



MARKET RELEASE

SYDNEY, 27 February 2019

HALF YEAR RESULTS FOR ANNOUNCEMENT TO THE MARKET

ClearView Wealth Limited ("ClearView", ASX: CVW) announces the following information in relation to its results for the six months ended 31 December 2018:

- Part 1: Appendix 4D
- Part 2: Half Year Condensed Consolidated Financial Report
- Part 3: Half Year Results Presentation
- Part 4: Market Release

ENDS

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About ClearView

ClearView is an ASX-listed diversified financial services company which partners with financial advisers to help Australians protect and build their wealth, achieve their goals and secure a comfortable financial future. The group's three business segments: Life Insurance, Wealth Management and Financial Advice are focused on delivering quality products and services.

Additional information is available at www.clearview.com.au

Appendix 4D

for the six months ended 31 December 2018

ClearView Wealth Limited

ABN 83 106 248 248

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Name of Entity:

ACN:

Period ended (reporting period)

Period ended (previous corresponding period)

ClearView Wealth Limited

106 248 248

31 December 2018

31 December 2017

Results for announcement to the market

(Amount and percentage change up or down from the previous corresponding period)

	31 December 2018 \$'000	31 December 2017 \$'000	% Change ¹
Operating revenue before net fair value gains on financial assets	211,666	196,973	7%
Net operating revenue from ordinary activities*	148,078	226,375	(35%)
Net operating profit from ordinary activities	11,514	12,277	(6%)
Net profit for the reporting period attributable to members	11,514	12,277	(6%)

* Net operating revenues from ordinary activities include amounts attributable to shareholders, policyholders and external unitholders. The amount is the aggregate of net life insurance premium revenue of \$86.3m (HY18: \$77.8m), fee and other revenue of \$63.0m (HY18: \$63.9m), investment income of \$62.3m (HY18: \$55.3m) and net fair value losses on financial assets of \$63.6m (HY18: gains of \$29.4m).

Review and results of operations

ClearView Wealth Limited and its subsidiaries (**ClearView**) achieved the following results for the half year ended 31 December 2018:

After Tax Profit by Segment, \$M	HY19 \$M	HY18 \$M	% Change ¹
Life Insurance	11.9	12.5	▼ (5%)
Wealth Management	2.1	2.6	▼ (22%)
Financial Advice	0.1	1.0	▼ (94%)
Listed entity and other	(0.7)	(0.8)	▲ 24%
Underlying NPAT²	13.3	15.3	▼ (13%)
Other adjustments ³	(1.8)	(3.0)	▲ 40%
Reported NPAT⁴	11.5	12.3	▼ (6%)
Embedded Value ⁵	671.0	681.0	▼ (1%)
Net asset value ⁶	446.8	428.4	▲ 4%
Reported diluted EPS (cps)	1.80	1.90	▼ (5%)
Underlying diluted EPS (cps) ⁷	2.08	2.38	▼ (13%)

1 % movement, HY18 to HY19 unless otherwise stated.

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

3 Other adjustments include non-cash amortisation, costs considered unusual to normal activities (includes \$0.6 million Direct remediation cost, \$1.3 million Royal commission costs and \$1.4 million SMT retention bonuses) and changes in long term discount rates used to determine the insurance policy liabilities (\$2.9 million 'swing' between periods).

4 Reported NPAT of \$11.5 million, down 6%, impacted by changes in long term discount rates used to determine the insurance policy liabilities (\$2.9 million 'swing' between periods); represents a non-cash timing difference in the release of profit over time and has no impact on underlying earnings.

5 Embedded Value at 4% discount rate margin, including a value for future franking credits, accrued franking credits and Employee Share Plan (ESP) loans.

6 Net Asset Value as at 31 December 2018 excluding ESP Loans.

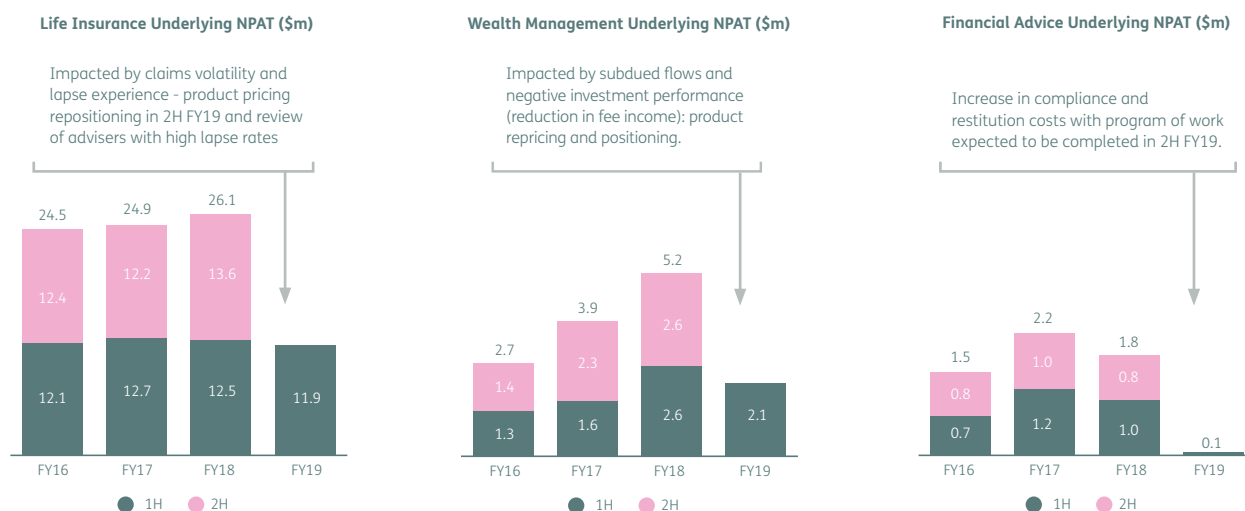
7 Impacted by the dilutive effect of shares issued under the DRP, ESP shares vested/forfeited during the period and changes to the number of ESP shares 'in the money' given the changes in ClearView's share price period on period.

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HY19 Results by Segment



Underlying NPAT, the Board's key measure of Group profitability and basis for dividend payment decisions, decreased 13% to \$13.3 million (HY18: \$15.3 million):

- Reflective of a challenging market environment (increased market volatility, uncertainty and negative consumer sentiment); and
- HY19 result was impacted by lapses and claims (-\$5.1 million negative experience; HY18 -\$4.0 million).

The HY19 result does not reflect the key strategic priorities and actions underway in 2H FY19 that is likely to have a positive longer term effect on the emergence of sustainable profit growth from the double digit increases in life insurance in-force portfolio (+15% in HY19):

- The termination of certain distribution relationships that have lapse rates above acceptable norms coupled with the product pricing repositioning of LifeSolutions – focus is on improving lapse rates, with the likely shorter term impact on new business volumes (leading to improved longer term performance for the business);
- Repricing and enhancement of contemporary wealth management products given competitor solutions and recent pricing changes – aimed at supporting net flows, with a shorter term profit impact as the price changes are flowed through the in-force portfolios; and
- Rebalance of the cost base of the business to the current market environment and to align with the strategic objectives leading to a material cost transformation program – expected implementation of the program in 2H FY19, that is likely to be partially offset by some reinvestment in product and innovation over time.

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

Life Insurance Underlying NPAT down 5% to \$11.9 million (HY18: \$12.5 million):

- Life Insurance remains the key profit driver. Our expanding distribution footprint and new business volumes relative to the size of the in-force portfolio lead to a material increase in the in-force portfolio (+15%) which underpins the growth profile.
- In HY19, there was an adverse claims experience of \$2.1 million (HY18: \$3.2 million). Adopting a longer term view, overall net adverse claims performance is mainly attributed to the income protection (IP) portfolio.
- ClearView is adjusting the pricing of the overall LifeSolutions product in 2H FY19, in broad terms reflecting where the portfolio claims experience has improved or deteriorated over recent periods. These pricing changes reflect both evolving market relativities and underlying claims and reinsurance costs developments.

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- In HY19, there was an adverse lapse experience of \$2.9 million (HY18: \$0.8 million). The recent adverse lapse experience has been driven by a combination of pricing positioning issues, poor lapse outcomes with certain adviser distribution relationships and consequences of the transition under the Life Insurance Reform caps and rules.
- The product repricing in key cohorts, coupled with terminating certain adviser distribution relationships that have experienced elevated lapse rates, is expected to reduce these drivers over time. The external factors including the impacts from negative consumer sentiment need to work their way through over time.
- These strategies and effects will take time to fully implement and to flow through to the overall lapse performance, with lapses still expected to remain elevated in the second half of FY19.

Wealth Management Underlying NPAT down 22% to \$2.1 million (HY18: \$2.6 million)

- Wealth Management adversely impacted by subdued flows and poor investment performance, leading to a reduction in fees, coupled with the fixed cost base impacts from a lack of scale of the inhouse contemporary platform. FUM decreased 4% to \$2.62 billion in HY19 with net outflows of \$81 million.
- Contemporary net outflows of \$10 million are down materially in HY19, driven predominantly by the WealthSolutions product. This product is being repriced and enhanced with two key objectives:
 - In the short term (March 2019), improve fee competitiveness of the WealthSolutions administration platform, particularly given competitor solutions and recent pricing changes; and
 - Progressive enhancement to the model portfolios and platform funds to increase the suite of ClearView models available (strategies and price points).
- These changes are aimed at supporting net flows (through increasing retention of existing business and winning new business) into both products and in the case of WealthSolutions into both the administration platform and the ClearView platform funds and model portfolios. This is expected to have a positive impact on net flows.
- The business will continue to benefit from the shift away from larger institutions and banks, along with increasing demand for competitive investment administration platforms and products, albeit with some competitive pricing pressures in response to industry developments.

Financial Advice Underlying NPAT down 93% to \$0.1 million (HY18: \$1.0 million)

- ClearView is focused on supporting advisers through an industrial strength back office to help make their practices compliant and more efficient either when they are licenced by our own dealergroups or alternatively where they operate their own licence.
- Underlying NPAT has been impacted by increased operating expenses (+20%) driven by compliance and restitution costs, with \$1.2 million of costs (\$0.8 million after tax) being incurred in the first half of FY19. This program of work, which involved a retrospective review of life insurance advice that focused on four key areas relating to the appropriateness of this advice, is expected to be completed in 2HFY19 (with no further cost implications expected in respect of it).
- Going forward a key focus is on the removal of the cross subsidisation and support from the ClearView manufacturer to the dealer groups.

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A reconciliation of Reported Net Profit After Tax (NPAT) to Underlying NPAT is provided below. Reported NPAT decreased by 6% to \$11.5 million (HY18: \$12.3 million), driven by changes in long term discount rates used to determine the insurance policy liabilities.

	31 December 2018 \$'000	31 December 2017 \$'000	% Change ¹
Reported Profit	11,514	12,277	6%
Adjusted for:			
Amortisation of acquired intangibles	606	2022	(70%)
AIFRS policy liability discount rate effect	(2,223)	720	Large
Strategic review costs	90	275	(67%)
Direct remediation program	584	-	100%
Royal Commission costs	1,295	-	100%
Retention bonuses	1,435	-	100%
Underlying net profit after tax	13,301	15,294	(13%)

- Amortisation of intangibles (\$0.6 million) is associated with the acquisition of wealth management and life insurance businesses from Bupa, 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 is related to the acquisition of businesses from Bupa given certain client books have now been written off in full. The amortisation associated with capitalised software is reported as part of Underlying NPAT.
- The policy liability discount rate effect is the result of changes in the long-term discount rates used to determine insurance policy liabilities. The life insurance policy liability (based on AIFRS) is discounted using market discount rates that typically vary at each reporting date and create volatility in the policy liabilities, and consequently, earnings. ClearView separately reports this volatility which 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. The changes in long-term discount rates over HY19 caused an increase in after-tax reported profit of \$2.2 million (HY18: -\$0.7 million).
- Costs that are considered unusual to ClearView's ordinary activities and therefore not reflected as part of Underlying NPAT predominantly include expenses incurred in relation to costs associated with the Royal Commission (\$1.3 million after tax), finalisation of the Direct Remediation Program (\$0.6 million after tax) and retention bonus payments for key individuals paid in September 2018 (\$1.4 million after tax).

For further detailed information, please refer to the Half Year Condensed Consolidated Financial Report for Condensed Consolidated Statements of Profit and Loss and Other Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and Notes to the Financial Statements.

¹ % movement HY18 to HY19, unless otherwise stated.

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Earnings per Share

Reported diluted EPS decreased by 5% to 1.80 cps (HY18: 1.90 cps). Underlying NPAT decreased to \$13.3 million (HY18: \$15.3 million) and fully diluted underlying EPS decreased by 13% to 2.08 cps (HY18: 2.38 cps)

	Reporting period	Previous corresponding period	% Change ¹
Basic earnings per share (cents per share)	1.85	2.00	(8%)
Fully diluted earnings per share (cents per share)	1.80	1.90	(5%)
Basic underlying earnings per share (cents per share)*	2.14	2.50	(14%)
Fully diluted underlying earnings per share (cents per share)*	2.08	2.38	(13%)

* Underlying earnings per share is based on Underlying NPAT² which is the Board's key measure of Group profitability and the basis on which dividends are determined.

For further detailed information, please refer to the Directors' Report and Operating and Financial Review in the accompanying Half Year Condensed Consolidated Financial Report for details on the result for the half year ended 31 December 2018.

Dividends

	Amount per security	Franked amount per security
Interim 2018 dividend	nil	nil
Interim 2017 dividend	nil	nil

A final fully franked dividend for FY18 of \$20.05m (3.00 cents per share) was paid in HY19 (FY17 final dividend of \$18.14m paid in HY18).

Details of dividend reinvestment plan in operation

The Company operates a Dividend Reinvestment Plan (DRP) and as such \$8.93 million of abovementioned dividend was paid in cash during the half year. The DRP is a cost-effective way for ClearView shareholders to increase their shareholding through the reinvestment of any cash dividends in ordinary shares. ClearView intends to have the DRP active for future dividend periods until further notice.

Net assets and net tangible assets per security

	Reporting period	Previous corresponding period	% Change ¹
Net assets per security (cents per share)*	70.3	69.0	2%
Net tangible asset backing per ordinary security (cents per share)*	63.7	62.3	2%

* Adjusted for shares issued and corresponding loans granted under the Executive Share Plan (ESP).

1 % movement HY19 to HY18, 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.

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The Statement of Financial Position of ClearView reflects the following key metrics as at 31 December 2018.

- Net assets at 31 December 2018 increased to \$446.8 million¹ (June 2018: \$444.3 million) comprising:
 - Reported profit of \$11.5 million;
 - Opening balance adjustments on adoption of AASB 9 (-\$1.0 million);
 - FY18 net cash dividend (-\$8.9 million);
 - Movements in the Share Based Payments Reserve due to the treatment of the ESP in accordance with the accounting standards (+\$2.2 million), ESP loans settled through the FY18 final dividend (+\$0.8 million); and
 - The cash payment (-\$2.1 million) for purchasing ClearView shares to support the ClearView SMT LTIP share plan (recognised as treasury shares).
- Net tangible assets increased to \$402.2 million (\$431.5 million including ESP loans) (June 2018: \$399.1 million);
- Net asset value per share (including ESP loans) of 70.3 cents per share (June 2018: 71.3 cents per share); and
- Net tangible asset value per share (including ESP loans) of 63.7 cents per share (June 2018: 62.2 cents per share).

The net asset value per share and net tangible asset value per share are reflected above on a fully diluted basis, as ClearView ESP shares have been issued to employees and contractor participants as at 31 December 2018 (in accordance with the ClearView ESP Rules). 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.

See Operating and Financial Review in accompanying Half Year Condensed Consolidated Financial Report for details on the Statements of Financial Position and Embedded Value as at the 31 December 2018.

Subsequent Events

In December 2017, the Australian Government established a Royal Commission into 'Misconduct in the Banking, Superannuation and Financial Services Industry' (the Royal Commission) to investigate conduct, practices, behaviour or business activities by financial services entities, including ClearView, that may amount to misconduct or that may have fallen below community standards and expectations. During the course of 2018, the Royal Commission conducted a number of public hearings and required the production of documents as part of its inquiry. ClearView responded by preparing submissions, attending one hearing and giving evidence and providing documents as requested.

The final report of the Royal Commission was publicly released on 4 February 2019. It included:

- 76 policy recommendations which may result in legislative and regulatory change; and
- consideration of and comments on a number of instances of possible misconduct in relation to participants in the financial services industry, including ClearView.

ClearView is considering the various matters raised in the Commissioner's final report. The impact on ClearView will take time to properly understand. The completion of the Royal Commission may result in litigation, fines, penalties, revocation, suspension or variation of conditions of relevant regulatory licences or other regulatory action. The policy recommendations include recommendations relating to financial advice, superannuation, banking, insurance and regulators.

Other than the above, the Directors are not aware of any matter or circumstance not otherwise dealt with in this report or the financial statements that has significantly, or may significantly; affect the operations of the Group, the results of those operations or the state of the affairs of the Group in future financial years.

¹ Net Asset Value as at 31 December 2018 excluding ESP Loans.

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Compliance Statement

The information provided in this report has been prepared in accordance with AASB standards, other AASB authoritative pronouncements or other standards acceptable to ASX.

The ClearView Wealth Limited Half Year Condensed Consolidated Financial Report for the six months ended 31 December 2018 has been subject to review by our external auditors. A copy of the independent review report to the members of ClearView Wealth Limited is included in the Half Year Condensed Consolidated Financial Report.



Athol Chiert

Company Secretary

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