

# ClearView Results Half Year ended 31 December 2020 Investor presentation

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# Executive summary

**Business strength**

**Resilience**

**Transformation**

## Highlights

**Operating Earnings After Tax<sup>3</sup> \$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)<sup>1</sup> 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<sup>3</sup>

**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<sup>3</sup>
- FY21 Dividend to be reinstated, subject to 2H performance
- Business is approaching underlying capital generation<sup>4</sup>

<sup>1</sup> IP is individual income protection or Individual Income Disability Insurance.

<sup>2</sup> Not used.

<sup>3</sup> Operating Earnings After Tax represents the Underlying NPAT<sup>5</sup> of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital.

<sup>4</sup> 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.

<sup>5</sup> 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<sup>1</sup>
- 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<sup>7</sup> 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<sup>1,9</sup>

After Tax Profit by Segment, \$M	1HY21 \$M	1HY20 \$M	2HY20 \$M	% Change <sup>3</sup>
Life Insurance	12.4	8.0	1.2 <sup>8</sup>	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%)
<b>Operating Earnings After Tax<sup>1</sup></b>	<b>13.1</b>	<b>9.4</b>	<b>4.0</b>	<b>39%</b>
Underlying investment income	0.8	1.1	0.9	Large
Interest on corporate debt	(0.9)	(0.3)	(0.4)	Large
<b>Group Underlying NPAT<sup>2</sup></b>	<b>13.0</b>	<b>10.2</b>	<b>4.5</b>	<b>27%</b>
Policy liability discount rate effect <sup>5</sup>	(1.3)	(0.4)	2.6	Large
Wealth Management project <sup>4</sup>	(1.5)	-	(1.4)	Large
Impairments <sup>6</sup>	(0.6)	-	(2.6)	Large
Other costs	0.1	-	0.2	NM
<b>Reported Profit After Tax</b>	<b>9.7</b>	<b>9.8</b>	<b>3.3</b>	<b>(1%)</b>

1 Operating Earnings After Tax represents the Underlying NPAT<sup>2</sup> of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital.

2 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.

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



- Premium rate increases on income protection
- Claims management (return to work)
- Integrated end-to-end PAS
- APRA IDII sustainability measures with flow on affect to earning an appropriate return on capital
- Service delivery

- Focused on sustainability of margins across growing portfolio
- Strong claims performance
- Vendors appointed to build new contemporary life insurance technology platform<sup>1</sup>
- Change to product design and features underway
- Positive NPS<sup>2</sup> through challenging market



- Transition of wrap offering to HUB24 platform
- Upgrade reporting to advisers
- Focus on WealthFoundations
- Repositioning of business to achieve scale

- On track for delivery 2H FY21
- On track for delivery 2H FY21
- Strong flows in 1HY21
- Under consideration

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

# Business and strategy update continued

## Strategic priorities

## Progress



Flat fee model and repricing



Successfully implemented

Grow LaVista - B2B<sup>1</sup> model

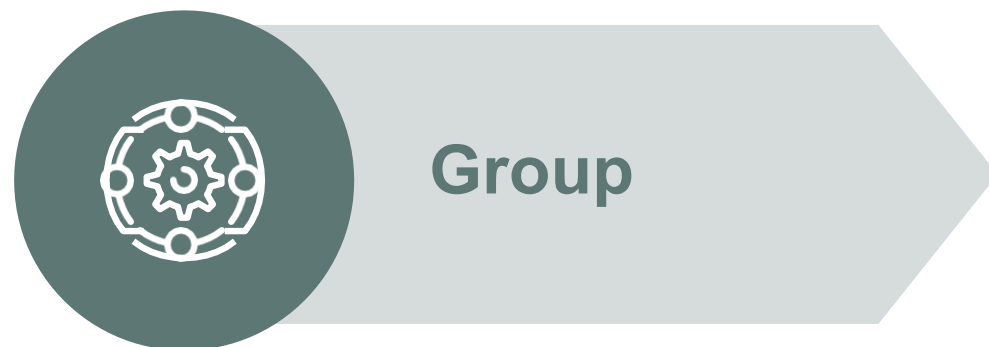


Gaining traction - 28 AFSLs; 91 ARs<sup>2</sup>

Continued commitment in technology and compliance



Leading technology for advisers



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

<sup>1</sup> Business to business model providing outsourced licensee services to third party AFSLs.

<sup>2</sup> AFSL is an Australian Financial Service Licence; AR is an authorised representative.



# Demand for products and services exists

## 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.

**Direct market** 

»» • Small and declining

• May be long-term potential with digital offering

• Challenging regulatory conditions

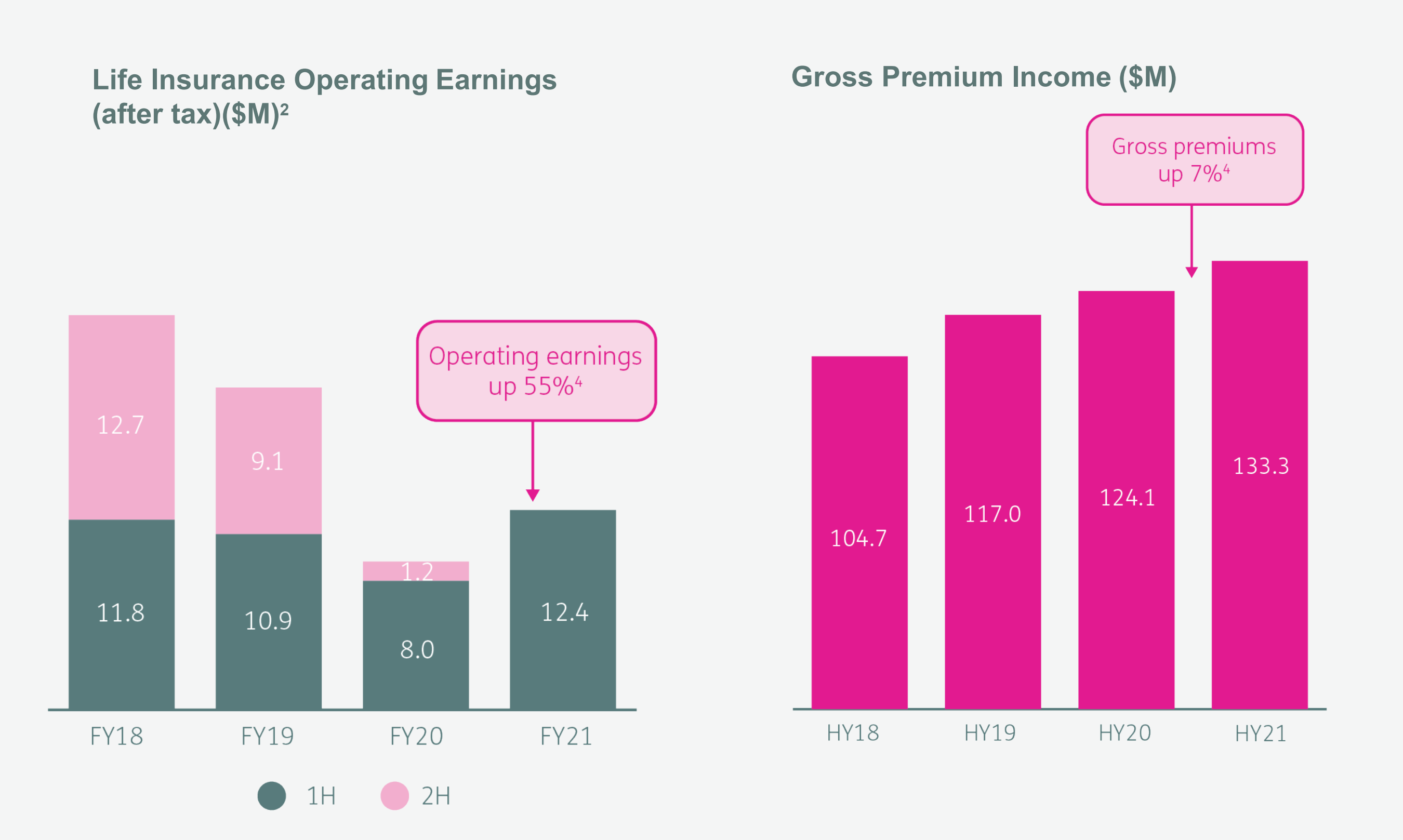
APRA's IDII sustainability measures	ClearView's response
Positive impact starting to be felt with price increases	Some initial pricing rationality returning to market. ClearView was first to respond
Industry re-setting product expectations	New product development well advanced, ready for launch in 2H 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 <sup>1</sup> to be rolled out in 2H <sup>2</sup>

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.

No ClearView Participation

No ClearView Participation

# Life Insurance HY21 result



- Recurring revenue base up 7%
- APRA intervention in IP<sup>1</sup> to force structural change
- Price increases effective from April 2020
- Retention and margin focus
- IP<sup>1</sup> 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<sup>3</sup> 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



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

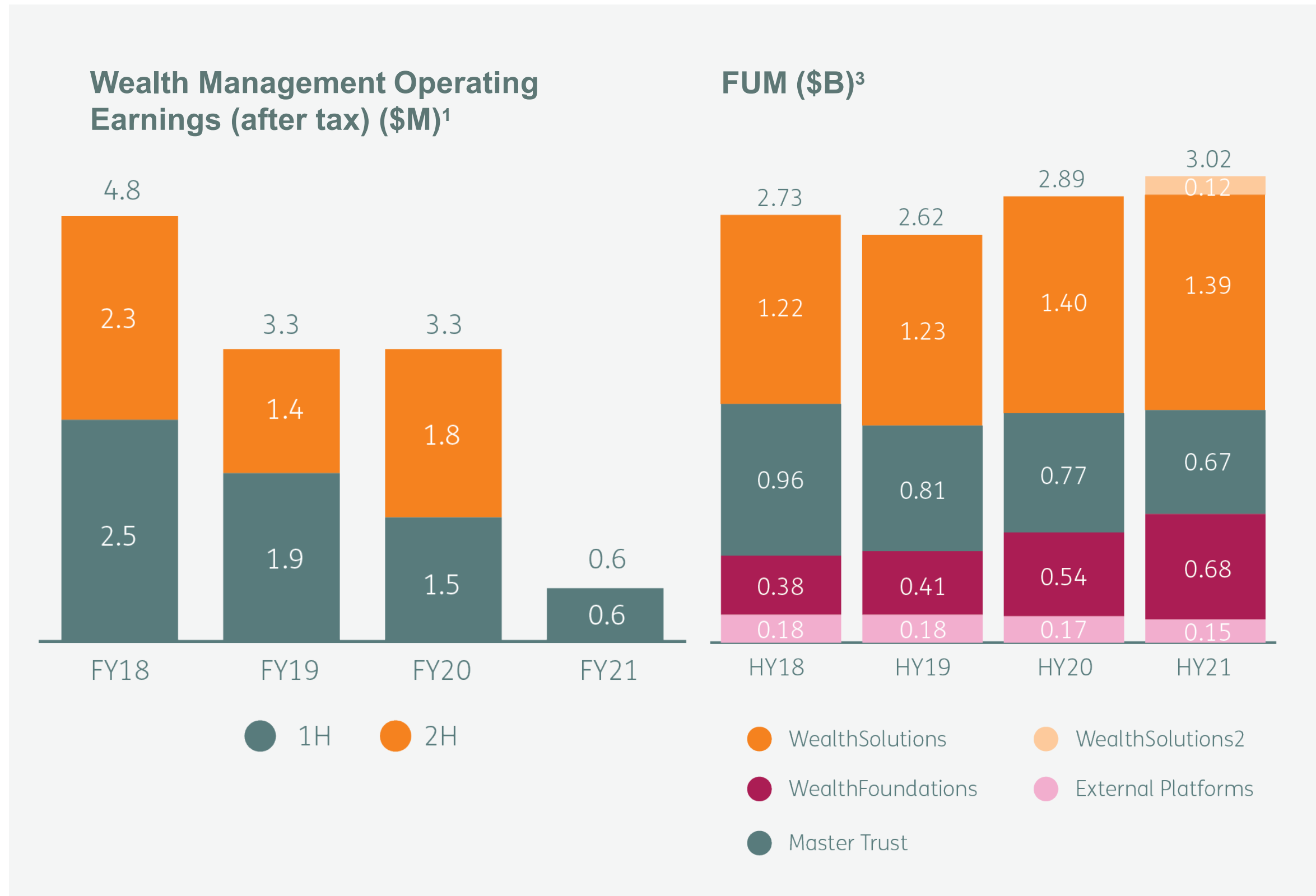
### Self-managed super funds



Self-directed, high net worth investors

No ClearView Participation

# Wealth Management HY21 result



- Strong flows<sup>4</sup> 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

1 Operating Earnings (after tax) represents the Underlying NPAT<sup>2</sup> of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital.  
 2 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.  
 3 FUM includes Funds Under Management (ClearView Master Trust, WealthFoundations 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<sup>1</sup> but excludes management fees outflow. ClearView Master Trust product net outflows given that the product is not marketed to new customers.



# Financial advice

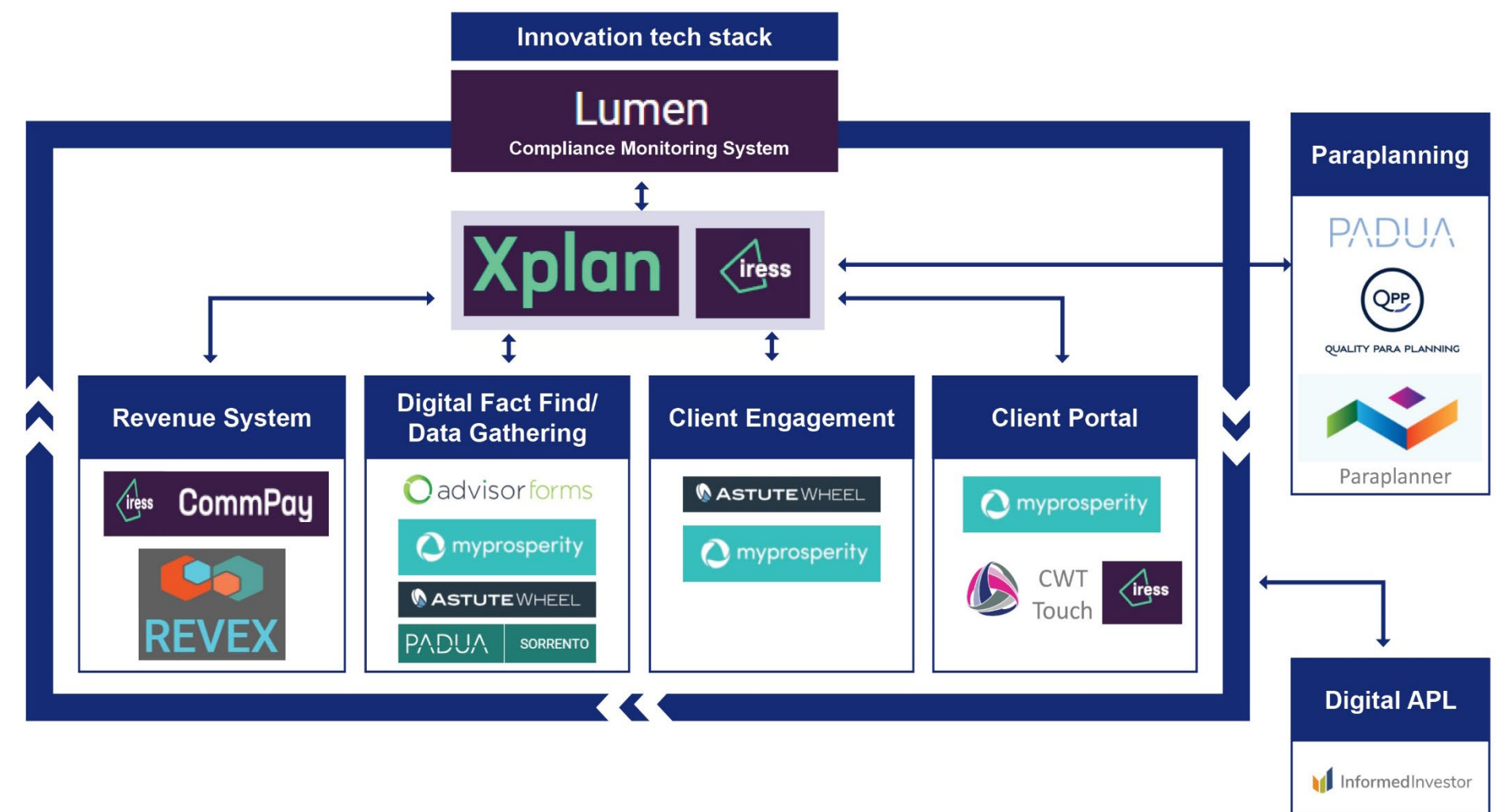


Partnering with advisers to deliver high quality, personal financial advice through our dealer groups (Matrix Planning Solutions and ClearView Financial Advice) and licensee services provider (LaVista Licensee Solutions).

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



- 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 <sup>1</sup>	8,752	7,083
Costs <sup>2</sup>	(8,488)	(5,933)
Business unit operating earnings (Before Tax)	264	1,151

State	MPS/ CFA <sup>4</sup>	LaVista		Total ARs
		ARs <sup>2</sup>	AFSL <sup>2</sup>	
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
<b>TOTAL</b>	<b>179</b>	<b>28</b>	<b>91</b>	<b>270</b>

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

	<b>HY18</b>	<b>HY19</b>	<b>HY20</b>	<b>HY21</b>
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

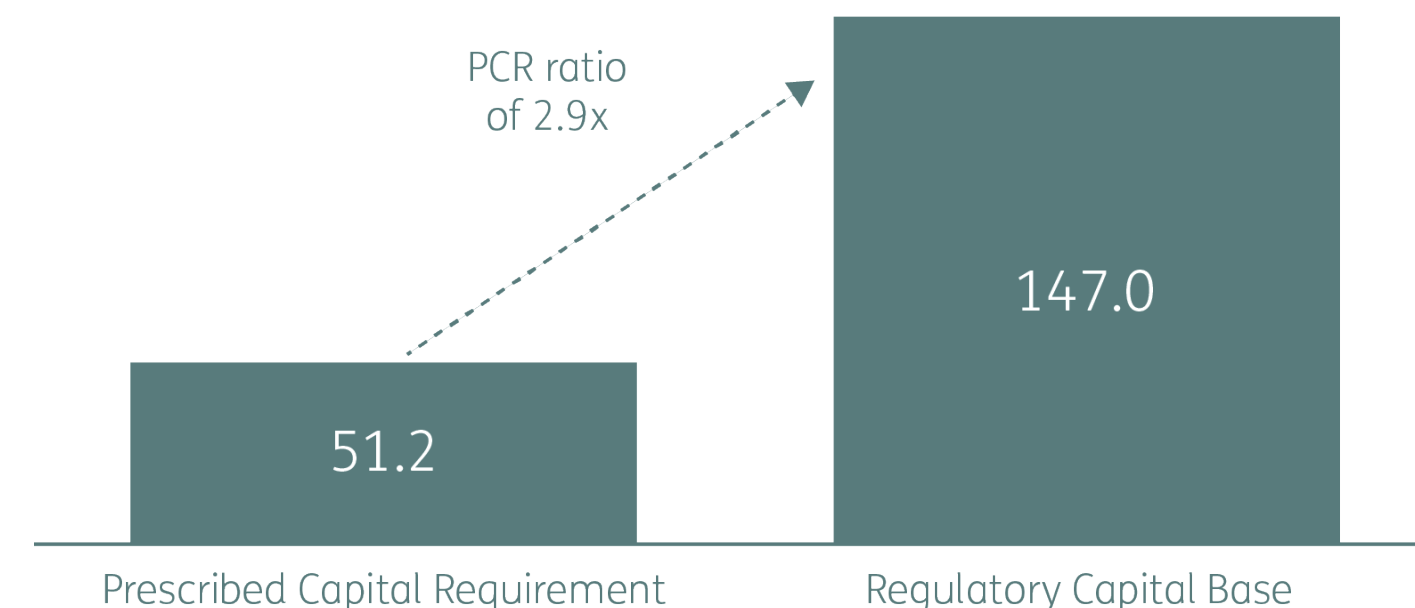
	<b>FY18<sup>5</sup></b>	<b>FY19</b>	<b>FY20<sup>4</sup></b>	<b>HY21<sup>4</sup></b>
Embedded Value (\$m)	670.1	672.6	643.4	635.7
Embedded Value per share (cps)	1.00	99.4	95.3	94.1

## Capital (\$m)

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

- \$75m Tier 2 capital raising in November 2020
- Asset concentration risk addressed in medium term<sup>1</sup>
- Life insurance superannuation transfer to HUB24 completed November 2020 - addresses tax credit issue
- Includes APRA supervisory adjustment as part of IDII<sup>2</sup> 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<sup>1</sup> guidance of \$21-\$25m for FY21<sup>2,6,7</sup>

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



APRAIDII<sup>3</sup> sustainability measures likely to improve industry performance in the medium term (underlying margins and return on capital)



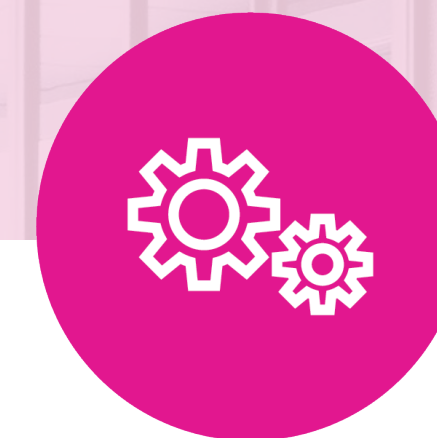
Strong Balance Sheet and capital base resilient to various stress scenarios



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<sup>5</sup>

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Individual Disability Income Insurance.

<sup>4</sup> Not used.

<sup>5</sup> Operating Earnings (after tax) represents the Underlying NPAT<sup>1</sup> of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital.

<sup>6</sup> 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.

<sup>7</sup> Group Underlying NPAT<sup>1</sup> guidance of \$20-24m was previously provided.



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# Appendix Additional Financial Information



# Consolidated HY21 results: Shareholder view<sup>1</sup>

6 Months to December 2020 (\$M) <sup>1</sup>	2018			2019			2020			2021	% Change <sup>2</sup>
	1H	2H	FY18	1H	2H	FY19	1H	2H	FY20	1H	
Gross life insurance premiums	100.4	106.0	206.4	117.0	116.6	233.6	124.2	126.5	250.7	133.3	7%
Fund management fees	18.0	18.2	36.2	17.7	16.7	34.4	16.7	15.8	32.5	15.5	(7%)
Financial advice fees	8.8	8.6	17.4	8.8	8.4	17.2	8.8	9.3	18.1	7.1	(19%)
Other Income	-	-	-	0.2	-	0.2	-	0.1	0.1	-	0%
<b>Gross Income</b>	<b>127.2</b>	<b>132.8</b>	<b>260.0</b>	<b>143.7</b>	<b>141.7</b>	<b>285.4</b>	<b>149.7</b>	<b>151.6</b>	<b>301.3</b>	<b>155.9</b>	<b>4%</b>
Net claims incurred	(16.9)	(16.0)	(32.9)	(17.0)	(18.9)	(35.9)	(22.6)	(35.5)	(58.1)	(19.1)	(16%)
Reinsurance premium expense	(27.2)	(30.0)	(57.2)	(34.1)	(37.5)	(71.6)	(41.1)	(45.3)	(86.4)	(50.4)	22%
Commission and other variable expenses	(32.7)	(28.7)	(61.4)	(33.7)	(28.4)	(62.1)	(27.1)	(25.0)	(52.1)	(23.6)	(13%)
Funds management expenses	(4.7)	(4.8)	(9.5)	(4.9)	(4.6)	(9.5)	(4.8)	(4.5)	(9.3)	(4.3)	(11%)
Operating expenses	(39.6)	(40.6)	(80.2)	(44.2)	(40.6)	(84.8)	(41.0)	(36.2)	(77.2)	(41.0)	0%
Movement in policy liabilities	14.2	8.9	23.1	7.1	3.9	11.0	(0.3)	0.6	0.3	1.1	Large
<b>Total Operating Earnings (before tax)</b>	<b>20.3</b>	<b>21.6</b>	<b>41.9</b>	<b>16.9</b>	<b>15.6</b>	<b>32.5</b>	<b>12.8</b>	<b>5.6</b>	<b>18.4</b>	<b>18.6</b>	<b>47%</b>
Income tax (expense) / benefit	(6.0)	(5.7)	(11.7)	(5.0)	(4.8)	(9.8)	(3.3)	(1.7)	(5.0)	(5.5)	68%
<b>Total Operating Earnings (after tax)</b>	<b>14.3</b>	<b>15.9</b>	<b>30.2</b>	<b>11.9</b>	<b>10.8</b>	<b>22.7</b>	<b>9.5</b>	<b>4.0</b>	<b>13.4</b>	<b>13.1</b>	<b>39%</b>
Underlying investment income	1.2	1.3	2.5	1.5	1.4	2.9	1.1	0.9	2.0	0.8	(29%)
Interest expense on corporate debt	(0.1)	(0.2)	(0.3)	(0.2)	(0.3)	(0.5)	(0.3)	(0.4)	(0.7)	(0.9)	209%
<b>Underlying NPAT</b>	<b>15.3</b>	<b>17.1</b>	<b>32.4</b>	<b>13.3</b>	<b>11.8</b>	<b>25.1</b>	<b>10.2</b>	<b>4.5</b>	<b>14.7</b>	<b>13.0</b>	<b>27%</b>
Amortisation of acquired intangibles	(2.0)	(2.0)	(4.0)	(0.6)	(0.6)	(1.2)	0.0	0.0	(0.0)	0.0	NA
Policy liability discount rate effect	(0.7)	(0.2)	(0.9)	2.2	4.4	6.6	(0.4)	2.6	2.2	(1.3)	Large
Impairments	-	-	-	-	(18.9)	(18.9)	-	(2.6)	(2.6)	(0.6)	Large
Cost Out Program Implementation Costs	-	-	-	-	(3.8)	(3.8)	-	-	-	-	NA
Wealth Project Costs	-	-	-	-	-	-	-	(1.4)	(1.4)	(1.5)	Large
Direct Remediation Program, Direct Closure Provision and Royal Commission Costs	-	-	-	(1.9)	(0.5)	(2.4)	-	-	-	-	Large
Other costs	(0.3)	(0.5)	(0.8)	(1.5)	0.1	(1.4)	-	0.2	0.2	0.1	Large
<b>Reported NPAT</b>	<b>12.3</b>	<b>14.3</b>	<b>26.6</b>	<b>11.5</b>	<b>(7.5)</b>	<b>4.0</b>	<b>9.8</b>	<b>3.3</b>	<b>13.1</b>	<b>9.7</b>	<b>(1%)</b>

## Notes

1. Shareholder view excludes the life investments contracts (i.e. unit linked business) and deconsolidates retail unit trusts and reflects fees earned by the shareholder less expenses incurred. Inter-segment revenues/expenses are not eliminated in the shareholder view.
2. % change represents the movement from HY20 to HY21.

# Life Insurance

6 Months to December 2020 (\$M) <sup>1</sup>	2018			2019			2020			2021	%
	1H	2H	FY18	1H	2H	FY19	1H	2H	FY20	1H	Change <sup>2</sup>
Gross life insurance premiums	104.7	109.8	214.5	117.0	116.6	233.6	124.1	126.5	250.6	133.3	7%
Net claims incurred	(16.9)	(16.0)	(32.9)	(17.0)	(18.9)	(35.9)	(22.6)	(35.5)	(58.1)	(19.1)	(16%)
Reinsurance premium expense	(27.2)	(30.0)	(57.2)	(34.1)	(37.6)	(71.6)	(41.1)	(45.3)	(86.4)	(50.4)	22%
Commission and other variable expenses	(33.7)	(29.3)	(63.0)	(30.6)	(25.5)	(56.1)	(24.3)	(22.4)	(46.7)	(21.1)	(13%)
Operating expenses	(24.3)	(25.0)	(49.2)	(26.9)	(25.0)	(51.9)	(24.4)	(21.6)	(46.1)	(26.1)	7%
Movement in policy liabilities	14.2	9.0	23.1	7.1	3.9	11.0	(0.3)	0.6	0.3	1.1	Large
<b>BU Operating Earnings (before tax)</b>	<b>16.8</b>	<b>18.4</b>	<b>35.2</b>	<b>15.6</b>	<b>13.4</b>	<b>29.0</b>	<b>11.4</b>	<b>2.2</b>	<b>13.6</b>	<b>17.7</b>	<b>55%</b>
Income tax (expense) / benefit	(5.0)	(5.7)	(10.7)	(4.7)	(4.3)	(9.0)	(3.4)	(1.0)	(4.4)	(5.3)	55%
<b>BU Operating Earnings (after tax)</b>	<b>11.8</b>	<b>12.7</b>	<b>24.5</b>	<b>10.9</b>	<b>9.1</b>	<b>20.0</b>	<b>8.0</b>	<b>1.2</b>	<b>9.2</b>	<b>12.4</b>	<b>55%</b>
Underlying investment income	0.8	0.8	1.6	1.0	1.0	2.0	0.7	0.5	1.2	0.6	(10%)
<b>Underlying NPAT</b>	<b>12.5</b>	<b>13.6</b>	<b>26.1</b>	<b>11.9</b>	<b>10.1</b>	<b>22.0</b>	<b>8.7</b>	<b>1.7</b>	<b>10.4</b>	<b>13.0</b>	<b>50%</b>
Amortisation of intangibles	(1.4)	(1.4)	(2.8)	-	-	-	-	-	-	-	-
Policy liability discount rate effect (after tax)	(0.7)	(0.2)	(0.9)	2.2	4.4	6.6	(0.4)	2.6	2.2	(1.3)	Large
Impairments	-	-	-	-	(5.0)	(5.0)	-	(2.6)	(2.6)	(0.6)	Large
Cost Out Program Implementation Costs	-	-	-	-	(1.5)	(1.5)	(0.1)	(0.5)	(0.6)	-	Large
Direct Remediation Program and Royal Commission Costs	-	-	-	-	(2.0)	(2.0)	(0.5)	0.1	(0.4)	-	Large
Other costs	-	-	-	-	(0.9)	(0.9)	-	0.3	0.3	-	Large
<b>Reported NPAT</b>	<b>10.4</b>	<b>12.0</b>	<b>22.4</b>	<b>14.1</b>	<b>5.1</b>	<b>19.2</b>	<b>7.7</b>	<b>1.7</b>	<b>9.4</b>	<b>11.1</b>	<b>45%</b>

Analysis of Profit (\$M)	2018			2019			2020			2021	%
	1H	2H	FY18	1H	2H	FY19	1H	2H	FY20	1H	Change <sup>2</sup>
<b>Expected Underlying NPAT<sup>3</sup></b>	<b>16.0</b>	<b>16.2</b>	<b>32.2</b>	<b>16.0</b>	<b>15.9</b>	<b>31.9</b>	<b>15.5</b>	<b>15.3</b>	<b>30.8</b>	<b>14.3</b>	<b>(8%)</b>
Claims experience	(3.2)	(2.3)	(5.5)	(2.1)	(1.3)	(3.4)	(4.7)	(7.8)	(12.5)	3.2	Large
Lapse experience	(0.8)	(1.3)	(2.1)	(2.9)	(2.7)	(5.6)	(1.4)	0.1	(1.3)	(0.9)	(36%)
Expense experience	0.2	0.3	0.5	0.6	0.5	1.1	0.3	(0.1)	0.2	(2.7)	Large
Other	0.2	0.7	0.9	0.2	(0.4)	(0.2)	(1.0)	0.1	(0.9)	(0.9) <sup>4</sup>	(14%)
<b>Actual Underlying NPAT before claims assumptions</b>	<b>12.5</b>	<b>13.6</b>	<b>26.1</b>	<b>11.9</b>	<b>11.9</b>	<b>23.8</b>	<b>8.7</b>	<b>7.6</b>	<b>16.3</b>	<b>13.0</b>	<b>55%</b>
Claims Assumptions Changes	-	-	-	-	(1.8)	(1.8)	-	(5.9)	(5.9)	-	-
<b>Actual Underlying NPAT</b>	<b>12.5</b>	<b>13.6</b>	<b>26.1</b>	<b>11.9</b>	<b>10.1</b>	<b>22.0</b>	<b>8.7</b>	<b>1.7</b>	<b>10.4</b>	<b>13.0</b>	<b>55%</b>

Key Statistics And Ratios (\$M)	2018			2019			2020			2021	%
	1H	2H	FY18	1H	2H	FY19	1H	2H	FY20	1H	Change <sup>2</sup>
<b>New Business</b>	<b>22.6</b>	<b>19.7</b>	<b>42.4</b>	<b>21.9</b>	<b>17.3</b>	<b>39.3</b>	<b>14.2</b>	<b>10.1</b>	<b>24.2</b>	<b>8.4</b>	<b>(41%)</b>
LifeSolutions	22.6	19.7	42.4	21.9	17.3	39.2	14.2	10.1	24.2	8.4	(41%)
Direct	-	-	-	-	-	-	-	-	-	-	(51%)
<b>In-Force</b>	<b>209.9</b>	<b>224.8</b>	<b>224.8</b>	<b>240.7</b>	<b>252.6</b>	<b>252.7</b>	<b>260.6</b>	<b>270.8</b>	<b>270.9</b>	<b>282.0</b>	<b>8%</b>
LifeSolutions	167.5	184.2	184.2	201.7	214.8	214.8	223.9	234.9	234.9	246.6	10%
Direct	42.4	40.6	40.6	39.0	37.7	37.7	36.7	35.9	35.9	35.4	(4%)
<b>Cost to Income Ratio</b>	<b>23.2%</b>	<b>22.7%</b>	<b>23.0%</b>	<b>23.0%</b>	<b>21.5%</b>	<b>22.2%</b>	<b>19.7%</b>	<b>17.1%</b>	<b>18.4%</b>	<b>19.6%</b>	

## Notes

1. Shareholder view excludes the life investments contracts (i.e. unit linked business) and deconsolidates retail unit trusts and reflects fees earned by the shareholder less expenses incurred. Inter-segment revenues/expenses are not eliminated in the shareholder view.
2. % change represents the movement from HY20 to HY21.
3. Expected Underlying NPAT of \$14.3m reflects expected profit margins on in-force portfolios based on actuarial assumptions. Includes material changes made to assumptions at 30 June 2020 and potential impacts from COVID-19.
4. Predominantly driven by reduction in interests rates.



# Wealth Management

6 Months to December 2020 (\$M) <sup>1</sup>	2018			2019			2020			2021	% Change <sup>2</sup>
	1H	2H	FY18	1H	2H	FY19	1H	2H	FY20	1H	
Fund management fees	18.0	18.2	36.2	17.7	16.7	34.4	16.7	15.7	32.5	15.5	(7%)
Funds management expenses	(4.7)	(4.8)	(9.5)	(4.9)	(4.6)	(9.5)	(4.8)	(4.5)	(9.3)	(4.3)	(11%)
Variable expense <sup>3</sup>	(3.3)	(3.2)	(6.4)	(3.0)	(2.9)	(5.9)	(2.8)	(2.6)	(5.4)	(2.5)	(10%)
Operating expenses	(7.0)	(7.5)	(14.5)	(7.5)	(7.7)	(15.3)	(7.4)	(6.7)	(14.1)	(8.3)	11%
<b>BU Operating Earnings (before tax)</b>	<b>3.0</b>	<b>2.7</b>	<b>5.8</b>	<b>2.3</b>	<b>1.5</b>	<b>3.8</b>	<b>1.6</b>	<b>2.0</b>	<b>3.6</b>	<b>0.4</b>	<b>(74%)</b>
Income tax (expense) / benefit	(0.6)	(0.3)	(0.9)	(0.4)	(0.1)	(0.5)	(0.2)	(0.2)	(0.4)	0.1	Large
<b>BU Operating Earnings (after tax)</b>	<b>2.5</b>	<b>2.4</b>	<b>4.8</b>	<b>1.9</b>	<b>1.4</b>	<b>3.3</b>	<b>1.5</b>	<b>1.8</b>	<b>3.3</b>	<b>0.6</b>	<b>(61%)</b>
Underlying investment income	0.2	0.2	0.3	0.2	0.2	0.4	0.2	0.1	0.3	0.1	(67%)
<b>Underlying NPAT</b>	<b>2.6</b>	<b>2.6</b>	<b>5.2</b>	<b>2.1</b>	<b>1.5</b>	<b>3.6</b>	<b>1.7</b>	<b>1.9</b>	<b>3.6</b>	<b>0.6</b>	<b>(61%)</b>
Amortisation of acquired intangibles	-	(0.1)	(0.1)	-	(0.1)	(0.1)	-	-	-	-	NM
Impairments	-	-	-	-	(1.1)	(1.1)	-	-	-	-	NM
Cost Out Program Implementation Costs	-	-	-	-	(0.4)	(0.4)	-	-	-	-	NM
Wealth Project Costs	-	-	-	-	-	-	-	(1.4)	(1.4)	(1.5)	Large
Other costs	-	-	-	-	(0.2)	(0.2)	-	-	-	-	NM
<b>Reported NPAT</b>	<b>2.6</b>	<b>2.5</b>	<b>5.1</b>	<b>2.1</b>	<b>(0.4)</b>	<b>1.8</b>	<b>1.7</b>	<b>0.5</b>	<b>2.2</b>	<b>(0.8)</b>	<b>Large</b>

Key Statistics And Ratios (\$M)	2018			2019			2020			2021	% Change <sup>2</sup>
	1H	2H	FY18	1H	2H	FY19	1H	2H	FY20	1H	
<b>Net Flows</b>	<b>163.6</b>	<b>43.6</b>	<b>207.2</b>	<b>(81.2)</b>	<b>(80.8)</b>	<b>(162.0)</b>	<b>65.8</b>	<b>30.2</b>	<b>96.0</b>	<b>80.0</b>	<b>21%</b>
Master Trust	(65.6)	(60.4)	(126.0)	(70.9)	(65.7)	(136.6)	(52.6)	(41.1)	(93.7)	(45.4)	(14%)
WealthSolutions	103.9	58.6	162.5	(10.9)	(18.4)	(29.3)	50.4	16.6	67.0	(60.0)	(219%)
WealthSolutions2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	110.9	Large
WealthFoundations	66.0	32.8	98.8	0.9	15.0	15.9	73.6	68.7	142.3	80.4	9%
External Platforms	59.3	12.6	71.9	(0.3)	(11.7)	(12.0)	(5.6)	(14.0)	(19.6)	(5.9)	6%
<b>Total FUM (\$B)</b>	<b>2.7</b>	<b>2.8</b>	<b>2.8</b>	<b>2.6</b>	<b>2.8</b>	<b>2.8</b>	<b>2.9</b>	<b>2.8</b>	<b>2.8</b>	<b>3.0</b>	<b>5%</b>
Master Trust	1.0	0.9	0.9	0.8	0.8	0.8	0.8	0.7	0.7	0.7	(13%)
WealthSolutions	1.2	1.3	1.3	1.2	1.3	1.3	1.4	1.4	1.4	1.4	(1%)
WealthSolutions2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	Large
WealthFoundations	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.6	0.6	0.7	28%
External Platforms	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	(11%)
<b>Cost to Income Ratio</b>	<b>38.9%</b>	<b>41.2%</b>	<b>40.0%</b>	<b>42.4%</b>	<b>46.4%</b>	<b>44.3%</b>	<b>44.5%</b>	<b>42.4%</b>	<b>43.5%</b>	<b>53.2%</b>	

## Notes

1. Shareholder view excludes the life investments contracts (i.e. unit linked business) and deconsolidates retail unit trusts and reflects fees earned by the shareholder less expenses incurred. Inter-segment revenues/expenses are not eliminated in the shareholder view.
2. % change represents the movement from HY20 to HY21.
3. Variable expense include the platform fee payable on WealthSolutions and the internal advice fee payable to the Financial Advice segment on the Master Trust product

# Financial Advice

6 Months to December 2020 (\$M) <sup>1</sup>	2018			2019			2020			2021	%
	1H	2H	FY18	1H	2H	FY19	1H	2H	FY20	1H	Change <sup>2</sup>
Net financial planning fees	8.8	8.5	17.3	8.8	8.4	17.2	8.8	9.4	18.1	7.1	(19%)
Other Income	-	-	-	0.2	-	0.2	-	-	-	-	NM
Operating expenses	(7.6)	(7.6)	(15.2)	(9.1)	(7.2)	(16.4)	(8.5)	(7.2)	(15.7)	(5.9)	(30%)
BU Operating Earnings (before tax)	<b>1.2</b>	<b>0.9</b>	<b>2.1</b>	<b>(0.1)</b>	<b>1.1</b>	<b>1.0</b>	<b>0.3</b>	<b>2.2</b>	<b>2.5</b>	<b>1.2</b>	<b>Large</b>
Income tax (expense) / benefit	(0.3)	(0.3)	(0.6)	0.0	(0.3)	(0.3)	0.2	(0.7)	(0.4)	(0.3)	Large
BU Operating Earnings (after tax)	<b>0.9</b>	<b>0.5</b>	<b>1.4</b>	<b>(0.1)</b>	<b>0.8</b>	<b>0.7</b>	<b>0.5</b>	<b>1.6</b>	<b>2.1</b>	<b>0.8</b>	<b>66%</b>
Underlying investment income	0.2	0.2	0.3	0.2	0.1	0.3	0.1	0.1	0.2	0.1	(46%)
Underlying NPAT	<b>1.1</b>	<b>0.7</b>	<b>1.8</b>	<b>0.1</b>	<b>0.9</b>	<b>1.0</b>	<b>0.6</b>	<b>1.6</b>	<b>2.3</b>	<b>0.9</b>	<b>66%</b>
Amortisation of acquired intangibles and impairment	(0.6)	(0.5)	(1.1)	(0.6)	(13.4)	(14.0)	-	-	-	-	NM
Cost Out Program Implementation Costs	-	-	-	-	(0.4)	(0.4)	(0.3)	-	(0.3)	-	NM
Other costs	-	-	-	-	(0.3)	(0.3)	-	0.1	0.1	0.1	Large
Reported NPAT	<b>0.5</b>	<b>0.2</b>	<b>0.7</b>	<b>(0.5)</b>	<b>(13.2)</b>	<b>(13.7)</b>	<b>0.3</b>	<b>1.7</b>	<b>2.0</b>	<b>0.9</b>	<b>207%</b>

Key Statistics And Ratios	2018			2019			2020			2021	%
	1H	2H	FY18	1H	2H	FY19	1H	2H	FY20	1H	Change <sup>2</sup>
CFA Advisers	148	134	134	141	126	126	109	99	99	70	(35%)
Matrix Advisers	98	99	99	101	101	101	101	113	113	109	7%
LaVista Advisers	-	-	-	-	2	2	21	52	52	91	Large
Total Advisers	<b>246</b>	<b>233</b>	<b>233</b>	<b>242</b>	<b>229</b>	<b>229</b>	<b>231</b>	<b>264</b>	<b>264</b>	<b>270</b>	<b>17%</b>

## Notes

1. Shareholder view excludes the life investments contracts (i.e. unit linked business) and deconsolidates retail unit trusts and reflects fees earned by the shareholder less expenses incurred. Inter-segment revenues/expenses are not eliminated in the shareholder view.
2. % change represents the movement from HY20 to HY21.



# Listed/ Group Segment

6 Months to December 2020 (\$M) <sup>1</sup>	2018			2019			2020			2021	%
	1H	2H	FY18	1H	2H	FY19	1H	2H	FY20	1H	Change <sup>2</sup>
Operating expenses	(0.7)	(0.5)	(1.2)	(0.7)	(0.6)	(1.2)	(0.6)	(0.7)	(1.4)	(0.7)	13%
<b>BU Operating NPBT</b>	<b>(0.7)</b>	<b>(0.5)</b>	<b>(1.2)</b>	<b>(0.7)</b>	<b>(0.6)</b>	<b>(1.2)</b>	<b>(0.6)</b>	<b>(0.7)</b>	<b>(1.4)</b>	<b>(0.7)</b>	<b>13%</b>
Income tax (expense) / benefit	(0.1)	0.6	0.5	0.0	(0.1)	(0.0)	0.1	0.1	0.3	-	(98%)
<b>BU Operating NPAT</b>	<b>(0.8)</b>	<b>0.1</b>	<b>(0.6)</b>	<b>(0.6)</b>	<b>(0.7)</b>	<b>(1.3)</b>	<b>(0.5)</b>	<b>(0.6)</b>	<b>(1.1)</b>	<b>(0.7)</b>	<b>38%</b>
Underlying investment income	0.1	0.1	0.2	0.1	0.1	0.2	0.1	0.1	0.1	0.0	(60%)
Interest expense on corporate debt	(0.1)	(0.1)	(0.3)	(0.2)	(0.3)	(0.5)	(0.3)	(0.4)	(0.6)	(0.9)	250%
<b>Underlying NPAT</b>	<b>(0.8)</b>	<b>0.1</b>	<b>(0.7)</b>	<b>(0.7)</b>	<b>(0.8)</b>	<b>(1.5)</b>	<b>(0.7)</b>	<b>(0.9)</b>	<b>(1.6)</b>	<b>(1.6)</b>	<b>101%</b>
Cost Out Program Implementation Costs	-	-	-	0.0	(1.5)	(1.5)	1.1	(0.2)	0.9	0.0	Large
Direct Closure, Remediation Program and Royal Commission Costs	-	-	-	(0.4)	0.0	(0.4)	0.0	0.3	0.3	0.0	NM
Other costs	(0.3)	(0.5)	(0.8)	0.0	0.0	0.0	0.0	(0.2)	(0.2)	0.0	NM
<b>Reported NPAT</b>	<b>(1.1)</b>	<b>(0.4)</b>	<b>(1.5)</b>	<b>(1.1)</b>	<b>(2.2)</b>	<b>(3.4)</b>	<b>0.4</b>	<b>(1.0)</b>	<b>(0.6)</b>	<b>(1.6)</b>	<b>Large</b>

## Notes

1. Shareholder view excludes the life investments contracts (i.e. unit linked business) and deconsolidates retail unit trusts and reflects fees earned by the shareholder less expenses incurred. Inter-segment revenues/expenses are not eliminated in the shareholder view.
2. % change represents the movement from HY20 to HY21.



# Balance Sheet, Embedded value and capital position at 31 December 2020



# Balance sheet as at 31 December 2020

## Commentary<sup>2</sup>

### Net Asset and Capital Position

- Net assets (pre-ESP loans) of \$462.2m
- Surplus capital above internal benchmarks of \$25.9m

### Cash, debt and investments

- Net cash position of \$117.2m
  - Cash and cash equivalents of \$206.6m
  - \$16m drawn down under \$60m debt facility;
  - \$75m Tier 2 capital raised reflected as subordinated debt (net of costs)
- \$232.6m investment in PIMCO mandate and Macquarie/ Vanguard index/inflation linked funds

### Goodwill and intangibles

- Goodwill of \$12.5m arising on acquisition of Matrix
- Intangibles of \$5.1m
  - \$4.9m relates to capitalised software costs associated with life insurance systems development and contemporary wealth platform.

### Life Insurance policy liabilities

- Life insurance policy liability decrease reflecting change in the life insurance business (DAC) and interest rate effects between periods and implementation of incurred claims treaties.

### Receivables

- Includes CRP receivable \$17.3m, net of \$1m provision.

## Consolidated Balance Sheet (shareholder view)<sup>1</sup>

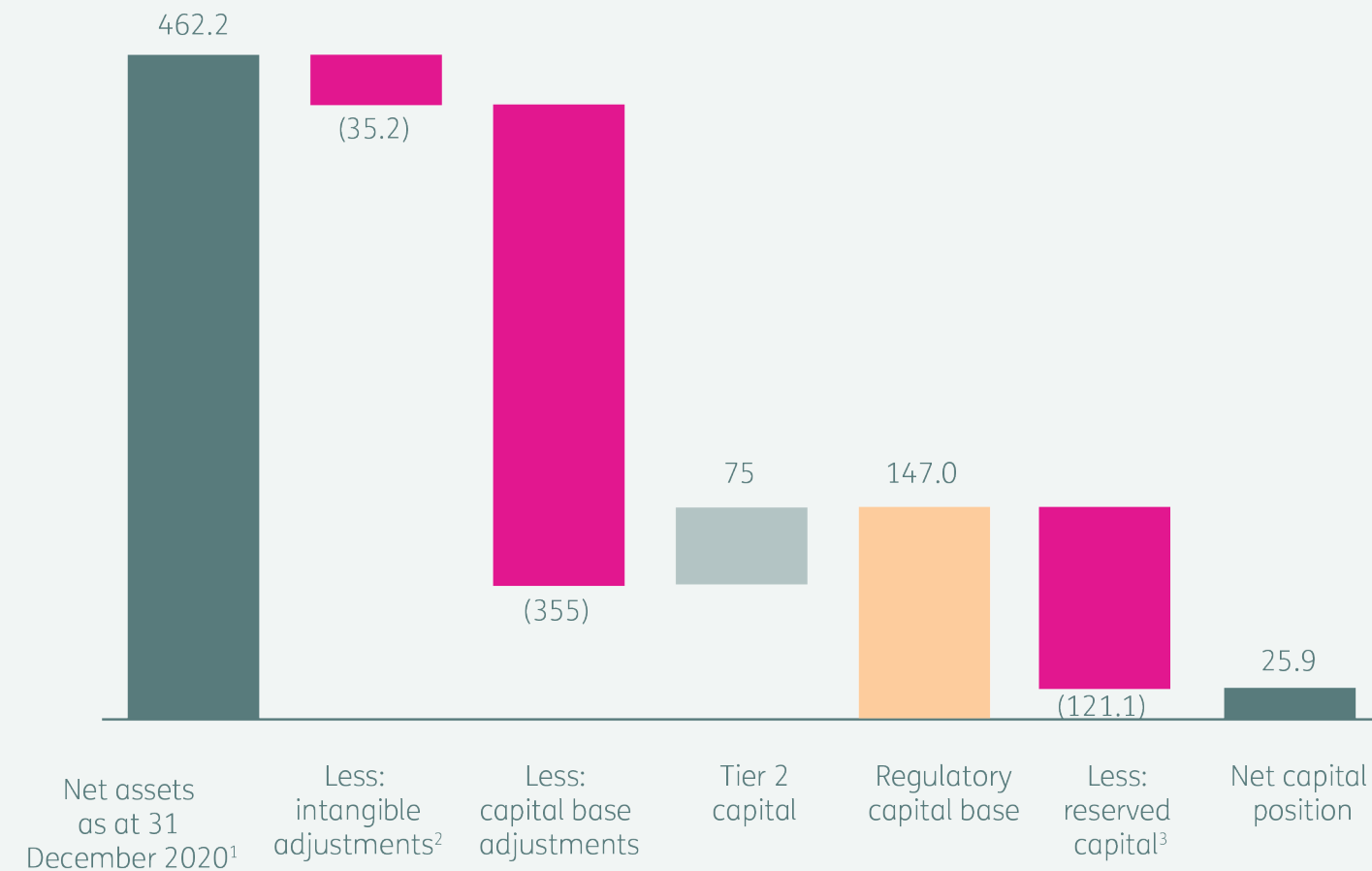
	HY21	FY20
<b>Assets</b>		
Cash and cash equivalents	206.6	272.0
Investments	232.6	29.5
Receivables	40.9	38.9
Deferred tax asset	6.8	7.1
Property, Plant & Equipment	0.8	0.5
Right of use asset	1.3	1.4
Goodwill	12.5	12.5
Intangibles	5.1	6.0
<b>Total assets</b>	<b>506.6</b>	<b>367.8</b>
<b>Liabilities</b>		
Payables	37.4	30.8
Current tax liability	2.1	2.2
Lease liability	1.4	1.8
Provisions	7.3	7.0
Life insurance <sup>3</sup>	(94.7)	(187.9)
Borrowings <sup>4</sup>	16.0	60.0
Subordinated debt <sup>5</sup>	73.4	-
Deferred tax liabilities	1.5	1.2
<b>Total liabilities</b>	<b>44.4</b>	<b>(84.9)</b>
<b>Net assets</b>	<b>462.2</b>	<b>452.7</b>

## Notes

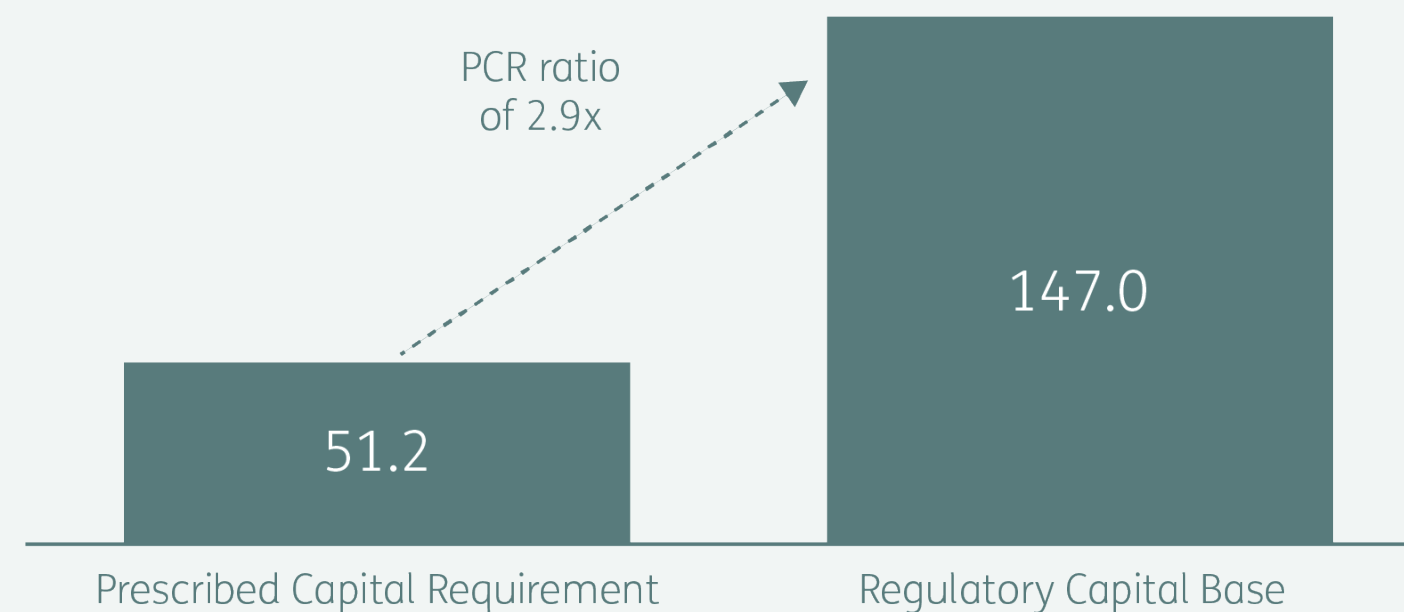
1. Shareholder view excludes the life investment contracts (i.e., unit linked business), deconsolidated retail unit trusts and reflects fees earned by the shareholder less expenses incurred.
2. As at 31 December 2020 unless otherwise stated
3. Life Insurance asset reflects insurance liabilities net of the future recoverability of the deferred acquisition cost (DAC) in accordance with the accounting standards.
4. ClearView has access to a \$60m debt funding facility, \$16m drawn at 31 December 2020.
5. ClearView raised \$75m (net of \$1.6m of costs) of Tier 2 capital in November 2020

# Capital position at 31 December 2020

## Group Capital Position Bridge - \$m



## Group Regulatory Capital Coverage (\$M)



## Commentary

- Net capital position above internal benchmarks of \$25.9m
- Intangible adjustment includes the removal from the capital position of goodwill (\$12.5m), intangibles (\$5.1m), CRP receivable (\$16m) and Tier 2 capital raising costs (\$1.6m)
- Capital base adjustments include removal of deferred acquisition costs (\$351.5m) and deferred tax assets (\$3.5m) that are not permitted to be counted in the regulatory capital base
- Regulatory capital base includes \$75m of Tier 2 subordinated notes issued in November 2020
- Incurred claims treaty for income protection now in place that addresses reinsurance asset concentration risk in medium term
- Life insurance superannuation transfer to HUB24 completed November 2020 - addresses tax credit issue
- Prescribed capital requirement includes APRA supervisory adjustment for ClearView Life as part of IDII sustainability measures
- Capital backed by net cash and investments of \$350m (52cps)
- FY21 dividend to be reinstated, subject to 2H performance; Payout ratio of 40 - 60% of Operating Earnings After Tax<sup>6</sup>

## Notes

1. Net Assets as at 31 December 2020 excluding ESP Loans. Net assets include the deferred acquisition costs (DAC) component of insurance policy liabilities.
2. Intangible adjustments relate to goodwill, acquired intangibles and capitalised software. It also includes a \$16.0m receivable from the ClearView Retirement Plan (CRP). As a result of the transfer of ClearView LifeSolutions Risk Only Division to HTFS Nominees Pty Limited as trustee of HUB24 Super Fund, it is anticipated that CRP will be able to generate future net taxable income. Prior years carried forward tax losses should be able to be offset by taxable income and reducing the tax liability of CRP, and hence the amount receivable from CRP. As at 31 December 2020, the Group held a receivable amount from CRP of \$17.3m (30 June 2020 \$15.5m). It is expected that the receivable amount will be recoverable in the foreseeable future as CRP continues to generate future taxable income. The recoverability of the receivable from CRP will continue to be assessed at each reporting period.
3. Reserved capital includes the minimum regulatory capital, APRA supervisory adjustment for ClearView Life as part of IDII sustainability measures, risk capital which is additional capital held to address the risk of breaching regulatory capital and a working capital reserve (if applicable) held to support the capital needs of the business beyond the risk reserving basis.
4. ClearView has implemented an incurred claims treaty with Swiss Re for lump sum and income protection business, where claims (including reserve components) are paid when a claim is incurred which reduces the concentration risk exposure. There is no Asset Concentration Risk charge under LPS 117 relating to the Swiss Re exposure as at 31 December 2020.
5. The Debt Facility is repayable on 1 April 2024. \$16m of the debt facility has been drawn down as at 31 December 2020.
6. Operating Earnings After Tax represents the Underlying NPAT<sup>5</sup> of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital.

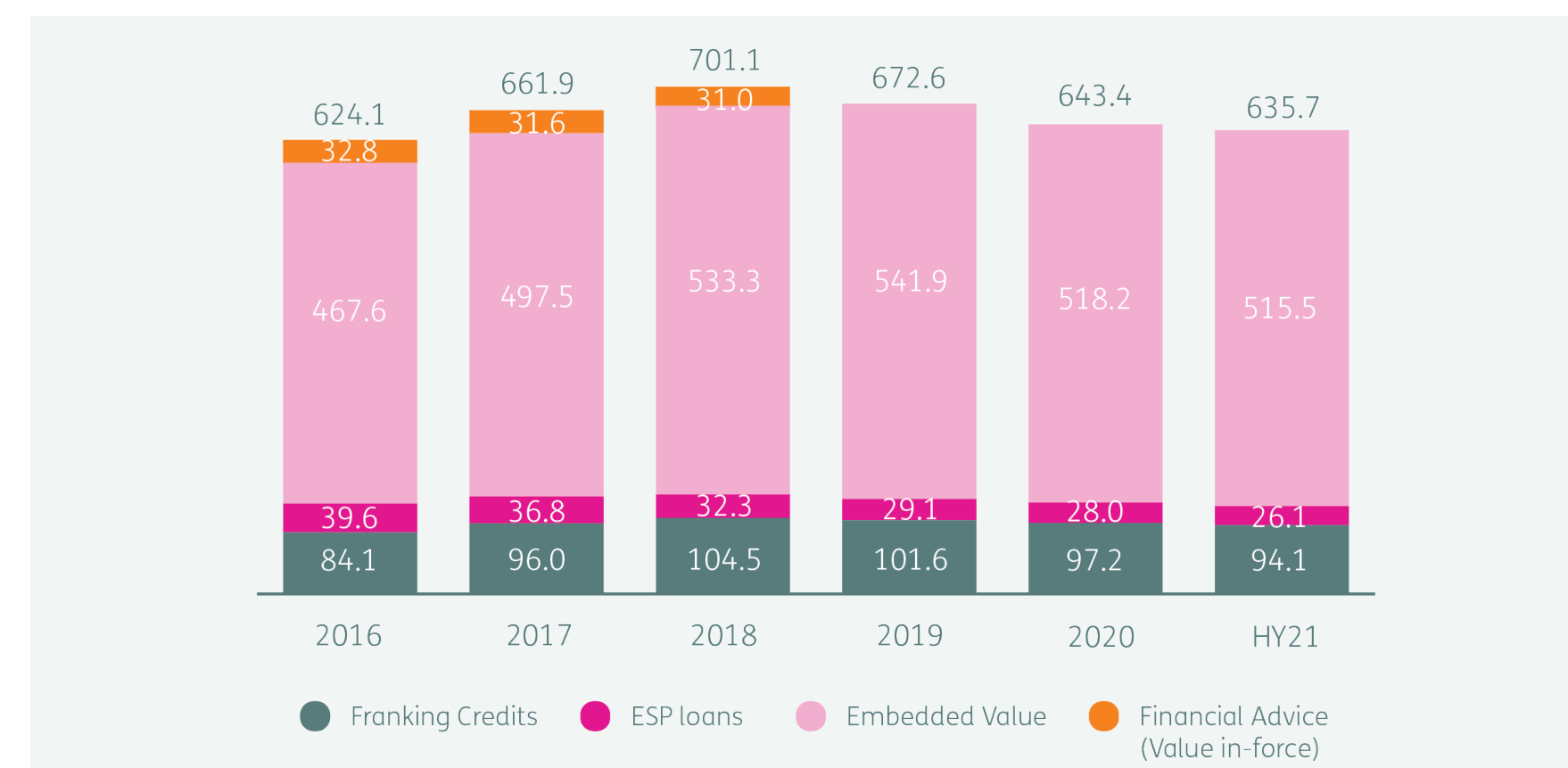


# Embedded Value as at 31 December 2020

Risk margin over risk free rate <sup>2</sup> : (\$M), (unless otherwise stated)	3% dm	4% dm	5% dm
Life insurance	497.8	465.3	436.5
Wealth management	47.4	45.0	42.6
Advice	-	-	-
<b>Value of In Force (VIF)</b>	<b>545.1</b>	<b>510.3</b>	<b>479.1</b>
Net worth <sup>3</sup>	5.2	5.2	5.2
ESP Loans	26.1	26.1	26.1
<b>Total EV Including ESP Loans</b>	<b>576.4</b>	<b>541.6</b>	<b>510.4</b>
<b>Franking Credits @ 70%:</b>			
Life Insurance	66.1	61.6	57.6
Wealth Management	11.2	10.6	10.1
Net worth (accrued franking credits)	21.9	21.9	21.9
<b>Total Franking Credits</b>	<b>99.3</b>	<b>94.1</b>	<b>89.6</b>
<b>Total EV including ESP loans and franking credits</b>	<b>675.7</b>	<b>635.7</b>	<b>600.0</b>
<b>EV per Share Including ESP Loans (cents)</b>	<b>85.4</b>	<b>80.3</b>	<b>75.6</b>
<b>EV per Share Including ESP Loans and Franking Credits (cents)</b>	<b>100.1</b>	<b>94.2</b>	<b>88.9</b>

## Notes

1. Embedded Value at 4% discount rate margin, including a value for future franking credits, accrued franking credits and ESP loans. As at 31 December 2020 unless otherwise stated
2. EVs have been presented 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 HY21 EV is 2% (June 2020: 2%).
3. Includes net assets of Financial Advice segment.

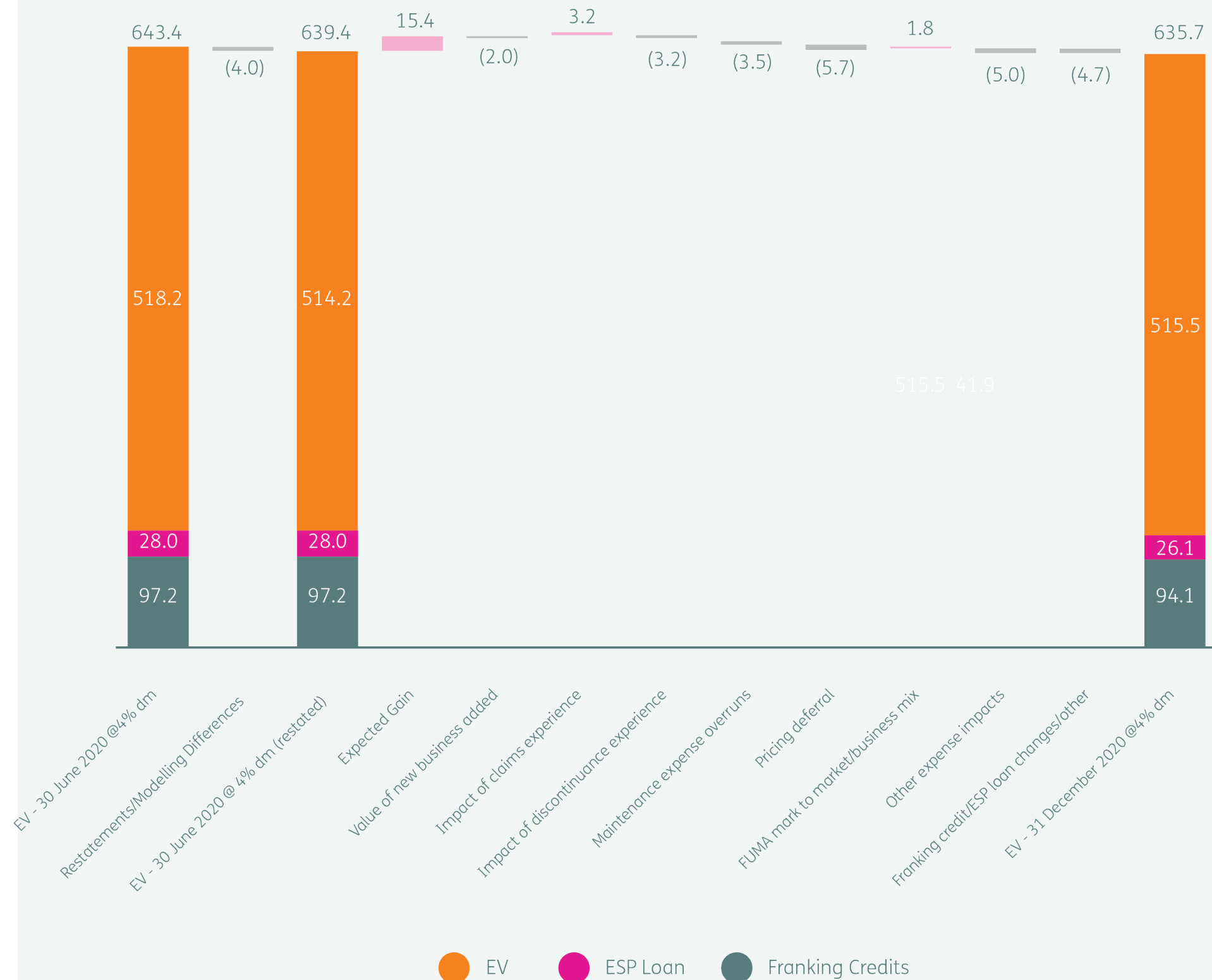


## Commentary<sup>1</sup>

- **EV of \$635.7m<sup>1</sup>** including franking credits and ESP Loans and the effects of restatements
- **EV per share of circa 94.2cps<sup>1</sup>** including franking credits and ESP Loans
- **EV is made up of the value of the in-force (VIF) and the net worth:**
  - EV is the **value of all business written to date** determined by actuarial assumptions and modelling
  - EV is **based only on in-force portfolios** excluding the value of any future growth potential
  - EV **includes a value of future franking credits at 70%** of their present value. This also includes a value of existing accrued franking credits (\$21.9m)
  - **EV includes material assumption changes made in June 2020**
  - **Key drivers in EV<sup>1</sup> movement from FY20 to HY21 detailed on next slide**

# Embedded Value movement analysis

**Embedded Value<sup>1</sup> Waterfall: FY20-HY21 (\$M)**



- Key assumption changes at 30 June 2020 included in EV calculations:
  - Claims assumptions including an assessment of potential impacts from COVID-19
  - Shock lapse assumptions been built into the EV, incorporating effects of the April 2020 price increases and COVID-19 overlays. This is in respect to price increases expected across the portfolio and potential lapses from customers which have had a detrimental impact from the economic impacts associated with COVID-19
- Further shock lapses are also allowed for with respect to further proposed rate changes from October 2021<sup>2</sup> – the deferral of these changes for a six month period had an adverse \$5.7m impact on the EV
- The increases in reinsurance premiums (for business sold prior to 1 March 2019) and costs associated with the incurred claims treaty have been allowed for in the EV calculations. This will be effective for policies renewing from 1 March 2021

**Notes**

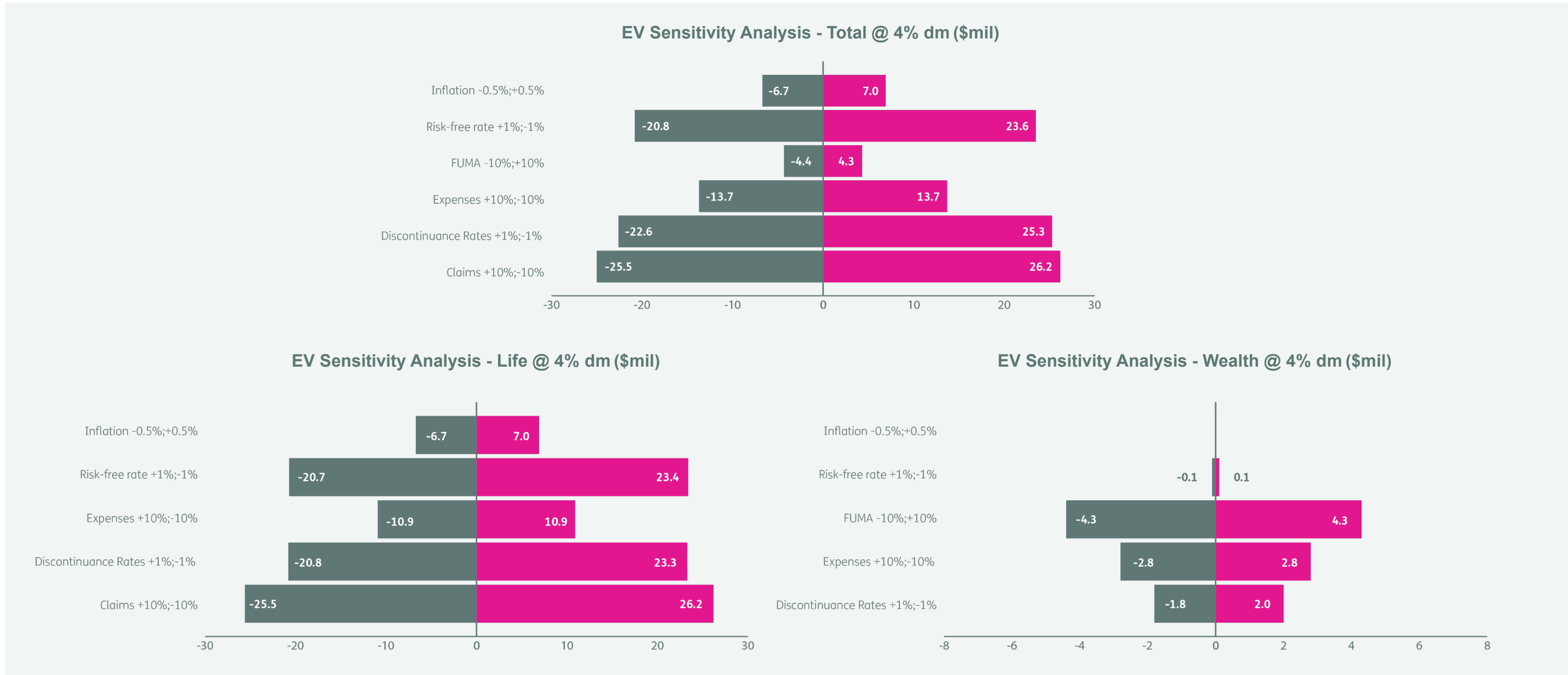
1. Embedded Value at 4% discount rate margin, including a value for future franking credits, accrued franking credits and Employee Share Plan (ESP) loans.
2. Further planned rate changes from October 2021 across the LifeSolutions portfolio and closed portfolios from May 2021 have been allowed for in policy liabilities and EV calculations at 31 December 2020.



# EV movement analysis @ 4% DM by segment at 31 December 2020

<b>MOVEMENT ANALYSIS @ 4% dm</b>	<b>Life</b>	<b>Wealth</b>	<b>Advice</b>	<b>Other</b>	<b>Total</b>
EV - 30 June 2020 (excluding Franking Credits and ESP Loans) - As Published	<b>476.4</b>	<b>50.3</b>	<b>10.3</b>	<b>(18.7)</b>	<b>518.2</b>
Restatements/modeling difference	(3.5)	(0.5)	0.0	0.0	(4.0)
EV - 30 June 2020 (excluding Franking Credits and ESP Loans) - Restated	<b>472.9</b>	<b>49.8</b>	<b>10.3</b>	<b>(18.7)</b>	<b>514.2</b>
<b>December 2020 - Movements</b>					
Expected Gain	13.8	1.5	0.1	0.0	15.4
Value of New Business Added	(1.6)	(0.3)	0.0	0.0	(2.0)
Costs considered unusual to ordinary activities	(0.6)	0.0	0.1	(1.5)	(2.0)
Tier 2 Raising Costs	0.0	0.0	0.0	(1.6)	(1.6)
Listing and interest on corporate debt	0.0	0.0	0.0	(1.4)	(1.4)
Net capital applied	0.0	0.0	0.0	(0.2)	(0.2)
Impact of Claims experience	3.2	0.0	0.0	0.0	3.2
Impact of Discontinuances experience	(0.8)	(2.3)	0.0	0.0	(3.2)
Maintenance Expenses Overruns	(2.7)	(0.8)	0.0	0.0	(3.5)
Pricing Deferral	(5.7)	0.0	0.0	0.0	(5.7)
FUMA mark to market/Business Mix	0.0	1.8	0.0	0.0	1.8
Other	0.3	(0.0)	0.0	(0.0)	0.2
EV - 31 December 2020 @ 4% dm (excluding Franking Credits and ESP Loans)	<b>478.7</b>	<b>49.7</b>	<b>10.3</b>	<b>(23.3)</b>	<b>515.5</b>
ESP Loan / Franking credits	61.6	10.6	0.0	48.0	120.2
<b>Total EV Including ESP Loans and Franking credits – 31 December 2020</b>	<b>540.3</b>	<b>60.4</b>	<b>10.3</b>	<b>24.7</b>	<b>635.7</b>

# EV sensitivity analysis @4% DM<sup>1</sup>



**Notes**

1. Does not include the impact of management actions in response to sensitivities (for example, premium rate changes), or reinsurer response to sensitivities (for example, reinsurer rate changes). "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 HY21 EV is 2% (June 2020: 2%).



# Group net assets and capital analysis at 31 December 2020



Group Capital Position as at 31 December 2020 (\$M)	Life	Wealth	Other	APRA Regulated Entities	Wealth	Financial Advice	ASIC Regulated Entities	All Regulated Entities	NOHC <sup>6</sup> / Other	Group
Net assets at 31 December 2020 <sup>1</sup>	442.6	9.0	4.0	455.6	8.4	11.2	19.7	475.3	(13.1)	462.2
Intangible adjustments <sup>2</sup>	(3.6)	(1.0)	0.0	(4.7)	(0.2)	0.0	(0.2)	(4.8)	(30.3)	(35.2)
<b>Net assets after intangible adjustments</b>	<b>438.9</b>	<b>8.0</b>	<b>4.0</b>	<b>450.9</b>	<b>8.3</b>	<b>11.2</b>	<b>19.5</b>	<b>470.4</b>	<b>(43.4)</b>	<b>427.0</b>
Capital Base Adjustment:										
Deferred Acquisition Costs (DAC)	(351.5)	-	-	(351.5)	-	-	-	(351.5)	0.0	(351.5)
Tier 2 capital	30.0			30.0				30.0	45.0	75.0
Other Adjustments to Capital Base	(2.4)	(0.1)	0.0	(2.5)	(0.1)	(0.7)	(0.9)	(3.4)	(0.2)	(3.5)
<b>Regulatory Capital Base</b>	<b>115.0</b>	<b>7.9</b>	<b>4.0</b>	<b>126.9</b>	<b>8.2</b>	<b>10.5</b>	<b>18.6</b>	<b>145.6</b>	<b>1.5</b>	<b>147.0</b>
Prescribed Capital Requirement	(38.3)	(3.6)	(3.6)	(45.5)	(5.0)	(0.6)	(5.6)	(51.2)	-	(51.2)
<b>Available Enterprise Capital</b>	<b>76.7</b>	<b>4.3</b>	<b>0.4</b>	<b>81.4</b>	<b>3.2</b>	<b>9.8</b>	<b>13.0</b>	<b>94.4</b>	<b>1.5</b>	<b>95.8</b>
Enterprise Capital Benchmark (ECB)										
Working Capital	(5.0)	-	-	(5.0)	-	-	-	(5.0)	-	(5.0)
Risk Capital <sup>5</sup>	(48.9)	(2.9)	-	(51.8)	(2.0)	(2.7)	(4.6)	(56.5)	(8.5)	(64.9)
<b>Net capital position as at 31 December 2020</b>	<b>22.8</b>	<b>1.3</b>	<b>0.4</b>	<b>24.6</b>	<b>1.2</b>	<b>7.2</b>	<b>8.4</b>	<b>32.9</b>	<b>(7.0)</b>	<b>25.9</b>

Reconciliation of net assets to net capital position	Life	Wealth	Advice	Other	Total
<b>Net Assets</b>	<b>442.6</b>	<b>17.4</b>	<b>11.2</b>	<b>(9.0)</b>	<b>462.2</b>
- Capital incl in VIF	(429.1)	(14.0)	0.0	(14.3)	(457.0)
<b>Net Worth</b>	<b>13.4</b>	<b>3.84</b>	<b>11.2</b>	<b>(23.3)</b>	<b>5.2</b>
- Overhead & New Business Capital	(20.6)	(1.3)	(4.1)	(28.3)	(54.3)
<b>Net capital position (before Tier 2 capital)</b>	<b>(7.2)</b>	<b>2.5</b>	<b>7.2</b>	<b>(51.6)</b>	<b>(49.1)</b>
- Tier 2 Capital	30.0	-	-	45.0	75.0
<b>Net capital position as at 31 December 2020</b>	<b>22.8</b>	<b>2.5</b>	<b>7.2</b>	<b>(6.6)</b>	<b>25.9</b>

## Notes

1. Net Assets as at 31 December 2020 excluding ESP Loans. Net assets include the deferred acquisition costs (DAC) component of insurance policy liabilities.
2. Intangible adjustments relate to goodwill, acquired intangibles and capitalised software. It also includes a \$16.0m receivable from the ClearView Retirement Plan (CRP). As a result of the transfer of ClearView LifeSolutions Risk Only Division to HTFS Nominees Pty Limited as trustee of HUB24 Super Fund, it is anticipated that CRP will be able to generate future net taxable income. Prior years carried forward tax losses should be able to be offset by taxable income and reducing the tax liability of CRP, and hence the amount receivable from CRP. As at 31 December 2020, the Group held a receivable amount from CRP of \$17.3m (30 June 2020 \$15.5m). It is expected that the receivable amount will be recoverable in the foreseeable future as CRP continues to generate future taxable income. The recoverability of the receivable from CRP will continue to be assessed at each reporting period.
3. Reserved capital includes the minimum regulatory capital, APRA supervisory adjustment for ClearView Life as part of IDII sustainability measures, 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.
4. ClearView has implemented an incurred claims treaty with Swiss Re for lump sum and income protection business, where claims (including reserve components) are paid when a claim is incurred which reduces the concentration risk exposure. There is no Asset Concentration Risk charge under LPS 117 relating to the Swiss Re exposure as at 31 December 2020.
5. As at 31 December 2020, risk capital is held in regulated entities at 97.5% probability of adequacy (POA). Risk capital at 99% POA is held in the NOHC<sup>3</sup>
6. NOHC is a non operating holding company regulated by APRA under the Life Insurance Act.



# Impact of ESP Shares



# Impact of Employee Share Plan (ESP) shares

## Per share calculations

Half year ended 31 December 2020	HY21
Number of shares on issue (m)	631.2
ESP shares on issue (m)	41.2
Shares on issue to calculate NAV per share (A)	672.4
Net assets (\$m)	462.2
ESP loans (\$m)	26.1
Proforma net assets (\$m) (B)	488.3
Fully diluted NAV per share = (B)/(A)	72.6 cents
Operating earnings after tax (\$m)	13.1
Fully diluted underlying NPAT per share	2.06 cents
Reported NPAT (\$m)	9.7
Reported diluted NPAT per Share	1.54 cents

- Accounted for as an option in accordance with AASB 2
- Limited recourse loan not reported as a receivable on balance sheet
- Loan repaid with cash if shares are “in the money”
- 41.2m ESP shares on issue and \$26.1m loans receivable at 31 December 2020; Loans valued based on issue price given shares will either be forfeited (and removed from the number of shares on issue) or bought back at issue price, to the extent they are ‘out of the money’
- Given lower share price at 31 December 2020, the current ESP shares issued are considered to be ‘out of the money’. Should ESP shares be forfeited, there would be a reduction in number of ESP shares on issue, in addition to an equivalent reduction in the ESP loans that have otherwise been included and added back to net assets based on the issue price of the ESP share (ESP loan value). The effect would be a fully diluted net asset value per share increase of 0.6 cents to 73.2 cents per share.
- Operating earnings after tax is the Board’s key measure of profitability and the basis on which dividends are determined
- Operating earnings after tax of \$13.1m, up 39% on HY20

### Notes

1. Weighted average number of shares used for the purpose of calculating fully diluted underlying NPAT per share to take account of ESP shares on issue during the period.

# Disclaimer



## Important notice And disclaimer

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