Life Insurance Financial Results Update

May Reporting Season

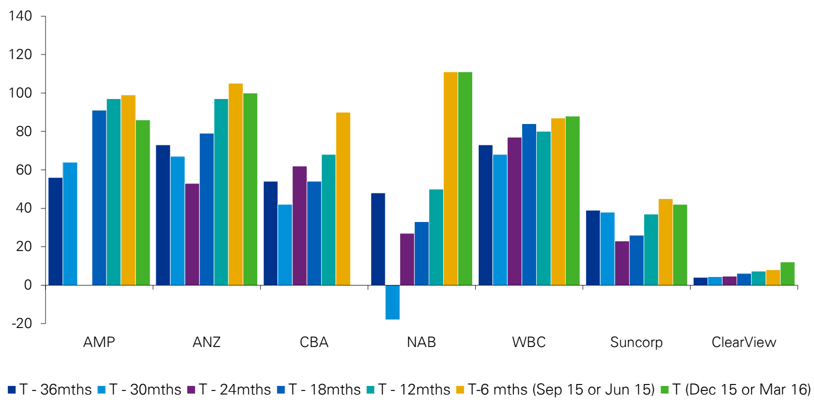
Operating Earnings & Margins

- The latest reporting season showed that operating earnings remained high relative to the last few years and is broadly stable from the previous half year update across most companies included in this update (shown in the graph to the right).
- It is noted that planned margins remain at around or below 10 percent for most companies and are overall lower than 3 years ago.
- Most companies' actual margins are also around 10 percent except Suncorp which is at 5 percent, WBC at 19 percent and ClearView at 19 percent. In contrast to planned margins, the current period actual margins are on the higher side relative to historical periods.
- Specifically, ClearView experienced strong growth in actual margins as it benefited from positive claims experience. Further information on company specific results are included below.

Overall, the following experience trends have been cited by individual companies:

- Improvements in retail lapse experience due to retention initiatives across the industry, however, experience is still worse than long term assumptions for some insurers.
- Deteriorating Income Protection claims experience, stabilising for some companies as a result of management action driving improved claims outcomes.
- Comments on overall claims experience varied (e.g. some reporting deterioration, others claims profits and others stable claims experience). AMP reported a strengthening of its long-term lump sum claims assumptions.
- CBA noted adverse Group claims experience partly offset by repricing.

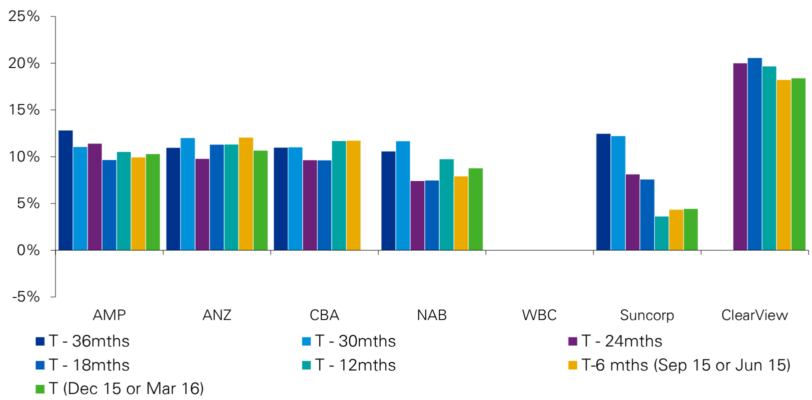
Operating Earnings



NB: CBA data not available for the current update

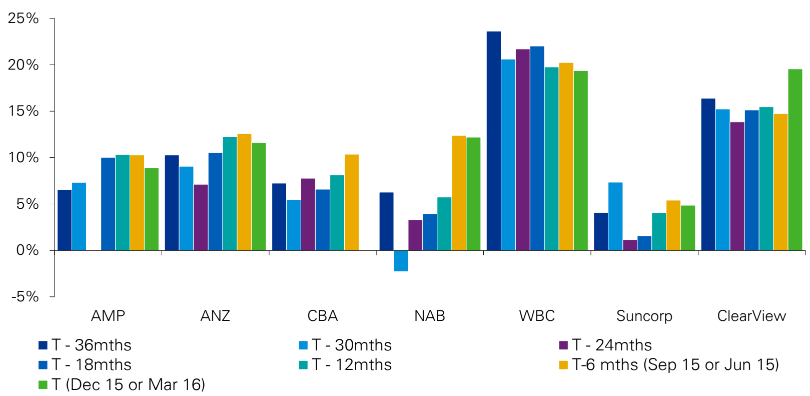
Source: Historical individual company Half Year/Full Year reports as disclosed to the ASX[1]

Planned Margins



Source: Historical individual company Half Year/Full Year reports as disclosed to the ASX[1]

Actual Margins

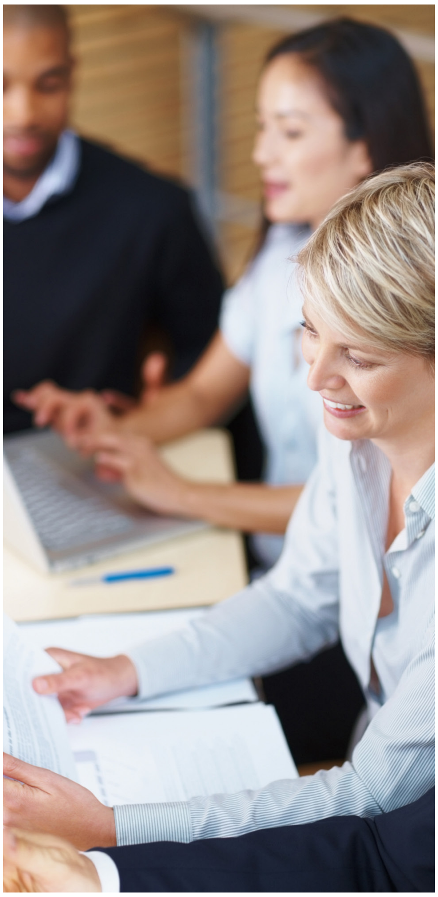


NB: CBA data not available for the current update. WBC data not available for planned margins.

Source: Historical individual company Half Year/Full Year reports as disclosed to the ASX[1]

Annual Premium In Force

- Some companies are experiencing limited premium growth in the Retail space which appears to be driven mostly by age, inflation (CPI), pricing related increases and improvements in lapses. A number of companies have observed falling new business including AMP, SUN, CBA and ANZ.
- ClearView has a high growth rate primarily driven by sales of its LifeSolutions product, albeit ClearView is coming from a relatively low API base. WBC has also experienced reasonable growth on prior comparable period as it further develops its IFA and aligned networks.
- Some companies such as AMP continue to report benefits from ongoing Group Risk repricing.
- Management from SUN and AMP are also citing a continuing focus in the short-term on margin improvement ahead of pure volume growth. ClearView is experiencing strong business growth leading to higher planned profit which is partly offset by the run-off of its higher margin old direct book.



API Growth Year on Year*

Company	Retail	Group	Total
AMP	1.1 percent	1.1 percent	1.1 percent
ANZ	4.1 percent	12.6 percent	6.1 percent
CBA	-0.8 percent	9.2 percent	3.9 percent
NAB	2.8 percent	4.3 percent	3.2 percent
WBC	12.1 percent	NA	12.1 percent
SUN	5.1 percent	6.7 percent	5.2 percent
CVW	30.2 percent	NA	30.2 percent

*Based on company API reported as at December 2015 or March 2016

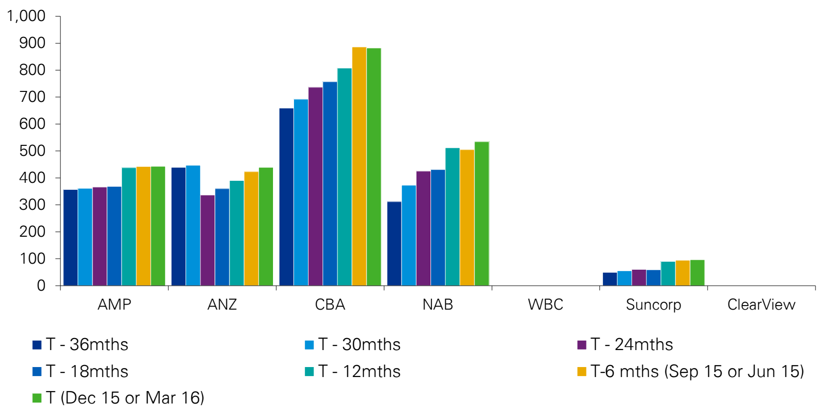
Source: Historical individual company Half Year/Full Year reports as disclosed to the ASX[1]

In Force Premium - Retail

NB: CBA split between Retail and Group unavailable for current update (current period split assumed to be aligned with previous half year period)
Suncorp has restated their API category / definitions for the last 3 half year periods while total API remains unchanged.

Source: Historical individual company Half Year/Full Year reports as disclosed to the ASX[1]

In Force Premium - Group



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Source: Historical individual company Half Year/Full Year reports as disclosed to the ASX[1]

December 2015 / March 2016 Result – Life Insurance only

AMP (Wealth Protection)

- Planned Profit margins increased by $9m (5 percent) to $196m in FY15, largely due to the repricing within AMP's group risk business in 2H14 and lower controllable costs.
- Experience losses of $11m were recorded in FY15 with deterioration in retail lump sum claims experience continuing. This triggered a strengthening in assumptions over this period.
- Management action continued to drive improved income protection claims outcomes. Focus on lapse propensity models is expected to deliver improvements in lapse outcomes.
- Individual risk API increased by 1.1 percent from FY14 to $1.52b at FY15 and increased by 2.6 percent from 1H15. The increase in API over 2H15 largely reflects age and CPI premium increases on risk policies. Retail sales volumes are lower in FY15 relative to FY14.
- Management commented that the Wealth Protection business continues to target delivering value over volume in the short term whilst looking for opportunities to generate growth as the business recovery takes effect.

ANZ (Insurance)

- Insurance operating margin decreased from $105m in 2H15 to $100m in 1H16. This result reflects favourable direct and group lapse experience offset by adverse claims experience.
- Total annual premium inforce increased from $1,707m at Sep-15 to $1,736m at Mar 2016. Consistent with broader industry experience, retail new business volumes are slowing.

ClearView

- ClearView had total inforce life insurance premium of $132m (+30 percent on pcp). ClearView generated new business premium of $18.2m over the six month period to December 2015 (+7 percent on pcp).
- In the year to June 2015, ClearView had approximately 1.3 percent market share of inforce premium and a 3.5 percent share of new business in the individual life insurance market and is therefore growing substantially faster than the market.
- Claims experience profit of $1.7m and small lapse experience loss of $0.2m in the 6 month period ending December 2015. Although statistical volatility in claims is expected given the current small size of the inforce portfolio.
- ClearView recorded an expense experience loss of $0.9 million. It is expected that the expense overruns should be eliminated as scale is achieved.
- The growth in planned profit by 23 percent is reflective of the strong growth in the business partially offset by the run off of the higher margin old direct book.

Commonwealth Bank (Insurance)

- Wholesale life insurance income increased reflecting the repricing activity and improved lapses, partly offset by higher claims.
- Retail life insurance income increased 12 percent, due to the continued benefit of lower lapse rates, partly offset by lower new business sales.
- Inforce premium decreased slightly to $1,766m from $1,774m from the previous half year.

NAB (Insurance)

- Net insurance income increased by $72m or 35.5 percent compared to the March 2015 half year. The increase was driven by stable claims and lapse performance, premium growth and pricing increases.
- Planned profit margins were exceeded primarily due to pricing increases and favourable claims experience
- Inforce premiums as at March 2016 of $1.8b grew by $57m compared to March 2015.

Suncorp

- Annual premium inforce increased to $1,007m, driven by sustainable growth across the portfolio with a focus on value over volume.
- IFA risk in-force growth was impacted by new business sales volumes trending below prior periods as a result of industry change and pricing changes. Suncorp has implemented a number of initiatives to improve momentum in new business volumes.
- The advised business experienced in-force premium growth of 3.4 percent which was driven by new business and lower lapse rates. The direct business experienced in-force premium growth of 20.0 percent.
- Underlying profit for the life business included positive claims and lapse experience of $8m.

Westpac (Insurance)

- As at December 2015 Westpac's inforce life insurance market share represents 9.9 percent of the industry and their share of new business represents 10.9 percent of the industry.
- Life insurance net earned premiums increased $34m, with in force premium rising 12 percent year on year and loss ratios remaining flat.

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[1]Latest reporting period along with links to ASX company announcements:

CBA Half Year 31-Dec-15, AMP Full Year 31-Dec-15, NAB Half Year 31-Mar-16, ANZ Half Year 31-Mar-16, CVW Half Year 31-Dec-15, WBC Half Year 31-Mar-16, SUN Half Year 31-Dec-15