ClearView

Half Year Condensed Consolidated Financial Report

for the six months ended 31 December 2019

Directors report

The Directors of ClearView Wealth Limited (ClearView or the Company) submit herewith the Condensed Consolidated Financial Report of ClearView and its subsidiaries (the Group) for the half year ended 31 December 2019. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names of Directors of the Company who held office during the half year ended 31 December 2019 and up to the date of this report are shown below.

- **Bruce Edwards** (Chairman)
- **Geoff Black** (Appointed a Director on 25 November 2019)
- **David Brown** (Resigned as Director on 25 November 2019)
- **Gary Burg**
- **Michael Alscher**
- **Nathanial Thomson**
- **Susan Young**
- **Simon Swanson** (Managing Director)

The above named Directors held office during and since the end of the half year unless otherwise stated above.

Principal activities

ClearView is an Australian financial services company with businesses that specialise in life insurance, wealth management and financial advice solutions.

ClearView generates its revenue through the provision and distribution of life insurance, investment, superannuation and retirement income products, and through the provision of financial advice and support services to financial advisers.

Material business and operational risks

ClearView's operations expose it to a variety of financial and non-financial risks. Risk management is an integral part of the Group's management processes and the Board continuously reviews material business risks.

The Board has adopted a formal Risk Management and Capital Strategy (RMCS) and a structured Risk Management Framework (RMF) to ensure the early identification of risks and adequate management of key risks, particularly those with the potential to impact the Company's future financial prospects and strategic imperatives.

The RMCS and RMF are fundamental to business decisions including resource allocation and prioritisation of activities.

Details of the Group's risk management practices including risk mitigation strategies are set out in the 30 June 2019 Annual Report.

Operating and Financial Review

ClearView Wealth Limited (ClearView or the Company) is an APRA registered Non-Operating Holding Company (NOHC) of regulated wholly owned subsidiaries that offer life insurance, superannuation, investments and financial advice.

The subsidiaries of the ClearView Group hold a number of licences enabling them to operate across three core business segments:

- **Life Insurance:** manufactures ClearView products under a retail life insurance licence. ClearView LifeSolutions is our single, contemporary product series for retail customers that is only available through financial advisers;
- **Wealth Management:** manufactures wealth management products (managed investments and superannuation) under responsible entity and registrable superannuation trustee licences. These investment solutions are also distributed through financial advisers; and
- **Financial Advice:** ClearView is a market leading provider of licensing solutions to financial advisers. Our comprehensive offer features two aligned dealer groups providing traditional dealer services plus the recently launched LaVista Licensee Solutions which provides outsourced B2B licensee services to other Australian Financial Services Licensees (AFSLs).

The capability (licences) to operate across all three segments is now relatively unique in the Australian market.

Strategic rationale

Favourable, long term fundamentals underpin the growth of Australia's non-bank financial services sector. These include:

- Economic and population growth;
- Compulsory superannuation;
- Demand for life insurance, wealth management and financial advice; and
- An aging population with significant wealth and risk management ('life insurance' type) needs.

Rising household debt-to-income levels underpin the need for life insurance and quality advice. The steady increase in debt levels in Australia has been driven by stagnant wage growth, easing constraints on bank lending and the structural decline in the level of nominal interest rates allowing borrowers to service larger loans.

Australia's compulsory retirement savings system alongside lifecycle demands like private school education and home deposits is driving demand for wealth management products and advice.

Retirees need assistance with pension draw-down management, investment management and allied products and services such as longevity management and sequencing risk management.

According to ASIC report 627: Financial advice – What consumers really think[1], 27% of Australians have obtained financial advice in the past and 41% intend to get financial advice in the future including 25% who intend to get advice in the next 12 months.

The report concluded that Australians are aspirational, keen to learn and motivated to take charge of their financial affairs.

In the short- to-medium-term, the industry will continue to grapple with unprecedented regulatory and structural change, economic uncertainty and poor consumer sentiment, following the Banking and Financial Services Royal Commission.

That said, Australians are getting wealthier and over the next 20 years, there will be a material transfer of wealth from one generation to the next. Baby boomers will need help planning and executing the smooth transfer of assets while beneficiaries will need advice on how to properly structure and prudently invest their wealth.

As a diversified financial services company, ClearView has three core business segments:

- **Life Insurance:** Managing life's risks that can undermine one's financial position, security and wealth due to a loss of income, unexpected costs or out living financial/family resources;
- **Wealth Management:** Accumulation of wealth to secure retirement and other saving needs; and
- **Financial Advice:** Financial advice is critical to most Australians to manage their financial affairs soundly.

ClearView's core strategy is to partner with financial advisers to help more Australians protect and grow their wealth. We are committed to expanding our distribution footprint by delivering quality products and exceptional service to customers.

1 ASIC report 627: 'Financial advice – What consumers really think' issued in August 2019 explored overall use of financial advisers, motivators and barriers to seeking personal advice, and consumer attitudes towards the financial advice industry.

Regulatory environment and changes

The financial services industry has faced unprecedented regulation, scrutiny and disruption over the past few years.

ClearView is committed to meeting its obligations to all stakeholders including clients, advisers, shareholders and regulators.

In the face of shifting client and regulator expectations, ClearView continues to improve its products, processes and systems while building out the expertise and capabilities of our people. We are fully supportive of sensible public policy and changes designed to improve consumer outcomes.

Royal Commission

The Final Report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission), released on 4 February 2019, contained 76 recommendations (and a range of related observations) which have significant implications for financial services entities. The proposed recommendations aim to raise the bar on ethical behaviour and accountability in financial services and rebuild trust in the sector.

The Treasurer has released an 'Implementation Roadmap' outlining a timetable for the introduction of legislative reform addressing the Royal Commission recommendations. Many reforms have been released by Treasury as draft legislation but a number are now law. ClearView has identified a number of key regulatory matters which will have an impact on the industry:

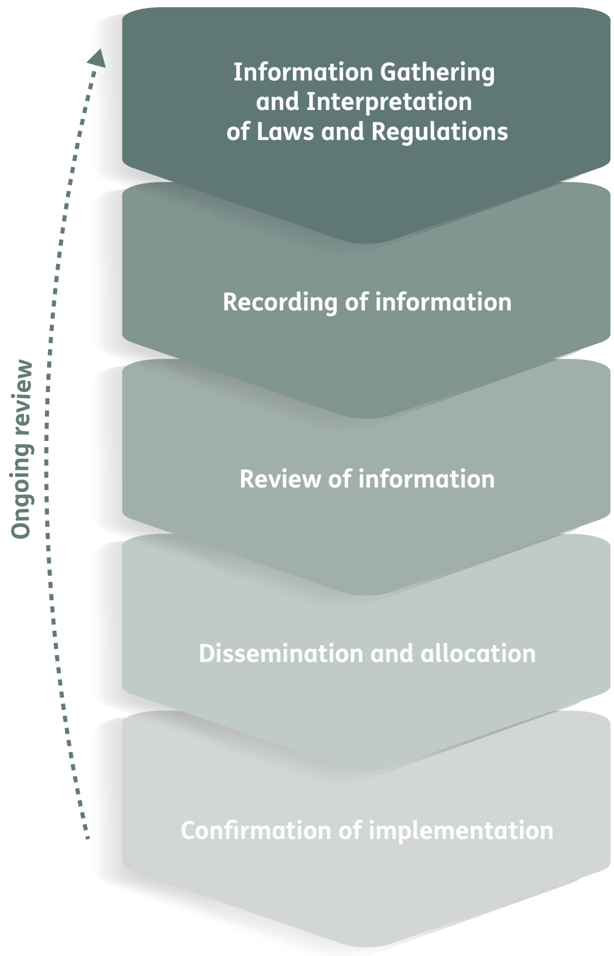
- Design and Distribution Obligations and Product Intervention Powers (ASIC).
- Life insurance related reforms including the application of unfair contract terms to insurance and treating Claims handling and settlement as a financial service.
- Superannuation related legislative reforms including Protecting Your Super, and Putting Members' Interests First.
- Scrutiny on the management of conflicts of interest.
- Increased focus on the subjective notion of fairness and 'community expectations'.
- Advisers are now subject to a Code of Ethics and will need to meet higher educational requirements, which is expected to see a certain cohort of advisers leaving the industry.

ClearView continues to push for open life insurance Approved Product Lists (APLs) across the industry to give all financial advisers the ability to freely choose the most appropriate solution for their clients based on their personal circumstances, needs and goals. The industry has made some progress in this area, which will hopefully lead to a substantial benefit for consumers, advisers and ClearView.

ClearView is rolling out a comprehensive documented regulatory reform process and maintains oversight of regulatory requirements through Board governance structures, management committees and a regulatory change forum. The purpose of the Regulatory Reform Process is to ensure that:

- ClearView is compliant with legislative and regulatory obligations;
- Key stakeholders are kept informed and up-to-date; and
- Relevant changes are implemented throughout the organisation in a timely manner.

ClearView uses the stepped process below to keep abreast of the relevant legislative and regulatory updates which impact the organisation.



ClearView has continued to increase its investment in risk and compliance resourcing (quantity and expertise) to deliver an uplift in its overall risk and compliance capacity and delivery. This includes separating the Chief Actuary & Risk Officer role and establishing a separate Chief Risk Officer (CRO) position within the ClearView executive team. Orla Cowan was appointed to the CRO role in October 2019.

Individual Disability Income Insurance (IDII) Thematic Review

The individual life insurance industry lost $1.1 billion on Income Protection (IP) in the year ended 30 June 2019, extending five-year losses to over $3 billion.

Last year APRA completed an individual disability income insurance (IDII) thematic review which involved asking companies to conduct a self-assessment in relation to strategy and governance, pricing and profitability, improving data quality and resourcing.

In December 2019 APRA announced several IDII sustainability measures to be undertaken by the industry to improve the sustainability of IDII including certain changes to policies offered and Pillar 2 capital charges on life insurance companies and friendly societies.

ClearView is supportive of APRA's initiatives to strengthen consumer protections, improve the design of life insurance products and encourage more Australians to gain adequate cover. Based on its understanding of APRA's position, ClearView does not currently anticipate the need to undertake any additional capital management actions beyond the projects and actions previously outlined to the market, which are substantively underway. However there will be a body of work required to ensure our IDII Products continue to be appropriate and meet with the regulatory intent and requirements of this initiative.

APRA's measures require the industry to examine the appropriateness and sustainability of their products and take the necessary action to satisfy the requirements of all stakeholders by 30 June 2021, or risk further action which may include additional capital charges and/or 'Directions' to cease writing IP insurance.

ClearView has the ability to implement any changes relatively quickly, in particular in relation to issues associated with terms and benefits offered by the market for income protection products. ClearView has already commenced a comprehensive review of its LifeSolutions IP product series with a focus on reviewing product pricing and design.

ClearView will also cease the sale of Agreed Value contracts for IP by mid-March and will launch a new indemnity type IP option in 2H FY20 to offer a lower maximum monthly benefit at a lower premium rate. Further premium rate changes will be made in the coming months to reflect increased claim rates.

Risk culture and remuneration

Risk culture is an ongoing regulatory focus.

In November 2019, APRA released the Information Paper Transforming Governance, Culture, Remuneration and Accountability. In that paper, APRA defines risk culture as the norms of behaviour for individuals and groups that shape the ability to identify, understand, openly discuss, escalate and act on an entity's current and future challenges and risks.

This paper followed ASIC's report in October 2019 containing significant detail around the 'what' and 'how' of board oversight of non-financial risk. It focused on risk appetite statements, risk information and Board Risk Committees. ASIC has sent a clear message that its expectations of these three elements of governance has increased substantially.

In response, the relevant ClearView Boards endorsed a proposal to conduct a Board workshop to discuss, review and update the current Risk Appetite Statement (RAS). The revised RAS is being updated to reflect the Australian Institute of Company Directors (AICD) recommendations as well as the aforementioned ASIC and APRA papers.

ClearView has also recently completed a governance review incorporating themes included in APRA's Prudential Inquiry into the Commonwealth Bank of Australia. An externally facilitated Culture program with oversight by the Board and the Senior Management Team was also undertaken.

ClearView continues to review its remuneration framework with the intention of aligning it with the BEAR regime (as it applies to ClearView). Treasury published a draft proposal known as the Financial Accountability Regime (FAR) in January 2020. The current FAR roadmap has the revised draft emerging around the end of the FY20 financial year. The plan is for the framework to be applied in two stages. ClearView is also closely monitoring the regulatory guidance and changes recently issued by APRA.

In the interim, the remuneration framework continues to be developed and changes have been made to senior management team remuneration structures including clawback arrangements for short-term bonuses (from FY20) and longer vesting arrangements deferrals and/or clawbacks for long-term incentives (also for new issues).

Remediation

ClearView closed the Direct Life insurance business in May 2017 and focused on finalising the consumer remediation program (program). ClearView implemented the program, which covered the categories of consumers and the level of remediation approved by ASIC, and final reports were provided to ASIC by ClearView and the independent expert on 24 December 2018. ClearView has since completed further communication work (outlining details for the ability to request a call review) to potentially affected consumers which was managed as part of 'business as usual' functions. Details of the outcome of this further program of work was provided to ASIC in December 2019.

ClearView also implemented a financial advice remediation program, which involved a retrospective review of life insurance advice that focused on four key areas relating to the appropriateness of the advice. The program was approved by ASIC and final reports on the advice remediation program were provided to ASIC by the independent expert on 12 July 2019. A media announcement in relation to this program of work was made by ASIC subsequent to the completion of this program of work.

ClearView has continued its rollout and enhancement of front-end compliance and monitoring technology (Lumen) across the dealer groups. This is in line with the increased compliance and regulation required to ensure AFSLs and their authorised representatives manage their legal obligations. ClearView continues to perform both 'front' and back end compliance processes (including file reviews) as part of its ongoing monitoring and compliance reviews under 'business as usual' functions. ClearView has, as part of this ongoing process, commenced a back file review of a limited number of financial advisers (including some that have left the dealer group).

In HY20, $1.0 million of program and remediation costs (after tax and excluding any potential recoverable amounts) were incurred under the financial advice programs noted above. This included a best estimate provision for compensation costs of $0.5 million (after tax). These costs have been included as part of Underlying NPAT in the half year result.

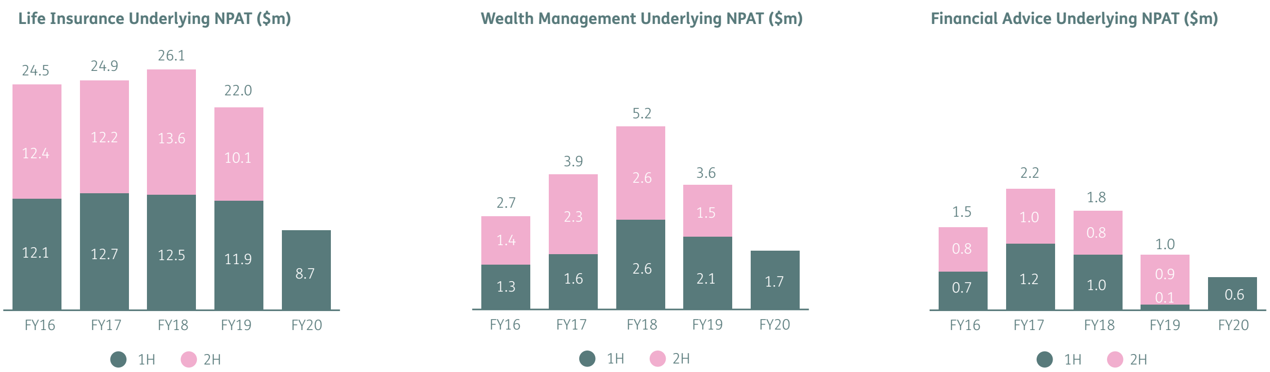
HY20 Results overview

Overview of result

The ClearView Group achieved the following results for the half year ended 31 December 2019.

After Tax Profit by Segment, $M	HY20 $M	HY19 $M	% Change[1]
Life Insurance	8.7	11.9	(27%)
Wealth Management	1.7	2.1	(19%)
Financial Advice	0.6	0.1	Large
Listed entity and other	(0.7)	(0.7)	(1%)
Underlying NPAT[2]	**10.2**	**13.3**	**(23%)**
Policy liability discount rate effect	(0.4)	2.2	Large
Amortisation of acquired intangibles	-	(0.6)	Large
Direct remediation program and Royal Commission costs	-	(1.9)	Large
Other costs	-	(1.5)	Large
Reported NPAT	**9.8**	**11.5**	**(15%)**
Embedded value[3]	669	671	-
Net asset value[4]	449.4	446.8	1%
Reported diluted EPS (cps)[5]	1.55	1.80	(14%)
Underlying diluted EPS (cps)[5]	1.62	2.08	(22%)

Chart 1: Segment performance Underlying NPAT FY16-HY20



1 % movement, HY19 to HY20 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 Embedded Value at 4% discount rate margin, including a value for future franking credits, accrued franking credits and Employee Share Plan (ESP) loans. Embedded Value at 31 December includes various assumption changes from 30 June 2019 calculations. Refer to further detail in the sections that follow.

4 Net Asset Value as at 31 December 2019 excluding ESP Loans.

5 Impacted by ESP shares vested/forfeited during the period and changes to the number of ESP shares 'in the money' given the changes in ClearView's share price period on period.

Underlying NPAT, the Board's key measure of Group profitability and basis for dividend payment decisions, decreased 23% to $10.2 million (HY19: $13.3 million) with fully diluted Underlying EPS decreasing by 22% to 1.62 cps (HY19: 2.08 cps). Reported NPAT, decreased 15% to $9.8 million (HY19: $11.5 million) with reported diluted EPS decreasing by 14% to 1.55 cps (HY19: 1.80 cps). This result reflected:

Life Insurance

- Life insurance Underlying NPAT for half-year ended 31 December 2019 of $8.7 million, adversely impacted by claims (-$4.7 million) and lapse (-$1.4 million) experience (relative to the assumptions adopted at 30 June 2019).
- Life insurance in-force premiums up 8% to $260.6 million; new business premiums of $14.2 million, down 35%.
- Some insurers appear to be engaging in 'honeymoon' discounting, to maintain market share, rather than focusing on delivering long-term sustainable products and transparent pricing to consumers. ClearView is not participating in this approach which is impacting current new business volumes.
- ClearView's focus remains on further improving lapse performance, continuing to review our pricing profile and addressing the fundamental issues with IP products offered in the market.
- Initiatives are underway to achieve more sustainable claims and pricing outcomes for income protection products and ClearView is very supportive of the APRA IDII Sustainability Measures.

Wealth Management

- Wealth Underlying NPAT for half-year ended 31 December 2019 of $1.7 million.
- Wealth Funds Under Management (FUM) up 10% to $2.88 billion; strong net inflows of $66 million ($81 million outflows in 1H FY19).
- Progress continues on the development of the Wealth Management business including addressing and closing out the tax credit issue in the ClearView Retirement Plan (CRP); and delivering new products to the market.

Financial Advice

- Financial Advice Underlying NPAT for half-year ended 31 December 2019 of $0.6 million.
- Changes to the remuneration and fee model in dealer groups were introduced on 1 November 2019, representing a fairer, more sustainable revenue base. The launch of the B2B outsourced licensee services offer (LaVista) also allows ClearView to provide business support services to advisers who have obtained their own licences.
- Costs reduced due to implementation of cost transformation but were impacted by $1.0 million of program and remediation costs (after tax and excluding any potential recoverable amounts) that were incurred under the financial advice programs noted above.

Cost base, technology review and changes

In response to the challenging market conditions, ClearView has focused on resetting the business. Measures undertaken include completing a cost-out program; conducting an IT strategy review; introducing a new dealer group pricing model; launching LaVista Licensee Solutions; and reviewing our pricing profile versus competitors. We continue to work with our reinsurer on more sustainable products and pricing models.

The comprehensive IT strategy review that was completed in 2H FY19 assessed the Group's technology; scoped the future technology needs of our business; and established a clear development roadmap for a robust, scalable platform that can grow as the business grows.

ClearView continues to explore the implementation of a new life insurance Policy Administration System (PAS) and Underwriting Rules Engine (URE), with a proof of concept underway for the PAS and selection of a URE provider complete.

Costs associated with the proof of concept ($0.3 million) are expected to be expensed in the second half of the financial year. In the interim, this has resulted in a substantial reduction in IT capital expenditure (including IT program office related head count). The proof of concept is expected to be completed in 2H FY20, with further information to be provided in due course.

Work has begun on upgrading ClearView's core IT infrastructure including desktop technology. The company is in the process of consolidating its data centres and transitioning suppliers which will deliver a faster, more effective IT infrastructure (as a service). As the managed services costs associated with the new Infrastructure as a Service environment are implemented (still in the transition phase), there will be a short-term cost overlap with the incumbent IT managed services in 2H FY20. This is also expected to be completed in 2H FY20.

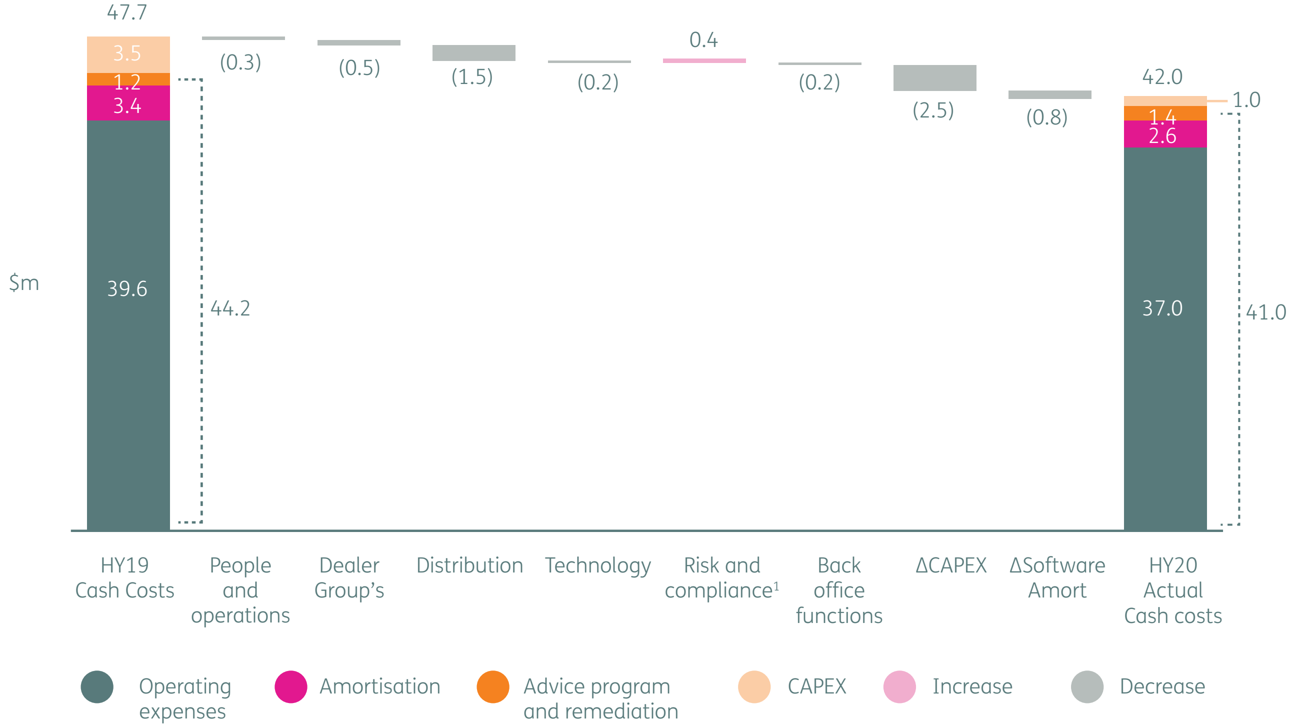
The focus of these changes is to ensure that ClearView can improve both client and adviser service and adapt to ongoing industry changes in a fast and effective manner.

A reinvestment is also being made back into the business with the strengthening of the risk and compliance team to support ongoing regulatory change and risk management functions.

The financial advice program and remediation costs reflects program, compliance and restitution costs incurred in HY20 and includes a best estimate provision for compensation costs of $0.5 million (after tax).

The chart below shows a 14% decrease in cash costs from $47.7 million to $42.0 million (including IT capital expenditure) or a 7% decrease in the operating cost base from $44.2 million in HY19 to $41.0 million in HY20.

Chart 2: Operating expense analysis HY19 vs HY20 cost base



The reduction in cash costs by $5.7 million for the half-year period is reflective of the implementation of the cost transformation program in 2H FY19. The cost base was rebalanced through staff and non-staff savings across functional and shared services areas. This was partially offset by the reinvestment into the risk and compliance teams and also reflects the reduction in capitalised IT costs (and related software amortisation) as noted above.

The business is now focused on effective cost management and executing its reinvigorated IT strategy and road map. The material investment in technology, alongside ongoing expansion of our distribution footprint, is likely to support medium- to long-term growth, notwithstanding short-term headwinds.

Furthermore, this period of industry disruption and change, may present new opportunities to build out and enhance the business.

1 Includes actuarial function for comparative purposes.

The table below reconciles the HY20 operating expenses analysed in Chart 2 with the reported operating expenses in the annual financial statements.

Reconciliation of operating expenses to reported operating expenses per financial statements	HY20 $M	HY19 $M
Operating expenses per Chart 2	**41.0**	**44.2**
Custody and investment management expenses	4.8	4.9
Depreciation and software amortisation	(3.0)	(3.7)
Depreciation (right of use assets)	(0.8)	-
Stamp duty and reinsurance technology costs	5.1	5.2
Medical costs	0.8	1.0
Interest expense	0.4	0.3
Strategic review costs	-	0.1
Direct remediation costs	-	0.8
Royal commission costs	-	1.9
Retention bonuses	-	2.1
Other expenses	2.1	1.8
Operating expenses per financial statements	**50.4**	**58.6**

Other adjustments, impairment and amortisation

Items which are identified by the Board as not representing the underlying performance of the business are not included in Underlying NPAT. The determination of these items is made after consideration of their nature and materiality and is applied consistently from period to period. Items not included in Underlying NPAT primarily result from costs relating to major restructuring initiatives, impacts on policy liability and disabled lives incurred claims reserves from changes in discount rates, impairments of assets, amortisation of acquired intangibles and other transactions outside the ordinary course of business.

The following items impacted the reported NPAT and comprised the items outlined in the following table (with additional explanations provided below the table).

Reconciling items ($M) (Net of Tax)	HY20	HY19	% Change
Amortisation of acquired intangibles	-	(0.6)	-100%
Policy liability discount rate effect	(0.4)	2.2	Large
Direct remediation program and Royal Commission costs	-	(1.9)	-100%
Other costs	-	(1.5)	-100%
Total	**(0.4)**	**(1.8)**	**Large**

Amortisation of intangibles

Amortisation of intangibles (HY19: $0.6 million) is associated with the acquisition of wealth management and life insurance businesses from Bupa, and financial advice businesses, ComCorp and Matrix Planning Solutions. These are reported separately to remove the non-cash effect of the write-off of these acquired intangibles.

The reduction in the amortisation between periods is related to the acquisition of businesses from Bupa given these client books have now been written off in full. The balance of the acquired intangibles held in the Financial Advice segment were fully impaired as part of the impairment testing completed in June 2019.

Policy liability and disabled lives reserves discount rate effect

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.

For policy liability, this represents a timing difference in the release of profit and has no impact on underlying earnings. This movement in policy liability creates a cash flow tax effect.

For the incurred IP disabled lives claims reserves, this represents a change in the claims costs given the discounting of the incurred claims reserves at market discount rates.

ClearView has recently invested in assets including inflation-linked bonds to duration match this liability (asset/ liability management). To the extent this investment impacts on earnings with movements in long-term rates, this will also be reported below the line to offset the above-mentioned liability (claims cost) impact from changes in discount rates. The investment was made subsequent to half-year end.

The net impact of the increase in long-term discount rates over HY20 caused a decrease in after-tax reported profit of -$0.4 million (HY19: +$2.2 million).

Costs that are considered unusual

Costs that are considered unusual to ClearView's ordinary activities and therefore not reflected as part of Underlying NPAT. No such costs were incurred in HY20. In HY19 these related to costs associated with the Direct Remediation Program ($0.6 million after tax), Royal Commission costs ($1.3 million after tax) and retention bonus payments paid to key individuals in September 2018 ($1.4 million after tax).

Operating segment review

Life Insurance

The HY20 financial performance is discussed below.

Life Insurance result:

6 Months to December 2019 ($M)[1]	2018			2019			2020	%
	1H	2H	FY18	1H	2H	FY19	1H	Change[2]
Gross life insurance premiums	104.7	110.5	215.2	117.0	116.6	233.6	124.2	6%
Interest income	1.1	1.2	2.3	1.5	1.4	2.9	1.0	(32%)
Net claims incurred	(16.9)	(16.0)	(32.9)	(17.0)	(18.9)	(35.9)	(22.6)	33%
Reinsurance premium expense	(27.2)	(30.0)	(57.2)	(34.1)	(37.5)	(71.6)	(41.1)	21%
Commission and other variable expenses	(33.7)	(30.0)	(63.7)	(30.6)	(25.6)	(56.2)	(24.3)	(21%)
Operating expenses	(24.3)	(24.9)	(49.2)	(26.9)	(25.0)	(51.9)	(24.4)	(9%)
Movement in policy liabilities	14.2	8.9	23.1	7.1	3.9	11.0	(0.3)	Large
BU Operating NPBT	**17.9**	**19.6**	**37.5**	**17.0**	**14.9**	**31.9**	**12.4**	**(27%)**
Income tax (expense) / benefit	(5.4)	(6.0)	(11.4)	(5.1)	(4.8)	(9.9)	(3.7)	(27%)
BU Operating NPAT	**12.5**	**13.6**	**26.1**	**11.9**	**10.1**	**22.0**	**8.7**	**(27%)**
Interest expense on corporate debt (after tax)	-	-	-	-	-	-	-	Large
Underlying NPAT	**12.5**	**13.6**	**26.1**	**11.9**	**10.1**	**22.0**	**8.7**	**(27%)**
Amortisation of acquired intangibles	(1.4)	(1.4)	(2.8)	-	-	-	-	N/A
Policy liability discount rate effect (after tax)	(0.7)	(0.2)	(0.9)	2.2	4.4	6.6	(0.4)	Large
Impairments	-	-	-	-	(5.0)	(5.0)	-	N/A
Cost Out Program Implementation Costs	-	-	-	-	(1.5)	(1.5)	(0.8)	Large
Direct Remediation Program and Royal Commission Costs	-	-	-	-	(2.0)	(2.0)	-	N/A
Other costs	-	-	-	-	(0.9)	(0.9)	-	Large
Reported NPAT	**10.4**	**12.0**	**22.4**	**14.1**	**5.1**	**19.2**	**7.5**	**(39%)**

Analysis of Profit ($M)	2018			2019			2020	%
	1H	2H	FY18	1H	2H	FY19	1H	Change[2]
Expected Underlying NPAT[3]	**16.0**	**16.2**	**32.2**	**16.0**	**15.9**	**31.9**	**15.5**	**(3%)**
Claims experience	(3.2)	(2.3)	(5.5)	(2.1)	(3.1)	(5.2)	(4.7)	Large
Lapse experience	(0.8)	(1.3)	(2.1)	(2.9)	(2.7)	(5.6)	(1.4)	(52%)
Expense experience	0.2	0.3	0.5	0.6	0.5	1.1	0.3	(48%)
Other	0.2	0.7	0.9	0.2	(0.4)	(0.2)	(1.1)	Large
Actual Underlying NPAT	**12.5**	**13.6**	**26.1**	**11.9**	**10.1**	**22.0**	**8.7**	**(27%)**

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 HY19 to HY20.

3 Expected Underlying NPAT of $15.5 million reflects expected profit margins on in-force portfolios based on actuarial assumptions. HY20 reflects the impacts on margin of LIF reforms (as the commission caps reduce, margin improves) and the changes to assumptions at 30 June 2019 (claims, lapse and expense assumptions).

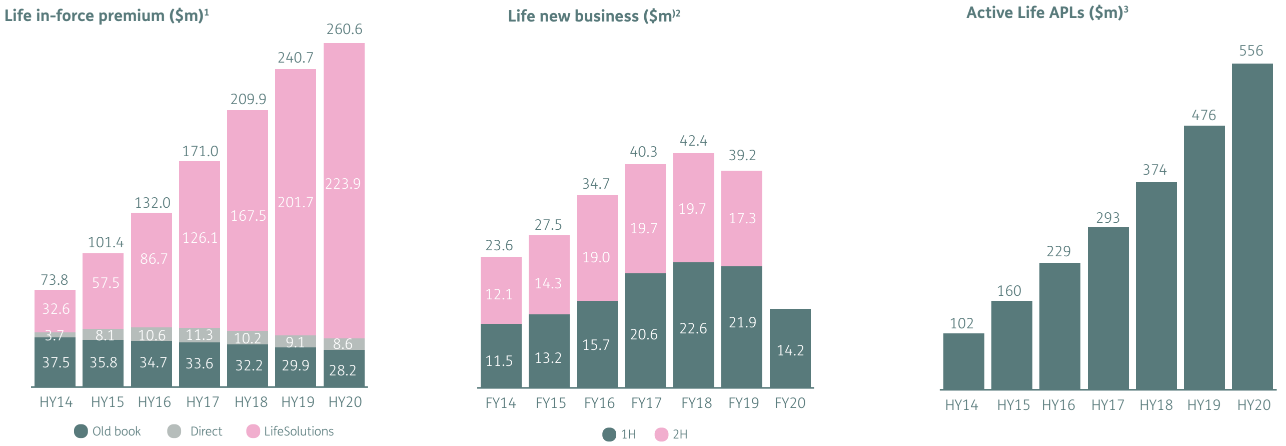
Life Insurance Underlying NPAT down 27% to $8.7 million (HY19: $11.9 million), Reported NPAT down 39% to $7.5 million (FY18: $14.1 million):

Life Insurance remains the key profit driver.

- The HY20 result was adversely impacted by poor claims and lapse experience, relative to the assumptions adopted at 30 June 2019.
- Key contributors to the poor lapse and IP claims experience across the industry include: stagnant wage growth; rising consumer expenses; step premium rating structures; IP product design issues; societal trends like mental health and employment trends; and ultra-low interest rates.
- The lump sum claims losses in HY20 largely reflect statistical volatility for death claims.
- Material IP claims losses continued in HY20.
- Adverse life insurance claims and lapse performance over recent years is holding the business back from translating solid growth in in-force premium to corresponding material profit growth.
- ClearView has implemented early intervention techniques to improve claims outcomes and is optimising resourcing levels to ensure appropriate case management by claims assessors.
- Given APRA's recent policy measures, ClearView has already commenced a comprehensive review of its LifeSolutions IP product series with a focus on reviewing product pricing and design.
- As a first step, ClearView will cease the sale of Agreed Value contracts for IP by 31 March 2020 and will launch a new indemnity type IP option in 2H FY20 to offer a lower maximum monthly benefit at a lower premium rate. Further premium rate changes will be made in the coming months to reflect increased claim rates.
- The repricing of the product and a detailed review of the claims assumptions is also underway.
- Any further increases to the claims assumptions are intended to be recovered through premium rate increases which should sustain profit margins and therefore the underlying Embedded Value.
- An assessment of the impacts of any premium rate increases on lapses (and related retention initiatives to reduce the exposure) will be made in due course.
- The advised retail life insurance market has numerous challenges that are impacting sales in the short- to-medium-term. Key contributors to reduced industry new business volumes include:
  - Bank distribution withdrawal (bank referral network reduction);
  - Life specialists ageing and retiring (as part of overall adviser exits);
  - The need for advisers to devote more time to FASEA (studying not selling); and
  - LIF commission reductions: less worthwhile for advisers (costs versus effort).
- There has been price discounting in the advised life insurance market that is not sustainable.
- Some insurers are engaging in 'honeymoon' discounting to maintain market share rather than focusing on delivering long-term sustainable products and transparent pricing to customers.
- ClearView is not engaging in this behaviour which has impacted our new business volumes in the short-term.
- ClearView's focus remains on further improving lapse performance, reviewing our pricing profile, addressing the fundamental issues with IP products and meeting the needs of our customers.
- Life insurance APLs are finally beginning to open up, which is creating opportunities for ClearView to do business with more IFAs. Restricted life insurance APLs have historically been used by institutionally-owned licensees to channel clients into in-house product and prevent aligned advisers from recommending competitor products. However, the exit of the banks from life insurance and personal advice has forced many former institutionally-aligned advisers to join boutique AFSLs or establish their own AFSL.
- ClearView's strong presence and reputation in the IFA market, as well as our diversified model, positions us strongly to support advisers and forge new relationships.
- Despite weaker market conditions, ClearView has retained its market share in declining IFA market, measured by new business[1] (in-force will trend to new business market share over time).
- For the half-year to 31 December 2019, the IFA market represented 90% of ClearView LifeSolutions sales, compared to 83% in HY19.
- The widening of the distribution landscape and potential opening of APLs, coupled with the narrowing in supply of manufacturers due to market consolidation, positions ClearView well in the advised life insurance market which is expected to benefit from the changes in the group and direct life insurance markets.

1 Excluding terminated relationships.

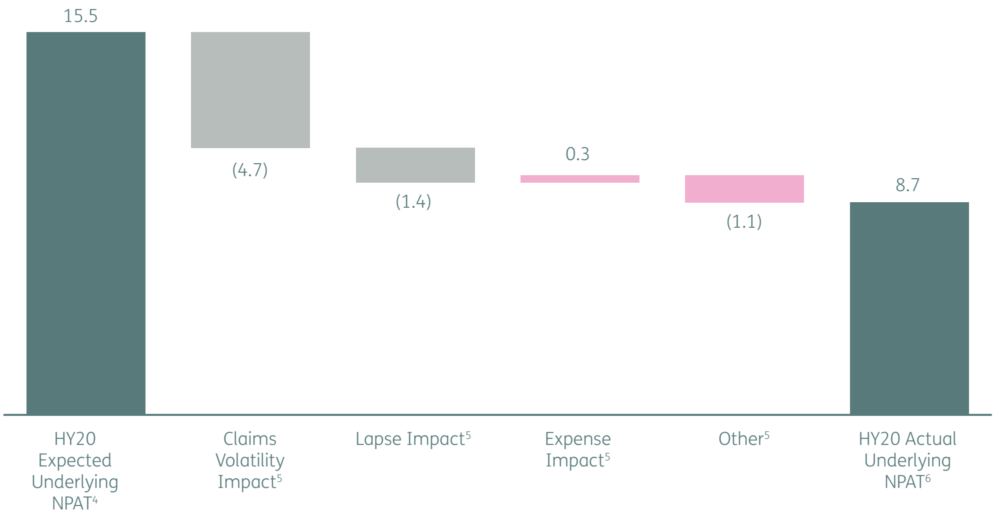
Chart 3: Life Insurance key performance indicators



ClearView LifeSolutions is now on 556 APLs (up 17% on 476 last year). Formerly aligned licensees and advisers are starting to broaden their APLs, due to changing client expectations and the consolidation or closure of the larger dealer groups. Gaining access to larger licensees will materially expand ClearView's distribution footprint over time.

- In-force premiums increased 8% to $260.6 million in HY20. The Life Insurance in-force movement is driven by the net impacts of new business, premium rate increases, lapse and CPI/aged-based variances.
- The Life Insurance in-force portfolio at 31 December 2019 is made up of ClearView LifeSolutions, ($223.9 million; +11%); non-advice ($8.6 million; -9%) and the Old Life Book ($28.2 million -6%).
- The increased scale is driven by sales of new contemporary products. This has progressively reduced expense overruns with actual non-deferred overruns reflecting an experience profit of $0.3 million in HY20.
- The mix of products making up the in-force portfolio has changed materially with the flagship product ClearView LifeSolutions, now representing 86% of total in-force premiums. This links to the margin shifts across the portfolio.
- The direct business was closed in 2H FY17 which means the in-force portfolio is in run off.
- Gross premiums increased 8% to $124.2 million with Life Insurance sales of contemporary products down 35% to $14.2 million.

Chart 4: Life Insurance Underlying NPAT analysis ($m)



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.

4 Expected Underlying NPAT of $15.5 million reflects expected profit margins on in-force portfolios based on actuarial assumptions (as at 30 June 2019).

5 Reflects actual experience for the relevant item in the HY20 result and the difference between actual and expected experience for the relevant period. Experience measured against the assumptions applicable at each report date.

6 HY20 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

Claims experience

The poor claims experience (relative to the claims assumptions in the life insurance policy liability determined at 30 June 2019) across products resulted in an experience loss in HY20 of $4.7 million (HY19: $2.1 million loss). This is broken down by product as follows:

- ClearView LifeSolutions lump sum portfolio reflects adverse experience of $0.9 million in HY20 (HY19: $0.5 million adverse experience).
- ClearView LifeSolutions IP portfolio reflects adverse experience of $2.6 million in HY20 (HY19: $1.4 million adverse experience).
- Direct portfolios (closed to new business) reflects adverse experience in HY20 of $1.2 million (HY19: $0.2 million adverse experience).

Over recent periods net claims adverse performance is mainly attributed to the IP book, with the lump sum claims losses in HY20 largely reflecting statistical volatility for death claims.

As noted, the repricing of the IP product and a detailed review of the IP claims assumptions is underway. ClearView has also implemented early intervention techniques and use of data analytics to improve claims performance.

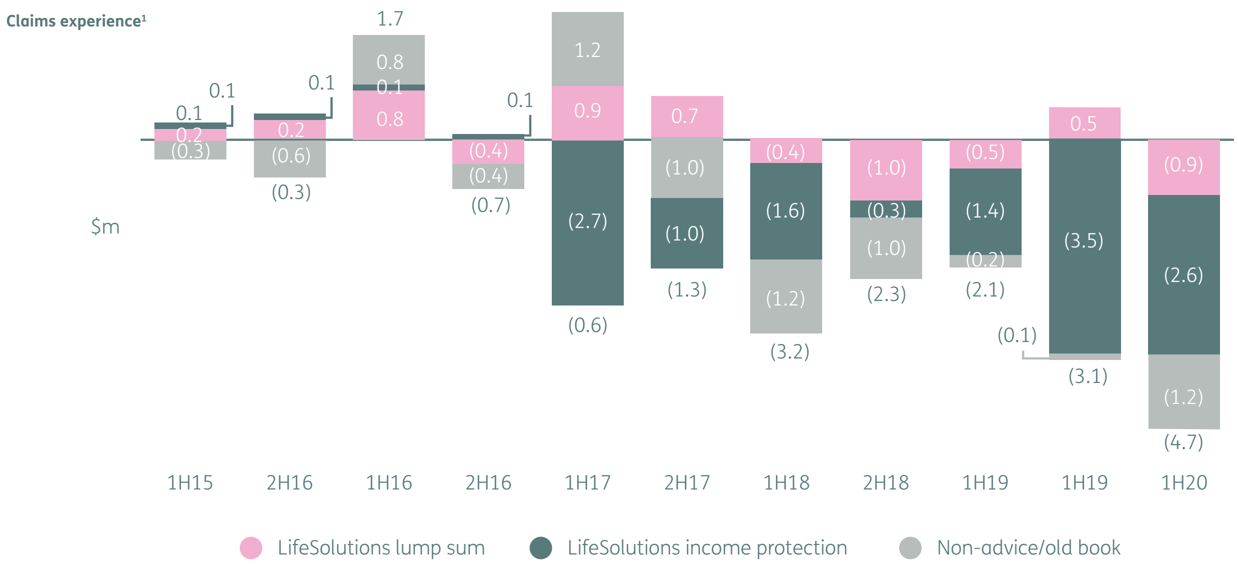
While further analysis continues to be undertaken, the revised IP claims assumptions are expected to have an upfront adverse impact on the reported incurred claims reserves. The current estimate of the potential impact on the 2H FY20 Underlying NPAT in respect to the incurred claims reserves at 31 December 2019 is expected to be between $2 million -$3 million after tax. The repricing is intended to be implemented in 2H FY20.

Other key observations

- The ClearView LifeSolutions lump sum portfolio experience has been broadly neutral over the six-year period, albeit with some volatility between periods (2H FY18 and HY20). ClearView continues to have significant reinsurance support for its LifeSolutions portfolios.
- Overall, the direct portfolios, including the book that was closed to new business in FY17, had an average annual experience loss of $0.4 million.
- The surplus reinsurance program of the Old Book (acquired in 2010) retains more risk than ClearView LifeSolutions products but has historically reflected claims profits over a long period of time, albeit with some volatility between periods.
- Actuarial best-estimate assumptions adopt a long-term view and are based on expectations that claims experience will average out over time.

The following graphs reflect the claims experience over the last five years.

Chart 5: Claims experience ($M)



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

Key actions to improve the claims performance

- Use of analytics and early intervention techniques to improve claims outcomes (return to work) in addition to the optimisation of claims resourcing (case management).
- Commencing a comprehensive review of the LifeSolutions IP product series including:
  - Repricing of the product;
  - Reviewing the product design; and
  - Completing a review of the underlying claims assumptions in 2H FY20.
- Ceasing the sale of Agreed Value and Guaranteed Agreed Value contracts for IP by mid-March 2020.
- Launching a new indemnity type IP option to a lower maximum monthly benefit at a lower premium rate in 2H FY20.

Lapse experience

The adverse lapse experience (relative to the lapse assumptions in the Life Insurance policy liability determined at 30 June 2019) across products resulted in an experience loss in HY20 of $1.4 million (HY19: $2.9 million loss).

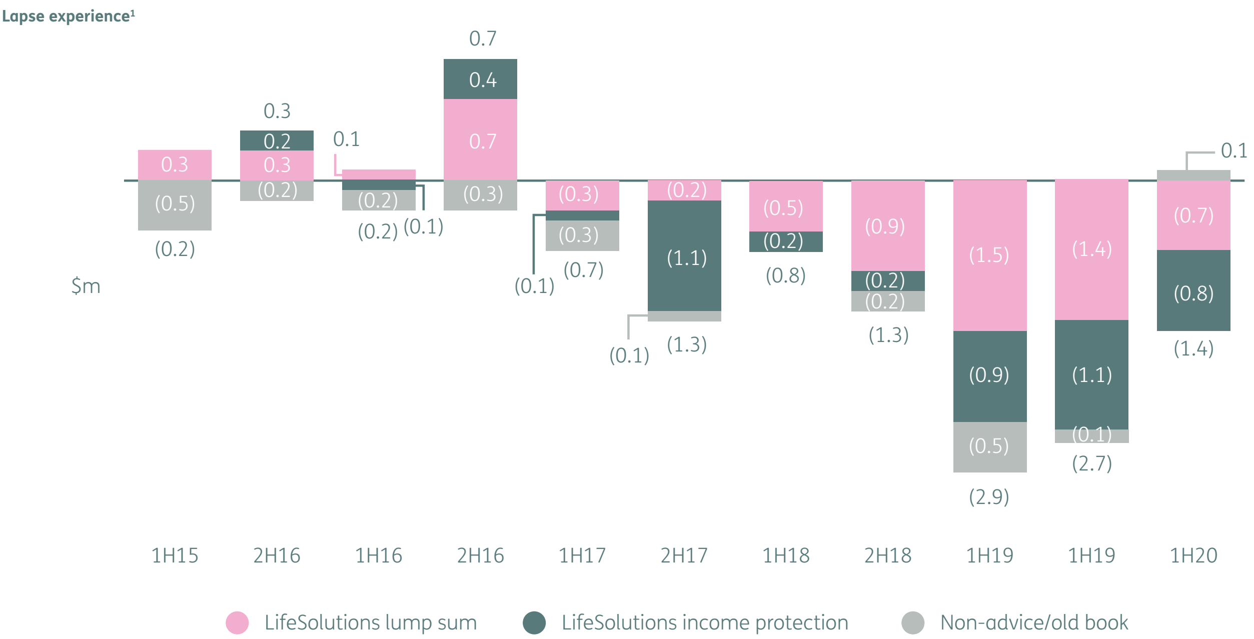
This is broken down as follows:

- ClearView LifeSolutions lump sum portfolio reflects adverse experience in HY20 of $0.7 million (HY19: $1.5 million adverse experience);
- ClearView LifeSolutions IP portfolio reflects adverse experience in HY20 of $0.8 million (HY19: $0.9 million adverse experience); and
- Direct portfolios (closed to new business) reflects positive experience in HY20 of $0.1 million (HY19: $0.5 million adverse experience).

The lapse performance showed improvement in Q2 of FY20 with the overall loss predominantly arising in Q1 of FY20.

The following graphs reflect the lapse experience over the last five years:

Chart 6: Lapse experience ($M)



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

Key actions to improve the lapse performance

- A review of certain distribution relationships (adviser groups) resulting in the termination of certain relationships. These actions have resulted in some reduced 'head line' sales in the shorter term, but overall business quality and profitability is expected to improve.
- Work on product pricing and positioning and retention initiatives was completed, albeit further work is planned for 2H FY20 given competitor pricing positions and IP product changes and repricing. The potential impacts on lapses (and related retention initiatives) as a result of further IP price increases will be assessed as part of the overall pricing review.
- Retention strategies implemented to date, take time to fully implement and flow through to overall lapse performance, noting the improvement in lapse performance in second quarter of the financial year.

Other key points to note:

- Non-deferred expense experience profit in HY20 ($0.3 million) continues to demonstrate that expense overruns are being absorbed as scale is achieved.
- Investment earnings are impacted by the reallocation of shareholder capital to the Life Insurance segment (given the increased capital requirements as the portfolio grows) but offset by lower interest rates on physical cash between periods.
- ClearView has historically held its shareholder cash reserves, which back its policyholder liabilities, in fixed interest term deposits. Previously, given the size and maturity of the business, this had effectively matched its asset-liability risk profile. Over time, the duration of the life insurance liabilities has grown longer due to the growth in the business and growth in IP disabled life claims reserves, compounded by a lengthening of claims durations.
- There is now a need for a portion of shareholder cash assets to be invested in longer-term assets for matching purposes. Subsequent to the half-year end, ClearView has invested $29 million across its CFML funds: Macquarie True Index Fund (duration 5.5 years) which invests in very high quality bonds, principally issued by Australian Governments; and the Vanguard Inflation Linked Fund (duration 10.3 years) which invests in CPI-linked, very high quality Australian government bonds. This has been done to achieve asset/ liability matching.
- The increased reinsurance expense reflects changes to reinsurer pricing and is also aligned to the growth in in-force portfolios (reflects the upfront reinsurance support provided in the first year of a policy by the reinsurer).
- In order to manage ClearView's financial exposure to its reinsurer ClearView entered into an incurred claims treaty with its main reinsurer Swiss Re Life and Health Australia (Swiss Re) in December 2019. Under the treaty, ClearView LifeSolutions lump sum claims are settled on a comprehensive earned premium and incurred claims basis. Each quarter, Swiss Re will settle the incurred but not reported claims (IBNR) and reported but not admitted claims (RBNA) based on best estimate assumptions, consistent with ClearView statutory and regulatory reported results and based on the applicable Australian Accounting Standards (excluding risk margins, profit margins and capital margins). As at 31 December 2019, $24.6 million has been settled under the treaty.
- ClearView pays interest on the liabilities related to the cash settlement of the incurred IBNR and RBNA at the 90 day BBSW rate plus a margin of 1.5%. This cost will flow through from the 2H FY20.
- ClearView is now also the beneficiary of a $45 million irrevocable letter of credit issued by a major Australian bank on behalf of Swiss Re. ClearView is required to manage the level of financial exposure to its reinsurer in accordance with APRA's regulations in relation to Asset Exposure Limits. The letter of credit is issued as a performance guarantee directed towards mitigating any loss which might be incurred by ClearView to secure its regulatory obligations in the event that Swiss Re was to fail to meet its reinsurance obligations under its reinsurance contract.
- Lower life insurance initial commission in HY20 was driven by the implementation of the LIF reforms (the upfront commission cap reduced to 80% in calendar year 2018 and 70% in calendar year 2019) coupled with reduced new business volumes. These acquisition costs are deferred and amortised within the policy liability over the expected life of the policies, in accordance with accounting standards.
- In the short-term, the implementation of the LIF reforms will reduce profit margins given the shift to a hybrid commission model but will unwind and improve as the upfront commission cap reduces to 60% in 2020.
- Changes in variable expenses relate to stamp duty and medical policy acquisition costs driven by changes in new business volumes between periods.

Operating segment review

Wealth Management

The HY20 financial performance is discussed below.

Wealth Management financial result:

6 Months to December 2019 ($M)[1]	2018 1H	2018 2H	2018 FY18	2019 1H	2019 2H	2019 FY19	2020 1H	% Change[2]
Fund management fees	18.0	18.2	36.2	17.7	16.7	34.4	16.7	(6%)
Interest income	0.2	0.2	0.5	0.3	0.2	0.5	0.3	12%
Funds management expenses	(4.7)	(4.8)	(9.5)	(4.9)	(4.6)	(9.5)	(4.8)	(1%)
Variable expense[3]	(3.3)	(3.2)	(6.4)	(3.0)	(2.9)	(5.9)	(2.8)	(8%)
Operating expenses	(7.0)	(7.5)	(14.5)	(7.5)	(7.8)	(15.3)	(7.4)	(1%)
Underlying NPBT	**3.3**	**3.0**	**6.2**	**2.6**	**1.7**	**4.3**	**2.0**	**(23%)**
Income tax (expense) / benefit	(0.7)	(0.4)	(1.1)	(0.5)	(0.2)	(0.6)	(0.3)	(39%)
Underlying NPAT	**2.6**	**2.6**	**5.2**	**2.1**	**1.5**	**3.6**	**1.7**	**(19%)**
Amortisation of acquired intangibles	-	(0.1)	(0.1)	-	(0.1)	(0.1)	-	N/A
Impairments	-	-	-	-	(1.1)	(1.1)	-	N/A
Cost Out Program Implementation Costs	-	-	-	-	(0.4)	(0.4)	-	N/A
Other costs	-	-	-	-	(0.2)	(0.2)	-	N/A
Reported NPAT	**2.6**	**2.5**	**5.1**	**2.1**	**(0.3)**	**1.8**	**1.7**	**(18%)**

Wealth Management Underlying NPAT down 19% to $1.7 million (HY19: $2.1 million), Reported NPAT down 18% to $1.7 million (HY19: $2.1 million):

ClearView's strategic objectives reflect its intention to:

- Pursue an integrated growth strategy in life insurance and wealth management, reflecting customer needs and adviser (distribution) trends. Given changes in the distribution landscape, the number of specialist life advisers appear to be declining, with generalist advisers increasing.
- Diversify product and distribution exposure by offering both wealth and life insurance products.
- Leverage its corporate and licensing construct and advantages:
  - Provide super, non-super and tax paid life insurance and wealth management solutions; and
  - Provide integrated (one stop) solutions that are valued, well regarded and easy to understand, complemented by strong service and relationship support.
- Develop back-office efficiency and scale, and front office 'ease of doing business' (online and otherwise).
- Position ClearView's products for broader distribution opportunities.

The rationale behind ClearView's wealth management strategy remains unchanged - the convergence of life insurance and wealth management creates a unique opportunity for companies that manufacture and distribute both products.

ClearView's contemporary Wealth Management solutions, which include a range of model portfolios and investment administration platforms, are only accessible through financial advisers.

The ClearView and Matrix adviser networks have provided a solid distribution base to date, but the independent financial adviser (IFA) segment represents ClearView's largest opportunity. Gaining support from both the aligned and IFA network, including by offering quality products and service is important for diversifying sales and growing FUM.

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. Intersegment revenues/expenses are not eliminated in the shareholder view.

2 % change represents the movement from HY19 to HY20.

3 Variable expenses include the platform fee payable on WealthSolutions and the internal advice fee payable to the Financial Advice segment on the Master Trust product

Fees earned on average FUM balances are the key profit driver in Wealth Management. ClearView does not invest directly in assets but outsources the selection and ongoing management of underlying shares and securities to third party fund managers.

The HY20 result reflects:

- A significant improvement in net inflows of $118 million in contemporary products ($12 million outflows in HY19). Net outflows from the closed Master Trust product also improved to $53 million in HY20, down 26% on HY19 (net outflows of $71 million). This resulted in an increase in FUM of 10% to $2.88 billion and overall net inflows of $66 million ($82 million outflows in HY19) across products.
- The increased flows and positive investment performance were offset by pricing changes in 2H FY19 and the change in mix of business leading to a reduction in fees to $16.7 million (down 6%). Fees were broadly in line with 2H FY19. This, coupled with the fixed cost base, and a lack of scale on the in-house contemporary platform had a negative impact on the result.
- The repricing of WealthSolutions in 2H FY19 had two key objectives:
  - Improve fee competitiveness, particularly given competitor solutions and product positioning; and
  - Progressively enhance model portfolios and platform funds to increase the suite of models available and create a compelling value proposition for customers and advisers.

This resulted in a significant improvement in flows, with net inflows of $50.4 million into WealthSolutions in HY20 (net outflows of $0.9 million in HY19).

The current wealth management retail market continues to be impacted by platform (product) pricing and technology competition, technology cost and disintermediation (removal of rebates).

Historically, wrap platforms have been the popular choice for managing clients' superannuation and investment products. These platforms provided high levels of functionality along with both investment reporting and tax reporting capabilities. In contrast, master trust platforms diminished in popularity due to lack of functionality and competitive pricing.

The effect of industry shifts is that simple but effective investment products and platforms will allow financial advisers to focus on financial advice and the product manufacturer to focus on the delivery of effective solutions.

Our response to these issues includes a major project designed to:

- Seek a modern replacement solution for our wrap technology that is well priced in the market but provides the ability for our wealth business to deliver simple and effective investment products across platforms;
- Have a platform capability that is able to compete in the master trust platform market;
- Address and close out the tax credit issue in our superfund; and
- Deliver new products to the market in the future.

These initiatives are expected to be a core part of the focus of the business in 2H FY20.

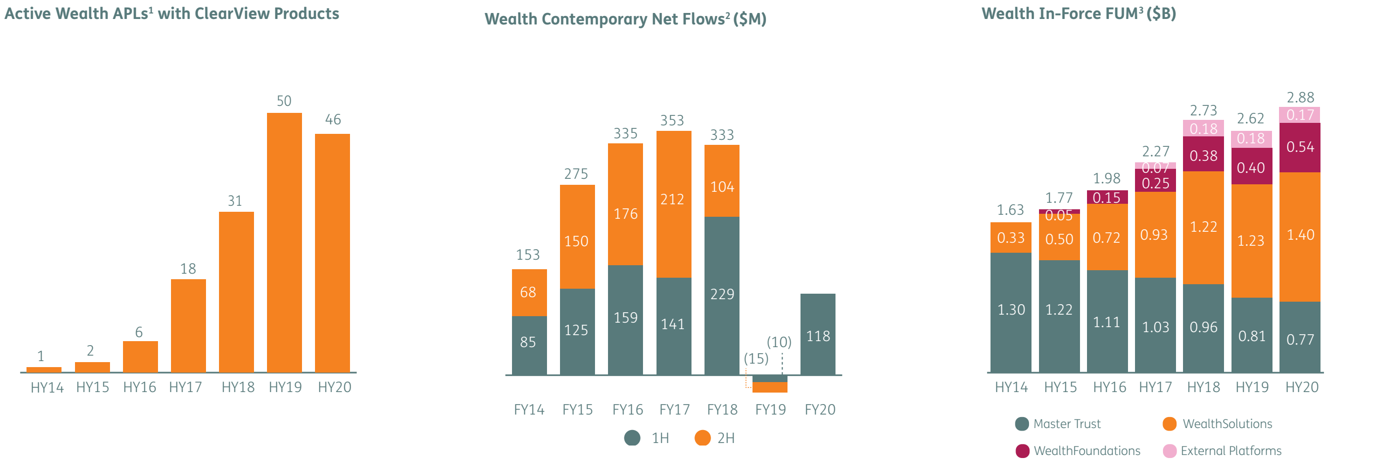
Longer term, the business will continue to benefit from the consumer shift away from the institutions and banks.

The unprecedented level of merger and acquisition activity in the Australia financial services industry in the past few years has resulted in fewer companies now providing both life and wealth solutions. A number of ClearView's key competitors have, or are in the process of, divesting assets. This structural change, and the subsequent distraction, provides a significant competitive opportunity for ClearView.

Manufacturers that offer both life insurance and wealth management solutions have a unique opportunity to maximise their relationship with financial advisers and meet customers' needs in a more tailored way.

The following graphs illustrate the performance of the Wealth Management business.

Chart 7: Wealth Management key performance indicators



FUM balances are up 10% to $2.88 billion at 31 December 2019 (average FUM balances are up 4%). The movement is driven by the net impacts of net flows, funds management fees and investment market movement-based variances:

- Made up of WealthSolutions ($1.4 billion; average FUM +7%), WealthFoundations ($0.5 billion; average FUM +20%), External Platforms ($0.2 billion; average FUM -3%) and Master Trust ($0.8 billion; average FUM -11%).
- The mix of products making up the portfolio has changed materially with contemporary products (including ClearView platform funds on external platforms) now representing 73% of total FUM. This links to the margin shifts across the portfolio.
- Performance of investment markets remains key to attracting flows and supporting the Master Trust FUM given the product is not actively marketed to new customers. Investment market performance was up 7% compared to a negative 4% investment return in HY19.

Inflows represent a material portion of overall FUM balances. Gross inflows of $249.8 million were achieved in HY20 predominantly into contemporary products (+64%).

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

2 Wealth Contemporary Product Net Flows is defined as inflows less redemptions into FUM but excludes management fees outflow and ClearView Master Trust product net flows given that the product is not marketed to new customers.

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.

Key observations include:

- WealthSolutions fee income is down 5% compared to an increase in average FUM balances of 7%; WealthSolutions fees are down to $5.9 million (includes external platforms of $0.9 million) (HY19: $6.2 million). This was adversely impacted by a reduction in the net average fee rate to 0.76% (vs 0.85% in HY19) reflective of the price changes to position the product more competitively.
- WealthFoundations fee income is up 5% to $2.3 million (HY19: $2.2 million) compared to an increase in average FUM of 20%. This was adversely impacted by a lower net average fee rate of 0.92% (vs 1.06% in HY19) reflective of the launch of new products and price changes.
- The Master Trust product is effectively a closed book with a portion of FUM in pension phase. The HY20 result includes impacts from the margin compression of the gradual run-off of the Master Trust product that is being replaced by lower margin new business written for new contemporary products (fee income down 8% to $8.6 million in line with average FUM balances (HY19: $9.4 million)).
- Overall the average fee margin earned between periods was down to 1.18% from 1.30% in HY19.
- The decrease in variable expenses (-8%) can be attributed to a reduction in the inter-segment advice fee (50bps) paid to Financial Advice on Master Trust FUM (down 4% in line with average Master Trust FUM).
- Platform fees payable on the WealthSolutions portfolio were broadly flat albeit with average FUM increasing 7%. This was driven by a reduction in pricing in 2H FY19 to reposition the portfolio and remain competitive.
- Funds management expenses were broadly flat, with the average FUM balances increasing by 4% between periods.
- Operating expenses were down 1% and attributable to a reduction in wealth administration costs from improved operational efficiencies and the implementation of the cost transformation program.
- Expense overruns (after tax) are broadly flat at $1.9 million (FY18: $1.9 million). The current overruns reflect the costs associated with the internal contemporary platform and WealthFoundations product that is yet to achieve scale relative to initial system and operational costs. This remains a key consideration.
- The tax expense includes a benefit comprising exempt fees in the Master Trust product range and the positive impact from a tax benefit arising from superannuation insurance premium deductions.
- Investment earnings are impacted by the reallocation of shareholder capital between segments and movement in market interest rates earned on the capital invested in short-term deposits and fixed interest assets between periods.

Operating segment review

Financial advice

The HY20 financial performance is discussed below.

Financial Advice result:

6 Months to December 2019 ($M)[1]	2018 1H	2018 2H	2018 FY18	2019 1H	2019 2H	2019 FY19	2020 1H	% Change[2]
Net financial planning fees	8.8	8.7	17.4	8.8	8.4	17.2	8.8	(1%)
Interest and other income	0.2	0.3	0.5	0.4	0.2	0.6	0.2	(56%)
Operating expenses	(7.6)	(7.7)	(15.3)	(9.1)	(7.2)	(16.4)	(8.5)	(7%)
Underlying NPBT	**1.3**	**1.3**	**2.6**	**0.1**	**1.3**	**1.4**	**0.4**	**Large**
Income tax (expense) / benefit	(0.4)	(0.4)	(0.8)	(0.0)	(0.4)	(0.4)	0.2	Large
Underlying NPAT	**1.0**	**0.8**	**1.8**	**0.1**	**0.9**	**1.0**	**0.6**	**Large**
Amortisation of acquired intangibles and impairment	(0.6)	(0.5)	(1.1)	(0.6)	(13.4)	(14.0)	-	(100%)
Cost Out Program Implementation Costs	-	-	-	-	(0.4)	(0.4)	(0.3)	Large
Other costs	-	-	-	-	(0.3)	(0.3)	-	N/A
Reported NPAT	**0.4**	**0.3**	**0.7**	**(0.5)**	**(13.2)**	**(13.7)**	**0.3**	**Large**

Financial Advice Underlying NPAT $0.6 million (HY19: $0.01 million), Reported NPAT reflects a profit of $0.3 million (HY19 loss: $0.5 million)

The ClearView and Matrix dealer groups, together have 210 financial advisers operating under their licences. LaVista has 9 adviser practices (21 advisers) using its services at Balance Sheet date, with a strong pipeline of financial advisers seeking to utilise these services.

As previously communicated, a key priority for the business includes the repositioning and repricing of the dealer group offering to create a sustainable revenue model that better reflects the true cost of providing that support:

- In November 2019, a new licensing and pricing model was implemented across our dealer groups.
- Striking the right balance between cost and benefits is never easy, and this task has been made even more difficult by external factors which are driving up the cost of providing personal advice including increased compliance and regulation; higher consumer expectations; and the removal of grandfathered commissions and rebates.

The industry has rightfully shifted its attention to strengthening consumer protections and delivering improved client outcomes, which practically means advisers must spend more time servicing clients and demonstrating the value they add. This makes it absolutely imperative for advisers to partner with a well-resourced, experienced licensee with the systems and processes to underpin the delivery of quality advice.

ClearView's dealer groups have been consistently recognised for their commitment to advisers. In 2019, Matrix received the prestigious CoreData Licensee of the Year Award for the third consecutive year, cementing its position as a leading provider of services to financial advisers.

The key issues that continue to impact the financial performance of the segment include growing compliance costs, risks managing advice sector exposure (resulting in limited growth in adviser numbers) and a general reduction in adviser productivity over time.

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 HY19 to HY20.

The future state for dealer groups requires the removal of cross subsidisation between manufacturers and advice businesses and removing the reliance on grandfathered revenue streams which have supported economic value in the industry for some time.

The grandfathered revenue streams total $0.6 million for its dealer groups in HY20 and are the net amounts retained (predominantly related to rebates with dealer service fees arrangements in the process of being terminated). These exclude the financial support from its manufacturing businesses (see details that follow).

The institutional model of vertical integration - whereby institutions own each part of the value chain from manufacturing to distribution (advice) - has been under increasing pressure. This is resulting in vertical disintegration across the industry with some institutions voluntarily selling or closing their dealer group businesses. At the same time a large number of professional financial advisers are seeking to leave institutional dealer groups and gain their own Australian Financial Services Licence (AFSL).

In response, ClearView has:

- Launched LaVista, a new outsourced B2B licensee services offer to meet the needs of the growing number of self-licensed financial advisers and support services to third party dealer groups. This positions ClearView to capture opportunities arising from structural change. ClearView now offers comprehensive licensing and dealer services to professional financial advisers who want the backing of a well-resourced company but don't want to be aligned to a bank or institution.
- Continued investment in the rollout and enhancement of front-end compliance and monitoring technology (Lumen) across the dealer groups.
- As part of the LaVista roll out and repositioning of our dealer groups over time, the intention is to replace the grandfathered revenue streams and develop a sustainable revenue base that allows the dealer groups and LaVista to continue to invest and support its financial adviser client base.
- Terminated certain dealer services arrangements where ClearView consider those relationships not consistent with ClearView's customer-centric focus and a culture of compliance.

Key drivers of financial performance in this segment are as follows:

- Net adviser service fees and membership fees earned ($4.4 million);
- Financial support from ClearView's manufacturer businesses;
- Grandfathered platform rebates (sunset date of January 2021 with ClearView having terminated certain dealer service fee arrangements in HY20).
- Net financial planning fees are broadly neutral; and
- Interest income reflects the reallocation of shareholder capital between segments and changes in market interest rates between periods.

Underlying NPAT was impacted by decreased operating expenses (-7%) driven by the cost transformation program and a reduction in conference costs.

ClearView has continued its rollout and enhancement of front-end compliance and monitoring technology (Lumen) across the dealer groups. This is in line with the increased compliance and regulation required to ensure AFSLs and their authorised representatives comply with their legal obligations. ClearView continues to perform both 'front' and back end compliance processes (including file reviews) as part of its ongoing monitoring and compliance reviews under 'business as usual' functions. As part of this ongoing compliance and audit process, ClearView has commenced a back file review of a limited number of financial advisers (including some that have left the dealer group).

In HY20, $1.0 million of program and remediation costs (after tax and excluding any potential recoverable amounts) were incurred under the financial advice programs noted above. This includes a best estimate provision for compensation costs of $0.5 million (after tax).

Reported NPAT for Financial Advice was a profit of $0.3 million (HY19: Reported NPAT of -$0.5 million) given that the financial advice client books were impaired and fully written off at 30 June 2019.

Operating segment review

Listed Entity/Other

Listed Entity/Other financial result:

6 Months to December 2019 ($M)[1]	2018			2019			2020	%
	1H	2H	FY18	1H	2H	FY19	1H	Change[2]
Interest income	0.1	0.2	0.3	0.2	0.2	0.4	0.1	(3%)
Operating expenses	(0.7)	(0.5)	(1.2)	(0.7)	(0.6)	(1.2)	(0.6)	(7%)
Operating earnings NPBT	**(0.6)**	**(0.2)**	**(0.8)**	**(0.5)**	**(0.4)**	**(0.9)**	**(0.5)**	**5%**
Income tax (expense) / benefit	(0.1)	0.5	0.4	-	(0.1)	(0.2)	0.1	Large
Operating earnings NPAT	**(0.7)**	**0.3**	**(0.4)**	**(0.5)**	**(0.5)**	**(1.0)**	**(0.4)**	**(14%)**
Interest expense on corporate debt (after tax)	(0.2)	(0.2)	(0.3)	(0.2)	(0.3)	(0.5)	(0.3)	29%
Underlying NPAT	**(0.8)**	**0.1**	**(0.7)**	**(0.7)**	**(0.8)**	**(1.5)**	**(0.7)**	**(1%)**
Strategic Review Costs	(0.3)	(0.5)	(0.8)	-	-	-	-	NM
Cost Out Program Implementation Costs	-	-	-	-	(1.5)	(1.5)	1.1	Large
Direct Closure, Remediation Program and Royal Commission Costs	-	-	-	(0.4)	-	(0.4)	-	Large
Reported NPAT	**(1.1)**	**(0.4)**	**(1.5)**	**(1.1)**	**(2.3)**	**(3.4)**	**0.4**	**Large**

This segment includes the Investment earnings on cash and investments held in the listed and central services entities and in the shareholders' fund of ClearView Life, less costs associated with maintaining a listed entity. The Company manages capital at the listed entity level in accordance with its Internal Capital Adequacy Assessment Process (ICAAP) policy.

The Listed segment financial results for the half year ended 31 December 2019 are shown in the table above.

Underlying NPAT was -$0.7 million (HY19: -$0.7 million) and Reported NPAT of $0.4 million (HY19: -$1.1 million)

Notable items include:

- Investment earnings reflect some reallocation of physical cash between segments and the reduction in interest rates between periods.
- The Company entered into a $60 million Debt Facility Agreement in July 2017 (Debt Funding Facility), which has a current maturity date of 23 August 2021, to:
  - Provide future capital funding in the event that growth is materially above what was anticipated;
  - Meet the liquidity needs of the Group from time to time; and
  - Capitalise on other opportunities should they arise.
- The Board has determined that entering into the Debt Funding Facility is both the most cost effective and efficient way to support the funding needs of ClearView over the short- to medium-term.
- As at 31 December 2019, ClearView had drawn down $31 million under the Debt Funding Facility as follows:
  - $15 million drawn down to fund the cash component of the FY18 final dividend and the cash payment for purchasing ClearView shares to support the ClearView SMT LTIP share plan (recognised as (treasury shares) in FY19.
  - $16 million was drawn down in December 2019 in relation to the assigned tax receivable with further details provided below.
  - The ClearView Group holds a $17.1 million (non-current) receivable from its superfund, the ClearView Retirement Plan (CRP) relating to contribution tax funding payments for tax benefits on the life insurance premiums.

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. Certain costs incurred in 1H19 were reclassified between segments in 2H19 and are shown on a net basis.

2 % change represents the movement from HY19 to HY20.

  - Due to the tax loss position in the CRP, settlement of this amount is subject to the utilisation of tax losses. Various options are being considered and projects underway which collectively indicate recovery is considered probable at this point in time.
- For Group capital management and efficiency, $16 million of the tax receivable was assigned from ClearView Life to the listed entity and funded through a $16 million draw down of the Debt Funding facility. The remaining balance of $1.1 million remains between ClearView Life and the CRP as at 31 December 2019.
- The capital generation from the in-force portfolios in ClearView Life is now turning positive (given the growth in the in-force portfolios) and now provides the ability to start to use part of the capital generation (over time) to repay debt in the medium to longer term (see capital section that follows).
- The Board is also currently investigating longer term capital solutions (such as the issue of Tier 2 subordinated notes) that is intended to repay at least part of the debt (see capital section that follows).
- Interest on corporate debt relating to loan establishment and the Debt Funding Facility is included in the result above with the potential cost of a longer term solution to flow through in due course.

Statement of financial position

The Group's Statement of financial position, which is set out on page 37, reflects the key metrics below.

- Net assets at 31 December 2019 increased to $449.4 million (June 2019: $439.1 million) comprising:
  - Reported profit of $9.8 million;
  - Movements in the Share Based Payments Reserve due to the treatment of the ESP in accordance with the accounting standards (+$0.9 million) and ESP loans settled through the FY18 final dividend (+$0.8 million); and
  - Shares bought back under ClearView's on market selective buy back arrangement (+$0.4m).
- Net asset value per share (including ESP loans) of 69.4 cents per share (June 2019: 69.2 cents per share).

The net asset value per share is reflected above on a fully diluted basis, as ClearView ESP shares have been issued to employees and contractor participants as at 31 December 2019 (in accordance with the ClearView ESP Rules).

Shares granted under the ESP carry rights to dividends and voting rights. The ClearView ESP shares on issue have a corresponding non-recourse loan from ClearView to facilitate the purchase of ClearView ESP shares by the participants. The shares and loans are not reflected in the statutory accounts as they are accounted for as an option in accordance with Australian Accounting Standards. If the loan is not repaid, the relevant ClearView ESP shares are cancelled or reallocated in accordance with the ClearView ESP Rules.

In accordance with the provisions of the ESP, as at 31 December 2019, key management, members of the senior management team, the managing director and contractor participants have acquired 44,891,166 ordinary shares.

Financial assistance amounting to $28,912,570 was made available to executives, senior employees and contractor participants to fund the acquisition of shares under the ESP and is held as an off balance sheet receivable. Given the non-recourse nature of the loans and the current ClearView share price, $20,211,678 of the off balance sheet loan is considered recoverable at 31 December 2019 (ESP loans have been valued at the lower of issued price per ESP share or the prevailing share price).

Embedded Value

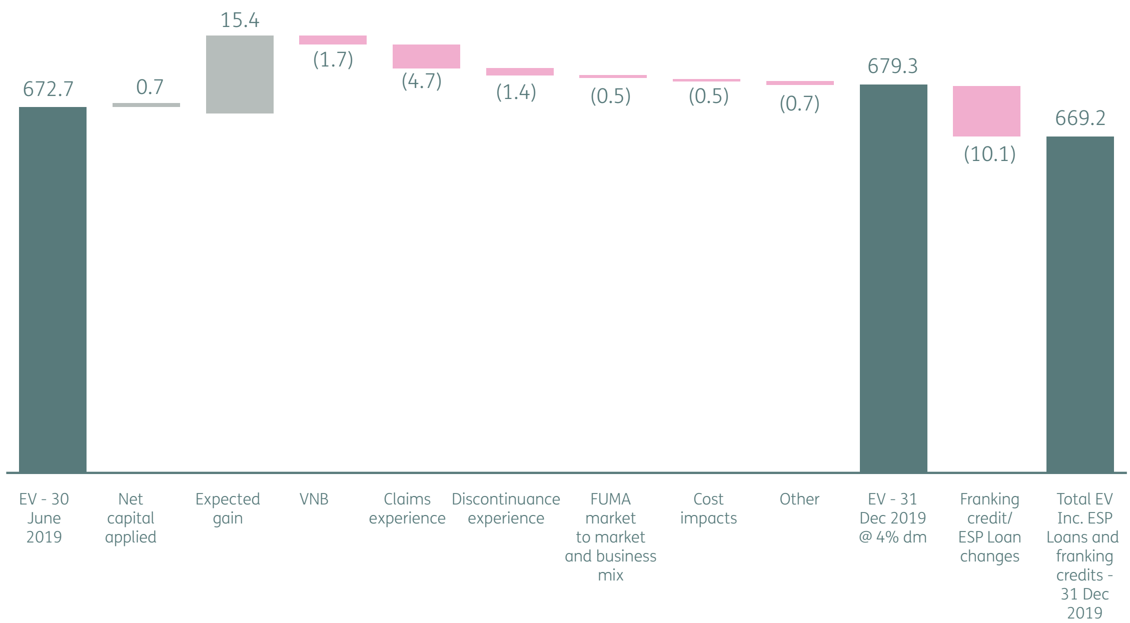
Life Insurance and Wealth Management are long-term businesses that involve long-term contracts with customers and complex accounting treatments. Embedded Value represents the discounted value of the future net cash flows anticipated to arise from the in-force life policies and investment client balances as at the valuation date.

As noted at the full year 2019 result, an Embedded Value calculation is no longer considered meaningful for the Financial Advice segment. Only the net assets of the Financial Advice segment is now included in the Embedded Value calculations.

EV[1] calculations at a range of risk discount margins (DM) is shown below.

Risk margin over risk free: ($M), (unless stated otherwise)	3% DM	4% DM	5% DM
Life Insurance	483.3	452.7	425.5
Wealth Management	65.9	62.2	59.0
Financial Advice	-	-	-
Value of In Force (VIF)	**549.3**	**514.9**	**484.4**
Net worth	33.7	33.7	33.7
Total EV	**582.9**	**548.6**	**518.1**
ESP Loans	20.2	20.2	20.2
Total EV Including ESP Loans	**603.1**	**568.8**	**538.3**
Franking Credits:			
Life Insurance	68.9	64.5	60.6
Wealth Management	17.2	16.2	15.4
Financial Advice	-	-	-
Net worth	19.8	19.8	19.8
Total Franking Credits	**105.8**	**100.4**	**95.7**
Total EV including Franking Credits and ESP Loans	**708.9**	**669.2**	**634.0**
EV per Share Incl. ESP Loans (cents)	**89.1**	**84.0**	**79.5**
EV per Share Incl. ESP Loans and Franking Credits (cents)	**104.7**	**98.8**	**93.6**

Chart 8: Embedded Value movement analysis



1 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 HY20 EV is 2% (June 2019: 2%).

The key movements in the EV between HY20 and June 2019 are described in detail below.

Net capital applied (+$0.7 million)

- Cash payment (-$0.4 million) related to the on-market share buy-back program of ClearView shares in the half year period
- Movements in the Share Based Payments Reserve (+$0.9 million).

Expected gain (+$15.4 million)

- Expected gain represents the expected unwind of the discount rate within the value of in-force and investment earnings on net worth.

VNB added (-$1.7 million)

- The value added by new business written (VNB) over the period.
- The current value of new business is suppressed by:
  - the acquisition costs incurred (relative to lower new business volumes);
  - the hybrid commission model under the LIF reforms (noting VNB will improve as the upfront commission cap reduces to 60% in 2020); and
  - the lower profitability of disability income business (mix of business).
- The acquisition cost overruns should decrease over time as the front-end cost structure further aligns with changes in new business volumes or alternatively ClearView benefits from the opening up of APL's.
- The Life Insurance business is being repriced to sustain profit margins.
- The profitability for disability income business is expected to improve over time given actions taken by APRA and ClearView's planned initiatives (including repricing).
- The Wealth Management business has been repriced given competitive pressures, which is expected to result in increased and improved flows over time.

Claims experience (-$4.7 million)

- Adverse claims experience loss (relative to planned margins) predominately due to higher than expected IP claims. See further commentary on claims experience on page 15.

Lapse experience on the life insurance book and FUM discontinuances (-$1.4 million)

- Life Insurance lapse impact of -$1.2 million reflects the EV impact of lapses. Recent adverse lapse experience and trend is outlined on page 16.
- Retention strategies and effects in life insurance take time to fully implement and flow through to overall lapse performance. There was a significant improvement in lapse performance in second quarter of the financial year.
- For the Wealth Management business, discontinuance rates (outflows) were slightly higher than expected (impact of -$0.2 million).

FUM mark to market and business mix (-$0.5 million)

- Positive investment performance on FUM resulted in higher fee income relative to expectations over the period (+$2.3 million) and a higher present value of future fees at the end of the period.
- Changes in the mix of businesses (including the impact of fee reductions due to the lower interest rate environment), resulted in lower fee income relative to expectations over the period (-$2.8 million) and a lower present value of future fees at the end of the period.

Cost impacts (-$0.5 million)

- Listing and interest costs on corporate debt (-$0.4 million) were impacted by the Group's listed overhead costs and amounts drawn down under the corporate debt facility which are not allowed for in the EV.
- Maintenance expense experience (-$0.2 million) which reflects the experience profit (+$0.3 million) in life insurance (implementation of cost transformation program). This is offset by the investment in WealthFoundations and the contemporary wealth platform that is causing overruns in the Wealth Management segment (-$0.5 million).
- The business is now focused on effective cost management, coupled with a reinvigorated IT strategy and road map.

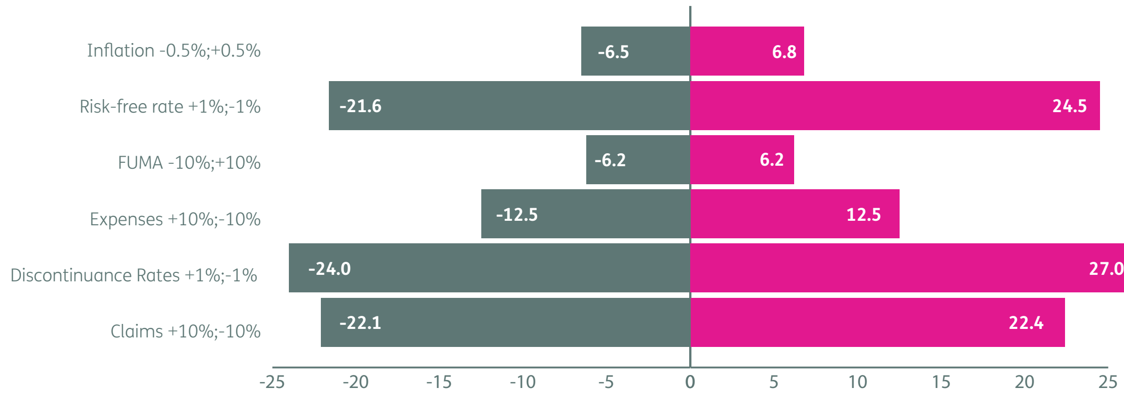
Other impacts (-$0.7 million)

- This includes the tax impacts of the policy liability discount rate effects in the period and other experience items (-$0.2 million).
- The balance includes the additional impact of implementing Letter of Credit and lump sum reinsurance treaty to manage Swiss Re exposure and other minor items.

ESP and franking credits: (-$10.1 million)

- Net movement in ESP loans and franking credits between periods.
- The franking credit movement effectively reflects the impact of movements in value of future tax payments and modelling enhancements.
- Given the non-recourse nature of the ESP loans and the ClearView share price at Balance date, $20.2 million of the loans is considered recoverable at 31 December 2019 (ESP loans have been valued at the lower of issued price per ESP share or the prevailing share price).

Chart 9: Embedded Value sensitivity analysis @ 4%DM



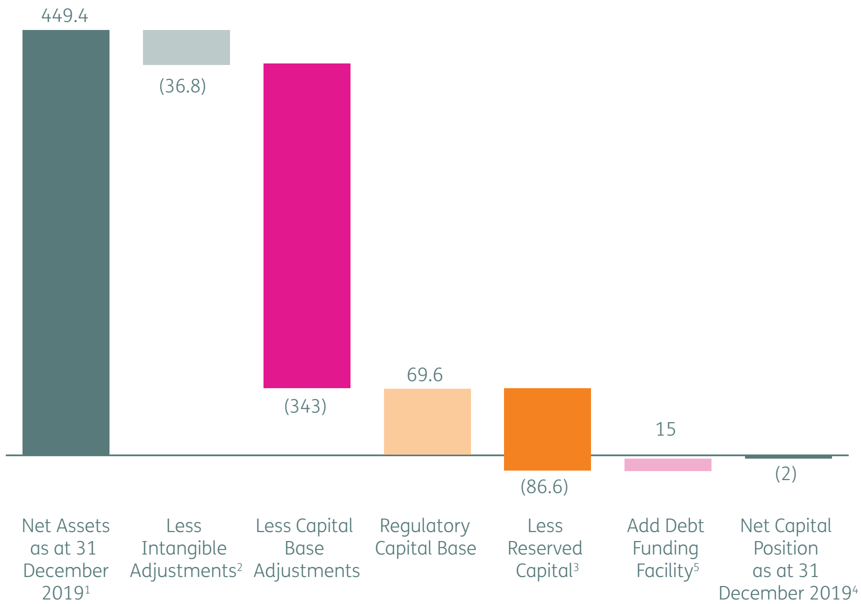
Capital management

Capital Position at 31 December 2019

The following charts reflect the net capital position of the Group as at 31 December 2019:

Chart 10: Capital position as at 31 December 2019

Capital Position ($m) – 31 December 2019



1 Net Asset Value as at 31 December 2019 excluding ESP Loans. Net assets includes the deferred acquisition costs (DAC) component of insurance policy liabilities.

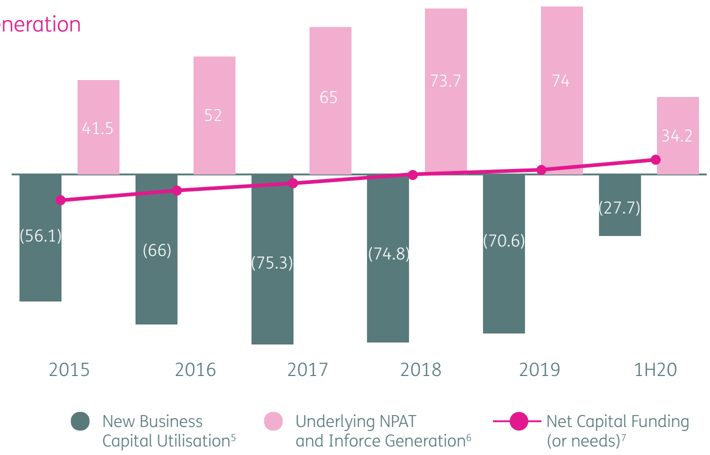
2 Intangible adjustments relate to goodwill, acquired intangibles and capitalised software. It also includes a $16.0 million inadmissible asset reserve for tax credits within the ClearView Retirement Plan (CRP) relating to insurance premiums paid via rollover. There is currently not sufficient taxable income in the CRP currently to utilise these tax credits. While strategies to utilise the carried forward losses in the CRP are in progress there are risks and uncertainties involved. Furthermore, a project for the CRP (part of a broader wealth strategy review), has commenced. Regulatory capital also includes a further $1.1 million related to the tax credits that is treated as an offset to risk capital.

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 ClearView's credit exposure to Swiss Re exceeded its regulatory admissibility limits as at 30 June 2019. ClearView has subsequently implemented an incurred claims treaty with Swiss Re for lump sum business, where claims (including reserves) are paid when a claim is incurred which reduces the exposure by circa $24 million. In addition, ClearView has implemented a letter of credit (LoC) with ANZ to cover the remaining exposure above LPS 117 limits. As a result, there is no Asset Concentration Risk charge under LPS 117 relating to the Swiss Re exposure as at 31 December 2019.

5 The Debt Facility is repayable on 23 August 2021, where after an assessment can be made on the future needs and/or use of the debt facility. The debt facility will remain open and subject to any further drawdowns as required, including for the parent entity to cash settle the CRP tax asset currently held within the regulated entity. $16 million of the debt facility was drawn down in December 2019 to settle the majority of the balance that was held within the regulated entity.

Chart 11: Underlying Capital Generation



Capital position as at 31 December 2019 by segment and regulated entity

	Life	Wealth	Other	APRA Regulated Entities	Wealth	Financial Advice	ASIC Regulated Entities	All Regulated Entities	NOHC[4]/ Other	Group
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Net assets as at 31 December 2019	410.2	11.5	4.0	425.7	8.4	6.2	14.5	440.2	9.2	449.4
Intangible adjustments[1]	(5.4)	(2.5)	-	(7.9)	(0.2)	-	(0.2)	(8.1)	(28.7)	(36.8)
Net assets after intangible adjustments as at 31 December 2019	**404.8**	**9.0**	**4.0**	**417.8**	**8.2**	**6.2**	**14.3**	**432.1**	**(19.5)**	**412.6**
Capital base adjustment:										
Deferred acquisition costs (DAC)	(339.8)	-	-	(339.8)	-	-	-	(339.8)	-	(339.8)
Other adjustments to capital base[3]	(2.4)	(0.1)	-	(2.4)	(0.1)	(0.6)	(0.6)	(3.0)	(0.2)	(3.2)
Regulatory Capital Base	**62.6**	**8.9**	**4.0**	**75.6**	**8.1**	**5.6**	**13.7**	**89.3**	**(19.7)**	**69.6**
Prescribed Capital Amount	(17.4)	(3.5)	(3.6)	(24.5)	(5.0)	(0.3)	(5.3)	(29.8)	-	(29.8)
Available Enterprise Capital	**45.2**	**5.5**	**0.4**	**51.1**	**3.1**	**5.3**	**8.4**	**59.5**	**(19.7)**	**39.8**
Enterprise Capital Benchmark (ECB)										
ECB offset[2]	1.1	-	-	1.1	-	-	-	1.1	-	1.1
Risk Capital[3]	(42.5)	(2.7)	-	(45.3)	(2.1)	(3.1)	(5.2)	(50.5)	(7.4)	(57.9)
Excess/(Deficit) over internal benchmarks as at 31 December 2019	**3.7**	**2.7**	**0.4**	**6.9**	**1.0**	**2.2**	**3.2**	**10.1**	**(27.1)**	**(17.0)**
Debt funding facility									15.0	15.0
Net capital position as at 31 December 2019	**3.7**	**2.7**	**0.4**	**6.9**	**1.0**	**2.2**	**3.2**	**10.1**	**(12.1)**	**(2.0)**

1 Intangible adjustments relate to goodwill, acquired intangibles and capitalised software. It also includes the removal of the CRP deferred tax asset of $16 million for capital purposes.

2 Regulatory capital includes a $16 million inadmissible asset reserve for tax credits within the ClearView Retirement Plan (CRP) relating to insurance premiums paid via rollover. There is currently not sufficient taxable income in the CRP to utilise these tax credits (totals $17.1 million across the group). While strategies to utilise the carried forward losses in the CRP are in progress there are risks and uncertainties involved. Furthermore, a project for the CRP (part of a broader wealth strategy review), has commenced. Regulatory capital also includes a further $1.1 million related to tax credits that is treated as an offset to risk capital.

3 As at 31 December 2019, risk capital is held in regulated entities at 97.5% probability of adequacy (POA). Risk capital at 99% POA is held in the NOHC.[4]

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

5 New Business capital utilisation is related to the upfront costs associated with policy acquisition that is collected via the premiums from policyholders over life of the policy – converts to cash over time subject to lapse risk. These are referred to as deferred acquisition costs (DAC).

6 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. In-force capital generation reflects a combination of the Underlying NPAT achieved and DAC[5] released (collected) from the in-force portfolios in a particular financial year.

7 Reduced capital needs over time reflects the growth in in-force portfolio given increased scale of business from start up phase.

The net capital position of the Group, after including certain amounts drawn down under the Debt Funding Facility ($15 million), was -$2 million at 31 December 2019 (see further commentary below).

ClearView has to date been fully capitalised with Common Equity Tier 1 capital.

The net capital position of the Group as at 31 December 2019 represents a decrease of $7.0 million since 30 June 2019. This reflects the following key items:

- The Underlying NPAT for the period (+$10.2 million);
- The new business funding costs (net of deferred acquisition cost amortisation) (-$4.1 million);
- Decrease in regulatory and risk capital (+$2.0 million) due to:
  - Reduction in the Asset Concentration Risk Charge subsequent to resolution of the issues to manage the credit exposure to Swiss Re (+$4.0 million);
  - Movements in other capital reserves (-$2.4 million); and
  - Net impacts of capitalised software and deferred tax (+$0.4 million).
- The risk reserve held for tax credits within the CRP (see further commentary below) (-$16.0 million).
- Net Other movements and ESP related items (+$0.7 million) which compromises of:
  - On-market share buy-back program (further commentary provided below) (-$0.4 million);
  - ESP related items (+$0.9 million); and
  - Tax effect of impact of changes in discount rates on policy liabilities (+$0.2 million).

Key points to note:

- Under the APRA capital standards, adjustments are made to the capital base for various asset amounts that are deducted, for example, intangibles, goodwill and deferred tax assets (net of deferred tax liabilities).
  - The $16 million receivable from the CRP has been removed for capital purposes given the risks associated with the potential recovery of the asset (notwithstanding that there are projects underway to address and close out the tax credit issue).
  - The drawdown of the debt facility of $16 million is not included as an offset to this given it is likely that this component of the Debt Funding Facility will be repaid out of the proceeds when the tax credits are utilised (and is therefore reflected as not being replaced by a more permanent capital solution).
- The regulated entities had $10.1 million of net assets in excess of internal benchmarks as at 31 December 2019.
- Internal benchmarks exceed regulatory capital requirements and include capital held for the protection of ClearView's regulatory capital position for risk outcomes where the regulatory capital cannot be readily accessed and to protect the various regulated entities' regulatory licences.
- A working capital reserve has historically been held to support the capital needs of the business beyond the risk-reserving basis. This included the net capital that was required to support the medium-term new business plans (in accordance with the Internal Capital Adequacy Process).
  - ClearView generates positive cash flows from its in-force portfolio which is subsequently reinvested to generate new business.
  - Given the quantum of new business written relative to the size of the in-force book during the 'start-up phase' of the business, the cash flows generated were insufficient to fund new business growth.
  - This strain has now reduced materially with the underlying business starting to generate capital from the in-force portfolio flows.
  - As a result, no further capital is held as a working capital reserve at 31 December 2019.
- As noted earlier in the report, the Board has to date, determined that entering into the Debt Funding Facility is both the most cost effective and efficient way to support the current funding needs of ClearView over the short term.
- For ClearView's medium-to-long term capital solutions, the Board is considering alternative capital management initiatives.
  - As previously communicated, work on the longer-term capital solution continues to progress with NAB engaged to investigate the prospect of an issue of Tier 2 Subordinated Notes (Notes) (subject to the regulatory approval process and market conditions).
  - At least part of the Debt Funding Facility is likely to be replaced with an APRA approved longer term capital solution. Given the nature of the debt funding drawn down for the purpose of supporting the tax credit receivable, it is anticipated that the Debt Funding Facility is likely to be extended to allow for repayment as these cash flows are collected over time.
  - The balance of the proceeds from the issue of such Notes is intended to be used for capital management purposes, including to fund or support the regulated funding requirements of ClearView Life from time to time (subject to regulatory approval process and market conditions).

- The ClearView Group does not currently anticipate the need to undertake further capital management actions beyond these projects and actions (and as noted earlier in the report).

Dividends and On-market 10/12 limit share buyback

ClearView's ability to pay a franked dividend depends upon factors including its profitability, the availability of franking credits and its funding requirements which in turn may be affected by trading and general economic conditions, business growth, and regulation. ClearView did not pay a full year dividend in 2019 (2018: $20.05 million or 3.00 cents per share). The Directors have not declared an interim dividend (HY 19: Nil).

At the full year result, we outlined that the Board believes that the current share price, in a relatively illiquid market, does not reflect the intrinsic value of the business.

Accordingly, it was decided to suspend the dividend payment for FY19 and instead to recommence the current on-market share buy-back program as this was the best use of capital and in the interests of shareholders.

As previously disclosed, the ongoing operation of the buy-back is subject to our capital management requirements from time to time.

In August 2019, the Board approved the recommencement of its 10/12 limit on market buy-back program and extended it for a further 12-month period until December 2020.

Existing buy-back arrangements continue to apply and Blue Ocean Equities Pty Limited is the appointed broker for the program. Since January 2014, the total number of shares bought back and cancelled under the scheme is 1,208,824 of which 615,000 shares have been bought back and cancelled in the half-year ended 31 December 2019.

The Board will continue to adopt a limited and cautious approach to the on-market buy-back program. This will also be considered by the Board in relation its policy with regards to the declaration of any FY20 final dividend (to be considered at the time of the full year result and outcome of the capital initiatives outlined above). Further details will be provided in due course.

Selective buy-back

As approved by Shareholders at the ClearView 2019 Annual General Meeting (AGM) and disclosed on market, ClearView undertook a selective buy-back of unvested Executive Share Plan (ESP) Shares in November 2019. 365,504 were selectively bought back and cancelled on the terms outlined in the ClearView AGM Notice of Meeting, Appendix 3C and Appendix 3F. These announcements are under the Shareholders tab on the ClearView website.

Outlook

These are challenging times for the financial services industry, as it grapples with significant structural, regulatory and economic changes including a record low interest rate environment.

As an active participant in the life insurance markets, ClearView is not immune to these challenges.

Key areas of focus for 2H FY20

Life Insurance:

- While the segment remains profitable, adverse claims and lapse experience in recent years has held the company back from translating solid growth in the in-force book into corresponding profit growth.
- APRA's intervention measures in the IP market are aimed at driving the industry to examine the appropriateness and sustainability of their products and take the necessary action to satisfy the requirements of all stakeholders.
- ClearView has the ability to implement any necessary changes relatively quickly. ClearView has commenced a comprehensive review of its LifeSolutions IP product series with a focus on reviewing product pricing, and claims assumptions.
- Any further increases to the IP claims assumptions are intended to be recovered through premium rate increases which should sustain profit margins and therefore the underlying Embedded Value. The potential impacts on lapses as a result of further IP price increases will be assessed as part of the overall pricing review.
- While further analysis continues to be undertaken, the revised assumptions are expected to have an upfront adverse impact on the reported incurred claims reserves. The current estimate of the potential impact on the 2H FY20 Underlying NPAT in respect to the incurred claims reserves at 31 December 2019 is expected to be between $2 million -$3 million after tax.
- The company's near-term focus is on continuing to further improve lapse performance and sustainable pricing of products (which is likely to have an impact on shorter term new business volumes).
- Retention strategies take time to fully implement and flow through to overall lapse performance, noting the improvement in lapse performance in second quarter of the financial year;
- The opening up of APLs is creating opportunities for ClearView to reach new audiences. ClearView's strong presence and reputation in the IFA market, as well as our diversified model, positions us strongly to support advisers and forge new relationships.
- Upgrading major elements of the core Life Insurance technology, with a proof of concept is underway for the policy administration system.

Wealth Management:

- Pursue an integrated growth strategy in life insurance and wealth management, reflecting end customer needs and adviser (distribution) trends.
- Completing a major project to:
  - Seek a modern replacement solution for the wrap technology that is competitively priced and provides the ability for our wealth business to deliver simple and effective investment products across platforms;
  - Have an internal platform capability that can compete in the master trust platform market;
  - Address and close out the tax credit issue in our superfund; and
  - Deliver new products to the market in the future.

Financial Advice:

- Continue to reposition and reprice the dealer group core offering and roll out of LaVista to create a sustainable revenue model.
- Industry consolidation and the effective exit of the banks from personal advice has displaced large amounts of advisers who are looking for alternative licensing arrangements. Matrix is strongly positioned to pick up quality advisers looking for an experienced, well-resourced dealer group.
- LaVista Licensee Solutions also provides advisers with another way to engage with ClearView that can now leverage its back-office infrastructure and licensee support services of our dealer groups via LaVista.

ClearView Group:

- For ClearView's medium-to-long term capital solutions, the Board is considering alternative capital management initiatives.
- Work on the longer term capital solution continues to progress with NAB engaged to investigate the prospect of an issue of Tier 2 Subordinated Notes (Notes).
- The ClearView Group does not currently anticipate the need to undertake further capital management actions beyond the projects and actions previously outlined.
- The Board will continue to adopt a limited and cautious approach to any on-market buy-back program. This will also be considered by the Board in relation its policy with regard to dividends for the FY20 financial year at the full year result.

Today's landscape is changing rapidly due to ongoing consolidation by larger international players, the exit of the banks from personal advice and the introduction of new legislation. There are more changes ahead as the industry commences the implementation of the Royal Commission Final Report recommendations and the regulatory reform agenda.

All of this change and disruption creates opportunities for the industry to learn and grow.

For a customer-centric company like ClearView it also creates opportunities to better support our increasing number of customers and advisers.

The fundamental purpose and need for quality life insurance and wealth management products, and professional advice, has not changed. Australia's ageing population, compulsory superannuation system and rising household debt levels underpins demand for ClearView's high quality products and services.

While there are many challenges ahead, ClearView is focused on delivering value for our customers and helping them navigate life's ups and downs to achieve their goals.

We have a strategy for adapting to the changing financial services landscape and we retain a positive longer-term outlook.

Changes in state of affairs.

There were no other significant changes in the state of affairs of the Group apart from than those discussed above, during the half year ended 31 December 2019.

Auditor’s independence declaration

The auditor’s independence declaration is included on page 35.

Rounding off of amounts

ClearView is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the Directors’ Report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Directors made pursuant to s.303 (5) of the Corporations Act 2001.

On behalf of the Directors

Bruce Edwards

Chairman

Sydney, 25 February 2020

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
ClearView Wealth Limited
Level 15, 20 Bond Street
Sydney NSW 2000

25 February 2020

Dear Board of Directors

ClearView Wealth Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of ClearView Wealth Limited.

As lead audit partner for the review of the financial statements of ClearView Wealth Limited for the financial half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Max Rt Murray

Max Murray
Partner
Chartered Accountants
Sydney

Condensed consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2019

		Consolidated	
	Note	6 months to 31 December 2019 $'000	6 months to 31 December 2018 $'000
Continuing operations			
Revenue from continued operations			
Premium revenue from insurance contracts		128,838	120,451
Outward reinsurance expense		(40,886)	(34,119)
Net life insurance premium revenue		**87,952**	**86,332**
Fee and other revenue		62,999	63,036
Investment income		64,607	62,298
Operating revenue before net fair value gains on financial assets		**215,558**	**211,666**
Net fair value gains on financial assets		6,199	(63,588)
Net operating revenue		**221,757**	**148,078**
Claims expense		(72,967)	(56,596)
Reinsurance recoveries revenue		50,369	39,594
Commission and other variable expenses		(62,210)	(65,970)
Operating expenses	4	(50,355)	(58,568)
Depreciation and amortisation expense	4	(3,789)	(4,338)
Change in life insurance policy liabilities	9	(17,013)	8,898
Change in reinsurers' share of life insurance liabilities	9	16,096	1,389
Change in life investment policy liabilities	9	(44,624)	7,732
Movement in liability of non-controlling interest in controlled unit trusts		(30,484)	(9,339)
Profit before income tax expense		**6,780**	**10,880**
Income tax benefit/(expense)		3,030	634
Total comprehensive income for the period from continuing operations		**9,810**	**11,514**
Attributable to:			
Equity holders of the parent		9,810	11,514
Earnings per share			
Basic (cents per share)		1.57	1.85
Diluted (cents per share)		1.55	1.80

To be read in conjunction with the accompanying notes.

Condensed consolidated statement of financial position

For the half year ended 31 December 2019

	Note	Consolidated 31 December 2019 $'000	Consolidated 30 June 2019 $'000
Assets			
Cash and cash equivalents		228,368	200,197
Investments	8	2,030,878	1,981,312
Receivables		44,300	38,786
Fixed interest deposits		88,578	104,515
Reinsurers' share of life insurance policy liabilities	9	106,322	95,669
Deferred tax asset		6,999	8,848
Property, plant and equipment		853	934
Right of use asset	1a	2,172	-
Goodwill	7	12,511	12,511
Intangible assets	7	7,237	8,893
Total assets		**2,528,218**	**2,451,665**
Liabilities			
Payables		32,288	51,955
Current tax liabilities		(1,719)	2,178
Provisions		7,417	7,320
Life insurance policy liabilities	9	(107,744)	(151,652)
Life investment policy liabilities	9	1,206,406	1,152,535
Liability to non-controlling interest in controlled unit trusts		906,021	933,155
Deferred tax liabilities		2,048	2,122
Lease liabilities	1a	3,080	-
Borrowings	13	31,000	15,000
Total liabilities		**2,078,797**	**2,012,613**
Net assets		**449,421**	**439,052**
Equity			
Issued capital	6	445,669	446,043
Retained losses		(16,562)	(26,372)
Executive Share Plan Reserve		16,335	16,087
General Reserve		3,979	3,294
Total equity		**449,421**	**439,052**

To be read in conjunction with the accompanying notes.

Condensed consolidated statement of changes in equity

For the half year ended 31 December 2019

	Share Capital $'000	Executive Share Plan Reserve $'000	General Reserve $'000	Retained Losses $'000	Attributable to Owners of the Parent $'000
Balance at 30 June 2019	**446,043**	**16,087**	**3,294**	**(26,372)**	**439,052**
Profit for the period	-	-	-	9,810	9,810
Total comprehensive income for the period	**-**	**-**	**-**	**9,810**	**9,810**
Recognition of share based payments	-	248	-	-	191
ESP shares vested/(forfeited)	-	-	685	-	742
Share buy back	(374)	-	-	-	(374)
Balance at 31 December 2019	**445,669**	**16,335**	**3,979**	**(16,562)**	**449,421**

	Share Capital $'000	Executive Share Plan Reserve $'000	General Reserve $'000	Retained Losses $'000	Attributable to Owners of the Parent $'000
Balance at 30 June 2018	**438,289**	**12,509**	**2,785**	**(9,274)**	**444,309**
Change on initial application of AASB 9	-	-	-	(1,007)	(1,007)
Restated balance as at 1 July 2018	**438,289**	**12,509**	**2,785**	**(10,281)**	**443,302**
Profit for the period	-	-	-	11,514	11,514
Total comprehensive income for the period	**-**	**-**	**-**	**11,514**	**11,514**
Recognition of share based payments	-	1,657	-	-	1,657
Dividend reinvestment plan (net of costs)	11,119	-	-	-	11,119
Dividend paid	-	-	-	(20,048)	(20,048)
ESP shares vested/(forfeited)	670	(127)	-	-	543
ESP Loans settled through dividend	-	793	-	-	793
Treasury shares	(2,096)	-	-	-	(2,096)
Balance at 31 December 2018	**447,982**	**14,832**	**2,785**	**(18,815)**	**446,784**

To be read in conjunction with the accompanying notes.

Condensed consolidated statement of cash flows

For the half year ended 31 December 2019

	Consolidated	
	6 months to 31 December 2019 $'000	6 months to 31 December 2018 $'000
Cash flows from operating activities		
Receipts from clients and debtors	402,230	291,332
Payments to suppliers and other creditors	(215,929)	(180,983)
Withdrawals paid to life investment clients	(149,858)	(171,971)
Dividends and trust distributions received	7,795	15,603
Interest received	11,086	14,484
Interest on borrowings and other costs of finance	(797)	(684)
Income taxes paid	(2,987)	(3,013)
Net cash generated/(utilised) by operating activities	**51,540**	**(35,232)**
Cash flows from investing activities		
Payments for investment securities	(821,807)	(1,199,971)
Proceeds from sales of investment securities	826,395	1,344,902
Acquisition of property, plant and equipment	(272)	(128)
Acquisition of capitalised software	(972)	(3,455)
Fixed interest deposits redeemed/(invested)	15,937	(6,708)
Loans repaid	620	263
Net cash (utilised)/generated by investing activities	**19,901**	**134,903**
Cash flows from financing activities		
Net movement in liability of non-controlling interest in unit trusts	(57,619)	(94,196)
Shares bought back	(374)	-
Repayment of lease liabilities	(1,277)	-
Treasury shares bought back	-	(2,096)
Repayment of ESP loans	-	664
Payments for ESP shares vested/forfeited	-	671
Net cash dividend paid	-	(8,928)
Debt facility drawn down	16,000	15,000
Net cash (utilised)/generated in financing activities	**(43,270)**	**(88,885)**
Net (decrease)/increase in cash and cash equivalents	28,171	10,786
Cash and cash equivalents at the beginning of the financial year	200,197	176,363
Cash and cash equivalents at the end of the financial period	**228,368**	**187,149**

To be read in conjunction with the accompanying notes.

Notes to the condensed consolidated financial statements

For the half year ended 31 December 2019

1. Significant accounting policies

General information

ClearView Wealth Limited (the Company or the Group) is a limited company incorporated in Australia. The address of its registered office is Level 15, 20 Bond Street, Sydney, NSW 2000. The principal activities of the Company and its subsidiaries (the Group) are described in Note 3.

Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The half year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise stated.

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the Directors' Report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies adopted in the preparation of the interim set of financial statements are consistent with those adopted and disclosed in the Group's annual financial report for the year ended 30 June 2019, other than where disclosed and with the exception of changes in accounting policies required following the adoption of new accounting standards on 1 July 2019. Changes to the Group's key accounting policies during the period are described in this report in the section titled 'New Australian Accounting Standards and amendments to Accounting Standards that are effective in the current period'.

Use of estimates, assumptions and judgments

The preparation of these Condensed Consolidated Financial Statements requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. The Board believes that the estimates used in preparing the financial report are reasonable. Actual results in the future may differ from those reported and it is therefore reasonably possible, on the basis of existing knowledge, that outcomes within the next financial period that are different from the Consolidated Entity's assumptions and estimates could require an adjustment to the carrying amounts of the reported assets and liabilities.

a) New Australian Accounting Standards and amendments to Accounting Standards that are effective in the current period.

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations had an impact on the financial performance and position of the consolidated entity. This is set out below:

AASB 16 Leases

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). For classification within the Statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

Impact of adoption

AASB 16 was adopted using the 'modified retrospective' approach and as such the comparatives have not been restated. The effect on the adoption of AASB 16 as at 1 July 2019 is outlined in the table that follows.

	$'000
Assets	
Right of use asset	2,982
Total	**2,982**
Liabilities	
Lease liability	4,346
Provisions (onerous lease)	(584)
Payables (lease incentive in advance)	(780)
Total	**2,982**
Reconciliation from operating lease commitments disclosures at 30 June 2019 to the opening lease liability at 1 July 2019	
Lease commitments as at 30 June 2019	3,900
Contracts reassesed	680
Short term leases	(205)
Discounted using the incremental borrowing rate (1.8%)	(29)
Opening lease liability at 1 July 2019	**4,346**

The main type of right of use asset recognised by the Group relates to property leases.

The renewal of certain property leases is currently in progress (including ClearView's Sydney head office premises).The lease liability will be remeasured and adjustment to the corresponding right of use asset made upon execution of the new lease agreements.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less, leases that expire within 12 months of initial application and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentive received, any initial direct costs incurred, and except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the lease term or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The following table details the carrying amount of right of use assets at 1 July 2019 and the movements during the half year period:

	$'000
Upon adoption of AASB 16 at 1 July 2019	2,982
Depreciation	(809)
Right of use asset at 31 December 2019	**2,172**

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payment that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties.

The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

The following table details the carrying amount of lease liabilities at 1 July 2019 and the movements during the half year period:

	$'000
Upon adoption of AASB 16 at 1 July 2019	4,346
Interest expense	11
Payments made	(1,277)
Lease liability at 31 December 2019	**3,080**

b) New accounting standards issued but not yet effective

A number of new accounting standards and amendments have been issued but are not yet effective, none of which have been early adopted by ClearView in the half year financial report. These new standards and amendments, when applied in future periods, are not expected to have a material impact on the financial position or performance of the Group, other than as set out below:

AASB 17 Insurance Contracts

AASB 17 *Insurance Contracts* (AASB 17) introduces significant changes to accounting for life insurance contracts and the reporting and disclosures in relation to those contracts. AASB 17 does not change the underlying economics or cash flows of the life insurance business, however, there will be significant changes to the measurement of insurance contract liabilities including the amount of deferred acquisition costs and the profit emergence profiles from life insurance contracts.

Since the standard was issued, various implementation matters have been raised by stakeholders and the International Accounting Standards Board (IASB) is currently considering certain targeted amendments to the standard. The IASB propose to announce resolution of any amendments later in 2020.

As it currently stands, the mandatory adopting date is 1 January 2021, However, one of the proposed changes being considered by the IASB is the deferral of the effective date for adoption of the new standard. Subject to the outcome of the IASB's process, the new effective date is proposed for financial reporting periods beginning on 1 January 2022.

In addition to the financial reporting impacts, regulators are considering their response to the new standard which may lead to changes in the determination of capital requirements, income tax and prudential reporting.

Due to the complexities of the requirements, evolving interpretations and the potential changes to the original standard, it is not yet practicable to quantify the financial impact on ClearView's life insurance business. In some cases, the final impact of the requirements will not be determined until any amendments, interpretations and regulatory responses to the new standard are determined. ClearView is in the initial phase of the IFRS 17 project and is continuing to develop its implementation plans for the adoption of AASB 17.

2. Events subsequent to reporting date

Asset-Liability matching for DLR/IBNR Reserves

ClearView has historically held its shareholder cash reserves which back its policyholder liabilities in fixed interest term deposits. This had previously effectively matched its asset-liability risk profile given the size and maturity of the business. Over time, the duration of the life insurance liabilities within statutory fund 1 has grown longer due to the growth in the business and growth in income protection disabled life reserves, compounded by a lengthening of claims durations. There is therefore now a need for a portion of shareholder cash assets to be invested in longer-term assets for matching purposes. Subsequent to the half year end ClearView has invested $29 million across its CFML funds: Macquarie True Index Fund (duration 5.5 years) which invests in very high quality bonds, principally issued by Australian Governments and the Vanguard Inflation Linked Fund (duration 10.3 years) which invests in CPI-linked, very high quality Australian government bonds.

Product repricing and claims assumption review

Subsequent to the half year end ClearView has commenced a product repricing and detailed review of claims assumptions. Any further increases to the claims assumptions are intended to be recovered through premium rate increases which should sustain profit margins and therefore the underlying Embedded Value. While further analysis continues to be undertaken, the revised assumptions are expected to have an upfront adverse impact on the reported incurred claims reserves. The current estimate of the potential impact on the 2H FY20 Underlying NPAT in respect to the incurred claims reserves at 31 December 2019 is expected to be between $2 million -$3 million after tax.

3. Segment performance

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The information reported to the Group's Board of Directors, being the chief operating decision maker, for the purpose of resource allocation and assessment of performance is focused on the products and services of each reporting segment.

The principal activities and the Group's reportable segments under AASB 8 are as follows:

- Life Insurance;
- Wealth Management;
- Financial Advice; and
- Listed Entity/Other.

(a) Life Insurance ('protection' products)

ClearView provides life insurance protection products through its wholly owned subsidiary ClearView Life. The products provided by ClearView Life include:

- A comprehensive range of life protection products distributed via both CFA and Matrix financial advisers and third party, external advisers (IFAs). The product suite, LifeSolutions, was launched in December 2011 and is a high quality advice based product suite, providing top quartile benefits and terms at market competitive prices. LifeSolutions includes term life, permanent disability, trauma and critical illness benefits, child cover, accident covers, income protection and business expense covers. Policies can be issued directly or via the ClearView Retirement Plan as superannuation; and
- An in-force portfolio of Non-Advice life protection products that were previously sold through direct marketing, and related channels. Products include term life, accidental death, injury covers, trauma and critical illness and funeral insurance. These products are no longer marketed to customers. The direct life insurance business was closed in May 2017.

(b) Wealth Management ('investment' products)

ClearView provides wealth management products via four primary avenues:

- **Master Trust** - Life investment contracts issued by ClearView Life. Products include ordinary savings, superannuation and allocated pension products, with the latter two provided via the ClearView Retirement Plan;
- **WealthSolutions** - A superannuation and retirement income wrap (issued via the ClearView Retirement Plan) and an Investor Directed Portfolio Service (IDPS) Wrap (provided by CFML). This is offered via the WealthSolutions platform which was launched in December 2011. WealthSolutions includes a broad menu of investment funds, ASX listed shares, term deposits, ClearView managed funds and Separately Managed Account (SMA) offering. It also provides a number of model portfolios managed by ClearView for superannuation and non superannuation investors;
- **WealthFoundations** - Life investment contracts issued by ClearView Life. Products include superannuation and allocated pension products, issued via the ClearView Retirement Plan. WealthFoundations includes a menu of investment options with transparent investment in underlying funds; and
- **Managed Investment Schemes (MIS)** - Products are issued via ClearView Financial Management Limited (CFML) as the ASIC licensed Responsible Entity and include MIS products available on ClearView's WealthSolutions platform and external platforms.

(c) Financial Advice

ClearView provides financial advice services through its wholly owned subsidiaries ClearView Financial Advice (CFA) and Matrix Planning Solutions (Matrix). Our comprehensive financial advice offering features two aligned dealer groups providing traditional licensing and dealer services plus the recently launched LaVista Licensee Solutions (LaVista) which provides outsourced B2B licensee services to other Australian Financial Services Licensees (AFSLs).

(d) Listed Entity/Other

This represents the investment earnings on the cash and investments held in the listed and central services entities and in the shareholders fund of ClearView Life, less the costs associated with maintaining a listed entity and interest expense on corporate debt. The Group manages capital at the listed entity level in accordance with its ICAAP[1] policy.

Asset segment information has not been disclosed because the allocation of assets is not used for evaluating segment performance and deciding the allocation of resources to segments.

Asset segment information is critical to the performance of each company and their respective regulatory obligations and is managed at a company level.

Information regarding segments is provided on the following page. The accounting policies of the reportable segments are the same as the Company's accounting policies described in the 30 June 2019 Annual Report.

	Total Revenue		Inter-segment Revenue		Consolidated Revenue	
	Half year ended		Half year ended		Half year ended	
	31 December 2019 $'000	31 December 2018 $'000	31 December 2019 $'000	31 December 2018 $'000	31 December 2019 $'000	31 December 2018 $'000
Segment revenue						
Life Insurance	88,942	87,858	-	-	88,942	87,858
Wealth Management	83,902	81,883	-	-	83,902	81,883
Financial Advice	56,020	56,581	(13,433)	(14,842)	42,587	41,739
Listed entity/Other	127	186	-	-	127	186
Consolidated segment revenue	**228,991**	**226,508**	**(13,433)**	**(14,842)**	**215,558**	**211,666**

Segment profit or loss represents the profit or loss earned by each segment including the allocation of directly attributable costs of each segment and an allocation of central services costs according to an expense allocation model which allocates costs across each segment. The allocation model excludes the allocation of investment revenue as there are directly recorded against the relevant segments. This is the measure reported to the Board for the purposes of resource allocation and assessment of segment performance.

1 Internal Capital Adequacy and Assessment Process.

6 months to 31 December 2019	Life Insurance $'000	Wealth Management $'000	Financial Advice $'000	Listed Entity/Other $'000	Total $'000
Underlying net profit/(loss) after tax	**8,677**	**1,659**	**616**	**(719)**	**10,233**
Amortisation of acquired intangibles[1]	-	(3)	-	-	(3)
AIFRS policy liability discount rate effect (net of tax)[2]	(422)	-	-	-	(422)
Reported profit/(loss)	**8,255**	**1,656**	**616**	**(719)**	**9,808**
6 months to 31 December 2018					
Underlying net profit/(loss) after tax	**11,914**	**2,050**	**63**	**(726)**	**13,301**
Amortisation of acquired intangibles[1]	-	(45)	(561)	-	(606)
AIFRS policy liability discount rate effect (net of tax)[2]	2,222	-	-	-	2,222
Strategic Review cost (net of tax)[3]	-	-	-	(90)	(90)
Direct remediation program (net of tax)[4]	-	-	-	(584)	(584)
Royal Commission costs (net of tax)[5]	-	-	-	(1,295)	(1,295)
Retention bonuses (net of tax)[6]	-	-	-	(1,434)	(1,434)
Reported profit/(loss)	**14,136**	**2,005**	**(498)**	**(4,129)**	**11,514**

1 The amortisation of the intangibles is associated with the acquisition of wealth and life insurance businesses from Bupa, the ComCorp financial advice business and Matrix. These are separately reported to remove the non-cash effect of the write-off of these acquired intangibles. However, amortisation associated with capitalised software is reported as part of underlying net profit after tax.

2 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.

For policy liability, this represents a timing difference in the release of profit and has no impact on underlying earnings. This movement in policy liability creates a cash flow tax effect.

For the incurred IP disabled lives claims reserves, this represents a change in the claims costs given the discounting of the incurred claims reserves at market discount rates.

ClearView has recently invested in assets including inflation-linked bonds to duration match this liability (asset/ liability management). To the extent this investment impacts on earnings with movements in long-term rates, this will also be reported below the line to offset the above-mentioned liability (claims cost) impact from changes in discount rates. The investment was made subsequent to half-year end.

The net impact of the increase in long-term discount rates over HY20 caused a decrease in after-tax reported profit of -$0.4 million (HY19: +$2.2 million).

3 Certain costs were recognised predominantly in relation to Cooperation Agreement entered into with Sony Life and the evaluation of strategic options and Sony Life becoming a new strategic shareholder. The costs are considered unusual to the ordinary activities of the Group and are therefore not reflected as part of Underlying NPAT.

4 Certain costs were recognised in the period in relation to the Direct remediation program. The costs are considered unusual to the ordinary activities of the Group and therefore not reflected as part of Underlying NPAT.

5 Certain costs were recognised in the period in relation to the Royal Commission costs. The costs are considered unusual to the ordinary activities of the Group and therefore not reflected as part of Underlying NPAT.

6 Certain costs were recognised in the period in relation to retention payments for a small number of key individuals. The costs are considered unusual to the ordinary activities of the Group and therefore not reflected as part of Underlying NPAT.

4. Operating Expenses

	Consolidated	
	6 months to 31 December 2019 $'000	6 months to 31 December 2018 $'000
Administration expenses		
Administration and other operational costs	21,125	19,122
Custody and investment management expenses	4,820	4,891
Total administration expenses	**25,945**	**24,013**
Employee costs and directors' fees		
Employee expenses	23,030	27,107
Share based payments	306	1,657
Employee termination payments	221	185
Directors' fees	432	427
Retention Bonuses	-	2,050
Total employee costs and directors' fees	**23,989**	**31,426**
Other expenses		
Interest and other costs of finance	421	316
Strategic review costs	-	129
Direct remediation program costs	-	834
Royal Commission costs	-	1,850
Total other expenses	**421**	**3,129**
Total operating expenses	**50,355**	**58,568**
Depreciation and amortisation		
Depreciation expenses	1,161	292
Software amortisation	2,625	3,440
Amortisation of acquired intangibles	3	606
Total depreciation and amortisation	**3,789**	**4,338**

5. Dividends Paid

During the period, ClearView made the following dividend payments:

	Consolidated			
	6 months to 31 December 2019		6 months to 31 December 2018	
	Cents per share	$'000	Cents per share	$'000
Final dividend	-	-	3.00	20,048
Total		**-**		**20,048**

No interim dividend has been declared.

The Directors have not declared a dividend for the year ended 30 June 2019 (2018: $20.05 million).

6. Issuances and Repurchase of Equity

	6 months to 31 December 2019 No of shares	6 months to 31 December 2019 $'000	12 months to 30 June 2019 No of shares	12 months to 30 June 2019 $'000
Issued and fully paid ordinary shares				
Balance at the beginning of the period	626,976,882	446,043	619,259,012	438,289
Dividend reinvestment plan	-	-	10,593,144	11,119
ESP shares vested during the period	-	-	1,965,292	821
Share bought back	(615,000)	(374)	-	-
Treasury shares	-	-	(4,840,566)	(4,186)
Balance at the end of the period	**626,361,882**	**445,669**	**626,976,882**	**446,043**
Executive share plan				
Balance at the beginning of the period	45,256,670	-	49,003,595	-
Shares forfeited during the year	(365,504)	-	(1,781,633)	-
Shares exercised during the year	-	-	(1,965,292)	-
Executive share plan balance at the end of the period	**44,891,166**	**-**	**45,256,670**	**-**
Treasury shares				
Balance at the beginning of the period	4,840,566	4,186	-	-
Treasury shares bought back	-	-	4,840,566	4,186
Balance at the end of the period	**4,840,566**	**4,186**	**4,840,566**	**4,186**

During the half year period no shares were granted to senior management and contractor participants. Shares granted under the ESP carry rights to dividends and voting rights. For details of the ESP refer to the June 2019 Annual Report.

The above ESP balance reconciles to the outstanding shares granted under the ESP at the beginning and the end of each relevant period. In accordance with AASB 2 Share Based Payments, the shares issued under the employee share plan are treated as options and are accounted for as set out in Note 7.2 of the 30 June 2019 Annual Report.

During the half year period, 2.36 million performance rights were issued to ClearView's Senior Management Team (SMT). None of these rights have been vested or forfeited. For details of the LTIP refer to the June 2019 Annual Report.

7. Goodwill and intangibles

	Consolidated				
6 months to 31 December 2019	Goodwill $'000	Capitalised software $'000	Client Book $'000	Matrix Brand $'000	Total intangibles $'000
Gross carrying amount					
Balance at the beginning of the period	20,452	47,022	65,017	200	112,239
Acquired directly during the period	-	972	-	-	972
Balance at the end of the period	**20,452**	**47,994**	**65,017**	**200**	**113,211**
Accumulated amortisation and impairment losses					
Balance at the beginning of the period	7,941	38,365	64,981	-	103,346
Amortisation expense in the period	-	2,625	3	-	2,628
Balance at the end of the period	**7,941**	**40,990**	**64,984**	**-**	**105,974**
Net book value					
Balance at the beginning of the period	12,511	8,657	36	200	8,893
Balance at the end of the period	**12,511**	**7,004**	**33**	**200**	**7,237**
12 months to 30 June 2019	Goodwill $'000	Capitalised software $'000	Client Book $'000	Matrix Brand $'000	Total intangibles $'000
Gross carrying amount					
Balance at the beginning of the period	20,452	40,946	65,017	200	106,163
Acquired directly during the period	-	6,076	-	-	6,076
Balance at the end of the period	**20,452**	**47,022**	**65,017**	**200**	**112,239**
Accumulated amortisation and impairment losses					
Balance at the beginning of the period	-	22,634	58,819	-	81,453
Amortisation expense in the period	-	7,113	1,211	-	8,326
Impairment expense in the period	7,941	8,618	4,949	-	13,567
Balance at the end of the period	**7,941**	**38,365**	**64,981**	**-**	**103,345**
Net book value					
Balance at the beginning of the period	20,452	18,312	6,198	200	24,710
Balance at the end of the period	**12,511**	**8,657**	**36**	**200**	**8,893**

8. Investments

	Consolidated	
	31 December 2019 $'000	30 June 2019 $'000
Equity securities		
Held directly	225,487	242,920
Held indirectly via unit trust	699,023	673,425
	924,510	**916,345**
Debt securities/fixed interest securities		
Held directly	290,138	441,715
Held indirectly via unit trust	575,608	369,950
	865,746	**811,665**
Property/infrastructure		
Held indirectly via unit trust	240,622	253,302
	240,622	**253,202**
Total investments	**2,030,878**	**1,981,312**

9. Policy Liabilities

	Consolidated	
	6 months to 31 December 2019 $'000	6 months to 31 December 2018 $'000
Life Investment Policy Liabilities		
Opening gross life investment policy liabilities	1,152,535	1,198,780
Net increase in life investment policy liabilities reflected in the income statement	44,624	(7,732)
Decrease in life investment policy liabilities due to management fee reflected in the income statement	(10,310)	(10,464)
Life investment policy contributions recognised in policy liabilities	169,415	106,449
Life investment policy withdrawals recognised in policy liabilities	(149,858)	(177,045)
Closing gross life investment policy liabilities	**1,206,406**	**1,109,988**
Life Insurance Policy Liabilities		
Opening gross life insurance policy liabilities	(151,652)	(197,116)
Movement in outstanding claims	26,895	17,301
Decrease in life insurance policy liabilities reflected in the income statement	17,013	(8,898)
Closing gross life insurance policy liabilities	**(107,744)**	**(188,713)**
Total gross policy liabilities	**1,098,662**	**921,275**
Reinsurers' Share of Life Insurance Policy Liabilities		
Opening reinsurer's share of life insurance policy liabilities	(95,669)	(38,243)
Movement in outstanding reinsurance	(19,170)	(20,367)
Increase in reinsurance assets reflected in the income statement	(16,096)	(1,389)
Movement in reinsurer's share of incurred claims liablity[1]	24,613	-
Closing reinsurer's share of life insurance policy liabilities	**(106,322)**	**(59,999)**
Net policy liabilities at balance date	**992,340**	**861,276**

1 In order to manage ClearView's financial exposure to its reinsurer ClearView has entered into an incurred claims treaty with Swiss Re. Under the treaty ClearView LifeSolutions lump sum claims are settled on a comprehensive earned premium and incurred claims basis. Swiss Re will settle each quarter, the incurred but not reported claims (IBNR) and reported but not admitted claims (RBNA) based on best estimate assumptions, consistent with ClearView statutory and regulatory reported results and based on the applicable Australian Accounting Standards (excluding risk margins, profit margins and capital margins). As at 31 December $24.6 million has been settled under the treaty.

ClearView pays interest on the liabilities related to the cash settlement of the incurred IBNR and RBNA at the 90 day BBSW plus a margin of 1.5%.

10. Financial Instruments

This note provides information about how the Group determines fair value of various financial assets and financial liabilities.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period.

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

	Fair Value					
Financial Assets/ Financial Liabilities	31 December 2019 $'000	30 June 2019 $'000	Fair Value Hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Equity securities	225,486	242,920	Level 1	Quoted bid prices in an active market	n/a	n/a
Fixed interest securities	290,138	441,715	Level 2	The fair value of Fixed Interest Securities are based on a discounted cash flow model using a yield curve appropriate to the remaining maturity of the investment.	n/a	n/a
Unit Trusts	1,515,254	1,296,678	Level 1	Quoted bid prices in an active market	n/a	n/a
Total	**2,030,878**	**1,981,313**				

There were no transfers between Level 1 and Level 2 in the financial period.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

11. Contingent Liabilities and Contingent Assets

There may be outstanding claims and potential claims against the ClearView Group in the ordinary course of business. The ClearView group does not consider the outcome of any such claims known to exist at the date of this report, either individually or in aggregate is likely to have a material effect on its operations or financial position. The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Certain subsidiaries act as trustee for various trusts. In this capacity, the subsidiaries are liable for the debts of the trusts and are entitled to be indemnified out of the trust's assets for all liabilities incurred on behalf of the trusts.

In the ordinary course of business, certain ClearView subsidiaries enter into various types of investment contracts that can give rise to contingent liabilities. It is not expected that any significant liability will arise from these transactions as any losses or gains are offset by corresponding gains or losses on the underlying exposure.

Buyback arrangements

ClearView has contractual arrangements with a limited number of financial advice businesses to purchase its book of business at an agreed multiple to recurring revenues subject to certain conditions being met. This buy-back arrangement is known as Buyer of Last Resort (BOLR). It is anticipated that one adviser on this contractual arrangement may initiate the purchase of their book of business in the second half of the financial year at a price that is not yet determined, may include deferred or uncertain components, or may be commercially settled with the adviser retaining ownership of the business. It is possible that the market value or resale value of such a business may be less than the cost to the Group. Due to the uncertainty of these circumstances and current negotiations that are taking place, no value can be reliably placed on the contingent liability at 31 December 2019.

Industry and regulatory compliance investigations

ClearView is subject to review from time to time by regulators. ClearView's principal regulators are APRA, ASIC and AUSTRAC, although other government agencies may have jurisdiction depending on the circumstances. The reviews and investigations conducted by regulators may be industry-wide or specific to ClearView and the outcomes of those reviews and investigations can vary and may lead, for example, to enforcement actions and the imposition of charges, penalties, variations or restrictions to licences, the compensation of customers, enforceable undertakings or recommendations and directions.

Client remediation

ClearView has undertaken the remediation programs in relation to its closed Direct Life insurance business and a retrospective review of life insurance advice in its dealer groups. These remediation programs are now complete and compensation has been paid to affected customers where possible. The costs of completing the programs have historically been expensed (over time). Insurance recoveries of $1.5 million (in relation to the program costs incurred under the direct remediation program) have been raised as a receivable on Balance Sheet at 31 December 2019 and recovery is considered probable at this point in time. Insurance recoveries have been settled in relation to the life insurance advice remediation program.

The provision for compensation in relation to the financial advice file reviews (ongoing monitoring and compliance) has been estimated using assumptions from the file reviews that have been completed to date. As the file reviews progress additional information may arise or further issues may be identified which would have an impact on the final compensation and cost of the program. A provision of $0.7 million has been raised at 31 December 2019.

The provision for compensation does not include amounts for potential recoveries from advisers or insurers.

Letter of credit

ClearView is the beneficiary of a $45 million irrevocable letter of credit issued by Australia and New Zealand Banking Group Limited (ANZ) on behalf of Swiss Re Life and Health Australia (Swiss Re). ClearView is required to manage the level of financial exposure to its reinsurer in accordance with APRA's regulations in relation to Asset Exposure Limits. The letter of credit is issued as a performance guarantee directed towards mitigating any loss which might be incurred by ClearView to secure its regulatory obligations in the event that Swiss Re was to fail to meet its reinsurance obligations under its reinsurance contract.

Off balance sheet items – ESP loans

In accordance with the provisions of the ESP, as at 31 December 2019, key management, members of the senior management team, the managing director and contractor participants have acquired 44,891,166 ordinary shares.

Shares granted under the ESP carry rights to dividends and voting rights. Financial assistance amounting to $28,912,570 was made available to executives, senior employees and contractor participants to fund the acquisition of shares under the ESP and is held as an off balance sheet receivable. Given the non-recourse nature of the loans and the current CVW share price $20,211,678 of the off balance sheet loan is considered recoverable as at 31 December 2019.

Other

The Company in the ordinary course of business has guaranteed the obligations of one of its subsidiaries in respect of its obligations for leasehold premises.

The Company has guaranteed the obligations of one of its subsidiaries in respect of employee entitlements of employees who were previously employed by MBF Holding Pty Limited (Bupa Australia).

The Company in the ordinary course of business has provided a letter of financial support to its subsidiary ClearView Administration Services, the centralised administration entity of the group.

Other than the above, the Directors are not aware of any other contingent liabilities in the Group at the year end.

12. Related parties

Related party tax assets

The ClearView Group holds a $17.1 million (non-current) receivable from its superfund, the ClearView Retirement Plan (CRP) relating to contribution tax funding payments for tax benefits on the life insurance premiums.

Due to the tax loss position in the CRP, settlement of this amount is subject to the utilisation of tax losses. Various options are being considered and projects underway which collectively indicate recovery is considered probable at this point in time.

For Group capital management and efficiency, $16 million of the tax receivable was assigned from ClearView Life to the listed entity and funded through a $16 million draw down of the Debt Funding facility. The remaining balance of $1.1 million remains between ClearView Life and CRP as at 31 December 2019.

There are no other material changes to related party transactions during the half year.

13. Borrowings

On 25 July 2017 the Company entered into a $60 million facility agreement with National Australia Bank. As at the reporting date, the Company has drawn down $31 million on the facility. Interest on the loan accrues at BBSY plus a margin of 0.67% per annum, and is payable quarterly. The facility is repayable on 23 August 2021.

The facility is secured by a number of cross guarantees, refer to Note 14 for details.

14. Guarantees

The facility entered into with the National Australia Bank is guaranteed jointly and severally by:

- ClearView Group Holdings Pty Limited ACN 107 325 388
- ClearView Administration Services Pty Limited ACN 135 601 875
- ClearView Financial Management Limited ACN 067 544 549
- Matrix Planning Solutions Limited ACN 087 470 200
- ClearView Financial Advice Pty Ltd ACN 133 593 012

The guarantees are supported by collateral (in the form of shares) of the entities.

15. Commitments

During the half year ClearView entered into a 3 year managed IT services agreement. Fees of $6.0m are payable over the life of the agreement.

There were no other material changes to commitments during this time.

16. Key management personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report. In addition, during the half year, performance rights were issued under the LTIP as outlined on pages 54-59 of the 2019 Annual Report.

The following table sets out the performance rights issued to KMP during the half year:

KMP to which the performance rights relate	No. performance rights
Swanson, Simon Mr	897,868
Chiert, Athol Mr	280,584
Blaxland-Walker, Chris Mr	224,467
Lowe, Deborah Ms	196,408
Martin, Greg Mr	336,700
McLaughlin, Justin Mr	196,408
Kardash, Todd Mr	224,467
Total	**2,356,902**

Directors declaration

The Directors declare that:

a) In the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

b) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and give a true and fair view of the financial position and performance of the consolidated entity, for the half year ended 31 December 2019.

Signed in accordance with a resolution of the Directors made pursuant to s.303 (5) of the *Corporations Act 2001*.

On behalf of the Directors

Mr Bruce Edwards
Chairman
Sydney, 25 February 2020

Independent auditor's review report

Deloitte.

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Independent Auditor's Review Report to the Members of ClearView Wealth Limited

We have reviewed the accompanying half-year financial report of ClearView Wealth Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2019, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on page 36 to page 53.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of a half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of a half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of ClearView Wealth Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of ClearView Wealth Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of ClearView Wealth Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Max Rt Murray

Max Murray
Partner
Chartered Accountants
Sydney

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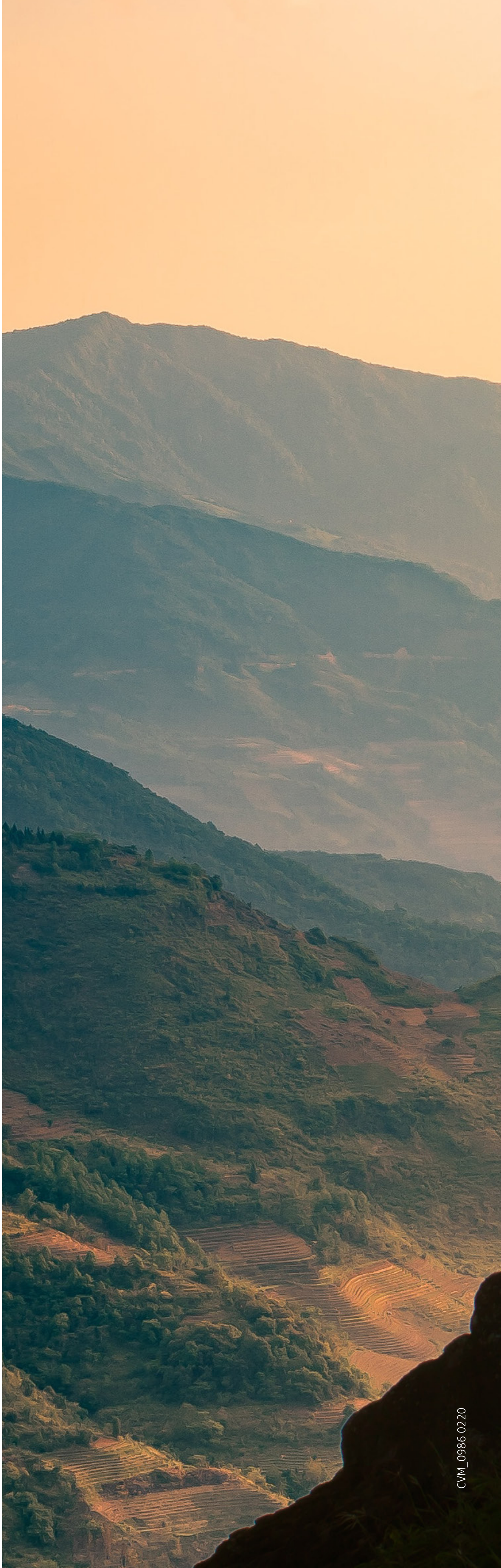

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