Half Year Condensed Consolidated Financial Report

for the six months ended 31 December 2021

Directors' report

The Directors of ClearView Wealth Limited (ASX:CVW, 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 2021. 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 2021 and up to the date of this report are shown as below:

- Geoff Black (Chair)
- Michael Alscher
- Gary Burg
- Jennifer Lyon
- 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 offer life insurance, superannuation and investment products and services under the ClearView brand.

ClearView generates its revenue through the provision and distribution of life insurance, investment, superannuation and retirement income products.

ClearView historically provided financial advice services through its ClearView Financial Advice, Matrix and Lavista Licensee Solutions brands. During the half year period, ClearView disposed of its financial advice businesses and ceased to provide these services once the transaction completed on 1 November 2021.

As part of the proceeds of sale, ClearView acquired a strategic 24.5% stake in Centrepoint Alliance Limited (ASX:CAF) (Centrepoint Alliance). The acquisition of a strategic stake in Centrepoint Alliance allows ClearView to participate in the financial advice industry consolidation but at the same time separate the product manufacturer and advice arms of its business.

On 3 September 2021, following an evaluation of its future capital structure and discussions with its major shareholder, ClearView announced the commencement of a strategic review process with the objective to maximise shareholder value, determine the optimal future direction of the Company to protect and enhance customer and policyholder outcomes, and achieve a long term shareholding base.

Following the appointment of BofA Securities as the exclusive financial adviser, the review continues to assess ClearView's strategic options to unlock and enhance value for ClearView shareholders, including potential change of control transactions. Given the Omicron outbreak it was considered prudent to delay the commencement of the formal process until February 2022. In the interim, various reports have been completed to support the formal launch of the process. There are no assurances that the ClearView Board will decide to pursue any transaction, nor that any transaction or transactions will result from the review.

Other than this, there have been no significant changes in the nature of the principal activities of ClearView during the half year ended 31 December 2021.

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 and investments products and services.

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

- Life Insurance: ClearView Life Assurance Limited (**CLAL**) manufactures ClearView life insurance products under a retail life insurance Australian Financial Services (**AFS**) licence.
- 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.

ClearView strategy

ClearView was established in its current form in 2010 to focus on contemporary Life Insurance and Wealth Management, underpinned by superior products and service, distributed through the Independent Financial Adviser (**IFA**) channel. ClearView's strategy has always been to become a trusted partner and advocate for IFAs, and ClearView has consequently developed a reputation for being fair, pragmatic and dynamic, and known for ease of doing business with.

Over the past eighteen months, ClearView has materially invested in a business transformation program to prepare for the projected rebound in the life insurance market. The aim of this transformation has been to:

- Provide a better customer experience;
- Build a scalable foundation for future growth in the business; and
- Align the business to structural and regulatory changes in the market to take advantage of the anticipated rebound.

The business transformation program has focused on:

- Technology: including investment in a new underwriting engine (**URE**), a new Policy Administration System (**PAS**), improved digital interfaces for advisers which together, should improve efficiency for advisers and add flexibility to ClearView's business. The PAS system was launched for new business of the ClearView ClearChoice product in 1H FY22 with further development of the platform expected in the second half of the financial year;
- Simplification of products, processes and internal activities: including improved claims capability and processes, the launch of a new product suite (ClearView ClearChoice), the separation of the financial advice businesses and a review and simplification of the Wealth Management business;
- Investment in capabilities and people: including the re-organisation of the company by product line and the investment in additional capabilities including a new Head of Life Insurance, a new Head of Transformation, a new Head of Technology and a new Chief Claims Officer; and
- Implementing the required structural changes to enable long term growth: including the exit of direct ownership of adviser networks and the transition of ClearView's Private Label, WealthSolutions, onto HUB24 with the transition of the Traditional Product into WealthFoundations due for completion in the second half of the financial year.

During this period of transformation, ClearView has focused on building a scalable foundation for growth and shift of product focus to sustainability.

Shift to a growth focus

New business volumes have, in recent historical periods, been adversely impacted by broader market trends including the disruption in the adviser market (due mainly to regulatory factors), aggressive pricing strategies from ClearView's competitors and ClearView's focus on customer retention initiatives during this period. While retention initiatives remain in place, the focus has now shifted to growth, underpinned by the launch of the new ClearView ClearChoice product, supported by the implementation of the new PAS.

ClearView ClearChoice's product suite includes a variety of sustainable new life insurance products that were launched in October 2021. This suite of life protection products has features that are appropriately priced to earn a long term target return on capital. The new ClearChoice product is expected to benefit from the broader reset of the industry, an increased focus on sustainability and a return to pricing rationality in the market (over time).

On the Wealth Management side, ClearView, post simplification, will offer two core products, which provide advisers with flexibility around account management:

- WealthFoundations: A range of model portfolios managed by ClearView, which is designed for low-mid sized accounts; and
- WealthSolutions: A full-wrap platform, which is designed for high net worth accounts.

Investment in the new digital interfaces for both Wealth Management and Life Insurance (to be launched in 2H FY22 initially for Wealth Management) will increase information flow and improve efficiencies for advisers. Customer engagement and loyalty will be further enhanced through superior service and more relevant and timely information.

ClearView has established a diversified distribution network with over 700+ dealer groups comprising of 4,000+ advisers. Historically, ClearView has demonstrated that it has the ability to capture ~10% of the IFA life insurance market as demonstrated by its historical track record.

ClearView has an actionable growth strategy to take advantage of the projected rebound in the life insurance market with a focus to:

- Grow share through targeted key demographic client bases: ClearView has shifted focus towards certain cohorts of customers due to greater customer lifetime value and less price sensitivity, in the context of a growing underinsurance gap in these demographics in Australia;
- Increase ClearView's adviser penetration: ClearView can increase its penetration of financial advisers through its focused adviser centric strategy; and
- Grow share of sales through its focus on simplified product and quality of service: ClearView's strategy of simplified products and ease of use is recognised by its key accounts – recognised for its key competitive factors and technological offerings.

Sale of financial advice businesses

On 24 August 2021 ClearView announced the sale of its financial advice businesses to Centrepoint Alliance. The sale subsequently completed on 1 November 2021. ClearView continues to report the results of the financial advice segment through to 31 October 2021 (as a discontinued operation).

The consideration paid to ClearView consists of $3.2 million in cash and 48 million shares or a 24.5% stake in Centrepoint Alliance. This resulted in ClearView becoming a strategic shareholder from 1 November 2021 and Simon Swanson, Managing Director of ClearView, being appointed as a Director of the Centrepoint Alliance Board.

The deal enables ClearView to indirectly participate in the market consolidation through its strategic shareholding in Centrepoint Alliance. The new combined entity is equipped with modern technology, strong compliance capability, an experienced management team and a combined network of skilled financial advisers to pursue further acquisition opportunities and deliver sustainable profitability whilst the financial advice industry disruption continues.

COVID-19 and ClearView responses

The recent further waves of infections and ease of transmission of the Omicron variant since late November 2021, have led to high numbers of COVID-19 cases and the reinstatement of certain restrictions. The outbreaks have continued to impact significant aspects of everyday lives and the flow on effects to the economy. Indications are that infections may have reached their peak from the Omicron wave.

Evidence continues to suggest the effectiveness of the vaccines (noting the roll out of the booster program that is underway), in particular against hospitalisation and intensive care.

The medium term economic outlook remains positive. The latest job vacancy data indicates the labour market is incredibly tight and the unemployment rate expected to move lower over 2022. This is likely to lead to an increase in interest rates (over time) which overall for a business like ClearView is a net positive, given its impacts on investment returns (as returns increase on the capital held by ClearView to support in-force policies and new business generation) and the discounted costs of future income protection claims (taking into account the estimated claims duration and adjusting for changes in expected inflation).

ClearView has considered the impact of COVID-19 and other market volatility in preparing its financial statements. The COVID-19 related overlays and assumptions have remained unchanged since 30 June 2021.

Overall the claims experience across the portfolio as a whole has reported a claims experience profit in the half year period, albeit with positive lump sum experience partially offset by some adverse income protection experience (driven by terminations).

The expected income protection claims assumption includes an allowance for COVID-19 related claims as outlined in the 30 June 2021 Annual Report. The impacts of claims terminations on the claims experience in the half year period is potentially short term in nature due to government driven lock downs and the claims team working from home (impacting senior assessor oversight). There could also potentially be an improvement in experience as the Australian economy reopens and returns to some level of normalcy. Income protection claims terminations are also being monitored in relation to the general economic conditions. We continue to strengthen our claims management capability including the recent appointment of a Chief Claims Officer (**CCO**).

To date, COVID-19 related mortality has (for the most part) tended to be in the older and relatively uninsured segment of the population. There is therefore no allowance for COVID-19 lump sum claims in the expected basis as there has been no material evidence of COVID-19 related lump sum claims since early 2020.

Lump sum claims continued to reflect a claims experience profit (following on from FY21 experience) with the impacts of lockdowns, elective surgery and related flow on effects continuing to be considered, in particular in relation to issues such as delays in screenings for cancer and restrictions applied to non-elective surgeries.

With regard to lapses, there does not appear to be significant evidence of lapses strictly due to financial hardship associated with COVID-19. There has also not been any observed increase in take-up of premium suspension or waivers or any increase in partial lapses during the lockdown period between June and October 2021 and subsequent to the Omicron outbreak, as observed through the lapse experience in the half year period. For the 6 months to 31 December 2021, lapses have broadly trended towards long term best estimate assumptions.

Given the dynamic and evolving nature of COVID-19, and Australia's response to the new variant, significant uncertainty remains and the impact of events that arise after the reporting period will be accounted for in the future reporting periods.

The assumptions will be reassessed at the full year result and updated (if applicable) based on the experience in the second half of the year ended 30 June 2022.

The business has proven resilient to the health and economic impacts of COVID-19 to date and continues to be on track to meet its medium to long term transformation and improvement objectives (as evidenced in the half year result).

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

- No specific exclusions for claims arising from a pandemic event;
- Worldwide cover, meaning its 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);
- ClearView ClearChoice and LifeSolutions policies allow monthly premiums to be waived for up to three months, due to financial hardship caused by involuntary unemployment; and
- As part of the new ClearChoice and existing LifeSolutions product, policyholders can put 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.

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

The financial services industry has faced unprecedented regulation, scrutiny and disruption over the past few years.

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. ClearView is fully supportive of constructive public policy and changes designed to improve consumer outcomes.

Regulatory reform

ClearView has continued to implement the regulatory and legislative industry reforms over the course of the half year period and continues to progress those that will come into force in 2022. The reforms implemented include the Design and Distribution Obligations (DDO) and Product Intervention Powers; and treating certain claims handling and settling services as a financial service, requiring licence authorisation.

ClearView's Vision and Business Objectives

ClearView's corporate vision is:

> **to support Australians to achieve their financial and wellbeing goals while being a positive force for our staff, community and the environment.**

To support the corporate vision, ClearView has articulated its key focus areas for objectives as:

- Customer Outcomes - Support Australians to achieve their financial and wellbeing goals;
- Earnings - Provide a stable, reliable return on capital and pay a regular dividend;
- Capital Adequacy - Instil confidence in our ability to deliver on all our obligations through a conservative approach to capital adequacy;
- Growth / Economic Value - Grow the economic value of the company, reflected in share price, through volume growth, margin and stability;
- Employee Outcomes - Be an employer of choice through the positive culture and collegiate atmosphere at ClearView;
- Business Partner Outcomes - Be fair and transparent with business partners to support long term business relationships; and
- Community Impact - Be a positive force for the community and the environment.

Details on ClearView's appetite and tolerance for risk to these objectives are contained in the Risk Appetite Statement (**RAS**).

Customer and business partner outcomes, employee well-being and community and environmental impact are the pillars of ClearView's Corporate Social Responsibility Framework.

The Corporate Social Responsibility Committee, chaired by the Managing Director, has responsibility for detailing management focus under each pillar.

ClearView has gained certification from Climate Active under the Carbon Neutral Standard for Organisations.

To offset its emissions, ClearView supported environmental projects in South Australia, New Caledonia, Borneo and Indonesia.

Through its charitable giving program, ClearView also supports Cancer Care, Kookaburra Kids and the Sony Foundation.

CancerCare Australia Awareness & Prevention

SONY FOUNDATION AUSTRALIA

Australian Kookaburra Kids Foundation

ClearView has committed to the annual production of a Non-Financial Condition Report to raise focus on the areas of Customers, Partners, Community, Environment and Employees. The inaugural report will be prepared for the financial year ended 30 June 2022.

Risk management

Risk management describes the activities, processes and decisions that manage the risks that could drive outcomes diverging from ClearView's stated objectives.

ClearView regards the skills, experience and focus of its staff as vital assets in managing material risks across the organisation. The competence of staff is complemented by a structured Risk Management Framework (**RMF**) consisting of strategies, policies and procedures to manage both financial and non-financial risks. The RMF supports the Board and management's oversight of these risks. The RMF incorporates the requirements of APRA's prudential standard on risk management (CPS 220 Risk Management).

The following diagram illustrates the key elements of the RMF.

ClearView Risk Management Framework

The RMF is described by Board-approved documents, including (but not limited to):

- 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 RAS articulates the material risks to which 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.
- The Risk Culture Framework (**RCF**) describes the Group's shared values and behaviours, and makes clear the expectation of all ClearView staff 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 in extreme circumstances. The outcomes of these are used to inform 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, the Board Risk and Compliance Committee (Risk Committee) and senior management team (**SMT**) in the ongoing development and maintenance of the RMF to support the company in operating within its approved risk appetite. 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.

The Group's Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Risk Committee is responsible for developing and monitoring the Group's risk management policies and reports regularly to the relevant Boards on its activities.

The Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board Audit Committee (Audit Committee) is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Management of Material Risks

The RMS outlines ClearView's material risks from a strategic, customer, business and financial perspective. For each material risk the RMS articulates the mitigation strategy as well as the policy, governance elements and responsibilities for management.

ClearView's RAS describes the appetite for each material risk type and identifies key risk metrics that are reviewed quarterly at the Risk Committee.

The material risk categories for ClearView are as follows:

- Strategic Risk including Regulatory Risk;
- Credit Risk;
- Market and Investment Risk
- Liquidity Risk
- Insurance Risk (includes Reinsurance Risk)
- Operational Risk, subcategorised by:
    - Change Management Risk
    - People Risk
    - Legal Risk
    - Data Quality and Availability
    - Process Risk
    - Model risk
    - System Stability
    - Cyber/Information Security
    - External Fraud
    - Internal Fraud
    - Third Party/Outsourcing
    - Business Continuity
    - Unit Pricing
    - Sales Conduct Risk
    - Compliance Risk

Ongoing Development of the Risk Management Framework

The Board and management are committed to continuing the uplift of the Group's RMF to ensure robust risk management practices, and to embedding a sound risk culture across the organisation. The following initiatives are underway to achieve these objectives.

Enhancing the Risk Management Framework

Over the past eighteen months, ClearView has taken material steps towards a stronger, more robust approach to risk management. The uplift has been run through the Risk Transformation Project and activities fall broadly into four categories; the investment in a stronger risk and compliance function, the strengthening of governance and process within the risk management framework, the uplift of the company's risk technology to provide more robust documentation and data and fostering stronger engagement across the company to create a risk-aware culture.

The RMS and RAS continue to evolve through the regular review and refinement. The establishment of active risk registers and risk review activities across the business has brought risk matters into regular discussions within business functions as well as at more senior forums and the Risk Committee. The review of incidents and complaints has become more structured with a view to better understanding the portfolio of risk by considering the root causes of these issues. These improvements to the framework governance and activities are a focus area for continued improvement.

Risk Culture in ClearView

ClearView recognizes that the greatest asset in effectively managing risks in the organization is the people that manage the business. By instilling a culture that is outcome focused, risk aware, transparent and accountable the business will be significantly stronger in the face of emerging risks than it would be through reliance on process and policy alone. ClearView has invested in raising the standard of risk culture over the last eighteen months.

A project to develop a stronger framework for the fostering and measurement of risk culture has been in place, incorporating the advice of external consultants who bring industry-wide perspective. A new risk culture framework is now approved by the Board. A program of internal risk culture workshops has been rolled out across all employee groups, introducing core concepts and encouraging risk aware approaches to work. Internal audit is now incorporating risk culture measures in internal audit reports, providing a regular sense-check of the state of the business. Company-wide culture surveys are run on an annual cycle, and these are now linked to the risk culture framework. Regular training such Induction Training and Code of Conduct Training now includes explicit discussion of risk culture.

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?".*

HY22 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 and funds under management. The Life Insurance business accounted for circa 90% of ClearView's total revenue during the half year period.

Total revenue and operating earnings after tax (from continuing operations), increased by 6.3% and 13.5% respectively, largely underpinned by steady increases in the in force life insurance premiums book and a more recent shift in focus back to new business growth.

Revenue growth in the half-year period was primarily attributable to the Life Insurance business. The increase in gross life insurance premiums was driven mainly by premiums in force that rose from $282.0 million in 1H FY21 to $297.2 million in 1H FY22.

Fund management fee income generated by the Wealth Management business increased by 3% between periods, notwithstanding the increase in FUM balances by 19% to $3.6 billion. Fee income was impacted by the decline in fee margins from the continued shift in the FUM mix to lower margin contemporary products.

Operating earnings after tax (from continuing operations) increased by $1.6 million in 1H FY22, driven mainly by a continued improvement in the claims performance (supported by the implementation of claims management initiatives), continued in force premiums growth and a further improvement in lapse rates after completion of the initial phase of the price changes on the in-force LifeSolutions portfolios. Further staggered price increases (in line with market changes) will be made on the LifeSolutions portfolio, commencing in 2H FY22.

ClearView is well-positioned to capture future growth underpinned by recent investments in technology, processes and people. This is supported by a fundamentally strong in-force book.

In FY22, ClearView has expanded its strategic focus from retention to new business sales with the growth strategy and ability to increase new business volumes (in line with ClearView's historical track record) driven by:

- Investment in sales and margin-focused initiatives, including the new underwriting engine (**URE**), a new PAS, improved digital interfaces for advisers which together, will improve efficiency for advisers and add flexibility to ClearView's business;
- the launch of the ClearView ClearChoice product suite with more sustainable margins (and in line with industry structural changes);
- implementing the required structural changes to enable long term growth: including the exit of direct ownership of adviser networks.

ClearView's Strong Balance Sheet and capital base supports its ability to continue meeting its obligations to policyholders and customers and is supported by:

- Shareholder cash and investments position of $474.8 million - shareholder capital is conservatively invested in the large institutional Australian banks ($116.5 million) and a specialist investment mandate has been entered into with PIMCO ($358.3 million), 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.
- In HY22 ClearView also held a $13.7 million equity accounted investment in Centrepoint Alliance.
- The net cash and investments position is $385.1 million.
- Past policy acquisition costs of $358.9 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 $651.0 million or 97.3 cents per share at 31 December 2021. The EV calculation reflects the cash flow generation from the in-force portfolios.
- ClearView's LifeSolutions product range is heavily reinsured with Swiss Re Life and Health Australia (Swiss Re). An incurred claims treaty is in place to protect reinsurance recoveries for both lump sum and income protection claims to manage the counterparty risk. These arrangements remain in place with the launch of ClearView ClearChoice in October 2021.
- ClearView has a surplus net capital position over its internal benchmarks of $19.2 million as at 31 December 2021. This includes a working capital reserve of $10.7 million that is held as part of its risk capital.
- ClearView Life is rated BBB+, Outlook Stable IFS rating by Fitch.

Overview of result

The ClearView Group achieved the following results for the half year ended 31 December 2021.

After Tax Profit by Segment, $M	1HY22 $M	1HY21 $M	2HY21 $M	% Change[10]
Life Insurance	13.4	12.4	11.1	8%
Wealth Management	1.1	0.6	0.1	95%
Listed/Group costs	(0.6)	(0.7)	(0.4)	(18)%
Operating Earnings After Tax[1]	**13.9**	**12.3**	**10.8**	**14%**
Net underlying investment income[11]	(1.4)	(0.2)	(1.2)	Large
Equity accounted minority interest (Financial Advice)	0.2	—	—	Large
Group Underlying NPAT (Continued Operations)[2]	**12.7**	**12.1**	**9.6**	**5%**
Financial Advice (Discontinued Operation)[3]	(0.7)	0.9	0.1	Large
Group Underlying NPAT	**12.0**	**13.0**	**9.7**	**(7)%**
Policy liability discount rate effect[5]	(2.4)	(1.3)	(10.1)	80%
Wealth Management project[4]	—	(1.5)	(1.6)	Large
Impairments[6]	(0.8)	(0.6)	(0.9)	4%
Strategic Review Costs[7]	(2.0)	—	—	Large
Sale of Advice Business[8]	11.8	—	—	Large
Other costs	(0.4)	0.1	(0.2)	Large
Reported Profit After Tax	**18.2**	**9.7**	**(3.0)**	**89%**
Embedded value[9]	651.0	635.7	640.4	2%
Net asset value	472.4	462.2	459.4	2%
Reported diluted EPS (cps) (Continued Operations)	1.23	1.40	(0.49)	(12)%
Underlying diluted EPS (cps) (Continued Operations)	2.00	1.91	(0.40)	5%

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. Costs associated with the incurred claims treaty are reflected as part of reinsurance costs.

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 Financial information from continuing operations- includes Life Insurance and Wealth Management business units, listed segment and equity accounted earnings of Centrepoint Alliance from the date of completion (1 November 2021); excludes the contribution of the Financial Advice business until the date of sale. No adjustments have been made in relevant periods for stranded costs or other internal charges as a result of the sale of the financial advice businesses.

4 Costs associated with transition to HUB24 platform.

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 income protection disabled lives claims reserves. The life insurance policy liability (based on AIFRS) and income protection 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 HY22 relates to the impairment of ClearView's head office lease right of use asset given the reduction in headcount subsequent to the Financial Advice transaction. HY21 impairments relate to the receivable from ClearView Retirement Plan (CRP). The recoverability of the receivable from CRP will continue to be assessed at each reporting period.

7 Costs incurred on the evaluation of strategic options for the potential change in major shareholder. Costs incurred in HY22 relate to preparation of due diligence reports and legal fees incurred to date.

8 The gain recognised on the sale of ClearView Financial Advice, Matrix Planning Solutions and Lavista Licensee Solutions to Centrepoint Alliance on 1 November 2021, net of costs to sell. Includes $0.2m of costs in relation to the acquisition of a strategic stake in Centrepoint Alliance.

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

10 % change HY21 to HY22.

11 Net underlying investment income includes investment income on shareholder cash of $0.6m (HY21: $0.7m) and interest on corporate debt (including Tier 2) of $2.0m (HY21: 0.9m).

Operating Earnings After Tax[1] reflects the underlying performance of the business segments and has been adopted by the Board as its key measure of Group profitability and basis for dividend payment decisions. Operating Earnings After Tax[1] increased by 13.5% to $13.9 million (HY21: $12.3 million). Life Insurance contributes 96% to business segment Operating Earnings After Tax[1].

Underlying NPAT[2] from continuing operations, which includes the underlying investment income and interest cost on corporate debt[1], increased 5% to $12.7 million (HY21: $12.1 million) and fully diluted Underlying EPS increased 5% to 2.00 cps (HY21: 1.91 cps).

Interest earnings on capital has continued to be negatively impacted in the half year 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, and impacted the result by $1.1 million (after tax) between periods.

An increase in interest rates (over time) is overall net positive for a business like ClearView, given its impacts on investment returns (as returns increase on the capital held by ClearView to support in-force policies and new business generation) and the discounted costs of future income protection claims (taking into account the estimated claims duration and adjusting for changes in expected inflation).

Costs associated with settlement of claims liabilities under incurred claims treaties are reported as part of reinsurance costs and is reflected in the Operating Earnings After Tax[1] of the life insurance business. ClearView pays an annual cost on the liabilities related to the settlement of the incurred liabilities (HY22: $1.1 million after tax (HY21: $0.8 million)).

The positive HY22 life insurance result is in line with the improving industry performance. For the year ended 30 September 2021, the life insurance industry risk products reported a net profit of $0.4 billion (September 2020: -$1.6 billion), driven by Individual Disability Income Insurance that reported a profit of $0.1bn, a return to profitability following a substantial loss recorded in the prior year. Further commentary is provided in the life insurance segment result.

Reported NPAT

Reported NPAT, increased 89% to $18.2 million (HY21: $9.7 million) and reported diluted EPS increased 86% to 2.87 cps (HY21: 1.54 cps). Reported NPAT was impacted by the gain on sale of the financial advice businesses, albeit partially offset by costs incurred for the strategic review and changes in the long-term discount rates used to determine insurance policy liabilities and the incurred income protection disabled lives claims reserves, which is separately reported below the line and explained in further detail below.

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)	HY22	HY21
Policy liability discount rate effect	(2.4)	(1.3)
Wealth Management project	–	(1.5)
Impairment costs	(0.8)	(0.6)
Strategic Review costs	(2.0)	–
Sale of Advice Business	11.8	–
Other costs	(0.4)	0.1
Total	**6.2**	**(3.3)**

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 income protection disabled lives claims reserves. The life insurance policy liability (based on AIFRS) and income protection 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 the life insurance 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 after tax effect. The net impact of the changes in long-term discount rates on policy liability in the half year ended

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. Costs associated with the incurred claims treaty are reflected as part of reinsurance costs.

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.

31 December 2021, caused a decrease in after-tax profit of -$2.8 million (HY21: -$2.0 million).

For the incurred income protection 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 December 2020, ClearView updated its investment strategy and appointed PIMCO with a specialist investment mandate to manage, in close consultation with ClearView, the shareholder funds that match the insurance liabilities, claims and capital reserves and surplus capital in the life company.

At 31 December 2021, $358.3 million is invested in the PIMCO funds. The amounts that were invested across the ClearView WealthSolutions Macquarie True Index Fund and the Vanguard Inflation Linked Fund in the prior period were sold down and invested into the PIMCO funds. An overall investment loss of -$0.6 million after tax was made in the half year ended 31 December 2021 (HY21: +0.7 million).

The asset liability management solution has been appropriately calibrated and aligned with the business risk appetite. The extent that the investments impacted earnings to offset the above-mentioned liability (claims cost) impact from changes in discount rates has also been reported below the line. An overall gain of $1.1 million after tax was made in the half year ended 31 December 2021.

The investment mandate with PIMCO 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.

Impairments

Impairment of the ClearView head office lease right of use asset

In HY22, the business materially reduced its headcount as part of the Financial Advice transaction. The Group completed an impairment assessment on the Head Office lease right of use asset and recognised an impairment charge of $0.8 million after-tax in relation to floor space no longer utilised.

Impairment of receivable from ClearView Retirement Plan (CRP)

In FY21, the ClearView LifeSolutions Risk Only Division has been transferred from CLN as trustee of the ClearView Retirement Plan (**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. ClearView Life continues to issue life insurance policies and provide insurance services to the transferred members as well as new members in the ClearView Super Plan.

As at 31 December 2021, the Group held a receivable amount from CRP of $6.8 million (30 June 2021: $9.0 million), including an impairment provision of $1.5 million (30 June 2021: $1.5 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.

Strategic review costs

Following an evaluation of the Company's future capital structure and discussions with ClearView's largest shareholder, Crescent Capital Partners, the ClearView Board has, subsequent to the FY21 year end, commenced a strategic review process (as noted earlier in the report).

ClearView has appointed BofA Securities as exclusive financial adviser, and Gilbert + Tobin as its legal adviser in relation to the review. Costs of $2.0 million were recognised in HY22 in relation to the strategic review, predominantly related to vendor due diligence costs incurred to support the overall review.

Sale of Advice Business

On 25 August 2021, ClearView announced the sale of its financial advice businesses, following a strategic review in this segment to seek out and pursue inorganic opportunities to accelerate its path to scale. The businesses were sold on 1 November 2021 to Centrepoint Alliance. The acquisition of a strategic stake in Centrepoint Alliance allowed ClearView to participate in the financial advice industry consolidation but at the same time separate the product manufacturer and advice arms of its business.

At the time of the sale the fair value of the investment in Centrepoint Alliance was determined to be $13.4 million (48 million shares at 28 cents per share) and was recognised as investment in associate.

The gain on sale of $12 million is reflected net of costs related to the sale of $1.1 million (after tax). $0.2 million of transactions costs were incurred in relation to the acquisition of the 24.5% interest.

Costs unusual to ordinary activities

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

Other costs include $0.3 million of amounts expensed in relation to the life insurance IT transformation project, that are considered costs unusual to the ordinary activities and relate to costs associated with the implementation of the new PAS. For further details refer to cost base section below.

ClearView selected HUB24 Limited (HUB24) as its strategic wrap platform provider following a comprehensive market review. In HY21, $1.5 million of these costs were incurred. Further details of the project are provided in the wealth management section that follows.

Cost base and investments

Total operating expenses (from continuing operations) of $38.1 million were incurred in HY22 (HY21: $35.1 million) and represents a 9% increase in the cost base, predominantly driven by the investment in the business, the net impact of an additional pay period and receipt of JobKeeper received in HY21 (net impact of +$0.7 million for continuing operations) and increased costs on the newly signed Head Office lease (on expiry of the sublease). Investment into key areas of the business include the line of business structure, claims function, risk management and compliance uplift, new product development and key projects (including the implementation of the new PAS and AASB 17).

ClearView is investing in a multi-year transformation program to support the ease of doing business with financial advisers, provide digital customer engagement tools, improve retention initiatives and drive administration (and related cost) efficiencies. Simultaneous with this program of work, the business commenced the simplification of its wealth management segment that should drive cost efficiencies and further simplified the Group's cost base with the sale of the financial advice businesses in the half year period.

IT transformation program

Given the investment in the new PAS, underwriting engine and improved digital interfaces for advisers, the information technology spend increased significantly in HY22. ClearView's new PAS was implemented for new business (ClearView ClearChoice) in the half year period.

The design, build and implementation of the new PAS is a key strategic focus and represents a circa $25 million investment over a three year period (with circa $19-20 million of these costs being capitalised in accordance with ClearView's IT capitalisation policy).

The first phase of the project relates to the launch of ClearView ClearChoice on the new platform in HY22, with the migration of the in-force portfolios expected to occur subsequent to the successful implementation of Phase 1 of the project. The project reflects a multi year IT transformation project, with the key components of Phase 1 expected to be materially completed by the end of the financial year.

During the half-year, the Group recognised $4.8 million (2021: $3.5 million) as intangible assets in respect of customisation and configuration costs incurred in implementing the SaaS arrangements for the PAS. Capitalised costs of the project to date are $8.3 million with the amortisation of Phase 1 (over a 5 year period) commencing in November 2021.

Looking forward, the successful implementation of the new PAS is expected to drive new business administration efficiencies post the implementation of Phase 1 of the project. The further back end and maintenance administration efficiencies from the implementation are then expected to flow through progressively (post migration of the in-force portfolios onto new platform - migration anticipated to commence in FY23).

The costs for data migration that are incurred in planning and implementing the migration of in-force portfolios over time, together with the costs associated with running dual platforms for a period are reported as costs considered unusual to the ordinary activities of the Group. During the half year period, $0.5 million of these costs were incurred and reported as such. Further details on the PAS project will be provided as it progresses.

Sale of financial advice businesses

Total operating expenses (from discontinued operations) of $4.7 million were incurred in HY22 (HY21: $5.9 million).

The sale of the financial advice businesses to Centrepoint Alliance (with effect from 1 November 2021) simplified the Group's cost structure. Costs of $1.4 million (before tax) were incurred as part of the sale transaction, including shared redundancy costs, legal fees, employee, consultancy and other costs associated with the sale of the financial advice businesses.

These costs have been accounted for as part of the gain of sale of the financial advice business.

Following the sale of the Financial Advice business, the business is impacted by certain stranded expenses resulting from the separation of the business. The stranded expenses are expected to peak at $2.0 million in FY22 and to reduce to $1.3 million, progressively over time.

These costs primarily relate to IT infrastructure costs shared between the different business units, PI insurance cover costs relating to the Financial Advice business that will remain in place and staff expenses, predominately associated with business partner and shared service costs.

Other

A line of business structure was implemented in 2H FY21, with key appointments made and changes flowing through the cost base in HY22 (relative to HY21).

Other key expense investments in the project pipeline include the implementation of AASB 17 (new insurance accounting standard) and regulatory changes such as the new design and distribution obligations that were implemented in the half year period.

The table below reconciles the HY22 operating expenses from continuing operations of $38.1 million with the reported operating expenses in the Half Year Report:

Reconciliation of operating expenses to reported operated expenses per financial statements		
$M	**HY22**	**HY21**
Operating expenses	**38.1**	**35.1**
Custody investment management expenses	4.2	4.3
Depreciation and software amortisation	(1.9)	(2.1)
Stamp duty	5.9	5.5
Depreciation (right of use assets)	(1.6)	(0.9)
Medical costs	0.6	0.5
Interest expense	4.6	2.4
Reinsurance technology costs	0.4	0.4
Wealth Management Project	–	2.1
Impairments	–	0.6
Strategic review costs	2.0	–
PAS duplication costs	0.5	–
Financial Advice transaction costs	0.2	–
Other expenses	0.9	0.5
Operating Expenses per financial statements	**54.0**	**48.4**

Operating segment review

Life Insurance

The HY22 financial performance is detailed below.

Life Insurance result:

	2020			2021			2022	%
6 Months to December 2021 ($M)[1]	**1H**	**2H**	**FY20**	**1H**	**2H**	**FY21**	**1H**	**Change[3]**
Gross life insurance premiums	129.0	131.0	260.0	138.4	139.8	278.2	147.6	7%
Other income	—	—	—	—	0.2	0.2	—	NA
Net claims incurred	(22.6)	(35.5)	(58.1)	(19.1)	(25.5)	(44.5)	(21.0)	10%
Reinsurance premium expense	(41.3)	(45.5)	(86.8)	(50.2)	(54.0)	(104.2)	(58.0)	16%
Commission and other variable expenses	(29.0)	(27.2)	(56.2)	(26.4)	(26.9)	(53.3)	(29.8)	Large
Operating expenses	(24.4)	(21.6)	(46.1)	(26.1)	(28.2)	(54.3)	(29.3)	12%
Movement in policy liabilities	(0.3)	0.6	0.3	1.1	10.5	11.6	9.6	Large
BU Operating Earnings (before tax)	**11.4**	**1.7**	**13.1**	**17.7**	**15.9**	**33.6**	**19.0**	**7%**
Income tax (expense) / benefit	(3.4)	(0.8)	(4.2)	(5.3)	(4.8)	(10.1)	(5.6)	5%
BU Operating Earnings (after tax)	**8.0**	**0.9**	**8.8**	**12.4**	**11.1**	**23.5**	**13.4**	**8%**
Net underlying investment income[5]	0.7	0.9	1.6	0.4	0.2	0.6	(0.1)	Large
Underlying NPAT	**8.7**	**1.7**	**10.4**	**12.8**	**11.3**	**24.1**	**13.3**	**3%**
Policy liability discount rate effect (after tax)	(0.4)	2.6	2.2	(1.3)	(10.1)	(11.4)	(2.4)	80%
Impairments	—	(2.6)	(2.6)	(0.6)	(0.9)	(1.5)	—	Large
Cost Out Program Implementation Costs	(0.1)	(0.5)	(0.6)	—	—	—	—	Large
Direct Remediation Program and Royal Commission Costs	(0.5)	0.1	(0.4)	—	—	—	—	Large
Other costs	—	0.3	0.3	—	—	—	(0.3)	Large
Reported NPAT	**7.6**	**1.7**	**9.4**	**10.9**	**0.3**	**11.2**	**10.6**	**(3%)**

	2020			2021			2022	%
Analysis of Profit ($M)	**1H**	**2H**	**FY20**	**1H**	**2H**	**FY21**	**1H**	**Change[3]**
Expected Underlying NPAT[2]	**15.5**	**15.3**	**30.8**	**14.3**	**13.0**	**27.3**	**13.7**	**4%**
Claims experience	(4.7)	(7.8)	(12.5)	3.2	1.0	4.2	0.5	(85)%
Lapse experience	(1.4)	0.1	(1.3)	(0.9)	4.6	3.7	0.2	(126%)
Expense experience	0.3	(0.1)	0.2	(2.7)	(4.0)	(6.7)	(1.1)	(61)%
Other	(1.0)	0.1	(0.9)	(1.1)	(0.3)	(1.5)4	0.1[4]	(93%)
Actual Underlying NPAT before claims assumptions	**8.7**	**7.6**	**16.3**	**12.8**	**14.2**	**27.0**	**13.3**	**3%**
Claims Assumptions Changes	—	(5.9)	(5.9)	—	(2.9)	(2.9)	—	Large
Actual Underlying NPAT	**8.7**	**1.7**	**10.4**	**12.8**	**11.3**	**24.1**	**13.3**	**3%**

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 $13.7 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 2021.

3 % change represents the movement from HY21 to HY22.

4 Other predominately relates to a reduction of net interest rates earned, additional commission payments due to the reduction in outstanding premiums between periods and volume and pricing variances to expected.

5 Net underlying investment income includes investment income on shareholder cash of $0.5m (HY21: $0.6m) and interest expense on corporate debt (including Tier 2) of $0.6m (HY21: 0.2m).

Business Unit Operating Earnings After Tax[1], increased by 8% to $13.4 million (HY21: $12.4 million). Reported NPAT, decreased by 3% to $10.6 million (HY21: $10.9 million). The life insurance segment contributes 96% to Group Operating Earnings After Tax.

The continued improvement in Life Insurance profitability in HY22 is driven by the strong momentum in the underlying business, coupled with overall positive claims and lapse performance (relative to the assumptions adopted as at 30 June 2021).

New business volumes increased 24% to $10.4 million in HY22.

ClearView's historical performance (prior to FY21) was adversely impacted by unsustainable income protection product experience, declining investment returns and adverse impacts from the COVID-19 pandemic. This mirrored some difficult trading conditions experienced across the industry that has required adjustments for income protection experience, COVID-19 and declining investment returns.

In line with these market conditions, ClearView realigned and adopted material changes to its actuarial assumptions as at 30 June 2020, followed by some additional changes at 30 June 2021 (as previously reported). No further changes have been made to the actuarial assumptions at 31 December 2021, albeit the situation is being monitored for any potential COVID-19 impacts as noted earlier in the report.

The Australian life insurance market is fundamentally attractive with improving industry profitability driven by structural reforms and a significant underinsurance gap with strong demand for life insurance. There have been material industry and regulatory changes to try to prevent the historical losses incurred on income protection policies. These have included regulatory actions (including capital charges), product changes (including the banning of some product categories) and re-pricing of portfolios.

Key items of the performance of the Life Insurance segment for the half year ended 31 December 2021 are noted as follows:

- An underlying positive claims performance for the half year period compared to assumptions (▲$0.5 million). Overall, the claims experience across the portfolio has reported a profit, albeit with positive lump sum experience partially offset by some adverse income protection experience (driven by claim terminations).
- Continued positive lapse performance compared to the expected best estimate assumptions (overall), with variances in performance between products (▲$0.2 million). The lapse profit was driven by lower than expected lapses on lump sum products, but partially offset by higher than expected income protection lapses (related to the price increases that were implemented). The income protection lapse trend has continued to improve over time.
- Impacts of the reduced interest earnings on capital (negatively impacted in the year by ultra-low interest rates and changes to the capital structure), additional commission payments in HY22 due to timing between periods and volume and pricing variances to expected (▼$0.1 million). An increase in interest rates (over time) is, overall for a business like ClearView, a net positive, given its impacts on investment returns (as returns increase on the capital held by ClearView to support in-force policies and new business generation) and the discounted costs of future income protection claims (taking into account the estimated claims duration and adjusting for changes in expected inflation).
- Non-deferred expense experience loss (▼$-1.1 million) driven by the investment across the business as noted in the cost base section earlier in the report. These expense losses have reduced since the prior period and are expected to progressively unwind over the medium term.

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. Costs associated with the incurred claims treaty are reflected as part of reinsurance costs.

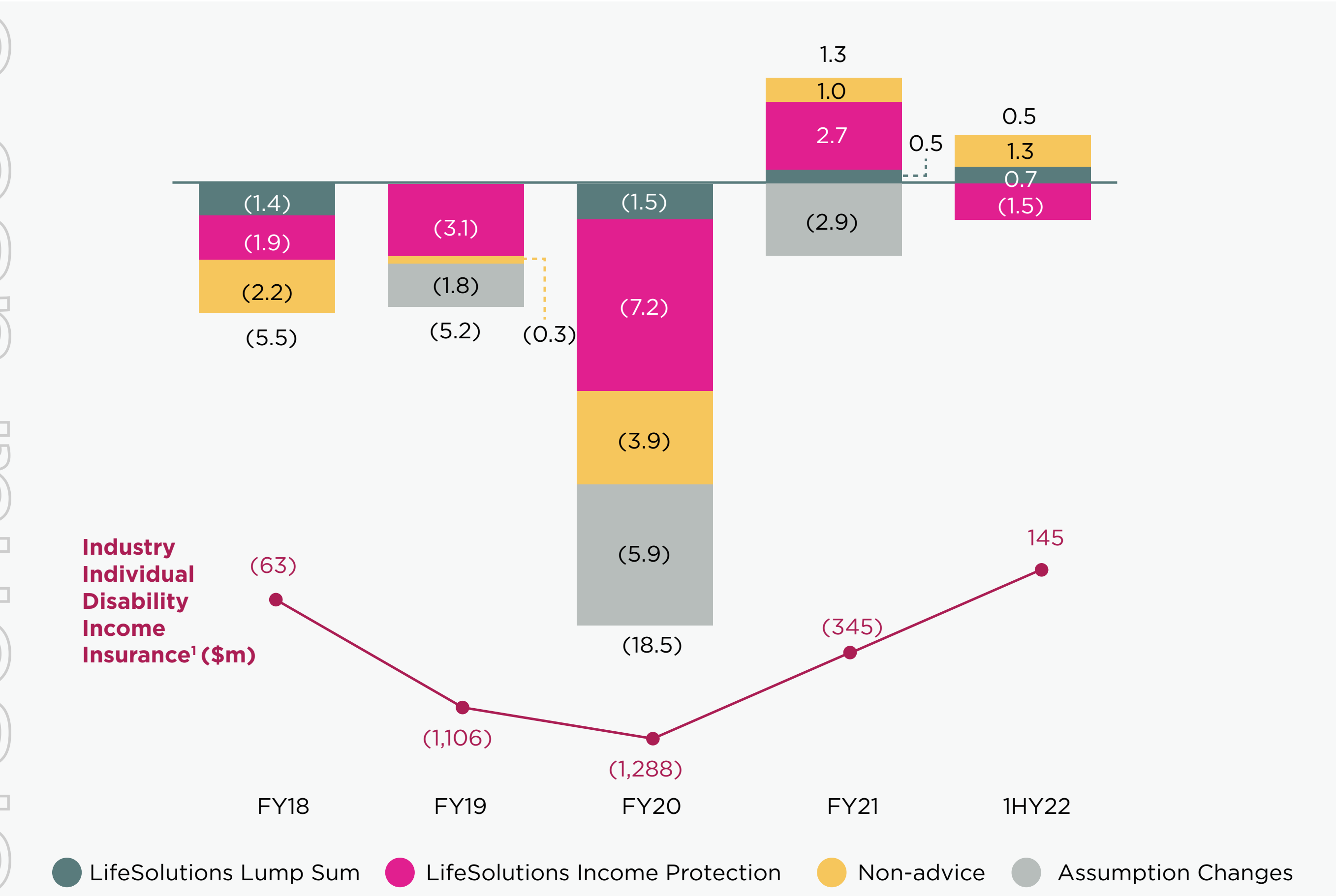
2 Underlying NPAT consists of consolidated profit after tax excluding amortisation, the effects of changing discount rates on policy liabilities and costs considered unusual to the Group's ordinary activities. Includes amortisation of capitalized software and leases.

ClearView has a set of clear targets for the transformation of its life insurance business, with outcomes to be determined by the successful implementation of the new PAS supported by the launch of the ClearView ClearChoice product and the further staggered repricing of the LifeSolutions in-force portfolios (over a period of time).

ClearView is well-positioned to capture future growth underpinned by recent investments in technology, processes and people. ClearView has an actionable growth strategy to take advantage of the projected rebound in the life insurance market, supported by a fundamentally strong in-force book.

Claims

Chart 1: Claims Experience ($M)[2]



1 Industry Individual Disability Income Losses for relevant year end period. For HY22 the Industry Individual Disability Income Losses is for the 3 months ended 30 September 2021 as the December 2021 quarterly result was not available. Source: APRA Quarterly Life Insurance Performance Statistics September 2021.

2 Relative to the assumptions adopted in the relevant period

The past eighteen months has reflected a material improvement in the claims performance of the Life Insurance business. In FY21, ClearView invested in initiatives to improve claims management through recruitment in the Claims team and process improvements which drove the improvement in gross loss ratios in FY21 and this momentum (including the investment) has continued into FY22, albeit with some shorter term impacts on the team related to COVID-19, illness and working from home.

The positive underlying claims experience of $0.5 million in HY22 (relative to the 30 June 2021 assumptions adopted) can be broken down as follows:

- ClearView LifeSolutions lump sum portfolio positive experience of $0.7 million in HY22 (HY21: $0.3 million positive experience). The positive experience was mainly driven by death claims;
- ClearView LifeSolutions income protection portfolio reflects adverse experience of $1.5 million in HY22 (HY21: $1.1 million positive experience) driven by terminations; and
- Direct portfolios (closed to new business) reflects positive experience in HY22 of $1.3 million (HY21: $1.8 million positive experience).

The expected income protection claims assumption includes an allowance for COVID-19 related claims as outlined in the 30 June 2021 Annual Report.

The new product, ClearView ClearChoice, also deals with the sustainability issues highlighted by APRA on income protection products. As a result, the claims experience on new income protection products is expected to improve across the industry.

From a claims perspective, it would be too early in the portfolio's lifecycle to make any assessment of its performance to date. Overall, the launch of the ClearView ClearChoice product is expected to have a favourable impact on claims experience given the updated terms and conditions and sustainability measures that have been adopted across the industry.

To date, COVID-19 related mortality has (for the most part) tended to be in the older and relatively uninsured segment of the population. There is therefore no allowance for COVID-19 lump sum claims in the expected basis as there has been no material evidence of COVID-19 related lump sum claims since early 2020.

Lump sum claims continued to reflect a claims experience profit (following on from the FY21 positive experience) with the impacts of lockdowns, elective surgery and related flow on effects continuing to be considered, in particular in relation to issues such as delays in screenings for cancer and restrictions applied to non-elective surgeries.

The direct portfolios (closed to new business), has continued its improvement in HY22 post a deteriorating trend over the the FY18-FY20 period, noting that the surplus reinsurance program of the portfolio acquired 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. ClearView continues to have significant reinsurance support for its ClearChoice and LifeSolutions portfolio including an incurred claims treaty to manage the reinsurer concentration risk.

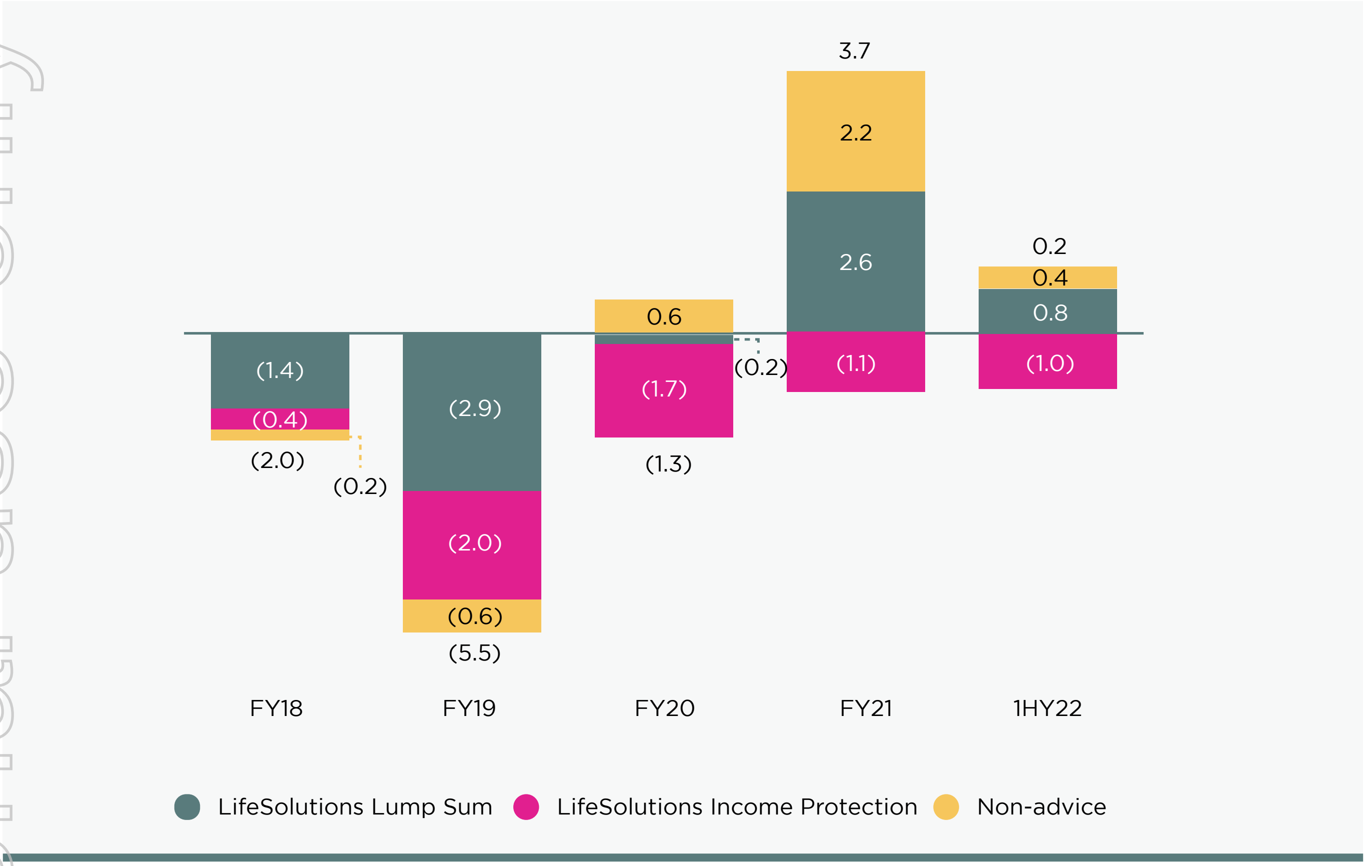
The industry performance appears to be improving. The historical poor performance in income protection claims across the industry was driven by underpricing and generous benefits that have not kept up with societal trends.

From 1 January 2021, APRA has, under the IDII review, required companies to base their income protection claims assumptions on the most recent industry table, with a release date of not older than eighteen months. Currently, this table is the FSC-KPMG ADI 2014-2018 table released last year, based on the 2014 to 2018 experience. These new tables have been adopted since 30 June 2021 (across the industry). The new tables have also been used for policy liability and EV calculations.

Lapses

The HY22 result includes a lapse experience profit (▲$0.2 million) (HY21: $0.9 million loss) driven by lower than expected lapses on lump sum products, but partially offset by income protection (related to the price increases).

Chart 2: Lapse Experience ($M)[1]



1 Relative to the assumptions adopted in the relevant period

The HY22 lapse experience can be broken down as follows:

- ClearView LifeSolutions lump sum portfolio reflects positive experience in HY22 of $0.8 million (HY21: -$0.1 million adverse experience);
- ClearView LifeSolutions income protection portfolio reflects adverse experience in HY22 of -$1.0 million (HY21: -$1.8 million adverse experience); and
- Direct portfolios (closed to new business) reflects positive experience in HY22 of $0.4 million (HY21: $1.0 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 this portfolio (relative to the shock lapse assumptions adopted).

ClearView has also responded by increasing prices on LifeSolutions in-force income protection products, and as the industry continues to adapt, it is expected that industry participants will continue to increase prices on back books. The business has now completed the initial twelve month repricing cycle, with the further round of price changes to commence from the end of January 2022.

The implementation of a line of business structure with a dedicated retention team has reduced the impact of the pricing increases on lapse rates (over time). In HY22, these lapse rates continued to reflect an improved trend.

ClearView is also working with its reinsurance partner to develop a platform that will automate experience analysis and has inbuilt lapse propensity models to support ongoing retention initiatives.

Expenses, New Business and In-Force

Life insurance operating expenses increased by 12% to $29.3 million (HY21: $26.1 million). Key areas of investment include the significant IT transformation program, claims area, risk management and compliance functions and projects (including regulatory changes and AASB 17).

As the business efficiencies from the IT transformation are extracted over time, the stepped fixed cost structure and efficiencies obtained allows the additional expense contribution from each dollar of new business/in-force, that with the growth in the in-force portfolios and increased new business volumes, allows the expense overruns to unwind over the medium term. The key focus is on the successful implementation of the new PAS and obtaining the efficiencies from the IT transformation coupled with the alignment of the front end to new business generation. The expense assumption was updated at 30 June 2021 .

In HY22 there was a reduced non-deferred expense experience loss of $-1.1 million (HY21: $2.7 million).

New business is driven solely by the Lump Sum and Income Protection (advice) portfolios as Non-Advice and Legacy portfolios are closed to new business.

Overall new business has increased materially in the half-year period by 24%, from $8.3 million in HY21 to $10.4 million in HY22 (of which $1.5 million is related to the new ClearView ClearChoice product).

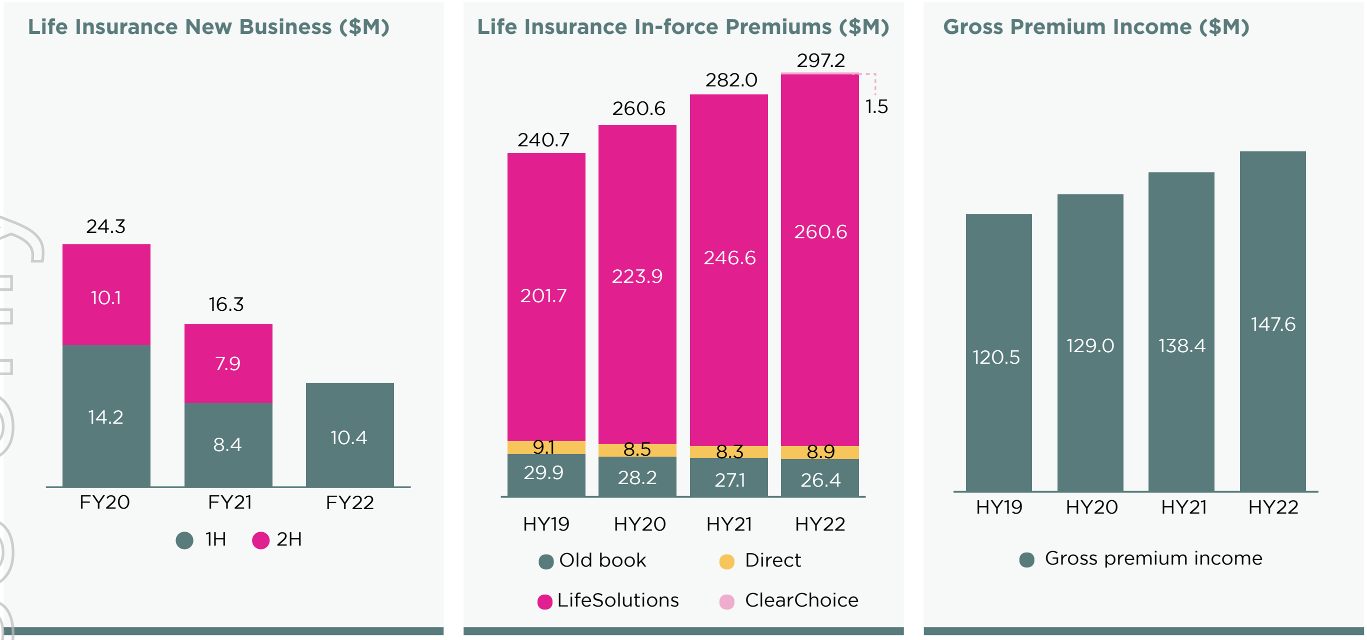
New business volumes over the last few years have been adversely impacted by broader market trends including the disruption in the adviser market (due mainly to regulatory factors), aggressive pricing strategies from ClearView's competitors, COVID-19 and ClearView's focus on customer retention initiatives during this period.

Furthermore, the increased regulatory focus on sustainability and a broader reset of the industry is also expected to lead to increased new business volumes.

The structural shift in the advice industry caused by increased regulatory scrutiny has seen advisers and banks exit the industry and is one of the drivers of the relatively lower levels of new business across the market.

The exit of advisers from the industry is driven mainly by the introduction of the Financial Adviser Standards and Ethics Authority (**FASEA**) standards, lower upfront commissions (due to LIF changes and removal of grandfathered commissions and rebates), and increasing costs within dealer groups on compliance. The increased levels of regulatory scrutiny (e.g. ASIC lapse surveillance) have also contributed to difficulties in switching customers from Legacy products to more contemporary products, which reduced the levels of re-broking or churn.

Chart 3: Life Insurance key performance indicators



ClearView LifeSolutions is now on 795 APLs (up 34% on 592 in HY21). 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 5% to $297.2 million in HY22. 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 2021 is made up of ClearView LifeSolutions, ($260.6 million; +6%), the closed direct portfolios ($35.2 million) and ClearView ClearChoice ($1.5 million).
- The mix of products making up the in-force portfolio has changed materially with the ClearView LifeSolutions and ClearChoice, now representing 88% of total in-force premiums. This links to the margin shifts across the portfolio.
- Gross premiums increased 7% to $147.6 million.

Other

- Shareholder capital is conservatively invested in the large institutional Australian banks and a specialist investment mandate has been entered into with PIMCO.
- 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.
- ClearView also entered an incurred claims treaty with Swiss Re Life for its income protection portfolio in FY21 to address the concentration risk. Under the treaty, ClearView LifeSolutions income protection claims are substantially settled on an earned premium and incurred claims basis.
- As at 31 December 2021, $157.1 million had settled under the Swiss Re incurred claims treaties.
- 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 HY22 result ($1.1 million after tax).
- Changes in variable expenses relate to commission, stamp duty and medical policy acquisition costs driven by changes in new business volumes between periods.

Operating segment review

Wealth Management

The HY22 financial performance is detailed below.

Wealth Management financial result:

	2020			2021			2022	%
6 Months to December 2021 ($M)[1]	1H	2H	FY20	1H	2H	FY21	1H	Change[2]
Fund management fees	16.7	15.7	32.5	15.5	15.5	31.0	16.0	3%
Other income	–	–	–	–	0.2	0.3	–	Large
Funds management expenses	(4.8)	(4.5)	(9.3)	(4.3)	(4.3)	(8.6)	(4.2)	(2%)
Variable expense[3]	(2.8)	(2.6)	(5.4)	(2.5)	(2.7)	(5.3)	(2.2)	(11%)
Operating expenses	(7.4)	(6.7)	(14.1)	(8.3)	(8.7)	(16.9)	(8.1)	(1%)
BU Operating Earnings (before tax)	**1.6**	**2.0**	**3.6**	**0.4**	**–**	**0.4**	**1.4**	**213%**
Income tax (expense) / benefit	(0.2)	(0.2)	(0.4)	0.1	0.1	0.2	(0.3)	Large
BU Operating Earnings (after tax)	**1.4**	**1.8**	**3.3**	**0.6**	**0.1**	**0.6**	**1.1**	**95%**
Underlying investment income	0.2	0.1	0.3	0.1	–	0.1	–	–%
Underlying NPAT	**1.6**	**2.0**	**3.6**	**0.6**	**0.1**	**0.7**	**1.1**	**95%**
Wealth Project Costs	–	(1.4)	(1.4)	(1.5)	(1.6)	(3.1)	–	NM
Other costs	–	–	–	–	(0.2)	(0.2)	(0.1)	Large
Reported NPAT	**1.6**	**0.6**	**2.2**	**(0.8)**	**(1.7)**	**(2.5)**	**1.0**	**Large**

Business Unit Operating Earnings After Tax[4], increased by 95% to $1.1 million (HY21: $0.6 million). Reported NPAT, increased to a profit of $1.0 million (HY21: $0.8 million loss).

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.

ClearView's Wealth Management business principally provides platform and funds management services across the following key products:

- WealthSolutions and WealthSolutions2: A superannuation and retirement income wrap designed for high net worth clients issued via the ClearView Retirement Plan (ClearView Life Nominees as trustee) and an Investor Directed Portfolio Service ('**IDPS**') wrap provided by CFML. WealthSolutions2 is a white labelled product which launched on the HUB24 platform in May 2021;
- WealthFoundations: A self-directed portfolio management product suite targeted towards low-mid level accounts. Key products include superannuation and allocated pension products issued via the ClearView Retirement Plan.

There was an overall increase in FUM of 19% to $3.6 billion in the half year period. This includes $0.5 billion in the recently launched WealthSolutions2 product on the HUB 24 platform, from which ClearView earns very limited administration fee margins. The use of the ClearView model portfolios and platform funds on the HUB24 platform is therefore the key driver for the profitability of the WealthSolutions2 product (there was $86.7 million in ClearView models at 31 December 2021). On a like for like basis, excluding the WealthSolutions 2 product, FUM has remained broadly flat at $3.1 billion.

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 % change represents the movement from HY21 to HY22.

3 Variable expenses include the platform fee payable on WealthSolutions and the intra fund advice fee (payable to Centrepoint Alliance from 1 November 2021) on the Master Trust (traditional) product. The intra fund advice fee will cease on transition of the traditional product to the WealthFoundations product in 2H FY22.

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.

The mix of products making up the portfolio has changed materially (over time) with contemporary products now representing 80% of total FUM. The increase in FUM is reflective of:

- Net inflows of $153 million, up 91% (HY21: $80 million) predominantly driven by the launch of WealthSolutions 2 on the HUB 24 platform ($193 million of inflows), decreased WealthFoundations inflows (down 49% to $41 million), outflows in the WealthSolutions product ($46 million, includes external platforms of $1 million) and the closed Master Trust (traditional) product (net outflows improved to $34 million in HY22, down 24%); and
- Investment performance of 8.6% in HY22 (HY21: 15%).

Overall fee income increased 3% to $16.0 million and reflects the changes in business mix and margins earned. Gross fee margin[1] reduced to 0.91% (HY21: 1.06%) and net fee margin[2] reduced to 0.54% (HY21: 0.59%). This can be broken down by product as follows:

- WealthSolutions fee income fell 3% with a broadly neutral average FUM balance. WealthSolutions fees are down to $5.4 million (includes external platforms of $0.8 million) (HY21: $5.5 million). This was adversely impacted by a reduction in the net average fee rate to 0.68% (HY21: 0.72%), reflecting the outflows and reduced FUM in ClearView model portfolios (and platform funds). The product was transitioned to the HUB24 platform in 2HFY21 that resulted in an increased platform fee cost payable to HUB24 that also adversely impacted on the net fee margins post transition.
- WealthFoundations fee income increased 26% to $3.4 million (HY21: $2.7 million) compared to an increase in average FUM of 28%. This was driven by the positive inflows into the product but partially offset by a lower average fee rate achieved of 0.79% (HY21: 0.83%), reflective of the product mix and price changes.
- The Master Trust (Traditional) product is effectively a closed book with a portion of FUM in pension phase. The HY22 result includes impacts from the gradual run-off of the Master Trust product (fee income broadly neutral at $7.3 million (HY21: $7.3 million). Average FUM balances were down by 8% and an average fee rate of 2.2% (HY21: 2.1%) was achieved. ClearView intends to transfer clients from the Traditional (Master Trust) product, to the more contemporary WealthFoundations product in 2HFY22, effectively simplifying the product suite and enabling clients to reengage with a contemporary product. This will have an adverse impact on margins, with further details provided below.
- Given the structure of the WealthSolutions 2 product on the HUB 24 platform (effectively a white labelled product) and the limited administration fee margin earned, this is excluded from the fee analysis and is not considered material to the segment performance in HY22 - the use of ClearView model portfolios and platform funds is key to the success of the product (there is limited FUM currently in the ClearView models to date).

Operating expenses reduced (1%) in HY22. Operating expenses relate mainly to employee, IT and marketing expenses, outside of allocated shared services costs. The Wealth Management business has a large regulatory fixed cost structure, given the nature of the business.

The 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 to the newer industry players.

ClearView's strategy is focused on the simplification of its wealth management business.

ClearView's wealth management strategy is predicated on diversifying the ClearView business to take advantage of the growth and demand for wealth management product and services by Australians underpinned by the mandatory superannuation system. This provides an additional customer engagement point given the decline in the number of financial advisers meaning that financial advice will become more focused on wealthier individuals who can afford financial advice.

The ClearView Retirement Plan (**CRP**) is the means by which ClearView offers it superannuation and pension products. ClearView is committed to the corporate mission to deliver effective, sustainable financial products and services to its members while being easy to do business with for members and financial advisers.

ClearView has a set of clear targets for the simplification and front end digitisation of the wealth business. The implication of this strategy aligns to the FY22 objectives that includes:

- The further integration of the WealthSolutions product with HUB24 (for both the superannuation and pension business and the Investor Directed

1 Gross fee margin is calculated excluding administration fees on WealthSolutions2 product. Includes FUM on WealthSolutions2 product in ClearView model portfolios.

2 Net fee margin is calculated as gross fee margin less asset management, custody and platform expenses payable. Includes intra fund advice fee on Master Trust (traditional) product.

Portfolio Service (**IDPS**)), representing the last step (post the technology transition) in the multi period transformation project of the wrap business with HUB24. Further costs may be incurred in 2HFY22 in relation to this;

- The transition of the Master Trust (traditional) product to the WealthFoundations superannuation and pension business and effectively reopen the portfolio as a contemporary product. This will reduce the pricing of the product and lead to further margin compression, both through further changes in the mix of business coupled with the price reductions (expected to be implemented from 2H FY22); and
- Investment in a new digitised front end (and customer engagement tool) for the WealthFoundations product to improve the customer experience and ease of doing business.

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. The product strategy is driven by simplicity, transparency and efficiency.

Looking forward, in 2HFY22, the reduction in the wealth management fees will be impacted by:

- the repricing of the Master Trust (traditional) product and transition to contemporary product; and
- Change in margin and revenue from the HUB24 transaction given the transition of the platform business.

These fee reductions are likely to be offset by:

- A reduction in custody costs and asset management in line with the change in product structure and transition of the traditional product to WealthFoundations;
- The intra fund advice fee that is no longer payable on transition of the Traditional product; and
- Simplification of the wealth management business leads to cost base reductions, coupled with digitisation of wealth front end to generate increased flows. Costs are expected to reduce progressively as the simplification process is implemented.

These overall impacts have been included in the EV calculations at 31 December 2021.

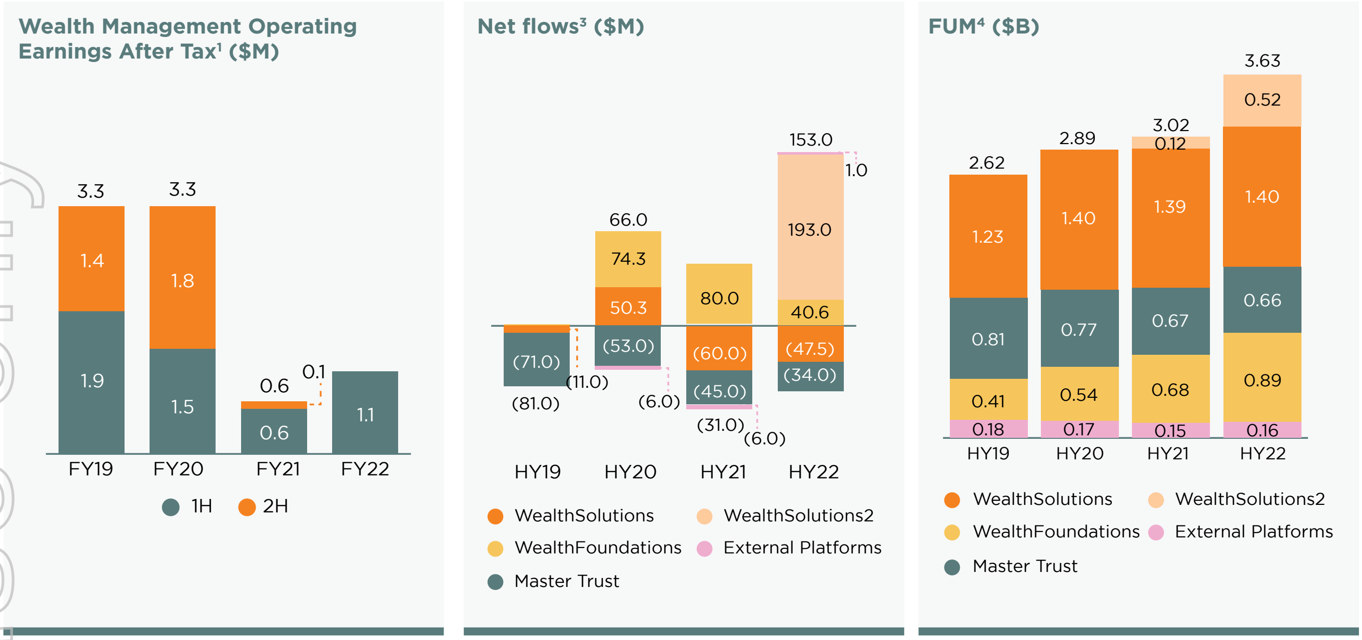
The rationale behind ClearView's wealth management strategy remains unchanged - the convergence of life insurance and wealth management creates a unique opportunity for companies that manufacture and distribute both products.

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



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 Inflows less redemptions into FUM but excludes management fees outflow.

4 Funds Under Management (ClearView Traditional Product (Master Trust), WeathFoundations and MIS), Funds Under Administration on the HUB24 platform including white labelled WealthSolutions 2 product and FUM in ClearView MIS platform funds on external platforms.

Operating segment review

Listed/Group segment

The HY22 financial performance is discussed below.

Listed /Group segment result:

6 Months to December 2021 ($M)[1]	2020 1H	2020 2H	2020 FY20	2021 1H	2021 2H	2021 FY21	2022 1H	% Change[2]
Operating expenses	(0.6)	(0.7)	(1.4)	(0.7)	(0.4)	(1.2)	(0.7)	—%
BU Operating NPBT	**(0.6)**	**(0.7)**	**(1.4)**	**(0.7)**	**(0.4)**	**(1.2)**	**(0.7)**	**—%**
Income tax (expense) / benefit	0.1	0.1	0.3	—	—	—	0.1	Large
BU Operating NPAT	**(0.5)**	**(0.6)**	**(1.1)**	**(0.7)**	**(0.4)**	**(1.2)**	**(0.6)**	**(18%)**
Net underlying investment income	(0.2)	(0.3)	(0.4)	(0.7)	(1.3)	(1.9)	(1.3)	Large
Equity accounted investment in minority interest (Financial Advice)	—	—	—	—	—	—	0.2	NM
Underlying NPAT	**(0.7)**	**(0.9)**	**(1.6)**	**(1.4)**	**(1.7)**	**(3.1)**	**(1.6)**	**19%**
Cost Out Program Implementation Costs	1.1	(0.2)	0.9	—	—	—	—	Large
Direct Closure, Remediation Program and Royal Commission Costs	—	0.3	0.3	—	—	—	—	NM
Impairments	—	—	—	—	—	—	(0.8)	Large
Sale of Advice Business	—	—	—	—	—	—	11.8	Large
Strategic Review Costs	—	—	—	—	—	—	(2.0)	Large
Other costs	—	(0.2)	(0.2)	—	—	—	—	NM
Reported NPAT	**0.4**	**(1.0)**	**(0.6)**	**(1.4)**	**(1.7)**	**(3.1)**	**7.4**	**Large**

The segment financial results for the half year ended 31 December 2021 are shown in the table above. Business Unit Operating Earnings After Tax[3], decreased by 18% to $(0.6) million (HY21 :-$0.7 million) and Reported NPAT increased to $7.4 million (HY21: -$1.4 million).

Underlying Investment Income, Listed Expenses and Corporate Debt

This segment includes the investment earnings on cash and investments held in the listed and central services entities and in the shareholders' fund of CLAL, 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 the reduction in interest rates between periods. The costs associated with maintaining a listed entity have remained broadly consistent period to period.

Interest expense on corporate debt relates to loan establishment and interest costs on the Debt Funding Facility. As at 31 December 2021, ClearView had drawn down $16 million under the Debt Funding Facility. Interest expense recognised for the half year was $0.3 million (HY21: $0.5 million).

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. % change represents the movement from HY21 to HY22.
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. Costs associated with the incurred claims treaty are reflected as part of reinsurance costs.
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.

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 was $2.3 million (of which $0.9 million is reported in the Life Insurance segment). 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. 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 are carried at $1.3 million as at 31 December 2021. These costs are amortised on a straight-line basis of 5 years ($0.2 million in HY22).

Investment in Associate

On 25 August 2021, ClearView announced the sale of its financial advice businesses, following a strategic review in this segment to seek out and pursue inorganic opportunities to accelerate its path to scale. The businesses were sold on 1 November 2021 to Centrepoint Alliance, in exchange for $3.2 million in cash (subject to a net asset adjustment) and the acquisition of a strategic 24.5% stake in Centrepoint Alliance. At the time of completion of the sale the fair value of the investment in Centrepoint Alliance was determined to be $13.4 million (48 million shares at 28 cents per share) and was recognised as investment in associate.

The Group recognised a gain on sale of $12.0 million on the transaction. The gain on sale is reflected net of costs related to the sale of $1.1 million (after tax). $0.2 million of transactions costs were incurred in relation to the acquisition of the 24.5% interest. An impairment of $0.8 million in relation to the reduced head count associated with the Sydney head office has also been recognised.

As at 31 December 2021, the Group held a receivable amount from CRP of $6.8 million (30 June 2021: $9.0 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 44, reflects the key metrics below.

Net assets at 31 December 2021 increased to $472.4 million (30 June 2021: $459.4 million) and net asset value per share (including ESP loans) of 74.1 cents per share (30 June 2021: 72.3 cents per share).

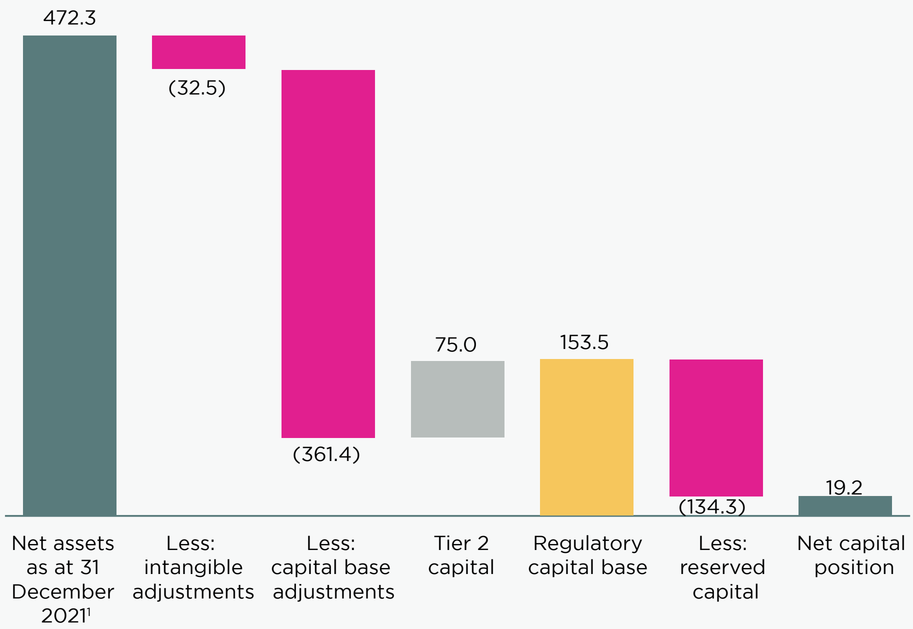
The Balance Sheet at 31 December 2021 reflects:

- Shareholder cash and investments position of $474.8 million - shareholder capital is conservatively invested in the large institutional Australian banks ($116.5 million) and a specialist investment mandate has been entered into with PIMCO ($358.3 million).
- In HY22 ClearView also held a $13.7 million equity accounted investment in Centrepoint Alliance.
- A net cash and investments position of $385.1 million, with $16 million drawn down under the Debt Funding Facility, $75 million Tier 2 capital raised reflected as subordinated debt (net of costs).
- Goodwill and intangibles relates to Goodwill of $12.5 million arising on acquisition of Matrix and intangibles includes $12.3 million of capitalised software costs.
- The life insurance policy liability decrease reflects the change in the life insurance business (**DAC**) and interest rate effects between periods and implementation of incurred claims treaties. Past policy acquisition costs of $358.9 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 of $6.8 million, net of a $1.5 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 2021

The following charts reflect the net capital position of the Group as at 31 December 2021:



1 Net Assets as at 31 December 2021 excluding ESP Loans. Net assets include the deferred acquisition costs (DAC) component of insurance policy liabilities.

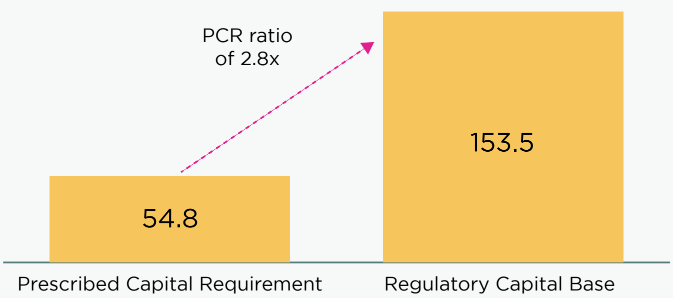
The net surplus capital position of the Group above internal benchmarks is $19.2 million at 31 December 2021 and reflects:

- The net assets of $472.3 million as outlined above.
- Under the APRA capital standards, adjustments are made to the capital base for various asset amounts that are deducted from the Group net asset position.
- Intangible adjustments of $32.5 million are deducted from the net assets and relate to Goodwill ($12.5 million), Capitalised Software ($12.3 million), Receivable from the CRP ($6.4 million) and costs associated with Tier 2 raising ($1.3 million).
- Capital base adjustments remove the deferred acquisition costs ($358.9 million) and deferred tax assets ($2.5 million) that are included in the net asset position but are not permitted to be counted in the regulatory capital base under the APRA capital standards.
- The Tier 2 subordinated debt is incorporated into the capital base in accordance with the APRA capital standards ($75 million). The costs associated with the raising have been deducted as part of the Intangible adjustments.
- This results in a Group regulatory capital base, calculated in accordance with the APRA capital standards of $153.5 million.
- Reserved capital of $134.3 million includes the minimum regulatory capital that is required under the APRA capital standards (called the prescribed capital amount), the APRA supervisory adjustment for CLAL as required by APRA as part of the IDII sustainability measures, and risk capital which is additional capital held to address the risk of breaching regulatory capital (where the regulatory capital cannot be readily accessed and to protect the various regulated entities' regulatory licence) in accordance with the ClearView's internal capital adequacy process.
- Risk capital also includes an amount held as a working capital reserve ($10.7 million as at 31 December 2021) that is held to support the future capital needs of the business beyond the risk reserving basis. This working capital reserve is then released as the negative cash flows arise, after which time the underlying business becomes self funding (from FY23).

- The surplus capital position and future business capital generation is anticipated to fund the net capital expenditure impacts of the investment in the new PAS (relative to the quantum that could be permissible to be counted for capital purposes). ClearView also has access to the Debt Funding Facility, to the extent further funding is required. The Debt Funding Facility is repayable on 1 August 2024.
- ClearView has implemented an incurred claims treaty 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 2021.
- 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'.

The Group has a PCR capital coverage ratio of 2.8X at 31 December 2021, 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 2021 represents an increase of $4.9 million since 30 June 2021. APRA continues to engage with institutions with regard to the implementation of their IDII action plans and potential implications on the Pillar 2 capital charge (including the potential release thereof).

Chart 9: Capital position as at 31 December 2021 by segment and regulated entity

	Life	Wealth	Other	APRA Regulated Entities	Wealth	ASIC Regulated Entities	All Regulated Entities	NOHC[2]/ Other	Group
	$M	$M	$M	$M	$M	$M	$M	$M	$M
Net assets at 31 December 2021	451.8	11.1	4.3	467.2	8.7	8.7	476.0	(3.7)	472.3
Intangible adjustments[3]	(10.4)	(1.5)	–	(11.9)	(0.4)	(0.4)	(12.2)	(20.3)	(32.5)
Net assets after intangible adjustments	**441.4**	**9.6**	**4.3**	**455.4**	**8.4**	**8.4**	**463.8**	**(24.0)**	**439.8**
Capital Base Adjustment:									
Deferred Acquisition Costs (DAC)	(358.9)	–	–		–	–	(358.9)	–	(358.9)
DTA adjustments	(2.1)	(0.1)	–	(2.1)	(0.1)	(0.1)	(2.2)	(0.2)	(2.5)
Tier 2 capital[4]	30.0	–	–	30.0	–	–	30.0	45.0	75.0
Regulatory Capital Base	**110.5**	**9.6**	**4.3**	**124.3**	**8.3**	**8.3**	**132.7**	**20.8**	**153.5**
Prescribed Capital Requirement	(42.1)	(3.9)	(3.8)	(49.8)	(5.0)	(5.0)	(54.8)	–	(54.8)
Available Enterprise Capital	**68.4**	**5.6**	**0.5**	**74.5**	**3.3**	**3.3**	**77.9**	**20.8**	**98.7**
Enterprise Capital Benchmark (ECB)									
Working Capital	(10.7)	–	–	(10.7)	–	–	(10.7)	–	(10.7)
Risk Capital[1]	(51.7)	(3.3)	–	(55.0)	(1.7)	(1.7)	(56.7)	(12.1)	(68.8)
Net capital position	**6.0**	**2.4**	**0.5**	**8.9**	**1.6**	**1.6**	**10.5**	**8.7**	**19.2**

1 As at 31 December 2021, 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 $6.4 million for capital purposes and $1.3 million of capitalised costs in relation to the Tier 2 capital raising.

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

Dividends and On-market 10/12 limit share buyback

The Board seeks to pay dividends at sustainable levels with a target payout ratio of between 40% and 60% of Operating Earnings After Tax[1]. This dividend policy has been set (subject to available profits and financial position) to consider regulatory requirements and available capital within the Group. Operating Earnings represents the Underlying NPAT[2] of the business before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital and takes into account 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 in FY21).

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.

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. The Board continues to seek to:

- Pay dividends at sustainable levels;
- Maximise the use of its franking account by paying fully franked dividends; and
- Seek transparent communication to the market around Embedded Value estimation and its relationship to the prevailing share price.

A FY21 final dividend of 1 cent per share was declared and paid in September 2021 (FY20: $nil). This represented just under 30% of Operating Earnings After Tax[1] and reflected an element of conservatism compared to the stated dividend dividend policy. No interim dividend has been declared.

10/12 limit on market buy back

ClearView has a Board approved 10/12 limit on market buy-back program in place until December 2022. 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 2021.

Selective buy-back

At the ClearView 2021 Annual General Meeting in November 2021, Shareholders approved a selective buy-back of Executive Share Plan (**ESP**) Shares. The selective buy back has not yet commenced and there were no ESP Shares bought back and cancelled in the half year ended 31 December 2021.

Employee Share Scheme buy-back

There were 104,000 Employee Shares Scheme shares bought back and cancelled in the half year ended 31 December 2021.

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. Costs associated with the incurred claims treaty are reflected as part of reinsurance costs.

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.

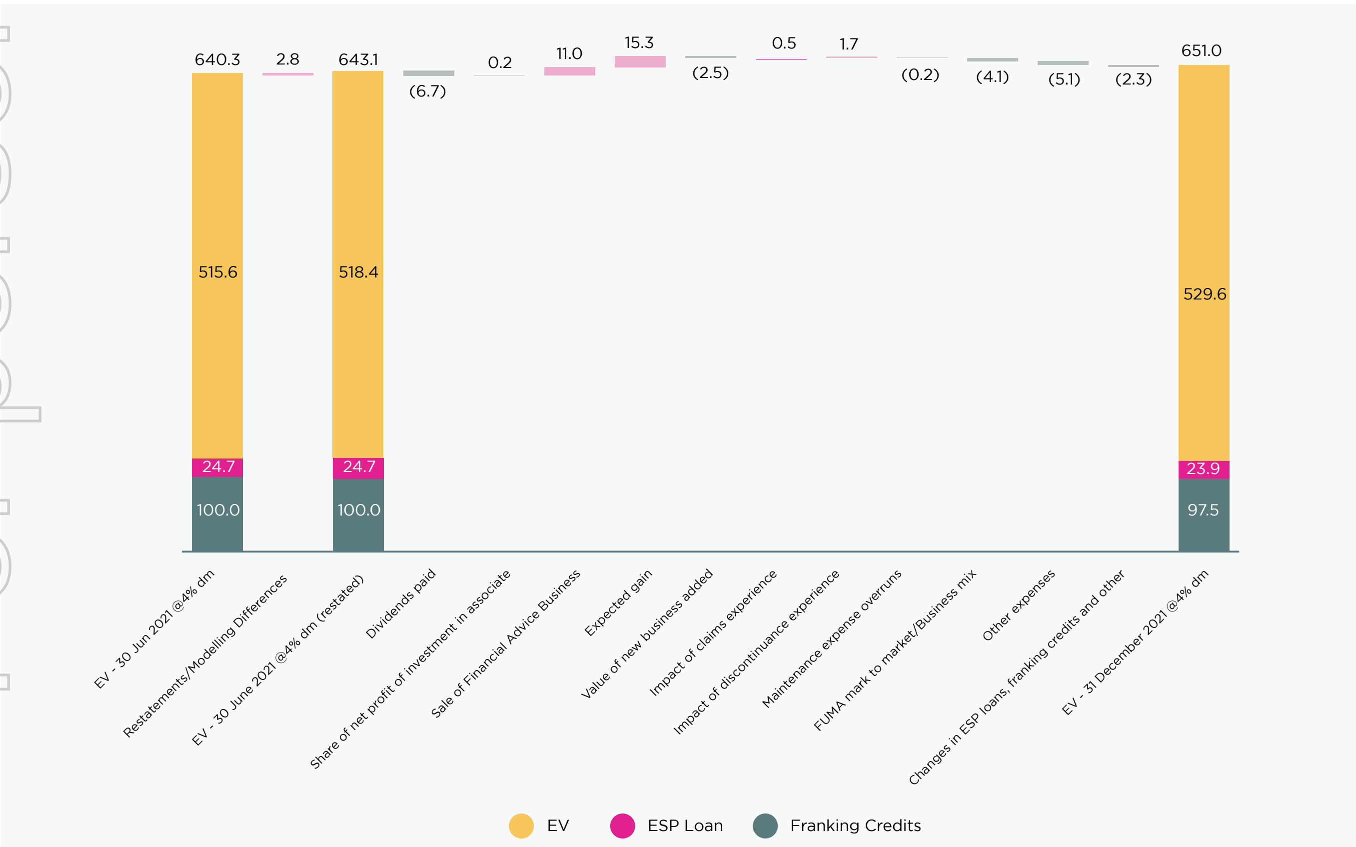
Embedded Value

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.

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	507.6	473.4	443.2
Wealth management	42.1	40.0	38.1
Value of In Force (VIF)	**549.6**	**513.4**	**481.3**
Net worth	16.2	16.2	16.2
Total EV	**565.8**	**529.6**	**497.5**
ESP Loans	23.9	23.9	23.9
Total EV including ESP Loans	**589.7**	**553.5**	**521.4**
Franking Credits @ 70%:			
Life Insurance	71.4	66.8	62.8
Wealth Management	9.6	9.0	8.6
Net worth (accrued franking credits)	21.6	21.6	21.6
Total Franking Credits	**102.6**	**97.5**	**93.0**
Total EV including ESP loans and franking credits	**692.3**	**651.0**	**614.4**
EV per Share including ESP Loans (cents)	**88.1**	**82.7**	**77.9**
EV per Share including ESP Loans and Franking Credits (cents)	**103.4**	**97.3**	**91.8**

Chart 10: EV movement waterfall



The key movements in the EV between 31 December 2021 and June 2021 are described in detail below. The restatement of the 31 December 2021 relates to the impact of model changes and inclusion of the discounted value of expense overruns (+$2.8 million).

Expected Gain (+$15.3 million)

Expected gain represents the expected unwind of the discount rate within the value of in-force and investment earnings on net worth.

Value of New Business (-$2.5 million)

The value added by new business written (VNB) over the half year period is -$0.7 million for the Life Insurance segment and -$1.8 million for the Wealth Management segment.

- The life insurance value of new business in HY22 is suppressed by the acquisition costs incurred relative to the new business volumes achieved in the Life Insurance segment in the half year period, albeit new business momentum improved (-$0.7 million).
- ClearView has an actionable growth strategy built off a transformation program that is starting to take effect.
- Overall new business has increased materially in the half-year period by 24%, from $8.3 million in HY21 to $10.4 million in HY22 (of which $1.5 million related to the new ClearView ClearChoice product)
- New business volumes over the last few years have been adversely impacted by broader market trends including the disruption in the adviser market (due mainly to regulatory factors), aggressive pricing strategies from ClearView's competitors, COVID-19 and ClearView's focus on customer retention initiatives during this period;
- ClearView's more recent strategic focus has primarily been on customer retention rather than on new business sales (reinforced by the impact of COVID-19). While retention initiatives remain in place, the focus from FY22 has now shifted back to sales, underpinned by the launch of the new ClearView ClearChoice product in HY22, supported by the implementation of a new PAS and launch of a digital distribution centre.
- The new ClearView ClearChoice product is expected to benefit from the broader reset of the industry, an increased focus on sustainability and a return to pricing rationality in the market over time. The profitability of income protection business for the industry as a whole is expected to improve given the launch of new products from October 2021 in line with the APRA IDII sustainability measures.
- The VNB is therefore expected to improve (over time) given increased new business volumes, improved income protection margins from the product redesign and pricing, coupled with cost efficiencies and ease of doing business with the financial advisers (from the implementation the new PAS).
- The Wealth Management segment VNB was negative in HY22 (-$1.8 million), noting that the business has a simplification focus coupled with the digitisation of the front end (including customer engagement) that should lead to cost efficiencies and increased flows into its core product range over time.

Maintenance Expenses (-$0.2 million)

Life Insurance maintenance expense experience in HY22 (-$0.1 million).

- From FY22 the business activity has started to shift back to acquisition with the launch of the ClearViewClearChoice product and implementation of the new PAS, initially for new business processing only. New business administration efficiencies are expected to start flowing through from completion of Phase 1 of the project with maintenance administration progressively as the existing portfolios are migrated onto the new platform.
- As the business efficiencies from the new PAS are extracted over time, the stepped fixed cost structure and efficiencies obtained allows the additional expense contribution from each dollar of new business/in-force, that with the growth in the in-force portfolios and increased new business volumes, allows the expense overruns to unwind over the medium term.
- The key focus is on the successful implementation of the new PAS and obtaining the efficiencies from the IT transformation.
- The present value of projected expense overruns has been included as an offset and within the EV calculations as at 31 December 2021. The actual overrun is reflected relative to the expected overruns that are now included in the EV calculations.

Wealth Management reflects a non-deferred expense experience loss in HY22 (-$0.1 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.
- Simplification of the wealth management

business leads to cost base reductions, coupled with digitisation of wealth front end to generate increased flows. Costs are expected to reduce progressively as the simplification process is implemented.

- The present value of projected expense overruns has been included as an offset and within the EV calculations as at 31 December 2021. The actual overruns are broadly in line with expected.

Life Insurance Claims (+$0.5 million)

Life Insurance claims experience impact of +$0.5 million.

- Continued positive underlying claims performance (relative to planned margins), as noted earlier in the report.
- Material changes to the claims assumptions (including an allowance for shorter term overlays to reflect expected COVID-19 related claims - incidence and terminations) have been made at 30 June 2020 and 30 June 2021 given the historical poor performance of income protection claims across the industry (driven by underpricing and generous benefits that have not kept up with societal trends).
- The new product, ClearView ClearChoice, also deals with the sustainability issues required by APRA on income protection products. As a result, the claims experience on new income protection products is expected to improve across the industry.
- See further commentary on claims experience for the half year period on page 19.

Lapses and Discontinuances (+$1.7 million)

Life Insurance lapse experience impact of +$1.8 million.

- 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 this portfolio (relative to the shock lapse assumptions adopted). The business has now completed the initial twelve month repricing cycle, with the further round of price changes to commence from the end of January 2022.
- The implementation of a line of business structure with a dedicated retention team has reduced the impact of the pricing increases on lapse rates (over time). In HY22, these lapse rates continued to reflect an improved trend. In addition, no material shock lapses were identified as being directly attributable to COVID-19 in the historical period.
- Customer retention strategies remain in place with further investment in capability in HY22. Further shock lapses are assumed in 2H FY22 and FY23 resulting from the staggered price increases. It is anticipated that these shock lapses could be partially offset by the market positioning of the new ClearView ClearChoice product (high quality and advice-based premium product) and the continued focus on retention initiatives.
- See further commentary on lapse experience on page 21.

Wealth Management discontinuance experience impact of -$0.1 million.

- For the Wealth Management business, discontinuance rates (outflows) were higher than expected, driven by outflows in the WealthSolutions product (and related reduction in use of the model portfolios and platform funds as a proportion of FUM balances).

Investment Performance, FUM and Business Mix impacts (-$4.1 million)

Wealth Management FUM and business mix experience impact of of -$3.4 million.

- The positive 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 (+$2.8 million).
- The change in business mix however was driven by a material reduction in the use of the model portfolios and platform funds as a proportion of FUM balances (-$6.2 million).

Life insurance investment performance impact of -$0.7 million.

- The EV calculations include a long term investment earnings assumption of 2% on the capital invested in the life insurance business. Given the low interest rate environment and investment earnings from the implementation of the PIMCO mandate, this had an adverse -$0.7 million impact on the EV calculations at 31 December 2021.

Sale of Financial Advice Business (+$11 million)

Overall positive impact from the sale of the financial advice business of +$11 million:

- The Group recognised a gain on sale of $12.0 million on the transaction. The gain on sale is reflected net of costs related to the sale of $1.1 million (after tax).
- $0.2 million of transactions costs were incurred in relation to the acquisition of the 24.5% interest.

- An impairment of $0.8 million in relation to the reduced head count associated with the Sydney head office has also been recognised.

Other Expense Impacts (-$5.1 million)

Overall adverse net expense impact for of -$5.1 million that is not allowed for in the EV calculations:

- Interest costs on corporate debt including amounts drawn down under the debt facility and interest costs associated with the Tier 2 subordinated note (-$2.4 million).
- The Group's listed overhead costs for the half year period (-$0.7 million).
- Costs of $2.0 million were recognised in the half year period in relation to the strategic review, predominantly related to vendor due diligence costs incurred to support the overall review.

Dividends and Equity Accounted Earnings (-$6.5 million)

- The EV is stated net of the final FY21 cash dividend (-$6.7 million) that was paid in September 2021.
- The earnings from Centrepoint Alliance were equity accounted for the two month period from the date of completion being 1 November 2021 (+$0.2 million).

Price Changes

The EV calculations includes the staggered price increases expected across the life insurance portfolio as noted earlier in the report.

Shock lapse assumptions have been included in the EV calculations, incorporating the effects of these price increases (over a period of time).

The shock lapse assumption is aligned to the timing of the staggered price increases.

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. The reinsurance premium increases have been effective for policies renewing from 1 March 2021.

The EV calculations for the Wealth Management business include assumptions around the proposed product structure changes, in particular on pricing changes to the traditional products. The impact of the HUB24 project on margin earned on the administration fee has also been built into the EV calculations.

Other, Franking credit and ESP loan changes (-$2.3 million)

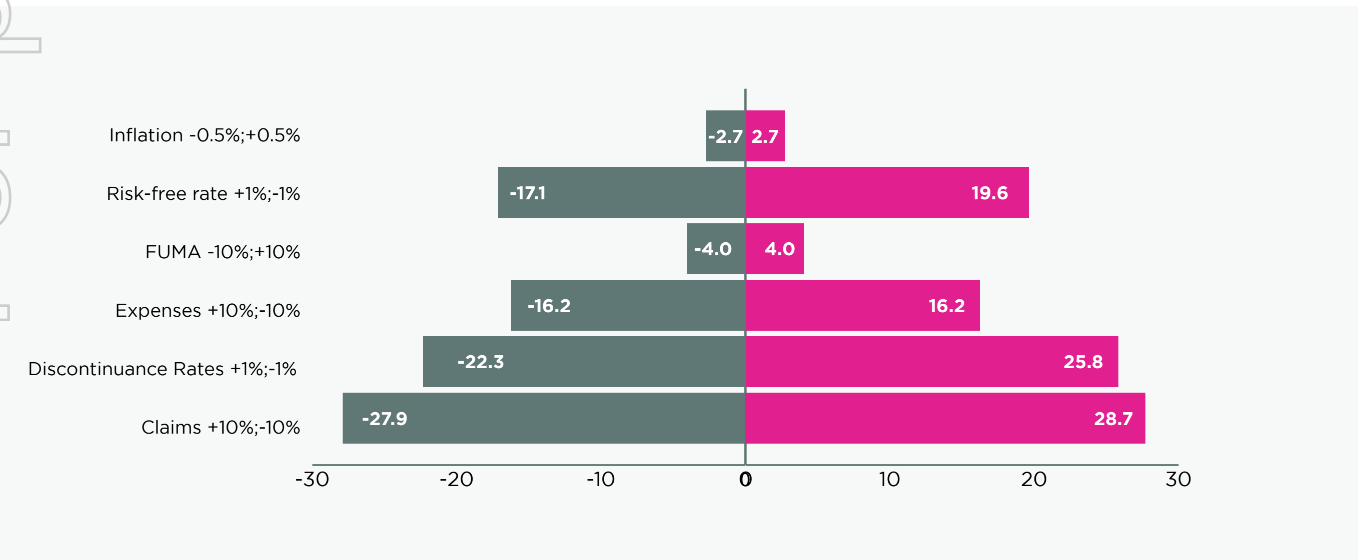
Net movement in ESP loans and franking credits between periods.

The franking credit movement effectively reflects the impact of movements in value of future tax payments, noting the reduction in the franking account balance due to the payment of the final FY21 fully franked dividend.

Given non-recourse nature of the ESP loans, $23.9 million is considered as part of the EV calculations at 31 December 2021 (ESP loans have been valued at issue price per ESP share).

Other includes the net impact from other modelling changes, enhancements and related in HY22.

Chart 11: Embedded Value sensitivity analysis @ 4%DM



Industry and Operational Outlook

- At present, the economy is being significantly disrupted by the number of COVID-19 cases, albeit indications are that infections may have reached their peak from Omicron and that the vaccines remain effective against hospitalisation and intensive care (noting the roll out of the booster program that is underway).
- However, from an economic perspective, COVID-19 related illness and isolation requirements are having a temporary negative impact on both the demand and supply sides of the economy. Notwithstanding the current challenges, the medium-term economic outlook remains positive as economies have demonstrated sharp rebounds from lockdowns and outbreaks.
- The Group has considered the impact of COVID-19 and other market volatility in preparing its financial statements. The COVID-19 related overlays and assumptions have remained unchanged since 30 June 2021.
- The Australian life insurance market is fundamentally attractive with improving industry profitability driven by structural reforms and a significant, and increasing, underinsurance gap with strong demand for life insurance.
- There have been material industry and regulatory changes to stop the historical losses incurred on income protection policies. These have included regulatory actions (including capital charges), product changes (including the banning of some product categories) and re-pricing of portfolios.
- There is now an improved regulatory outlook with no expected changes to distribution remuneration (and a remuneration structure that supports long term profitability) along with overall improved industry profitability (in line with the changes to design and pricing of income protection policies).
- The profitability of income protection business for the industry as a whole is expected to continue to improve given the launch of new products from October 2021 in line with the APRA IDII sustainability measures.
- There has also been significant market consolidation which has resulted in the large life insurers being increasingly internally distracted and thus benefiting mid-tier insurers. ClearView is ideally placed to take advantage of the market construct, as advisers seek depth and diversity of carrier.
- An opportunity is therefore emerging for ClearView to be that nimble, efficient, locally focused life insurer who will deliver a more consistent, efficient proposition so as to gain increased financial adviser support and customer engagement.
- Consumer demand remains strong despite structural factors that have historically affected new business.
- New business volumes over the last few years have been adversely impacted by broader market trends including the disruption in the adviser market (due mainly to regulatory factors), aggressive pricing strategies from ClearView's competitors, COVID-19 and ClearView's focus on customer retention initiatives during this period;
- ClearView's strategic focus has recently shifted back to new business sales (reinforced by the impact of COVID-19), underpinned by the launch of the new ClearView ClearChoice product in HY22, supported by the implementation of a new PAS and launch of a digital distribution centre to support the face to face distribution model.
- The new ClearView ClearChoice product is expected to benefit from the broader reset of the industry, an increased focus on sustainability and a return to pricing rationality in the market (over time).
- Now that product, pricing and platform issues are largely being addressed, this places ClearView in a strong position to grow new business share.
- ClearView is well-positioned for future growth through its business transformation program.
- The key focus is on the successful implementation of the new PAS and obtaining the efficiencies from the IT transformation coupled with the alignment of the front end to new business generation.
- In Wealth Management there is a focus on the simplification of the business that leads to cost base reductions, coupled with digitisation of wealth front end to generate increased flows.
- Costs are expected to reduce progressively as the simplification process is implemented. The current cost base 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.

- The simplification process also includes proposed product structure changes, in particular pricing changes for the traditional products and integration into the WealthFoundations product range. The impact of the HUB24 project on margin earned on the administration fee has also been built into the EV calculations.
- The sale of the financial advice businesses allows ClearView to participate in industry consolidation and at the same time separate the product manufacturer and advice arms of ClearView.

Financial Outlook

- The net surplus capital position of the Group above internal benchmarks of $19.2 million at 31 December 2021 and is stated after the payment of the FY21 final dividend and the capital benefits from the sale of the financial advice businesses.
- The surplus capital position and future business capital generation is anticipated to fund the net capital expenditure impacts of the material investment in the new PAS over the multi year transformation period.
- The forecast capital generation allows for progressive increased new business generation (and market share) and staggered price increases of the LifeSolutions in-force portfolio (over a period of time).
- Assuming the achievement of best estimate assumptions in 2H FY22 (in particular for claims and lapses), we expect continued solid growth in Operating Earnings After Tax[1] (from continuing operations) in FY22 (relative to FY21) and further increases in FY23 supported by the implementation of the strategy as outlined above.
- Given the fluidity of the COVID-19 pandemic and operating environment, potential impacts from any deterioration in economic conditions or further (more severe) outbreaks (and the related flow on effects to claims and affordability of premiums), actual experience relative to best estimate assumptions adopted will continue to be closely monitored.
- An increase in interest rates (over time) is, overall, for a business like ClearView a net positive, given its impacts on investment returns (as returns increase on the capital held by ClearView to support in-force policies and new business generation) and the discounted costs of future income protection claims (taking into account the estimated claims duration and adjusting for changes in expected inflation).
- As the business efficiencies from the new PAS are extracted over time, the stepped fixed cost structure and efficiencies obtained allows the additional expense contribution from each dollar of new business/in-force, that with the growth in the in-force portfolios and increased new business volumes, allows the expense overruns to unwind over the medium term.
- ClearView has an Embedded Value[3] of 97.3 cents per share that reflects the discounted cash flows of the in-force portfolios. Stable cash flows from in-force portfolio are underpinned by actuarial assumptions that have been reset (over time) to align to the changing market conditions.
- ClearView has a strong Balance Sheet and capital base that remains resilient to various stress scenarios. The net assets are backed by cash and highly rated securities.

Strategic Review

- On 3 September 2021, following an evaluation of its future capital structure and discussions with its major shareholder, ClearView announced the commencement of a strategic review process with the objective to maximise shareholder value, determine the optimal future direction of the Company to protect and enhance customer and policyholder outcomes, and achieve a long term shareholding base.
- Following the appointment of BofA Securities as the exclusive financial adviser, the review continues to assess ClearView's strategic options to unlock and enhance value for ClearView shareholders, including potential change of control transactions. Given the Omicron outbreak it was considered prudent to delay the commencement of the formal process

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. Costs associated with the incurred claims treaty are reflected as part of reinsurance costs.

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

until February 2022. In the interim, various reports have been completed to support the formal launch of the process. There are no assurances that the ClearView Board will decide to pursue any transaction, nor that any transaction or transactions will result from the review.

Summary

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 objectives.

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.

Changes in state of affairs

Other than noted elsewhere in this report, there were no other significant changes in the state of affairs of the Group, during the half year ended 31 December 2021.

Auditor's independence declaration

The auditor's independence declaration is included on page 42.

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

Mr Geoff Black
Chairman

23 February 2022

Auditor's Independence Declaration

Deloitte.

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The Board of Directors
ClearView Wealth Limited
Level 15, 20 Bond Street
Sydney NSW 2000

23 February 2022

Dear 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 audit partner for the review of the financial statements of ClearView Wealth Limited for the half-year ended 31 December 2021, 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

Stuart Alexander
Partner
Chartered Accountants

Condensed consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2021

	Note	Consolidated 6 months to 31 December 2021 $'000	Consolidated 6 months to 31 December 2020 $'000
Revenue from continued operations			
Premium revenue from insurance contracts		147,559	138,384
Outward reinsurance expense		(56,434)	(48,706)
Net life insurance premium revenue		**91,125**	**89,678**
Fee and other revenue		14,230	19,868
Investment income		85,343	44,383
Operating revenue before net fair value gains on financial assets		**190,698**	**153,929**
Net fair value gains on financial assets		16,998	91,596
Share of net profit of investment in associate	14	231	–
Net operating revenue		**207,927**	**245,525**
Claims expense		(71,553)	(68,571)
Reinsurance recoveries revenue		50,528	49,500
Commission and other variable expenses		(23,971)	(27,176)
Operating expenses	4	(54,001)	(48,432)
Depreciation and amortisation expense	4	(3,434)	(3,018)
Change in life insurance policy liabilities	13	15,753	5,165
Change in reinsurers' share of life insurance liabilities	13	(8,452)	(6,728)
Change in life investment policy liabilities	13	(64,249)	(76,898)
Movement in liability of non-controlling interest in controlled unit trusts		(40,013)	(60,742)
Profit/(Loss) before income tax expense		**8,535**	**8,625**
Income tax (expense)/benefit		(725)	163
Profit/(Loss) from continuing operations		**7,810**	**8,788**
Profit from discontinued operation	6	**10,437**	**876**
Total comprehensive income/(loss) for the period		**18,247**	**9,664**
Attributable to:			
Equity holders of the parent		18,247	9,664
Earnings per share - continuing operations			
Basic (cents per share)		1.24	1.41
Diluted (cents per share)		1.23	1.40
Earnings per share			
Basic (cents per share)		2.90	1.55
Diluted (cents per share)		2.87	1.54

To be read in conjunction with the accompanying Notes.

Condensed consolidated statement of financial position

For the half year ended 31 December 2021

		Consolidated	
	Note	31 December 2021 $'000	30 June 2021 $'000
Assets			
Cash and cash equivalents		251,227	120,496
Investments	10	2,476,915	2,456,967
Receivables	11	38,185	35,931
Current tax asset		2,913	2,972
Fixed interest deposits		2,897	70,366
Reinsurers' share of life insurance policy liabilities	13	53,260	70,621
Deferred tax asset		5,844	6,825
Property, plant and equipment		598	711
Right-of-use assets	20	11,989	14,516
Goodwill	9	12,511	12,511
Intangible assets	9	12,252	7,749
Investment in associate	14	13,671	—
Total assets		**2,882,262**	**2,799,665**
Liabilities			
Payables	12	79,068	45,279
Current tax liabilities		—	—
Provisions		5,827	7,559
Lease liabilities	20	12,598	14,008
Life insurance policy liabilities	13	59	(2,135)
Life investment policy liabilities	13	1,447,151	1,392,291
Liability to non-controlling interest in controlled unit trusts		769,432	791,249
Deferred tax liabilities		6,004	2,467
Borrowings	15	16,000	16,000
Subordinated debt	16	73,685	73,514
Total liabilities		**2,409,824**	**2,340,232**
Net assets		**472,438**	**459,433**
Equity			
Issued capital	8	451,790	447,448
Retained earnings/(losses)		4,953	(6,611)
Executive share plan reserve		11,716	14,617
General reserve		3,979	3,979
Total equity		**472,438**	**459,433**

To be read in conjunction with the accompanying Notes.

Condensed consolidated statement of changes in equity

For the half year ended 31 December 2021

	Share capital	Share based payments reserve	General reserve	Retained losses	Attributable to the owners of the parent
	$'000	$'000	$'000	$'000	$'000
Balance at 30 June 2021	**447,448**	**14,617**	**3,979**	**(6,611)**	**459,433**
Profit for the year	–	–	–	18,247	18,247
Total comprehensive income for the year	**–**	**–**	**–**	**18,247**	**18,247**
Recognition of share based payments[1]	–	225	–	–	225
Transfer from accrued employee entitlements[2]	–	353	–	–	353
Dividend paid	–	–	–	(6,683)	(6,683)
ESP loans settled through dividend	–	208	–	–	208
ESP shares vested/(forfeited)	751	(96)	–	–	655
Transfer to share capital	3,591	(3,591)	–	–	–
Balance at 31 December 2021	**451,790**	**11,716**	**3,979**	**4,953**	**472,438**
Balance at 30 June 2020	**447,448**	**14,584**	**3,979**	**(13,290)**	**452,721**
Profit for the year	–	–	–	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**

1 FY22 Long Term Variable Remuneration (LTVR)
2 FY21 Deferred Short Term Variable Remuneration (STVR)
To be read in conjunction with the accompanying Notes

Condensed consolidated statement of cash flows

For the half year ended 31 December 2021

		Consolidated	
	Note	6 months to 31 December 2021 $'000	6 months to 31 December 2020 $'000
Cash flows from operating activities			
Receipts from client and debtors		354,077	377,576
Payments to suppliers and other creditors		(166,832)	(167,019)
Withdrawals paid to life investment clients		(179,252)	(165,183)
Dividends and trust distributions received		85,216	43,869
Incurred claims treaty settlements		23,183	89,372
Interest received		691	1,193
Interest on borrowings and other costs of finance		(3,060)	(873)
Income taxes paid		5	(1,415)
Net cash generated by operating activities		**114,028**	**177,520**
Cash flows from investing activities			
Net (payments for) / proceeds from the sale of subsidiaries		(804)	—
Payments for investment securities		(361,344)	(897,178)
Proceeds from sales of investment securities		386,760	688,619
Acquisition of property, plant and equipment		(19)	(613)
Acquisition of capitalised software		(6,436)	(1,031)
Fixed interest deposits redeemed/(invested)		67,469	20,168
Loans repayments received		138	864
Net cash generated/(utilised) by investing activities		**85,764**	**(189,171)**
Cash flows from financing activities			
Net movement in liability of non-controlling interest in unit trusts		(61,829)	(77,396)
Subordinate debt issue		—	75,000
Repayment of lease liability		(1,410)	(1,044)
Repayment of ESP loans		655	—
Dividend paid		(6,477)	—
Debt drawn down / (repayments)		—	(44,000)
Net cash (utilised) in financing activities		**(69,061)**	**(47,440)**
Net increase/(decrease) in cash and cash equivalents		130,731	(59,091)
Cash and cash equivalents at the beginning of the financial year		120,496	186,443
Cash and cash equivalents at the end of the financial period		**251,227**	**127,352**

To be read in conjunction with the accompanying Notes.

1. Significant accounting policies

General Information

ClearView Wealth Limited (the Company or Consolidated Entity) is a limited company incorporated in Australia. The address of its registered office is disclosed in the Directory at the back of the Half Year Report. 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 noted.

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 2021, other than where disclosed and with the exception of changes in accounting policies required following the adoption of new accounting standards on 1 July 2021. 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 judgements

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.

The recent further waves of infections and ease of transmission of the Omicron variant since late November 2021, have led to high numbers of COVID-19 cases and the reinstatement of certain restrictions. The outbreaks have continued to impact significant aspects of everyday lives and the flow on effects to the economy.

The Group has considered the impact of COVID-19 and other market volatility in preparing its financial statements. The COVID-19 related overlays and assumptions have remained unchanged since 30 June 2021. These assumptions will be reassessed at the full year result and updated based on the experience in the second half of the year ended 30 June 2022.

Given the dynamic and evolving nature of COVID-19, and Australia's response to the new variant, significant uncertainty remains and the impact of events that arise after the reporting period will be accounted for in the future reporting periods.

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 accounting 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

Updates

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 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 and retained earnings on adoption of the accounting standard. Life investment contracts are currently measured under the AASB 9 Financial Instruments standard and will continue to be recognised under this standard.

On 13 December 2021 APRA released a number of draft prudential and reporting standards with the purpose of integrating AASB 17 into the insurance capital and reporting frameworks after seeking industry feedback to its discussion paper published in November 2020.

For the capital framework, most of the existing requirements for the regulatory capital calculation for insurers will be maintained. For the reporting framework, insurers can use the AASB 17 accounting policies and principles to report financial statement information to APRA.

The release of the final standards is expected in the second half of 2022.

The instructions and requirements of the Quantitative Impact Study (**QIS**) was also released together with the draft standards. APRA strongly encourages all insurers to participate in the QIS as the data collected will be utilised to develop the final standards. The insurers who choose to participate in the QIS will have until 31 March 2022 to complete the exercise and submit their data to APRA. ClearView plans to participate in this study.

Key areas of consideration and progress

The standard will apply to all insurance business in ClearView Group and ClearView Life Assurance Limited (ClearView Life) and introduces a 'general measurement model' for recognition and measurement of insurance contracts. In addition, it also allows the application of a simplified model if the coverage period of the contract is 12 months or less or if the liability for remaining coverage under the simplified model would not materially differ from the general model. It is likely that ClearView Group and ClearView Life may adopt the General Measurement Model for most of its products.

ClearView Group and ClearView Life continues to assess the impact of the new requirements and emerging industry guidance on the financial statements and APRA requirements. As noted above, while it is expected that the standard will have an impact on the emergence of profits and retained earnings of ClearView Group and ClearView Life, it is not yet practicable to determine the quantum.

The relevant key areas of consideration for ClearView Group and Clearview Life are set out below:

- Changes to the level of aggregation, as AASB 17 requires that insurance contracts 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 1038.
- 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 1038, 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 AASB 1038 to a 12-month contract boundary under AASB 17 reflecting its policyholder renewal and repricing cycle. This will result in different patterns of profit recognition compared to the current standards, the impact of which is not yet practicable to determine.

- Reinsurance contracts held and the associated liability is to be determined separately to the gross contract liability and may have difference contract boundaries.
- Some change to the acquisition cost definition including what costs may be deferred (only directly attributable expenses will be assigned to contracts and an explicit asset has been introduced for short contract boundary business).
- Insurance contract liabilities will be restated upon transition to AASB 17 and ClearView will apply the standard from 1 July 2023. Changes in the balance of insurance contract liabilities will be reflected as an adjustment to retained earnings at transition. ClearView's first full year financial statements presented under AASB 17 will be for the year ended 30 June 2024 with comparatives required for 30 June 2023.

Given the complexity around the key requirements of the accounting standard, the interpretation of certain requirements is still evolving at the date of this report. ClearView continues to closely monitor these developments and assess their impact on the business.

The implementation of AASB 17 will result in a considerable increase in data volume and data storage requirements. Efficient and controlled processes are important to ensure that ClearView Group and ClearView Life Assurance meets the reporting deadlines for both internal and external stakeholders as well as providing quality business insights and data for business decision-making.

To this end, ClearView has undertaken an assessment on the current state and a target state of operations including historical and projected data, key economic and insurance assumptions, and calculation and reporting models and are in the process of selecting and implementing new systems and reporting processes to cater for the requirements of AASB 17 and APRA.

ClearView continues the implementation of an AASB 17 sub-ledger with a proof of concept completed and the implementation of the sub-ledger solution now underway. External vendor sub-ledger solution implementation will cover the end-to-end compliance solution including the sourcing of input data, cash flow modelling, analysis of results, and production of general ledger entries and required disclosures.

Quantification of AASB 17 financial impacts is expected to be performed in the second half of FY22 once the requisite data, systems and models are in place.

2. Events subsequent to reporting date

COVID-19

In a COVID-19 context, ClearView notes the recent further waves of infections and ease of transmission of the Omicron variant since late November 2021, which has led to high numbers of COVID-19 cases and the reinstatement of certain restrictions. The outbreaks have continued to impact significant aspects of everyday lives and the flow on effects to the economy and related business effects remain highly uncertain.

Strategic review

On 3 September 2021, following an evaluation of its future capital structure and discussions with its major shareholder, ClearView announced the commencement of a strategic review process with the objective to maximise shareholder value, determine the optimal future direction of the Company to protect and enhance customer and policyholder outcomes, and achieve a long term shareholding base.

Following the appointment of BofA Securities as the exclusive financial adviser, the review continues to assess ClearView's strategic options to unlock and enhance value for ClearView shareholders, including potential change of control transactions. Given the Omicron outbreak it was considered prudent to delay the commencement of the formal process until February 2022. In the interim, various reports have been completed to support the formal launch of the process. There are no assurances that the ClearView Board will decide to pursue any transaction, nor that any transaction or transactions will result from the review.

No adjustments to the financial statements for the half year ended 31 December 2021 have been made as a result of the strategic review. Costs of the strategic review are being expensed as incurred.

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.

ClearView offers life insurance, superannuation and investment products and services under the ClearView brand through two business segments, namely Life Insurance and Wealth Management.

ClearView historically provided financial advice services through its ClearView Financial Advice, Matrix and Lavista Licensee Solutions businesses. On 25 August 2021, ClearView announced the sale of these businesses to Centrepoint Alliance Limited (Centrepoint Alliance), in exchange for $3.2 million in cash (subject to a net asset adjustment) and the acquisition of a strategic 24.5% stake in Centrepoint Alliance. The acquisition of a strategic stake in Centrepoint Alliance allowed ClearView to participate in the financial advice industry consolidation but at the same time separate the product manufacturer and advice arms of its business. The transaction was completed on 1 November 2021. ClearView's holding in Centrepoint Alliance is accounted for under the equity accounting method.

The remaining reportable segment, the Listed/Other segment, 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 and subordinated debt. The Group manages capital at the listed entity level in accordance with its ICAAP policy.

Further details on the the principal activities of the Group's two business reportable segments under AASB 8, are provided in more detail below.

(a) Life Insurance ('protection' products)

The Life Insurance business offers advised life insurance products and also has an inforce (closed) portfolio of non-advised life insurance products. As at 31 December 2021, ClearView had combined in-force life insurance premiums of $297.2 million. The Life Insurance business accounted for circa 90% of ClearView's total revenue during the half year period.

ClearView provides life insurance protection products through its wholly owned subsidiary ClearView Life. These products are designed to allow policyholders to receive (in the case of an eligible claim) either a one off payment (lump sum products) or recurring benefits (ongoing monthly payments) over a specified period, typically a certain number of years, or up to a specific age (income protection products).

The products provided by ClearView Life include:

- LifeSolutions was launched in December 2011 and includes term life, permanent disability, trauma and critical illness benefits, child cover, accident covers, income protection and business expense covers. Policies can be issued directly or via the HUB24 Super Fund (from 1 November 2020) and ClearView Retirement Plan (to 31 October 2020) as superannuation. The LifeSolutions product, was until 1 October 2021, the single, contemporary product series for retails customers that was available for sale through financial advisers.
- ClearChoice, the new life protection product series, was launched in October 2021 and includes term life, accidental death, permanent disability, trauma, child cover, income protection and business expense cover. These products include significant changes to income protection product design and pricing to improve both premium affordability and sustainability of the product. Policies can be issued directly or via the HUB24 Super Fund.
- An in-force portfolio of Non-Advice life protection products that were previously sold through direct marketing, and related channels. Products include term life, accidental death, injury covers, trauma and critical illness and funeral insurance. These products are no longer marketed to customers. The direct life insurance business was closed in May 2017.

(b) Wealth Management ('investment' products)

The Wealth Management business offers products through various structures (see commentary below) and as at 31 December 2021, had total FUM of $3.6 billion.

ClearView provides wealth management products via four primary avenues:

- Traditional products (Master Trust) - Life investment contracts issued by ClearView Life. Products include ordinary savings, superannuation and allocated pension products, with the latter two provided via the ClearView Retirement Plan. The Traditional product has not been marketed to new customers.

In 2H FY21, ClearView intends to transfer clients from the Traditional (Master Trust) product, to the more contemporary WealthFoundations product, effectively simplifying the product suite and enabling clients to reengage with a contemporary product;

- WealthSolutions - A superannuation and retirement income wrap (issued via the ClearView Retirement Plan) and an Investor Directed Portfolio Service (**IDPS**) Wrap (provided by CFML). This is offered via the WealthSolutions platform which was launched in December 2011. ClearView selected HUB24 as its strategic wrap platform provider. Under the arrangement, the funds under management (**FUM**) in the WealthSolutions platform product has been successfully migrated to HUB24, with the transition completed in 2H FY21 from a technology perspective. The further integration of the WealthSolutions product with HUB24 (for both the superannuation and pension business and the Investor Directed Portfolio Service (**IDPS**)), represents the last step in the multi period transformation project of the wrap business with HUB24. WealthSolutions wrap product offering includes a broad menu of investment funds, ASX listed shares, term deposits, ClearView managed funds and Separately Managed Account (**SMA**) offering. It also provides a number of model portfolios managed by ClearView for superannuation and non superannuation investors;
- WealthSolutions 2 - The WealthSolutions 2 product on the HUB 24 platform is effectively a white labelled product with limited administration fee margins. The use of the ClearView model portfolios and platform funds on the HUB24 platform is therefore the key driver for the product and segment.
- WealthFoundations is a mid market wealth management product suite issued from ClearView Life and provided via ClearView Retirement Plan. Products include superannuation and allocated pension products. WealthFoundations includes a menu of investment options with transparent investment in underlying funds; and
- Managed Investment Schemes (**MIS**) - Products are issued via ClearView Financial Management Limited (**CFML**) as the ASIC licensed Responsible Entity and include MIS products available on ClearView's WealthSolutions platform and other external platforms.

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.

Information regarding segments is provided on the previous page. The accounting policies of the reportable segments are the same as the Company's accounting policies described in the 30 June 2021 Annual Report.

	Total Revenue		Inter-Segment Revenue		Consolidated Revenue	
	HY2022	HY2021	HY2022	HY2021	HY2022	HY2021
	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue						
Life Insurance	91,839	90,570	—	—	91,839	90,570
Wealth Management	98,805	63,307	—	—	98,805	63,307
Listed entity/Other	54	52	—	—	54	52
Consolidated segment revenue from continuing operations	**190,698**	**153,929**	**—**	**—**	**190,698**	**153,929**

Operating Earnings (after tax) and Underlying net profit after tax are the Group's key measure of business performance and is disclosed below by segment:

HY2022	Life Insurance	Wealth Management	Listed Entity/ Other	Continuing operations	Discontinued operation	Total
Total operating earnings after tax	**13,406**	**1,089**	**(588)**	**13,907**	**(756)**	**13,151**
Equity account minority interest[1]	—	—	231	**231**	—	**231**
Underlying investment income	499	15	38	**552**	40	**592**
Interest on corporate debt	(639)	—	(1,313)	**(1,952)**	—	**(1,952)**
Underlying net profit/(loss) after tax	**13,266**	**1,104**	**(1,632)**	**12,738**	**(716)**	**12,022**
Policy liability discount rate effect[2]	(2,358)	—	—	**(2,358)**	—	**(2,358)**
Impairments[3]	—	—	—	**—**	(822)	**(822)**
Strategic review costs[4]	—	—	(1,950)	**(1,950)**	—	**(1,950)**
Sale of Advice Business	—	—	(200)	**(200)**	11,975	**11,775**
Other costs[6]	(320)	(100)	—	**(420)**	—	**(420)**
Reported profit/(loss)	**10,588**	**1,004**	**(3,782)**	**7,810**	**10,437**	**18,247**
HY2021						
Total operating earnings after tax	**12,413**	**560**	**(721)**	**12,252**	**806**	**13,058**
Underlying investment income	625	70	35	**730**	70	**800**
Interest on corporate debt	(289)	—	(595)	**(884)**	—	**(884)**
Underlying net profit/(loss) after tax	**12,749**	**630**	**(1,281)**	**12,098**	**876**	**12,974**
Policy liability discount rate effect[2]	(1,309)	—	—	**(1,309)**	—	**(1,309)**
Impairments[3]	(600)	—	—	**(600)**	—	**(600)**
Wealth project costs[5]	—	(1,470)	—	**(1,470)**	—	**(1,470)**
Other costs[6]	69	—	—	**69**	—	**69**
Reported profit/(loss)	**10,909**	**(840)**	**(1,281)**	**8,788**	**876**	**9,664**

1 Share of net profit of investment in associate (Centrepoint Alliance) for 2 month period from 1 November 2021 to 31 December 2021.

2 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 income protection disabled lives claims reserves. The life insurance policy liability (based on AIFRS) and income protection incurred disabled lives claims 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.

3 Impairment to right of use asset and provision for associated outgoings as a result of sale of financial advice businesses in HY22. Impairment to receivables from ClearView Retirement Plan in HY21.

4 Costs associated with the strategic review as announced in the market in September 2021. Further costs to be incurred in 2H as review progresses.

5 Costs associated with transition to HUB24 platform.

6 These costs are considered unusual to the ordinary activities of the Group and are therefore not reflected as part of Underlying NPAT. Costs in the amount of $0.3m and $0.1m after tax were recognised in HY22 in relation to the PAS transformation costs and transaction costs for the sale of financial advice businesses. Amounts stated are after tax.

4. Operating expenses

	Consolidated	
	6 months to 31 December 2021 $'000	6 months to 31 December 2020 $'000
Administration expenses		
Administration and other operational costs	16,978	16,870
Custody and investment management expenses	4,237	4,307
Total administration expenses	**21,215**	**21,177**
Employee costs and directors' fees		
Government grant - JobKeeper payments	—	(2,416)
Employee expenses	28,000	26,909
Share based payments	225	(191)
Employee termination payments	79	449
Directors' fees	436	435
Total employee costs and directors' fees	**28,740**	**25,186**
Other expenses		
Interest and other costs of finance	4,046	2,069
Total other expenses	**4,046**	**2,069**
Total operating expenses	**54,001**	**48,432**

	Consolidated	
	6 months to 31 December 2021 $'000	6 months to 31 December 2020 $'000
Depreciation and amortisation expenses		
Depreciation expenses	132	276
Software amortisation	1,732	1,846
Depreciation of right-of-use assets	1,570	896
Total amortisation and depreciation expenses	**3,434**	**3,018**

5. Taxes

As outlined in the 30 June 2021 Annual Report, ClearView Wealth Limited and its wholly-owned Australian resident entities have formed a tax consolidated group with effect from 1 February 2007 and therefore taxed as a single entity from that date. Entities within the tax consolidated group have entered into a tax sharing and funding agreement with the head entity being ClearView Wealth Limited.

As a result of the sale of the financial advice businesses to Centrepoint Alliance, the financial advice businesses ceased to be wholly-owned subsidiaries and consequently exited the ClearView Wealth Limited tax consolidated group. Upon exit, ClearView Wealth Limited agreed to release each entity of the financial advice business from its obligation under the tax sharing and funding agreement on 1 November 2021.

The financial advice businesses include the following entities:

- ClearView Financial Advice Pty Ltd;
- Matrix Planning Solutions Limited; and
- LaVista Licensee Solutions Pty Ltd.

6. Discontinued operation

On 25 August 2021, ClearView announced sale of its financial advice businesses, following a strategic review in this segment to seek out and pursue inorganic opportunities to accelerate its path to scale. The businesses were sold on 1 November 2021 to Centrepoint Alliance, a listed company, in exchange for $3.2 million in cash (subject to a net asset adjustment) and the acquisition of a strategic 24.5% stake in Centrepoint Alliance. The acquisition of a strategic stake in Centrepoint Alliance allowed ClearView to participate in the financial advice industry consolidation but at the same time separate the product manufacturer and advice arms of its business.

The financial advice businesses were not previously classified as held-for-sale or as discontinued operations. The comparative condensed consolidated statement of profit or loss and other comprehensive income has been re-presented to show the discontinued operations separately from continuing operations.

The financial performance and cash flow information presented for the current period reflect the operations for four months ended 31 October 2021.

	Consolidated	
	6 months to 31 December 2021 $'000	6 months to 31 December 2020 $'000
a) Results of discontinued operation		
Revenue	35,347	55,880
Expenses	(37,004)	(54,529)
(Loss)/profit before income tax	**(1,657)**	**1,351**
Income tax benefit/(expense)	119	(406)
(Loss)/profit for the period from discontinued operation	**(1,538)**	**945**
Gain on sale of discontinued operation after income tax (see c) below)	11,975	–
Profit from discontinued operation attributable to equity holders of the parent	**10,437**	**945**
Earnings per share from discontinued operation		
Basic (cent per share)	1.66	0.15
Diluted (cent per share)	1.64	0.15
b) Cash flows from discontinued operation		
Net cash utilised by operating activities	(676)	(1,356)
Net cash generated by investing activities	104	918
Net cash flows for the period from discontinued operation	**(572)**	**(437)**

c) Details of sale of discontinued operation

Consideration received:	
Cash	3,170
Investment in Centrepoint Alliance	13,440
Total disposal consideration	**16,610**
Carrying amount of net assets sold	(3,646)
Net asset adjustments[1]	231
Matrix brand sold	(200)
Transaction costs[2]	(1,380)
Gain on sale before income tax	**11,615**
Income tax benefit on gain	360
Gain on sale after income tax	**11,975**

1 Net asset adjustments are subject to change as the completion accounts are being finalised and completed in 2H 2022.

2 Includes shared redundancy, legal, employee, consultancy and other costs associated with the sale of the financial advice businesses.

At the time of the sale the fair value of the investment in Centrepoint Alliance was determined to be $13.4 million (48 million shares at 28 cents per share which is the market price on 1 November 2021) and was recognised as investment in associate (refer to Note 14).

7. Dividends paid

	Consolidated			
	6 months to 31 December 2021		6 months to 31 December 2020	
	Cents per share	$'000	Cents per share	$'000
Final Dividend	1.00	6,682	—	—
Total		6,682		—

No interim dividend has been declared.

A final fully franked dividend for FY21 of $6.7 million (FY20: Nil) was declared and paid. This equated to 1 cent per share and represented just under 30% of Operating Earnings After Tax and reflects an element of conservatism compared to the revised dividend policy.

8. Issuances and repurchase of equity

	6 months to 31 December 2021	6 months to 31 December 2021	12 months to 30 June 2021	12 months to 30 June 2021
	No of shares	$'000	No of shares	$'000
Issued and fully paid ordinary shares				
Balance at the beginning of the period	631,202,448	447,448	631,202,448	447,448
Transfer from share based payment reserve[1]	—	3,591	—	—
Shares issued during the year (ESP vested/forfeited)	575,714	751	—	—
Balance at the end of the period	**631,778,162**	**451,790**	**631,202,448**	**447,448**
Executive share plan				
Balance at the beginning of the the period	38,154,662	—	43,590,602	—
Shares forfeited during the period	(104,000)	—	(5,435,940)	—
Shares exercised during the period	(575,714)	—	—	—
Balance at the end of the period	**37,474,948**	**—**	**38,154,662**	**—**

1 Transfer of reserve balance for vested ESPs that have been cancelled.

During the half year period no shares were granted to senior management and contractor participants, 104,000 shares were forfeited and cancelled while 575,714 shares were exercised and transferred to share capital.

Following the sale of the financial advice business to Centrepoint Alliance, 800,000 ESP shares that have vesting conditions related to change of control constraints vested on completion of the transaction on 1 November 2021. Furthermore, in relation to employees and contractor participants related to the financial advice businesses sold, the ESP loans to fund their participation in the ESP have been extended until 31 March 2022, by which time their loan balance outstanding is required to be repaid and their relevant ESP shares be dealt with in accordance with the ESP Rules.

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 2021 Annual Report.

Shares granted under the ESP carry rights to dividends and voting rights. For details of the ESP refer to the June 2021 Annual Report.

During the half year period, 4,522,514 performance rights were issued to ClearView's Senior Management Team (**SMT**) (refer to Note 22 for further details). For details of the STVR and LTVR are provided in the June 2021 Annual Report.

Treasury shares held in trust

To satisfy obligations under the Group's share-based remuneration plans, shares have been bought on market and are held in a Trust controlled by ClearView. The shares are measured at cost and are presented as a deduction from Group equity. No gain or loss is recognised in profit or loss on the sale, cancellation or reissue of the shares. The shares are derecognised as treasury shares held in trust when the shares vest or are released to the participant. The total number of treasury shares held is 2,783,324 with a value of $2,406,598.

9. Goodwill and intangibles

					Consolidated
6 months to 31 December 2021	Goodwill $'000	Capitalised software $'000	Client Book $'000	Matrix Brand $'000	Total intangibles $'000
Gross carrying amount					
Balance at the beginning of the financial year	20,452	54,056	65,017	200	119,273
Acquired directly during the year[1]	—	6,436	—	—	6,436
Disposals (see Note 6 (c))	—	—	—	(200)	(200)
Balance at the end of the financial year	**20,452**	**60,492**	**65,017**	**—**	**125,509**
Accumulated amortisation and impairment losses					
Balance at the beginning of the year	7,941	46,537	64,987	—	111,524
Amortisation expense in the current year	—	1,732	1	—	1,733
Balance at the end of the financial year	**7,941**	**48,269**	**64,988**	**—**	**113,257**
Net book value					
Balance at the beginning of the financial year	12,511	7,519	30	200	7,749
Balance at the end of the financial year	**12,511**	**12,223**	**29**	**—**	**12,252**

12 months to 30 June 2021	Goodwill $'000	Capitalised software $'000	Client Book $'000	Matrix Brand $'000	Total intangibles $'000
Gross carrying amount					
Balance at the beginning of the financial year	20,452	48,986	65,017	200	114,203
Acquired directly during the year	—	5,070	—	—	5,070
Balance at the end of the financial year	**20,452**	**54,056**	**65,017**	**200**	**119,273**
Accumulated amortisation and impairment losses					
Balance at the beginning of the year	7,941	43,330	64,985	—	108,315
Amortisation expense in the current year	—	3,207	2	—	3,209
Balance at the end of the financial year	**7,941**	**46,537**	**64,987**	**—**	**111,524**
Net book value					
Balance at the beginning of the financial year	12,511	5,656	32	200	5,888
Balance at the end of the financial year	**12,511**	**7,519**	**30**	**200**	**7,749**

1. Includes $4.8 million of capitalised costs in relation to the new PAS

Capitalisation of configuration and customisation costs in SaaS arrangements

In implementing SaaS arrangements, the Group has developed software code that enhances, modifies and creates additional capability to the software to which it owns the intellectual property. This software increases the functionality of the SaaS arrangement cloud-based application and includes a new underwriting rules engine, front end portal and integration with existing ERP systems. Judgement has been applied in determining whether the changes to the owned software meets the definition of and recognition criteria for an intangible asset in accordance with AASB 138 Intangible Assets.

During the half-year, the Group recognised $4.8 million (2021: $3.5 million) as intangible assets in respect of customization and configuration costs incurred in implementing SaaS arrangements. These intangible assets are amortised on a straight-line basis over the useful life of 5 years, which is in line with the license agreement. As at 31 December 2021, the accumulated amortisation of $0.4 million (2021: nil) has been recognised for these intangible assets as the new PAS has been brought into use since October 2021.

Impairment testing

Goodwill and intangible assets that have indefinite useful lives are tested at least annually for impairment. Other intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). An impairment loss is recognised when the goodwill carrying amount exceeds the CGU's recoverable amount.

Recoverability of Goodwill

Goodwill

The goodwill primarily arose from the acquisition of Matrix Planning Solutions Limited in October 2014 as well as other business combinations where ClearView Wealth Limited was the acquirer.

The goodwill that arose on acquisition was allocated across the Financial Advice, Life Insurance and Wealth Management CGU's of the Group based on the expected synergies expected to be gained by each CGU within the Group. At the balance date goodwill was allocated $4.0 million to the Life Insurance segment and $8.5 million to the Wealth Management segment.

The goodwill recognised within the Life Insurance and Wealth Management CGU's is tested for impairment triggers using the embedded value methodology by comparing the carrying value of goodwill to the in-force portfolios written to date. The recoverable amount for the Wealth Management and Life Insurance CGU's has been determined based on the embedded value calculations as at 31 December 2021. The embedded value is a calculation that represents the economic value of the shareholder capital in the business and the future profits expected to emerge from the business currently in-force expressed in today's dollars. No account is taken of future new business in the embedded value calculations.

The estimated embedded value of the business has been calculated based on the following key assumptions and estimates:

- Mortality and morbidity (claims)
- Investment returns;
- Persistency (lapse);
- Board approved premium rate changes;
- Outflows;
- Maintenance costs; and
- Discount rates.

The embedded value uses assumptions that are consistent with those adopted for policy liabilities in this financial report. See Note 13 for actuarial estimates and assumptions and Note 1 for the potential impacts of COVID-19 that has been taken into accounting in setting these assumptions.

As at 31 December 2021, no impairment was required to the carrying value of goodwill within the Life Insurance and Wealth Management CGU's. The carrying value of the Financial Advice Goodwill and client book intangibles was fully impaired in the 2019 financial year.

Matrix Brand

On 25 August 2021, ClearView announced the sale of its financial advice businesses, following a strategic review in this segment to seek out and pursue inorganic opportunities to accelerate its path to scale. The businesses were sold on 1 November 2021 to Centrepoint Alliance. The Matrix brand was disposed as part of the sale and its cost of $0.2m was written off and included in the gain on sale. Refer to Note 6 (c) for details.

Capitalised software impairment

At each reporting period the internally generated software is assessed for any impairment triggers. If any such indication exists, the recoverable amount of the asset is estimated. The impairment indicators for software intangibles are defined as:

- The ability of the software to provide the functionality required from the business to use the asset;
- The software is being utilised for the purposes that it was designed;
- The availability of alternative software that the business has available; and
- Product mix – the Group no longer sells the products that are administered on the PAS or utilises the provided functionality.

As at 31 December 2021, no impairment was required to the carrying value of capitalised software. The PAS was brought into use in the period under review.

10. Investments

	Consolidated	
	31 December 2021 $'000	30 June 2021 $'000
Equity securities		
Held directly	258,120	225,892
Held indirectly via unit trust	775,679	844,179
	1,033,799	**1,070,071**
Debt securities/fixed interest securities		
Held directly	642,680	594,762
Held indirectly via unit trust	558,755	556,409
	1,201,435	**1,151,171**
Property/Infrastructure		
Held indirectly via unit trust	241,681	235,725
	241,681	**235,725**
Total investments	**2,476,915**	**2,456,967**

Fair value hierarchy

The table below summarises financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities. For ClearView, this category includes equity securities and unit trusts.
- Level 2: inputs other than quoted prices included within level 2 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For ClearView, this category includes fixed interest securities. 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.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). ClearView did not have any investments falling into this category as at 31 December 2021.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
31 December 2021				
Equity Securities	258,120	–	–	258,120
Fixed Interest Securities	–	642,680	–	642,680
Unit Trusts	1,576,115	–	–	1,576,115
Total	**1,834,235**	**642,680**	**–**	**2,476,915**
30 June 2021				
Equity Securities	225,892	–	–	225,892
Fixed Interest Securities	–	594,762	–	594,762
Unit Trusts	1,636,313	–	–	1,636,313
Total	**1,862,205**	**594,762**	**–**	**2,456,967**
Financial Liabilities				
31 December 2021				
Life investment policy liability	–	1,447,151	–	1,447,151
Total	**–**	**1,447,151**	**–**	**1,447,151**
30 June 2021				
Life investment policy liability	–	1,392,291	–	1,392,291
Total	**–**	**1,392,291**	**–**	**1,392,291**

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. Receivables

	Consolidated	
	31 December 2021 $'000	30 June 2021 $'000
Trade receivables	99	184
Outstanding life insurance premium receivable	5,943	5,525
Provision for outstanding life insurance premiums	(610)	(662)
Other premium receivable[1]	15,475	8,783
Accrued dividends	195	754
Investment income receivable	272	359
Outstanding settlements	1	1,283
Prepayments	4,174	3,460
Related party receivables net of provision	7,622	9,780
Loans receivable	6,083	6,157
Provision for loans receivable	(2,570)	(2,697)
Other debtors	1,501	3,005
Total receivables	**38,185**	**35,931**

1 Other premium receivable includes rights to the realised tax benefit received by HUB24 Super Fund for the insurance premium deduction

Receivables - accounting policy

Receivables are measured at amortised cost, less any allowance for Expected Credit Losses (**ECL's**), except for prepayments which are measured at historical cost.

The Group has recognised ECL's of $4.2 million on loans receivable, including individually assessed loss allowances of $1.2 million. There were no other material ECL's on financial assets at the balance date.

The Group applies a simplified approach to calculating ECL's therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL's at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

12. Payables

	Consolidated	
	31 December 2021 $'000	30 June 2021 $'000
Trade payables	9,134	8,665
Reinsurance premium payable	28,800	26,551
Employee entitlements	3,476	6,337
Life insurance premiums in advance	1,159	330
Life investment premium deposits	627	268
Outstanding investment settlements	33,192	81
Other creditors	2,680	3,047
Total payables	**79,068**	**45,279**

Payables - accounting policy

Payables are measured at the nominal amount payable. Given the short term nature of most payables, the nominal amount payable approximates fair value.

13. Policy liabilities

Reconciliation of movements in policy liabilities

	Consolidated	
	6 months to 31 December 2021 $'000	6 months to 31 December 2020 $'000
Life investment policy liabilities		
Opening gross life investment policy liabilities	1,392,291	1,185,326
Net increase in life investment policy liabilities reflected in the income statement	64,249	76,898
Decrease in life investment policy liabilities due to management fee reflected in the income statement	(9,956)	(9,434)
Life investment policy contributions recognised in policy liabilities	147,707	195,156
Life investment policy withdrawals recognised in policy liabilities	(147,140)	(164,987)
Closing gross life investment policy liabilities	**1,447,151**	**1,282,959**
Life insurance policy liabilities		
Opening gross life insurance policy liabilities	(2,135)	(59,341)
Movement in outstanding claims reserves	17,947	16,987
Decrease in life insurance policy liabilities reflected in the income statement	(15,753)	(5,165)
Closing gross life insurance policy liabilities	**59**	**(47,519)**
Total gross policy liabilities	**1,447,210**	**1,235,440**
Reinsurers' share of life insurance policy liabilities		
Opening balance	(70,621)	(128,543)
Movement in outstanding reinsurance	(15,837)	(15,789)
Decrease in reinsurance assets reflected in the income statement	8,452	6,728
Movement in reinsurer's share of incurred claims liability[1]	24,746	90,463
Closing reinsurers' share of life insurance policy liabilities	**(53,260)**	**(47,141)**
Net policy liabilities at balance date	**1,393,950**	**1,188,299**

1 ClearView entered into two incurred claims treaties with its main reinsurer Swiss Re Life and Health Australia (Swiss Re) for its lump sum and income protection portfolios to manage its financial exposure to its reinsurer and address the concentration risk. Under the treaties, ClearView LifeSolutions and ClearChoice lump sum and income protection claims are substantially settled on an earned premium and incurred claims basis.

Actuarial methods and assumptions

The methods used for the major product groups are as follows:

Related Product Group	Method	Profit carrier
Fund 1 Non-Advice Lump Sum (including the Old Book)	Projection	Premiums
Fund 1 LifeSolutions and ClearChoice Lump Sum Ordinary	Projection	Premiums
Fund 1 LifeSolutions and ClearChoice Lump Sum Super	Projection	Premiums
Fund 1 LifeSolutions and ClearChoice Income Protection Ordinary	Projection	Premiums
Fund 1 LifeSolutions and ClearChoice Income Protection Super	Projection	Premiums
Fund 2 Investments	Accumulation	n/a
Fund 4 Investments	Accumulation	n/a

Key assumptions used in the calculations of life insurance policy liabilities are as follows:

- Discount rates
- Acquisition expenses
- Maintenance expense and inflation
- Lapses
- Mortality
- Morbidity (TPD, Income Protection and Trauma)
- COVID-19

There have been no significant changes to the actuarial methods and assumptions since 30 June 2021. Refer to Note 5.6 of the 30 June 2021 Annual Report for details.

14. Investment in associate

On 1 November 2021 the Company acquired a strategic 24.5% stake (48 million shares) in Centrepoint Alliance as part of the sale of of its financial advice businesses to Centrepoint Alliance (refer to Note 6 for details). The 48 million shares are restricted for dealing for 12 months since the date of issuance of the shares. Simon Swanson, Managing Director of ClearView, has also been appointed as a Director on the Centrepoint Alliance Board. As a consequence, the Company gained significant influence over the investee and this investment is accounted for using the equity method.

As at the acquisition date, the investment in associate is recognised at cost being the fair value of 48 million shares of Centrepoint Alliance. After the acquisition date, the carrying value was increased by $0.2 million to recognise the Company's share of the profit of the investee for the two months ended 31 December 2021.

ClearView assesses, at each reporting date, whether there is any objective evidence of impairment. If there is an indication that an investment may be impaired, then the entire carrying amount of the investment in associate is tested for impairment by comparing the recoverable amount (higher of value in use and fair value less disposal costs) with the carrying amount. Impairment losses recognised in the income statement are subsequently reversed through the income statement if there has been a change in the estimates used to determine recoverable amount since the impairment loss was recognised. As at 31 December 2021, no impairment was required to the carrying value of the investment in associate.

During the half year the carrying amount of the investment in associate has changed as follows:

	Consolidated	
	6 months to 31 December 2021 $'000	6 months to 31 December 2020 $'000
Balance at the beginning of the period	–	–
Additions	13,440	–
Profit/(loss) for the period	231	–
Dividend received	–	–
Balance at the end of the period	**13,671**	**–**

15. Borrowings

As at the reporting date, the Company had a $60 million facility agreement with the National Australia Bank. $16 million has been drawn down with the balance available for immediate use (31 December 2020: $16 million). The facility is repayable on 1 August 2024 (previously 1 April 2024). Interest on the loan accrues at BBSY plus a margin of 0.80% (0.95% until 20 December 2021) per annum, and is payable quarterly. Furthermore, a line fee of 0.80% per annum (HY21: 0.80%) is payable on the facility on a quarterly basis.

The covenants of the facility agreement state that the Group's debt must not exceed 35% of the Group's total debt and equity and the Group's EBITDA (excluding policyholder net profit and ignoring any effects from the adoption of AASB 16) must not be less than 3x interest expense (calculated on a rolling 12 month basis). Interest expense excludes any costs associated with the incurred claims treaties that are treated as a reinsurance cost.

ClearView Life is required to have a minimum PCA ratio of 1.5x (excluding Pillar 2 and reinsurance concentration risk charges for a period of two years from the date of the facility renewal). The Group was in compliance with the covenants for the half year ended 31 December 2021.

The facility has been secured by a number of cross guarantees, refer to Note 19 for details.

16. 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 ended was $2.3 million (HY21: $0.7 million). 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 totalled $1.7 million and was incurred in FY21. 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 half year ended 31 December 2021, total subordinated debt is as follows:

	Consolidated	
	31 December 2021 $'000	30 June 2021 $'000
Opening Balance	73,514	—
Issuance of Subordinated debt	—	75,000
Additions of capitalised costs	—	(1,709)
Amortisation of capitalised costs	171	223
Closing Balance	**73,685**	**73,514**

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.

17. 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.

Off balance sheet items – ESP loans

In accordance with the provisions of the ESP, as at 31 December 2021, key management, members of the senior management team, the managing director and contractor participants have acquired 37,474,948 ordinary shares.

Shares granted under the ESP carry rights to dividends and voting rights. Financial assistance amounting to $23,900,887 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 CVW share price, some of the off balance sheet loans may not be recoverable as at 31 December 2021.

Refer to Note 8 for details of the ESP loans in relation to employees and contractor participants related to the financial advice businesses sold.

Other

The Board had previously announced that it has commenced a strategic review process and appointed BofA Securities as exclusive financial adviser, and Gilbert + Tobin as its legal adviser, in relation to the strategic review. Under the terms of the engagement with BofA Securities, there are a range of circumstances and related outcomes that may result in a success fee being payable to BofA Securities by the Company. Due to the uncertainty of these circumstances arising no value can be reliably placed on the existing liability at the date of this report.

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.

18. Related parties

Related party tax assets

As at 31 December 2021 the ClearView Group carried a non-current receivable of $6.8 million from its related superfund ClearView Retirement Plan (**CRP**). This is after a provision of $1.5 million for the receivable was held for future expected loss. Due to the tax loss position in CRP, settlement of this amount is subject to the utilisation of tax losses. Based on the current year's utilisation of the carried forward tax losses and the taxable income from CRP, apart from the amount provided for, it is expected that the remaining receivable amounts will be recoverable.

Subordinated debt

On 5 November 2020, the Company issued $75 million subordinated, unsecured notes to wholesale investors (external notes). These are unsecured, subordinated debt obligations of the Company. Interest 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 was $2.3 million. Concurrently, the Company utilised $30 million of the proceeds to issue subordinated notes to its wholly owned subsidiary ClearView Life Assurance Limited for regulatory capital purposes (internal notes). Interest 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 was $0.9 million. The internal notes and associated interest is eliminated in the Group's consolidated financial statements.

Arrangements with Centrepoint Alliance

Post the acquisition of a 24.5% stake in Centrepoint Alliance as part of the sale of the financial advice businesses, ClearView entered into a number of agreements with the associate on arm's length terms and conditions, including:

- Traditional products services agreement in which the dealer group under Centrepoint Alliance continues to provide services for ClearView's traditional products until 30 April 2022;
- Transition services agreement in which ClearView provides transition services to the dealer group for up to four months after the sale; and
- Trademark license agreement in which ClearView grants to Centrepoint Alliance a non-exclusive, royalty-free, transferrable and sublicensable license to use the 'ClearView Financial Advice' trademark until this agreement is terminated.

Upon exit from the tax consolidated group on 1 November 2021, ClearView Wealth Limited agreed to release each entity of the financial advice business from its obligation under the tax sharing and funding agreement.

Transactions other than financial instrument transactions

No Director has entered into a material contract with the Company or the ClearView Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at half year end. Other transactions with directors, executives and their related parties are conducted on arm's length terms and conditions, and are deemed trivial or domestic in nature. These transactions are in the nature of personal investment, life insurance policies and superannuation.

19. Guarantees

The facility entered into with the National Bank of Australia 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

On 1 October 2021, ClearView Financial Advice Pty Ltd and Matrix Planning Solutions Limited were removed as guarantors of the above facility as a result of the sale of the financial advice businesses.

The guarantees are supported by collateral (in the form of the shares) of the entities.

20. Leases

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Consolidated	
	31 December 2021 $'000	30 June 2021 $'000
Right-of-use assets		
Buildings	11,829	14,315
Equipment	160	201
Total	**11,989**	**14,516**
Lease liabilities		
Buildings	12,435	13,803
Equipment	163	205
Total	**12,598**	**14,008**

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Consolidated	
	6 months to 31 December 2021 $'000	6 months to 31 December 2020 $'000
Depreciation of right-of-use assets	1,570	896
Impairment of right-of-use assets	1,175	—
Interest expense	118	24

Impairment during the period

During the half year period, a floor of the Sydney Head office was vacant as a result of the sale of the financial advice businesses. The vacancy is expected to last for 24 months before it is sub-let. In accordance with AASB 16, the right of use asset for this lease was impaired. An impairment charge of $0.9 million for the right of use asset and a provision of $0.3 million for the associated outgoing costs have been recognised and presented as part of the discontinued operation for the half year ended 31 December 2021.

21. Commitments

ClearView has committed to technology projects and service agreements to a value of $21.8 million. This predominantly relates to the implementation and ongoing costs of a new integrated policy administration system and underwriting rules engine ($15.2 million). Other commitments of $6.6 million primarily include the infrastructure as a service agreement (service fees) that was implemented in FY20 and the implementation of the AASB 17 sub-ledger solution. The following table outlines the expected cashflows in relation to those commitments.

							Consolidated
	Year 1 $'000	Year 2 $'000	Year 3 $'000	Year 4 $'000	Year 5 $'000	Year 6 $'000	Total $'000
PAS/URE	6,706	2,158	2,388	2,206	1,646	62	15,166
Other commitments	3,904	1,989	281	240	230	—	6,644
Total	**10,610**	**4,147**	**2,669**	**2,446**	**1,876**	**62**	**21,810**

22. 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 STVR and LTVR as outlined on pages 56-65 of the 30 June 2021 Annual Report. The following table sets out the performance rights issued to KMP during the half year period:

KMP to which the performance rights related	No. performance rights (STVR)	No. performance rights (LTVR)
Simon Swanson	191,890	1,111,111
Athol Chiert	74,686	347,222
Chris Blaxland - Walker	59,503	277,777
Deborah Lowe	70,915	277,777
Justin McLaughlin	54,216	277,777
Todd Kardash[1]	58,506	277,777
Judilyn Beaumont	68,990	277,777
Hicham Mourad	61,288	277,777
Nadine Gooderick	28,745	277,777
Gerard Kerr	34,337	416,666
Total	**703,076**	**3,819,438**

1 Terminated on 26 November 2021. Vesting of these performance rights are subject to pre-existing performance conditions on grant dates. Refer to 30 June 2021 Annual Report for further details.

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 2021.

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

Mr Geoff Black
Chairman

23 February 2022

Independent auditor's review report

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of ClearView Wealth Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2021, 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 pages 43 - 74.

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 the Group's financial position as at 31 December 2021 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 the Group 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 the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Deloitte.

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 Group's financial position as at 31 December 2021 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

Stuart Alexander
Partner
Chartered Accountants
Sydney, 23 February 2022

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