ClearView Results
Year ended
30 June 2019

Investor presentation

Simon Swanson – Managing Director
Athol Chiert – Chief Financial Officer

ClearView

Agenda

Executive summary

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Regulatory and business outlook

Executive summary

Executive summary

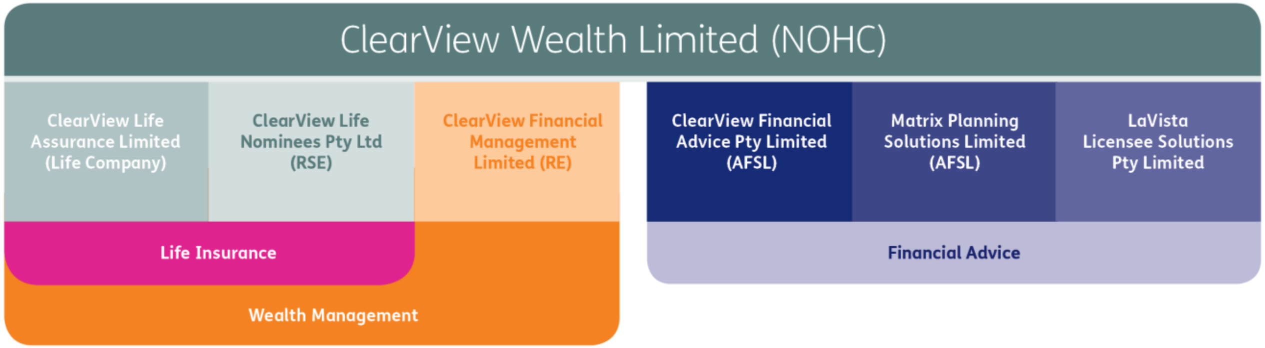
- Underlying NPAT[1] decreased 22% to $25.1m (FY18: $32.4m). Reported NPAT decreased 85% to $4m (FY18: $26.6m). Reflective of:
  - Challenging market environment
  - Poor lapse and claims performance
  - Remediation and restructure costs, impairment write-offs
- Embedded Value[2] of $0.99 per share ($672.7m):
  - Impacted by assumption changes and removal of financial advice client books, partially offset by reduction in discount rate
- Key responses in FY19 are as follows:
  - Completed material cost transformation program including IT strategy review
  - Terminated certain poor performing life insurance distribution relationships
  - Product pricing and repositioning of products
  - Reviewed dealer group pricing model and launched outsourced B2B licensee services business
  - Roll out of compliance monitoring and supervision technology across the dealer groups
  - Implemented remediation programs
  - Reset of the expense, claims, lapse and discount rate assumptions to take into account observed recent experience
- FY19 profit result does not reflect these key strategic priorities and actions. The business strategy and focus has been reset and ClearView is well positioned to take advantage of structural changes
- Shorter term profit growth will be achieved by effective cost management, lifting quality of business (improving lapse and claims performance) and executing on a reinvigorated IT strategy and road map
  - Ongoing expansion of IFA footprint (including opening up of APLs) leads to growth of in-force portfolios
  - Launch of LaVista Licensee Solutions in late 2018 gives IFAs another way to engage with ClearView
- ClearView maintains a positive longer term outlook. Our three segments: Life Insurance, Wealth Management and Financial Advice are well-positioned to capture opportunities from a rebound in market conditions and consumer sentiment
- There is a clear strategy in place for adapting to the changing financial services landscape and we continue to build, expand and strengthen our relationships with IFAs
- This, combined with our investment in technology (and execution on IT road map), will support medium to long term growth
- Capital management initiatives including recommencement of on-market buyback
  - Suspended FY19 year-end dividend
  - Buyback considered to be a better use of capital and in interests of shareholders in light of current share price

1. 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.
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. APLs are where ClearView products are placed on third party dealer group approved product lists.

About ClearView

Section 1

ClearView Group overview



- Regulated as a Non-Operating Holding Company (NOHC[1]) by APRA under the Life Insurance Act 1995
- Currently holds integrated licence structure via its subsidiaries
- Operates in three segments: Life Insurance, Wealth Management and Financial Advice
- Created in its current form in 2010 with objective of building a challenger brand:
  - Consolidation opened up an opportunity for a new entrant focused on financial advisers (IFAs)
  - Incumbents were tied up in legacy issues – multiple systems and pricing issues on profitable back books
  - Ability to cross sell to capitalise on growing convergence of life insurance and superannuation
  - Deliberate strategic decision not to participate in Group Life or Consumer Credit Insurance
- Strategy focused on building strong relationships with IFAs by delivering quality products and services

Notes

1. NOHC is a non operating holding company regulated by APRA under the Life Insurance Act.

History of ClearView

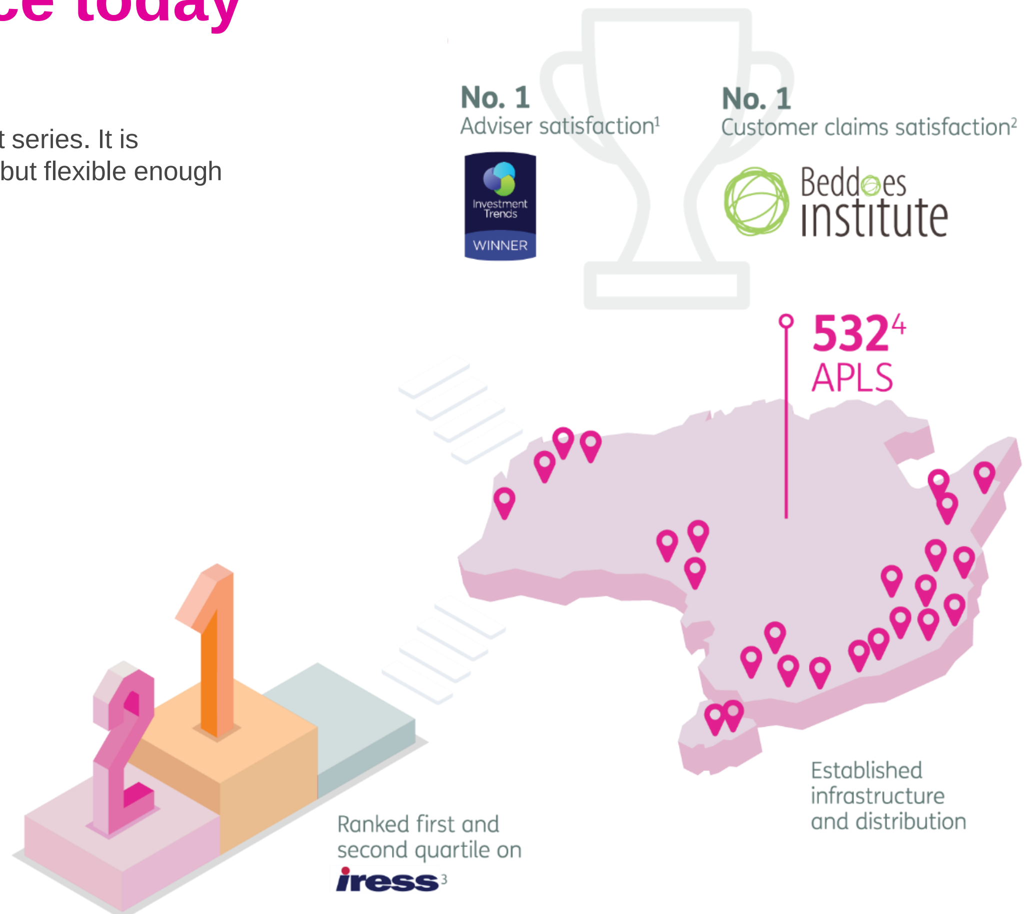
Non-bank owned, clear focus on adviser channel

ClearView Life Insurance today

ClearView LifeSolutions is our single, contemporary product series. It is designed to meet the unique needs of our customers today but flexible enough to adapt, as their needs change over time.

LifeSolutions is available through financial advisers.

ClearView **LifeSolutions**



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

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 (2018) which tracked the experience of 500 customers across the industry who have had an income protection, trauma or TPD claim.
3. Risk research houses generally rate our product in the 1st or 2nd quartiles. This assists advisers in formulating their advice and product comparisons.
4. APLs are where ClearView products are placed on third party dealer group approved product lists.

Wealth Management today

ClearView is focused on building a material wealth management business by manufacturing, administering and distributing investment solutions, and leveraging existing Life Insurance relationships.

Established in 2011

ClearView **WealthSolutions**

Established in 2014

ClearView **WealthFoundations**

Highly rated by Chant West

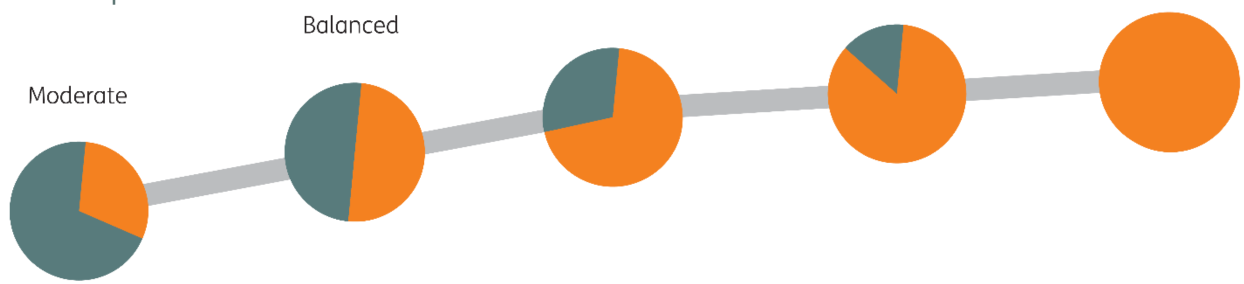
Chant West 2019 rating of 4 Apples for ClearView WealthFoundations Super and Pension, and ClearView WealthSolutions Super and Pension.

A 4 Apples rating reflects a "high quality fund".

Pension 2019 Chant West 4 Apples · High Quality Fund

Super 2019 Chant West 4 Apples · High Quality Fund

Model portfolios



Contemporary technology platform for WealthFoundations; Private label[1] for WealthSolutions.

WealthFoundations upgraded to include 24 model portfolios including 9 index models for five different risk profiles.

(Wealth migration of Master Trust Product onto new platform completed in FY18)

Notes

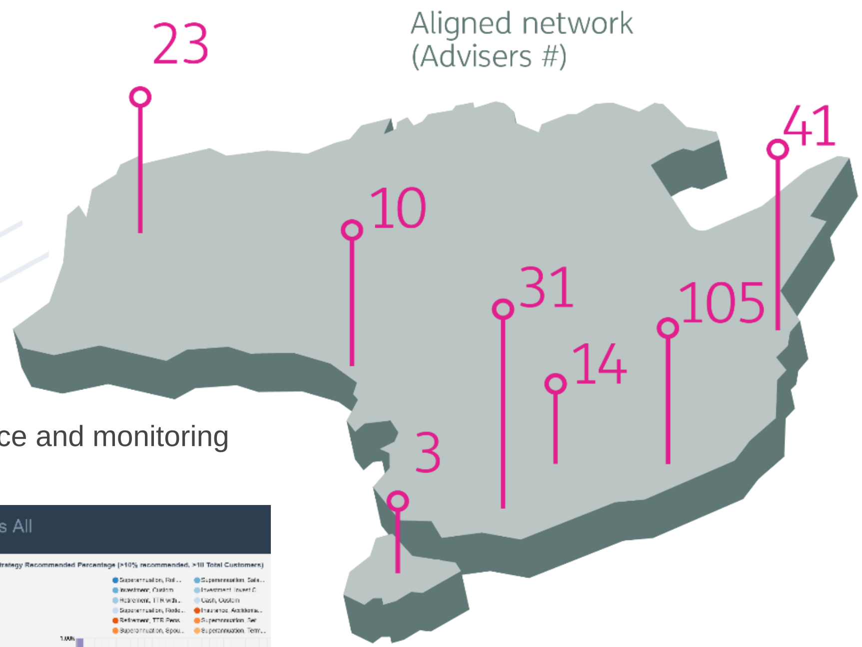
1. Private label relates to WealthSolutions product where information technology and administration services are outsourced to Avanteous with ClearView being the relevant licenced operator

Financial Advice today

ClearView has established itself as a market leading provider of licensing solutions to the Financial Advice sector.

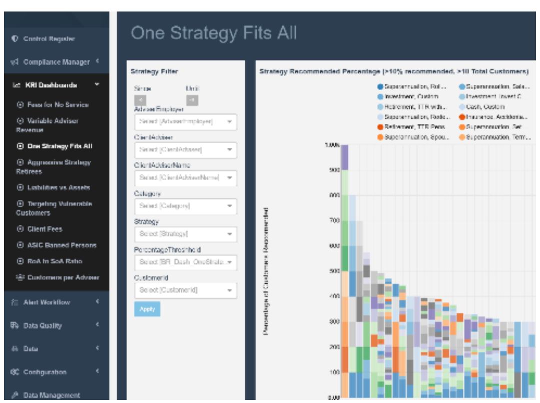
Our comprehensive offer features two aligned dealer groups providing traditional licensing and dealer services plus the recently launched LaVista Licensee Solutions which provides outsourced B2B licensee services to other Australian Financial Services Licensees (AFSLs).

ClearView Financial Advice | MATRIX Planning Solutions | LaVista Licensee Solutions



No. 1
Australia's leading licensee[1]

Front end compliance and monitoring technology



1. CoreData Licensee Report 2017, 2018 and 2019.

FY19 Result Overview

Section 2

FY19 Segment P&L – FY19 vs FY18

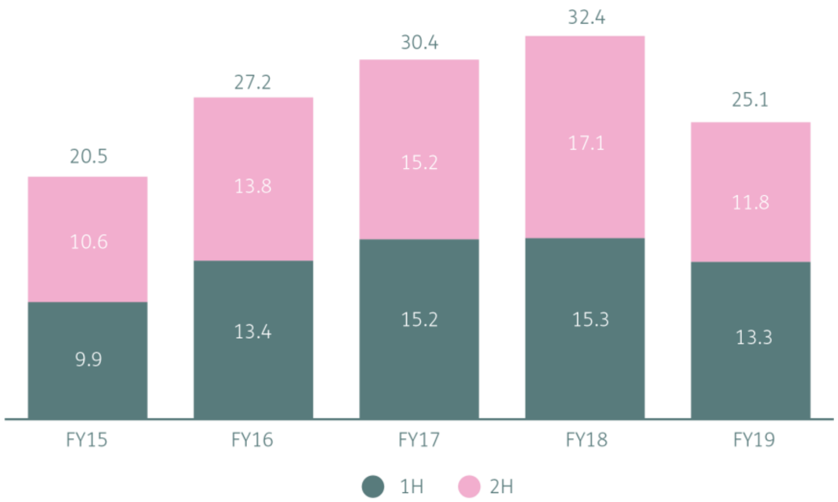
	FY19	FY18	% Change[1]	Commentary
Life Insurance	22.0	26.1	(16%)	• Negative lapse (-$5.6m) and claims experience (-$5.1m) • Double digit inforce premium growth, up 12% to $253m • Sales down 8% to $39.2m due to challenging market conditions, albeit broadly flat at $36.5m excluding terminated relationships • Further broadening out of IFA footprint with 84% of sales from IFA channel. LifeSolutions now available on 532 APLs[3], up 27%
Wealth Management	3.6	5.2	(30%)	• Impacted by materially reduced flows, investment under performance and pricing changes in 2H FY19, leading to a reduction in fees, coupled with fixed cost base impacts from a lack of scale • Net outflows of $25m in contemporary products[4]; materially below net inflows of $332m in FY18 • In-force FUM[5] of $2.76b broadly flat
Financial Advice	1.0	1.8	(44%)	• Fees broadly flat, albeit includes material support from ClearView's Life Insurance and Wealth Management segments • Increased compliance and restitution costs with program of work substantially completed • Focus now on removal of cross subsidies and repricing of services
Listed Entity and Other	(1.5)	(0.7)	Large	• Impacted by interest charge on $15m debt drawn down and change in tax charges between periods
Underlying NPAT[2]	**25.1**	**32.4**	**(22%)**	• **FY19 profit result does not reflect key strategic priorities and actions completed in 2H FY19 - adverse claims and lapse experience is holding ClearView back from translating solid growth in inforce book into corresponding profit growth**
Items Reported Below Underlying NPAT	(21.2)	(5.8)	Large	• Includes impairment charges, amortisation associated with acquired intangibles, costs considered unusual to normal activities and changes in long term discount rates used to determine the policy liabilities – Refer to slide 16
Reported NPAT	**4.0**	**26.6**	**(85%)**	• **Investment in technology, alongside ongoing expansion of IFA footprint, will support medium-to-long term growth, notwithstanding short-term headwinds. Business is focused on effective cost management, improving lapse and claims performance and executing on a reinvigorated IT strategy and road map**

Notes

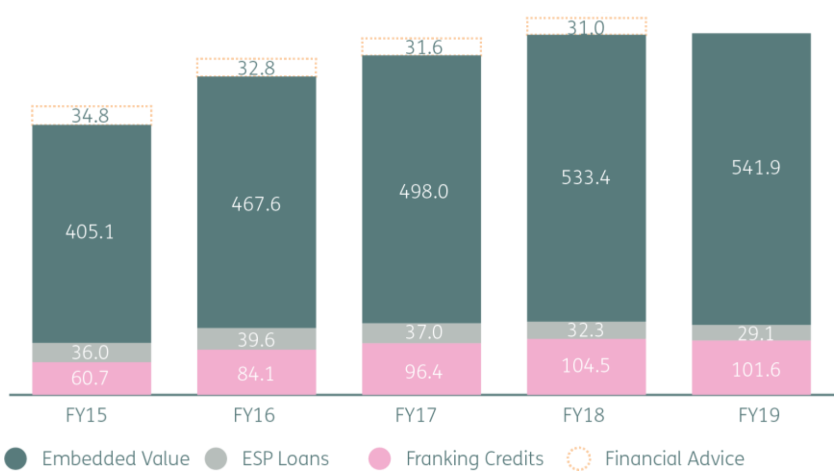
1. % movement, FY18 to FY19 unless otherwise stated.
2. Underlying NPAT consists of consolidated profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group's ordinary activities.
3. APLs are where ClearView products are placed on third party dealer group approved product lists.
4. Wealth Contemporary Product Net Flows is defined as inflows less redemptions into FUM[5] but excludes management fees outflow and ClearView Master Trust product net flows given that the product is not marketed to new customers.
5. 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.

FY19 Results overview

Underlying UNPAT[1] ($M)



Embedded Value[2] ($M)



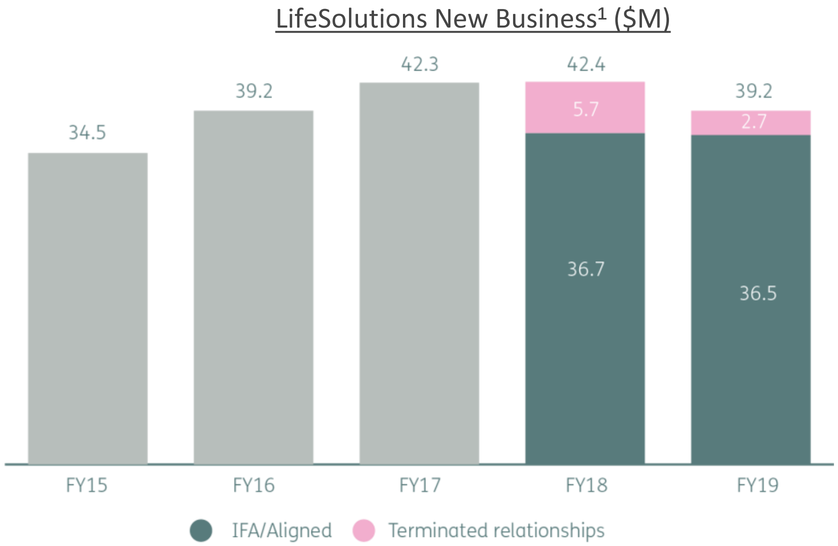
Notes

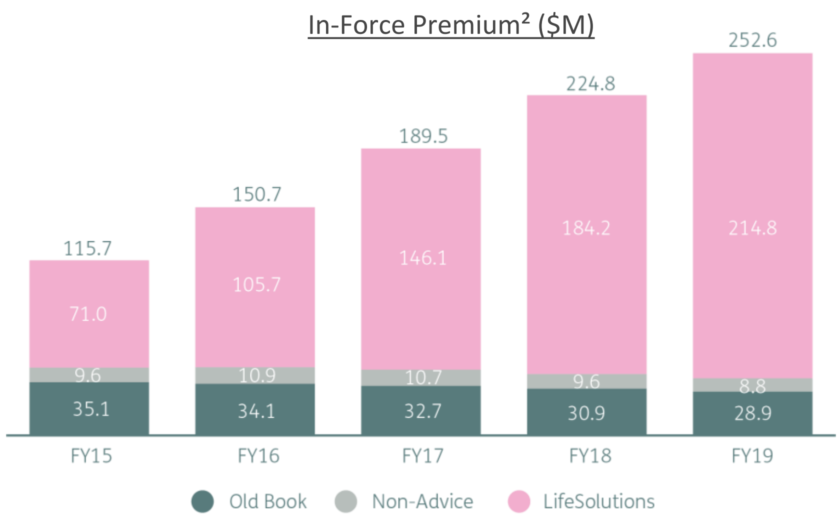
1. Underlying NPAT consists of consolidated profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group's ordinary activities.
2. Embedded Value at 4% discount rate margin, including a value for future franking credits, accrued franking credits and Employee Share Plan (ESP) loans. Financial advice client books, including franking credits, separately reflected in comparable given removal in FY19 from EV.

Comments

- FY19 result is reflective of:
  - Challenging market environment
  - Poor lapse and claims performance
  - Reduction in fees due to subdued flows, wrap technology falling behind and investment under-performance
  - Increased compliance and restitution costs in financial advice
- Key initiatives in FY19 are as follows:
  - Completed material cost transformation program including IT strategy review
  - Product pricing and repositioning of products
  - Reviewed dealer group pricing model and launched outsourced licensee services business
  - Continued roll out of compliance monitoring and supervision technology in dealer groups
  - Implemented remediation programs
  - Reset of the expense, claims, lapse and discount rate assumptions to take into account observed recent experience
- Embedded Value (EV) of $0.99 per share, $672.7m
  - EV impacted by assumptions and discount rate changes, removal of financial advice client books, impairment of software and remediation and restructure costs
- Business strategy and focus has been reset in 2H FY19 and is now well positioned to take advantage of structural changes in market

FY19 Life Insurance segment





Notes

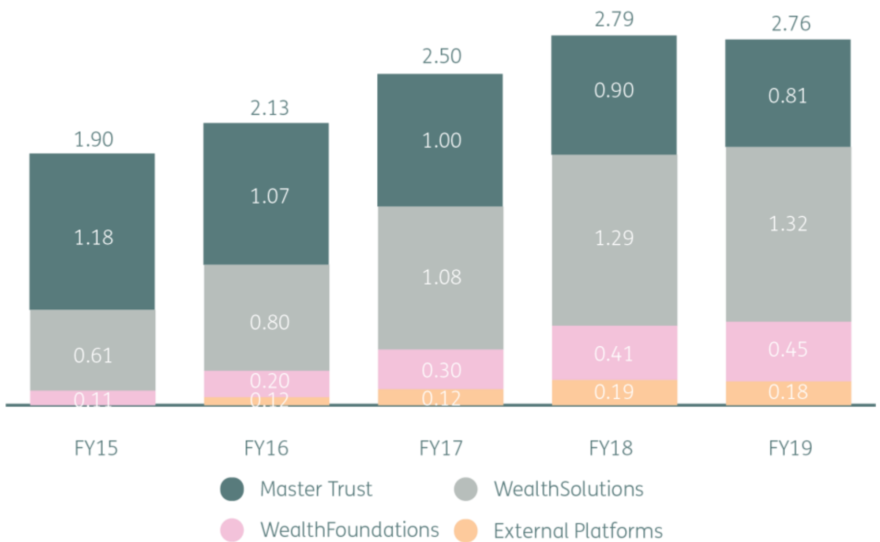
1. Life Insurance contemporary new business or sales represents the amount of new LifeSolutions annual written premium sold during the period, net of policies cancelled from inception and excludes age based/ CPI increases.
2. In-force premium is defined as annualised premium in-force at the balance date.

Comments

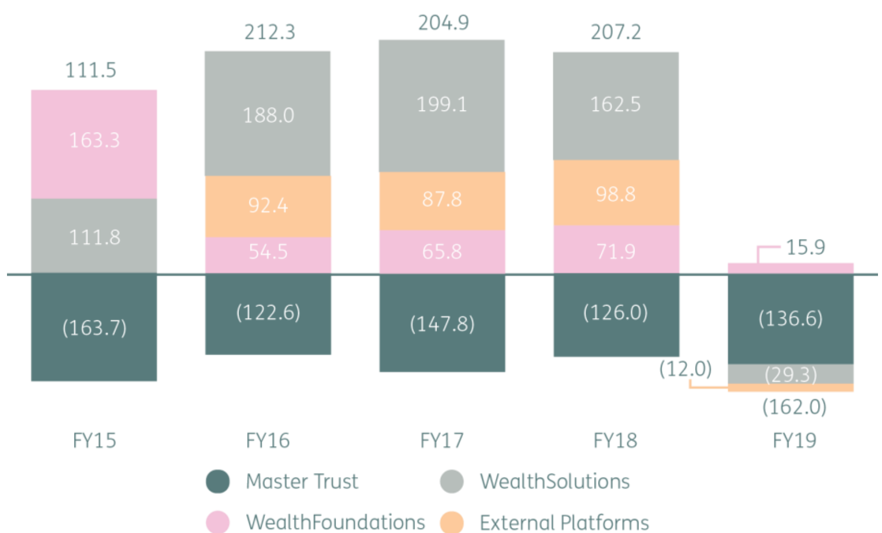
- Key issues impacting on new business flows include:
  - Weak market conditions
  - Elevated lapses across industry
  - Technology falling behind
- Key initiatives in FY19 are as follows:
  - Implemented revised pricing structures
  - Implemented project to replace main life insurance technology
  - Reset cost base of business to current market conditions (as opposed to investing ahead of curve)
  - Terminated certain poor performing life insurance distribution relationships
  - Lapse assumptions increased and re-shaped - higher lapse rates for terminated relationships
  - Claims assumptions increased - FY19 result includes -$1.8m impact
- Material in-force portfolio growth given size of new business ($39m) as a proportion of in-force book ($253m):
  - Growth of in-force is key profit driver
  - Claims and lapse performance holding back effect of translating into corresponding profit growth
  - Actions will result in some reduced “head line” sales in shorter term but overall business quality and profitability is expected to improve
- Positioned business to capitalise on opportunities arising from opening up of APLs:
  - More previously aligned advice businesses are able to access products and services for first time

FY19 Wealth Management segment

Closing FUM[1] ($B)



FUM Net Flows[2] ($M)

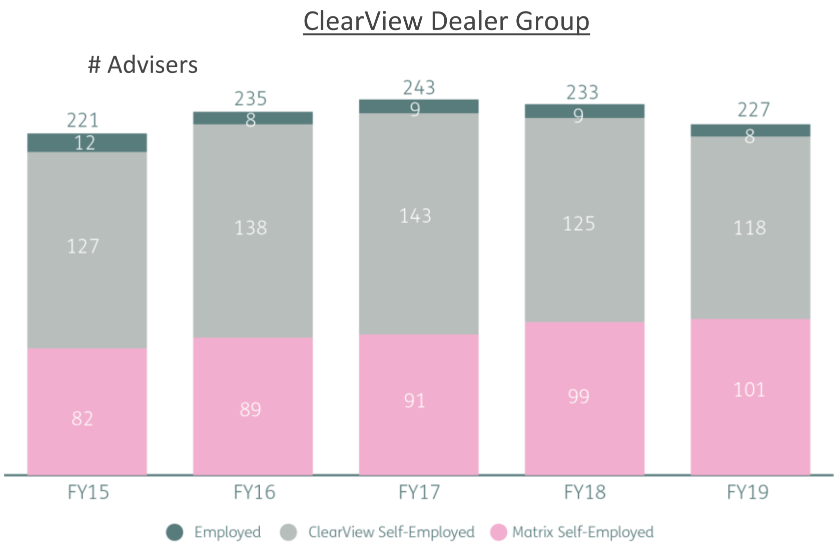


Comments

- Key issues impacting on net flows include:
  - Competitors reducing platform pricing
  - Outsourced wrap technology falling behind
  - Investment under-performance
  - Delays in achieving life insurance and wealth management integration objectives
- Key initiatives in FY19 are as follows:
  - Repositioned and lower wrap platform pricing – also flowed through in-force portfolios
  - Upgraded models and pricing on WealthFoundations
  - Strategic review of wrap platform and technology underway
  - Reviewing approach to investment products to broaden market appeal and remove dependency on short-term performance
  - Commenced project for its superfund[3] including any potential impacts on its trustee licence
- Longer term, will benefit from consumer shift away from institutions and banks, albeit with some shorter term competitive pricing pressures

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 Product Net Flows is defined as inflows less redemptions into FUM[1] but excludes management fees outflow. ClearView Master Trust product net outflows given that the product is not marketed to new customers.
3. ClearView Retirement Plan

FY19 Financial Advice segment

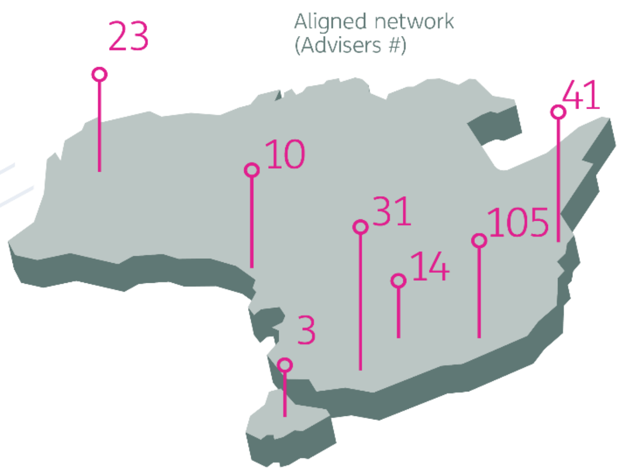


ClearView Financial Advice

MATRIX PLANNING SOLUTIONS

LaVista LICENSEE SOLUTIONS

No. 1 Australia's leading licensee[1]



Comments

- Key issues impacting on business include:
  - Growing compliance costs
  - Risks managing advice sector exposure (resulting in limited growth in adviser numbers)
  - General reduction in adviser productivity over time
- Future state for dealer groups:
  - Removal of cross subsidisation
  - Replacement of grandfathered revenue streams
- Key initiatives in FY19 are as follows:
  - Launched LaVista, a new B2B outsourced licensee services offer
  - New, flat membership fee structure to be rolled out across dealer groups from 1 November 2019
  - Continued investment in front end compliance and supervision monitoring system
- LaVista business model leverages award-winning back office infrastructure, systems and ancillary services of Matrix and CFA
- Positioned to capture opportunities arising from structural change
  - Represents a fairer, more sustainable pricing model
  - Intention is to remove cross subsidies and develop sustainable revenue base. This will take time to transition, but remains a key strategic focus
  - Ability to provide services to high quality advisers seeking their own licence or shift out of larger institutions

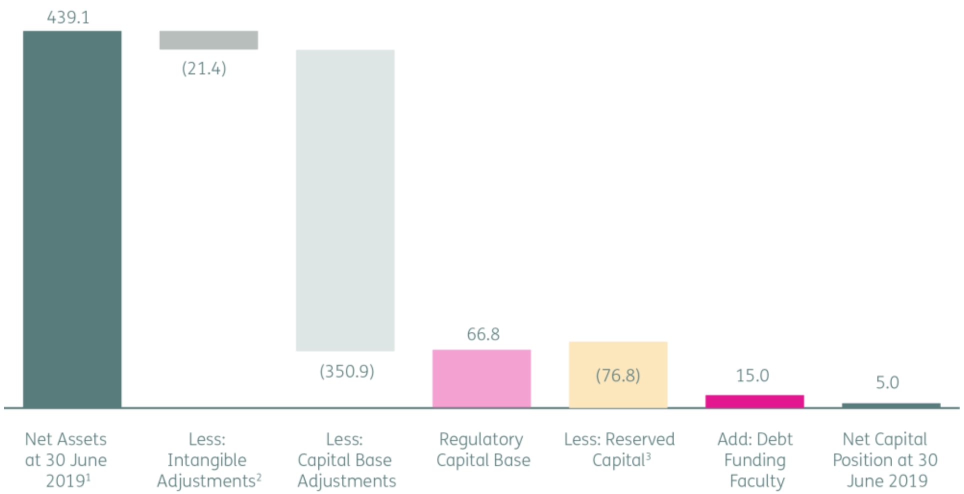
Reconciling items reported below Underlying NPAT

	FY19	FY18	Commentary
Underlying NPAT[1]	**25.1**	**32.4**	
Policy liability discount rate effect	6.6	(0.9)	• Result of changes in long-term discount rates used to determine insurance policy liabilities that 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.
Cost out program implementation costs	(3.8)	-	• Relate to upfront implementation costs associated with cost out program implemented in 2H FY19 and includes redundancy costs, IT transformation costs and an onerous rent provision.
Amortisation of acquired intangibles	(1.2)	(4.0)	• Amortisation of intangibles is associated with acquisition of businesses (Bupa, Matrix, ComCorp). These are reported separately to remove the non-cash effect of the write-off of these acquired intangibles. The reduction in the amortisation between periods is as certain client books are written off in full – see impairment commentary below.
Impairments	(18.9)	-	• Given structural changes in Financial Advice business, $7.9m carrying value of Goodwill and $5.0m of Client Books in the Financial Advice segment has been impaired • Subsequent to FY19 IT strategy review, carrying values of capitalised software have been revised. Certain software development costs were impaired for obsolete or reduced functionality ($6m after tax), or had their useful life reduced due to changes in IT direction. Revised amortisation profile of capitalised software is included as part of Underlying NPAT.
Direct remediation program and Royal Commission costs	(2.4)	-	• Relate to costs associated with implementation of the consumer remediation program and Royal Commission related costs that are considered unusual to the ordinary activities (given these costs primarily relate to direct life insurance business that was closed in FY17).
Other costs	(1.4)	(0.8)	• Other costs that are considered unusual to ordinary activities – FY19 costs relate to retention bonus payments paid to key individuals in September 2018 ($1.4m after tax). FY18 costs are associated with Cooperation Agreement between ClearView and Sony Life ($0.8m after tax). These costs ceased from 1 July 2018, being effective date of termination of Cooperation Agreement.
Reported NPAT	**4.0**	**26.6**	

Notes
1. 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.

Balance Sheet and Capital

Group Capital Position Bridge



Comments

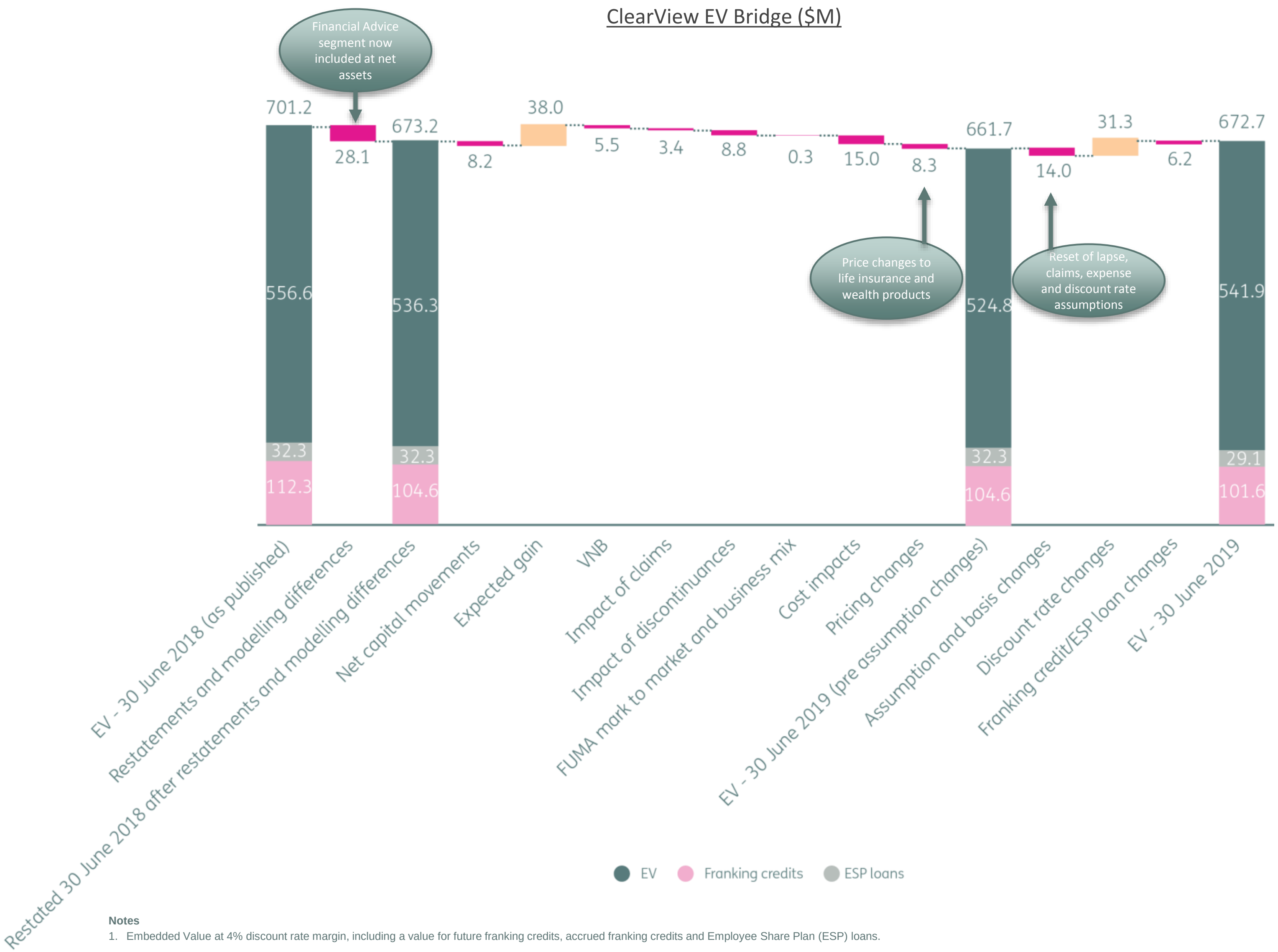
- Net assets of $439.1m down 1% post impairments of intangibles
  - Goodwill carrying value of $12.5m
  - Software carrying value of $8.9m
- Net cash position of $188m with shareholder capital conservatively invested in cash and short-term interest bearing securities
  - Currently under review given lower interest rate environment
- Net capital position above the internal benchmarks at 30 June 2019 was $5.0m across the Group.
  - Includes $15m drawn down under debt facility
- Generates positive cash flows from in-force portfolio which is subsequently reinvested into new business generation:
  - Now approaching underlying self-funding capability (in FY20)
  - Debt funding facility likely to be replaced by longer term capital solution, capital initiatives under consideration
- In light of the current share price, it is intended, that a buy-back program be commenced after release of full year results:
  - Suspended FY19 year-end dividend
  - Considered by Board to be a better use of capital and in interests of shareholders
- Debt funding facility[4] to be utilised as 'bridge' to implementation of longer term capital solution

Notes

1. Net Asset Value as at 30 June excluding ESP Loans. Net assets includes the DAC component of insurance policy liabilities. CRP deferred tax asset of $12.5m treated as an inadmissible asset. These are removed as part of the capital base adjustments.
2. Intangible adjustments relate to goodwill, acquired intangibles and capitalised software.
3. 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. Regulatory capital includes a $12.5 million inadmissible asset reserve for tax credits within the ClearView Retirement Plan (CVRP) relating to insurance premiums paid via rollover. There is currently not sufficient taxable income in the CVRP currently to utilise these tax credits. While strategies to utilise the carried forward losses in the CVRP are in progress there are risks and uncertainties involved. Furthermore, a project for the CVRP (part of a broader wealth strategy review), has commenced. For this reason an offset is held against the ECB risk reserve for $12.5 million.
4. The debt funding facility agreement has a $15 million cap in relation to buy-backs.

Embedded Value movement analysis @ 4% DM

Embedded Value[1] (including ESP loans and franking credits) has decreased by 4% to $673m from Jun 18 to Jun 19; 99.4 cents per share. EV is based only on inforce portfolios excluding the value of any future growth potential



Notes

1. Embedded Value at 4% discount rate margin, including a value for future franking credits, accrued franking credits and Employee Share Plan (ESP) loans.

Regulatory and Business Outlook

Section 3

ClearView

Key Royal Commission recommendations relevant to ClearView

Royal Commission final report, released on 4 February 2019, contained 76 recommendations (and a range of related observations) which have significant implications for financial services entities. ClearView has reviewed the report's findings and is continuing to assess potential impacts of recommendations. ClearView has started to take action to address applicable recommendations in the Final Report including actions in relation to governance, culture and remuneration. Below is an indicative summary of the key recommendations applicable to our business:

Lines of business	**Life Insurance**	**Wealth Management**	**Financial Advice**	**Other**	**Group**
Recommendations	• Cap on life risk commissions • Duty of care to not make misrepresentations • Avoidance of life insurance contracts • Application of unfair contract terms • Removal of claims handling exemption • Enforceable code • Accountability regime	• Deduction of advice fees from choice accounts • Trustee obligations • Civil penalty provisions for trustees • One default account per person • Accountability regime	• Grandfathered commissions to cease • Further cap on life risk commissions • Annual renewal fee arrangement and authority to deduct fees • Disclosure of lack of independent advice • Creation of a single central disciplinary body • Reporting on compliance concerns and remediation of misconduct	• Mortgage brokers to have a best interest duty • Ban on broker trail commissions • Brokers to be subject to same laws that apply to financial advisers • Review on moving to borrower pays mortgage brokerage fee	• Strengthened regulatory environment • Oversight body for regulators • Changing culture and governance • Remuneration redesign • Extension of Banking Executive Accountability Regime (BEAR)

Business outlook

Business Outlook

- Current challenging market conditions are expected to persist in short-to-medium term, which is likely to impact on:
  - Overall industry sales volumes, lapse rates, competitor pricing and performance
  - Consumer sentiment due largely to negative publicity related to Royal Commission, but also broader economy
  - Financial advisers given consequences of education standards, changes to commission caps and rules
- Business strategy and focus has been reset, positioning ClearView to take advantage of structural changes in the market, notwithstanding significant short-term headwinds
- Key areas of focus for FY20 include:
  - Upgrading major elements of the core Life Insurance and desktop technology
  - Repositioning and repricing of Financial Advice segment to create a sustainable revenue model without cross subsidies over time
  - Completing a strategic review of Wealth Management platforms and technology with a focus on simplification of key back-office systems
  - Additional work on pricing, positioning and retention strategies for Life Insurance and Wealth Management
  - Further investment in risk and compliance functions including the creation of a stand alone Chief Risk Officer role
- Life Insurance remains key profit driver. Growth profile is underpinned by in-force book and embedded growth in expanding distribution footprint
- IFA support for ClearView LifeSolutions continues to expand, with ClearView ranked number one for overall adviser satisfaction in 2018 by independent research house, Investment Trends
- Opening up of APLs is creating opportunities to reach new audiences. Additional distribution relationships, combined with maturation of existing life insurance APLs, leads to a material increase in inforce portfolio
- While ClearView remains profitable, adverse claims and lapse experience in recent years is holding ClearView back from translating solid growth in inforce book into corresponding material profit growth
- Shorter term profit growth will be achieved by effective cost management, improving lapse and claims performance, and execution of distribution strategy:
  - Near term focus is on lifting business quality - likely to result in flat short-term new business sales (excluding terminated relationships) but more profitable business
  - Key initiatives and actions are being implemented, which are expected to improve lapse performance over time. Lapse assumptions have also been increased and reshaped, factoring higher lapse rates for already-terminated relationships
  - Industry focus on improved income protection (IP) product and pricing terms. Claims assumptions have been increased, in particular on IP portfolio
- As the CoreData Licensee of the Year for three consecutive years, Matrix is strongly positioned to pick up quality advisers looking for an experienced, well-resourced dealer group (continued focus on quality versus quantity)
- Launch of LaVista Licensee Solutions in late 2018 gives IFAs another way to engage with ClearView - early interest in LaVista is encouraging with a strong pipeline of potential clients
- ClearView maintains a positive longer term outlook. Our three segments; Life Insurance, Wealth Management and Financial Advice are well-positioned to capture opportunities from a rebound in market conditions and consumer sentiment
- There is a clear strategy in place for adapting to changing financial services landscape and we continue to build, expand and strengthen our relationships with IFAs
- This, combined with our investment in technology (and execution on IT road map), will support medium to long term growth

End