

ASX Release – 25 July 2022

Insignia Financial 4Q22 Quarterly Business Update

Overview:

- Turnaround in Platform flows continues, with positive net inflows of \$592 million during the quarter supported by strong flows into Workplace and Advisory channels and ongoing improvement in outflows from the Personal channel
- FY22 Platform net flows improved \$3.1 billion on prior corresponding period on proforma basis¹
- Net inflows of \$118 million into Retail Asset Management funds offset by \$901 million outflows from the Institutional channel
- Group Funds Under Management and Administration (FUMA) of \$297.5 billion, down \$19.7 billion (-6.2%) with unfavourable market movement of \$18.7 billion
- MLC Advice successfully integrated into Bridges and Bridges brand refreshed
- Significant acceleration of client payments under remediation programmes
- Increase in advice remediation provision, expected to reduce 2H22 NPAT by approximately \$22 million²

Insignia Financial Ltd (ASX: IFL) is pleased to provide this quarterly update for the three months ended 30 June 2022 (4Q22) as it continues to execute on strategic priorities to integrate MLC, simplify the business and build growth momentum.

Overview of 4Q22 FUMA & Advisers

- **Funds Under Administration (FUA):** \$205.2 billion; positive net inflows of \$592 million were offset by market decline of \$14.9 billion and pension payments of \$793 million, leading to an overall reduction of \$15.1 billion (-6.9%).
- **Funds Under Management (FUM):** \$92.3 billion; positive retail net inflows of \$118 million were offset by institutional outflows of \$901 million and market decline of \$3.8 billion, resulting in an overall reduction of \$4.6 billion (-4.7%).
- **Advice:** There were 1,600 advisers in the Insignia Financial network as at 30 June 2022, a reduction of 82 advisers. The reduction was driven in-part by the integration of MLC Advice into Bridges which resulted in the departure of 30 advisers with no impact on client numbers or revenue. The departure of 43 advisers from the self-employed channel were typically from smaller practices, and continue to reflect the reset of licensee fees charged by Insignia Financial to self-employed advisers from 1 October 2021. Nine advisers departed from the self-licensed channel.

¹ Prior Period Comparatives have been restated to include contribution of MLC

² Remediation provisions and movements are estimates subject to audit review

Commenting on the quarter, Insignia Financial CEO, Renato Mota, said, “Insignia Financial has again delivered an improvement in platform flows, while facing into increased investment market volatility. Underpinning this growth momentum are client wins in Workplace Super and positive engagement within the Advisory channel. Flows into MLC’s retail asset management offering were once again positive, offset by outflows from the institutional channel which are typically lumpier in nature. The integration of MLC Advice into Bridges provides a strong foundation for profitable growth in Advice and provides Insignia Financial with two flagship market positions in Shadforth and Bridges.”

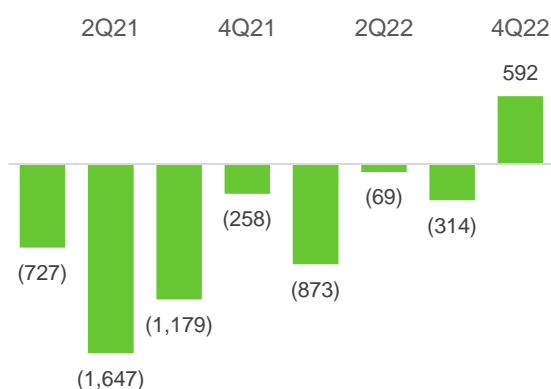
Business update

Funds Under Administration (FUA)

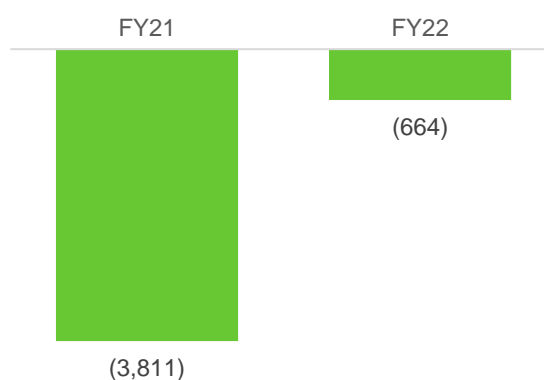
FUA as at 30 June 2022 was \$205.2 billion, a decrease of \$15.1 billion (-6.9%) for the quarter.

The decline in FUA was driven by market decline of \$14.9 billion (-6.8%), combined with pension payments of \$0.8 billion partly offset by net inflows of \$0.6 billion, with the Workplace and Advised channels both recording positive inflows for the quarter.

Pro forma Quarterly Platform Flows (\$m)



Pro forma Annual Platform Flows (\$m)

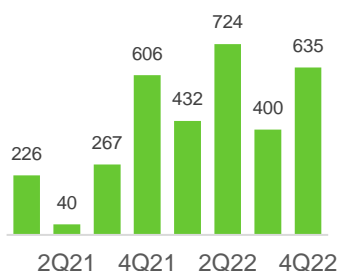


Workplace super achieved net inflows of \$430 million for the quarter and \$700 million over the year, an improvement of \$805 million on the prior year.

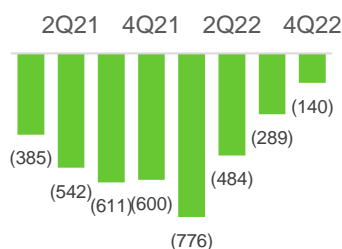
Mr Mota said, “Our Workplace offering continues to win new corporate clients through tender processes, confirming the attractiveness of our offering, as well as the strength of our proposition in a post-stapling environment amongst corporate clients.”

Advised platforms generated \$437 million of net inflows during the quarter and during the year, achieved net inflows of \$1.0 billion across affiliated and independently-licensed advice practices, an improvement of \$0.8 billion on the prior year. The turnaround has been driven by strategic repricing and product enhancement decisions, and ongoing investment in the go-forward Evolve platform and legacy platforms, underpinned by contemporary proprietary technology and platform simplification.

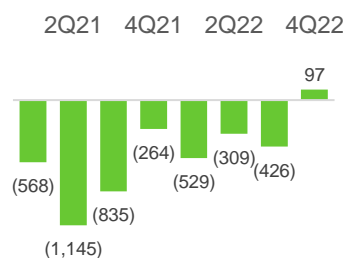
Total Platform Flows - IOOF (\$m)



Total Platform Flows - P&I (\$m)

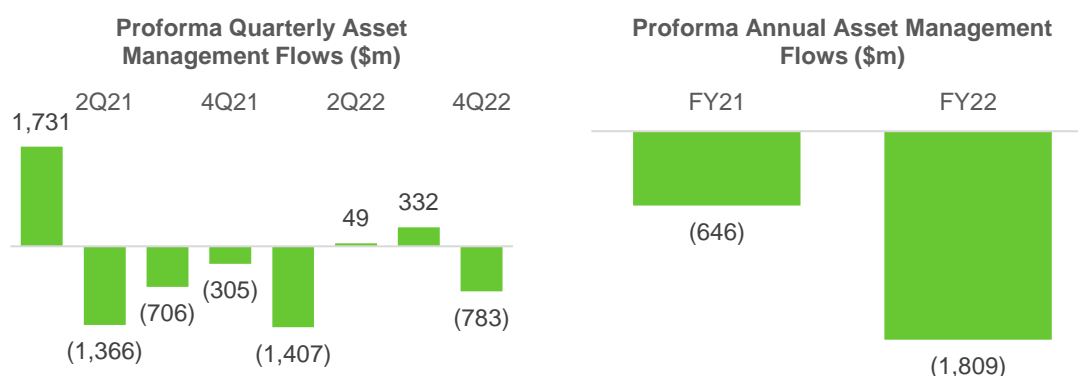


Total Platform Flows - MLC (\$m)



Funds Under Management (FUM)

FUM as at 30 June 2022 was \$92.3 billion or 4.7% lower than 31 March 2022, driven by market decline of \$3.8 billion and institutional outflows of \$901 million partly offset by positive retail flows.



Retail net inflows were primarily driven by strong momentum in MLC multi asset offerings driven by inflows into the Wholesale funds from momentum in MLC's Core Wrap platform, and strong adviser take-up in MLC's contemporary multi asset SMA offerings.

The institutional outflows were primarily from the Antares Fixed Income Enhanced Cash Trust as a result of rebalancing and asset allocation changes by the MLC Diversified Portfolios as they responded to investment market volatility.

The change on prior financial year predominantly reflects institutional outflows.

Financial Advice

Insignia Financial continues to transform its Financial Advice offering, maintaining active advice services relationships with 1,600 financial advisers as at 30 June 2022. This represents a reduction of 82 advisers, mainly from the employed (34) and self-employed (43) channels.

As flagged in the last update, the MLC Advice and Bridges businesses were brought together during the quarter under one brand and culture, resulting in a reduction of 30 adviser roles and creating improved efficiencies.

There continued to be some shifts in the self-employed channel as Insignia Financial progresses the sustainability of the Advice business, with a number of practices opting to sell their client books or transition to a self-licensed model. As part of its proposition to self-employed advisers, Insignia Financial was able to broker a number of internal M&A transactions retaining a significant proportion of the sold client books with pre-existing practices in the Insignia Financial licensees. Other departures outside these themes were typically from smaller practices, and continue to reflect the reset of licensee fees charged by Insignia Financial to self-employed advisers from 1 October 2021. Offsetting the departures during the quarter was some recruitment into the self-employed channel, with 5 new businesses joining Insignia Financial licensees.

Since the start of FY23 we have seen a stabilisation in the level of departures, and whilst it is likely that we will continue to see some departures, we expect them to continue to moderate.

Platform simplification

Insignia Financial further simplified its product and platform suite during the quarter. In June 2022, Insignia Financial completed the transition of more than 21,000 members from the legacy Integra Super product on the Integra platform to the contemporary ANZ Smart Choice Super product on the Composer platform. All transitioned members now have the benefit of more contemporary product features and investment options and we have reduced the number of platforms across the group from 7 to 6.

Remediation Update

Insignia Financial has made significant progress across both the Advice and Product remediation programmes, with payments of approximately \$356 million, expected to be paid to clients between 30 June 2021 and 30 September 2022.

Advice Remediation

The total paid out to clients across the combined advice remediation program is expected to be approximately \$234 million, comprising:

- Approximately \$186 million paid during the 12 months to 30 June 2022, and
- A further estimated \$48 million to be paid by the end of September 2022.

The provision for advice remediation is expected to be reduced to approximately \$192 million at 30 June 2022 from \$374.2 million as at 30 June 2021, with a further reduction by 30 September 2022 as the payments above are processed, leaving an outstanding balance of \$144 million.

Assessments under the Fee for No Service remediation program are expected to be completed by 30 September 2022. Conclusion of the overall remediation program is subject to finalisation of the Quality of Advice program relating to 16 advisers and the quality of their advice.

The provision at 30 June 2022 includes a 2H22 increase of approximately \$32 million (pre-tax, net of an increased receivable from ANZ) reflecting higher than expected failure rates in the Fee for No Service program, mainly in relation to the ex-ANZ aligned licensees undertaken by ANZ on behalf of Insignia Financial. The increased provision at 30 June 2022 is expected to reduce 2H22 NPAT by approximately \$22.3 million, with no impact on UNPAT.

The financial cap under the arrangements with ANZ in relation to the ex-ANZ aligned licensees is expected to be exceeded in August 2022, meaning a portion of the 2H22 increased provision and any further amounts will be borne by Insignia Financial.

Product Remediation

The product remediation program continues to progress with payments of approximately \$122 million made to clients since 30 June 2021.

The P&I product remediation program is expected to be completed by the end of 1H23, while the MLC program is underway and will continue into 2023.

The product remediation provision as at 30 June 2022 includes a 2H22 increase in provision of \$3 million pre-tax.

FY22 Results

Insignia Financial will announce its FY22 results on 25 August 2022. Further details on the results presentation will be announced closer to the date.

This announcement was approved for release by the Insignia Financial Ltd Board.

Appendix 1

1.1 Insignia Financial funds movement for the three months ended 30 June 2022:

Funds Movement by Channel

All Amounts \$m	FUMA 31-Mar-22	Net Flow	Internal Transfers ¹	Pensions	Market/ Other	FUMA 30-Jun-22
Platforms						
IOOF	3,454	52	-67	0	-253	3,186
P&I	15,262	62	1,464	0	-1,171	15,617
MLC	35,412	316	-471	-32	-1,985	33,240
Workplace	54,128	430	926	-32	-3,409	52,043
IOOF	7,008	-3	39	-17	-465	6,562
P&I	4,291	106	0	-3	-339	4,055
MLC	21,315	-170	447	-6	-1,209	20,377
Personal²	32,614	-67	486	-26	-2,013	30,994
IOOF	34,197	593	-2,695	-209	-2,268	29,618
P&I	12,519	-111	0	-95	-895	11,418
MLC	67,752	-45	24	-346	-4,877	62,508
Advised	114,468	437	-2,671	-650	-8,040	103,544
AET ⁴	4,647	-6	2,723	-9	-417	6,938
Closed ³ /Transition	14,426	-202	-1,464	-76	-1,037	11,647
Funds under Administration	220,283	592	0	-793	-14,916	205,166
Asset Management						
IOOF	24,146	-133	0	0	-1,484	22,529
MLC	72,773	-650	0	0	-2,306	69,817
Funds under Management	96,919	-783	0	0	-3,790	92,346
Total FUMA	317,202	-191	0	-793	-18,706	297,512

1. Internal Transfers represent the transfer of funds between products within the same superannuation fund and/or IDPS Operator.
2. Personal includes funds under administration (FUA) transferred from a corporate plan where the employee ceases employment with the corporate.
3. Closed FUA represents products that are closed to new business. Transition FUA represents funds in the process of transferring between classifications as a result of ongoing product simplification. Movements between transition and other classifications are represented in Internal Transfers.
4. Internal transfers includes the reallocation of funds from Advisory platforms to AET, reflecting funds included in the AET transaction perimeter.
5. Totals are subject to rounding.

Funds Movement by Entity

All Amounts	FUMA 31-Mar-22	Net Flow	Internal Transfers	Pensions	Market/ Other	FUMA 30-Jun-22
Platforms (FUA)						
IOOF	49,305	635	0	-235	-3,402	46,303
P&I	44,865	-140	0	-168	-3,319	41,238
MLC	126,112	97	0	-390	-8,194	117,625
FUA	220,283	592	0	-793	-14,916	205,166
Asset Management (FUM)						
IOOF	24,146	-133	0	0	-1,484	22,529
MLC	72,773	-650	0	0	-2,306	69,817
FUM	96,919	-783	0	0	-3,790	92,346
Total FUMA	317,202	-191	0	-793	-18,706	297,512

1.2 Active Advisers¹

Channel	31-Mar-22	%	30-Jun-22	%	3-month change
Employed	290	17.2%	256	16.0%	-34
Self-Employed (Licensed)	841	50.0%	798	49.9%	-43
Self-Licensed ²	551	32.8%	546	34.1%	-5
Total	1,682		1,600		-82

1. Advisers actively providing advice. This excludes individuals who are listed as Authorised Representatives on the Financial Advice Register (FAR) per ASIC, but do not actively provide advice.
2. Advisers not authorised under Insignia Financial licensees, but to whom Insignia Financial provides services through the Alliances, Dealer Associates and Connect business models.
3. Totals are subject to rounding.

1.3. Practice Numbers

Channel	31-Mar-22	30-Jun-22	3-month change
Self-Employed Practices¹			
Consultum	65	59	-6
Lonsdale	38	31	-7
M3	87	82	-5
RI	111	109	-2
GPG	34	33	-1
Tenfifty	117	113	-4
Total Self-Employed	452	427	-25
Self-Licensed Practices²			
Alliances	70	71	1
Dealer Associates	18	18	0
MLC Connect	14	15	1
Total Self-Licensed	102	104	2
Total	554	531	-23

1. Self-Employed refers to those businesses that are independently owned but operate under one of the Insignia Financial AFSLs.
2. Self-Licensed refers to those businesses that are independently owned, do not operate under one of the Insignia Financial AFSLs, but utilise services provided by Insignia Financial.
3. Totals are subject to rounding.

About Insignia Financial Ltd

Insignia Financial has been helping Australians secure their financial future since 1846. During that time, we have grown substantially to become one of the largest groups in the financial services industry.

Insignia Financial provides advisers and their clients with the following services:

- **Platforms** for advisers, their clients and hundreds of employers in Australia;
- **Advice** services via our extensive network of financial advisers; and
- **Asset Management** products that are designed to suit any investor's needs.

Further information about Insignia Financial can be found at www.insigniafinancial.com.au

Future performance and forward-looking statements

This announcement contains certain "forward-looking statements". Forward looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Insignia Financial and its directors and management.

Actual results, performance or achievements may vary materially from any forward-looking statements and the assumptions on which statements are based. To the maximum extent permitted by law, Insignia Financial and its directors, officers, employees, agents, associates and advisors disclaim any obligations or undertaking to update publicly any forward-looking statements, whether as a result of new information, future events, or results or otherwise.

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