

# ClearView Results Half Year ended 31 December 2018

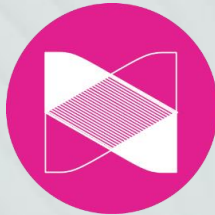
## Investor presentation

Simon Swanson – Managing Director  
Athol Chiert – Chief Financial Officer



# Agenda

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About  
ClearView



HY19 Result  
Overview



Market and  
Business Outlook

# About ClearView

Section 1



# ClearView Group Overview



ClearView Wealth Limited is an ASX-listed diversified financial services company which partners with financial advisers to help Australians protect and grow their wealth, and achieve their financial goals.

ClearView's current operating structure comprises of three core business segments: **Life Insurance**, **Wealth Management** and **Financial Advice**.

## Life Insurance

### ClearView LifeSolutions

ClearView manufactures products for the Advised Life Insurance market. ClearView does not participate in the direct life or group life market segments.

Our product suite is branded LifeSolutions. Policies are issued by ClearView Life or via the ClearView Retirement Plan (ClearView's superannuation fund).

## Wealth Management

### ClearView WealthSolutions ClearView WealthFoundations

ClearView is a provider of wealth management products in Australia's retail funds management industry.

Our contemporary product suite includes two investment and administration platforms, WealthSolutions and WealthFoundations.

WealthSolutions is an outsourced investment and administration platform issued via the ClearView Retirement Plan and IDPS.

WealthFoundations is a simple superannuation and retirement income investment and administration solution issued by the ClearView Retirement Plan and underwritten by ClearView Life. It offers a range of model portfolios.

## Financial Advice



ClearView operates two Australian Financial Services Licences (AFSL's), ClearView Financial Advice (CFA) and Matrix Planning Solutions (Matrix). LaVista Licensee Solutions also provides dealer services to self-licensed AFSLs.

CFA, Matrix and LaVista Licensee Solutions provide licensing services and business support to 242 financial advisers. LaVista Licensee Solutions was recently launched in November 2018.

# 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 in conjunction with personal advice.

## ClearView LifeSolutions



**AQUA**  
integrated eQuote  
and eApp platform



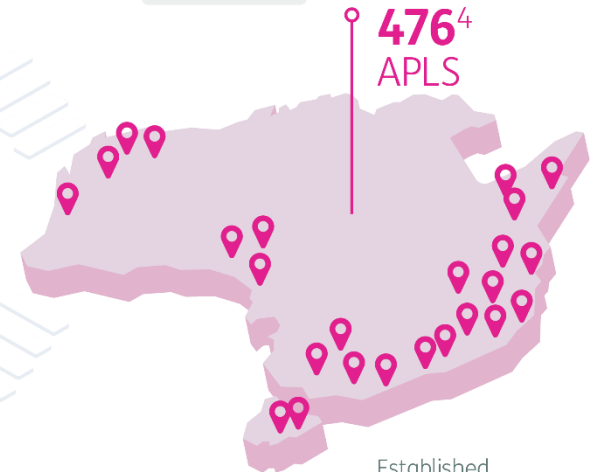
**No. 1**  
Adviser satisfaction<sup>1</sup>



**No. 1**  
Customer claims satisfaction<sup>2</sup>



**476<sup>4</sup>**  
APLS



Established infrastructure and distribution

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 1<sup>st</sup> or 2<sup>nd</sup> 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.

# Life Insurance product repositioning

In response to a declining market, increased price competition and in order to maintain its competitive positioning, a series of changes to LifeSolutions are being implemented.

## Repricing strategy has three primary drivers:

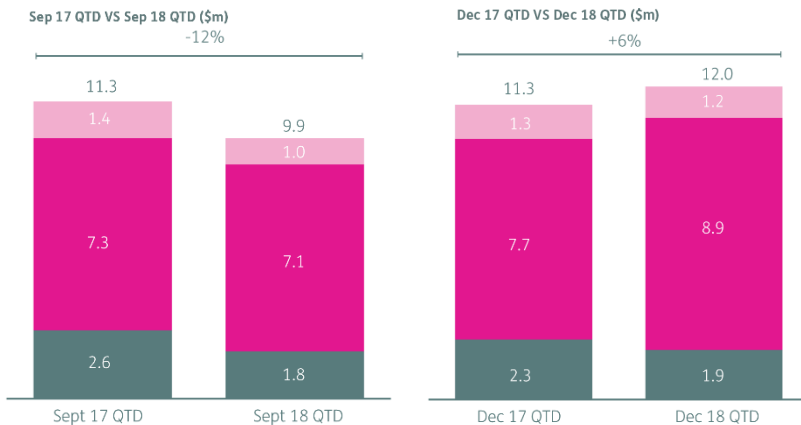
- **Claims experience:** adjusting prices where the portfolio claims experience has improved or deteriorated over recent periods
- **Lapse experience:** reposition product pricing to better reflect current market dynamics and pricing trends
- **Interest rate driver:** adjusting for the cost of lower interest rates and longer term outlook for interest rates to potentially remain low for some extended period

Stepped death and TPD cover rates to be reduced, with income protection and trauma rates increased for new business

Level premium rates have been increased (for new business) reflecting what is now a persistent and ongoing low interest rate environment

Various other improvements to pricing positions, standing features of certain product cohorts  
Transition strategy developed to pass back stepped premium reductions and limited premium rate increases to the inforce portfolio

LifeSolutions new business<sup>1</sup> by channel (HY19 : HY18 (\$m))



## Lapse and retention strategy:

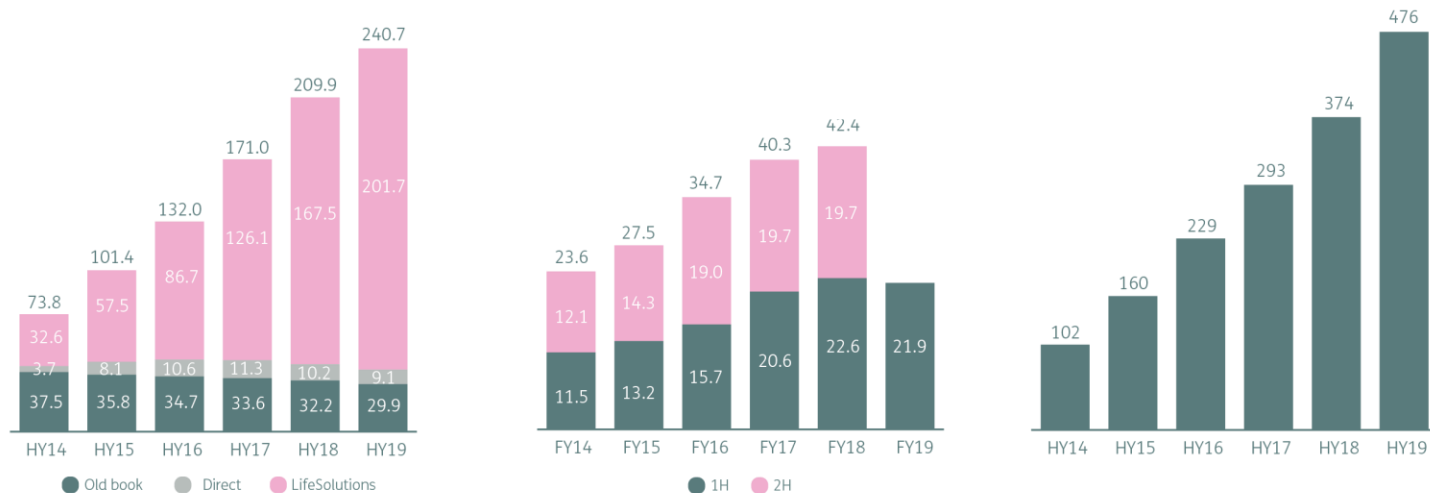
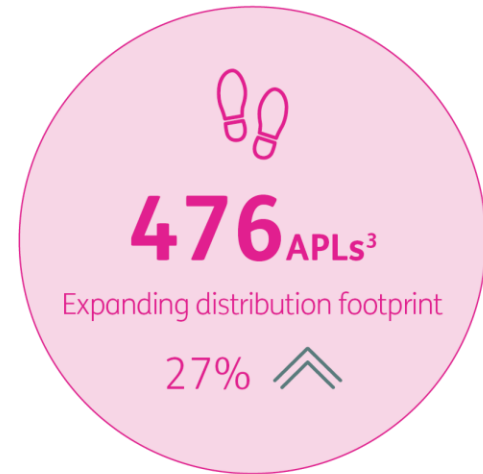
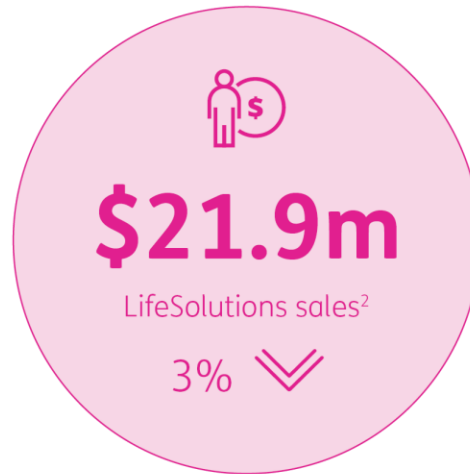
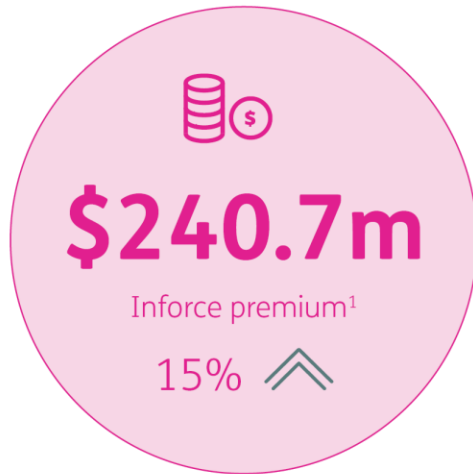
- Termination of distribution relationships with elevated lapses above acceptable norms
- Business mix focus to improve margin and pricing cohorts
- Lump sum and income protection sold as a bundle; likely to reduce churn in certain cohorts over time
- One off implementation cost in present value terms of \$3m included in EV calculations reflecting the cost of transitioning the inforce portfolio to revised premium rates and reinsurance bases

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 increase

# Life Insurance KPIs

Life Insurance remains the key profit driver. Our inforce portfolio continues to record double digit growth (+15%) given the size of new business as a proportion of our inforce book. However, the uncertain regulatory environment, coupled with poor consumer sentiment, led to weaker new life insurance sales across the industry in the first half of FY19.



**Notes**

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

# Wealth Management today

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



ClearView **WealthSolutions**

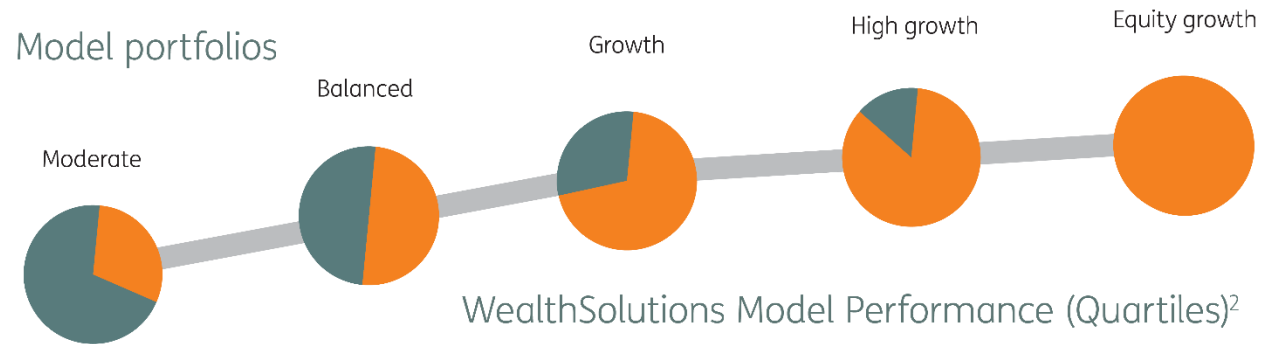


ClearView **WealthFoundations**

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”.



New contemporary technology platform for WealthFoundations; Private label<sup>1</sup> 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)

WealthSolutions Model Performance (Quartiles)<sup>2</sup>

Model	1 year	3 years	5 years
30/70	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>
50/50	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>
70/30	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>
85/15	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>
100/0	1 <sup>st</sup>	1 <sup>st</sup>	N/A

Source: Morningstar all data as at Dec 31st 2018

**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  
 2. Reflects defensive tilt and positioning of investment portfolio.



# Wealth Management product repositioning

The market has seen a number of recent trends with consumers and advisers overall becoming more price sensitive (platforms and asset management); more focus on passive investments; and an increased competitiveness in platform pricing. In response, ClearView has repositioned its product as follows:

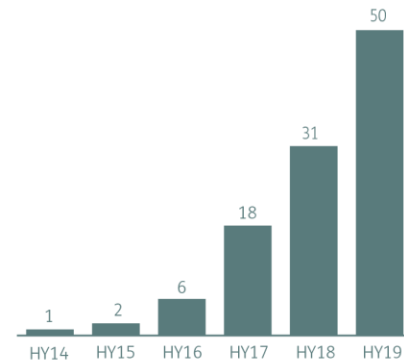
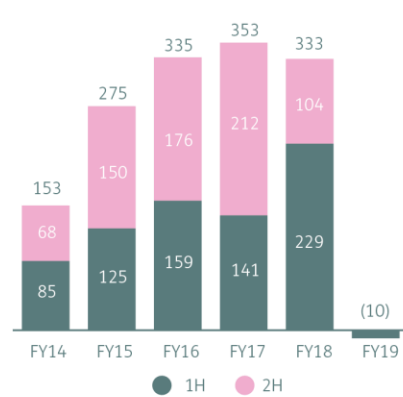
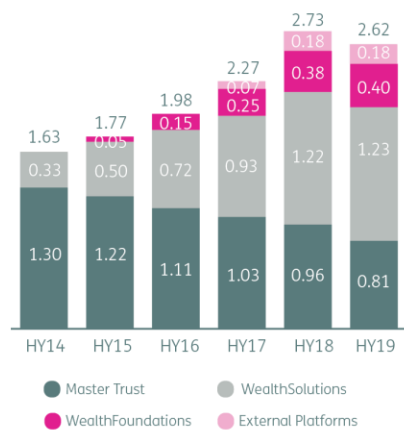
WealthFoundations	WealthSolutions
<p>The introduction of new strategic model portfolios, lower priced indexed models and reduced fees on cash and guaranteed investments (November 2018):</p> <ul style="list-style-type: none"><li>• Allow clients to choose models based on target asset allocations “true to label” for the particular risk profile in addition to the current Dynamic models based asset allocation tilts reflective of ClearView’s views on of future sector performance</li><li>• Implementation of lower cost indexed managers so that lower fees model portfolios can be offered to the market</li><li>• Reduced management fees charged for cash options</li></ul>	<p>Simplify and reduce platform pricing with further development to encourage investments in ClearView models and funds (March 2019):</p> <ul style="list-style-type: none"><li>• Two fee tiers – simplify our existing structure</li><li>• True fee capping – no dollar fees, transaction fees, trustee fees, expense recoveries</li><li>• True fee aggregation</li><li>• Progressive enhancement to model portfolios provided</li><li>• Increase alignment with WealthFoundations and simplifies ClearView product offering</li></ul>



Repricing strategy has an adverse \$4.4m impact to EV calculations in present value terms - aimed at supporting future net flows into contemporary products

# Wealth Management KPIs

ClearView began investing significantly in its Wealth Management business in FY15. ClearView now has a competitive product suite and improving distribution network. Average FUM balances (and fee margin earned) is the key profit driver



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

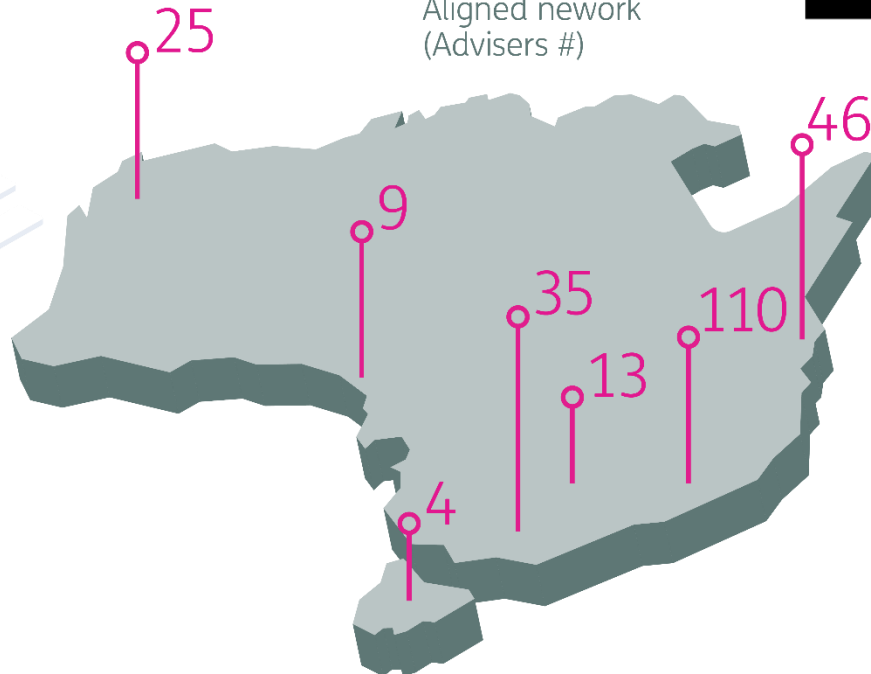
# Financial Advice today

ClearView has established itself as a market leading provider of licensing solutions.

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



**No. 1**  
Australia's  
leading  
licensee<sup>1</sup>



1. CoreData Licensee Report 2017 and 2018.

# LaVista Services and Model

- Offers comprehensive licencing services to meet the third party AFSL needs, circumstances and budgets
- Becomes a back end service provider to third party AFSL market using ClearView back end infrastructure
- Provides an option for advisers to obtain own AFSL
- Provides robust compliance, supervision and monitoring support in light of regulatory focus and change



## Governance & compliance

- Licensee standards
  - Responsible Manager obligations
  - Advice documentation
  - Adviser and AFSL audits
  - Registers & compliance templates
- 



## Community network

- Peer-to-peer network
  - Conferences
  - PD days
  - HR support
- 



## Research

- LaVista research
  - External research
  - Investment committee
  - Approved Product List
- 



## Technical support

- Legislative updates
  - Regulation & industry changes
  - Technical updates
  - Client newsletters
- 

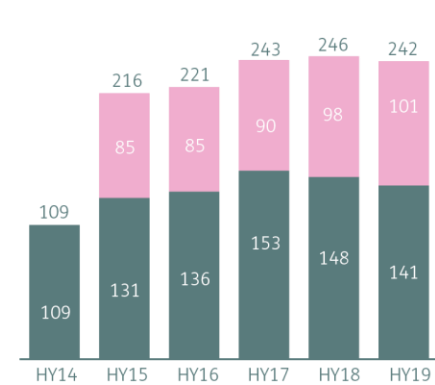
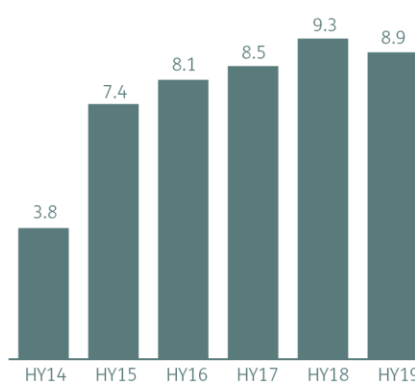
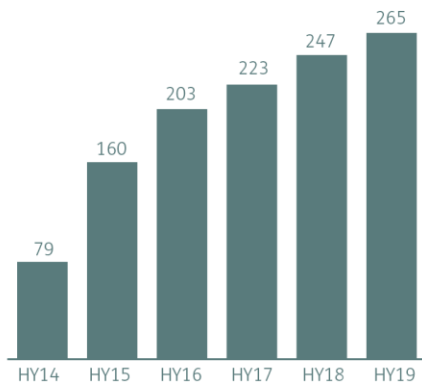
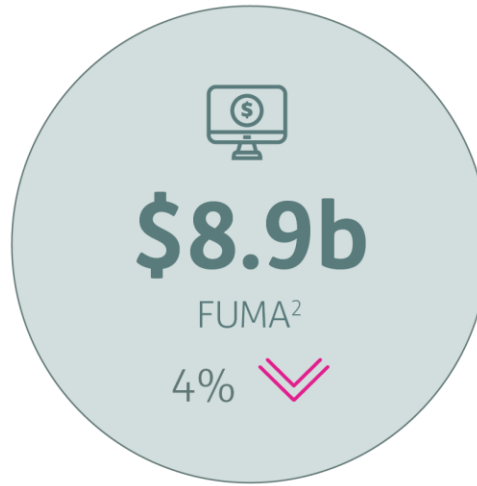
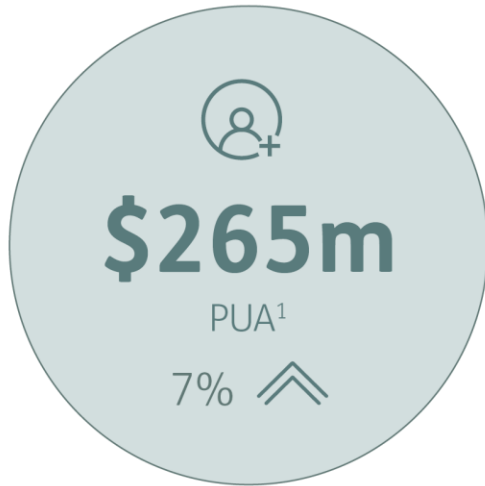


## Software

- Workflow management
- Revenue management & reporting
- In-house help hotline
- Discounts

# Financial Advice KPIs

Adviser network has 242 advisers, \$265m of premiums under advice and \$8.9bn of FUMA<sup>2</sup> – key focus on retention of compliant practices and to attract quality firms to LaVista licensee services



**Notes**

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

# HY19 Result Overview

## Section 2



# HY19 Results summary

Overview			
	HY19 (\$M)	HY18 (\$M)	% Change <sup>(1)</sup>
Life Insurance	11.9	12.5	(5%) ↓
Wealth Management	2.1	2.6	(22%) ↓
Financial Advice	0.1	1.0	(94%) ↓
Listed entity and other	(0.7)	(0.8)	24% ↑
<b>Underlying NPAT<sup>(2)</sup></b>	<b>13.3</b>	<b>15.3</b>	<b>(13%) ↓</b>
Other adjustments <sup>(3)</sup>	(1.8)	(3.0)	40% ↑
<b>Reported NPAT<sup>(4)</sup></b>	<b>11.5</b>	<b>12.3</b>	<b>(6%) ↓</b>
Embedded value <sup>(5)</sup>	671.0	681.0	(1%) ↓
Net asset value <sup>(6)</sup>	446.8	428.4	4% ↑
Underlying diluted EPS (cps) <sup>(7)</sup>	2.08	2.38	(13%) ↓
Reported diluted EPS (cps)	1.80	1.90	(5%) ↓

- **Underlying NPAT, the Board's key measure of Group profitability and basis for dividend payment decisions, decreased 13% to \$13.3m (HY18: \$15.3m):**
  - Reflective of challenging market environment (increased market volatility, uncertainty and negative consumer sentiment)
  - HY19 result was impacted by lapses and claims (-\$5.1m negative experience; HY18 -\$4.0m)
- **HY19 result does not reflect key strategic priorities and actions that are underway in 2H FY19** that are likely to have a longer term positive effect on the emergence of sustainable profit growth from the double digit increases in life insurance in-force portfolio (+15% in HY19):
  - Termination of certain distribution relationships that have lapse rates above acceptable norms coupled with product pricing repositioning of LifeSolutions – focus is on improving lapse rates, with likely shorter term impact on new business volumes
  - Repricing and enhancement of contemporary wealth management products given competitor solutions and recent pricing changes – aimed at supporting net flows, with a shorter term profit impact as price changes are flowed through in-force portfolios
  - Rebalance of cost base of business to current market environment and to align with strategic objectives leading to a material cost transformation program – expected implementation of the program in 2H FY19, that is likely to be partially offset by some reinvestment in product and innovation over time.

ClearView has strong growth embedded in its expanding distribution footprint that underpins growth profile but has a short term focus on improvement in lapse rates to acceptable levels to improve future performance of the business

## Notes

1. % movement, HY18 to HY19 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. Other adjustments include non-cash amortisation, costs considered unusual to normal activities (includes \$0.6m Direct remediation costs, \$1.3m Royal Commission costs and \$1.4m SMT retention bonus costs) and changes in long term discount rates used to determine the insurance policy liabilities (\$2.9m 'swing' between periods).
4. Reported NPAT of \$11.5m, down 6% impacted by changes in long term discount rates used to determine the insurance policy liabilities (\$2.9m 'swing' between periods); represents a non-cash timing difference in the release of profit over time and has no impact on underlying earnings.
5. Embedded Value at 4% discount rate margin, including a value for future franking credits, accrued franking credits and Employee Share Plan (ESP) loans.
6. Net Asset Value as at 31 December 2018 excluding ESP Loans.
7. Adversely impacted by the dilutive effect of shares issued under the DRP, ESP shares vested/forfeited during the period partially offset by a decrease in the number of ESP shares 'in the money' given the decrease in ClearView's share price period on period.

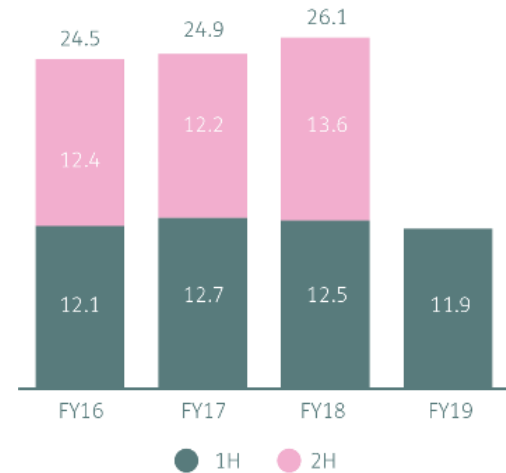
# HY19 Segment Results Overview

Life Insurance

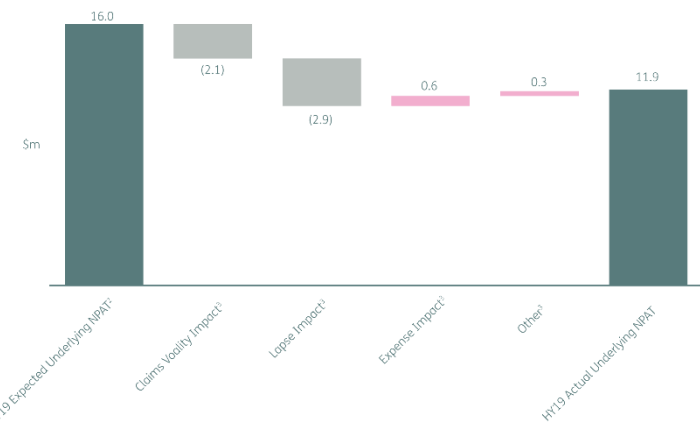
ClearView LifeSolutions

- Life Insurance remains key profit driver. Expanding distribution footprint and new business volumes (relative to size of in-force) leads to a material increase in the in-force portfolio (+15%) which underpins growth profile
- In HY19, adverse claims experience of \$2.1m (HY18: \$3.2m). Adopting a longer term view, overall net adverse claims performance is mainly attributed to income protection (IP) portfolio.
- Adjustment to pricing of overall LifeSolutions product in 2H FY19 aligned with where portfolio claims experience has improved or deteriorated over recent periods. These pricing changes reflect both evolving market relativities and underlying claims and reinsurance costs developments
- In HY19, adverse lapse experience of \$2.9m (FY17: \$0.8m). Recent adverse lapse experience and trend has been driven by a combination of pricing positioning issues, some poor outcomes with certain adviser distribution relationships, some likely consequences of the transition under the Life Insurance Reform commission caps and rules and overall negative consumer sentiment
- Product repricing in key cohorts, coupled with terminating certain adviser distribution relationships that have experienced elevated lapse rates, is expected to reduce lapse rates over time.
- Retention strategies and effects (including further implementation of LIF reforms commission caps), will take time to fully implement and flow through to overall lapse performance, with lapses expected to remain elevated in 2H FY19

Life Insurance Underlying NPAT<sup>1</sup> (\$m)



Life Insurance Underlying NPAT<sup>1</sup> Analysis (\$m)



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. Expected Underlying NPAT of \$16.0 million (0% HY18 to HY19) reflects expected profit margins on in-force portfolios based on actuarial assumptions adopted at 30 June 2018.  
 3. Reflects the actual experience for the relevant item in the HY19 result and the difference between actual and expected experience for the relevant period.



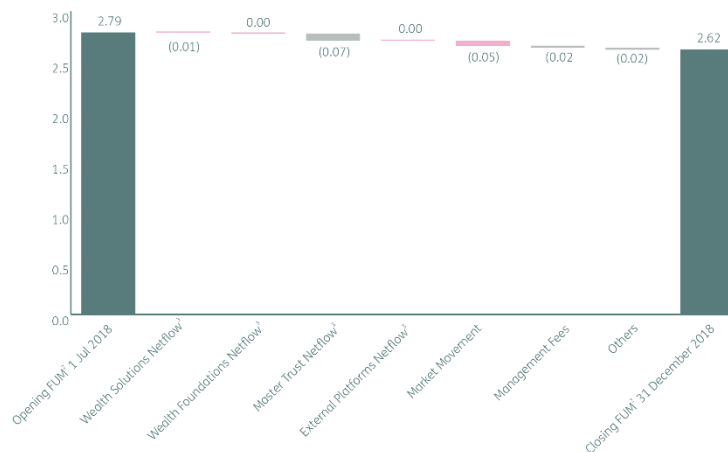
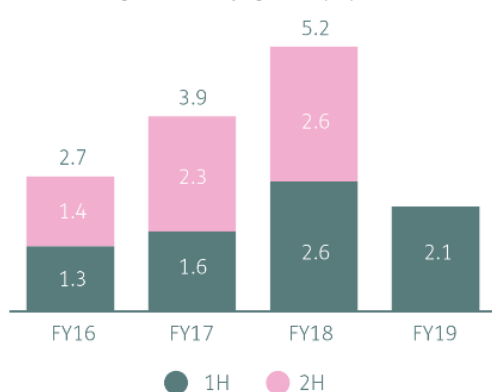
# HY19 Segment Results Overview contd

## Wealth Management

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

- Wealth Management adversely impacted by subdued flows and negative investment performance leading to reduction in fee income, coupled with lack of scale (fixed cost base impacts) on in-house platform
- FUM decreased 4% to \$2.62bn with net outflows of \$81m - contemporary net outflows of \$10m are down materially in HY19, driven by WealthSolutions product
- WealthSolutions product is being repriced and repositioned with two key objectives:
  - Improve fee competitiveness of administration platform, particularly to price appropriately given competitor solutions and product positioning;
  - Progressive enhancement to model portfolio and platform funds, to increase the suite of models available (strategies and price points) and create a compelling value proposition for customers and advisers.
- Aimed at supporting future net flows (through increasing retention of existing business and winning new business).
- Business will continue to benefit from shift away from larger institutions and banks, along with increasing demand for competitive investment administration platforms and products, albeit with some competitive pricing pressures in response to industry developments

Wealth Management Underlying NPAT<sup>1</sup> (\$m)



1. HY19 Underlying NPAT for the relevant segment. Underlying NPAT consists of consolidated profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group's ordinary activities.

2. 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.

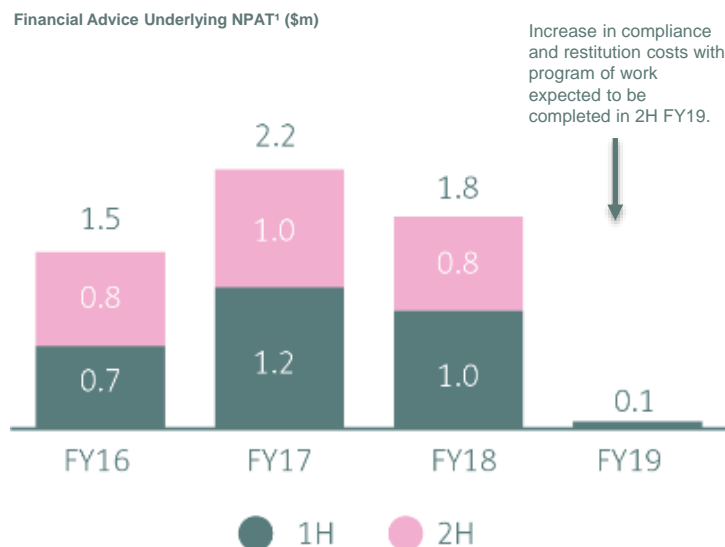
3. Wealth Net Flows is defined as inflows less redemptions into FUM but excludes management fees outflow.

# HY19 Segment Results Overview contd

Financial Advice



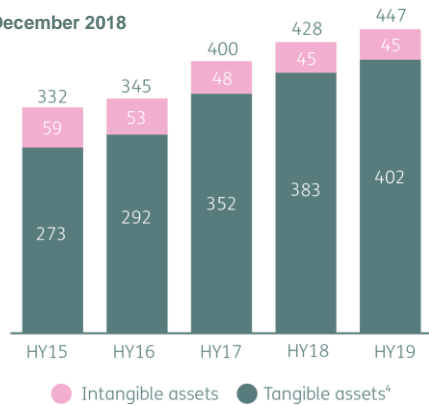
- Underlying NPAT has been impacted by increased operating expenses (+20%) driven by compliance and restitution costs, with \$1.2m of costs (\$0.8m after tax) being incurred in the HY19. This program of work, which involved a retrospective review of life insurance advice that focused on four key areas relating to the appropriateness of this advice, is expected to be completed in 2H FY19 (no further financial impact expected in respect of it)
- ClearView is focused on supporting advisers through an industrial strength back office to help make their practices compliant and more efficient either when they are licenced by our own dealer groups or alternatively where they operate their own licence – launch of LaVista in November 2018 with strong pipeline
- Key focus on removing cross subsidisation and support from ClearView manufacturers in short to medium term



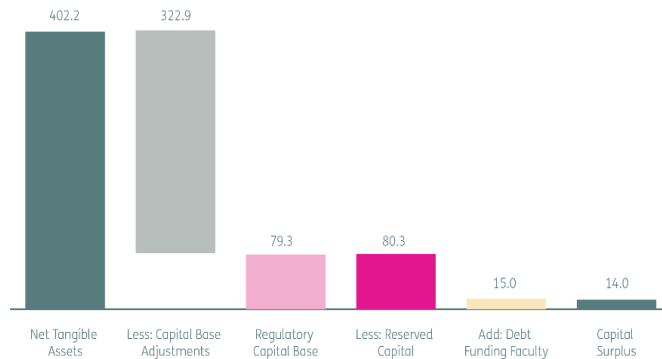
1. HY19 Underlying NPAT for the relevant segment. Underlying NPAT consists of consolidated profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group's ordinary activities.

# Balance Sheet and Capital

Net Assets (\$m)<sup>2</sup> – 31 December 2018



Capital Position (\$m) – 31 December 2018



Reserved capital (\$m)<sup>3</sup> – 31 December 2018



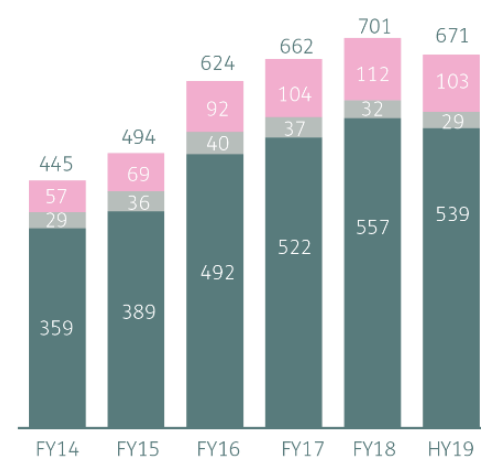
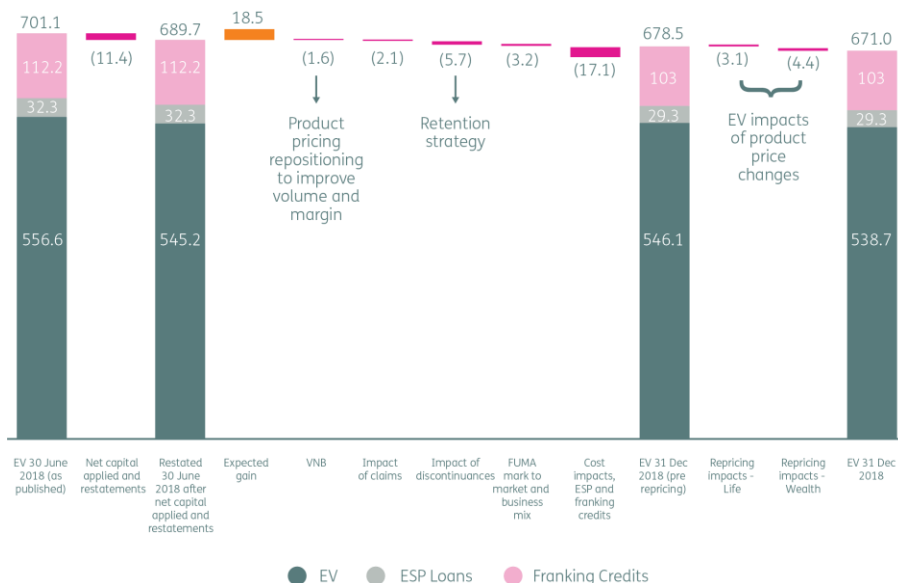
- Net assets of \$447m up 4%
- Group capital surplus position of \$14m
- Includes \$15m drawn down under debt facility to fund FY18 final cash dividend and purchase of shares on-market for KMP LTIP (treasury shares)
- Net cash position of \$169m with shareholder capital conservatively invested in cash and short-term interest bearing securities
- ClearView generates positive cash flows from its in-force portfolio which is subsequently reinvested into new business generation. Given the quantum of new business written relative to the size of the in-force book to date, the cash flows generated have been insufficient to fund new business growth, known as upfront capital strain. This strain has reduced materially since the 'start up' phase with ClearView now approaching self-funding capability from the in-force portfolio flows
- Debt funding facility to be replaced by longer term capital solution or repaid over time, capital initiatives under consideration

Notes

1. % movement, HY18 to HY19 unless otherwise stated.
2. Net Asset Value as at 31 December excluding ESP Loans.
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.
4. Tangible assets includes the DAC component of insurance policy liabilities.

# Embedded Value

Embedded value (\$m)<sup>1</sup> - 31 December 2018



● Embedded Value ● ESP Loans ● Franking Credits

Risk Margin Over Risk Free Rate <sup>2</sup> : (\$M), (Unless Stated Otherwise)	3% DM	4% DM	5% DM
Life Insurance	443.7	418.1	394.9
Wealth Management	58.3	55.1	52.3
Financial Advice	24.4	22.7	20.5
<b>Value of In-Force (VIF)</b>	<b>526.5</b>	<b>495.9</b>	<b>467.8</b>
Net Worth	42.8	42.8	42.8
<b>Total EV</b>	<b>569.3</b>	<b>538.7</b>	<b>510.6</b>
ESP Loans	29.3	29.3	29.3
<b>Total EV Incl. ESP Loans</b>	<b>598.6</b>	<b>568.0</b>	<b>539.9</b>
<b>Franking Credits:</b>			
Life Insurance	70.8	66.6	62.9
Wealth Management	15.5	14.7	13.9
Financial Advice	7.6	7.1	6.5
Net Worth	14.6	14.6	14.6
<b>Total EV Incl. Franking Credits and ESP Loans</b>	<b>707.0</b>	<b>671.0</b>	<b>637.8</b>
<b>EV per Share Incl. ESP Loans (cents)</b>	<b>88.4</b>	<b>83.9</b>	<b>79.7</b>
<b>EV per Share Incl. Franking Credits and ESP Loans (cents)</b>	<b>104.4</b>	<b>99.1</b>	<b>94.2</b>

- EV down 4% (compared to 30 June 2018) to \$671m or circa \$1.00 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.
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 HY19 EV is 4% (HY18: 4%). A consistent basis for the long-term risk free rate has been adopted between periods notwithstanding fluctuations in the market long-term risk free rate between periods (compared to that adopted).

# Market and Business Outlook

## Section 3



# 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 is reviewing the reports findings and assessing the potential impacts to our business. 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	<ul style="list-style-type: none"> <li>• Cap on life risk commissions</li> <li>• Duty of care to not make misrepresentations</li> <li>• Avoidance of life insurance contracts</li> <li>• Application of unfair contract terms</li> <li>• Removal of claims handling exemption</li> <li>• Enforceable code</li> <li>• Accountability regime</li> </ul>	<ul style="list-style-type: none"> <li>• Deduction of advice fees from choice accounts</li> <li>• Trustee obligations</li> <li>• Civil penalty provisions for trustees</li> <li>• One default account per person</li> <li>• Accountability regime</li> </ul>	<ul style="list-style-type: none"> <li>• Grandfathered commissions to cease</li> <li>• Further cap on life risk commissions</li> <li>• Annual renewal fee arrangement and authority to deduct fees</li> <li>• Disclosure of lack of independent advice</li> <li>• Creation of a single central disciplinary body</li> <li>• Reporting on compliance concerns and remediation of misconduct</li> </ul>	<ul style="list-style-type: none"> <li>• Mortgage brokers to have a best interest duty</li> <li>• Ban on broker trail commissions</li> <li>• Brokers to be subject to same laws that apply to financial advisers</li> <li>• Review on moving to borrower pays mortgage brokerage fee</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthened regulatory environment</li> <li>• Oversight body for regulators</li> <li>• Changing culture and governance</li> <li>• Remuneration redesign</li> <li>• Extension of Banking Executive Accountability Regime (BEAR)</li> </ul>

# Business Outlook

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- Challenging operating environment that has negatively impacted consumer sentiment in short-to-medium term:
  - Overall industry sales volumes and performance
  - Potential impacts from the negative publicity related to the Royal Commission
  - Consequences of the Life Insurance reform commission caps and rules.
- Finalised direct remediation program, with the program effectively closed in December 2018.
- Life Insurance remains the key profit driver. Our expanding distribution footprint and the size of new business as a proportion of our in-force book lead to a material increase in the in-force portfolio which underpins the growth profile.
- Recent trends however have resulted in both adverse claims and lapse experience in our life insurance portfolios that is currently holding back the effect of translating this growth into corresponding profit growth.
- HY19 result does not reflect key strategic priorities and actions that are underway in 2H FY19 that are likely to have a longer term positive effect on the emergence of sustainable profit growth from double digit increases in life insurance in-force portfolio (+15% in HY19):
  - Termination of certain distribution relationships that have lapse rates above acceptable norms coupled with the product pricing repositioning of LifeSolutions – focus on improving lapse rates, with likely shorter term impact on new business volumes
  - Repricing and enhancement of contemporary wealth management products given competitor solutions and recent pricing changes– aimed at improving net flows, with shorter term profit impact
  - Rebalance of cost base of business to current market environment and to align with strategic objectives leading to material cost transformation program – expected implementation in 2H FY19, partially offset by reinvestment in product and innovation over time
- The retention strategies and effects will take time to fully implement and to flow through to the overall lapse performance, with lapses expected to remain elevated in 2H FY19.
- ClearView is likely to benefit from opening of APLs and shift of advisers away from larger institutions and banks, along with increasing demand for competitive investment administration platforms and products, albeit with some competitive pricing pressures in response to industry developments.
- ClearView is focused on supporting advisers through an industrial strength back office to help make their practices compliant and more efficient either when they are licenced by our own dealer groups or alternatively where they operate their own licence. LaVista, our new dealer-to-dealer service business launched in November 2018 is a key strategic focus for the group.
- Group maintains a positive longer term outlook but is conscious of the shorter term headwinds:
  - Challenging operating environment with negative consumer sentiment in short to medium term (including overall industry sales volumes)
  - Implementing key strategic priorities and actions including addressing lapse performance of life insurance business
  - Need for both life insurance and investment solutions remains as strong as ever notwithstanding fact that channels through which people may acquire solutions are changing
  - Initial assessment of recommendations from Royal Commission Final Report. We will work through and come to more informed conclusions on potential impacts – overall it should benefit a market challenger such as ClearView.

# Disclaimer

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**End**



**ClearView Results  
Half Year  
31 December 2018**

**Information booklet**



**ClearView**

# Consolidated HY19 Result



# Consolidated HY19 results: Shareholder view<sup>(1)</sup>

6 Months to December 2018 (\$M) <sup>1</sup>	2016			2017			2018			2019		% Change <sup>2</sup>
	1H	2H	FY16	1H	2H	FY17	1H	2H	FY18	1H		
Gross life insurance premiums	64.9	73.4	138.3	84.4	93.3	177.7	104.7	110.5	215.2	117.0	12%	
Fund management fees	15.7	15.4	31.1	16.3	16.5	32.8	18.0	18.2	36.2	17.7	(2%)	
Financial advice fees	8.5	8.2	16.7	8.6	8.3	16.9	8.8	8.6	17.4	8.8	1%	
Interest and other income	2.4	2.3	4.7	2.1	1.5	3.6	1.7	1.8	3.5	2.4	40%	
<b>Gross Income</b>	<b>91.5</b>	<b>99.3</b>	<b>190.8</b>	<b>111.4</b>	<b>119.6</b>	<b>231.0</b>	<b>133.2</b>	<b>139.1</b>	<b>272.3</b>	<b>145.9</b>	<b>12%</b>	
Net claims incurred	(7.5)	(11.3)	(18.8)	(11.8)	(13.2)	(25.0)	(16.9)	(16.0)	(32.9)	(17.0)	1%	
Reinsurance premium expense	(14.0)	(16.8)	(30.8)	(20.3)	(24.0)	(44.3)	(27.2)	(30.0)	(57.2)	(34.1)	25%	
Commission and other variable expenses	(25.3)	(27.3)	(52.6)	(31.1)	(33.2)	(64.3)	(37.0)	(33.1)	(70.1)	(33.7)	(2%)	
Funds management expenses	(3.5)	(3.4)	(6.9)	(4.1)	(4.0)	(8.1)	(4.7)	(4.8)	(9.5)	(4.9)	4%	
Operating expenses	(38.3)	(37.2)	(75.5)	(39.0)	(38.1)	(77.1)	(39.6)	(40.6)	(80.2)	(44.2)	12%	
Movement in policy liabilities	16.6	16.9	33.5	16.7	13.8	30.5	14.2	8.9	23.1	7.1	(50%)	
<b>Total Operating Earnings (before tax)</b>	<b>19.5</b>	<b>20.1</b>	<b>39.6</b>	<b>21.8</b>	<b>20.9</b>	<b>42.7</b>	<b>22.0</b>	<b>23.5</b>	<b>45.5</b>	<b>19.1</b>	<b>(13%)</b>	
Income tax (expense) / benefit	(5.6)	(5.8)	(11.4)	(6.5)	(5.6)	(12.1)	(6.5)	(6.3)	(12.8)	(5.6)	(14%)	
<b>Total Operating Earnings (after tax)</b>	<b>13.9</b>	<b>14.3</b>	<b>28.2</b>	<b>15.3</b>	<b>15.3</b>	<b>30.6</b>	<b>15.5</b>	<b>17.2</b>	<b>32.7</b>	<b>13.5</b>	<b>(12%)</b>	
Interest expense on corporate debt (after tax)	(0.5)	(0.5)	(1.0)	(0.1)	(0.1)	(0.2)	(0.2)	(0.1)	(0.3)	(0.2)	48%	
<b>Underlying NPAT</b>	<b>13.4</b>	<b>13.8</b>	<b>27.2</b>	<b>15.2</b>	<b>15.2</b>	<b>30.4</b>	<b>15.3</b>	<b>17.1</b>	<b>32.4</b>	<b>13.3</b>	<b>(13%)</b>	
Amortisation of intangibles	(4.6)	(4.5)	(9.1)	(4.6)	(3.6)	(8.2)	(2.0)	(2.0)	(4.0)	(0.6)	(70%)	
Policy liability discount rate effect	1.0	10.1	11.1	(9.9)	1.4	(8.5)	(1.0)	(0.3)	(1.3)	3.2	(409%)	
Matrix Deal and Integration Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM	
Your Insure Impairment (net of tax)	(1.9)	0.0	(1.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM	
Direct Closure Provision	0.0	0.0	0.0	0.0	(2.4)	(2.4)	0.0	0.0	0.0	0.0	NM	
Strategic Review Costs	0.0	(0.5)	(0.5)	(0.7)	(0.3)	(1.0)	(0.4)	(0.8)	(1.2)	(0.1)	(67%)	
Direct Remediation Program	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.8)	Large	
Royal Commission Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.9)	Large	
Retention Bonuses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(2.1)	Large	
Tax effect	(0.3)	(2.9)	(3.2)	3.2	(0.3)	2.9	0.4	0.3	0.7	0.5	19%	
<b>Reported NPAT</b>	<b>7.6</b>	<b>16.0</b>	<b>23.6</b>	<b>3.2</b>	<b>10.0</b>	<b>13.2</b>	<b>12.3</b>	<b>14.3</b>	<b>26.6</b>	<b>11.5</b>	<b>(6%)</b>	

Breakdown by Segment (\$M)	2016			2017			2018			2019		% Change <sup>2</sup>
	1H	2H	FY16	1H	2H	FY17	1H	2H	FY18	1H		
Life Insurance	12.1	12.4	24.5	12.7	12.2	24.9	12.5	13.6	26.1	11.9	(5%)	
Wealth Management	1.3	1.4	2.7	1.6	2.3	3.9	2.6	2.6	5.2	2.1	(22%)	
Financial Advice	0.7	0.8	1.5	1.2	1.0	2.2	1.0	0.8	1.8	0.1	(94%)	
<b>BU Operating Earnings (after tax)</b>	<b>14.1</b>	<b>14.6</b>	<b>28.7</b>	<b>15.6</b>	<b>15.5</b>	<b>31.1</b>	<b>16.1</b>	<b>17.0</b>	<b>33.1</b>	<b>14.0</b>	<b>(13%)</b>	
Listed Entity and Other	(0.2)	(0.3)	(0.5)	(0.3)	(0.2)	(0.5)	(0.7)	0.3	(0.4)	(0.5)	24%	
<b>Total Operating Earnings (after tax)</b>	<b>13.9</b>	<b>14.3</b>	<b>28.2</b>	<b>15.3</b>	<b>15.3</b>	<b>30.6</b>	<b>15.5</b>	<b>17.2</b>	<b>32.7</b>	<b>13.5</b>	<b>(12%)</b>	
Interest expense on corporate debt (after tax)	(0.5)	(0.5)	(1.0)	(0.1)	(0.1)	(0.2)	(0.2)	(0.1)	(0.3)	(0.2)	48%	
<b>Underlying NPAT</b>	<b>13.4</b>	<b>13.8</b>	<b>27.2</b>	<b>15.2</b>	<b>15.2</b>	<b>30.4</b>	<b>15.3</b>	<b>17.1</b>	<b>32.4</b>	<b>13.3</b>	<b>(13%)</b>	

## Notes

- 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.
- % change represents the movement from HY18 to HY19.

# Life Insurance

6 Months to December 2018 (\$M) <sup>1</sup>	2016			2017			2018			2019		% Change <sup>2</sup>
	1H	2H	FY16	1H	2H	FY17	1H	2H	FY18	1H		
Gross life insurance premiums	64.9	73.4	138.3	84.4	93.3	177.7	104.7	110.5	215.2	117.0	12%	
Interest income	1.4	1.4	2.8	1.2	1.1	2.3	1.1	1.2	2.3	1.5	36%	
Net claims incurred	(7.5)	(11.3)	(18.8)	(11.8)	(13.2)	(25.0)	(16.9)	(16.0)	(32.9)	(17.0)	1%	
Reinsurance premium expense	(14.0)	(16.8)	(30.8)	(20.3)	(24.0)	(44.3)	(27.2)	(30.0)	(57.2)	(34.1)	25%	
Commission and other variable expenses	(21.9)	(24.0)	(45.9)	(27.8)	(29.9)	(57.7)	(33.7)	(30.0)	(63.7)	(30.6)	(9%)	
Operating expenses	(22.2)	(22.0)	(44.2)	(24.2)	(23.7)	(47.9)	(24.3)	(24.9)	(49.2)	(26.9)	11%	
Movement in policy liabilities	16.6	16.9	33.5	16.7	13.8	30.5	14.2	8.9	23.1	7.1	(50%)	
<b>Underlying NPBT</b>	<b>17.3</b>	<b>17.6</b>	<b>34.9</b>	<b>18.2</b>	<b>17.4</b>	<b>35.6</b>	<b>17.9</b>	<b>19.6</b>	<b>37.5</b>	<b>17.0</b>	<b>(5%)</b>	
Income tax (expense) / benefit	(5.2)	(5.2)	(10.4)	(5.5)	(5.2)	(10.7)	(5.4)	(6.0)	(11.4)	(5.1)	(5%)	
<b>Underlying NPAT</b>	<b>12.1</b>	<b>12.4</b>	<b>24.5</b>	<b>12.7</b>	<b>12.2</b>	<b>24.9</b>	<b>12.5</b>	<b>13.6</b>	<b>26.1</b>	<b>11.9</b>	<b>(5%)</b>	
Amortisation of intangibles	(1.4)	(1.4)	(2.8)	(1.4)	(1.4)	(2.8)	(1.4)	(1.4)	(2.8)	0.0	(100%)	
Policy liability discount rate effect (after tax)	0.7	7.1	7.8	(6.9)	1.0	(5.9)	(0.7)	(0.2)	(0.9)	2.2	(409%)	
<b>Reported NPAT</b>	<b>11.4</b>	<b>18.1</b>	<b>29.5</b>	<b>4.4</b>	<b>11.8</b>	<b>16.2</b>	<b>10.4</b>	<b>12.0</b>	<b>22.4</b>	<b>14.1</b>	<b>36%</b>	

Analysis of Profit (\$M)	2016			2017			2018			2019		% Change <sup>2</sup>
	1H	2H	FY16	1H	2H	FY17	1H	2H	FY18	1H		
<b>Expected Underlying NPAT<sup>3</sup></b>	<b>11.4</b>	<b>12.3</b>	<b>23.7</b>	<b>14.2</b>	<b>15.1</b>	<b>29.3</b>	<b>16.0</b>	<b>16.2</b>	<b>32.2</b>	<b>16.0</b>	<b>0%</b>	
Claims experience	1.7	(0.7)	1.1	(0.6)	(1.3)	(1.9)	(3.2)	(2.3)	(5.5)	(2.1)	(31%)	
Lapse experience	(0.2)	0.7	0.5	(0.7)	(1.3)	(2.0)	(0.8)	(1.3)	(2.1)	(2.9)	285%	
Expense experience	(0.9)	(0.2)	(1.2)	(0.3)	(0.1)	(0.4)	0.2	0.3	0.5	0.6	157%	
Other	0.1	0.3	0.4	0.1	(0.2)	(0.1)	0.2	0.7	0.9	0.2	(11%)	
<b>Actual Underlying NPAT</b>	<b>12.1</b>	<b>12.4</b>	<b>24.5</b>	<b>12.7</b>	<b>12.2</b>	<b>24.9</b>	<b>12.5</b>	<b>13.6</b>	<b>26.1</b>	<b>11.9</b>	<b>(5%)</b>	

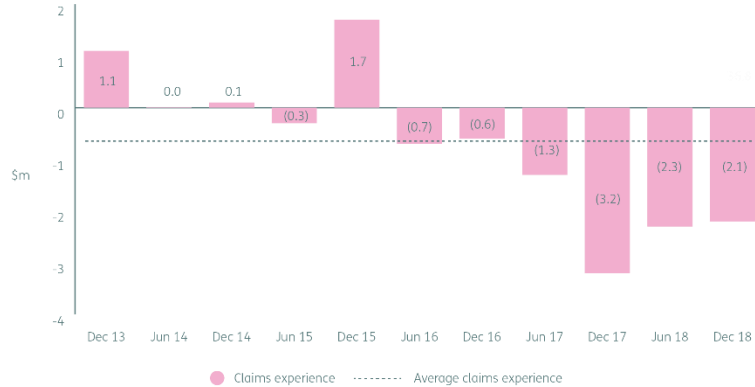
Key Statistics And Ratios (\$M)	2016			2017			2018			2019		% Change <sup>2</sup>
	1H	2H	FY16	1H	2H	FY17	1H	2H	FY18	1H		
<b>New Business</b>	<b>18.2</b>	<b>21.0</b>	<b>39.2</b>	<b>22.1</b>	<b>20.2</b>	<b>42.3</b>	<b>22.6</b>	<b>19.7</b>	<b>42.4</b>	<b>21.9</b>	<b>(3%)</b>	
LifeSolutions	15.7	19.0	34.7	20.6	19.7	40.3	22.6	19.7	42.4	21.9	(3%)	
Non Advice	2.5	2.0	4.5	1.5	0.5	2.0	0.0	0.0	0.0	0.0	(53%)	
<b>In-Force</b>	<b>132.0</b>	<b>150.7</b>	<b>150.7</b>	<b>171.0</b>	<b>189.5</b>	<b>189.5</b>	<b>209.9</b>	<b>224.8</b>	<b>224.8</b>	<b>240.7</b>	<b>15%</b>	
LifeSolutions	86.7	105.7	105.7	126.1	146.1	146.1	167.5	184.2	184.2	201.7	20%	
Non Advice	45.3	45.0	45.0	44.9	43.4	43.4	42.4	40.6	40.6	39.0	(8%)	
Old Book	34.7	34.1	34.1	33.6	32.7	32.7	32.2	30.9	30.9	29.9	(7%)	
New Book	10.6	10.9	10.9	11.3	10.7	10.7	10.2	9.6	9.6	9.1	(10%)	

## Notes

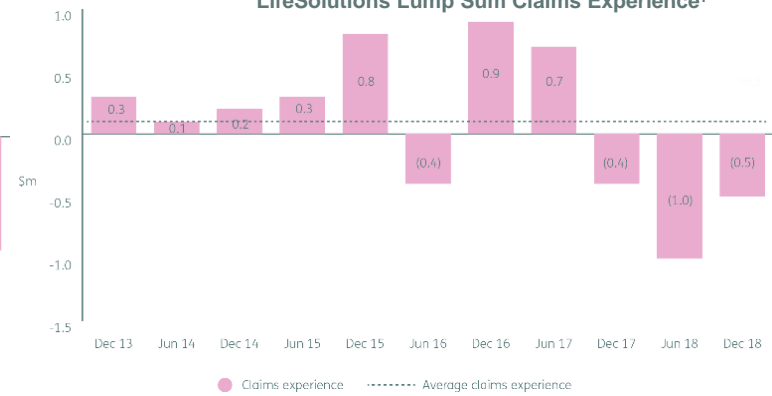
- Shareholder view excludes the life investments contracts (i.e. unit linked business) and deconsolidates retail unit trusts and reflects fees earned by the shareholder less expenses incurred. Inter-segment revenues/expenses are not eliminated in the shareholder view.
- % change represents the movement from HY18 to HY19.
- Expected Underlying NPAT of \$16.0m (+0% HY18 to HY19) reflects expected profit margins on in-force portfolios based on actuarial assumptions.

# Claims experience

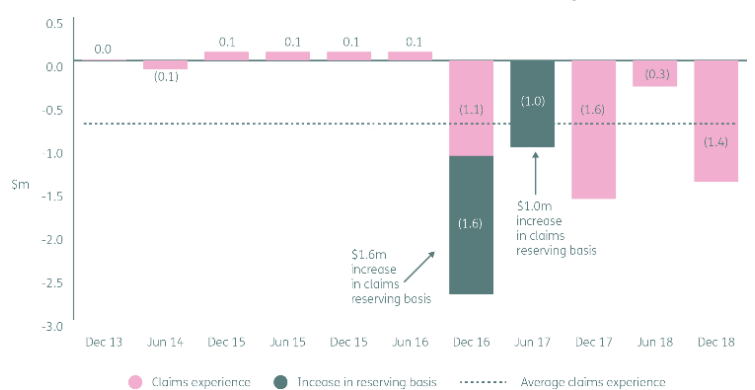
### Total Claims Experience<sup>1</sup>



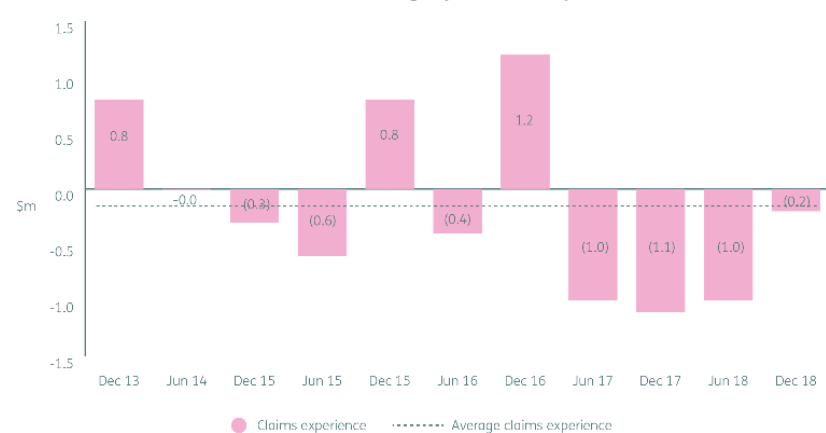
### LifeSolutions Lump Sum Claims Experience<sup>1</sup>



### LifeSolutions Income Protection Claims Experience<sup>1</sup>



### Non-advice/Legacy Claims Experience<sup>1</sup>



Adopting a longer term view, overall net claims performance has an average \$0.7 million adverse impact per half year that is mainly attributed to the income protection book, with the lump sum portfolio having a net neutral experience over the same period. Actuarial best-estimate assumptions adopt a long-term view and are based on expectations that experience will average out over time

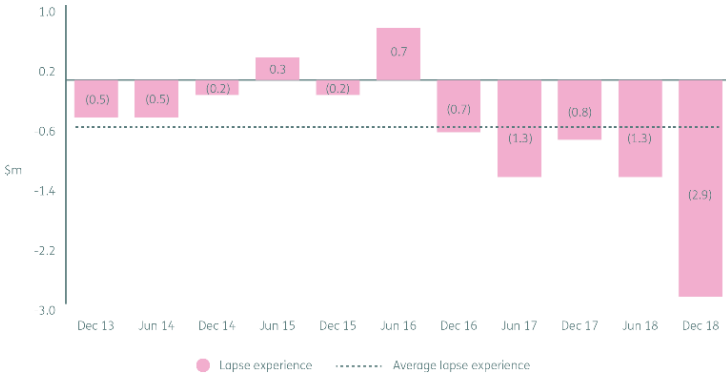
ClearView is adjusting pricing of the LifeSolutions product in 2H FY19 where the portfolio claims experience has improved or deteriorated over recent periods. Stepped death and TPD cover rates are being reduced, with income protection and trauma rates increased, with these changes reflecting both evolving market relativities and underlying claims and reinsurance costs developments

#### Notes

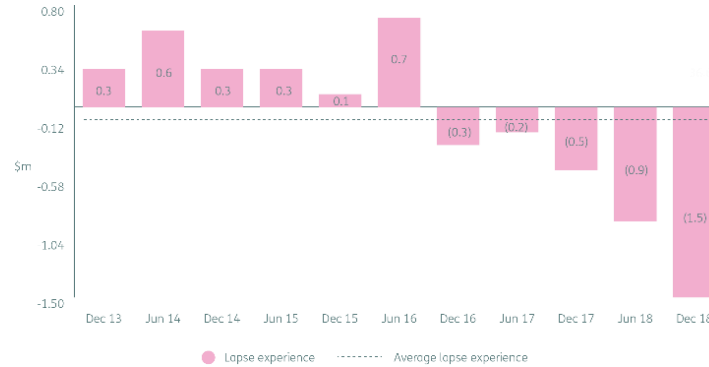
1. Experience measured against the assumptions applicable at the date of reporting.

# Lapse experience

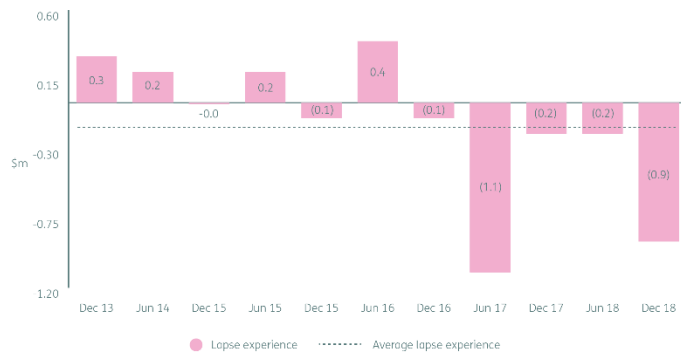
**Total Lapse Experience<sup>1</sup>**



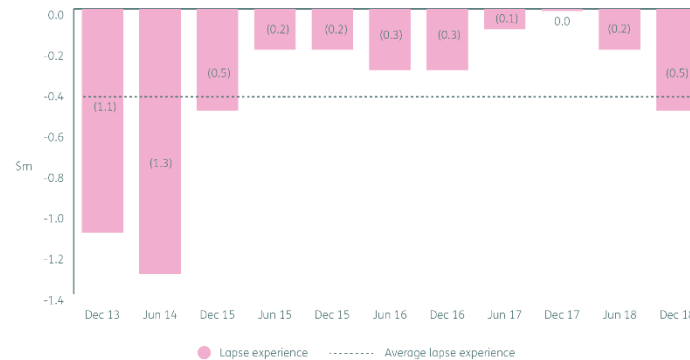
**LifeSolutions Lump Sum Lapse Experience<sup>1</sup>**



**LifeSolutions Income Protection Lapse Experience<sup>1</sup>**



**Non-advice/Legacy Lapse Experience<sup>1</sup>**



The recent adverse lapse experience and trend has been driven by:

- Lump sum pricing issues in certain cohorts that is intended to be addressed in part by the proposed pricing changes. Given that lump sum and income protection products are for the most part sold as a “bundle” this has also impacted on lapses on the income protection products;
- Certain distribution relationships with some adviser groups have elevated lapse rates. A review of certain distribution relationships (adviser groups) is underway with some relationships having been terminated in January 2019;
- There are suggestions of some heightened lapses in the first year of the LIF reforms (it takes a year for the two-year responsibility period to kick in) which went live on 1 January 2018, in particular for policies with upfront commission; and
- Anecdotally, given recent consumer sentiment around the Royal Commission, this may have had some shorter term impacts in the second quarter of HY19.

Retention strategies and effects will take time to fully implement and flow through to overall lapse performance, with lapses expected to remain elevated in 2HFY19.

**Notes**

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

# Wealth Management

6 Months to December 2018 (\$M) <sup>1</sup>	2016			2017			2018			2019		% Change <sup>2</sup>
	1H	2H	FY16	1H	2H	FY17	1H	2H	FY18	1H		
Fund management fees	15.7	15.4	31.1	16.3	16.5	32.8	18.0	18.2	36.2	17.7	(2%)	
Interest income	0.2	0.2	0.4	0.2	0.2	0.3	0.2	0.2	0.5	0.3	18%	
Funds management expenses	(3.5)	(3.4)	(6.9)	(4.1)	(4.0)	(8.1)	(4.7)	(4.8)	(9.5)	(4.9)	4%	
Variable expense <sup>3</sup>	(3.4)	(3.3)	(6.7)	(3.3)	(3.2)	(6.5)	(3.3)	(3.2)	(6.4)	(3.0)	(7%)	
Operating expenses	(7.7)	(7.5)	(15.2)	(7.0)	(6.8)	(13.8)	(7.0)	(7.5)	(14.5)	(7.5)	7%	
<b>Underlying NPBT</b>	<b>1.3</b>	<b>1.3</b>	<b>2.6</b>	<b>2.1</b>	<b>2.6</b>	<b>4.6</b>	<b>3.3</b>	<b>3.0</b>	<b>6.2</b>	<b>2.6</b>	<b>(23%)</b>	
Income tax (expense) / benefit	0.0	0.1	0.1	(0.4)	(0.3)	(0.7)	(0.7)	(0.4)	(1.1)	(0.5)	(27%)	
<b>Underlying NPAT</b>	<b>1.3</b>	<b>1.4</b>	<b>2.7</b>	<b>1.6</b>	<b>2.3</b>	<b>3.9</b>	<b>2.6</b>	<b>2.6</b>	<b>5.2</b>	<b>2.1</b>	<b>(22%)</b>	
Amortisation of intangibles	(2.6)	(2.7)	(5.3)	(2.6)	(1.8)	(4.4)	0.0	(0.1)	(0.1)	0.0	0%	
<b>Reported NPAT</b>	<b>(1.3)</b>	<b>(1.3)</b>	<b>(2.6)</b>	<b>(0.9)</b>	<b>0.4</b>	<b>(0.5)</b>	<b>2.6</b>	<b>2.5</b>	<b>5.1</b>	<b>2.1</b>	<b>(22%)</b>	

Key Statistics And Ratios (\$M)	2016			2017			2018			2019		% Change <sup>2</sup>
	1H	2H	FY16	1H	2H	FY17	1H	2H	FY18	1H		
<b>Net Flows</b>	<b>101.2</b>	<b>111.1</b>	<b>212.3</b>	<b>59.5</b>	<b>145.4</b>	<b>204.9</b>	<b>163.6</b>	<b>43.6</b>	<b>207.2</b>	<b>(81.2)</b>	<b>(150%)</b>	
Master Trust	(58.1)	(64.5)	(122.6)	(81.5)	(66.3)	(147.8)	(65.6)	(60.4)	(126.0)	(70.9)	8%	
WealthSolutions	112.7	75.3	188.0	86.6	112.5	199.1	103.9	58.6	162.5	(10.9)	(110%)	
WealthFoundations	46.6	45.8	92.4	42.1	45.7	87.8	66.0	32.8	98.8	0.9	(99%)	
External Platforms	0.0	54.5	54.5	12.3	53.5	65.8	59.3	12.6	71.9	(0.3)	(100%)	
<b>Total FUM (\$B)</b>	<b>1.98</b>	<b>2.13</b>	<b>2.13</b>	<b>2.28</b>	<b>2.50</b>	<b>2.50</b>	<b>2.73</b>	<b>2.79</b>	<b>2.79</b>	<b>2.62</b>	<b>(4%)</b>	
Master Trust	1.11	1.07	1.07	1.03	1.00	1.00	0.96	0.90	0.90	0.81	(16%)	
WealthSolutions	0.72	0.80	0.80	0.93	1.08	1.08	1.22	1.29	1.29	1.23	1%	
WealthFoundations	0.15	0.20	0.20	0.25	0.30	0.30	0.38	0.41	0.41	0.41	8%	
External Platforms	0.00	0.06	0.06	0.07	0.12	0.12	0.18	0.19	0.19	0.18	(0%)	
<b>Cost to Income Ratio</b>	<b>49.0%</b>	<b>48.7%</b>	<b>49.0%</b>	<b>42.9%</b>	<b>41.4%</b>	<b>42.1%</b>	<b>38.9%</b>	<b>41.2%</b>	<b>40.0%</b>	<b>42.4%</b>		

## Notes

- 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.
- % change represents the movement from HY18 to HY19.
- 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 2018 (\$M) <sup>1</sup>	2016			2017			2018			2019		% Change <sup>2</sup>
	1H	2H	FY16	1H	2H	FY17	1H	2H	FY18	1H		
Net financial planning fees	8.5	8.2	16.7	8.6	8.3	16.9	8.8	8.7	17.4	8.8	1%	
Interest & other income	0.2	0.1	0.3	0.5	0.1	0.6	0.2	0.3	0.5	0.4	91%	
Operating expenses	(7.7)	(7.2)	(14.9)	(7.4)	(7.0)	(14.4)	(7.6)	(7.7)	(15.3)	(9.1)	20%	
<b>Underlying NPBT</b>	<b>1.0</b>	<b>1.1</b>	<b>2.1</b>	<b>1.7</b>	<b>1.4</b>	<b>3.2</b>	<b>1.3</b>	<b>1.3</b>	<b>2.6</b>	<b>0.1</b>	<b>(93%)</b>	
Income tax (expense) / benefit	(0.3)	(0.3)	(0.6)	(0.5)	(0.4)	(0.9)	(0.4)	(0.4)	(0.8)	(0.0)	(93%)	
<b>Underlying NPAT</b>	<b>0.7</b>	<b>0.8</b>	<b>1.5</b>	<b>1.2</b>	<b>1.0</b>	<b>2.2</b>	<b>1.0</b>	<b>0.8</b>	<b>1.8</b>	<b>0.1</b>	<b>(94%)</b>	
Amortisation of intangibles	(0.5)	(0.5)	(1.0)	(0.5)	(0.5)	(1.0)	(0.6)	(0.5)	(1.1)	(0.6)	0%	
Matrix deal and integration costs (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM	
<b>Reported NPAT</b>	<b>0.2</b>	<b>0.3</b>	<b>0.5</b>	<b>0.7</b>	<b>0.5</b>	<b>1.2</b>	<b>0.4</b>	<b>0.3</b>	<b>0.7</b>	<b>(0.5)</b>	<b>(222%)</b>	

Key Statistics And Ratios	2016			2017			2018			2019		% Change <sup>2</sup>
	1H	2H	FY16	1H	2H	FY17	1H	2H	FY18	1H		
FUMA (\$B)	8.1	8.2	8.2	8.5	8.9	8.9	9.3	9.6	9.6	8.9	(4%)	
PUA (\$M)	203	215	215	223	237	237	247	270	270	265	7%	
CFA Advisers	136	146	146	153	152	152	148	134	134	141	5%	
Matrix Advisers	85	89	89	90	91	91	98	99	99	101	(3%)	
<b>Total Advisers</b>	<b>221</b>	<b>235</b>	<b>235</b>	<b>243</b>	<b>243</b>	<b>243</b>	<b>246</b>	<b>233</b>	<b>233</b>	<b>242</b>	<b>(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 HY18 to HY19.

# Listed entity

6 Months to December 2018 (\$M) <sup>1</sup>	2016			2017			2018			2019		% Change <sup>2</sup>
	1H	2H	FY16	1H	2H	FY17	1H	2H	FY18	1H		
Interest income	0.6	0.6	1.2	0.2	0.1	0.3	0.1	0.2	0.3	0.2	29%	
Operating expenses	(0.6)	(0.6)	(1.2)	(0.4)	(0.6)	(1.0)	(0.7)	(0.5)	(1.2)	(0.7)	(3%)	
<b>BU Operating NPBT</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.2)</b>	<b>(0.5)</b>	<b>(0.7)</b>	<b>(0.6)</b>	<b>(0.2)</b>	<b>(0.8)</b>	<b>(0.5)</b>	<b>11%</b>	
Income tax (expense) / benefit	(0.2)	(0.3)	(0.5)	(0.1)	0.3	0.2	(0.1)	0.5	0.4	(0.0)	(85%)	
<b>BU Operating NPAT</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>(0.5)</b>	<b>(0.3)</b>	<b>(0.2)</b>	<b>(0.5)</b>	<b>(0.7)</b>	<b>0.3</b>	<b>(0.4)</b>	<b>(0.5)</b>	<b>24%</b>	
Interest expense on corporate debt (after tax)	(0.5)	(0.5)	(1.0)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.3)	(0.2)	48%	
<b>Underlying NPAT</b>	<b>(0.7)</b>	<b>(0.8)</b>	<b>(1.5)</b>	<b>(0.4)</b>	<b>(0.3)</b>	<b>(0.7)</b>	<b>(0.8)</b>	<b>0.1</b>	<b>(0.7)</b>	<b>(0.7)</b>	<b>24%</b>	
Strategic Review Costs	0.0	(0.4)	(0.4)	(0.5)	(0.1)	(0.6)	(0.3)	(0.5)	(0.8)	(0.1)	(67%)	
Royal Commission Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.3)	Large	
Retention Bonuses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.5)	Large	
Direct Closure and Remediation	(1.9)	0.0	(1.9)	0.0	(2.4)	(2.4)	0.0	0.0	0.0	(0.6)	Large	
<b>Reported NPAT</b>	<b>(2.6)</b>	<b>(1.2)</b>	<b>(3.8)</b>	<b>(0.9)</b>	<b>(2.8)</b>	<b>(3.7)</b>	<b>(1.1)</b>	<b>(0.4)</b>	<b>(1.5)</b>	<b>(4.2)</b>	<b>(280%)</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 HY18 to HY19.

# Balance Sheet, Embedded value and capital position at 31 December 2018

# Balance sheet as at 31 December 2018

## Commentary<sup>4</sup>

### Net asset position and capital position

- Net assets (pre-ESP loans) of \$446.8m
- Net tangible assets<sup>6</sup> (pre-ESP loans) of \$402.2m

### Cash, debt and investments

- Net cash position of \$169.3m
  - Shareholder capital continues to be conservatively invested (in cash and short-term interest bearing securities)
  - \$15m drawn down under debt facility

### Goodwill and intangibles

- Goodwill of \$21m arising on acquisition of dealer groups<sup>2</sup>
- Intangibles of \$24.1m:
  - \$18.4m of capitalised software costs associated with life insurance systems development and the contemporary wealth platform
  - \$5.7m of acquired Intangibles recognised on the acquisition of Bupa financial services business and dealer groups<sup>(2)</sup>

### Life Insurance policy liabilities<sup>3</sup>

- Life insurance policy liability increase reflecting growth in the life insurance business (DAC), partially offset by run-off of the in-force DAC and interest rate effects (increase) over time

## Consolidated balance sheet (shareholder view)<sup>1</sup>

\$ M	Dec- 18	Jun- 18
<b>ASSETS</b>		
Cash equivalents	184.3	169.4
Receivables	33.1	34.2
Deferred tax asset	3.8	5.8
Property, Plant & Equipment	1.0	1.2
Goodwill	20.5	20.5
Intangibles	24.1	24.7
<b>Total Assets</b>	<b>266.8</b>	<b>255.8</b>
<b>LIABILITIES</b>		
Payables	44.7	29.9
Current tax liability	-	8.1
Provisions	6.7	6.6
Life Insurance <sup>(3)</sup>	(248.7)	(235.4)
Borrowings <sup>(5)</sup>	15.0	-
Deferred tax liabilities	2.3	2.2
<b>Total Liabilities</b>	<b>(180.0)</b>	<b>(188.5)</b>
<b>Net Assets</b>	<b>446.8</b>	<b>444.3</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. Includes the acquisition of Harris Financial Enterprises adviser practice in FY17 under pre existing contractual arrangements. Dealer groups include ComCorp acquisition in FY10 and Matrix in FY15.
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. As at 31 December 2018 unless otherwise stated
5. ClearView has access to a 3 year, \$60m NAB debt facility, \$15m drawn down at 31 December 2018.
6. Net tangible assets are net assets reduced by Goodwill and Intangibles, but including DAC assets (life insurance policy liability).

# Embedded Value as at 31 December 2018

## Commentary<sup>1</sup>

**EV of \$671.0m<sup>1</sup>** including franking credits and ESP Loans and the effects of restatements

**EV per share of circa \$1.00<sup>1</sup>** including franking credits and ESP Loans

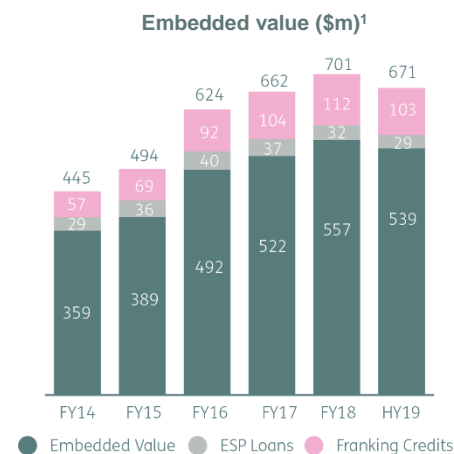
EV is made up of the value of the in-force (VIF) and the net worth:

- 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 (\$14.6m)

**Key drivers in EV<sup>1</sup> movement from FY18 to HY19 (-4%) detailed on next slide**

## Embedded Value Calculations<sup>2</sup>

Risk Margin Over Risk Free Rate: (\$M), (Unless Stated Otherwise)	3% DM	4% DM	5% DM
Life Insurance	443.7	418.1	394.9
Wealth Management	58.3	55.1	52.3
Financial Advice	24.4	22.7	20.5
<b>Value of In-Force (VIF)</b>	<b>526.5</b>	<b>495.9</b>	<b>467.8</b>
Net Worth	42.8	42.8	42.8
<b>Total EV</b>	<b>569.3</b>	<b>538.7</b>	<b>510.6</b>
ESP Loans	29.3	29.3	29.3
<b>Total EV Incl. ESP Loans</b>	<b>598.6</b>	<b>568.0</b>	<b>539.9</b>
<b>Franking Credits:</b>			
Life Insurance	70.8	66.6	62.9
Wealth Management	15.5	14.7	13.9
Financial Advice	7.6	7.1	6.5
Net Worth	14.6	14.6	14.6
<b>Total EV Incl. Franking Credits and ESP Loans</b>	<b>707.0</b>	<b>671.0</b>	<b>637.8</b>
<b>EV per Share Incl. ESP Loans (cents)</b>	<b>88.4</b>	<b>83.9</b>	<b>79.7</b>
<b>EV per Share Incl. Franking Credits and ESP Loans (cents)</b>	<b>104.4</b>	<b>99.1</b>	<b>94.2</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 2018 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 HY19 EV is 4% (HY18: 4%). A consistent basis for the long-term risk free rate has been adopted between periods notwithstanding fluctuations in the market long-term risk free rate between periods (compared to that adopted)

# EV movement analysis commentary

Reference	Impact	Reason for movement
Net capital applied and restatements	(\$11.4m)	<ul style="list-style-type: none"> <li>FY18 final cash dividend (-\$20.0m) paid in September 2018 with \$11.1m reinvested as part of the Dividend Reinvestment Plan</li> <li>Movements in the Share Based Payments Reserve (+\$3.0m)</li> <li>Cash payment (-\$2.1m) related to the on-market purchase of ClearView shares to support the KMP LTIP share plan (recognised as treasury shares)</li> <li>Restatements (-\$3.4m) relates to changes due to modelling enhancements (-\$2.4m) and restatement arising from the adoption of AASB 9 from 1 July 2018 (-\$1m) where a provision allowance was calculated under the expected credit loss ("ECL") approach for adviser loans</li> </ul>
Expected gain	\$18.5m	<ul style="list-style-type: none"> <li>Expected gain represents the expected unwind of the discount rate within the value of in-force and investment earnings on net worth</li> </ul>
VNB added	(\$1.6m)	<ul style="list-style-type: none"> <li>The value added by new business written over the period. The current value of new business is suppressed by the acquisition costs incurred (relative to new business volumes). The acquisition cost overruns should decrease as the cost transformation program takes effect coupled with business growth, providing it with operating leverage. In the short term, LifeSolutions VNB has been adversely impacted due to the hybrid commission model under the LIF reforms (noting VNB will improve as the upfront commission cap reduces from 80% in calendar year 2018 to 60% in 2020). The life business is being repriced to target more profitable segments. In addition, the Wealth business is being repriced given competitive pressures (reduction in inflows), which is expected to result in increased and improved flows over time</li> </ul>
Claims	(\$2.1m)	<ul style="list-style-type: none"> <li>Adverse claims experience loss (relative to planned margins) due to a combination of higher than expected IP and death claims. See further commentary on claims experience on Slide 35</li> </ul>
Discontinuances	(\$5.7m)	<ul style="list-style-type: none"> <li>Life Insurance lapse impact of -\$3.9m reflects the EV impact of lapses. Recent adverse lapse experience and trend has been driven by LifeSolutions lump sum pricing issues in certain cohorts that is intended to be addressed in part by proposed pricing changes. Given that lump sum and IP products are for most part sold as a "bundle" this has also impacted on lapses on IP products. Product repricing in key cohorts, coupled with terminating certain adviser distribution relationships that have experienced elevated lapse rates, is expected to reduce lapse rates over time. This overall retention strategy however, will take time to flow through to overall lapse performance, with lapses still expected to remain elevated in 2H FY19, until such time as these changes are implemented and have had time to take effect</li> <li>For the Wealth Management business, discontinuance rates (outflows) were slightly higher than expected (impact of -\$0.8m), mainly related to competitive pricing pressures. This is being addressed through the repricing of WealthSolutions from March 2019</li> <li>The balance relates to the Financial Advice business due to lower FUMA balances and fee income relative to expectations</li> </ul>
FUMA mark to market and Business mix	(\$3.2m)	<ul style="list-style-type: none"> <li>Lower than expected investment performance on FUMA (due to adverse investment market conditions; -\$3.2m), which resulted in lower fee income relative to expectations over the period and a lower present value of future fees at the end of the period</li> </ul>
Costs impacts, ESP and franking credits	(\$17.1m)	<ul style="list-style-type: none"> <li>This includes costs considered unusual to the ordinary activities of the business (-\$3.4m), related to the Royal Commission, direct remediation program and retention bonuses</li> <li>Listing and interest costs on corporate debt (-\$0.7m) were impacted by the Group's listed overhead costs and draw down under the corporate debt facility which are not allowed for in the Embedded Value</li> <li>Maintenance expense experience (+\$0.2m) which reflects the increase in the Life Insurance in-force premium over time that has progressively reduced expense overruns (experience profit of \$0.6m). This is offset by the investment in WealthFoundations and the contemporary wealth platform that is causing overruns in the Wealth Management segment (-\$0.5m)</li> <li>Net movement in ESP loans (-\$3.0m) and franking credits (-\$9.2m) between periods. The franking credit movement includes the impact of modelling enhancements, repricing, credits distributed with the FY18 final dividend and other items</li> <li>The balance relates to tax impacts of the policy liability discount rate effects in the period and other experience items</li> </ul>
Repricing, modelling differences, tax and other	(\$7.5m)	<ul style="list-style-type: none"> <li>This includes a -\$3.1m impact due to the repricing of the LifeSolutions product (including reinsurance repricing impacts) and -\$4.4m impact due to repricing and repositioning of the Wealth Management contemporary products and noted earlier in the presentation</li> </ul>

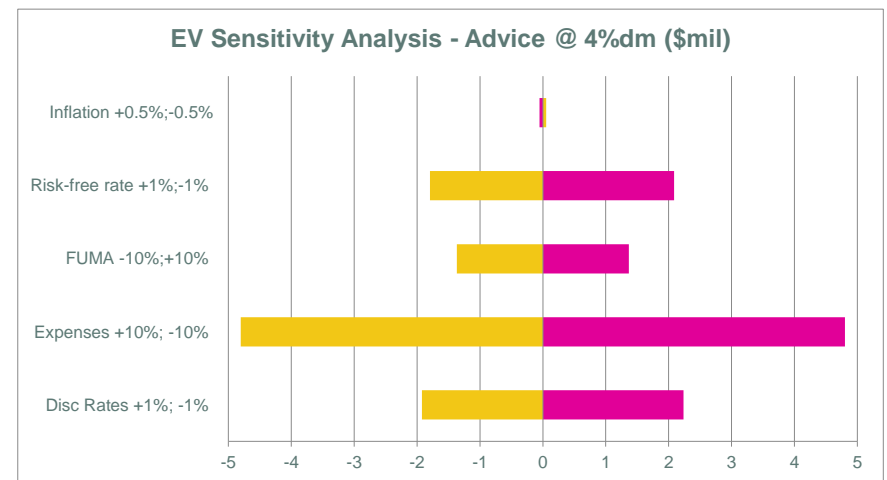
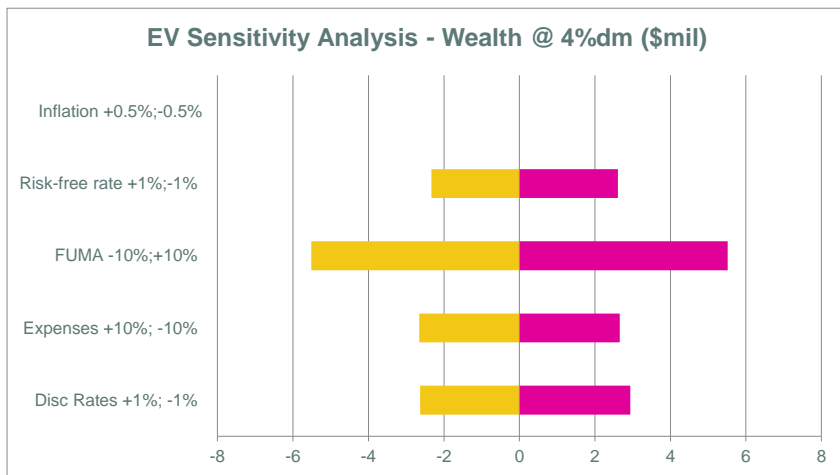
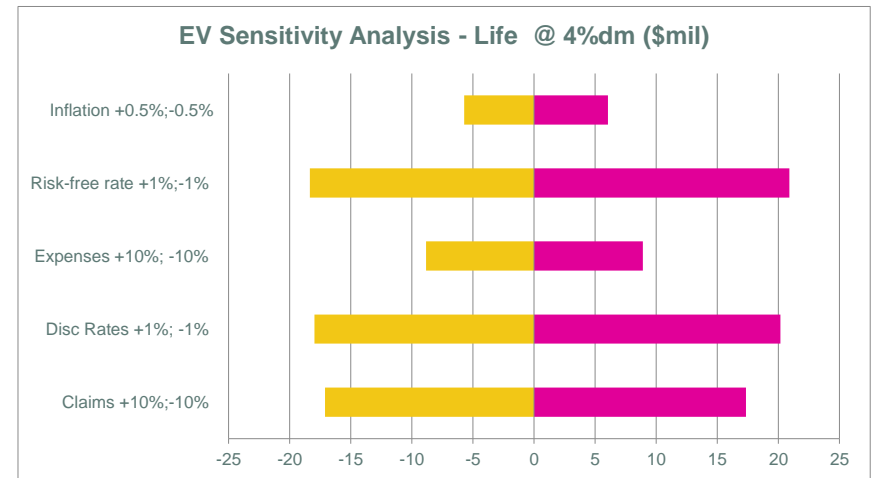
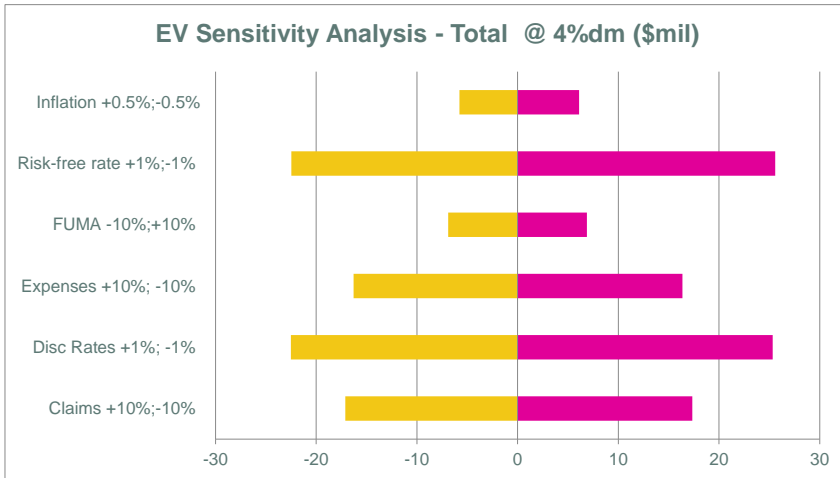
# EV movement analysis @ 4% DM by segment at 31 December 2018

<b>MOVEMENT ANALYSIS @ 4% dm</b>	<b>Life</b>	<b>Wealth</b>	<b>Advice</b>	<b>Other</b>	<b>Total</b>
<b>EV - 30 June 2018 @ 4% dm (As Published)</b>	<b>435.9</b>	<b>73.3</b>	<b>32.8</b>	<b>14.6</b>	<b>556.6</b>
Restatements/modeling difference	0.0	(2.4)	(1.0)	0.0	(3.4)
<b>EV - 30 June 2018 @ 4% dm (Restated)</b>	<b>435.9</b>	<b>71.0</b>	<b>31.8</b>	<b>14.6</b>	<b>553.2</b>
FY18 final cash dividend	0.0	0.0	0.0	(20.0)	(20.0)
Dividend reinvestment plan	0.0	0.0	0.0	11.1	11.1
ESP related items	0.0	0.0	0.0	3.0	3.0
Treasury shares	0.0	0.0	0.0	(2.1)	(2.1)
Expected gain	15.6	2.8	0.0	0.1	18.5
Value of New Business added	(0.8)	(0.8)	0.0	0.0	(1.6)
Impact of claims experience	(2.1)	0.0	0.0	0.0	(2.1)
Impact of discontinuances experience	(3.9)	(0.8)	(1.1)	0.0	(5.7)
FUMA mark to market and business mix	0.0	(2.5)	(0.7)	0.0	(3.2)
Cost impacts <sup>1</sup>	0.3	(0.6)	(0.5)	(4.0)	(4.8)
Pricing changes	(3.1)	(4.4)	0.0	0.0	(7.5)
<b>EV - 31 December @ 4% dm</b>	<b>441.9</b>	<b>64.7</b>	<b>29.5</b>	<b>2.5</b>	<b>538.7</b>
ESP Loans				29.3	29.3
<b>Total EV Inc. ESP Loans</b>	<b>441.9</b>	<b>64.7</b>	<b>29.5</b>	<b>31.8</b>	<b>568.0</b>
Franking Credits	66.6	14.7	7.1	14.6	103.0
<b>Total EV Inc. ESP Loans and Franking Credits</b>	<b>508.6</b>	<b>79.4</b>	<b>36.6</b>	<b>46.4</b>	<b>671.0</b>

## Notes

1. Includes costs considered unusual to normal activities (includes \$0.6m Direct remediation costs, \$1.3m Royal Commission costs and \$1.5m SMT retention bonus costs), listing costs, and interest on corporate debt.

# 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).



# Group net assets & capital analysis at 31 December 2018

Group Capital Position (\$M)	Life	Wealth	Other	APRA Regulated Entities	Wealth	Financial Advice	ASIC Regulated Entities	All Regulated Entities	NOHC <sup>2</sup> / Other	Group
Net Assets	387.4	13.0	4.0	404.4	9.1	16.0	25.2	429.5	17.3	446.8
Goodwill & Intangibles	(12.8)	(5.3)	0.0	(18.1)	(0.3)	(7.5)	(7.7)	(25.8)	(18.8)	(44.6)
<b>Net Tangible Assets</b>	<b>374.6</b>	<b>7.7</b>	<b>4.0</b>	<b>386.3</b>	<b>8.9</b>	<b>8.6</b>	<b>17.4</b>	<b>403.7</b>	<b>(1.5)</b>	<b>402.2</b>
Capital Base Adjustment:										
Deferred Acquisition Costs (DAC)	(321.7)	0.0	0.0	(321.7)	0.0	0.0	0.0	(321.7)	0.0	(321.7)
Other Adjustments to Capital Base	(0.9)	(0.1)	0.0	(0.9)	0.0	(0.0)	(0.0)	(1.0)	(0.3)	(1.2)
<b>Regulatory Capital Base</b>	<b>52.0</b>	<b>7.7</b>	<b>4.0</b>	<b>63.7</b>	<b>8.9</b>	<b>8.5</b>	<b>17.4</b>	<b>81.1</b>	<b>(1.8)</b>	<b>79.3</b>
Prescribed Capital Amount	(13.6)	(3.2)	(3.1)	(20.0)	(5.0)	(0.0)	(5.0)	(25.0)	0.0	(25.0)
<b>Available Enterprise Capital</b>	<b>38.4</b>	<b>4.4</b>	<b>0.8</b>	<b>43.7</b>	<b>3.9</b>	<b>8.5</b>	<b>12.4</b>	<b>56.1</b>	<b>(1.8)</b>	<b>54.3</b>
Enterprise Capital Benchmark (ECB)										
Working Capital <sup>3</sup>	2.2	0.0	0.0	2.2	(1.5)	(1.5)	(3.0)	(0.8)	0.0	(0.8)
Risk Capital <sup>1</sup>	(39.4)	(2.6)	0.0	(42.0)	(2.1)	(3.2)	(5.3)	(47.3)	(7.2)	(54.5)
<b>Excess/ Deficit over Internal Benchmarks</b>	<b>1.2</b>	<b>1.9</b>	<b>0.8</b>	<b>3.9</b>	<b>0.3</b>	<b>3.9</b>	<b>4.1</b>	<b>8.0</b>	<b>(9.0)</b>	<b>(1.0)</b>
Debt Funding Facility	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.0	15.0
<b>Net Capital Position<sup>4</sup></b>	<b>1.2</b>	<b>1.9</b>	<b>0.8</b>	<b>3.9</b>	<b>0.3</b>	<b>3.9</b>	<b>4.1</b>	<b>8.0</b>	<b>6.0</b>	<b>14.0</b>

Reconciliation of Net Assets to Group Capital Position (\$M)	Life	Wealth	Advice	Other	Total
<b>Net Assets</b>	<b>387.4</b>	<b>22.1</b>	<b>16.0</b>	<b>21.2</b>	<b>446.8</b>
- Capital incl in VIF	(363.5)	(12.5)	(9.2)	(18.8)	(404.0)
<b>Net Worth</b>	<b>23.9</b>	<b>9.6</b>	<b>6.9</b>	<b>2.4</b>	<b>42.8</b>
- Overhead & New Business Capital	(22.7)	(7.4)	(3.0)	(10.6)	(43.8)
<b>Surplus Capital</b>	<b>1.2</b>	<b>2.2</b>	<b>3.9</b>	<b>(8.2)</b>	<b>(1.0)</b>
- Debt Funding Facility	0.0	0.0	0.0	15.0	15.0
<b>Surplus Capital (Post Recommended Transfers)</b>	<b>1.2</b>	<b>2.2</b>	<b>3.9</b>	<b>6.8</b>	<b>14.0</b>

## Notes

- As at 31 December 2018, 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>2</sup>
- NOHC is a non operating holding company regulated by APRA under the Life Insurance Act.
- Working capital includes Board approved transfers post 31 December 2018 which will be completed before 31 March 2019
- Stated post 31 December 2018 Board approved transfers.

# Impact of ESP Shares



# Impact of Employee Share Plan (EPS) shares

## PER SHARE CALCULATIONS

Half Year ended 31 December 2018	HY19
Number of shares on issue	631.5
ESP shares on issue	45.6
Shares on issue to calculate NAV per share (A)	677.1
Net assets (\$m)	446.8
ESP loans (\$m)	29.3
Proforma net assets (\$m) (B)	476.0
Fully diluted NAV per share = (B)/(A)	70.3 cents
Underlying NPAT (\$m)	13.3
Fully diluted underlying NPAT per share	2.08 cents
Reported NPAT (\$m)	11.5
Reported diluted NPAT per Share	1.80 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”
- 45.6m ESP shares on issue and \$29.3m loans receivable at 31 December 2018
- Underlying NPAT is the Board’s key measure of profitability and the basis on which dividends are determined
- Underlying NPAT of \$13.3m, down 13% on HY18

### 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.

# ClearView Senior Management Team



# Leadership team



**Simon Swanson**  
Managing Director



**Christopher Blaxland-Walker**  
General Manager, Distribution



**Elizabeth Briggs**  
General Counsel and  
Joint Company Secretary



**Athol Chiert**  
Chief Financial Officer and  
Joint Company Secretary



**Louise Hulley**  
General Manager,  
Technology



**Todd Kardash**  
General Manager,  
Licensee Services



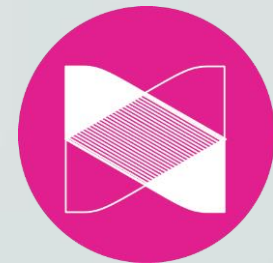
**Deborah Lowe**  
General Manager,  
People and Operations



**Greg Martin**  
Chief Actuary and  
Risk Officer



**Justin McLaughlin**  
Chief Investment Officer



# Disclaimer

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