ClearView

Market Release

Sydney, 27 February 2019

Fundamentals remain strong despite short term headwinds - positive long term outlook.

ClearView Wealth Limited (**ClearView**, ASX: CVW) has reported an underlying Net Profit after Tax (**NPAT**)[1] of $13.3 million (down 13%) and a reported profit of $11.5 million (down 6%) for the six months to 31 December 2018; reflecting the particularly challenging market environment.

Results Highlights

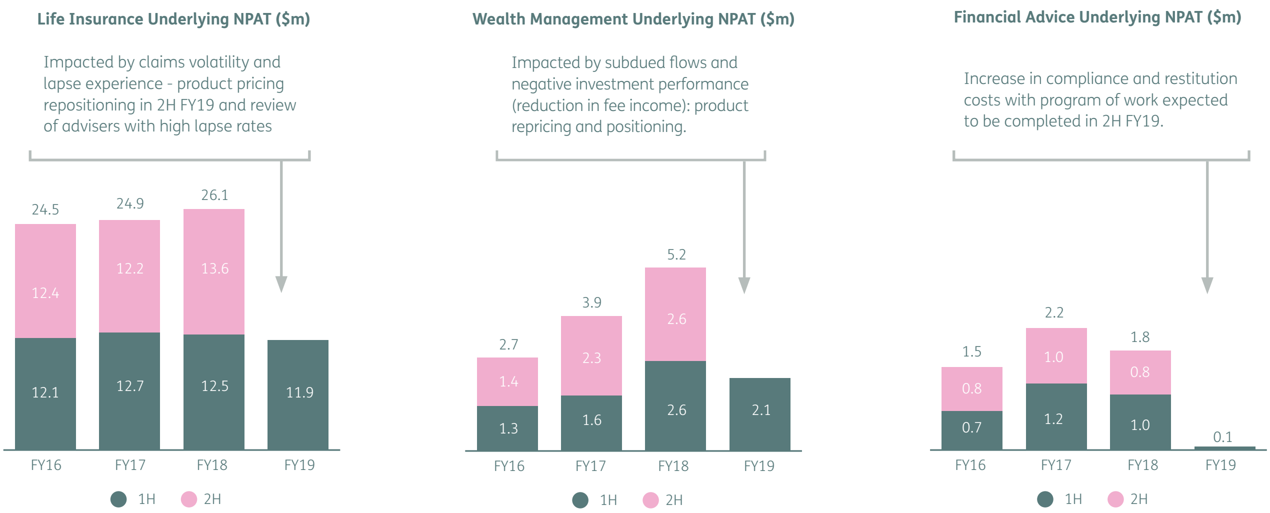
- Further expansion of the group's distribution footprint which underpins its growth profile. Flagship product series, LifeSolutions can be recommended by 476 Australian Financial Services Licensees (AFSLs), up 27%.
- Double digit growth in Life Insurance in-force portfolio, up 15% in the half to $240.7 million. However, recent adverse experience in both claims and lapse performance in our Life Insurance portfolios are currently holding back the effect of translating this growth into corresponding profit growth.
- Life Insurance gross premiums up 12% to $117 million with sales down 3% to $21.9 million (up 11% on 2H18).
- Wealth Management result impacted by weak net flows, resulting in a modest drop in funds under management (FUM).
- Wealth Management platforms can be recommended by 50 AFSLs, up 61%.
- Strategic actions currently underway, that are likely to have a positive effect on the Group's long term performance.
- Includes repricing and enhancement of contemporary Life Insurance and Wealth Management products and a material cost transformation program to be implemented.
- Business well-positioned to benefit from shift away from larger institutions and banks.
- Self-licensing trend and structural change driving strong adviser interest in LaVista Licensee Solutions that has recently been launched.

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

After Tax Profit by Segment, $M	HY19 $M	HY18 $M	% Change[1]
Life Insurance	11.9	12.5	(5%)
Wealth Management	2.1	2.6	(22%)
Financial Advice	0.1	1.0	(94%)
Listed entity and other	(0.7)	(0.8)	24%
Underlying NPAT[2]	**13.3**	**15.3**	**(13%)**
Other adjustments[3]	(1.8)	(3.0)	40%
Reported NPAT[4]	**11.5**	**12.3**	**(6%)**
Embedded Value[5]	671.0	681.0	(1%)
Net asset value[6]	446.8	428.4	4%
Reported diluted EPS (cps)	1.80	1.90	(5%)
Underlying diluted EPS (cps)[7]	2.08	2.38	(13%)

Underlying NPAT

Chart 1: Group performance FY16-HY19



1 % movement, HY18 to HY19 unless otherwise stated.

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

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

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

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

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

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

Segment results

Life Insurance UNPAT of $11.9 million, down 5%

In HY19, there was an adverse claims experience of $2.1 million (HY18: $3.2 million). Adopting a longer term view, overall the net adverse claims experience was mainly attributed to the income protection portfolio.

ClearView is repricing the LifeSolutions product in 2H19 based on where the portfolio claims experience has improved or deteriorated over recent periods. Pricing changes aim to ensure ClearView remains competitive and profitable across all cover types but also reflect evolving market relativities and underlying claims and reinsurance costs.

The result was also impacted by an adverse lapse experience of $2.9 million (FY17: $0.8 million). This was driven by a combination of pricing positioning issues, poor outcomes with a limited number of AFSLs and the flow-on effect of the Life Insurance Framework (LIF) caps and rules. Retention strategies and effects (including further implementation of LIF reforms commission caps), will take time to fully implement and flow through to overall lapse performance.

Wealth Management UNPAT of $2.1 million, down 22%

Funds management fees slightly down in HY FY19 due to a 4% decrease in FUM, as a result subdued inflows and poor investment performance.

Outflows of $81 million mainly from legacy products with retiree customers drawing down on their investments. Repricing and enhancement of contemporary wealth management product ranges given competitor solutions and recent pricing changes are aimed at supporting net flows, with a shorter term profit impact as price changes are flowed through the in-force portfolios.

New range of model portfolios launched in HY FY19 to expand the suite of solutions available.

Financial Advice UNPAT of $0.1 million, down 93%

This result was driven by increased operating expenses (+20%) due to increasing compliance and restitution costs with $1.2 million of costs ($0.8 million after tax) being incurred in 1H FY19.

ClearView launched LaVista Licensee Solutions in 1H FY19 to offer self-licensed firms access to the dealer group back office infrastructure and resources, which will help deliver scale benefits.

ClearView Managing Director Simon Swanson said the group's result highlighted the strong fundamentals of its three underlying businesses, despite extremely tough operating conditions.

"Against a backdrop of unprecedented regulatory and structural change, ongoing uncertainty and negative consumer sentiment, ClearView remains well positioned to outperform the market due to the strength of our relationships in the IFA market, nimble size and lack of legacy issues."

"Our integrated business model and non-institutional ownership makes us the natural alternative for professional financial advisers looking to partner with a well-resourced company."

HY19 strategy and outlook

The Royal Commission Final Report, released in February, contained 76 recommendations which have significant implications for financial services entities. ClearView broadly supports the report's findings and is in the process of assessing the potential impact that recommendations may have on its business.

The current challenging operating environment - characterised by prolonged record low interest rates, poor consumer sentiment exacerbated by the Royal Commission and the flow-on effect of life insurance commission caps under LIF – is expected to continue adversely impacting sales and performance across the industry in the short-to-medium term.

ClearView is focused on partnering with financial advisers to help more Australians grow and protect their wealth and achieve their objectives.

In HY19, our flagship LifeSolutions product was added to over 57 new APLs, increasing our distribution exposure to 476 AFSLs.

We continue to advocate for IFAs to have greater choice of life insurer. The case for open APLs has been boosted by the Royal Commission Final Report. If institutionally-aligned dealer groups are required to allow their authorised representatives to choose the most appropriate solution from the APRA-regulated life insurers in the market, that will lead to a stepped change in our distribution profile.

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