The CBL Group's Prospective Financial Information, and a reconciliation of non-GAAP to GAAP information

CBL corporation

A Prospective Financial Information

The Prospective Financial Information ("PFI") in this PFI Document relates to the CBL Group as a consolidated entity and reflects the performance of all Group subsidiaries. It includes:

- The basis of preparation of the PFI, including the material accounting policies applied;
- A description of the general and specific assumptions that underpin the PFI;
- A prospective statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows; and
- An analysis of the sensitivity of the PFI to changes in specific key assumptions.

Capitalised terms used but not defined in this document have the meanings given to them in CBL Corporation Limited's Product Disclosure Statement dated 7 September 2015 ("PDS").

The financial information is presented in New Zealand dollars and is rounded to the nearest thousand (unless stated otherwise), which may result in some discrepancies between the sum of components and totals within tables, and also in certain percentage calculations.

1 Basis of preparation

The PFI has been prepared in accordance with Financial Reporting Standard 42: Prospective Financial Statements, as required by clause 53(1)(c) of Schedule 3 to the Financial Markets Conduct Regulations 2014.

The PFI, including the assumptions underlying it, has been prepared by management and approved by CBL's Board. It is based on the Directors' assessment of events and conditions existing at the date of the PDS and the accounting policies and assumptions set out under the headings "General Assumptions" and "Specific Assumptions" below. The Directors have given due care and attention to the preparation of the PFI, including the underlying assumptions. These assumptions should be read in conjunction with the other information in the PDS (including, in particular, the information in *Section 8: Risks to the CBL Group's business and plans* in the PDS) and information on the Disclose Register (www.business.govt.nz/disclose) offer number (OFR10268).

PFI, by its nature, involves risks and uncertainties, many of which are beyond the control of the CBL Group. The Board believes that the PFI has been prepared with due care and attention, and consider the assumptions, when taken as a whole, to be reasonable at the time of preparing this PFI Document. Actual results are likely to vary from the information presented. Results may not occur as expected, and the variations may be material. Accordingly, neither the Directors nor any other person can provide any assurance that the PFI will be achieved and investors are cautioned not to place undue reliance on the PFI.

The Directors are responsible for and have authorised the issue of the PFI on 7 September 2015 for use in the PDS and this PFI Document. The PFI covers the periods of:

- 1 January 2015 to 31 December 2015 (FY2015); and
- 1 January 2016 to 31 December 2016 (FY2016).

The consolidated PFI for FY2015F includes actual results for the period January to May 2015. The Directors confirm that actual results for the months of June 2015 and July 2015 were in line with the PFI for those months.

There is no present intention to update the PFI or to publish PFI in the future. CBL will include in its annual reports for FY2015 and FY2016 a table that restates the PFI for the relevant period together with a comparison with corresponding actual financial information for that period, as required by Regulation 64 of the Financial Markets Conduct Regulations 2014.

The PFI includes items that are considered non-GAAP financial information, including profit measures other than net profit. This section also presents the pro forma Prospective Statement of Comprehensive Income for the year ending 31 December 2015 ("FY2015PF"). The CBL Group believes this pro forma information more closely reflects the Group's post-Offer business and provides a better basis for investors to assess both the historical and prospective financial information.

The FY2015PF pro forma financial information adjusts the statutory FY2015F PFI by:

- including results of Assetinsure for a whole financial year;
- excluding the profit impact of intangibles amortisation relating to the acquisition of Assetinsure;
- excluding Offer costs, being those one-off listing costs that are required to be expensed;
- adopting the capital structure of the CBL Group following completion of the Offer, assuming the Offer occurred on 1 January 2015;
- excluding the impact of unrealised foreign exchange translation movements;
- excluding one-off transactional costs relating to the acquisitions of Assetinsure and Fiducia; and
- excluding gains on sale of investments.

A description and reconciliation of each adjustment to GAAP financial information is set out in *Section B: Reconciliation of non-GAAP to GAAP information* of this document.

An explanation and reconciliation to GAAP of non-GAAP financial measures presented in the PDS and PFI Document is set out in *Section B: Reconciliation of non-GAAP to GAAP information*. Where non-GAAP financial information is reported there is a reference to further information to assist you to understand this information.

2 General and specific assumptions

The principal assumptions on which the PFI has been prepared are set out below. These assumptions should be read in conjunction with the risk factors set out in *Section 8: Risks to the CBL Group's business and plans* in the PDS and the sensitivity analysis below.

2.1 Accounting policies

The CBL Group's accounting policies will remain consistent throughout the PFI period. It is also assumed there will be no material change in NZ GAAP during the PFI period. The CBL Group's existing accounting policies are set out in the historical Financial Statements for the year ended 31 December 2014, which can be found on the Disclose Register (www.business.govt.nz/disclose, offer number (OFR10268) in the document entitled "CBL Corporation Limited Annual Report 2014").

2.2 General assumptions

The following general assumptions have been made in preparing the PFI:

- *Markets operated in:* the CBL Group will continue to operate in its existing markets, which are Europe, Australasia, Latin America, Middle East and South East Asia, in the PFI period. Opportunities to enter other markets may arise, but these have not been included in the PFI.
- *Economic environment:* there will be no material change in the general economic environments in which the CBL Group operates or sells its insurance services.
- *Political, legislative and regulatory environment:* there will be no material change to the political, legal or regulatory environments in which the CBL Group operates or sells its insurance services.
- *Competitive environment:* there will be no material change to the competitive dynamics of the markets in which the CBL Group operates, including any material change in competitor activity. No new entrants will materially change the competitive environment. The nature and extent of competition in any markets which the CBL Group enters will be comparable to that currently exhibited in its existing markets.
- *Industry conditions:* there will be no material change in the general industry structure in which the CBL Group operates its relationships with third parties or conditions in respect of the markets for employees and staff in which it operates.
- *Taxation:* there will be no material change to the New Zealand corporate tax rate of 28%, or the corporate tax rate in any region in which the CBL Group has a material tax exposure. There will be no material changes to corporate tax laws in any jurisdiction that would affect the CBL Group.
- *Management of the CBL Group:* no Directors or key personnel will leave the CBL Group and management resources will be sufficient for the CBL Group's requirements.
- *Operating environment:* there will be no material impact arising from industrial, contractual or regulatory disputes or actions.
- *Disruption to operations:* there will be no material disruption to operations (including disruptions to or affecting any of the CBL Group's key customers).
- *Business acquisitions or disposals:* there will be no material business acquisitions or disposals by the CBL Group (other than the Assetinsure acquisition, assumed to complete shortly after listing and which we assume will perform in line with our expectations).
- *Key customers / suppliers and distribution channels:* there will be no unanticipated loss of key customers, suppliers or distribution channels.

3 Specific assumptions

The following specific assumptions have been made in preparing the PFI:

3.1 Revenue

	HISTORICAL			PROSPECTIVE			
$000s (YEAR ENDED 31 DEC)	FY2012 STATUTORY	FY2013 STATUTORY	FY2014 STATUTORY	FY2015PF (EXCL. AI) PRO FORMA, EXCLUDING ASSETINSURE	FY2015PF PRO FORMA, INCLUDING ASSETINSURE	FY2015F STATUTORY	FY2016F STATUTORY
GWP as an insurer	107,683	165,285	187,784	217,030	275,298	236,404	316,246
GWP as an MGA (EISL)	43,542	47,222	53,985	59,740	59,740	59,740	81,065
Total gross written premium	**151,225**	**212,507**	**241,769**	**276,770**	**335,038**	**296,144**	**397,311**
Movement in gross unearned premium	(18,673)	(27,308)	(15,332)	(12,026)	(14,475)	(12,470)	(21,937)
Total gross premium	**132,552**	**185,199**	**226,437**	**264,744**	**320,563**	**283,674**	**375,375**
Premium ceded as an insurer	(16,799)	(17,101)	(3,394)	(3,067)	(31,301)	(12,019)	(31,118)
Premium ceded as an MGA (EISL)	(32,428)	(36,260)	(41,549)	(46,513)	(46,513)	(46,513)	(63,417)
Total net premium	**83,325**	**131,837**	**181,494**	**215,163**	**242,749**	**225,143**	**280,839**
Fee income	4,730	3,970	3,563	3,350	11,984	6,402	13,510
Investment income	907	1,220	1,947	4,796	7,482	4,128	6,802
IT income	0	0	0	0	2,847	1,007	3,016
Foreign exchange gain	0	3,204	0	0	0	0	0
Other income	32	668	1,497	657	932	754	564
Total revenue	**88,994**	**140,899**	**188,501**	**223,967**	**265,995**	**237,433**	**304,731**

Total revenue of the CBL Group is expected to increase by 41.1% in FY2015PF to $266.0 million and by 14.6% in FY2016F to $304.7 million. Excluding the Assetinsure acquisition, total revenue is expected to increase by 18.8% to $223.9 million in FY2015PF. The increase in revenue is driven by several factors outlined below:

Gross written premium ("GWP")

The Group derives the majority of its revenue from risk-bearing insurance premiums and commissions from its MGA operations.

CBL's risk-bearing insurance premiums include both reinsurance and direct insurance activities:

- Inwards reinsurance premiums are earned by the CBL Group for underwriting risk written by other insurers in exchange for an agreed share of the premium and risk.
- Direct insurance premiums are earned by the CBL Group for business written directly as a licensed insurer.

The Group owns EISL (via wholly owned subsidiaries), an MGA which binds insurers to insurance policies in accordance with its binder authorities and decides how much premium the insurer gets paid. The GWP for EISL is calculated as the GWP it generates for its insurers. EISL generates commission income on the GWP it writes. This is discussed in further detail below.

There is seasonality in the business with GWP slightly skewed to the second half of the financial year when, traditionally, insurance renewals often take place.

GWP by product

The CBL Group's businesses have principally been built on bonds and financial surety products for the construction and property industries. The Group has had a track record of GWP growth through focus on its core product suite and expansion of its markets.

The majority of the Group's FY2015PF and FY2016F GWP is based on existing products and existing business partners and channel distribution networks. These include a significant portion of annually renewable business. Further penetration of these products is expected to be a driver of future growth. There is also expected to be incremental growth from new products with existing partners and continued expansion of the Group's partners' customer bases.

The following table sets out the GWP of the Group by major product lines from FY2012 to FY2016F.

	HISTORICAL			PROSPECTIVE			
$000s (YEAR ENDED 31 DEC)	FY2012 STATUTORY	FY2013 STATUTORY	FY2014 STATUTORY	FY2015PF (EXCL. AI) PRO FORMA, EXCLUDING ASSETINSURE	FY2015PF PRO FORMA, INCLUDING ASSETINSURE	FY2015F STATUTORY	FY2016F STATUTORY
Annually renewable GWP							
DL	43,198	72,974	106,227	106,292	106,292	106,292	138,418
Property and Liability	3,997	13,699	15,990	17,829	60,016	31,411	67,250
Professional Indemnity	1,674	8,945	9,794	7,754	7,754	7,754	8,177
Subtotal	**48,869**	**95,618**	**132,011**	**131,875**	**174,062**	**145,457**	**213,845**
Project specific GWP							
DO	57,270	50,941	49,413	47,547	47,547	47,547	59,102
Surety Bonds	30,928	35,716	38,299	63,263	69,430	65,961	73,576
Completion Guarantee	8,042	7,579	7,595	7,935	13,855	11,314	14,973
Other	6,116	22,653	14,451	9,741	7,935	7,935	11,360
Credit Enhancement					5,800	1,520	4,546
New products				16,409	16,409	16,409	19,910
Subtotal	**102,356**	**116,889**	**109,758**	**144,895**	**160,976**	**150,687**	**183,467**
Total GWP	**151,225**	**212,507**	**241,769**	**276,770**	**335,038**	**296,144**	**397,311**
Percentage annually renewable	*32%*	*45%*	*55%*	*48%*	*52%*	*49%*	*54%*

Note: New product category relates only to the PFI period. New products launched between FY2012 and FY2014 have been allocated to existing product categories.

In FY2015PF, approximately 52% of the Group's key products are annually renewable products that require annual premiums to be paid by the same policyholder. Renewal rates for the Group's major products by end user customers have been high. Management estimates renewal rates to be approximately 80% for its renewable policy products which provides good visibility of future GWP. All premiums are paid in advance.

In the PFI period, it is anticipated that DO GWP will decline by 4% and grow by 24% in FY2015PF and FY2016F respectively, following a reduction in DO in FY2013, FY2014 and the early part of FY2015 due to increased competition. A competitor that took some business away from the Group during that historical period has now exited the market and the Group has regained that business at previous pricing levels. The introduction of complementary products such as the Builders Permit product will also drive DO GWP growth in the PFI period. The FY2016F growth is supported by a full year favourable foreign exchange rate impact and tax changes in the French residential construction industry.

In the PFI period, it is anticipated that DL GWP will remain flat in FY2015PF and grow by 30% in FY2016F. In FY2015PF, the anticipated growth in DL GWP is offset by the offering of one of the Group's reinsurance partners a higher retention in the period. The forecast increase through FY2016F is a result of continuing to provide EISL and the Group's business partners with underwriting capacity that allows them to grow by writing more business and a full year favourable foreign exchange rate impact.

In the PFI period, it is anticipated that Surety Bonds GWP will grow by 65.1% and 6.0% in FY2015PF (excl. Assetinsure) and FY2016F respectively. The growth in FY2015PF relates to the following:

- Scandinavian Builders Warranty product is forecast to generate $9.3 million of GWP in FY2015PF. This product was launched in November 2014 and generated $1.0 million of GWP in FY2014;
- Property Deposit Bonds are forecast to generate an additional GWP of $3.6 million;
- Travel Bonds are forecast to generate an additional GWP of $4.0 million;
- Surety Bonds in Ireland are forecast to generate an additional GWP of $3.4 million; and
- The acquisition of Assetinsure adds $6.2 million of GWP.

The growth of $4.1 million in Surety Bonds in FY2016F is anticipated from organic growth in existing business lines.

In the PFI period the Group expects to generate $16.4 million and $19.9 million of GWP relating to new products and expansion into new markets for FY2015PF and FY2016F respectively relating to the following:

- Student Fee Protection and New Surety Bonds through CBLIE are forecast to generate $6.4 million of GWP in FY2015PF and $6.1 million in FY2016F;
- New products that are not specifically identified at the commencement of FY2015PF are assumed to generate $7.3 million (including $2.1 million to $2.4 million in new Danish business now signed) and $6.4 million of GWP for FY2015PF and FY2016F respectively through CBL Insurance. This is in line with historical trends of 3-4% of total GWP;
- New business through EISL in the construction sector is forecast to generate $2.3 million of GWP in FY2015PF and $4.1 million in FY2016F; and
- New unidentified business through EISL is forecast to generate $0.4 million in FY2015PF and $3.3 million in FY2016F.

GWP by region

The following table sets out the GWP of the Group by region from FY2012 to FY2016F.

	HISTORICAL			PROSPECTIVE			
$000s (YEAR ENDED 31 DEC)	FY2012 STATUTORY	FY2013 STATUTORY	FY2014 STATUTORY	FY2015PF (EXCL. AI) PRO FORMA, EXCLUDING ASSETINSURE	FY2015PF PRO FORMA, INCLUDING ASSETINSURE	FY2015F STATUTORY	FY2016F STATUTORY
Australasia	5,298	12,809	12,359	16,423	74,691	35,797	82,112
Europe	131,937	189,982	221,793	238,084	238,084	238,084	295,173
Latin America	7,655	1,146	(74)	10,114	10,114	10,114	8,231
Middle East	3,472	4,818	3,149	6,060	6,060	6,060	5,599
South East Asia	2,863	3,752	4,542	6,090	6,090	6,090	6,197
Total GWP	**151,225**	**212,507**	**241,769**	**276,770**	**335,038**	**296,144**	**397,311**

The CBL Group generates GWP primarily from Europe and Australasia. An increasing proportion of GWP has been sourced from Europe; however management forecast less geographic concentration of the GWP composition in future due to the acquisition of Assetinsure and further expansion into Latin America following the Group's investment in Fiducia. FY2014 GWP from Latin America was negative due to the unwinding of accrued GWP.

Latin America premiums decreased from FY2012 to FY2014 while the Mexican Government requested proposals from participants in the Builders Warranty industry on making Building Warranty products mandatory. The process took longer than first anticipated but was finally implemented in late 2014 with CBL Insurance and its insurance partner Seguros GMX being appointed as one of two insurers in the programme. GWP from this programme started in April 2015, and is expected to slowly increase during the PFI period as the pilot programme develops. FY2015PF GWP from this programme includes an accumulated catch-up in demand from FY2014 that could not be written until Government approval for the program was received.

The Assetinsure acquisition is expected to enable CBL Insurance to expand its business into Australia, using Assetinsure's local market expertise and regulated status to offer reciprocal reinsurance opportunities. Assetinsure also has some products, in particular, a Credit Enhancement product rated A by Standard & Poors Rating Agency and A.M. Best, which CBL believes has the potential to be grown by leveraging the Group's existing global reach, relationships and expertise. Taking these products into offshore territories has not been forecast in the PFI.

3.2 Unearned premium

GWP is recognised as earned over the period in which the incidence of loss events under the related insurance contracts can occur. Unearned premiums are those proportions of premiums written in a year that relate to future periods where the risk of loss events may occur after the reporting date. They are recognised as an unearned premium liability in the Statement of Financial Position. The movement in the provision is recognised in the Statement of Comprehensive Income under the line item "Movement in gross unearned premium" to recognise revenue over the period of the risk.

Periods of risk are often different for different products and are forecast product by product in accordance with consistent accounting policies adopted by CBL, and after taking advice from its accounting, audit, and actuarial advisers.

3.3 Net premium

Net premium, as an insurer, is gross premium less the portion of premium that the Group cedes to third party reinsurers under outward reinsurance agreements. Net premium, as an MGA, is gross premium less premium ceded to insurers. The Group's current business model is to seek to avoid products with high individual or aggregate risk exposure, and its policy is to not write any business that it would not otherwise take on whether it is reinsured or not. Reinsurance is used as a mechanism to share business and risk with business partners, or as a stop loss cover in the event that losses were to increase unexpectedly.

Net premium as an insurer

	HISTORICAL			PROSPECTIVE			
$000s (YEAR ENDED 31 DEC)	FY2012 STATUTORY	FY2013 STATUTORY	FY2014 STATUTORY	FY2015PF (EXCL. AI) PRO FORMA, EXCLUDING ASSETINSURE	FY2015PF PRO FORMA, INCLUDING ASSETINSURE	FY2015F STATUTORY	FY2016F STATUTORY
Gross premium as an insurer	89,010	137,976	172,452	205,003	260,823	223,934	294,310
Premium ceded as an insurer	(16,799)	(17,101)	(3,394)	(3,067)	(31,301)	(12,019)	(31,118)
Net premium as an insurer	**72,211**	**120,875**	**169,058**	**201,936**	**229,522**	**211,915**	**263,192**
Reinsurance rates (as an insurer)	**18.9%**	**12.4%**	**2.0%**	**1.5%**	**12.0%**	**5.4%**	**10.6%**

Amounts ceded under reinsurance agreements depend on the terms of the individual reinsurance agreement.

The expected increase in the CBL Group's reinsurance rates in FY2015PF is due to the acquisition of Assetinsure. Excluding Assetinsure, outwards reinsurance is expected to decrease slightly in the PFI period due to a change in product mix.

Counterparty credit risk is a key consideration when the CBL Group enters into reinsurance arrangements. As at 31 December 2014, all of the Group's reinsurance assets were with reinsurers rated 'A' or better by international credit rating agencies. The credit ratings of the CBL Group's reinsurers are actively monitored for any deterioration in outlook or rating, and the Group has a number of options to mitigate the additional credit risk if a particular reinsurer's credit rating falls below the minimum requirement. These options include terminating the reinsurance contract in the event a reinsurer's rating were downgraded beyond an acceptable level, utilising letters of credit to cover exposure to a reinsurer and commutating reserves with the reinsurer. Commutating refers to the transfer of risk from the reinsurer back to the originating insurer for a fixed price.

The four largest reinsurance counterparties of the Group, all rated A+ or higher by Standard & Poor's rating services, are expected to account for 66% of its reinsurance assets as of FY2015PF, with the largest counterparty, expected to account for 27%.

Net premium as an MGA

As EISL is an MGA, it sets the level of premium charged to a client, subject to a minimum rate agreed with the insurer. EISL retains a portion of the GWP received (commission income) and the remaining balance is forwarded to the insurers (premium ceded). In addition, EISL charges separately identified fees to its clients, which are retained by EISL as additional income. Of its total GWP in FY2014, $24.9 million was ceded to CBL Insurance via EU regulated insurance partners and is captured as GWP as an insurer in the CBL Group's revenue.

	HISTORICAL			PROSPECTIVE			
$000s (YEAR ENDED 31 DEC)	FY2012 STATUTORY	FY2013 STATUTORY	FY2014 STATUTORY	FY2015PF (EXCL. AI) PRO FORMA, EXCLUDING ASSETINSURE	FY2015PF PRO FORMA, INCLUDING ASSETINSURE	FY2015F STATUTORY	FY2016F STATUTORY
GWP as an MGA (EISL)	43,542	47,222	53,985	59,740	59,740	59,740	81,065
Premium ceded as an MGA (EISL)	(32,428)	(36,260)	(41,549)	(46,513)	(46,513)	(46,513)	(63,417)
Commission income (net premium)	**11,114**	**10,962**	**12,436**	**13,227**	**13,227**	**13,227**	**17,648**
Average commission rate %	**25.5%**	**23.2%**	**23.0%**	**22.1%**	**22.1%**	**22.1%**	**21.8%**
Premium ceded to CBL Insurance	19,845	22,768	24,886	30,503	30,503	30,503	32,462
Percentage of total premium ceded to CBL Insurance	***45.6%***	***48.2%***	***46.1%***	***51.1%***	***51.1%***	***51.1%***	***40.0%***

EISL GWP is forecast to grow by 10.7% in FY2015PF to $59.7 million and by 35.7% in FY2016F to $81.1 million. The forecast growth is supported by continuation of historical growth in DL and sales of a new Completion Guarantee product recently negotiated with an A-rated London insurer.

A greater proportion of GWP is expected to be ceded due to a change in product mix. Forecast EISL average commission rates decrease from 23.0% in FY2014 to 22.1% and 21.8% in FY2015PF and FY2016F respectively.

The portion of premium ceded to CBL Insurance is expected to increase in FY2015PF to 51.1% due to expected growth in DO and DL products. This is then forecast to decrease to 40.0% in FY2016F due to growth in new products written by EISL on behalf of external insurers that are not underwritten, or proposed to be underwritten, by CBL Insurance.

EISL growth is less capital intensive relative to the rest of the Group as its Regulatory Capital requirements are considered by us to be minimal (see Section 3.17).

3.4 Other Income

Fee income

	HISTORICAL			PROSPECTIVE			
$000s (YEAR ENDED 31 DEC)	FY2012 STATUTORY	FY2013 STATUTORY	FY2014 STATUTORY	FY2015PF (EXCL. AI) PRO FORMA, EXCLUDING ASSETINSURE	FY2015PF PRO FORMA, INCLUDING ASSETINSURE	FY2015F STATUTORY	FY2016F STATUTORY
EISL	2,615	3,224	3,406	3,164	3,164	3,164	3,117
Assetinsure	0	0	0	0	8,634	3,052	10,198
CBL Insurance	2,115	746	157	186	186	186	195
Total fee income	**4,730**	**3,970**	**3,563**	**3,350**	**11,984**	**6,402**	**13,510**
EISL fee margin	6.0%	6.8%	6.3%	5.3%	5.3%	5.3%	3.8%

Note: EISL fee margin is EISL fee income divided by GWP as an MGA.

EISL has the power to bind its direct insurance partners to risk at prices no less than pre-defined minimum rates in the binding agreements. If EISL is able to sell the product to the client at a higher price, then EISL generates additional fee income which is disclosed to the client.

Management forecast fee income by product as the difference between rates in their current agreements with direct insurers and existing market prices.

Fee income from EISL is assumed to decrease in the PFI period as EISL reduces fees to drive higher insurer premium and EISL income levels.

Assetinsure fee income includes commissions for writing partnership business and cost recovery income for writing the aviation business on behalf of Swiss Re.

Investment income

The CBL Group's investment strategy focuses on generating income from profitable premium writing rather than its investment activities. As a result, the Group predominantly holds cash, fixed term deposits and a small portfolio of equities to generate investment income.

The CBL Group does not look to rely on investment income to meet its insurance liabilities. The CBL Group has sought to take a conservative approach to investing. As the Group continues to grow it expects to be able to more actively manage investment returns, though still remain invested in high quality assets on a more diversified basis.

In July 2014 a new investment policy was adopted by the Board. This policy allows the Group to seek out better investment returns provided its Regulatory Capital management plan is still met. The Group has finalised an agreement with a large international fund manager to manage a portfolio of assets to obtain a better long term return on its Euro denominated assets. The nature of this investment will be in cash deposits, fixed income securities and lower risk equities. This fund will also allow the Group to better match some of the long term interest rate risk charges it is impacted by when doing its Regulatory Capital calculations.

Assetinsure's investment policy will be reviewed by the Group after completion of the acquisition.

Information technology

The Graile IT system is an insurance and reinsurance administration system that was developed by Assetinsure and which will be acquired by the CBL Group as part of the acquisition. The software is used internally and also licensed to third parties for a fee. Clients include a range of international insurers. Customers pay a fixed monthly fee which is reviewed annually and any specific customisations are charged for on an hourly rate. CBL forecast IT revenue to be $2.85 million and $3.02 million for FY2015PF and FY2016F respectively based predominantly on contracted revenue.

3.5 Claims expenses and reserving

The PFI assumes that actual claims in the PFI period are consistent with the forecast estimates made for claims reserves on a product-by-product basis and that those estimates are unchanged from the assumptions adopted in the FY2014 audited accounts of CBL and Assetinsure. FY2015F includes actual claims experience for the period up to the date of lodgement of the PFI where such experience is materially different to the FY2014 assumptions.

The CBL Group incurs expenses for insurance claims paid or payable to policyholders, as well as the potential liability for incurred but not yet reported claims ("IBNR"), and the expense to adjust and settle all claims (collectively referred to as claims expense). Claims expenses are reduced by amounts recovered or recoverable from other parties causing the loss (referred to as net claims expenses). The CBL Group's net claims expense ratio is calculated as net claims expense divided by net premium (as an insurer) in each year. The CBL Group targets a net claims expense ratio of less than 40%.

The CBL Group establishes claims reserves (as part of the outstanding claims liability) to cover estimated future claims which have been incurred but not yet reported as at the end of each accounting period. The movement in these reserves forms an integral element of the Group's financial results and, as such, reserving is recognised as a key area of focus for the Group.

The Board believes that the Group has established a rigorous, transparent process for setting the reserves in respect of each financial reporting period. The Group's reserving philosophy operates on a "best estimate" basis taking into account loss modelling using formulae developed with actuarial advice. In addition to the selected best estimate position, an explicit risk margin is held, based on a structured framework, to provide protection against the inherent uncertainty in the reserving process.

As paid and incurred claims experience develops over time, the reserves have been, and will be, adjusted depending on how the actual development compares to that expected. This forms part of the regular reserving process, with the adequacy of reserves reviewed on an ongoing basis with the Group's appointed actuaries. If the claims experience is positive relative to expectations, the excess reserve will be released in the profit and loss statement in the period under review or, alternatively, an additional reserve will be charged to the profit and loss account if the claims experience is negative.

CBL Insurance is regulated as a licensed insurer by RBNZ. All insurers carrying out insurance business in New Zealand are required to be licensed by RBNZ under the IPSA. Under the IPSA, CBL Insurance is required to have an appointed actuary to review its financial information in accordance with applicable solvency standards ("Appointed Actuary"). The Appointed Actuary is required to sign off on a half-yearly Regulatory Capital return, and annually prepare and file with the RBNZ a Financial Condition Report and Insurance Liability Valuation Report. CBL Insurance's current Appointed Actuary is Grant Mackay of PricewaterhouseCoopers. In addition, the adequacy of reserves is reviewed by Crowe Horwath as part of the annual audit process.

CBL Insurance is also registered as a reinsurer with the Registry of Foreign Reinsurers in Mexico, and has a reinsurance licence in Colombia which it obtained in 2012 and has renewed annually. However, CBL Insurance does not currently write any business in Colombia nor does it currently plan to write any business there in the short to medium term.

EISL is a UK registered and domiciled insurance MGA licensed and regulated by the Financial Conduct Authority in the UK.

CBLIE is an Ireland registered and domiciled insurer with the ability to write business in any country in the European Union and is regulated by the Central Bank of Ireland. The Central Bank of Ireland require CBLIE to annually obtain a Statement of Actuarial Opinion from an actuary approved by the Central Bank of Ireland certifying that the company's reserves are at least as much as the signing actuary's best estimate and that its solvency requirement has been correctly calculated. CBLIE's signing actuary is Dermot Marron of Allied Risk Management. In addition, the adequacy of the reserves is reviewed by PwC (Ireland) as part of the annual audit process.

CBLIE is also required to have an actuarial function under the Solvency II requirements; the Solvency II requirements are due to come into force in January 2016, but companies subject to Solvency II are expected to have the actuarial function in place from 2015. This role is outsourced to Allied Risk Management.

Assetinsure is an Australian registered company, regulated by APRA with Karl Marshall of Quantium as its Appointed Actuary, and is peer-reviewed.

The CBL Group's forecast claims expense is set out in the table overleaf:

	HISTORICAL			PROSPECTIVE			
$000s (YEAR ENDED 31 DEC)	FY2012 STATUTORY	FY2013 STATUTORY	FY2014 STATUTORY	FY2015PF (EXCL. AI) PRO FORMA, EXCLUDING ASSETINSURE	FY2015PF PRO FORMA, INCLUDING ASSETINSURE	FY2015F STATUTORY	FY2016F STATUTORY
Gross claims - current year	(31,724)	(45,174)	(72,382)	(87,392)	(129,817)	(98,374)	(134,535)
Net change in prior year claims reserve	(3,190)	(7,665)	(9,347)	-	-	-	-
Reinsurance and other recoveries - current year	12,860	7,064	13,674	12,877	36,337	19,152	34,590
Net claims expense	**(22,054)**	**(45,775)**	**(68,055)**	**(74,516)**	**(93,480)**	**(79,222)**	**(99,945)**
Net claims expense ratio	*31%*	*38%*	*40%*	*37%*	*41%*	*37%*	*38%*

Note: Net claims expense ratio is net claims expense divided by net premium (as an insurer)

Historical net claims expense ratios have been affected by reassessment of prior period claims reserves occurring across a number of products, but primarily DO and DL. The strengthening of these products was partially offset by reserve releases relating to Builders Warranty products in Australia and Construction Bonds in Italy. The reassessments were conducted when CBL Insurance changed its Appointed Actuary in June 2014 and when it produced the December 2014 audited accounts. This review of all claims reserves was a requirement CBL Insurance made when reviewing and appointing the new actuary.

During FY2014 CBL Insurance's actuarial assumptions were strengthened causing a $37.4 million increase in gross claims liability ($10.8 million net of assumed recoveries). Recoveries in the historical period are predominantly on DO claims including assumed recoveries of $26.6 million on IBNR claims. Recoveries in FY2015PF and FY2016F include Assetinsure reinsurance recoveries.

The CBL Group believes it holds adequate reserves to meet its outstanding claims based on the FY2014 actuarial assessments and taking into account the latest claims development information. On this basis the CBL Group forecasts no material deviation from prior year claims reserves during the PFI period. The sensitivities of the PFI to changes in claims ratio is discussed on page 17 of this document.

CBL Insurance claims and net ultimate loss ratio development by underwriting year

The table on the following page shows the development of the estimate of net ultimate claims for each underwriting year at the end of each successive annual period for CBL Insurance. The table shows the cumulative incurred claims, including both notified and IBNR claims, for each underwriting year at the end of each year, together with cumulative paid claims as at 31 December 2014. The table also includes a reconciliation between the ultimate claims and the net reserves on the balance sheet as at 31 December 2014.

CBL Insurance has not previously collated the information in this form and it has not formed part of the regular management and Board reporting of the Group, nor has it been audited or included in the annual accounts of the Group or CBL Insurance. The content of this table should therefore be treated as indicative only. CBL intends to report claims development data in a similar format as part of its future annual reporting. The table and chart illustrate how the claims history for a particular year develops over time, and is a guide to how well management can estimate the ultimate claims development at the time of underwriting the risk.

CUMULATIVE	UNDERWRITING YEAR								
	2007	2008	2009	2010	2011	2012	2013	2014	TOTAL
Initial estimate of net ultimate claims	5,200	9,211	6,818	8,210	11,643	18,422	45,473	60,556	
1 year on	5,200	9,214	7,394	14,647	12,325	21,883	47,700		
2 years on	5,200	9,336	7,222	17,702	14,424	26,774			
3 years on	5,200	9,068	7,247	18,914	17,609				
4 years on	5,117	9,109	7,629	19,991					
5 years on	5,117	9,718	7,992						
6 years on	5,393	10,286							
7 years on	6,778								
Current estimate	6,778	10,286	7,992	19,991	17,609	26,774	47,700	60,556	197,684
Net paid claims and foreign exchange adjustments									(92,542)
Unearned portion of net ultimate claims									(17,281)
Net outstanding claims									87,860
Claims reserves as at 31/12/2014 relating to 2006 and prior policies									8,559
Total claims reserves as at 31/12/2014									**96,419**

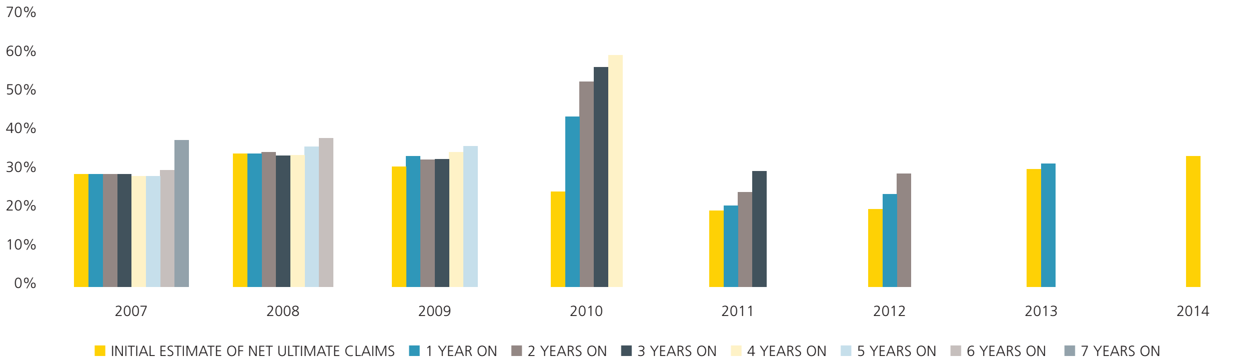
Movements in the estimate of net ultimate claims ratio are mainly attributed to the following:

- The 2010 underwriting year was impacted by a number of small bond claims made by the same client to different counterparties. Additional claims provisioning was made for these claims in the second year (1 year on) of $6.0 million and $2.9 million in the third development year (2 years on);
- The 2013 financial year diagonal data point movements reflect additional claims provisioning for the DO program as a result of the 2013 actuarial review by the Appointed Actuary for CBL Insurance at that time; and
- The 2014 financial year diagonal data point movements reflect additional claims provisioning for the DO and DL programs following the appointment of Grant Mackay of PricewaterhouseCoopers as the Appointed Actuary for CBL Insurance. The diagonal excludes the 2006 and prior underwriting year movements which include a $2.5 million reserve release from the Australian Builders Warranty program.

Comparison of the above data to GWP shows CBL Insurance's overall claims ratio for each underwriting year.

CUMULATIVE	UNDERWRITING YEAR							
	2007	2008	2009	2010	2011	2012	2013	2014
Initial estimate of net ultimate claims	28.5%	33.7%	30.4%	24.1%	19.3%	19.7%	29.7%	33.1%
1 year on	28.5%	33.7%	33.0%	43.0%	20.5%	23.4%	31.1%	
2 years on	28.5%	34.1%	32.2%	51.9%	24.0%	28.6%		
3 years on	28.5%	33.2%	32.3%	55.5%	29.3%			
4 years on	28.0%	33.3%	34.0%	58.6%				
5 years on	28.0%	35.5%	35.6%					
6 years on	29.5%	37.6%						
7 years on	37.1%							
Current estimate	37.1%	37.6%	35.6%	58.6%	29.3%	28.6%	31.1%	33.1%

The chart below sets forth a graphical representation of the tables above.



Outstanding claims liability by lines of business

The following table sets out a breakdown of the Group's outstanding claims liability by product as of 31 December 2014.

(YEAR ENDED 31 DEC)	OUTSTANDING CLAIMS LIABILITY %
DO	46%
DL	28%
Property and Liability	10%
Professional Indemnity	2%
Surety Bonds	6%
Completion Guarantee	4%
Other	4%
Total	**100%**

The DO, DL and Property and Liability products are the largest contributors to the Group's outstanding claims liability due to their long notification periods (i.e. notification can be a number of years after the risk exposure) and uncertainty in final claim settlements. As at 31 December 2014, long notification period business lines represented approximately 74% of the CBL Group's outstanding claims liability.

3.6 Acquisition costs

	HISTORICAL			PROSPECTIVE			
$000s (YEAR ENDED 31 DEC)	FY2012 STATUTORY	FY2013 STATUTORY	FY2014 STATUTORY	FY2015PF (EXCL. AI) PRO FORMA, EXCLUDING ASSETINSURE	FY2015PF PRO FORMA, INCLUDING ASSETINSURE	FY2015F STATUTORY	FY2016F STATUTORY
Acquisition costs	(25,629)	(43,085)	(57,825)	(68,780)	(75,793)	(75,441)	(86,910)
Acquisition costs ratio %	35.5%	35.6%	34.2%	34.1%	33.0%	35.6%	33.0%

Note: Acquisition costs ratio is acquisition costs divided by net premium (as an insurer)

Acquisition costs represent commissions and other costs related to the procurement of insurance business such as ceding fees paid. Ceding fees are fees paid to the insurer who writes cover on behalf of the CBL Group.

The acquisition costs ratio has remained broadly flat over the prior three years and is anticipated to remain consistent in the PFI period at 34.1% and 33.0% in FY2015PF and FY2016F respectively. Historical movements in the acquisition expense ratio are primarily due to changes in product mix rather than changes in the underlying commission costs.

Forecast acquisition costs (including ceding fees) are based on agreed rates with the Group's business partners.

3.7 Operating expenditure

The CBL Group's forecast total operating expenditure is set out in the table below:

	HISTORICAL			PROSPECTIVE			
$000s (YEAR ENDED 31 DEC)	FY2012 STATUTORY	FY2013 STATUTORY	FY2014 STATUTORY	FY2015PF (EXCL. AI) PRO FORMA, EXCLUDING ASSETINSURE	FY2015PF PRO FORMA, INCLUDING ASSETINSURE	FY2015F STATUTORY	FY2016F STATUTORY
Professional expenses	(3,956)	(5,210)	(4,498)	(4,666)	(5,498)	(8,659)	(5,943)
Labour costs	(8,511)	(9,856)	(10,958)	(13,481)	(26,483)	(17,997)	(28,595)
Travel and accommodation	(1,176)	(1,576)	(1,642)	(2,058)	(2,403)	(2,136)	(2,579)
Office expenses	(1,150)	(1,409)	(1,330)	(1,248)	(1,781)	(1,437)	(2,127)
Operating expenses	(2,314)	(5,514)	(5,390)	(6,842)	(9,880)	(8,061)	(10,977)
Other expenses	(2,427)	(2,642)	(3,120)	(1,713)	(2,851)	(2,306)	(4,033)
Operating expenditure	**(19,534)**	**(26,207)**	**(26,938)**	**(30,008)**	**(48,897)**	**(40,596)**	**(54,254)**

Professional expenses

Professional expenses relate to professional advisor fees, Directors' fees and extra costs associated with being a listed entity including listing fees, registry costs, interim and annual report production, additional professional adviser fees and associated market communication costs.

The increase in FY2015F compared to FY2015PF relates to one-off listing costs that do not reoccur in FY2016F.

Labour costs

Labour costs do not move directly in relation to growth in the Group's GWP. Although as CBL becomes a larger entity, we have identified some key roles to support the Group's growth. Assetinsure has a larger headcount than CBL Insurance although this is not forecast to grow materially.

Average cost per full time equivalent ("FTE") is forecast to increase in the PFI period due to annual increases in salaries, wages and incentives.

FTE's by entity

NO: (AT YEAR END)	FY2012	FY2013	FY2014	FY2015PF EXCLUDING ASSETINSURE	FY2015PF INCLUDING ASSETINSURE	FY2016F
CBL Insurance	15	16	20	24	24	24
EISL	52	56	61	60	60	64
CBLIE	-	1	1	2	2	3
Assetinsure	-	-	-	-	73	72
Total FTE's	**67**	**73**	**82**	**86**	**159**	**163**

FTE's by function as at FY2014 included 38 underwriting, 10 operations, 10 senior management, 8 finance, 5 claims, 4 sales, 4 information technology, 2 marketing and 1 human resources.

Travel and accommodation

Travel costs are a direct result of the CBL Group having international and growing operations. Management travel to the Group's markets and the Group's underwriting criteria requires the management team to meet the Group's clients and business partners regularly. These costs are forecast to grow incrementally.

Office expenses

Office expenses relate to IT and phone related costs as well as all costs associated with running the offices such as stationery, postage and insurances. These costs are forecast to grow incrementally.

Operating expenses

Operating expenses relate to leases and the costs associated with the properties such as rates. It also includes costs such as websites and other sales and marketing costs. The property related costs are forecast to increase in line with expected rent reviews and other costs have an incremental increase based on business growth.

Other expenses

Other expenses include the Group's financing and bank costs as well as depreciation, donations and management fees paid under an existing contract of Assetinsure. These costs are forecast to grow incrementally.

3.8 Net finance costs

The interest expense forecast in the PFI period relates to the CBL Group's external debt facilities including:

- Fixed interest notes: CBL has a A$55 million bond through FIIG Securities Limited that attracts a fixed rate of 8.25% per annum with a maturity of five years. The notes can be repaid by CBL after three or four years at a 103% and 101.5% multiple of face value on 17 April 2017 and 2018, respectively;
- Fixed interest loan from Alpha Insurance A/S to Intercede 2408 Limited, the parent company of EISL (ultimately owned by CBL) for working capital purposes. The balance as at 31 December 2014 was $7.8 million and is subject to a fixed interest rate of 6.0% per annum repayable on 31 December 2019. EISL is an important producer of insurance premium to Alpha, and this loan is seen as further securing the relationship; and
- CBL Insurance advanced a subordinated loan to Alpha Holdings A/S of $8.4 million, as at 31 December 2014, in consideration of the agreement by Alpha to reduce reinsurance security deposits held against CBL Insurance and to have ceded premiums paid without deduction. There exists a right of set off for these loans.

The pro forma adjustments assume funds raised from the Offer are received and invested from 1 January 2015 and therefore interest income from invested funds is included in net finance costs.

Funds raised as part of the Offer will not be used to repay any of the outstanding debt facilities.

3.9 Dividends

For periods ending after 1 July 2015, CBL's dividend policy is to distribute 30% of profits excluding unrealised foreign currency translation differences subject to its Regulatory Capital and liquidity requirements.

CBL dividend payments are expected to be split into an interim dividend typically paid in October and a final dividend paid in April. The first dividend following the Offer is expected to be paid in April 2016. It is the intention of the board to attach imputation credits and / or franking credits to dividends to the extent they are available. The Directors will monitor the Group's projected cash flow and capital requirements and will review this policy on an annual basis.

Despite the intentions set out above, CBL can give no assurances as to the level or frequency of any dividend (or other distributions, if any) payable, or the level of imputation or franking credits, if any, attached to any dividends. Should CBL pay dividends, it will expect to pay them on a fully imputed dividend basis.

3.10 Taxation

The Group expects to be profitable across the period covered by the PFI. Tax expenses have been calculated based on current rates in the regions where the profit is anticipated to be made. The applied tax rate in the PFI period is the NZ corporate tax rate of 28%.

3.11 Capital expenditure

The business carried out by the CBL Group is not fixed asset intensive. As a result, there have been only modest levels of capital expenditure historically. Capital expenditure on Property, Plant and Equipment in FY2015F is $0.7 million and $0.6 million in FY2016F and largely consists of purchases of fixtures and fittings and computer equipment.

CBL is currently implementing an integrated insurance software system to support its end-to-end operations. The solution has been acquired to support CBL's core insurance operations including new business development, underwriting, policy administration, premium collection, claims, reinsurance, recoveries, commissions, reporting and compliance.

The project commenced in January 2015, with the design phase completed in March 2015 and is currently in its data migration phase. Initial deployment of the software system is scheduled for the fourth quarter of 2015.

The project has a fixed cost of $2.5 million of which $299,000 has been spent as at 30 June 2015.

Capitalisation and amortisation assumptions are outlined below:

- Installation: a 40% straight line method of amortisation will be applied once the software installation is completed. The software can be amortised from the date on which the software is available for use in CBL's business.
- Annual licence, maintenance, hosting and service costs: the annual licence, maintenance, hosting and service costs will be claimed as a deduction in the year they are incurred.

3.12 Depreciation

The fixed assets are depreciated using depreciation rates based on an assessment of the useful/economic lives of the assets.

3.13 Capital raising costs

It is assumed that CBL will receive gross proceeds of $90 million from the offer of new Shares under the Offer. The Group will pay an estimated $8.4 million in costs of the Offer. These costs include NZX and ASX listing fees, brokerage costs, share registry costs, legal fees, accounting fees, advisory fees, advertising costs, PDS design, and printing and postage costs.

Costs relating to the sale of existing Shares and CBL's listing are not considered costs of an equity instrument as no equity instrument is issued, and consequently these costs are recognised as an expense in the statement of comprehensive income when incurred. Costs related to the issue of new share capital are recognised directly in equity as a reduction of the proceeds received. Of the estimated $8.4 million referred to above, $4.7 million will be accounted for as a reduction in equity and $3.7 million will be expensed to the income statement (as an operating cost) in accordance with this accounting policy.

3.14 Associated undertakings

The CBL Group owns 34.99% of Fiducia, a licensed surety insurer based in Mexico City. CBL's share of profit after tax of associated undertakings is forecast to be $0.2 million for both FY2015PF and FY2016F.

3.15 Critical accounting policies and use of estimates

The preparation of financial statements requires management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the related disclosure including contingent assets and liabilities. The accounting policies that management considers are the most critical to its operations and require the most subjective judgements are discussed below. This discussion should be read in conjunction with the notes to the Group's combined consolidated Financial Statements.

Ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the CBL Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the amounts that the Group will ultimately pay to settle such claims.

Significant areas requiring estimation and judgement include:

a) estimates of the amount of any liability in respect of claims notified but not settled and IBNR claims provisions included within provisions for insurance and reinsurance contracts;

b) the corresponding estimate of the amount of reinsurance and other recoveries which will become due as a result of these estimated claims;

c) the recoverability of amounts due from reinsurers and other insurers; and

d) the assessment of adequacy of provisions for unearned premium.

The assumptions used and the manner in which these estimates and judgements are made are set out below:

a) past claims development experience is used to project future claims development and hence ultimate claims;

b) the projections are discussed with experienced underwriting and claims personnel and claims provision recommendations are made to an internal reserving committee;

c) large claims are usually separately addressed by being reserved at a sum equal to the amount that an expected claims settlement will be made, including loss adjustment expenses;

d) claims provisions and risk margin are subject to independent external actuarial review at least six monthly; and

e) some classes of business have characteristics which do not necessarily lend themselves easily to statistical estimation techniques. These classes would include Financial Risk, Casualty Treaty, Catastrophe Retrocessional and Mortgage Indemnity Guarantee business such as that written by Assetinsure. In these cases review is carried out on a policy-by-policy basis to support statistical estimates.

The estimates and judgements are in line with the overall reserving philosophy and seek to state the claims provisions on a best estimate basis. An additional risk margin is also applied over and above the actuarial best estimate to allow for the inherent uncertainty within the best estimate reserve margin.

In addition to claims provisions, the reserve for future loss adjustment expenses is also subject to estimation. In arriving at this estimate, consideration is given to the levels of internal and third party loss adjusting expenses incurred annually.

Further judgements are made as to the recoverability of amounts due from reinsurers. Provisions for bad debts are made specifically, based on the solvency of reinsurers, internal and external ratings, payment experience with them and any disputes of which the Group is aware.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value, both of which are material sources of uncertainty.

3.16 Liquidity and capital resources

The Group looks to maintain a balance sheet that is not dependent on short-term leverage. The Group's principal sources of capital are equity and outward reinsurance. The principal sources of funds for the Group's operations are insurance and reinsurance premiums, and investment returns. The principal uses of the Group's funds are to pay business acquisition costs, claims benefits, reinsurance, related expenses, other operating costs and dividends to shareholders.

The Group's operations generate cash flow as a result of the receipt of premiums in advance of the time when claim payments are required. Operating cash flow, together with other available sources of liquidity (including the fixed interest notes), historically has enabled the Group to meet its long-term liquidity requirements and the Group expects that it will be able to continue to do so.

The ability of its regulated subsidiaries to distribute cash to CBL to pay dividends is subject to those subsidiaries continuing to meet Regulatory Capital requirements. There is also a covenant in the fixed interest notes issued by CBL which limits it from paying dividends of greater than 50% of NPAT (profit for the year) excluding unrealised foreign currency translation differences.

3.17 Capital requirements and resources

The Group is subject to regulatory and internal management capital requirements:

Regulatory Capital ratios

Each of the Group's regulated underwriting entities is required to meet stipulated Regulatory Capital requirements. The Board's policy is to maintain a capital base to protect stakeholders' interests and meet regulatory requirements while still creating shareholder value. The PFI assumes that the CBL Group's regulated entities continue to meet all their Regulatory Capital requirements.

As a non-life insurer supervised by RBNZ, CBL Insurance must maintain a minimum regulatory capital level in accordance with the requirements of the Solvency Standard for Non-life Insurance Business published by RBNZ and under the IPSA. Under this Standard, CBL Insurance is required to maintain a minimum Regulatory Capital level. As part of RBNZ's prudential supervision of CBL Insurance, CBL is in regular dialogue with RBNZ regarding its IPSA prudential management and reporting and filing responsibilities. RBNZ queried CBL Insurance's and its Appointed Actuary's interpretation of clauses of the applicable IPSA standards and the resulting calculation of CBL's Regulatory Capital. RBNZ accepts that despite it having had some differences with CBL Insurance regarding certain applications of the IPSA standard at December 2014, CBL Insurance met the regulatory solvency condition of its IPSA licence. As part of its discussions with RBNZ, on 29th July 2015 CBL Insurance further increased its Regulatory Capital by $10 million of additional equity. Further, up to $20 million of the proceeds from the Offer will be used to further increase CBL Insurance's solvency which, together with the $10 million of equity prior to the Offer, will bring CBL Insurance within its targeted Regulatory Capital surplus ratio range of 135% - 165% as adopted by the Board of CBL Insurance as part of its Regulatory Capital management plan and which the Board remains committed to.

CBLIE is an Ireland registered and domiciled insurer, with the ability to write business in any country in the European Union and regulated by the Central Bank of Ireland. The company is required to maintain minimum capital as calculated under the EU Solvency I formula. Regulations stipulate that the company should maintain capital, allowable for solvency purposes, at 150% of the calculated threshold amount. In addition, company policy dictates that this level be maintained at 200% of the threshold amount. As at 31 December 2014, CBLIE's Regulatory Capital surplus ratio was calculated by it at 1401%. As of 1 January 2016, requirements will be calculated under the EU Solvency II formula, a new common European framework for prudential regulation based on economic principles for the measurement of assets and liabilities.

EISL, the UK based MGA, is regulated by the UK Financial Conduct Authority and all other operating subsidiaries and partners are subject to various levels of regulation from their domestic regulator, as well as some EU regulation. EISL is required to maintain a level of capital equivalent to the higher of £5,000 and 2.5% of its total annual income from regulated activities (being its underwriting agency insurance business). This complies with the rules issued by the Financial Conduct Authority in the UK. During the year ended 31 December 2014, EISL complied with all externally imposed capital requirements.

Assetinsure is registered with APRA and is subject to prudential standards which set out the basis for calculating the prudential capital requirement ("PCR") which is a minimum level of capital, on a risk-based basis, that the regulator deems must be held to meet policyholder obligations. Assetinsure uses the standardised framework for calculating the PCR detailed in the relevant prudential standard and referred to as the prescribed method which is determined to be the sum of the capital charges for insurance, investment, investment concentration and catastrophe and concentration risk. At 31 December 2014, Assetinsure calculated its Regulatory Capital surplus at 225%.

3.18 Selected balance sheet items

$000s (YEAR ENDED 31 DEC)	FY2012 STATUTORY	FY2013 STATUTORY	FY2014 STATUTORY	FY2015F STATUTORY	FY2016F STATUTORY
Other financial assets	12	12	19,323	88,485	88,485
Trade and other receivables	15,115	10,095	11,692	37,885	30,265
Goodwill	30,372	31,745	29,297	38,969	38,969

Other financial assets

The Group holds a term deposit for $19.3 million that matures in five years (able to be broken at any time). The CBL Group acquires $69.2 million of investments in the Assetinsure transaction.

Trade and other receivables

As at 31 December 2014, trade and other receivables include an $8.4 million loan receivable from Alpha Holdings A/S repayable on 31 December 2019. The loan attracts an interest rate of 6.0% payable quarterly.

The PFI period includes $27.6 million and $20.0 million Assetinsure receivables in FY2015F and FY2016F respectively. Existing Group balances remain relatively consistent.

Goodwill

Historical goodwill relates to EISL. Movements are due to fluctuations in the NZD / EUR exchange rate. The acquisition of Assetinsure is expected to occur shortly after listing, with a purchase price of A$42 million (NZ$46.7 million), and tangible and identifiable intangible net assets on acquisition of NZ$37.0 million, giving goodwill of NZ$9.7 million.

3.19 Foreign exchange

Approximately 99% of the CBL Group's FY2015PF GWP is denominated in overseas currencies, with approximately 86% of costs also denominated in overseas currencies. Foreign exchange has been assumed at the following rates for the PFI period since 1 June 2015:

FOREIGN CURRENCY	NZ$
AUD	0.90
EUR	0.61
USD	0.65
GBP	0.43
SGD	0.89
DKK	4.63
Peso	11.69

The above rates have been applied to the profit and loss and cash flow from 1 June 2015. The CBL Group's financial assets are primarily denominated in the same currencies as its insurance liabilities which mitigates the foreign currency exchange rate risk for the overseas operations. The currency risk is managed by the regular review of the foreign currency financial positions by the Chief Financial Officer and the Audit and Financial Risk Committee. In addition, the CBL Group has also implemented an internal monthly currency swap to improve CBL Insurance's Regulatory Capital. The currency translation impact arising from translating CBL Insurance's foreign exchange denominated assets and liabilities into New Zealand dollars at reporting date is recognised as part of either the "currency translation differences" or "other revenue" in the Statement of Comprehensive Income (FY2013 gain of $3.2 million, FY2014 loss of $6.2 million). In FY2015F this translation impact is a forecast unrealised loss of $0.4 million being the YTD experience as at 31 May 2015), and nil in FY2016F as no further foreign exchange rate changes are assumed. The sensitivity of the PFI to changes in foreign exchange rates is set out on page 17.

The forecast rates are broadly consistent with average forecast spot exchange rates reported by a selection of external institutions.

The following table shows the GWP by currency of underlying transaction.

GWP exposure to foreign currency in the PFI period

			% OF GWP	
CURRENCY: NZ$000	FY2015F	FY2016F	FY2015F	FY2016F
AUD	32,599	78,763	11.0%	19.8%
DKK	11,527	13,665	3.9%	3.4%
EURO	216,599	274,884	73.1%	69.2%
GBP	11,616	8,373	3.9%	2.1%
NZD	3,198	3,349	1.1%	0.8%
SGD	1,082	1,188	0.4%	0.3%
USD	19,523	17,091	6.6%	4.3%

3.20 GWP, total revenue and operating profit by operating entity

GWP by operating entity

The following table shows GWP split between the operating entities:

	HISTORICAL			PROSPECTIVE			
$000s (YEAR ENDED 31 DEC)	FY2012 STATUTORY	FY2013 STATUTORY	FY2014 STATUTORY	FY2015PF (EXCL. AI) PRO FORMA, EXCLUDING ASSETINSURE	FY2015PF PRO FORMA, INCLUDING ASSETINSURE	FY2015F STATUTORY	FY2016F STATUTORY
CBL Insurance	107,683	165,285	185,897	204,661	204,661	204,661	238,099
Assetinsure					58,268	19,374	64,881
CBLIE	-	-	1,887	12,368	12,368	12,368	13,267
EISL	43,542	47,222	53,985	59,740	59,740	59,740	81,065
Total GWP	**151,225**	**212,507**	**241,769**	**276,770**	**335,038**	**296,144**	**397,311**

Total revenue by operating entity

The following table shows total split between the operating entities:

	HISTORICAL			PROSPECTIVE			
$000s (YEAR ENDED 31 DEC)	FY2012 STATUTORY	FY2013 STATUTORY	FY2014 STATUTORY	FY2015PF (EXCL. AI) PRO FORMA, EXCLUDING ASSETINSURE	FY2015PF PRO FORMA, INCLUDING ASSETINSURE	FY2015F STATUTORY	FY2016F STATUTORY
CBL Insurance	75,757	125,659	170,339	200,970	200,970	200,052	221,681
Assetinsure					42,028	15,073	50,524
CBLIE	0	7	1,335	6,466	6,466	6,466	13,583
EISL	13,813	15,368	15,847	16,847	16,847	16,847	20,779
Other	(576)	(135)	980	(317)	(317)	(1,006)	(1,837)
Total revenue	**88,994**	**140,899**	**188,501**	**223,967**	**265,995**	**237,433**	**304,731**

Operating profit by operating entity

The following table shows operating profit split between the operating entities:

	HISTORICAL			PROSPECTIVE			
$000s (YEAR ENDED 31 DEC)	FY2012 STATUTORY	FY2013 STATUTORY	FY2014 STATUTORY	FY2015PF (EXCL. AI) PRO FORMA, EXCLUDING ASSETINSURE	FY2015PF PRO FORMA, INCLUDING ASSETINSURE	FY2015F STATUTORY	FY2016F STATUTORY
CBL Insurance	18,590	21,732	28,596	45,345	45,345	40,749	51,977
CBLIE	-	(178)	2,116	1,290	1,290	1,290	4,016
Assetinsure					(2,838)	949	3,485
EISL	(827)	594	5,065	4,726	4,726	4,726	7,281
Segment contributions before intercompany eliminations	**17,763**	**22,148**	**35,777**	**51,361**	**48,523**	**47,713**	**66,759**
Non-operating entities and eliminations	4,014	3,684	(94)	(698)	(698)	(5,539)	(3,137)
Operating profit	**21,777**	**25,832**	**35,683**	**50,663**	**47,825**	**42,174**	**63,622**

Operating ratios by operating entity

	HISTORICAL			PROSPECTIVE			
$000s (YEAR ENDED 31 DEC)	FY2012 STATUTORY	FY2013 STATUTORY	FY2014 STATUTORY	FY2015PF (EXCL. AI) PRO FORMA, EXCLUDING ASSETINSURE	FY2015PF PRO FORMA, INCLUDING ASSETINSURE	FY2015F STATUTORY	FY2016F STATUTORY
Net claims expense ratio							
CBL Insurance	30.5%	37.9%	41.3%	36.9%	36.9%	36.9%	37.0%
Assetinsure	-	-	-	-	68.7%	47.2%	46.0%
CBLIE			(200.6%)	36.4%	36.4%	36.4%	32.6%
Acquisition expense ratio							
CBL Insurance	35.4%	35.5%	34.2%	34.0%	34.0%	34.0%	33.3%
Assetinsure	-	-	-	-	25.4%	27.0%	31.5%
CBLIE			28.4%	34.8%	34.8%	34.8%	31.7%
Combined ratio							
CBL Insurance	79.2%	86.0%	84.2%	79.5%	79.5%	81.4%	78.6%
Assetinsure	-	-	-	-	162.6%	141.5%	138.2%
CBLIE			(105.6%)	82.3%	82.3%	82.3%	71.7%
ROE							
CBL Insurance	26.6%	33.1%	31.6%	25.0%	25.0%	23.6%	25.3%
Assetinsure					(4.7%)	1.7%	5.7%
CBLIE		(2.1%)	19.7%	8.8%	8.8%	8.8%	21.6%
EISL	(61.6%)	33.6%	203.4%	148.1%	148.1%	141.4%	126.7%

4 Group sensitivity analysis

Given the inherent uncertainty of PFI, it is possible for actual results to vary materially from those set out in the PFI.

The sensitivity analysis below is provided to assist you in assessing the potential effects of variations in certain key assumptions (defined as those most likely to materially affect the CBL Group's financial results). The sensitivities presented for each assumption are not intended to be indicative or predictive of the possible range of outcomes. Rather, they allow potential investors to gain an understanding of the sensitivity of the CBL Group's PFI to changes in key assumptions.

Care should be taken in interpreting the information set out below. Changes to each variable are considered in isolation of possible movements in other variables in each period, which may not occur in reality. Movements in one variable may have an offsetting or compounding effect on other variables, the impact of which is not reflected in the PFI or the sensitivity analysis presented here. In addition, it is possible that more than one variable may change at any point in time, giving rise to cumulative effects, which are not reflected in the PFI or the sensitivity analysis.

Three key assumptions that are considered to have a significant potential impact on the prospective financial performance of the CBL Group are:

Foreign exchange

The CBL Group generates revenue and incurs expenses in a number of foreign currencies. The foreign currency rates used in the PFI are described under the heading "Specific Assumptions". The Euro makes up approximately 75% of the CBL Group's foreign currency exposure. Accordingly, the sensitivity of revenue and operating income to a +/- 5% movement in foreign currencies is shown below.

Gross written premium

Reflecting an unanticipated change in GWP compared to forecast.

Change in net claims ratio

Reflecting an unanticipated change in net claims ratio compared to forecast. Section 3.5 explains how the forecast claims reserves have been set. Differences between these forecast claims reserves and actual experience (including the need to adjust prior period claims reserves) will result in actual results differing from forecast.

4.1 Sensitivity Analysis

SENSITIVITY ($000S)	INCREASE/ (DECREASE)	MEASURE IMPACTED	FY2015	FY2016F
Foreign exchange	5% / -5%	Revenue	$11,369 / ($11,368)	$14,533 / ($14,532)
		Operating profit	$1,954 / ($1,954)	$3,668 / ($3,668)
		Net profit	$7,527 / ($7,262)	$9,749 / ($9,749)
		Net profit (pre-unrealised foreign exchange movement)	$1,511 / ($1,246)	$2,589 / ($2,589)
GWP	5% / -5%	Revenue	$11,257 / ($11,257)	$14,042 / ($14,042)
		Operating profit	$1,721 / ($1,721)	$2,052 / ($2,051)
		Net profit	$1,396 / ($1,095)	$1,655 / ($1,342)
Change in net claims expense ratios	5ppts / -5ppts	Operating profit	($10,596) / $10,596	($13,159) / $13,160
		Net profit	($7,569) / $7,619	($9,441) / $9,441

5 Prospective Financial Statements

Statement of Comprehensive Income

$000S (YEAR ENDED 31 DEC)	FY2012 STATUTORY	FY2013 STATUTORY	FY2014 STATUTORY	FY2015PF (EXCL. AI) PRO FORMA, EXCLUDING ASSETINSURE	FY2015PF PRO FORMA, INCLUDING ASSETINSURE	FY2015F STATUTORY	FY2016F STATUTORY
Gross written premium	**151,225**	**212,507**	**241,769**	**276,770**	**335,038**	**296,144**	**397,311**
Movement in gross unearned premium	(18,673)	(27,308)	(15,332)	(12,026)	(14,475)	(12,470)	(21,937)
Gross premium	**132,552**	**185,199**	**226,437**	**264,744**	**320,563**	**283,674**	**375,375**
Premium ceded	(49,227)	(53,362)	(44,943)	(49,580)	(77,814)	(58,531)	(94,535)
Net premium	**83,325**	**131,837**	**181,494**	**215,163**	**242,749**	**225,143**	**280,839**
Other revenue	5,669	9,062	7,007	8,803	23,245	12,291	23,892
Total revenue	**88,994**	**140,899**	**188,501**	**223,967**	**265,995**	**237,433**	**304,731**
Claims expense	(37,738)	(53,994)	(108,815)	(87,392)	(129,817)	(98,374)	(134,535)
Reinsurance and other recoveries	15,684	8,219	40,760	12,877	36,337	19,152	34,590
Net claims expense	**(22,054)**	**(45,775)**	**(68,055)**	**(74,516)**	**(93,480)**	**(79,222)**	**(99,945)**
Acquisition costs	(25,629)	(43,085)	(57,825)	(68,780)	(75,793)	(75,441)	(86,910)
Other operating expenses	(19,534)	(26,207)	(26,938)	(30,008)	(48,897)	(40,596)	(54,254)
Total claims and operating expenses	**(67,217)**	**(115,067)**	**(152,818)**	**(173,304)**	**(218,170)**	**(195,259)**	**(241,109)**
Operating profit	**21,777**	**25,832**	**35,683**	**50,663**	**47,825**	**42,174**	**63,622**
Finance costs	(1,076)	(1,195)	(4,642)	(6,160)	(6,160)	(6,160)	(5,998)
Other expenses	(2,442)	(64)	(4)	(647)	(647)	(647)	(1,740)
Share of profit from associate	190	323	384	209	209	944	209
Foreign exchange gains / (losses)	0	0	(6,192)	0	0	(419)	0
Change in FV of SWAP	0	0	0	0	0	0	0
Gain/(Loss) on investment property	0	0	1,150	0	0	400	0
Subvention payment	(466)	0	0	0	0	0	0
Profit before tax	**17,983**	**24,896**	**26,379**	**44,066**	**41,228**	**36,292**	**56,094**
Income tax expense	(5,105)	(6,933)	(6,986)	(12,834)	(11,983)	(10,224)	(15,687)
Profit for the period	**12,878**	**17,963**	**19,393**	**31,232**	**29,246**	**26,068**	**40,407**
The CBL Group's KPIs							
Operating profit margin	*24%*	*18%*	*19%*	*23%*	*18%*	*18%*	*21%*
Net claims expense ratio	*31%*	*38%*	*40%*	*37%*	*41%*	*37%*	*38%*
Acquisition ratio	*36%*	*36%*	*34%*	*34%*	*34%*	*36%*	*33%*

Note: Net claims expense ratio is net claims expense divided by net premium (as an insurer)

Note: Acquisition costs ratio is acquisition costs divided by net premium (as an insurer)

Statement of Financial Position

$000S (YEAR ENDED 31 DEC)	FY2015F STATUTORY	FY2016F STATUTORY
ASSETS		
Cash and cash equivalents	299,456	375,543
Other financial assets	88,485	88,485
Insurance receivables	73,694	85,279
Trade and other receivables	37,885	30,265
Current tax asset	105	105
Recoveries on outstanding claims (including IBNRs)	99,915	112,827
Deferred reinsurance expense	16,216	18,518
Deferred acquisition costs	45,050	52,753
Deferred tax assets	7,237	6,192
Property, plant and equipment	2,688	2,888
Investment in associate	3,678	3,678
Intangible assets	9,014	8,671
Goodwill	38,969	38,969
TOTAL ASSETS	**722,392**	**824,174**
LIABILITIES		
Trade and other payables	17,223	18,357
Insurance payables	15,193	18,484
Current tax liabilities	4,475	6,332
Unearned premium liability	139,873	161,809
Employee benefits provision	2,374	2,389
Deferred tax liabilities	1,420	2,383
Outstanding claims liability (including IBNRs)	282,195	323,768
Borrowings	67,934	67,934
TOTAL LIABILITIES	**530,686**	**601,456**
NET ASSETS	**191,706**	**222,719**
EQUITY		
Share capital	117,319	117,319
Reserves	(756)	(756)
Retained earnings	75,144	106,156
Total equity attributed to shareholders	**191,706**	**222,719**
TOTAL EQUITY	**191,706**	**222,719**

Statement of Changes in Equity

$000S (YEAR ENDED 31 DEC)	FY2015F STATUTORY	FY2016F STATUTORY
Total equity		
Share capital	117,319	117,319
Translation reserve	(756)	(756)
Retained earnings	75,143	106,156
Balance at end of year	**191,706**	**222,719**
Represented by:		
Share capital		
Balance at start of year	18,000	117,319
Movement in year	99,319	0
Balance at end of year	**117,319**	**117,319**
Translation reserve		
Balance at start of year	(444)	(756)
Movement in year	(312)	0
Balance at end of year	**(756)**	**(756)**
Retained earnings		
Balance at start of year	49,904	75,144
Comprehensive income		
Profit after tax	26,068	40,407
Dividends	(828)	(9,395)
Balance at end of year	**75,143**	**106,156**
Total equity at end of year	**191,706**	**222,719**

Statement of Cash Flows

$000S (YEAR ENDED 31 DEC)	FY2015F STATUTORY	FY2016F STATUTORY
CASH FLOWS FROM OPERATING ACTIVITIES		
Premium received	285,354	385,726
Premium ceded payments	(58,890)	(96,837)
Gross claims paid	(59,143)	(92,961)
Reinsurance and other recoveries received	10,609	21,678
Interest received and other income	4,562	23,892
Finance costs paid	(6,160)	(5,998)
Income taxes paid	(4,178)	(11,822)
Commission paid	(65,935)	(93,432)
Other operating payments	(35,060)	(51,621)
Net cash flows from operating activities	**71,159**	**78,624**
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash flows from subsidiaries and associates	(35,275)	209
Payments for PPE	10,246	(615)
Payments for intangibles	(2,846)	(357)
Movements in loans with non-related parties	4,761	7,620
Net cash flows from investing activities	**(23,114)**	**6,858**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts/(payments) for borrowings	626	0
Dividends paid to equity holders	(828)	(9,395)
Proceeds from issue of shares	85,320	0
Net cash flows from financing activities	**85,118**	**(9,395)**
Net movement in cash held	133,163	76,087
Cash and cash equivalents at the beginning of the financial year	166,292	299,456
Cash and cash equivalents at the end of the financial year	**299,456**	**375,543**

B Reconciliation of non-GAAP to GAAP information

Reconciliation between pro forma (non-GAAP) FY2015PF financials and statutory (GAAP) FY2015F financials

Pro forma adjustments

The CBL Group believes that its statutory financial information does not reflect its underlying performance on a consistent basis for FY2015F. The forecasts for FY2015F (Statutory) and FY2016F (Statutory) are also shown on an unadjusted basis as this reflects the basis on which the Group will report its results for those financial years under GAAP. Certain financial information presented in this document and the PDS is 'pro forma' information. Pro forma information adjusts GAAP financial information to exclude certain items that the CBL Group believes are non-recurring or unusual in nature and adjusts for the CBL Group's expected capital structure and items expected to influence financial performance after the Allotment Date to provide a consistent view of the CBL Group's underlying financial performance. The pro forma information also reflects full year ownership of Assetinsure. The CBL Group believes that the use of pro forma information allows investors to better compare its financial information both between years and with other comparable companies.

Set out below is a reconciliation between operating profit presented as if it were prepared on a statutory basis to the operating profit presented above on a pro forma basis.

$000S (YEAR ENDED 31 DEC)	PRO FORMA ADJUSTMENT	PROSPECTIVE FY2015
Statutory GWP		**296,144**
Include Assetinsure GWP prior to date of control	(1)	38,894
Pro forma GWP		**335,038**
Statutory operating profit		**42,174**
Include Assetinsure result prior to date of control	(1)	(3,787)
Policy in force amortisation	(2)	3,971
One-off Offer costs	(3)	3,678
One-off transactional costs	(4)	182
Investment income	(5)	1,607
Pro forma operating profit		**47,825**
Statutory profit for the year		**26,068**
Include Assetinsure result prior to date of control	(1)	(3,787)
Policy in force amortisation	(2)	3,971
One-off Offer costs	(3)	3,678
One-off transactional costs	(4)	182
Investment income	(5)	1,607
Reversal of unrealised foreign exchange translation loss	(6)	418
Gains from sale of investments	(7)	(1,134)
Tax impact	(8)	(1,757)
Pro forma profit for the year		**29,246**

Description of pro forma adjustments

Each of the adjustments made to derive the pro forma financial information are discussed below:

1. Includes the full year results of Assetinsure on the assumption that Assetinsure is owned for the whole financial year (rather than the 1 September 2015 acquisition date which is assumed for the statutory PFI).
2. Reverses the net amortisation of the "Policies in Force"[1] intangible that is expected to arise on the acquisition of Assetinsure as a result of the fair value exercise. A detailed fair value exercise will be undertaken following acquisition. The PFI incorporates a high level estimate of this intangible, and for simplicity of presentation, assumes that the intangible is fully amortised by 31 December 2015, based on an estimate of the average life of the acquired Policies in Force.

   The acquisition of Assetinsure is expected to occur shortly after the listing date, with a purchase price of A$42 million (NZ$46.7 million), and tangible and identifiable intangible net assets on acquisition of NZ$37.0 million, giving goodwill of NZ$9.7 million. Policies in Force of NZ$4.0 million are included in identifiable intangible assets.
3. Excludes Offer costs, being those one-off listing costs that are required to be expensed.
4. Excludes one-off transactional costs relating to the acquisitions of Assetinsure and Fiducia.
5. Investment income: The investment income in FY2015PF has been increased by $1.6 million to reflect the capital structure following completion of the Offer. This adjustment effectively assumes that the Offer occurred on the first day of the financial year (1 January 2015).
6. Reversal of unrealised foreign exchange translation loss: Pro forma performance excludes the impact of the currency translation difference.
7. Gains from sale of investments: The pro forma excludes the gain on sale of $1.1 million relating to the sale of investments in the period ($0.7 million is recorded in share of profit from associates as it relates to the sale of investments in associates).
8. Tax impact: The tax impact (including deferred tax) of the other adjustments.

In addition, other pro forma information set out in the notes to the PFI excludes the impact of the acquisition of Assetinsure for the whole of FY2015F, to enable better comparison with the FY2014 results of the CBL Group. Where shown this is described as "Pro forma, excluding Assetinsure".

Explanations of non-GAAP financial information

The CBL Group's Financial Statements disclosed on the Disclose Register (www.business.govt.nz/disclose, offer number (OFR10268)) have been prepared in accordance with NZ GAAP and comply with NZ IFRS. The Financial Statements for FY2012, FY2013 and FY2014 have been audited.

In order to assist readers of the CBL Group's Financial Statements to better understand the CBL Group's financial performance, the CBL Group uses the following non-GAAP financial measures:

- Profit for the year excluding the impact of foreign exchange translation adjusts the reported profit for the year to exclude the impact of unrealised foreign currency translation differences. The financial impact in FY2015PF is shown in pro forma adjustment (6).
- Net claims expense ratio (sometimes described as loss ratio) is the ratio, expressed as a percentage, of net claims expense divided by net premium as an insurer (which is calculated as GWP as an insurer less movement in gross unearned income less premium ceded as an insurer). The net claims expense ratio is a common insurance industry metric which can be used to assess the profitability of the underwriting operations of an insurer. The lower the ratio the more profitable the underwriting.
- Acquisition cost ratio is the ratio, expressed as a percentage, of net acquisition expense divided by net premium as an insurer (which is calculated as GWP as an insurer, less movement in gross unearned income, less premium ceded as an insurer).
- Combined ratio is the ratio, expressed as a percentage, of net claims expense, acquisition costs and operating expenses divided by net premium as an insurer (which is calculated as GWP as an insurer, less movement in gross unearned income, less premium ceded as an insurer). The combined ratio is a common insurance industry metric which can be used to assess the profitability of the overall operations of an insurer, before investment income. The lower the ratio the more profitable the business.

[1] "Policies in Force" represent an intangible asset which is the present value of the future profits of the in-force contracts.