor of 50% over 9 years starting on 1st Jan 2021, with a 25% reduction by 1st January 2025. FBD has written this target into the portfolio guidelines with its investment manager and will monitor the planned reduction on a regular basis to ensure that it is being achieved.

Future Developments

FBD will seek to further develop its management of climate risks/opportunities and enhance disclosures, in the future, in the following areas:

Governance

- Enhancing the knowledge and expertise of Board members and wider management on climate related issues.
- Providing additional detail with regard to the processes and frequency by which the Board and wider management are informed about climate related issues and how they are considered when reviewing and guiding strategy.

Strategy

- Providing further information on the risks and opportunities for FBD and whether they are aligned with the short, medium or long term.
- Increasing the level of detail disclosed regarding impacts and providing more quantitative analysis.
- Providing additional scenario analysis in respect of the resilience of the underwriting portfolio and increasing the number of scenarios modelled including those specified in the TCFD guidelines.

Risk Management

- Providing more information around the process for identifying and assessing climate related risks.
- Providing more information around the process for managing climate related risks and the specific mitigating actions undertaken.

Metrics and Targets

- Increasing the metrics that FBD uses to monitor climate related risks and providing these for the Company's investment and underwriting portfolios as well as FBD's own facilities.
- Increasing the measurement and understanding of Scope 3 emissions and how these will be mitigated.

Taxonomy Regulation

The EU Taxonomy is a tool to help investors, companies, issuers and project promoters navigate the transition to a low-carbon, resilient and resource-efficient economy. The Taxonomy Regulation is a key component of the European Commission's action plan to redirect capital flows towards a more sustainable economy. It represents an important step towards achieving carbon neutrality by 2050 in line with EU goals as the taxonomy is a classification system for environmentally sustainable economic activities.

In the following sections, FBD describe the share of our non-life premium income and total assets, which are associated with taxonomy-eligible economic activities related to the first two environmental objectives

- climate change mitigation and
- climate change adaptation,

in accordance with Article 8 Taxonomy Regulation.

Non-life premium income

FBD has considered all premiums from each line of business described in the delegated regulations ((EU) 2021/2139) for eligibility for the taxonomy. The premium must demonstrate direct coverage of climate-related natural hazards or the specific activity being insured must meet the

3 Similar to the GHG emissions monitored by FBD, the carbon intensity measures Scope 1 and Scope 2 emissions only. As data improves in respect of Scope 3 emissions, FBD may transition to including these within the calculation.

screening criteria outlined in the taxonomy. As our systems do not categorise data in a manner consistent with the taxonomy, we have assumed premium that has property cover, which includes catastrophe cover, and premium that includes environmental (pollution) cover as eligible. We classify all other lines of business that do not contain any direct climate relevant coverage or are not described in the delegated regulations as not eligible for taxonomy, subject to the development of further guidance.

Taxonomy eligible premiums contributing to enabling climate change adaptation	30%
Taxonomy non-eligible premiums	70%

The taxonomy eligible premium is calculated as the amount of premium of the eligible lines of business (numerator) divided by total premium for all lines of business (denominator). The total of premium is consistent with the amount disclosed in the Consolidated Income Statement. As the number and range of sub-sectors eligible for the taxonomy evolves with the development of the remaining four environmental objectives, additional activities will become eligible for the taxonomy which are aligned with non-life insurance products. We will look to refine this disclosure as the guidance emerges in this area.

Assets

The EU Commission has clarified that specific information published by companies and investment funds may only be used to assess taxonomy capability within the framework of non-financial reporting. The availability of this data is limited as this is the first time it is required for disclosure. FBD engaged with its investment managers and they do not have data that aligns with the taxonomy for the Group's investment assets. Availability of data from companies and investment funds is expected to improve which will enable us to provide better information for the next reporting period. We expect that our Key Performance Indicators (KPI's) will change with increasing data availability in the coming reporting periods.

As at 31st December 2021	
Exposure to sovereign bonds as a proportion of Total Assets The share of sovereign bonds as a percentage of Total Assets	25%
Exposure to derivatives as a proportion of Covered Assets The proportion of derivatives is calculated according to the following formula: (Total derivatives/(Total Assets – Sovereign Bonds)) * 100	0%
Exposure to corporate bonds not subject to NFRD as a proportion of Covered Assets The proportion of non-reporting entities according to NFRD is calculated using the following formula: (Investments in Companies that do not report under the NFRD/(Total Assets – Sovereign Bonds)) * 100	42%
Taxonomy non-eligible activities – as a proportion of Covered Assets The non-taxonomy-eligible investments are calculated using the following formula: (non-taxonomy- eligible investments/(Total Assets – Sovereign bonds)) * 100	58%
Taxonomy eligible activities – as a proportion of Covered Assets The taxonomy-eligible investments are calculated using the following formula: (taxonomy- eligible investments/(Total Assets – Sovereign bonds)) * 100	0%

Notes:

Total Assets is not clearly defined in the Regulations and is consequently open to interpretation. Taking into account the FAQ published by the EU on December 20, 2021 and with a view to consistent and comparable reporting, we have assumed Total Assets includes total financial assets per the Consolidated Statement of Financial Position.

Covered Assets equal Total Assets less Sovereign Bonds.

All investments whose issuer country is outside the EU and for which we have reliable information from our data provider that they do not fall under the reporting obligation according to NFRD (Out of Scope) are outside the scope of the KPIs for taxonomy eligibility reporting. In the absence of specific data on economic activities carried out and of the reporting according to NFRD, we report all other investments as non-taxonomy-eligible in the first reporting year if they are located within the EU.

Social

DECENT WORK AND ECONOMIC GROWTH

FBD Supporting our People

FBD realises that our people are the most important asset that we have. To support our people we need to have the appropriate culture and values embedded in our organisation.

Our Culture and Our Values

Our culture defines the values and behaviours that we will champion and promote as a Group. Values in action is based on the belief that real sustainable culture change is shaped by the behaviour of individuals at all levels across the organisation. These values define our culture and the character of the Group, guiding how we behave and make decisions.

FBD has a very clearly defined Strategy that is aligned to our culture and is actively considered and set by the Board and EMT. The Board and EMT take a leading role in communicating the desired culture to the organisation. This is achieved through a number of ways including;

- The FBD values that were set in 2019 were reviewed and reconfirmed by the Chief Executive Officer and Board in early 2021 as part of the initial strategic planning process.
- Culture remained an area of dedicated focus of the Board throughout 2021. A review was completed by the Board in respect of our Culture programme to date as well as outlining the desired future culture for the organisation and agreeing communication plans and strategy in respect of how our "Culture Strategy" should be embedded into the overall organisation aligned to our business strategy.
- New forums have been put in place for all people managers to enhance lines of communication and consistency of message as well as building engagement with line managers. Town halls are held on a regular basis for all employees to enhance engagement and update them on our Culture and business strategy. Two way communication is a key part of these forums with Q&A at the end of each session to enable EMT gather feedback and answer any questions employees or people managers might have.
- Engagement workshops for employees were facilitated in 2021 to ensure we had the right values and behaviours aligned to our desired culture and also to prioritise key values to focus on in 2021. In May 2021 we launched our Behavioural Competency Framework with clearly defined behaviours aligned to our values to support delivery of excellent customer service and continue to enhance employee experience. There was significant training throughout 2021 for all people managers and employees to support embedding of the competency framework.

Behaviours Aligned to Our Values

Putting the Customer First	Customer Focus Problem Solving
Supporting and Collaborating with Colleagues	Cultivating Relationships Communicating Effectively
Doing the Right Thing	Building Integrity & Trust
Driving for Results	Continuously Seeking to Improve
Leading Self and Others	Leading Self Leading Others

- The tone from the top i.e. from the Chief Executive Officer, Executive Management Team and Board is critical to the success of our Culture Strategy and all communications that are determined by the Board and EMT are aligned with our values and behaviours with a strong focus on Ownership and Communication.
- FBD has invested significantly in training for all employees aligned to our culture and strategy in 2021 and our plans for 2022. We also developed and implemented a Mindful Leadership Programme facilitated by the Mindful Leader Academy for people managers in 2021 to support the desired culture and build coaching skills and management effectiveness in embedding desired culture in teams throughout the organisation.

The Group's short and long-term remuneration philosophy is to ensure that remuneration is aligned to FBD's purpose and values, supports strategy and promotes long-term success of the Group.

Remuneration includes performance related elements designed to align Directors' interests with those of shareholders and to promote long-term sustainable growth and performance in line with our strategy. Market-competitive total remuneration is structured to attract, motivate and retain individuals of the highest quality.

A new Diversity and Inclusion Strategy and policy was launched in 2021 for all employees reaffirming our commitment to ensure FBD is a place where our people can bring their true self to work and feel their voice will be heard and respected (see next section for more).

GENDER EQUALITY

Diversity and Inclusion in FBD

At FBD our diversity and inclusion objective is to foster and promote an inclusive and equal employment work environment for our employees and the customers we serve, promote a harassment and discrimination free workplace, investigate equal employment opportunity complaints and provide guidance, training and resources.

Our shared commitment to working towards a consciously inclusive workplace is key to creating an environment that fosters innovation, employee engagement, creativity and the collaboration required to be the insurance employer of choice. Diversity and Inclusion (D&I) continues to be an area of focus for FBD and we have worked hard in 2021 to roll out phase one of our three year strategy. Phase one of the strategy involved assessing our current environment through the D&I lens and introducing an awareness of the pillars of D&I.

In 2021, the D&I Committee led the role out of 'Inclusio' to all FBD employees, including Executive Management as part of our Inclusive Culture programme. Inclusio is an independent software tool, developed by DCU. Using Inclusio, employees had the opportunity to anonymously contribute and provide feedback on FBD's culture and team inclusion. Employees could partake in learning, development and discussion forums about different pillars of D&I and also the working culture at FBD.

We launched Inclusio at two different stages throughout the year and we have a third stage planned for 2022. We achieved an overall engagement rate from employees of 75%. Our goal is to increase this to 80% for the third stage in 2022. In total, employees undertook 350 hours of shared learning, including reading 3,609 articles and watching 3,925 videos. To further drive engagement, we invited the creators of Inclusio in to FBD to present the findings and analyse the insights with the Senior Management Team. We also communicated the findings to all employees.

It is important that we hold ourselves accountable to achieving the ambition that is set out in the D&I strategy therefore we have included metrics and targets to ensure we are on track. We consolidate current information, regulatory updates, events and our vision in our bi-annual D&I newsletter.

As part of FBD's D&I Strategy, Board members participated in Inclusive Leadership and Unconscious Bias Training. In Q1 2022, the Executive Management Team and HR team will participate in the same training programme, delivered by DCU's Centre of Diversity.

FBD partnered with the Irish Centre for Diversity and underwent a review of a number of our policies to ensure they were inclusive of all people regardless of any of the nine grounds for discrimination. We were awarded a Bronze rating under the Irish Centre for Diversity 'Investors in Diversity' Framework. We are in the process of gaining the silver accreditation for being Investors in Diversity for 2022.

FBD also continues to partner with the Trinity Centre for People with Intellectual Disabilities. In 2021, we completed the successful placement of one of their students and we are preparing to begin our second placement with them in 2022.

GOOD HEALTH AND WELL-BEING

Supporting Our People in Remote Working

FBD has provided employees with different support options throughout Covid-19 to ensure that they have a comfortable workspace in the home. It is a priority that our employees have the necessary means to ensure they can continue to work with as little interference as possible. As we continue to navigate remote working, we have placed a great deal of focus on enhancing communication across the organisation. Departmental newsletters are published each month. These contain business updates, upcoming changes and insights but they are also a great tool to introduce new members to the Group and share good news stories as we work from home. Regular town halls are hosted online by the Executive Management Team for all employees.

QUALITY EDUCATION

Investing in Training and Development for Our People

We believe that the development and growth of our people is fundamental to the achievement of our business results and every person in FBD participated in some form of learning and development during the year.

In 2021 we continued to deliver much of our learning and development activity remotely and pivoted to a blended learning approach where possible. We enhanced our on boarding for all new employees to improve their experience as they begin their career in FBD by redesigning our induction course to take advantage of virtual training.

This year we embarked on a Mindful Leadership Programme to bring consistency to how we support and develop our people leaders across all parts of the business based on our shared leadership principles and values. The programme focuses on delivering sustainable results to support our leaders to build an empowered organisation. Over 80% of our people leaders have participated to date in this intense modular programme delivered over a 12 week period. Our schedule of programmes for 2022 is underway.

Staff Policies and Onboarding

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

These policies are communicated to all employees joining FBD as part of the onboarding process. They provide information, guidelines and rules where appropriate in relation to every stage of employment including recruitment and selection; equality and diversity; probation; learning and development; all types of leave; benefits; remuneration; disciplinary and grievance. Refresher modules are provided via e-learning for certain policies to refresh the knowledge of employees on an ongoing basis. In addition, policies and procedures are reviewed on an annual basis to ensure they accurately reflect employee entitlements and continue to support FBD's business objectives while remaining fit for purpose and compliant and these updates are notified to employees.

We also run campaigns to promote certain policies. In 2021, we ran a Speak Up campaign for all employees. It is our mission to nurture the psychological safety among employees so that everyone has a voice and understands their rights.

GOOD HEALTH AND WELL-BEING

Our People Giving Back

FBD employees are active in supporting a wide range of local and national charity based organisations. At a Group level the chosen charities for 2021 were DePaul, who provide assistance to the homeless and C.A.S.A. a support service for people with disability. Due to Covid-19 restrictions a limited number of fund raising activities took place in 2021.

Throughout the year employees based in FBD House, Bluebell made donations in excess of €40,000 to a number of charities which included Our Lady's Children's Hospital, Temple Street Children's Hospital, the Capuchin Day Centre for the Homeless, the Peoples Foodbank in Bluebell and Jigsaw (a youth mental health advice charity).

Health & Safety

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

DECENT WORK AND ECONOMIC GROWTH

Anti-Bribery and Anti-Corruption

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

This is further underpinned by our:

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

Respect for Human Rights

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

FBD Supporting the Agricultural Community

For over 50 years FBD has been invested in agriculture, farming and rural life in Ireland. We believe farmers, businesses, retail customers and wider society feel real economic and social benefits as a result of our business activities. As a Group that has been providing insurance for Irish farmers for more than 50 years we are uniquely placed to support Irish farmers and the agricultural industry in Ireland. Here is a flavour of some of the ways we provide that support:

QUALITY EDUCATION

The FBD Trust

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

Teagasc/FBD Student of the Year Award

The annual Teagasc/FBD Student of the Year awards are presented to the highest achieving graduates from the previous year, from Teagasc agricultural colleges across the country. Nominees for these awards are the next generation of farm leaders and innovators. FBD has supported the Student of the Year Awards since their inception by providing a bursary to the winner, category winners and finalists.

Deirdre McMahon was named Teagasc/FBD Student of the Year in a virtual ceremony.

Nuffield Scholarships

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

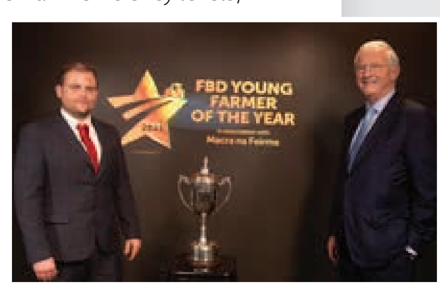
ASA Conference Partner & ASA Fellowship

The Agricultural Science Association (ASA) is the professional body for graduates in agricultural, horticultural, forestry, environmental and food science. It is the voice of the Agricultural profession in Ireland. FBD has been the ASA conference partner for many years. Due to Covid-19 restrictions the 2021 conference was held virtually.

In 2021 the ASA launched an annual Fellowship Programme, sponsored by FBD, which aims to contribute positively to scientific innovation within the Irish agri-food industry. The €10,000 ASA Fellowship will assist the successful candidate in further developing their scientific knowledge and experience while enhancing their communications skills in the sharing of scientific information in an engaging and accessible manner to the public. The inaugural recipient of the fellowship, Dr. Laurence Shalloo, was announced at the ASA Conference.

The FBD Young Farmer of the Year Awards

The FBD 'Young Farmer of the Year' is a national competition held in conjunction with Macra na Feirme. The purpose of these awards is to identify and recognise young farmer excellence to inspire and empower the next generation of young farmers in Ireland. The award recognises and rewards top-performing young farmers. It promotes knowledge-sharing, networking opportunities, a platform to showcase and highlight Irish agriculture and the fantastic work being done by young farmers. Adjudication is based on a number of criteria including business initiative and innovation on the farm. The judges also consider farm efficiency levels, enterprise quality, farm safety, environmental protection awareness, agricultural knowledge and community involvement. The 2021 FBD Young Farmer of the Year is Owen Ashton.



INDUSTRY, INNOVATION AND INFRASTRUCTURE

The Burren Winterage Weekend

At the end of summer, Burren farmers follow the ancient tradition of herding their cattle onto 'winterage' pastures. These cattle spend the winter grazing in the Burren's limestone uplands and this practise is key to the survival of the region's famous flora and fauna. The Burren Winterage Weekend is a celebration of this tradition of Winterage and includes a wide range of farming, heritage, cultural and family events around the October Bank Holiday weekend each year. The Burren Winterage School is held as part of the Winterage weekend and it aims to unite farmers, researchers, advisors and government representatives to allow them to share ideas on sustainable pastoral land management.

The annual Burrenbeo Winterage Weekend, supported by FBD, celebrates not only the unique farming traditions of the Burren, but also highlights, celebrates and supports the broader significance of pastoral farming in shaping much of the Irish landscape.

Patron Member of Agri Aware

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

Grass10 – Grassland Excellence for Irish Livestock

FBD has sponsored the 'Grass10' programme, a multi-year campaign launched by Teagasc, since 2017. This programme entered its second phase in 2021 and FBD remains committed to supporting the programme in this next phase. The programme aims to increase grass utilisation on Irish livestock farms. Achieving 'Grass10' targets will require changes in farm practices associated with both grass production and utilisation, delivering best practice, and promoting sustainable agricultural methods.

Young Stockperson Competition

In 2021 The Irish Shows Association and the Irish Farmers Journal organised the inaugural Young Stockperson Competition sponsored by FBD Insurance. This competition gave young people aged 8-25 the opportunity to practice their showing skills. In addition to training and educating the next generation about showing and stockmanship, the competition also provided an opportunity to bring together likeminded young people in a safe and socially distant manner.

Adrian Dockery, winner of the intermediate category at the Young Stockperson of the Year Awards with Kathleen Leonard (FBD Insurance), Shane Murphy (Irish Farmers Journal) and Catherine Gallagher (Irish Shows Association).

GOOD HEALTH AND WELL-BEING

Farm Protect

Farming can be very rewarding and provide a great way of life, but it is also a high-risk industry, which presents many challenges due to its unique workplace setting, the aging profile of farmers and the fact farmers are potentially exposed to more dangers compared to other sectors, such as large animals, heavy machinery, slurry gases and construction work. The persistently high number of farm fatal and serious accidents is cause for significant concern to us. FBD's mission is to support initiatives which will make the farm a safer place for all. In addition we have a dedicated risk management team who work directly with farms and businesses to help improve safety standards and awareness in the workplace. Stewart Gavin, FBD Agri Underwriting Product Manager represents FBD on the National Farm Safety Partnership Advisory Committee (FSPAC) to the Health and Safety Authority. In 2021 the FSPAC developed and launched a New Farm Safety Action Plan 2021-2024 which aims to reduce the level of fatalities, serious injuries and ill health in the agriculture sector.

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

Champions for Safety

Over the last nine years, FBD has led "Champions for Safety" seminars and events across all agricultural colleges around the country. The aim of the initiative is to encourage young farmers to become champions for safety and to encourage them to stop taking risks. Speakers include staff from FBD, Teagasc, the Health and Safety Authority, ESB Networks and farm accident survivors who share the details of their accidents and the life changing affects it has had on their lives.

UCD School of Agriculture and Food Science Health and Safety Award Sponsorship

FBD renewed its commitment to sponsor the FBD Health and Safety Awards at the UCD annual School of Agriculture and Food Science Awards Ceremony. This awards ceremony is one of the highlights of the UCD academic year and it celebrates and acknowledges the excellent achievements of students during the academic session 2020/2021. Noel Banville, one of three students recognised for their achievements in the Health Welfare and Safety module, was presented with the FBD Trust Health and Safety Award 2021 at a virtual ceremony.

Farm Safe School Initiative – with Agri Aware & Agri Kids

In 2021, FBD supported the Agri Aware Safe Farm Schools Programme which had over 450 schools register to take part in farm safety lessons and projects. The mission of this programme is to engage, educate and empower children to be farm safety ambassadors, raising their awareness of farm safety in order to ensure that the importance of safety on the farm is understood and acknowledged from a young age.

Moorepark Open Day 2021 Sponsorship and Farm Safety Exhibits

FBD worked with Teagasc in developing and delivering farm safety exhibits at the Moorepark open day 2021 to promote farm safety. The topics covered by the exhibits included tractors, machinery, livestock, work at height and farm buildings.

Tractor Training Skills

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

Farm Safety Videos

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

Farm Safety Communication

FBD run regular farm safety communications in the media. During 2021, FBD ran monthly farm safety adverts and advertorials in the Irish Farmers Journal and in the Irish Farmers Monthly. These focused on timely, seasonal hazards, their associated risks and appropriate safety controls and messages.

FBD Supporting the Wider Community

In addition to the farming community FBD is also active in the wider community. Some of the initiatives we have supported are as follows:

GOOD HEALTH AND WELL-BEING

Age Friendly Ireland

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

DECENT WORK AND ECONOMIC GROWTH

FBD's Supplier Charter

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

PARTNERSHIPS FOR THE GOALS

Guaranteed Irish

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

Chambers of Commerce

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

Using Language that Everyone Understands

We understand that some insurance terminology can be complex and difficult to understand. We aim to write all our customer documents in plain language to ensure that we are more readily understood. We have engaged with a third party provider to complete a thorough review of our main products policy wording with this objective in mind.

Protecting Information

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

SUPPORTING LOCAL COMMUNITIES

“

I think the new partnership between FBD and Semple Stadium is hugely exciting. FBD has strong links in the community and that fits very well with such an iconic GAA stadium. I am looking forward to seeing many memorable occasions in FBD Semple Stadium in the coming years.”

NIAMH MARTIN

Board of Directors

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

Liam Herlihy
Chairman

Liam Herlihy (appointed on 01/09/2015) is a farmer and was appointed Chairman in May 2017. He was appointed Chairman of the Teagasc Authority in September 2018 and was, until May of 2015, Group Chairman of Glanbia plc, a leading Irish based performance nutrition and ingredients group, having served in that role for 7 years during which he presided over a period of significant structural change and unprecedented growth for Glanbia plc.

Mr. Herlihy completed the Institute of Directors Development Programme and holds a certificate of merit in Corporate Governance from University College Dublin. He brings to the Board a wealth of commercial experience and some deep insights into the farming and general agricultural industries in Ireland which, together, comprise the Group's core customer base. (Aged 70)

Tomás Ó Midheach
Group Chief Executive

Tomás Ó Midheach (appointed on 04/01/2021) has 25 years' experience in the financial services industry spanning many diverse areas including finance, data, customer analytics, direct channels and digital. He spent 11 years with Citibank in the UK, Spain and Dublin where he held several senior positions in Finance ultimately assuming the position of CFO at Citibank Ireland. He joined AIB in June 2006 and held a number of senior executive positions including Head of Direct Channels & Analytics, Chief Digital Officer and Chief Operating Officer. Prior to joining FBD, Mr. Ó Midheach held the position Deputy CEO and was an Executive Board Member of AIB. (Aged 52)

Walter Bogaerts
Independent
Non-Executive Director

Walter Bogaerts (appointed on 26/02/2016) was General Manager of the Corporate Insurances Division of KBC Insurance based in Belgium prior to his retirement in 2013. He joined KBC Group (previously ABB Insurances) in 1979 and has gained extensive experience throughout his career with KBC in underwriting, reinsurance, audit, risk management and sales. He was general manager in charge of KBC Group's Central-European insurance businesses until appointed to his most recent role in 2012. In that role he was a member of the Supervisory Boards, Audit and Risk Committees of KBC's insurance subsidiaries in Czech Republic, Slovakia, Hungary, Poland and Bulgaria. He holds a Commercial Engineering degree from the Economic University of Brussels. (Aged 64)

Mary Brennan
Independent
Non-Executive Director

Ms. Mary Brennan (appointed on 31/08/2016) is a Chartered Director, Certified Investment Fund Director and a Fellow of Chartered Accountants Ireland. In a career spanning over 30 years, Ms. Brennan has worked internationally in audit in KPMG and in a number of publicly listed companies, including Elan plc and Occidental Petroleum Corp. She is a highly experienced Non-Executive Director and currently holds the position of Chair of the Board, Chair of the Audit Committee and Chair of the Risk Committee in her portfolio of financially regulated directorships.
Ms Brennan previously served on the Boards of BNP Paribas Ireland, Atradius Reinsurance Dac, Macquarie Capital Ireland, the Social Finance Foundation and Microfinance Ireland. (Aged 56)

Tim Cullinan
Independent
Non-Executive Director

Tim Cullinan (appointed on 31/12/2020) is from Toomevara, Co. Tipperary where he runs a pig enterprise alongside a feed mill operation. Mr. Cullinan was elected the 16th President of the Irish Farmers' Association in December 2019. He has been heavily involved in the Irish Farmers' Association over the past 15 years holding various positions including National Pigs Committee Chairman and County Chairman and most recently the position of National Treasurer. He is a Board Member of Bord Bia – the Irish Food Board which is an Irish semi state Agency whose remit is to market and promote Ireland's food, drink and horticulture industry in Ireland and abroad. Mr. Cullinan is Vice President of COPA (Committee of Professional Agricultural Organisations) and represents Irish farmers at EU level on COPA, which is the official umbrella representative body for European farmers. Mr. Cullinan established world first DNA traceability for Irish pig meat and previously held the position Pig Expert to the Copa Cogeca. (Aged 61)

Sylvia Cronin
Independent
Non-Executive Director

Sylvia Cronin (appointed on 28/11/2019) was Director of Insurance Supervision in the Central Bank of Ireland until October 2019 and was a Member of the European Insurance and Occupational Pensions Authority ("EIOPA") Board of Supervisors. Before joining the Central Bank, Ms. Cronin spent the majority of her career working in the insurance industry, most recently as Chief Executive of Augura Life Ireland Ltd. Previously, Ms. Cronin was the Chief Executive of MGM International Assurance Ltd. and spent several years with the AXA Group where she was head of Business Development, Services and Marketing in Ireland. Ms. Cronin started her insurance career with the Fortis Group where her focus was on IT Management. Ms. Cronin holds a Masters in Business Administration, was admitted as a Chartered Director to the Institute of Directors in London and is a CEDR Certified Mediator. (Aged 59)

David O'Connor
Independent
Non-Executive Director

David O'Connor, Chair of FBD Insurance, (appointed on 05/07/2016) is a Fellow of the Society of Actuaries in Ireland. He commenced his career in New Ireland Assurance before joining Allianz Ireland in 1988 to set up its non-life actuarial function. He was a member of Allianz Executive Management Board and held a number of senior management positions there prior to joining Willis Towers Watson in 2003 to set up its Property and Casualty consultancy unit in Dublin, where he worked until June 2016. Since 2016 he has acted principally as an Independent Director with a number of active and run-off insurers in Irish, UK and overseas markets. (Aged 64)

John O'Dwyer
Independent
Non-Executive Director

John O'Dwyer (appointed on 31/08/2021) was CEO of VHI for nine years prior to joining the Board of FBD. He has spent all of his career in insurance including the international Dutch insurance group Achmea where he was the Chief Operating Officer and Executive Director with responsibility for the life, general and health businesses in Interamerican, the second biggest insurer in Greece. John has an extensive track record in financial services and in particular, the health insurance sector which included roles such as Managing Director of Friends First Life Assurance, Director of Operations at Bupa Ireland and Assistant Chief Executive with responsibility for Claims in VHI. John is an independent Non-Executive Director in Google Payments Ireland Ltd. John holds a B.A in Management and is a Chartered Director with the Institute of Chartered Directors. (Aged 64)

Board of Directors (continued)

John O'Grady
Group Finance Director

John O'Grady (appointed on 01/07/2016) is a Chartered Accountant and an experienced insurance executive. He joined FBD from Liberty Insurance Limited where he held the role of Finance Director. Prior to his role in Liberty, Mr. O'Grady worked for Aviva and its predecessor companies in Ireland in various roles between 1989 and 2012, including Finance Director, Claims Director and Operations Director. (Aged 60)

Richard Pike
Senior Independent Non-Executive Director

Mr Richard Pike (appointed 18/09/2019) has extensive experience of working with financial institutions throughout the world, assisting companies in managing strategic and enterprise risk more efficiently while addressing local regulatory guidelines and standards. Richard is currently Chairman of Citadel Securities (Ireland) Ltd and Citadel Securities (Europe) Ltd, an Independent Non-Executive Director of National Cyber Security Society and Starling International. Prior to this, Richard has worked in various senior banking, insurance, credit and market risk roles at Wolters Kluwer Financial Services, ABN AMRO, Bain, JP Morgan and Permanent TSB Bank. Richard lectures on risk management and governance at the Institute of Banking and the Smurfit Business School and was a contributing author to two books on risk management. Richard has also received the designation of 'Certified Bank Director' by the Institute of Banking. (Aged 54)

Jean Sharp
Independent Non-Executive Director

Jean Sharp (appointed on 16/08/2021) is a fellow of Chartered Accountants Ireland, and an experienced Financial Services executive. Until 2019 she was Chief Taxation Officer of Aviva and its predecessor companies, a role she had held since 1998. She is a former partner in EY, the Big Four accounting firm. Jean is an Independent Non-Executive Director of Personal Assets Plc, which is listed on the London Stock Exchange and is a constituent of the FTSE 250 index. She also chairs its Audit Committee. Jean is also an Independent Non-Executive Director and Audit Committee Chair at Flood Re Limited. (Aged 62)

Padraig Walshe
Non-Executive Director

Padraig Walshe (appointed on 23/12/2011) is Chairman of Farmer Business Developments plc, the Group's largest shareholder, and a dairy farmer. He is a past President of COPA, the European Farmers' Organisation and of the Irish Farmers' Association. Mr. Walshe previously served on the Board of FBD between 2006 and 2010, and rejoined the Board in December 2011.

Mr. Walshe's extensive leadership experience at national and international level and his deep understanding of Ireland's farming community and the Irish food sector are of immense benefit to the Board. (Aged 64)

Corporate Information

Registered Office and Head Office

FBD House
Bluebell
Dublin 12
D12 Y0HE
Ireland

Stockbrokers

Goodbody Stockbrokers
Ballsbridge Park
Ballsbridge
Dublin 4
D04 YW83
Ireland

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

Independent Auditors

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

Bankers

Allied Irish Banks plc
Bank of Ireland
Ulster Bank
Barclays Bank plc
BNP Paribas
Close Brothers International
Credit Suisse (Luxembourg) S.A.
Deutsche Bank AG
The Goldman Group, Inc.
KBC Bank NV

Solicitors

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

Registrar

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

Report of the Directors

The Directors present their report and the audited financial statements for the financial year 2021.

Principal Activities

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

FBD is subject to the UK Corporate Governance Code 2018 and the Irish Annex. FBD is subject to the Central Bank of Ireland's Corporate Governance Requirements for Insurance Undertakings 2015 and are required to comply with the additional requirements for High Impact designated insurance undertakings.

Business Review

The review of the performance of the Group, including an analysis of financial information and the outlook for its future development, is contained in the Chairman's Statement on pages 4 to 6 and in the Group Chief Executive's Review of Operations on pages 7 to 11. Information in respect of events since the financial year end and a review of the key performance indicators are also included in these sections. The key performance indicators include gross premium written, earnings per share, loss ratio, expense ratio, combined operating ratio, profit for the year, net asset value per share and return on equity.

Results

The results for the year are shown in the Consolidated Income Statement on page 98.

Financial Instruments

The Group makes routine use of financial instruments in its activities. The use of financial instruments is material to an assessment of the financial statements. Detail on the Group's financial risk management objectives and policies are included in the Risks and Uncertainties Report on pages 18 to 25. The Group's exposure to liquidity, market, foreign currency, credit and concentration risk are included in note 36 of the financial statements.

Dividends

Please refer to note 30 for further details.

Subsequent Events

The judgement in respect of Business Interruption claims for public houses issued on 28th January 2022 has provided considerable clarity on the definition of business closure and on other matters such as allowable wages. FBD will continue to progress with the settlement of valid claims for customers.

The discussions with reinsurers on the application of reinsurance cover to these Business Interruption claims has reached agreement for the expected impacted layers of the catastrophe programme. This reduces uncertainty surrounding recoveries from reinsurers and has a favourable impact on previously booked reserves net of reinsurance.

The judgement and the reinsurance agreement are adjusting events for the purposes of the 2021 financial statements on the basis that they relate to 2021.

Risk and Uncertainties

A description of the risks and uncertainties facing the Group are set out in the Risks and Uncertainties Report on pages 18 to 25.

Subsidiaries

The Company's principal subsidiaries, as at 31 December 2021, are listed in note 31.

Directors

The present Directors of the Company, together with a biography on each, are set out on pages 46 to 48. The Board has decided that all Directors continuing in office will submit themselves for re-election at each Annual General Meeting (AGM). Mr Bogaerts has indicated his intention not to go forward for re-election at the 2022 AGM.

The Directors who served at any time during 2021 were as follows:

Liam Herlihy	*Chairman*
Walter Bogaerts	*Independent Non-Executive Director*
Mary Brennan	*Independent Non-Executive Director*
Sylvia Cronin	*Independent Non-Executive Director*
Tim Cullinan	*Independent Non-Executive Director*
Paul D'Alton	*Interim Chief Executive Officer and Executive Director (Resigned 4 January 2021)*
David O'Connor	*Independent Non-Executive Director*
John O'Dwyer	*Independent Non-Executive Director (Appointed 31 August 2021)*
John O'Grady	*Group Chief Financial Officer*
Tomás Ó Midheach	*Group Chief Executive Officer (Appointed 4 January 2021)*
Richard Pike	*Senior Independent Non-Executive Director*
Jean Sharp	*Independent Non-Executive Director (Appointed 16 August 2021)*
Padraig Walshe	*Non-Executive Director*

Annual General Meeting

The AGM is scheduled to be held on Thursday, 12 May 2022. The notice of the AGM of the Company will be sent to shareholders giving 21 clear days' notice.

Directors' and Company Secretary's Interests

The interests of the Directors and Company Secretary (together with their respective family interests) in the share capital of the Company, at 31 December 2021 and 1 January 2021 were as follows:

	Number of ordinary shares of €0.60 each	
Beneficial	**31 December 2021**	**1/1/2021 (or at date of appointment)**
Liam Herlihy	**8,000**	8,000
Walter Bogaerts	**0**	0
Mary Brennan	**0**	0
Sylvia Cronin	**0**	0
Tim Cullinan	**0**	0
Paul D'Alton	**0**	0
David O'Connor	**1,500**	1,500
John O'Dwyer	**0**	0
John O'Grady	**22,095**	10,743
Tomás Ó Midheach	**0**	0
Richard Pike	**2,500**	2,500
Jean Sharp	**0**	0
Padraig Walshe	**1,100**	1,100
Company Secretary		
Nadine Conlon (appointed 28 October 2021)	**0**	0
Derek Hall (resigned 28 October 2021)	**19,966**	12,724

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

The interests of the Directors and the Company Secretary in conditional awards over the share capital of the Company under the shareholder approved Performance Share Plans are detailed in the Report on Directors' Remuneration on pages 69 to 84.

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

For the purposes of Regulation 21 of the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006, the information on the Board of Directors on pages 46 to 48, the Performance Share Plans in note 34 and the Report on Directors' Remuneration on pages 69 to 84 are deemed to be incorporated in this part of the Report of the Directors.

On an annual basis the Directors seek shareholder approval for certain powers relating to the Company's shares. Pursuant to shareholder resolutions passed at the Annual General Meeting held on 12 May 2021 the Directors have the authority to allot shares up to an aggregate nominal value of €6,940,388 representing approximately 33% of the issued ordinary share as at 14 April 2021.

The Directors have authority to issue shares for cash other than strictly pro-rata to existing shareholdings in certain circumstances as approved at the AGM held on 12 May 2021. The Directors also have authority to make market purchases of the Company's ordinary shares up to 10% of the aggregate nominal value of the Company's total issued share capital. These authorities are due to expire on the date of the next Annual General Meeting being 12 May 2022. These authorities are sought annually at the AGM.

Substantial Shareholdings

As at 31 December 2021 the Company has been notified of the following interests of 3% or more in its share capital:

Ordinary shares of €0.60 each	No.	% of Class
Farmer Business Development Plc	8,531,948	24.2%
FBD Trust Company Limited	2,984,737	8.5%
Protector Forsikring ASA	2,976,210	8.4%
M & G Investment Management Ltd.	2,247,533	6.4%
Highclere International Investors LLP	1,903,864	5.4%
Black Creek Investment Management Inc.	1,538,926	4.4%

As at 28 February, FBD has been notified of the following changes in substantial shareholdings; Protector Forsikring ASA increased its holding to 3,500,210 (9.9%); Highclere International Investors LLP reduced its holding to 1,344,796 (3.8%).

Preference Share Capital

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

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

Share Capital

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

Voting shares	Number in issue	% of Total
Ordinary shares of €0.60 each	35,297,201*	87.8%
14% Non-cumulative preference shares of €0.60 each	1,340,000	3.4%
8% Non-cumulative preference shares of €0.60 each	3,532,292	8.8%
	40,169,493	**100.0%**

** excluding 164,005 shares held in treasury*

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

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

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

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

Non-Financial Statement

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

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

Any risk relating to the above matters are identified, assessed, managed and reported in line with the Risk Management Framework. Environmental and Social sections on pages 27 to 43 have further details on Policies and activities in each of these areas.

FBD's Business Model

FBD's business model is outlined on page 14. Customers and our communities are at the heart of our business model. We offer our customers clear solutions to their insurance needs using extensive distribution networks which deliver the best customer experience. FBD invests in its people, empowering them to deliver for customers and shareholders alike.

Independent Auditors

PricewaterhouseCoopers, Chartered Accountants and Statutory Audit Firm, were appointed by the Directors in 2016 to audit the financial statements for the financial year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is six years, covering the financial years ended 31 December 2016 to 31 December 2021. PricewaterhouseCoopers have signified their willingness to continue in office in accordance with the provisions of Section 383(2) of the Companies Act 2014.

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

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

Accounting Records

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

Directors' Compliance Statement

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

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

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

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

Corporate Governance

The Corporate Governance Report on pages 54 to 65 forms part of this report and in this the Board has set out how it has applied the principles set out in the UK Corporate Governance Code 2018, which was adopted by both Euronext Dublin and the UK Listing Authority, the Irish Corporate Governance Annex, and the Central Bank of Ireland Corporate Governance Code requirements for Insurance Undertakings 2015.

Board Committees

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

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

Political Donations

The Group did not make any political donations during 2021.

Viability Statement

The Directors have assessed the prospects of the Group and its ability to meet its liabilities as they fall due in the medium term. The Directors selected a five year timeframe which they consider appropriate as this corresponds with the Board's strategic planning process. The objectives of the strategic planning process are to consider the key strategic choices facing the Group and to incorporate these into a financial model with various scenarios. This assessment has been made with reference to the Group's current position and prospects, the Group's strategy, the Board's risk appetite and the principal risks and uncertainties facing the Group including Covid-19, as outlined in the Risks and Uncertainties Report on pages 18 to 25.

The Directors reviewed and approved the Group's five year strategic plan in October 2021 and this will be reviewed on an annual basis. Progress against the strategic plan is reviewed regularly by the Board and Senior Management. Associated risks are considered within the Board's Risk Management Framework.

The strategic plan has been tested for a number of scenarios which assess the potential impact of some of the strategic and commercial risks facing the Group. The Group performs an ORSA at least annually which subjects FBD's solvency capital levels to a number of extreme stress scenarios and Covid-19 had been considered as part of this. This was last performed in December 2021. Based on the results of these tests the Directors confirm that they have performed a robust assessment of the principal risks facing the Group, including those that would threaten its business model, its future performance and solvency and that they can have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Chairman's Statement and the Review of Operations, as is the financial position of the Group. In addition, the Risks and Uncertainties Report on pages 18 to 25 and note 36 of the financial statements include the Group's policies and processes for financial risk management.

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

In making this assessment the Directors considered the Group's budget for 2022 and forecast for 2023, which take into account foreseeable changes in the trading performance of the business, key risks facing the business and the medium term plans approved by the Board. In addition the ORSA process monitors current and future solvency needs. The scenarios were projected as part of the ORSA process as well as a number of more extreme stress events. In all scenarios the Group's capital ratio remained in excess of the Solvency Capital Requirement.

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

Approval of Financial Statements

The financial statements were approved by the Board on 3 March 2022.

Signed on behalf of the Board

Liam Herlihy
Chairman

Tomás Ó Midheach
Group Chief Executive

3 March 2022

Corporate Governance

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

UK Corporate Governance Code and the Irish Corporate Governance Annex

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

Throughout 2021 and to the date of this report, we applied the principles of the Code and, save as set out on page 72 and page 74, complied with the provisions of both the Code and the Annex.

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

Location of information required pursuant to Euronext Dublin Listing Rule 6.1.80

Listing Rule	Information to be included:
6.1.77 (4)	Refer to Report on Director's Remuneration on pages 69 to 84.

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

The Board of Directors and its Role

The Group is managed by the Board of Directors.

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

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

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

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

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

Board Composition and Independence

At 31 December 2021 the Board comprised two Executive Directors and ten Non-Executive Directors, including the Chairman. This structure was deemed appropriate by the Board.

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

Eight of the Non-Executive Directors in office at the end of 2021 were considered to meet all of the criteria indicating independence set out in the Code.

	Date first elected by shareholders	Years from first election to 2022 AGM	Considered to be independent
Mary Brennan	31 Aug 2016	5 years 9 months	Yes
Walter Bogaerts	29 Apr 2016	6 years	Yes
Sylvia Cronin	31 July 2020	1 year 10 months	Yes
Tim Cullinan	12 May 2021	1 year	Yes
David O'Connor	31 Aug 2016	5 years 9 months	Yes
John O'Dwyer	Awaiting Election	Awaiting Election	Yes
Richard Pike	31 July 2020	1 year 10 months	Yes
Jean Sharp	Awaiting Election	Awaiting Election	Yes

Liam Herlihy was independent on appointment as Chair of FBD Holdings plc in accordance with Provision of the UK Corporate Governance Code 2018. Padraig Walshe, who is chairman of the Group's largest shareholder, Farmer Business Developments plc, is not considered to be independent.

Key Roles and Responsibilities

Chairman

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

- setting the Board's agendas and ensuring that they cover the key strategic issues confronting the business;
- promoting a culture of openness and debate at Board meetings and will make sure that the Directors apply sufficient challenge to management proposals;
- facilitate the effective contribution of Non-Executive Directors in particular and ensure constructive relations between Executive and Non-Executive Directors are maintained;
- ensuring that the Directors receive accurate, timely and clear information;
- leading the Board appointment process in line with the Board Recruitment & Diversity Policy; and
- ensure that there is effective communication with shareholders.

Group Chief Executive

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

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

Senior Independent Director

The Senior Independent Director is responsible for:

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

Company Secretary

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

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

Board Effectiveness and Performance Evaluation

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

Board Evaluation

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

Towards the end of 2019, the Board had its evaluation process externally facilitated by Independent Audit, an independent consultancy which has no other connections with the Group. FBD is committed to ensuring that it has a high-performing Board, which is equipped to anticipate, meet and overcome future challenges and to ensure alignment with the Group's long-term strategy. The Board welcomed the constructive and enhancing recommendations from this external evaluation and implemented the suggested actions throughout 2020 and into 2021.

Further details of the 2021 Board Effectiveness and Performance Evaluation are set out in the Report of the Nomination and Governance Committee on pages 66 to 68.

Re-election of Directors

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

Access to Advice

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

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

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

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

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

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

Attendance at Board and Board Committee Meetings during 2021

	Board	Audit	Nomination and Governance	Remuneration	Risk
W Bogaerts	16/16	9/9	7/7	2/2	5/5
M Brennan	16/16	9/9			1/1
T Cullinan	15/16				
S Cronin	15/16		7/7	2/2	5/5
L Herlihy	16/16		7/7	1/1	5/5
D O'Connor	16/16	5/8	1/1	2/2	
J O'Dwyer	4/4				
J O'Grady	16/16				
T Ó Midheach	16/16				
R Pike	16/16				5/5
J Sharp	4/4	1/1			
P Walshe	14/16				

Report of the Audit Committee

Jean Sharp
Committee Chairperson

Membership during the year

		Length of time served on committee
J Sharp (Appointed 28 October 2021)	Committee Chairperson, Independent Non-Executive Director	0 years 4 months
M Brennan	Independent Non-Executive Director	5 years 4 months
W Bogaerts	Independent Non-Executive Director	5 years 10 months
D O'Connor (retired on 28 October 2021)	Independent Non-Executive Director	2 years 5 months

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

Following new Board appointments during 2021, the composition of the Committee was reviewed in October 2021. Ms Jean Sharp was appointed as Member and Chairperson of the Committee. Ms Sharp is a Fellow of Chartered Accountants Ireland. Mr O'Connor retired as member of the Committee. Mr Bogaerts has indicated his intention not to put himself forward for re-election at the 2022 Annual General Meeting.

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

Objective of Committee

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

Key Responsibilities Delegated to the Committee

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

Meetings

The Committee met on nine occasions during 2021. Attendance at the scheduled meetings held during 2021 is outlined on page 56. Meetings are attended by Committee members. The Chief Financial Officer and the Head of Group Internal Audit are regular attendees at meetings. The Statutory Auditor is also invited to attend meetings on a regular basis. Additionally the Head of Actuarial Function and the Chief Risk Officer are invited to attend all scheduled meetings at the request of the Committee. The Committee regularly meets separately with the Statutory Auditor and with the Head of Group Internal Audit, without members of management present.

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

Activities of the Committee During 2021

The principal activities undertaken by the Committee during 2021 include:

- review of all aspects of the relationship with the external auditors, including the statutory audit plan, audit findings and recommendations and consideration of the independence of the external auditors and the arrangement in place to safeguard this, including partner rotation, prohibition on share ownership and levels of fees payable to the statutory auditor for non-audit assignments; consideration of issues of financial reporting, particularly those involving substantial judgement and the risk of material misstatement including claims estimates and provisions;
- annual performance review of the External Auditor;
- review drafts of the Annual Report and the Half Yearly Report prior to their consideration by the Board;
- consideration and review of the Key Judgements and Uncertainties and Going Concern Assessment;
- review of reserving adequacy including the financial impact of Business Interruption claims;
- review of the recognition of the Reinsurance Asset with the Best Estimate of Business Interruption Claims;

Report of the Audit Committee (continued)

- review of IAASA Financial Reporting Decisions;
- appraisal of the Internal Audit function, plan, work, reports and issues arising and monitoring the scope and effectiveness of the function;
- assessment of financial and other risks facing the Group and of the operation of internal controls;
- review of certain policies including the Internal Control Policy, Anti-Fraud Policy and Speak Up Policy;
- assessment of compliance with laws, regulations, codes and financial reporting requirements; and
- reporting to the Board on its activities and confirming the degree to which the Committee's delegated responsibilities had been discharged through verbal reports to the Board after each meeting and a formal written report presented annually.

In 2021 the Committee considered the independence of the Auditors and acknowledged the independence and quality control safeguards operated within PricewaterhouseCoopers. In 2021 the Committee oversaw the onboarding of a new Audit Partner as the previous Audit Partner rotated off having served for a five year period. This process has been seamless with no interruption in audit services.

Additionally, in 2021 the Committee reviewed and approved a Non-Audit Services Policy which is in place to mitigate any risks threatening, or appearing to threaten, the external audit firm's independence and objectivity arising through the provision of non-audit services. No non-audit services were provided by PricewaterhouseCoopers other than the audit of those elements of the Solvency and Financial Condition Report that PricewaterhouseCoopers are required to audit and the provision of certificates of premium amounts to the Motor Insurers Bureau of Ireland.

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

PricewaterhouseCoopers were reappointed as Auditors of the Group in respect of the financial year ended 31 December 2021. The audit was last put out to tender in 2015 and PricewaterhouseCoopers was appointed as Auditors from 2016. PricewaterhouseCoopers have been auditors to the Group for six years.

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

Key Issue	Committee conclusion
Valuation of claims provisions	The Committee reviewed the best estimate, claims handling provision and margin for uncertainty, as well as the actuarial methodologies and key assumptions. The Committee separately reviewed the Business Interruption claims provisions given the complexity and judgements involved in the calculations. The Committee was satisfied with the measurement and valuation of all claims provisions.
Valuation of reinsurance asset	The Committee reviewed the assumptions in respect of the estimated recoveries under the Group reinsurance programme for the Covid-19 Business Interruption claims. Agreement was reached with reinsurers on the application of contract cover for Business Interruption claims for the expected impacted layers of the catastrophe programme, which reduces uncertainty around reinsurance recoveries.
Impairment testing	The Committee reviewed management's documentation of the impairment assessment of the Group. The Committee was satisfied that no impairment of the assets was required.
Going concern	The Committee reviewed management's documentation of the going concern assessment. The Committee was satisfied that there were no material uncertainties which cast significant doubt on the ability of the Group or Company to continue as a going concern over the period of assessment being not less than 12 months from the date of this report.

Fair, Balanced and Understandable

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

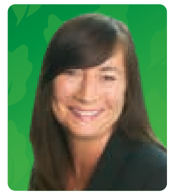
Evaluation

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

Jean Sharp
On behalf of the Audit Committee

3 March 2022

Report of the Risk Committee



Mary Brennan
Committee Chairperson

Membership during the year

		Length of time served on committee
M Brennan (Appointed 28 October 2021)	Committee Chairperson, Independent Non-Executive Director	0 years 4 months
W Bogaerts	Independent Non-Executive Director	5 years
S Cronin	Independent Non-Executive Director	2 years
L Herlihy	Independent Non-Executive Director and Board Chairman	5 years
R Pike	Senior Independent Non-Executive Director	2 years

Following new Board appointments during 2021, the composition of the Committee was reviewed in October 2021. Ms Brennan was appointed as Member and Chairperson of the Committee. Mr Bogaerts remains a member of the Committee and has indicated his intention not to put himself forward for re-election at the 2022 Annual General Meeting.

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

Objective of Committee

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

Key Responsibilities Delegated to the Committee

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

Meetings

The Committee met on five occasions during 2021. Meetings are attended by Committee members. The Chief Risk Officer is an attendee at all Committee meetings. The Chief Executive Officer, the Chief Financial Officer, the Chief Underwriting Officer, the Head of Compliance, the Risk Actuary and the Head of Internal Audit are invited to attend all scheduled meetings of the Committee.

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

Activities of the Committee During 2021

The principal activities undertaken by the Committee during 2021 include:

- assisted the Board in the review and update of its risk policies, including frameworks, risk appetite, risk indicators and risk tolerance;
- appraised the Risk function plan, to ensure that the plan is sufficient and appropriate to effectively identify, monitor, manage and report, on a continuous basis, the risks to which the Group could be exposed; ensured that the material risks facing the Group have been identified and appropriately managed and mitigated;
- reviewed the emerging risks facing the Group;
- reviewed the embeddedness of Risk Culture in the Group;
- reviewed the risks and uncertainties arising from Covid-19 and Business Interruption related issues;
- reviewed and challenged risk information reported to the Committee to ensure that the Group is operating within the risk limits set by the Board;
- reviewed the quarterly Solvency Capital Ratio;

Report of the Risk Committee (continued)

- considered the results of risk policy stress tests and peer reviews of the Actuarial Best Estimate that were performed by the Risk function;
- assessed the results of Control Design Reviews, Blank Page Risk Reviews and Emerging Risks Reviews undertaken by the Risk function; and
- reviewed the 2021 ORSA report prior to its consideration by the Board.

Evaluation

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

Mary Brennan
On behalf of the Risk Committee

3 March 2022

Report of the Nomination and Governance Committee

Liam Herlihy
Committee Chairman

Membership during the year

		Length of time served on committee
L Herlihy	Committee Chairman, Non-Executive Director, Board Chairman	5 years 7 months
W Bogaerts	Independent Non-Executive Director	2 years 9 months
S Cronin	Independent Non-Executive Director	2 years
D O'Connor (Appointed as Member on 28 October 2021)	Independent Non-Executive Director	0 years 4 months

Following new Board appointments during 2021, the composition of the Committee was reviewed in October 2021. Mr. O'Connor was appointed as a Member of the Committee. Mr Bogaerts has indicated his intention not to put himself forward for re-election at the 2022 Annual General Meeting.

Objective of Committee

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

Key Responsibilities Delegated to the Committee

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

Meetings

The Committee met seven times during 2021. The Group Chief Executive may attend meetings of the Committee but only by invitation and not at a time when their succession arrangements are discussed.

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

Activities of the Committee During 2021

- led the search for two new Independent Non-Executive Directors;
- led the search for a new Group Company Secretary;
- reviewed the Board Skills matrix and the independence of the Non-Executive Directors;
- reviewed engagement with employees;
- reviewed the Board evaluation process;
- reviewed the Corporate Governance report;
- reviewed the talent management and succession plan for the Group and its principal subsidiary, FBD Insurance plc.
- reviewed the Diversity and Inclusion Policy;
- reviewed compliance with governance best practice; and
- reviewed the Fitness and Probity Policy including a number of related policies.

Further details of their activities are laid out in the Nomination and Governance report on pages 66 to 68.

Evaluation

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

Liam Herlihy
On behalf of the Nomination and Governance Committee

3 March 2022

Report of the Remuneration Committee

David O'Connor
Committee Chairman

Membership during year

		Length of time served on committee
D O'Connor	Committee Chairman, Independent Non-Executive Director	4 years and 9 months
W Bogaerts	Independent Non-Executive Director	5 years and 9 months
S Cronin	Independent Non-Executive Director	2 years
L Herlihy (appointed 28 October 2021)	Non-Executive Director, Board Chairman	0 years 4 months

Following new Board appointments during 2021, the composition of the Committee was reviewed in October 2021. Mr Liam Herlihy was appointed as a Member of the Committee and in accordance with Provision of the UK Corporate Governance Code 2018 he was independent on appointment as Chair of FBD Holdings plc. Mr Bogaerts has indicated his intention not to put himself forward for re-election at the 2022 Annual General Meeting.

Objective of Committee

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

Key Responsibilities Delegated to the Committee

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

Meetings

The Committee met two times during 2021. The Group Chief Executive may attend meetings of the Committee but only by invitation and not at a time when individual remuneration arrangements are discussed.

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

Activities of the Committee During 2021

The principal activities undertaken by the Committee during 2021 include:

- annual review of remuneration arrangements for Executive Directors and other senior executives;
- review and approval of the Report on Directors' Remuneration for 2021;
- review culture and how it relates to remuneration;
- making of a conditional award of shares under the FBD Performance Share Plan and setting the conditions attached;
- review of Non-Executive Director fees in line with the approved Remuneration Policy;
- review of Gender Pay Gap Analysis; and
- keeping under review upcoming legislation impacting the Group.

Full details of Directors' Remuneration are set in the Report on Directors Remuneration on pages 69 to 84.

Evaluation

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

David O'Connor
On behalf of the Remuneration Committee

3 March 2022

Engagement

FBD has identified the following as its key stakeholders;

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

The Board is committed to ensuring that excellent lines of communication exist and are fostered between the Group and its stakeholders. Initiatives undertaken are outlined in the Social section of this Annual Report on pages 36 to 43.

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

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

Should a significant proportion of votes be cast against a resolution at any general meeting, the Board will endeavour to identify the shareholders concerned and will initiate contact with them with the view to understanding the reasons for the adverse vote. In 2021 no resolution had 20% or more votes cast against it.

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

FBD has numerous channels through which it can engage with customers. FBD has 34 branches in its network making face to face contact easily accessible for customers. Our branch network was closed at the beginning of 2021 in line with Government guidelines. FBD maintained service to our customers during the closure of our branches and staff continued to be available while working remotely to discuss customer requirements.

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

Director Appointed for Engagement with the Workforce

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

Throughout 2021 Ms Cronin met with numerous employees across a number of business areas including Branch Management and Staff in our Call Centre. ESG emerged as an area staff were keen to promote. The importance of sustainability is recognised by the Board and is an area of focus by the business. The impact of Covid-19 and particularly the well being of employees remained an area of focus for Sylvia.

Additionally Working from Home and the longer term impacts of Covid-19 were an area of interest to staff. Concerns were relayed to the Board who supported a number of initiatives to enhance and improve the home working environment of employees. The Board further supported a return to the office for those employees who wished to do so in line with Government requirements and restrictions.

Throughout 2021 Sylvia provided regular updates to the Board in her role as Director Appointed for Engagement with the Workforce.

To celebrate International Women's Day in March 2021, Sylvia took part in an interview outlining her background and career to date. This was broadcast to all staff and gave an opportunity for staff to ask questions and get to know Sylvia better. This helped in Sylvia's visibility to staff in her role particularly considering the constraints imposed by Covid-19 over the previous two years.

FBD and Wider Environment

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

Annual General Meeting

The Company's AGM is held each year in Dublin. The 2022 meeting will be held on 12 May 2022.

Who attends?

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

What business takes place at the meeting?

- the Group Chief Executive makes a presentation on the results and performance to the meeting prior to the Chairman dealing with the formal business of the meeting itself; and
- all shareholders present, either in person or by proxy can question the Chairman, the Committee Chairpersons and the rest of the Board during the meeting and afterwards.

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

The notice of the AGM is issued to shareholders at least 20 working days in advance of the meeting. Details will be available in due course in respect to the holding of the AGM. The 2021 AGM was held under restricted circumstances considering Government guidelines at the time.

Internal Control

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

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

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

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

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

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

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

Internal Controls over Financial Reporting

The main features of the internal control framework which supports the preparation of the consolidated financial statements are as follows:

- A comprehensive set of accounting policies are in place relating to the preparation of the interim and annual financial statements in line with IFRS;
- A number of policies and controls are in place to support the delivery of the annual report and half yearly report including a Financial Reporting Policy, Data Management Framework and Internal Control Policy;
- An appropriately qualified and skilled Finance team is in place operating under the supervision of experienced management who are compliant with fit and proper requirements;
- Appropriate financial and accounting software is in place;
- A control process is followed as part of the interim and annual financial statements preparation, involving the appropriate level of management review of the significant account line items, and where judgments and estimates are made, they are independently reviewed to ensure that they are reasonable and appropriate. This ensures that the consolidated financial information required for the interim and annual financial statements is presented fairly and disclosed appropriately;
- Preparation and review of key account reconciliations;
- The Audit Committee attend an annual workshop with Finance personnel to consider and review the financial statements in detail;
- The Audit Committee hold a number of meetings in the lead up to the annual financial statements and the half year financial statements to have early sight of key judgements and uncertainties;
- Summary and detailed papers are prepared for review and approval by the Audit Committee covering all significant judgemental and technical accounting issues together with any significant presentation and disclosure matters;
- The Audit Committee has a number of responsibilities delegated to it under its Terms of Reference. On an annual basis an assessment is carried out of the Committee's compliance with its Terms of Reference.

The Board confirms that it has reviewed the effectiveness of the Group's Systems of Internal Control for the year ended 31 December 2021. The 2021 internal control assessment provides reasonable assurance that the Group's controls are effective, and that where control weaknesses are identified, they are subject to management oversight and action plans.

Nomination and Governance Report

Dear Shareholder,

On behalf of the Nomination and Governance Committee, I am pleased to set out a summary of activities during 2021.

Board Changes During 2021

Our Chief Executive Officer (CEO) Tomás Ó Midheach joined the Board on 4 January 2021. Tomás has brought his considerable knowledge of the Irish financial services landscape to FBD and has been instrumental in reviewing and setting FBD's strategic direction.

During 2021 the Committee reviewed the Board skills and identified further skill sets that would benefit the existing knowledge and experience of the Board. An independent external executive search specialist firm, Odgers Berndtson, was engaged to assist it in the search for new independent non-executive directors in line with the Board requirements. Following a thorough search process against specific and defined criteria, Ms Jean Sharp and Mr John O'Dwyer joined our Board in August 2021. The Board was delighted to welcome both Ms Sharp and Mr O' Dwyer who have extensive experience in the life and general insurance industries. Their knowledge and skills will be of great benefit to our Board skill set and we look forward to working with them into the future. The biography of Ms Sharp and Mr Dwyer can be found on pages 46 to 48.

Mr Bogaerts has indicated his intention not to go forward for re-election at the 2022 AGM. Mr Bogaerts has been a member of the Board since 2016 and has served on the Board of FBD Insurance plc since 2013. We acknowledge the strong contribution Mr Bogaerts has made to the Board and planning for his succession will be carried out in line with the Board Succession Plan.

The Committee led the search for a new Group Company Secretary. Odgers Berndtson had assisted in the recruitment process against defined criteria. The Board was pleased to welcome Ms Nadine Conlon to FBD. The Board would like to thank Mr Derek Hall for his valued contribution in his role as Company Secretary. Derek is leaving this position to focus on his role as Chief Risk Officer.

Board Induction, Training and Development

FBD recognises the importance and benefit of supporting the continued development of its employees. The Board is highly supportive of this and is committed to its own ongoing professional development. A detailed and comprehensive induction training programme is in place for newly appointed directors and this training was provided to Ms Sharp and Mr O'Dwyer on their appointment to the Board.

During 2021 the Board reviewed its programme of training which has been developed having given consideration to the business needs and requirements, current and emerging risks and forthcoming changes in law and regulation. Areas of training include Market Abuse Regulation, Changes in Accounting Standards, Risk including Cyber Risk and director fiduciary duties. Additionally Directors may request training as they may deem appropriate.

Board Succession

In 2021 the Committee and the Board reviewed the Board Succession Plan. The Committee, on behalf of the Board, regularly consider the Board composition and tenure, its diversity and that of its Committees along with the Board skill set. This assists the Committee in reviewing succession from a short, medium and long term perspective and in identifying any skills and diversity requirements that would be of benefit to the Board. Board succession is supported by the Board Recruitment and Diversity Policy.

Diversity and Inclusion at FBD

The Board believe that diversity and inclusion are key to creating an environment that fosters innovation, employee engagement, creativity and the collaboration required to support and drive the Board agreed strategy 2022 to 2026.

On behalf of the Board, the Committee regularly receive updates on diversity and inclusion including the work of our Diversity and Inclusion Committee and Phase one of our three year Diversity and Inclusion Strategy. Board members have participated in Inclusive Leadership and Unconscious Bias Training. Executive Management have also undertaken this training.

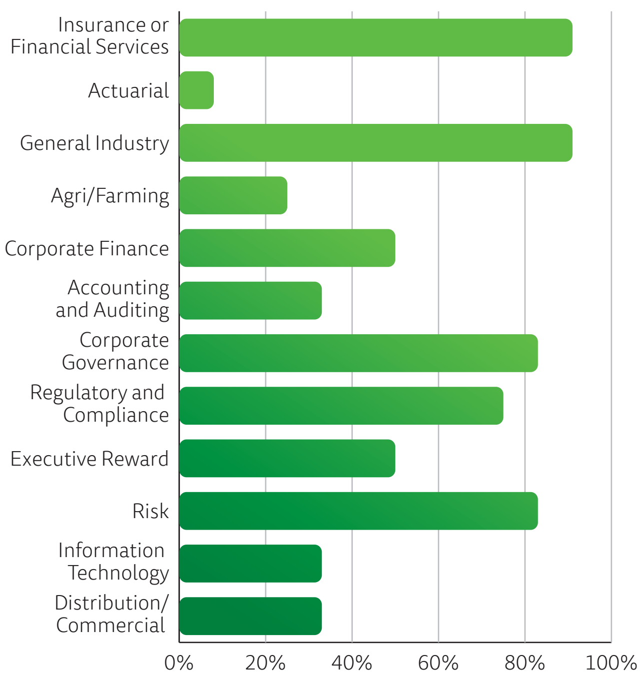
Board Diversity is supported by the Board Recruitment and Diversity Policy and reflects our continued commitment to promote a diverse and inclusive culture, valuing diversity of thought, skills, experience, knowledge and expertise including of educational and professional backgrounds, alongside diversity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

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

Board Experience and Skills

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

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



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

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

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

Tenure of Director	
0 – 2 years	50%
3 – 6 years	42%
7 – 9 years	—%
Over 9 years	8%

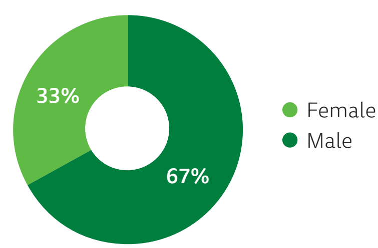
Gender	
Male	75%
Female	25%

Executive/Non-Executive	
Non-executive	83%
Executive	17%

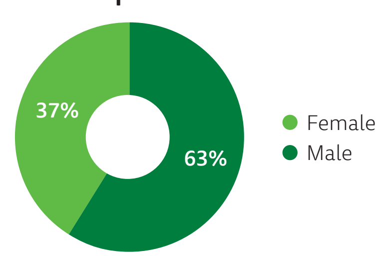
Gender Balance

The gender balance of those in the Senior Management and their direct reports.

Executive Management Team



Direct Reports



FBD are proud members and supporters of the '30% Club'. This International organisation was established with a goal of achieving a better gender balance on boards and in Executive leadership. 25 per cent of the Board of Directors of FBD Holdings plc is female. 33 per cent of executive level and 43 per cent of manager/specialists level in FBD are female. 60 per cent of FBD's overall employees are female.

Board Evaluation

Every year the Board evaluates its performance and that of its Committees. The evaluation of the Board for 2021 involved the following:

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

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

Liam Herlihy
On behalf of the Nomination and Governance Committee

3 March 2022

Report on Directors' Remuneration

Introductory Letter from the Remuneration Committee Chair

Dear Shareholder,

On behalf of the Remuneration Committee and the Board, I am pleased to present the Directors Remuneration Committee Report for the year ended 31 December 2021.

The Directors Remuneration Committee report sets out the operation of the Directors Remuneration policy in 2021. Our current Remuneration Policy runs from 2020 to 2023 inclusive and was approved at our 2021 AGM. The Remuneration Committee ensures that as a Group, we comply with all relevant remuneration and legislative requirements.

I would like to take this opportunity to thank and recognise the exceptional contribution by all employees across the organisation in continuing to respond to unprecedented challenges of the Covid-19 pandemic across our business.

FBD financial and business performance was strong in 2021 not withstanding the challenges faced. This is thanks to all of our people and the strength and resilience of our business model.

Paying for Performance

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

External Advice

Willis Towers Watson (WTW) continued to provide advice in respect of FBD's Remuneration Policy in 2021 and total fees paid were €14,312.

Shareholder Dialogue and Support

Section 1110N of Companies Act 2014 (EU Shareholder Rights Directive), requires a vote on the Report on Directors' Remuneration at the AGM on an advisory basis. At the 2021 AGM, this report received 99.5% support from shareholders.

The Committee requests shareholders to consider and approve the annual remuneration report set out on the pages following at the 2022 AGM.

David O'Connor
Chairperson of the Remuneration Committee

3 March 2022

Role of Remuneration Committee

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

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

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

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

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

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

Remuneration Policy

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

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

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

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

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

When determining Executive Director remuneration policy and practices, all of the following are addressed:

- Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce;
- Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand;
- Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated;

- Predictability – the range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy;
- Proportionality - a significant part of an Executive's reward is linked to performance with a clear line of sight between business performance and the delivery of shareholder value;
- Alignment to culture - the incentive arrangements and the performance measures used are strongly aligned to those that the Board considers when determining the success of the implementation of the Company's purpose, values and strategy.

The Committee has the discretion to override formulaic outcomes and enable recovery and withholding of bonus where appropriate. The Committee will continue to monitor corporate governance developments and evolving best practice and take these into account in the Policy and its implementation.

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

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

We aim for our disclosure to be clear to allow shareholders to understand the range of potential values which may be earned under the remuneration arrangements. All incentive arrangements have defined and disclosed limits on pay out/award levels. Over the past year we have received specific feedback from investors in relation to the performance metrics used for Bonus and the Committee took this into account when applying the bonus metrics for 2022.

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

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

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

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

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

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

As part of our regular interaction with investors we answer questions that they may have on remuneration arrangements and take into consideration views expressed in to the formulation of policy and setting appropriate performance conditions. In addition we engage with investor advisory services about any concerns they may have.

Report on Directors' Remuneration (continued)

As part of the annual pay cycle, a communication is issued to all employees explaining how their bonus aligns to the Group Strategy and the steps taken to ensure fairness of distribution for all employees. Regular town halls and updates for all employees are held throughout the year which include financial and remuneration updates. Two way communication is a key part of these forums with Q&A to Executive Management at each update. Regular engagement takes place with employer representative bodies to discuss remuneration and other matters.

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

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

Element and Link to Strategy	Policy and Operation
Base Salary (fixed remuneration)	
To help recruit and retain senior experienced Executives	Base salaries are reviewed annually with effect typically from 1 April taking the following factors into account: • The individual's role and experience • Group performance • Personal performance • Market practice and benchmarking Although salaries are reviewed annually there is no automatic right of any Executive to receive a salary increase.
Benefits (fixed remuneration)	
To provide market competitive benefits	Benefits provided include motor allowance and an agreed percentage contribution to health and other insurance costs.
Pension Provision (fixed remuneration)	
To provide market competitive benefits and reward performance over a long period, enabling Executives to save for retirement	Since 2020, the remuneration policy ensures that all newly appointed Executive Directors receive defined contribution pension benefits (or equivalent cash in lieu), in line with existing scheme arrangements available to the wider workforce. One Executive Director's defined contribution pension rate is not aligned with the rate in operation for the majority of the workforce, due to existing contractual arrangements. The Remuneration Committee intends to bring this contribution rate into line with that of the wider workforce by the end of 2022.

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

Report on Directors' Remuneration (continued)

Element and Link to Strategy	Policy and Operation
Long Term Incentives - the FBD Performance Share Plan (variable remuneration)	
To align the financial interests of Executives with those of shareholders	The Group Performance Share Plan (LTIP) was approved by shareholders in 2018. Under the LTIP, the Remuneration Committee may, at its sole discretion, make conditional awards of shares to Executives. Conditional awards of shares under the LTIP are limited to 10% in aggregate with any other employee share plan of the Company's issue ordinary shares of €0.60 each over a rolling 10 year period. The market value of shares which are the subject of a conditional award to an individual may not, in any financial year, normally exceed 150% of the participants base salary as at the date of the grant. The Remuneration Committee set performance conditions each year, selecting appropriate metrics based on key strategic priorities. The period over which the performance conditions applying to a conditional award under the LTIP are measured may not be less than three years. The extent to which a conditional award may vest in the future will be determined by the Remuneration Committee by reference to the performance conditions set at the time of the reward. These conditions are designed to ensure alignment between the economic interest of the plan participants and those of shareholders. Different conditions, or the same conditions in different proportions, can be used by the Remuneration Committee in different years under the LTIP rules, provided that the Committee is satisfied that they are challenging targets and that they are aligned with the interest of the Group's shareholders. Consistent with prior periods, the LTIP rules allow the Remuneration Committee (at its sole discretion) to make awards which may be subject to an additional post vesting holding period. Awards will vest after three years once applicable performance conditions have been achieved and the vested shares (net of tax) may be required to be held for a further two year period to provide continued alignment with shareholders. The Remuneration Committee has the discretion to override formulaic outcomes in circumstances where it judges it would be appropriate to do so and any such discretion will be fully disclosed in the relevant annual report. In 2022 the Remuneration Committee will make it a requirement that awards made to Executive Directors are subject to a two year holding period post vesting. The LTIP includes provisions that allows the Remuneration Committee to withhold, reduce or require the repayment of rewards for up to two years after vesting (i.e. up to five years after grant) if there is found to have been (a) material misstatements of the Group's financial results; (b) gross misconduct on the part of the award holder.

Share Ownership Policy

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

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

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

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

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

Recruitment Policy

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

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

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

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

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

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

Service Contracts

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

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

Termination Payments

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

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

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

Non-Executive Director Remuneration

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

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

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

Derogation from Remuneration Policy

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

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

Remuneration Report

The information below on pages 77 to 84 of the Report on Directors' Remuneration identified as audited forms an integral part of the audited financial statements as described in the basis of preparation on page 107. All other information in the report on Directors Remuneration is additional information and does not form part of the audited financial statements.

Executive and Non-Executive Directors' Remuneration Details - Audited

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

	Fees[1] €000s	Salary[2] €000s	Other Payments[3] €000s	Benefits[4] €000s	Pension Contribution[5] €000s	2021 Total €000s
Executive Directors:						
Tomás Ó Midheach		500	485	40	40	1,065
John O'Grady		320	156	18	48	542
Non-Executive Directors:						
Liam Herlihy (Chairman)	149					149
David O'Connor	103					103
Walter Bogaerts	83					83
Mary Brennan	81					81
Sylvia Cronin	73					73
Tim Cullinan	60					60
Richard Pike	69					69
Padraig Walsh	60					60
Jean Sharp	25					25
John O'Dwyer	20					20
	723	**820**	**641**	**58**	**88**	**2,330**

Notes (2021)

1. Fees were paid to Non-Executive Directors.
2. Salaries were paid to Executive Directors.
3. Bonuses of €485,000 and €155,520 were awarded to Mr Ó Midheach and Mr O'Grady under the bonus scheme in 2021. The bonuses were calculated in accordance with the Annual Performance Arrangements described earlier and both Mr Ó Midheach's and Mr O'Grady's bonuses were approved by the Remuneration Committee.
4. Benefits relate exclusively to a motor allowance and contribution towards health insurance costs.
5. Pension contributions relate to contributions to a defined contribution pension scheme or a payment in lieu.
6. John O'Dwyer was appointed Non-Executive Director on the 31st August, 2021.
7. Jean Sharp was appointed Non-Executive Director on the 16th August, 2021.
8. Directors' fees have been adjusted to reflect the additional time and responsibilities and committee work following the introduction of dual Boards.

Report on Directors' Remuneration (continued)

The following table sets out the detail for the previous financial year (2020):

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

Notes (2020)

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

Determination of Annual Performance Bonus for the year ended 31 December 2021

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

In 2021 the Remuneration Committee included a profit threshold that had to be reached in order to qualify for bonus.

The Group's short and long-term remuneration philosophy is to ensure that remuneration is aligned to FBD's purpose and values, supports strategy and promotes long-term success of the Group.

Remuneration includes performance related elements designed to align Directors' interests with those of shareholders and to promote long-term sustainable growth and performance in line with our strategy. Market-competitive total remuneration is structured to attract, motivate and retain individuals of the highest quality.

The following objectives were set for the Executive Directors for 2021:

Executive Director	Objective	Measure of Success	Result
Tomás Ó Midheach	Operational Excellence	Ensured the ongoing delivery to our customers in challenging times as measured by retention and Customer Experience Survey.	Achieved
	Technology & Innovation	Defined FBD's focus on technology and long term strategic direction.	Achieved
	Strategy	Developed a clear strategy in respect of our five key stakeholders, Our Investors, The Regulator, Our People, Wider Society and Our Customer.	Achieved
	People & Culture	Developed and rolled out a clear plan to engage employees and our stakeholders on the group's purpose. Rolled out the new Diversity and Inclusion Policy. Developed and Rolled out Behaviour Competency Framework in line with our Values and Behaviours.	Achieved
John O'Grady	Financial Strategy	Against the backdrop of a challenging environment, successfully stewarded FBD's financial strategy and developed plans to optimise the financial performance of the Group.	Achieved
	Innovation	Worked closely with the Chief Executive Officer in the drive to innovate the business, particularly throughout the pandemic and set clear Group priorities and supporting measures.	Achieved
	People & Culture	Supported the smooth transition of a new Chief Executive Officer. Ensured the Group work effectively to formulate and implement plans and initiatives to respond to the impact of Covid-19 pandemic and ensured the safety, health and well-being of all employees.	Achieved
	Safety and Environment	Was a visible leader in re-enforcing FBD's strong safety culture.	Achieved

The following bonus conditions were agreed by the Remuneration Committee for Executive Directors in respect of performance for 2021:

Combined Operating Ratio	45%
Overall Gross Written Premium	15%
Retention of Gross Written Premium	15%
Lead Culture Change	25%

In respect of Combined Operating Ratio target outperformance was achieved as well as outperformance in the retention of Gross Written Premium. The overall gross written premium target was not achieved in 2021. FBD has a very clearly defined culture strategy that is aligned to our business strategy and is actively considered and set by the Board and EMT. The Board and EMT take a leading role in communicating the desired culture to the organisation.

Metric	% of Target Available	Range 25%-100%	Target 100%	Max 100%-150%	Results	% Achieved for Bonus
Combined Operating Ratio	45%	96%-93%	93%	93% to 90%	71.5%	150%
Overall Gross Written Premium	15%	€375m-€380m	€380m	€380m-€385m	€370m	—%
Retention of Gross Written Premium	15%	€311m-€321m	€321m	€321m-€324m	€324m	150%
Lead Culture Change	15%	Communicate and embed purpose and mission. Define, communicate and embed behaviours. Demonstrate core values.				Achieved in full

Strategic Report

Environmental, Social & Governance

Financial Statements

Other Information

The Remuneration Committee have assessed the performance of the Chief Executive Officer and Chief Financial Officer in relation to leadership of culture change. Achievements in the year include:

- A comprehensive reset of the FBD strategy;
- A comprehensive programme of communication of strategy to all employees in a series of town hall meetings;
- The launch of a number of initiatives focused on increasing employee engagement and identification with FBD's purpose, mission and values.

The Remuneration Policy has operated as intended in terms of Group performance and quantum. The Remuneration Committee considered the above formulaic outcome to ensure that it was both fair and appropriate given wider stakeholder experience. The Committee did not adjust the outcome as it was comfortable that this was the case.

The Remuneration Committee has determined that given management of unprecedented uncertainties due to Covid-19 we are postponing applying deferral to the bonus outcome for Chief Executive Officer and Chief Financial Officer. However, from 2022 onwards, 50% of any bonus payment well be deferred in line with the Remuneration Policy.

Long Term Incentives

Conditional Awards of Shares in 2021 - Audited

During 2021 one Conditional Award of shares was made under the Performance Share Plan. This was made in March 2021 to Executive Directors and Senior Management. The award represented 80% of salary for Chief Executive Officer and 60% Salary for Chief Financial Officer.

The conditions attached to the award, which reflect the Board's strategic plans, were based 66.6% on the compound annual growth rate (CAGR) of Net Asset Value (NAV) per share, relative to the 1 January 2021 NAV for the three years ending 31 December 2023. The NAV has been chosen because the Committee considers it is the controllable measure most closely correlated to share price and ultimately to shareholder return. 33.4% of the award was based on Policy Count Growth which was chosen to reflect the ambition of the Board to grow the business over the strategic time period.

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

The Committee will publish details regarding targets and vesting levels at the end of the performance period (2024).

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

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

	Weighting	Threshold Level	Proportion vesting	Upper Level	Proportion vesting
NAV CAGR	**66.6%**	>0.66%	25%	Mid Single Digits	125%
Policy Count Growth	**33.4%**	>4.4%	25%	Mid Single Digits	125%

Outstanding Conditional Awards (2018-20) - Audited

The Committee considered the extent to which the performance conditions underpinning this award were met in the three financial years 2018 to 2020 (the 'Performance Period'). The Committee concluded that 125% of NAV was met as the compound annual growth rate (CAGR) was 11.7% when compared to the actual NAV at 31st December 2017. This was in excess of the upper performance threshold of 6.7%. Therefore in respect of the conditional awards granted in March 2018 125% vested

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

Details of the conditional share awards to the Executive Directors who held office for any part of the financial year and to the Company Secretary made under the 2007 and 2018 LTIP plans are given in the table below. In respect of the 2019, 2020 and 2021 awards the number of shares could increase to a maximum of 125% of the number of shares outlined below (which is 100%) if the performance conditions previously described are met at stretch target level.

	At 1 January 2021	Granted during year	Dividends	Lapsed during year	Out-performance LTIP	Vested during year	At 31 December 2021	Performance Period	Earliest vesting date	Market price on award €
Executive Directors (who held office for any part of the financial year)										
Tomás Ó Midheach	—	58,055	—	—	—	—	58,055	2021-2023	Mar-24	6.89
Total	**—**	**58,055**	**—**	**—**	**—**	**—**	**58,055**			
John O'Grady	17,737	—	1,478	—	4,434	(23,649)	—	2018-2020	Aug-21	10.83
	15,927	—	—	—	—	—	15,927	2019-2021	Mar-22	8.79
	22,876	—	—	—	—	—	22,876	2020-2022	Apr-23	6.12
	—	27,866	—	—	—	—	27,866	2021-2023	Mar-24	6.89
Total	**56,540**	**27,866**	**1,478**	**—**	**4,434**	**(23,649)**	**66,669**			
Company Secretary[1] (who held office for any part of the financial year)										
Derek Hall	11,316	—	943	—	2,829	(15,088)	—	2018-2020	Aug-21	10.83
	12,969	—	—	—	—	—	12,969	2019-2021	Mar-22	8.79
	15,931	—	—	—	—	—	15,931	2020-2022	Apr-23	6.12
	—	19,594	—	—	—	—	19,594	2021-2023	Mar-24	6.89
Total	**40,216**	**19,594**	**943**	**—**	**2,829**	**(15,088)**	**48,494**			

[1] *Nadine Conlon was appointed Company Secretary 28th October, 2021.*

The total number of shares subject to conditional awards outstanding under the 2018 LTIP Scheme amount to 911,645 being 2.6% of the Company's ordinary share capital (excluding treasury shares) at 31 December 2021 (2020: 777,660 shares and 2.2% of ordinary share capital (excluding treasury shares)).

The aggregate limit of the number of shares over which conditional awards are permitted under the 2007 and 2018 LTIP scheme rules is 10% of the Company's issued share capital over a rolling 10 year period. In the past 10 years there have been 10 conditional awards with an aggregate of 2,404,315 shares or 7.0% of the Company's ordinary share capital (excluding treasury shares).

Non-Executive Director Remuneration - Audited

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

The basic Non-Executive Director fee is €60,000 and this was reviewed in July 2020 following a benchmarking exercise carried out by WTW to ensure our Non-Executive remuneration was in line with the market rate. The previous review of Non-Executive Directors remuneration had taken place in 2016. Directors receive additional fees for being members of and/or chairing Board Committees as outlined within the Corporate Governance Report on pages 54 to 65. These fees are reflective of their added responsibilities.

Executive Director and Non-Executive Director Remuneration

European Union (Shareholders' Rights) Regulations 2020 came into force in Ireland on 30 March 2020 when they were transposed into Section 1110N of Companies Act 2014. The annual Executive Director and Non-Executive Director Remuneration over the last five years of those in office in 2021 is set out below:

Report on Directors' Remuneration (continued)

		2017 €000s	2018 €000s	2019 €000s	2020 €000s	2021 €000s
Executive Directors:						
Tomás Ó Midheach	Total Remuneration	—	—	—	—	**1,065**
	% change in year[1]	—	—	—	—	**—**
John O'Grady	Total Remuneration	453	445	462	372	**542**
	% change in year[1]	—	*(2)%*	*4%*	*(19)%*	***46%***
Non Executive Directors:						
Liam Herlihy (Chairman)	Fees	102	119	119	134	**149**
	% change in year[1]	*116%*	*16%*	—	*13%*	***11%***
Walter Bogaerts	Fees	68	70	71	77	**83**
	% change in year[1]	*4%*	*2%*	*2%*	*8%*	***8%***
Mary Brennan	Fees	57	58	62	74	**81**
	% change in year[1]	*6%*	*1%*	*8%*	*20%*	***9%***
Sylvia Cronin	Fees	—	—	5	64	**73**
	% change in year[1]	—	—	—	*17%*	***14%***
Tim Cullinan	Fees	—	—	—	—	**60**
	% change in year[1]	—	—	—	—	**—**
David O'Connor	Fees	59	60	70	88	**103**
	% change in year[1]	*5%*	*2%*	*17%*	*25%*	***17%***
Richard Pike	Fees	—	—	14	59	**69**
	% change in year[1]	—	—	—	*4%*	***17%***
Padraig Walshe	Fees	50	50	50	55	**60**
	% change in year[1]	*12%*	—	—	*10%*	***9%***
John O'Dwyer	Fees	—	—	—	—	**20**
	% change in year[1]	—	—	—	—	**—**
Jean Sharp	Fees	—	—	—	—	**25**
	% change in year[1]	—	—	—	—	**—**

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

The Chairman, Liam Herlihy received fees of €149,000 during the year (2020: €133,500) inclusive of the basic Non-Executive Director fee. David O'Connor, received fees of €103,000 during the year as he held the position of Senior Independent Director (2020: €88,000) inclusive of the basic Non-Executive Director fee, and reflecting his additional responsibilities as Chairman of the Remuneration Committee as well as his recent appointment as Chairman of FBD Insurance plc.

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

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

The remuneration of the Non-Executive Directors is determined by the Board, and reflects the time commitment and responsibilities of their role. In setting this level, the Board has regard to the fees payable to the Non-Executive Directors of the other Irish publicly listed companies and also to the developments and policy for the remuneration of the employees in the wider group. The variance in fees in 2021 is an outcome of the changes required in committees and the additional workload following the introduction of the dual Board.

External Appointments Held by the Executive Directors

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

Change in Directors' remuneration, employee remuneration and Group Performance

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

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

	2017	2018	2019	2020	2021
Chief Executive Officer					
Remuneration % change year on year	17%	-11%	6%	-18%[1]	–
All Group Employees					
Remuneration % change year on year	9%	1%	2%	2%	1%

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

Tomás Ó Midheach was appointed in January 2021 and therefore there is no prior year comparison.

The average cost per full time equivalent for 2021, excluding Directors, was €74,000 (2020: €66,000).

When making decisions on executive pay the Remuneration Committee takes into account pay in respect of all employees and is satisfied that pay arrangements are appropriate.

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

	2017	2018	2019	2020	2021
Performance of the Group					
NAV per share	784	818	1,068	1,095	1,338

Implementation of Policy in 2022

Annual Performance Bonus

The annual performance bonus for Executive Directors in respect of 2022 will be subject to the following performance measures and weightings:

Performance Metric	Weighting
Combined Operating Ratio	60%
Grow Policy Count	20%
Lead Culture Change	20%

Payment of any bonus will be subject to the achievement of a defined minimum level of Group profit after tax.

The Remuneration Committee considers that the above financial metrics are key measures of operational performance for the business. The culture change metric will assess the achievement of a number of key initiatives being carried out by the business and will be measured by employee surveys and output from culture initiatives.

Pension

The pension contribution level for the Chief Executive Officer in 2022 will be 8% of base salary, which is in line with the rate for the wider workforce. The pension contribution rate for the Chief Financial Officer will be 15%. The Remuneration Committee intends to bring the Chief Financial Officer's contribution rate into line with that of the wider workforce by the end of 2022.

The full details of targets and performance will be set out on a retrospective basis in next years Remuneration Report.

LTIP

The following conditions will apply in respect of LTIP's granted for the period 2022-2024:

Metric	% Weighting
Return on Targeted Equity	50%
Policy in Force Growth	30%
Strategic Metrics	20%

Vesting threshold levels will be applied at intervals of 25% to a maximum of 125% if the performance conditions are met.

The Remuneration Committee believes that return on targeted equity is a key strategic measure as it takes into account both business profitability and balance sheet management. Policies in force growth is a key measure of growth in the business and is a fundamental to FBD's strategy.

The strategic metrics element will be determined by performance achieved in relation to a number of key long-term strategic initiatives. The specific targets cannot be disclosed on a forward looking basis at this time as they are commercially sensitive however the Remuneration Committee has committed to full disclosure on a retrospective basis. Performance will be measured based on metrics including the following;

- Development of customer propositions and customer types
- Customer Service Score (CXI)
- Culture Score
- ESG metrics

Directors' Responsibilities Statement

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

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

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

- select suitable accounting policies for the Company and the Group financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that the Company and the Group keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company and the Group, enable at any time the assets, liabilities, financial position and profit or loss of the Company and the Group to be determined with reasonable accuracy, enable them to ensure that the Annual Report and financial statements comply with the Companies Act 2014 and the Listing Rules of the Euronext Dublin and enable the financial statements to be audited.

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

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

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

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

- the financial statements, prepared in accordance with IFRSs as endorsed by the EU, give a true and fair view of the assets, liabilities and financial position for the Group as at 31 December 2021 and of the result for the financial year then ended;
- the Report of the Directors, the Chairman's Statement and the Review of Operations include a fair review of the development and performance of the Group's business and the state of affairs of the Group for the 12 months ending 31 December 2021, together with a description of the principal risks and uncertainties facing the Group; and
- the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to access the position, performance, strategy and business model of the Group.

On behalf of the Board

Liam Herlihy

Liam Herlihy
Chairman

Tomás Ó Midheach

Tomás Ó Midheach
Group Chief Executive

3 March 2022

FBD would like to acknowledge the Team Ireland success at the Tokyo Olympics in 2021 and especially our former brand ambassadors Kellie Harrington and Paul O'Donovan who brought home gold medals.

"

"FBD's support of Team Ireland has been fantastic. Communities play a vital role in developing Irish Olympians and FBD as Ireland's local, community insurer was a perfect fit."

KELLIE HARRINGTON

Independent Auditors' Report

to the members of FBD Holdings plc

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the group's and the company's assets, liabilities and financial position as at 31 December 2021 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2014; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation.

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

- the Consolidated and Company Statements of Financial Position as at 31 December 2021;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statements of Cash Flows for the year then ended;
- the Consolidated and Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

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

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

Basis for opinion

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

Independence

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

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

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the group or the company in the period from 1 January 2021 to 31 December 2021.

Our audit approach

Overview

Materiality

- €4.0 million (2020: €4.0 million) - Consolidated financial statements.
- Based on circa 1% of revenue.
- €1.0 million (2020: €0.96 million) - Company financial statements.
- Based on circa 1% of equity attributable to equity holders of the parent.

Audit scope

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

Key audit matters

- Valuation of claims outstanding.
- Valuation of reinsurers' share of claims outstanding in respect of COVID-19 business interruption related claims.
- Carrying value of non-financial assets.

The scope of our audit

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of claims outstanding *Refer to Note 3 (E) (v) - Summary of significant accounting policies, Note 3 (U) - Critical accounting estimates and judgements in applying accounting policies and note 24 (a) to (c) to the consolidated financial statements.* The provision for claims outstanding is the group's largest liability and its valuation involves considerable judgement. The booked amount comprises: • an actuarial best estimate of the ultimate settlement cost of claims incurred at the reporting date including claims incurred but not reported at 31 December 2021; and • a margin over actuarial best estimate to provide for the risk of adverse development of the actuarial best estimate and to cater for known risk factors not in the underlying data used to calculate the actuarial best estimate. The actuarial best estimate of claims incurred includes a best estimate in respect of Government COVID-19 restriction related business interruption claims incurred, primarily under the group's public house commercial policies. For claims excluding Government COVID-19 restriction related business interruption claims, the actuarial best estimate is determined using complex actuarial calculations and requires the consideration of detailed methodologies, multiple assumptions and significant judgements. Methodologies and assumptions vary by class of business. The key items underlying the calculations are past claims development patterns and assumptions in respect of expected loss ratios and the expected frequency, severity and duration of claims. The valuation is dependent on the completeness and accuracy of the data used in the actuarial modelling, in particular data relating to amounts of claims paid and incurred in the current and prior years and historic loss ratios.	We performed procedures to understand the claims and actuarial reserving processing cycles as they relate to financial reporting. We tested the design and operating effectiveness of the controls over claims processing and payment, and the valuation of claims outstanding. Based on the results of our risk assessment and materiality, we selected certain classes of business for independent valuation by actuarial specialists. This represented over 74% of the actuarial best estimate. The results of our independent valuation were compared to the group's valuation to assess the reasonability of the estimate. In respect of the remaining classes of business we assessed the reasonability of the group's valuation with the assistance of our actuarial specialists. This involved: • assessing the assumptions and methodologies underpinning management's actuarial valuation; and • considering the development of prior accident years' estimates and analysis of the current accident year estimate, including consideration of the group's historic claims experience, development in the Irish claims environment and our broader knowledge of developments in the insurance industry. We tested the determination of the best estimate provision in respect of Government COVID-19 restriction related business interruption claims incurred under the group's public house commercial policies. This involved: • assessing the appropriateness of significant changes to the group's model and assumptions since the prior reporting period, including the impact of the quantum of costs ruling received; • assessing the assumptions applied including those in respect of the level of lost gross profit to be claimed and the level of expense savings expected to be deductible from this amount under the policy terms by reference to data available and the outcome of the quantum hearing; and • performing our own sensitivity analysis based on alternative scenarios.

Key audit matter	How our audit addressed the key audit matter
For COVID-19 business interruption claims, the interpretation of the business interruption clause within the policy wording, as it relates to Government closure orders resulting from the pandemic, was subject to a Commercial Court test case in the prior year. The Commercial Court judged on 5 February 2021 that the group is liable under the policy. Further hearings have taken place in the current year and broad principles of quantum have now been established, including the definition of business closure, reducing the associated uncertainties. Given that this type of claim has not been experienced previously, the group has performed a separate best estimate calculation in respect of the cost of these claims. The calculation applies assumptions concerning the level of lost gross profit to be claimed and the level of expense savings expected to be deductible from this amount under the policy terms. While the recent quantum ruling has provided some clarity on how key aspects of this calculation should operate, uncertainties remain. As a result of the unique circumstance of the claims there are no past claims development patterns available. The Company continues to collect and process claims data from policyholders. The unique circumstances of these claims also result in significant judgement being required in respect of the valuation of the reinsurers' share of these claims as set out under the "Valuation of reinsurers' share of claims outstanding" below. The overall provision includes a margin over actuarial best estimate to provide for the risk of adverse claims development, to cater for known events not in the underlying data and to address the risks in respect of the valuation of the reinsurers' share of claims outstanding. We determined the valuation of claims outstanding to be a key audit matter due to the judgements and level of estimation involved in the measurement thereof.	We tested the reconciliation of the data used in the actuarial models to the underlying systems and reconciled the actuarial valuation outputs to the financial statements. For the COVID-19 business interruption claims, where data has been provided by some policyholders we tested a sample of this data used in the setting of the model assumptions for accuracy. We tested the calculation of the margin over actuarial best estimate and discussed the rationale for the level of this element of the provision with management with particular focus on the consideration of the appropriateness of changes in the amount since the prior year. Based on the results of these procedures we concluded that the valuation of claims outstanding included in the consolidated financial statements is within an acceptable range of reasonable estimates. We also assessed the appropriateness of the disclosures in the financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of reinsurers' share of claims outstanding in respect of COVID-19 business interruption related claims *Refer to Note 3 (E) (vi) - Summary of significant accounting policies, Note 3 (U) - Critical accounting estimates and judgements in applying accounting policies and note 24 (b) and (e) to the consolidated financial statements.* The reinsurers' share of claims outstanding asset includes an amount relating to estimated recoveries under the group's reinsurance programme on the gross best estimate provision in respect of Government COVID-19 restriction related business interruption claims incurred under the group's public house commercial policies. The group has reached a negotiated agreement with those reinsurers that are expected to be impacted. This has reduced, but not eliminated, the uncertainties associated with the valuation of this asset. The remaining uncertainties have been considered in determining the overall level of margin for uncertainty attributed to the exposures in respect of these claims. We determined this to be a key audit matter as a result of the significant events impacting this asset that occurred during the period and the significance of this asset to the financial statements.	We performed procedures to understand the calculation performed by the group in arriving at the reinsurers' share of Government COVID-19 restriction related business interruption claims outstanding. We obtained and considered: • the group's correspondence with its reinsurers and reinsurance broker relating to cover in respect of the underlying claims; • the reinsurance statements of claim submitted by the group to its reinsurers to date; and • the reinsurance contracts under which the group has made a claim including the relevant terms and any amendments. We tested the accuracy of the calculation of reinsurance recoveries and the application of the reinsurance contract terms to the estimated gross loss. We also considered the level of margin included in the valuation for remaining uncertainties. Based on the results of these procedures we concluded that the valuation of the reinsurers' share of claims outstanding asset included in the consolidated financial statements, in respect of COVID-19 business interruption related claims, is within an acceptable range of reasonable estimates. We also assessed the appropriateness of the disclosures in the financial statements.

Independent Auditors' Report (continued)

Key audit matter	How our audit addressed the key audit matter
Carrying value of non-financial assets *Refer to Note 3 (G) to (J) - Summary of significant accounting policies, Note 3 (U) - Critical accounting estimates and judgements in applying accounting policies and note 13, 14 and 15 to the consolidated financial statements* As set out in note 3(U) - Uncertainties in impairment testing, management identified an impairment trigger related to the carrying value of non-financial assets as the group's market capitalisation is lower than the Total Equity included in the consolidated statement of financial position as at 31 December 2021 for the group's general insurance business. The recoverable amount of the non-financial assets was assessed through a value in use ("VIU") calculation. VIU is calculated based on the present value of expected future cash flows. Judgement is exercised in estimating the future cash flows and the discount rate applied to the cash flows. We determined this to be a key audit matter due to the judgements exercised in performing the assessment.	We assessed the value in use prepared by management by: • assessing the model; • assessing and challenging the cash flow information used by reference to the group's Board approved profitability projections and historic experience; • assessing management's sensitivity analysis performed of the impact of changes in key assumptions on the assessment; and • assessing the discount rate used by recalculating an acceptable range of discount rates using observable inputs from independent external sources. We also assessed the appropriateness of the disclosures in the financial statements. Based on the results of these procedures we concluded that the valuation of non-financial assets included in the consolidated financial statements is reasonable.

How we tailored the audit scope

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

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

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

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

Materiality

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

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

	Consolidated financial statements	Company financial statements
Overall materiality	€4.0 million (2020: €4.0 million).	€1.0 million (2020: €0.96 million).
How we determined it	Circa 1% of revenue.	Circa 1% of equity attributable to equity holders of the parent.
Rationale for benchmark applied	We have applied this benchmark as it provides a more stable measure as the group's result has fluctuated significantly in recent years.	We have applied this benchmark as it is considered appropriate given the company's activity as a holding company.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €200,000 (group audit) (2020: €200,000) and €50,000 (company audit) (2020: €48,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

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

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

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

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

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

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

Independent Auditors' Report (continued)

Reporting on other information

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

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

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

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

Report of the Directors

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Directors (excluding the information included in the "Non Financial Statement" on which we are not required to report) for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements. (CA14)
- Based on our knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Report of the Directors (excluding the information included in the "Non Financial Statement" on which we are not required to report). (CA14)

Corporate governance statement

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

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

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

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

- The directors' confirmation on page 53 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 53 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

Other Code provisions

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

- The statement given by the directors on page 85 that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
- The section of the Annual Report on page 57 and 58 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code and the Irish Corporate Governance Annex does not properly disclose a departure from a relevant provision of the Code or the Annex specified, under the Listing Rules, for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 85, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

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

Other exception reporting

Directors' remuneration and transactions

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

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

Prior financial year Non Financial Statement

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

Prior financial year Remuneration Report

We are required to report if the company has not provided the information required by Section 1110N of the Companies Act 2014 in respect of the prior financial year. We have nothing to report arising from this responsibility.

Appointment

We were appointed by the directors on 10 August 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ended 31 December 2016 to 31 December 2021.

Padraig Osborne
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

3 March 2022

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

Consolidated Income Statement

For the financial year ended 31 December 2021

	Note	2021 €000s	2020 €000s
Revenue	4(a)	**386,661**	380,999
Income			
Gross premium written	4(c)	**366,328**	358,230
Reinsurance premiums	4(c)	**(32,652)**	(43,034)
Net premium written	4(c)	**333,676**	315,196
Change in net provision for unearned premiums	4(c)	**571**	36
Net premium earned	4(c)	**334,247**	315,232
Net investment return	5	**15,679**	10,388
Financial services income – Revenue from contracts with customers	4(a)	**2,930**	4,211
– Other financial services income	4(a)	**4,375**	5,172
Total income		**357,231**	335,003
Expenses			
Net claims and benefits	4(c)	**(123,538)**	(221,403)
Other underwriting expenses	4(c)	**(93,369)**	(88,527)
Movement in other provisions	4(c)	**(22,143)**	(9,681)
Financial services and other costs	4(e)	**(6,138)**	(7,276)
Revaluation/(impairment) of property, plant and equipment	13	**937**	(734)
Finance costs	26	**(2,545)**	(2,580)
Profit before taxation	6	**110,435**	4,802
Income taxation charge	10	**(14,026)**	(412)
Profit for the financial year		**96,409**	4,390
Attributable to:			
Equity holders of the parent		**96,409**	4,390

Earnings per share	Note	2021 Cent	2020 Cent
Basic	12	**274**	13
Diluted	12	**268**[1]	12[1]

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

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

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

The financial statements were approved by the Board and authorised for issue on 3 March 2022.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2021

	Note	2021 €000s	2020 €000s
Profit for the financial year		**96,409**	4,390
Items that will or may be reclassified to profit or loss in subsequent periods:			
Net (loss)/gain on available for sale financial assets during the year		**(11,169)**	4,491
(Gain)/loss transferred to the Consolidated Income Statement on disposal during the year		**(1,033)**	14
Taxation credit/(charge) relating to items that will or may be reclassified to profit or loss in subsequent periods		**1,525**	(563)
Items that will not be reclassified to profit or loss in subsequent periods:			
Actuarial gain on retirement benefit obligations	*27(d)*	**280**	2,326
Property held for own use revaluation gain/(loss)		**4**	(419)
Taxation charge relating to items not to be reclassified in subsequent periods		**(265)**	(431)
Other comprehensive (expense)/income after taxation		**(10,658)**	5,418
Total comprehensive income for the financial year		**85,751**	9,808
Attributable to:			
Equity holders of the parent		**85,751**	9,808

Consolidated Statement of Financial Position

At 31 December 2021

ASSETS

	Note	2021 €000s	2020 €000s
Property, plant and equipment	*13*	**24,178**	25,085
Policy administration system	*14*	**27,982**	36,721
Intangible assets	*15*	**9,031**	5,100
Investment property	*16*	**16,055**	17,051
Right of use assets	*9*	**5,078**	5,635
Loans		**577**	601
Financial assets			
Available for sale investments	*17(a)*	**893,715**	863,880
Investments held for trading	*17(a)*	**137,547**	116,930
Deposits with banks	*17(a)*	**—**	40,000
		1,031,262	1,020,810
Reinsurance assets			
Provision for unearned premiums	*24(e)*	**1,711**	1,033
Claims outstanding	*24(e)*	**195,249**	122,760
		196,960	123,793
Retirement benefit surplus	*27(f)*	**10,901**	10,849
Current taxation asset		**—**	7,510
Deferred acquisition costs	*18*	**35,458**	34,079
Other receivables	*19*	**58,047**	65,402
Cash and cash equivalents	*20*	**164,479**	129,535
Total assets		**1,580,008**	1,482,171

Consolidated Statement of Financial Position (continued)

At 31 December 2021

EQUITY AND LIABILITIES

	Note	2021 €000s	2020 €000s
Equity			
Called up share capital presented as equity	*21*	**21,409**	21,409
Capital reserves	*22(a)*	**27,406**	24,756
Revaluation reserve		**752**	978
Retained earnings		**422,815**	336,838
Equity attributable to ordinary equity holders of the parent		**472,382**	383,981
Preference share capital	*23*	**2,923**	2,923
Total equity		**475,305**	386,904
Liabilities			
Insurance contract liabilities			
Provision for unearned premiums	*24(d)*	**184,648**	184,541
Claims outstanding	*24(c)*	**800,756**	794,416
		985,404	978,957
Other provisions	*25*	**13,492**	12,067
Subordinated debt	*26*	**49,603**	49,544
Lease liabilities	*9*	**5,349**	5,843
Deferred taxation liability	*28*	**2,761**	4,127
Current taxation liability		**6,437**	—
Payables	*29(a)*	**41,657**	44,729
Total liabilities		**1,104,703**	1,095,267
Total equity and liabilities		**1,580,008**	1,482,171

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

The financial statements were approved by the Board and authorised for issue on 3 March 2022.

They were signed on its behalf by:

Liam Herlihy
Chairman

Tomás Ó Midheach
Group Chief Executive

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2021

	Note	2021 €000s	2020 €000s
Cash flows from operating activities			
Profit before taxation		**110,435**	4,802
Adjustments for:			
Profit on investments held for trading		**(10,839)**	(5,356)
Loss on investments available for sale		**2,429**	3,531
Interest and dividend income		**(8,106)**	(9,481)
Depreciation/amortisation of property, plant and equipment, intangible assets & policy administration system	*13, 14 & 15*	**18,012**	11,041
Depreciation on right of use assets	*9*	**790**	821
Share-based payment expense	*34*	**2,650**	1,945
Fair value loss on investment property	*16*	**996**	1,569
(Revaluation)/impairment of property, plant and equipment	*13*	**(937)**	734
(Decrease)/increase in insurance contract liabilities		**(66,720)**	54,638
Increase in other provisions	*25*	**1,425**	3,650
Operating cash flows before movement in working capital		**50,135**	67,894
Decrease/(increase) in receivables and deferred acquisition costs		**5,460**	(3,154)
(Decrease)/increase in payables		**(394)**	10,680
Interest on lease liabilities	*9*	**236**	263
Purchase of investments held for trading		**(58,432)**	(54,008)
Sale of investments held for trading		**48,653**	53,835
Cash generated from operations		**45,658**	75,510
Interest and dividend income received		**8,620**	10,204
Income taxes paid		**(75)**	(6,611)
Net cash generated from operating activities		**54,203**	79,103
Cash flows from investing activities			
Purchase of available for sale investments		**(210,499)**	(217,013)
Sale of available for sale investments		**166,034**	166,093
Purchase of property, plant and equipment	*13*	**(1,273)**	(1,839)
Additions to policy administration system	*14*	**(4,685)**	(4,796)
Purchase of intangible assets	*15*	**(5,398)**	(3,593)
Refurbishment of investment property	*16*	**—**	(1,922)
Sale of investment property	*16*	**—**	1,994
Decrease in loans and advances		**24**	10
Maturities of deposits invested with banks	*17(a)*	**40,000**	40,000
Additional deposits invested with banks		**—**	(20,000)
Net cash used in investing activities		**(15,797)**	(41,066)
Cash flows from financing activities			
Ordinary and preference dividends paid	*30*	**—**	—
Interest payments on subordinated debt	*26*	**(2,500)**	(2,500)
Principal elements of lease payments	*9*	**(962)**	(984)
Net cash used in financing activities		**(3,462)**	(3,484)
Net increase in cash and cash equivalents		**34,944**	34,553
Cash and cash equivalents at the beginning of the year	*20*	**129,535**	94,982
Cash and cash equivalents at the end of the financial year	*20*	**164,479**	129,535

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2021

	Called up share capital presented as equity	Capital reserves	Revaluation reserve	Retained earnings	Attributable to ordinary shareholders	Preference share capital	Total equity
	€000s	**€000s**	**€000s**	**€000s**	**€000s**	**€000s**	**€000s**
Balance at 1 January 2020	**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 (expense)/income after taxation	—	—	(367)	5,785	5,418	—	5,418
Total comprehensive income for the year	—	—	978	8,830	9,808	—	9,808
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**
Profit after taxation	—	—	—	96,409	96,409	—	96,409
Other comprehensive expense after taxation	—	—	(226)	(10,432)	(10,658)	—	(10,658)
Total comprehensive (expense)/income for the year	—	—	(226)	85,977	85,751	—	85,751
Recognition of share based payments	—	2,650	—	—	2,650	—	2,650
Balance at 31 December 2021	**21,409**	**27,406**	**752**	**422,815**	**472,382**	**2,923**	**475,305**

**During 2020 the Group reclassified the reserve for revaluation gains on property held for own use previously included in retained earnings into a separate revaluation reserve.*

Company Statement of Financial Position

At 31 December 2021

	Note	2021 €000s	2020 €000s
Assets			
Investments			
Investment in subsidiaries	*31*	**91,831**	91,831
Financial assets		**1**	1
		91,832	91,832
Cash and cash equivalents		**3,417**	880
Retirement benefit surplus		**2,351**	2,367
Deferred taxation asset		**—**	53
Other receivables		**4,094**	3,864
Total assets		**101,694**	98,996
Equity and liabilities			
Equity			
Called up share capital presented as equity	*21*	**21,409**	21,409
Capital reserves	*22(b)*	**27,406**	24,756
Retained earnings		**47,308**	47,353
Shareholders' funds – equity interests		**96,123**	93,518
Preference share capital	*23*	**2,923**	2,923
Equity attributable to equity holders of the parent		**99,046**	96,441
Payables	*29(b)*	**2,354**	2,555
Deferred taxation liability		**294**	—
Total equity and liabilities		**101,694**	98,996

The loss attributable to shareholders in the financial statement of the holding company for the year ended 31 December 2021 was €35,000 (2020 loss: €1,963,000). As permitted by Section 34 of the Companies Act 2014, the Income Statement of the Company has not been separately presented in these financial statements.

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

The financial statements were approved by the Board and authorised for issue on 3 March 2022.

They were signed on its behalf by:

Liam Herlihy
Chairman

Tomás Ó Midheach
Group Chief Executive

Company Statement of Cash Flows

For the financial year ended 31 December 2021

	2021 €000s	2020 €000s
Cash flows from operating activities		
(Loss) before taxation	**(93)**	(2,420)
Adjustments for:		
Share-based payment expense	**2,650**	1,945
Operating cash flows before movement in working capital	**2,557**	(475)
Decrease in receivables	**179**	695
Decrease in payables	**(199)**	(74)
Net cash generated from operating activities	**2,537**	146
Net cash generated from investing activities	**—**	—
Cash flows from financing activities		
Ordinary and preference dividends paid	**—**	—
Net cash used in financing activities	**—**	—
Net increase in cash and cash equivalents	**2,537**	146
Cash and cash equivalents at the beginning of the financial year	**880**	734
Cash and cash equivalents at the end of the financial year	**3,417**	880

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

Company Statement of Changes in Equity

For the financial year ended 31 December 2021

	Called up share capital presented as equity	Capital reserves	Retained earnings	Attributable to ordinary shareholders	Preference share capital	Total equity
	€000s	€000s	€000s	€000s	€000s	€000s
Balance at 1 January 2020	**21,409**	**22,811**	**48,930**	**93,150**	**2,923**	**96,073**
Loss after taxation	—	—	(1,963)	(1,963)	—	(1,963)
Other comprehensive income after taxation	—	—	386	386	—	386
Total comprehensive loss for the year	—	—	(1,577)	(1,577)	—	(1,577)
Recognition of share based payments	—	1,945	—	1,945	—	1,945
Balance at 31 December 2020	**21,409**	**24,756**	**47,353**	**93,518**	**2,923**	**96,441**
Loss after taxation	—	—	(35)	(35)	—	(35)
Other comprehensive expense after taxation	—	—	(10)	(10)	—	(10)
Total comprehensive loss for the year	—	—	(45)	(45)	—	(45)
Recognition of share based payments	—	2,650	—	2,650	—	2,650
Balance at 31 December 2021	**21,409**	**27,406**	**47,308**	**96,123**	**2,923**	**99,046**

Notes to the Financial Statements

For the financial year ended 31 December 2021

1 GENERAL INFORMATION

FBD Holdings plc is an Irish registered public limited company. The registration number of the company is 135882. The address of the registered office is FBD House, Bluebell, Dublin 12, Ireland. FBD is one of Ireland's largest property and casualty insurers, looking after the insurance needs of farmers, businesses and retail customers. 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, business and retail customers throughout Ireland. It has a network of 34 branches nationwide.

2 GOING CONCERN

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

In making this assessment the Directors considered up to date solvency, liquidity and profitability projections for the Group. The basis of this assessment was the Budget 2022 and projections for 2023 which reflect the latest assumptions used by the business. The economic environment may impact on premiums including potential reductions in exposures, new business and retention levels. As all restrictions are lifted and the post pandemic economy fully recovers this will impact on the claims frequency and severity. Expense assumptions can change depending on the level of premiums as discretionary spend and resources are adjusted. There were a number of scenario projections run as part of the ORSA process as well as a number of more extreme stress events and in all scenarios the Group's capital ratio remained in excess of the Solvency Capital Requirement and in compliance with liquidity policies.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

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

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

Standards adopted during the period

In the current year, the Group has applied amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2021, unless otherwise stated.

- Interest Rate Benchmark Reform - phase 2 (Amendments to IFRS 7, IAS 4 and IFRS 16)

The amendments of this standard has not had a material impact on the financial statements of the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and Interpretations not yet effective

IFRS 17 *Insurance Contracts*[1]

IFRS 9 *Financial Instruments*[2]

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

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is effective for annual periods beginning on or after 1 January 2023, requiring a transition balance sheet at 1 January 2022. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. FBD Group will adopt IFRS 17 and IFRS 9 from the effective date of 1 January 2023.

The core of IFRS 17 is the general model, supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts. The main features of the new measurement model for insurance contracts are, as follows: an estimate of the present value of future net cash flows incorporating a risk adjustment for non-financial risk and re-measured at each reporting period (the fulfilment cash flows) and a contractual service margin representing the unearned profit of the insurance contracts relating to the future service to be provided under the contracts. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the 'liability for remaining coverage' comprising the fulfilment cash flows related to future service allocated to the group at that date, and the 'liability for incurred claims', comprising the fulfilment cash flows related to past service allocated to the group at that date.

A joint IFRS 17 and IFRS 9 project team sponsored by the Group Chief Financial Officer is in place to deliver the required reporting in line with required application timelines.

The project's working group involves individuals from various functions including Financial Control, Actuarial, Pricing and Underwriting, IT, Investments, Financial Planning and Analysis together with other stakeholders, such as Risk, when required. A cross functional Steering Committee comprised of senior management from Finance, Underwriting and IT oversees the work performed by individual work streams. Regular communication on progress, is provided to all relevant stakeholders including Executive Management and the Audit Committee.

An initial assessment of the business and financial impact of adopting IFRS 17 and IFRS 9 on the Group has been completed and work is now underway on the solution design and build of the systems that will provide the foundation for reporting under IFRS 17 and IFRS 9 from 1 January 2023. Key estimates identified by management in applying the standard include; assumptions used to estimate cash flows within the insurance policy contract boundary, determining discount rates and deciding on the risk adjustment calculation method. Key judgements identified by management in applying the standard include; deciding on the level of aggregation of contracts into units of account, demonstrating eligibility to apply the simplified premium allocation approach ('PAA') and recalibrating KPI's. Parallel run testing of reporting is scheduled to take place in 2022 to assure reporting compliance by 1 January 2023.

Changes to classification and measurement

The adoption of IFRS 17 is not expected to change the classification of the Group's insurance contracts. The Group expects to be able to apply the simplified premium allocation approach to all material insurance and reinsurance contract groups.

The measurement principles of the PAA differ from the 'earned premium approach' used by the Group under IFRS 4 in the following key areas:

- The liability for remaining coverage ('LRC') reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Measurement of the LRC includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart.
- Measurement of the LRC involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision).
- Measurement of the liability for incurred claims ('LIC') (previously claims outstanding and incurred-but-not reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk. The LIC includes the Group's obligation to pay other incurred insurance expenses.

On adoption IFRS 17 will significantly impact the measurement and presentation of the contracts in scope within the consolidated financial statements of the Group. The final figures will depend on the refinement of transition approaches, particularly, in the areas of discounting, cash flow modelling and risk adjustments. Although an initial assessment of the financial impact has been completed, as of the date of the publication of these Consolidated Financial Statements, the results of same are not yet a reliable quantification of the effect on the Group's Consolidated Financial Statements.

Changes to presentation and disclosure

For presentation in the Statement of Financial Position, the standard requires that the Group aggregate insurance and reinsurance contracts issued and reinsurance contracts held, respectively and present separately:

- Portfolios of insurance and reinsurance contracts issued that are assets
- Portfolios of insurance and reinsurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements. Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

The line item descriptions in the Income Statement and the Statement of Comprehensive Income will change significantly. Previously, the Group reported the following line items:

- Gross premium written
- Reinsurance premiums
- Net premium written
- Change in the net provision for unearned premiums
- Net premium earned
- Gross insurance claims
- Net insurance claims

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held
- Reinsurance contracts held are required to be presented separately from the expenses or income from insurance contracts issued.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Extensive disclosures providing information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts are required under IFRS17. The Group will be required to provide disaggregated qualitative and quantitative information about:

- Amounts recognised in its Financial Statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the standard

IFRS 9 Financial Instruments

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

Under IFRS 9, all equity securities and fund investments, and some debt instruments will be measured at fair value through profit or loss because the characteristics of the contractual cash flows from such instruments are not solely payments of principal and interest on the principal amount outstanding. Furthermore, IFRS 9 introduces a new impairment model based on expected credit losses rather than on an incurred loss basis as well as new presentation and disclosure requirements.

The Group decided to defer the implementation of IFRS 9 until IFRS 17 becomes effective to consider in combination the option under IFRS 9 to measure debt instruments at fair value through the profit and loss (FVTPL) or fair value through other comprehensive income (FVOCI), and the option in IFRS 17 to disaggregate insurance finance income and expense between the Income Statement and the Statement of Comprehensive Income (the OCI option), in order to minimise potential accounting mismatches.

ACCOUNTING POLICIES

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

A) ACCOUNTING CONVENTION

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

B) BASIS OF CONSOLIDATION

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

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

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

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

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B) BASIS OF CONSOLIDATION (continued)

- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

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

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

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

C) INVESTMENTS IN SUBSIDIARIES (Company only)

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

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

D) REVENUE RECOGNITION

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D) REVENUE RECOGNITION (continued)

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

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

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

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

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

E) INSURANCE CONTRACTS

(i) Premiums written

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

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

(ii) Unearned premiums

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

(iii) Deferred acquisition costs

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

(iv) Unexpired risks

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E) INSURANCE CONTRACTS (continued)

(v) Claims incurred

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

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

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

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

(vi) Reinsurance

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

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

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

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

F) OTHER PROVISIONS

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

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

G) PROPERTY, PLANT AND EQUIPMENT

(i) Property

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

Notes to the Financial Statements (continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G) PROPERTY, PLANT AND EQUIPMENT (continued)

(i) Property (continued)

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

(ii) Computer equipment and fixtures and fittings

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

(iii) Depreciation

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

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

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

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

Buildings: 30 years

Computer equipment: 3-5 years

Fixtures and fittings: 10 years

H) POLICY ADMINISTRATION SYSTEM

The policy administration system is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided in respect of the policy administration system and is calculated in order to write off the costs incurred to date, over its expected useful life which is determined to be 4.5 years on a straight line basis.

I) INTANGIBLE ASSETS

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

J) INVESTMENT PROPERTY

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

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

K) FINANCIAL INSTRUMENTS

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K) FINANCIAL INSTRUMENTS (continued)

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

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

(i) Investments held for trading at fair value

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

Investments are held for trading if:

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

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

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

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

(ii) Available for sale investments

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

(iii) Loans

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K) FINANCIAL INSTRUMENTS (continued)

(iv) Other receivables

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

Other receivables (Company only)

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

(v) Deposits with banks

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

(vi) Subordinated debt

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

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

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

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

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

During 2018 the Group performed an assessment of the amendments and reached the conclusion that its activities were predominantly connected with insurance as at 31 December 2015. The Group's percentage of its gross liabilities from contracts within the scope of IFRS 4 relative to its total liabilities at 31 December 2015 was 94.5% which is in excess of the 90% threshold required by IFRS 4. There has been no significant change to the activities of the Group requiring reassessment of the use of the temporary exemption from IFRS 9 to 31 December 2021.

IFRS 9 financial instruments deferral disclosures, as defined in IFRS 4, are included in note 37.

L) LEASES

(i) The Group as Lessor

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

(ii) The Group as Lessee

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L) LEASES (continued)

(ii) The Group as Lessee (continued)

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

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

Measurement and recognition of leases as a lessee

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

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

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

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

M) CASH AND CASH EQUIVALENTS

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

N) TAXATION

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N) TAXATION (continued)

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

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

O) RETIREMENT BENEFITS

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

(i) Defined benefit scheme

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

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

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

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

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

(ii) Defined contribution schemes

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

P) CURRENCY

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q) SHARE-BASED PAYMENTS AND LONG TERM INCENTIVE PLANS

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

R) TREASURY SHARES

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

S) IMPAIRMENT OF ASSETS

(i) Impairment of tangible and intangible assets

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

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

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

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

(ii) Impairment of financial assets

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S) IMPAIRMENT OF ASSETS (continued)

(ii) Impairment of financial assets (continued)

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

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

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

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

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

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

T) OTHER FINANCIAL SERVICES INCOME

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

U) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The principal accounting policies adopted by the Group are set out on pages 107 to 122. In the application of these accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The key source of judgement and estimation in the preparation of the financial statements are detailed below. The judgements and estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Critical accounting estimates and judgements in applying accounting policies

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The key judgements and the key sources of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements are detailed below. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis and actual results may differ from these estimates.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Claims provisions

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

Also included in the estimation of outstanding claims are factors such as the potential for inflation. Provisions for more recent claims make use of techniques that incorporate expected loss ratios and average claims cost (adjusted for inflation) and frequency methods. The average claims cost and frequency methods are particularly relevant when calculating the ultimate cost of claims for the 2020 and 2021 accident year as historic patterns have been distorted by Covid-19.

The Judgement from the Commercial Court issued on 5 February 2021 confirmed the Group is liable to cover Business Interruption claims as a consequence of the Covid-19 pandemic for publican customers. In April 2021, the Commercial Court judgement provided more clarity on likely gross claims costs with the Judge ruling that the pub is still subject to an imposed closure when customers were not allowed to eat and/or drink indoors and the issue of partial closures would be heard as part of a quantum hearing. A quantum hearing was held in July 2021 with the judgement issued on 28 January 2022 which confirmed that FBD must cover the partial closure claims. The judge ruled that the bar counter area continued to be subject to an imposed closure while the pub was open because the customer was not allowed to sit and consume their alcohol at the bar counter. In addition, the reduced opening hours of the pub was also deemed to be an imposed closure. The Judge made rulings on salaries in specific individual cases and rejected arguments that accrued salaries for staff laid off should be indemnified.

The issue of damages for late payment were set aside in this judgement and will be set down at a later date.

The full imposed closure of public houses ceased on 26 July 2021 with indemnity for the closure of the bar counter and early closing of the pub continuing until the full relaxation of the restrictions on 22 January 2022 or the end of the indemnity period of the policy, whichever is sooner.

FBD has now received information from approximately 500 public house policyholders in order to assess the claims and has been making interim payments based on these assessments. The recent data has provided more certainty in respect to a number of assumptions underlying the best estimate of the Business Interruption losses and will improve as the particulars of more claims are received.

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

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

Reinsurance assets

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

To minimise default exposure, the Group's policy is that all reinsurers should have a credit rating of A- or better or have provided alternative satisfactory security.

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

Notes to the Financial Statements (continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The uncertainty in respect of the reinsurance asset for Business Interruption has reduced considerably as the application of the reinsurance contract has been agreed with reinsurers for the expected impacted layers of the catastrophe program. 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.

Uncertainties in impairment testing

As at the reporting date it is noted that the market capitalisation, that is the quoted share price multiplied by the number of ordinary shares in issue, is lower than the Shareholders' Funds as per the Statement of Financial Position. There are a large number of factors driven by market conditions that can influence the market capitalisation of a company which includes but are not limited to factors such as shares being traded less frequently. The market capitalisation being below net assets is considered to be an external indicator of impairment and creates a necessity to make a formal estimate of recoverable amount to test whether any actual impairment exists. For tangible and intangible assets, the recoverable amount of an asset is the higher of its value in use or its fair value less costs to sell.

In the case of the Property, Plant and Equipment (excluding Owner Occupied Property which is held at revalued amount), policy administration system, Intangible Assets and Right of Use Assets there is no reliable estimate of the price at which an orderly transaction to sell the assets would take place and there are no direct cash-flows expected from the individual assets. These assets are an integral part of the FBD General Insurance business, therefore, the smallest group of assets that can be classified as a cash generating unit is the FBD General Insurance business.

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

The Value in Use cash flow projections are based on the budget 2022 figures and the five year strategic projections approved by the Board in December 2021. The 2027 figures are extrapolated assuming the performance in 2027 is in line with 2026. The time period of six years used in the cash flow projections is less than the weighted average remaining useful life of the assets in the FBD General Insurance business being assessed. This projection and plan refresh represent management's best estimate of future underwriting profits and fee income for FBD.

General Insurance business projections factors in both past experience as well as expected future outcomes relative to market data and the strategy adopted by the Board. The underlying assumptions of these forecasts include average premium, number of policies written, claims frequency, claims severity, weather experience, commission rates, fee income charges and expenses. The average growth rate used from 2022 to 2023 is 2% followed by a 4% growth rate for later years. Future cash flows are discounted using an estimated weighted average cost of capital (WACC) of 9.5% that is considered a reasonable estimate for market rate.

Sensitivity analysis was performed on the projections to allow for possible variations in the amount of the future cash flows and potential discount rate changes used to assess the impact on the headroom. The sensitivities include an additional weather event each year, delayed benefits from the Judgement Council Guidelines and positive impacts of new initiatives.

The scenarios run resulted in headroom ranging from 1.3 to 1.8 times when comparing the Value in Use of the cash generating unit to the carrying value of the assets, indicating that there is no impairment of the assets.

4 SEGMENTAL INFORMATION

(a) Operating segments

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

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

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

2021	Underwriting	Financial services	Total
	€000s	€000s	€000s
Revenue	379,356	7,305	386,661
Investment return	15,679	—	15,679
Finance costs	(2,545)	—	(2,545)
Profit before taxation	109,268	1,167	110,435
Income taxation charge	(13,017)	(1,009)	(14,026)
Profit after taxation	96,251	158	96,409
Other information			
Capital additions	8,545	—	8,545
Impairment of other assets	(59)	—	(59)
Depreciation/amortisation	(18,012)	—	(18,012)
Statement of Financial Position			
Segment assets	1,556,680	23,328	1,580,008
Segment liabilities	1,098,654	6,049	1,104,703

Included above in the current period is a net non-cash impairment charge relating to property held for own use and revaluation loss relating to investment property of €59,000 (2020: revaluation of €2,303,000).

Notes to the Financial Statements (continued)

4 SEGMENTAL INFORMATION (continued)

(a) Operating segments (continued)

2020	Underwriting	Financial services	Total
	€000s	€000s	€000s
Revenue	371,616	9,383	380,999
Investment return	10,388	—	10,388
Finance costs	(2,580)	—	(2,580)
Profit before taxation	2,695	2,107	4,802
Income taxation charge	91	(503)	(412)
Profit after taxation	2,786	1,604	4,390
Other information			
Capital additions	8,357	—	8,357
(Impairment) of other assets	(2,303)	—	(2,303)
Depreciation/amortisation	11,041	—	11,041
Statement of Financial Position			
Segment assets	1,461,755	20,416	1,482,171
Segment liabilities	1,088,963	6,304	1,095,267

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

In monitoring segment performance and allocating resources between segments:

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

4 SEGMENTAL INFORMATION (continued)

(a) Operating segments (continued)

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

	2021 €000s	2020 €000s
Direct insurance – motor	**182,233**	180,440
Direct insurance – fire and other damage to property	**109,402**	105,237
Direct insurance – liability	**69,387**	67,353
Direct insurance – interest and other revenue	**13,028**	13,386
Direct insurance – other	**5,306**	5,200
Financial services income - revenue from contracts with customers	**2,930**	4,211
Financial services income - other financial services revenue	**4,375**	5,172
Total revenue	**386,661**	380,999

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

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

	2021			2020		
	Gross €000s	Ceded €000s	Net €000s	Gross €000s	Ceded €000s	Net €000s
(i) Written premiums						
Motor	182,233	(16,596)	**165,637**	180,440	(14,567)	165,873
Fire and other damage to property	109,402	(10,453)	**98,949**	105,237	(23,109)	82,128
Liability	69,387	(5,222)	**64,165**	67,353	(4,990)	62,363
Miscellaneous	5,306	(381)	**4,925**	5,200	(368)	4,832
	366,328	**(32,652)**	**333,676**	358,230	(43,034)	315,196

Included in the gross premium written balance of €366,328,000 (2020: €358,230,000) are premium rebates of €3,347,000 (2020: €11,817,000) relating to reduced insurance exposure as a result of Covid-19 restrictions.

Notes to the Financial Statements (continued)

4 SEGMENTAL INFORMATION (continued)

(a) Operating segments (continued)

	2021			2020		
	Gross €000s	Ceded €000s	Net €000s	Gross €000s	Ceded €000s	Net €000s
(ii) Earned premiums						
Motor	184,724	(15,955)	**168,769**	178,022	(14,041)	163,981
Fire and other damage to property	107,144	(10,416)	**96,728**	105,882	(22,602)	83,280
Liability	69,105	(5,222)	**63,883**	68,068	(4,990)	63,078
Miscellaneous	5,248	(381)	**4,867**	5,262	(369)	4,893
	366,221	**(31,974)**	**334,247**	357,234	(42,002)	315,232

	2021			2020		
	Gross €000s	Ceded €000s	Net €000s	Gross €000s	Ceded €000s	Net €000s
(iii) Incurred claims including claims handling expenses						
Motor	73,868	(3,455)	**70,413**	55,840	(537)	55,303
Fire and other damage to property	96,637	(79,003)	**17,634**	198,125	(59,660)	138,465
Liability	32,163	(2,034)	**30,129**	24,422	(337)	24,085
Miscellaneous	5,419	(57)	**5,362**	3,594	(44)	3,550
	208,087	**(84,549)**	**123,538**	281,981	(60,578)	221,403

Net claims and benefits of €123,538,000 includes positive prior year reserve development of €63,600,000, as well as significant reductions in Motor and Liability claims during the year due to Covid-19 restrictions. Positive prior year development is made up of a reduction in Business Interruption claims costs, favourable large claims experience in recent years and better than expected experience on attritional claims.

	2021			2020		
	Gross €000s	Ceded €000s	Net €000s	Gross €000s	Ceded €000s	Net €000s
(iv) Other underwriting expenses						
Motor	48,370	(2,253)	**46,117**	46,038	(1,519)	44,519
Fire and other damage to property	29,038	(1,084)	**27,954**	26,850	(844)	26,006
Liability	18,417	(488)	**17,929**	17,185	(472)	16,713
Miscellaneous	1,408	(39)	**1,369**	1,326	(37)	1,289
	97,233	**(3,864)**	**93,369**	91,399	(2,872)	88,527

4 SEGMENTAL INFORMATION (continued)

(b) Geographical segments

The Group's operations are located in Ireland.

(c) Underwriting result

	2021 €000s	2021 €000s	2020 €000s	2020 €000s
Earned premiums, net of reinsurance				
Gross premium written	**366,328**		358,230	
Reinsurance premiums	**(32,652)**		(43,034)	
Net premium written	**333,676**		315,196	
Change in provision for unearned premium				
Gross amount	**(107)**		(996)	
Reinsurers' share	**678**		1,032	
Change in net provision for unearned premium	**571**		36	
Net premium earned		**334,247**		315,232
Claims paid, net of recoveries from reinsurers				
Claims paid:				
Gross amount	**(188,338)**		(160,950)	
Reinsurers' share	**12,060**		4,167	
Claims paid, net of recoveries from reinsurers	**(176,278)**		(156,783)	
Change in provision for claims				
Gross amount	**(6,340)**		(111,085)	
Reinsurers' share	**72,489**		56,411	
Change in insurance liabilities, net of reinsurance	**66,149**		(54,674)	
Claims handling expenses	**(13,409)**		(9,946)	
Net claims and benefits		**(123,538)**		(221,403)
Motor insurers bureau of Ireland levy and consequential payments		**(22,143)**		(9,681)
Management expenses	**(92,308)**		(86,858)	
Deferred acquisition costs	**1,380**		897	
Gross management expenses	**(90,928)**		(85,961)	
Reinsurers share of expenses	**3,864**		2,872	
Broker commissions payable	**(6,305)**		(5,438)	
Net operating expenses		**(93,369)**		(88,527)
Underwriting result		**95,197**		(4,379)

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4 SEGMENTAL INFORMATION (continued)

(c) Underwriting result (continued)

The Group's Reinsurance Policy dictates that all of the Group's reinsurers must have a credit rating of A- or better, or provide alternative satisfactory security. The impact of buying reinsurance was a credit to the Consolidated Income Statement of €56,024,000 (2020: credit of €21,409,000).

(d) Underwriting management expenses

	2021 €000s	2020 €000s
Employee benefit expense	**46,410**	47,069
Rent, rates, insurance and maintenance	**6,016**	6,472
Depreciation/amortisation	**18,012**	11,041
Other	**21,870**	22,276
Total underwriting management expenses	**92,308**	86,858

(e) Financial services and other costs

	2021 €000s	2020 €000s
Employee benefit expense	**3,398**	4,234
Rent, rates, insurance and maintenance	**615**	434
Other	**2,125**	2,608
Total financial services and other costs	**6,138**	7,276

5 NET INVESTMENT RETURN

	2021 €000s	2020 €000s
Actual return		
Interest and similar income	**8,607**	10,203
Net income from investment properties	**543**	310
Realised gains on investments	**7,918**	160
Dividend income	**13**	1
Revaluation of investment properties	**(996)**	(1,569)
Unrealised (loss)/gain on financial investments	**(406)**	1,283
Total investment income	**15,679**	10,388
By classification of investment		
Deposits with banks	**(386)**	(197)
Investments held for trading	**10,422**	5,411
Investment properties	**130**	(188)
Available for sale investments	**5,513**	5,362
Total investment income	**15,679**	10,388

6 PROFIT BEFORE TAXATION

	2021 €000s	2020 €000s
Profit before taxation has been stated after charging:		
Depreciation and amortisation	**18,012**	11,041

The remuneration of the Directors is disclosed in the audited section of the Report on Directors' Remuneration on pages 69 to 84. These disclosures form an integral part of the financial statements.

7 INFORMATION RELATING TO AUDITORS' REMUNERATION

An analysis of fees payable to the statutory audit firm is as follows:

	2021		2020	
	Company €000s	Group €000s	Company €000s	Group €000s
Description of service				
Audit of statutory financial statements	**69**	**429**	66	303
Other assurance services	**—**	**121**	—	119
Total auditors remuneration	**69**	**550**	66	422

Fees payable by the Company are included with the fees payable by the Group in each category.

In 2021 and 2020, other assurance services relate to Solvency II audit which are prescribed under legislation or regulation.

8 STAFF COSTS AND NUMBERS

The average number of persons employed by the Group was as follows:

	2021 No.	2020 No.
Underwriting	**894**	891
Financial services	**25**	27
Total	**919**	918

The aggregate employee benefit expense was as follows:	2021 €000s	2020 €000s
Wages and salaries	**47,583**	46,700
Social welfare costs	**4,983**	5,646
Pension costs	**4,494**	5,016
Share based payments	**2,650**	1,945
Total employee benefit expense	**59,710**	59,307

Notes to the Financial Statements (continued)

9 LEASES

Leases held are property leases for office space for the Group's branches and leases for computer equipment. The Group holds a number of property leases with remaining terms ranging from two to twenty-three years. None of the Group's leases have options for extensions or to purchase. There are no contingent rents payable and all lease payments are fixed and at market rates. Additional information on the Group's leases is detailed below:

Right of use assets

	2021 €000s	2020 €000s
Balance at 1 January	**5,635**	6,115
Additions	**233**	341
Depreciation charge for the year	**(790)**	(821)
Balance at 31 December	**5,078**	5,635

Lease liabilities

Maturity analysis - contractual undiscounted cash flows	2021 €000s	2020 €000s
Less than one year	**(961)**	(942)
One to five years	**(3,279)**	(3,356)
More than five years	**(2,278)**	(2,932)
Total undiscounted lease liabilities at 31 December	**(6,518)**	(7,230)
Contractual discounted cash flows		
Current	**(806)**	(969)
Non - current	**(4,543)**	(4,874)
Lease liabilities included in the statement of financial position at 31 December	**(5,349)**	(5,843)

Amounts recognised in profit or loss	2021 €000s	2020 €000s
Depreciation charge on right of use assets (included in Other underwriting expenses)	**(790)**	(821)
Interest on lease liabilities (included in Other underwriting expenses)	**(236)**	(263)
Expenses related to short-term leases (included in Other underwriting expenses)	**(50)**	(25)
Income from sub-leasing right of use assets (included in Other financial services income)	**79**	64

Total cash outflows recognised in the period in relation to leases were €962,000 (2020: €984,000).

10 INCOME TAXATION CHARGE

	2021 €000s	2020 €000s
Irish corporation taxation charge	**(14,149)**	(893)
Adjustments in respect of prior financial years	**17**	(69)
Current taxation charge	**(14,132)**	(962)
Deferred taxation credit	**106**	550
Income taxation charge	**(14,026)**	(412)

The taxation charge in the Consolidated Income Statement is higher (2020: lower) than the standard rate of corporation taxation in Ireland. The differences are explained below:

	2021 €000s	2020 €000s
Profit before taxation	**110,435**	4,802
Corporation taxation charge at standard rate of 12.5% (2020: 12.5%)	**13,804**	600
Effects of:		
Non-taxable income/unrealised gains/losses or expenses not deductible for tax purposes	**(159)**	(6)
Higher rates of taxation on other income	**101**	131
Adjustments in respect of prior years	**280**	(313)
Income taxation charge	**14,026**	412
Taxation as a percentage of profit before taxation	**12.7%**	8.6%

In addition to the amount charged to the Consolidated Income Statement, the following taxation amounts have been recognised directly in the Consolidated Statement of Comprehensive Income:

	2021 €000s	2020 €000s
Deferred taxation on:		
Actuarial gain on retirement benefit obligations	**(35)**	(291)
Property held for own use revaluation	**(230)**	(140)
Loss/(gain) on available for sale investments	**1,525**	(563)
Total income taxation credit/(charge) recognised directly in the Consolidated Statement of Comprehensive Income	**1,260**	(994)

11 LOSS FOR THE YEAR (COMPANY ONLY)

The Company's loss for the financial year determined in accordance with IFRS, as adopted by the European Union, is €35,000 (2020 loss: €1,963,000). The Company's other comprehensive loss for the financial year is €10,000 (2020 other comprehensive income: €386,000).

In accordance with section 304 of the Companies Act 2014 the Company is availing of the exemption from presenting its individual Income Statement to the AGM and from filing it with the Registrar of Companies.

Notes to the Financial Statements (continued)

12 EARNINGS PER €0.60 ORDINARY SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary shareholders is based on the following data:

Earnings	2021 €000s	2020 €000s
Profit for the year for the purpose of basic earnings per share	**96,127**	4,390
Profit for the year for the purpose of diluted earnings per share	**96,127**	4,390

Number of shares	2021 No.	2020 No.
Weighted average number of ordinary shares for the purpose of basic earnings per share (excludes treasury shares)	**35,138,959**	34,992,763
Weighted average number of ordinary shares for the purpose of diluted earnings per share (excludes treasury shares)	**35,930,762**	35,719,059
	Cent	Cent
Basic earnings per share	**274**	13
Diluted earnings per share	**268**	12

The 'A' ordinary shares of €0.01 each that are in issue have no impact on the earnings per share calculation. See note 21 for a description of the 'A' ordinary shares.

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

	2021 €000s	2020 €000s
Profit attributable to the parent entity for the year	**96,409**	4,390
2021 dividend of 8.4 cent (2020: 0.0 cent) per share on 14% non-cumulative preference shares of €0.60 each	**(113)**	—
2021 dividend of 4.8 cent (2020: 0.0 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	**96,127**	4,390

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:

	2021 No.	2020 No.
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**35,138,959**	34,992,763
Potential vesting of share based payments	**791,803**	726,296
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	**35,930,762**	35,719,059

13 PROPERTY, PLANT AND EQUIPMENT

	Property held for own use €000s	Computer Equipment €000s	Fixtures & Fittings €000s	Total €000s
Cost or valuation				
At 1 January 2020	24,224	97,641	24,547	146,412
Additions	—	1,341	292	1,633
Assets under development	—	206	—	206
At 31 December 2020	**24,224**	**99,188**	**24,839**	**148,251**
Additions	**—**	**187**	**961**	**1,148**
Assets under development	**—**	**125**	**—**	**125**
At 31 December 2021	**24,224**	**99,500**	**25,800**	**149,524**
Comprising:				
At cost	**—**	**99,500**	**25,800**	**125,300**
At valuation	**24,224**	**—**	**—**	**24,224**
At 31 December 2021	**24,224**	**99,500**	**25,800**	**149,524**

Accumulated depreciation and revaluation	Property held for own use €000s	Computer Equipment €000s	Fixtures & Fittings €000s	Total €000s
At 1 January 2020	7,378	91,215	19,705	118,298
Depreciation charge for the year	128	2,812	775	3,715
Impairment through the income statement	734	—	—	734
Impairment through the statement of comprehensive income	419	—	—	419
At 31 December 2020	**8,659**	**94,027**	**20,480**	**123,166**
Depreciation charge for the year	**116**	**2,235**	**770**	**3,121**
Revaluation through the income statement	**(937)**	**—**	**—**	**(937)**
Revaluation through the statement of comprehensive income	**(4)**	**—**	**—**	**(4)**
At 31 December 2021	**7,834**	**96,262**	**21,250**	**125,346**
Carrying amount				
At 31 December 2021	**16,390**	**3,238**	**4,550**	**24,178**
At 31 December 2020	15,565	5,161	4,359	25,085

Notes to the Financial Statements (continued)

13 PROPERTY, PLANT AND EQUIPMENT (continued)

Property held for own use

Properties held for own use at 31 December 2021 and 2020 were valued at fair value which is determined by independent external professional surveyors CB Richard Ellis, Valuation Surveyors. CB Richard Ellis confirm that the properties have been valued in accordance with RICS Valuation – Global Standards 2017 (Red Book) incorporating the IVSC International Valuation Standards issued June 2017.

The valuation report states that the valuations have been prepared on the basis of "Market Value" which is defined in the report as *"the estimated amount for which an asset or liability should exchange on valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion"*. The report also states that the market value *"has been primarily derived using comparable recent market transactions on arm's length terms"*.

The Directors believe that the market value, determined by independent professional valuers is not materially different to fair value.

Had the property been carried at historical cost less accumulated depreciation and accumulated revaluation losses, their carrying amount would have been as follows:

	2021 €000s	2020 €000s
Property held for own use	**14,235**	14,348

Fair value hierarchy disclosures required by IFRS13 *Fair Value Measurement* have been included in note 17, Financial Instruments and Fair Value Measurement.

14 POLICY ADMINISTRATION SYSTEM

The most significant investment by the Group in recent years is in its underwriting policy administration system. The Group's policy administration system, TIA, is the principal operating and core technology platform of the business.

Cost	**Policy Admin System €000s**
At 1 January 2020	57,791
Additions	4,796
At 1 January 2021	62,587
Additions	**4,685**
At 31 December 2021	**67,272**

14 POLICY ADMINISTRATION SYSTEM (continued)

Accumulated amortisation	€000s
At 1 January 2020	19,188
Amortisation charge for the year	6,678
At 1 January 2021	25,866
Amortisation charge for the year*	**13,424**
At 31 December 2021	**39,290**

Carrying amount	
At 31 December 2021	**27,982**
At 31 December 2020	36,721

** During the annual review of the useful economic life of the policy administration system, the useful life of items of the system developed in the earlier years of the project have been re-estimated, this has resulted in accelerated amortisation of €5,884,000 in 2021.*

The additions to the policy administration system in 2021 are split 74% internally generated assets and 26% externally generated assets (2020: 75% internally generated assets and 25% externally generated assets).

The amortisation charge for the year is included in 'Other underwriting expenses' in the Consolidated Income Statement.

15 INTANGIBLE ASSETS

Cost:	Computer Software €000s
At 1 January 2020	2,334
Additions	1,928
Assets under development	1,665
At 31 December 2020	**5,927**
Additions	**2,712**
Assets under development	**2,686**
At 31 December 2021	**11,325**

Accumulated amortisation:	
At 1 January 2020	179
Amortisation charge for the year	648
At 31 December 2020	827
Amortisation charge for the year	**1,467**
At 31 December 2021	**2,294**

Carrying amount	
At 31 December 2021	**9,031**
At 31 December 2020	5,100

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15 INTANGIBLE ASSETS (continued)

The additions during 2021 to Intangible Assets are split 28% internally generated assets and 72% externally generated assets (2020: 20% internally generated assets and 80% externally generated assets).

Assets under development at 31 December 2021 relate to investment in digital and cloud based applications. These assets are expected to be operational in Q1 2022.

The amortisation charge for the year is included in 'Other underwriting expenses' in the Consolidated Income Statement.

16 INVESTMENT PROPERTY

	2021	2020
Fair value of investment property	**€000s**	**€000s**
At 1 January	**17,051**	18,693
Net gains or losses from fair value adjustments	**(996)**	(1,569)
Refurbishment of investment property	**—**	1,922
Disposal of investment property	**—**	(1,995)
At 31 December	**16,055**	17,051

Investment property includes a commercial rental property in Dublin City Centre and an immaterial holding of agricultural land in the United Kingdom.

The investment property held for rental in Ireland was valued at fair value at 31 December 2021 and at 31 December 2020 by independent external professional valuers, CB Richard Ellis, Valuation Surveyors. The valuation was prepared in accordance with RICS Valuation – Global Standards 2017 (Red Book) incorporating the IVSC International Valuation Standards issued June 2017. The valuers confirm that they have sufficient current local and national knowledge of the particular property market involved and have the skills and understanding to undertake the valuations competently.

The valuation statement received from the external professional valuers state that the valuations have been prepared on the basis of *"Market Value"* which they define as *"the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion"*.

The Directors believe that market value, determined by independent external professional valuers, is not materially different to the fair value.

There was a net decrease in the fair value in 2021 of €996,000 (2020 decrease: €1,569,000).

The rental income earned by the Group from its investment properties amounted to €1,044,104 (2020: €962,000). Direct operating costs associated with investment properties amounted to €501,099 (2020: €652,000).

The historical cost of investment property is as follows:

	2021	2020
	€000s	**€000s**
Historical cost at 1 January	**22,053**	20,210
Refurbishment costs	**—**	1,922
Disposal of investment property	**—**	(79)
Historical cost at 31 December	**22,053**	22,053

16 INVESTMENT PROPERTY (continued)

Maturity analysis - undiscounted non-cancellable operating lease receivable	2021 €000s	2020 €000s
Less than one year	**733**	1,041
One to five years	**2,315**	2,315
More than five years	**1,833**	2,894
Maturity analysis - undiscounted non-cancellable operating lease receivables	**4,881**	6,250

Fair value hierarchy disclosures required by IFRS13 Fair Value Measurement have been included in note 17, Financial Instruments and Fair Value Measurement.

17 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT

(a) Financial Instruments

	2021 €000s	2020 €000s
Financial Assets		
At Amortised Cost:		
Deposits with banks	**—**	40,000
Cash and cash equivalents	**164,479**	129,535
Loans	**577**	601
Other receivables	**58,047**	65,402
At fair value:		
Available for sale investments	**893,715**	863,880
Investments held for trading	**137,547**	116,930
Financial Liabilities		
At Amortised Cost:		
Payables	**41,657**	44,729
Subordinated debt (note 26)	**49,603**	49,544
Lease liabilities	**5,349**	5,843

Notes to the Financial Statements (continued)

17 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (continued)

(b) Fair value measurement

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

	2021 Fair value €000s	2021 Carrying value €000s
Assets		
Loans	**693**	**577**
Liabilities		
Subordinated debt	**54,341**	**49,603**

	2020 Fair value €000s	2020 Carrying value €000s
Assets		
Loans	721	601
Liabilities		
Subordinated debt	53,924	49,544

The exemption from disclosing the fair value of short term receivables has been availed of.

Certain assets and liabilities are measured in the Statement of Financial Position at fair value using a fair value hierarchy of valuation inputs. The following table provides an analysis of assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 Fair value measurements derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Available for sale investments – quoted debt securities are fair valued using latest available closing bid price. Collective investment schemes, held for trading (Level 1) are valued using the latest available closing NAV of the fund.

Level 2 Fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Valuation techniques used are outlined below;

- Collective investment schemes held for trading (Infrastructure and Senior Private Debt funds) are valued using the most up-to-date valuations calculated by the fund administrator allowing for any additional investments made up until year end.
- AFS unquoted investments securities are classified as Level 3 as they are not traded in an active market.
- Investment property and property held for own use were fair valued by independent external professional valuers at year end. Group occupied properties have been valued on a vacant possession basis applying hypothetical 10-year leases and assumptions of void and rent free periods, market rents, capital yields and purchase costs which are derived from comparable transactions and adjusted for property specific factors as determined by the valuer. Group investment properties have been valued using the investment method based on the long leasehold interest in the subject property, the contracted values of existing tenancies, assumptions of void and rent free periods and market rents for vacant lots, and capital yields and purchase costs which are derived from comparable transactions and adjusted for property specific factors as determined by the valuer. Please refer to note 13 and note 16 for further details.

17 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (continued)

(b) Fair value measurement (continued)

2021	Level 1 €000s	Level 2 €000s	Level 3 €000s	Total €000s
Assets				
Investment property	**—**	**—**	**16,055**	**16,055**
Property held for own use	**—**	**—**	**16,390**	**16,390**
Financial assets				
Investments held for trading – collective investment schemes	**123,661**	**—**	**13,886**	**137,547**
AFS investments - quoted debt securities	**892,495**	**—**	**—**	**892,495**
AFS investments - unquoted investments	**—**	**—**	**1,220**	**1,220**
Total assets	**1,016,156**	**—**	**47,551**	**1,063,707**
Total liabilities	**—**	**—**	**—**	**—**

2020	Level 1 €000s	Level 2 €000s	Level 3 €000s	Total €000s
Assets				
Investment property	—	—	17,051	17,051
Property held for own use	—	—	15,565	15,565
Financial assets				
Investments held for trading – collective investment schemes	108,199	—	8,731	116,930
AFS investments - quoted debt securities	863,068	—	—	863,068
AFS investments - unquoted investments	—	—	812	812
Total assets	971,267	—	42,159	1,013,426
Total liabilities	—	—	—	—

17 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (continued)

(b) Fair value measurement (continued)

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

	2021 €000s	2020 €000s
At 1 January	**42,159**	3,945
Transfers-in	**—**	35,539
Additions	**4,522**	7,754
Disposals	**(544)**	(1,995)
Revaluation/(impairment)	**1,531**	(2,722)
Unrealised loss recognised in the Consolidated Income Statement	**(117)**	(362)
At 31 December	**47,551**	42,159

The Directors review the inputs to assess fair value measurement at least annually to determine the appropriate level to be disclosed. A sensitivity analysis of the Level 3 assets is completed in note 36(f).

18 DEFERRED ACQUISITION COSTS

The movements in deferred acquisition costs during the financial year were:

	2021 €000s	2020 €000s
At 1 January	**34,079**	33,182
Additions	**71,302**	68,621
Recognised in the Consolidated Income Statement	**(69,923)**	(67,724)
At 31 December	**35,458**	34,079

All deferred acquisition costs are expected to be recovered within one year from 31 December 2021.

19 OTHER RECEIVABLES

	2021 €000s	2020 €000s
Policyholders	**39,645**	41,358
Intermediaries	**5,107**	6,187
Other debtors	**7,087**	11,606
Accrued interest and rent	**—**	34
Prepayments and accrued income	**6,207**	6,217
Total other receivables	**58,047**	65,402

The Directors have performed an impairment review of the receivables arising out of direct insurance operations and no objective evidence came to their attention that an impairment exists. There is no significant concentration of risk in receivables arising out of direct insurance operations or any other activities.

The Directors consider that the carrying amount of receivables is approximate to their fair value. All receivables are due within one year and none are past due.

20 CASH AND CASH EQUIVALENTS

	2021 €000s	2020 €000s
Short term deposits	**151,023**	123,501
Cash in hand	**13,456**	6,034
Total cash and cash equivalents	**164,479**	129,535

21 CALLED UP SHARE CAPITAL PRESENTED AS EQUITY

	Number	2021 €000s	2020 €000s
(i) Ordinary shares of €0.60 each			
Authorised:			
At the beginning and the end of the year	51,326,000	**30,796**	30,796
Issued and fully paid:			
At the beginning and the end of the year	35,461,206	**21,277**	21,277
(ii) 'A' Ordinary shares of €0.01 each			
Authorised:			
At the beginning and the end of the year	120,000,000	**1,200**	1,200
Issued and fully paid:			
At the beginning and the end of the year	13,169,428	**132**	132
Total – issued and fully paid		**21,409**	21,409

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

The holders of the two classes of non-cumulative preference shares rank ahead of the two classes of ordinary shares in the event of a winding up (see note 23). Before any dividend can be declared on the ordinary shares of €0.60 each, the dividend on the non-cumulative preference shares must firstly be declared or paid.

The number of ordinary shares of €0.60 each held as treasury shares at the beginning of the year (and the maximum number held during the year) was 408,744 (2020: 598,742). 244,739 ordinary shares were re-issued from treasury shares during the year under the FBD Performance Plan. The number of ordinary shares of €0.60 each held as treasury shares at the end of the year was 164,005 (2020: 408,744). This represented 0.5% (2020: 1.2%) of the shares of this class in issue and had a nominal value of €98,403 (2020: €245,246). 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.

Notes to the Financial Statements (continued)

22 CAPITAL RESERVES

(a) GROUP

	Share premium	Capital conversion reserve	Capital redemption reserve	Share-based payment reserve	Total
	€000s	€000s	€000s	€000s	€000s
Balance at 1 January 2020	5,540	1,627	4,426	11,218	22,811
Recognition of share-based payments	—	—	—	1,945	1,945
Balance at 31 December 2020	5,540	1,627	4,426	13,163	24,756
Recognition of share-based payments	**—**	**—**	**—**	**2,650**	**2,650**
Balance at 31 December 2021	**5,540**	**1,627**	**4,426**	**15,813**	**27,406**

(b) COMPANY

	Share premium	Capital conversion reserve	Capital redemption reserve	Share-based payment reserve	Total
	€000s	€000s	€000s	€000s	€000s
Balance at 1 January 2020	5,540	1,627	4,426	11,218	22,811
Recognition of share-based payments	—	—	—	1,945	1,945
Balance at 31 December 2020	5,540	1,627	4,426	13,163	24,756
Recognition of share-based payments	**—**	**—**	**—**	**2,650**	**2,650**
Balance at 31 December 2021	**5,540**	**1,627**	**4,426**	**15,813**	**27,406**

The capital conversion reserve arose on the redenomination of Company's ordinary shares, 14% non-cumulative preference shares and 8% non-cumulative preference shares of IR£0.50 each into ordinary shares, 14% non-cumulative preference shares and 8% non-cumulative preference shares of 63.4869 cent. Each such share was then renominalised to an ordinary or a non-cumulative preference share of €0.60, an amount equal to the reduction in the issued share capital being transferred to the capital conversion reserve fund.

Capital redemption reserve arose on the buyback and cancellation of issued share capital.

Share-based payment reserve arose on the recognition of share-based payments.

23 PREFERENCE SHARE CAPITAL

	Number	2021 €000s	2020 €000s
Authorised:			
At the beginning and the end of the year			
14% Non-cumulative preference shares of €0.60 each	1,340,000	**804**	804
8% Non-cumulative preference shares of €0.60 each	12,750,000	**7,650**	7,650
		8,454	8,454
Issued and fully paid:			
At the beginning and the end of the year			
14% Non-cumulative preference shares of €0.60 each	1,340,000	**804**	804
8% Non-cumulative preference shares of €0.60 each	3,532,292	**2,119**	2,119
		2,923	2,923

The rights attaching to each class of share capital are set out in the Company's Articles of Association. In the event of the Company being wound up, the holders of the 14% non-cumulative preference shares rank ahead of the holders of the 8% non-cumulative preference shares, who in turn, rank ahead of the holders of both the 'A' ordinary shares of €0.01 each and the holders of the ordinary shares of €0.60 each.

Notes to the Financial Statements (continued)

24 CLAIMS OUTSTANDING

(a) Gross Claims Outstanding 2021

	Prior years €000s	2012 €000s	2013 €000s	2014 €000s	2015 €000s	2016 €000s	2017 €000s	2018 €000s	2019 €000s	2020 €000s	2021 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year		232,311	245,007	307,517	302,581	253,962	247,145	252,435	219,244	371,639	231,182	
One year later		215,445	236,839	342,422	304,108	235,972	223,322	235,902	198,195	382,653	—	
Two years later		224,720	266,183	344,123	326,052	220,376	205,505	212,647	171,925	—	—	
Three years later		235,965	260,580	333,544	318,467	206,578	196,235	205,963	—	—	—	
Four years later		233,434	257,859	326,714	228,395	192,022	192,624	—	—	—	—	
Five years later		231,159	244,922	318,944	275,014	190,739	—	—	—	—	—	
Six years later		229,271	243,163	312,800	272,800	—	—	—	—	—	—	
Seven years later		228,677	237,930	309,499	—	—	—	—	—	—	—	
Eight years later		225,397	235,748	—	—	—	—	—	—	—	—	
Nine years later		224,907	—	—	—	—	—	—	—	—	—	
Ten years later		—	—	—	—	—	—	—	—	—	—	
Estimate of cumulative claims		224,907	235,748	309,499	272,800	190,739	192,624	205,963	171,925	382,653	231,182	
Cumulative payments		(213,363)	(224,377)	(282,116)	(215,826)	(153,076)	(135,790)	(127,344)	(92,419)	(130,596)	(65,582)	
Claims outstanding at 31 December 2021:	23,205	11,544	11,371	27,383	56,974	37,663	56,834	78,619	79,506	252,057	165,600	**800,756**
Claims outstanding at 31 December 2020:	26,087	13,090	15,579	40,390	66,144	46,250	70,333	95,354	117,427	303,762	—	**794,416**
Movement during year	(2,882)	(1,546)	(4,208)	(13,007)	(9,170)	(8,587)	(13,499)	(16,735)	(37,921)	(51,705)	165,600	**6,340**

24 CLAIMS OUTSTANDING (continued)

(b) Net Claims Outstanding 2021

	Prior years €000s	2012 €000s	2013 €000s	2014 €000s	2015 €000s	2016 €000s	2017 €000s	2018 €000s	2019 €000s	2020 €000s	2021 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year		214,793	228,819	256,663	270,279	228,107	212,750	228,501	206,343	265,748	196,617	
One year later		201,171	217,098	292,223	274,000	219,905	199,086	216,210	192,984	226,319	—	
Two years later		210,422	243,373	295,223	284,636	205,320	186,058	203,584	168,282	—	—	
Three years later		221,438	237,733	290,243	275,909	190,732	180,938	199,302	—	—	—	
Four years later		218,979	233,750	283,929	262,801	184,554	177,332	—	—	—	—	
Five years later		217,104	226,331	275,559	256,358	182,570	—	—	—	—	—	
Six years later		215,179	224,386	271,945	253,755	—	—	—	—	—	—	
Seven years later		214,396	221,848	267,236	—	—	—	—	—	—	—	
Eight years later		212,037	219,272	—	—	—	—	—	—	—	—	
Nine years later		211,167	—	—	—	—	—	—	—	—	—	
Ten years later		—	—	—	—	—	—	—	—	—	—	
Estimate of cumulative claims		211,167	219,272	267,236	253,755	182,570	177,332	199,302	168,282	226,319	196,617	
Cumulative payments		(199,171)	(207,457)	(239,819)	(199,611)	(143,507)	(126,869)	(122,467)	(92,428)	(130,034)	(55,304)	
Claims outstanding at 31 December 2021	20,322	11,996	11,815	27,417	54,144	39,063	50,463	76,835	75,854	96,285	141,313	**605,507**
Claims outstanding at 31 December 2020	23,336	13,922	16,530	41,831	63,703	47,666	63,236	91,159	112,207	198,066	—	**671,656**
Movement during the year	(3,014)	(1,926)	(4,715)	(14,414)	(9,559)	(8,603)	(12,773)	(14,324)	(36,353)	(101,781)	141,313	**(66,149)**

24 CLAIMS OUTSTANDING (continued)

(b) Net Claims Outstanding 2021 (continued)

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

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

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the insurance liabilities. In performing these tests, current best estimates of future cash flows and claims handling and administration expenses are used. Any deficiency is immediately recognised in the Consolidated Income Statement.

Details regarding the Business Interruption claims provision and reinsurance assets are included in note 3 (U).

(c) Reconciliation of claims outstanding

	Gross €000s	Net €000s
Balance at 1 January 2020	683,332	616,982
Change in provision for claims	111,084	54,674
Balance at 31 December 2020	794,416	671,656
Change in provision for claims	6,340	(66,149)
Balance at 31 December 2021	**800,756**	**605,507**

(d) Reconciliation of provision for unearned premium

The following changes have occurred in the provision for unearned premium during the year:

	2021 €000s	2020 €000s
Balance at 1 January	**184,541**	183,545
Net premium written	**333,676**	315,196
Net premium earned	**(334,247)**	(315,232)
Changes in provision for unearned premium – reinsurers' share	**678**	1,032
Provision for unearned premium at 31 December	**184,648**	184,541

24 CLAIMS OUTSTANDING (continued)

(e) Reconciliation of reinsurance assets

	Claims outstanding €000s	Unearned premium reserve €000s
Balance at 1 January 2020	66,349	1
Movement during year	56,411	1,032
Balance at 31 December 2020	122,760	1,033
Movement during year	72,489	678
Balance at 31 December 2021	**195,249**	**1,711**

25 OTHER PROVISIONS

	Consequential Payments €000s	Premium Rebates €000s	MIICF Contribution €000s	MIBI Levy €000s	Total €000s
Balance at 1 January 2020	—	—	3,652	4,765	8,417
Provided in the year*	—	11,817	3,609	6,072	21,498
Net amounts paid	—	(9,790)	(3,652)	(4,406)	(17,848)
Balance at 31 December 2020	—	2,027	3,609	6,431	12,067
Provided in the year*	**13,153**	**3,347**	**3,645**	**5,345**	**25,490**
Net amounts paid	**(11,208)**	**(4,153)**	**(3,609)**	**(5,095)**	**(24,065)**
Balance at 31 December 2021	**1,945**	**1,221**	**3,645**	**6,681**	**13,492**

**Premium rebates of €3,347,000 (2020: €11,817,000) are included in Gross premium written, and Consequential Payments, MIICF and MIBI amounts of €22,143,000 (2020: €9,681,000) are included in Movement in other provisions, both in the Consolidated Income Statement.*

Consequential Payments

This is the best estimate of the Consequential Payments provision in respect of the Financial Services and Pensions Ombudsman decisions during 2021. The Board approved a consequential payment provision in line with the Central Bank of Ireland Business Interruption Insurance Supervisory Framework following decisions from the Financial Services and Pensions Ombudsman in respect of Business Interruption customer complaints. €11,208,000 has been settled in 2021 and the remaining €1,945,000 will be settled in 2022.

Notes to the Financial Statements (continued)

25 OTHER PROVISIONS (continued)

Premium Rebates

FBD committed to rebating Motor policy and certain elements of Commercial policy premiums to reflect the changing claims environment and enforced restrictions as a result of the Covid-19 pandemic. The total amount of premium rebates provided for in the year was €3,347,000 (2020: €11,817,000). The remaining €1,221,000 represents an estimate of the remaining Commercial rebates due.

MIICF Contribution

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

MIBI Levy

The Group's share of the Motor Insurers' Bureau of Ireland "MIBI" levy for 2021 is based on its estimated market share in the current year at the Statement of Financial Position date. Payments of the total amount provided is paid in equal instalments throughout the year.

26 SUBORDINATED DEBT

	2021 €000s	2020 €000s
Balance at 1 January	**49,544**	49,485
Amortised during the year	**59**	59
Balance at 31 December	**49,603**	49,544

The amount relates to €50,000,000 Callable Dated Deferrable Subordinated Notes due 2028. The coupon rate on the notes is 5%. Interest costs associated with the subordinated notes totalling €2,500,000 (2020: €2,500,000) were incurred and recognised during 2021. The actual interest charge can vary year on year due to the amount accrued at each year end, the amount in 2021 was -€14,000 (2020: €21,000).

27 RETIREMENT BENEFIT SURPLUS

Defined Contribution Pension

The Group operates defined contribution retirement benefit plans for qualifying employees who opt to join. The assets of the plans are held separately from those of the Group in funds under the control of Trustees. The Group recognised an expense of €4,146,739 (2020: €4,693,562) relating to these pension schemes during the year ended 31 December 2021.

Defined Benefit Pension

The Group also operates a legacy funded defined benefit retirement pension scheme for certain qualifying employees. This scheme was closed to new members in 2005 and closed to future accrual in 2015. The defined benefit pension scheme is administered by a separate Trustee Company that is legally separated from the entity. The Trustee Company, who is responsible for ensuring compliance with the Pensions Act 1990 and other relevant legislation, is composed of an independent Trustee and representatives from both the employers and current and former employees. The Trustees are required by law and by its Articles of Association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. deferred members, retirees and employers. They are responsible for the investment policy with regard to the assets of the scheme.

Under the defined benefit pension scheme, qualifying members are entitled to retirement benefits of 1/60th of final salary for each year of service on attainment of a retirement age of 65. A full actuarial valuation of the defined benefit pension scheme was carried out as at 1 July 2019. This valuation was carried out using the projected unit credit method. The minimum funding standard was updated to 31 December 2021 by the schemes' independent and qualified actuary. This confirms that the Scheme continues to satisfy the minimum funding standard. The next full actuarial valuation of the scheme is expected to be completed no later than as at 1 July 2022.

27 RETIREMENT BENEFIT SURPLUS (continued)

Defined Benefit Pension (continued)

The long-term investment objective of the Trustees and the Group is to limit the risk of the assets failing to meet the liabilities of the scheme over the long term, and to maximise returns consistent with an acceptable level of risk so as to control the long-term costs of the scheme. To meet these objectives, the scheme's assets are primarily invested in bonds with a smaller level of investment in diversified growth funds and property. These reflect the current long-term asset allocation ranges, having regard to the structure of liabilities within the scheme. The scheme typically exposes the Group to actuarial risks such as: investment risk, interest rate risk and longevity risk.

(a) Assumptions used to calculate scheme liabilities

	2021 %	2020 %
Inflation rate	**1.90**	1.20
Pension payment increase	**0.00**	0.00
Discount rate	**1.10**	0.50

(b) Mortality assumptions

	2021 Years	2020 Years
The average life expectancy of current and future retirees used in the scheme at age 65 is as follows:		
Male	**21.9**	21.8
Female	**24.3**	24.2

When taking into account members who have not yet retired and those who are currently in receipt of pensions, the weighted average duration of the expected benefit payments from the scheme is circa 15 years.

As required by IAS 19 disclosures; the discount rate is set by reference to yields available at 31 December 2021 on high quality corporate bonds having regard to the duration of the schemes liabilities. The actual return on the scheme assets for the year was a loss of €4,165,000 (2020: gain of €7,796,000).

(c) Consolidated Income Statement

	2021 €000s	2020 €000s
Charged to Consolidated Income Statement:		
Service cost: employer's part of current service cost	**402**	391
Net interest credit	**(54)**	(81)
Charge to Consolidated Income Statement	**348**	310

Charges to the Consolidated Income Statement have been included in other underwriting expenses and financial services and other costs.

Notes to the Financial Statements (continued)

27 RETIREMENT BENEFIT SURPLUS (continued)

(d) Analysis of amount recognised in Group Statement of Comprehensive Income

	2021 €000s	2020 €000s
Remeasurements in the year due to:		
– Changes in financial assumptions	**(5,484)**	5,595
– Experience adjustments on benefit obligations	**520**	(1,031)
Actual return less interest on scheme assets	**4,684**	(6,890)
Total amount recognised in OCI before taxation	**(280)**	(2,326)
Deferred taxation debit	**35**	291
Actuarial gain net of deferred taxation	**(245)**	(2,035)

(e) History of experience gains and losses

	2021 €000s	2020 €000s	2019 €000s	2018 €000s	2017 €000s
Present value of defined benefit obligations	**86,693**	94,927	93,958	83,434	88,103
Fair value of plan assets	**97,594**	105,776	102,681	96,378	97,877
Net pension (asset)/liability	**(10,901)**	(10,849)	(8,723)	(12,944)	(9,774)
Experience (losses)/gains on scheme liabilities	**(520)**	1,031	(1,120)	999	150
Total amount recognised in OCI before taxation	**280**	2,326	(4,236)	3,232	275

The cumulative charge to the Consolidated Statement of Comprehensive Income is €102,200,000 (2020: €102,480,000).

(f) Assets in scheme at market value

	2021 €000s	2020 €000s
Managed bond funds - fair value at quoted prices	**77,510**	87,108
Managed unit trust funds - fair value at quoted prices	**5,177**	5,173
Managed infrastructure fund - fair value at unquoted prices	**5,917**	5,442
Managed dividend growth fund - fair value at quoted prices	**4,844**	4,642
Managed opportunities fund - fair value at quoted prices	**2,777**	2,610
Cash deposits and other - at amortised cost	**1,369**	801
Scheme assets	**97,594**	105,776
Actuarial value of liabilities	**(86,693)**	(94,927)
Net pension surplus	**10,901**	10,849

The assets are part of unitised funds which have a broad geographical and industry type spread with no significant concentration in any one geographical or industry type.

27 RETIREMENT BENEFIT SURPLUS (continued)

(g) Movement in net surplus during the year

	2021 €000s	2020 €000s
Net surplus in scheme at 1 January	**10,849**	8,723
Current service cost	**(402)**	(391)
Employer contributions	**120**	120
Interest on scheme liabilities	**(465)**	(835)
Interest on scheme assets	**519**	906
Total amount recognised in OCI before taxation	**280**	2,326
Net surplus at 31 December	**10,901**	10,849

(h) Movement on assets and liabilities

	2021 €000s	2020 €000s
Assets		
Assets in scheme at 1 January	**105,776**	102,681
Actual return less interest on scheme assets	**(4,684)**	6,890
Employer contributions	**120**	120
Interest on scheme assets	**519**	906
Benefits paid	**(4,137)**	(4,821)
Assets in scheme at 31 December	**97,594**	105,776
Liabilities		
Liabilities in scheme at 1 January	**94,927**	93,958
Experience gains and losses on scheme liabilities	**520**	(1,031)
Changes in financial assumptions	**(5,484)**	5,595
Current service cost	**402**	391
Interest on scheme liabilities	**465**	835
Benefits paid	**(4,137)**	(4,821)
Liabilities in scheme at 31 December	**86,693**	94,927

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are as follows:

- A 1% increase in the discount rate would reduce the value of the scheme liabilities by €11.7 million. A 1% reduction in the discount rate would increase the value of the scheme liabilities by €14.9 million.
- A 1% increase in inflation would increase the value of the scheme liabilities by €3.7 million. A 1% reduction in inflation would reduce the value of the scheme liabilities by €3.2 million.
- The effect of assuming all members of the scheme will live one year longer would increase the scheme's liabilities by €3.6 million.
- The current best estimate of 2022 contributions to be made by the Group to the pension fund is €0.1million (2021: €0.1million).

Notes to the Financial Statements (continued)

28 DEFERRED TAXATION LIABILITY

	Retirement benefit surplus	Unrealised gains on investments & loans	Revaluation surplus on investment properties	Losses carried forward	Other timing differences	Total
	€000s	€000s	€000s	€000s	€000s	€000s
At 1 January 2020	1,089	1,645	1,831	(549)	137	4,153
Debited to the Consolidated Statement of Comprehensive Income	291	563	—	—	140	994
(Credited) to the Consolidated Income Statement	(20)	—	(444)	(278)	(278)	(1,020)
At 31 December 2020	**1,360**	**2,208**	**1,387**	**(827)**	**(1)**	**4,127**
Debited/(credited) to the Consolidated Statement of Comprehensive Income	**35**	**(1,525)**	**—**	**—**	**230**	**(1,260)**
(Credited)/debited to the Consolidated Income Statement	**(32)**	**—**	**—**	**417**	**(491)**	**(106)**
At 31 December 2021	**1,363**	**683**	**1,387**	**(410)**	**(262)**	**2,761**

A deferred taxation asset of €410,000 (2020: €827,000) has been recognised in respect of losses carried forward. The Directors have considered and are satisfied that the deferred taxation asset will be fully recoverable against future taxable profits.

29 PAYABLES

(a) GROUP

	2021	2020
	€000s	€000s
Amounts falling due within one year:		
Payables and accruals	**30,218**	26,025
PAYE/PRSI	**1,654**	1,403
Payables arising out of direct insurance operations	**9,785**	17,301
Total payables	**41,657**	44,729

(b) COMPANY

	2021	2020
	€000s	€000s
Amounts falling due within one year:		
Payables and accruals	**2,354**	2,555
Total payables	**2,354**	2,555

30 DIVIDENDS

	2021 €000s	2020 €000s
Paid during year:		
2020 dividend of 0.0 cent (2019: 0.0 cent) per share on 14% non-cumulative preference shares of €0.60 each	**—**	—
2020 dividend of 0.0 cent (2019: 0.0 cent) per share on 8% non-cumulative preference shares of €0.60 each	**—**	—
2020 final dividend of 0.0 cent (2019: 0.0 cent) per share on ordinary shares of €0.60 each	**—**	—
Total dividends paid	**—**	—

	2021 €000s	2020 €000s
Proposed:		
2021 dividend of 8.4 cent (2020: 0.0 cent) per share on 14% non-cumulative preference shares of €0.60 each	**113**	—
2021 dividend of 4.8 cent (2020: 0.0 cent) per share on 8% non-cumulative preference shares of €0.60 each	**169**	—
2021 final dividend of 100.0 cent (2020: 0.0 cent) per share on ordinary shares of €0.60 each	**35,297**	—
Total dividends proposed	**35,579**	—

The proposed dividend excludes any amounts due on outstanding share awards as at 31 December 2021 that are due to vest in March 2022 and is subject to approval by shareholders at the Annual General Meeting to be held on 12 May 2022. The proposed dividend has not been included as a liability in the Consolidated Statement of Financial Position as at 31 December 2021.

31 PRINCIPAL SUBSIDIARIES

(a) Subsidiaries	Nature of Operations	% Owned
FBD Insurance plc	General insurance underwriter	100%
FBD Insurance Group Limited	Investment services, pensions and life brokers	100%
FBD Corporate Services Limited	Employee services company	100%

The Registered Office of each of the above subsidiaries is at FBD House, Bluebell, Dublin 12.

All shareholdings are in the form of ordinary shares.

The financial year end for the Group's principal subsidiaries is 31 December.

FBD Holdings plc is an Irish registered public limited company. The Company's ordinary shares of €0.60 each are listed on Euronext Dublin and the UK Listing Authority and are traded on both Euronext Dublin and London Stock Exchange.

All individual subsidiary's financial statements are prepared in accordance with FRS 102, the financial reporting standard applicable in the UK and Republic of Ireland with the exception of FBD Insurance plc whose financial statements are prepared in accordance with International Financial Reporting Standards ("IFRSs") adopted by the European Union, in preparation for the adoption of IFRS 17 Insurance Contracts from 1 January 2023 by the Group.

32 CAPITAL COMMITMENTS

There are no capital commitments at the financial year end (2020: €nil).

33 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets at either 31 December 2021 or 31 December 2020.

34 SHARE-BASED PAYMENTS

FBD Group Performance Share Plan

Conditional awards of ordinary shares are made under the FBD Group Performance Share Plan ("LTIP"). The LTIP was last approved by the shareholders of FBD Holdings plc at the 2018 AGM. Conditional awards are solely based on non-market conditions. The extent to which the non-market conditions have been met and any award (or part of an award) has therefore vested will be determined in due course by the Remuneration Committee of the Board of FBD Holdings plc. Further detail on the LTIP is available within the Report on Directors' Remuneration on pages 69 to 84.

Accounting charge for share based payments

Grant date	Number outstanding at 1 January 2021	Granted during year	Dividends	Outperformance	Forfeited during year	Vested during year	Number outstanding at 31 December 2021	Performance Period	Earliest vesting date
23.08.2018 LTIP	195,679	—	15,297	45,889	(12,126)	(244,739)	—	2018-2020	Aug-21
25.03.2019 LTIP	242,892	—	—	—	(15,413)	—	227,479	2019-2021	Mar-22
24.04.2020 LTIP	339,089	—	—	—	(23,467)	—	315,622	2020-2022	Apr-23
25.03.2021 LTIP	—	380,647	—	—	(12,103)	—	368,544	2021-2023	Mar-24
Total	**777,660**	**380,647**	**15,297**	**45,889**	**(63,109)**	**(244,739)**	**911,645**		

Grant date	Vesting period (years)	Number outstanding at 31 December 2021	% of shares expected to vest	Share price at grant date	Fair value of share award at grant date	2021	2020
			%	€	€	€000s	€000s
28.03.2017 LTIP	3	—	90%	7.95	7.95	**—**	92
23.08.2018 LTIP	3	—	125%	10.80	10.80	**565**	762
25.03.2019 LTIP	3	227,479	125%	8.79	8.79	**961**	878
24.04.2020 LTIP	3	315,622	83%	6.12	6.12	**378**	213
25.03.2021 LTIP	3	368,544	83%	6.89	6.89	**746**	—
Total		**911,645**				**2,650**	1,945

During the financial year 244,739 shares of the August 2018 award vested, with a value of €2,598,000.

The Directors estimate 125% of the March 2019 awards will vest, 83% of the April 2020 awards will vest and 83% of the April 2021 awards will vest.

35 TRANSACTIONS WITH RELATED PARTIES

Farmer Business Developments plc and FBD Trust Company Ltd have a substantial shareholding in the Group at 31 December 2021. Details of their shareholdings and related party transactions are set out in the Report of the Directors on page 51.

Both companies have subordinated debt investment in the Group. Farmer Business Developments holds a €21.0m investment and FBD Trust Ltd holds a €12.0m investment. Interest payments are made to both companies on a quarterly basis in proportion to their holding. Please refer to note 26 for further details.

At 31 December 2021 the intercompany balances with other subsidiaries was €3,739,000 (2020: €3,462,000).

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:

	2021 €000s	2020 €000s
Short term employee benefits[1]	**4,131**	3,801
Post-employment benefits	**262**	295
Share based payments	**1,346**	1,012
Charge to the Consolidated Income Statement	**5,739**	5,108

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

Full disclosure in relation to the 2021 and 2020 compensation entitlements and share awards of the Board of Directors is provided in the Report on Directors' Remuneration.

At 31 December 2021 KMP had loans to the value of €18,000 with the Group (December 2020: €9,000). KMP loans with the Group did not exceed these values at any stage during the year.

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 €nil (2020: €nil).

36 FINANCIAL RISK MANAGEMENT

(a) Capital Management Risk

The Group is committed to managing its capital to ensure it is adequately capitalised at all times and to maximise returns to shareholders. The capital of the Group comprises of issued capital, reserves and retained earnings as detailed in notes 21 to 23. The Group has an Investment Committee, a Pricing & Underwriting Committee, a Capital Management Forum, an Audit Committee, a Reserving Committee and Board and Executive Risk Committees, all of which assist the Board in the identification and management of exposures and capital.

The Group maintained its capital position and complied with all regulatory solvency margin requirements throughout both the year under review and the prior year. In 2021, the Group maintained its Solvency Capital Requirement (SCR) coverage above its target range of 150-170% of SCR.

An experienced Actuarial team is in place with policies and procedures to ensure that Technical Provisions are calculated in an appropriate manner and represent a best estimate. Technical Provisions are internally peer reviewed every quarter, audited once a year and subject to external peer review every two years.

An approved Reinsurance Programme is in place to minimise the solvency impact of Catastrophe events to the Group.

The annual ORSA provides a comprehensive view and understanding of the risks to which the Group is exposed or could face in the future and how they translate into capital needs or alternatively require mitigation actions.

Notes to the Financial Statements (continued)

36 FINANCIAL RISK MANAGEMENT (continued)

(a) Capital Management Risk (continued)

The Chief Financial Officer is responsible for consideration of the implications for the capital position as part of the strategic planning process and key strategic decision-making and for ensuring appropriate action is taken as approved by the Board/ Chief Executive Officer/relevant committee.

On at least an annual basis, a target range for its SCR Ratio, developed as part of the annual planning/budgeting process, is approved by the Board as part of the Risk Appetite Statements in the Risk Appetite Framework.

The Group also devotes considerable resources to managing its relationships with the providers of capital within the capital markets, for example, existing and potential shareholders, financial institutions, stockbrokers and corporate finance houses.

(b) Liquidity risk

The Group is exposed to daily calls on its cash resources, mainly for claims payments. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring that the maturity profile of its financial assets is well matched to the maturity profile of its liabilities and maintaining a minimum cash amount available on short term access at all times.

The following tables provide an analysis of assets and liabilities into their relevant maturity groups based on the remaining period to contractual maturity. The contracted value below is the undiscounted cash flow.

	Carrying value total	Contracted Value	Cashflow within 1 year	Cashflow 1-5 years	Cashflow after 5 years
Assets – 2021	**€000s**	**€000s**	**€000s**	**€000s**	**€000s**
Available for sale investments	**893,715**	904,983	186,080	490,641	228,262
Investments held for trading	**137,547**	137,547	123,661	-	13,886
Reinsurance assets	**196,960**	196,960	124,363	66,604	5,993
Loans and receivables	**58,624**	58,624	58,624	-	-
Cash and cash equivalents	**164,479**	164,479	164,479	-	-
Total	**1,451,325**	**1,462,593**	**657,207**	**557,245**	**248,141**
Liabilities – 2021					
Insurance contract liabilities	**985,404**	985,404	422,486	473,404	89,514
Payables	**41,657**	41,657	41,657	—	—
Other provisions	**13,492**	13,492	13,492	—	—
Subordinated bond*	**49,603**	67,500	2,500	10,000	55,000
Total	**1,090,156**	**1,108,053**	**480,135**	**483,404**	**144,514**

**See note 26*

36 FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

Assets – 2020	Carrying value total €000s	Contracted Value €000s	Cashflow within 1 year €000s	Cashflow 1-5 years €000s	Cashflow after 5 years €000s
Available for sale investments	**863,068**	862,204	100,381	533,786	228,037
Investments held for trading	**116,930**	116,930	108,198	-	8,732
Deposits	**40,000**	40,000	40,000	-	-
Reinsurance assets	**123,793**	123,793	101,398	19,723	2,672
Loans and receivables	**66,003**	66,003	66,003	-	-
Cash and cash equivalents	**129,535**	129,535	129,535	-	-
Total	**1,339,329**	**1,338,465**	**545,515**	**553,509**	**239,441**

Liabilities – 2020					
Insurance contract liabilities	**978,957**	978,957	351,962	533,641	93,354
Payables	**44,729**	44,729	44,729	—	—
Other provisions	**12,067**	12,067	12,067	—	—
Subordinated bond*	**49,544**	70,000	2,500	10,000	57,500
Total	**1,085,297**	**1,105,753**	**411,258**	**543,641**	**150,854**

**See note 27*

(c) Market risk

The Group has invested in term deposits, listed debt securities, investment property and externally managed collective investment schemes which provide exposure to a broad range of asset classes. These investments are subject to market risk, whereby the value of the investments may fluctuate as a result of changes in market prices, changes in market interest rates or changes in the foreign exchange rates of the currency in which the investments are denominated. The extent of the exposure to market risk is managed by the formulation of, and adherence to, an Investment Policy incorporating clearly defined investment limits and rules, as approved annually by the Board of Directors and employment of appropriately qualified and experienced personnel and external investment management specialists to manage the Group's investment portfolio. The overriding philosophy of the Investment Policy is to protect and safeguard the Group's assets and to ensure its capacity to underwrite is not put at risk.

Interest rate and spread risk

Interest rate and spread risk arises primarily from the Group's investments in listed debt securities and deposits and their movement relatively to the Group's liabilities. The Group reviews its exposure to interest rate and spread risk on a quarterly basis by conducting an asset liability matching analysis. As part of this analysis it monitors the movement in assets minus liabilities for defined interest rate stresses and ensures that they remain within set limits as laid out in its Asset Liability Management Policy. Similar monitoring is done for spread risk.

Notes to the Financial Statements (continued)

36 FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)

At 31 December 2021, the Group held the following deposits and listed debt securities:

	2021		2020	
	Market Value	Weighted average interest rate	Market Value	Weighted average interest rate
	€000s	%	€000s	%
Time to maturity				
In one year or less	**167,088**	**1.19**	140,609	0.84
In more than one year, but not more than two years	**140,867**	**0.95**	201,410	1.13
In more than two years, but not more than three years	**79,179**	**1.28**	161,056	1.00
In more than three years, but not more than four years	**103,619**	**1.04**	83,953	1.21
In more than four years, but not more than five years	**165,158**	**1.02**	64,299	1.13
More than five years	**236,584**	**0.82**	251,741	1.17
Total	**892,495**		903,068	

Equity price risk

The Group is subject to equity price risk due to its holdings in collective investment schemes which invest in equities.

The amounts exposed to equity price risk at the reporting date are:

	2021	2020
	€000s	€000s
Equity exposure	**50,019**	48,931

Foreign currency risk

The Group does not directly hold investment assets in foreign currencies; however, it does have exposure to non-euro exchange rate fluctuations through its collective investment scheme holdings. The underlying exposure to foreign currency is as follows.

	2021	2020
Assets	€000s	€000s
Emerging Markets*	**17,208**	11,238
USD	**13,886**	9,600
Other OECD	**—**	435

**The Emerging Markets currency exposure is achieved through the collective investment schemes and is highly diversified. The largest exposure to any one currency as at 31 December 2021 was €2.6m in Hong Kong Dollars.*

The Group did not directly hold any derivative instruments at 31 December 2021 or 31 December 2020.

36 FINANCIAL RISK MANAGEMENT (continued)

(d) Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

Financial assets are graded according to current credit ratings issued by the main credit rating agencies. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as speculative grade. All of the Group's bank deposits are with financial institutions which have a minimum A- rating. The Group holds the following listed Government bonds (average credit rating: A) and listed corporate bonds (average credit rating: A-), with the following credit profile:

	2021		2020	
	Market Value €000s	Weighted Average Duration	Market value €000s	Weighted Average Duration
Government bonds				
AAA	**21,205**	**1.6**	47,166	1.5
AA+	**8,056**	**1.2**	8,113	2.2
AA	**92,484**	**4.9**	69,101	4.6
A+	**40,072**	**0.2**	40,700	1.2
BBB+	**70,307**	**5.1**	72,624	6.0
BBB	**48,509**	**4.9**	—	0.0
BBB-	**22,376**	**4.8**	73,171	5.8
Total	**303,009**	**4.0**	310,875	4.2
Corporate Bonds				
AAA	**—**	**0.0**	915	0.7
AA+	**2,031**	**6.2**	3,046	1.4
AA	**7,373**	**2.0**	11,688	2.4
AA-	**32,421**	**2.9**	39,454	2.0
A+	**72,825**	**3.3**	55,059	2.4
A	**59,667**	**2.7**	76,189	2.5
A-	**134,036**	**3.1**	91,141	2.7
BBB+	**122,694**	**3.0**	117,030	2.7
BBB	**118,984**	**3.0**	118,484	3.0
BBB-	**39,455**	**2.7**	39,187	2.4
Total	**589,486**	**3.0**	552,193	2.6

All of the Group's current reinsurers either have a credit rating of A- or better. The Group has assessed these credit ratings and security as being satisfactory in diminishing the Group's exposure to the credit risk of its reinsurance receivables. At 31 December 2021, the maximum balance owed to the Group by an individual reinsurer, including reinsurers' share of insurance contract liabilities not yet called, was €30,148,000 (2020: €25,639,000).

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's most significant exposure to credit risk. There are no financial assets past due but not impaired.

Receivables arising out of direct insurance operations are considered by the Directors to have low credit risk and therefore no provision for bad or doubtful debts has been made. All other receivables are due within one year and none are past due.

Notes to the Financial Statements (continued)

36 FINANCIAL RISK MANAGEMENT (continued)

(e) Concentration risk

Concentration risk is the risk of loss due to overdependence on a singular investment or category of business. The main concentration risks to which the Group is exposed, and how they are mitigated, are as follows:

- Exposure to a single country, counterparty or security as part of its sovereign or corporate bond portfolio. The Group mitigates this risk by placing limits on these exposures with its investment managers which are continuously monitored.
- Exposure to a single counterparty as part of its cash and deposit holdings. The Group mitigates this risk by placing limits on its total exposures to banking counterparties as set out in the Group's Investment Policy, which is approved annually by the Board of Directors.
- While all of the Group's underwriting business is conducted in Ireland, with a significant focus on the agri-sector, it is spread over a wide geographical area with no concentration in any one county or region. The resultant concentration risk from adverse weather events, i.e. floods, storms or freezes in Ireland, are mitigated by a flood mapping solution and an appropriate reinsurance strategy.

Receivables arising out of direct insurance operations and other receivables have no significant concentration of risk.

(f) Sensitivity analysis

The table below identifies the Group's key sensitivity factors. For each sensitivity test the impact of a change in a single factor is shown, with other assumptions left unchanged.

Sensitivity factor	Description of sensitivity factor applied
Interest rate and investment return	The impact of a change in the market interest rate by an increase of 1% or a decrease of 0.25%. For example if a current interest rate is 2%, the impact of an immediate change to 3% and 1.75%.
Exchange rates movement	The impact of a change in foreign exchange rates by ± 10%.
Equity market values	The impact of a change in equity market values by ±10%.
Available for sale investments	The impact of a change in bond market valuations by ±5%.
Level 3 - investment property	The impact of a change in market rents ±10%.
Level 3 - property held for own use	The impact of a change in market rents ±10%.
Level 3 - other investments	The impact of a change in valuations by ±10%.
Net loss ratios	The impact of an increase in underwriting net loss ratios by 5%.

36 FINANCIAL RISK MANAGEMENT (continued)

(f) Sensitivity analysis (continued)

The pre-taxation impacts on profit and shareholders' equity at 31 December 2021 and at 31 December 2020 of each of the sensitivity factors outlined above are as follows:

		2021 €000s	2020 €000s
Interest rates	1%	**(37,488)**	(30,634)
Interest rates	(0.25%)	**11,335**	6,772
FX rates	10%	**3,109**	2,127
FX rates	(10%)	**(3,109)**	(2,127)
Equity	10%	**5,002**	4,893
Equity	(10%)	**(5,002)**	(4,893)
Available for sale investments	5%	**44,625**	43,153
Available for sale investments	(5%)	**(44,625)**	(43,153)
Level 3 - investment property (note 17)	10%	**1,800**	2,000
Level 3 - investment property (note 17)	(10%)	**(1,900)**	(2,000)
Level 3 - property held for own use (note 17)	10%	**1,202**	1,178
Level 3 - property held for own use (note 17)	(10%)	**(1,440)**	(1,353)
Level 3 - other investments (note 17)	10%	**1,511**	954
Level 3 - other investments (note 17)	(10%)	**(1,511)**	(954)
Net loss ratio	(5%)	**16,712**	15,762

The sensitivity of changes in the assumptions used to calculate general insurance liabilities and reinsurance assets are set out in the table below:

31 December 2021	**Change in assumptions**	**Increase in gross technical reserves €000s**	**Increase/ (decrease) in net technical reserves €000s**	**Impact on profit before taxation €000s**	**Reduction/ (increase) in shareholders' equity €000s**
Injury claims IBNR and IBNER	**+10%**	**9,091**	**7,077**	**(7,077)**	**6,192**
Other claims IBNR and IBNER	**+10%**	**3,248**	**(9,850)**	**9,850**	**(8,619)**
Reinsurance assets - claims outstanding	**(10)%**	**—**	**19,525**	**(19,525)**	**17,084**
31 December 2020					
Injury claims IBNR and IBNER	+10%	12,253	9,213	(9,213)	8,061
Other claims IBNR and IBNER	+10%	5,246	(4,876)	4,876	(5,572)
Reinsurance assets - claims outstanding	(10)%	—	12,276	(12,276)	10,742

36 FINANCIAL RISK MANAGEMENT (continued)

(f) Sensitivity analysis (continued)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results. The sensitivity analysis does not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk. They represent the Group's view of possible near-term market changes that cannot be predicted with any certainty and assume that all interest rates move in an identical fashion.

37 IFRS 9 FINANCIAL INSTRUMENTS DEFERRAL DISCLOSURES

As set out in accounting policy K in note 3, the Group has chosen to defer application of IFRS 9 due to its activities being predominantly connected with insurance.

To facilitate comparison with entities applying IFRS 9, the table below presents an analysis of the fair value of the classes of financial assets as at the end of the reporting period, as well as the change in fair value during the reporting period. The financial asset classes are divided into two categories:

i. Solely Payments of Principal and Interest (SPPI): assets of which cash flows represent solely payments of principal and interest on an outstanding principal amount, but are not meeting the definition of held for trading in IFRS 9, or are not managed on a fair value basis; and,
ii. Other: all financial assets other than those specified in SPPI:
    1. with contractual terms that do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;
    2. that meet the definition of held for trading in IFRS 9; or
    3. that are managed and whose performance are evaluated on a fair value basis.

Fair Values as of 31 December 2021

Financial assets	Financial assets that passed SPPI	Other *	Total Fair Value
	€000s	€000s	€000s
Other receivables	58,047	—	**58,047**
Deposits with banks	—	—	**—**
Cash and cash equivalents	164,479	—	**164,479**
Available for sale investments	—	893,715	**893,715**
Investments held for trading	—	137,547	**137,547**
Total Financial Assets	**222,526**	**1,031,262**	**1,253,788**

** Other includes Financial assets that have passed SPPI and are evaluated on a FV basis*

37 IFRS 9 FINANCIAL INSTRUMENTS DEFERRAL DISCLOSURES (continued)

Fair Values as of 31 December 2020

Financial assets	Financial assets that passed SPPI	Other *	Total Fair Value
	€000s	€000s	€000s
Other receivables	65,402	—	65,402
Deposits with banks	40,000	—	40,000
Cash and cash equivalents	129,535	—	129,535
Available for sale investments	—	863,880	863,880
Investments held for trading	—	116,930	116,930
Total Financial Assets	234,937	980,810	1,215,747

** Other includes Financial assets that have passed SPPI and are evaluated on a FV basis*

For receivables, loans and cash and cash equivalents carried at amortised cost, the carrying value is considered to be approximately equal to fair value.

The below table presents fair value movements on financial assets measured on a fair value basis and investments held for trading.

There was no material change in fair value during the year in respect of financial assets that passed the SPPI test.

	Financial assets measured on a fair value basis	Financial instruments held for trading
	€000s	€000s
Balance at 1 January 2021	863,880	116,930
Additions	210,500	58,432
Disposals	(166,034)	(48,654)
Realised gains	1,033	7,783
Unrealised (losses)/gains	(15,664)	3,056
Balance at 31 December 2021	**893,715**	**137,547**

For financial assets whose cash flows represent SPPI as defined above, the table below provides information on credit risk exposure. The Group mitigates it's concentration risk to a single counterparty as part of its cash and deposit holdings by placing limits on its total exposures to banking counterparties, the Group's largest exposure to any counterparty for cash and deposit holdings is €36,200,000 (2020:€33,000,000). The financial assets are categorised by asset class with a carrying amount measured in accordance with IAS 39 requirements.

Notes to the Financial Statements (continued)

37 IFRS 9 FINANCIAL INSTRUMENTS DEFERRAL DISCLOSURES (continued)

As at 31 December 2021

Rating	Other receivables €000s	Deposits with banks €000s	Cash and cash equivalents €000s	Total €000s
AAA	**—**	**—**	**—**	**—**
AA	**—**	**—**	**7,869**	**7,869**
AA-	**—**	**—**	**22,884**	**22,884**
A+	**—**	**—**	**15,451**	**15,451**
A-	**—**	**—**	**41,865**	**41,865**
A	**—**	**—**	**66,178**	**66,178**
BBB	**—**	**—**	**10,232**	**10,232**
Unrated	**58,047**	**—**	**—**	**58,047**
Total	**58,047**	**—**	**164,479**	**222,526**

As at 31 December 2020

Rating	Other receivables €000s	Deposits with banks €000s	Cash and cash equivalents €000s	Total €000s
AAA	—	—	—	—
AA	—	—	6,467	6,467
AA-	—	—	25,494	25,494
A+	—	—	34,344	34,344
A-	—	40,000	60,997	100,997
BBB	—	—	2,233	2,233
Unrated	65,402	—	—	65,402
Total	65,402	40,000	129,535	234,937

38 SUBSEQUENT EVENTS

The judgement delivered on 28 January 2022 in respect of Business Interruption claims for public houses has provided considerable clarity on the definition of business closure and on other matters such as allowable wages. While some matters remain to be clarified, FBD will progress with the settlement of valid claims for customers.

FBD has agreed with reinsurers how reinsurance recoveries will operate in respect of the application of reinsurance cover to these Business Interruption claims for the expected impacted layers of its catastrophe programme. This reduces the uncertainty surrounding recoveries from reinsurers and has had a favourable impact on previously booked reserves net of reinsurance with the net liability reducing.

The judgement and reinsurance agreement are adjusting events for the purposes of the 2021 financial statements on the basis that they relate to 2021.

Alternative Performance Measures

The Group uses the following alternative performance measures: Loss ratio, expense ratio, combined operating ratio, annualised investment return, net asset value per share, return on equity and gross premium written.

Loss ratio (LR), expense ratio (ER) and combined operating ratio (COR) are widely used as a performance measure by insurers, and give users of the financial statements an understanding of the underwriting performance of the entity. Investment return is used widely as a performance measure to give users of financial statements an understanding of the performance of an entities investment portfolio. Net asset value per share (NAV) is a widely used performance measure which provides the users of the financial statements the book value per share. Return on equity (ROE) is also a widely used profitability ratio that measures an entity's ability to generate profits from its shareholder investments. Gross premium written refers to the premium on insurance contracts entered into during the year and is widely used across the general insurance industry.

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

	Note	2021 €000s	2020 €000s
Loss ratio			
Net claims and benefits	*4(c)*	**123,538**	221,403
Movement in other provisions	*4(c)*	**22,143**	9,681
Total claims incurred	*4(c)*	**145,681**	231,084
Net premium earned		**334,247**	315,232
Loss ratio (Total claims incurred/Net premium earned)		**43.6%**	73.3%
Expense ratio			
Other underwriting expenses	*4(c)*	**93,369**	88,527
Net premium earned	*4(c)*	**334,247**	315,232
Expense ratio (Underwriting expenses/Net premium earned)		**27.9%***	28.1%

** excluding the accelerated amortisation of the policy administration system (refer to note 14) of €5,884,000, the expense ratio would be 26.1%.*

Combined operating ratio		**%**	**%**
Loss ratio		**43.6%**	73.3%
Expense ratio		**27.9%**	28.1%
Combined operating ratio (Loss ratio + Expense ratio)		**71.5%**	101.4%

Investment return	Note	2021 €000s	2020 €000s
Investment return recognised in Consolidated Income Statement	*5*	**15,679**	10,388
Investment return recognised in Statement of Comprehensive Income		**(12,202)**	4,505
Total investment return		**3,477**	14,893
Average investment assets		**1,185,036**	1,117,036
Investment return % (Total investment return/Average investment assets)		**0.3%**	1.3%

Alternative Performance Measures (continued)

	Note	2021 €000s	2020 €000s
Net asset value per share			
Shareholders' funds – equity interests		**472,382**	383,981
Number of Shares			
Number of ordinary shares in issue (excluding treasury)	*21*	**35,297,201**	35,052,462
		Cent	Cent
Net asset value per share (NAV) (Shareholders' funds/Closing number of ordinary shares)		**1,338**	1,095
Return on Equity			
Weighted average equity attributable to ordinary equity holders of the parent		**428,182**	378,105
Result for the year		**96,409**	4,390
Return on equity (Result for the year/Weighted average equity attributable to ordinary equity holders of the parent)		**23%**	1%

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

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

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

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

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