



Market Release

24 February 2021

FY21 Half Year Results Announcement

ClearView Wealth Limited (ASX: CVW, 'ClearView') advises the release of the Group's FY21 half year results.

- Part 1: Appendix 4D;
- Part 2: HY21 Financial Statements;
- Part 3: Investor Presentation; and
- Part 4: Market Release.

ENDS

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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.

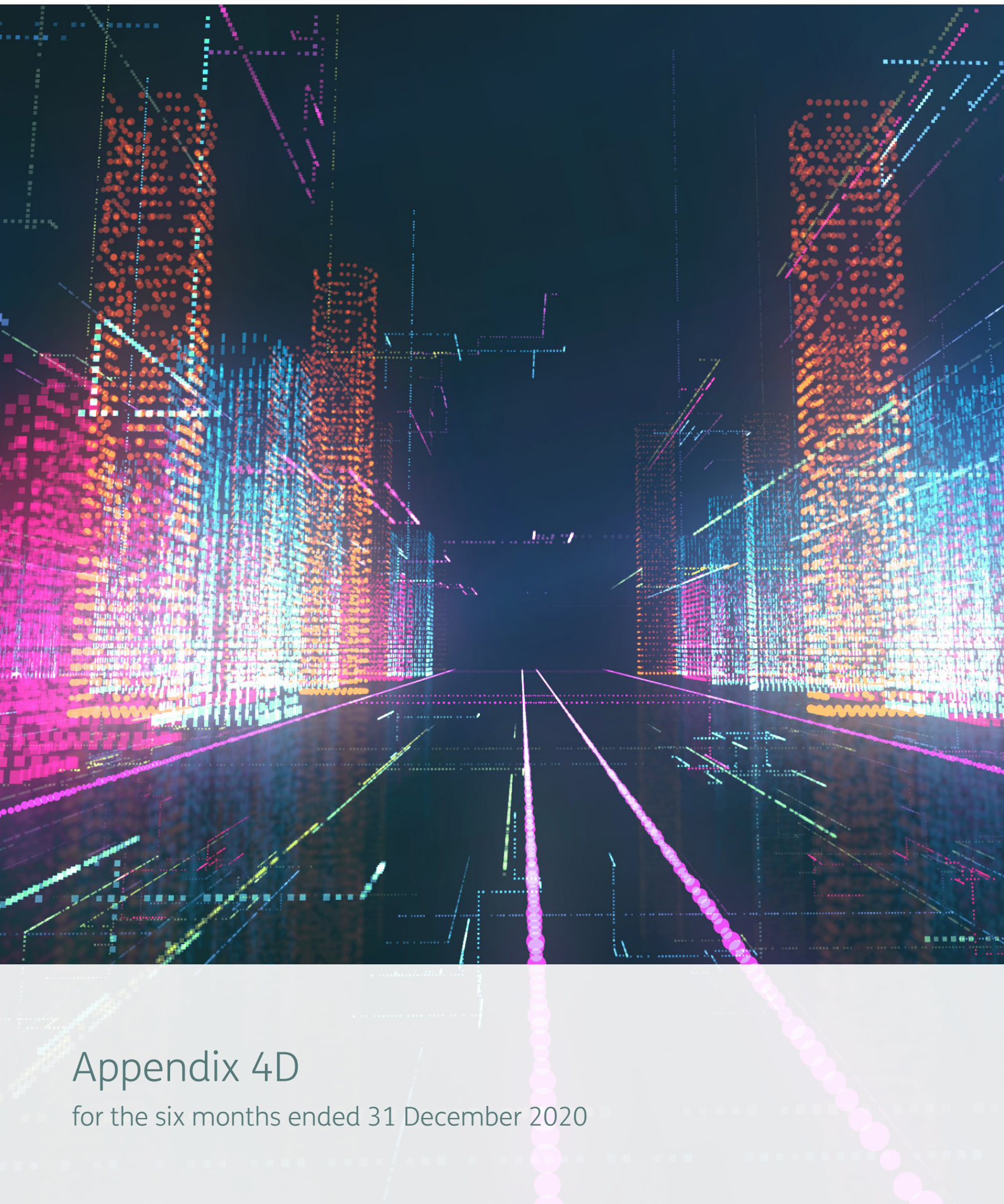
For more information visit clearview.com.au

ClearView Wealth Limited
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Appendix 4D

for the six months ended 31 December 2020

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 2020

31 December 2019

Results for announcement to the market

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

	31 December 2020 \$'000	31 December 2019 \$'000	\$ Change	% Change ³
Revenue from ordinary activities ¹	291,299	221,757	69,542	31%
Profit from ordinary activities after tax attributable to members	9,664	9,810	(146)	(1%)
Net profit for the period attributable to members	9,664	9,810	(146)	(1%)

No interim dividend was declared in HY21 (HY20: nil).

Considering the adverse impact due to COVID-19, challenging market conditions, and APRA supervisory guidance, no FY20 dividend was declared (FY19: \$nil).

Earnings per Share

Reported diluted EPS decreased by 1% to 1.54 cps (HY20: 1.55 cps). Underlying NPAT² increased by 27% to \$13.0 million (HY20: \$10.2 million) and fully diluted underlying EPS increased by 27% to 2.06 cps (HY20: 1.62 cps)

	31 December 2020	31 December 2019	% Change ³
Basic earnings per share (cents per share)	1.54	1.55	(1%)
Fully diluted earnings per share (cents per share)	1.54	1.55	(1%)
Basic underlying earnings ² per share (cents per share)	2.06	1.63	26%
Fully diluted underlying earnings ² per share (cents per share)	2.06	1.62	27%

Further detailed information is provided in the sections that follow and in the Directors' Report and Operating and Financial Review in the accompanying Half Year Condensed Consolidated Financial Report for the half year ended 31 December 2020.

1 Revenue from ordinary activities include amounts attributable to shareholders, policyholders and external unitholders. The amount is the aggregate of net life insurance premium revenue of \$89.7 million (HY20: \$88.0 million), fee and other revenue of \$65.5 million (HY20: \$63.0 million), investment income of \$44.5 million (HY20: \$64.6 million) and net fair value gains on financial assets of \$91.6 million (HY20: of \$6.2 million).

2 Underlying NPAT consists of consolidated profit after tax excluding amortisation, the effects of changing discount rates on policy liabilities and costs considered unusual to the Group's ordinary activities. Includes amortisation of capitalised software and leases.

3 % change 1HY21 to 1HY20.

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Review and results of operations

ClearView Wealth Limited and its subsidiaries (**ClearView**) achieved the following results for the half year ended 31 December 2020:

After Tax Profit by Segment, \$M	1HY21 \$M	1HY20 \$M	2HY20 \$M	% Change ³
Life Insurance	12.4	8.0	1.2 ⁷	55%
Wealth Management	0.6	1.5	1.8	(61%)
Financial Advice	0.8	0.5	1.6	66%
Listed/Group Costs	(0.7)	(0.5)	(0.6)	(40%)
Operating Earnings After Tax¹	13.1	9.4	4.0	39%
Underlying investment income	0.8	1.1	0.9	Large
Interest on corporate debt	(0.9)	(0.3)	(0.4)	Large
Group Underlying NPAT²	13.0	10.2	4.5	27%
Policy liability discount rate effect ⁵	(1.3)	(0.4)	2.6	Large
Wealth Management project ⁴	(1.5)	-	(1.4)	Large
Impairments ⁶	(0.6)	-	(2.6)	Large
Other costs ⁸	0.1	-	0.2	NM
Reported Profit After Tax	9.7	9.8	3.3	(1%)
Embedded value ⁹	635.7	669.0	643.4	(5%)
Net asset value	462.2	449.4	452.7	1%
Reported diluted EPS (cps)	1.54	1.55	0.53	(1%)
Underlying diluted EPS (cps)	2.06	1.62	0.72	27%

- Operating Earnings (after tax) represents the Underlying NPAT² of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital.
- Underlying NPAT consists of consolidated profit after tax excluding amortisation, the effects of changing discount rates on policy liabilities and costs considered unusual to the Group's ordinary activities. Includes amortisation of capitalised software and leases.
- % change 1HY21 to 1HY20.
- Costs associated with transition to HUB24 platform. Further costs to be incurred in 2H as project progresses.
- 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.
- Impairments to receivable from ClearView Retirement Plan (CRP). The recoverability of the receivable from CRP will continue to be assessed at each reporting period.
- Includes 2HFY20 impact of \$5.9 million from material changes made to claims assumptions at 30 June 2020. For further details refer to FY20 Annual Report.
- Net impact in 2HFY20 of new arrangements entered into with financial advisers. For further details refer to FY20 Annual Report.
- HY21 and 2HFY20 includes material changes made to assumptions at 30 June 2020, including short term potential impacts from COVID-19.

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Operating Earnings After Tax¹ reflects the underlying performance of the business segments and has now been adopted by the Board as its key measure of Group profitability and basis for dividend payment decisions. Operating Earnings After Tax¹ increased 39% to \$13.1 million (HY20: \$9.4 million). Life Insurance contributes 95% to business segment Operating Earnings After Tax¹.

Underlying NPAT², which includes the underlying investment income and interest cost on corporate debt, increased 27% to \$13.0 million (HY20: \$10.2 million) and fully diluted Underlying EPS increased 27% to 2.06 cps (HY20: 1.62 cps).

Interest earnings on capital has been negatively impacted in the half year period by ultra-low interest rates and changes to the capital structure. Interest costs associated with the issue of the Tier 2 subordinated notes arose from November 2020.

Costs associated with settlement of claims liabilities under incurred claims treaties reported as part of Operating Earnings After Tax¹. ClearView pays an annual charge on the liabilities related to the settlement of the incurred liabilities. This cost has been included as part of the reinsurance cost in the HY21 result (\$0.8 million after tax).

Reported NPAT, decreased 1% to \$9.7 million (HY20: \$9.8 million) and reported diluted EPS decreased 1% to 1.54 cps (HY20: 1.55 cps).

The HY21 is a strong result in a challenging environment, with the increase in profitability predominantly driven by a strong underlying claims performance in the life insurance segment (\$3.2 million positive impact)⁴. This is reflective of improved claims management outcomes and limited COVID-19 claims impacts to date (in particular IP³ related claims).

The HY21 result also includes a lapse experience loss (-\$0.9 million) impacted by IP³ and the related price increases⁴. Customer retention strategies remain in place. Competitors have started to increase prices with improved rationality slowly having an affect across the market.

There have been limited COVID-19 lapse impacts to date, observed through experience of the non-advice portfolios. The positive HY21 life insurance result should also be viewed in the context of overall industry performance, amidst extremely difficult market conditions. For the year ending 30 September 2020, the life insurance industry risk products lost \$1.55 billion, largely attributable to a \$1.3 billion loss on income protection (IP³). This extended five-year industry IP³ losses to over \$3.3 billion. In response to this deteriorating overall industry performance, the Australian Prudential Regulation Authority (APRA) has intervened to start forcing structural change.

Reported NPAT

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.

A reconciliation of Reported NPAT to Operating Earnings After Tax¹ is provided below. Reported NPAT decreased by 1% to \$9.7 million (HY20: \$9.8 million).

1 Operating Earnings (after tax) represents the Underlying NPAT² of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital.

2 Underlying NPAT consists of consolidated profit after tax excluding amortisation, the effects of changing discount rates on policy liabilities and costs considered unusual to the Group's ordinary activities. Includes amortisation of capitalised software and leases.

3 Income protection of Individual Disability Income Insurance.

4 Repriced LifeSolutions portfolio that commenced in April 2020.

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	31 December 2020 \$'000	31 December 2019 \$'000
Reported Profit After Tax	9,665	9,810
Adjusted for:		
Policy liability discount rate effect	1,309	420
Wealth Management project	1,470	-
Impairments	600	-
Other costs	(69)	3
Group Underlying NPAT²	12,975	10,233
Underlying investment income	(801)	(1,125)
Interest on corporate debt	884	286
Operating Earnings After Tax¹	13,058	9,394

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 IP³ 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. However, 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. As at 31 December, \$44.4 million was invested across the ClearView WealthSolutions Macquarie True Index Fund and the Vanguard Inflation Linked Fund.

In December 2020, ClearView updated its investment strategy and appointed PIMCO with a specialist investment mandate to manage, in close consultation with ClearView's actuaries, the shareholder funds that match the insurance liabilities in the life company. The asset liability management solution has been appropriately calibrated and aligned with the business risk appetite.

The mandate allows for the consolidation of shareholder funds into a single mandate and replaces the previous strategy of investing short duration shareholder funds in bank term deposits and longer duration assets in index bond funds. Given the current interest rate environment, it is envisaged that over time the amounts invested will be expanded to include assets backing regulatory capital, target capital and surplus capital.

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At 31 December 2020 an investment of \$188.2 million is invested in the PIMCO funds. Subsequent to the half year end, the amounts that were invested across the ClearView WealthSolutions Macquarie True Index Fund and the Vanguard Inflation Linked Fund were sold down and invested into the PIMCO funds. An overall gain of \$1.0 million after tax was made in the half year period. The net impact of the changes in long-term discount rates in the six months ended 31 December 2020, caused an decrease in after-tax reported profit of -\$1.3 million (HY20: -\$0.4 million).

Impairments

Impairment of receivable from ClearView Retirement Plan (CRP)

In HY21, the ClearView LifeSolutions Risk Only Division has been transferred from ClearView Life Nominees Pty Limited (CLN) as trustee of CRP to HTFS Nominees Pty Limited as trustee of the HUB24 Super Fund. All the members under the Risk Only Division are now members of the ClearView Insurance Plan within the ClearView Super Plan, a division under HUB24 Super Fund. CLAL continues to issue life insurance policies and provide insurance services to the transferred members as well as new members in the ClearView Super Plan. The transfer resolves any further buildup of the receivable and allows for the utilisation of the assessed losses over time.

As a result of the transfer, it is anticipated that CRP will be able to generate future net taxable income. Prior years carried forward tax losses would be able to be offset by taxable income and reducing the tax liability of CRP, and hence the amount receivable from CRP. However, where CRP cannot receive tax benefits from foreign income tax offsets or where the carried forward tax losses amount cannot be applied against the assessable income of the CRP (as they are offset against net current pension exempt income), the recoverability of the receivable from CRP will reduce under the current funding arrangement.

As at 31 December 2020, the Group held a receivable amount from CRP of \$17.3 million (30 June 2020: \$15.5 million), including an impairment provision of \$1 million. It is expected that the receivable amount will be recoverable in the foreseeable future as CRP continues to generate future taxable income. The recoverability of the receivable from CRP will continue to be assessed at each reporting period.

Costs unusual to ordinary activities

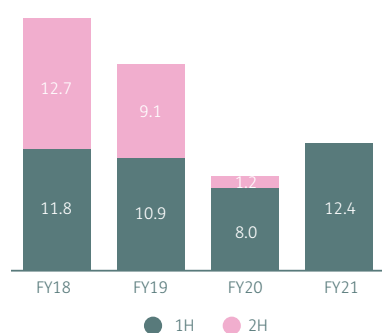
Costs that are considered unusual to ClearView's ordinary activities are not reflected as part of Underlying NPAT².

ClearView selected HUB24 Limited (HUB24) as its strategic wrap platform provider following a comprehensive market review. As previously announced, the overall proposal represents a significant investment for ClearView with development, transition and implementation costs expected to be a net cost of \$6 million. In HY21, a further \$2.1 million of these costs were incurred, with the balance expected to be incurred over 2H FY21 as the project progresses to completion.

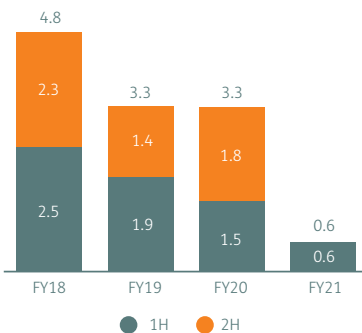
Further details of the project are provided in the wealth management section that follows.

HY21 Results by Segment

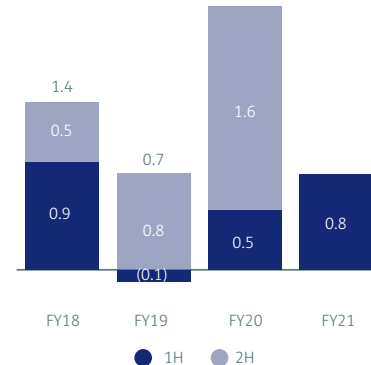
Life Insurance Operating Earnings¹
(after tax) (\$m)



Wealth Management Operating Earnings¹
(after tax) (\$m)



Financial Advice Operating Earnings¹
(after tax) (\$m)



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Life Insurance

Business Unit Operating Earnings After Tax¹, increased by 55% to \$12.4 million (HY20: \$8.0 million). Reported NPAT, increased by 45% to \$11.1 million (HY20: \$7.7 million). The life insurance segment contributes 95% to Group Operating Earnings After Tax.

The material improvement in profitability in HY21 is driven by the strong underlying claims performance that is measured relative to the material changes to the assumptions (as at 30 June 2020) including an allowance for potential COVID-19 impacts.

Key items of the performance of the life insurance segment for the half-year period are noted as follows:

- Strong claims performance in the half year period compared to assumptions (▲\$3.2 million).
- Lapse performance adverse to expected (overall), with variances in performance between products (▼\$0.9 million).
- Impacts of the reduction in interest earned on physical cash backing, including the roll off of higher term deposit rates and lower earning rate on physical cash (including cash settled under the incurred claims treaties) (▼\$0.5 million).
- Non-deferred expense experience loss (▼\$2.7 million) driven by the investment in claims management and the retention focus adopted in HY21. Furthermore, in the half year period there has been a shift in the expense allocation profile (relative to prior periods) given the shorter-term headwinds from the disruption of the advice market, impacts on new business correspondingly adopting a retention focus in HY21 (part of the overall strategy on sustainability of product pricing and margins).

It is anticipated that the structural changes to the market, return of rational pricing, implementation of the new contemporary platform and the launch of new products will allow new business volumes to increase back over time. In 2H FY21, ClearView's focus remains on retention initiatives (considering the repricing and COVID-19 impacts), claims management, continuing to review our pricing profile and addressing the fundamental issues with IP³ products offered in the market.

Wealth Management

Business Unit Operating Earnings After Tax¹, decreased by 61% to \$0.6 million (HY20: \$1.5 million). Reported NPAT, decreased to a loss of -\$0.8 million (HY20: \$1.7 million profit).

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

There was an overall increase in FUM of 5% to \$3.04 billion. The mix of products making up the portfolio has changed materially with contemporary products now representing 78% of total FUM. The increase in FUM is reflective of:

- Net inflows of \$80 million, up 21% (HY20: \$66 million) predominantly driven by the launch of WealthSolutions 2 on the HUB 24 platform and lower outflows from the closed Master Trust product (improved to \$45 million in HY21, down 15%); and
- Investment performance up 15.0% in HY21 (HY20: 7%).

However, fee income reduced 7% to \$15.5 million and reflects the changes in business mix and margins earned. Gross fee margin reduced to 1.06% from 1.18% and net fee margin to 0.59% from 0.64% in HY20.

Further margin compression on the traditional wealth management products are expected, both through further changes in the mix of business coupled with price reductions considering the market environment and competitor product positioning.

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Financial Advice

Business Unit Operating Earnings After Tax¹, increased by 66% to \$0.8 million (HY20: \$0.5 million). Reported NPAT reflects a profit of \$0.9 million (HY20: \$0.3 million).

Net financial planning fees decreased by \$1.7 million (-19%) to \$7.1 million. Key drivers of the net fee decrease is as follows:

- Increase in membership fees driven by the implementation of the new pricing model and the transition of older franchised agreements to the new pricing model. Changes to the remuneration and fee model in the 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.
- Launch of LaVista with recruitment gaining traction (noting some transition of advisers from the dealer group to a self licenced LaVista model). The fee income generated from membership fees (as a result of these changes) increased by \$0.9 million, including a contribution of \$0.6 million from LaVista; and
- The increase in sustainable revenue (outlined above) was offset by a reduction in grandfathered revenue streams and material decline in the financial support received from other ClearView entities. The reduction in grandfathered rebates (sunset date of January 2021) that collectively contributed \$0.4 million in HY21 (HY20: \$0.6 million). The balance of the decline was driven by the reduced financial support.

Operating expenses reduced by 30%, driven by decreased overhead costs and completion of the advice remediation program (costs were impacted in HY20 by the program including compensation costs). The outstanding remediation programs have now been completed and exclude any potential recoverable amounts from either the adviser or insurer.

Dividends

	Amount per security	Franked amount per security
Interim 2021 dividend (HY21)	nil	nil
Interim 2020 dividend (HY20)	nil	nil

The Board has historically sought to pay dividends at sustainable levels with a target payout ratio of between 40% and 60% of Underlying NPAT². This dividend policy was set (subject to available profits and financial position) to consider regulatory requirements and available capital within the Group.

¹ Operating Earnings (after tax) represents the Underlying NPAT² of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital.

² Underlying NPAT consists of consolidated profit after tax excluding amortisation, the effects of changing discount rates on policy liabilities and costs considered unusual to the Group's ordinary activities. Includes amortisation of capitalised software and leases.

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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 has also previously operated a Dividend Reinvestment Plan (DRP):

- To provide shareholders with the opportunity to reinvest into the Company while retaining capital within the Group;
- Given ClearView's preference to retain capital and the illiquidity of the share trading, it was not considered appropriate to minimise the dilutive impact of the DRP through the on-market purchase of the number of shares to satisfy the DRP participation; and
- ClearView has at various times sought support for any shortfall in shareholder participation by underwriting the shortfall to maintain the capital base within the Group.

Considering the adverse impact due to COVID-19, challenging market conditions, and APRA supervisory guidance, no FY20 dividend was declared (FY19: \$nil).

A goal of the Board is to ensure that a best practice regime is in place to both protect policyholder interests and manage shareholder aspirations about the visibility on the Group's Embedded Value, ClearView's share liquidity, capital position and capital management approach. As part of the review of the capital management initiatives, the Board has also reviewed ClearView's dividend policy. The Board will continue to seek to:

- Pay dividends at sustainable levels; and
- Maximise the use of our franking account by paying fully franked dividends.

The Board will also continue to seek transparent communication to the market around Embedded Value estimation and its relationship to the prevailing share price.

Considering the above, the Board has decided on the following:

- To revise the target dividend payout ratio to between 40% and 60% of Operating Earnings After Tax¹ (as opposed to Underlying NPAT²), to better reflect the impact on earnings of the ultra low interest rate environment and change in capital structure of the business through the successful issuance of \$75 million subordinated notes; and
- Subject to the Group's capital position and the second half FY21 performance of our life insurance business (and capital support required), to reinstate the FY21 year-end dividend in line with its revised dividend policy. The Australian Prudential Regulation Authority (APRA) has more recently relaxed its limitations on discretionary capital distributions.

ClearView has in place a Board approved 10/12 limit on market buy-back program which has been extended for a further 12-month period until December 2021. 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 and there were no shares bought back and cancelled in the half year ended 31 December 2020.

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Net assets and net tangible assets per security

	31 December 2020	31 December 2019	% Change ¹
Net assets per security (cents per share) ²	72.6	69.4	5%
Net tangible asset backing per ordinary security (cents per share) ²	70.0	66.5	5%

The Group's statement of financial position, which is set out on page 39 of the half year report, reflects the key metrics below.

Net assets at 31 December 2020 increased to \$462.2 million (June 2019: \$452.7 million) and Net asset value per share (including ESP loans) of 72.6 cents per share (June 2019: 71.5 cents per share).

The Balance Sheet at 31 December 2020 reflects:

- A net cash position of \$117.2 million, with shareholder cash and cash equivalents of \$206.6 million, \$16 million drawn down under the Debt Funding Facility, \$75 million Tier 2 capital raised reflected as subordinated debt (net of costs). Shareholder cash is conservatively invested in the large institutional Australian banks;
- \$188.2 million invested in a PIMCO fixed interest investment mandate. In HY21, a specialist investment mandate has been entered into with PIMCO, a global investment manager focused on active fixed income management, to manage (in consultation with ClearView) and match the shareholder funds with the insurance liabilities. The investment mandate retains a focus on a strong and conservative capital position, but with appropriate asset/liability matching. Subsequent to the half year end, a further \$44.4 million that was invested across the ClearView WealthSolutions Macquarie True Index Fund and the Vanguard Inflation Linked Fund as at 31 December 2020 was sold down and invested into the PIMCO funds.
- Goodwill and intangibles relates to Goodwill of \$12.5 million arising on acquisition of Matrix intangibles includes \$4.9 million of capitalised software costs associated with life insurance systems development and contemporary wealth platform.
- Life insurance policy liability decrease reflecting change in the life insurance business (DAC) and interest rate effects between periods and implementation of incurred claims treaties. Past policy acquisition costs of \$351.5 million are reflected on Balance Sheet and this asset converts to cash as future premiums are collected (subject to lapse risk). This asset is not counted for regulatory capital purposes under the APRA capital standards.
- Includes CRP receivable \$17.3 million, net of \$1 million provision.

ClearView's Strong Balance Sheet and capital base supports its ability to continue meeting its obligations to policyholders and customers. ClearView is capitalised with Common Equity Tier 1 capital and Tier 2 capital.

¹ % change represents the movement from HY20 to HY21.

² Adjusted for shares issued and corresponding loans granted under the Executive Share Plan (ESP).

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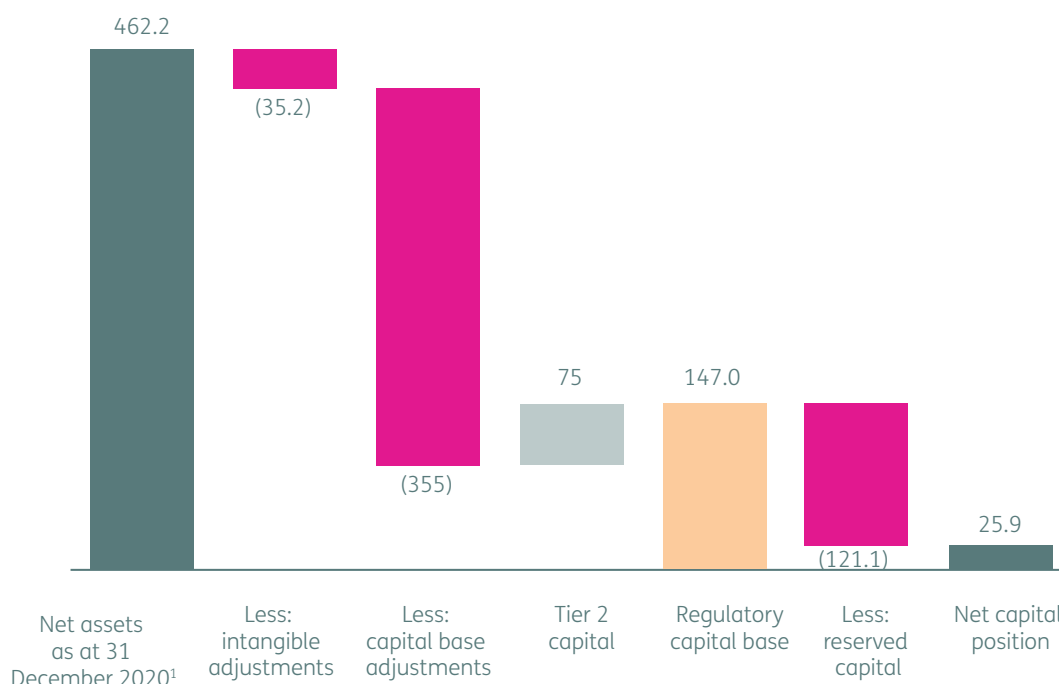
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Capital Position at 31 December 2020

The following charts reflect the net capital position of the Group as at 31 December 2020:

Capital position as at 31 December 2020 (\$M)



The net capital position of the Group was \$25.9 million at 31 December 2020 and reflects:

- Net assets of \$462.2 million. Under the APRA capital standards, adjustments are made to the capital base for various asset amounts that are deducted:
 - Intangible Adjustments of \$35.2 million including:
 - Goodwill (\$12.5 million) and Intangibles (\$5.1 million); and
 - \$16.0 million of the receivable from the CRP is excluded from the capital base. As a result of the transfer of ClearView LifeSolutions Risk Only Division to HTFS Nominees Pty Limited as trustee of HUB24 Super Fund, it is anticipated that CRP will be able to generate future net taxable income. Prior years carried forward tax losses should be able to be offset by taxable income and reducing the tax liability of CRP, and hence the amount receivable from CRP. As at 31 December 2020, the Group held a receivable amount from CRP of \$17.3 million (30 June 2020 \$15.5 million). It is expected that the receivable amount will be recoverable in the foreseeable future as CRP continues to generate future taxable income. The recoverability of the receivable from CRP will continue to be assessed at each reporting period.
 - Capital base adjustments remove the deferred acquisition costs (\$351.5 million) and deferred tax assets (\$3.5 million) that are not permitted to be counted in the regulatory capital base; and
 - Incorporation of the Tier 2 subordinated debt into the capital base (net of capital raising costs of \$1.6 million) in accordance with the APRA capital standards (\$75 million).

¹ Net Assets as at 31 December 2020 excluding ESP Loans. Net assets include the deferred acquisition costs (DAC) component of insurance policy liabilities.

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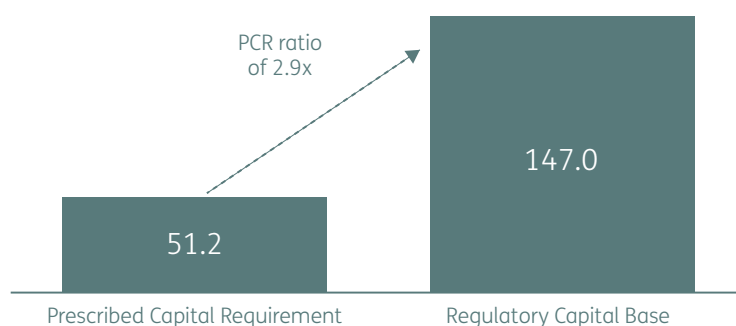
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- Reserved capital includes the minimum regulatory capital, APRA supervisory adjustment for ClearView Life as part of IDII sustainability measures, risk capital which is additional capital held to address the risk of breaching regulatory capital and a working capital reserve (\$5 million as at 31 December 2020) held to support the capital needs of the business beyond the risk reserving basis.
- 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.
- ClearView has implemented an incurred claims treaty with Swiss Re for lump sum and income protection business, where claims (including reserve components) are paid when a claim is incurred which reduces the concentration risk exposure. There is no Asset Concentration Risk charge under LPS 117 relating to the Swiss Re exposure as at 31 December 2020.
- The Debt Facility is repayable on 1 April 2024. \$16 million of the debt facility has been drawn down as at 31 December 2020.
- Fitch assigned ClearView a Long-term Issuer Default Rating (IDR) of 'BBB'. At the same time, Fitch assigned ClearView's operating subsidiary, ClearView Life, an Insurer Financial Strength Rating (IFS) of BBB+. The outlooks for both ratings are stable and were reaffirmed as 'stable' subsequent to the onset of the pandemic.

The Group has a PCR capital coverage ratio of 2.9X at 31 December 2020, reflecting the strength of the overall capital position of the Group.

Group Regulatory Capital Coverage (\$M)



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 2020 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.

Judilyn Beaumont
Company Secretary

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