**MARKET RELEASE**

# ClearView presentation at BofAML Emerging Stars Symposium

**SYDNEY, 8 October 2015**: ClearView Wealth Limited ("ClearView", ASX:CVW) advises that the attached presentation will be presented at the Bank of America Merrill Lynch Emerging Stars Symposium on 8 October 2015.

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**About ClearView Wealth Limited**

ClearView Wealth Limited is a diversified Australian financial services company with businesses that provide integrated life insurance, wealth management and financial planning solutions.

Additional information is available at www.clearview.com.au

ClearView Wealth Limited

# BofAML Emerging Stars Symposium

**7-8 October 2015**

Simon Swanson – Managing Director
Athol Chiert – Chief Financial Officer

ClearView

# Overview

- CVW is an integrated life and wealth provider;
- Highly focussed challenger brand operating in specific profitable segments;
- Well positioned for structural growth with the convergence of superannuation and life insurance;
- Competitive strengths: Experienced board and management team, no material legacy and one pricing series;
- Implementing high growth strategy with “three J Curves”: Goals: 3%-5% of the long term life insurance profit pool, building a material wealth management business and a high quality financial advice business.

# Strategic Growth

- ClearView remains in a strong position to continue growth through structural market trends, continuing to aim to provide best of breed advice and customer service, and innovation in the medium term

  ✓ Focus on gaining from market disruption around life insurance reforms with a potential stepped change in distribution profile, especially if certain of the proposed reforms are implemented;

  ✓ Benefit from the increasing convergence of the advice and non-advice markets and the convergence of life insurance and wealth management products by providing differentiation given its ability to use the market positioning, challenger brand and regulatory licences of ClearView; and

  ✓ Increase scale over time and thereby progressively decrease the expense overruns. In FY15, ClearView incurred $8.1m in non deferred expense overruns (post tax) that will be absorbed as the business grows to scale over the medium term.

# Strategy Update

- FY15 concludes a successful 3 year strategy focused on building ClearView's market position in the life insurance, wealth management and financial advice markets. Since July 2012 ClearView has:

  - **Increased its market share of new retail life insurance premiums** from circa 0.5% to 3.1%[1] through an investment in new systems, market leading products and distribution networks. ClearView now has a growing life insurance business that is focused on the profitable segments of the market;

  - **Increased FUMA from $2.9b to $7.9b** and launched new modern, customer focused and market leading products into the advised wealth management market. ClearView now has a positive net flow wealth management business that is well positioned for growth with the convergence of superannuation and life insurance;

  - **Increased the number of high quality financial advisers** in its dealer groups from 70 to 221. ClearView is building a preferred home for leading financial advisers with the objective of operating strong advice brands with a focus on quality advice; and

  - **Built a strong base business** (systems, people) and challenger brand with the initial phases of the "J Curve" investment now complete that positions ClearView for material earnings growth in FY16.

Note 1: Source Plan for Life (March 2015); ClearView Management Information.

# Executive Summary – FY15 Result

ClearView achieved a strong FY15 financial result

- ✓ UNPAT of $20.5m, up 4% on FY14
- ✓ UNPAT of $22.9m*, up 17% on FY14 on a like for like basis
- ✓ ClearView is a growing and profitable integrated life insurance and wealth challenger business that is well placed to benefit from structural growth trends

Key profit drivers and performance metrics of the FY15 result

- ✓ Life Insurance Operating UNPAT of $15.3m, up 41% (+$4.4m)
- ✓ 26% increase in life new business, 32% increase in life in-force premium
- ✓ Results consistent with strategy with profits emerging from the growth in the underlying in-force portfolios following the investments in life insurance over the last 3 years
- ✓ Investment for growth in new functional wealth platform and WealthFoundations product ($3.2m drag on earnings as previously outlined to the market)
- ✓ Wealth Management Operating UNPAT of $1.8m, down 70% (-$4.1m) reflecting adverse impact of the investment in the wealth platform as per above
- ✓ $112m net flow positive, 15% increase in wealth in-force FUM
- ✓ 89% increase in number of advisers, +19% excl. Matrix merger, continuing focus on quality, culture and compliance
- ✓ 92% increase in FUMA to $7.9b
- ✓ 99% increase in Premiums Under Advice to $187m

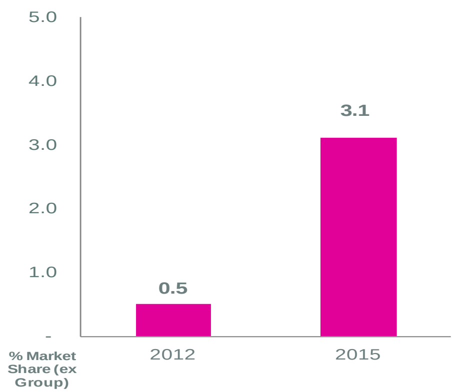
The initial phases of the "J Curve" investment strategy are now complete. Material earnings growth is expected to emerge in FY16 given the growth profile of the underlying businesses and the compound nature of life insurance and wealth management businesses

* Adjusted for the investment in wealth management and Matrix contribution

# Strategy Execution

## Life Insurance

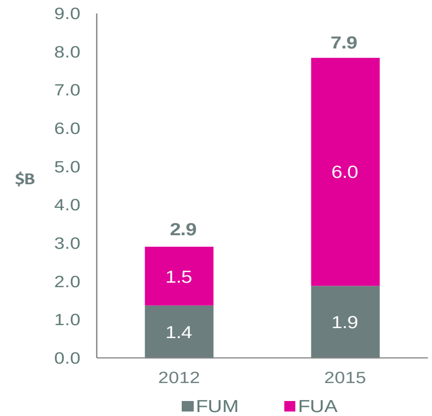
- Launched new products- LifeSolutions and direct products;
- Established infrastructure and distribution networks




- Selective approach to products and markets; continued growth in profitable segments;
- Focused on achieving 3%-5% of the long term life insurance profit pool

## Wealth Management

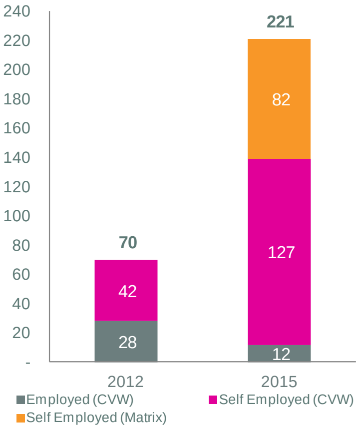
- Launched new products- WealthSolutions and WealthFoundations;
- Build out of a new functional wealth platform, scalable for growth




- Scalable platform positioned for innovation given the convergence of life insurance and superannuation products and advice and non advice markets;
- Focused on building a material wealth management business

## Financial Advice

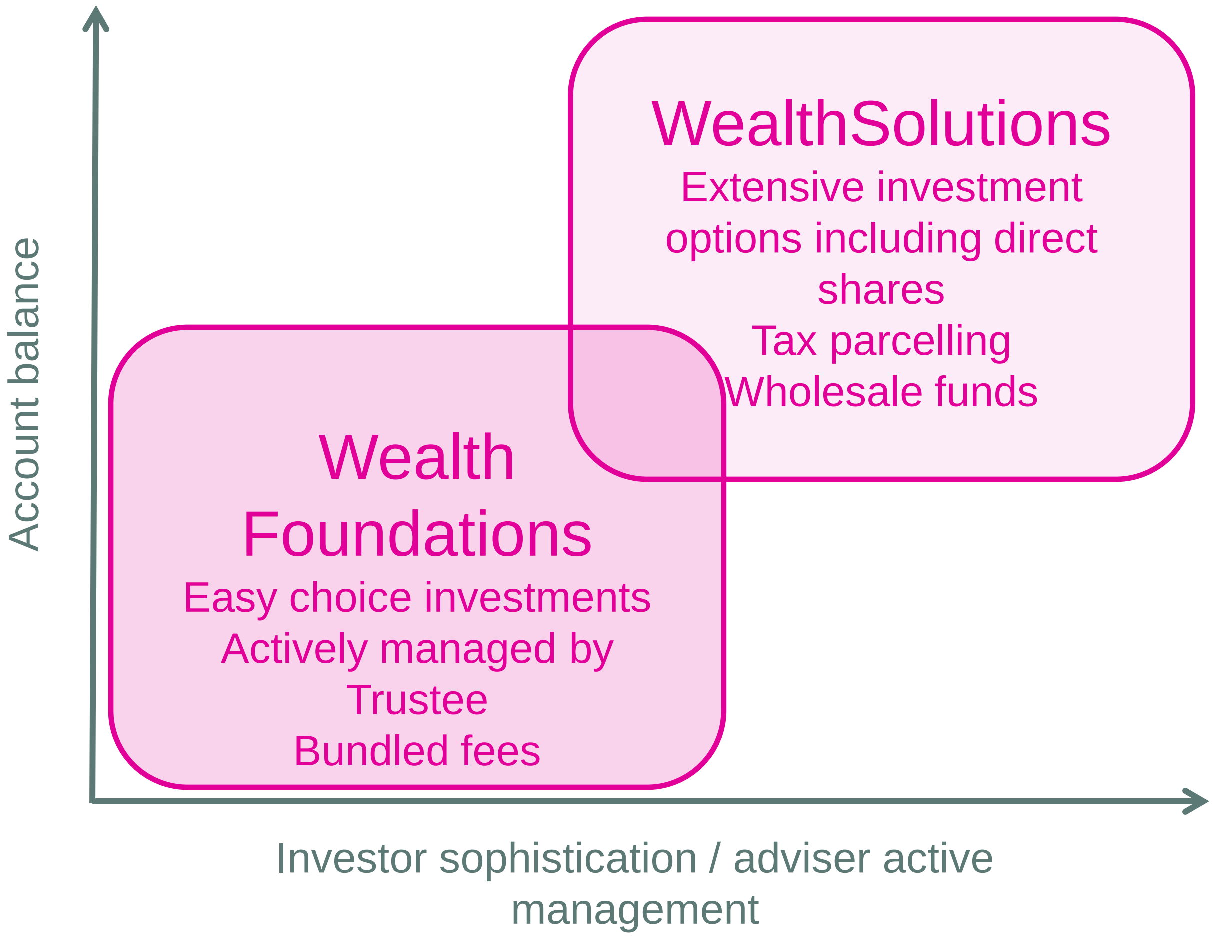
- Focus on quality over quantity;
- Preferred home for leading financial advisers;
- Non institutionally owned and leading advocate for financial advisers




- Work with ClearView product issuers to develop innovative and leading products to align with clients best interests that can be supported by the advisers;
- Focused on building a high quality financial advice business providing strategic advice for clients

FY15 concludes the first stage of building ClearView; in the last 3 financial years ClearView has focused on building out distribution networks, products and systems with ClearView now established as a growing challenger brand

# Wealth Products: WealthSolutions and WealthFoundations




Third phase of "J Curve" investment was in Wealth Management in FY15 ($3.2m UNPAT negative impact); this includes the build out of a new compliant, scalable and functional wealth platform, the launch of WealthFoundations in 1H FY15 and costs incurred/provisioned for the subsequent migration of the Master Trust product onto the new platform over time.

# Our Appeal to the Independent Financial Advisers (IFA)

| Life Advice Offer | Wealth Advice Offer |
|---|---|
| 1. Compelling product offer (top quartile rated by research houses);<br>2. Non-institutionally owned, leading advocate for the IFA;<br>3. Stability of pricing, single pricing series (lack of legacy issues);<br>4. Protected income on commissions;<br>5. Agile - ability to respond quickly to change;<br>6. Accessible Senior Management Team and Board | 1. Competitively priced and featured product;<br>2. Experienced in-house research team providing unbiased implemented models and research;<br>3. Non-institutionally owned;<br>4. In-house business implementation, support and training;<br>5. Agile - ability to respond quickly to change;<br>6. Accessible Senior Management Team and Board |

Key offering relates to product and service underpinned by strong relationship management

# Proposed life insurance reforms

| Retail Life Industry Proposal | Observations | ClearView Impact | Industry Impact |
|---|---|---|---|
| **Adviser remuneration arrangements**<br>• Limits on upfront remuneration arrangements from 1 January 2016 with transitional arrangements;<br>• Maximum upfront commission of 80% from 1 January 2016, reducing to 60% by 1 July 2018;<br>• Maximum ongoing commission of 20% in all subsequent years from 1 January 2016;<br>• Three year clawback of commissions; 100% in Yr 1, 60% in Yr 2 and 30% in Yr 3<br>• Reviewed by government by end of 2018. | • Impacts on funding of adviser businesses and potentially practice values in near term;<br>• Need to support advisers that have an unaffordable capital strain;<br>• Improves upfront capital strain to life insurer, increased return on equity (albeit potentially lower profit margins);<br>• Unlikely to result in reduced premiums to consumer;<br>• Impacts on direct life insurance unclear | ✓<br>**BUT considering how best to support advisers with unaffordable capital strain** | ✓ |
| **Quality of advice and insurer practices**<br>• 'Open architecture' approach to APLs; shelf space payments to AFSLs to get products on APL also needs consideration/ removal;<br>• Government to consider measures to widen APLs by 1 July 2016;<br>• Life Insurance Code of Conduct to be developed by 1 July 2016; best practice standards for insurers. | • APLs can be limited to a small number of products;<br>• Opening of APLs and removal of shelf space fees maximises choice available to clients; best interest duty;<br>• Vertically integrated providers should be required to have 100% open APLs to remove potential conflicts of interests | ✓✓✓ | +/– |
| **Licensee (AFSLs) remuneration arrangements**<br>• Volume based payments/ rebates (also linked to lapse/ persistency bonuses) to be banned from 1 July 2016;<br>• Appropriate grandfathering to be consistent with FOFA laws. | • Removal of these payments coupled with the adverse impacts on dealer splits from reduction in upfront commissions impacts on the financial viability of dealer groups and ability to provide support services | ✓ | +/– |
| **Enforcement, Monitoring and Efficiency**<br>• Ongoing reporting of policy replacement data to ASIC from 1 January 2016;<br>• ASIC review of SOAs to make disclosure simpler and more effective;<br>• Rationalisation of legacy products consistent with FSI recommendation. | • Complexity in simplifying SOAs given increased compliance obligations (best interests duty etc);<br>• Legacy products can include complex guarantees; historical product designs did not allow flexibility in products | ✓ | ✓ |

Regulatory uncertainty creating short term challenges; ClearView, with its unique positioning, is well placed to benefit longer term

# Summary and Outlook

**Business Performance**

- Positive momentum in key operating metrics across the business in FY15 vs. FY14
  - Life: In-force premium +32%; new business +26%
  - Wealth: FUM +15%; net flows $112m positive vs. significant outflow prior to launch of WealthSolutions in Dec 2011
  - Financial Advice: Adviser numbers +89%; premium advised +99%; FUMA +92%
- Strong financial performance: UNPAT +4% but FY15 profits impacted by material investment in Wealth Management (UNPAT +17% adjusted for the investment in Wealth Management and Matrix contribution);
- Life Insurance UNPAT up 41%; reflective of the emergence of profit from the growth in the underlying in-force portfolios given the initial investment in life insurance over the last 3 financial years;
- Embedded Value +9%; Value of New Business +66%.

**Business Outlook**

- ClearView continues to focus on the profitable market segments and not being “all things to all people”;
- FY15 concludes a successful 3 year strategy focused on building ClearView’s market position in the life insurance, wealth management and financial advice markets;
- Implementing a high growth strategy has to date required an investment in a cost structure prior to the realisation of revenue benefits; initial phases of “J Curve” investment now complete;
- Expense overruns depress initial reported profits but should eliminate as scale is achieved, thereby increasing underlying profits realised on the growing in-force portfolio; expense overruns are expected to unwind over the medium term;
- ClearView has now established a strong platform to drive momentum and convert its strategic positioning into material earnings growth;
- Material earnings growth is expected to emerge in FY16 given the growth profile of the underlying businesses and the compound nature of life insurance and wealth management businesses;
- ClearView is well positioned to gain from market disruption around life insurance reforms with a potential stepped change in distribution profile if the proposed reforms are implemented;
- While ClearView remains a high growth company (relative to the in-force portfolio) it will likely require net capital funding; the $50m Debt Funding Facility will be replaced with one or more longer term capital solutions (for example, Tier 2 debt) as the need for, and quantum of, longer term capital funding emerges.

The initial phases of “J Curve” investment strategy are now complete. Material earnings growth is expected to emerge in FY16 given the growth profile of the underlying businesses and the compound nature of life insurance and wealth management businesses

# Additional Information

ClearView

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# Glossary

| | |
|---|---|
| **APL** | Approved Product List |
| **EV** | Embedded Value |
| **FUA** | Funds Under Advice that are externally managed and administered (Third Party Products) |
| **FUM** | Includes Funds Under Management (ClearView Master Trust, WealthFoundations and Managed Investment Schemes) and Funds Under Administration on WealthSolutions. It does not include FUA |
| **FUMA** | Funds Under Management and Advice |
| **LifeSolutions** | A suite of life insurance cover types available via financial advisers which include Life, TPD, Trauma, Income Protection and Business Expense Cover. Fully underwritten product. |
| **PUA** | Premiums Under Advice that are externally managed and administered (Third Party Products) |
| **WealthFoundations** | Menu of approximately 16 investment options and a number of model portfolios managed by ClearView for superannuation investors. Products include superannuation and allocated pension products. |
| **WealthSolutions** | ClearView wrap platform investment product offering |
| **Wrap Platform** | Investment wrap administration platform including 250 managed funds, ASX listed securities, term deposits, ClearView managed funds and model portfolios |

# Embedded Value (EV) AT 30 June 2015

| RISK MARGIN OVER RISK FREE: $M, (UNLESS STATED OTHERWISE) | 3% DM | 4% DM | 5% DM |
|---|---|---|---|
| Life Insurance | 261.5 | 246.9 | 234.0 |
| Wealth Management | 43.1 | 41.2 | 33.3 |
| Financial Advice | 30.8 | 29.0 | 28.5 |
| **Value of In-Force (VIF)** | **335.4** | **317.1** | **295.8** |
| Net Worth | 71.9 | 71.9 | 71.9 |
| **Total EV** | **407.3** | **389.0** | **367.7** |
| ESP Loans | **36.5** | **36.5** | **36.5** |
| **Total EV Incl. ESP Loans** | **443.8** | **425.5** | **404.2** |
| **Imputation Credits:** | | | |
| *Life Insurance* | 41.3 | 38.8 | 36.5 |
| *Wealth Management* | 11.1 | 10.6 | 8.4 |
| *Financial Advice* | 8.5 | 8.2 | 8.2 |
| **Total EV Incl. Imputation Credits and ESP Loans** | **504.7** | **483.1** | **457.3** |
| **EV per Share Incl. ESP Loans (cents)** | 76.1 | 73.0 | 69.3 |
| **EV per Share Incl. Imputation Credits and ESP Loans (cents)** | **86.6** | **82.9** | **78.4** |

- The EV is made up of the value of the in-force (VIF) and the Net Worth;
- The EV is the value of all business written to date determined by actuarial assumptions and modelling. Note that:
  - The EV excludes the value of any future growth potential. It is based only on the in-force portfolios as at 30 June 2015. The expenses rates are based on longer term unit costs, as opposed to current "expense overrun" levels;
  - The EV with the value of imputation credits at 70% of their present value is also shown; and
  - The EVs have been presented above at different "discount margin" rates over the assumed long term risk free rate reflected within the underlying cash flows valued.
- EV per share adversely impacted in FY15 by goodwill component of performance based shares issued to Matrix shareholders and shares issued under DRP
- "dm" represents the discount rate risk margin, which refers to the margin above the assumed long term risk free rate. The long term risk free rate adopted for the FY15 EV is 4% (FY14: 4%)