



Results Briefing | Full Year 2013

Nick Kirk, CEO
Anthony Dijanosic, CFO

28 February 2014

Disclaimer

The information contained in this presentation provides only a general overview. To the extent that the presentation contains forward looking statements, Calliden considers that the expectations reflected in these statements are reasonable. The statements are subject to known and unknown risk factors associated with the financial services industry which could cause actual results or trends to differ materially.

The information is not intended to be taken as advice regarding any individual situation and should not be relied upon as such. Investors should seek appropriate professional advice in relation to their own objectives, financial situation and needs.

Conference Call Dial-In Details

Friday 28 February 2014 at 9.30am AEST

Please note that to participate in this conference call you will need a touchtone phone.

Dial in Numbers:

Australia	1800 558 698 or 1800 809 971
New Zealand	0800 453 055
Singapore	800 101 2785
Japan	0053 116 1281
Hong Kong	800 966 806
UK	0800 051 8245
USA	1855 8811 339
[backup]	+612 9007 3187

Approximately 10 minutes before the scheduled time, please dial the relevant number above.

You will be greeted by an operator and asked for the **Conference ID – 732300**

You will then be placed in listen only (mute) mode with hold music until the conference is due to commence.

At the start of the conference your line will be taken off hold and you will be placed back in listen only mode.

Should you wish to ask a question or make a comment please dial *1 (star one) to register your questions.

Should you wish to cancel your question at any time then please dial *2 (star two).

Please note that all questions will be answered at the conclusion of the presentation.

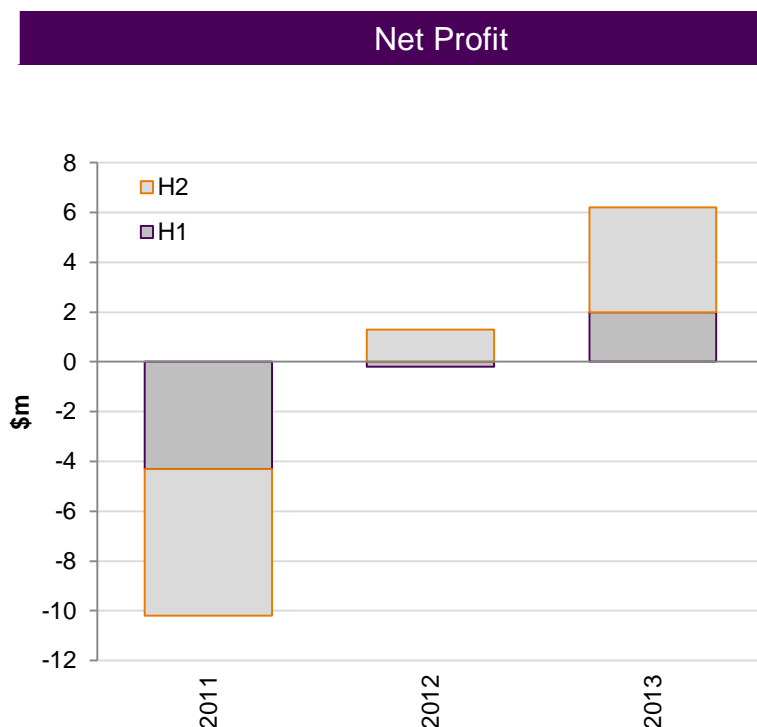
If you are disconnected during the call then please redial your conference dial in number.

For any queries regarding the above please contact Susan Lochrin at susan.lochrin@calliden.com.au or + 61 (0)2 9551 1102

Full Year 2013 Financial Headlines

- Increase in NPAT to \$6.2m (2012: \$1.1m) reflects outcome of 2 year implementation of change in strategy
 - Agency fees implemented
 - Full year of agency revenue for Business Pack and Farm
 - Profitable contribution from insurance operations despite (\$4.2m) of adverse Builders' Warranty and run-off experience
 - Overall Group premium consistent with 2012
- Net Tangible Assets increase to 22.5cps (2012: 20.1cps)
- Capital adequacy significantly stronger
- Final ordinary dividend of 1.7cps fully franked
 - Bringing full year payout ratio to 80%
- Special dividend of 0.5cps fully franked
 - Recognising surplus capital as a result of changed strategy
 - Totals to a payout ratio of 100%

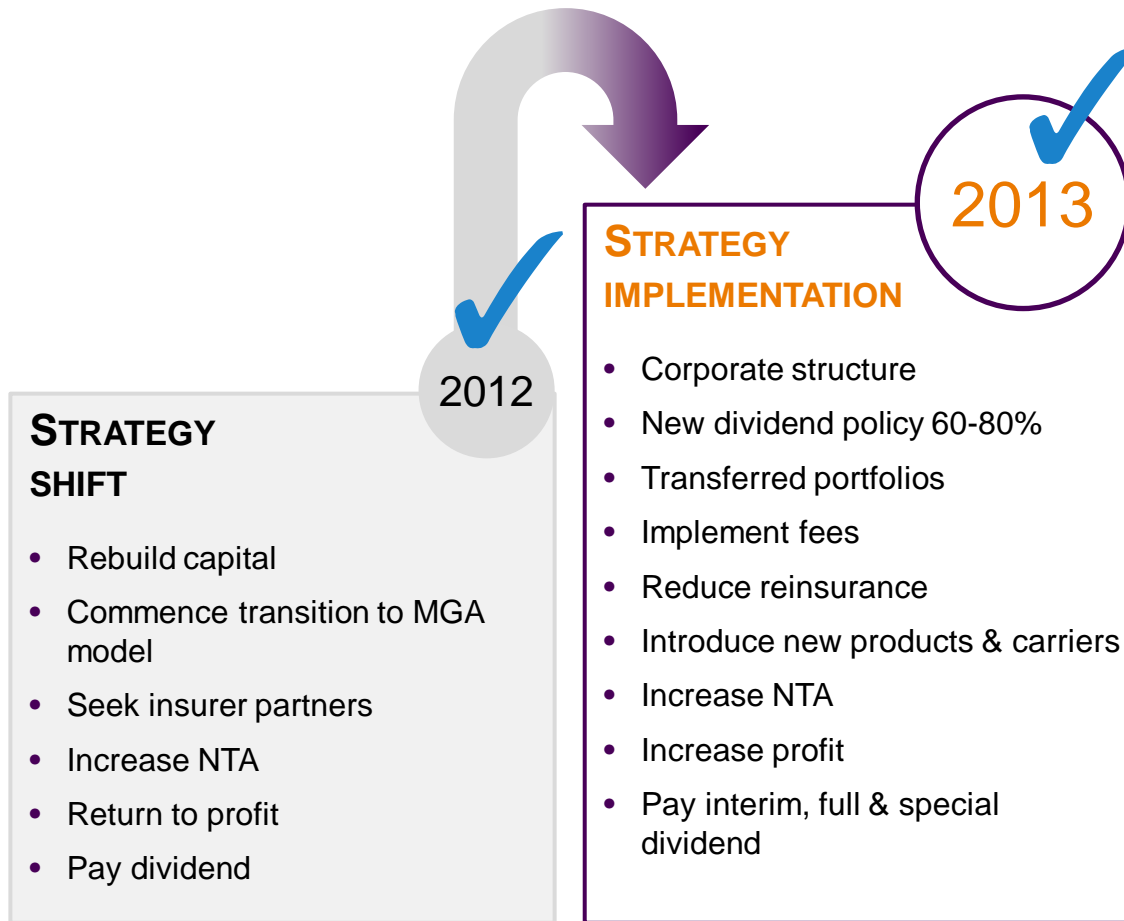
Progress with Transition Earnings & Dividends



Dividends	
2011	<ul style="list-style-type: none"> None
2012	<ul style="list-style-type: none"> Final dividend of 0.4cps declared
2013	<ul style="list-style-type: none"> Announced a dividend policy: 60-80% NPAT payout ratio Introduced an interim dividend of 0.5cps Final dividend of 1.7 cps declared Capital strength leads to declaration of a special dividend of 0.5 cps

Since 2011, Calliden has restructured in order to deliver more predictable earnings allowing it to pay fully franked dividends using tax losses* and franking credits.

Progress with Transition Operational Headlines



Analysis of Financials 2013 Overview of Performance

\$m	FY 2013	FY 2012
Agency Profit	8.2	1.1
Insurance Profit	2.6	5.5
JV Agency Profit	0.6	0.3
Other Income ¹	0.5	0.4
Other Expenses ²	(1.4)	(1.6)
EBITDA	10.5	5.7
Depreciation and Amortisation	(4.3)	(4.6)
Net Profit After Tax	6.2	1.1
Earnings Per Share (cents)	2.7	0.5

- Uplift in agency profit and reduction in insurer profit reflects the transition to the new MGA model
- Insurance profit also impacted by Builders' Warranty and run-off

Analysis of Financials 2013 Agency Performance

\$m	2013	2012
GWP*	151	53
Commission and Fee Revenue	39.2	18.7
Acquisition Costs	(18.2)	(10.9)
Other Income and Operating Expenses	(12.8)	(6.7)
Agency Profit	8.2	1.1
Margin (% of GWP*)	5.4%	2.2%
Margin (% of Revenue)	20.9%	5.9%

- Full 12 months of agency commission
- Introduction of agency fees on major lines
- Sustainable margin achieved

Analysis of Financials 2013 Insurance Performance

\$m	2013	2012
Gross Written Premium (insurance)*	93.6	156.6
Net Earned Premium	57.7	60.4
Net Claims Incurred	(39.3)	(40.0)
Net Acquisition and Underwriting Costs	(19.8)	(20.2)
Underwriting Profit / (Loss)	(1.4)	0.2
Investment Income on Insurance Liabilities	4.0	5.3
Insurance Profit	2.6	5.5
Net loss ratio (%)	68.1	66.2
Combined Operating Ratio (%)	102.5	99.6
Insurance Margin (%)	4.5	9.0

- Reduced GWP reflects transfer out of Business Pack, Farm and Strata
- Net claims incurred impacted by worse than expected:
 - Run-off portfolio performance (\$0.7m)
 - Builders' Warranty deterioration (\$3.5m)

balanced by catastrophe claims \$1.2m better than allowance

Analysis of Financials 2013 JV Agency Performance

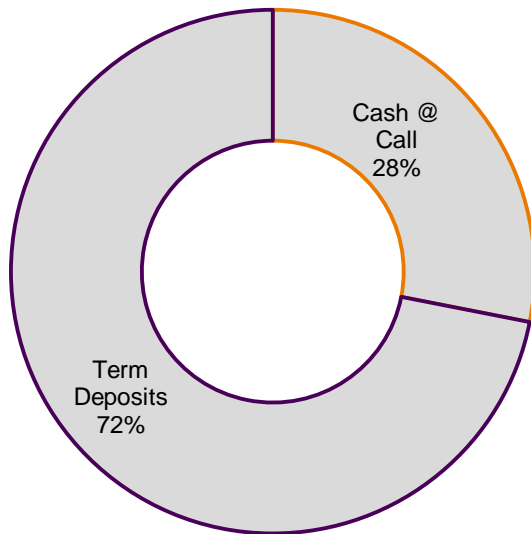
\$m	2013	2012
GWP	29.2	19.6
EBITDA* (our share)	1.0	0.5
Profit (our share)	0.6	0.3
Return on Investment	377%	188%

Growth in QUS following transfer to WR Berkley.

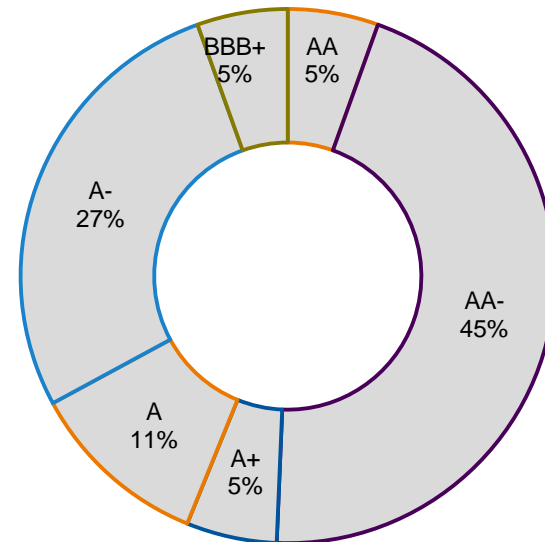
Analysis of Financials 2013 Investment Income

Income	2013		2012	
	\$m Return	% Annual Return	\$m Return	% Annual Return
Investment Income	4.5	5.3	5.7	6.0

Investment Portfolio By Asset – 31 Dec 2013



Investment Portfolio By Rating – 31 Dec 2013



Reducing interest rates on term deposits decrease return.

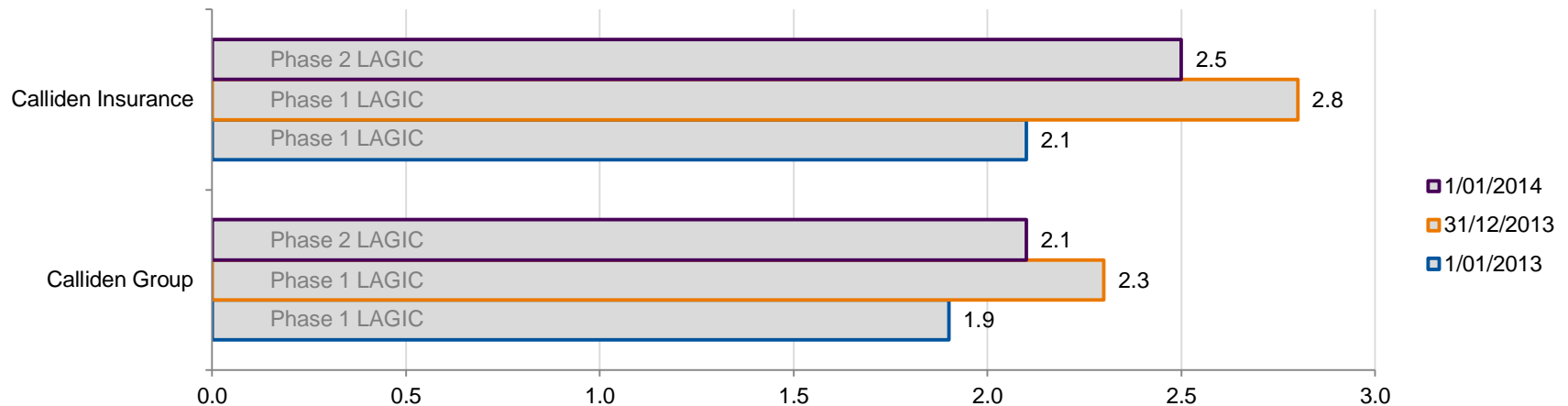
Analysis of Financials 2013 Balance Sheet

\$m	31 Dec 2013	31 Dec 2012
Assets	290.0	360.8
Cash & Investments	94.2	94.5
Other Assets	151.5	219.8
Intangibles	44.3	46.5
Liabilities	191.0	264.9
Insurance Provisions	160.4	234.5
Other Liabilities	30.6	30.4
TOTAL EQUITY	99.0	95.9
NTA (cents per share)	22.5	20.1

Increased NTA due to higher profit and lower intangibles.

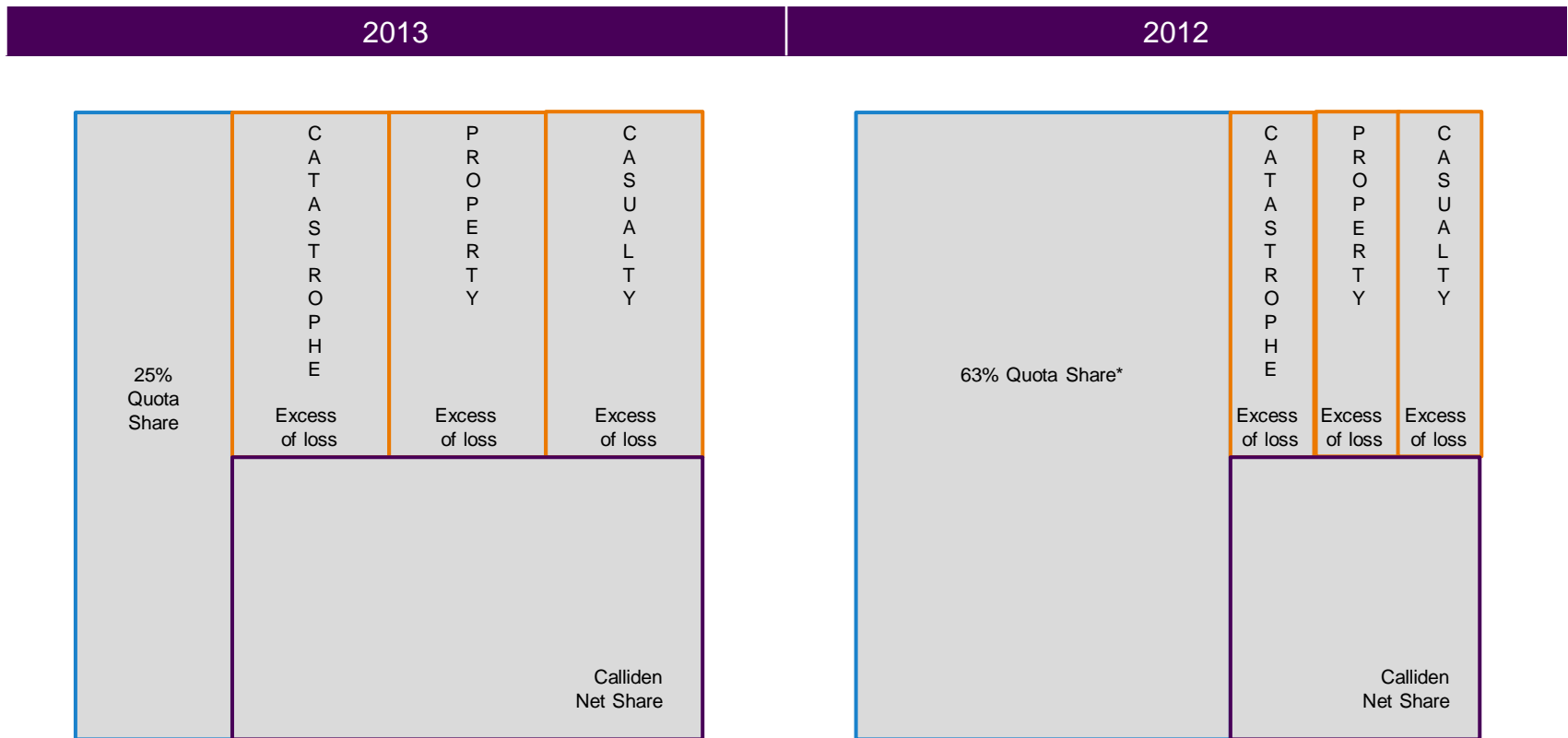
Analysis of Financials Capital Management

Capital Strength Multiples: LAGIC Comparatives



- Insurer and Group Capital Adequacy Multiples significantly stronger
- Phase 1 Life and General Insurance Capital standards (LAGIC) introduced 1/01/2013
- More stringent Phase 2 LAGIC introduced 1/01/2014
- Calliden target capital ratio 1.7-1.8 for both Group and Insurer

Analysis of Financials Reinsurance 2012-13



- Capital rebuilt in 2012 allowed quota share to reduce from 63% to 25%
- Quota share reducing to 20% for 2014
- Catastrophe net retention reducing to \$3m for 2014 (2013: \$4m)

Operational Overview Calliden Agency Services

The Calliden Agency Services Proposition

- 1 Large and dynamic market

Underwriting agencies write in excess of \$2.5b of premiums in Australia representing over 15% of the intermediated market. Newly corporatised local broking industry seeking increased choice of carrier and efficiency. Sector set to grow.
- 2 Why do insurers use Calliden Agency Services?

We provide access to insurance broker distribution for a variable cost with all the robustness of a licensed insurer including modern systems, strong governance and risk management.
- 3 Why do brokers use Calliden Agency Services?

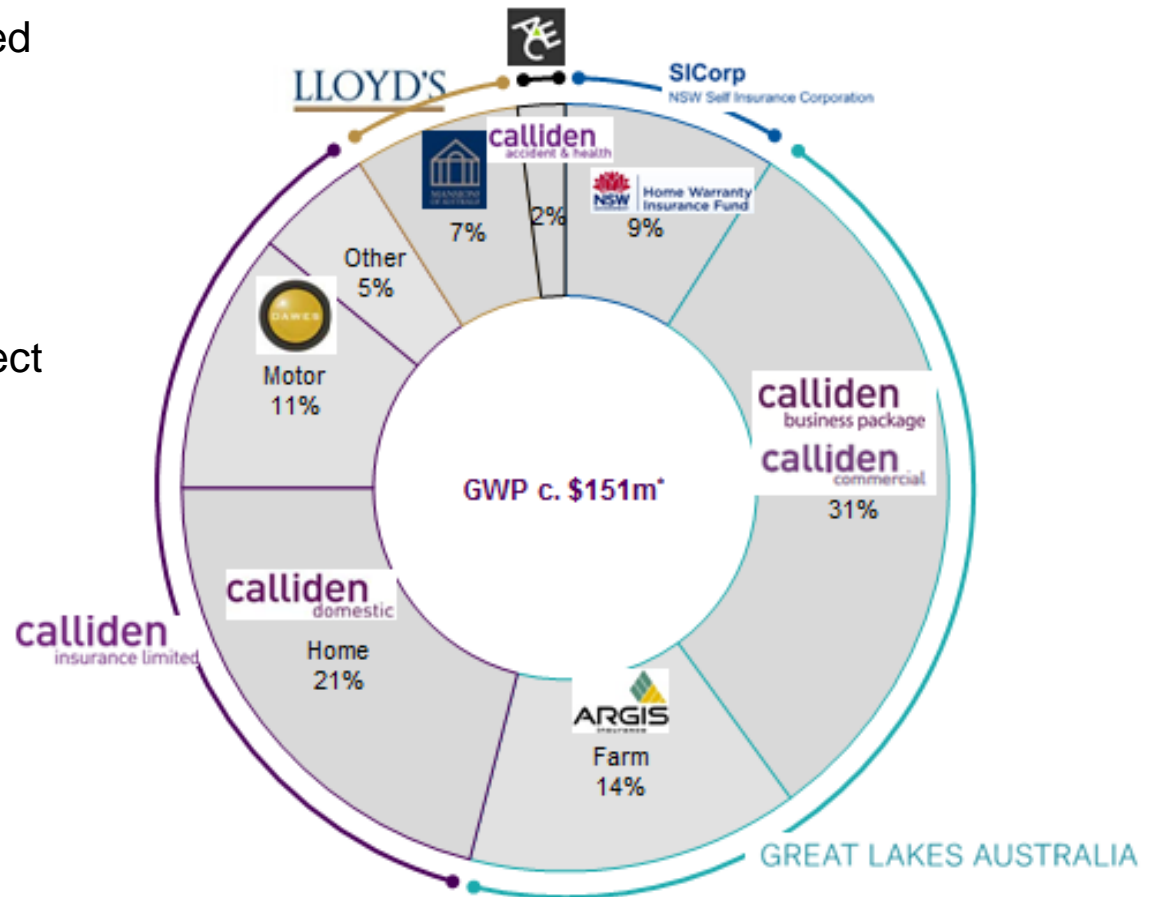
We provide a wide range of product backed by well capitalised insurers delivered in ways which make the transaction efficient for insurance brokers.
- 4 How will we grow Calliden Agency Services?

We are investing further in technology to connect to broker platforms, initially the Steadfast Virtual Underwriter (SVU) in second half 2014. We have added new products through new carriers which we will grow in 2014.

Operational Overview Calliden Agency Services

Portfolio Mix and Insurers 2013

- Middle Market introduced July 2013
- Accident & Health introduced July 2013
- Mansions transferred to ACE Insurance with effect from January 2014



Operational Overview Calliden Agency Services – Distribution

Top Five Customer Groups

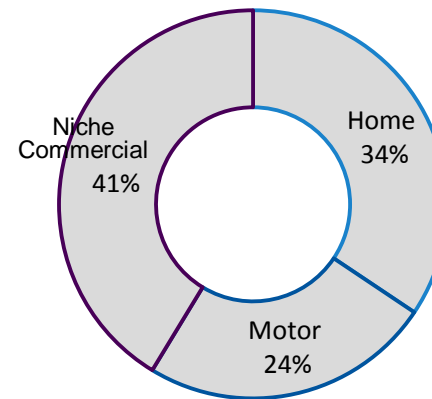
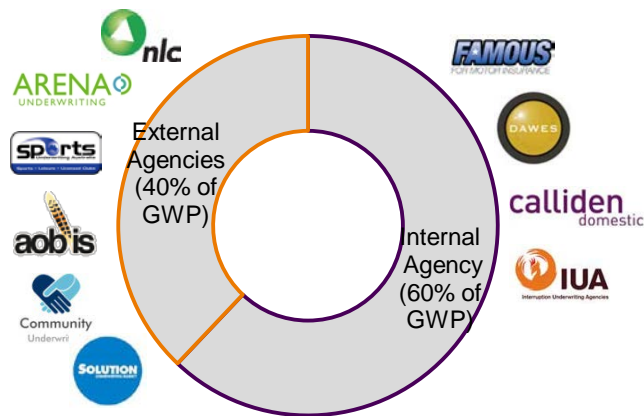


More than 75% of Australian insurance brokers deal with Calliden.

Operational Overview New Positioning – Insurer

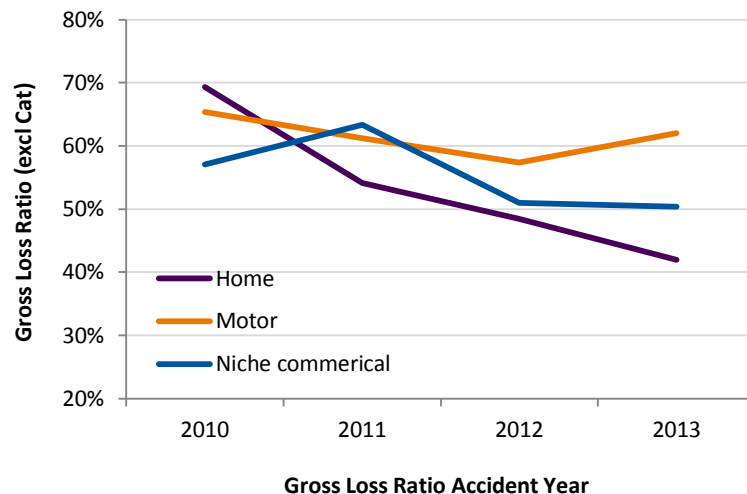
	Future Focus	Previously
Focus	Integral part of the Group supporting Group agencies and ventures and niche agents	End to end insurer
Products and classes	Personal Lines and niche Commercial (niche products or niche distribution)	All general classes, commodity and niche
Distribution	Underwriting agencies only	Brokers, schemes, direct and underwriting agencies
Capital and reinsurance	Very high capital ratio, lower quota share	Up to 60% reinsured. Capital constrained

Distribution Profile Product Mix



Operational Overview Insurer Core Portfolio Performance

Portfolio Trends



- **Home** – pricing strength and improved selection
- **Motor** – niche focus
- **Niche Commercial** – low volatility and sound performance

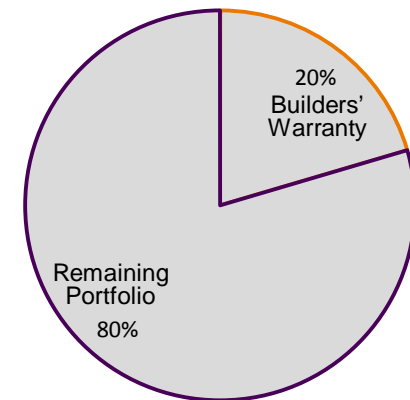
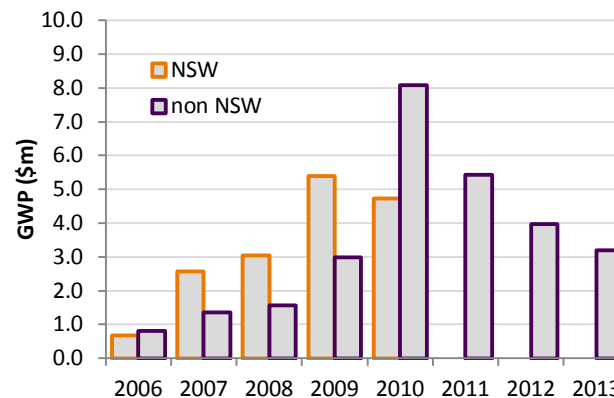
Improving loss ratio performance of ongoing portfolio offset by (\$4.2m) worse than plan performance of run-off book and Builders' Warranty.

Operational Overview Insurer – Builders' Warranty

Builders' Warranty Premium

Claims Provisions (Dec 2013)

- Net Impact of \$3.5m
 - Represents 6% of insurer net loss ratio
 - Over 50% claims recovered from reinsurance
 - Weighted to Half 2
- Why?
 - Residential building activity, particularly in Victoria, showing prolonged slowdown
 - Rise in builder insolvencies
 - Claims materialise from prior years for insolvent builders



Portfolio going forward

- NSW business written on behalf of government from June 2010
- Progressive de-risking of Vic portfolio and exit completely by Dec 2013
- WA and SA business backed 100% by state government from late 2013
- Continue with lower risk owner builder portfolio in Victoria

Outlook

- No ongoing net risk added
- Class makes up 20% of claims reserves (predominantly IBNR provisions)
- Reserves will runoff in line with expiration of underlying risk

Operational Overview Ventures



- Niche Residential and Commercial Strata
- GWP \$26m
- Insurer W R Berkley



- Niche Event, Entertainment and Security
- GWP \$3m
- Insurer Calliden Insurance Limited

Over the last five years...

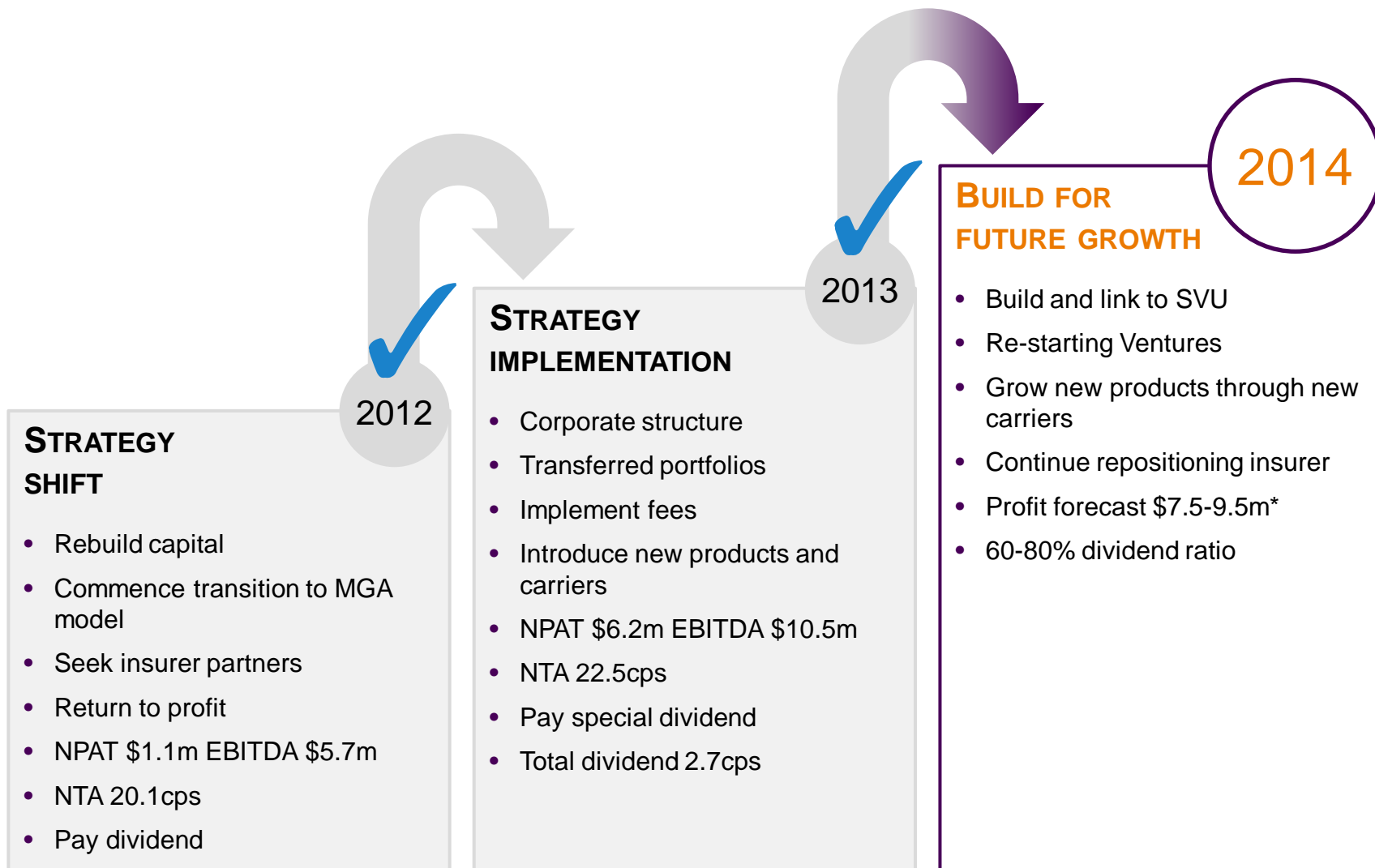


- Overall contribution of ventures to the Group result of \$14.4m
- ROC of 28% annualised based on Calliden share of JV profits
- ROC increases to 52% annualised including the capital gain from divestment of CSA and SUA

Calliden has a strong track record in identifying opportunities and building new businesses.

In H2 2014 we will start a new joint venture in niche Personal Lines underwritten by Calliden Insurance Limited.

Outlook



calliden
group