ClearView

Half Year Condensed Consolidated Financial Report

for the six months ended 31 December 2020

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 2020. 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 2020 and up to the date of this report are shown below.

- **Geoff Black** (Appointed Chairman on 1 July 2020)
- **Bruce Edwards** (Former Chairman - Resigned as Director on 1 July 2020)
- **Michael Alscher**
- **Gary Burg**
- **Jennifer Lyon** (Appointed as Director on 1 July 2020)
- **Simon Swanson** (Managing Director)
- **Nathanial Thomson**
- **Susan Young**

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.

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 products and services.

The demand for our products and services is driven by a complex regulatory and taxation environment, compulsory superannuation and an aging population with significant wealth and risk management ('life insurance' type) needs. Rising household debt-to-income levels also reinforce the need for quality advice and life insurance, whilst Australia's compulsory retirement savings system alongside lifecycle demands is driving demand for wealth management products and advice. Our core strategy is to partner with financial advisers to help Australians protect and grow their wealth.

The Groups's subsidiaries hold a number of licences enabling them to operate across three core business segments:

- **Life Insurance:** The products offered are intended to manage the 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. ClearView Life Assurance Limited (CLAL) manufactures ClearView products under a retail life insurance Australian Financial Services (AFS) licence. CLAL's LifeSolutions product is its single, contemporary product series for retail customers that is only available through financial advisers;
- **Wealth Management:** ClearView's Wealth Management products are designed to assist in the accumulation and preservation of wealth to achieve personal goals and objectives such as a comfortable retirement. ClearView Financial Management Limited (CFML), ClearView Life Nominees Pty Limited (CLN) and CLAL manufacture these investment and retirement solutions (managed investments and superannuation) under AFS licensees and a registrable superannuation entity (RSE) trustee licence. The products are distributed through financial advisers; and
- **Financial Advice:** Financial advice is critical to most Australians in order to manage their financial affairs soundly. ClearView's financial advice subsidiaries are market leading providers of licensing solutions to financial advisers. These feature two AFS Licensed dealer groups providing traditional dealer group licensing support together with LaVista Licensee Solutions which provides outsourced B2B licensee services to other AFS Licensees.

This capability to operate across all three segments is now relatively unique in the Australian market.

We offer a product solution based on simplicity and being easy to do business with:

- Offering a sustainable life insurance product and pricing with limited legacy issues. ClearView has commenced distribution of the first iteration of the life insurance product of the future in its Simple IP60 product.
- A simple Wealth product. Financial advisers face an increased cost to service clients - efficient operations and strong compliance measures in financial adviser practices is far more valuable than endless investment choices. WealthFoundations is well positioned to capitalise on the need for financial advisers to drive efficiency.
- Future state: a risk and wealth offering, combined sales effort leveraging distribution, and a focus on making the product experience simple and efficient for financial advisers and their customers who need to maintain a focus on practice efficiency meeting customer needs.

The key focus areas for FY21 have been customer retention, effective claims management, product design and pricing. FY21 is considered a base transitional year.

Our focus remains on developing and embedding a governance and risk management framework with effective risk management controls that become an enabler for greater company focus, discipline, accountability and performance.

COVID-19 and ClearView responses

The world continues to grapple with unprecedented circumstances including significant economic, social and health challenges caused by the COVID-19 pandemic. Australia has continued to manage the pandemic extremely well in comparison to most developed nations in the world although it continues to experience limited outbreaks in various parts of the country. Apart from New South Wales, most states and territories have typically responded by closing their borders which itself has economic consequences including dampening domestic travel.

The jobs data continues to improve with unemployment at circa 6.6%, which is significantly lower than initial expectations at the outset of the pandemic. Most states have experienced an improvement in their job markets. Importantly, the job participation rate has also improved, indicative of improved faith in the labour market. This improvement reduces the likelihood of further significant stimulus with the JobKeeper government assistance program tapering off by the end of March 2021.

Whilst there has been relative uncertainty as to how the pandemic will unfold, including the social and economic consequences, the longer-term fundamentals and need for the products that we offer across the business segments remains intact. We are not immune to the challenges of the pandemic, however, in these difficult times, we are fortunate to have a sound business model, strong Balance Sheet and a recurring revenue base that creates a level of security for our staff, customers, adviser network and other stakeholders.

We have also acted swiftly to address the challenges faced by COVID-19, with our response focused on certain key priorities, including:

- Protecting our people and customers;
- Modelling our capital exposure, stress testing and liquidity;
- Conserving capital and cash flow;
- Stabilising the operations to the 'new normal'; and
- Playing offence, not just defence.

We have also assessed certain stress test scenarios (including APRA stress test scenarios), with the initial scenarios being further updated as part of the Business Plan process given the dynamic nature of the environment. Four key environmental factors were considered as part of this process:

- Economic impacts of the pandemic (recession and unemployment rates);
- Structural changes to our 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).

The above mentioned scenarios considered business impacts (capital, cash flow and profitability) from COVID-19, including direct COVID-19 claim impacts (based on assumed infection and mortality rates), indirect claims impacts (economic downturn induced), asset value impacts, reduced sales and elevated lapses.

ClearView Life's regulatory capital position remains resilient to each of these scenarios. Furthermore, an additional amount of Tier 2 capital was raised to further allow for some of these sensitivities to the capital base in a downside scenario. It was also noted that profitability can be sensitive within each scenario, to claims and lapse assumptions and relative to the allowances made in policy liabilities versus the actual experience that emerges.

The business has proven resilient to the health and economic impacts of COVID-19 to date and is on track to meet its medium to long term performance improvement objectives.

Despite substantial uncertainty in relation to the impacts of COVID-19 (for example, the mutation and ease of transmission of the virus), based on the current available data and trends in Australia, the 'baseline' view continues to be that it seems unlikely that there will be a high number of direct COVID-19-related insured death claims in Australia. We note that mortality to date has tended to be in the older and relatively uninsured segment of the population.

Notwithstanding that there are now more virulent strains of the virus, and some outbreaks that have occurred from hotel quarantine, the number of cases has continued to be significantly lower in Australia to this point. We therefore continue to consider that the risk is more likely to be from the secondary economic impacts of the pandemic. This risk is exacerbated by unpredictable lock downs, border closures and the likely removal of government support measures in March 2021. This could potentially drive an increase in claims and lapses in the months ahead. However, to this point, based on observed evidence in the first half of the financial year, this has not as yet eventuated.

The potential shorter-term impacts and outcomes of COVID-19, including allowances and assumptions that have been made in relation to the pandemic are detailed in FY20 Annual Report. Notwithstanding the significantly improved economic data since these assumptions were set (as at 30 June 2020), given the risks outlined above, these assumptions will be reassessed at the full year result and updated based on the experience in the second half (including the impact of the likely removal of the government assistance programs).

At the onset of the pandemic, we successfully implemented our 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. Currently, at the time of writing, staff had begun to return to the office working two to three days a week in the office.

We also note the following initiatives for customers as part of our 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;
- As part of the existing LifeSolutions product, 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 provided they have held cover for 12 months; and
- There were some special measures up to 15th July 2020, including extending the waiver of premium whilst involuntarily unemployed benefit to employees temporarily stood down from employment and for owners of a business which has been required to close due to COVID-19, evidenced by a public notice on their website and extending the waiver of premium and cover suspension benefits to ClearView's legacy business.

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

Regulatory environment and changes

The financial services industry has faced unprecedented regulation, scrutiny and disruption over the past few years. Given the broader life insurance industry performance (in particular losses on income protection products) and extremely difficult market conditions, in response, the Australian Prudential Regulation Authority (APRA) has intervened to start forcing structural change. ClearView supports APRA's view that action needs to be taken to improve the sustainability of the life insurance industry.

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

In the face of shifting customer 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.

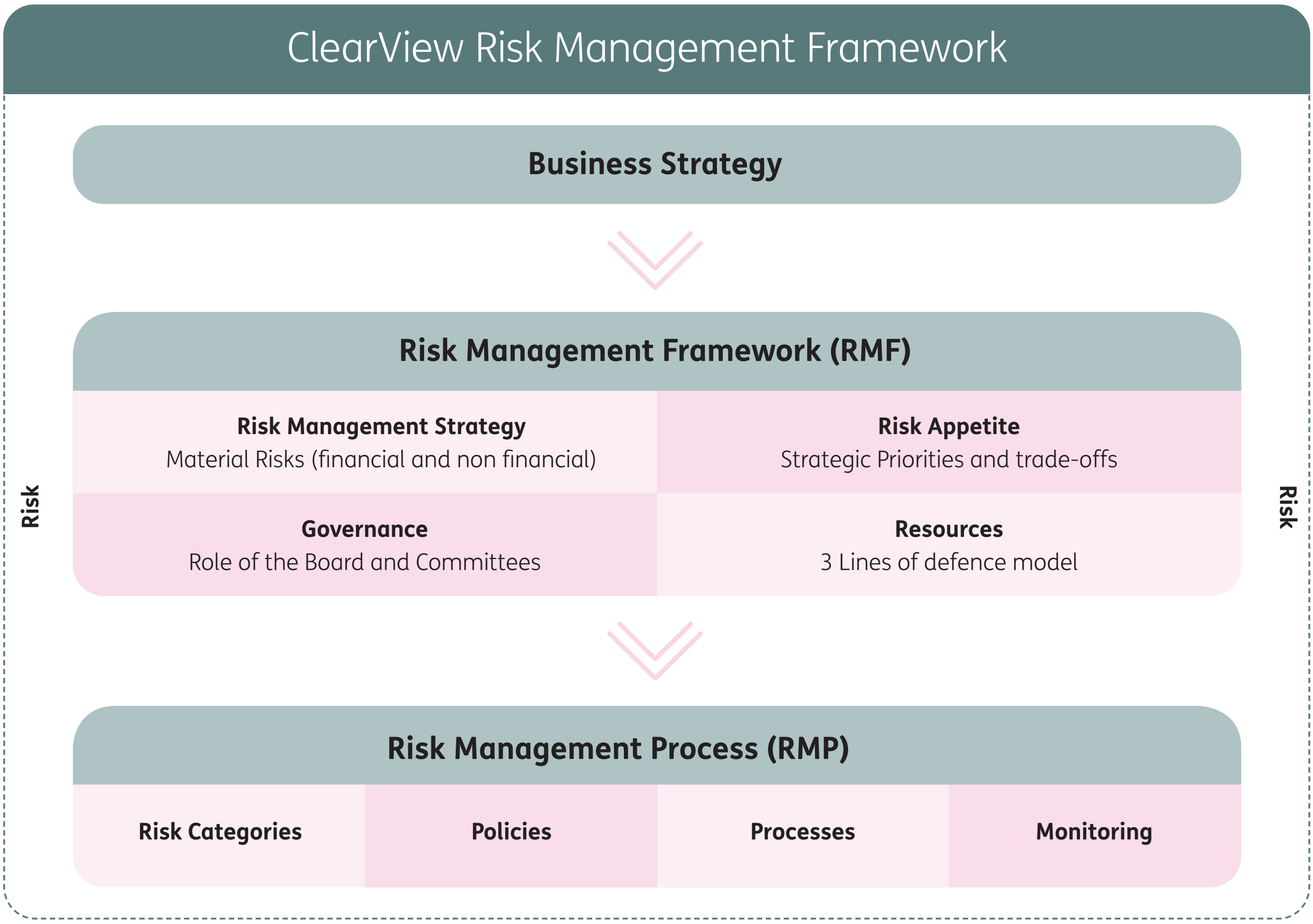
Many reforms have been released by Treasury as draft legislation but a number are now law. ClearView has identified a number of key regulatory matters, which will have an impact on the industry including:

- Design and Distribution Obligations (DDO) and Product Intervention Powers;
- 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; and
- Advisers are now subject to a Code of Ethics and will need to meet higher educational requirements. This is expected to result in a certain cohort of advisers leaving the industry.

Whilst the proposed Financial Accountability Regime (FAR) has not yet become law, ClearView has moved to a 'line of business' end to end accountability model, in accordance with the intent of the proposed FAR legislation.

Risk management

ClearView's Risk Management Framework (RMF) enables the Group to develop and implement strategies, policies, and procedures to manage both financial and non-financial risks and enables the Board and Management's oversight of these risks. The RMF incorporates the requirements of APRA's Prudential Standard Risk Management (CPS 220). The following diagram illustrates the key elements of the RMF.



The RMF is supported by a number of Board-approved documents including (but not limited to):

- The Risk Appetite Statement (RAS) articulates the material risks that the Group is exposed to and specifies the type and level of risk ClearView is willing to accept in pursuit of strategic, business and financial objectives, giving consideration to the interests of members and policyholders. For further detail, see 'ClearView's Material Risks'.
- The Risk Management Strategy (RMS) describes the Group's strategy for managing current and emerging material risks, including an outline of risk management policies and processes and the risk governance structure.
- The Risk Culture Framework (RCF) which describes the Groups shared values and behaviour all ClearView staff use to consider, identify, understand, discuss, and manage current and emerging risks.
- The Group Business Plan identifies and considers the material risks associated with ClearView's strategic objectives with a rolling three-year duration.

An Internal Capital Adequacy Assessment Process (ICAAP) is a key element of the RMF. An integrated approach to capital adequacy and risk management is adopted to ensure ClearView holds adequate levels of capital appropriate to the Group's risk profile and risk appetite. This involves risk management practices such as stress testing to understand, manage and quantify the Group's risks. The outcomes of these are used to inform risk decisions, set capital buffers and assist in strategic planning.

ClearView has adopted a three lines of defence approach to risk management whereby all employees are responsible for identifying and managing risk and operating within the Group's risk profile and appetite. The first line of defence comprises the business units which have ownership of risks and are responsible for day-to-day risk management decision-making involving risk identification, assessment, mitigation, monitoring and management. The second line of defence is the Group's Risk and Compliance function which assists the Board, BRCC and senior management team (SMT) in the ongoing development and maintenance of the RMF to ensure that it is appropriate to the Group's size, business mix and complexity. The third line of defence is the internal audit function that provides independent assurance to the Board, regulators and other stakeholders on the effectiveness of risk management, internal controls and governance.

Review of the Risk Management Framework

Risk management is an integral part of the Group's management process and the independent risk function plays an important role in robust business decisions.

In response to the increasing regulatory focus on Governance, Culture, Remuneration and Accountability, the Board and management are committed to uplifting the Group's RMF to ensure robust risk management practices, that continues to embed a sound risk culture across the organisation. The following initiatives are underway to achieve these objectives.

Governance Risk and Culture (GRC) Risk Transformation Program

Enhancing the Risk Management Framework

Over the past year, the Board has set clear expectations on the delivery of the GRC Risk Transformation Program that has been established to enhance the Group's Risk Management Framework to ensure it remains robust, fit-for-purpose for the Group's size and complexity, as well as supporting its strategy in delivering balanced and sustainable outcomes for members, policyholders and investors. This includes incorporating enhanced risk management practices and anticipating and responding to regulatory change and regulatory and community expectations.

ClearView has invested in the risk and compliance function that oversee the Group's financial and non-financial risk management, and first line risk resources in business areas to strengthen risk ownership, skills and capabilities across the three lines of defence. Enhancements have also been made to the Group Risk Management Strategy and Group Risk Appetite Statement, with work continuing to operationalise the risk metrics to foresee potential emerging risks, trends and issues across the Group's material risk types and to provide deeper insights to inform decision-making. Management are taking active steps to continue to improve the robustness of governance and reporting of all material financial and non-financial risks. This includes further investment in risk systems that will improve risk identification, reporting and data collection to better understand the root causes of issues, incidents and complaints.

Having a strong risk culture across the Group

ClearView places high priority on having a culture where governance, risk management and compliance are integral to day-to-day management decisions. The Board and Management recognise the importance of, and the role they play in, setting and embedding the desired risk culture, ensuring ClearView's risk culture is one of accountability, ownership and constructive challenge.

ClearView's Board has approved the following risk culture statement:

"Managing risk is integral to our business and demonstrated in our actions and decisions of our people, senior management team (SMT) and Board. Our people and customers are at the centre of our risk culture and we commit to ongoing communication, escalation, constructive challenge and making considered decisions to manage risk consciously.

Where there is ambiguity, ClearView will firstly ask "Should we?" and then "Can we?".

ClearView's material risks

ClearView's RAS clearly articulates the material risks that the Group is exposed to and specifies the type and level of risk ClearView is willing to accept in pursuit of its strategic, business and financial objectives. The RAS outlines ClearView's material risks from a strategic, customer, business and financial perspective and includes both Financial and Non-Financial Risks.

The material risk categories for ClearView are as follows:

Financial Risks

- Insurance Management
- Sustainability
- Liquidity and Credit
- Capital Management (Including Reinsurance)
- Investment Management and Market Risk (Interest Rate, Asset Liability Management)

Non-Financial Risks

- Operational
- Outsourcing and Supplier Management
- Information Security & Data Management
- Compliance
- Strategic
- Culture and Conduct
- Reputational
- Business Continuity, Disaster Recovery and Pandemic
- Environmental, Social and Governance

For each material risk, ClearView has set out the following:

- The maximum level of risk (risk tolerance) that it is willing to operate within, expressed as a risk limit and based on its risk appetite, risk profile and capital strength. Risk tolerances translate risk appetite into operational limits for the day-to-day management of material risks, where possible.
- The process for ensuring that risk tolerances are at an appropriate level, based on an estimate of the impact if risk tolerance is breached, and the likelihood that each material risk is realised.

The process for monitoring compliance with each risk tolerance and for taking appropriate action if it is breached; and the timing and process for review of the risk appetite and risk tolerances.

Details of the Group's risk management practices including risk mitigation strategies are set out in the 30 June 2020 Annual Report.

HY21 Results overview

The majority of the Group's revenue base is generated from premiums and fees charged in respect to in-force life insurance policyholders, funds under management and financial adviser services and licensing.

The business has proven resilient to the health and economic impacts of COVID-19 to date. ClearView's Strong Balance Sheet and capital base supports its ability to continue meeting its obligations to policyholders and customers and is supported by:

- Net shareholder cash and investments position of $349.8 million - shareholder capital is conservatively invested in the large institutional Australian banks and more recently 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 in the life insurance entity. The investment mandate retains a focus on a strong and conservative capital position, but with appropriate asset/liability matching. The net cash position is $117.2 million, with $188.2 million invested with PIMCO and $44.4 million invested across the ClearView WealthSolutions Macquarie True Index Fund and the Vanguard Inflation Linked Fund. Subsequent to the half year end the WealthSolutions investments were sold down and invested into the PIMCO funds.
- 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.
- Embedded Value (EV) of $635.7 million or 94.2 cents per share at 31 December 2020. The EV calculation reflects the cash flow generation from the in-force portfolios.
- ClearView Life's LifeSolutions product range is heavily reinsured with Swiss Re Life and Heath Australia (Swiss Re). An incurred claims treaty is now in place to protect reinsurance recoveries for both lump sum and income protection claims to manage the counterparty risk.
- ClearView has in a place a $60 million Debt Funding Facility, of which $16 million is drawn down at 31 December 2020. The Facility has been extended for a further three-year period, with a new maturity date of 1 April 2024.
- ClearView successfully completed a $75 million subordinated, unsecured notes issue to wholesale investors in November 2020, which represents fully paid, unsecured debt obligations of ClearView and is counted as part of the APRA regulatory capital base.
- ClearView now has a surplus net capital position of $25.9 million over its internal benchmarks as at 31 December 2020.
- ClearView Life is rated BBB+, Outlook Stable IFS rating by Fitch.

ClearView's FY21 key priorities, as outlined in the FY20 Annual Report, remain as follows:

- Focus on customer retention to manage price changes and COVID-19 impacts including providing alternatives to customers to improve premium affordability;
- New product development, starting with the alternative Indemnity 60 income protection (IP) product;
- Increase claims management resourcing, capability, deeper engagement with claimants and enhancing systems support;
- Broaden distribution footprint to enter the larger addressable IFA[1] market;
- Simple WealthFoundations product (integrated with life) aimed at IFAs[1] 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 were made 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 were also made to the lapse assumptions to allow for shorter-term shock lapse overlays in response to price changes and secondary economic impacts from COVID-19.

Performance relative to these key priorities is discussed in further detail in the sections that follow.

1 Independent financial adviser

Overview of result

The ClearView Group 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 Tax[1]	**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 NPAT[2]	**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%

1 Operating Earnings (after tax) represents the Underlying NPAT[2] 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 % change 1HY21 to 1HY20

4 Costs associated with transition to HUB24 platform. Further costs to be incurred in 2H as project progresses.

5 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.

6 Impairments to receivable from ClearView Retirement Plan (CRP). The recoverability of the receivable from CRP will continue to be assessed at each reporting period.

7 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.

8 Net impact in 2HFY20 of new arrangements entered into with financial advisers. For further details refer to FY20 Annual Report.

9 HY21 and 2HFY20 includes material changes made to assumptions at 30 June 2020, including short term potential impacts from COVID-19.

Operating Earnings After Tax[4] 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 Tax[4] increased 39% to $13.1 million (HY20: $9.4 million). Life Insurance contributes 95% to business segment Operating Earnings After Tax[4].

Underlying NPAT[5], 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 Tax. ClearView pays an annual cost 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 ($0.8m 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)[1]. This is reflective of improved claims management outcomes and limited COVID-19 claims impacts to date (in particular IP[2] related claims).

The HY21 result also includes a lapse experience loss (-$0.9 million) impacted by IP[2] and the related price increases[3]. 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 (IP[2]). This extended five-year industry IP[2] 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.

The following items impacted the reported NPAT and comprised the items outlined in the table above:

Reconciling items ($M)	HY21	HY20
Policy liability discount rate effect	(1.3)	(0.4)
Wealth Management project	(1.5)	-
Impairment costs	(0.6)	-
Other costs	0.1	-
Total	**(3.3)**	**(0.4)**

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[2] 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.

1 Relative to the material changes that were made to claims assumptions in FY20, including an allowance to reflect an expected increase in COVID-19 related claims.

2 Income protection or Individual Disability Income Insurance.

3 Repriced LifeSolutions portfolio that commenced in April 2020. On average 15% increase in prices, focused on sustainability of margins.

4 Operating Earnings (after tax) represents the Underlying NPAT[5] of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital.

5 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 capitalized software and leases.

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.

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 NPAT.

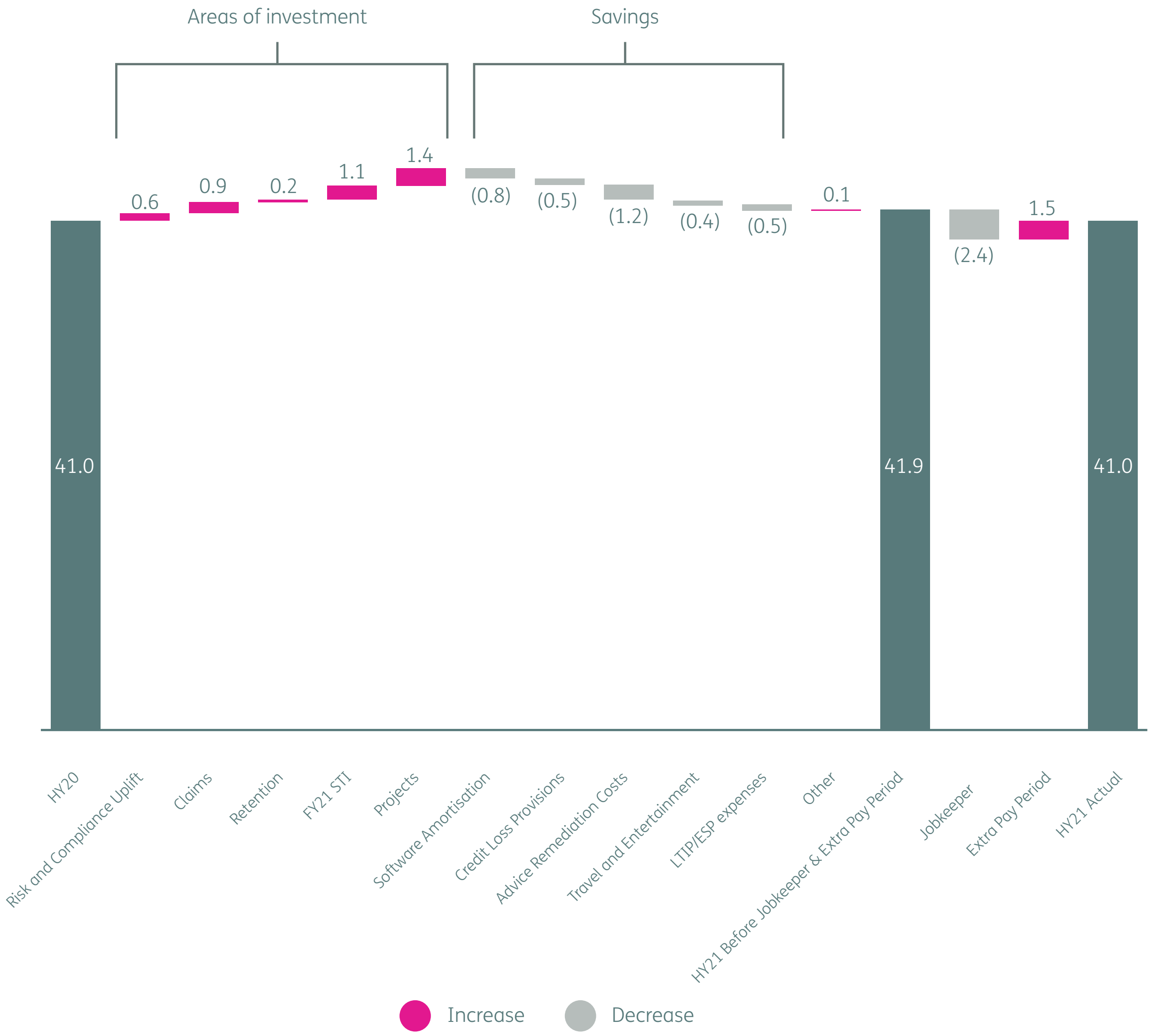
ClearView selected HUB24 Limited (HUB24) as its strategic wrap platform provider following a comprehensive market review. As previously announced, the overall proposal represents a significant investment for ClearView with development, transition and implementation costs expected to be a net cost of $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.

Cost base, investments and savings

Total operating expenses of $41.0 million were incurred in HY21 (HY20: $41.0 million) and represents a broadly flat cost base with savings achieved through the year being reinvested into key areas of focus for the business including claims, risk and compliance, product development and key projects.

Chart 1: FY21 Actual vs FY20 PCP - Operating Expenses



The implementation of the key recommendations in ClearView's 2H FY19 IT strategy review are now well underway, with the new software as a service arrangement implemented. IT capital expenditure in HY21 has not yet materially increased, however the outlook is this will increase significantly from 2H FY21 as ClearView's new life insurance Policy Administration System (PAS) and Underwriting Rules Engine (URE) implementations are now underway having been approved by the Board in November 2020. The design, build and implementation of the new PAS is a key strategic focus and represents a circa $20 million investment over a three year period. The first phase of the project relates to the new product development and launch into the market in 2H FY21, with the migration of the in-force portfolios expected to occur subsequent to the new product launch. Costs incurred to date, in relation to the research and development of the project have been expensed. Further details on the PAS project will be provided as it progresses.

Material cost reductions in HY21 include:

- Reduction in employee share plan and longer term incentive costs in HY21 (-$0.5 million);
- Reduction in software amortisation costs (-$0.8 million);

- Elimination of advice remediation costs from completion of the relevant reviews (-$1.2 million);
- Decrease in credit loss provisions for ESP and adviser loans on Balance Sheet (-$0.5 million);
- Reduced travel and entertainment costs reductions due to COVID impacts (-$0.4 million).

Key reinvestment of costs savings in H1 FY21 include:

- Upscaling of the claims team to better manage return to work outcomes and complex claims, including claims assessors and additional data resources (+$0.9 million);
- Risk and Compliance investment including the uplift in the area (+$0.6 million);
- Project investment reflective of scoping and discovery on the new PAS and URE projects as well as regulatory related projects. This is also reflective of a shift in the capitalisation policy effected in FY20;
- Investment into the new LifeSolutions 2.0 product and development;
- A return to the accrual of staff bonuses given improved market and company performance.

Key one-off expense in HY21 include:

- Opting into the JobKeeper program based on the eligibility of meeting the basic decline in turnover test by the centralised employment entity in the group, ClearView Administration Services Pty Limited (CAS). CAS received a JobKeeper benefit of $2.4 million to 30 September 2021;
- The expensing of an additional pay period in FY21 (27 pay periods) as a result of fortnight payroll timing ($1.5 million), with FY21 including an additional pay period versus a regular 26 fortnight year.

The flat cost base was achieved despite significant investment into key strategic areas. The table below reconciles the HY20 operating expenses analysed in Chart 2 with the reported operating expenses in the Half Year Report:

Reconciliation of operating expenses to reported operated expenses per financial statements		
$M	**1HY21**	**1HY20**
Operating expenses per Chart 1	**41.0**	**41.0**
Custody investment management expenses	4.3	4.8
Depreciation and software amortisation	(2.1)	(3.0)
Depreciation (right of use assets)	(0.9)	(0.8)
Stamp duty and reinsurance technology costs	5.9	5.1
Medical costs	0.5	0.8
Interest expense	2.4	0.4
Wealth Management Project	2.1	-
Impairments	0.6	-
Other expenses	1.9	2.1
Operating Expenses per financial statements	**55.7**	**50.4**

Operating segment review

Life Insurance

The HY21 financial performance is detailed below.

Life Insurance result:

6 Months to December 2020 ($M)[1]	2019			2020			2021	%
	1H	2H	FY19	1H	2H	FY20	1H	Change[3]
Gross life insurance premiums	117.0	116.6	233.6	124.1	126.5	250.6	133.3	7%
Net claims incurred	(17.0)	(18.9)	(35.9)	(22.6)	(35.5)	(58.1)	(19.1)	(16%)
Reinsurance premium expense	(34.1)	(37.6)	(71.6)	(41.1)	(45.3)	(86.4)	(50.4)	22%
Commission and other variable expenses	(30.6)	(25.5)	(56.1)	(24.3)	(22.4)	(46.7)	(21.1)	(13%)
Operating expenses	(26.9)	(25.0)	(51.9)	(24.4)	(21.6)	(46.1)	(26.1)	7%
Movement in policy liabilities	7.1	3.9	11.0	(0.3)	0.6	0.3	1.1	Large
BU Operating Earnings (before tax)	**15.6**	**13.4**	**29.0**	**11.4**	**2.2**	**13.6**	**17.7**	**55%**
Income tax (expense) / benefit	(4.7)	(4.3)	(9.0)	(3.4)	(1.0)	(4.4)	(5.3)	55%
BU Operating Earnings (after tax)	**10.9**	**9.1**	**20.0**	**8.0**	**1.2**	**9.2**	**12.4**	**55%**
Underlying investment income	1.0	1.0	2.0	0.7	0.5	1.2	0.6	(10%)
Underlying NPAT	**11.9**	**10.1**	**22.0**	**8.7**	**1.7**	**10.4**	**13.0**	**50%**
Policy liability discount rate effect (after tax)	2.2	4.4	6.6	(0.4)	2.6	2.2	(1.3)	Large
Impairments	-	(5.0)	(5.0)	-	(2.6)	(2.6)	(0.6)	Large
Cost Out Program Implementation Costs	-	(1.5)	(1.5)	(0.1)	(0.5)	(0.6)	-	Large
Direct Remediation Program and Royal Commission Costs	-	(2.0)	(2.0)	(0.5)	0.1	(0.4)	-	Large
Other costs	-	(0.9)	(0.9)	-	0.3	0.3	-	Large
Reported NPAT	**14.1**	**5.1**	**19.2**	**7.7**	**1.7**	**9.4**	**11.1**	**45%**

Analysis of Profit ($M)	2019			2020			2021	%
	1H	2H	FY19	1H	2H	FY20	1H	Change[3]
Expected Underlying NPAT[2]	**16.0**	**15.9**	**31.9**	**15.5**	**15.3**	**30.8**	**14.3**	**(8%)**
Claims experience	(2.1)	(1.3)	(3.4)	(4.7)	(7.8)	(12.5)	3.2	Large
Lapse experience	(2.9)	(2.7)	(5.6)	(1.4)	0.1	(1.3)	(0.9)	(36%)
Expense experience	0.6	0.5	1.1	0.3	(0.1)	0.2	(2.7)	Large
Other	0.2	(0.4)	(0.2)	(1.0)	0.1	(0.9)	(0.9)[4]	(14%)
Actual Underlying NPAT before claims assumptions	**11.9**	**11.9**	**23.8**	**8.7**	**7.6**	**16.3**	**13.0**	**55%**
Claims Assumptions Changes	-	(1.8)	(1.8)	-	(5.9)	(5.9)	-	-
Actual Underlying NPAT	**11.9**	**10.1**	**22.0**	**8.7**	**1.7**	**10.4**	**13.0**	**55%**

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 Expected Underlying NPAT of $14.3 million reflects expected profit margins on in-force portfolios based on actuarial assumptions and includes short term COVID-19 overlays and changes to the claims assumptions as at 30 June 2020.

3 % change represents the movement from HY20 to HY21.

4 Other predominately relates to a reduction of interest rates earned on physical cash.

Business Unit Operating Earnings After Tax[1], 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.

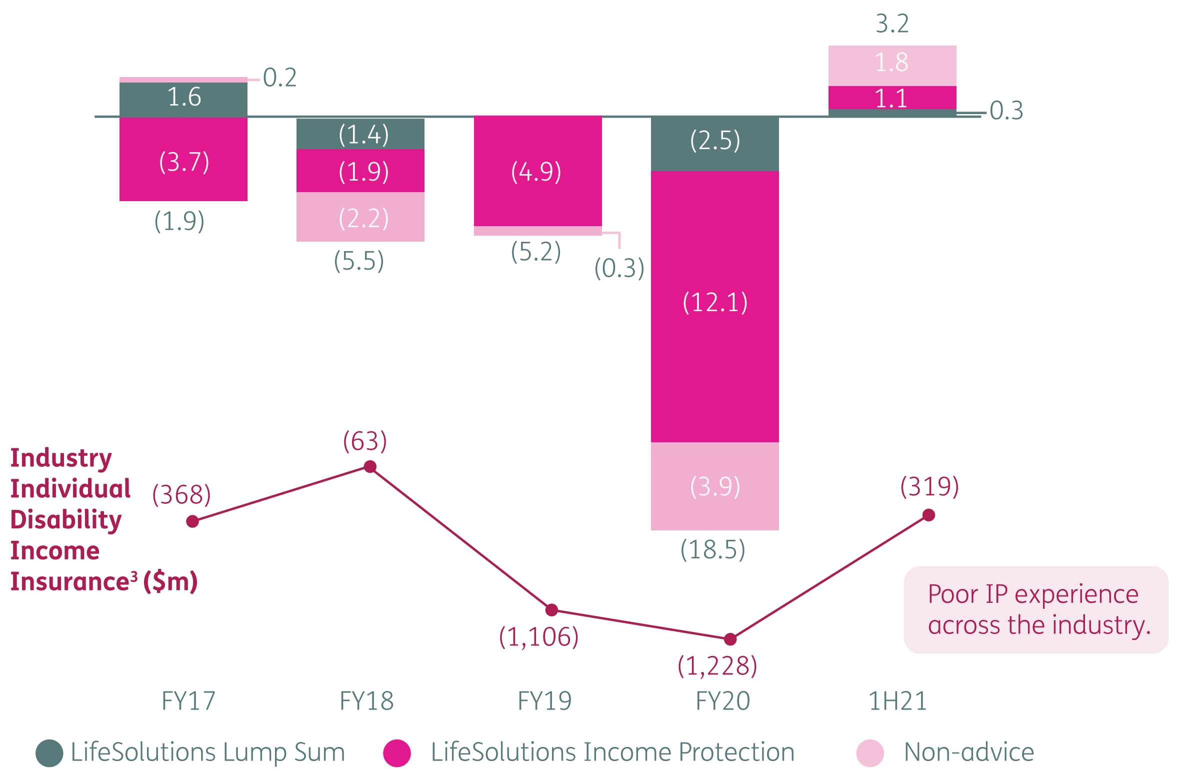
Key items of the performance of the life insurance segment for the half-year period are noted as follows:

- 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. Further details are provided later in the report.

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 IP[3] products offered in the market.

Claims and lapses

Chart 2: Claims Experience ($M)



1 Operating Earnings (after tax) represents the Underlying NPAT[2] 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 capitalized software and leases.

3 Industry Individual Disability Income Losses for relevant year end period. For 1H21 the Industry Individual Disability Income Losses is for the 3 months ended 30 September 2020 as the December 2020 quarterly result was not available. Source: APRA Quarterly Life Insurance Performance Statistics September 2020.

Material changes were made to the claims assumptions adopted at 30 June 2020 (and included in both the policy liability and EV calculations) as follows:

- Increased IP claims cost by 35% (gross of reinsurance)
- Increased LifeSolutions (Death full cover) claims cost by 25%
- Increased Legacy and Non-advice (Death full cover) claims cost by 20%; and
- An allowance was made for shorter term overlays to reflect expected COVID-19 related claims.

The positive claims experience of $3.2 million in HY21 (relative to the revised assumptions adopted) can be broken down as follows:

- ClearView LifeSolutions lump sum portfolio positive experience of $0.3 million in HY21 (HY20: $0.9 million adverse experience). The positive experience was mainly driven by death claims, partially offset by adverse experience on trauma and TPD claims;
- ClearView LifeSolutions IP portfolio reflects positive experience of $1.1 million in HY21 (HY20: $2.6 million adverse experience). The positive experience was mainly driven by improved claims management outcomes and limited COVID-19 impacts to date; and
- Direct portfolios (closed to new business) reflects positive experience in HY21 of $1.8 million (HY20: $1.2 million adverse experience).

ClearView continues to have significant reinsurance support for its LifeSolutions portfolio including an incurred claims treaty to manage the reinsurer concentration risk.

The direct portfolios, including the book that was closed to new business in FY17, have reflected a significant improvement in HY21 post a deteriorating trend over the more recent years, noting that the surplus reinsurance program of the portfolio acquired from Bupa in 2010 retains more risk than the ClearView LifeSolutions products. The portfolio has historically reflected claims profits over a longer period of time, albeit with some volatility between periods.

The poor performance in IP claims across the industry has been driven by underpricing and generous benefits that have not kept up with societal trends. APRA has 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.

APRA has imposed several IDII sustainability measures on the industry including certain changes to policies offered and Pillar 2 capital charges on life insurance companies and friendly societies that sell IP products. APRA's measures require the industry to examine the appropriateness and sustainability of their products and take necessary action to satisfy the requirements of all stakeholders or risk further action.

ClearView continues to be 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 has prepared an IDII action plan that includes a body of work required to ensure our IDII products continue to be appropriate and satisfy the regulatory intent and requirements of this initiative. This is part of the new product development (focus on both pricing and design) and implementation of the new contemporary PAS (integrated with the URE) which is important to drive the success of the business going forward.

ClearView has adopted a first mover approach including the premium rate increases that commenced in April 2020. The premium rate changes were implemented to reflect increased claim costs, revised claims assumptions on IP products and changes in reinsurance costs.

ClearView also ceased the sale of Agreed Value contracts for IP in mid-March (earlier than the required date) and launched a new indemnity type IP option in 2H FY20 to offer a lower maximum monthly benefit at a lower premium rate. Although it is early days, this product has been positively received.

Furthermore, the customer retention strategies that have been adopted include providing consumers with alternatives such as reduced indexation benefits or shifts to alternative product features that keeps the premiums more affordable (relative to the price increases adopted).

ClearView has achieved improved claims management outcomes in HY21 and has increased claims resourcing levels (and related skill sets for complex claims) to ensure appropriate case management by claims assessors.

There have been limited COVID-19 impacts to date. However, there is likely to be an increase in IP claims across the industry from secondary economic impacts of pandemic. This is reflected in ClearView's shorter term overlay assumptions adopted.

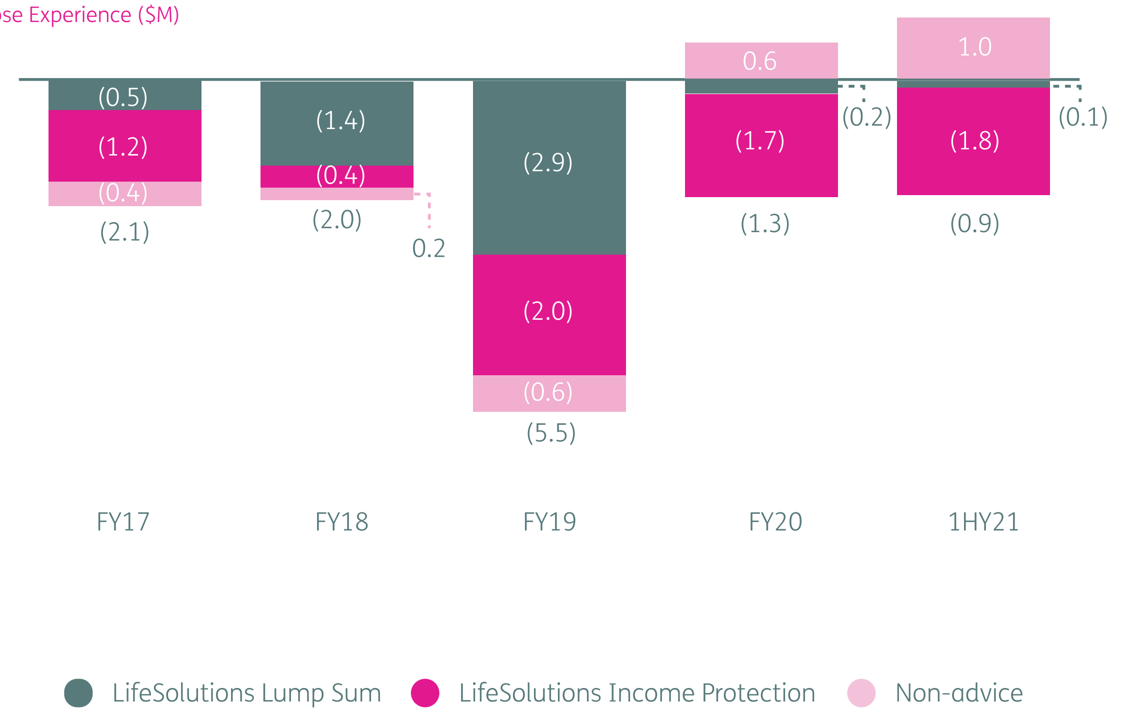
The actuarial best-estimate assumptions adopt a long-term view and are based on expectations that claims experience will average out over time.

Changes were also made to the lapse rate assumptions at 30 June 2020 to allow for shorter-term shock lapse overlays to reflect price changes and potential secondary economic impacts from COVID-19. The shock lapses assumed were as follows:

- 5% in FY21 and 2.5% in FY22 for LifeSolutions; and
- 2.5% for the closed books in FY21.

The adverse lapse experience (relative to the revised lapse assumptions determined at 30 June 2020) across products resulted in an experience loss in HY21 of $0.9 million (HY20: $1.4 million loss).

Chart 3: Lapse Experience ($M)



This is broken down as follows:

- ClearView LifeSolutions lump sum portfolio reflects adverse experience in HY21 of $0.1 million (HY20: $0.7 million adverse experience);
- ClearView LifeSolutions IP portfolio reflects adverse experience in HY21 of $1.8 million (HY20: $0.8 million adverse experience); and
- Direct portfolios (closed to new business) reflects positive experience in HY21 of $1.0 million (HY20: $0.1 million positive experience)

Whilst overall the business has experienced a significant improvement in lapse performance over time, the price increases on income protection products has driven the adverse lapse experience in the half year period. The business is effectively eight months into the repricing cycle. There appears to have been limited COVID-19 impacts to date, observed through experience of the direct portfolios, which implies that the lapse losses have been driven by the pricing changes. The retention strategies remain in place and will continue to be closely monitored.

As outlined earlier in the report, we currently consider that the risk from COVID-19 is more likely to manifest itself in the secondary economic impacts of the pandemic. This risk is exacerbated by unpredictable border closures and the likely removal of government support measures in March 2021. This could potentially drive an increase in claims and lapses in the months ahead. However, to this point, based on the observed evidence in the first half of the financial year, this has not as yet eventuated.

Notwithstanding the significantly improved economic data since the COVID-19 related overlays and assumptions were set (as at 30 June 2020), given the risks outlined above, these assumptions will be reassessed at the full year result and updated based on the experience in the second half (including the likely removal of the government assistance programs).

Expenses

Life insurance operating expenses increased by 7% to $26.1 million (HY20: $24.4 million). Key areas of investment include the claims area, risk and compliance function and projects (including regulatory changes and new system related costs). These were partially offset by reduced overhead costs and software amortisation.

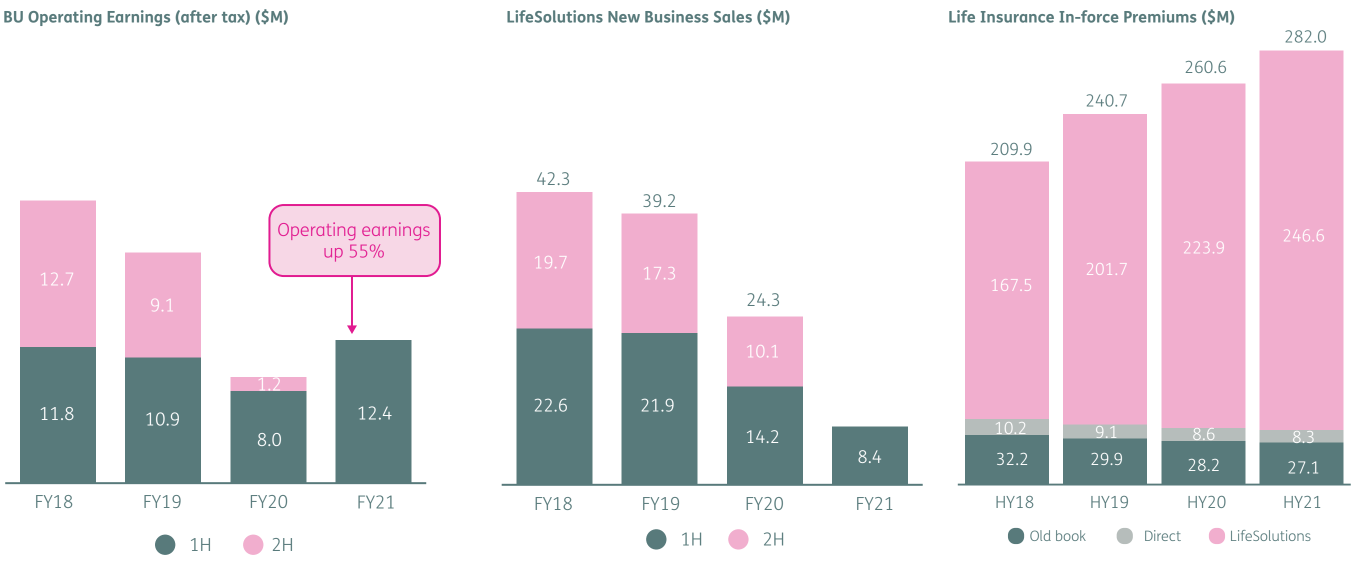
Furthermore, in the half year period there has been a shift in the expense allocation profile (relative to prior periods) given the shorter-term headwinds from the disruption of the advice market, impacts on new business volumes and the business correspondingly adopting a retention focus in HY21 (part of the overall strategy on sustainability of product pricing and margins).

This has resulted in a non-deferred expense experience loss in HY21 of $2.7 million. 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. As the business focus shifts back to new business (over time), it is anticipated that the non-deferred expense overruns will unwind over the medium-term.

Other

- Shareholder capital is conservatively invested in the large institutional Australian banks and more recently 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.
- Investment earnings have been adversely impacted by the ultra-low interest rates on physical cash.
- The increased reinsurance expense reflects increases to reinsurer pricing, costs associated with the incurred claims treaties and is also aligned to the growth in in-force portfolios (which 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 an incurred claims treaty with its primary reinsurer Swiss Re Life and Health Australia (Swiss Re) in December 2019 for its lump sum portfolio. Under the treaty, ClearView LifeSolutions lump sum claims are settled on a comprehensive earned premium and incurred claims basis. As at 31 December 2020, $37.3 million had settled under the treaty.
- ClearView also entered an incurred claims treaty with Swiss Re Life for its IP portfolio in HY21 to address the concentration risk. Under the treaty, ClearView LifeSolutions IP claims are substantially settled on an earned premium and incurred claims basis. Each quarter, Swiss Re settles a substantial component of the outstanding income protection claims liabilities, 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 2020, $88.1 million had settled under the treaty.
- Swiss Re retains the duration and matching risk on the incurred claims treaty. ClearView pays an interest charge on the liabilities related to the settlement of the incurred liabilities. This cost (reported as part of the reinsurance cost) has been included in the HY21 result ($1.1 million).
- As a result of entering into the new treaty, ClearView has wound down the limits on the irrevocable letter of credit issued by a major Australian bank on behalf of Swiss Re. ClearView will be able to increase the dollar limit on the letter of credit in the future, subject to Swiss Re having sufficient capacity at that time.
- Changes in variable expenses relate to commission, stamp duty and medical policy acquisition costs driven by changes in new business volumes between periods.

Chart 4: Life Insurance key performance indicators



ClearView LifeSolutions is now on 592 APLs (up 11% on 532 in HY20). Formerly aligned licensees and advisers are starting to broaden their APLs, due to changing client expectations and the consolidation or closure of larger dealer groups.

- In-force premiums increased 8% to $282.0 million in HY21. 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 2020 is made up of ClearView LifeSolutions, ($246.6 million; +10%) and the closed direct portfolios ($35.4 million -4%).
- The mix of products making up the in-force portfolio has changed materially with the flagship product ClearView LifeSolutions, now representing 87% of total in-force premiums. This links to the margin shifts across the portfolio.
- Gross premiums increased 7% to $133.3 million.

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 regulatory changes; and
- LIF commission reductions, making it less worthwhile for advisers (costs versus effort).

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 its diversified model, positions it to strongly support advisers and forge new relationships. The addressable IFA market is becoming larger with open APLs, however, this is currently being obscured by irrational competitor pricing, shrinking IFA life sales and unsustainable product features.

In the shorter-term the industry dynamic appears to be a limiting factor to life sales, but the industry repricing cycle has commenced coupled with the reworking of product features. The longer-term sales effort is likely to expand beyond pure risk advisers. The shift of risk-focused financial advisers to holistic strategic advice opens an avenue for a simple and effective wealth management solution. The existing ClearView distribution 'scale' is waiting to be utilised in a dual-purpose way to service customers.

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 changes in the group and direct life insurance markets.

Operating segment review

Wealth Management

The HY21 financial performance is detailed below.

Wealth Management financial result:

6 Months to December 2020 ($M)[1]	2019 1H	2019 2H	2019 FY19	2020 1H	2020 2H	2020 FY20	2021 1H	% Change[2]
Fund management fees	17.7	16.7	34.4	16.7	15.7	32.5	15.5	(7%)
Funds management expenses	(4.9)	(4.6)	(9.5)	(4.8)	(4.5)	(9.3)	(4.3)	(11%)
Variable expense[3]	(3.0)	(2.9)	(5.9)	(2.8)	(2.6)	(5.4)	(2.5)	(10%)
Operating expenses	(7.5)	(7.7)	(15.3)	(7.4)	(6.7)	(14.1)	(8.3)	11%
BU Operating Earnings (before tax)	**2.3**	**1.5**	**3.8**	**1.6**	**2.0**	**3.6**	**0.4**	**(74%)**
Income tax (expense) / benefit	(0.4)	(0.1)	(0.5)	(0.2)	(0.2)	(0.4)	0.1	Large
BU Operating Earnings (after tax)	**1.9**	**1.4**	**3.3**	**1.5**	**1.8**	**3.3**	**0.6**	**(61%)**
Underlying investment income	0.2	0.2	0.4	0.2	0.1	0.3	0.1	(67%)
Underlying NPAT	**2.1**	**1.5**	**3.6**	**1.7**	**1.9**	**3.6**	**0.6**	**(61%)**
Amortisation of acquired intangibles	-	(0.1)	(0.1)	-	-	-	-	NM
Impairments	-	(1.1)	(1.1)	-	-	-	-	NM
Cost Out Program Implemenation Costs	-	(0.4)	(0.4)	-	-	-	-	NM
Wealth Project Costs	-	-	-	-	(1.4)	(1.4)	(1.5)	Large
Other costs	-	(0.2)	(0.2)	-	-	-	-	NM
Reported NPAT	**2.1**	**(0.4)**	**1.8**	**1.7**	**0.5**	**2.2**	**(0.8)**	**Large**

Business Unit Operating Earnings After Tax[4], 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. This can be broken down by product as follows:

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 HY20 to HY21.

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.

4 Operating Earnings (after tax) represents the Underlying NPAT[5] of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital.

5 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 capitalized software and leases.

- WealthSolutions fee income fell 6% compared to an increase in average FUM balances of 11%. WealthSolutions fees are down to $5.5 million (includes external platforms of $0.7 million) (HY20: $5.9 million). This was adversely impacted by outflows and a reduction in the net average fee rate to 0.72% (vs 0.76% in HY20), reflecting the reduction in FUM in ClearView models. The product is expected to transition to the HUB24 platform in 2HFY21.
- WealthFoundations fee income increased 18% to $2.7 million (HY20: $2.3 million) compared to an increase in average FUM of 31%. This was adversely impacted by a lower net average fee rate of 0.83% (vs 0.92% in HY20), reflecting 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 HY21 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 15% to $7.3 million broadly in line with average FUM balances (HY20: $8.6 million)).

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.

The current wealth management retail market continues to be impacted by platform (product) pricing and technology competition, technology cost and disintermediation (removal of rebates), with a material shift of flows out of the larger institutions (most of which have or are in the process of exiting the industry) to the newer industry players.

ClearView's response to the changes in industry dynamic has been a major project designed to:

- Seek a modern replacement solution for its wrap technology that is well priced in the market but provides the ability for the wealth business to deliver simple and effective investment products across platforms;
- Have a technology capability that is able to provide a simple master trust style product that is efficient for advisers to meet customer needs;
- Address the life insurance tax credit issue; and
- Deliver new products to the market in the future.

ClearView selected HUB24 as its strategic wrap platform provider following a comprehensive market review. Under the arrangement, the FUM in the WealthSolutions platform product is in the process of being migrated from the current WealthSolutions wrap platform to HUB24, with the transition expected to be completed in 2H FY21 from a technology perspective. This will result in a net reduction in administration fees in the platform business of circa $1.6 million (before tax) per annum. The new WealthSolutions 2 product (on HUB24) has limited margin benefits to ClearView from administration fees - the use of model portfolios is key to the success of the product.

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.

The partnership with HUB24 is expected to deliver on ClearView's goals to seek a modern replacement solution for the wrap technology and deliver competitive new products in the future. Both parties also intend to collaborate on future investment and insurance product initiatives.

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 circa $6 million. In 1HY21, a further $2.1 million of these costs were incurred, with the balance expected to be incurred in 2H FY21 as the project progresses.

ClearView's contemporary technology that runs and administers the WealthFoundations and traditional master trust style products remains with ClearView.

The WealthFoundations product is well positioned to capitalise on the need for financial advisers to drive efficiency and operate in the centre between industry funds and wrap platforms. The product is administered on the ClearView customised version of the contemporary IRESS technology system (efficient and scalable platform). The product strategy is driven by simplicity, transparency and efficiency. The aim is to:

- Provide customer value and flexibility by having the capacity to blend portfolios, compete comfortably on price and provide more transparency than pooled solutions; and
- Drive practice efficiencies by being easy to do business with.

Further build out of the product has commenced in HY21, including:

- Upgrade of current front-end usability;
- Integration into our life insurance product; and
- Build out of an ordinary (non-superannuation) simple product.

Operating expenses increased 11% in HY21, largely attributable to an increased shared services allocation and higher IT spend associated with the WealthFoundations product and its further development. These were partially offset by a reduction in software amortisation costs and other group overhead costs. The current cost base reflects the costs associated with the internal contemporary platform and WealthFoundations product that is yet to achieve scale relative to initial system and operational costs.

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.

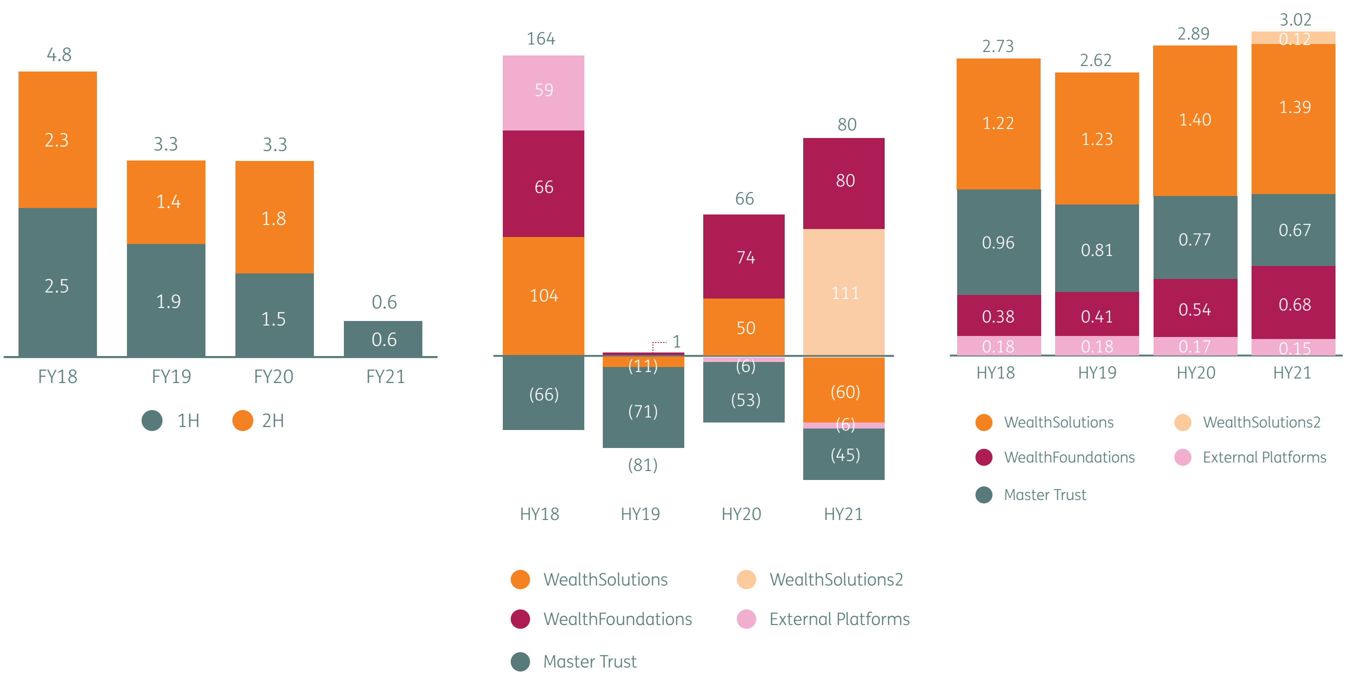
ClearView's contemporary Wealth Management solutions, which include a range of model portfolios and investment administration platforms, are only accessible through financial advisers.

The IFA segment represents ClearView's largest opportunity. Gaining support from the adviser network by offering quality products and service is important for diversifying sales and growing FUM.

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

Chart 5: Wealth Management key performance indicators

Wealth Management Operating Earnings After Tax[1] ($M) **Net Flows ($M)** **FUM ($B)**



1 Operating Earnings (after tax) represents the Underlying NPAT[2] 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.

Operating segment review

Financial advice

The HY21 financial performance is discussed below.

Financial Advice result:

6 Months to December 2020 ($M)[1]	2019 1H	2019 2H	FY19	2020 1H	2020 2H	FY20	2021 1H	% Change[2]
Net financial planning fees	8.8	8.4	17.2	8.8	9.4	18.1	7.1	(19%)
Other Income	0.2	-	0.2	-	-	-	-	NM
Operating expenses	(9.1)	(7.2)	(16.4)	(8.5)	(7.2)	(15.7)	(5.9)	(30%)
BU Operating Earnings (before tax)	**(0.1)**	**1.1**	**1.0**	**0.3**	**2.2**	**2.5**	**1.2**	**Large**
Income tax (expense) / benefit	0.0	(0.3)	(0.3)	0.2	(0.7)	(0.4)	(0.3)	Large
BU Operating Earnings (after tax)	**(0.1)**	**0.8**	**0.7**	**0.5**	**1.6**	**2.1**	**0.8**	**66%**
Underlying investment income	0.2	0.1	0.3	0.1	0.1	0.2	0.1	(46%)
Underlying NPAT	**0.1**	**0.9**	**1.0**	**0.6**	**1.6**	**2.3**	**0.9**	**66%**
Amortisation of acquired intangibles and impairment	(0.6)	(13.4)	(14.0)	-	-	-	-	NM
Cost Out Program Implementation Costs	-	(0.4)	(0.4)	(0.3)	-	(0.3)	-	NM
Other costs	-	(0.3)	(0.3)	-	0.1	0.1	0.1	Large
Reported NPAT	**(0.5)**	**(13.2)**	**(13.7)**	**0.3**	**1.7**	**2.0**	**0.9**	**207%**

Business Unit Operating Earnings After Tax[3], 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.

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 HY20 to HY21.

3 Operating Earnings (after tax) represents the Underlying NPAT[4] of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital.

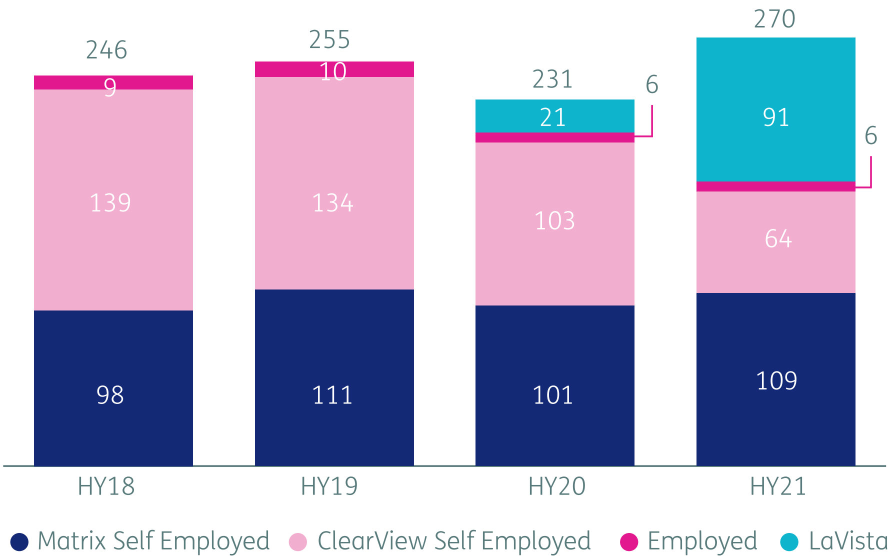
4 Underlying NPAT consists of consolidated profit after tax excluding amortisation, the effects of changing discount rates on policy liabilities and costs considered unusual to the Group's ordinary activities. Includes amortisation of capitalised software and leases.

Scale in the segment is now at a stepped fixed cost phase, where addition of new staff occurs only once when the next group of practices join and AFSL volumes have been reached.

ClearView has continued to enhance and rollout its 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.

The ClearView and Matrix dealer groups, together have 179 financial advisers operating under their licences. LaVista has 28 adviser practices (91 advisers) using its services at Balance Sheet date, with a strong pipeline of financial advisers seeking to utilise these services in future.

Chart 6: Advisers



ClearView has set its key objectives in FY21 as follows:

- Launched LaVista, an 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 its dealer groups over time, the intention is to replace the grandfathered revenue streams by building a sustainable revenue base that allows the dealer groups and LaVista to continually invest and support its financial adviser client base and that better reflects the true cost of providing that support.

Operating segment review

Listed/Group segment

The HY21 financial performance is discussed below.

Listed /Group segment result:

6 Months to December 2020 ($M)[1]	2019 1H	2019 2H	FY19	2020 1H	2020 2H	FY20	2021 1H	% Change[2]
Operating expenses	(0.7)	(0.6)	(1.2)	(0.6)	(0.7)	(1.4)	(0.7)	13%
BU Operating NPBT	**(0.7)**	**(0.6)**	**(1.2)**	**(0.6)**	**(0.7)**	**(1.4)**	**(0.7)**	**13%**
Income tax (expense) / benefit	0.0	(0.1)	(0.0)	0.1	0.1	0.3	0.0	(98%)
BU Operating NPAT	**(0.6)**	**(0.7)**	**(1.3)**	**(0.5)**	**(0.6)**	**(1.1)**	**(0.7)**	**38%**
Underlying investment income	0.1	0.1	0.2	0.1	0.1	0.1	0.0	(60%)
Interest expense on corporate debt	(0.2)	(0.3)	(0.5)	(0.3)	(0.4)	(0.6)	(0.9)	250%
Underlying NPAT	**(0.7)**	**(0.8)**	**(1.5)**	**(0.7)**	**(0.9)**	**(1.6)**	**(1.6)**	**101%**
Cost Out Program Implementation Costs	0.0	(1.5)	(1.5)	1.1	(0.2)	0.9	0.0	Large
Direct Closure, Remediation Program and Royal Commission Costs	(0.4)	0.0	(0.4)	0.0	0.3	0.3	0.0	NM
Other costs	0.0	0.0	0.0	0.0	(0.2)	(0.2)	0.0	NM
Reported NPAT	**(1.1)**	**(2.2)**	**(3.4)**	**0.4**	**(1.0)**	**(0.6)**	**(1.6)**	**Large**

The segment financial results for the half year ended 31 December 2020 are shown in the table above. Business Unit Operating Earnings After Tax[3], decreased by 38% to -$0.7 million (HY20: $-0.5 million) and Reported NPAT to -$1.6 million (HY20: $0.4 million profit).

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.

Investment earnings reflect some reallocation of physical cash between segments and the material reduction in interest rates over time. The costs associated with maintaining a listed entity have remained broadly consistent period to period.

Interest on corporate debt relates to loan establishment and the Debt Funding Facility with interest charges associated with the incurred claims treaty and letter of credit reflected in the Life Insurance segment results (as part of the reinsurance costs).

On 5 November 2020, the Company issued $75 million subordinated, unsecured notes to wholesale investors. These are unsecured, subordinated debt obligations of the Company. Interest accrues on at a variable rate equal to the three-month Bank Bill Swap Rate ('BBSW') plus a margin of 6% per annum, until maturity, payable quarterly in arrears. Interest expense recognised for the half year period was $0.7 million. The maturity date of the subordinated debt is 5 November 2030.

The Company capitalised directly attributable costs associated with the issuance of the subordinated debt, which for the half year ended total $1.6 million. These costs are amortised on a straight-line basis of 5 years.

The Company utilised $30 million of the proceeds of the Notes for regulatory capital purposes for its regulated life insurance entity. The remainder of the proceeds were used by ClearView to repay existing debt and to cover associated costs. As at 31 December 2020, ClearView had drawn down $16 million under the Debt Funding Facility.

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 HY20 to HY21.

3 Operating Earnings (after tax) represents the Underlying NPAT[4] of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital.

4 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 capitalized software and leases.

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.

Statement of financial position

The Group's statement of financial position, which is set out on page 39, 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:

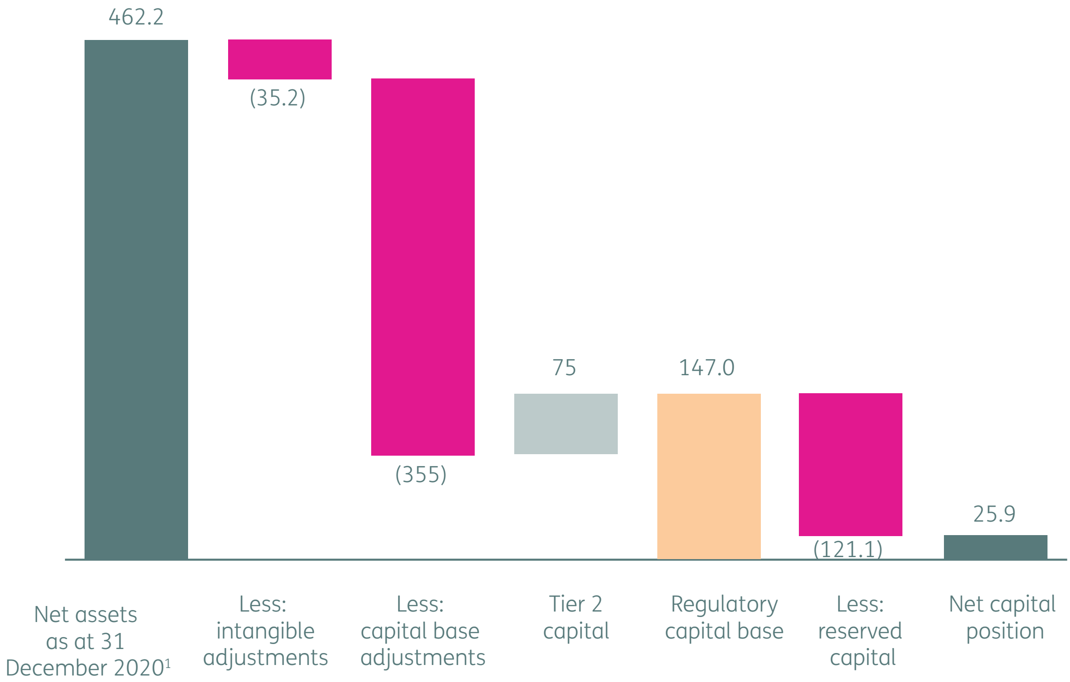
- A net cash position of $117.2 million, with shareholder cash and cash equivalents of $206.6 million, $16 million drawn down under the Debt Funding Facility, $75 million Tier 2 capital raised reflected as subordinated debt (net of costs). Shareholder cash is conservatively invested in the large institutional 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.

Capital Position at 31 December 2020

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

Chart 7: Capital position as at 31 December 2020 ($M)



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

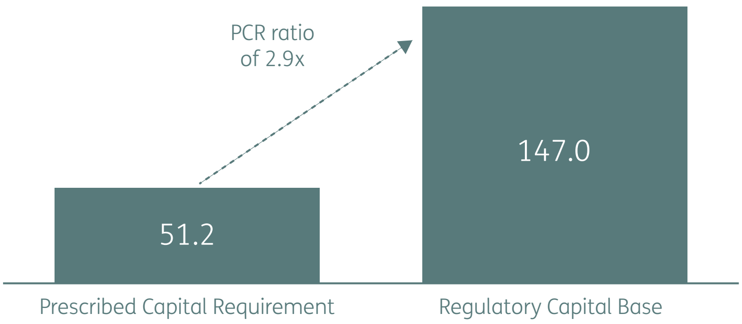
The net capital position of the Group was $25.9 million at 31 December 2020 and reflects:

- 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).

- 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.

Chart 8: Group Regulatory Capital Coverage ($M)



The net capital position of the Group as at 31 December 2020 represents an increase of $21.7 million since 30 June 2020. This reflects the following key items:

- The Underlying NPAT for the period (+$13 million);
- Costs considered unusual to the normal activities of the business as disclosed separately earlier in the report (-$1.3 million)
- The new business funding costs (net of deferred acquisition cost amortisation) (-$7.8 million);
- Change in admissible and deferred tax assets (-$0.5 million);
- Increase in regulatory and risk capital (-$23.3 million) due to:
  - Introduction of APRA's Pillar 2 capital requirement in relation to IDII business;
  - Increase in ECB working capital to fund net capital requirements for the year; and
  - Movements in other capital reserves, particularly for insurance/liability risk reserves.
- Net impact of the Tier 2 capital raising which comprises of:
  - $75 million Tier 2 capital raised at a Group level (+$75 million). Of the $75 million raised, $30 million was injected into the CLAL No. 1 Fund as Tier 2 Capital.
  - $44 million repayment of the NAB debt facility, including $34 million previously counted for capital purposes (-$34 million).
- Net other movements and ESP related items (-$0.2 million); and
- Tax effect of impact of changes of discount rate on policy liabilities (+$0.9 million)

Chart 9: Capital position as at 31 December 2020 by segment and regulated entity

	Life	Wealth	Other	APRA Regulated Entities	Wealth	Financial Advice	ASIC Regulated Entities	All Regulated Entities	NOHC[2]/ Other	Group
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Net assets at 31 December 2020	442.6	9.0	4.0	455.6	8.4	11.2	19.7	475.3	(13.1)	462.2
Intangible adjustments[3]	(3.6)	(1.0)	0.0	(4.7)	(0.2)	0.0	(0.2)	(4.8)	(30.3)	(35.2)
Net assets after intangible adjustments	**438.9**	**8.0**	**4.0**	**450.9**	**8.3**	**11.2**	**19.5**	**470.4**	**(43.4)**	**427.0**
Capital Base Adjustment:										
Deferred Acquisition Costs (DAC)	(351.5)	-	-		-	-	-	(351.5)	-	(351.5)
Tier 2 capital[4]	30.0	-	-	30.0	-	-	-	30.0	45.0	75.0
Other Adjustments to Capital Base	(2.4)	(0.1)	0.0	(2.5)	(0.1)	(0.7)	(0.9)	(3.4)	(0.2)	(3.5)
Regulatory Capital Base	**115.0**	**7.9**	**4.0**	**126.9**	**8.2**	**10.5**	**18.6**	**145.6**	**1.5**	**147.0**
Prescribed Capital Requirement	(38.3)	(3.6)	(3.6)	(45.5)	(5.0)	(0.6)	(5.6)	(51.2)	-	(51.2)
Available Enterprise Capital	**76.7**	**4.3**	**0.4**	**81.4**	**3.2**	**9.8**	**13.0**	**94.4**	**1.5**	**95.8**
Enterprise Capital Benchmark (ECB)										
Working Capital	(5.0)	-	-	(5.0)	-	-	-	(5.0)	-	(5.0)
Risk Capital[1]	(48.9)	(2.9)	-	(51.8)	(2.0)	(2.7)	(4.6)	(56.5)	(8.5)	(64.9)
Net capital position	**22.8**	**1.3**	**0.4**	**24.6**	**1.2**	**7.2**	**8.4**	**32.9**	**(7.0)**	**25.9**

1 As at 31 December 2020, risk capital is held in regulated entities at 97.5% probability of adequacy (POA). Risk capital at 99% POA is held in the NOHC[2]

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

3 Intangible adjustments relate to goodwill, acquired intangibles and capitalised software. It also includes the removal of the CRP receivable of $16.0 million for capital purposes and $1.6 million of capitalised costs in relation to the Tier 2 capital raising.

4 ClearView raised $75m of Tier 2 subordinated notes in November 2020.

Dividends and On-market 10/12 limit share buyback

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

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 minimize 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 Tax[1] (as opposed to Underlying NPAT), 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.

Selective buy-back

As approved by Shareholders at the ClearView 2020 Annual General Meeting (AGM) and disclosed on market, ClearView undertook a selective buy-back of unvested Executive Share Plan (ESP) Shares in November 2020. 2,435,940 shares were selectively bought back and cancelled on the terms outlined in the ClearView AGM Notice of Meeting, Appendix 3C, Appendix 3E and Appendix 3F. These announcements are under the Shareholders tab on the ClearView website.

Employee Share Scheme buy-back

There were no Employee Shares Scheme shares bought back and cancelled in the half year ended 31 December 2020.

Embedded Value

Life Insurance and Wealth Management are long-term businesses that involve long-term contracts with customers and complex accounting treatments. Embedded Value (EV) 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. Consistent with 30 June 2020, an Embedded Value calculation is no longer considered meaningful for the Financial Advice segment. Only the net assets of the Financial Advice segment is included in the Embedded Value calculations.

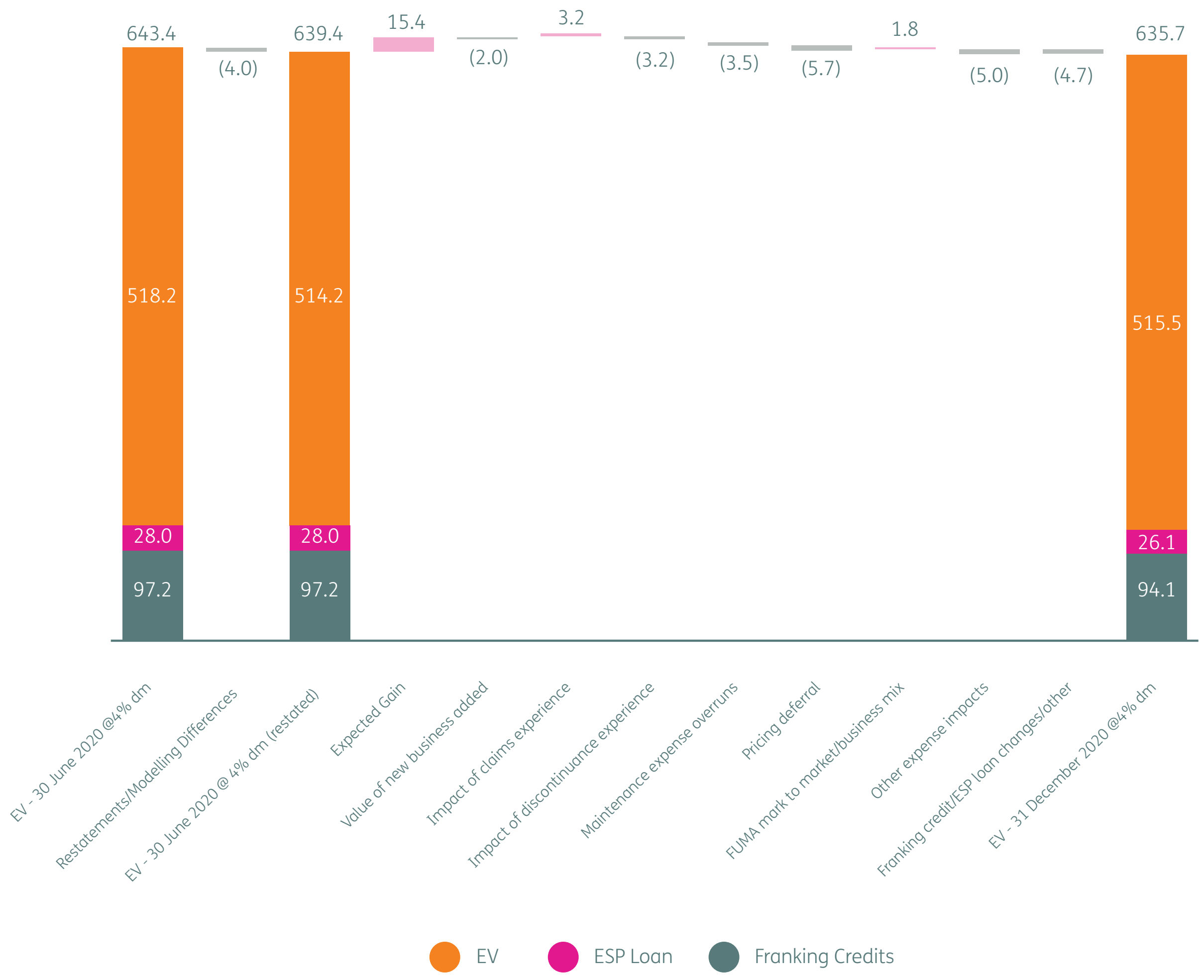
1 Operating Earnings (after tax) represents the Underlying NPAT[2] of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital.

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.

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

Risk margin over risk free rate: ($M), (unless otherwise stated)	3% dm	4% dm	5% dm
Life insurance	497.8	465.3	436.5
Wealth management	47.4	45.0	42.6
Advice	-	-	-
Value of In Force (VIF)	**545.1**	**510.3**	**479.1**
Net worth	5.2	5.2	5.2
Total EV	**550.3**	**515.5**	**484.3**
ESP Loans	26.1	26.1	26.1
Total EV including ESP Loans	**576.4**	**541.6**	**510.4**
Franking Credits @ 70%:			
Life Insurance	66.1	61.6	57.6
Wealth Management	11.2	10.6	10.1
Financial Advice	-	-	-
Net worth (accrued franking credits)	21.9	21.9	21.9
Total Franking Credits	**99.3**	**94.1**	**89.6**
Total EV including ESP loans and franking credits	**675.7**	**635.7**	**600.0**
EV per Share including ESP Loans (cents)	**85.4**	**80.3**	**75.6**
EV per Share including ESP Loans and Franking Credits (cents)	**100.1**	**94.2**	**88.9**

Chart 10: EV movement waterfall



The key movements in the EV between June 2020 and HY21 are described in detail below. The restatement of the 30 June 2020 relates to the impact of model changes (-$4.0 million).

HY21 Movements (measured relative to 30 June 2020 Best Estimate Assumptions) (+$1.0 million)

Expected gain (+$15.4 million) represents the expected unwind of the discount rate within the value of in-force and investment earnings on net worth.

The value added by new business written (VNB) over the period (-$2.0 million). The current value of new business is suppressed by the acquisition costs incurred relative to lower new business volumes in the life insurance segment (-$1.6 million) and Wealth segment (-$0.4 million).

Strong claims performance (relative to planned margins) across products, as noted earlier in the report (+$3.2 million). Material changes were made to the claims assumptions at 30 June 2020, including an increase IP claims cost by 35%, death (full cover) claims cost (LifeSolutions by 25%; Closed portfolios by 20%) and an allowance for shorter term overlays to reflect expected COVID-19 related claims (incidence and terminations). See further commentary on claims experience on page 16.

Life Insurance lapse experience impact of -$0.8 million. Retention strategies are a key focus (in light of price increases and COVID-19 impacts). The lapse experience is measured relative to the allowance for potential COVID-19 impacts in the lapse assumptions at 30 June 2020. Recent adverse lapse experience and trend and changes to assumptions are as noted on page 18.

The profitability for disability income business is expected to improve over time given ClearView's planned initiatives (including repricing and product redesign aligned with the APRA action plan).

For the Wealth Management business, discontinuance rates (outflows) were higher than expected (impact of -$2.3 million), driven by outflows in the WealthSolutions product (and related reduction in use of the model portfolios as a proportion of FUM balances). The strong investment performance, partially offset by changes in the mix of businesses, resulted in higher FUM balances relative to expectations and a higher present value of future fees at the end of the period (+$1.8 million). The EV calculations for the Wealth Management business include assumptions around margin compression given market pressures, in particular on traditional products. The impact of the HUB24 project on margin earned on the administration fee has also been built into the EV calculations.

Overall adverse net expense impact of -$8.5 million:

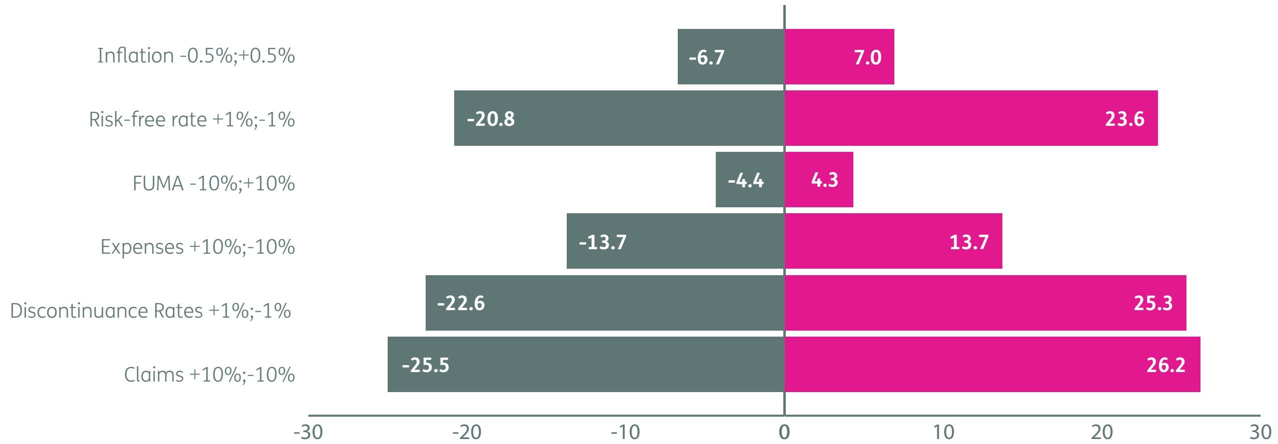
- Maintenance expense experience reflects non-deferred expense experience loss in HY21 (-$3.5 million). Life insurance operating expenses increased by 7% with key areas of investment including the claims function, risk and compliance uplift and projects (including regulatory changes and new system related costs). These were partially offset by reduced overhead costs and software amortisation. 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 volumes and the business correspondingly adopting a retention focus in HY21 (part of the overall strategy on sustainability of product pricing and margins). This has resulted in a non-deferred expense experience loss in life insurance in HY21 of $2.7 million. It is anticipated that the structural changes to the market, return of rational pricing and the launch of new products will allow new business volumes to increase back over time, with a shift back to acquisition, with the expense overruns thereby unwinding over the medium term. Wealth Management reflects a non-deferred expense experience loss in HY21 of $0.8 million. The current cost base in Wealth Management reflects the costs associated with the internal contemporary platform and WealthFoundations product that is yet to achieve scale relative to the stepped fixed cost nature of the business.
- Costs considered unusual to the business (-$2.0 million) predominantly related to the wealth management project and impairment of the CRP receivable.
- Listing and interest costs on corporate debt were impacted by the Group's listed overhead costs, amounts drawn down under the corporate debt facility and interest costs associated with the Tier 2 subordinated note which are not allowed for in the EV (-$1.4 million). Furthermore, the costs associated with the capital raising that was completed in November 2020, also impacted on the EV (-$1.6 million).
- The EV calculations include the flow through of the April 2020 life insurance price increases as previously outlined in the report. Shock lapse assumptions have been included in the EV calculations, incorporating effects of the April 2020 price increases and COVID-19 overlays. A shock lapse assumption of 5% is adopted for LifeSolutions business and 2.5% is also included on the closed portfolios in FY21. This is in respect to price increases expected across the portfolio and potential lapses from customers which have had a detrimental impact from the economic impact associated

with COVID-19. Further shock lapses of 2.5% are also allowed for in FY22 given the proposed premium rate changes from October 2021 – the deferral of the LifeSolutions premium rate changes for a six month period (from May 2021) has had an adverse $5.7 million impact on the EV in the half year period. The further increases in reinsurance premiums (for business sold prior to 1 March 2019) and costs associated with the incurred claims treaty have also been allowed for in the EV calculations. This will be effective for policies renewing from 1 March 2021.

Franking credit and ESP loan changes (-$4.7 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 non-recourse nature of the ESP loans, $26 million is considered recoverable at 31 December 2020 (ESP loans have been valued at issue price per ESP share).
- Net impact from share based payments in the half year period.

Chart 11: Embedded Value sensitivity analysis @ 4%DM



Outlook

- The world continues to face significant economic, social and health challenges caused by the COVID-19 pandemic. In these uncertain times, and whilst ClearView is not immune to the challenges faced, we are fortunate to have a sound business model, strong Balance Sheet and recurring revenue base that creates a level of security for our customer base, adviser network and stakeholders.
- FY21 is a considered a base transitional year as the life insurance industry shifts (over time) to rational pricing, increasing sales and sustainable product features.
- In light of the Group's first half performance, the Board provides updated FY21 guidance of Underlying NPAT[3] in the range of $21-25 million[1,4] (this includes a $1 million impact on Underlying NPAT in the second half from interest costs associated with the subordinated debt that was raised in November 2020). Furthermore, given the decision of the Board to base dividend payments on Operating Earnings After Tax[2], in future periods from FY22, earnings guidance will be provided at an Operating Earnings After Tax level.
- Initiatives are underway to achieve more sustainable IP claims and pricing outcomes - (APRA IDII Sustainability Measures) that could lead to a return of rationality to the market which is important for the achievement of improved margins.
- The repricing of the life insurance portfolio commenced in April 2020 (comes through annual policy renewal cycle) with a focus on retention and income protection claims management to continue in the second half of the financial year.
- ClearView is also focused on accelerating the development of its Wealth Management business, and a self-sustaining Financial Advice business.
- The implementation of key actions, including a shift to line of business structure, are showing early signs of traction with improved capability and capacity.
- ClearView is on track to meet its FY21 goals with a view to launching new products on a modern life insurance technology platform, thereby accelerating new business growth.
- ClearView has an Embedded Value of 94.2 cents per share that reflects the discounted cash flows of the in-force portfolios (including updating the assumptions for the potential impacts of COVID-19 as at 30 June 2020).
- ClearView intends to reinstate the FY21 dividend (payout ratio of 40% - 60% of Operating Earnings After Tax[2]), subject to 2H FY21 financial performance and capital position as at 30 June 2021.
- ClearView has successfully completed its capital management initiatives (including repaying a significant part of the Debt Funding Facility) and its Strong Balance Sheet and capital base remain resilient to various stress scenarios.

ClearView's current actions to build customer loyalty, simplify and improve products, and invest in technology are focused on ensuring ClearView is easy for advisers and customers to do business with. This strategy is likely to underpin medium-to-long term performance improvement objectives.

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 into Misconduct in the Banking, Superannuation and Financial Services Industry Final Report recommendations and the regulatory reform agenda.

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.

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 2020.

1 Key potential impacts that are critical to the attainment of the guidance provided are the achievement of best estimate assumptions in 2H FY21 (in particular for claims and lapses) and the secondary economic impacts of COVID-19, and the flow on effects to IP claims and affordability of premiums. While estimates and allowances have been made in the claims and lapse assumptions adopted, given the fluidity of the COVID-19 pandemic and operating environment, potential impacts from any deterioration in economic conditions or unanticipated delays in the roll out of the vaccine, actual experience relative to assumptions adopted will need to be closely monitored with the related flow on effects to the guidance provided.

2 Operating Earnings (after tax) represents the Underlying NPAT[3] of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital

3 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.

4 Group Underlying NPAT[3] guidance of $20-24 million was previously provided.

Auditor’s independence declaration

The auditor’s independence declaration is included on page 37.

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

Geoff Black
Chairman

23 February 2021

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

23 February 2021

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 2020, 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

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Condensed consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2020

	Note	Consolidated 6 months to 31 December 2020 $'000	Consolidated 6 months to 31 December 2019 $'000
Revenue from continued operations			
Premium revenue from insurance contracts		138,384	128,838
Outward reinsurance expense		(48,706)	(40,886)
Net life insurance premium revenue		**89,678**	**87,952**
Fee and other revenue		65,541	62,999
Investment income		44,484	64,607
Operating revenue before net fair value gains/(losses) on financial assets		**199,703**	**215,558**
Net fair value gains/(losses) on financial assets		91,596	6,199
Net operating revenue		**291,299**	**221,757**
Claims expense		(68,571)	(72,967)
Reinsurance recoveries revenue		49,500	50,369
Commission and other variable expenses		(64,409)	(62,210)
Operating expenses	4	(55,722)	(50,355)
Depreciation and amortisation expense	4	(3,018)	(3,789)
Change in life insurance policy liabilities	9	5,165	(17,013)
Change in reinsurers' share of life insurance liabilities	9	(6,728)	16,096
Change in life investment policy liabilities	9	(76,898)	(44,624)
Movement in liability of non-controlling interest in controlled unit trusts		(60,742)	(30,484)
Profit before income tax expense		**9,876**	**6,780**
Income tax benefit/(expense)		212	3,030
Total comprehensive income for the period from continuing operations		**9,664**	**9,810**
Attributable to:			
Equity holders of the parent		9,664	9,810
Earnings per share			
Basic (cents per share)		1.55	1.57
Diluted (cents per share)		1.54	1.55

To be read in conjunction with the accompanying notes.

Condensed consolidated statement of financial position

For the half year ended 31 December 2020

	Note	Consolidated 31 December 2020 $'000	Consolidated 30 June 2020 $'000
Assets			
Cash and cash equivalents		127,352	186,443
Investments	8	2,309,126	2,013,797
Receivables		42,152	40,672
Fixed interest deposits		98,366	118,534
Reinsurers' share of life insurance policy liabilities	9	47,141	128,543
Deferred tax asset		8,812	11,759
Property, plant and equipment		830	494
Right of use asset		1,330	1,363
Goodwill	7	12,511	12,511
Intangible assets	7	5,071	5,969
Total assets		**2,652,691**	**2,520,085**
Liabilities			
Payables		38,305	35,092
Current tax liabilities		2,061	2,175
Provisions		7,280	7,030
Lease liabilities		1,363	1,804
Life insurance policy liabilities	9	(47,519)	(59,341)
Life investment policy liabilities	9	1,282,959	1,185,326
Liability to non-controlling interest in controlled unit trusts		814,873	834,092
Deferred tax liabilities		1,742	1,186
Borrowings	11	16,000	60,000
Subordinated debt	12	73,431	-
Total liabilities		**2,190,495**	**2,067,364**
Net assets		**462,195**	**452,721**
Equity			
Issued capital	6	447,448	447,448
Retained losses		(3,625)	(13,290)
Executive Share Plan Reserve		14,393	14,584
General Reserve		3,979	3,979
Total equity		**462,195**	**452,721**

To be read in conjunction with the accompanying notes.

Condensed consolidated statement of changes in equity

For the half year ended 31 December 2020

	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 2020	**447,448**	**14,584**	**3,979**	**(13,290)**	**452,721**
Profit for the period	-	-	-	9,665	9,665
Total comprehensive income for the year	-	**-**	**-**	**9,665**	**9,665**
Recognition of share based payments	-	50	-	-	50
ESP shares vested/(forfeited)	-	(241)	-	-	(241)
Balance at 31 December 2020	**447,448**	**14,393**	**3,979**	**(3,625)**	**462,195**
Balance at 30 June 2019	**446,043**	**16,087**	**3,294**	**(26,372)**	**439,052**
Profit for the period	-	-	-	9,811	9,811
Total comprehensive income for the year	**-**	**-**	**-**	**9,811**	**9,811**
Recognition of share based payments	-	248	-	-	191
ESP shares vested/(forfeited)	-	-	685	-	742
Share bought back	(374)	-	-	-	(374)
Balance at 31 December 2019	**445,669**	**16,335**	**3,979**	**(16,561)**	**449,422**

To be read in conjunction with the accompanying notes.

Condensed consolidated statement of cash flows

For the half year ended 31 December 2020

	Consolidated	
	6 months to 31 December 2020 $'000	6 months to 31 December 2019 $'000
Cash flows from operating activities		
Receipt from clients and debtors	377,576	402,230
Payments to suppliers and other creditors	(167,019)	(215,929)
Withdrawals paid to life investment clients	(165,183)	(149,858)
Dividends and trust distributions received	43,869	7,795
Incurred claims treaty settlements	89,372	-
Interest received	1,193	11,086
Interest on borrowings and other costs of finance	(873)	(797)
Income taxes paid	(1,415)	(2,987)
Net cash (utilised)/generated by operating activities	**177,520**	**51,540**
Cash flows from investing activities		
Payments for investment securities	(897,178)	(821,807)
Proceeds from sales of investment securities	688,619	826,395
Acquisition of property, plant and equipment	(613)	(272)
Acquisition of capitalised software	(1,031)	(972)
Fixed interest deposits (invested)/redeemed	20,168	15,937
Loans repaid	864	620
Net cash generated/(utilised) by investing activities	**(189,171)**	**19,901**
Cash flows from financing activities		
Net movement in liability of non-controlling interests in unit trusts	(77,396)	(57,619)
Loan borrowing (repaid)/drawn down	(44,000)	16,000
Proceeds from subordinated debt	75,000	-
Repayment of lease liabilities	(1,044)	(1,277)
Shares bought back	-	(374)
Net cash (utilised)/generated in financing activities	**(47,440)**	**(43,270)**
Net (decrease)/increase in cash and cash equivalents	(59,091)	28,171
Cash and cash equivalents at the beginning of the financial year	186,443	200,197
Cash and cash equivalents at the end of the financial period	**127,352**	**228,368**

To be read in conjunction with the accompanying notes.

Notes to the condensed consolidated financial statements

For the half year ended 31 December 2020

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 2020, other than where disclosed and with the exception of changes in accounting policies required following the adoption of new accounting standards on 1 July 2020. 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.

As outlined earlier in the report, we currently consider that the risk from COVID-19 is more likely to manifest itself in the secondary economic impacts of the pandemic. This risk is exacerbated by unpredictable lock downs, border closures and the likely removal of government support measures in March 2021. This could potentially drive an increase in claims and lapses in the months ahead. However, to this point, based on the observed evidence in the first half of the financial year, this has not as yet eventuated.

Notwithstanding the significantly improved economic data since the COVID-19 related overlays and assumptions were set (as at 30 June 2020), given the risks outlined above, these assumptions will be reassessed at the full year result and updated based on the experience in the second half (including the likely removal of the government assistance programs).

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.

There has been no 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.

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* replaces AASB 4 *Insurance Contracts* and AASB 1038 *Life Insurance Contracts*, and is effective for ClearView from 1 July 2023. AASB 17 aims to establish globally consistent principles for the recognition, measurement, presentation and disclosure of life insurance contracts issued. The new standard is not expected to change the underlying economics or cashflows of ClearView's business, but it is expected to have an impact on the emergence of profits. Life investment contracts are currently measured under the AASB 9 *Financial Instruments* standard and will continue to be recognised under this standard.

The key changes under AASB 17 include:

- Changes to the level of aggregation, as AASB 17 requires that insurance contracts to be pooled into portfolios of insurance contracts that have similar risks and are managed together. Furthermore, these portfolios are to be separated into groups of insurance contracts split by profitability (or onerous) categories and contain contracts issued no more than 12 months apart (cohorts). AASB 17 also requires the unbundling of underlying (gross) insurance contracts from their related reinsurance contracts held. All things considered these groups of insurance contracts are expected to be more granular than the current related product groups under AASB 4.
- The introduction of a risk adjustment for non-financial risk which reflects the compensation that ClearView requires for bearing the uncertainty in relation to the amount and timing of cash flows. The confidence level used to determine the risk adjustment will need to be disclosed.
- Although conceptually similar, the Contractual Service Margin (CSM) requirement under AASB 17 recognises profit on a different basis to the Margin on Services (MoS) approach under AASB 4, and therefore the emergence of profit is likely to change for portfolios with positive profit margins.
- Changes to the contract boundary, of which projected cashflows are to be included, is likely to impact parts of ClearView's business. In particular, the yearly renewable term (YRT) stepped premium business contract boundary is expected to be materially shortened from a long-term, natural expiry contract boundary under IFRS 4 to a 12-month contract boundary under IFRS 17 reflecting its policyholder renewal and repricing cycle.
- The requirement to explicitly disclose assets relating to deferred acquisition costs (DAC) for acquisition costs that are paid or incurred for groups of insurance contracts relating to future renewals. This is particularly pertinent for the YRT stepped premium business with 12-month contract boundaries, where any unallocated DAC will be held separately, and published as part of the assets on the Balance Sheet. For business with long contract boundaries, as with all business under AASB 4, the DAC is implicitly included in the liabilities.

On 25 November 2020, APRA released its discussion paper *Integrating AASB 17 into the capital and reporting frameworks for insurers and updates to the LAGIC framework* which outlines their proposals to align, where appropriate, its capital and reporting frameworks with AASB 17. APRA's release of the updated Life Prudential Standard which includes AASB 17 changes is expected in June 2022.

Amongst other things, the pertinent proposals and implications in APRA's discussion paper include:

- an effective date of 1 July 2023 for the APRA proposals to apply, which for ClearView is aligned to the effective date of AASB 17;
- more granular reporting to APRA (for example, the stepped premium business will be split from non-stepped premium business) of which a set of allocation principles is provided in the paper to assist with translating the AASB 17 level of aggregation to the proposed APRA reporting groups; and
- less alignment between APRA capital and AASB 17 financial reporting methodologies (for example, APRA is likely to maintain its long-term natural expiry contract boundary requirement for all businesses, including the yearly renewal term stepped business), leading to a need to have dual reporting for AASB 17 and for APRA.

The introduction of the AASB 17 standard and related APRA requirement represent a comprehensive change to ClearView's financial reporting process. ClearView is currently undergoing a process to assess historical and projected data, key economic and biometric assumptions, and calculation and reporting models to help ensure compliance with the requirements of AASB 17 and APRA. Concurrent with this current state assessment, a design of the desired target operating model is underway, where a number of changes is expected to be implemented to help ensure compliance with AASB 17 and APRA requirements. Quantification of AASB 17 financial impacts is expected to be performed in late 2021 once the requisite data, systems and models are in place.

2. Events subsequent to reporting date

No material events occurred between the balance date and the reporting date.

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/Group.

(a) Life Insurance

The products offered are intended to manage the 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. ClearView Life Assurance Limited (CLAL) manufactures ClearView products under a retail life insurance Australian Financial Services (AFS) licence. CLAL's LifeSolutions product is its single, contemporary product series for retail customers that is only available through financial advisers.

(b) Wealth Management

ClearView's Wealth Management products are designed to assist in the accumulation and preservation of wealth to achieve personal goals and objectives such as a comfortable retirement. ClearView Financial Management Limited (CFML), ClearView Life Nominees Pty Limited (CLN) and CLAL manufacture these investment and retirement solutions (managed investments and superannuation) under AFS licensees and a registrable superannuation entity (RSE) trustee licence. The products are distributed through financial advisers.

(c) Financial Advice

Financial advice is critical to most Australians in order to manage their financial affairs soundly. ClearView's financial advice subsidiaries are market leading providers of licensing solutions to financial advisers. These feature two AFS Licensed dealer groups providing traditional dealer group licensing support together with LaVista Licensee Solutions which provides outsourced B2B licensee services to other AFS Licensees.

(d) Listed/Group

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.

1 Internal Capital Adequacy and Assessment Process.

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 2020 Annual Report.

	Total Revenue		Inter-segment Revenue		Consolidated Revenue	
	Half year ended		Half year ended		Half year ended	
	31 December 2020 $'000	31 December 2019 $'000	31 December 2020 $'000	31 December 2019 $'000	31 December 2020 $'000	31 December 2019 $'000
Segment revenue						
Life Insurance	90,570	88,942	-	-	90,570	88,942
Wealth Management	63,307	83,902	-	-	63,307	83,902
Financial Advice	55,215	56,020	(9,441)	(13,433)	45,774	42,587
Listed/Group	186	127	-	-	52	127
Consolidated segment revenue	**209,278**	**228,991**	**(9,441)**	**(13,433)**	**199,703**	**215,558**

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.

6 months to 31 December 2020	Life Insurance $'000	Wealth Management $'000	Financial Advice $'000	Listed Entity/Other $'000	Total $'000
Total operating earnings after tax[1]	**12,413**	**560**	**805**	**(721)**	**13,058**
Underlying investment income	625	70	70	35	801
Interest on corporate debt	-	-		(884)	(884)
Underlying net profit/(loss) after tax[2]	**13,038**	**630**	**876**	**(1,569)**	**12,975**
AIFRS policy liability discount rate effect (net of tax)[3]	(1,309)	-	-	-	(1,309)
Wealth Management project[4]	-	(1,470)	-	-	(1,470)
Impairments[5]	(600)	-	-	-	(600)
Other costs	69	-	-	-	69
Reported profit/(loss)	**11,198**	**(840)**	**876**	**(1,569)**	**9,665**
6 months to 31 December 2019					
Total operating earnings after tax[1]	**7,983**	**1,447**	**486**	**(522)**	**9,394**
Underlying investment income	693	213	130	89	1,125
Interest on corporate debt	-	-	-	(286)	(286)
Underlying net profit/(loss) after tax[2]	**8,676**	**1,660**	**616**	**(719)**	**10,233**
AIFRS policy liability discount rate effect (net of tax)[3]	(420)	-	-	-	(420)
Wealth Management project[4]	-	-	-	-	-
Other costs	-	(3)	-	-	(3)
Reported profit/(loss)	**8,256**	**1,657**	**616**	**(719)**	**9,810**

1 Operating Earnings (after tax) represents the Underlying NPAT[2] of the business segments before taking into account the 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 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 Costs associated with transition to HUB24 platform. Further costs to be incurred in 2H as project progresses.

5 Impairments to receivables from ClearView Retirement Plan (CRP).

4. Operating Expenses

	Consolidated	
	6 months to 31 December 2020 $'000	6 months to 31 December 2019 $'000
Administration expenses		
Administration and other operational costs	23,917	21,125
Custody and investment management expenses	4,307	4,820
Total administration expenses	**28,224**	**25,945**
Employee costs and directors' fees		
Government Grant - job keepers payments	(2,416)	-
Employee expenses	26,909	23,030
Share based payments	(191)	306
Employee termination payments	449	221
Directors' fees	435	432
Total employee costs and directors' fees	**25,186**	**23,989**
Other expenses		
Interest and other costs of finance	2,312	421
Total other expenses	**2,312**	**421**
Total operating expenses	**55,722**	**50,355**
Depreciation and amortisation		
Depreciation expenses	276	364
Software amortisation	1,846	2,625
Amortisation of acquired intangibles	-	3
Depreciation of right-of-use assets	896	797
Total depreciation and amortisation	**3,018**	**3,789**

5. Dividends Paid

During the period, ClearView made the following dividend payments:

	Consolidated			
	6 months to 31 December 2020		6 months to 31 December 2019	
	Cents per share	$'000	Cents per share	$'000
Final dividend	-	-	-	-
Total		**-**		**-**

No interim dividend has been declared.

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

6. Issuances and Repurchase of Equity

	6 months to 31 December 2020 No of shares	6 months to 31 December 2020 $'000	12 months to 30 June 2020 No of shares	12 months to 30 June 2020 $'000
Issued and fully paid ordinary shares				
Balance at the beginning of the period	631,202,448	447,448	631,817,448	446,042
Share bought back	-	-	(615,000)	(373)
Treasury shares	-	-	-	1,779
Balance at the end of the period	**631,202,448**	**447,448**	**631,202,448**	**447,448**
Executive share plan				
Balance at the beginning of the period	43,590,602	-	45,256,670	-
Shares forfeited during the year	(2,435,940)	-	(1,666,068)	-
Executive share plan balance at the end of the period	**41,154,662**	**-**	**43,590,602**	**-**
Treasury shares				
Balance at the beginning of the period	2,783,327	2,407	4,840,566	4,185
Treasury shares bought back	-	-	(2,057,239)	(1,778)
Balance at the end of the period	**2,783,327**	**2,407**	**2,783,327**	**2,407**

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 2020 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 2020 Annual Report.

During the half year period, 3,598,897 performance rights were issued to ClearView's Senior Management Team (SMT). 786,562 rights were forfeited in the half year upon cessation of Mr Martin's employment. For details of the LTIP refer to the June 2020 Annual Report.

7. Goodwill and intangibles

	Consolidated				
6 months to 31 December 2020	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	48,986	65,017	200	114,203
Acquired directly during the period[1]	-	1,031	-	-	1,031
Balance at the end of the period	**20,452**	**50,017**	**65,017**	**200**	**115,234**
Accumulated amortisation and impairment losses					
Balance at the beginning of the period	7,941	43,330	64,985	-	108,315
Amortisation expense in the period	-	1,846	2	-	1,848
Balance at the end of the period	**20,452**	**45,176**	**64,987**	**-**	**110,163**
Net book value					
Balance at the beginning of the period	12,511	5,656	32	200	5,888
Balance at the end of the period	**12,511**	**4,841**	**30**	**200**	**5,071**
12 months to 30 June 2020	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	-	1,964	-	-	1,964
Balance at the end of the period	**20,452**	**48,986**	**65,017**	**200**	**114,203**
Accumulated amortisation and impairment losses					
Balance at the beginning of the period	7,941	38,365	64,979	-	103,344
Amortisation expense in the period	-	4,965	6	-	4,971
Balance at the end of the period	**7,941**	**43,330**	**64,981**	**-**	**108,315**
Net book value	-				
Balance at the beginning of the period	12,511	8,657	38	200	8,895
Balance at the end of the period	**12,511**	**5,656**	**36**	**200**	**5,888**

1 Includes $0.5 million of capitalised costs in relation to the new PAS.

8. Investments

	Consolidated	
	31 December 2020 $'000	30 June 2020 $'000
Equity securities		
Held directly	221,407	205,189
Held indirectly via unit trust	781,445	701,607
	1,002,852	**906,796**
Debt securities/fixed interest securities[1]		
Held directly	543,288	306,131
Held indirectly via unit trust	549,750	590,755
	1,093,038	**896,886**
Property/infrastructure		
Held indirectly via unit trust	213,236	210,115
	213,236	**210,115**
Total investments	**2,309,126**	**2,013,797**

1 In 2H FY20, ClearView invested in the Macquarie True Index Fund (which invests in very high quality bonds, principally issued by Australian Governments); and the Vanguard Inflation Linked Fund (which invests in CPI-linked, very high quality Australian Government bonds vis ClearView WealthSolutions Investments.

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.

At 31 December 2020 an investment of $188.2 million was held in the PIMCO funds and $44.4 million remained in the inflation and CPI linked bonds. Subsequent to the half year end the remaining balances were sold down and invested in the PIMCO funds.

9. Policy Liabilities

	Consolidated	
	6 months to 31 December 2020 $'000	6 months to 31 December 2019 $'000
Life Investment Policy Liabilities		
Opening gross life investment policy liabilities	1,185,326	1,152,535
Net increase/(decrease) in life investment policy liabilities reflected in the income statement	76,898	44,624
Decrease in life investment policy liabilities due to management fee reflected in the income statement	(9,434)	(10,310)
Life investment policy contributions recognised in policy liabilities	195,156	169,415
Life investment policy withdrawals recognised in policy liabilities	(164,987)	(149,858)
Closing gross life investment policy liabilities	**1,282,959**	**1,206,406**
Life Insurance Policy Liabilities		
Opening gross life insurance policy liabilities	(59,341)	(151,652)
Movement in outstanding claims	16,987	26,895
Decrease in life insurance policy liabilities reflected in the income statement	(5,165)	17,013
Closing gross life insurance policy liabilities	**(47,519)**	**(107,744)**
Total gross policy liabilities	**1,235,440**	**1,098,662**
Reinsurers' Share of Life Insurance Policy Liabilities		
Opening reinsurer's share of life insurance policy liabilities	(128,543)	(95,669)
Movement in outstanding reinsurance	(15,789)	(19,170)
Decrease/(increase) in reinsurance assets reflected in the income statement	6,728	(16,096)
Movement in reinsurer's share of incurred claims liability[1]	90,463	24,613
Closing reinsurer's share of life insurance policy liabilities	**(47,141)**	**(106,322)**
Net policy liabilities at balance date	**1,188,299**	**992,340**

1 In order to manage ClearView's financial exposure to its reinsurer ClearView entered an incurred claims treaty with its main reinsurer Swiss Re Life and Health Australia (Swiss Re) in December 2019 for its lump sum portfolio. Under the treaty, ClearView LifeSolutions lump sum claims are settled on a comprehensive earned premium and incurred claims basis. As at 31 December 2020, $37.3 million had settled under the treaty.

ClearView also entered an incurred claims treaty with Swiss Re Life for its IP portfolio in HY21 to address the concentration risk. Under the treaty, ClearView LifeSolutions IP claims are substantially settled on an earned premium and incurred claims basis. Each quarter, Swiss Re settles a substantial component of the outstanding income protection claims liabilities, 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 2020, $88.1 million had settled under the treaty.

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 2020 $'000	30 June 2020 $'000	Fair Value Hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Equity securities	221,407	205,189	Level 1	Quoted bid prices in an active market	n/a	n/a
Fixed interest securities	543,288	306,131	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	1,544,431	1,502,477	Level 1	Quoted bid prices in an active market	n/a	n/a
Total	**2,309,126**	**2,013,797**				

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. Borrowings

As at the reporting date, the Company had a $60 million facility agreement with the National Australia Bank. $16 million was drawn down at the balance date with $44 million being repaid in the half year period. The facility is repayable on 1 April 2024. The facility was renewed for a further three year period in April 2020.

As part of the renewal of the facility, the margins paid on the facility were renegotiated. From the date of renewal, interest on the loan accrues at BBSY plus a margin of 0.95% per annum, and is payable monthly. Furthermore, a line fee of 0.80% per annum is payable on the facility on a quarterly basis.

12. Subordinated debt

On 5 November 2020, the Company issued $75 million subordinated, unsecured notes ('the Notes') to wholesale investors. The notes are unsecured, subordinated debt obligations of the Company. Interest on the Notes accrues at a variable rate equal to the three-month Bank Bill Swap Rate ('BBSW') plus a margin of 6% per annum, until maturity, payable quarterly in arrears. Interest expense recognised for the half year period was $0.7million. The maturity date of the subordinated debt is 5 November 2030.

Subject to APRA's prior written approval and certain other conditions, the notes are callable from November 2025 or if certain tax or regulatory events occur.

The Company capitalised directly attributable costs associated with the issuance of the subordinated debt, which for the half year ended total $1.6 million. These costs are amortised on a straight line basis of 5 years, being the lesser of the maturity date and the call date. For the period ended 31 December 2020, total subordinated debt is as follows:

	31-Dec-20 $'000
Issuance of Subordinated debt as at 5 November 2020	75,000
Capitalised Costs	(1,622)
Amortisation of capitalised costs	53
Balance as at 31 December 2020	**73,431**

The Company has used $30 million of the proceeds of the Notes for regulatory capital purposes for ClearView Life Assurance Limited. The remainder of the proceeds was used by ClearView to repay existing debt and to cover associated costs.

The Subordinated Notes may Convert into Ordinary Shares of ClearView on the occurrence of a Non-Viability Trigger Event. The number of Ordinary Shares issued on Conversion is variable but is limited to the Maximum Conversion Number. The Maximum Conversion Number is 147,058 Ordinary Shares per Subordinated Note, based on the Issue Date VWAP of $0.34.

13. 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.

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 2020. Insurance recoveries have been settled in relation to the life insurance advice remediation program.

The costs of remediation do not include amounts for potential recoveries from advisers or insurers.

Off balance sheet items – ESP loans

In accordance with the provisions of the ESP, as at 31 December 2020, key management, members of the senior management team, the managing director and contractor participants have acquired 41,154,662 ordinary shares.

Shares granted under the ESP carry rights to dividends and voting rights. Financial assistance amounting to $26,103,885 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 the off balance sheet loan is not considered recoverable as at 31 December 2020.

Stamp Duty

ClearView Life has identified that it has historically made certain stamp duty overpayments as a result of an interpretation of the particular State's duty treatment in accordance with their jurisdiction. ClearView has not passed on the duty paid on premiums for the life cover to policyholders. ClearView is currently considering options available to seek a refund of the duty overpaid. At the balance date, it is not probable to recognise a future economic benefit and the amount for certain period is not capable of reliable measurement.

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 half year end.

14. Related parties

Related party tax assets

The ClearView Group holds a $17.3 million (30 June 2020: $15.5 million) (non-current) receivable from its superannuation fund, the ClearView Retirement Plan (CRP).

Due to the tax loss position in the CRP, settlement of this amount is subject to the utilisation of tax losses. Furthermore, under the arrangement with CRP, to the extent that the tax deductions for risk-only premiums (or the associated carried forward losses) cannot be applied against assessable income of CRP, ClearView Group has accepted the commercial risk of non-recoverability of the outstanding amounts against CRP.

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. 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.

Related party investments

At 31 December 2020 the ClearView Life Assurance Limited Statutory Fund 1 had invested $44.4 million (June 2020: $29.5 million) in Macquarie True Index Fund (which invests in very high quality bonds, principally issued by Australian Governments); and the Vanguard Inflation Linked Fund (which invests in CPI-linked, very high quality Australian government bonds) via ClearView WealthSolutions Investments. ClearView WealthSolutions Investments is an IDPS administered and operated by ClearView Financial Management Limited with Avanteos Investments Limited as custodian. This was done to achieve asset/liability matching. Subsequent to the half year end this investment was sold down and invested into PIMCO funds. Refer note 8 for further details.

15. 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.

16. Leases

During the half year period, the Company signed a new property lease for the Brisbane office for a term of four years. The impact of initial recognition of this lease is as follows:

	$'000
Balance sheet	
Assets	
Right of use asset*	664
Total	**664**
Liabilities	
Lease Liability	603
Provisions	61
Total	**664**

*Inclusive of estimated make good costs of $61k

Additionally during the half year period, the Company signed a new property lease for the Sydney Head office. The commencement date of this new lease is 1 May 2021 for a term of five years. The impact of initial recognition of this lease on 1 May 2021 will be as follows:

	$'000
Balance sheet	
Assets	
Right of use asset*	12,200
Total	**12,200**
Liabilities	
Lease Liability	12,200
Provisions	61
Total	**12,261**

17. Commitments

During the half year ClearView committed to technology projects and service agreements to a value of $25.8 million. This predominantly ($20.9 million) relates to the implementation and ongoing costs of a new integrated policy administration system and underwriting rules engine. The following table outlines the expected cashflows in relation to those commitments.

Project	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
PAS/URE	4,745,992	6,135,843	3,806,582	2,262,899	2,291,785	1,661,314	**20,904,415**
Other technology projects	2,250,875	2,275,625	352,000	-	-	-	**4,878,500**
Total	**6,996,867**	**8,411,468**	**4,158,582**	**2,262,899**	**2,291,785**	**1,661,314**	**25,782,915**

18. 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 53-62 of the 2020 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
Simon Swanson	1,199,632
Athol Chiert	374,885
Chris Blaxland-Walker	299,908
Deborah Lowe	262,420
Justin McLaughlin	262,420
Todd Kardash	299,908
Judilyn Beaumont	149,954
Orla Cowan	149,954
Hicham Mourad	149,954
Total	**3,149,035**

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 2020.

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

Geoff Black
Chairman

23 February 2021

Independent auditor’s review report

Deloitte.

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

Conclusion

We have reviewed the half-year financial report of ClearView Wealth Limited (the “Company”) and its subsidiaries (the “Group” or “ClearView Wealth Limited”), which comprises the condensed consolidated statement of financial position as at 31 December 2020, 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 as set out on page 38 to 56.

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 ClearView Wealth Limited’s financial position as at 31 December 2020 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor’s Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of ClearView Wealth Limited in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.
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Directors' Responsibilities for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the 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 the 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 Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 ClearView Wealth Limited's financial position as at 31 December 2020 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*.

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 Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Max Rt Murray

Max Murray
Partner
Chartered Accountants
Sydney

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