

ClearView Results

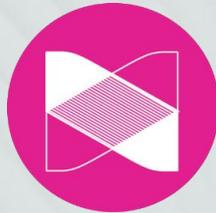
Year ended 30 June 2018

Investor presentation

Simon Swanson – Managing Director
Athol Chiert – Chief Financial Officer



Agenda



About
ClearView



FY18 Result
Overview



Shareholder Base,
Market and
Business Outlook

About ClearView

Section 1



ClearView Group Overview



- Regulated as a Non-Operating Holding Company (NOHC) by APRA under the Life Insurance Act 1995
- Via its subsidiaries, holds an APRA life insurance licence, an APRA registrable superannuation entity (RSE) licence, an ASIC funds manager responsible entity (RE) licence and operates two Australian Financial Services Licensees (AFSLs)
- Operates in 3 segments: Life Insurance, Wealth Management and Financial Advice
- Created in its current form in 2010 with objective of building a challenger in the life insurance and wealth management markets:
 - Over consolidation opened up an opportunity for a fresh, new entrant focused on financial advisers (IFAs)
 - Incumbents are tied up in legacy issues – multiple systems and pricing issues on profitable back books
 - Cross sell ability to capitalise on growing convergence of life insurance and superannuation – integrated licence structure of ClearView seen as a competitive advantage
 - Deliberate strategic decision not to participate in Group Life – incumbents have exposure through large group schemes
- Strategy focused on building strong relationships with IFAs through a focus on product and service, with a phased roll out over time

ClearView Life Insurance today

The Life Insurance growth strategy is focused on capturing 5% of the long-term profit pool by delivering competitive products and service, primarily to the IFA market.

LifeSolutions



Highly-rated by Investment Trends, DEXX&R/ Money Management/Canstar/Money Magazine/ Beddoes Institute



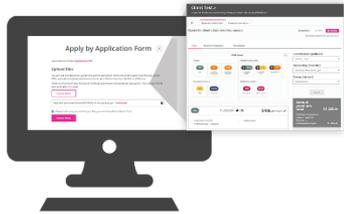
2017 Planner Risk Report
Overall Satisfaction: Insurer
ClearView



2018 Planner Risk Report
Overall satisfaction: Insurer
ClearView



AQUA integrated eQuote and eApp platform



Ranked first and second quartile on **iress**



Established infrastructure and distribution

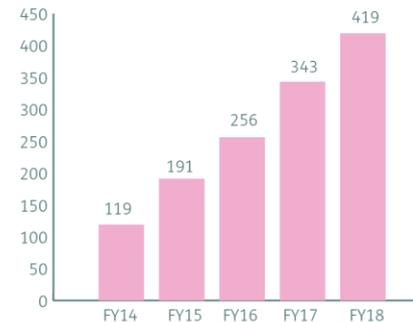
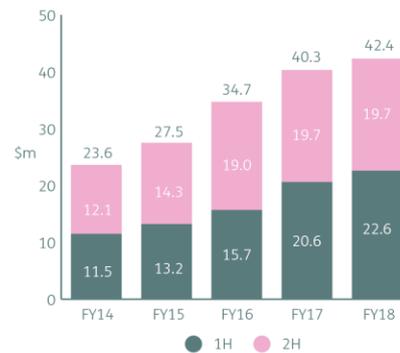
1. Investment Trends 2017 and 2018 Planner Risk Report.

2. Rated Number 1 in claims customer satisfaction in the Beddoes Institute's Industry Claims Journey Study which tracked the experience of 500 customers across the industry who have had an income protection, trauma or TPD claim.

3. AQUA launched in January 2018.

Life Insurance KPIs

Life Insurance remains the key profit driver. Our expanding distribution footprint and strong new business volumes lead to a material increase in the in-force portfolio which underpins the growth profile. The IFA distribution footprint continues to expand, diversifying sales and creating embedded growth.



Notes

1. In-force premium is defined as annualised premium in-force at the balance date.
2. Life Insurance contemporary new business or sales represents the amount of new LifeSolutions annual written premium sold during the period, net of policies cancelled from inception and excludes age based/ CPI increases.
3. APLs are where ClearView products that are placed on third party dealer group approved product lists.

Wealth Management today

While Life Insurance has been the key value driver, ClearView continues to invest significantly in Wealth Management product development and systems given the opportunities ahead. ClearView has a relatively new status in Wealth Management but we believe that convergence of life insurance and superannuation will be a significant driver of shareholder value creation over the medium term.



ClearView **WealthSolutions**

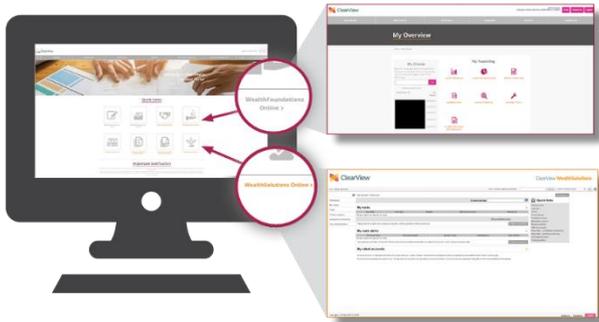


ClearView **WealthFoundations**

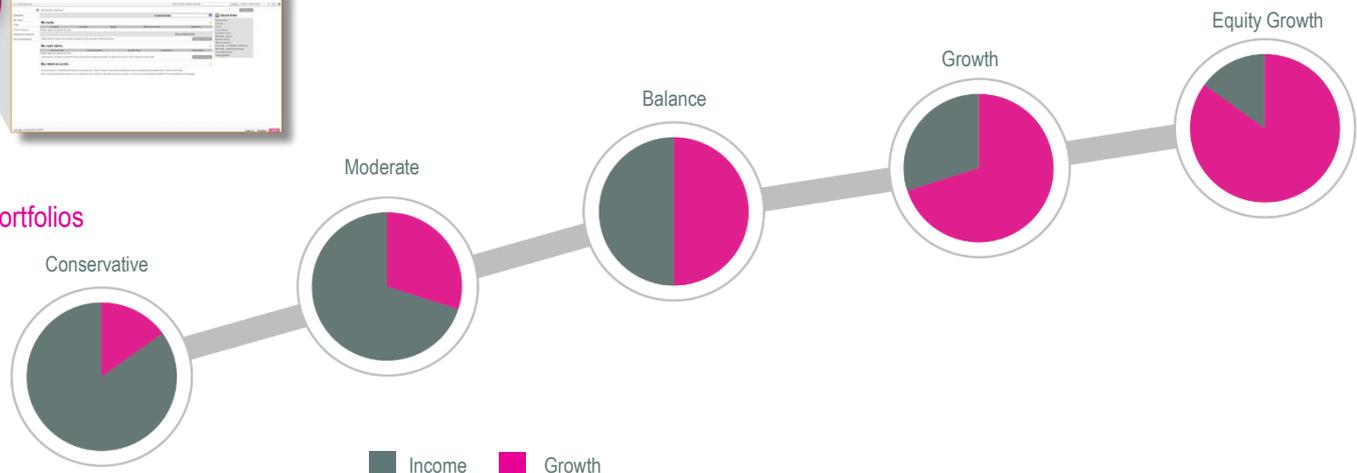
Highly rated by Chant West



Chant West 2018 rating of 4 Apples for ClearView WealthFoundations Super and Pension, and ClearView WealthSolutions Super and Pension. A 4 Apples rating reflects a "high quality fund".



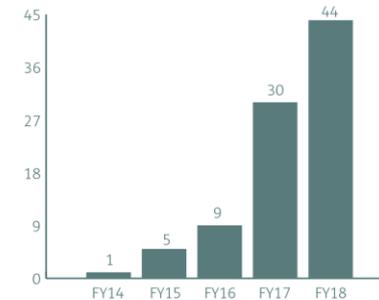
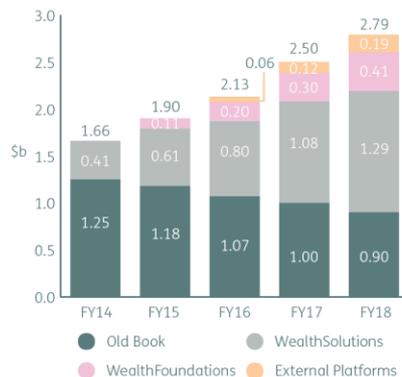
Model portfolios



Income Growth

Wealth Management KPIs

ClearView began investing significantly in its Wealth Management business in FY15. ClearView now has a competitive product suite and improving distribution network. As in Life Insurance, steadily increasing net flows will lead to comparable market share growth in FUM which is a key profit driver.



1. FUM includes Funds Under Management (ClearView Master Trust, WealthFoundations and ClearView Managed Investment Schemes), Funds Under Administration on WealthSolutions and FUM in ClearView MIS platform funds on external platforms
 2. Wealth Contemporary Product Net Flows is defined as inflows less redemptions into FUM² but excludes management fees outflow and ClearView Master Trust product net flows given that the product is not marketed to new customers.
 3. APLs are where ClearView products that are placed on third party dealer group approved product lists

Financial Advice today

ClearView has focused on building an aligned financial adviser network with high quality IFAs.



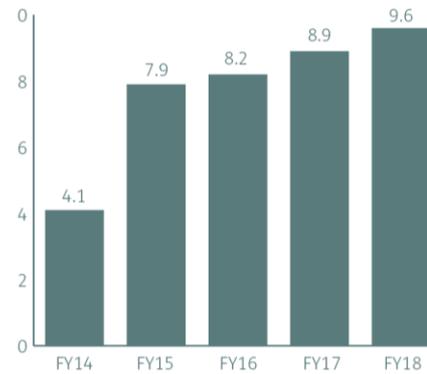
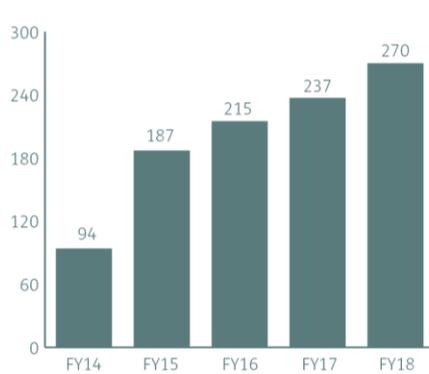
Aligned network (Advisers #)



1. CoreData Licensee Report 2017 and 2018.

Financial Advice KPIs

Adviser network has 233 advisers, \$270m of premiums under advice and \$9.6bn of FUMA² – key focus on retention of compliant practices and to attract quality firms with a continued focus on quality not quantity.



Notes

1. Premiums Under Advice is life insurance in-force premium that are externally managed and administered (Third Party Products) and in-force LifeSolutions premium.
2. FUMA includes FUM³ and funds under advice that are externally managed and administered.
3. FUM includes Funds Under Management (ClearView Master Trust, WealthFoundations and ClearView Managed Investment Schemes), Funds Under Administration on WealthSolutions and FUM in ClearView MIS platform funds on external platforms.
4. Aligned advisers are licenced by the ClearView Financial Advice Pty Ltd and Matrix Planning Solutions Ltd dealer groups.

FY18 Result Overview

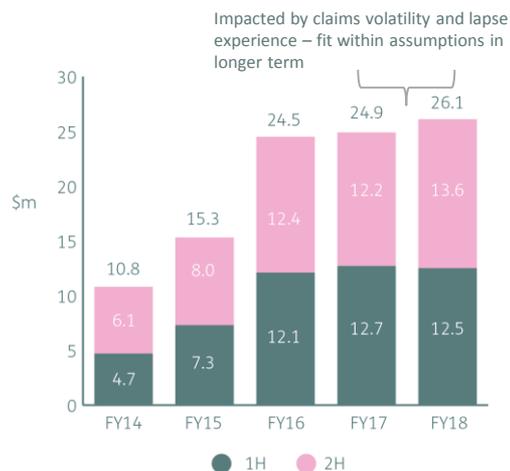
Section 2



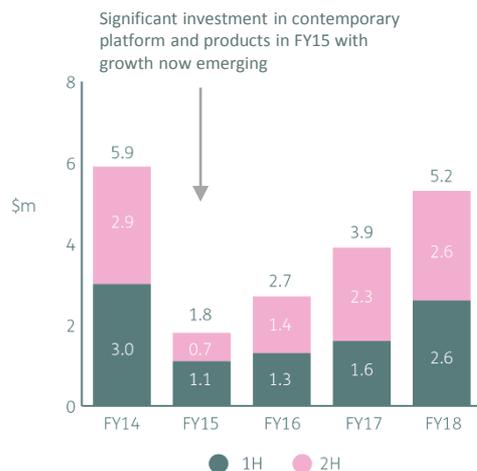
FY18 Results summary

Overview			
	FY18 (\$M)	FY17 (\$M)	% Change ⁽¹⁾
Life Insurance	26.1	24.9	5% ↑
Wealth Management	5.2	3.9	31% ↑
Financial Advice	1.8	2.2	(20%) ↓
Listed entity and other	(0.7)	(0.9)	N.M
Underlying NPAT⁽²⁾	32.4	30.4	7% ↑
Other adjustments ⁽³⁾	(5.8)	(17.2)	Large ↑
Reported NPAT⁽⁴⁾	26.6	13.2	102% ↑
Embedded value ⁽⁵⁾	701.1	661.9	6% ↑
Value of New Business ⁽⁶⁾	12.0	16.7	(28%) ↓
Net asset value ⁽⁷⁾	444.3	415.6	7% ↑
Underlying diluted EPS (cps) ⁽⁸⁾	5.03	4.88	3% ↑

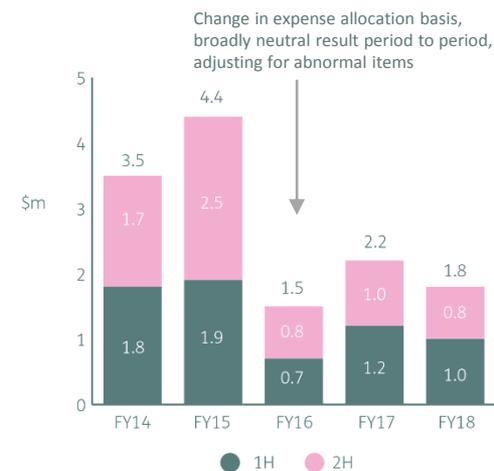
Life Insurance Underlying NPAT (\$m)



Wealth Management Underlying NPAT (\$m)



Financial Advice Underlying NPAT (\$m)



Notes

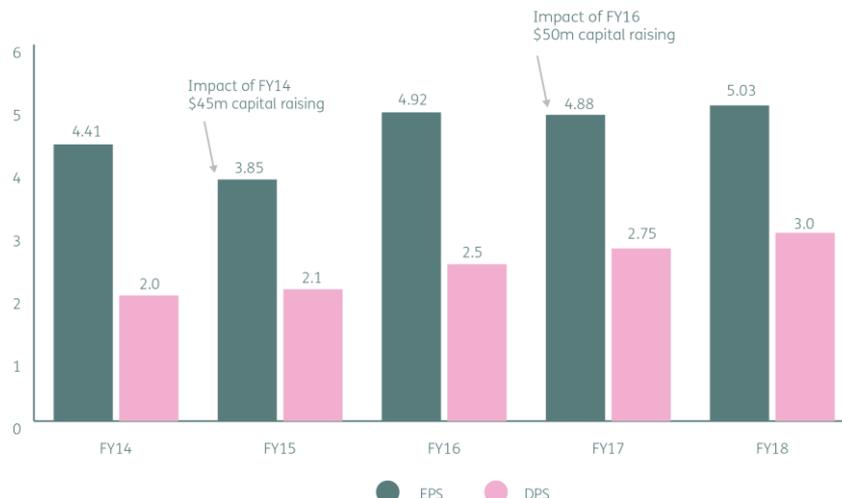
- % movement, FY17 to FY18 unless otherwise stated.
- Underlying NPAT consists of consolidated profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group's ordinary activities.
- Other adjustments include non-cash amortisation, costs considered unusual to normal activities (includes \$0.8m strategic review costs) and changes in long term discount rates used to determine the insurance policy liabilities (\$5.0m 'swing' between periods).
- Reported NPAT of \$26.6m, up 102%, impacted by changes in long term discount rates used to determine the insurance policy liabilities (\$5.0m 'swing' between periods); represents a non-cash timing difference in the release of profit over time and has no impact on underlying earnings.
- Embedded Value at 4% discount rate margin, including a value for future franking credits, accrued franking credits and Employee Share Plan (ESP) loans.
- Value of New Business (VNB) at 4% discount rate margin. Adversely impacted in 2H by the hybrid commission model under the LIF reforms (noting VNB will improve as the commission cap reduces from 80% to 60% over the next few years).
- Net Asset Value as at 30 June 2018 excluding ESP Loans.
- Adversely impacted by the dilutive effect of shares issued under the DRP, ESP shares vested/forfeited during the period partially offset by a decrease in the number of ESP shares 'in the money' given the decrease in ClearView's share price period on period.

FY18 Results Executive Summary

Underlying NPAT¹ (\$M)



Fully Diluted Underlying EPS and DPS² (cps)



- Underlying NPAT, the Board's key measure of Group profitability and basis for dividend payment decisions, increased 7% to \$32.4m (FY17: \$30.4m), 2H FY18 Underlying NPAT up 12% to \$17.1m (FY17:\$15.2m):
 - Impacted by material claims volatility of \$5.5m (FY17: \$1.9m). Adopting a longer term view, overall net adverse claims performance is mainly attributed to IP³ portfolio, with the lump sum portfolio having a net neutral experience over a five year period. Claims assumptions have been updated for the IP portfolio at June 2018, with the expectation that overall claims performance will fit within best estimate claims assumptions (as at 30 June 2018) over longer term.
 - Adverse lapse experience of \$2.1m (FY17: \$2.0m). LifeSolutions has been broadly neutral over a five-year period, with the more recent adverse experience driven by the LifeSolutions lump sum portfolio. The repositioning and repricing of the LifeSolutions lump sum product in CY18, coupled with the impact of the LIF reforms, is expected to improve lapse performance so it's in line with best estimate lapse assumptions (as at 30 June 2018) over the longer term
- ClearView has strong growth embedded in its expanding distribution footprint and product range - underpins growth profile
 - Maturation of existing Life Insurance APLs and gaining access to new APLs. If transition to open APLs occurs, addressable market will expand materially
 - Continued significant investment in building a contemporary wealth platform and products (noting competitive pricing pressures) with ability to leverage off Life Insurance distribution network over time.
- Board declared a fully franked FY18 dividend of \$20.0m (2017: \$18.1m). This equates to 3.00 cents per share (2017: 2.75 cents per share), representing just over 60% of 2018 UNPAT in line with the company's dividend policy (+9% increase)

Notes

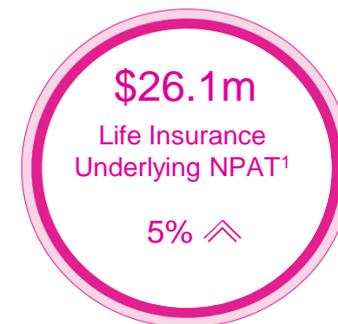
- Underlying NPAT consists of consolidated profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group's ordinary activities.
- Adversely impacted by the dilutive effect of shares issued under the DRP, ESP shares vested/forfeited during the period.
- IP is income protection policies

FY18 Segment Results Overview

Life Insurance

ClearView **LifeSolutions**

- Modest growth in Underlying NPAT of 5% (2H FY18 up 12%) but underplays strong fundamentals and further emergence of sustainable growth
- Remains the key profit driver - expanding distribution footprint and strong new business volumes lead to a material increase in the in-force portfolio which underpins the growth profile
- Gross premiums up 21% to \$215.2m, advised life insurance sales up 5% to \$42.4m and in-force premiums up 19% to \$224.8m
- LifeSolutions now available on 419 APLs, up 22% further embedding growth in the distribution footprint
- FY18 earnings adversely impacted by claims volatility and lapses - expectation that overall claims and lapse performance will fit within best estimate assumptions (as at 30 June 2018) over the longer term.
- Due to the small size and nature of the portfolio, claims volatility has a material short term impact on profitability



Wealth Management

ClearView **WealthSolutions** ClearView **WealthFoundations**

- Wealth Management is a strong net flow positive business with material growth in earnings (+31%) to \$5.2m
- Positive net flows will lead to comparable market share growth in FUM which is a key profit driver
- Growth in earnings follows material investment in the contemporary wealth platform and products in FY15.
- Net flows of \$333m into new contemporary products (material relative to FUM), FUM up 12% to \$2.8bn and fee income up 10% to \$36.2m
- Number of wealth management APLs increased to 44, up 42% by leveraging the Advised Life Insurance distribution network



Financial Advice



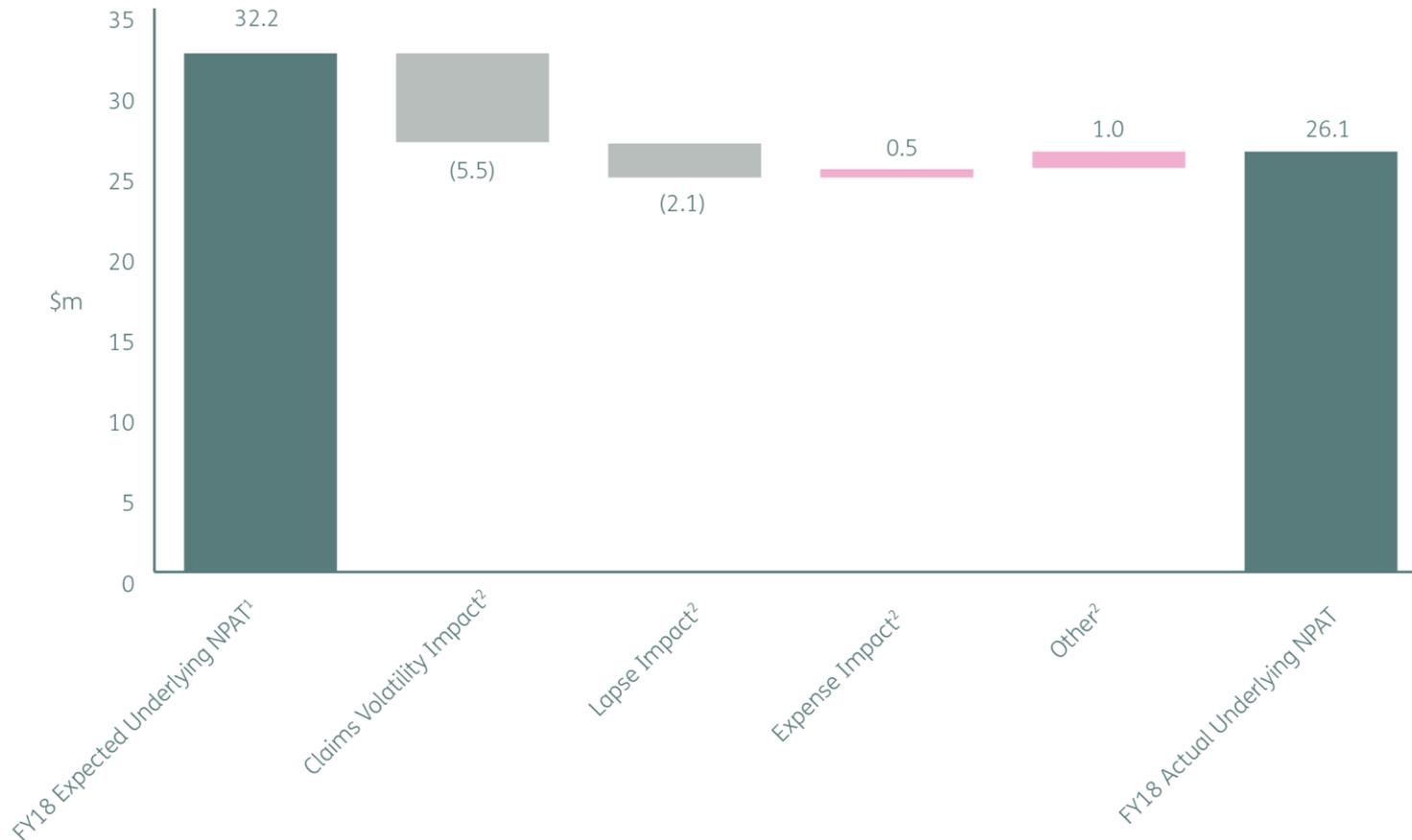
- Aligned dealer groups, Matrix Planning Solutions and ClearView Financial Advice experienced an 14% increase in Premiums under Advice to \$270m and a 7% increase in FUMA to \$9.6b.
- Underlying NPAT of \$1.8m down 20%, but prior year result includes the recovery of certain compliance costs incurred. Adjusting for this item recognised in FY17, Underlying NPAT has remained broadly neutral year-on-year
- Growth in net financial planning fees (+3%) is broadly in line with the prior year with marginal increases across all key revenue line items
- Investment in operational and compliance head count, system costs, strategic advice and analysis of D2D services model



1. FY18 Underlying NPAT for the relevant segment. 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.

Life Insurance Analysis of Profit

FY18 earnings adversely impacted by claims volatility and lapses - expectation that overall claims and lapse performance will fit within best estimate claims assumptions in the longer term – see slides that follow

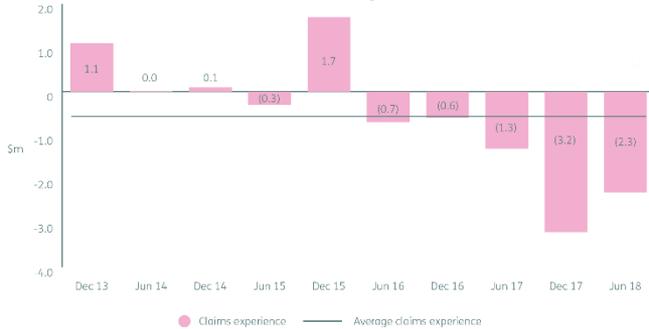


Notes

1. Expected Underlying NPAT of \$32.2m (+10% FY17 to FY18) reflects expected profit margins on in-force portfolios based on actuarial assumptions (adopted 30 June 2017).
2. Reflects actual experience for relevant item in the FY18 result and the difference between actual and expected experience for the relevant period.

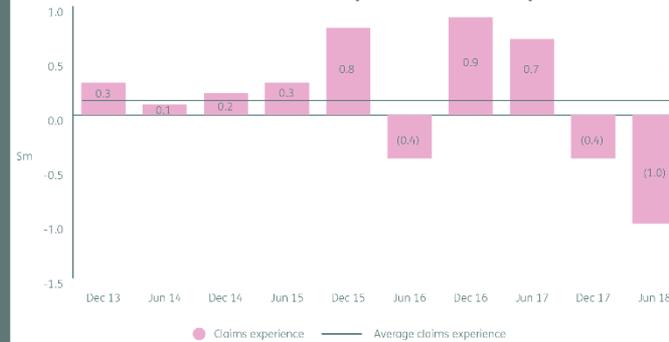
Claims experience

Total Claims Experience¹



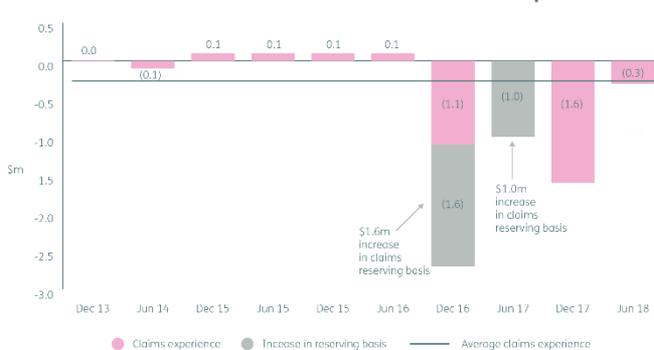
Adopting a longer term view, overall net claims performance has an average \$1.1m adverse impact per year that is mainly attributed to the IP portfolio, with the lump sum portfolio having a net neutral experience over the same 5 year period. Claims assumptions has been updated for IP portfolio at June 2018 with the expectation that claims will fit within best estimate assumptions in the longer term.

LifeSolutions Lump Sum Claims Experience¹



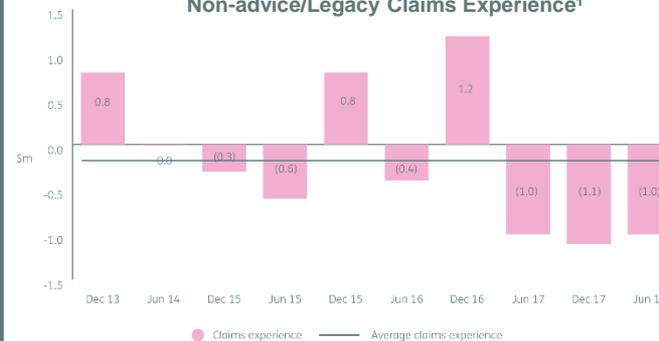
The claims experience on the LifeSolutions lump sum portfolio has been profitable over the last 5 years (average annual experience profits of \$0.3m), albeit with some volatility between periods, in particular in 2H FY18. Given the size of the portfolio and reinsurance arrangements in place some statistical volatility is expected period to period.

LifeSolutions Income Protection Claims Experience¹



An enhanced actuarial reserving basis was adopted for IP claims in FY17 resulting in a \$2.6m adverse impact. Adverse experience in 1H of FY17 and FY18 with improvement in performance in 2H of both financial years. Actuarial claims assumptions have been updated at June 2018 reflecting an increase (+15%) in the projected claims costs of the IP portfolio that is expected to reduce the adverse experience over time.

Non-advice/Legacy Claims Experience¹



The surplus reinsurance program of the Old Life book (acquired in 2010) retains more risk – this lump sum portfolio has historically reflected claims profits over a long period of time, albeit with some volatility between periods. Overall, the portfolio, including the direct book that was closed to new business in FY17, has an average annual experience loss of \$0.3m over the preceding 5 years.

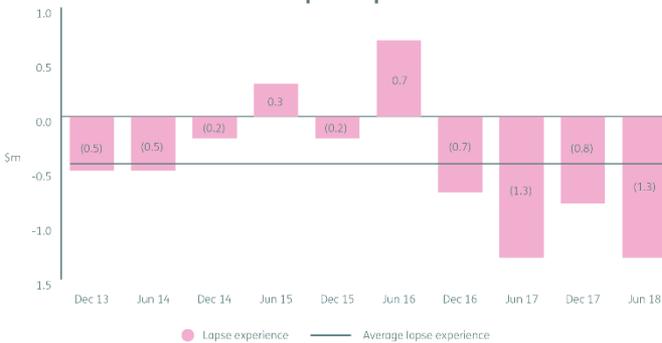
FY18 result impacted by material adverse claims volatility of \$5.5m - overall poor claims performance is mainly attributed to IP portfolio, with the lump sum portfolio having a net neutral experience over a five year period. Claims assumptions have been updated for the IP portfolio at June 2018, with the expectation that with fit within longer term actuarial assumptions

Notes

1. Experience measured against the assumptions applicable at the date of reporting.

Lapse experience

Total Lapse Experience¹



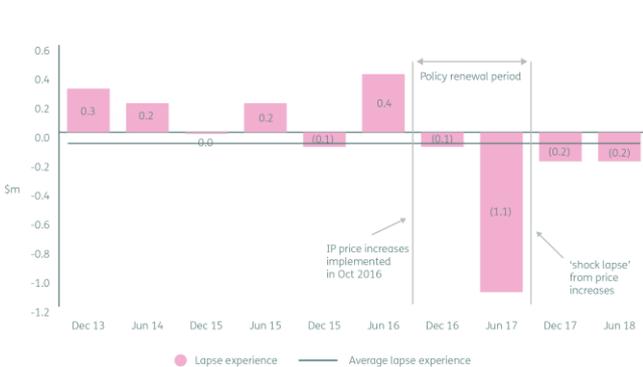
Adopting a long term view, overall lapse experience has an average \$0.8m adverse impact per year over a 5 year period. LifeSolutions has been broadly neutral across products over the 5 year period, albeit with an upward trend in FY17 and FY18. More recent adverse experience has been driven by the lump sum portfolio. Key drivers that are expected to improve lapses rates include the LIF reforms (2 year responsibility period); product and pricing review of LifeSolutions in CY18.

LifeSolutions Lump Sum Lapse Experience¹



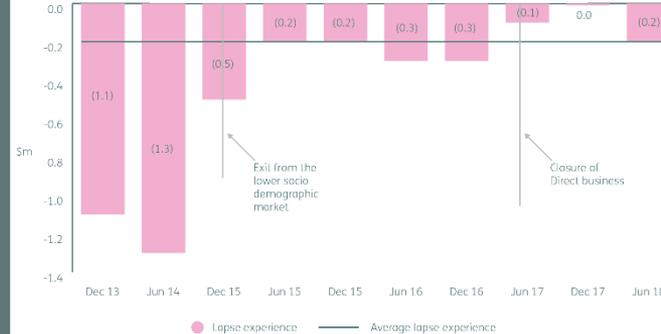
Key reasons for increased lapses from 1H FY17:- Lump sum policies are generally sold together with IP and therefore resulted in some shock lapses on renewal of IP post price increases. Competitiveness of ClearView premium rates have drifted over time that will be addressed with product and pricing review in CY18. Heightened lapses in lead up to the LIF reforms, in particular policies with upfront commissions

LifeSolutions Income Protection Lapse Experience¹



Income Protection price increases were implemented in October 2016, (+10%) to help manage margin over time. Lapse rates trended upwards thereafter, with an element of shock lapse as IP policies renewed on the new rates. This largely washes through the portfolio by December 2017.

Non-advice/Legacy Lapse Experience¹



ClearView made a strategic decision to exit the lower socio demographic market in HY15 and closed the Direct business in FY17. Lapse experience improved significantly as ClearView exited the direct business (over time) and are likely to further recede with the run-off of the book. Lapses however may be impacted in the shorter term by the direct remediation program that is underway

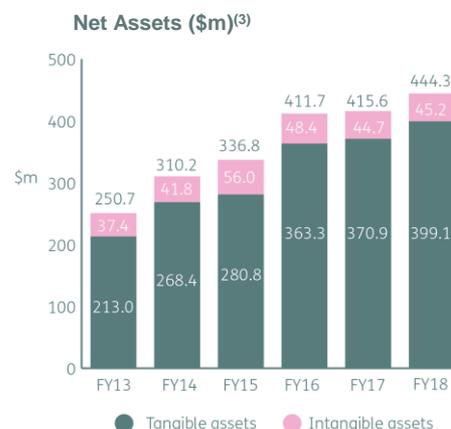
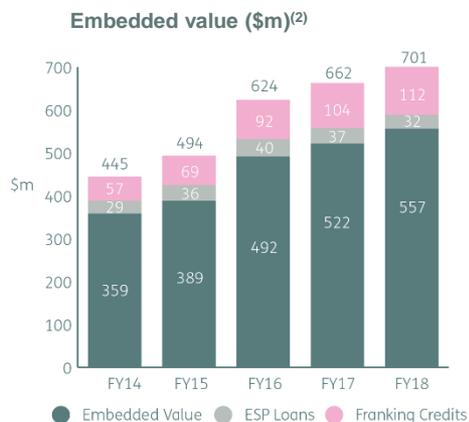
FY18 result impacted by adverse lapse experience of \$2.1m - more recent adverse experience driven by the LifeSolutions lump sum portfolio. The repositioning and repricing of the LifeSolutions lump sum product in CY18, coupled with the impact of the LIF reforms, is expected to improve lapse performance so it fits within longer term actuarial assumptions

Notes

1. Experience measured against the assumptions applicable at the date of reporting.

Embedded Value, Balance Sheet and Capital

Net assets of \$444.3m up 7% with a Group capital surplus position of \$14.7m as at 30 June 2018. Net cash position of \$169.4m with shareholder capital conservatively invested in cash and short-term interest bearing securities. EV up 6% to \$701m or \$1.05 per share

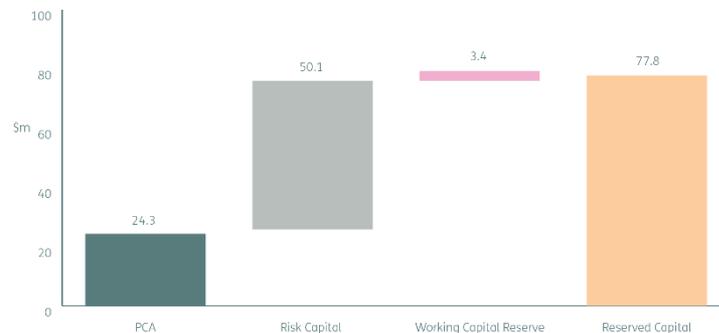


ClearView generates positive cash flows from its in-force portfolio which is subsequently reinvested into new business generation. Given the quantum of new business written relative to the size of the in-force book to date, the cash flows generated have been insufficient to fund new business growth, known as upfront capital strain. This strain has reduced materially since the 'start up' phase with ClearView now approaching self-funding capability from the in-force portfolio flows

Capital Position (\$m) – 30 June 2018



Reserved capital (\$m)⁴ – 30 June 2018



Notes

1. % movement, FY17 to FY18 unless otherwise stated.
2. Embedded Value at 4% discount rate margin, including a value for future franking credits, accrued franking credits and Employee Share Plan (ESP) loans.
3. Net Asset Value as at 30 June 2018 excluding ESP Loans.
4. Reserved capital includes the minimum regulatory capital, risk capital which is additional capital held to address the risk of breaching regulatory capital and a working capital reserve held to support the capital needs of the business beyond the risk reserving basis.

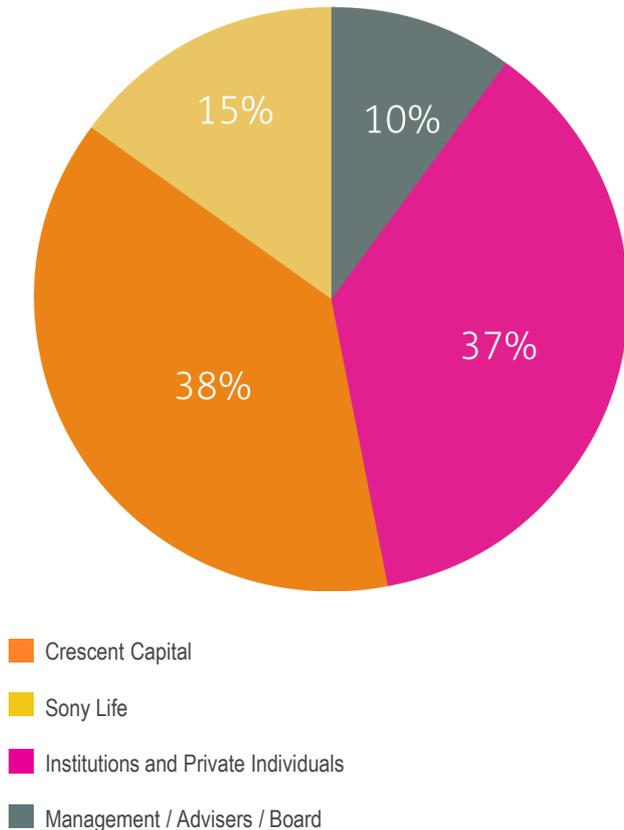
Shareholder Base, Market and Business Outlook

Section 3



Shareholding base

Supportive shareholder base



- Crescent Capital retains 38% holding and remains committed to ClearView and its growth trajectory for medium term – full participation in the DRP
- Crescent has the ability to ‘drag’ Sony Life shareholding in event of sale of ClearView shares¹
- Sony Life participation in the DRP to the extent shareholding does not increase above 14.9%
- Sony Life does not have the ability to sell any of its shares under the terms of the Option Agreement with Crescent Capital
- Management, financial advisers and Board hold 10%
- Institutions hold predominant share of 37% with small retail base

1. Under the terms of Option Agreement entered into 25 October 2016

Market Outlook

- **Long-term market growth fundamentals remain sound** driven by population increases, inflation and real GDP growth and underpinned by a compulsory retirement savings regime (superannuation)
- **Short-term challenges and opportunities** include:
 - **Life Insurance Reforms (LIF) implemented on 1 January 2018** - changes include reduced commissions and new clawback provisions that will have a short term impact on profit margins, but overall increase return on equity and improved margins as upfront commission caps reduce to 60% over the next few years.
 - **Treasury Laws Amendment (Protecting Your Superannuation Package) Bill 2018** – features fee caps and changes to group life insurance inside superannuation. ClearView does not participate in group life but continues to advocate for reforms requiring all members to consciously opt-in for group insurance.
 - **Banking and Financial Services Royal Commission** – ongoing hearings and potential recommendations likely to create further disruption to existing revenue streams and industry structures. Industry-wide reputational damage is impacting financial services.
 - **Parliamentary Joint Committee (PJC) Report on the life insurance industry** - the reform agenda is designed to boost competition, drive efficiency and deliver improved consumer outcomes. ClearView has advocated for open life insurance APLs as an important step to ensuring conflicts of interest are properly managed. This would lead to a step-change in ClearView's distribution profile if open life insurance APLs are mandated.
 - **Heightened M&A activity** - as banks refocus on their core business lines, there has been an emergence of foreign institutions investing in the Australian life insurance industry along with a trend towards banks demerging their wealth operations. This is likely to drive investment in the industry and boost competition leading to improved consumer outcomes.
 - **Retail Income Protection** - industry participants have progressively increased prices driven by losses on IP portfolios. ClearView increased prices in HY17 (10% on average) to manage margins, resulting in some short-term elevated lapses which is subsiding. The broader industry pricing cycle and performance of IP portfolios continues to be closely monitored.
 - **Scrutiny on Direct Life Insurance Sales Practices** - ClearView closed its Direct Life operation to new business in FY17 given a number of issues associated with the direct distribution (non-advice) channel. ClearView is currently undertaking a Direct Remediation Program to compensate a number of Direct Life insurance customers who may have been affected by inappropriate sales practices. Provision for the remediation program has already been made and it is not expected to have a material further financial impact on the Group.

Business Outlook

- Life Insurance remains the key profit driver. The **underlying performance remains strong** with the expanding distribution footprint and strong new business volumes leading to a **material increase in the in-force portfolios which underpins the growth profile, noting:**
 - Maturation of existing Life Insurance APLs and gaining access to new APLs. If transition to open life insurance APLs occurs, addressable market will expand materially.
- ClearView is focused on **offering both life insurance and wealth management products** that can maximise adviser relationships and further cementing its position with quality advisers by **offering dealer group services to third party dealer groups (D2D):**
 - Positioning itself as a participant in the D2D market given it has infrastructure, services and systems for compliance, supervision and monitoring for those third party dealer groups that choose to self license or currently have their own licence; and
 - Continued significant investment in building a contemporary wealth management platform and products (noting competitive pricing pressures) with ability to leverage off ClearView's Life Insurance distribution network over time.
- The **Group maintains a positive outlook** and is well positioned to outperform the market and **generate material growth in Group FY19 Underlying NPAT (versus FY18)**, noting:
 - There can be some claims volatility between periods and shorter term lapse impacts; and
 - Difficult regulatory backdrop with increased media scrutiny – Royal Commission hearings to take place in September may impact on consumer sentiment in short to medium term (including overall industry sales volumes).

Disclaimer

IMPORTANT NOTICE AND DISCLAIMER

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This investor presentation (**Presentation**) contains summary information about ClearView Wealth Limited (ACN 106 248 248) and its subsidiaries (**ClearView**) and its activities as at the date of this Presentation.

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