ClearView Wealth Limited

Macquarie Connections Conference

6 May 2016

Simon Swanson – Managing Director

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.

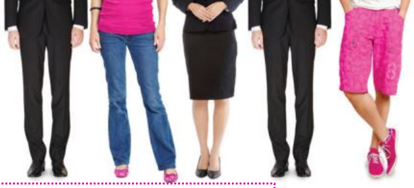
How we're different

- 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

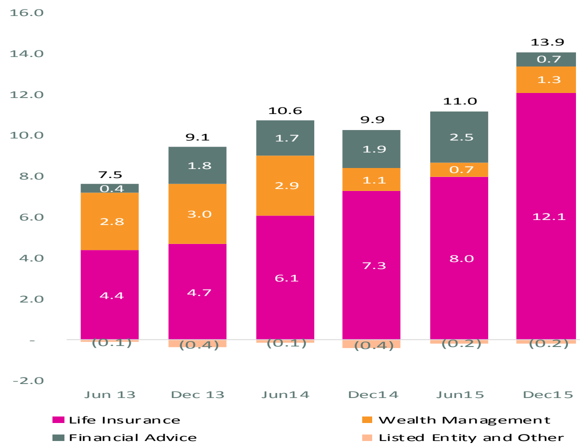
- People deserve quality strategic financial advice to help them plan and manage their financial future;
- People deserve fair and valued financial products and services; and
- It should be easy, understandable, anywhere, anytime

Growing and Profitable Business

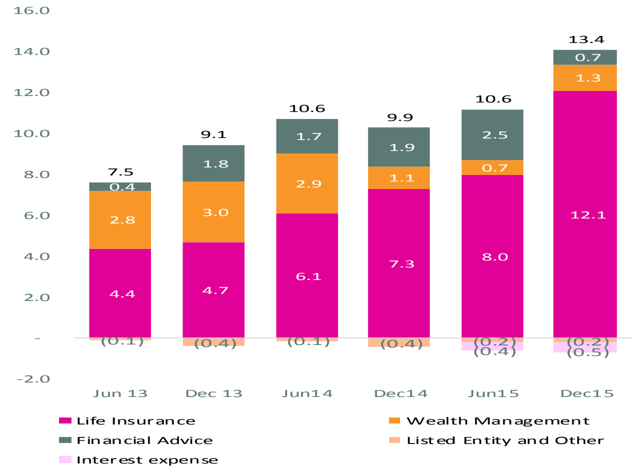


ClearView is a growing and profitable integrated life insurance and wealth management business. Strong earnings result in 1H FY16 given the growth profile of the underlying businesses

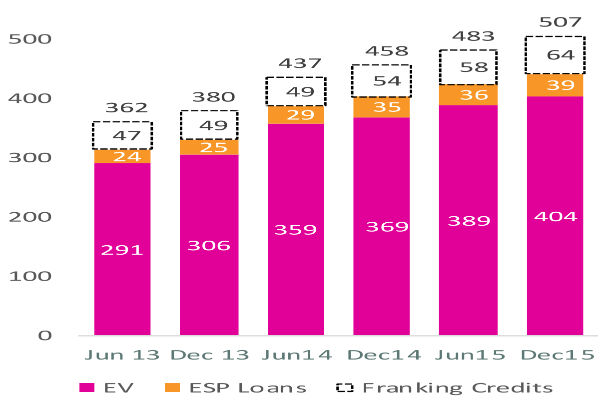
Total Operating NPAT[6]



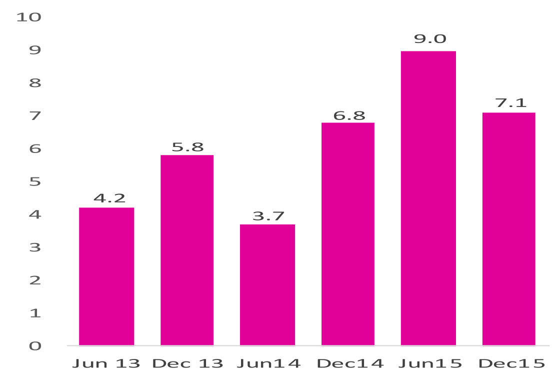
Underlying NPAT[5]



Embedded Value (EV)[1,3]



Value of New Business (VNB)[1,4]

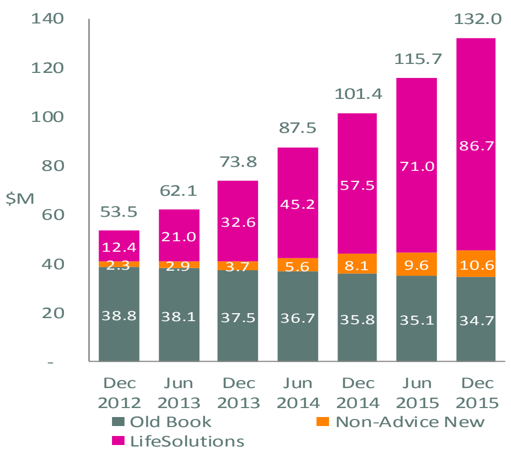


Note 1: EV and VNB at 4% discount rate margin. Note 2: % movement, 1H FY15 to 1H FY16 unless otherwise stated. Note 3: EV includes a value for future franking credits and ESP loans. Note 4: VNB excludes a value for future franking credits. Note 5: Underlying NPAT consists of consolidated profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual tothe 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

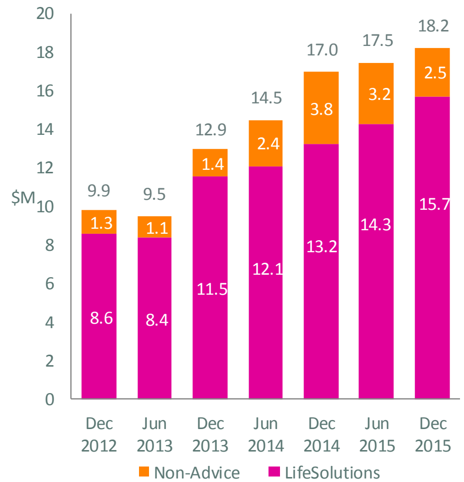
Entered next Phase of Growth

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

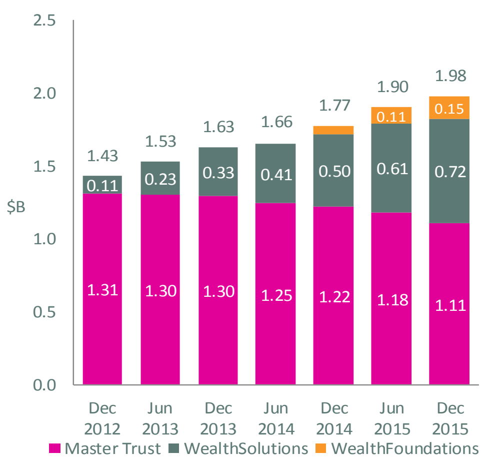
Life: In-Force Premium[4]



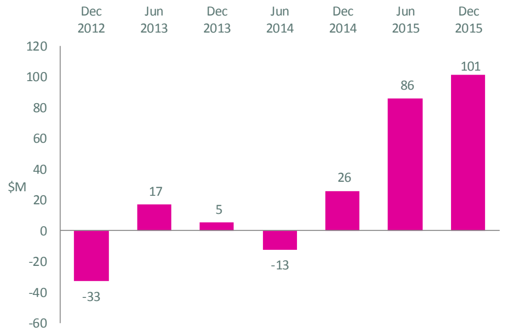
Life: New Business[3]



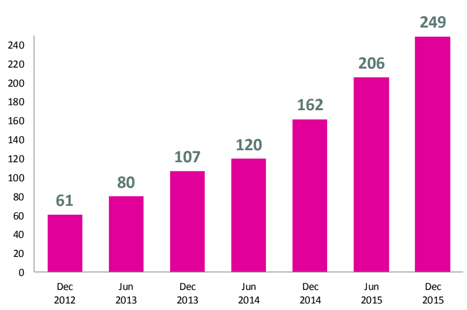
Wealth Management: In-Force FUM[2]



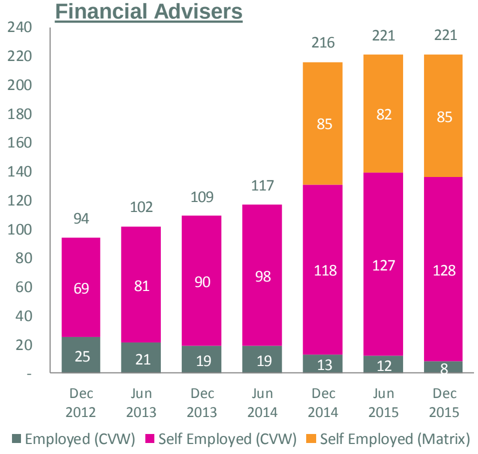
Wealth Management: FUM Net Flows[5]



Third Party APLs



ClearView/ Matrix Financial Advisers



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.

Key Focus Areas

- 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

1H FY2016 KPI Highlights

Business Line	Metric	FY15		1H FY16	% Change[1]	Comments
		1H	2H			
Life Insurance	In-force Premium[5] ($m)	101.4	115.7	132.0	30%	• In-force premium: LifeSolutions $86.7m (+51%), New Direct $10.6m (+30%), Old Book $34.7m (-3%) • 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 • 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 $1.2m (-54%)
	New Business[4] – Life Advice ($m)	13.2	14.3	15.7	19%	
	New Business[4] – Non-Advice ($m)	3.8	3.2	2.5	(34%)	
Wealth Management	Closing FUM[2] ($b)	1.77	1.90	1.98	12%	• 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%) • $101m net flow positive in 1H FY16, notwithstanding difficult and volatile investment markets
	FUM Net Flows[7] ($m)	26	86	101	Large	
Financial Advice	Number of Advisers	216	221	221	2%	• FUMA and PUA growth reflects net change in adviser mix • $8.1bn FUMA in-force of which $2.0bn is in WealthSolutions, WealthFoundations and Master Trust products; $203m PUA in-force of which $50m is in LifeSolutions • Distribution in Life Advice has expanded outside of dealer group with growth in third party APLs to 249 (+54%)
	FUMA[3] ($b)	7.4	7.9	8.1	9%	
	Premiums Under Advice[6] ($m)	160	187	203	27%	
ClearView	Embedded Value ($m)[8, 9]	458	483	507	11%[9]	• Benefited from in-force life growth and positive claims impacts • Reflects negative experience from FUMA mark to market and from the maintenance expense overruns until they are eliminated
	Value of New Business ($m)[8]	6.8	9.0	7.1	4%	• Life Advice continued to reflect strong growth in the VNB. • Non-advice business had a negative VNB of $2.9m that was a drag driven by an intentional slow down in new business volumes
	Reported NPAT ($m) NPATA ($m)[10] Reported diluted EPS (cps)	7.7 12.2 1.47	4.8 9.3 0.89	7.6 12.2 1.38	(1%) 0% (6%)	• Impacted by Your Insure impairment costs in 1H FY16 (-$1.9m) and policy liability discount rate effect (between periods) • NPATA of $12.2m; adjusted to exclude the non-cash amortisation of acquired intangibles
	Underlying NPAT($m) Operating NPAT ($m) Underlying diluted EPS (cps)	9.9 9.9 1.89	10.6 11.0 1.96	13.4 13.9 2.44	35% 40% 29%	• 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 • Expense overruns have reduced by 37% ($2.7m in 1H FY16) and should eliminate over time as scale is achieved
	Net Assets ($m)	332	337	345	4%	• Net assets exclude ESP loans

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.

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
Adviser Remuneration	• Limits on upfront remuneration arrangements from 1 July 2016 with transitional arrangements; • Maximum upfront commission of 80% from 1 July 2016, reducing to 60% by 1 July 2018; • Maximum ongoing commission of 20% in all subsequent years from 1 July 2016; • Two year clawback of commissions to commence from 1 July 2016; 100% in Yr 1, 60% in Yr 2; • Decreased incentives for policy churn	↑	• Improves upfront capital strain to life insurer, increased return on equity (albeit potentially lower profit margins); • Consider how best to support advisers with resulting income strain
Open Architecture	• ‘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); • APLs can currently be limited to a small number of products; • Opening of APLs and the removal of shelf space fees would maximise choice available to clients and aligns to best interest duty	↑↑	• ClearView achieves a >5% market share in its core IFA market (sub segment of the individual market); • Would materially widen the ClearView distribution reach given increased access to APLs, in particular the top 50 APLs;
Volume/ Shelf Fees	• Volume based payments/ rebates (also linked to lapse/ persistency bonuses) to be banned from 1 July 2016; • Appropriate grandfathering to be aligned with FOFA laws	↑	• Would be beneficial to ClearView given is has not paid volume based payments/rebates to financials advisers to date
Code of Conduct	• Life Insurance Code of Conduct to be developed by 1 July 2016; best practice standards for insurers • Explicit focus on client best interests	↑	• Limited impact; ClearView supports approach and believes it complies in substance and form
Adviser Training	• Move towards requirement for increased adviser training	—	• Limited impact; ClearView to facilitate appropriate training platforms as required

1H FY16 Summary Financials

	FY15		FY16	% Change[1]	Commentary
	1H	2H	1H		
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.
BU Operating Earnings (after tax)	**10.3**	**11.2**	**14.1**	**37%**	• **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.**
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.
Total Operating Earnings (after tax)	**9.9**	**11.0**	**13.9**	**40%**	• **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.**
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.
Underlying NPAT	**9.9**	**10.6**	**13.4**	**35%**	• **UNPAT of $13.4m, up 35% on 1H15.**
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.
NPATA[2]	**12.2**	**9.3**	**12.2**	**0%**	**NPATA excludes the non-cash amortisation of acquired intangibles.**
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.
Reported NPAT	**7.7**	**4.8**	**7.6**	**(1%)**	**As per commentary above.**
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

Note 1: % change represents the movement from 1H FY15 to 1H FY16. Note 2: NPATA is reported net profit after tax adjusted to exclude the non-cash amortisation of acquired intangibles (not including capitalised software)

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
Value of In-Force (VIF)	**363.2**	**342.5**	**324.0**
Net Worth	61.6	61.6	61.6
Total EV	**424.8**	**404.1**	**385.6**
ESP Loans	**38.8**	**38.8**	**38.8**
Total EV Incl. ESP Loans	**463.6**	**442.9**	**424.4**
Franking Credits:			
Life Insurance	48.4	45.5	42.9
Wealth Management	11.4	10.9	10.5
Financial Advice	7.5	7.2	7.0
Total EV Incl. Franking Credits and ESP Loans	**530.9**	**506.5**	**484.8**
EV per Share Incl. ESP Loans (cents)	77.3c	73.8c	70.8c
EV per Share Incl. Franking Credits and ESP Loans (cents)	**88.5c**	**84.4c**	**80.8c**

- 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%)

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: 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.

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