Market Release

26 August 2020

FY20 full year results announcement

ClearView Wealth Limited (ASX: CVW, "ClearView") advises the release of the Group's FY20 full year results.

- Part 1: Appendix 4E;
- Part 2: ClearView Annual 2020 Report;
- Part 3: Market Release;
- Part 4: Investor Presentation;
- Part 5: Corporate Governance Statement; and
- Part 6: Appendix 4G.

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Approval of announcement

The Board of ClearView has authorised the release of these announcements to the market.

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.

For more information visit **clearview.com.au**

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ClearView

Appendix 4E

for year ended 30 June 2020

Appendix 4E

ClearView Wealth Limited ABN 83 106 248 248

Name of Entity	ClearView Wealth Limited
ACN:	106 248 248
Period ended (reporting period)	30 June 2020
Period ended (previous corresponding period)	30 June 2019

Results for announcement to the market

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

	30 June 2020 $'000	30 June 2019 $'000	% Change
Operating revenue before net fair value gains on financial assets	410,339	385,755	6%
Net operating revenue from ordinary activities[1]	286,491	453,837	(37%)
Net operating profit from ordinary activities	13,081	3,959	Large
Net profit for the reporting period attributable to members	13,081	3,959	Large

Dividends

	Amount per security	Franked amount per security
Final dividend declared (cents)	nil	nil
Interim dividend (cents)	nil	nil

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.

In light of the adverse impact due to COVID-19, challenging market conditions, prudent capital management and in line with the Australian Prudential Regulation Authority (APRA) communications to consider limiting discretionary capital distributions, no FY20 dividend has been declared (FY19: $nil).

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 year ended 30 June 2020.

However, ClearView does not intend to undergo any on-market share buy-back activity given the current environment and market conditions. One of the Board's key priorities is prudent capital management.

1 Net operating revenues from ordinary activities include amounts attributable to shareholders, policyholders and external unitholders. The amount is the aggregate of net premium revenue of $174.2 million (2019: $171.5 million), fee and other revenue of $130.2 million (2019: $123.1 million), investment income of $105.9 million (2019: $91.1 million) and net fair value losses on financial assets of $123.8 million (2019: gains of $68.1 million).

Overview of financial result

The ClearView Group achieved the following results for the year ended 30 June 2020.

After Tax Profit by Segment, $M	FY20 $M	FY19 $M	% Change[1]	2H FY20 $M	1H FY20 $M	% Change[1]
Life Insurance	16.7	23.8	(30)%	8.0	8.7	(8)%
Wealth Management	3.6	3.6	0%	1.9	1.7	12%
Financial Advice	2.3	1.0	130%	1.7	0.6	Large
Listed	(2.0)	(1.5)	33%	(1.3)	(0.7)	86%
Business Unit Underlying NPAT[2] Prior to Claims Assumption Changes	**20.6**	**26.9**	**(23)%**	**10.3**	**10.3**	**-**
Claims assumption changes	(5.9)	(1.8)	Large	(5.9)	-	Large
Reported Underlying NPAT[2]	**14.7**	**25.1**	**(41)%**	**4.4**	**10.3**	**(57)%**
Policy liability discount rate effect[3]	2.2	6.6	Large	2.6	(0.4)	Large
Amortisation of acquired intangibles	-	(1.2)	Large	-	-	Large
Impairments[4]	(2.6)	(18.9)	Large	(2.6)	-	Large
Cost out program implementation costs	-	(3.8)	Large	-	-	Large
Other costs[5]	(1.2)	(3.8)	Large	(1.2)	-	Large
Reported Profit After Tax	**13.1**	**4.0**	**Large**	**3.2**	**9.9**	**Large**
Embedded value[6]	643.4	672.7	(4%)	643.4	669.0	(4%)
Net asset value[7]	452.7	439.1	3%	452.7	449.4	1%
Reported diluted EPS (cps)[8]	2.08	0.62	235%	0.53	1.55	(66%)
Underlying diluted EPS (cps)[8]	2.34	3.94	(41%)	0.72	1.62	(56%)

1 % movement, FY19 to FY20; 2H FY20 to 1H FY20; 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 incurred disabled lives claims reserves and costs considered unusual to the Group's ordinary activities.

3 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.

4 Impairments:
FY20 – Impairment to receivables from ClearView Retirement Plan (CRP) due to write down of DTA in CRP from a reduction in accumulated tax losses carried forward ($2.6m).
FY19 – Impairment related to certain software development costs (obsolete or reduced functionality) ($6m) and the carrying values of goodwill and client books in the Financial Advice cash generating unit ($12.9m).

5 Other Costs:

FY20 - related to costs associated with the HUB24 transaction ($1.2m). Further costs to be incurred in FY21 as project progresses.

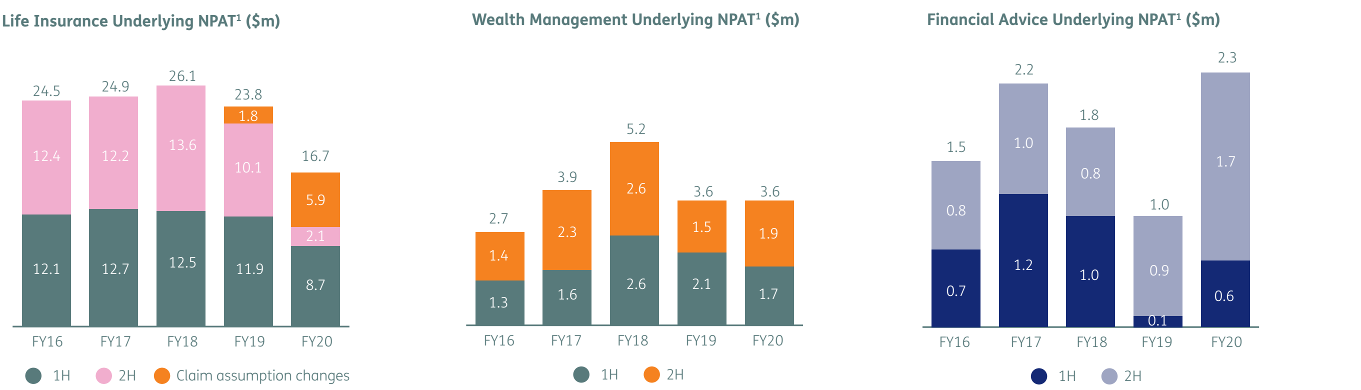
FY19 - related to costs associated with Direct Remediation Program ($0.9m), Royal Commission costs ($1.5m) and retention bonus payments paid to key individuals in September 2018 ($1.4m).

6 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 30 June 2020 includes various assumption changes. Refer to further detail in the sections that follow.

7 Net Asset Value as at 30 June 2020 excluding ESP Loans.

8 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.

Chart 1: Segment Performance Underlying NPAT FY16-FY20



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

Underlying NPAT, the Board's key measure of Group profitability and basis for dividend payment decisions, decreased 41% to $14.7 million (FY19: $25.1 million) and fully diluted Underlying EPS decreased 41% to 2.34 cps (FY19: 3.94 cps).

Reported NPAT, increased 230% to $13.1 million (FY19: $4.0 million) and reported diluted EPS increased 235% to 2.08 cps (FY19: 0.62 cps).

The decline in FY20 profitability was predominantly driven by poor underlying claims performance in the life insurance segment ($12.5 million adverse impact) and material changes that were made to claims assumptions in FY20, including an allowance to reflect an expected increase in COVID-19 related claims ($5.9 million adverse impact).

The result reflects broader industry trends and should be viewed in the context of overall industry performance, amidst extremely difficult market conditions. For the year ending 31 March 2020, the life insurance industry risk products lost $1.65 billion, largely attributable to a $1.4 billion loss on income protection (**IP**). This extended five-year industry IP losses to nearly $3 billion.

COVID-19 is also likely to drive a further increase in IP claims from the secondary economic impacts of pandemic (and social and health challenges).

In response to deteriorating performance across the industry, APRA recently intervened to start forcing structural change.

In light of the recent ClearView claims experience as noted above, material changes were made to the claims assumptions at 30 June 2020. The changes in claims assumptions adversely impacted the incurred claims reserves and FY20 result as follows:

- IP claims termination assumption change (change in claims basis) (-$3.1 million)
- IP COVID-19 termination assumption change (-$1.2 million); and
- Incurred but not reported (IBNR) assumption changes (IP and Lump Sum) (-$1.6 million).

On a like for like basis, excluding the impacts on claims assumption changes on each reporting period, Underlying NPAT would have reduced by 23% to $20.6 million (FY19: $26.9 million).

There was a significant improvement in lapse performance in 2H FY20, reflecting the implementation of repricing and customer retention strategies (including distribution initiatives that were implemented in FY19).

Details of the benefits of expense management in the current environment (and related government grants) are provided in the Annual Report.

The impacts on the FY20 result in light of the Group's COVID-19 response include the grant of premium waivers for financial hardship requests and capping of certain IP price rises (-$1.3 million).

COVID-19 specific responses

ClearView assessed certain stress test scenarios, as part of its response to managing risk in relation to COVID-19. The projections included a 'Base' (Pre-COVID-19) case, a 'Plausible COVID-19' case (reasonably foreseeable, conservative scenario), and a 'Severe COVID-19' case (severe scenario).

These scenarios considered business impacts (both capital and profitability) from COVID-19, including direct COVID-19 claims impacts (based on assumed infection, mortality and morbidity rates), indirect claims impacts (economic downturn induced), asset value impacts, adverse impact on delivery of key projects, reduced sales and elevated lapses, and premium suspension impacts.

ClearView Life's regulatory capital position is resilient to each of these scenarios.

Despite substantial uncertainty in relation to the impacts of COVID-19 (for example, the impact of the second wave in Victoria and the removal of government support measures), based on the current available data and trends in Australia, the 'baseline' view is that it seems unlikely that there will be a high number of direct COVID-19-related insured death claims. We note that mortality to date has tended to be in the older uninsured segment of the population and the number of cases has been relatively lower in Australia to this point. As such, the secondary economic impacts appear to be the key risk areas. This is likely to drive an increase in claims and lapses in the months ahead.

Given the evolution of the COVID-19 pandemic and the operating environment, initial scenarios have been updated as part of the Business Plan process. Four key environmental factors were considered as part of this process:

- Economic impacts of the pandemic (recession and unemployment rates);
- Structural changes to ClearView's distribution channels and size of the market;
- Return of rational pricing and longer term sustainability of margins (over time) within the life insurance industry amidst regulatory intervention; and
- Increased costs of doing business (reinsurance, regulatory and compliance costs).

Profitability can be sensitive within each scenario, in particular to claims and lapse assumptions.

ClearView's response includes:

- Focus on customer retention (including investment in a retention team) to manage price changes and COVID-19 impacts by providing alternatives to customers to improve premium affordability;
- New product development, starting with the alternative Indemnity 60 life product;
- Increase claims management resourcing, deeper engagement with claimants and enhancing systems support;
- Broaden distribution footprint to enter the larger addressable IFA market;
- Simple WealthFoundations product (integrated with life) aimed at IFAs seeking practice efficiency;
- Path to parity in Financial Advice to build a commercially sustainable business;
- Reprice to profitable segments over time (stay ahead of the curve);
- Material changes to the claims assumptions at 30 June 2020, including an allowance for shorter-term overlays to reflect expected COVID-19 related IP claims (incidence and terminations) and an increase in complex claims; and
- Changes to the lapse assumption to allow for shorter-term shock lapse overlays in response to price changes and secondary economic impacts from COVID-19.

ClearView has successfully implemented its business continuity plan, asking employees to work from home to prioritise their health and safety. This occurred relatively seamlessly by implementing robust processes to enable staff to operate effectively and efficiently from home.

ClearView also notes the following initiatives for customers as part of its COVID-19 response:

- No specific exclusions for claims arising from a pandemic event;
- Worldwide cover, meaning our customers are covered should something happen outside Australia;
- Healthcare workers are not prevented from accessing life insurance (in accordance with the Financial Services Council's Frontline Healthcare Worker initiative);
- LifeSolutions policies allow monthly premiums to be waived for up to three months, due to financial hardship caused by involuntary unemployment; and

- Policyholders can put all or part of their cover on hold for up to 12 months, without having to go through the underwriting process again to reinstate cover.

The ClearView Crisis Management Team and the Board are meeting regularly to monitor the situation and are well prepared to take further corrective or remedial actions as required.

Overview of segment results

Life Insurance underlying NPAT down 53% to $10.4 million; reported NPAT down 52% to $9.4 million; in-force premium up 7% to $270.7 million

ClearView continued expanding its distribution reach in FY20, demonstrating the strength of its relationships in the Independent Financial Adviser (**IFA**) market.

The Group's flagship LifeSolutions product is now on 592 Approved Product Lists (**APLs**), up 11% on FY19.

Despite deteriorating economic conditions, in-force premiums increased 7% to $270.7 million, underpinning ClearView's growth profile.

However, the segment's performance continued to be adversely impacted by poor claims experience (relative to claims assumptions in the life insurance policy liability determined at 30 June 2019), resulting in an experience loss of $18.5 million. This includes the adverse impact of $5.9 million after tax in 2H FY20 from the change in claims assumptions.

In response, ClearView made material changes to claims assumptions for valuations and business management as at 30 June 2020, including an allowance for COVID-19 impacts.

On a like for like basis, excluding the impacts on claims assumption changes on each reporting period, Underlying NPAT would have reduced by 30% to $16.7 million (FY19: $23.8 million).

Premium rate changes were also implemented from April 2020 to reflect increased claim costs, revised claims assumptions on IP products and higher reinsurance costs.

Pleasingly, there was a significant improvement in lapse performance in 2H FY20, driven by the implementation of repricing and customer retention strategies.

Ongoing action to build customer loyalty and retention, material investment in technology and product innovation with a focus on sustainability and simplicity is expected to support medium-to-long term growth.

Wealth Management underlying NPAT flat at $3.6 million; reported NPAT up 20% to $2.2 million; funds under management up 1% to $2.78 billion

FY20 recorded a significant improvement in net inflows of $189 million into contemporary products ($25 million of outflows in FY19) while net outflows from the closed Master Trust product slowed to $94 million in FY20 (net outflows of $137 million in FY19).

Funds under management[1] remained broadly flat at $2.78 billion.

Overall, a decrease in gross fee margin to 1.16% (1.23% in FY19) and net fee margin earnings (0.68% v 0.63%), led to a 6% reduction in fees to $32.5 million.

Key drivers of the margin changes include pricing changes made to WealthSolutions from 2H FY19 and shifts in the mix of business, between both products and investment options.

During the year, ClearView also announced a partnership with HUB24 Limited to build a modern replacement for its wrap technology, develop competitive new products and address the tax credit issues in the ClearView Retirement Plan (**CRP**).

Financial Advice underlying NPAT up 127% to $2.3 million; reported NPAT of $2.0 million; net financial planning fees up 6% to $18.1 million

ClearView's dealer groups, Matrix Planning Solutions and ClearView Financial Advice, have 212 financial advisers operating under their licenses. A further 16 Australian Financial Services Licensees (**AFSLs**), representing 52 financial advisers, utilise the services of the Group's B2B outsourced offer, LaVista Licensee Solutions.

1 FUM includes Funds Under Management (ClearView Master Trust, WealthFoundations and ClearView Managed Investment Schemes), Funds Under Administration on WealthSolutions and FUM in ClearView MIS platform funds on external platforms.

In 1H FY20, the dealer groups implemented a new remuneration and fee model, designed to create a fairer, more sustainable revenue base.

The successful implementation of the new pricing model, resulted in a $1.5 million increase in membership fees, including a contribution of $0.4 million from LaVista Licensee Solutions.

In FY20, the business completed a back file review of a limited number of advisers, as part of its ongoing compliance and monitoring efforts. This resulted in program and compensation costs of $2.1 million.

All other outstanding remediation programs are now complete. These costs have been included as part of underlying NPAT in the full year result.

The Group is focused on building a sustainable, profitable standalone financial advice business.

Costs considered unusual to the ordinary activities

Items that have been identified by the Board as not representative of underlying business performance are not included in Underlying NPAT. The determination of these items was 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 table above:

Reconciling items ($M) (Net of Tax)	FY20	FY19
Policy liability discount rate effect	2.2	6.6
Amortisation of acquired intangibles	-	(1.2)
Impairments	(2.6)	(18.9)
Cost out implementation costs	-	(3.8)
Other costs	(1.2)	(3.8)
Total	**(1.6)**	**(21.1)**

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.

In 2H FY20, ClearView invested in assets including inflation-linked bonds to duration match this liability (asset/ liability management). The extent that this investment impacted earnings with movements in long-term rates has also been reported below the line to offset the above-mentioned liability (claims cost) impact from changes in discount rates. In January 2020, a $29.5 million investment was made, with a hedge loss of $0.2 million after tax being incurred.

The net impact of the increase in long-term discount rates over FY20 caused an increase in after-tax reported profit of +$2.2 million (FY19: +$6.6 million).

Amortisation of acquired intangibles

Amortisation of intangibles (FY19: $1.2 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.

Impairments

Impairment of carrying value of tax credit asset (FY20 impact)

The ClearView superfund, the CRP has recognised a deferred tax asset for tax credits related to accumulated tax losses carried forward. Pursuant to the funding arrangement with ClearView Life, the CRP has also recognised a corresponding liability owed to ClearView Life of the same amount. These amounts relate to insurance premiums paid by members via rollover.

As previously communicated, there is currently insufficient taxable income in the CRP to utilise these tax credits. While strategies to utilise the carried forward losses in the CRP are well-progressed (a project as part of the broader wealth strategy), there is a risk this recovery is delayed or not fully achieved, which could result in an impairment of the carrying value of the asset.

In FY20, the carried forward assessed losses needed to be adjusted by the net current pension exempt income (ECPI) and net of the pension Foreign Income Tax Offset under the Tax Act prior to determining the carried forward tax losses position. As such, these assessed losses were reduced with the net impact being an impairment of the deferred tax asset recognised by the CRP of $2.6 million (as the losses are no longer considered recoverable). As a result, the liability owed by the CRP has been reduced by $2.6 million, and ClearView Life's receivable is reduced by the same amount. This has resulted in an impairment of the receivable from the CRP at 30 June 2020.

The carrying value of the asset within the Group at 30 June 2020 is $15.5 million.

Capitalised software impairment (FY19 impact)

In accordance with the impairment testing requirements under AASB 136 – Impairment of Assets, and subsequent to the FY19 IT strategy review, the carrying values of ClearView's capitalised software were revised.

As a result, certain software development costs were impaired at 30 June 2019 for obsolete or reduced functionality, or had their useful life reduced due to changes in the direction of the information technology strategy. This resulted in a software impairment of $6.0 million (after tax) at 30 June 2019.

An additional amortisation expense of $1.5 million was also recognised in FY19 due to the reduced useful life of the existing software intangibles and associated acceleration of amortisation (based on a revised intangible asset amortisation policy and the expected future benefits expected to be received).

The carrying value of capitalised software cost is $6.0 million at 30 June 2020 (FY19: $8.6 million).

Impairment of acquired Financial Advice client books and goodwill (FY19 impact)

In accordance with the impairment testing requirements under AASB 136 – Impairment of Assets, and subsequent to the dealer group review in FY19, the carrying values of goodwill and client books in this segment were revised. Goodwill and the client books were assessed and tested based on a discounted cash flow model (value-in use). This was prepared assuming a set of assumptions including the repricing of dealer services fees and the removal of grandfathered rebates and related revenue streams (over time).

Based on the testing performed, the $7.9 million carrying value of goodwill and $4.9 million of client books in the Financial Advice cash generating unit was impaired at 30 June 2019. The total impairment of both these assets ($12.9 million) was reported as a cost considered unusual to the group.

Based on impairment testing, the net assets of the Financial Advice segment are now included in the Embedded Value calculations, with an overall net reduction of $28.3 million in June 2019 (including previously reported value of franking credits of $7.7 million) in the Embedded Value at 30 June 2019.

Cost out program implementation costs (FY19 impact)

These relate to the upfront implementation costs associated with the cost out program in 2H FY19 and includes redundancy costs, IT transformation costs and an onerous rent provision. These costs are associated with a major restructuring initiative and are considered unusual to the ordinary activities.

Other costs

Costs that are considered unusual to ClearView's ordinary activities are not reflected as part of Underlying NPAT.

In FY19, these related to costs associated with the Direct Remediation Program ($0.9 million after tax), Royal Commission costs ($1.5 million after tax) and retention bonus payments paid to key individuals in September 2018 ($1.4 million after tax).

In FY20, ClearView incurred a $0.7 million cost in relation to the settlement of a contractual commitment with a ClearView Financial Advice practice. Furthermore, on entering into contractual agreements with financial advisers of ClearView Financial Advice more broadly, certain clients were transferred to the relevant financial advisers with payments being made weekly over a three year period which resulted in the revenue ($0.8 million) being recognised upfront.

The net impact of the new arrangements entered into therefore broadly offset each other in FY20. A further amount of $0.3 million of revenue is likely to be recognised upfront in FY21 on finalisation of the remaining contracts.

Earnings per share

	Reporting period	Previous corresponding period
Basic earnings per share (cents per share)	2.08	0.63
Fully diluted earnings per share (cents per share)	2.08	0.62
Basic underlying earnings per share (cents per share)	2.34	3.99
Fully diluted underlying earnings per share (cents per share)	2.34	3.94

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

See Operating and Financial Review in accompanying Annual Report for details on the Statement of Financial Performance for the year ended 30 June 2020.

Net assets per share

	Reporting period	Previous corresponding period
Net assets per share (cents per share)*	71.5	69.2

*Adjusted for shares issued and corresponding loans granted $28.0 million (2019: $29.1 million) under the Executive Share Plan (ESP).

See Operating and Financial Review in accompanying Annual Report for details on the Statements of Financial Position, Capital Position and Embedded Value as at the 30 June 2020.

Details of associates and joint venture entities

None.

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 Annual Report for the period ended 30 June 2020 has been subject to audit by our external auditors. A copy of the independent audit report to the members of ClearView Wealth Limited is included in the accompanying Annual Report.

Judilyn Beaumont
Company Secretary

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CVM_1043 08/20