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Start of Q&A session

Kieren Chidgey, UBS, Analyst: Morning guys. A couple of questions if I can. Just starting on General Insurance. How should we be thinking about reserving as we come through 30 June? You previously flagged the expected return to more than 2% of NEP reserve releases in second half, but you've noted you'll make IBNR provisions around landlord potential claims and also motor, you know, some potential allowance for delayed claim reporting there. Is it still your expectation that we should see reserve releases in that order?

Steve Johnston, Group CEO: Kieren, I'll start and then I'll hand to Gary and obviously the caveat on all of this is that we are in the middle of the year end valuation process now so it's quite difficult to be absolutely precise about it as that is the process that rolls out independently across the organisation.

I guess at the highest level we are not seeing anything particularly, and again I don't want to pre-suppose the independent actual review, but we are not seeing anything that is causing us too much concern in any of the statutory portfolios, CTP portfolios. They are behaving pretty much consistent with our expectation, bearing in mind that we have over the past few years incrementally reduced our average weekly earnings assumptions, so the volume of releases in aggregate will be by definition smaller out of those books.

There will be different impacts of COVID through current year and prior year. I think that is best summarised by that commentary that you just repeated to me around an appropriate level of IBNR for the landlord loss of rent. We know that there will be claims that emerge. We know that they won't emerge and can't emerge until the moratorium on evictions is lifted, so we will have to form a view and we will have to form a view consistent with our economic assumptions as to what that level might be. It by definition will be very difficult to assume. Then we will move into other elements of the portfolio where, again, we will take a view on some of those valuations.

Summing all of that up, as we sit here today given all of those inputs, I think we're still generally comfortable that we will land within our long term assumptions around reserve releases, but as I say, it is still - the valuation process still has a little bit of room to run.

Kieren Chidgey, UBS: Okay and Steve, what's your approach to premium refunds or any refunds? I know you have announced specific targeted areas of customer support more around people experiencing financial hardship, but should we also be expecting broader based benefits back to policyholders as you move through the next six months and you're able to quantify some of the net benefits?

Steve Johnston, Group CEO: Look, I guess, I'll hand to Gary in a minute. Gary's not only been overseeing our business's response to this activity, but on behalf of the insurance industry more broadly. I think our hardship processes and the relief that we've provided to our consumers and our customers in our insurance business both here and in New Zealand has been absolutely appropriate.

We moved very quickly alongside the industry to provide premium deferrals on the commercial book for our SME customers and give them some leeway around this period of time, given the stresses that are going to emerge there. We've been very active in the consumer books, as well. We've obviously been able to assess the hardship that's been very clearly evident in our customer base and provide some premium holidays where appropriate. I think that's been very well calibrated. In a small number of cases we're providing some discounts.

So, we think our response as we sit here today is absolutely appropriate. We continue to monitor it. It is very much focussed on hardship. We think that our priority is to make sure those that are doing it toughest are protected. The last thing we want to see in this event is people not having insurance. Because on top of all the issues that the whole community is addressing, if they are absent in insurance, that's another big issue that they have to have sitting over the top of them.

So, if we can keep people in the insurance industry, keep them covered, that is our priority. So, Gary, I might hand to you to fill that out, if you want to add anything more?

Gary Dransfield, CEO Insurance (Australia): Oh, no, look, I think you covered it, Steve. Kieren our view is always that there were going to be plenty of moving parts in motor claims frequency and severity. We clearly need to see what kind of activity occurs as the various phases of lockdown unwind. If anybody was out on the roads in Sydney on Mothers' Day, they'd have seen plenty of cars out and about. So, the unwind, is it will probably be patchy and unpredictable across the country.

Again, our view has always been to look after the people who need the help most and keep them in the insurance system where we can and not lose them to the system. We still think that's the right way to do it. I think the House of Reps Economics Committee hearings a couple of weeks ago were pretty comfortable with that kind of approach, relative to a small amount of rebate for a lot of people.

Kieren Chidgey, UBS: Thanks. Just a final question if I can on Group costs. Steve, you mentioned you're seeing some acceleration around digital with COVID-19, which is understandable. That $2.7 billion I think you said includes the [$40 million to $70 million] of one-off remediation costs. So, given both those factors, as you look out to next year, there's still an ability to hold the Group cost base around that $2.7 billion next year?

Steve Johnston, Group CEO: Well, I think, not is it necessary for us to hold it there, it's necessary for us to continue to reduce it, Kieren. I think, what we've seen in the last three months is potentially a material reduction in revenues across the whole of the economy. At the same time, we will emerge back to our physical workplaces with a different way of working. That's a great opportunity for us to capture a whole range of benefits, right through to our real estate footprint and certainly the general way that we work and the manner in which we work in a more agile way.

So, I think what this COVID event has done - and I do see it, I know it's described as a threat and some negative connotations to it - I think it is a real opportunity for a business like ours. It allows us to re-engage with our people in a different way of working, a more agile way of working. We're doing things at the moment that took us quite a deal of time to do.

We put WebCAPS into claims processes, digitally focussed activities around many of our contact centres that we had sitting in our investment slate which we thought were going to take three or four months and cost $5 million to $10 million. We're doing them in two or three weeks and they're costing a fraction of that.

So, we've proven we can do it in this environment. We've also proven that our customer base is more comfortable interacting with us digitally. Particularly insurance, where that has been a slower part of our portfolio to move to digital adoption. It is happening now.

So, all that says, alongside productivity, operational excellence, all the things, all the tools that we've got, go into a kit bag that says we have to move faster and we have to bring our costs down, move more of our costs to a variable base, as opposed to a fixed base. We need to bring our costs down in line with the revenue reductions that we inevitably will see and the economy inevitably will see, as we move through the next financial year

Kieren Chidgey, UBS: Great. I'll leave it there then. Thank you.

Operator: Thank you. The next question comes from Andrei Stadnik, with MS. Please go ahead.

Andrei Stadnik, Morgan Stanley: Good morning. Can I ask a couple of questions, one on insurance, one on the bank? Can I ask on an insurer, I appreciate the [call], in terms of number of lower auto claims in Australia, but potentially higher landlord claims, there may be some other areas where it could be a high propensity to claim. But at this point, is there any indication of whether the net benefit, or the net impact of these two different impacts, is it going to be a positive, or negative for earnings?

Steve Johnston, Group CEO: Andrei, I'll start and then maybe Jeremey can pick it up, because there's a whole range of competing factors sitting through various parts of our business in totality, but in a subset in insurance. Look, it's very hard to say at this point in time. I mean, for all of the uncertainties that we've outlined through the presentation, the ones that everyone would be aware of, it really does depend on the pace at which the current levels of frequency unwind, as restrictions unwind.

That means we're dependent upon the pace at which restrictions unwind, which is dependant up on the health outcomes. So, again, at the moment, we see them sort of netting themselves out. On the landlord loss of rent, as I said before, it's very difficult to predict, simply because there's a moratorium that sits over the top of evictions that will at some point expire.

I think a lot of the determining factors there around the frequency of claims in landlord loss of rent will occur particularly the extent to which the economy gets back to an improved capacity and output.

So, I guess, I describe them in an offset sense, broadly offsetting each other as we sit here today. We've still got six-odd weeks to work through before we get to the end of the reporting period. As we know, in this environment, things change pretty quickly. So, I think, the best we can do at the moment is outline the key movers and the key drivers and make a further assessment as we come through balance date. Jeremy, do you want to add anything?

Jeremy Robson, Group CFO: Yes, I think you've nailed the key points there, Steve. There's a lot of uncertainty around all of those items, frequency, landlord. On the landlord side, how much comes through in FY20 in the IBNR versus potentially future periods. Then the other one I'd add is we do have our hardship package as well. They're not expected to be particularly material in the P&L sense, but to some offset there to the frequency as well.

So, look, it is uncertain, and will depend to some extent on how long that frequency benefit of severity offset go on for. Our, I guess, best guess at the moment is they probably will tend to offset for FY20.

Steve Johnston, Group CEO: Andrei, do you have another question?

Andrei Stadnik, Morgan Stanley: Yes. Thank so much. Look, my other question, can you explain a little bit about why you're expecting bank lending growth to go negative? At the moment all the banks have seen a benefit from the payment holidays and other reductions, which are effectively reducing the gross outflows from bank and portfolios.

So, what is it about the current circumstances that make you think that your portfolio will go negative? Are you seeing particular challenges, in terms of the gross inflows on new business arising?

Steve Johnston, Group CEO: I might make a few comments and then probably Bruce can fill in some of the gaps. Obviously, one of the issues that we've been talking to the market for, too, about the last 18 months, has been a generally low level of growth sitting across our portfolio, which I guess, in retrospect, while it wasn't deliberate for us achieve that, is probably not a bad outcome as we move into this event.

We've had a lot of remediation going on in our business, particularly in the way that we interact with our broker community and the way that we improve the productivity of our direct lending franchise. So, we were making really good progress on those activities. Our lodgement volumes on a daily basis were improving significantly, as we moved into this event.

But obviously, we're seeing new opportunities for a whole range of reasons, which are aligned to the property market, reduce as we moved through the first parts of COVID. So, it's a general decline in economic activity and housing growth, I expect, to be the main contributor. But, Bruce, do you want to…

Bruce Rush, EGM Deposits and Payments: Yes, look, I think, two points from my side, Steve. One is the roadmap that we spoke about at half year, it absolutely continues. That is about improving our processes and improving our interactions with broker, that work continues. Look, on the other side, clearly on the SM focus is on supporting our customers that we do have.

We are seeing, as a result of that, on the inflow side, our inflows have slowed down a little bit. In fact, from our perspective, our focus is unchanged. We will get our processes right. We will be supporting our brokers and we will see that improve on the other side of this.

Steve Johnston, Group CEO: Andrei?

Andrei Stadnik, Morgan Stanley: Thanks so much.

Operator: Thank you. The next question comes from Nigel Pittaway, with Citi. Please go ahead.

Nigel Pittaway, Citigroup: Morning, guys. First of all, just a question on the mark to market losses. Are any of those realised at all, or are you basically just all unrealised at this point?

Jeremy Robson, Group CFO: Sure, yes, it's Jeremy, Nigel. Most of those would be - by far and away the majority would be unrealised. We don't turn over our book that frequently. So, look, maybe there's a very, very small part in there that's realised as we get that natural turn of the book. But by far and away the majority of it would be unrealised.

Nigel Pittaway, Citigroup: Okay, thank you.

Steve Johnston, Group CEO: made no specific activity to realise any of those losses, or move out of any particularly subset of our asset book, Nigel. This is to the extent that is realising, it's the fact that just a general turnover of the instruments.

Nigel Pittaway, Citigroup: Okay. Secondly, just on the underpayment provision, are you treating that as a below-the-line item, or an above-the-line item?

Steve Johnston, Group CEO: It's early days yet. We've just concluded our assessment of that in the last couple of days, Nigel. I guess, depending on irrespective of where we report it, I'm very keen for it to be included in that $2.7 billion cost guidance that I talked about previously. So, we’re not trying to hide it below the line, as a means of extracting ourselves the parameters of those commitments. So, we just have to wait a bit of time to see whether we actually report it in the P&L. But for the purposes of where we're analysing it today, you should assume that it goes into the parameters of that $2.7 billion.

Nigel Pittaway, Citigroup: Okay. Then just on the converting prefs, I mean, are you saying you sort of intend probably to convert most of that [$194 million] or just some of it or undecided?

Steve Johnston, Group CEO: Well, I mean, this is an opportunity that's been made available to us for a couple of reasons. The first one being that the first call date for this instrument was scheduled to be around about this time, or in the past month. Had we not have taken the prudent step of refinancing it early in a window that we felt was available to us in November and December last year and concluded on quite favourable terms, certainly favourable terms relative today, we would have been staring into the market with a refinancing requirement for that instrument now.

We're giving ourselves a little of flexibility. In a BAU sense probably we don't need to convert it, but we think it's prudent, it's available to us for us to manage over the next couple of weeks to convert that to equity and to build a further buffer into our balance sheet. We're flexible, given that it's not an absolutely essential requirement for us, we can be flexible at anything, between $0 and $190 million. So, we'll play it tactically, Nigel.

Nigel Pittaway, Citigroup: Okay. Thanks for that. Then maybe just finally, I mean, obviously you've talked about some GWP impact in FY20. As you look ahead to FY21 and I realise there's a lot of uncertainty, but I mean, how are you feeling about potential unit growth, particularly once some of the support packages start to unwind? Would your biggest concern - if you do have concerns, I presume you do - would your biggest concerns there be in the commercial book, or in the personal book?

Steve Johnston, Group CEO: I'll hand to Gary for a bit more commentary in a minute. But you underscored the uncertainty element of it. That makes absolute sense. I think we're all going to be watching very closely the expiry of the government support packages, some of the moratoriums that sit there for the economy. I guess, in a sense, we're very much watching to see how quickly the economy builds momentum as the restrictions unwind and cashflows start to build up. So, again, there's a lot of factors there that we're making assumptions about at this time.

I mean, I think a general rule is that if the economy is under some stress, then while insurance is reasonably - a very resilient industry in general, it won’t be immune from that dynamic. So - and again, it will play out at different paces across the commercial and consumer book.

The fundamental principle for us is that while, to the extent that that happens, it's to take appropriate action to reduce our costs. Particularly on the insurance side in the claims area where we continue to have a great opportunity ahead of us. So difficult to be predicting what revenue trends will look like. Fair to assume it's going to continue to be an amount of - significant amount of stress in the economy but the key to all of that from our perspective is to continue to make our processes as efficient as we can. Gary, do you want to add to that?

Gary Dransfield, CEO Insurance Australia: Just in the commercial world, you know Nigel, you would expect to see workers have a very immediate impact because you've got payroll size as a factor in the premium so we forecast a drop in workers this quarter and next.

SME direct, while we've had the relief packages and deferral options in there, quite a lot of the cancellation activity we've seen is at the very small end of SME direct so where in effect sole traders are putting their businesses into complete hibernation. Many have - for many of them, it's a side hustle anyway so they'll just - when we come out of hibernation, they'll bounce back out and come in as probably new business. So we're planning to compete pretty hard for that.

Then, in consumer, again you can see what's going on with new car sales. You'll be able to see what's going on in the data around home starts and the like but again, we expect to compete pretty hard for whatever market size is out there, particularly with the AAMI brand as a value proposition.

Nigel Pittaway, Citigroup: Okay, thanks very much.

Operator: Thank you. The next question comes from Andrew Buncombe with Macquarie. Please go ahead.

Andrew Buncombe, Macquarie Group: Hi guys, just a couple of questions from me, please. Firstly, in the GI portfolio, just interested to get your insights about what you're seeing for customer acquisition costs at the moment. Is it becoming increasingly competitive, or has retention gone up so much that actually the cost to acquire a customer haven't really changed that much? Thanks.

Steve Johnston, Group CEO: Gary, do you want to take that one?

Gary Dransfield, CEO Insurance Australia: So Andrew, while I guess there's not clearly as much new business getting around, what you're seeing financial services companies - and probably a lot of large companies doing, is spending money above the line to communicate messages to consumers and customers broadly around what we've got on offer.

So we - I think it would be fair to say we haven't dialled back the marketing dimension of cost of acquisition because we need to use that to communicate to the existing customer base. Yes, look, your assumption is probably broadly right but the increase in renewal rate largely offsets the decline in new business and we're deploying our advertising chunk of acquisition cost to talk more to existing customers at the moment.

Though having said that, you know we launched our AAMI Roadside Assist for free to customers and non-customers that are health and emergency services workers. That's kind of driven 10,000 new customer contacts for us that at some point in the future, we'll come to seek to use to put into our acquisition pipeline.

So while a fair bit of the messaging is community service existing customer, I think it will give us some level of pay off for whatever level of new business is potentially out there in the future.

Steve Johnston, Group CEO: Then Andrew, just rolling forward, there's obviously going to be a lot of noise in acquisition costs in the short term for all the reasons Gary talked about but going forward, we've seen a significantly increased propensity of our insurance customers to interact with us online.

Like everything in this environment, it will bring forward a lot of the consumer behavioural activities that we anticipated might be there in three to five years' time, it will bring them forward to three to five months. So the challenge for us and the opportunity for us is to significantly improve the way that we interact with our customers digitally on acquisition and convert more of those acquisitions to digital based acquisitions as opposed to ones that are managed by a voice.

Andrew Buncombe, Macquarie Group: Yes, that makes sense. Second question from me, please. Jut interested in the second derivative impacts of the re-insurance program. How should we be thinking about the hazards allowance for next year?

Steve Johnston, Group CEO: Again, I'll hand to Gary who is deep in the negotiations at the moment so he'll be very cautious about what he says but in the sense - in terms of the negotiation and the way that we're constructing it, we have obviously worked our way through - are working our way through the replacement for the main cap covers which are obviously the balance sheet protections.

We flagged that around this time, we'd commence the negotiations with the market around the various elements of the aggregate covers, or the sideways protections as they're described. The aggregate stop-loss, the dropdowns and the quota shares as a bundle of renewals. We'd also throw in there, the interaction of all of those things with the aggregate - with the natural hazard allowance and we're considering them all as a package.

As I mentioned in the presentation, we'll look to structuring that part of the renewal to get the best outcome for us and we may well be seeking to trade off various elements of that as we work our way through to get broadly the same amount of protection we had this year, give or take some of the natural movements that will occur in sums insured in the portfolio. Gary, do you want to add to that?

Gary Dransfield, CEO Insurance Australia: No, just to say, Andrew, we're right in the middle of modelling the range of scenarios that drive the interaction between natural hazard allowance and per [unclear] horizontal covers. So it's kind of hard to give you any steer right at the moment because we've got that range of scenarios that we take to market to price up with re-insurance partners.

Andrew Buncombe, Macquarie Group: That makes sense and then just a final one from me, please. Just a reminder of how often you revalue your unlisted property portfolio. Should we assume that that's marked at 30 June?

Jeremy Robson. Group CFO: Yes, so we're now - we've now moved to getting monthly valuations on most of the investments within that unlisted property portfolio and we're moving to quarterly on our infrastructure funds. So the April number I quoted, that $40 million month to date market to market includes the up to date valuations on unlisted property and infrastructure assets.

Andrew Buncombe, Macquarie Group: Perfect. That's it from me, thank you.

Operator: Thank you. Your next question comes from Matt Dunger with BOA Securities. Please, go ahead.

Matt Dunger, BOA: Thank you very much, gentlemen. I just had a question on the Bank's impaired and specific ratios being pretty flat to the end of March. Have you seen a deterioration post March that is driving this collective provisioning outlay? Otherwise, what data are you looking at that's deteriorating?

Steve Johnston, Group CEO: Yes, I'll talk to - it get Jeremy to answer that in terms of the modelling we've used. The overlay that we've provided. Which, again, under the new accounting standards are more through the cycle view of expected credit loss but Jeremy, do you want to go through that one?

Jeremy Robson. Group CFO: Yes, I mean there's a couple of factors in there. It's less about what you've seen today and more about what you expect. So obviously when we look at our economic scenario that Steve went through, I think it's fair to say that we are taking a slightly more pessimistic, and hopefully it's more pessimistic, outlook than some of our peers. So I think that's the first differentiator around an input to that collective provisions number.

There's a couple of other critical ones. One of them is the - this [content] of stage 2 to provisioning which is where you make an assessment around how much of your portfolio you need to account for on a lifetime loss basis. It's obviously a pretty material shift when you go from one year to lifetime.

I think, speaking to our advisors, we've taken again a relatively conservative position around that in terms of the proportion of those customers that we expect to take up principle and interest deferral and, of those customers, those that we expect to go through to impairment at the end. So there's some conservatism there.

Then the model. We do take a slightly different approach to the way we model our credit losses - our expected credit losses relative to the majors who tend to take a three or four reference point probability-weighted set of scenarios. We run a distribution model that's got thousands of scenarios in it. Obviously tail-weighted towards the downside and I suspect that's got some inherent conservatism in it as well.

So when you compare our collective provision overlay, the 23 basis points of GLA, relative to peers, I think from our perspective there's enough evidence we have that would point to conservatism in our assumptions and the modelling absolutely as opposed to anything in terms of the underlying credit quality of the book that's differentiated to our peers.

In fact, to some extent, the inverse because we don't have an institutional book and we don't have any significance at all of unsecured personal lending book.

Matt Dunger, BOA: Great. Thank you, very much. Just on the dividend, if I could ask. Obviously, you're talking about it being considered through the year-end process and you've talked about the capital versus APRA. What's in scope for this review? Is the 60% to 80% payout ratio in scope? Are you talking about moving back within that payout ratio? And what would cause a dividend deferral like we've seen at the major banks?

Steve Johnston, Group CEO: Look, I think it's absolutely prudent for us, given unlike some of our peers, we're not in the position at the moment of needing to declare a dividend and I would point out that our interim dividend which was a payout ratio of 90% for the half year, which was appropriate at that time, was only paid in early April.

Now, in retrospect at the point that it was paid, arguably the payout ratio that we would have applied probably would have been significantly below that so we have put the - we did put the dividend payment into shareholders pockets in early April.

So we don't have to declare a dividend. We do have another couple of months of trading to work our way through to get to balance date and obviously a six-week period to reporting date, at the point at which the Board would consider a dividend.

We've laid out, I think quite openly and honestly, all of the factors that you would expect to be taken into consideration. The payout ratio will be one. Our future view of where the economy is, which will be far better informed then than it is today. The guidance that we've been provided with by APRA and how our business is responding to the activities around COVID and what our plans look like for the next two to three years. So I don't want to dimensionalise any of those inputs, they're the obvious ones you would expect us to take into consideration and we'll do that in the cold hard light of day at the time but we'll be in a far better position to be understanding of what all the inputs look like.

But again, you've seen a demonstrated behaviour in the way that we're managing the business, that errs on the side of conservatism and that's served us well in terms of the re-insurance covers that we bought and the allowances that we've increased.

It meant that we took a view that we should divest that smash repair business and we should be prudent and hold that capital on the balance sheet. We'll do a similar with the CPS3 that we refinanced early.

It's a demonstrated track record, I think, of conservatively thinking about the settings in this business and we would take that same approach into the full year dividend.

Matt Dunger, BOA: Thank you, very much, gentlemen.

Operator: Thank you. The next question comes from Siddharth Parameswaran with JP Morgan. Please, go ahead.

Siddharth Parameswaran, JP Morgan: Good morning, gentlemen. A couple of questions, if I can. Firstly, just maybe if I could get your comments on what was happening on pricing and what your intentions are on pricing in both personal loans and commercial loans. Your comments at the last result were that I think your intention was to improve underlying margins? Obviously, there's a fair bit going on at the moment but maybe if you could just give us a view on the underlying trends excluding any premium refunds that are more one-off in nature and personalised and also, just what's happening in commercial lines as well?

Steve Johnston, Group CEO: I might hand to Gary and then we might traverse back around to Paul to supplementary answer that, given all the New Zealand dynamics. So, Gary?

Gary Dransfield, CEO Insurance Australia: Thanks, Steve. Sid, just to start with commercial. We intended and still intend to continue to pursue rate increase where we need to. I think it's the expectation of the market, in spite of some businesses obviously under more cashflow strain than - where the risk requires it, we'll continue to pursue rate. I think probably globally you're seeing that in the wake of a lot of insurer and re-insurer announcements about costs. So it won't be unexpected for Australian commercial insurance buyers to see rate continuing to come through.

On personal, it's probably more of a nuance story than it is on Commercial. We are enjoying reasonable margins I think on Motor, more headwinds to Home margins. Again, we're going to have to price in the cost of doing business. We'll have to do that carefully, because we obviously do want to take the franchises along with us.

As I mentioned earlier, I think in relation to the question about cost of acquisition, I think we want to make sure at a time like this, when consumers are probably going to seek comfort in brands they trust and know, and that are strong, that we present a really strong value story to them, and particularly strongly, I think, with AAMI on a national basis, that sits between perceived premium motoring club brands, and cut price challenger brands.

As I said, we'll have to pursue the rate we need on Personal for the margin aspirations, but more pressure on Home I suspect, than Motor.

Steve Johnston, Group CEO: Then Commercial, Gary, and then we'll go round to Paul.

Gary Dransfield, CEO Insurance Australia: Yes, no look, I just started off with Commercial, Steve, just in terms of the expectation we'll still be able to pursue rate where we need to.

Steve Johnston, Group CEO: Paul, did you want to add anything on that?

Paul Smeaton, CEO New Zealand: Just, Steve, similar theme. On the Personal lines in New Zealand, we've indicated to market that we'll hold our pricing flat for the short period, just to help customers through this period. Similar to Commercial, holding our prices flat, but we will remediate certain portfolios where we need to, or customers within those portfolios. On the Corporate side, it's a case-by-case, depending on the risk profile of that corporate customer.

Siddharth Parameswaran, JP Morgan: Okay, great, thank you. Maybe just a related question to that, we have seen some insurers - I can't remember who mentioned it earlier, but we have seen some insurers already announce premium refunds. Actually, I'm not sure if some are, at the moment, given that amount of driving is so low, whether they're having some sweet type deals on policies at the moment. Can you just comment on current competition levels? Are they very high for new business? Are there many deals which might actually lead to your lapsed rates picking up, which might be behind some of your comments around a soft outlook going forward, which is above and beyond just what we're seeing on the broader economy?

Gary Dransfield, CEO Insurance Australia: Do you want me to answer that, Steve?

Steve Johnston, Group CEO: I don't think we could interpret any of the macro. The broader economy seems to be a significant delta to that from our book. Gary, do you want to talk to the competitive environment?

Gary Dransfield, CEO Insurance Australia: Yes, no I think Sid, where you've seen some players dial up their presence, and in the case of Youi talking about a rebate program, I think what you're going to find is that is the ones who suffer most when there is a decline in just the overall market of your business. If you're a smaller challenger brand, you're much more geared to a flow of your business, to drive your overall portfolio and premiums, than a larger player like us, with big brands.

I'd interpret some of the activity you're seeing as desperately trying to offset the significant impact of the decline in new business, for those that are really highly geared to it.

Even the rebating activity you've seen, I think QBE did a $50 gift card to what is a reasonably small-ish motor book. Youi did a 15% rebate if you ring and ask for it, for three months. So, that's a 3.75% on an annualised basis,

if you ring and ask for it. They've framed that in the context of kilometres driven, so where you have kilometres driven rating, as we do across a number of portfolios, it's always open to a customer to ring mid-term and let you know that they've changed their kilometres.

I'd probably see most of what you're seeing above the line by the smaller players, just in that context of really trying to get some activity moving again where they're so highly geared to it. Whereas the larger players, you see more brand [inaudible] than advertising or speaking to the existing customer base. Again, I think we'll be the beneficiaries, particularly if we deploy our brands well, of the level of uncertainty that's been cast in the consumers' minds generally.

Siddharth Parameswaran, JP Morgan: Okay, very good. Just a last question from me, Steve, maybe for yourself. Just a comment around potential industry consolidation. We have seen some players in the industry mention that they may put some of their insurance businesses up for review. I was just wondering if [MMA] is possible, from your perspective, on an insurance side?

Steve Johnston, Group CEO: Thanks, Sid. Look, again I think at the moment our focus is 100% on the organic issues and challenges and opportunities, most particularly, that are sitting in our business. Obviously if there are material opportunities that evolve in the insurance industry, you would expect us to consider them, and have a look at them, but I don't want to flag any intent around any of that at the moment. Our focus is on making sure that we organically run this business as well as we can in a very uncertain environment, and we'll continue to do it as conservatively as we can.

Siddharth Parameswaran, JP Morgan: Okay, great. Thank you.

Operator: Thank you. The next question comes from Brett Le Mesurier with Shaw and Partners. Please go ahead.

Brett Le Mesurier, Shaw and Partners: Thanks very much. Two question, firstly obviously your profit for the second half is going to very small, so I presume you won't be going to APRA seeking to get approval to have a dividend - pay a dividend greater than the profit that you're going to make?

Steve Johnston, Group CEO: Well, Brett, again I'll come back to the commentary around dividends more broadly, and the way that we all consider it through the full year. You make the absolutely correct point, that if you seek to pay a dividend above the amount of profit that you've generated in a 12-month period, then that requires the approval of the regulator. I suspect in all dividend processes there's a high degree of interaction between businesses and - financial services business and the regulator, around things like the issue that you talked about, but also stress testing and capital planning. I think we aren't in a position today to have to declare a dividend, and we will consider all of those things as we come through the full year.

Brett Le Mesurier, Shaw and Partners: Okay, thanks. The second question I had was, in that slide where you've described investment market volatility, you've netted off the gain that you would have made on the asset side from the reduction in the risk-free rate. Could you say what that gain was? It looks to me like it was about $100 million pre-tax. Is that about right?

Jeremy Robson, Group CFO: What we've done, Brett, is we've netted off - the insurance funds market-to-market is a gross market, so on that slide the $27 million market-to-market loss is a gross market-to-market, including the risk-free. Where the net-off comes is on that column called liability impact, which has the risk-free revaluation of the liability numbers, which you can see is just about $140 million.

Brett Le Mesurier, Shaw and Partners: So, you've got the net-off in there, not on the insurance side?

Jeremy Robson, Group CFO: Correct. So, the insurance funds to gross is a gross investment income number. It includes those elements I spoke to, around inflation-linked bonds, credit, and yes, insurance funds. It's inflation linked, and credit. There's a small benefit that comes through there in the reduction in - or benefit that comes through from the reduction of risk-free. That then gets offset on that liability impact column.

Brett Le Mesurier, Shaw and Partners: So, the offset is in the liability column, not in the insurance fund column, is that what you're saying?

Jeremy Robson, Group CFO: On that analysis, correct, yes.

Brett Le Mesurier, Shaw and Partners: Okay, thank you.

Operator: Thank you. The next question comes from T S Lim, with Bell Potter. Please go ahead.

TS Lim, Bell Potter: Good morning, guys. I guess life would have been sweeter if you had flogged off the bank years ago. Basically, when I look at the impaired assets for Agribusiness lending, it's gone up to $38 million. I thought the farmers were actually doing much better. What's driving the higher impaired efforts?

Steve Johnston, Group CEO: Well, I'll hand to Jeremy or Bruce to answer the specifics of the - I think your fundamental principle is correct, T S, that we have seen some rain through many of those drought-affected areas, and obviously increased consumption of the goods that are produced in many of our customers farming operations. I think the general outlook on the Agri side is more positive than it might have been six months ago. That's a general trend, but Jeremy, do you want to pick up anything on that?

Jeremy Robson, Group CFO: Yes, no, that's spot on, Steve. The overall credit quality in Ag has improved, and with these sorts of things, they're - it's the law of small numbers at the end of the day. I think, pretty sure that's just down to a couple, if that, of individual names that just happen to have moved over the period. The overall credit quality of the Rural book is better than it was.

Steve Johnston, Group CEO: TS, you can be assured I've been following your research for more than a decade.

TS Lim, Bell Potter: Thanks guys.

Operator: Thank you. There are no further questions at this time. I'll now hand back to Mr Johnston for closing remarks.

Steve Johnston, Group CEO: Okay, look thank you very much everyone. I do again apologise for how quickly we brought this to market after our lodgement this morning. You'd be aware that we were very keen to make sure that we covered all of the issues that we've outlined today.

I'll just reiterate that while we package a lot of this up as an economic scenario, this is a health event foremost, that will have economic impacts. Also, we are very focused as an organisation on a unique opportunity that emerges for us out of all of these challenging times.

I wish you all the best. Make sure everyone stays safe, and we will be in touch over the coming days, I'm sure. Thank you.

End of Transcript