



## ClearView Results – Half Year Ended 31 December 2015

24 February 2016

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# Agenda



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**Executive Summary and Strategy Update**

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**1H FY2016 Results**

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**Strategic Rationale and Outlook**

# Executive Summary – 1/2



ClearView is a growing and profitable integrated life insurance and wealth management business. Strong earnings result in 1H FY16 given the growth profile of the underlying businesses

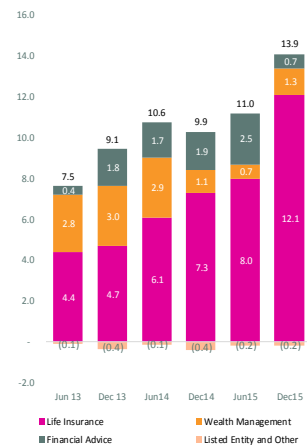
- Total Operating NPAT<sup>6</sup> of \$13.9m, up 40% on 1H FY15, Underlying NPAT<sup>5</sup> of \$13.4m, up 35% on 1H FY15

- ✓ Reflective of the emergence of strong earnings growth and the transition of ClearView from its “build” phase to its “growth” phase
- ✓ Life Insurance Operating NPAT<sup>6</sup> of \$12.1m, up 66%; key profit driver, most mature segment and demonstrating strong J-curve economics;
- ✓ Growth in life insurance in-force premiums from \$101m to \$132m (+30%);
- ✓ Growth in Advice based life insurance new business from \$13.2m to \$15.7m (+19%). This growth is significantly above market growth;
- ✓ EV of \$507m<sup>1,3</sup>, up 10.7% on 1H FY15; VNB of \$7.1m<sup>1,4</sup> up 4% on 1H FY15; subdued growth in VNB in 1H FY16 was driven by the strategic decision to start exiting the lower socio-economic demographic in non-advice life business;
- ✓ Growth in Wealth in-force FUM of 12% to \$1.98bn, in a difficult investment market. This is demonstrating the positive impact of the material investment in new wealth products in FY15 (\$101m net flow positive, up 294% on 1H FY15)
- ✓ Decrease in non-deferred expense overruns from \$4.3m to \$2.7m reflects the efficiencies gained through increased scale benefits (period to period)

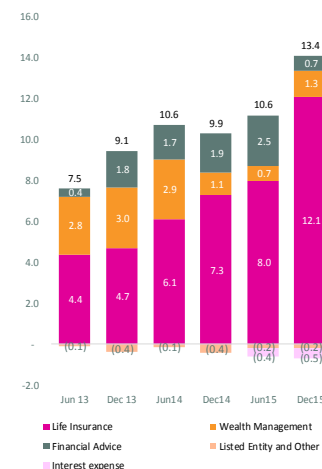
- 1H FY16 result includes the impacts of key decisions to support the medium term growth and longer term strategy:

- ✓ Restructure of the senior management team (and consequential downstream staff changes) to shift the focus of the business from the “build” to the “growth” phase (upfront termination costs of \$0.6m (net of tax) in 1H FY16)
- ✓ Intentional slow down in non-advice new business, in particular the direct life insurance channel that targeted lower socio economic customers. This decision was driven by the adverse lapse experience (\$0.5m after tax lapse loss impact in 1H FY16) and led to a 34% decline in new direct business volumes to \$2.5m and a drag on the overall life insurance VNB (negative VNB of \$2.9m in non-advice in 1H FY16)
- ✓ Material investment in FY15 in new wealth products and contemporary platform with the growth and development costs starting to now be supported by FUM as these products build to scale over time; also enhanced and upgraded WealthSolutions, full service wrap platform for super and investment with an initial focus on the Matrix distribution opportunity

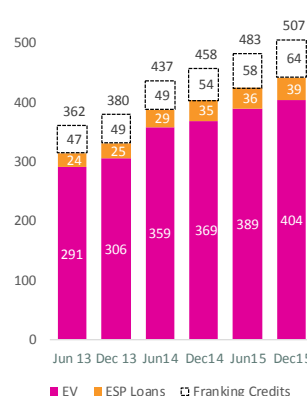
**Total Operating NPAT<sup>6</sup>**



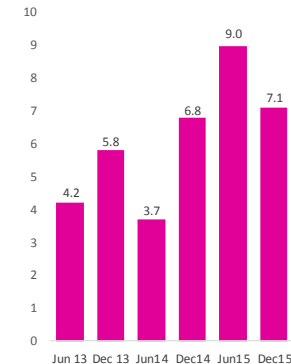
**Underlying NPAT<sup>5</sup>**



**Embedded Value (EV)<sup>1,3</sup>**



**Value of New Business (VNB)<sup>1,4</sup>**



Note 1: EV and VNB at 4% discount rate margin. Note 2: % movement, 1H FY15 to 1H FY16 unless otherwise stated. Note 3: EV includes a value for future franking credits and ESP loans. Note 4: VNB excludes a value for future franking credits. Note 5: Underlying NPAT consists of consolidated profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group's ordinary activities. Note 6: Operating Earnings NPAT represents the Underlying NPAT of each of the operating business units before taking into account the interest costs associated with corporate debt

# Executive Summary – 2/2



ClearView has entered the next phase of growth given the successful execution of a three year build strategy to FY15; In 1H FY16, 59% of Life Advice new business was generated from third party APLs which is up 35% on 1H FY15

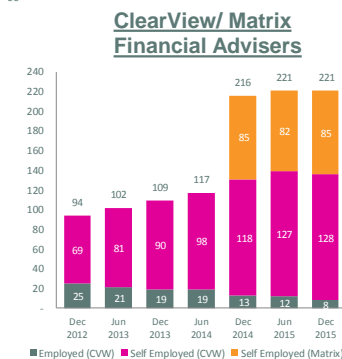
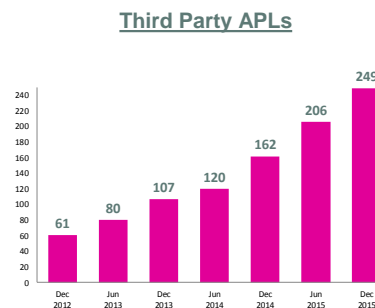
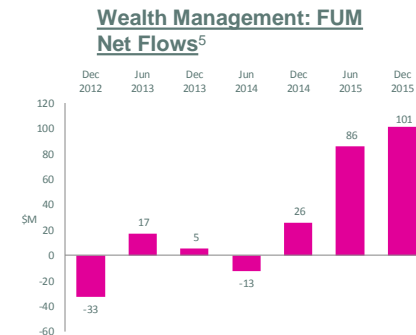
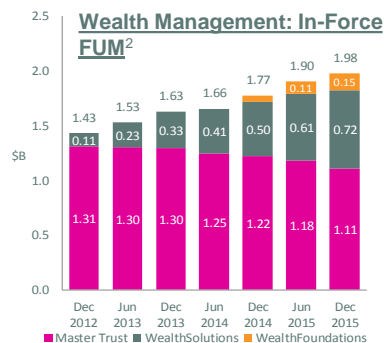
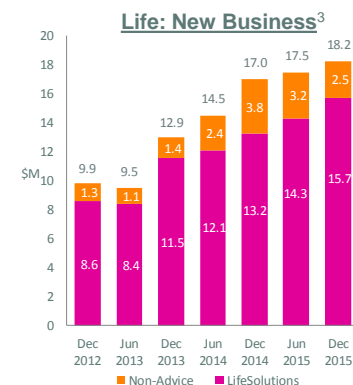
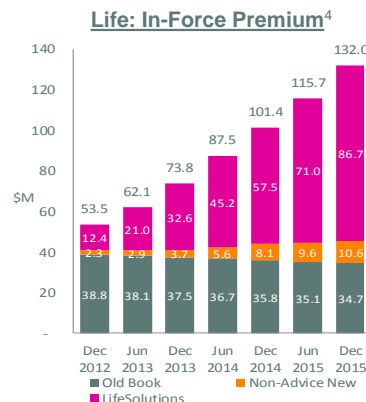
- The next phase of growth for ClearView remains a focus over the next 12 to 18 months, with key initiatives as follows:

- ✓ **Life Advice:** Launching an improved adviser portal and front end with the aim of driving increased ease of doing business for Independent Financial Advisers (IFAs); consistent with the objective of being seen as the quality home for leading IFAs and the further broadening out of distribution to the wider IFA market. Continue to drive growth in sales through IFA's with only selective recruitment of additional advisers given the focus on quality, not quantity

- ✓ **Non-Advice (Life):** Refocusing of business to target mid-market consumers, reorganising the operations to deliver operational and sales efficiency, and position the business to address the market post the introduction of the proposed life insurance reforms, including potentially supporting IFAs manage and service their less profitable clients

- ✓ **Wealth Management:** Investment in 1H FY16 in the upgrade of WealthSolutions, including the addition of Separately Managed Accounts (SMAs). The upgrade improved the position of the platform with a broad cross section of advisers and clients, including better servicing of SMSF accounts. Significantly enhances the ease by which advisers can upgrade clients from older platforms to WealthSolutions

- ClearView remains focused on driving towards fairer competition in the life insurance market, and in particular, the opening of APL's currently restricted by vertically controlled institutions. The proposed regulatory reforms that the government is currently considering has the potential to significantly decrease the barriers to ClearView selling through the non-aligned channels, which is consistent with the government's focus on clients best interest



Note 1: % movement, 1H FY15 to 1H FY16 unless otherwise stated. Note 2: FUM includes Funds Under Management (ClearView Master Trust, WealthFoundations and ClearView Managed Investment Schemes) and Funds Under Administration on WealthSolutions. Note 3: Life insurance new business represents the amount of new annual written premium sold during the period, net of policies cancelled from inception and excludes age based/ CPI increases. Note 4: In-force premium is defined as annualised premium in-force at the date based on policy risk commencement date. Note 5: FUM net flows is defined as inflows less redemptions into FUM but excludes management fees outflow.

# 1H FY2016 KPI Highlights



Business Line	Metric	FY15		1H FY16	% Change <sup>1</sup>	Comments
		1H	2H			
Life Insurance	In-force Premium <sup>5</sup> (\$m)	101.4	115.7	132.0	↑ 30%	<ul style="list-style-type: none"> <li>In-force premium: LifeSolutions \$86.7m (+51%), New Direct \$10.6m (+30%), Old Book \$34.7m (-3%)</li> <li>Growth in LifeSolutions; new business of \$15.7m (+19%); 59% of Life Advice new business was generated from non-aligned advisers (third party APLs), up 35% on 1H FY15</li> <li>Direct new business of \$2.5m (-34%) as a result of an intentional slow down given strategic decision to commence exiting the lower socio demographic market; Strategic Partner new business of \$1.3m (+14%), with lower socio demographic sales down to \$1.2m (-54%)</li> </ul>
	New Business <sup>4</sup> – Life Advice (\$m)	13.2	14.3	15.7	↑ 19%	
	New Business <sup>4</sup> – Non-Advice (\$m)	3.8	3.2	2.5	↓ (34%)	
Wealth Management	Closing FUM <sup>2</sup> (\$b)	1.77	1.90	1.98	↑ 12%	<ul style="list-style-type: none"> <li>Master Trust in-force FUM of \$1.1bn (-9%); WealthSolutions in-force FUM of \$0.7bn (+44%); WealthFoundations in-force FUM of \$0.15bn (+200%)</li> <li>\$101m net flow positive in 1H FY16, notwithstanding difficult and volatile investment markets</li> </ul>
	FUM Net Flows <sup>7</sup> (\$m)	26	86	101	↑ Large	
Financial Advice	Number of Advisers	216	221	221	↑ 2%	<ul style="list-style-type: none"> <li>FUMA and PUA growth reflects net change in adviser mix</li> <li>\$8.1bn FUMA in-force of which \$2.0bn is in WealthSolutions, WealthFoundations and Master Trust products; \$203m PUA in-force of which \$50m is in LifeSolutions</li> <li>Distribution in Life Advice has expanded outside of dealer group with growth in third party APLs to 249 (+54%)</li> </ul>
	FUMA <sup>3</sup> (\$b)	7.4	7.9	8.1	↑ 9%	
	Premiums Under Advice <sup>6</sup> (\$m)	160	187	203	↑ 27%	
ClearView	Embedded Value (\$m) <sup>8,9</sup>	458	483	507	↑ 11% <sup>9</sup>	<ul style="list-style-type: none"> <li>Benefited from in-force life growth and positive claims impacts</li> <li>Reflects negative experience from FUMA mark to market and from the maintenance expense overruns until they are eliminated</li> </ul>
	Value of New Business (\$m) <sup>8</sup>	6.8	9.0	7.1	↑ 4%	
	Reported NPAT (\$m)	7.7	4.8	7.6	↓ (1%)	<ul style="list-style-type: none"> <li>Impacted by Your Insure impairment costs in 1H FY16 (-\$1.9m) and policy liability discount rate effect (between periods)</li> <li>NPATA of \$12.2m; adjusted to exclude the non-cash amortisation of acquired intangibles</li> </ul>
	NPATA (\$m) <sup>10</sup>	12.2	9.3	12.2	0%	
	Reported diluted EPS (cps)	1.47	0.89	1.38	↓ (6%)	
	Underlying NPAT(\$m)	9.9	10.6	13.4	↑ 35%	<ul style="list-style-type: none"> <li>Underlying NPAT of \$13.4m (+35%); Operating NPAT of \$13.9m (+40%); Underlying diluted EPS (+29%) - reflective of the emergence of strong earnings growth and the transition of ClearView from its “build” phase to its “growth” phase</li> <li>Expense overruns have reduced by 37% (\$2.7m in 1H FY16) and should eliminate over time as scale is achieved</li> </ul>
	Operating NPAT (\$m)	9.9	11.0	13.9	↑ 40%	
	Underlying diluted EPS (cps)	1.89	1.96	2.44	↑ 29%	
Net Assets (\$m)	332	337	345	↑ 4%	<ul style="list-style-type: none"> <li>Net assets exclude ESP loans</li> </ul>	

Note 1: % movement, 1H FY15 to 1H FY16 unless otherwise stated. Note 2: FUM includes Funds Under Management (ClearView Master Trust, WealthFoundations and ClearView Managed Investment Schemes) and Funds Under Administration on WealthSolutions. Note 3: FUMA includes FUM and funds under advice that are externally managed and administered. Note 4: Life insurance new business represents the amount of new annual written premium sold during the period, net of policies cancelled from inception and excludes age based/ CPI increases. Note 5: In-force premium is defined as annualised premium in-force at the date based on policy risk commencement date. Note 6: Premiums Under Advice is life insurance in-force premium that are externally managed and administered (Third Party Products). Note 7: FUM net flows is defined as inflows less redemptions into FUM but excludes management fees outflow. Note 8: EV and VNB at 4%dm. Note 9: EV including franking credits and ESP loans. Note 10: NPATA is reported net profit after tax adjusted to exclude the non-cash amortisation of acquired intangibles (not including capitalised software).

# Non-Advice (Direct) Life Insurance: Client Focus and Adaptability



ClearView is refocusing its direct life insurance business to target mid-market consumers; the decision to exit the lower socio demographic segment reflects the speed, adaptability and flexibility of the business, with a focus on long term value creation at the expense of short term top line sales growth.

## Non-Advice (Direct) Life Insurance

### What we have done

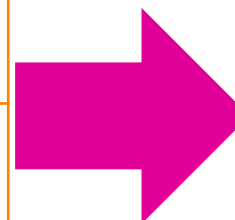
- Profitable base in-force direct life insurance portfolio acquired in June 2010 with limited legacy issues (Old Book).
- From FY14, ClearView commenced investing in the Non-Advice (Direct) business:
  - Recruited a new direct life team;
  - Built out a direct call centre and capability in Parramatta;
  - Built out volumes (FY15) by improving strategic partner penetration and widening distribution by targeting lead generation sources aimed at the lower socio-economic segments; and
  - Made an investment in Your Insure, a start-up operation in Melbourne, in August 2014 to further target selling direct life insurance to the lower socio demographic customer with the intention of providing a lower cost access point to this market segment.

### Key Learnings

- Adverse lapse rates and propensity to churn given the affordability issues of the lower socio demographic;
- Customer outcome is poor given lack of understanding at point of purchase and short duration of products;
- Strategic decision that this is not consistent with ClearView values and customer focused culture;
- Resulted in an intentional slowdown in new business production over the last 6 months and related impacts (including the closure of Your Insure and related write off);
- Reduces ClearView's regulatory risk: low value insurance is a regulatory focus as shown in CCI and funeral plan products.

### What Next?

- ClearView is refocusing its direct life insurance business to target mid-market consumers, reorganising the operations to deliver operational and sales efficiency, and position the business to address the market post the introduction of the proposed life insurance reforms;
- This includes potentially supporting IFAs manage and service their less profitable clients;
- Ability to make decisions and adapt given lack of legacy issues; short term pain but for longer term benefits.



## The decision illustrates:

1. Client focused culture;
2. Long term decision making to drive value creation;
3. Value due to a lack of legacy issues that would impact on decision making;
4. Speed, flexibility and adaptability of business to market changes; and
5. Willingness to innovate and test new markets.

# 1H FY16 Operational Scorecard and Objectives



	1H FY16 - Key Operational Activities	Implications and objectives
Life Advice	<ul style="list-style-type: none"> <li>Investment in systems to improve back office efficiency; launch of data warehouse, automation of commissions (weekly payments to advisers) and correspondence project to improve client engagement;</li> <li>Data warehouse dependency to upgrade adviser interaction including the development of adviser portal that allows in-force policy and lapse reporting to advisers;</li> <li>Focus on the further expansion of distribution to the broader IFA market: 59% of new business was generated from non-aligned advisers (third party APLs), up 35% on 1H FY15; number of APLs has increased by 54% to 249. This reflects the focus on expanding the distribution reach with additional sales growth coming through third party APL's; reflective of the quality and competitiveness of products and services;</li> <li>Typically focused on "boutique" APL segment.</li> </ul>	<ul style="list-style-type: none"> <li>Focus in 2H FY16 on launch of adviser portal, rollout of correspondence project and to commence work to upgrade front end adviser interaction; overall focus on automation, back end efficiencies and improving ease of doing business at the front end;</li> <li>Target further penetration in the broader IFA market; given the potential widening of APLs currently under consideration, the proposed life insurance reforms can create a stepped change in distribution profile for ClearView and provide increased access to APLs, in particular the Top 50 dealer groups;</li> <li>Regulations are moving generally in the direction of fairer competition and a focus on clients best interests. This assists ClearView as a challenger brand;</li> <li>Focused on achieving 5% of the life insurance profit pool;</li> <li>Continue to improve product offer to support expanded distribution growth (includes innovation over the medium term).</li> </ul>
Life Direct	<ul style="list-style-type: none"> <li>Closure of Your Insure operation in Melbourne coupled with intentional slow down in sales to the lower socio demographic segment;</li> <li>Focus on alignment with strategic partners to improve member penetration including development of the mid-market segment;</li> <li>Overall direct new business declined by 34%. This was driven by a decline of 54% in sales to the lower socio demographic segment but partially offset by growth of 14% through strategic partners;</li> <li>Commenced refocusing of business to target mid-market consumers.</li> </ul>	<ul style="list-style-type: none"> <li>Strategic decision was driven by the adverse lapse experience (\$0.5m after tax lapse loss impact in 1H FY16) and led to a 34% decline in new business volumes to \$2.5m and a drag on the overall life insurance VNB (negative VNB of \$2.9m in 1H FY16);</li> <li>Write off of the investment in Your Insure (-\$1.9m after tax impact);</li> <li>ClearView is reorganising the operations to deliver operational and sales efficiency, and position the business to address the market post the introduction of the proposed life insurance reforms;</li> <li>This includes the focus on the mid-market segment and potentially supporting IFAs manage and service their less profitable clients.</li> </ul>
Wealth	<ul style="list-style-type: none"> <li>Further incremental investment in new contemporary platform to improve back office efficiency and automation;</li> <li>Investment in the upgrade of WealthSolutions, including the addition of Separately Managed Accounts (SMAs). The upgrade improved the position of the platform with a broad cross section of advisers and clients, including better servicing SMSF accounts.</li> </ul>	<ul style="list-style-type: none"> <li>ClearView now has a positive net flow business that is well positioned for growth to utilise its challenger brand and market positioning to gain from the convergence of superannuation and life insurance products;</li> <li>Enhanced WealthSolutions product that significantly enhances the ease by which advisers can upgrade clients from older platforms to WealthSolutions (subject to clients best interests);</li> <li>Migration of Master Trust product onto new contemporary platform (over time) to create operational efficiencies.</li> </ul>
Financial Advice	<ul style="list-style-type: none"> <li>Completed migration of Matrix practices onto common platform;</li> <li>Continued focus on recruiting high quality advisers who have the right cultural fit for ClearView and Matrix. Quality over quantity;</li> <li>Compliance focus including a shift to strategic advice given regulatory changes.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to assist the advisers transition to the new world;</li> <li>Focused on building a high quality financial advice business providing strategic advice for clients;</li> <li>Continue to support ClearView as the preferred home for quality advisers.</li> </ul>
Other	<ul style="list-style-type: none"> <li>Restructure of management team with an increased focus on distribution and ensuring close interactions with adviser network;</li> <li>Launch of new desktop technology across the organisation.</li> </ul>	<ul style="list-style-type: none"> <li>Organisation continues to perform and be prepared to evolve in a manner consistent with ClearView's values.</li> </ul>



# Market: Regulatory Changes, Life Insurance



Proposed regulatory changes in retail life insurance should lead to fairer competition which would likely benefit ClearView; can potentially create a stepped change in distribution profile if 'Open architecture' approach to APLs are implemented

	Description of Potential Regulatory Reform	Trends	Expected impact on ClearView
<b>Adviser Remuneration</b>	<ul style="list-style-type: none"> <li>Limits on upfront remuneration arrangements from 1 July 2016 with transitional arrangements;</li> <li>Maximum upfront commission of 80% from 1 July 2016, reducing to 60% by 1 July 2018;</li> <li>Maximum ongoing commission of 20% in all subsequent years from 1 July 2016;</li> <li>Two year clawback of commissions to commence from 1 July 2016; 100% in Yr 1, 60% in Yr 2;</li> <li>Decreased incentives for policy churn</li> </ul>		<ul style="list-style-type: none"> <li>Improves upfront capital strain to life insurer, increased return on equity (albeit potentially lower profit margins);</li> <li>Consider how best to support advisers with resulting income strain</li> </ul>
<b>Open Architecture</b>	<ul style="list-style-type: none"> <li>'Open architecture' approach to APLs; government has requested industry to consider measures to widen APLs through the development of a new industry standard (led by the FSC);</li> <li>APLs can currently be limited to a small number of products;</li> <li>Opening of APLs and the removal of shelf space fees would maximise choice available to clients and aligns to best interest duty</li> </ul>		<ul style="list-style-type: none"> <li>ClearView achieves a &gt;5% market share in its core IFA market (sub segment of the individual market);</li> <li>Would materially widen the ClearView distribution reach given increased access to APLs, in particular the top 50 APLs;</li> </ul>
<b>Volume/ Shelf Fees</b>	<ul style="list-style-type: none"> <li>Volume based payments/ rebates (also linked to lapse/ persistency bonuses) to be banned from 1 July 2016;</li> <li>Appropriate grandfathering to be aligned with FOFA laws</li> </ul>		<ul style="list-style-type: none"> <li>Would be beneficial to ClearView given is has not paid volume based payments/rebates to financials advisers to date</li> </ul>
<b>Code of Conduct</b>	<ul style="list-style-type: none"> <li>Life Insurance Code of Conduct to be developed by 1 July 2016; best practice standards for insurers</li> <li>Explicit focus on client best interests</li> </ul>		<ul style="list-style-type: none"> <li>Limited impact; ClearView supports approach and believes it complies in substance and form</li> </ul>
<b>Adviser Training</b>	<ul style="list-style-type: none"> <li>Move towards requirement for increased adviser training</li> </ul>		<ul style="list-style-type: none"> <li>Limited impact; ClearView to facilitate appropriate training platforms as required</li> </ul>

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Strategic Rationale and Outlook

# 1H FY16 Summary Financials



	FY15		FY16 1H	% Change <sup>1</sup>	Commentary
	1H	2H			
Life Insurance	7.3	8.0	12.1	↑ 66%	• Strong profit from the growth in the underlying in-force portfolios; key profit driver, most mature segment and demonstrating strong J-curve economics.
Wealth Management	1.1	0.7	1.3	↑ 18%	• Reflective of the impacts on net fee income given the increase in FUM (+12%) but partially offset by margin compression as the Master Trust product runs off; Growth and development costs for WealthFoundations and new platform only commenced being incurred post launch in October 2014. These costs will be supported by increased FUM balances as the products build to scale.
Financial Advice	1.9	2.5	0.7	↓ (63%)	• Decrease reflective of the impact on the CFA dealer group, in particular the impact of the net dealer group support costs now being directly allocated to CFA and no longer partially absorbed by the Life Insurance segment, the run off of the 50bps internal advice fee earned off the Master Trust FUM and an increased cost base. Partially offset by increased contribution from Matrix.
<b>BU Operating Earnings (after tax)</b>	<b>10.3</b>	<b>11.2</b>	<b>14.1</b>	<b>↑ 37%</b>	• <b>Material growth in the Life Insurance business is emerging following the J curve investment strategy. As the business gets to scale, these costs are progressively supported by business volumes that creates operating leverage.</b>
Listed Entity and Other	(0.4)	(0.2)	(0.2)	↓ (50%)	• Reflects the interest income on the cash equivalents held in the listed and central services entities and in the shareholders fund of ClearView Life Assurance Limited, the Group's life insurance subsidiary, less the costs associated with maintaining a listed entity.
<b>Total Operating Earnings (after tax)</b>	<b>9.9</b>	<b>11.0</b>	<b>13.9</b>	<b>↑ 40%</b>	• <b>Reflects the growth in the Life Insurance with the incremental growth and development costs in Wealth Management starting to be supported by increased FUM balances as the products build to scale.</b>
Interest expense on corporate debt (after tax)	0.0	(0.4)	(0.5)	Large	Entered into a 3 year, \$50m facility in December 2014. It is intended that the Debt Funding Facility will be replaced with one or more longer term capital solutions as the need for, and quantum of, longer term capital funding emerges.
<b>Underlying NPAT</b>	<b>9.9</b>	<b>10.6</b>	<b>13.4</b>	<b>↑ 35%</b>	• <b>UNPAT of \$13.4m, up 35% on 1H15.</b>
Other Adjustments	2.3	(1.3)	(1.2)	(152%)	• The result of the changes in long term discount rates used to determine the insurance policy liabilities; • Costs considered unusual to the Group's ordinary activities incurred in 1H FY16 relate to Your Insure impairment costs.
<b>NPATA<sup>2</sup></b>	<b>12.2</b>	<b>9.3</b>	<b>12.2</b>	<b>0%</b>	<b>NPATA excludes the non-cash amortisation of acquired intangibles.</b>
Amortisation	(4.5)	(4.5)	(4.6)	2%	• Non cash item relating to acquired intangibles (predominantly from acquisition of business from Bupa) and the Matrix client book write off.
<b>Reported NPAT</b>	<b>7.7</b>	<b>4.8</b>	<b>7.6</b>	<b>↓ (1%)</b>	<b>As per commentary above.</b>
Underlying diluted EPS (cps)	1.89	1.96	2.44	↑ 29%	• Fully diluted Underlying NPAT per share for the year increased from 1.89 CPS to 2.44 CPS (+29%), reflective of the emergence of material earnings growth over the half year period.
Reported diluted EPS (cps)	1.47	0.89	1.38	↓ (6%)	• The reported EPS calculations when compared period to period have been adversely impacted by the increase in shares issued under the DRP coupled with the Your Insure impairment (\$1.9m after tax) and the changes in long term discount rates used to determine the insurance policy liabilities between periods.

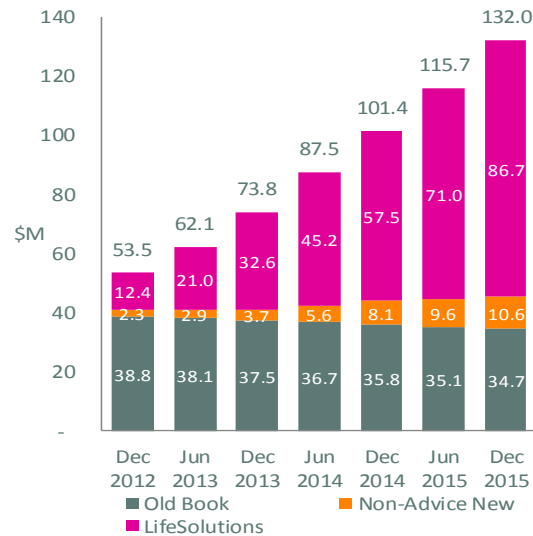
**Strong Result; Total Operating Earnings (after tax) of \$13.9m (up 40%); Underlying NPAT of \$13.4m (up 35%);  
Material earnings growth emerging following completion of the “J curve” investment strategy**

# 1H FY16 Summary Financials: Life Insurance

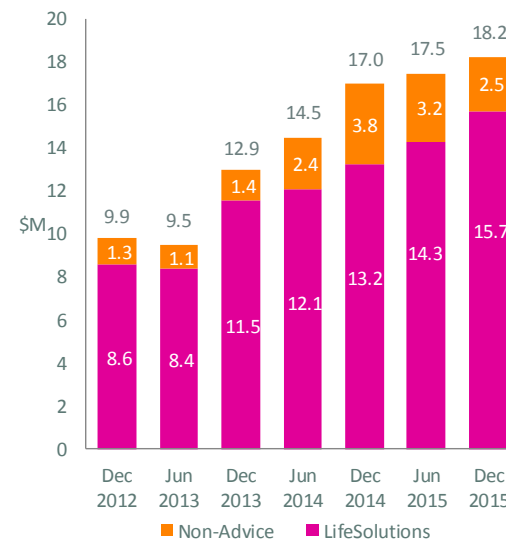


Life Insurance, \$m	FY15		1H FY16	% Change <sup>3</sup>	Commentary
	1H	2H			
BU Operating Earnings (after tax)	7.3	8.0	12.1	↑ 66%	• Positive claims experience of \$1.7m partially offset by \$0.2m adverse lapse experience; Positive lapse experience on the business written pre 2011 given assumption changes in 2014, offset by adverse experience in the lower socio demographic segment; Non-deferred expense overruns of \$0.9m depress initial reported profits; these should eliminate as scale is achieved, thereby increasing underlying profit margins through the in-force portfolio; Investment earnings higher given capital required to support growth.
In-force Premium	101.4	115.7	132.0	↑ 30%	• In-force growth driven by the LifeSolutions suite of products which reflects the continued outperformance of the product in the retail life advice market. LifeSolutions accounts for \$86.7m or 66% of total in-force premium as at 31 December 2015. The Old direct book runs off slowly given that the product is not actively marketed to new customers.
LifeSolutions	57.5	71.0	86.7	↑ 51%	
Non Advice	8.1	9.6	10.6	↑ 30%	
Old Book	35.8	35.1	34.7	↓ (3%)	
New Business	17.0	17.5	18.2	↑ 7%	• New business of \$18.2m, up 7% (up 21% when age based/CPI increases are included). Notwithstanding the overall difficult market conditions LifeSolutions new business is up 19%. The direct life business has shown decline of 34% as a result of an intentional slow down given ClearView's decision to commence exiting the lower socio demographic market and focus on the profitable segments.
LifeSolutions	13.2	14.3	15.7	↑ 19%	
Non Advice	3.8	3.2	2.5	↓ (34%)	

### In-Force Premium<sup>2</sup>



### New Business<sup>1</sup>



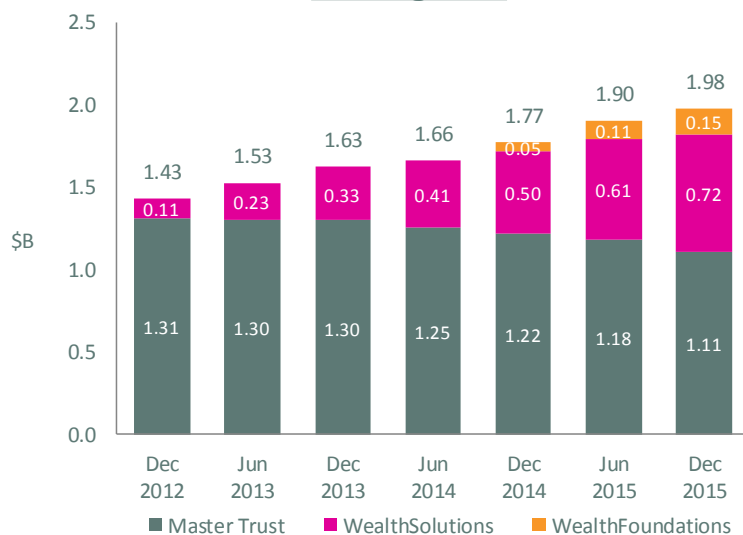
Note 1: Life insurance new business represents the amount of new annual written premium sold during the period, net of policies cancelled from inception and excludes age based/ CPI increases. Note 2: In-force premium is defined as annualised premium in-force at the date based on policy risk commencement date. Note 3: % movement, 1H FY15 to 1H FY16 unless otherwise stated.

# 1H FY16 Summary Financials: Wealth Management

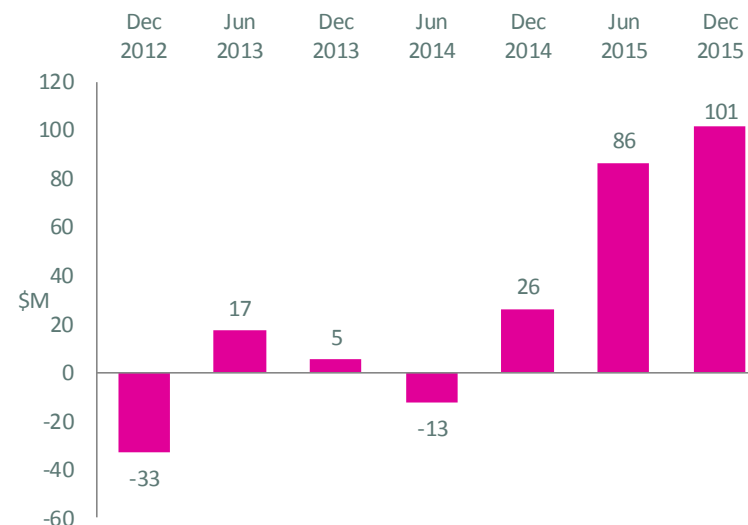


Wealth Management, \$m	FY15		1H FY16	% Change <sup>1</sup>	Commentary
	1H	2H			
BU Operating Earnings (after tax)	1.1	0.7	1.3	↑ 18%	• Fee income up 3% but lags in-force FUM growth given that new business is written at lower margins than the Master Trust FUM; Wealth expense overruns have decreased to \$1.4m (\$2.2m in 1H FY15) given that WealthSolutions continues to build to scale and that there is increased average FUM in WealthFoundations to provide some support to the growth and development costs being incurred (the impact of the migration costs of \$0.8m that were provisioned in 1H FY15 are offset by the incremental costs associated with the new platform given that it was launched at the back end of 1H FY15).
Closing FUM (\$b)	1.77	1.90	1.98	↑ 12%	• Net increase in FUM levels (+12%) driven by positive net inflows. Investment market performance was broadly flat which adversely impacted on the Master Trust FUM given that this product is effectively closed to new business. WealthSolutions continues to build to scale, accounts for \$0.72bn or 36% of total FUM at 31 December 2015. WealthFoundations, launched in October 2014, has \$0.15bn FUM at 31 December 2015, reflects early success of the roll out of the new product.
Master Trust (\$b)	1.22	1.18	1.11	↓ (9%)	
WealthSolutions (\$b)	0.50	0.61	0.72	↑ 44%	
WealthFoundations (\$b)	0.05	0.11	0.15	↑ 200%	
FUM Net Flows	26	86	101	↑ 294%	• \$101 million net flow positive, driven by launch of WealthFoundations and material increase in net flows from WealthSolutions representing a 294% increase on 1H FY15. WealthSolutions net flows up 55%; opportunity to expand distribution reach with Matrix merger and product enhancements completed in 1H FY16. Master Trust FUM gradually running off given that the product is not actively marketed to new members and that there is a large component in the pension phase (fully priced into the Embedded Value).
Master Trust	(99)	(65)	(58)	↓ (41%)	
WealthSolutions	73	91	113	↑ 55%	
WealthFoundations	52	60	47	↓ (10%)	

**Closing FUM<sup>2</sup>**



**FUM Net Flows<sup>3</sup>**



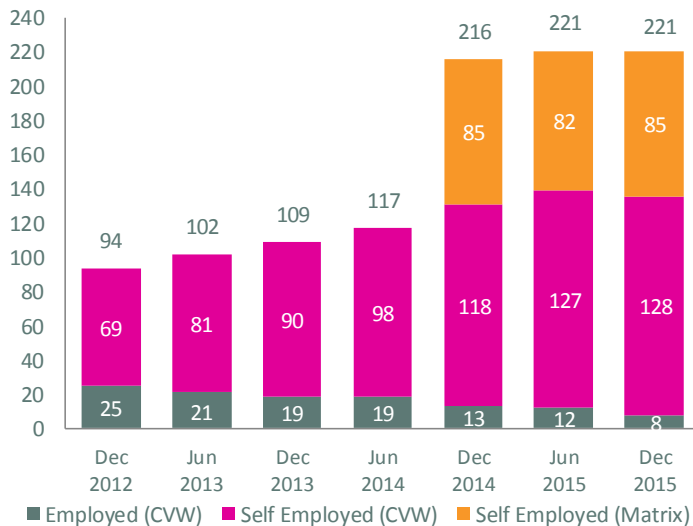
Note 1: % movement, 1H FY15 to 1H FY16 unless otherwise stated. Note 2: FUM includes Funds Under Management (ClearView Master Trust, WealthFoundations and ClearView Managed Investment Schemes) and Funds Under Administration on WealthSolutions. Note 3: FUM net flows is defined as inflows less redemptions into FUM but excludes management fees outflow.

# 1H FY16 Summary Financials: Financial Advice

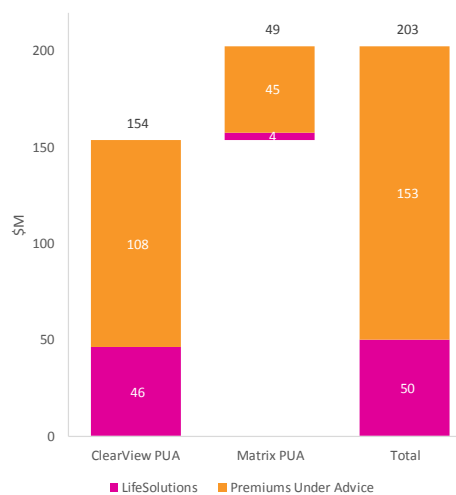


Financial Advice, \$m	FY15		1H FY16	% Change <sup>1</sup>	Commentary
	H1	H2			
BU Operating Earnings (after tax)	1.9	2.5	0.7	↓ (63%)	• Net financial planning income up 21%, driven by the annualised impact of the Matrix merger and LifeSolutions volume based payments paid to the CFA dealer group in 1H FY16 (given the change in expense allocation basis) but partially offset by the run off of the 50bps internal advice fee earned by CFA off the Master Trust FUM; Cost base increase of 67%, predominantly relates to a reallocation of dealer group support costs to CFA in 1H FY16 (which were previously partially absorbed by the Life Insurance segment), the annualised impact of the Matrix dealer group costs and the further investment in adviser support services to support a larger adviser base in the merged businesses.
FUMA (\$b)	7.4	7.9	8.1	↑ 9%	• FUMA and PUA growth reflects the net impact of the change in adviser mix (between periods); \$8.1bn FUMA in-force of which \$2.0bn is in WealthSolutions, WealthFoundations and Master Trust products; \$203m PUA in-force of which \$50m is in LifeSolutions. Merger with Matrix enhances the ability to deliver significant revenue synergies given ClearView's market proven products.
Premium Advised (PUA)	160	187	203	↑ 27%	
Number of Advisers	216	221	221	↑ 2%	• ClearView operates predominantly a self employed adviser model; focus on quality advisers continues, stable adviser numbers since the acquisition of Matrix.

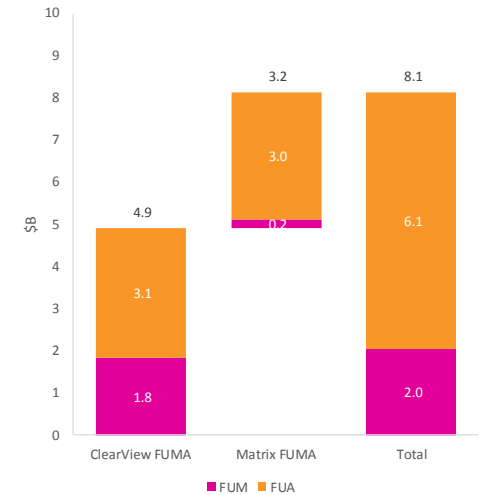
## Financial Advisers



## Premium's Under Advice (\$m) (PUA)<sup>3</sup>

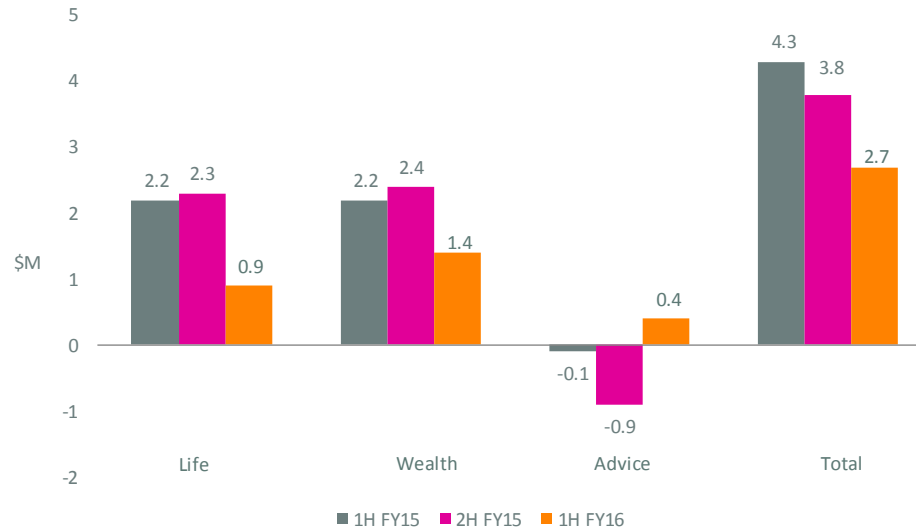


## Funds Under Management and Advice (\$b) (FUMA)<sup>2</sup>



Note 1: % movement, 1H FY15 to 1H FY16 unless otherwise stated. Note 2: FUMA includes FUM and funds under advice that are externally managed and administered. Note 3: Premiums Under Advice is life insurance in-force premium that are externally managed and administered (Third Party Products).

# 1H FY16 Summary Financials: BU Non-Deferred Expense Overruns (after tax)



- ✓ The current level of costs being incurred during the business's growth phase exceeds the long term expense assumptions adopted. This includes an investment in incremental costs above what is required for the current scale of ClearView (expense overruns) to build capability for the future. As ClearView grows, these expense overruns are likely to continue to be absorbed and should achieve further operating leverage
- ✓ Overall, the decrease in non-deferred expense overruns from \$4.3m to \$2.7m (-37%) reflects the efficiencies gained through increased scale benefits (period to period), albeit with some movement between segments given certain allocation of expenses.
- ✓ This implies that the non-deferred expense overruns are starting to unwind given that the material "J Curve" investment was completed in FY15 (as previously reported to the market). Given the current size of the in-force business, these overruns are predominantly driven by:
  - Life Insurance - the initial "deep" investment in LifeSolutions and the Direct Life business from FY12 to FY14.
  - Wealth Management - the growth and development costs (WealthFoundations and the new wealth platform) that should reduce over time as the business builds to scale and the Master Trust FUM is migrated onto the new platform; and
  - Financial Advice - driven by the further investment in adviser support services to support a larger adviser base in the Matrix and CFA businesses.

# Statement of Financial Position: Shareholder<sup>1</sup>



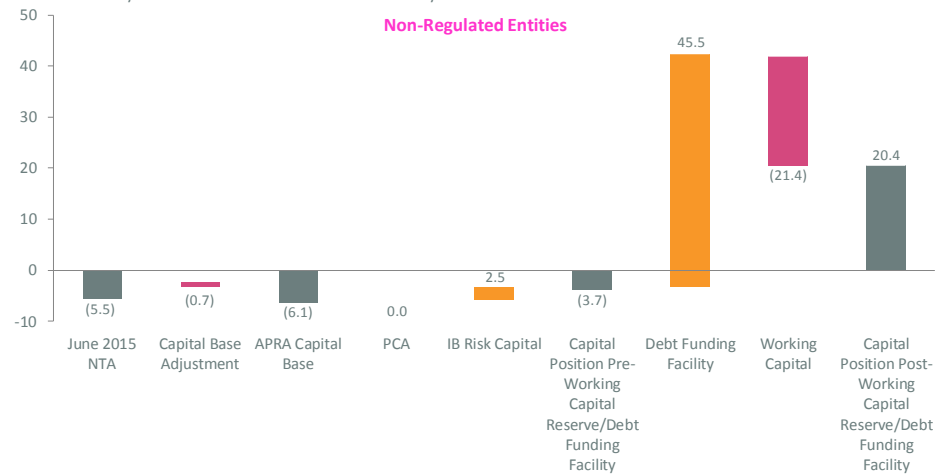
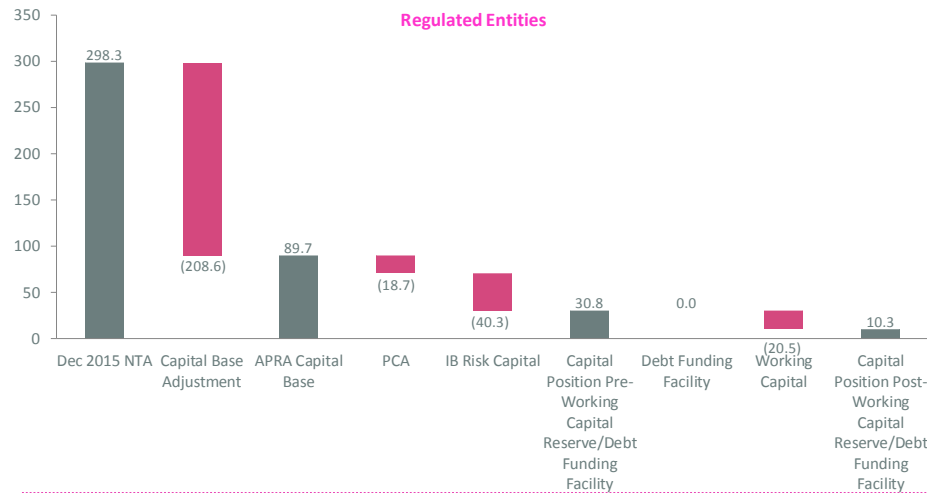
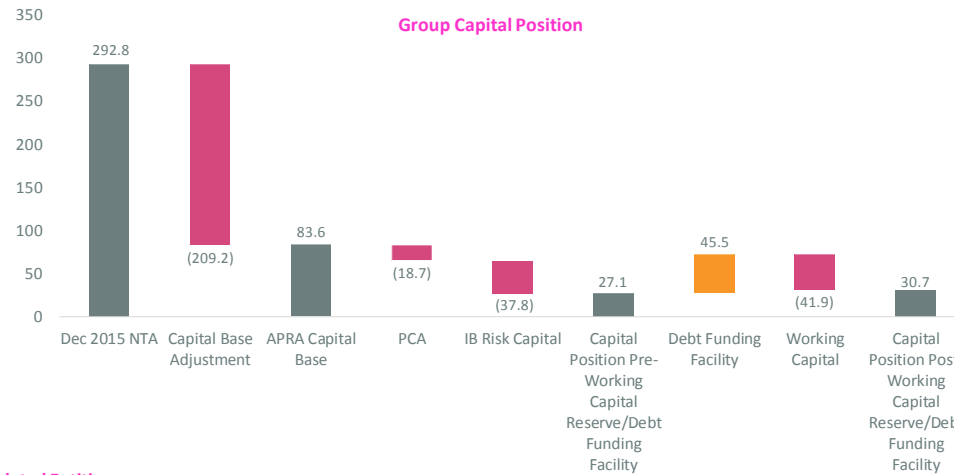
\$M	DEC 2015	JUN 2015
<b>ASSETS</b>		
Cash equivalents	171.1	181.1
Receivables	11.5	10.0
Current tax asset	3.4	-
Deferred tax asset	4.5	4.4
PP&E	1.2	1.2
Convertible Note	-	1.7
Goodwill	20.0	20.0
Intangibles	32.6	36.0
<b>Total Assets</b>	<b>244.3</b>	<b>254.4</b>
<b>LIABILITIES</b>		
Payables	20.4	16.6
Current tax	-	4.5
Provisions	5.1	5.4
Life Insurance <sup>2</sup>	(172.6)	(154.4)
Borrowings	45.5	45.5
Deferred tax liabilities	0.5	
<b>Total Liabilities</b>	<b>(101.1)</b>	<b>(82.4)</b>
<b>Net Assets</b>	<b>345.4</b>	<b>336.8</b>
Net Assets per share <sup>3</sup>	64.1 cents	64.0 cents
<b>Net Tangible Assets</b>	<b>292.8</b>	<b>280.8</b>
NTA per share <sup>3</sup>	55.3 cents	54.4 cents

- Net cash of \$125.6m at 31 December 2015 (30 June 2015: \$135.6m);
- Entered into a 3 year, \$50m facility (Debt Funding Facility) in December 2014; \$45.5m drawn down as at 31 December 2015;
- Shareholder capital continues to be conservatively invested in cash and interest bearing securities;
- Convertible Note at June 2015 was fully written off during 1H FY16 given decision to cease funding Your Insure;
- Goodwill (\$15.1m) and intangibles (\$4.7m) recognised on the acquisition of Matrix. Acquired intangibles written off over estimated useful lives;
- Intangible assets includes capitalisation of software (\$11.1m carrying value). Includes capitalised costs associated with new wealth platform, net carrying value of \$5.0m at 31 December 2015;
- Life insurance policy liability increase reflective of growth in life insurance business (DAC) partially offset by run-off of the in-force DAC;
- Payables increase predominantly relates to an increase in reinsurance payable given the growth of the life insurance business;
- Current tax asset in 1H FY16 given timing of tax payments (liability in 1H FY15)
- The Group capital position (adjusting for amounts drawn down under the Debt Funding Facility) is \$30.7m as at 31 December 2015 (30 June 2015: \$32.7m). Internal benchmarks (across the Group) include a \$41.9m working capital reserve to fund new business growth.

Note 1: Shareholder Statement of Financial Position excludes the life investments contracts (i.e. unit linked business) and deconsolidates the retail unit trusts. Note 2: Life insurance asset reflects insurance liabilities net of the future recoverability of the deferred acquisition costs in accordance with the accounting standards. Note 3: Adjusted for Employee Share Plan (ESP) loans of \$38.8m (1H FY15:\$34.6m) and 62.4m (1H FY15: 56.5m) ESP shares.



# Group Capital Position at 31 December 2015



- Net tangible assets of \$292.8m at 31 December 2015 (30 June 2015: \$280.8m) includes net cash of \$125.6m.
- ClearView entered into a 3 year, \$50m facility in December 2014. It is intended that the Debt Funding Facility will be replaced with one or more longer term capital solutions as the need for, and quantum of, longer term capital funding emerges and the final form of the life insurance reforms are assessed and implemented (given the potential reduced capital strain).
- As at 31 December 2015, the regulated entities have \$10.3m (30 June 2015: \$10.3m) of net assets in excess of their internal benchmarks. The Group capital position (adjusting for amounts drawn down under the Debt Funding Facility) is \$30.7m. Internal benchmarks across the Group include \$41.9m working capital reserve to fund future new business growth.
- While ClearView remains a high growth company (relative to the in-force portfolio) it will likely remain a negative cash flow business and require net capital funding.

Note: Internal benchmarks exceed regulatory requirements.

# Embedded Value (EV) AT 31 December 2015



RISK MARGIN OVER RISK FREE: \$M, (UNLESS STATED OTHERWISE)	3% DM	4% DM	5% DM
Life Insurance	291.4	274.4	259.2
Wealth Management	44.3	42.4	40.6
Financial Advice	27.5	25.7	24.2
<b>Value of In-Force (VIF)</b>	<b>363.2</b>	<b>342.5</b>	<b>324.0</b>
Net Worth	61.6	61.6	61.6
<b>Total EV</b>	<b>424.8</b>	<b>404.1</b>	<b>385.6</b>
ESP Loans	<b>38.8</b>	<b>38.8</b>	<b>38.8</b>
<b>Total EV Incl. ESP Loans</b>	<b>463.6</b>	<b>442.9</b>	<b>424.4</b>
<b>Franking Credits:</b>			
<i>Life Insurance</i>	48.4	45.5	42.9
<i>Wealth Management</i>	11.4	10.9	10.5
<i>Financial Advice</i>	7.5	7.2	7.0
<b>Total EV Incl. Franking Credits and ESP Loans</b>	<b>530.9</b>	<b>506.5</b>	<b>484.8</b>
<b>EV per Share Incl. ESP Loans (cents)</b>	77.3c	73.8c	70.8c
<b>EV per Share Incl. Franking Credits and ESP Loans (cents)</b>	<b>88.5c</b>	<b>84.4c</b>	<b>80.8c</b>

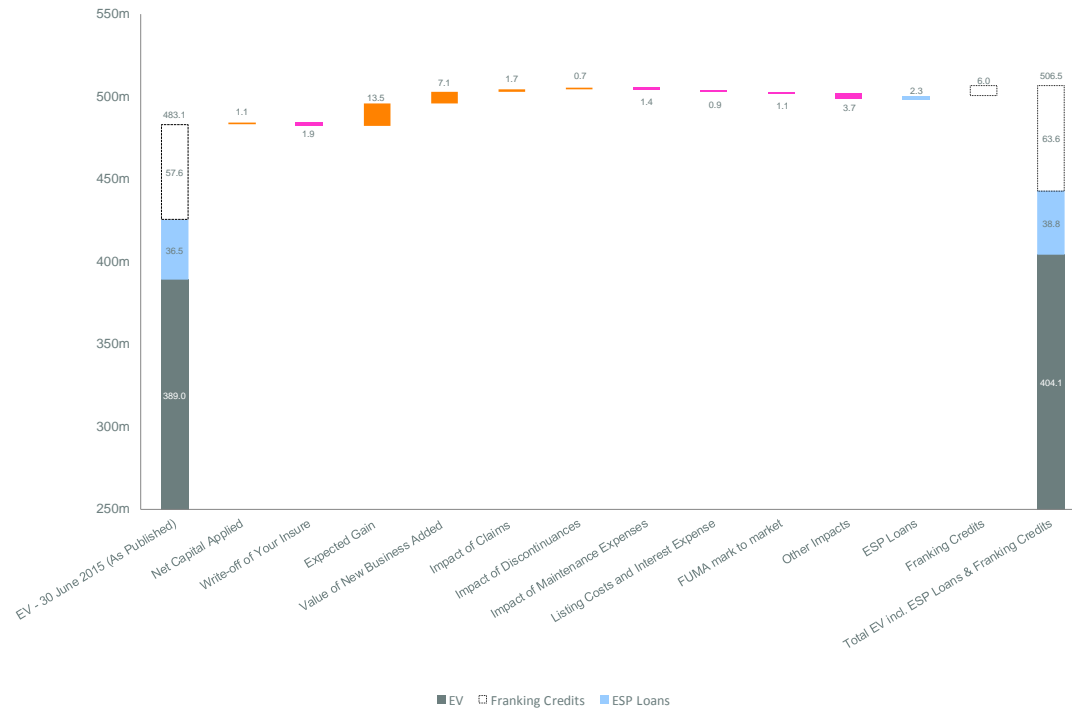
- The EV is made up of the value of the in-force (VIF) and the Net Worth;
- The EV is the value of all business written to date determined by actuarial assumptions and modelling. Note that:
  - The EV excludes the value of any future growth potential. It is based only on the in-force portfolios as at 31 December 2015. The maintenance expenses rates are based on longer term unit costs, as opposed to current “expense overrun” levels;
  - The EV with the value of future franking credits at 70% of their present value is also shown; The EV excludes a value of existing franking credits in the net worth at 31 December 2015 (\$15.2m); 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.
- “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 1H FY16 EV is 4% (FY15: 4%)

# Embedded Value (EV) Movement Analysis @ 4% DM

DM AT 31 December 2015



## EV Movement Analysis at 4% dm



- Value of new business (VNB) of \$7.1m is up 4% on 1H FY15; Intentional slowdown in new business in Non-Advice life insurance was a drag on VNB in 1H FY16 (-\$2.9m); LifeSolutions continues to grow strongly given increased scale and volumes
- VNB is suppressed by the acquisition expense overruns (-\$6.0m (after tax) in 1H FY16) across all product lines that are included (netted) within the VNB
- Emerging life insurers and wealth managers invest and incur overhead costs ahead of “getting to scale”: The expense rates assumed in the EV are based on longer term unit costs, as opposed to current “expense overrun” levels
- As the business gets to scale, these costs are progressively supported by business volumes that creates operating leverage
- Maintenance expense overruns depress the growth in EV (-\$1.4m in 1H FY16; -\$4.1m in 1H FY15); these should eliminate as scale is achieved, thereby increasing underlying profits realised on the growing in-force portfolio and removing the drag on the EV
- EV increased to \$507m (up 10.7% on 1H FY15) including franking credits and ESP loans; detailed EV commentary on the movement analysis is provided in the Appendix

# Agenda



**A**

Executive Summary and Strategy Update

**B**

1H FY2016 Results

**C**

Strategic Rationale and Outlook

# ClearView Strategic Rationale



## Our objective is to assist people

- Plan and manage their financial future effectively;
- Save for their retirement and long term needs;
- Manage the risks to their key "asset" (their income) the risks of living too long, too short or getting disabled;
- Balance today's fun versus tomorrow's need;

We provide quality, valued products and services to help deliver the outcome the customer wants

## ClearView Strategic Rationale

When ClearView was launched in 2010 it was predicated on:

- No material legacy technology and pricing issues
- Deep understanding of financial advice and advice based distribution
- Scarcity of life insurance and superannuation licences: overconsolidated market

The rationale remains relevant today.

## How we're different

- We are rational, we focus on where the value is (for clients and us);
- We believe big for big sake is nonsense. It's about strategic advice but we make our margin from products and services;
- We focus on what we do best, and do it really well;
- We put our customers (advisers, partners and end customers) and our relationship with them at the centre of our business and service proposition

## We believe in people

- People deserve quality strategic financial advice to help them plan and manage their financial future;
- People deserve fair and valued financial products and services; and
- It should be easy, understandable, anywhere, anytime

# Outlook



## Market Outlook

- Long term market growth fundamentals remain sound:
  - Life Insurance: the Australian market is under-insured, driven by low levels of insurance penetration;
  - Wealth Management: long-term growth underpinned by the compulsory saving regime for super (retirement savings) - superannuation contribution guarantee to be increased from the current 9.5% of income to 12% (by July 2025)
- Short term there are a number of changes occurring in the Life Insurance market:
  - Pricing Cycle: industry participants have progressively increased prices (materially) over the last few years in both the group life and income protection segments; this makes the core ClearView retail products more price competitive;
  - Regulatory Changes: these are likely to start being implemented from 1 July 2016. The proposed changes generally move towards more open competition and assists a challenger brand such as ClearView (which is customer focused).
- Life Insurance and Wealth Management are complementary products over the economic cycle:
  - Life Insurance: favourable given “fear” can drive strong sales momentum;
  - Wealth Management: potential negative impacts of the performance of investment markets on fee income and net investment flows in the short term; ClearView portfolios are defensively tilted given the nature of the client base

## ClearView Business Outlook

- ClearView remains in a strong position to continue growth, given the complementary nature of life insurance and wealth management products over the economic cycle, with a particular focus on:
  - Gaining from market disruption around life insurance reforms with a potential stepped change in distribution profile, especially if certain parts of the proposed reforms are implemented;
  - Potential to benefit from the increased pricing cycle, in particular in the income protection market; and
  - Increase scale over time thereby progressively reducing the expenses overruns. These will be absorbed as the business grows to scale over the medium term.
- Strategic decision was made in 1H FY16 to shift the focus of the Non-Advice risk business to the mid-market segment given the adverse lapse experience in the lower socio demographic segment and related impact on profitability. This is likely to have an adverse impact on new business volumes in the Non-Advice business in the short term albeit the key growth driver, LifeSolutions, continues to increase its market share, outperform the market and has reflected strong growth period to period;
- While ClearView remains a high growth company (relative to the in-force portfolio) it will likely require net capital funding; the Debt Funding Facility may be replaced with one or more longer term capital solutions as the need for, and quantum of, longer term capital funding emerges and the final form of the life insurance reforms are implemented (given the potential reduced capital strain)

ClearView has now established a strong platform to drive momentum and has in the first half started to convert its strategic positioning into material earnings growth. ClearView is implementing a high growth strategy with the goal of attaining 5% of the long term life insurance profit pool, building a material wealth management business and a high quality financial advice business.



## Appendix - FY2016 Results

# Consolidated Result: Shareholder View<sup>1</sup> – 1H FY2016



\$M, 6 MONTHS TO DEC 2015	2012		2013		2014		2015		1H 2016	% CHANGE <sup>2</sup>
	1H	2H	1H	2H	1H	2H	1H	2H		
Gross life insurance premiums	20.1	20.8	25.9	29.3	36.2	40.6	49.6	55.5	64.9	31%
Fund management fees	15.5	14.9	14.8	15.1	15.3	15.1	15.2	16.1	15.7	3%
Financial advice fees	6.5	6.4	6.5	6.3	6.4	6.3	7.0	8.2	8.5	21%
Interest income	3.2	3.2	3.1	2.2	1.9	2.4	2.6	2.5	2.4	(8%)
<b>Gross Income</b>	<b>45.3</b>	<b>45.3</b>	<b>50.3</b>	<b>52.8</b>	<b>59.8</b>	<b>64.3</b>	<b>74.4</b>	<b>82.3</b>	<b>91.5</b>	<b>23%</b>
Net claims incurred	(4.2)	(6.0)	(7.9)	(8.2)	(6.3)	(8.0)	(8.5)	(9.4)	(7.5)	(12%)
Reinsurance premium expense	(2.0)	(0.8)	(2.0)	(2.4)	(3.8)	(6.5)	(8.1)	(10.8)	(14.0)	73%
Commission and other variable expenses	(4.0)	(6.3)	(11.9)	(11.6)	(15.1)	(17.4)	(21.1)	(21.9)	(25.3)	20%
Funds management expenses	(3.1)	(2.5)	(2.9)	(3.0)	(2.8)	(2.9)	(3.3)	(3.2)	(3.5)	6%
Operating expenses	(20.7)	(20.2)	(22.9)	(23.6)	(27.4)	(27.7)	(34.1)	(36.0)	(38.3)	12%
Movement in policy liabilities	0.1	5.5	9.3	6.7	8.6	13.4	14.8	14.6	16.6	12%
<b>Total Operating Earnings (before tax)</b>	<b>11.5</b>	<b>14.8</b>	<b>11.9</b>	<b>10.8</b>	<b>13.0</b>	<b>15.2</b>	<b>14.1</b>	<b>15.6</b>	<b>19.5</b>	<b>38%</b>
Income tax (expense) / benefit	(2.5)	(4.7)	(3.5)	(3.3)	(3.9)	(4.6)	(4.2)	(4.6)	(5.6)	33%
<b>Total Operating Earnings (after tax)</b>	<b>9.1</b>	<b>10.1</b>	<b>8.5</b>	<b>7.5</b>	<b>9.1</b>	<b>10.6</b>	<b>9.9</b>	<b>11.0</b>	<b>13.9</b>	<b>40%</b>
Interest expense on corporate debt (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.4)	(0.5)	Large
<b>Underlying NPAT</b>	<b>9.1</b>	<b>10.1</b>	<b>8.5</b>	<b>7.5</b>	<b>9.1</b>	<b>10.6</b>	<b>9.9</b>	<b>10.6</b>	<b>13.4</b>	<b>35%</b>
Amortisation of intangibles	(3.4)	(3.4)	(3.8)	(3.7)	(3.7)	(3.7)	(4.5)	(4.5)	(4.6)	2%
Policy liability discount rate effect	9.3	4.6	(2.1)	(0.2)	(2.5)	4.7	5.2	(1.0)	1.0	(81%)
Matrix deal and integration costs	0.0	0.0	0.0	0.0	0.0	0.0	(1.8)	(0.5)	0.0	(100%)
Your insure impairment (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.9)	Large
Takeover bid related costs/ restructure related costs	0.0	0.0	(5.2)	(1.6)	0.0	0.0	0.0	0.0	0.0	-
Tax effect	(2.8)	(1.2)	2.0	0.5	0.8	(1.4)	(1.1)	0.2	(0.3)	(73%)
<b>Reported NPAT</b>	<b>12.2</b>	<b>10.1</b>	<b>(0.6)</b>	<b>2.5</b>	<b>3.6</b>	<b>10.3</b>	<b>7.7</b>	<b>4.8</b>	<b>7.6</b>	<b>(1%)</b>
<b>BUSINESS UNIT P&amp;L</b>										
Life Insurance	5.5	5.6	4.0	4.4	4.7	6.1	7.3	8.0	12.1	66%
Wealth Management	3.4	4.1	3.8	2.8	3.0	2.9	1.1	0.7	1.3	18%
Financial Advice	(0.6)	(0.0)	0.4	0.4	1.8	1.7	1.9	2.5	0.7	(63%)
<b>BU Operating Earnings (after tax)</b>	<b>8.3</b>	<b>9.6</b>	<b>8.2</b>	<b>7.6</b>	<b>9.5</b>	<b>10.7</b>	<b>10.3</b>	<b>11.2</b>	<b>14.1</b>	<b>37%</b>
Listed Entity and Other	0.8	0.4	0.3	(0.1)	(0.4)	(0.1)	(0.4)	(0.2)	(0.2)	(50%)
<b>Total Operating Earnings (after tax)</b>	<b>9.1</b>	<b>10.1</b>	<b>8.5</b>	<b>7.5</b>	<b>9.1</b>	<b>10.6</b>	<b>9.9</b>	<b>11.0</b>	<b>13.9</b>	<b>40%</b>
Interest expense on corporate debt (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.4)	(0.5)	Large
<b>Underlying NPAT</b>	<b>9.1</b>	<b>10.1</b>	<b>8.5</b>	<b>7.5</b>	<b>9.1</b>	<b>10.6</b>	<b>9.9</b>	<b>10.6</b>	<b>13.4</b>	<b>35%</b>
<b>KEY STATISTICS AND RATIOS</b>										
	2012		2013		2014		2015		1H 2016	% CHANGE <sup>2</sup>
	1H	2H	1H	2H	1H	2H	1H	2H		
New Business (Life)	0.7	4.6	9.9	9.5	12.9	14.5	17.0	17.5	18.2	7%
LifeSolutions (Life)	0.1	3.6	8.6	8.4	11.5	12.1	13.2	14.3	15.7	19%
Non Advice (Life)	0.6	1.0	1.3	1.1	1.4	2.4	3.8	3.2	2.5	(34%)
In-Force (Life)	40.3	44.1	53.5	62.1	73.8	87.5	101.4	115.7	132.0	30%
LifeSolutions (Life)	0.1	2.8	12.4	21.0	32.6	45.2	57.5	71.0	86.7	51%
Non Advice (Life)	40.2	41.3	41.1	41.0	41.2	42.3	43.9	44.7	45.3	3%
Wealth (Net Flows)	(90.0)	(62.0)	(33.0)	17.1	5.2	(13.6)	25.6	85.8	101.2	294%
Master Trust (Net Flows)	(90.0)	(91.3)	(108.5)	(89.1)	(79.5)	(81.8)	(99.1)	(64.6)	(58.1)	(41%)
WealthSolutions (Net Flows)	0.0	29.3	75.5	106.2	84.7	68.2	72.8	90.5	112.7	55%
WealthFoundations (Net Flows)	0.0	0.0	0.0	0.0	0.0	0.0	51.9	59.9	46.6	(10%)
Wealth Total (FUM) (\$b)	1.38	1.38	1.43	1.53	1.63	1.66	1.77	1.90	1.98	12%
Master Trust (FUM) (\$b)	1.38	1.34	1.31	1.30	1.30	1.25	1.22	1.18	1.11	(9%)
WealthSolutions (FUM) (\$b)	0.00	0.04	0.11	0.23	0.33	0.41	0.50	0.61	0.72	44%
WealthFoundations (FUM) (\$b)	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.11	0.15	200%
Cost to Income Ratio	49.1%	48.0%	48.5%	46.6%	47.4%	44.7%	47.5%	45.1%	43.0%	-

- Strong growth in life insurance resulting from the emergence of profit from the growth in the underlying in-force portfolios. Key non expense experience items in life insurance (versus planned assumptions):
  - Positive life insurance claims experience in 1H FY16 (+1.7m) after tax; and
  - Adverse life insurance lapse experience in 1H FY16 (\$0.2m) after tax driven by non-advice lower socio demographic channel.
- FUM (+12%) has been positively impacted by positive net flows of \$101m albeit investment performance has been flat over the period. Funds management fees have increased by 3% which reflects the margin compression and related reduction in average fee rates across the in-force book.
- FUMA in the ClearView and Matrix dealer groups is \$8.1bn (+9%) and Premiums Under Advice of \$203m (+27%), reflective of the change in adviser mix.
- Net financial planning fees are up 21% predominantly driven by the annualised impact of the Matrix merger, LifeSolutions volume based payments paid to the CFA dealer group in 1H FY16 but partially offset by the run off of the 50bps internal advice fee earned off the Master Trust FUM.
- Cost base increase (+12%) impacted by upfront management team restructure costs, the annualised impact of Matrix and other cost increases related to the support of the growth in the business. Refer to next slide for details.
- Other adjustments impacted reported profit as outlined on Slide 26.
- Interest income on physical cash (-8%) driven by decline in deposit rates earned and timing of debt draw down under Debt Funding Facility.
- Debt Funding Facility draw down in December 2014, interest expense (after tax) of \$0.5m in 1H FY16 (1H FY15: nil).

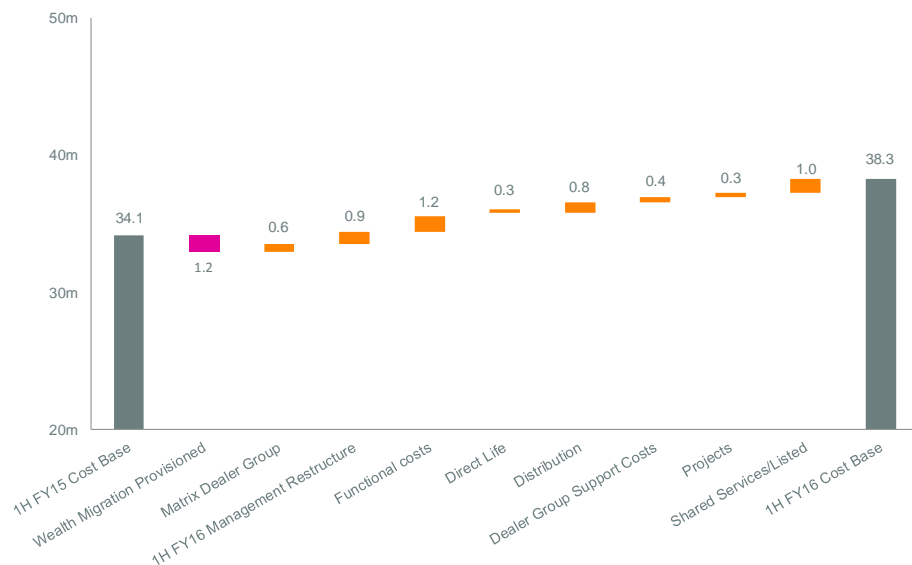
Note 1: Shareholder view excludes the life investments contracts (i.e. unit linked business) and deconsolidates retail unit trusts and reflects fees earned by the shareholder less expenses incurred. Note 2: % change represents the movement from 1H FY15 to 1H FY16.



# Cost Base – Investment Ahead of Earnings



1H FY15 vs 1H FY16 Cost Base



**Wealth Migration Provisioned** – This is predominately as a result of the provision for migration expenditure incurred in 1H FY15. No further migration costs have been incurred in 1HFY16. The project to migrate the administration of the Master Trust and MIS was deferred in FY15 to both reprioritise and bring forward some other development projects, as well as to reduce the overall expected costs and impacts of migration when implemented (over time);

**Matrix Dealer Group** – These reflect the costs related to the annualised effect of the Matrix dealer given the acquisition was completed on 10 October 2014;

**1H FY16 Management Restructure** – These costs relate to the upfront restructure cost incurred in 1H FY16 for the management changes in October 2015, with savings expected to flow through from 2H FY16;

**Functional Costs** – These relate to increases in the functional areas to support the growth in the business, including administration, call centre, claims and underwriting costs. These reflect the growth in the underlying volumes period to period. These costs also include the growth and development costs, software amortisation and other functional costs that relate to the new wealth platform system that commenced being incurred in 1H FY15 post the launch of WealthFoundations; this increase is partially offset by the completion of the amortisation of the first phase of software costs associated with the launch of LifeSolutions in FY12;

**Direct Life** – The Non-Advice business has shifted its focus from gross sales, to improving lead quality, customer retention and ultimately improving lapse rates. Costs have increased due to the setup of the integrated customer retention function. This has been offset by a reduction in sales agent costs given the reduced volumes;

**Distribution** – The distribution/front end costs include the option cost associated with ESP shares issued to financial advisers and the continued build out of the business development team. Distribution also includes the increased investment in the Wealth Management “front end” to further support the growth of the business post the launch of WealthFoundations in 1H FY15;

**Dealer Group Support Costs** – predominantly relates to the further investment in adviser support services to support a larger adviser base in the merged businesses (albeit there was a partial benefit from the transition of employed planners into the self-employed model). This includes the set up of a standalone compliance team in the dealer group in 2H FY15;

**Projects** – These costs relate to the net increase in project costs between periods, predominantly driven by the implementation of a new desktop IT system across the business in 1H FY16; and

**Shared Services/Listed** – Shared services cost increases and business support costs should reduce “per customer” as the scale of the business increases. This includes the “spreading” of the costs of the shared services functions as the business grows. The main driver for the increase was IT infrastructure and support costs, additional group compliance costs and general overhead, partially offset by reduced marketing costs.

# Other Adjustments – 1H FY2016



\$M, OTHER ADJUSTMENTS	2012		2013		2014		2015		1H 2016	% CHANGE <sup>1</sup>
	1H	2H	1H	2H	1H	2H	1H	2H		
Policy liability effect from change in discount rates	9.3	4.6	(2.1)	(0.2)	(2.5)	4.7	5.2	(1.0)	1.0	(81%)
Matrix deal and integration costs	0.0	0.0	0.0	0.0	0.0	0.0	(1.8)	(0.5)	0.0	(100%)
Your Insure impairment (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.9)	Large
Takeover bid related costs/ restructure related costs	0.0	0.0	(5.2)	(1.6)	0.0	0.0	0.0	0.0	0.0	-
Income tax effect	(2.8)	(1.2)	2.0	0.5	0.8	(1.4)	(1.1)	0.2	(0.3)	(73%)
<b>Total Other Adjustments (After Tax)</b>	<b>6.5</b>	<b>3.4</b>	<b>(5.3)</b>	<b>(1.3)</b>	<b>(1.7)</b>	<b>3.3</b>	<b>2.3</b>	<b>(1.3)</b>	<b>(1.2)</b>	<b>(152%)</b>

- The policy liability discount rate effect is the result of the changes in long term discount rates used to determine the insurance policy liabilities. The life insurance policy liability (based on AIFRS) is discounted using market discount rates that typically vary at each reporting date and create volatility in the policy liabilities and consequently earnings. ClearView separately reports this volatility which represents a timing difference in the release of profit and has no impact on underlying earnings. This movement in policy liability creates a cash flow tax effect. The decrease in long term discount rates over the last 6 months caused a positive profit impact of \$1.0m (1H FY15: \$5.2m).
- ClearView made an investment in Your Insure, a start-up operation in Melbourne, in August 2014 to target selling direct life insurance to the lower socio demographic customer. ClearView agreed to provide funding to Your Insure which was structured as a Convertible Note. The investment in Your Insure has been written off, with a net of tax cost of \$1.9m being incurred. The costs associated with the aforementioned are considered unusual to the ordinary activities of the Group and are therefore not reflected as part of Operating NPAT.
- Income tax effects includes the tax effect of the adjustments where applicable (assessable or deductible for tax purposes) unless separately netted off on the relevant line as per the description.

# Life Insurance – 1H FY2016



\$M, 6 MONTHS TO DEC 2015	2012		2013		2014		2015		1H 2016	% CHANGE <sup>1</sup>
	1H	2H	1H	2H	1H	2H	1H	2H		
Gross life insurance premiums	20.1	20.8	25.9	29.2	36.2	40.6	49.6	55.5	64.9	31%
Interest income	0.7	1.0	1.0	1.1	1.1	1.2	1.5	1.5	1.4	(7%)
Net claims incurred	(4.2)	(6.0)	(7.9)	(8.2)	(6.3)	(8.0)	(8.5)	(9.4)	(7.5)	(12%)
Reinsurance premium expense	(2.0)	(0.8)	(2.0)	(2.4)	(3.8)	(6.5)	(8.1)	(10.8)	(14.0)	73%
Commission and other variable expenses	(0.4)	(2.9)	(8.4)	(7.8)	(11.6)	(13.9)	(17.6)	(18.2)	(21.9)	24%
Operating expenses	(6.8)	(9.3)	(12.2)	(12.4)	(17.5)	(18.1)	(21.2)	(21.9)	(22.2)	5%
Movement in policy liabilities	0.4	5.2	9.3	6.8	8.6	13.4	14.8	14.6	16.6	12%
<b>BU Operating NPBT</b>	<b>7.8</b>	<b>8.0</b>	<b>5.7</b>	<b>6.3</b>	<b>6.7</b>	<b>8.7</b>	<b>10.5</b>	<b>11.3</b>	<b>17.3</b>	<b>65%</b>
Income tax (expense) / benefit	(2.4)	(2.4)	(1.7)	(1.9)	(2.0)	(2.6)	(3.2)	(3.3)	(5.2)	63%
<b>BU Operating NPAT</b>	<b>5.5</b>	<b>5.6</b>	<b>4.0</b>	<b>4.4</b>	<b>4.7</b>	<b>6.1</b>	<b>7.3</b>	<b>8.0</b>	<b>12.1</b>	<b>66%</b>
Amortisation of intangibles	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(1.5)	(1.4)	(1.4)	(6%)
Policy liability discount rate effect	9.3	4.6	(2.1)	(0.2)	(2.5)	4.7	5.2	(1.0)	1.0	(81%)
Matrix deal and integration costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM
Your Insure impairment (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM
Takeover bid related costs/ restructure related costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM
Tax effect	(2.8)	(1.2)	0.7	0.0	0.8	(1.4)	(1.6)	0.3	(0.3)	(81%)
<b>Reported NPAT</b>	<b>11.4</b>	<b>8.1</b>	<b>1.9</b>	<b>3.5</b>	<b>2.3</b>	<b>8.7</b>	<b>9.4</b>	<b>5.9</b>	<b>11.4</b>	<b>21%</b>
<b>KEY STATISTICS AND RATIOS</b>										
	2012		2013		2014		2015		1H 2016	% CHANGE <sup>1</sup>
	1H	2H	1H	2H	1H	2H	1H	2H		
New Business (Life)	0.7	4.6	9.9	9.5	12.9	14.5	17.0	17.5	18.2	7%
LifeSolutions (Life)	0.1	3.6	8.6	8.4	11.5	12.1	13.2	14.3	15.7	19%
Non Advice (Life)	0.6	1.0	1.3	1.1	1.4	2.4	3.8	3.2	2.5	(34%)
In-Force (Life)	40.3	44.1	53.5	62.1	73.8	87.5	101.4	115.7	132.0	30%
LifeSolutions (Life)	0.1	2.8	12.4	21.0	32.6	45.2	57.5	71.0	86.7	51%
Non Advice (Life)	40.2	41.3	41.1	41.0	41.2	42.3	43.9	44.7	45.3	3%
Old Book	39.5	39.1	38.8	38.1	37.5	36.7	35.8	35.1	34.7	(3%)
New Book	0.7	2.2	2.3	2.9	3.7	5.6	8.1	9.6	10.6	30%
Cost to Income Ratio	33.8%	44.6%	46.9%	42.3%	48.3%	44.6%	42.7%	39.5%	34.2%	-

Note 1: % change represents the movement from 1H FY15 to 1H FY16.

# Life Insurance – 1H FY2016



- Growth of LifeSolutions has continued, with in-force premium of \$86.7m as at 31 December 2015 (+51%), representing 66% of the total life insurance in-force book. LifeSolutions new business is up 19% reflecting continued market outperformance. In 1H FY16, 59% of LifeSolutions new business was generated from third party APL's, up 35% on 1H FY15.
- Direct life new business declined by 34% to \$2.5m for the half year ended 31 December 2015, thereby causing a drag in overall life insurance new business growth. This strategic decision was made to align with the overall shift in focus of the business to the mid-market segment and the more broader exit from the warm lead referral channels given the adverse lapse experience and related impact on profitability. New direct in-force book of \$10.6m (+30%); old book in-force premium of \$34.7m (-3%)
- Experience analysis in 1H FY16, with comparable periods, refer to next slide
- Increased reinsurance expense is aligned to the growth in the in-force portfolios given the upfront reinsurance support is provided in the first year of a policy
- The growth in life insurance initial commission in the financial year is driven by the upfront variable commission cost related to the increased new business volumes. An override initial commission was paid from LifeSolutions to the CFA dealer group in 1H FY16 given that the life company no longer partially absorbed the dealer group support costs. These acquisition costs are deferred and amortised within the policy liability, over the expected life of the policies, in accordance with the accounting standards
- An increase in operating expenses in life insurance. These are in addition to the upfront commissions and are driven by:
  - Variable stamp duty and medical policy acquisition costs related to increased new business volumes;
  - Increased distribution costs related to the option cost associated with ESP shares issued to advisers and the continued build out of the business development team;
  - The increase in the functional areas in the front end of the business to support the growth including underwriting and new business administration related costs;
  - The increased maintenance administration costs (including claims administration) as the in-force portfolios grow across business lines (there is effectively a 12 month delay given the policy renewal cycle);
  - The investment in a retention team and function in the Non-Advice business given the adverse new business lapse rates, as noted earlier in the report;
  - The allocation of dealer support costs to the CFA dealer group in 1H FY16, resulting in a reduction in operating costs, albeit with an increased initial commission paid on LifeSolutions to CFA; and
  - The increased shared service costs across the group, including the upfront termination costs associated with the management restructure in 1H FY16.
- Increase in investment earnings given the reallocation of shareholder cash to the life insurance segment (given the growth in the business and its related capital requirements)

# Life Insurance – 1H FY2016 Analysis of Profit



\$M, 6 MONTHS TO DEC 2015	1H FY14	2HFY14	1H FY 15	2H FY15	1H FY16
Actuarial planned BU Operating NPAT	6.8	8.3	9.3	9.9	11.4
Claims experience	0.7	0.4	0.1	(0.2)	1.7
Lapse experience <sup>1</sup>	(0.1)	(0.8)	(0.2)	0.3	(0.2)
Non-Deferred Expense experience	(2.9)	(1.6)	(2.2)	(2.3)	(0.9)
Other	0.2	(0.1)	0.3	0.3	0.1
<b>Actual BU Operating NPAT</b>	<b>4.7</b>	<b>6.1</b>	<b>7.3</b>	<b>8.0</b>	<b>12.1</b>

- Actuarial planned BU Operating NPAT reflects the expected profit margins on the in-force book based on actuarial assumptions (\$11.4m in 1H FY16; +23%). This is reflective of the strong growth in the business partially offset by the run off of the higher margin old direct book.
- Positive claims experience profit (after tax) of \$1.7m compared to an experience profit in 1H FY15 of \$0.1m (relative to planned margins). The positive claims experience in 1H FY16 was across all product lines.
- Given the current size of the life insurance portfolio and reinsurance arrangements in place (arrangements vary by product) some statistical claims volatility can be expected. Claims experience is anticipated to average out over time at the actuarial best estimate assumptions. As the in-force of LifeSolutions grows, with higher reinsurance arrangements in place, the relative claims volatility is expected to reduce from period to period.
- Adverse lapse experience relative to the rates assumed in the life insurance policy liability (determined at 30 June 2015) with an experience loss of \$0.2m (after tax) in 1H FY16 (relative to planned margins) (\$0.2m loss in 1H FY15).
- The LifeSolutions business has since launch reflected positive lapse experience relative to assumptions and was broadly in line with assumptions in 1H FY16. The business written pre 2011 is now reflecting positive experience (+\$0.3m), given the assumption changes made in June 2014. This overall positive experience was partially offset by lapse losses incurred on new direct business written via certain channels. In particular, the distribution and product profile of this has been highly geared to the warm lead referral channel resulting in some continued adverse lapse experience (-\$0.5m). Therefore, there was an intentional slowdown in new business volume growth given the strategy to focus on the profitable segments. Rather than continue top line growth in the non-advice business, ClearView has decided to commence exiting the lower socio demographic market.
- Market competitive premium rates implicitly support market average participant (scale) expense rates. Expense margins available are therefore proportional to new business premium written and in-force premium revenues. As the business gets to scale, these costs are progressively supported by business volumes that create operating leverage. Expense overruns depress initial reported profits; these should eliminate as scale is achieved, thereby increasing underlying profit realised on the growing in-force portfolio. Given the investment phase of the business, this resulted in a non-deferred expense experience loss of \$0.9m for the half year (\$2.2m in 1H FY15). This reflects that the expense overruns are starting to be absorbed given the increased scale of the business.

# Wealth Management – 1H FY2016



S\$M, 6 MONTHS TO DEC 2015	2012		2013		2014		2015		1H 2016	% CHANGE <sup>1</sup>
	1H	2H	1H	2H	1H	2H	1H	2H		
Fund management fees	15.5	14.9	14.8	15.1	15.3	15.1	15.2	16.1	15.7	3%
Interest income	1.2	0.9	0.8	0.4	0.4	0.4	0.3	0.2	0.2	(33%)
Variable expense <sup>2</sup>	(3.6)	(3.4)	(3.5)	(3.8)	(3.5)	(3.6)	(3.5)	(3.7)	(3.4)	(3%)
Funds management expenses	(3.1)	(2.5)	(2.9)	(3.0)	(2.8)	(2.9)	(3.3)	(3.2)	(3.5)	6%
Operating expenses	(6.1)	(4.0)	(4.1)	(4.7)	(5.3)	(5.1)	(7.4)	(8.5)	(7.7)	5%
<b>BU Operating NPBT</b>	<b>3.9</b>	<b>5.9</b>	<b>5.1</b>	<b>4.0</b>	<b>4.1</b>	<b>3.9</b>	<b>1.3</b>	<b>0.9</b>	<b>1.3</b>	<b>(1%)</b>
Income tax (expense) / benefit	(0.5)	(1.8)	(1.3)	(1.2)	(1.1)	(1.0)	(0.2)	(0.2)	0.0	(100%)
<b>BU Operating NPAT</b>	<b>3.4</b>	<b>4.1</b>	<b>3.8</b>	<b>2.8</b>	<b>3.0</b>	<b>2.9</b>	<b>1.1</b>	<b>0.7</b>	<b>1.3</b>	<b>18%</b>
Amortisation of intangibles	(2.2)	(2.2)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	1%
Policy liability discount rate effect	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM
Matrix deal and integration costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM
Your Insure impairment (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM
Takeover bid related costs/ restructure related costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM
Tax effect	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM
<b>Reported NPAT</b>	<b>1.2</b>	<b>1.9</b>	<b>1.2</b>	<b>0.2</b>	<b>0.4</b>	<b>0.3</b>	<b>(1.5)</b>	<b>(1.9)</b>	<b>(1.3)</b>	<b>(10%)</b>
KEY STATISTICS AND RATIOS	2012		2013		2014		2015		1H 2016	% CHANGE <sup>1</sup>
	1H	2H	1H	2H	1H	2H	1H	2H		
Wealth (Net Flows)	(90.0)	(62.0)	(33.0)	17.1	5.2	(13.6)	25.6	85.8	101.2	294%
Master Trust (Net Flows)	(90.0)	(91.3)	(108.5)	(89.1)	(79.5)	(81.8)	(99.1)	(64.6)	(58.1)	(41%)
WealthSolutions (Net Flows)	0.0	29.3	75.5	106.2	84.7	68.2	72.8	90.5	112.7	55%
WealthFoundations (Net Flows)	0.0	0.0	0.0	0.0	0.0	0.0	51.9	59.9	46.6	(10%)
Wealth Total (FUM) (\$b)	1.38	1.38	1.43	1.53	1.63	1.66	1.77	1.90	1.98	12%
Master Trust (FUM) (\$b)	1.38	1.34	1.31	1.30	1.30	1.25	1.22	1.18	1.11	(9%)
WealthSolutions (FUM) (\$b)	0.00	0.04	0.11	0.23	0.33	0.41	0.50	0.61	0.72	44%
WealthFoundations (FUM) (\$b)	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.11	0.15	200%
Cost to Income Ratio	39.3%	26.6%	27.9%	31.0%	34.5%	33.7%	48.7%	52.8%	49.0%	-

Note 1: % change represents the movement from 1H FY15 to 1H FY16. Note 2: Variable expense include the platform fee payable on WealthSolutions and the internal advice fee payable to the Financial Advice segment on the Master Trust product.

# Wealth Management – 1H FY2016



- The profitability of Wealth Management is driven by the fees earned off FUM in ClearView product less expenses incurred. Overall FUM increased by 12%, with positive net flows of \$101m in 1H FY16, compared to \$26m in the prior comparable period. This predominantly reflects an improvement in the net outflows of the Master Trust product, the successful introduction of the WealthFoundations (a competitive mid-market wealth product) in October 2014 and the continued growth of WealthSolutions. Investment performance has been flat over the period. WealthSolutions continues to build to scale coupled with the launch of WealthFoundations in October 2014 that now has \$152m of FUM at 31 December 2015;
- The performance of investment markets plays a key part in “holding up” the Master Trust FUM, given that this is effectively a closed book with a portion of the FUM in the pension phase. Given that new business is written into WealthSolutions and WealthFoundations at lower margins than the existing in-force Master Trust products, fee income increased by 3% over the prior comparable period. This reflects the margin compression and related reduction in average fee rates across the in-force book. The margin compression and the run off of the Master Trust business is assumed in the Embedded Value calculations;
- Increased cost base (+5%) is driven by the impact of the migration costs provisioned in 1H FY15 (\$0.8m after tax) that is predominantly offset by the incremental development, software amortisation and growth costs for the WealthFoundations product and related new platform that was only commenced being incurred post launch in October 2014 coupled with the increased investment in distribution in 2H FY15 to support the new contemporary products. The expense overruns decreased to \$1.4m from \$2.2m in 1H FY15 given that WealthSolutions continues to build to scale and that there is increased average FUM in WealthFoundations in 1H FY16 to provide some support to the growth and development costs being incurred;
- The internal advice fee represents the inter segment advice fee (50bps) paid to financial advice on Master Trust FUM; the reduction is in line with average FUM. Given the growth in WealthSolutions FUM and the outsourced variable cost structure to the platform provider, platform fees increased in line with the average WealthSolutions FUM levels and average account balances;
- Funds management expenses increased given the expanded wealth product range (launch of WealthFoundations) and increased FUM levels between periods;
- A tax benefit of \$0.2m is included in the Wealth Management result that includes exempt fees in the Master Trust product range and a positive impact from a tax benefit arising from superannuation insurance premium deductions. These tax benefits are predominantly offset in the Listed segment (given non deductibility of certain expenses across the group); and
- A reduction in investment earnings given the reallocation of shareholder cash between segments.

# Financial Advice – 1H FY2016



\$M, 6 MONTHS TO DEC 2015	2012		2013		2014		2015		1H 2016	% CHANGE <sup>1</sup>
	1H	2H	1H	2H	1H	2H	1H	2H		
Net financial planning fees	6.5	6.3	6.5	6.3	6.4	6.3	7.0	8.2	8.5	21%
Interest & other income	0.1	0.1	0.3	0.1	0.1	0.1	0.2	0.2	0.2	(0)%
Operating expenses	(7.5)	(6.4)	(6.2)	(5.9)	(3.9)	(4.0)	(4.6)	(4.8)	(7.7)	67%
<b>BU Operating NPBT</b>	<b>(0.9)</b>	<b>0.0</b>	<b>0.6</b>	<b>0.5</b>	<b>2.6</b>	<b>2.4</b>	<b>2.6</b>	<b>3.6</b>	<b>1.0</b>	<b>(62)%</b>
Income tax (expense) / benefit	0.3	(0.0)	(0.2)	(0.1)	(0.8)	(0.7)	(0.7)	(1.1)	(0.3)	(57)%
<b>BU Operating NPAT</b>	<b>(0.6)</b>	<b>(0.0)</b>	<b>0.4</b>	<b>0.4</b>	<b>1.8</b>	<b>1.7</b>	<b>1.9</b>	<b>2.5</b>	<b>0.7</b>	<b>(63)%</b>
Amortisation of intangibles	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)	31%
Policy liability discount rate effect	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM
Matrix deal and integration costs	0.0	0.0	0.0	0.0	0.0	0.0	(0.4)	0.0	0.0	(100)%
Your Insure impairment (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM
Takeover bid related costs/ restructure related costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM
Tax effect	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	(100)%
<b>Reported NPAT</b>	<b>(1.0)</b>	<b>(0.4)</b>	<b>0.0</b>	<b>0.0</b>	<b>1.4</b>	<b>1.3</b>	<b>1.2</b>	<b>2.0</b>	<b>0.2</b>	<b>(85)%</b>
<b>KEY STATISTICS AND RATIOS</b>	2012		2013		2014		2015		1H 2016	% CHANGE <sup>1</sup>
	1H	2H	1H	2H	1H	2H	1H	2H		
FUMA (\$b)	2.8	2.9	3.3	3.6	3.8	4.1	7.4	7.9	8.1	9%
PUA	40	44	57	73	79	94	160	187	203	27%

- FUMA in the ClearView and Matrix dealer group's is \$8.1bn (+9%) and Premiums Under Advice of \$203m (+27%). The number of financial advisers in CFA has increased to 136 as at 31 December 2015, representing an increase of 4% over the prior comparable period. In addition, Matrix has a total of 85 advisers as at 31 December 2015, raising the total for the Group to 221 which is consistent with the adviser numbers at 30 June 2015.
- Net financial planning fees are up 21% predominantly driven by the annualised impact of the Matrix merger (+\$1m), LifeSolutions volume based payments paid to the CFA dealer group in 1HFY16 (given that dealer group support costs are no longer partially allocated to the life segment) but partially offset by the run off of the 50bps internal advice fee earned by CFA off the Master Trust FUM (net impact of +\$0.5m). The recruitment of self-employed advisers into ClearView has a limited impact on margin to date due to the adviser split arrangements.
- The Matrix dealer group had a \$0.4m contribution to Financial Advice Operating NPAT in 1H FY16 representing an increase of \$0.2m (merger was completed in October 2014).
- Cost base increase of 67%, predominantly relates to a reallocation of dealer group support costs to CFA in 1H FY16 (which were previously partially absorbed by the life insurance segment) (+\$1.4m) and the annualised impact of the Matrix dealer group costs (+\$0.6m). Furthermore, the increased cost base was driven by the further investment in adviser support services to support a larger adviser base in the merged businesses (albeit there was a partial benefit from the transition of employed planners into the self-employed model) (+\$0.4m) and an increased shared services cost across the group (+\$0.6m).



# Listed Entity – 1H FY2016



\$M, 6 MONTHS TO DEC 2015	2012		2013		2014		2015		1H 2016	% CHANGE <sup>1</sup>
	1H	2H	1H	2H	1H	2H	1H	2H		
Interest income	1.2	1.1	1.0	0.6	0.3	0.7	0.6	0.6	0.6	(0)%
Operating expenses	(0.2)	(0.5)	(0.4)	(0.6)	(0.7)	(0.5)	(0.9)	(0.8)	(0.6)	(33)%
<b>Total Operating Earnings (before tax)</b>	<b>1.0</b>	<b>0.6</b>	<b>0.6</b>	<b>0.0</b>	<b>(0.4)</b>	<b>0.2</b>	<b>(0.3)</b>	<b>(0.2)</b>	<b>0.0</b>	<b>(100)%</b>
Income tax (expense) / benefit	(0.2)	(0.2)	(0.3)	(0.1)	(0.0)	(0.3)	(0.1)	0.0	(0.2)	100%
<b>Total Operating Earnings (after tax)</b>	<b>0.8</b>	<b>0.4</b>	<b>0.3</b>	<b>(0.1)</b>	<b>(0.4)</b>	<b>(0.1)</b>	<b>(0.4)</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(50)%</b>
Interest expense on corporate debt (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.4)	(0.5)	Large
<b>Underlying NPAT</b>	<b>0.8</b>	<b>0.4</b>	<b>0.3</b>	<b>(0.1)</b>	<b>(0.4)</b>	<b>(0.1)</b>	<b>(0.4)</b>	<b>(0.6)</b>	<b>(0.7)</b>	<b>75%</b>
Amortisation of intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM
Policy liability discount rate effect	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM
Matrix deal and integration costs	0.0	0.0	0.0	0.0	0.0	0.0	(1.4)	(0.5)	(0.0)	(98)%
Your Insure impairment (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.9)	Large
Takeover bid related costs/ restructure related costs	0.0	0.0	(5.2)	(1.6)	0.0	0.0	0.0	0.0	0.0	NM
Tax effect	0.0	0.0	1.3	0.4	0.0	0.0	0.3	0.0	0.0	(97)%
<b>Reported NPAT</b>	<b>0.7</b>	<b>0.4</b>	<b>(3.6)</b>	<b>(1.3)</b>	<b>(0.4)</b>	<b>(0.1)</b>	<b>(1.5)</b>	<b>(1.1)</b>	<b>(2.6)</b>	<b>75%</b>

Listed Operating NPAT loss has decreased by \$0.2m compared to 1H FY15. This result reflects the following:

- The investment earnings on the cash and investments held in the listed and central services entities and in the shareholders fund of ClearView Life, less the costs associated with maintaining a listed entity. The Company manages capital at the listed entity level in accordance with its Internal Capital Adequacy Assessment Process (ICAAP) policy;
- There has been increased investment earnings given the additional draw down under the Debt Facility but this has been offset by a reduction in term deposit rates on physical cash with some reallocation of physical cash between segments;
- A decrease in operating expenses given there has been no allocation of shared service costs to the listed segment in 1H FY16; and
- A tax charge of \$0.2m (1H FY15: \$0.1m) related to timing differences, partially offsetting tax benefits in other segments. The Group has an effective tax rate of just under 30% for the six month period (broadly consistent with the prior comparable period)



## Embedded Value and Capital Position

# Embedded Value (EV) Movement Analysis @ 4% DM by Segment at 31 December 2015



MOVEMENT ANALYSIS @ 4% dm (\$m)	Life	Wealth	Advice	Net Worth	Total
<b>EV - 30 June 2015 (As Published)</b>	<b>287.6</b>	<b>53.7</b>	<b>35.3</b>	<b>12.5</b>	<b>389.0</b>
Net Capital Applied	10.0	0.0	0.0	(8.9)	1.1
Write-off of Your Insure	0.0	0.0	0.0	(1.9)	(1.9)
<b>EV after Net Capital and Write-off of Your Insure</b>	<b>297.6</b>	<b>53.7</b>	<b>35.3</b>	<b>1.6</b>	<b>388.2</b>
Expected Gain	10.3	1.8	1.3	0.2	13.5
Value of New Business Added	6.3	0.7	0.1	0.0	7.1
Impact of Claims	1.7	0.0	0.0	0.0	1.7
Impact of Discontinuances	0.4	0.2	0.1	0.0	0.7
Impact of Maintenance Expenses	(0.9)	(0.9)	0.4	0.0	(1.4)
Listing Costs and Interest Expense	0.0	0.0	0.0	(0.9)	(0.9)
FUMA mark to market	(0.2)	(0.2)	(0.7)	0.0	(1.1)
Other Impacts	(0.5)	0.4	(3.7)	0.0	(3.7)
<b>EV - 31 December 2015 @ 4% dm</b>	<b>314.7</b>	<b>55.8</b>	<b>32.7</b>	<b>0.9</b>	<b>404.1</b>
ESP Loans	0.0	0.0	0.0	38.8	38.8
<b>Total EV Incl. ESP Loans</b>	<b>314.7</b>	<b>55.8</b>	<b>32.7</b>	<b>39.7</b>	<b>442.9</b>
Franking Credits <sup>1</sup>	45.5	10.9	7.2	0.0	63.6
<b>Total EV Incl. Franking Credits and ESP Loans</b>	<b>360.2</b>	<b>66.7</b>	<b>39.9</b>	<b>39.7</b>	<b>506.5</b>

Note 1: Net worth at 31 December 2015 excludes franking account balance of \$15.2m.

# Embedded Value (EV) Movement Analysis Commentary

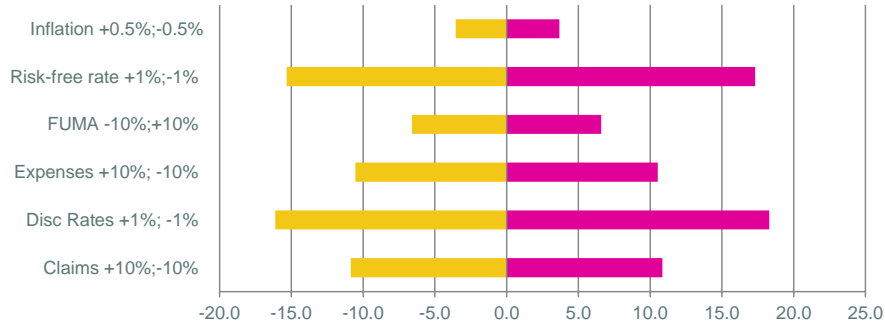


Reference	EV Impact	Reason for Movement
Net Capital Applied	\$1.1m	The increase in the Share Base Payments Reserve, including the impact of the Dividend Reinvestment Plan (DRP) and related repayment of ESP loans by participants given their ineligibility to participate in the DRP under the Plan Rules.
Write-off of Your Insure	(\$1.9m)	This relates to the impact of the write off of the investment in Your Insure.
Expected Gain	\$13.5m	Expected gain represents the unwind of the discount rate within the value of in-force and investment earnings on net worth.
VNB Added	\$7.1m	The value added by new business written over the period. The current value of new business is suppressed by the growth costs incurred. The acquisition cost overruns should decrease as the business grows, providing it with operating leverage. The Non-Advice business had a negative value of new business of \$2.9 million that was a drag on the VNB. This was predominantly driven by a slow down in new business volumes given the adverse lapses in the lower socio-demographic channel. The negative value arises as a result of the acquisition expenses relative to new business generated. The key growth driver, LifeSolutions, continued to reflect strong growth in the VNB.
Claims	\$1.7m	The claims experience across product lines was favourable in 1H FY16. Given the current small size of the insurance portfolio, some claims volatility from period to period is to be expected.
Discontinuance	\$0.7m	The life insurance lapses impact (+\$0.4 million) was driven by better than expected net lapse financial impact for LifeSolutions and the Old Book, partially offset by lapse rates for the new non-advice business being higher than expected. The balance of the financial impact was due to lower discontinuance rates for the Wealth Management and Financial Advice business (+\$0.3 million).
Maintenance Expenses	(\$1.4m)	This relates to the maintenance expense overruns versus the long term unit costs assumed in the EV. Emerging life insurers and wealth managers invest and incur overhead costs ahead of “getting to scale”: The expense rates assumed in the EV are based on longer term unit costs, as opposed to current “expense overrun” levels. As business gets to scale, these costs are progressively supported by business volumes that creates operating leverage. Expense overruns depress EV growth initially; these are eliminated as scale is achieved, thereby increasing underlying profit margins on the growing in-force portfolio and removing the drag on EV growth. The Financial Advice business had a positive maintenance expense variance (+\$0.4m) that reduced the overruns in Life Insurance (-\$0.9m) and Wealth Management (-\$0.9m). The acquisition cost overruns are reflected within, and reduce, the value of new business added.
Listing and Interest Expenses	(\$0.9m)	Expenses were impacted by the Group’s listed overhead costs and the (after tax) interest cost on corporate debt not allowed for in the Embedded Value.
FUMA Mark to Market	(\$1.1m)	The net investment performance on the funds under management and advice resulted in lower fee income relative to expectations over the period and a lower present value of future fees at the end of the period.
Basis and Assumption Changes	(\$3.7m)	This was predominantly driven by the employed planner transition to the self employed model. The transition basis is structured to be broadly overall economic value (appraisal value) neutral to ClearView. However, it results in a reduction in the calculated EV and a gain in the (undisclosed) future new business value. This also includes the net effect of capital reallocations by segment, model enhancements, timing effects, actuarial assumption changes and capital base changes.

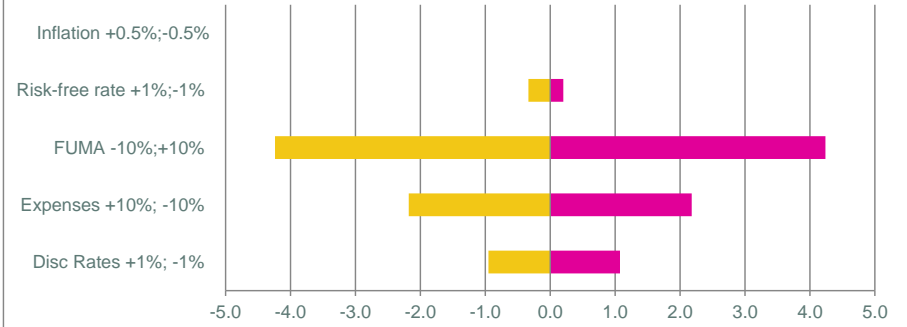
# Embedded Value (EV) Sensitivity Analysis @ 4% DM



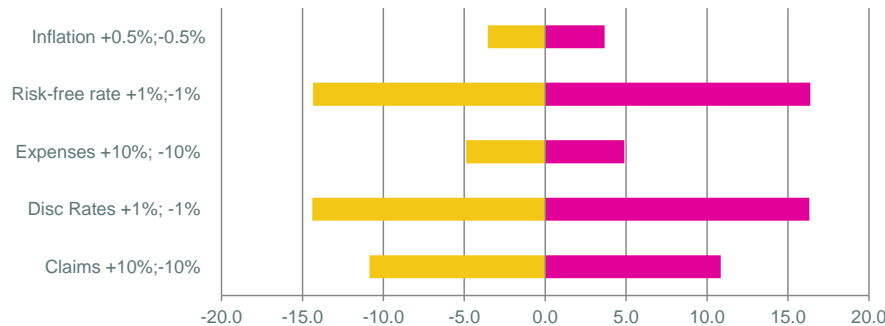
**EV Sensitivity Analysis - Total @ 4%dm (\$mil)**



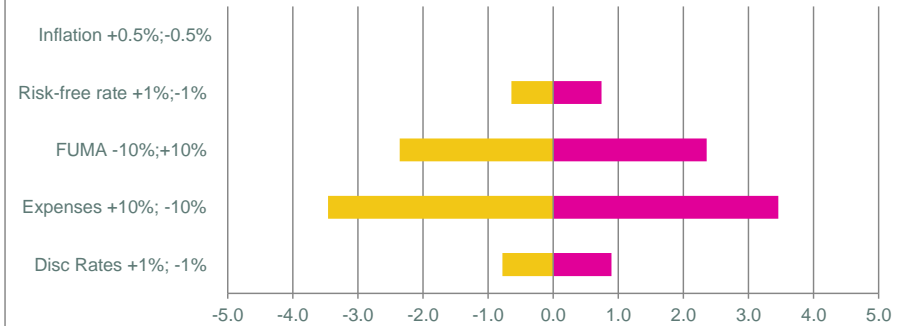
**EV Sensitivity Analysis - Wealth @ 4%dm (\$mil)**



**EV Sensitivity Analysis - Life @ 4%dm (\$mil)**



**EV Sensitivity Analysis - Advice @ 4%dm (\$mil)**



# Group Net Assets & Capital Analysis at 31 December 2015



GROUP CAPITAL POSITION (\$M)				APRA			ASIC	All		
	Life	Wealth	Other	Regulated Entities	Wealth	Financial Advice	Regulated Entities	Regulated Entities	NOHC/ Other	Group
Net Assets	270.4	15.5	6.3	292.2	7.8	16.9	24.7	317.0	28.5	345.5
Goodwill & Intangibles	(6.3)	(4.9)	0.0	(11.1)	0.0	(7.5)	(7.5)	(18.6)	(34.0)	(52.6)
<b>Net Tangible Assets</b>	<b>264.1</b>	<b>10.7</b>	<b>6.3</b>	<b>281.1</b>	<b>7.8</b>	<b>9.4</b>	<b>17.2</b>	<b>298.3</b>	<b>(5.5)</b>	<b>292.9</b>
Capital Base Adjustment:										
Deferred Acquisition Costs (DAC)	(207.4)	(0.2)	0.0	(207.6)	0.0	0.0	0.0	(207.6)	0.0	(207.6)
Other Adjustments to Capital Base	(0.9)	(0.1)	0.0	(0.9)	(0.1)	(0.0)	(0.1)	(1.0)	(0.7)	(1.7)
<b>Regulatory Capital Base</b>	<b>55.8</b>	<b>10.4</b>	<b>6.3</b>	<b>72.6</b>	<b>7.8</b>	<b>9.4</b>	<b>17.1</b>	<b>89.7</b>	<b>(6.1)</b>	<b>83.6</b>
Prescribed Capital Amount	(6.4)	(3.5)	(2.6)	(12.5)	(5.0)	(1.2)	(6.2)	(18.7)	0.0	(18.7)
<b>Available Enterprise Capital</b>	<b>49.5</b>	<b>7.0</b>	<b>3.7</b>	<b>60.1</b>	<b>2.8</b>	<b>8.2</b>	<b>10.9</b>	<b>71.0</b>	<b>(6.1)</b>	<b>64.9</b>
Internal Benchmarks										
Working Capital	(16.8)	(1.1)	(2.6)	(20.5)	0.0	0.0	0.0	(20.5)	(21.4)	(41.9)
Risk Capital	(28.4)	(4.0)	(0.0)	(32.4)	(2.2)	(5.6)	(7.9)	(40.3)	2.5	(37.8)
<b>Excess/ Deficit over Internal Benchmarks</b>	<b>4.3</b>	<b>1.9</b>	<b>1.1</b>	<b>7.3</b>	<b>0.5</b>	<b>2.5</b>	<b>3.0</b>	<b>10.3</b>	<b>(25.1)</b>	<b>(14.8)</b>
Debt Funding Facility	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	45.5	45.5
<b>Net Position After Debt Funding Facility</b>	<b>4.3</b>	<b>1.9</b>	<b>1.1</b>	<b>7.3</b>	<b>0.5</b>	<b>2.5</b>	<b>3.0</b>	<b>10.3</b>	<b>20.4</b>	<b>30.7</b>

- Net capital position across the Group after amounts drawn down under the Debt Funding Facility is \$30.7m at 31 December 2015.
- The regulated entities have \$10.3m of net assets in excess of their internal benchmarks as at 31 December 2015. Internal benchmarks exceed regulatory capital requirements and include capital held for the protection of ClearView's regulatory capital position in respect of risk outcomes where the regulatory capital cannot be readily accessed and to protect the various regulated entities' regulatory licences.
- Internal benchmarks in the regulated entities (as at 31 December 2015) include a working capital reserve of \$20.5m to fund anticipated new business growth over the medium term (in accordance with the Internal Capital Adequacy Assessment Process).
- Internal benchmarks in the non regulated entities (as at 31 December 2015) include a further working capital reserve of \$21.4m as at 31 December 2015, therefore totalling \$41.9m that is set aside across the Group to fund anticipated new business growth over the medium term.
- It is intended that the funding provided under the Debt Funding Facility will be replaced in due course with one or more longer term capital solutions as the need for, and quantum of, longer term capital funding emerges and the final form of the life insurance reforms are assessed and implemented (given the potential reduced capital strain).

# Net Worth Reconciliation at 31 December 2015



RECONCILIATION OF NET ASSETS TO GROUP CAPITAL POSITION AFTER DEBT FUNDING FACILITY (\$M):	Life	Wealth	Advice	Other	Total
<b>Net Assets</b>	<b>270.4</b>	<b>23.4</b>	<b>16.9</b>	<b>34.8</b>	<b>345.5</b>
- Less Goodwill and Intangible Assets (excl. Capitalised Software)	-	-	(7.5)	(34.0)	(41.4)
- Capital included in VIF	(230.0)	(10.0)	(2.4)	-	(242.4)
<b>Net Worth</b>	<b>40.3</b>	<b>13.4</b>	<b>7.0</b>	<b>0.9</b>	<b>61.6</b>
- Overhead & New Business Capital	(36.1)	(11.0)	(4.5)	(24.8)	(76.4)
<b>Excess Assets over Internal Benchmarks</b>	<b>4.3</b>	<b>2.4</b>	<b>2.5</b>	<b>(23.9)</b>	<b>(14.8)</b>
- Debt Funding Facility	-	-	-	45.5	45.5
<b>Net Position After Debt Funding Facility</b>	<b>4.3</b>	<b>2.4</b>	<b>2.5</b>	<b>21.6</b>	<b>30.7</b>

- The EV effectively involves incurring a “cost” for the capital held to support the in-force business. This is the capital that is included in the Value of in-force (VIF).
- The net worth is the net tangible assets not allocated to the capital reserves supporting the in-force business. Such assets are valued at face value as per the Balance Sheet.
- ClearView adopts an economic capital model that is allowed for in the EV to support the risk profile of the business.
- For all segments the regulatory capital base plus the relevant part of the internal benchmarks related to the in-force portfolio is adopted as the economic capital base in the VIF calculation. This excludes capital held for new business (acquisition related) and any regulatory amounts that would not be required on a transfer of the business to an acquirer, which is valued at face value as part of the net worth calculation.



## Impact of ESP Shares



# Impact of ESP shares



## PER SHARE CALCULATIONS

HALF YEAR END 31 DECEMBER 2015 \$M, (UNLESS STATED OTHERWISE)	1H FY16
Number of shares on issue	537.4
ESP shares on issue	62.4
Shares on issue to calculate NAV per share (A)	599.8
Net assets (\$m)	345.5
ESP loans (\$m)	38.8
Proforma net assets (\$m) (B)	384.3
Fully diluted NAV per share = (B)/(A)	64.1 cents
Underlying NPAT (\$m)	13.4
Fully diluted underlying NPAT per share <sup>1</sup>	2.44 cents

- Accounted for as an option in accordance with AASB 2
- Limited recourse loan not reported as a receivable on Balance Sheet
- Loan repaid with cash if shares are “in the money”
- 62.4m Employee Share Plan (ESP) shares on issue and \$38.8m loans receivable at 31 December 2015
- Underlying NPAT is the Boards key measure of profitability and the basis on which dividends are determined
- Underlying NPAT of \$13.4m, up 35% on 1H FY15

# Glossary



<b>APL</b>	Approved Product List
<b>EV</b>	Embedded Value
<b>FUA</b>	Funds Under Advice that are externally managed and administered (Third Party Products)
<b>FUM</b>	Includes Funds Under Management (ClearView Master Trust, WealthFoundations and Managed Investment Schemes) and Funds Under Administration on WealthSolutions. It does not include FUA
<b>FUMA</b>	Funds Under Management and Advice
<b>LifeSolutions</b>	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.
<b>PUA</b>	Premiums Under Advice that are externally managed and administered (Third Party Products)
<b>WealthFoundations</b>	Menu of approximately 15 investment options and a number of model portfolios managed by ClearView for superannuation investors. Products include superannuation and allocated pension products.
<b>WealthSolutions</b>	ClearView wrap platform investment product offering
<b>Wrap Platform</b>	Investment wrap administration platform including 250 managed funds, ASX listed securities, term deposits, ClearView managed funds and model portfolios