

# Genworth Mortgage Insurance Australia

1H 2014 Financial results presentation

30 July 2014



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# Agenda

## 1. Introduction (Ellie Comerford, MD and CEO)

- Summary of financial performance
- Overview of economic environment
- Overview of business/regulatory environment

## 2. Detailed financial performance (Georgette Nicholas, CFO)

- Pro forma income statement
  - Sales and revenue performance
  - Delinquency and loss performance
- Pro forma balance sheet
- Investment performance
- Capital and solvency update

## 3. Summary and conclusion (Ellie Comerford, MD and CEO)

- 2014 full year outlook

## 4. Questions

# Introduction

Ellie Comerford, Managing Director and CEO

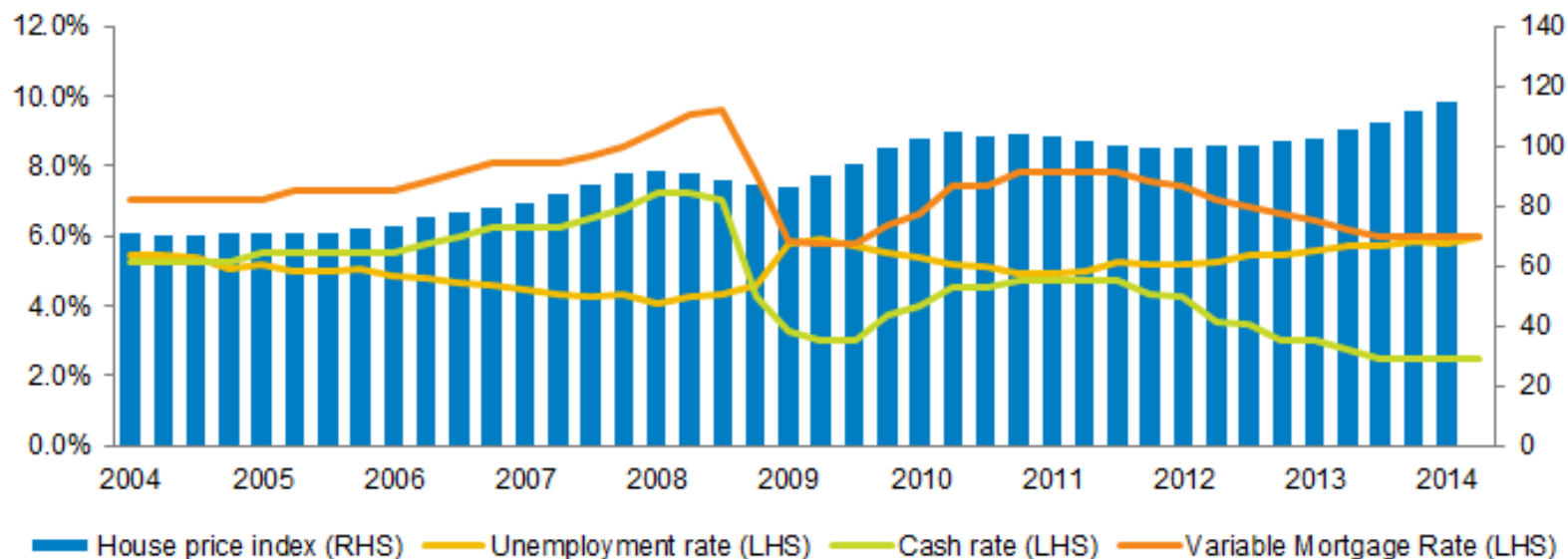
# Overview of 1H14 financial performance

Solid financial performance – marginally ahead of IPO prospectus

- Statutory Net Profit After Tax of \$42.5 for the period post reorganisation from 19 May 2014 to 30 June 2014
- Underlying NPAT of \$133.1m
  - Reported Net Profit After Tax (NPAT) of \$151.4m includes \$18.3m of post tax mark to market gains
- New Insurance Written (NIW) of \$17.3bn compared to \$17.1bn compared to prior corresponding period (pcp)
- Gross Written Premium (GWP) of \$313.6m, up 14.9% compared to pcp
- Net Earned Premium (NEP) of \$218.4m, an increase of 13.6% compared to pcp
- Closing delinquencies of 5,405 down from 5,820 as at 30 June 2013
  - Delinquencies up by 425 from 4,980 as at 31 Dec 13 reflecting normal seasonality
  - Delinquency rate down to 0.36% up from 0.34% at 31 Dec 13, but down from 0.40% as at 30 Jun 2013
- Reported loss ratio of 19.6%
- Lower losses and delinquencies underpinned by low interest rate environment and recent strength in housing markets
  - Improved housing market supporting a trend in a reduction in late stage arrears and a lower average claim amount
- Investment income of \$104.0m pre tax (includes \$26.0m (pre tax) of mark to market gains)
- Strong stable balance sheet with \$1.3bn of Unearned Premium Reserve (UPR)
- Cash and fixed interest Investment portfolio of \$3.9bn with 2.0 year duration
- Regulatory capital solvency ratio 154% on a level 2 basis
- Annualised Underlying Return on Equity (ROE) of 12.0% vs. reported annualised ROE of 13.3%
- Interim dividend of 2.8 cents per share represents 55% of the Underlying NPAT

# Overview of economic environment

Stable macroeconomic conditions largely in line with expectations



- First quarter GDP was stronger than expected – however second quarter likely to be more in line with expectations, influenced by deterioration in the terms of trade and subdued consumer sentiment
- The RBA is maintaining its accommodative stance on monetary policy – Inflation remains within the targeted band, but continuing to watch the housing market and the high Australian dollar
- Unemployment rate increased to 6.0% as at 30 Jun 14
- House prices have increased 3.4%<sup>1</sup> since 31 Dec 13, and are up 10.1% since 30 Jun 13
- As at the end of May system credit growth of 4.7%<sup>2</sup> with housing lending growth of 6.2%<sup>2</sup>.

SOURCE: Chart - Australian Bureau of Statistics (ABS), Reserve Bank of Australia (RBA) 1. RP Data 2. APRA Banking Statistics

# Overview of business and regulatory environment

Significant level of regulatory focus and interim report from the FSI

## Customer

- Overall the LVR mix of the business is slightly lower than what was expected:
  - Less volume in the 90 – 95% LVR band than forecast
  - Greater volume of <80% LVR business than forecast
  - Average premium of 1.82% up from 1.68% in 1H13
- Preparation for discussions on the Inwards reinsurance contract (2% of GWP) has commenced

## Regulatory developments

- 18 July 2014 - APRA presentation to the House of Representatives Standing Committee on Economics:
  - The finance sector "broadly in good health"
  - "We have made it clear we are watching housing lending standards with great interest"
- Genworth Australia has responded to Prudential Practice Guide APG 223 released in May 2014

## Financial System Inquiry (FSI)

- Genworth Australia made a private submission to the FSI in March 2014
- The Interim report published on 15 July 14 specifically references LMI in the "Competition" section – subsection 2-21 entitled "Banking System", and seeks further views on the costs, benefits and trade-offs of the following policy options:
  - No change to the current arrangements; or
  - Decrease risk weights for insured loans.
- Indirectly the report also raises a number of questions regarding Internal ratings based accreditation and modelling, various suggestions regarding risk weightings, housing finance and securitisation/funding advantages in regard to the competitive nature of the industry
- Genworth Australia intends to make a second submission to the FSI – which is due to be submitted by 26 August 14

# Detailed financial performance

Georgette Nicholas, Chief Financial Officer



# 1H 2014 pro-forma income statement

Strong housing and stable economic conditions have supported solid performance

(A\$ millions)	1H12	1H13	1H14	Change	FY14 F'cast <sup>2</sup>
Gross written premium	237.4	273.0	313.6	14.9%	663.2
Movement in unearned premium	(14.6)	(44.4)	(57.5)	29.5%	(146.8)
<b>Gross earned premium</b>	<b>222.7</b>	<b>228.6</b>	<b>256.1</b>	<b>12.0%</b>	<b>516.4</b>
Outwards reinsurance expense	(45.4)	(36.5)	(37.7)	3.3%	(76.2)
<b>Net earned premium</b>	<b>177.4</b>	<b>192.1</b>	<b>218.4</b>	<b>13.7%</b>	<b>440.2</b>
Net claims incurred	(188.8)	(81.2)	(42.8)	(47.3%)	(133.1)
Acquisition costs	(22.9)	(22.6)	(24.1)	6.6%	(49.6)
Other underwriting expenses	(26.8)	(30.4)	(34.1)	12.2%	(71.8)
<b>Underwriting result</b>	<b>(61.1)</b>	<b>57.9</b>	<b>117.4</b>	<b>102.7%</b>	<b>185.7</b>
Inv. income on tech reserves <sup>(1)</sup>	44.1	10.9	27.1	148.6%	40.7
<b>Insurance Profit</b>	<b>(17.1)</b>	<b>68.8</b>	<b>144.5</b>	<b>110.0%</b>	<b>226.4</b>
Inv. income on shareholders' funds	109.3	32.0	76.9	140.3%	116.9
Financing costs	(6.8)	(5.8)	(5.6)	(3.4%)	(11.2)
<b>Profit before income tax</b>	<b>85.5</b>	<b>95.0</b>	<b>215.9</b>	<b>127.3%</b>	<b>332.1</b>
Income tax expense	(26.6)	(29.3)	(64.5)	120.1%	(101.0)
<b>Net profit after tax</b>	<b>58.9</b>	<b>65.7</b>	<b>151.4</b>	<b>130.4%</b>	<b>231.1</b>

1. Interest income on Technical Funds and Shareholder Funds include the before-tax effect of realised and unrealised gains/(losses) on the investment portfolio.

2. IPO Prospectus forecasts as at 23 April 2014

## Commentary

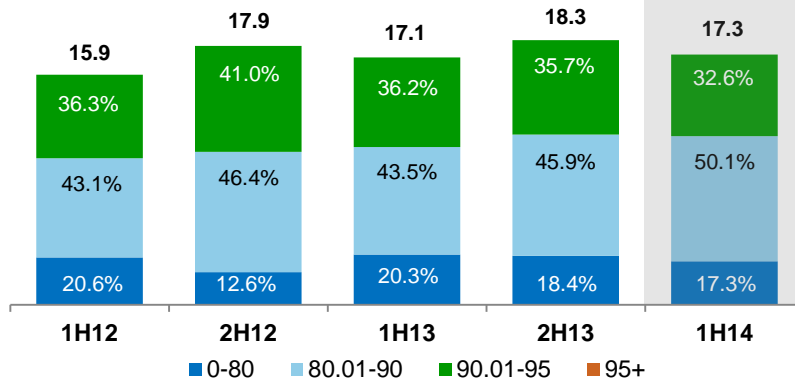
- GWP growth has been mainly underpinned by higher price, tempered by slightly lower than anticipated LVR mix
- Earned premium growth reflects structural pricing changes in more recent underwriting years
- Lower level of net incurred claims has been a product of a strong housing market, which has supported:
  - a trend in a reduction in late stage arrears and Mortgagee in Possession (MIP) cases;
  - a lower average claim amount and persistence of sold no claim cases;
  - Offset by seasonal level of higher new delinquencies
- Investment return of 4.1% in line with expectations
- Mark to market (of \$18.3m post tax) movement excluded in deriving underlying results
- ROE of 13.3% on a pro forma reported basis and 12.0% on a pro forma underlying basis.

# New Insurance Written

New business mix reflecting policy changes since 2009

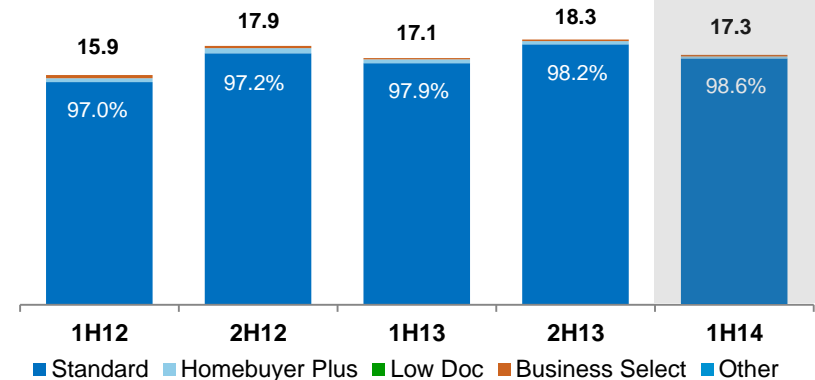
NIW by LVR band (half yearly)

\$ billions, %



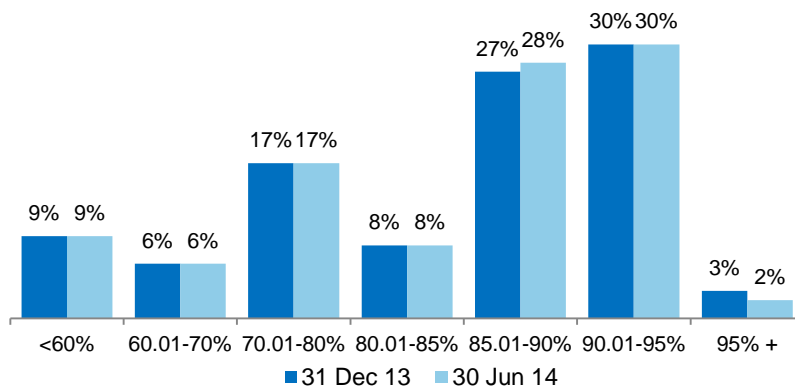
NIW by product type (half yearly)

\$ billions, %

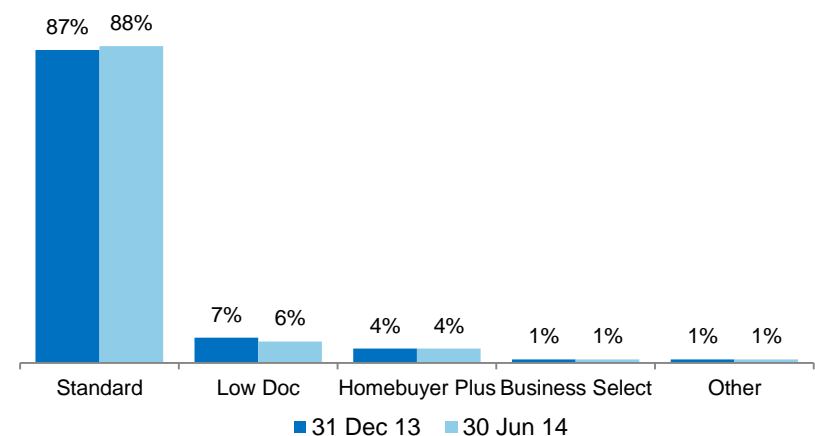


Insurance in force by LVR band (original LVR), as at

Total IIF \$306 billion



Insurance in force by product type, as at

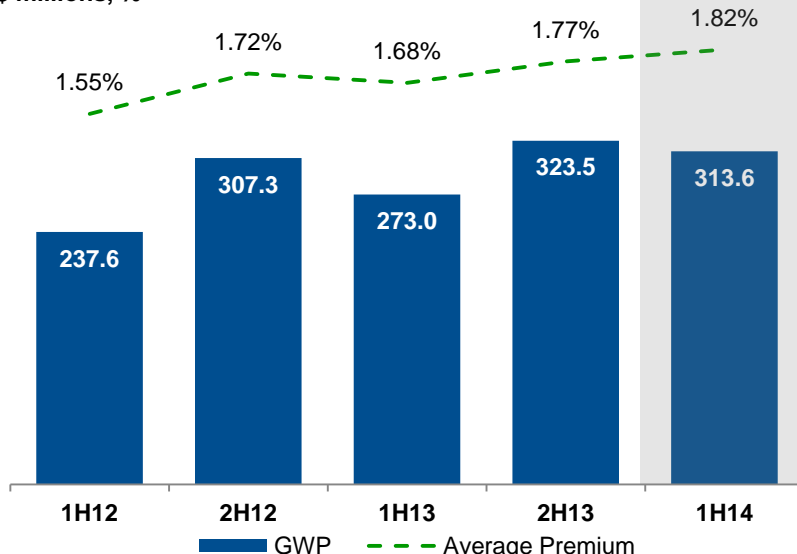


# Gross Written Premium

Price increases offset by shift in LVR mix

## GWP and average price (GWP/NIW)

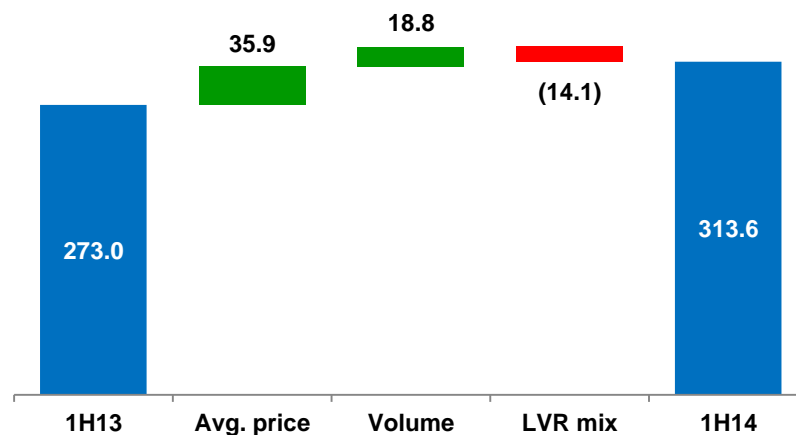
\$ millions, %



- GWP growth of 14.9% vs. pcg
- Average price of 1.82% is an 8.3% increase vs pcg and reflects price increases implemented in 2013.

## Flow business - GWP walk vs. pcg

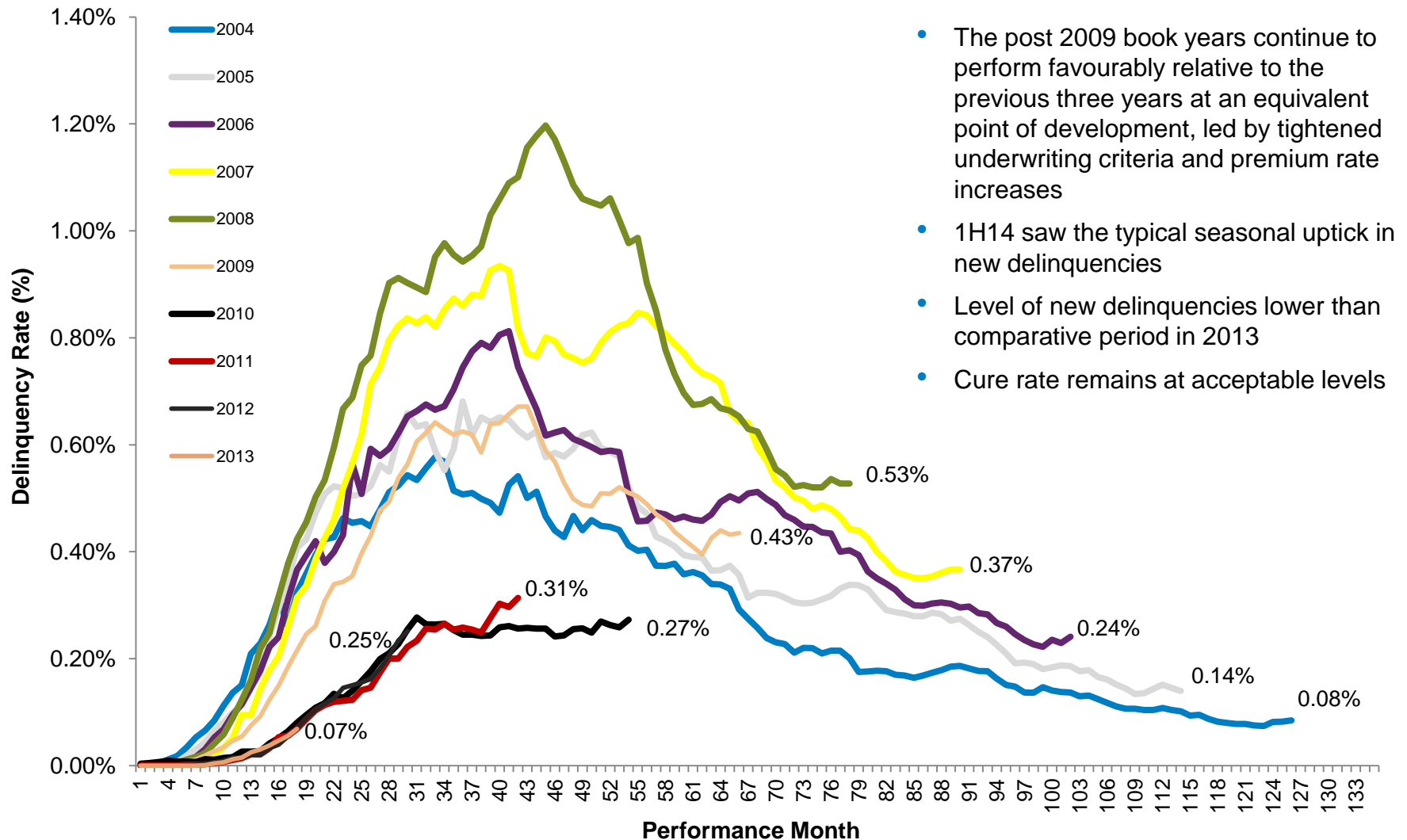
\$ millions



- Slight shift in business mix with average LVR of 86.4% for the business written in 1H14
- Some increase in GWP from flow business also stemming from increase in volume of business compared to pcg.

# Delinquency development

Favourable performance post 2009 with usual seasonal first half trends

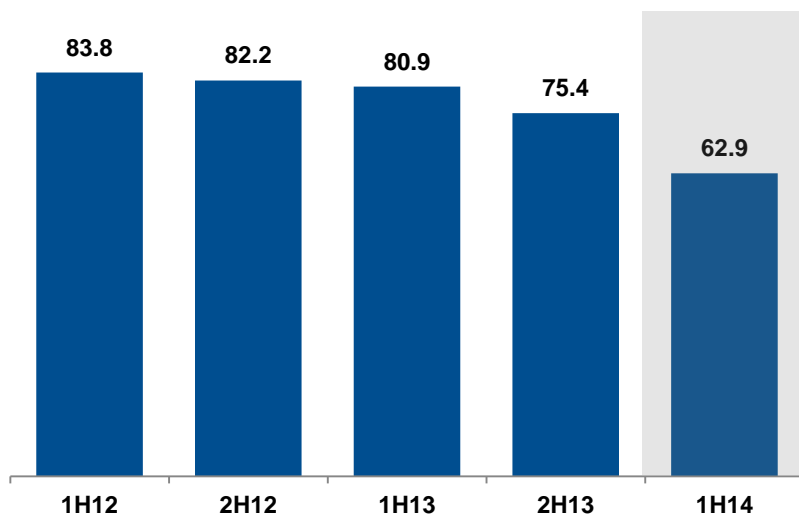


# Net incurred claims

Lower level of delinquencies flowing through to MIP and lower average claim size

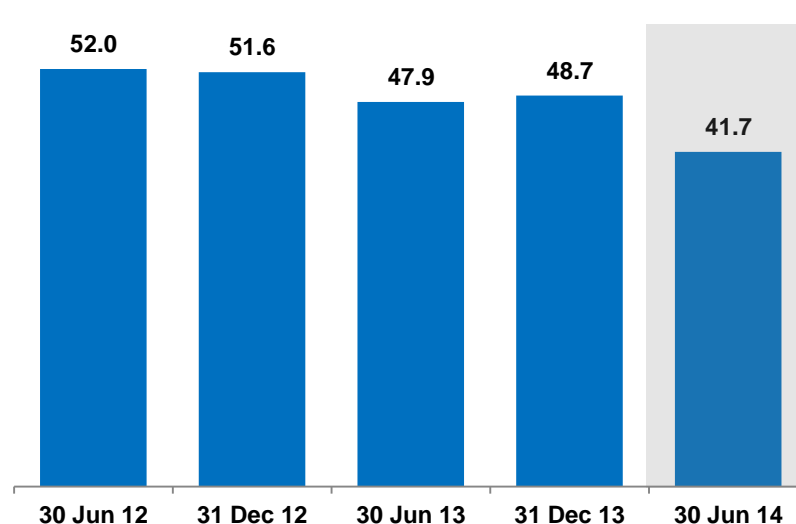
Average paid claim

\$ millions



Average reserve per delinquency

\$ millions



Composition of net incurred claims (A\$ millions)	1H12	2H12	1H13	2H13	1H14
Number of paid claims	1,622	1,841	1,271	1,091	881
Average paid claim	83.8	82.2	80.9	75.4	62.9
<b>Claims paid</b>	<b>135.9</b>	<b>151.4</b>	<b>102.8</b>	<b>82.3</b>	<b>55.4</b>
Movement in reserves	52.9	(81.0)	(21.6)	(35.8)	(12.6)
<b>Net claims incurred</b>	<b>188.8</b>	<b>70.4</b>	<b>81.2</b>	<b>46.5</b>	<b>42.8</b>

# Effective LVR

House price growth in 1H14 has improved embedded borrower equity in portfolio

As at 31 Dec 13

Book year	Insurance in force		LVR		Change in house price %
	\$ billion	%	Original	Effective	
2002 & prior	15.3	6%	78.1%	24.4%	137%
2003	8.1	3%	73.5%	36.0%	66%
2004	9.0	3%	72.1%	40.5%	52%
2005	13.6	5%	76.0%	46.1%	46%
2006	18.6	7%	78.6%	53.0%	36%
2007	23.1	9%	80.4%	62.6%	22%
2008	22.3	8%	82.7%	70.0%	15%
2009	25.9	10%	85.5%	72.6%	12%
2010	20.2	8%	82.2%	78.0%	2%
2011	22.0	8%	84.4%	79.8%	5%
2012	30.4	11%	86.3%	80.1%	8%
2013	33.3	13%	86.7%	84.2%	4%
2014	-	-	-	-	-
<b>Total Flow</b>	<b>241.8</b>	<b>91%</b>	<b>81.3%</b>	<b>62.4%</b>	<b>32%</b>
Portfolio	22.5	9%	54.4%	29.9%	61%
<b>Total/ Weighted Avg.</b>	<b>264.3</b>	<b>100%</b>	<b>78.4%</b>	<b>58.9%</b>	<b>35%</b>

As at 30 Jun 14

Book year	Insurance in force		LVR		Change in house price %
	\$ billion	%	Original	Effective	
2002 & prior	15.1	6%	78.1%	22.8%	146%
2003	7.9	3%	73.5%	34.1%	73%
2004	8.7	3%	72.1%	38.4%	57%
2005	13.2	5%	76.0%	43.8%	52%
2006	17.8	7%	78.6%	50.5%	41%
2007	22.1	8%	80.4%	59.8%	27%
2008	21.2	8%	82.7%	67.0%	19%
2009	24.6	9%	85.5%	69.3%	16%
2010	19.2	7%	82.2%	74.5%	6%
2011	20.9	8%	84.4%	76.3%	9%
2012	29.4	11%	86.3%	76.8%	12%
2013	32.8	12%	86.7%	81.2%	7%
2014	16.8	6%	86.4%	86.8%	1%
<b>Total Flow</b>	<b>249.6</b>	<b>92%</b>	<b>81.5%</b>	<b>61.2%</b>	<b>36%</b>
Portfolio	21.5	8%	54.4%	28.1%	69%
<b>Total/ Weighted Avg.</b>	<b>271.1</b>	<b>100%</b>	<b>78.4%</b>	<b>57.8%</b>	<b>39%</b>

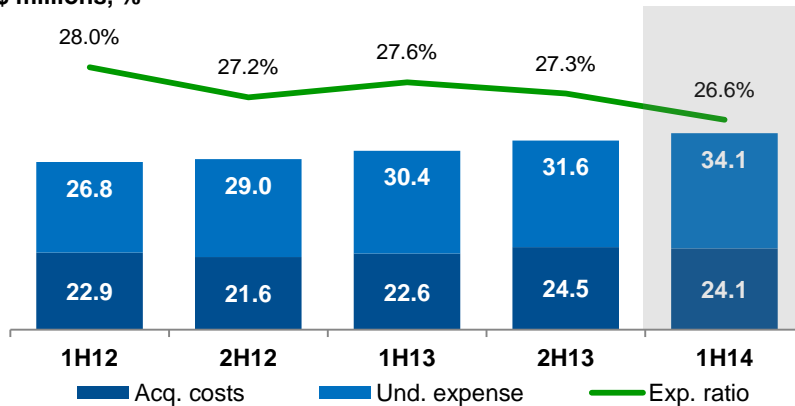
NOTE: Genworth Australia calculates an estimated house price adjusted Effective LVR, using the RP Data-Rismark Home Value Index that provides detail of house price movements across different geographic regions, and assumes 30 year principal and interest amortising loan, with the mortgage rate remaining unchanged through the period. Effective LVR is not adjusted for prepayments, redraws or non-amortising residential mortgage loans insured. Excludes Inwards reinsurance, NZ and Genworth Financial Mortgage Indemnity as Genworth Australia does not have comparative available data for these businesses.

# Insurance ratio analysis

Performance trending in line with expectation reflecting seasoning of older books

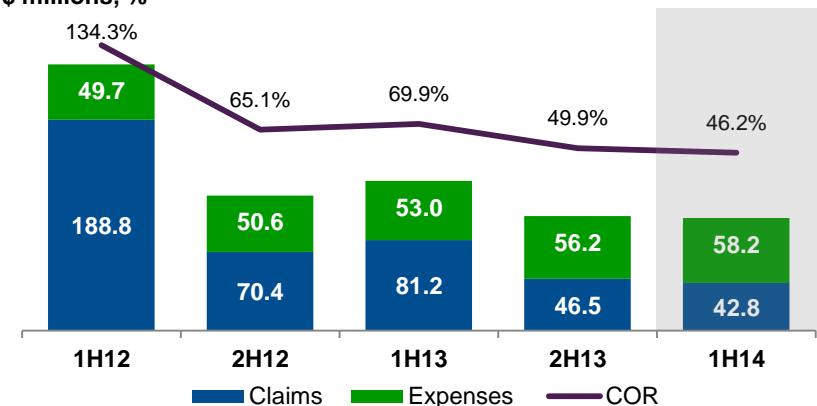
## Expenses

\$ millions, %



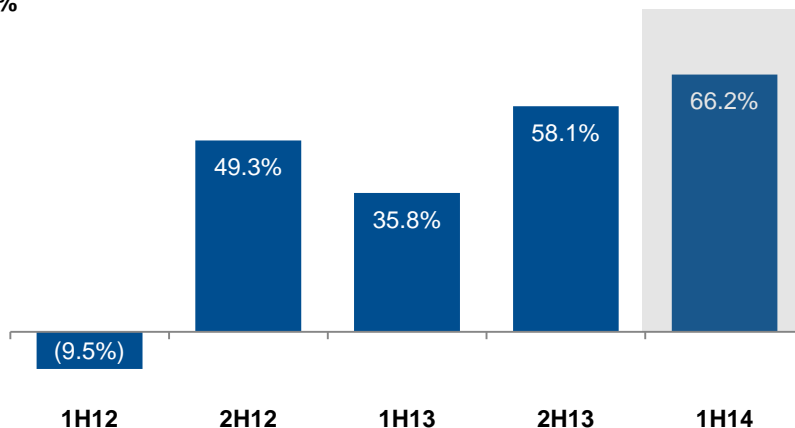
## Combined ratio

\$ millions, %



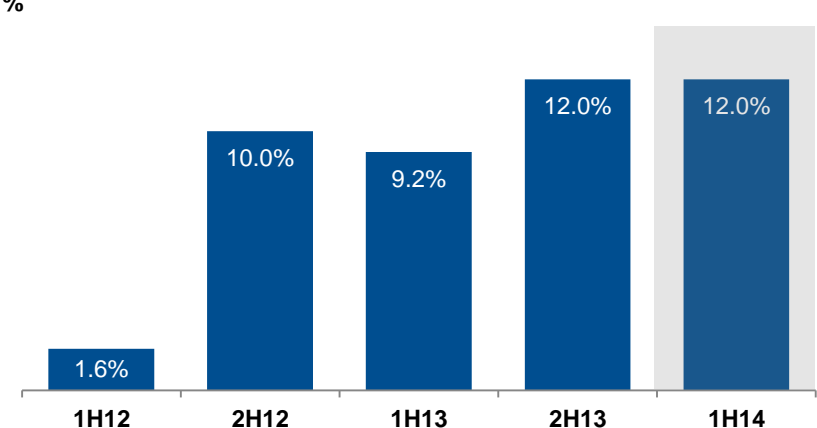
## Insurance margin

%



## Annualised underlying ROE

%



# Balance sheet and unearned premium reserve

Strong stable balance sheet with over \$1.3bn in UPR

(A\$ in millions)	31 Dec 12	31 Dec 13	30 Jun 13
<b>Assets</b>			
Cash and cash equivalents	33.7	113.9	77.7
Investments <sup>(1)</sup>	3,591.0	3,621.0	3,869.2
Deferred reinsurance expense	79.1	93.4	108.3
Non-reinsurance recoveries	24.8	19.7	16.6
Deferred acquisition costs	137.5	128.4	122.7
Deferred tax assets	2.5	7.7	7.8
Goodwill & Intangibles	20.7	16.4	14.0
Other assets <sup>(2)</sup>	9.5	9.3	5.8
<b>Total assets</b>	<b>3,898.8</b>	<b>4,009.8</b>	<b>4,222.1</b>
<b>Liabilities</b>			
Payables <sup>(3)</sup>	163.2	164.8	200.4
Outstanding claims	302.0	240.9	225.3
Unearned premiums	1,124.1	1,249.1	1,306.6
Interest bearing liabilities	137.0	137.7	138.1
Employee provisions	6.1	6.4	6.9
<b>Total liabilities</b>	<b>1,732.4</b>	<b>1,798.9</b>	<b>1,877.3</b>
<b>Net Assets</b>	<b>2,166.4</b>	<b>2,210.9</b>	<b>2,344.8</b>

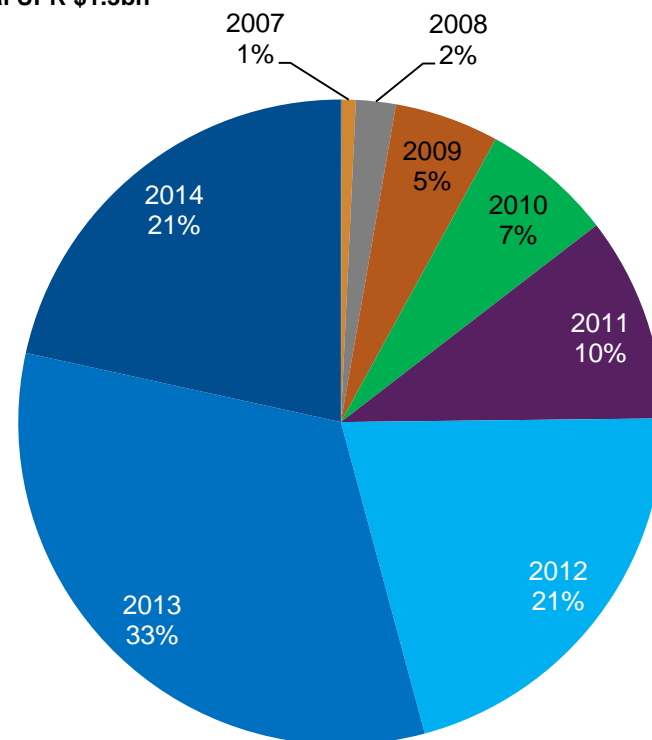
(1) Includes accrued investment income

(2) Includes trade receivables, prepayments and plant and equipment

(3) Includes reinsurance payables

## Unearned premium by book year as at 30 June 2014

Total UPR \$1.3bn

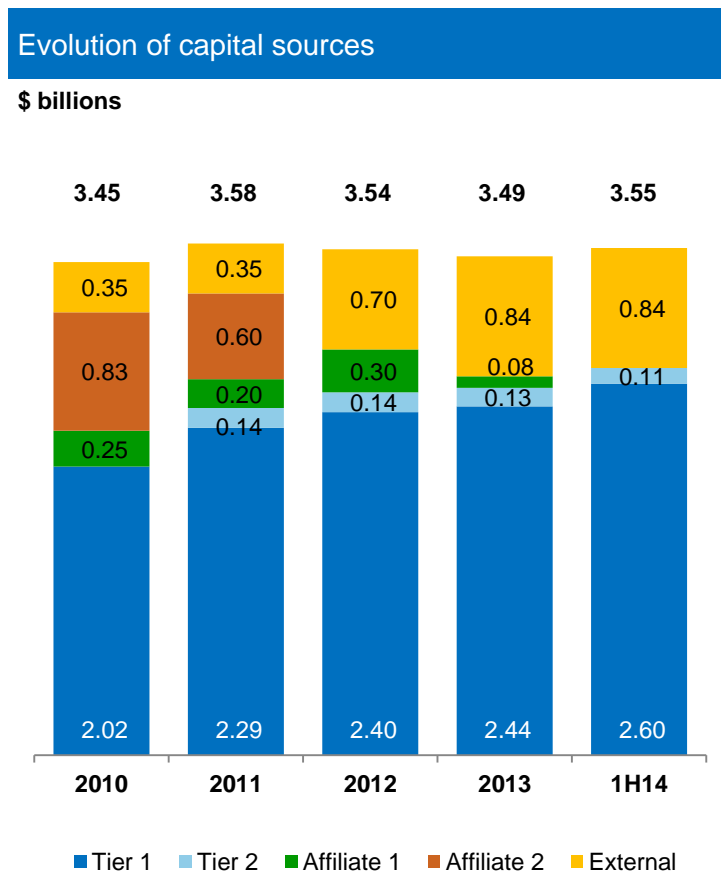




# 1H 2014 regulatory capital position

Improved solvency from strong 1H14 performance and seasoning of old books

(A\$ in millions)	31 Dec 13	30 Jun 14
<b>Capital Base</b>		
Common Equity Tier 1 Capital	2,440.0	2,598.7
Tier 2 Capital	126.0	112.0
<b>Regulatory Capital Base</b>	<b>2,566.0</b>	<b>2,710.7</b>
<b>Capital Requirement</b>		
Probable Maximum Loss ('PML')	2,595.0	2,587.5
Net premiums liability deduction	(225.0)	(240.4)
Allowable reinsurance	(924.0)	(844.7)
<b>LMI Concentration Risk Charge ('LMICRC')</b>	<b>1,446.0</b>	<b>1,502.4</b>
Asset risk charge	124.0	97.6
Asset concentration risk charge	0.0	0.0
Insurance risk charge	180.0	182.0
Operational risk charge	22.0	21.8
Aggregation benefit	(59.0)	(46.7)
<b>Prescribed Capital Amount ('PCA')</b>	<b>1,712.0</b>	<b>1,757.1</b>
<b>PCA Coverage ratio (times)</b>	<b>1.50 x</b>	<b>1.54 x</b>



# Update on initiatives to deliver ROE progression

ROE Progression Opportunity	Comment
1. Underwriting and pricing discipline	<ul style="list-style-type: none"> <li>• Book years post 2009 have been underwritten on more attractive terms primarily due to premium rate increases and tightening of underwriting criteria</li> <li>• Post 2009 portfolio represented 43% of the in-force portfolio as at 30 Jun 14, up from 40% at 31 Dec 13</li> <li>• Continue to manage underwriting criteria and pricing in order to maintain appropriate, risk adjusted returns subject to macroeconomic and other conditions</li> <li>• Price NIW to achieve low-to-mid teens ROEs for new business over the long-term.</li> </ul>
2. Investment Portfolio	<ul style="list-style-type: none"> <li>• GMA continues to hold a high quality investment portfolio as at 30 Jun 14</li> <li>• Average investment duration of 2.0 years as at 30 Jun 14</li> <li>• Managing to different mandates for technical and shareholder funds</li> <li>• Explore opportunities in 2H14 to move lower down the credit curve and potentially reinvest cash to lengthen duration</li> <li>• Longer term explore opportunities to invest in different asset classes</li> <li>• Balance between additional return and additional associated capital charges.</li> </ul>
3. Capital Optimisation	<ul style="list-style-type: none"> <li>• Solvency ratio as at 30 Jun 14 of 1.54 ahead of target capital range</li> <li>• Well capitalised ahead of number of reinsurance contract renewals that are due between now and 01 Jan 15</li> <li>• Conservative gearing position with 5% gearing, and will explore opportunities over the medium term to change composition of the balance sheet</li> <li>• Existing debt also due to reach call date in June 2016.</li> </ul>

# Genworth Australia 2014 Full Year Outlook

Based on pro forma financial information as set out in the prospectus

Key measures - full Year 2014 financial guidance	IPO prospectus	Revised target
Flow NIW (\$ billions)	\$33.8 bn	\$33.8 bn
Portfolio NIW (\$ billions)	\$4.0 bn	\$4.0 bn
Average price - Flow NIW	1.93%	1.93%
Gross written premium (\$ millions)	\$663.2 m	\$663.2m
Net earned premium (\$ millions)	\$440.2 m	\$440.2 m
Loss ratio	30.2%	25.0% to 30.0%
Underlying NPAT (\$ millions)	\$231.1 m	\$231.1m - \$250.0m
Underlying ROE	10.2%	10.2% - 11.0%
Dividend Payout Ratio	55%	55%

Full year outlook is subject to market conditions and unforeseen circumstances or economic events

# **Summary and conclusion**

Ellie Comerford, Managing Director and CEO

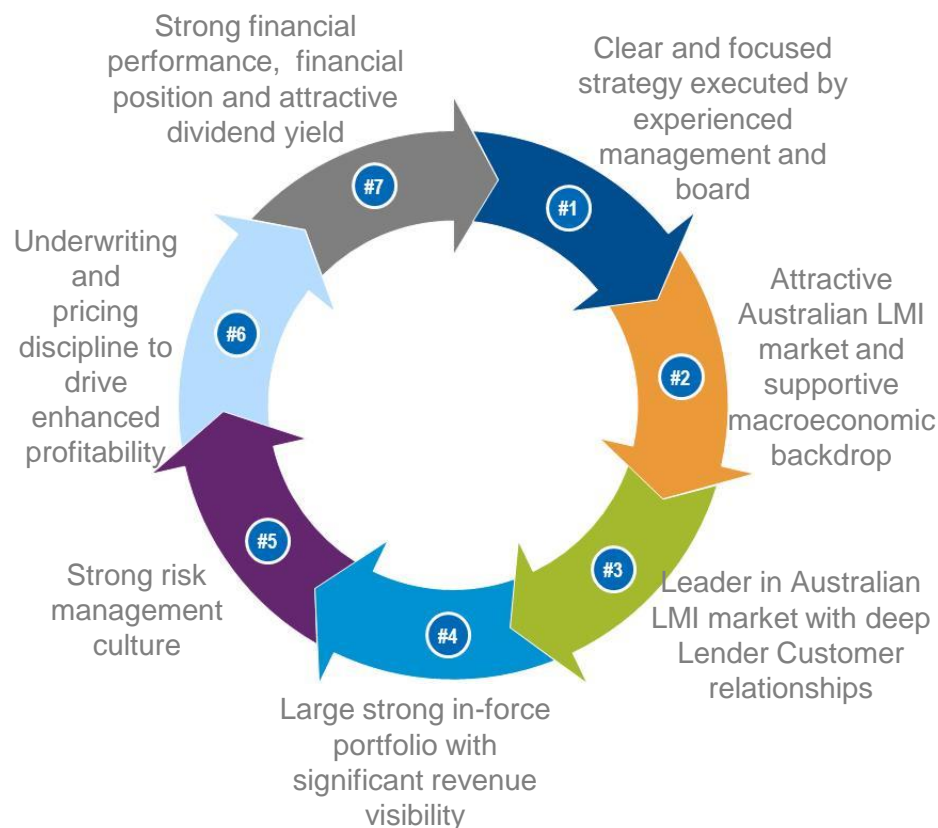
# Genworth Australia's investment proposition

The leading provider, in an attractive industry, with strong financial performance

## Key takeaways

- Market leader in the Australian LMI market with ~ 44% market share
- Australian mortgage lending market is supported by favourable macroeconomic dynamics
- \$1.3 billion of unearned premium liability provides significant revenue visibility
- The book years since mid 2009 have been written on more attractive terms primarily due to:
  - Premium increases
  - Tightening of underwriting policy
- Strong stable financial performance as evidenced by 1H2014 financial results
- Strong balance sheet with attractive dividend yield and capital management opportunities
- Dividend payout ratio range of 50 – 70% of underlying NPAT
  - 1H14 Dividend 55% of Underlying NPAT

## Investment proposition



## Questions

Ellie Comerford, Managing Director and CEO

Georgette Nicholas, Chief Financial Officer

## **Supplementary Slides**

# Genworth Australia's strategic priorities

Delivering long-term returns to Shareholders, reflected in an attractive, sustainable ROE

Strengthen market leadership position	<ul style="list-style-type: none"><li>• Proactively manage business and Lender Customer relationships</li><li>• Strengthen and grow Lender Customer relationships through understanding their strategic needs, maintaining high quality service levels and engaging with Lender Customers to find solutions for borrowers needing assistance as part of the Lender Customer's default and claims mitigation strategy.</li></ul>
Enhance profitability	<ul style="list-style-type: none"><li>• Price NIW to achieve low-to-mid teens ROEs for that business over the long-term, which is expected to meet or exceed its cost of capital</li><li>• Increased premium rates and tightened underwriting criteria over past several years</li><li>• Seek to continue to optimise interest income</li></ul>
Optimise capital position to enhance ROE	<ul style="list-style-type: none"><li>• Maintain a strong balance sheet and financial position while managing capital relative to risk exposure, targeted ratings and regulatory requirements</li><li>• Optimise capital base with qualifying capital instruments and reinsurance</li><li>• Will consider options to return any excess capital to Shareholders, subject to regulatory approvals and market conditions</li></ul>
Maintain strong risk management discipline	<ul style="list-style-type: none"><li>• Key area of focus for the Board and management team</li><li>• Comprehensive enterprise risk management framework</li><li>• Continued investment in underwriting and claims systems and processes</li></ul>
Proactively engage with regulators, ratings agencies and other industry participants	<ul style="list-style-type: none"><li>• Continue to work with key regulators, rating agencies and other industry participants</li><li>• Promote legislative and regulatory policies that support increased levels of home ownership, continued responsible credit growth and purchase of LMI</li></ul>



# Pro forma income statement reconciliation

Reconciling to the USGAAP figures reported by Genworth Financial, Inc.

	USGAAP AU Segment Results in USD	Add Back: Non Controlling Interest (NCI)	USGAAP AU Segment Results + NCI	USGAAP AU Segment Results + NCI	Adjustments				Total Adjust.	GMA Group pro forma
	US\$m	US\$m	US\$m	A\$m	(a)	(b)	(c)	(d)	A\$m	A\$m
Premiums	199	-	199	218	-	-	-	-	-	218
Interest income	70	-	70	77	1	-	-	-	1	78
Realised investment gains/(losses)	-	-	-	-	-	-	-	-	-	-
Unrealised gains/(losses)	-	-	-	-	-	-	26	-	26	26
Other income	(4)	-	(4)	(5)	5	-	-	-	5	-
<b>Total revenue</b>	<b>265</b>	<b>-</b>	<b>265</b>	<b>290</b>	<b>6</b>	<b>-</b>	<b>26</b>	<b>-</b>	<b>32</b>	<b>322</b>
Net claims incurred	(41)	-	(41)	(45)	-	-	-	2	2	(43)
Other underwriting expenses	(42)	-	(42)	(46)	5	10	-	-	15	(31)
Amortization of Intangibles	(2)	-	(2)	(3)	-	-	-	-	-	(3)
Acquisition costs (DAC amortisation)	(9)	-	(9)	(9)	-	(15)	-	-	(15)	(24)
Interest expense	(5)	-	(5)	(6)	-	-	-	-	-	(6)
<b>Total Expenses</b>	<b>(99)</b>	<b>-</b>	<b>(99)</b>	<b>(109)</b>	<b>5</b>	<b>(5)</b>	<b>-</b>	<b>2</b>	<b>2</b>	<b>(107)</b>
Total pre-tax income	166	-	166	181	11	(5)	26	2	34	215
Total tax expense	(36)	-	(36)	(39)	(18)	1	(8)	-	(25)	(64)
<b>Net income</b>	<b>130</b>	<b>-</b>	<b>130</b>	<b>142</b>	<b>(7)</b>	<b>(4)</b>	<b>18</b>	<b>2</b>	<b>9</b>	<b>151</b>
Net income attributable to NCI	(11)	11	-	-	-	-	-	-	-	-
<b>Net income avail to GNW stockholders</b>	<b>119</b>	<b>11</b>	<b>130</b>	<b>142</b>	<b>(7)</b>	<b>(4)</b>	<b>18</b>	<b>2</b>	<b>9</b>	<b>151</b>

(a) Interest income, FX measurement adjustment for US entities outside of GMA Australia Group but included as part of the USGAAP AU Segment results

(b) Differing treatment of DAC, with AGAAP seeing a higher level of deferral and amortisation

(c) Under AGAAP unrealised gains/(losses) on investments are recognised in the income statement

(d) AGAAP requires reserve to be held with a risk margin and an adjustment to the level of reserves for the non reinsurance recoveries

# Pro forma income statement reconciliation

Reconciling pro forma results to the AIFRS statutory accounts

(A\$ in millions)	1H14
Pro Forma NPAT for half year to 30 June 2014	151.4
Less period prior to formation of consolidated group: 1 Jan to 18 May 2014	(108.7)
<b>Pro Forma result for period 19 May to 30 June 2014</b>	<b>42.7</b>
Add tax effected interest expense incurred on restructure of group	(0.2)
<b>Statutory NPAT for period 19 May to 30 June 2014</b>	<b>42.5</b>

- The Pro Forma historical Consolidated Statement of Comprehensive Income for the period ended 30 June is presented on the basis of a full six months of results for the Group.
- On a statutory basis GMA will only consolidate and account for the results of the Group from the date of reorganisation on 19 May 2014.
- The 1H14 Pro Forma Consolidated Statement of Comprehensive Income therefore includes the results that will be considered “pre reorganisation” NPAT.
- The statutory (reported) NPAT post reorganisation represents the NPAT for the period from the formation of the Group, 19 May 2014 to 30 June 2014 (Statutory NPAT).

# Quarterly pro forma financial information

## Pro forma statement of comprehensive income

(A\$ in millions)	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
Gross written premium	127.7	145.4	149.6	173.8	159.7	153.9
Movement in unearned premium	(14.8)	(29.6)	(29.3)	(51.4)	(32.6)	(25.0)
<b>Gross earned premium</b>	<b>112.9</b>	<b>115.8</b>	<b>120.3</b>	<b>122.4</b>	<b>127.1</b>	<b>128.9</b>
Outwards reinsurance expense	(18.3)	(18.2)	(18.0)	(19.0)	(18.9)	(18.8)
<b>Net earned premium</b>	<b>94.6</b>	<b>97.6</b>	<b>102.3</b>	<b>103.4</b>	<b>108.2</b>	<b>110.1</b>
Net claims incurred	(44.7)	(36.6)	(28.1)	(18.5)	(17.3)	(25.6)
Acquisition costs	(11.2)	(11.4)	(11.7)	(12.9)	(12.1)	(12.0)
Other underwriting expenses	(14.7)	(15.7)	(14.9)	(16.7)	(15.3)	(18.7)
<b>Underwriting result</b>	<b>24.0</b>	<b>33.9</b>	<b>47.7</b>	<b>55.4</b>	<b>63.6</b>	<b>53.8</b>
Inv. income on tech reserves <sup>(1)</sup>	4.8	6.0	9.4	7.0	9.9	17.2
<b>Insurance Profit</b>	<b>28.8</b>	<b>39.9</b>	<b>57.0</b>	<b>62.4</b>	<b>73.5</b>	<b>70.9</b>
Inv. income on shareholders' funds	14.5	17.6	26.8	18.8	27.9	49.1
Financing costs	(2.9)	(2.9)	(2.9)	(2.8)	(2.8)	(2.8)
<b>Profit before income tax</b>	<b>40.4</b>	<b>54.6</b>	<b>80.9</b>	<b>78.5</b>	<b>98.7</b>	<b>117.2</b>
Income tax expense	(12.8)	(16.5)	(24.7)	(21.0)	(29.4)	(35.1)
<b>Net profit after tax</b>	<b>27.6</b>	<b>38.1</b>	<b>56.2</b>	<b>57.5</b>	<b>69.3</b>	<b>82.1</b>

# Quarterly pro forma financial information

## Financial ratios

	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
Loss ratio	47.2%	37.5%	27.4%	17.8%	15.9%	23.2%
Expense ratio	27.4%	27.8%	26.0%	28.6%	25.3%	27.9%
Combined Ratio	74.7%	65.2%	53.4%	46.4%	41.3%	51.2%
Insurance Margin	30.5%	40.9%	55.8%	60.3%	67.9%	64.4%
Effective Tax Rate	31.7%	30.2%	30.6%	26.7%	29.8%	30.0%

# Delinquency development

## Quarterly delinquency roll and delinquency composition

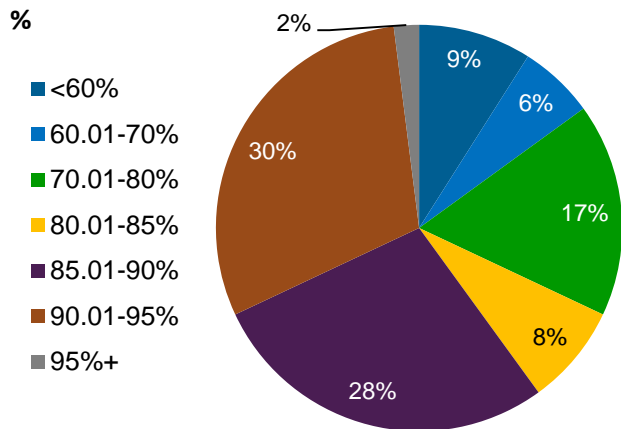
Delinquency Roll	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
<b>Opening balance</b>	<b>5,851</b>	<b>5,868</b>	<b>5,820</b>	<b>5,454</b>	<b>4,980</b>	<b>5,070</b>
New delinquencies	2,928	3,095	2,901	2,383	2,689	2,913
Cures	(2,189)	(2,594)	(2,757)	(2,276)	(2,137)	(2,159)
Paid claims	(722)	(549)	(510)	(581)	(462)	(419)
<b>Closing delinquencies</b>	<b>5,868</b>	<b>5,820</b>	<b>5,454</b>	<b>4,980</b>	<b>5,070</b>	<b>5,405</b>
Delinquency rate	0.41%	0.40%	0.37%	0.34%	0.34%	0.36%

Delinquencies by book year				Delinquencies by geography			
	Dec 13	Jun14			Dec 13	Jun14	
2007 and prior	2,291	2,365	0.30%	New South Wales	1,183	1,268	0.33%
2008	946	1,003	0.95%	Victoria	1,112	1,244	0.34 %
2009	860	855	0.66%	Queensland	1,438	1,538	0.48%
2010	340	383	0.39%	Western Australia	462	544	0.34%
2011	294	351	0.39%	South Australia	409	451	0.43%
2012	222	333	0.29%	Australian Capital Territory	36	45	0.13%
2013	27	114	0.10%	Tasmania	161	157	0.30%
2014	-	1	0.00%	Northern Territory	37	30	0.20%
<b>TOTAL</b>	<b>4,980</b>	<b>5,405</b>	<b>0.36%</b>	New Zealand	142	128	0.34%
					<b>4,980</b>	<b>5,405</b>	<b>0.36%</b>

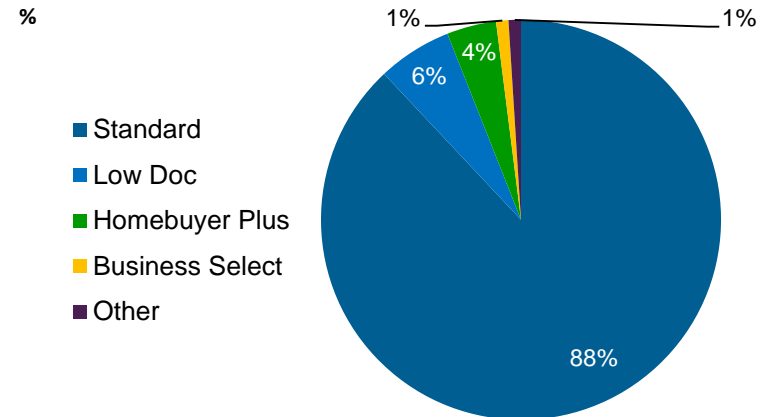
# Summary portfolio characteristics

Insurance portfolio as at 30 June 2014 – total \$306 billion

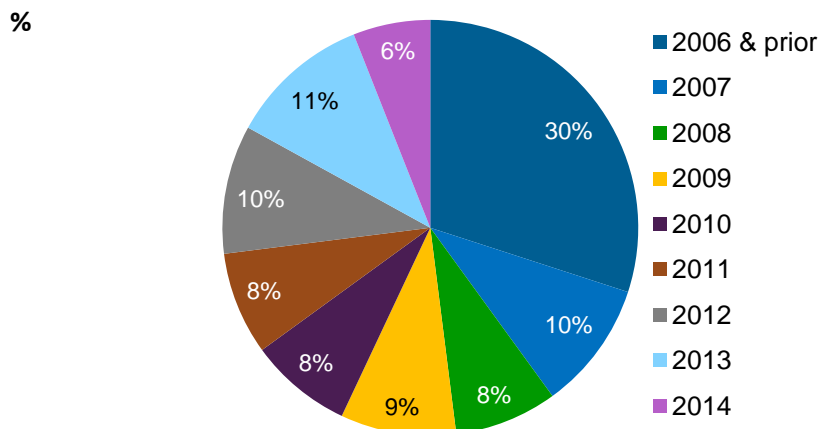
Insurance in force by LVR band (original LVR), as at



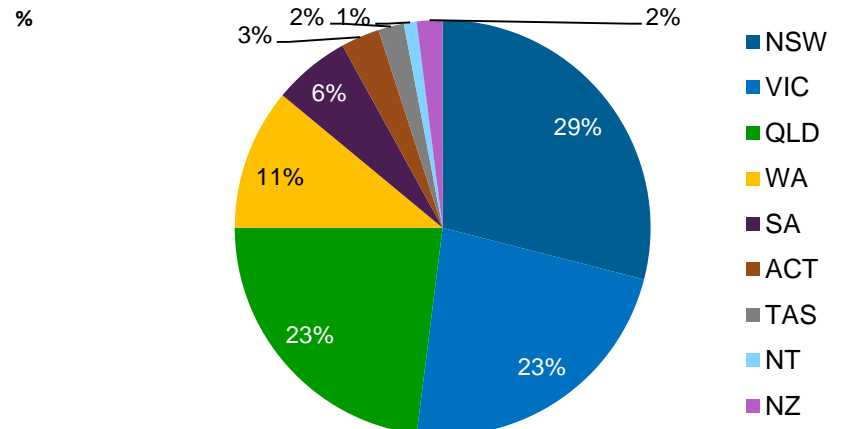
Insurance in force by product type, as at



Insurance in force by book year



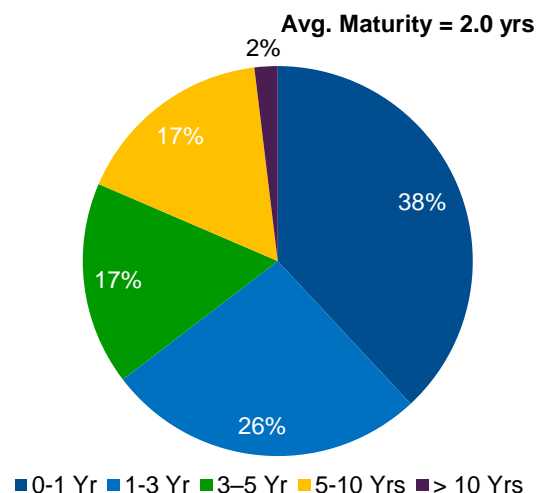
Insurance in force by State



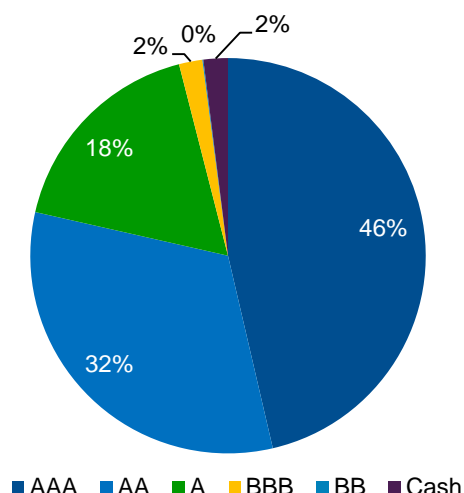
# Investment portfolio

Conservative well diversified portfolio with duration to maturity of 2.0 years

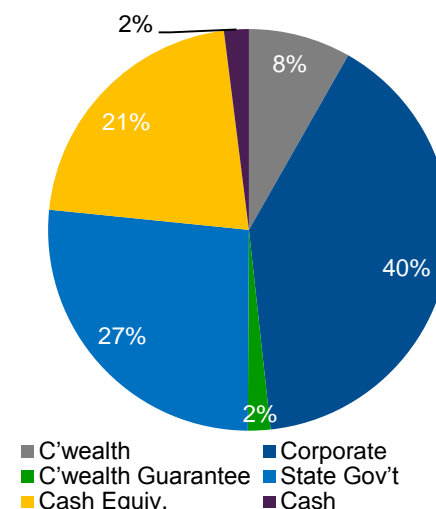
Investment portfolio by maturity



Investment portfolio by rating



Investment portfolio by issuer type



Investment portfolio by maturity

(as at)	31 Dec 13	30 Jun 14
0-1 Yr	1,269	1,489
1-3 Yr	955	1,038
3-5 Yr	598	659
5-10 Yrs	772	650
> 10 Yrs	101	75
<b>Total</b>	<b>3,695</b>	<b>3,911</b>

Investment portfolio by rating

(as at)	31 Dec 13	30 Jun 14
AAA	2,011	1,813
AA	1,018	1,259
A	473	683
BBB	76	75
BB	3	3
Cash	114	78
<b>Total</b>	<b>3,695</b>	<b>3,911</b>

Investment portfolio by issuer type

(as at)	31 Dec 13	30 Jun 14
C'wealth	316	322
Corporate	1,399	1,566
C'wealth guarantee	335	71
State gov't	1,028	1,037
Cash equiv.	503	837
Cash	114	78
<b>Total</b>	<b>3,695</b>	<b>3,911</b>