ClearView Results Half Year ended 31 December 2020 Investor presentation

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Executive summary

Highlights

Operating Earnings After Tax[3] $13.1m Up 39% **Reported NPAT $9.7m Flat**	• Strong result in challenging environment • Business has been resilient to COVID-19 impacts in 1H • Significantly improved claims performance • Income Protection (IP)[1] lapses driven by price increases
Life insurance is a recurring revenue business	• In-force premiums up 8% • Gross premium income up 7% • Contributes 95% to Group Operating Earnings After Tax[3]
Transformation on track	• New Life Insurance product development underway • Modern life insurance system development commenced • Transition of wrap platform to HUB24 • LaVista gaining traction
Resilience demonstrated	• Strong balance sheet • Successful Tier 2 capital raising • Tax credit issue resolved • Asset concentration risk addressed in medium term • Capital backed by net cash and investments of $350m (52 cents per share) • Capital base resilient to various stress scenarios
Dividend policy	• Target payout of 40-60% of Operating Earnings After Tax[3] • FY21 Dividend to be reinstated, subject to 2H performance • Business is approaching underlying capital generation[4]

1 IP is individual income protection or Individual Income Disability Insurance.
2 Not used.
3 Operating Earnings After Tax represents the Underlying NPAT[5] of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital.
4 Business is now generating capital excluding the impacts of allowances for COVID-19 impacts and increased interest cost associated with the change in capital structure.
5 Underlying NPAT consists of consolidated profit after tax excluding amortisation, the effects of changing discount rates on policy liabilities and costs considered unusual to the Group's ordinary activities. Includes amortisation of capitalised software and leases.

Financials HY21 result

Key Observations

- Life Insurance contributes 95% to business Group Operating Earnings After Tax[1]
- Strong claims performance driven by improved claims management outcomes and limited COVID-19 impacts to date
- Lapse loss impacted by IP and related price increases
- First mover on pricing changes[7] with improved rationality starting to take effect across the market
- Interest earnings on physical cash negatively impacted by ultra low interest rates
- Tier 2 interest cost from November 2020 and reflects impacts from change in capital structure
- Costs associated with settlement of claims liabilities under incurred claims treaties reported as part of Operating Earnings After Tax[1,9]

After Tax Profit by Segment, $M	1HY21 $M	1HY20 $M	2HY20 $M	% Change[3]
Life Insurance	12.4	8.0	1.2[8]	55%
Wealth Management	0.6	1.5	1.8	(61%)
Financial Advice	0.8	0.5	1.6	66%
Listed/Group Costs	(0.7)	(0.5)	(0.6)	(40%)
Operating Earnings After Tax[1]	**13.1**	**9.4**	**4.0**	**39%**
Underlying investment income	0.8	1.1	0.9	Large
Interest on corporate debt	(0.9)	(0.3)	(0.4)	Large
Group Underlying NPAT[2]	**13.0**	**10.2**	**4.5**	**27%**
Policy liability discount rate effect[5]	(1.3)	(0.4)	2.6	Large
Wealth Management project[4]	(1.5)	-	(1.4)	Large
Impairments[6]	(0.6)	-	(2.6)	Large
Other costs	0.1	-	0.2	NM
Reported Profit After Tax	**9.7**	**9.8**	**3.3**	**(1%)**

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3 % change 1HY21 to 1HY20
4 Costs associated with transition to HUB24 platform. Further costs to be incurred in 2H as project progresses.
5 The policy liability discount rate effect is the result of changes in the long-term discount rates used to determine insurance policy liabilities and the incurred IP disabled lives claims reserves. The life insurance policy liability (based on AIFRS) and IP incurred disabled lives reserves are discounted using market discount rates that typically vary at each reporting date and create volatility in the policy liabilities and the disabled lives claims reserves, and consequently, earnings. ClearView reports this volatility separately.
6 Impairments to receivable from ClearView Retirement Plan (CRP). The recoverability of the receivable from CRP will continue to be assessed at each reporting period.
7 Repriced LifeSolutions portfolio that commenced in April 2020.
8 Includes $5.9m impact from change in claims assumptions as at 30 June 2020.
9 ClearView incurs certain annual costs on the liabilities related to the settlement of the incurred liabilities. This cost has been included as part of the reinsurance cost in the HY21 result ($0.8m after tax).

Business and strategy update

	Strategic priorities	Progress
Life Insurance	Premium rate increases on income protection	Focused on sustainability of margins across growing portfolio
	Claims management (return to work)	Strong claims performance
	Integrated end-to-end PAS	Vendors appointed to build new contemporary life insurance technology platform[1]
	APRA IDII sustainability measures with flow on affect to earning an appropriate return on capital	Change to product design and features underway
	Service delivery	Positive NPS[2] through challenging market
Wealth Management	Transition of wrap offering to HUB24 platform	On track for delivery 2H FY21
	Upgrade reporting to advisers	On track for delivery 2H FY21
	Focus on WealthFoundations	Strong flows in 1HY21
	Repositioning of business to achieve scale	Under consideration

1 Includes integrated SAAS policy administration system and underwriting rules engine. $20m investment over a 3 year period.
2 Net promoter score – Investment Trends: October 2020 Planner Risk Report – Industry Analysis

Business and strategy update continued

	Strategic priorities	Progress
Financial Advice	Flat fee model and repricing	Successfully implemented
	Grow LaVista - B2B[1] model	Gaining traction - 28 AFSLs; 91 ARs[2]
	Continued commitment in technology and compliance	Leading technology for advisers
Group	Lock down capital structure	$75m Tier 2 successfully raised in November 2020
	Asset concentration risk charge	Incurred claims treaty for income protection executed in 1HY21
	Super tax credit issue	Successful transfer to HUB24 in 1HY21
	Seek transparent communication around Embedded Value estimation and its relationship to prevailing share price	Commenced process of improved market communications and investor relations strategy
	Move to line of business structure to increase accountability	Line of business structure implemented - increased capacity and capability with management appointments

1 Business to business model providing outsourced licencee services to third party AFSLs.
2 AFSL is an Australian Financial Service Licence; AR is an authorised representative.

Demand for products and services exists

ClearView

Life Insurance

Sustainable, high quality life insurance solutions for both the employed and self-employed market

Wealth Management

Simple, transparent model portfolios for both super and non-super clients, designed to manage risk and return

Financial Advice

Quality client-centric advice focused on wealth protection and wealth creation

Strong demand for the efficient and effective delivery of quality products and services on an open architecture platform underpinned by:

Sustainability of Margins

Ageing population

Resilient economy through COVID-19

Outcome | **Good for customers | Good for society | Good for shareholders**

Life Insurance market

Three market segments – Outlook

Advised

- Declining adviser numbers may lead to reduced new business volumes. However, in medium-term likely to see better quality business from professional and client-focused advisers.
- Increasing household debt underpins long-term demand.

Group market

- Extremely challenging segment in the short-term due to legislative changes.
- Leading potential to margin compression and/or further price increases.

No ClearView Participation

Direct market

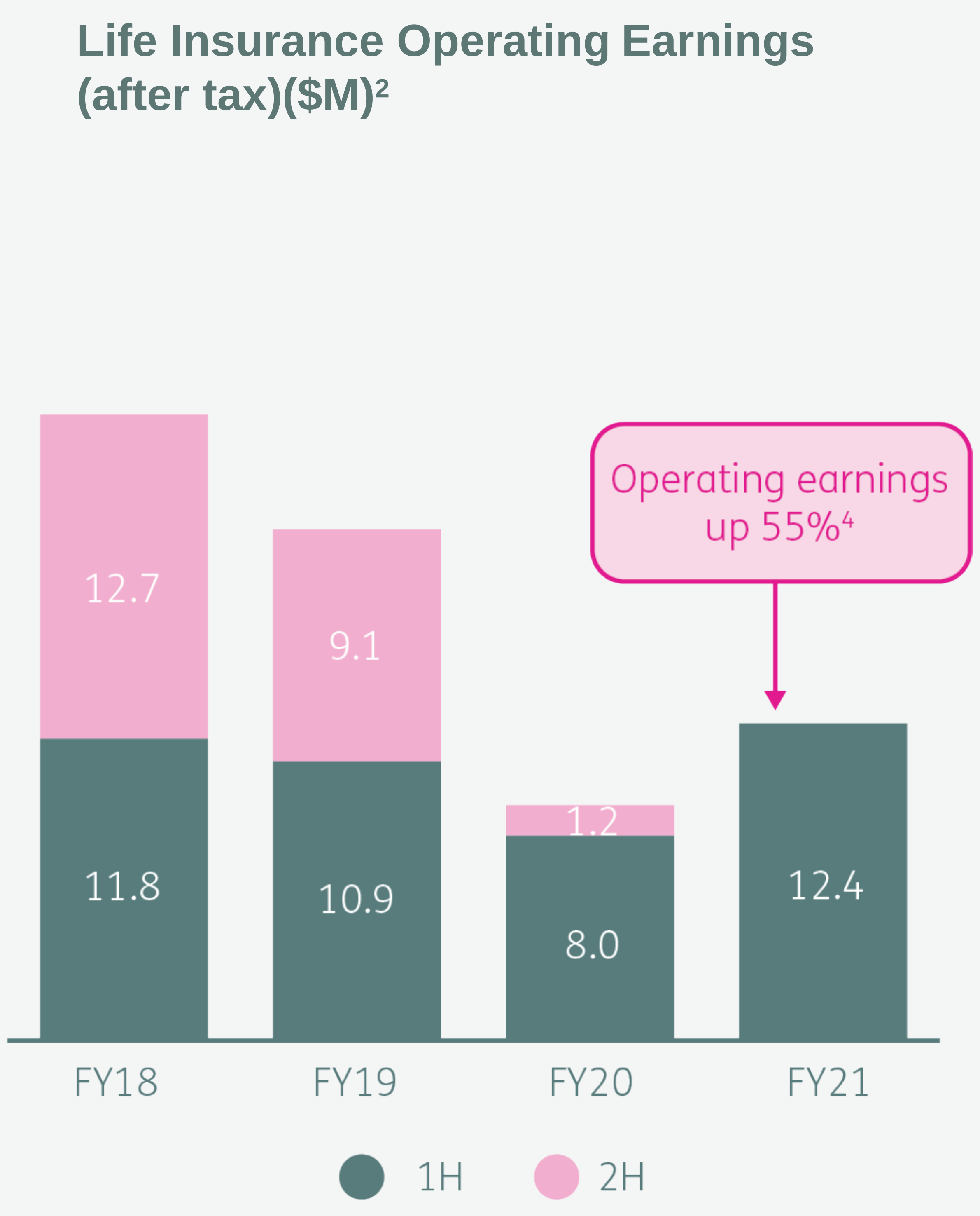
- Small and declining
- May be long-term potential with digital offering
- Challenging regulatory conditions

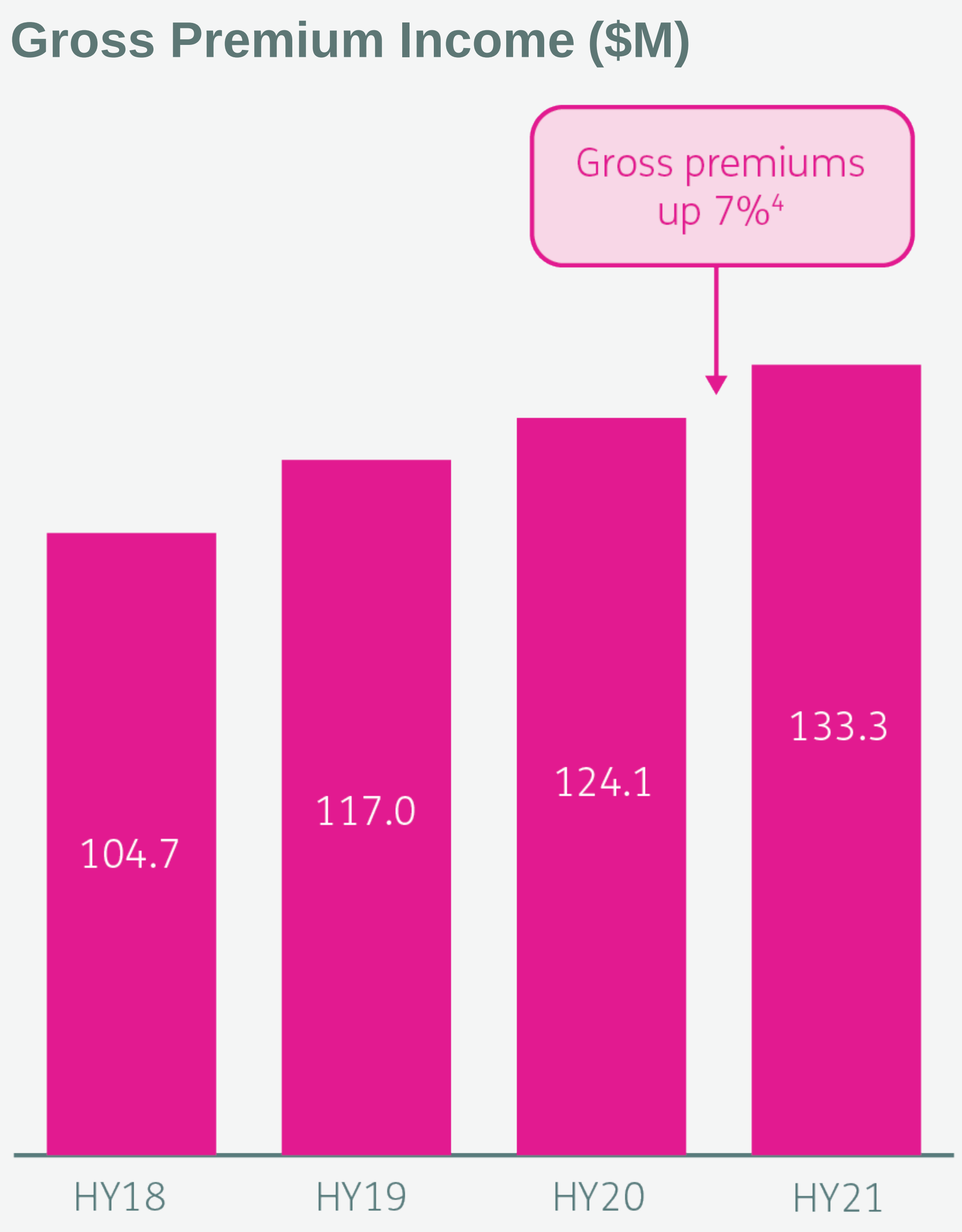
No ClearView Participation

APRA's IDII sustainability measures	ClearView's response
Positive impact starting to be felt with price increases	Some initial pricing rationality returning to market. ClearView was first to respond
Industry re-setting product expectations	New product development well advanced, ready for launch in 2H FY21 on SAAS technology platform
APRA supervisory adjustment	Capital base locked down, Tier 2 capital raising successfully completed
Data quality and updated claims tables	Improved visibility. New industry claims tables for IDII[1] to be rolled out in 2H[2]

1 Individual Disability Income Insurance.
2 Impacts to be reflected below the line in 2H result given nature of industry change.
3 Includes integrated SAAS policy administration system and underwriting rules engine. $20m investment over a 3 year period.

Life Insurance HY21 result





- Recurring revenue base up 7%
- APRA intervention in IP[1] to force structural change
- Price increases effective from April 2020
- Retention and margin focus
- IP[1] action plan in place including new product development
- Return of rational pricing and launch of new products on modern technology platform is a key focus to increase new business volumes

1 IP is individual income protection or Individual Disability Income Insurance.
2 Operating Earnings (after tax) represents the Underlying NPAT[3] of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital.
3 Underlying NPAT consists of consolidated profit after tax excluding amortisation, the effects of changing discount rates on policy liabilities and costs considered unusual to the Group's ordinary activities. Includes amortisation of capitalised software and leases.
4 1HY21 versus 1HY20 % change.

Wealth Management market

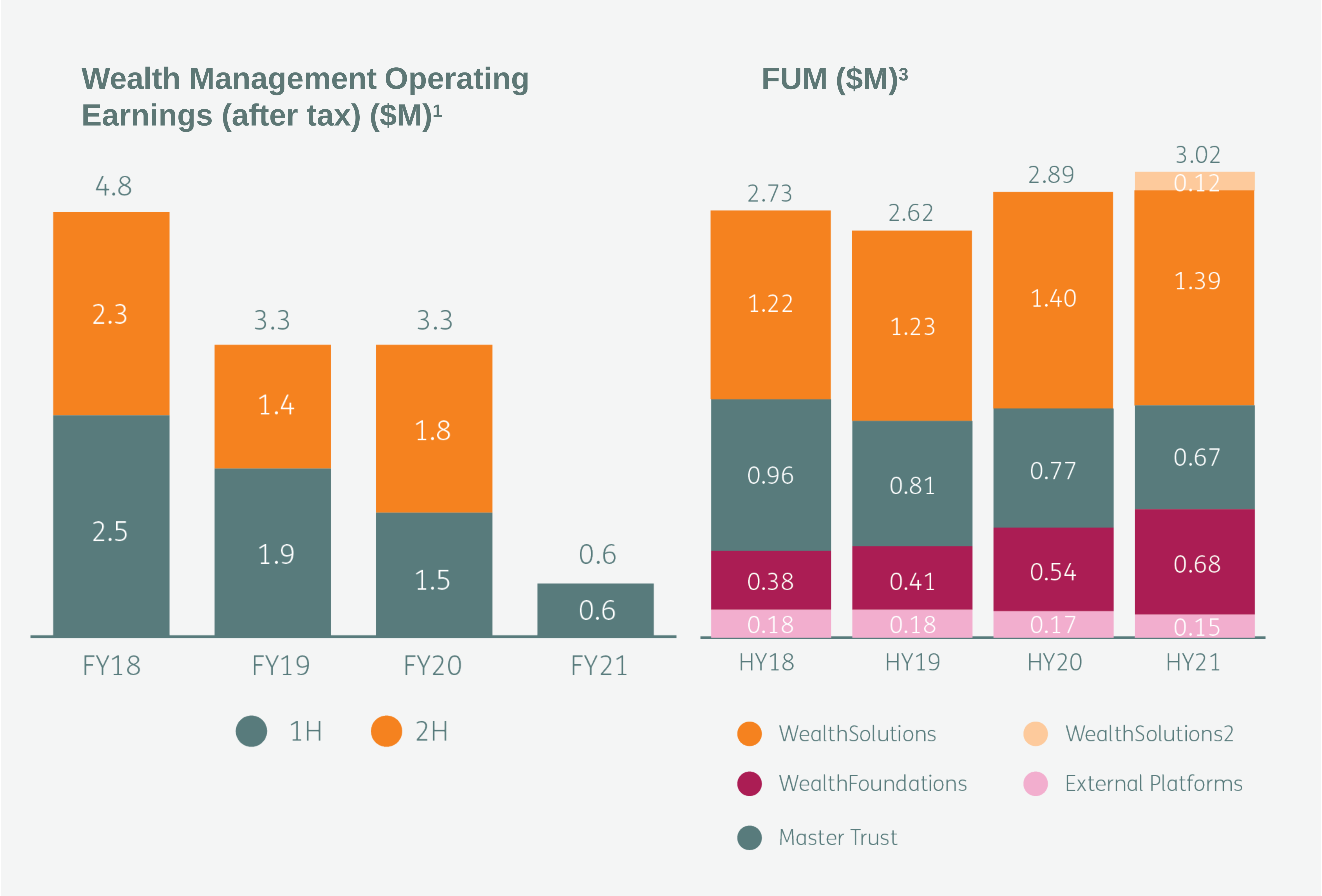
Three segments

Retail super funds

Wrap	Sophisticated advised clients seeking a broad array of investment options
Master trust (ClearView)	Advised, middle market clients suited to unitised super and non-super solutions, outside of the heavy technology-spend wrap platform segment. Implemented model portfolios make it easy to change both underlying fund managers and asset allocation to suit the needs and risk profile of investors bringing significant efficiencies to advisers and customers.

Industry super funds	Default, accumulation phase	No ClearView Participation
Self-managed super funds	Self-directed, high net worth investors	No ClearView Participation

Wealth Management HY21 result



- Strong flows[4] into WealthFoundations product (consistent with HY20)
- Launch of wrap product on HUB24 (WealthSolutions 2) - limited margin impacts from administration fees; use of model portfolios key to success of product
- FUM up 5%, driven by positive net flows and investment performance
- Fee reduction given margin compression, mix of business and price changes implemented (net margin earned 0.59% vs 0.64%)
- Cost base increased due to increased shared services allocation, information technology and regulatory costs

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3 FUM includes Funds Under Management (ClearView Master Trust, WeathFoundations and MIS), Funds Under Administration on the Avanteos and HUB24 platforms and FUM in ClearView MIS platform funds on external platforms.
4 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.

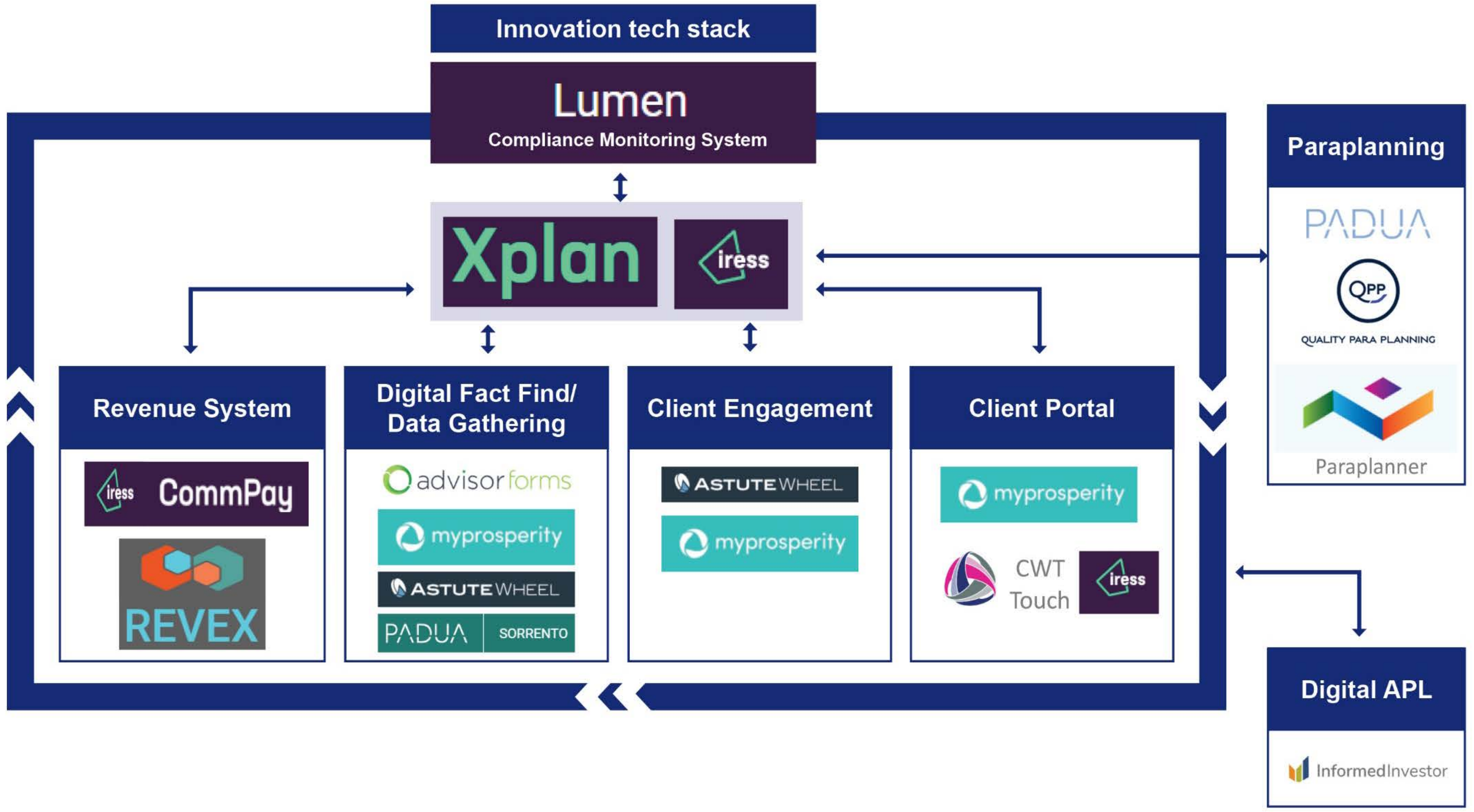
Financial advice

Partnering with advisers to deliver high quality, personal financial advice through our dealer groups (Matrix Planning Solutions and ClearView Financial Advice) and licensee services provider (LaVista Licensee Solutions).

With an imminent adviser shortage forecast, our model ensures strong relationships with professional advisers to assist clients to access tailored strategic advice.

ClearView Financial Advice | MATRIX PLANNING SOLUTIONS | LaVista LICENSEE SOLUTIONS

- Focus on quality advisers – committed to professional advice businesses
- Sustainable flat fee model 'cost plus margin' – adviser firms have an incentive to grow
- Investment and growth in LaVista supporting owner operator AFSLs
- Investment in technology to drive adviser efficiency and compliance



Financial advice HY21 result

We are a national financial advice business with a growing footprint

'000	1H20	1H21
Revenue[1]	8,752	7,083
Costs[2]	(8,488)	(5,933)
Business unit operating earnings (Before Tax)	264	1,151

State	MPS/ CFA[4]	LaVista		Total ARs
	ARs[2]	AFSL[2]	ARs[5]	
ACT	9	1	2	11
NSW	72	8	24	96
QLD	31	8	34	65
SA	26	3	7	33
VIC/TAS	17	5	16	33
WA	24	3	8	32
TOTAL	**179**	**28**	**91**	**270**

1 Decline in revenue of 20%. There was an increase in membership fees given changes to remuneration and fee model and growth of LaVista. However the increase in sustainable revenue was offset by a reduction in grandfathered revenue streams and material decline in the financial support received from other ClearView entities.
2 Reduction in cost base due to reduced overhead and advice remediation program and related costs
3 AFSL is an Australian Financial Service Licence; AR is an authorised representative.
4 MPS/CFA is the Matrix and ClearView Financial Advice dealer groups.

Balance Sheet strength

Net Assets

	HY18	HY19	HY20	HY21
Net assets ($m)	428.4	446.8	449.4	462.2
Net assets per share (cps)	69.0	70.3	69.4	72.6

Embedded Value

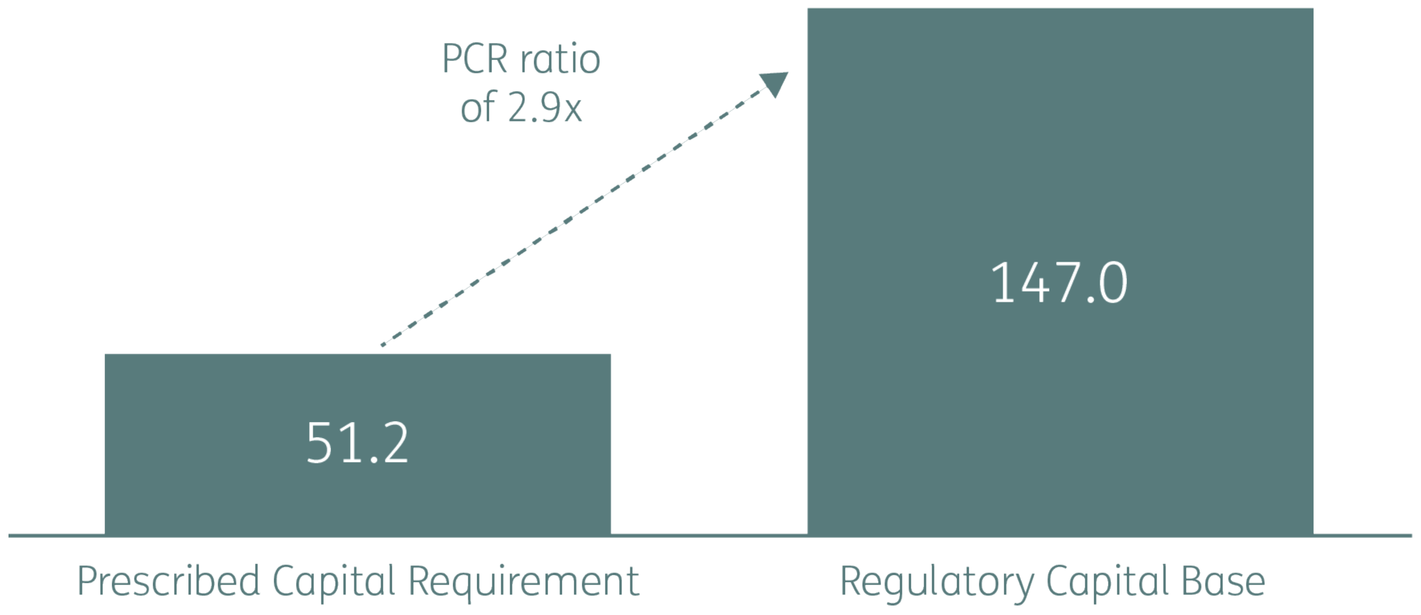
	FY18[5]	FY19	FY20[4]	HY21[4]
Embedded Value ($m)	670.1	672.6	643.4	635.7
Embedded Value per share (cps)	1.00	99.4	95.3	94.1

Capital ($m)

	HY18	HY19	HY20	HY21
Regulatory requirement	22.9	25.0	29.8	51.2
Regulatory capital base	90.5	79.3	69.6	147.0
Surplus/(Deficit)[3]	12.5	14.0	(2.0)	25.9

- $75m Tier 2 capital raising in November 2020
- Asset concentration risk addressed in medium term[1]
- Life insurance superannuation transfer to HUB24 completed November 2020 - addresses tax credit issue
- Includes APRA supervisory adjustment as part of IDII[2] sustainability measures
- Capital backed by net cash and investments of $350m (52cps)
- From FY20, EV calculations include strengthening of assumptions and potential impacts from COVID-19
- Risk transformation project continues to build resilience across business

Group Regulatory Capital Coverage ($M)



1 Incurred claims treaty for income protection completed in HY21.
2 Individual Disability Income Insurance.
3 HY19 and HY20 includes amounts drawn down under debt facility. Permanent capital solution in place in HY21 (Tier 2 capital raising completed in November 2020).
4 Includes material changes to claims assumptions at 30 June 2020, including short term COVID-19 overlays and shock lapse assumptions
5 Excludes value of inforce related to the Financial Advice segment and is reflected at the net asset value in the net worth in each period.

Business outlook

Group updates Underlying NPAT[1] guidance of $21-$25m for FY21[2,6,7]

FY21 base transitional year as industry shifts (over time) to rational pricing, increasing life insurance sales and sustainable product features.

- Business has proven resilient to the health and economic impacts of COVID-19 to date
- Ultra low interest rate environment continues to adversely impact earnings
- APRA IDII[3] sustainability measures likely to improve industry performance in the medium term (underlying margins and return on capital)
- Strong Balance Sheet and capital base resilient to various stress scenarios
- Early signs of traction from key actions, including shift to line of business structure, improved capability and capacity
- Business is on track to meet its FY21 goals with a view to launching new products on modern technology platform, thereby accelerating new business growth
- FY21 dividend to be reinstated, subject to 2H performance; Payout ratio of 40-60% of Operating Earnings[5]

1 Underlying NPAT consists of consolidated profit after tax excluding amortisation, the effects of changing discount rates on policy liabilities and costs considered unusual to the Group's ordinary activities. Includes amortisation of capitalised software and leases.
2 Key potential impacts that are critical to the attainment of the guidance provided are the achievement of best estimate assumptions in 2H FY21 (in particular for claims and lapses) and the secondary economic impacts of COVID-19, and the flow on effects to IP claims and affordability of premiums. While estimates and allowances have been made in the claims and lapse assumptions adopted, given the fluidity of the COVID-19 pandemic and operating environment, potential impacts from any deterioration in economic conditions or unanticipated delays in the roll out of the vaccine, actual experience relative to assumptions adopted will need to be closely monitored with the related flow on effects to the guidance provided.
3 Individual Disability Income Insurance.
4 Not used.
5 Operating Earnings (after tax) represents the Underlying NPAT[1] of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital.
6 Includes a $1m impact on Underlying NPAT in the second half from interest costs associated with the subordinated debt that was raised in November 2020.
7 Group Underlying NPAT[1] guidance of $20-24m was previously provided.

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