

CAPITAL



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Chief Financial Officer

SIMPLIFICATION and lower volatility

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Operational



Optimisation program

Portfolios



Commercial remediation



Focus on core markets

Balance sheet



Address legacy exposures

Capital platform



Sustainable funding structure



Flexible in nature



Diversify by form and counterparties

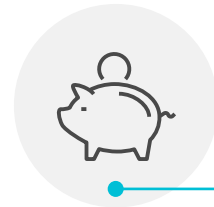


Costs vs benefits

OPTIMISING our capital mix



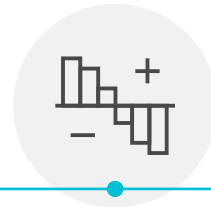
DIVERSITY OF FUNDING SOURCES



Equity

Reduced emphasis

- Modest M&A appetite
- Capital management options



Debt / hybrid

Additional Tier 1 Capital

- Hybrid equities

Tier 2 Capital

- Subordinated term notes



Reinsurance

Various forms

- Catastrophe capital
- P&L volatility protection
- Quota shares

REINSURANCE CAPITAL

Increased use of quota shares



Catastrophe capital

- Driven by concentrated peak exposures
- Long standing relationships with increased multi-year component

Calendar 2018

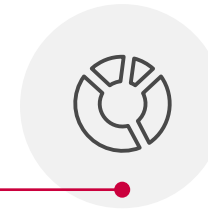
- \$8bn of gross catastrophe cover (67.5% placed)
- \$169m MER post quota share



P&L volatility protection

- Tactical and strategic covers
- Take-up influenced by prevailing market conditions

- Aggregate cover
- Perils stop-loss FY basis
- Run-off portfolio adverse development covers (asbestos, earthquake)



Quota shares

- Conducted with major global reinsurers
- No impact on management of operating platform

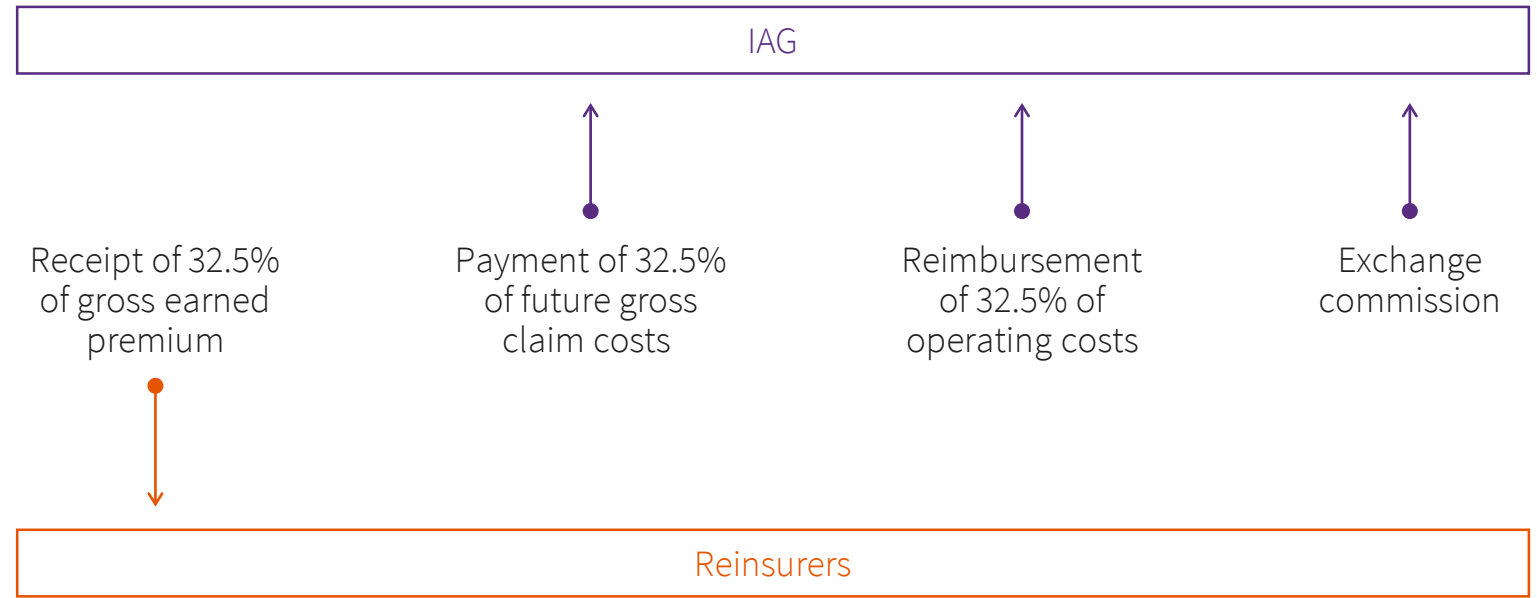
- 30% CTP (Munich Re)
- 20% whole-of-account (Berkshire Hathaway)
- 12.5% whole-of-account (Munich Re, Swiss Re and Hannover Re)

WHOLE-OF-ACCOUNT QUOTA SHARES

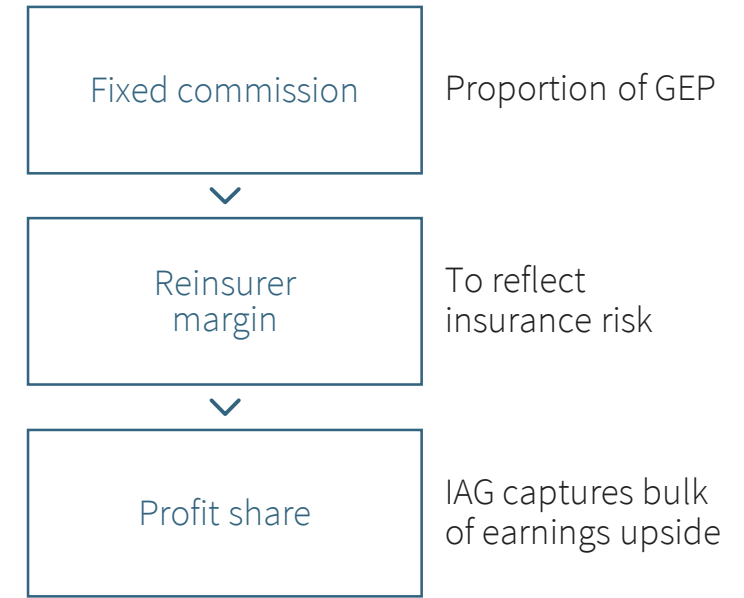
Favourable outcomes for both sides



Quota share mechanics



Exchange commission



STRONG REGULATORY CAPITAL POSITION

Intent to manage in line with CET1 benchmark range



CET1 is key capital measure



Retained earnings – dividend payout policy of 60-80% of cash earnings



Modest anticipated organic or acquisitive growth strain



Future quota share benefit

- Residual 20% QS effect (~\$50m)
- Balance of 12.5% QS effect (\$300m+)



Unwind of New Zealand tax losses ~\$400m



Potential inflow from Asian divestments

Balance date CET1 ratio

