Half Year Condensed Consolidated Financial Report

for the six months ended 31 December 2022

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 2022. 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 2022 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
- Eloise Watson (Alternate Director to Nathanial Thomson, appointed on 15 December 2022)

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, during the half year period, offered life insurance, superannuation and investment products and services under the ClearView brand.

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

Operating and Financial Review

The Board presents its HY23 operating and financial review to provide shareholders with an overview of the Company's operations, business strategy, financial position and prospects for the future. This review complements the financial report and has been prepared to provide useful and meaningful information.

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 as at the date of this report.

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 Financial Management Limited (**CFML**), ClearView Life Nominees Pty Limited (**CLN**) and CLAL manufacture investment and retirement solutions (managed investments and superannuation) under AFS licensees and a registrable superannuation entity (**RSE**) trustee licence.

Subsequent to the half year period, ClearView has entered into certain arrangements that could result in the divestment of its wealth management business. Further details are provided later in the report.

ClearView strategy

The Australian life insurance market has attractive long term characteristics and growth drivers including:

- a protection or life risk focused market;
- population growth;
- flexible contract structures that allow repricing;
- supportive public policy settings; and
- strong underlying consumer demand for life insurance products (rising household debt and underinsurance gap).

Whilst there may be some near-term uncertainty from the economic outlook (higher inflation and rising interest rates), the war in Ukraine and uncertainty of the impacts of Long COVID, it is expected that the levels of underinsurance and increasing propensity to buy life insurance (especially in uncertain times) is likely to drive the rebound and longer term growth in the market.

There remains a high level of community awareness and intention to purchase life insurance products, with the financial adviser segment continuing to drive the adoption of the product by consumers.

However, industry new business volumes have been adversely impacted by broader market trends including the disruption to the financial advice industry from regulatory factors (such as the tightening of conduct settings and implementation of education standards).

Whilst the reduction in the number of financial advisers and lower new business volumes has subsided in the half year period, there has also been subdued lapses across the industry that has largely offset the lack of new business growth.

In more recent times, the life insurance market has started to show signs of revival including an improved regulatory outlook and a return to industry profitability, largely driven by the structural reforms that have focused on sustainability.

There have also been material industry and regulatory changes that have been implemented including capital charges, product changes (including the banning of some product categories) and re-pricing of historical in-force portfolios.

The transformative changes taking place across the industry and at ClearView in particular underpins the Company's long term growth.

ClearView commenced investing in a business transformation program during the periods of change and uncertainty (COVID-19 and industry issues) in order to prepare for the projected rebound in the life insurance market.

FY22 reflected the overall shift in focus of ClearView back to growth, in line with the inflection point of the industry, with the strong HY23 result reflecting the benefits of this transformation strategy and investment.

The aim of ClearView's business transformation program has been to:

- Provide a better customer experience;
- Build a scalable foundation for future growth in the business;
- Align the business to the structural and regulatory changes in the market; and
- Improve business efficiency and thereby improve margins.

Key achievements have been as follows:

- Launch of ClearView ClearChoice in October 2021 that includes a variety of sustainable new life insurance products that are appropriately priced to earn a long term target return on capital (ROC). The product has been well received by the market with new business market share of the IFA market increasing to circa 8% in the half year period. ClearView has established a diversified distribution network with over 900+ dealer groups comprised of 4,000+ advisers and remains well positioned to continue to increase its new business market share.
- Price increases across the in-force portfolio to ensure ongoing economic sustainability – the next phase of the current pricing cycle on the LifeSolutions in-force portfolios commenced in January 2023. The repricing of in-force portfolios remains a long term structural driver to appropriately price for risk and experience (claims and reinsurance impacts) that should lead to in-force growth and profitability.
- Further development of the life insurance underwriting engine (URE) and Policy Administration System (PAS) (launched in October 2021) with enhancement and build out of the technology platform continuing and tracking to plan.
- Exit of the direct ownership of financial adviser networks with the sale of the businesses to Centrepoint Alliance Limited (Centrepoint Alliance) in November 2021.
- Divestment of the wealth management business to Human Financial, with an expected completion date in the first half of FY24, subject to the fulfillment of certain conditions precedent.
- Investment in capabilities and people; and
- Continued improvement in the risk maturity profile of the business.

There are significant growth opportunities for the business, post simplification, including but not limited to:

- Increasing the risk retention in light of the improved business outlook and overall Group capital position that supports this approach;
- Entering into new customer channels to support its core IFA market channels; and;

- Other opportunities that supports this overall life insurance focused strategy.

There now appears to be a clear path forward for the industry to generate historical market levels of ROC. This is likely to be achieved through:

- Improved new business (sustainable) margins from the launch of the new income protection product ranges in October 2021;
- Acquisition cost improvements thereby further increasing new business margins;
- Maintenance cost improvements thereby increasing in-force margins;
- Higher interest rate environment thereby increasing profitability on capital held to support new business and the in-force portfolios; and
- Further repricing of in-force retail income protection portfolios to realign pricing to risk and experience which would further improve in-force margins.

Technology transformation program - cost improvements

The build and implementation of the PAS is a key strategic focus and a multi-year IT transformation project that is expected to achieve operational benefits as follows:

- Improved adviser and customer experience, thereby increasing new business flows;
- New business, underwriting and administration efficiencies; and
- Back-end maintenance administration efficiencies (that will flow through progressively) post migration of the in-force portfolios onto the new technology platform.

The program of work initially prioritised the delivery of the adviser facing experience. The focus in the half year period has continued to build out and enhance the functionality of the technology platform, with the overall program of work tracking to plan.

Structural Change: Divestment of wealth management business

As previously announced to the market, the Board initiated a strategic review in the wealth management segment to seek out and pursue opportunities to reset and simplify the business with the ambition of retaining its core focus on being a life insurance risk provider.

Subsequent to the half year period, ClearView has entered into a share sale agreement (on 22 February 2023) for the sale of CFML to Human Financial, subject to the completion of certain conditions precedent.

The transaction with Human Financial allows ClearView to continue offering a highly compelling wealth proposition alongside its life insurance business whilst concurrently removing the wealth regulatory risk and scale issues off the ClearView Balance Sheet.

Human Financial provides an integrated investment, technology and service platform with an attractive growth strategy by optimising investment outcomes and efficiencies enabled by digital tools to engage advisers and their clients. It also creates opportunity for future innovation, aligning investment, insurance, technology and distribution.

Much of the value of the transaction is in the strategic value and creation of an investment platform and capability.

The superannuation fund trustee, ClearView Life Nominees Pty Limited is currently considering a number of options and the best way forward for the superannuation fund, ClearView Retirement Plan.

The proceeds from the transaction of $17.3 million includes the cash component ($1.3 million) as well as a 40% equity interest in Human Financial (valued at $16 million).

CFML is also expected to declare a circa $2 million pre-completion dividend prior to its sale to Human Financial and also recoup the front end wealth portal costs of $2.7 million (payable in equal instalments over a three year period).

The transaction is expected to result in a profit on sale of $3.4 million (prior to separation and costs to sell) and a circa $15 million surplus capital uplift to the Group (over time).

Post completion of the transaction, ClearView will be a simplified and less complex business with a focus on life insurance.

Completion is expected to occur in the first half of FY24 subject to obtaining the relevant approvals.

Any costs incurred in relation to the transaction will be reported as a cost considered unusual to the ordinary activities and not form part of Underlying NPAT in 2H FY23.

Regulatory environment

The financial services industry continued to face significant regulation, scrutiny and disruption, due to shifting customer and regulator expectations.

Throughout the next few years, regulators are expected to increase their supervision and enforcement activities to ensure appropriate design and distribution of products, accurate disclosure, consideration of cyber risk, management of claims handling and complaints processes.

Industry bodies continue to commit to higher standards and improved customer outcomes. The Council of Australian Life Insurers (**CALI**), of which ClearView is a foundational member, has been established to act as a progressive voice for the Australian life insurance industry.

The Financial Accountability Regime reform, once implemented, is expected to strengthen accountability obligations on directors and senior executives in financial services.

The industry awaits the outcome of the Government's Quality of Advice Review, which was completed in December 2022, and sought to address several remaining recommendations from the Financial Services Royal Commission.

ClearView, like all insurers globally, is preparing for the implementation of AASB 17- *'Insurance Contracts'* effective from 1 July 2023. AASB 17- *'Insurance Contracts'* is the Australian equivalent of the International Accounting Standards IFRS 17 *Insurance Contracts* and will represent a material change in the accounting of life insurance contracts, previously accounted for under the margin on services approach in Australia, in accordance with AASB 1038 *Life Insurance Contracts*.

Regulatory reform

ClearView has implemented several regulatory and legislative industry reforms over the course of the half year period and continues to progress those that will come into force in 2023. The reforms implemented include the changes to fees and costs disclosure requirements and enhanced transparency measures for superannuation trustees.

ClearView's implementation program of work of the new AASB 17- *'Insurance Contracts'* standard (effective from 1 July 2023) continues to progress well. Further details are provided in Note 1.

Environment, Social and Governance (ESG)

ESG Roadmap

Our vision is to support Australians to achieve their financial and wellbeing goals and be a positive force for our staff, community and the environment. This vision lies at the heart of our Corporate Social Responsibility (CSR) strategy which reinforces our commitment to our People, Community, Customers & Partners, Environment and Shareholders. Our ESG commitments are aligned to these pillars.

For the calendar year 2023, our CSR Committee (**CSRC**) will be drawn from the executive leadership team with representation from People and Culture, Group Risk and Compliance, Legal and Governance; and our Managing Director will chair the CSRC.

The CSRC oversees and supports ClearView's commitment to sustainability including ESG monitoring and reporting. In addition, staff nominations will be called for select employees to dedicate time to the CSR Sub Committee, which is charged with making sure our CSR priorities and sustainability actions remain real.

ClearView is serious about its ESG commitments and for this reason we aspire to become B Corp certified to demonstrate our meeting of the highest standards of social and environmental performance, accountability and transparency. The CSRC tracks and monitors our progress in operationalising environmental and social factors within our business, and outcomes are communicated to stakeholders.

Our third Modern Slavery Statement was published on 7 December 2022 demonstrating our ongoing commitment to addressing human rights violations. ClearView has no tolerance for modern slavery linked to its operations and/or supply chain and we welcome the Australian Government's announcement to review the Modern Slavery Act 2018 (Cth) (the Act) and improve the overall compliance with the Act.

Employee engagement and 'what matters most'

In September 2022, our employees participated in the bi-annual Staff Engagement Survey, conducted by Culture Amp. This year we asked our employees to prioritise 'what matters most' and a materiality assessment is underway to validate priority focus areas.

Survey results revealed that 83% of employees believe that ClearView being 'a great place to work' matters most to them and our 2023 strategic priority to Attract, Retain and Grow Talent supports this with the evolution to a hybrid work model that allows employees to choose how and where they work; the launch of the ClearView ClearMind mental health and wellbeing program that supports workplace mental wellbeing for all employees; and the expansion of diversity, equity and inclusion to address topics such as race, religion, LGBTQA+ and disability where employees voluntarily shared additional demographic information.

Supporting customers to return to life and work

During August 2022, ClearView appointed a Rehabilitation Manager to support customers through their recovery journey by offering holistic rehabilitation support to empower them to return to life and work. This service supports customers through exercises, career counselling, and business coaching including executive business coaching. Our goal is to provide a highly valued service that can be tailored to meet our customers individual needs.

Highlights to 31 December 2022

People

87% participation rate in Engagement Survey.

Shift to **hybrid work model** that supports employee choice.

9.69 training hours average per employee per annum.

Support mental health and wellbeing through the **ClearView ClearMind** program.

Staff voluntarily provided **LGBTQA+ and disability status** so that we can better support our people.

Community

3 year partnership with charities selected by our employees.

Customers/ Partners

Launched new Wealth **customer and adviser portals** making it easier for users to do business with us.

Support customers through our **rehabilitation** offering to help customers **return to life and work goals**.

Environment

Converted **90%** of fleet to **hybrid vehicles**.

Quarterly newsletters now issued using **biodegradable plastic packaging**.

Carbon neutral certified by Climate Active for financial year end 30 June 2022.

Shareholders

Continued focus on **generating strong shareholder returns**

Delivered training to the board of directors on **ESG roadmap and SDGs**.

Strong focus on governance and diversity - investment in the senior leaders and diversity of the leadership team

Net assets of **$476.7m** as at 31 December 2022

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**).

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 systems, processes and human capital 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 / SPS 220 Risk Management).

The following diagram illustrates the key elements of the RMF.

Risk Governance

- Policies and guidelines
- Boards and board committees
- Management committees
- Reporting
- Performance measurement
- Training and awareness

Risk Management Approach

- Risk Appetite Statement (**RAS**)
- Risk Management Strategy (**RMS**)
- Material Risk Categories (Strategic / Operational / Credit / Market and Investment / Liquidity / Insurance / Compliance)
- Capital (**ICAAP / ORFR**)

Risk Culture

Risk Management Process

- Identification
- Assessment
- Management
- Monitoring
- Attestation / Assurance
- Stress and scenario analysis

Risk Management Accountability

- 1st line – own the risk
- 2nd line – advisory, challenge and oversight
- 3rd line – independent assurance

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

- The Risk Appetite Statement (**RAS**) articulates the material risks that the Group is exposed to and specifies the type and level of risk ClearView is willing to accept in pursuit of strategic, business and financial objectives, giving consideration to the interests of members and policyholders.
- The Risk Management Strategy (**RMS**) describes the Group's strategy for managing current and emerging material risks, including an outline of risk management policies and processes and the risk governance structure.
- The Risk Culture Framework (**RCF**) 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 on a rolling three-year basis.

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 the testing is used to inform risk decisions, set capital buffers and assist in strategic planning.

ClearView has adopted a three lines of defence approach to risk management, whereby all employees are responsible for identifying and managing risk and operating within the Group's risk profile and appetite.

The first line of defence comprises the business units which have ownership of risks and are responsible for day-to-day risk management decision-making involving risk identification, assessment, mitigation, monitoring and management.

The second line of defence is the Group's Risk and Compliance function which assists the Board, the Board Risk and Compliance Committee (**Risk Committee**) and executive leadership team (**ELT**) 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:

- Insurance
- Liquidity
- Credit
- Investment management and market risk (Interest rate, asset liability management)
- Operational
- Compliance
- Strategic

Continuous Improvement of the Risk Management Framework

The Board and management remain committed to continuously improving the Group's RMF to ensure robust risk management practices are in place across ClearView supported by a strong risk culture. The Group Risk and Compliance function maintains and executes an annual workplan which enables the business to focus on specific areas of activity to continue to improve our maturity.

Risk Culture in ClearView

ClearView recognises that the greatest asset in effectively managing risks in the organisation 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 year.

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, executive leadership team (ELT) 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?".

In addition to the broader RMF workplan, the Group Risk and Compliance function also maintains and executes an annual workplan of activities to support the ongoing maturity of risk culture across ClearView.

Overview of result

The ClearView Group achieved the following results for the half year ended 31 December 2022.

The discussion of operating performance in the operating and financial review section of this report is presented on a management reported basis unless otherwise stated. Management reported results are non-IFRS financial information and are not directly comparable to the statutory results presented in other parts of this financial report. ClearView's statutory and management reported profit after tax are the same.

After Tax Profit by Segment, $M	1HY23 $M	1HY22 $M	2HY22 $M	% Change[9]
Life Insurance	19.4	13.3	16.0	46%
Wealth Management	(1.0)	1.1	(1.2)	Large
Listed/Group costs	(2.1)	(1.9)	(1.4)	11%
Underlying NPAT[1] before equity accounted interest	**16.3**	**12.5**	**13.4**	**31%**
Financial advice – 24.5% share of CAF/discontinued operation	1.7	(0.5)	0.2	Large
Group Underlying NPAT[2]	**18.0**	**12.0**	**13.6**	**50%**
Policy liability discount rate effect[3]	(8.1)	(2.4)	(8.9)	Large
Impairments[4]	—	(0.8)	—	N/M
Strategic Review Costs[5]	(0.4)	(2.0)	(0.4)	Large
Sale of Advice Business[6]	—	11.8	(0.3)	N/M
Other costs	(1.0)	(0.4)	(1.1)	Large
Reported profit after tax[7]	**8.5**	**18.2**	**3.0**	**(54)%**

Key financial metrics	1HY23 $M	1HY22 $M	2HY22 $M	% Change[9]
New business	11.3	10.4	9.8	9%
Inforce premiums[10]	290.9	262.1	276.5	11%
Life Underlying NPAT margin (%)[11]	12.1%	9.3%	10.5%	+280bps
Net underlying investment income[8]	0.9	(1.4)	(0.7)	Large
Reported diluted EPS (cps)[12]	1.32	1.23	0.50	7%
Underlying diluted EPS (cps)[12]	2.55	2.00	2.07	28%

1 Underlying NPAT before equity accounting interest includes Life Insurance and Wealth Management business units and the listed segment; excludes the equity accounted earnings of Centrepoint Alliance from the date of completion (1 November 2021) or the contribution of the Financial Advice business until the date of sale in the prior comparable period. No adjustments have been made in each relevant period for stranded costs or other internal charges as a result of the sale of the financial advice businesses.

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, 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.

3 The policy liability discount rate effect is the result of changes in the long-term discount rates used to determine insurance policy liabilities and the incurred 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.

4 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.

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

6 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 $0.2 million of costs in relation to the acquisition of a strategic stake in Centrepoint Alliance.

7 HY22 includes $10.1 million of reported profit from discontinued operations.

8 Net underlying investment income includes underlying income of $3.5 million (HY22: $0.6 million) and interest on corporate debt (including Tier 2) of $2.7 million (HY22: $2.0 million).

9 % change HY22 to HY23.

10 In-force premiums are the annualised premium in-force at balance date for the advice products (LifeSolutions and ClearChoice) and excludes the closed direct products no longer marketed to new customers. Total inforce premiums of $325.1m as at 31 December 2022.

11 It is calculated as the Life Insurance Underlying NPAT divided by Gross Premium Income.

12 From continuing operations excluding equity accounted earnings.

Overview of result

Revenue

The majority of the Group's revenue base in the half year period was generated from premiums and fees charged in respect to in-force life insurance policyholders and funds under management.

The revenue growth can be attributed to the strong performance of the Life Insurance business (accounted for circa 94% of ClearView's total revenue during the period), partially offset by the decline in fee income in the wealth management business.

Life Insurance Revenue

The increase in gross life insurance premiums (+8%) was driven mainly by premiums in force that rose from $297.2 million in HY22 to $325.1 million in HY23 (+9%). Core in-force premium growth primarily reflects long term stock dynamics including the net impact of new business flows, lapses and age, CPI and premium rate increases.

Wealth Management Revenue

Funds management fee income decreased from $16.0 million in HY22 to $10.8 million in HY23 (-32%).

Fee income was impacted by the decline in fee margins from the continued shift in the FUM mix coupled with the transition of the Master Trust (traditional) product (FUM of circa $450 million) to the lower margin contemporary product (WealthFoundations) in May 2022. The clients were transferred to effectively simplify the product suite and enable clients to reengage with a contemporary product. FUM balances reduced from $3.63 billion in HY22 to $3.31 billion in HY23 (-9%).

Cost base and investments

Total operating expenses (from continuing operations) increased to $39.9 million in HY23 (HY22: $38.1 million), up 4.7%.

The increase in the cost base was predominantly driven by investment into key areas of the business as follows:

- IT infrastructure and cyber security uplift;
- increased regulatory and consulting costs in the wealth management business; and
- the increased business capability including the claims function and continued risk management and compliance uplift.

The business commenced the simplification of its wealth management segment that should drive further cost efficiencies and result in the reduction in the Group's cost base (post completion of the transaction).

The business will be impacted by certain stranded expenses resulting from the separation of the wealth business (up to $1.5 million). The stranded expenses are expected to reduce progressively over time. These costs primarily relate to rent, PI insurance and IT infrastructure costs shared between the different business units.

Consistent with FY22, the PAS transformation costs associated with running a duplicate system are reported as costs considered unusual to the ordinary activities of the Group. Further details are provided later in the report.

The table below reconciles the HY23 operating expenses (from continuing operations) of $39.9 million with the reported operating expenses in the Half Year Report:

Reconciliation of operating expenses to reported operated expenses per financial statements		
$M	**1HY23**	**1HY22**
Operating expenses	**39.9**	**38.1**
Custody investment management expenses	2.8	4.2
Depreciation and software amortisation	(1.7)	(1.9)
Stamp duty	6.6	5.9
Depreciation (right of use assets)	(1.5)	(1.6)
Medical costs	0.9	0.6
Investment management costs	0.3	0.2
Claims investigation and legal costs	0.4	0.1
PAS transformation duplication costs	1.6	0.5
Strategic review	0.6	2.0
Financial Advice transaction costs	–	0.2
Other expenses	0.6	1.2
Operating Expenses per financial statements	**50.5**	**49.5**

Underlying NPAT

Underlying NPAT 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.

Underlying NPAT (excluding the contribution from Centrepoint Alliance) increased 31% to $16.3 million (HY22: $13.4 million) and fully diluted Underlying EPS increased 28% to 2.55 cps (HY22: 2.00 cps).

Life Insurance is the main contributor and its growth in Underlying NPAT (+46%) is discussed in further detail later in the report.

Net underlying investment income has continued to be a beneficiary of the increasing interest rate environment. The net interest benefit in the half year period has been offset by the adverse performance of the wealth management business.

The divestment of wealth management allows for the removal of this drag on earnings post completion of transaction.

The Centrepoint Alliance transaction has been equity accounted, contributing $1.7 million to Underlying NPAT, noting that this includes a deferred tax benefit of $1.1 million. The business has been able to achieve significant operating leverage and scale post the transaction, including the achievement of anticipated cost synergies.

ClearView has achieved a strong HY23 performance underpinned by the transformation strategy and investment in the business.

Reported NPAT

Reported NPAT decreased 54% to $8.5 million (HY22: $18.2 million) and reported diluted EPS increased 7% to 1.32 cps (HY22: 1.23 cps), driven by a reduction in the number of diluted shares.

Reported NPAT in the prior period was positively impacted by the gain on sale of the financial advice business.

The HY23 Reported NPAT has been adversely impacted by changes in the long-term discount rates used to determine insurance policy liabilities, 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)	HY23	HY22
Policy liability discount rate effect	(8.1)	(2.4)
Impairment costs	–	(0.8)
Strategic Review costs	(0.4)	(2.0)
Sale of Advice Business	–	11.8
Other costs	(1.0)	(0.4)
Total	**(9.5)**	**6.2**

Policy liability 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 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. ClearView separately reports this movement (consistently period to period).

For the life insurance policy liability, this represents a timing difference in the release of profit and has no impact on underlying earnings over the life cycle of a policy. The net impact of the changes in long-term discount rates on policy liability in the half year ended 31 December 2022, caused a decrease in after-tax profit of -$7.8 million (HY22: -$2.8 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.

PIMCO operates 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. 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 net loss of -$0.4 million after tax was made in the half year ended 31 December 2022 (HY22: +$0.5 million). The net impact was predominantly driven by the adverse movement in credit spreads in HY23.

Other items

Strategic review costs

Further costs of $0.4 million (after tax) (HY22: $2.0 million) were recognised in HY23 in relation to the strategic review, predominantly related to vendor due diligence and legal costs incurred to support the overall review. No further costs are expected to be incurred.

Sale of Advice Business

The financial businesses were sold on 1 November 2021 to Centrepoint Alliance.

The gain on sale is reflected net of costs related to the sale (including shared redundancy costs, legal fees, employee, consultancy and professional indemnity insurance run off cover). These costs have been accounted for as part of the gain of sale of the financial advice business.

$0.2 million of transactions costs were incurred in relation to the acquisition of the 24.5% interest in Centrepoint Alliance and have been separately accounted for.

Impairment of the ClearView head office lease right of use asset

In FY22, 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.

Costs unusual to ordinary activities

Other costs include $1.0 million (after tax) expensed in relation to the Life Insurance IT transformation project, that are considered costs unusual to the ordinary activities (HY22: $0.4 million).

These costs relate to duplicate system costs associated with the implementation of the new PAS. The costs of migration will be incurred as the platform development continues and to allow for the migration of the in-force portfolios onto the new platform once the further development of the platform has been successfully completed. Further details on the PAS project will be provided as it progresses.

Operating segment review

Life Insurance

The HY23 financial performance is detailed below.

Life Insurance result:

6 Months to December 2022 ($M)[1]	2021			2022			2023	%
	1H	2H	FY21	1H	2H	FY22	1H	Change[5]
Gross life insurance premiums	138.4	139.8	278.2	147.6	152.1	299.6	160.0	8%
Other income	—	0.2	0.2	—	—	—	—	—%
Net claims incurred	(19.1)	(25.5)	(44.5)	(21.0)	(24.2)	(45.2)	(19.6)	(7%)
Reinsurance premium expense	(50.2)	(54.0)	(104.2)	(58.0)	(60.5)	(118.6)	(61.3)	6%
Commission and other variable expenses	(26.4)	(26.9)	(53.3)	(29.8)	(29.9)	(59.7)	(33.4)	13%
Operating expenses	(26.1)	(28.2)	(54.3)	(29.3)	(31.1)	(60.4)	(30.5)	4%
Movement in policy liabilities	1.1	10.5	11.6	9.6	15.5	25.1	9.5	(1%)
Income tax (expense) / benefit	(5.3)	(4.8)	(10.1)	(5.6)	(6.3)	(11.9)	(7.4)	32%
Net underlying investment income[2]	0.4	0.2	0.6	(0.1)	0.4	0.3	2.1	38%
Underlying NPAT	**12.8**	**11.3**	**24.1**	**13.3**	**16.0**	**29.2**	**19.4**	**46%**
Policy liability discount rate effect (after tax)	(1.3)	(10.1)	(11.4)	(2.4)	(8.9)	(11.3)	(8.1)	246%
Impairments	(0.6)	(0.9)	(1.5)	—	—	—	—	—%
Other costs	—	—	—	(0.3)	(1.0)	(1.3)	(1.1)	244%
Reported NPAT	**10.9**	**0.3**	**11.2**	**10.6**	**6.1**	**16.6**	**10.1**	**(5%)**

Analysis of Profit ($M)	2021			2022			2023	%
	1H	2H	FY21	1H	2H	FY22	1H	Change[5]
Expected Underlying NPAT[3]	**14.3**	**13.0**	**27.3**	**13.7**	**13.5**	**27.2**	**17.9**	**31%**
Claims experience	3.2	1.0	4.2	0.5	2.9	3.4	0.8	60%
Lapse experience	(0.9)	4.6	3.7	0.2	4.0	4.2	1.7	Large
Expense experience	(2.7)	(4.0)	(6.7)	(1.1)	(1.7)	(2.8)	(1.3)	18%
Other[4]	(1.1)	(0.3)	(1.5)4	0.1	1.8	1.7	1.0	Large
Actual Underlying NPAT before claims assumptions	**12.8**	**14.2**	**27.0**	**13.3**	**20.5**	**33.7**	**20.1**	**51%**
Claims Assumptions Changes	—	(2.9)	(2.9)	—	(2.5)	(2.5)	—	NM
Long COVID/reopened claims	—	—	—	—	(2.1)	(2.1)	(0.7)	NM
Actual Underlying NPAT	**12.8**	**11.3**	**24.1**	**13.3**	**16.0**	**29.2**	**19.4**	**46%**

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 Net underlying investment income includes investment income on shareholder cash of $3.0 million (HY22: $0.5 million) and interest expense on corporate debt (including Tier 2) of $0.9 million (HY22: $0.6 million).

3 Expected Underlying NPAT of $17.9 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 2022.

4 Other predominately relates to an increase in net interest rates earned versus expected in the life insurance segment.

5 % change represents the movement from HY22 to HY23.

Underlying Net Profit After Tax[1], increased by 46% to $19.4 million (HY22: $13.3 million). Reported NPAT, decreased by 5% to $10.1 million (HY22: $10.6 million).

The strong performance of the Life Insurance business in HY23 is driven by:

- overall positive underlying claims and lapse performance (relative to the assumptions adopted as at 30 June 2022 including allowances for COVID-19 and repricing respectively);
- rebaselining of actuarial assumptions (in prior periods) to align with the overall environment;
- repricing of the LifeSolutions in-force portfolios to take into account the impacts of increased reinsurance costs and related material changes made to the income protection claims assumptions;
- sale of the ClearView ClearChoice product range at sustainable margins. The product has been well accepted with increased new business flows (and market share); and
- an increasing interest rate environment.

The positive HY23 result is also in the context of improving industry performance.

The increase in the underlying earning rate on the investment portfolio during the half year period has a net overall positive impact on the result, albeit partially offset by the increased costs on the Tier 2 subordinated debt and amounts settled under the terms of the incurred claims reinsurance arrangements.

Increases in the reinsurance expense between periods reflects changes to reinsurer pricing and the costs associated with the incurred claims treaties. Incurred claims treaties are in place to protect reinsurance recoveries for both lump sum and income protection claims to manage the counterparty risk.

ClearView's LifeSolutions and ClearChoice product ranges are substantially reinsured with Swiss Re Life and Health Australia (Swiss Re). There are considerations to potentially increase the risk retention on the ClearView ClearChoice product in light of the improved business outlook and overall Group capital position that supports this approach.

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 further evidenced in the HY23 result).

1 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.

Key items of the performance of the life insurance segment for the half year period are noted in further detail below.

New Business and In-Force

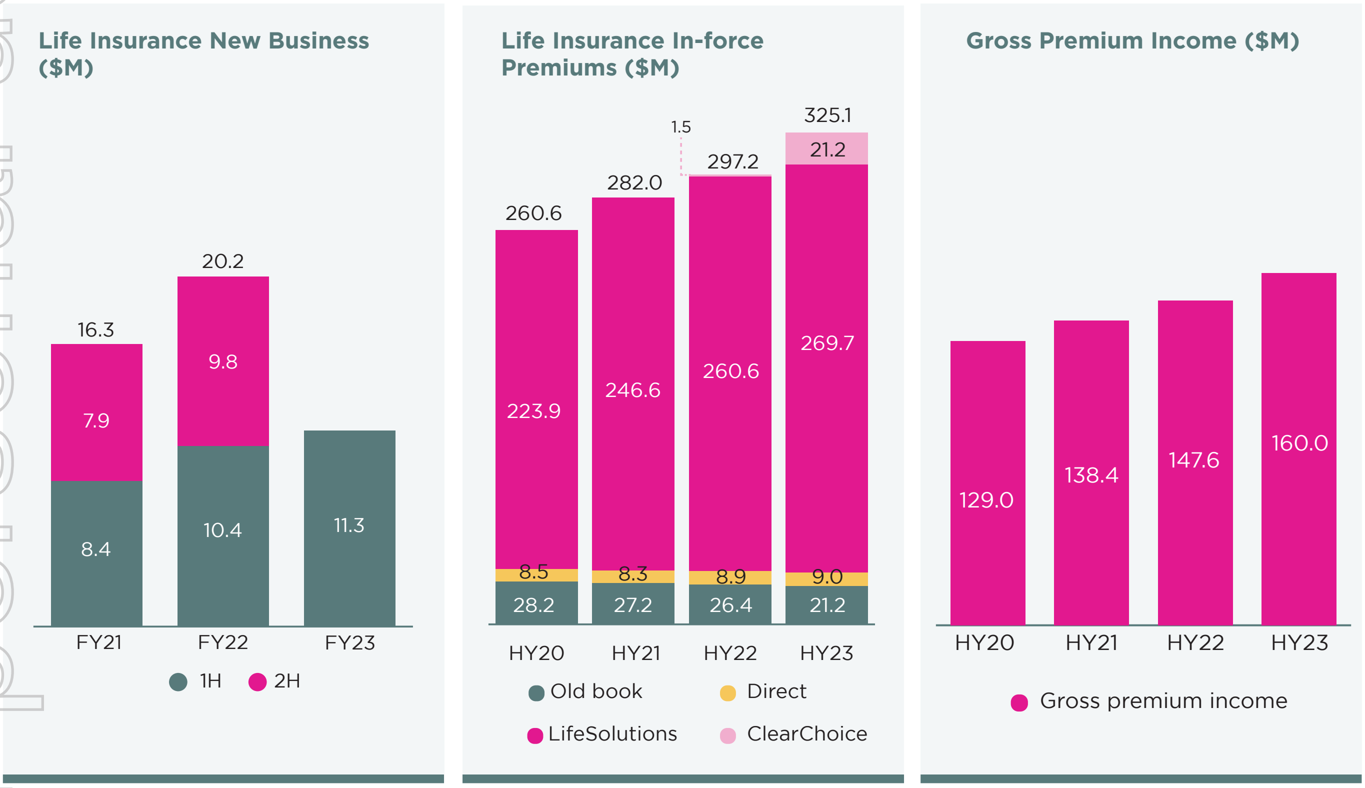
New business is driven solely by the ClearView ClearChoice new product as the LifeSolutions, Non-Advice and Legacy portfolios are closed to new business.

There is strong momentum in the underlying business as noted below:

- In-force premiums (advice based products) increased 11% to $290.9 million;
- Gross premiums increased by 8% to $160.0 million;
- New business increased by 9% to $ 11.3 million;
- New business market share increased to circa 8% (up from 5% in FY21). This reflects the shift back to growth underpinned by the transformation strategy; and
- The new business market share is 2.5 times the in-force share - the in-force portfolios should trend to new business share over time.

These key business performance indicators are reflected in the charts below:

Chart 1: Life Insurance key performance indicators



Claims Performance

There was an underlying claims experience profit of $0.8 million in HY23 (HY22: $0.5 million), compared to the best estimate assumptions, and can be broken down by product type as follows:

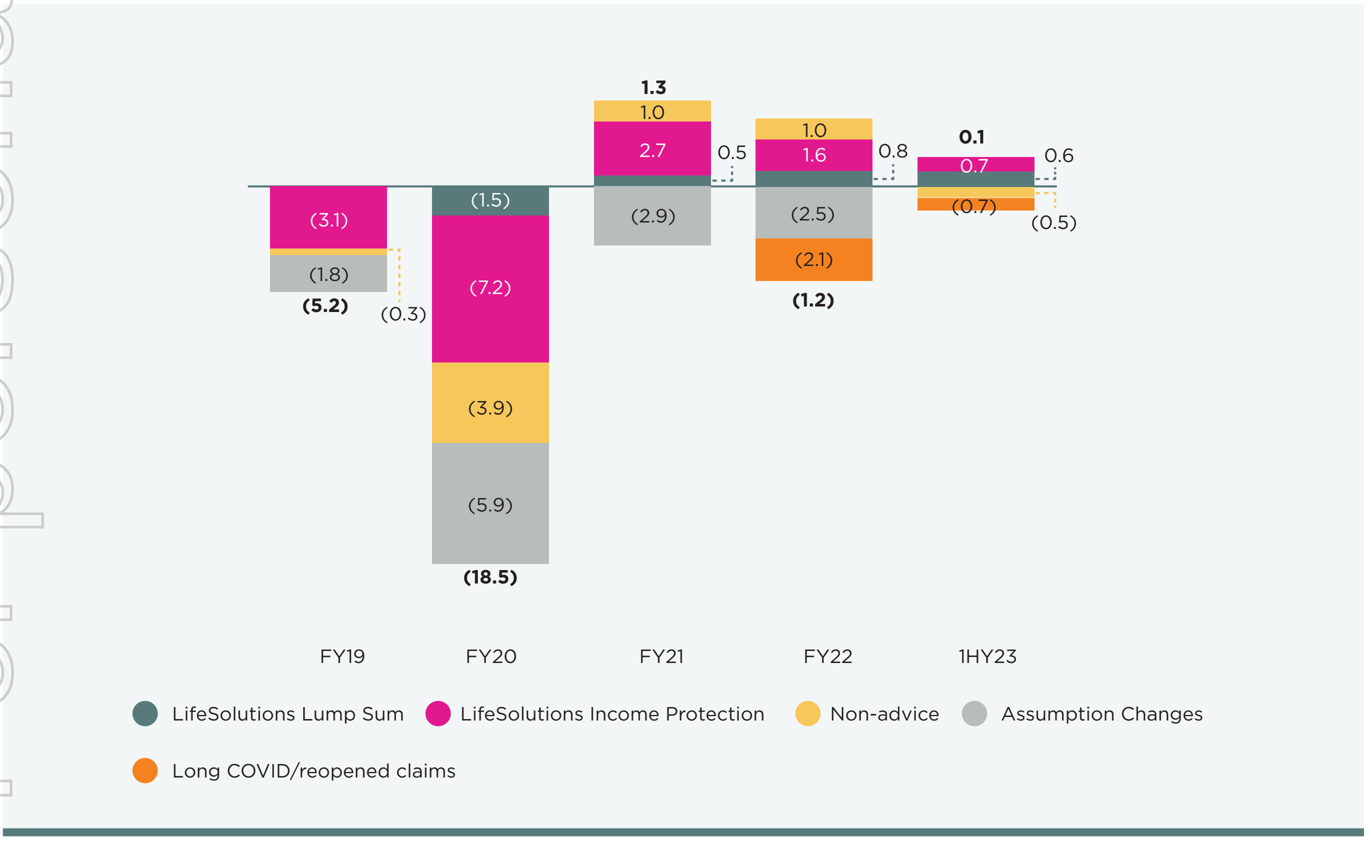
- Advice lump sum portfolio had an underlying experience profit of $0.6 million (HY22: $0.7 million);
- Advice income protection portfolio had an underlying experience profit of $0.7 million (HY22: -$1.5 million experience loss); and
- Direct portfolios (closed to new business) had an underlying experience loss of -$0.5 million (HY22: $1.3 million experience profit).

There has been a material improvement in the claims performance, aligned to the changes in the operating environment, including an investment in increased capability to support return to work outcomes. The claims performance is also relative to the material changes that were made to the actuarial claims assumptions (in prior periods) to allow for the structural issues (for income protection products) that were driven by underpricing and generous benefits that did not keep up with societal trends.

The performance should also be assessed against the backdrop of improving overall industry performance. Collectively, risk insurance products returned a significantly improved result for the year ended 30 September 2022, recording a profit of $977.0 million compared to $435.7 million in the prior year. This result was predominantly driven by Individual income protection which recorded a profit of $1,079.6 million, a $1.2 billion increase from the previous year. Individual lump sum returned a loss of $207.0 million, a decrease from the prior year's result profit of $430.1 million. Group products also returned improved results in comparison to the prior year, noting that ClearView only participates in the Individual risk market.

ClearView's claims performance is outlined in the chart below:

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



1 Relative to the assumptions adopted in the relevant period (including allowances for COVID-19 where applicable).

ClearView ClearChoice deals with the sustainability issues required by APRA on income protection products. From a claims perspective, it would be too early in the portfolio's lifecycle to make any assessment of its performance to date.

ClearView's overall income protection claims performance has continued to improve driven by positive termination experience. Termination experience relates to how long a claim lasts, with higher terminations meaning that a claim is paid for a shorter period and that the claims cost therefore decreases.

A cautious approach continues to be adopted with claims reserves continuing to be held to cover the potential for re-opens and long COVID-19 claims eventuating in the portfolio as outlined in the June 2022 Annual Report. These overall claims reserves were increased by $0.7 million (after tax) in the half year period. These provisions will continue to be monitored and re-assessed at each reporting period.

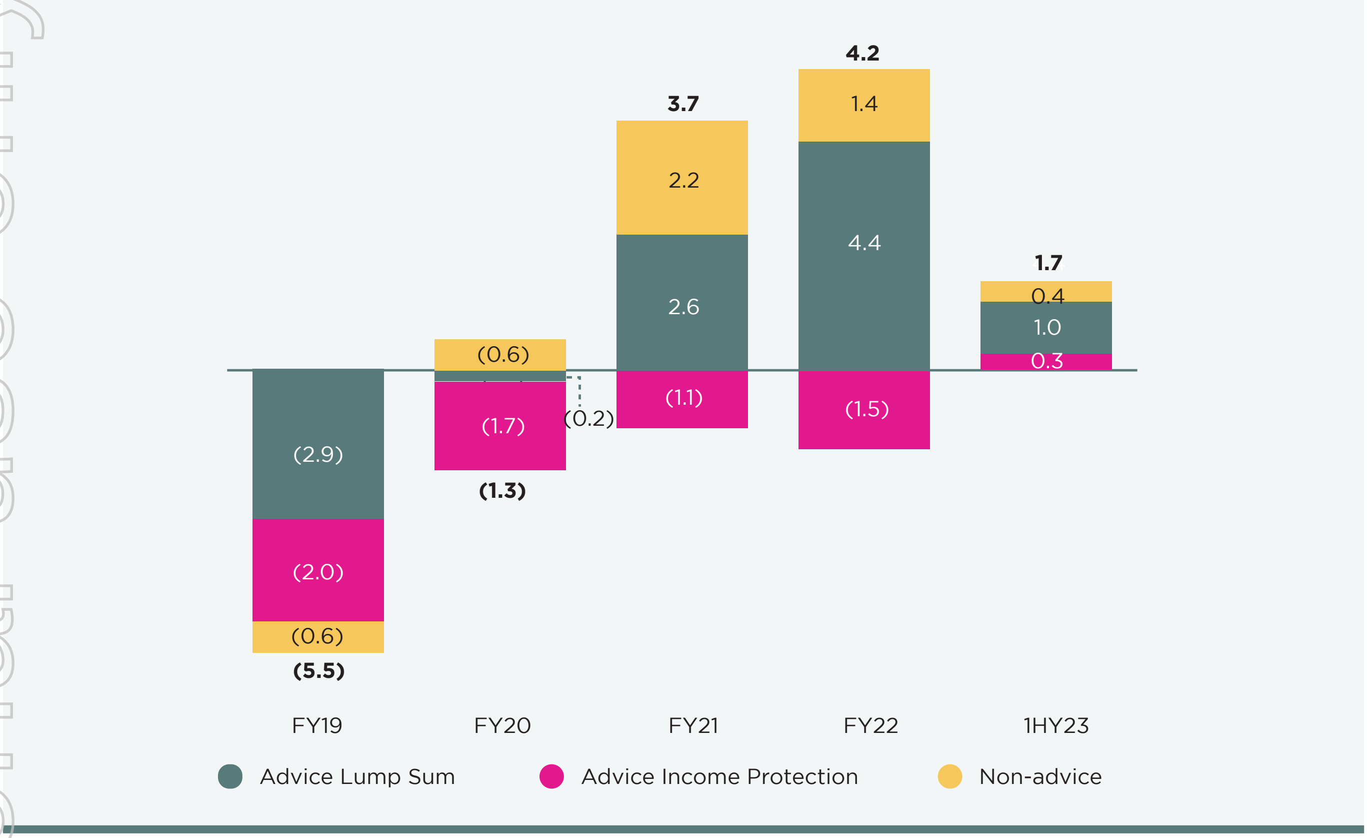
The direct portfolios (closed to new business) retain more risk than the ClearView advice based products. The portfolio has historically reflected claims profits over a longer period of time, albeit with some volatility between periods.

Lapses

The HY23 result includes a lapse experience profit of $1.7 million (HY22: $0.2 million), compared to the best estimate assumptions (including an allowance for shock lapses due to the repricing of the in-force portfolios).

The following charts reflect the overall lapse performance by product type:

Chart 3: Lapse Experience ($M)[1]



1 Relative to the assumptions adopted in the relevant period

The HY23 lapse experience can be broken down as follows:

- Advice lump sum portfolio had an underlying experience profit of $1.0 million (HY22: $0.8 million);
- Advice income protection portfolio had an underlying experience profit of $0.3 million (HY22: -$1.0 million experience loss); and
- Direct portfolios (closed to new business) had an underlying experience profit of $0.4 million (HY22: $0.4 million)

For the half year period, lapses have broadly trended towards long term best estimate assumptions, noting allowances have been made for the re-pricing of the portfolios (where applicable).

The shock lapses related to the further premium rate increases on the LifeSolutions portfolio appear materially lower than expected (price increases are predominantly on level premium income protection business).

Industry participants continue to increase prices on their in-force portfolios. ClearView has now completed a further six months of the repricing cycle on its LifeSolutions in-force portfolio, with the next phase of its current repricing strategy commencing in January 2023.

There does not appear to be significant evidence of lapses due to economic stress in the first half of FY23. There has also not been any observed increase in take-up of premium suspension or waivers. However, the recent interest rate increases and impacts on household budgets will continue to be closely monitored in the second half of the financial year.

Operating segment review

Wealth Management

The HY23 financial performance is detailed below.

Wealth Management financial result:

6 Months to December 2022 ($M)[1]	2021			2022			2023	%
	1H	2H	FY21	1H	2H	FY22	1H	Change[4]
Fund management fees	15.5	15.5	31.0	16.0	13.9	29.9	10.9	(32%)
Other income	—	0.2	0.3	—	—	—	—	NM
Funds management expenses	(4.3)	(4.3)	(8.6)	(4.2)	(3.9)	(8.1)	(2.8)	(33%)
Variable expense[2]	(2.5)	(2.7)	(5.3)	(2.2)	(1.9)	(4.1)	(1.4)	(36%)
Operating expenses	(8.3)	(8.7)	(16.9)	(8.1)	(9.8)	(17.9)	(8.5)	5%
Income tax (expense) / benefit	0.1	0.1	0.2	(0.3)	0.5	0.2	0.6	Large
Underlying investment income	0.1	—	0.1	—	—	0.1	0.3	Large
Underlying NPAT[3]	**0.6**	**0.1**	**0.7**	**1.1**	**(1.2)**	**(0.1)**	**(1.0)**	**Large**
Wealth Project Costs	(1.5)	(1.6)	(3.1)	—	—	—	—	—%
Other costs	—	(0.2)	(0.2)	(0.1)	(0.1)	(0.2)	0.1	Large
Reported NPAT	**(0.8)**	**(1.7)**	**(2.5)**	**1.0**	**(1.3)**	**(0.3)**	**(0.8)**	**Large**

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 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 in the relevant period. The intra fund advice fee ceased on transition of the traditional product to the WealthFoundations product in 2H FY22.

3 Underlying NPAT consists of consolidated profit after tax excluding amortisation, the effects of changing discount rates on policy liabilities and costs considered unusual to the Group's ordinary activities. Includes amortisation of capitalised software and leases, underlying investment income and interest costs associated with corporate debt and Tier 2 Capital.

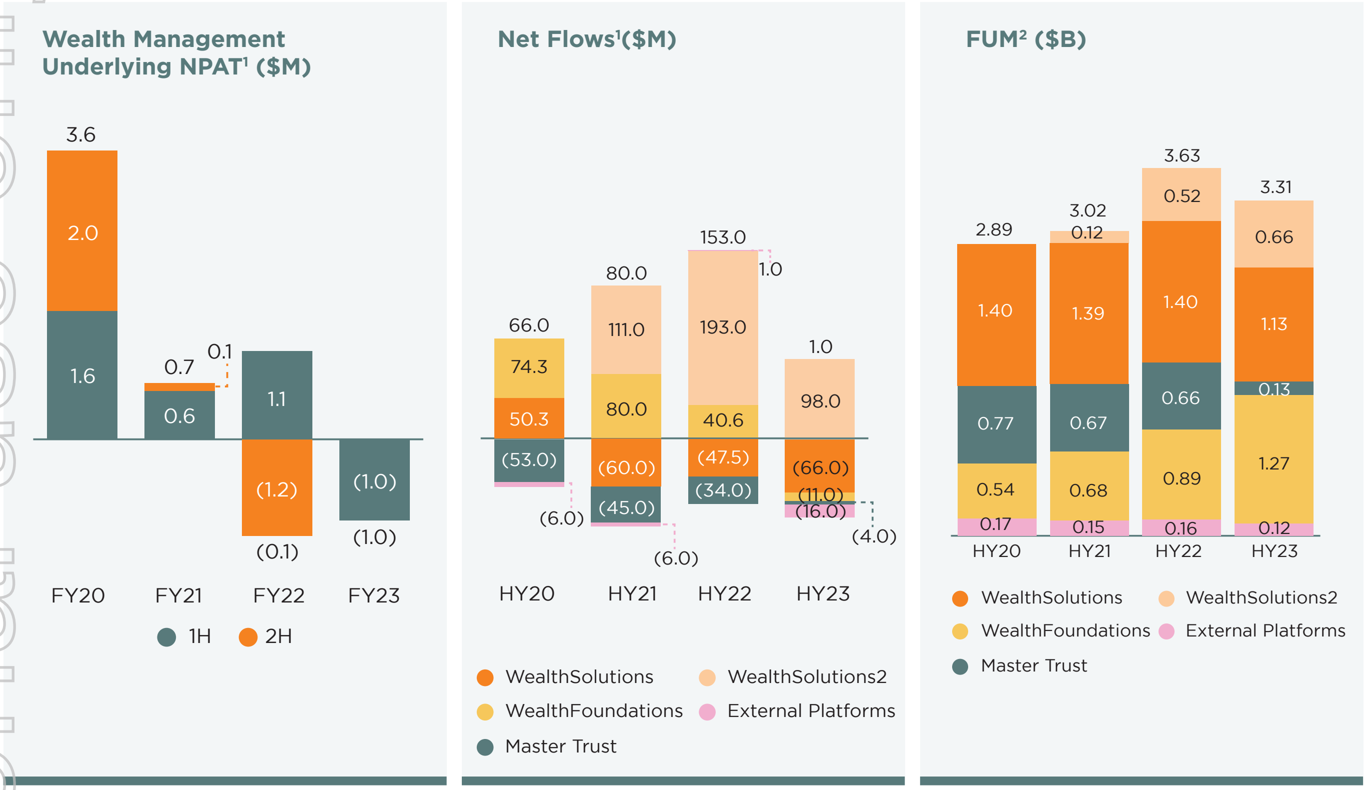
4 % change represents the movement from HY22 to HY23.

Wealth Management Underlying Net Profit After Tax, decreased to $(1.0) million (HY22: $1.1 million profit). Reported NPAT decreased to a loss of $(0.8) million (HY22: $1.0 million profit).

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

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

Chart 4: Wealth Management key performance indicators



1 Inflows less redemptions into FUM but excludes management fees outflow.

2 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.

There was an overall decrease in FUM balances to $3.3 billion including $660 million in the WealthSolutions2 product on the HUB24 platform. On a like for like basis, excluding the WealthSolutions 2 product (a white labelled product that earns limited margin), FUM decreased 13% to $2.7 billion.

The mix of products has changed materially (over time) including the more recent transition of the super and allocated pension FUM of the Master Trust (Traditional) product to the new contemporary product range (WealthFoundations) in May 2022 (circa $450 million of FUM was transitioned).

Overall fee income decreased (32%) to $10.9 million and reflects these changes in business mix and margins earned. Gross fee margin[1] reduced to 0.66% (HY22: 0.91%) and net fee margin[2] reduced to 0.40% (HY22: 0.54%).

The operating expenses increased 5% in HY23 and was predominantly driven by increased regulatory and consulting costs.

The fee reductions in HY23 have been partially offset by:

- A reduction in custody costs and asset management in line with the change in product structure; and
- The intra fund advice fee that is no longer payable on transition of the Traditional product.

The Wealth Management business has faced strong headwinds with the poor performance of the segment resulting in a drag on Group earnings.

As previously announced to the market, the Board initiated a strategic review in the wealth management segment to seek out and pursue opportunities to reset and simplify the business with the ambition of retaining its core focus on being a life insurance risk provider.

Subsequent to the half year period, ClearView has entered into a share sale agreement for the sale of CFML to Human Financial, subject to the completion of certain conditions precedent. Further details (and its related financial impacts) are outlined earlier in the report.

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.

Operating segment review

Listed/Group segment

The HY23 financial performance is discussed below.

Listed /Group segment result:

6 Months to December 2022 ($M)[1]	2021 1H	2021 2H	FY21	2022 1H	2022 2H	FY22	2023 1H	% Change[2]
Other income	—	—	—	—	0.7	0.7	—	NM
Operating expenses	(0.7)	(0.4)	(1.2)	(0.7)	(0.8)	(1.6)	(0.8)	9%
Income tax (expense) / benefit	—	—	—	0.1	(0.1)	0.1	0.3	96%
Net underlying investment income	(0.7)	(1.3)	(1.9)	(1.3)	(1.2)	(2.5)	(1.6)	24%
Equity accounted investment (Financial Advice)	—	—	—	0.2	0.3	0.5	1.7	Large
Underlying NPAT[3]	**(1.4)**	**(1.7)**	**(3.1)**	**(1.6)**	**(1.1)**	**(2.8)**	**(0.4)**	**Large**
Impairments	—	—	—	(0.8)	—	(0.8)	—	—%
Sale of Advice Business	—	—	—	11.8	(0.3)	11.5	—	—%
Strategic Review Costs	—	—	—	(2.0)	(0.4)	(2.4)	(0.4)	Large
Reported NPAT	**(1.4)**	**(1.7)**	**(3.1)**	**7.4**	**(1.8)**	**5.5**	**(0.8)**	**Large**

The segment financial results for the half year ended 31 December 2022 are shown in the table above. Underlying Net Profit After Tax[3], was a loss of $0.4 million (HY22 :-$1.6 million) and Reported NPAT decreased to -$0.8 million (HY22: $7.4 million).

This segment includes:

- the investment earnings on cash and investments held in the listed, central services entities and in the shareholders' fund of CLAL.
- the costs associated with maintaining a listed entity;
- interest expense on corporate debt; and
- the equity accounted earnings from the strategic holding in Centrepoint Alliance.

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 HY22 to HY23.

3 Underlying NPAT consists of consolidated profit after tax excluding amortisation, the effects of changing discount rates on policy liabilities and costs considered unusual to the Group's ordinary activities. Includes amortisation of capitalised software and leases, underlying investment income and interest costs associated with corporate debt and Tier 2 Capital.

Underlying Investment Income, Listed Expenses and Corporate Debt

The Company manages capital at the listed entity level in accordance with its Internal Capital Adequacy Assessment Process (**ICAAP**) policy.

Given that the majority of the capital under the ICAAP is held within the operating segments of the Group, the benefit of any increased underlying earning rate for the Group as a whole, is reported as part of the underlying earnings of the operating segments.

Higher interest rates (in particular changes in Bank Bill Swap Rates (**BBSW**)) impacts the listed segment via the interest expense on corporate debt that is discussed in further detail below. Interest expense on corporate debt relates to:

- Loan establishment and interest costs on the Debt Funding Facility - interest expense recognised for the half year period was $0.5 million (HY22: $0.3 million).
- Interest costs on the $75 million subordinated, unsecured Tier 2 notes - interest expense recognised for the half year period was $3.1 million (part of which 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 Company capitalised directly attributable costs associated with the issuance of the subordinated debt, which are carried at $1.0 million as at 31 December 2022. These costs are amortised on a straight-line basis over 5 years ($0.1 million recognised in HY23).

Investment earnings reflect the increase in interest rates between periods.

The costs associated with maintaining a listed entity have remained broadly consistent period to period. These costs include directors fees, investor relations expenses, insurance, audit fees and other related costs. Listed expenses recognised for the half year period was $0.8 million (HY22: $0.7 million).

Investment in Associate

The financial advice 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.

The Group recognised a gain on sale of $11.8 million on the transaction (net of costs related to the sale). $0.2 million of transactions costs were incurred in relation to the acquisition of the 24.5% interest in Centrepoint Alliance. An impairment of $0.8 million in relation to the reduced head count associated with the Sydney head office was also recognised in the prior period.

Statement of financial position

The Group's statement of financial position, which is set out on page 42, reflects the key metrics below.

Net assets at 31 December 2022 decreased to $476.7 million (30 June 2022: $481.1 million) and net asset value per share (including ESP loans)[1] of 74.0 cents per share (30 June 2022: 74.5 cents per share). The reduction in net assets was driven by the payment of a $13 million fully franked FY22 final dividend in September 2022.

ClearView is capitalised with Common Equity Tier 1 capital and Tier 2 capital. The shareholder view of the Balance Sheet at 31 December 2022 reflects:

- Shareholder cash and investments position of $480.5 million - shareholder capital is conservatively invested in the large institutional Australian banks and a specialist investment mandate has been entered into with PIMCO.
- Net cash and investments position of $390.4 million, with $16 million drawn down under the Debt Funding Facility and $74 million Tier 2 subordinated debt (net of costs).
- The equity accounted investment in Centrepoint Alliance, with a carrying value of $14.9 million.
- Goodwill of $12.5 million arising on acquisition of Matrix that was allocated across the Life Insurance ($4 million) and Wealth Management ($8.5 million) cash generating units. The goodwill recognised 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.
- Intangibles includes $22.9 million (HY22: $12.2 million) of capitalised software costs, of which ClearView has to date, recognised $16.5 million as intangible assets in respect of customisation and configuration costs incurred in implementing SaaS arrangements for the PAS. These intangible assets are amortised on a straight-line basis with the new PAS being amortised over the useful life of 10 years.
- The life insurance policy liability includes the change in interest rate effects between periods and settlement of liabilities under the incurred claims treaties.
- Past policy acquisition costs of $376.3 million (HY22: $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.

1 ESP loans are a limited recourse loan that is accounted for as an option and not reported as a receivable on the Balance Sheet as at the reporting date. Based on the 90 day VWAP share price of 50.1 cents per share at 31 December 2022, of the remaining 18.1 million ESP shares on issue (and included in the total shares on issue of 661.1 million), 3.8 million ESP shares are considered to be in the money with a ESP loan recoverable balance of $1.8 million. 14.3 million out of the money ESP shares would therefore be bought back and cancelled at the lower of the issue price or the ESP loan value, thereby reducing the shares on issue to 646.7 million shares. As such, $1.8 million of ESP loans have been added to the net assets and 646.7 million shares on issue have been used for the purposes of calculating the net asset value per share. On a fully diluted basis, net of treasury shares, a further 11.9 million performance and restricted rights can be converted into ordinary shares - these have been excluded for the purposes of the calculation.

Capital Position

The following charts reflect the net capital position of the Group as at 31 December 2022:

Chart 5: Capital position as at 31 December 2022 by segment and regulated entity

	Life	Wealth	Other	APRA Regulated Entities	Wealth	ASIC Regulated Entities	All Regulated Entities	NOHC[4]/ Other	Group
	$M	$M	$M	$M	$M	$M	$M	$M	$M
Net assets at 31 December 2022[1]	468.7	10.5	4.3	483.5	7.4	7.4	490.9	(14.3)	476.7
Intangible adjustments[2]	(19.1)	(3.3)	—	(22.3)	(0.5)	(0.5)	(22.8)	(13.5)	(36.3)
Net assets after intangible adjustments	**449.7**	**7.2**	**4.3**	**461.2**	**6.9**	**6.9**	**468.1**	**(27.8)**	**440.3**
Capital Base Adjustment:									
Deferred Acquisition Costs (DAC)	(376.3)	—	—	(376.3)	—	—	(376.3)	—	(376.3)
DTA adjustments	(4.5)	—	—	(4.5)	—	—	(4.5)	(0.2)	(4.8)
Tier 2 capital[5]	30.0	—	—	30.0	—	—	30.0	45.0	75.0
Regulatory Capital Base	**98.9**	**7.2**	**4.3**	**110.5**	**6.8**	**6.8**	**117.3**	**17.0**	**134.3**
Prescribed Capital Requirement	(41.9)	(3.4)	(3.3)	(48.5)	(5.1)	(5.1)	(53.6)	—	(53.6)
Available Enterprise Capital	**57.1**	**3.8**	**1.1**	**62.0**	**1.7**	**1.7**	**63.7**	**17.0**	**80.7**
Working Capital	(0.3)	—	—	(0.3)	—	—	(0.3)	—	(0.3)
Risk Capital[3]	(49.1)	(2.9)	—	(52.0)	(1.2)	(1.2)	(53.3)	(12.5)	(65.8)
Net capital position	**7.6**	**0.9**	**1.1**	**9.6**	**0.5**	**0.5**	**10.1**	**4.5**	**14.6**

1 Net Assets as at 31 December 2022 excluding Employee Share Plan Loans. Net assets include the deferred acquisition costs (DAC) component of insurance policy liabilities and right of use asset arising from leases.

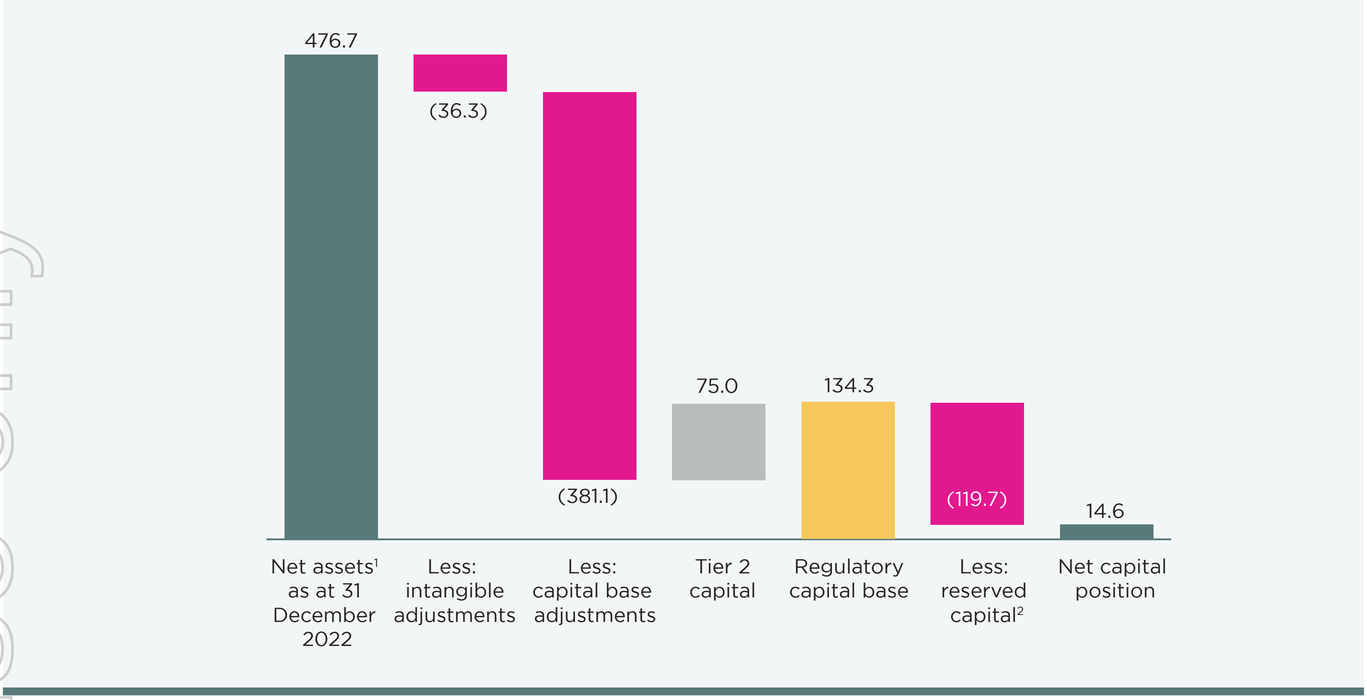
2 Intangible adjustments relate to goodwill, acquired intangibles and capitalised software. It also includes the removal of $1.0 million of capitalised costs in relation to the Tier 2 capital raising.

3 As at 31 December 2022, risk capital is held in regulated entities at 97.5% probability of adequacy (POA). Risk capital at 99% POA is held in the NOHC5

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

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

Chart 6: Capital position as at 31 December 2022 ($M)



1 Net Assets as at 31 December 2022 excluding ESP Loans. Net assets include the deferred acquisition costs (DAC) component of insurance policy liabilities.

2 Reserved capital includes the minimum regulatory capital, APRA supervisory adjustment for ClearView Life as part of IDII sustainability measures, risk capital which is additional capital held to address the risk of breaching regulatory capital and a working capital reserve ($0.3m at 31 December 2022) held to support the capital needs of the business beyond the risk reserving basis

The net surplus capital position of the Group above internal benchmarks is $14.6 million at 31 December 2022 and represents a decrease of $11.3 million since 30 June 2022, predominantly driven by the payment of the FY22 final dividend.

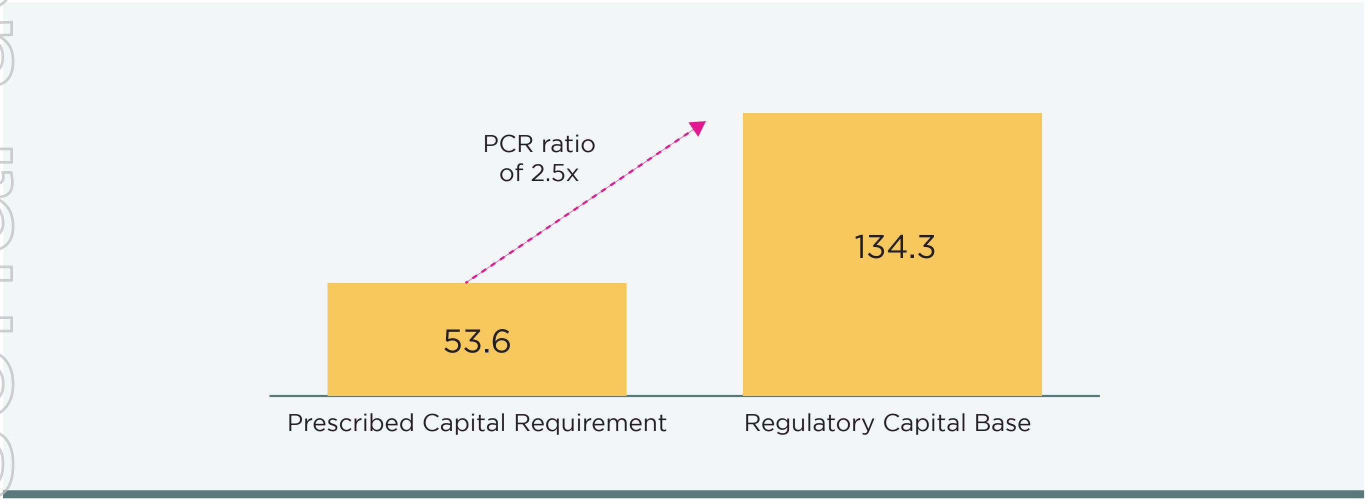
The capital position is stated prior to any potential capital uplift from the wealth management transaction (circa $15 million capital benefit over time) and reflects:

- The net assets of $476.7 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 $36.3 million are deducted from the net assets and relate to Goodwill ($12.5 million), Capitalised Software ($22.9 million) and costs associated with Tier 2 raising ($1.0 million).
- Capital base adjustments remove the deferred acquisition costs ($376.3 million) and deferred tax assets ($4.8 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 $134.3 million.
- Reserved capital includes the APRA supervisory adjustment for CLAL as required by APRA as part of the IDII sustainability measures. APRA continues to engage with institutions with regard to the implementation of their IDII action plans and potential implications on the supervisory adjustment for CLAL.
- Risk capital also includes an amount held as a working capital reserve ($0.3 million as at 31 December 2022) that is held to support the future capital needs of the business beyond the risk reserving basis. This working capital reserve is then released, after which time the underlying business becomes self funding (from FY24).

- The surplus capital position and future business capital generation is anticipated to fund the net capital expenditure impacts of the investment in the 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 2022.
- As a result of limits under the incurred claims treaty, as previously reported, ClearView has re-implemented the irrevocable letter of credit issued by a major Australian bank on behalf of Swiss Re. ClearView has increased the dollar limit on the letter of credit back to $70 million (with effect from 30 June 2022), as an additional risk mitigation over the medium term to further reduce any likelihood of concentration risk exposure.
- 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 2.5 times at 31 December 2022, reflecting the strength of the overall capital position of the Group.

Chart 7: Group Regulatory Capital Coverage ($M)



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 Underlying NPAT[1]. The dividend policy has been set (subject to available profits and financial position) to consider regulatory requirements and available capital within the Group.

ClearView's ability to pay a franked dividend depends upon factors including its profitability, the availability of franking credits and its funding requirements which in turn may be affected by trading and general economic conditions, business growth and regulation.

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 FY22 fully franked final cash dividend of 2 cents per share was paid in September 2022 and represented an increase of 100% on the prior year. No interim dividend has been declared.

10/12 limit on market buy back

ClearView had a Board approved 10/12 limit on market buy-back program in place until 19 December 2022. The current share buy-back program expired on 19 December 2022, and no shares were bought back and cancelled under the program in the half year ended 31 December 2022. Since January 2014, the total number of shares bought back and cancelled under the program is 1,208,824.

Selective buy-back of Executive Share Plan shares

There was no buy-back of Executive Share Plan shares from employee participants in the half year ended 31 December 2022.

1 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, 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. Excludes the equity accounted earnings of Centrepoint Alliance.

Embedded Value

Life Insurance is a long-term business that involves 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 as at the valuation date.

In light of the impending wealth management transaction, the EV for the wealth management business has been reflected at net asset value as at 31 December 2022 (included in the net worth), resulting in a reduction in the Wealth Management EV before franking credits of $19.2 million. On completion of the proposed transaction, the EV should increase by $11 million before costs, driven by the profit on sale of the investment and a pre-completion dividend.

The Life Insurance EV increased 5.2% in the half year period to $570.0 million including franking credits.

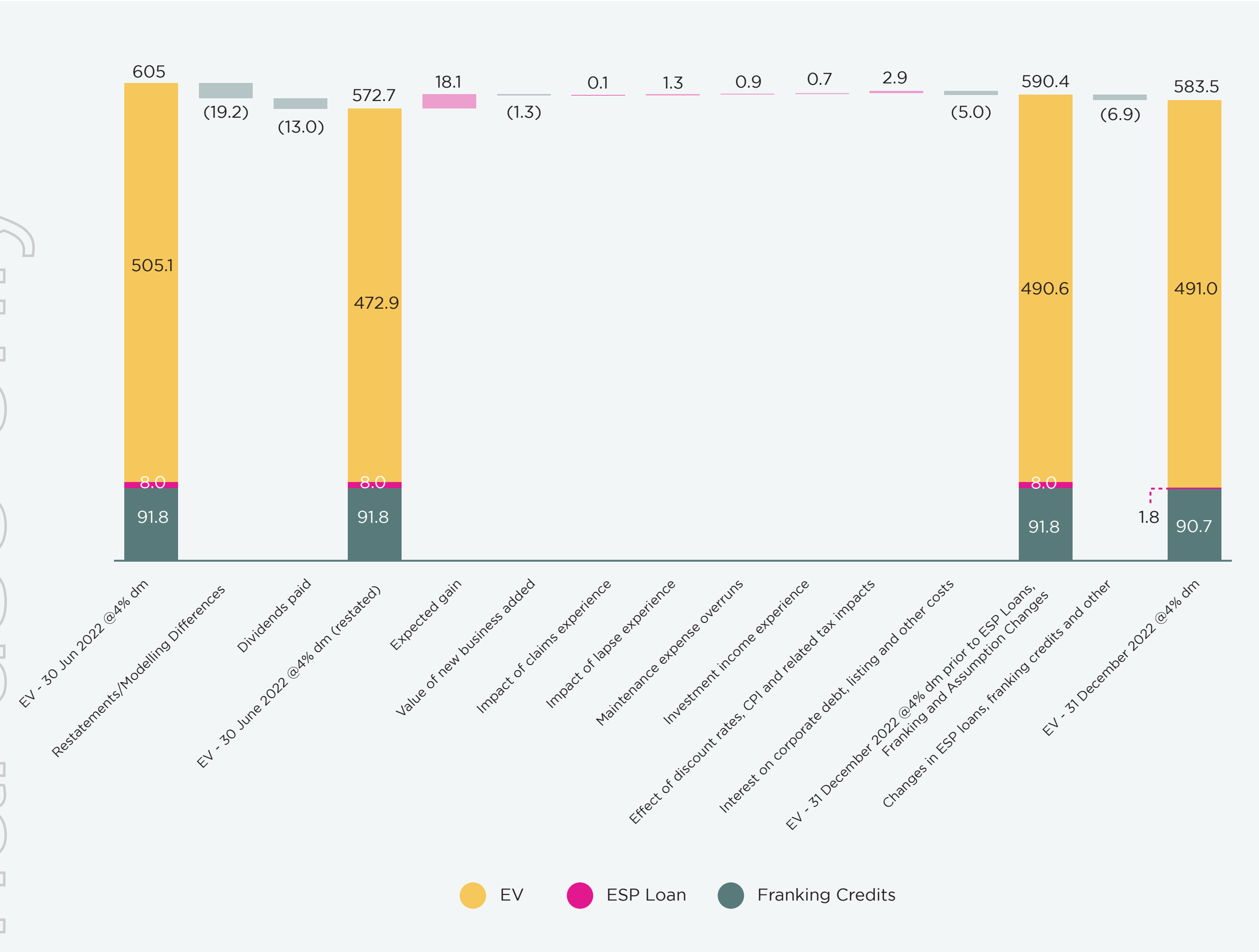
A risk free rate of 3.5% has been adopted for the purposes of the EV calculations at 31 December 2022 (HY22: 2%).

Overall the EV (including the change in methodology for the Wealth Management business) was $583.5 million including franking credits or 90.2 cents per share. The EV is discussed in further detail below.

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	501.3	469.7	441.6
Value of In Force (VIF)	**501.3**	**469.7**	**441.6**
Net worth	21.3	21.3	21.3
Total EV	**522.6**	**491.0**	**462.9**
ESP Loans	1.8	1.8	1.8
Total EV including ESP Loans	**524.4**	**492.8**	**464.7**
Franking Credits @ 70%:			
Life Insurance	77.9	73.4	69.3
Net worth (accrued franking credits)	17.3	17.3	17.3
Total Franking Credits	**95.2**	**90.6**	**86.6**
Total EV including ESP loans and franking credits	**619.6**	**583.5**	**551.3**
EV per Share including ESP Loans (cents)	**81.1**	**76.2**	**71.9**
EV per Share including ESP Loans and Franking Credits (cents)	**95.8**	**90.2**	**85.2**

Chart 10: EV movement waterfall



The key movements in the EV between 31 December 2022 and June 2022 are described in detail below.

30 June 2022 Restatement - Wealth Management reflected at Net Assets (-$19.2 million)

Overall adverse impact from the change in methodology to report the wealth management business at net assets:

- The transaction with Human Financial allows ClearView to continue offering a highly compelling wealth proposition alongside its life insurance business whilst concurrently removing the wealth regulatory risk and scale issues off the ClearView Balance Sheet.
- Much of the value of the transaction is in the strategic value and creation of an investment platform and capability.
- The proceeds from the transaction of $17.3 million includes the cash component ($1.3 million) as well as a 40% equity interest in Human Financial (valued at $16 million).
- ClearView is also expected to receive a circa $2 million pre-completion dividend prior to the sale of CFML to Human Financial and also recoup the front end wealth portal costs of $2.7 million (payable in equal instalments over a three year period).

- Post completion (and over time) the deal is expected to result in a circa $15 million surplus capital uplift to the Group. The EV is expected to increase by circa $11 million before transaction costs on completion of the transaction.
- Completion is expected to occur in the first half of FY24 subject to fulfilment of the conditions precedent.
- Any costs incurred in relation to the transaction (including impairments) will be reported as a cost considered unusual to the ordinary activities and not form part of Underlying NPAT in 2H FY23.

FY22 Final Dividend (-$13.0 million)

- The EV is reduced by the final FY22 cash dividend (-$13.0 million) that was paid in September 2022, representing an increase of circa 100% over the FY21 final dividend.

Expected Gain (+$18.1 million)

- Expected gain predominantly represents the expected unwind of the discount rate within the value of the life insurance in-force portfolio and the investment earnings on net worth.
- It also includes the earnings of the wealth business over the half year period and those from the interest in Centrepoint Alliance which were equity accounted.

Value of New Business (-$1.3 million)

- The life insurance value of new business in HY23 is suppressed by the acquisition costs incurred relative to the new business volumes achieved.
- 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 9%, from $10.4 million in HY22 to $11.3 million in FY22.
- New business volumes over the last few years have been adversely impacted by broader market trends as noted earlier in the report.
- While retention initiatives remain in place, the focus from FY22 has now shifted back to sales, underpinned by the launch of the ClearView ClearChoice product in 1H FY22, supported by the implementation of a new PAS.
- The ClearView ClearChoice product is expected to benefit from the broader reset of the industry, an increased focus on sustainability, improved margins 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.
- ClearView has established a diversified distribution network with over 900+ dealer groups comprised of 4,000+ advisers. Historically, ClearView has demonstrated that it has the ability to capture circa 10% of the IFA life insurance market as demonstrated by its historical track record.
- The material investment in establishing URE/straight through processing pathways based on expected client and adviser shifts is a key component of achieving acquisition cost efficiencies, coupled with a return to historical levels of new business volumes.
- 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 acquisition and underwriting cost efficiencies (as the further development of the PAS is implemented).
- The VNB that is broadly neutral for the half implies that new business is effectively earning a 7.5% (EV discount rate) return (prior to the points noted above).

Life Insurance Claims (+$0.1 million)

- Continued positive underlying claims performance (relative to assumptions), as noted earlier in the report (+$0.8 million).
- An uplift in claims capability - a new team structure, education pathways and capability framework have been put in place.
- Material changes to the claims assumptions were made in prior periods given the historical poor performance of income protection claims across the industry.
- The new product, ClearView ClearChoice, 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.
- It is currently unclear on what the impact of Long COVID-19 will be in Australia, where vaccination rates are higher and infections have been predominantly related to the Omicron strain.

- Given the uncertainty, certain claims provisions have been made to allow for this risk, as well as some possibility of reopened income protection claims as noted earlier in the report.
- See further commentary on claims experience for the year on page 19.

Lapses (+$1.3 million)

- The higher lapse rates previously experienced on the advice portfolios (driven by the significant pricing increases) appear to have now stabilised and are reverting to longer-term levels.
- The expected shock lapses related to the premium rate increases on the LifeSolutions portfolio commencing from January 2022 were materially lower than expected.
- See further commentary on lapse experience on page 21.

Maintenance Expenses (+$0.9 million)

- The achievement of cost efficiencies is expected in line with the business simplification program.
- The key focus is on the successful implementation of the PAS and obtaining the efficiencies from the IT transformation, as and when the further development of the platform is rolled out.
- The migration of the in-force portfolios and related automation and simplification of back end processes should lead to operating efficiencies and improved in-force margins.
- The actual maintenance overrun benefit is reflected relative to the expected overruns that have been included in the EV calculations.

Investment Experience (+$0.7 million)

- This reflects the investment return benefit relative to underlying earning rate of 3.5% adopted in the EV calculations.
- The increasing interest rate environment resulted in the achievement of a higher underlying earning rate on the investment portfolio in HY23 (versus the long term earning rate in the EV calculations).

Other Expense Impacts (-$5.0 million)

Overall adverse net expense impact of -$5.0 million that is not allowed for in the EV calculations:

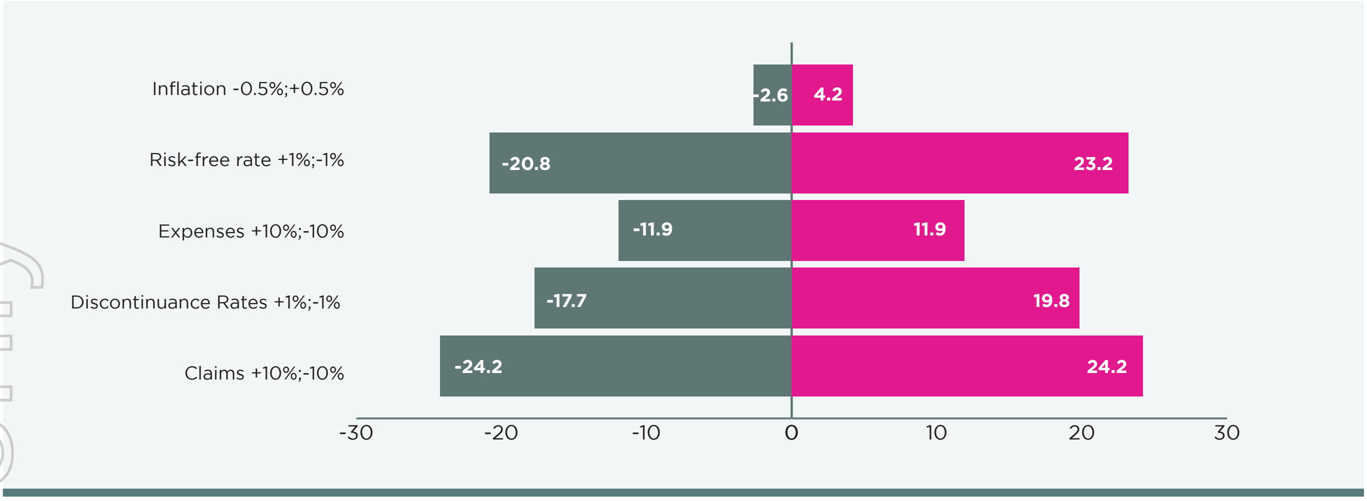
- The Group's listed overhead costs for the half year period (-$0.6 million after tax).
- Interest costs on corporate debt of -$2.7 million (amounts drawn down under the debt facility and the Tier 2 subordinated notes).
- Costs considered unusual to the ordinary activities including those recognised in relation to the strategic review and duplicate IT system costs (-$1.5 million).

Other, Franking credit and ESP loan changes (-$4.0 million)

- 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 FY22 fully franked dividend and the restatement of the wealth management segment at net asset value.
- Given non-recourse nature of the ESP loans, $1.8 million is considered as part of the EV calculations at 31 December 2022 (ESP loans have been valued at issue price per ESP share)[1].
- Other includes the net impact from the change in discount rates, CPI and other related tax impacts, modelling changes, enhancements and related items in HY23.

1 ESP loans are a limited recourse loan that is accounted for as an option and not reported as a receivable on the Balance Sheet as at the reporting date. Based on the 90 day VWAP share price of 50.1 cents per share at 31 December 2022, of the remaining 18.1 million ESP shares on issue (and included in the total shares on issue of 661.1 million), 3.8 million ESP shares are considered to be in the money with a ESP loan recoverable balance of $1.8 million. 14.3 million out of the money ESP shares would therefore be bought back and cancelled at the lower of the issue price or the ESP loan value, thereby reducing the shares on issue to 646.7 million shares. As such, $1.8 million of ESP loans have been added to the net assets and 646.7 million shares on issue have been used for the purposes of calculating the net asset value per share. On a fully diluted basis, net of treasury shares, a further 11.9 million performance and restricted rights can be converted into ordinary shares - these have been excluded for the purposes of the calculation.

Chart 11: Embedded Value sensitivity analysis @ 4%DM



Economic, Industry and Operational Outlook

- Inflation in Australia is the highest it has been since the early 1990s. There are widespread upward pressures on prices from strong demand, a tight labour market and capacity constraints in some sectors of the economy.
- The outlook for global economic growth has also been impacted due to pressures on real incomes from higher inflation, the tightening of monetary policy in most countries, Russia's invasion of Ukraine and until recently, the COVID-19 containment measures in China.
- Higher inflation and materially increased interest rates are putting pressure on household budgets. Consumer confidence has also fallen and housing prices are declining in some markets after the large increases in recent years.
- Some households have built up large financial buffers but the impacts from the unwind of fixed rate mortgages is yet to flow through the economy.
- The Australian life insurance market is increasingly attractive with improving industry profitability driven by structural reforms and a significant, and increasing, underinsurance gap with strong demand for life insurance products.
- There is now an improved regulatory outlook (in line with the changes to design and pricing of income protection policies).
- 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.
- 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 shifted back to new business sales, underpinned by the launch of the ClearView ClearChoice product in 1H FY22 and supported by the implementation of a PAS for new business.
- The 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).

- ClearView is in a strong position and is regaining new business share.
- The key focus is on the successful further development of the PAS and progressively obtaining the efficiencies from the IT transformation as the development of the system occurs.
- ClearView's resilient business model is underpinned by a large in-force and growing annuity style revenue base, coupled with price increases and inflation-linked premiums that is expected to substantially offset cost inflation pressures.
- The Wealth Management segment has faced strong headwinds albeit significant progress has been made in simplification and transformation of the business that commenced a few years ago.
- The changes to the wealth management segment allows the removal of its drag on Group earnings but at the same time allows it to continue offering a highly compelling wealth proposition alongside its life insurance business.
- Consistent with all insurers globally, ClearView is preparing for the implementation of the new insurance accounting standard, *AASB 17 - Insurance Contracts*, effective 1 July 2023. This will represent a material change in the accounting of life insurance contracts, previously dealt with under a margin on services approach.

Financial Outlook

- The net surplus capital position of the Group above internal benchmarks is $14.6 million at 31 December 2022 and is stated prior to any potential capital uplift from the wealth management transaction.
- The surplus capital position and future business capital generation is anticipated to fund the net capital expenditure impacts of the material investment in the 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 (the next phase of the current pricing cycle commencing in January 2023). There has been limited shock lapse impacts to date.
- Due to the strong HY23 result, FY23 full year Underlying NPAT guidance (excluding Centrepoint Alliance contribution) is increased from the range of $28.5 million to $30 million, to the range of $30 million to $32 million.
- Earnings guidance includes the forecast FY23 wealth management drag on earnings (expected to be circa -$2 million Underlying NPAT impact in FY23). The divestment of wealth management allows for the removal of this drag on earnings post completion of transaction.
- The Group's dividend policy remains unchanged at 40%-60% of Underlying NPAT.
- Given the fluidity of the operating environment, the uncertainty of the impacts of long COVID-19 or potential impacts from any deterioration in economic conditions or further (more severe) infections (and the related flow on effects to claims and affordability of premiums), actual experience in 2H FY23, relative to best estimate assumptions, may be impacted and could potentially impact on Underlying NPAT.
- An increase in interest rates is, overall, for a business like ClearView a net positive - inflation-linked premiums broadly offset cost inflation pressures.
- The migration of the in-force portfolios and related automation and simplification of back end processes will allow for the achievement of cost efficiencies as the PAS is developed over time. This should lead to operating leverage and improved margins.
- 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.

1 Underlying NPAT before equity accounting interest includes Life Insurance and Wealth Management business units and the listed segment; excludes the equity accounted earnings of Centrepoint Alliance.

Strategic Review

ClearView announced in November 2022 that it had concluded the strategic review process and that the ClearView Board has decided not to proceed with any transaction as a result.

The Strategic Review was conducted by the ClearView Board with the objectives of maximising value for all ClearView shareholders (ClearView Shareholders), determining the optimal future direction of ClearView to protect and enhance customer and policyholder outcomes, and achieving a long-term shareholding base, including by exploring a potential change of control transaction involving ClearView (Control Transaction).

The ClearView Board determined that it did not receive any proposals as part of the Strategic Review that represented appropriate value for control of ClearView (having regard to, among other relevant matters, the continuing improvement in the performance of both ClearView and the industry since the commencement of the Strategic Review) and that were capable of being recommended to ClearView Shareholders by the ClearView Board. Accordingly, the ClearView Board concluded the Strategic Review.

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 period ended 31 December 2022.

Events subsequent to reporting date

COVID-19

There remains significant uncertainty with respect to the evolution of COVID-19 and its long-term impact. No subsequent events relating to COVID-19 were identified requiring adjustments to the amounts or disclosures in the financial statements. ClearView will continue to monitor the impact of COVID-19 and the impact of events that arise after the reporting period will be accounted for in the future reporting periods.

Divestment of wealth management business

As previously announced to the market, the Board initiated a strategic review in the wealth management segment to seek out and pursue opportunities to reset and simplify the business with the ambition of retaining its core focus on being a life insurance risk provider.

Subsequent to the half year period, ClearView has entered into a share sale agreement (on 22 February 2023) for the sale of CFML to Human Financial, subject to the completion of certain conditions precedent.

The transaction with Human Financial allows ClearView to continue offering a highly compelling wealth proposition alongside its life insurance business whilst concurrently removing the wealth regulatory risk and scale issues off the ClearView Balance Sheet.

Human Financial provides an integrated investment, technology and service platform with an attractive growth strategy by optimising investment outcomes and efficiencies enabled by digital tools to engage advisers and their clients. It also creates opportunity for future innovation, aligning investment, insurance, technology and distribution.

Post completion of the transaction, ClearView will be a simplified and less complex business with a focus on life insurance.

The superannuation fund trustee, ClearView Life Nominees Pty Limited is currently considering a number of options and the best way forward for the superannuation fund, ClearView Retirement Plan.

Centerpoint Alliance dividend declaration

Subsequent to half year end, Centerpoint Alliance has declared an interim fully franked dividend of $0.005 per share and a special fully franked dividend of $0.005 per share will be payable. The record date will be 3 March 2023 and the payment date will be 17 March 2023.

Auditor's independence declaration

The auditor's independence declaration is included on page 40.

Rounding off of amounts

ClearView is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the Directors' Report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Directors made pursuant to s.303 (5) of the Corporations Act 2001.

On behalf of the Directors

Geoff Black
Chairman

22 February 2023

Auditor’s Independence Declaration

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Building a better working world

Auditor’s Independence Declaration to the Directors of ClearView Wealth Limited

As lead auditor for the review of the financial report of ClearView Wealth Limited for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of ClearView Wealth Limited and the entities it controlled during the financial period.

Ernst & Young

Louise Burns
Partner
22 February 2023

Condensed consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2022

	Note	Consolidated 6 months to 31 December 2022 $'000	Consolidated 6 months to 31 December 2021 $'000
Revenue from continued operations			
Premium revenue from insurance contracts		159,973	147,559
Outward reinsurance expense		(60,230)	(56,434)
Net life insurance premium revenue		**99,743**	**91,125**
Fee and other revenue		13,409	17,147
Investment income		68,917	85,343
Operating revenue before net fair value gains on financial assets		**182,069**	**193,615**
Net fair value (losses)/gains on financial assets		(2,980)	16,998
Share of net profit of investment in associate	12	1,679	231
Net operating revenue		**180,768**	**210,844**
Claims expense		(66,210)	(71,553)
Reinsurance recoveries revenue		46,636	50,528
Commission and other variable expenses		(30,478)	(26,888)
Operating expenses	4	(50,508)	(49,531)
Depreciation and amortisation expense		(3,200)	(3,434)
Finance costs		(7,980)	(4,470)
Change in life insurance policy liabilities	11	8,210	15,753
Change in reinsurers' share of life insurance liabilities	11	(7,552)	(8,452)
Change in life investment policy liabilities	11	(41,754)	(64,249)
Movement in liability of non-controlling interest in controlled unit trusts		(23,756)	(40,013)
Profit/(Loss) before income tax expense		**4,176**	**8,535**
Income tax benefit/(expense)		4,272	(725)
Profit/(Loss) from continuing operations		**8,448**	**7,810**
Profit from discontinued operation[1]		**—**	**10,437**
Total comprehensive income/(loss) for the period		**8,448**	**18,247**
Attributable to:			
Equity holders of the parent		8,448	18,247
Earnings per share - continuing operations			
Basic (cents per share)		1.32	1.24
Diluted (cents per share)		1.32	1.23
Earnings per share			
Basic (cents per share)		1.32	2.90
Diluted (cents per share)		1.32	2.87

1 The profit from discontinued operation includes the contribution of the Financial Advice business until the date of the sale of this business to Centrepoint Alliance (1 November 2021) and the gain on sale.

To be read in conjunction with the accompanying Notes.

Condensed consolidated statement of financial position

For the half year ended 31 December 2022

		Consolidated	
	Note	31 December 2022 $'000	30 June 2022 $'000
Assets			
Cash and cash equivalents		120,323	150,735
Investments	8	2,239,887	2,289,624
Receivables	9	35,523	35,003
Current tax asset		4,226	—
Fixed interest deposits		2,897	2,897
Reinsurers' share of life insurance policy liabilities	11	25,562	26,367
Deferred tax asset		13,284	11,915
Property, plant and equipment		784	468
Right-of-use assets	18	8,922	10,456
Goodwill	7	12,511	12,511
Intangible assets	7	22,858	17,368
Investment in associate	12	14,933	13,734
Total assets		**2,501,710**	**2,571,078**
Liabilities			
Payables	10	48,921	50,297
Current tax liabilities		—	1,425
Provisions		5,983	6,321
Lease liabilities	18	9,702	11,160
Life insurance policy liabilities	11	(16,477)	(10,676)
Life investment policy liabilities	11	1,307,631	1,295,378
Liability to non-controlling interest in controlled unit trusts		578,635	645,612
Deferred tax liabilities		551	606
Borrowings	13	16,000	16,000
Subordinated debt	14	74,028	73,857
Total liabilities		**2,024,974**	**2,089,980**
Net assets		**476,736**	**481,098**
Equity			
Issued capital	6	466,655	466,655
Retained earnings		3,109	7,881
Executive share plan reserve		6,972	6,562
Total equity		**476,736**	**481,098**

To be read in conjunction with the accompanying Notes.

Condensed consolidated statement of changes in equity

For the half year ended 31 December 2022

	Share capital	Share based payments reserve	General reserve	Retained earnings	Attributable to the owners of the parent
	$'000	$'000	$'000	$'000	$'000
Balance at 30 June 2022	**466,655**	**6,562**	**—**	**7,881**	**481,098**
Profit for the year	—	—	—	8,448	8,448
Total comprehensive income for the year	**—**	**—**	**—**	**8,448**	**8,448**
Recognition of share based payments[1]	—	(224)	—	—	(224)
Transfer from accrued employee entitlements[2]	—	435	—	—	435
Dividend paid	—	—	—	(13,220)	(13,220)
ESP loans settled through dividend	—	199	—	—	199
Balance at 31 December 2022	**466,655**	**6,972**	**—**	**3,109**	**476,736**
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[3]	—	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**

1 FY22, FY21 and FY20 Long Term Variable Remuneration (LTVR). In HY23, the true-up of FY20 LTVR reserve was recognised due to the non-market performance conditions not being met.

2 FY22 Deferred Short Term Variable Remuneration (STVR)

3 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 2022

		Consolidated	
		6 months to 31 December 2022 $'000	6 months to 31 December 2021 $'000
Cash flows from operating activities			
Receipts from client and debtors		331,017	354,077
Payments to suppliers and other creditors		(145,553)	(166,832)
Withdrawals paid to life investment clients		(169,313)	(179,252)
Dividends and trust distributions received		38,520	85,216
Incurred claims treaty settlements		1,791	23,183
Interest received		1,040	691
Interest on borrowings and other costs of finance		(4,324)	(3,060)
Income taxes paid		(7,938)	5
Net cash generated by operating activities		**45,240**	**114,028**
Cash flows from investing activities			
Payments for the sale of subsidiaries, net of transaction costs and cash disposed of		—	(804)
Dividend from associate		480	—
Payments for investment securities		(322,093)	(361,344)
Proceeds from sales of investment securities		362,969	386,760
Acquisition of property, plant and equipment		(484)	(19)
Acquisition of capitalised software		(7,022)	(6,436)
Fixed interest deposits redeemed		—	67,469
Loans repayments received		90	138
Net cash generated by investing activities		**33,940**	**85,764**
Cash flows from financing activities			
Net movement in liability of non-controlling interest in unit trusts		(90,733)	(61,829)
Interest on subordinated debt		(2,886)	—
Repayment of lease liability		(1,457)	(1,410)
Repayment of ESP loans		199	655
Dividend paid		(13,221)	(6,477)
Strategic review costs		(1,494)	—
Net cash utilised in financing activities		**(109,592)**	**(69,061)**
Net (decrease)/increase in cash and cash equivalents		(30,412)	130,731
Cash and cash equivalents at the beginning of the financial year		150,735	120,496
Cash and cash equivalents at the end of the financial period		**120,323**	**251,227**

To be read in conjunction with the accompanying Notes.

1. About this report

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 2022, other than where disclosed and with the exception of changes in accounting policies required following the adoption of new accounting standards on 1 July 2022. 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'.

Certain items have been reclassified from the prior period's financial report to conform to the current period's presentation basis.

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 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 2022. 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 2023.

Given the dynamic and evolving nature of COVID-19, in particular the longer term impacts (Long COVID), significant uncertainty remains until at least such time as further data and evidence is available.

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 and affect amounts reported or disclosures in the financial statements.

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. AASB 17 is not expected to change the underlying economics or cashflows of ClearView's business[1], but it is expected to have an impact on the timing of 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.

In November 2020, APRA released its discussion paper Integrating AASB 17 into the capital and reporting frameworks for insurers and updates to the LAGIC framework which outlined their proposals to align, where appropriate, its capital and reporting frameworks with AASB 17. In December 2021, following industry consultation and feedback on the discussion paper, APRA released a pack containing its response and information papers, and updated draft capital prudential and reporting standards. APRA released the final capital prudential and reporting standards in September 2022.

Amongst other things, the key proposals and implications in APRA's AASB 17 requirements include:

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

1 The Australian Taxation Office (ATO) has yet to provide any guidance on its AASB 17 requirements and, as such, ClearView has not been able to assess any tax-related impact.

Key areas of consideration and progress

AASB 17 will apply to all insurance and reinsurance contracts in the ClearView Group and ClearView Life Assurance Limited (**ClearView Life**).

The financial calculations and operational changes relating to AASB 17 are highly complex. ClearView continues to assess the impact of these new standards and emerging industry guidance on the financial statements and APRA reporting requirements.

While it is expected that AASB 17 will comprise of a transitional net asset impact at 30 June 2023, it should also be accompanied by an offsetting benefit relating to the emergence of future profits. The quantum of these impacts is still in the process of being finalised. ClearView intends to disclose the potential financial impact of adopting AASB 17 once it is practical to provide a reliable estimate, which is expected to be in the June 2023 Annual Report.

The relevant key areas of consideration for ClearView are set out below.

Most areas outlined are materially locked-in for transition on 1 July 2023. However, there are certain areas that still require further work and consideration prior to finalisation - these are highlighted below.

- AASB 17 insurance and reinsurance contract liabilities and assets will be restated upon transition at 1 July 2023 using one of three 'transition approaches' allowed under the standard, namely the 'full retrospective approach' (FRA), the 'modified retrospective approach' (MRA) and the 'fair value approach' (FVA). The FRA essentially applies AASB 17 retrospectively for all historical financial periods, and relies on all relevant inputs, systems and models being practically available. If impracticability of using FRA is demonstrated, the MRA or FVA can be used, where a number of simplifications, such as approximating key inputs, are allowable. ClearView is in the process of finalising the transition approach including the impracticability assessment for using FRA.
- ClearView will apply the 'general measurement model' (GMM) for recognition and measurement of all insurance contracts and reinsurance contracts held. AASB 17 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 GMM.
- Changes to the level of aggregation, as AASB 17 requires that insurance contracts be pooled into portfolios of insurance contracts (PICs) that have similar risks and are managed together. For ClearView, the PICs are likely to comprise business sold under ClearChoice (open to new business), LifeSolutions (closed to new business) and a group of older legacy non-advice based business (closed to new business). The business will also be split between stepped and non-stepped (level) premium and lump sum and disability income. These portfolios will be further separated into groups of insurance contracts (GICs) 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 will be more granular than the current related product groups under AASB 1038.
- The introduction of a risk adjustment for non-financial risk (RA) 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. The proposed approach to quantify the RA will adopt a cost-of-capital calculation.
- 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. ClearView's underlying (gross) 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. This applies to both the lump sum and disability income business, and reflects the policyholder renewal and repricing cycle. Shortening the contract boundary will result in different patterns of profit recognition compared to the current standards, where asymmetries will exist between other underlying level premium business and reinsurance contracts held.
- Assets of reinsurance contracts held will be determined separately to the gross underlying contract, and may have different contract boundaries and profit emergence.
- Some changes will be required to the insurance acquisition cost definition including what may be deferred (only directly attributable expenses will be assigned to contracts and an explicit asset has been introduced for short contract boundary business).

ClearView's first full year financial statements presented under AASB 17 will be for the year ending 30 June 2024 with comparatives required for the year ending 30 June 2023.

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 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 assessed its current state and 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 implementing new systems and reporting processes to cater for the requirements of AASB 17 and APRA reporting purposes.

Implementation of an external vendor AASB 17 sub-ledger system commenced in FY22. This system, along with enhancements to other processes and models are required to perform AASB 17 calculations, data transformation and storage, analysis of results, and production of required general ledger entries and disclosures for financial accounts. The AASB 17 sub-ledger system is expected to be implemented along with all other related systems and processes prior to 30 June 2023.

2. Events subsequent to reporting date

COVID-19

There remains significant uncertainty with respect to the evolution of COVID-19 and its long-term impact. No subsequent events relating to COVID-19 were identified requiring adjustments to the amounts or disclosures in the financial statements. ClearView will continue to monitor the impact of COVID-19 and the impact of events that arise after the reporting period will be accounted for in the future reporting periods.

Divestment of wealth management business

As previously announced to the market, the Board initiated a strategic review in the wealth management segment to seek out and pursue opportunities to reset and simplify the business with the ambition of retaining its core focus on being a life insurance risk provider.

Subsequent to the half year period, ClearView has entered into a share sale agreement (on 22 February 2023) for the sale of CFML to Human Financial, subject to the completion of certain conditions precedent.

The transaction with Human Financial allows ClearView to continue offering a highly compelling wealth proposition alongside its life insurance business whilst concurrently removing the wealth regulatory risk and scale issues off the ClearView Balance Sheet.

Human Financial provides an integrated investment, technology and service platform with an attractive growth strategy by optimising investment outcomes and efficiencies enabled by digital tools to engage advisers and their clients. It also creates opportunity for future innovation, aligning investment, insurance, technology and distribution.

Post completion of the transaction, ClearView will be a simplified and less complex business with a focus on life insurance.

The superannuation fund trustee, ClearView Life Nominees Pty Limited is currently considering a number of options and the best way forward for the superannuation fund, ClearView Retirement Plan.

Centerpoint Alliance dividend declaration

Subsequent to half year end, Centerpoint Alliance has declared an interim fully franked dividend of $0.005 per share and a special fully franked dividend of $0.005 per share will be payable. The record date will be 3 March 2023 and the payment date will be 17 March 2023.

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 and is reported as part of the Listed/Other segment. This segment also 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 2022, ClearView had combined in-force life insurance premiums of $325.1 million (HY22: $297.2 million). The Life Insurance business accounted for circa 94% (HY22: 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. It has subsequently been closed to new business from that date.
- ClearView 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 2022, had total FUM of $3.3 billion.

ClearView, as at the date of the report, provides wealth management products via four primary avenues:

- Traditional products (Master Trust) - Life investment contracts issued by ClearView Life.

Products have historically included ordinary savings, superannuation and allocated pension products, with the latter two provided via the ClearView Retirement Plan. The Traditional product was not marketed to new customers. In May 2022, ClearView transferred clients from the Traditional (Master Trust) superannuation and allocated pension product, to the more contemporary WealthFoundations product, effectively simplifying the product suite and enabling clients to reengage with a contemporary product. The remaining FUM balances at 31 December 2022 therefore only relates to ordinary savings products;

- 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. 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 to generate margin from this product;
- 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. The product is administered in house on the Acurity platform; 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.

Subsequent to the half year period, ClearView has entered into a share sale agreement (on 22 February 2023) for the sale of CFML to Human Financial, subject to the completion of certain conditions precedent.

The proceeds from the transaction of $17.3 million includes the cash component ($1.3 million) as well as a 40% equity interest in Human Financial (valued at $16 million).

CFML is also expected to declare a circa $2 million pre-completion dividend prior to its sale to Human Financial and also recoup the front end wealth portal costs of $2.7 million (payable in equal instalments over a three year period).

Completion is expected to occur in the first half of FY24 subject to obtaining the relevant approvals.

In accordance with AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations*, the sale of CFML does not meet the criteria to be classified as held for sale in the consolidated financial statements for the half year ended 31 December 2022.

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 these segments is provided on the following page.

The accounting policies of the reportable segments are the same as the Company's accounting policies described in the 30 June 2022 Annual Report.

	Total Revenue		Inter-Segment Revenue		Consolidated Revenue	
	6 months to 31 December 2022	6 months to 31 December 2021	6 months to 31 December 2022	6 months to 31 December 2021	6 months to 31 December 2022	6 months to 31 December 2021
	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue (net of reinsurance)						
Life Insurance	103,984	91,839	–	–	103,984	91,839
Wealth Management	77,766	101,722	–	–	77,766	101,722
Listed entity/Other	319	54	–	–	319	54
Consolidated segment revenue from continuing operations	**182,069**	**193,615**	**–**	**–**	**182,069**	**193,615**

Operating Earnings (after tax) and Underlying net profit (after tax) are the Groups key measures of business performance and are disclosed below by segment.

6 months to 31 December 2022	Life Insurance	Wealth Management	Listed Entity/ Other	Continuing operations	Discontinued operation[6]	Total
Total operating earnings after tax	**17,279**	**(1,307)**	**(495)**	**15,477**	**–**	**15,477**
Equity accounted interest[1]	–	–	1,679	**1,679**	–	**1,679**
Underlying investment income	2,969	343	224	**3,536**	–	**3,536**
Interest on corporate debt	(881)	–	(1,799)	**(2,680)**	–	**(2,680)**
Underlying net profit/(loss) after tax	**19,367**	**(964)**	**(391)**	**18,012**	**–**	**18,012**
Policy liability discount rate effect[2]	(8,148)	–	–	**(8,148)**	–	**(8,148)**
Strategic review costs[4]	–	–	(418)	**(418)**	–	**(418)**
Other costs[5]	(1,136)	138	–	**(998)**	–	**(998)**
Reported profit/(loss)	**10,083**	**(826)**	**(809)**	**8,448**	**–**	**8,448**
6 months to 31 December 2021						
Total operating earnings after tax	**13,406**	**1,089**	**(588)**	**13,907**	**(756)**	**13,151**
Equity accounted 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[5]	(320)	(100)	–	**(420)**	–	**(420)**
Reported profit/(loss)	**10,588**	**1,004**	**(3,782)**	**7,810**	**10,437**	**18,247**

The key measures of business performance by segment are presented on a management reported basis. Management reported results are non-IFRS financial information and are not directly comparable to the statutory results presented in other parts of this financial report. ClearView's statutory and management reported profit after tax are the same.

1 Share of net profit of investment in associate (Centrepoint Alliance) for 6 month period from 1 July 2022 to 31 December 2022 in HY23. Share of net profit of investment in associate (Centrepoint Alliance) for 2 month period from 1 November 2021 to 31 December 2021 in HY22.

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.

4 Costs associated with the strategic review which has been concluded in November 2022.

5 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 $1.1m after tax were recognised in HY23 in relation to the PAS transformation costs. Amounts stated are after tax.

6 The discontinued operation results include the contribution of the Financial Advice business until the date of the sale of this business to Centrepoint Alliance (1 November 2021) and the gain on sale.

4. Operating expenses

	Consolidated	
	6 months to 31 December 2022 $'000	6 months to 31 December 2021 $'000
Administration expenses		
Administration and other operational costs	23,230	18,007
Custody and investment management expenses	2,762	4,237
Total administration expenses	**25,992**	**22,244**
Employee costs and directors' fees		
Employee expenses	24,109	26,547
Share based payments	(224)	225
Employee termination payments	146	79
Directors' fees	485	436
Total employee costs and directors' fees	**24,516**	**27,287**
Total operating expenses	**50,508**	**49,531**

5. Dividends paid

	Consolidated			
	6 months to 31 December 2022		6 months to 31 December 2021	
	Cents per share	$'000	Cents per share	$'000
Final Dividend	2.00	13,221	1.00	6,682
Total		13,221		6,682

No interim dividend has been declared.

A final fully franked dividend for FY22 of $13.2 million (FY21: $6.7 million) was declared and paid. This equated to 2 cent per share and represented 51% (FY21: 30%) of Underlying NPAT and is just under the mid point of the target payout ratio of 40%-60%.

6. Issuances and repurchase of equity

	6 months to 31 December 2022	6 months to 31 December 2022	12 months to 30 June 2022	12 months to 30 June 2022
	No of shares	$'000	No of shares	$'000
Issued and fully paid ordinary shares				
Balance at the beginning of the period	642,905,216	466,655	631,202,448	449,855
Shares issued during the year (ESP exercised)	—	—	11,702,768	9,648
Transfer from share based payment reserve and cancellation of forfeited ESP shares[1]	—	—	—	5,580
Transfer from General Reserve[2]	—	—	—	1,572
Balance at the end of the period	**642,905,216**	**466,655**	**642,905,216**	**466,655**
Executive share plan				
Balance at the beginning of the the period	18,133,432	—	38,154,662	—
Shares forfeited during the period	—	—	(8,318,462)	—
Shares exercised during the period	—	—	(11,702,768)	—
Balance at the end of the period	**18,133,432**	**—**	**18,133,432**	**—**

1 Forfeited ESP shares were cancelled and ESP reserve of the forfeited share were transferred to share capital.

2 The general reserve comprises the profit on sale of forfeited ESP shares ($4 million) where the shares were sold via an off market transfer with the proceeds being received by the Company. The general reserve is not an item of other comprehensive income and the items in the general reserve will not be reclassified subsequently to profit or loss. The general reserve was transferred to share capital in FY22.

The above ESP balance reconciles to the outstanding shares granted under the ESP at the beginning and the end of each relevant period. During the half year period no shares were granted, cancelled or forfeited. 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 2022 Annual Report.

Shares granted under the ESP carry rights to dividends and voting rights. For detail of the ESP refer to the 30 June 2022 Annual Report.

During the half year period, 2.0 million performance rights related to 2020 LTIP were forfeited. 0.8 million restricted rights related to 2022 STVR and 3.3 million performance rights related to 2023 LTVR were approved to be granted to ClearView's Key Management Personnel (**KMP**). Refer to Note 20 for further detail.

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.

7. Goodwill and intangibles

					Consolidated
6 months to 31 December 2022	**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	66,616	65,017	—	131,633
Acquired directly during the year[1]	—	7,022	—	—	7,022
Balance at the end of the financial year	**20,452**	**73,638**	**65,017**	**—**	**138,655**
Accumulated amortisation and impairment losses					
Balance at the beginning of the year	7,941	49,278	64,987	—	114,265
Amortisation expense in the current year	—	1,532	—	—	1,532
Balance at the end of the financial year	**7,941**	**50,810**	**64,987**	**—**	**115,797**
Net book value					
Balance at the beginning of the financial year	12,511	17,338	30	—	17,368
Balance at the end of the financial year	**12,511**	**22,828**	**30**	**—**	**22,858**

12 months to 30 June 2022	**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]	—	12,560	—	—	12,560
Disposals	—	—	—	(200)	(200)
Balance at the end of the financial year	**20,452**	**66,616**	**65,017**	**—**	**131,633**
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	—	2,741	—	—	2,741
Balance at the end of the financial year	**7,941**	**49,278**	**64,987**	**—**	**114,265**
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**	**17,338**	**30**	**—**	**17,368**

1 Includes $3.9 million (HY22: $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 $5.8 million (HY22: $4.8 million) as intangible assets in respect of customisation and configuration costs incurred in implementing SaaS arrangements. These intangible assets are amortised on a straight-line basis with the PAS being amortised over the useful life of 10 years. As at 31 December 2022, the accumulated amortisation of $1.2 million (HY22: $0.4 million) has been recognised for the intangible assets in use.

Impairment testing

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 2022. 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 11 for actuarial estimates and assumptions.

As at 31 December 2022, no impairment was required to the carrying value of goodwill within the Life Insurance and Wealth Management CGU's.

Capitalised software

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 2022, no impairment was required to the carrying value of capitalised software.

8. Investments

	Consolidated	
	31 December 2022 $'000	30 June 2022 $'000
Equity securities		
Held directly	274,353	193,838
Held indirectly via unit trust	683,826	768,259
	958,179	**962,097**
Debt securities/fixed interest securities		
Held directly	562,504	573,002
Held indirectly via unit trust	547,836	572,009
	1,110,340	**1,145,011**
Property/Infrastructure		
Held indirectly via unit trust	171,368	182,516
	171,368	**182,516**
Total investments	**2,239,887**	**2,289,624**

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 2022.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
31 December 2022				
Equity Securities	274,353	—	—	274,353
Fixed Interest Securities	—	562,504	—	562,504
Unit Trusts	—	1,403,030	—	1,403,030
Total	**274,353**	**1,965,534**	**—**	**2,239,887**
30 June 2022				
Equity Securities	193,838	—	—	193,838
Fixed Interest Securities	—	573,002	—	573,002
Unit Trusts[1]	—	1,522,784	—	1,522,784
Total	**193,838**	**2,095,786**	**—**	**2,289,624**
Financial Liabilities				
31 December 2022				
Life investment policy liability	—	1,307,631	—	1,307,631
Liability to non-controlling interest in controlled unit trusts	—	578,635	—	578,635
Total	**—**	**1,886,266**	**—**	**1,886,266**
30 June 2022				
Life investment policy liability	—	1,295,378	—	1,295,378
Liability to non-controlling interest in controlled unit trusts	—	645,612	—	645,612
Total	**—**	**1,940,990**	**—**	**1,940,990**

1 Unit trusts have been reclassified from Level 1 to Level 2 as at 30 June 2022.

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.

9. Receivables

	Consolidated	
	31 December 2022 $'000	30 June 2022 $'000
Trade receivables	75	48
Outstanding life insurance premium receivable	5,962	7,703
Provision for outstanding life insurance premiums	(624)	(827)
Other premium receivable[1]	18,983	12,173
Accrued dividends	152	456
Investment income receivable	188	132
Outstanding settlements	327	897
Prepayments	4,561	3,253
Related party receivables net of provision[3]	539	3,954
Loans receivable[2]	4,129	4,130
Provision for loans receivable	(974)	(974)
Other debtors	2,205	4,058
Total receivables	**35,523**	**35,003**

1 Other premium receivable includes rights to the realised tax benefit received by HUB24 Super Fund for the insurance premium deduction.
2 Loan receivable includes $1.9 million (30 June 2022: $1.9 million) loans to KMP, which are related to the ESP Plan.
3 Includes receivables from CRP $3.9 million net of provision of $0.6 million as at 30 June 2022. As at 31 December 2022, this balance is nil.

10. Payables

	Consolidated	
	31 December 2022 $'000	30 June 2022 $'000
Trade payables	9,722	10,861
Reinsurance premium payable	30,057	28,774
Employee entitlements	3,915	6,091
Life insurance premiums in advance	457	546
Life investment premium deposits	280	535
Outstanding investment settlements	109	7
Other creditors	4,381	3,483
Total payables	**48,921**	**50,297**

11. Policy liabilities

Reconciliation of movements in policy liabilities

	Consolidated	
	31 December 2022 $'000	30 June 2022 $'000
Life investment policy liabilities		
Opening gross life investment policy liabilities	1,295,378	1,392,291
Net increase/(decrease) in life investment policy liabilities reflected in the income statement	41,754	(70,701)
Decrease in life investment policy liabilities due to management fee reflected in the income statement	(5,979)	(17,836)
Life investment policy contributions recognised in policy liabilities	179,441	277,431
Life investment policy withdrawals recognised in policy liabilities	(202,963)	(285,807)
Closing gross life investment policy liabilities	**1,307,631**	**1,295,378**
Life insurance policy liabilities		
Opening gross life insurance policy liabilities	(10,676)	(2,135)
Movement in outstanding claims reserves	2,409	70,186
Decrease in life insurance policy liabilities reflected in the income statement	(8,210)	(78,727)
Closing gross life insurance policy liabilities	**(16,477)**	**(10,676)**
Total gross policy liabilities	**1,291,154**	**1,284,702**
Reinsurers' share of life insurance policy liabilities		
Opening reinsurers' share of life insurance policy liabilities	(26,367)	(70,621)
Movement in outstanding reinsurance	(8,538)	(55,047)
Decrease in reinsurance assets reflected in the income statement	7,552	57,040
Movement in reinsurers' share of incurred claims liability[1]	1,791	42,261
Closing reinsurers' share of life insurance policy liabilities	**(25,562)**	**(26,367)**
Net policy liabilities at balance date	**1,265,592**	**1,258,335**

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	Projection	Premiums
Fund 1 LifeSolutions and ClearChoice Income Protection	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 2022. Refer to Note 5.6 of the 30 June 2022 Annual Report for details.

12. 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 its financial advice businesses to Centrepoint Alliance. The 48 million shares were restricted for dealing for 12 months since the date of issuance of the shares. Simon Swanson, Managing Director of ClearView, was 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 was recognised at cost being the fair value of 48 million shares of Centrepoint Alliance.

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 statement of profit or loss 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 2022, 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	
	31 December 2022 $'000	30 June 2022 $'000
Balance at the beginning of the period	13,734	—
Additions	—	13,440
Profit/(loss) for the period[1]	1,679	534
Dividend received	(480)	(240)
Impairment	—	—
Balance at the end of the period	**14,933**	**13,734**

1 In HY23, the profit for the period consists of $1.1m FY22 tax benefit true-up and $0.6m share of net profit for 6-month period ended 31 December 2022.

13. 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 (30 June 2022: $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 (30 June 2022: 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 2022.

The facility has been secured by a number of cross guarantees, refer to Note 17 for details.

14. 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 $3.1 million (HY22: $2.3 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 totaled $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 2022, total subordinated debt is as follows:

	Consolidated	
	31 December 2022 $'000	30 June 2022 $'000
Opening Balance	73,857	73,514
Issuance of Subordinated debt	—	—
Additions of capitalised costs	—	—
Amortisation of capitalised costs	171	343
Closing Balance	**74,028**	**73,857**

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.

15. Contingent liabilities and contingent assets

There may be outstanding claims and potential claims against the ClearView Group in the ordinary course of business. Furthermore, ClearView Group may be exposed to contingent risks and liabilities arising from the conduct of its business including contracts that involve providing contingent commitments such as warranties, indemnities or guarantees.

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.

Letter of credit

ClearView was the beneficiary of a $70 million irrevocable letter of credit issued by Australia and New Zealand Banking Group Limited (**ANZ**) on behalf of Swiss Re Life and Health Australia (Swiss Re). As a result of entering into the new income protection incurred claims treaty, ClearView wound down the limits on the irrevocable letter of credit in FY21. Subsequently, the $70 million irrevocable letter of credit has been reinstated effective from 30 June 2022 to continue to support CLAL's Asset Concentration Risk Charge under APRA's regulations. The letter of credit is applied across both lump sum and income protection incurred claims treaties with Swiss Re.

Off balance sheet items – ESP loans

In accordance with the provisions of the ESP, as at 31 December 2022, key management, members of the senior management team and the managing director have acquired 18,133,432 (30 June 2022: 18,133,432) ordinary shares.

Shares granted under the ESP carry rights to dividends and voting rights. Financial assistance amounting to $12,883,448 (30 June 2022: $12,872,422) was made available to these participants to fund the acquisition of shares under the ESP, of which $10,946,640 (30 June 2022: $10,918,893) 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 2022.

Other

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.

16. Related parties

Related party transactions with associates

During the half year, ClearView has continued to transact with Centrepoint Alliance's financial advice businesses. The aggregate amounts included in the determination of profit before tax that resulted from key transactions with Centrepoint Alliance are:

- Risk commission paid $3.1 million; and
- Fees paid for adviser services $2.4 million.

Other transactions between the Group and associate entities consisted of directors fees received for Simon Swanson's directorship held in Centrepoint Alliance and fees paid for financial advice business model costs.

All these transactions are on a normal commercial basis. Refer to the Annual Report 2022 for details on the arrangements entered into with Centrepoint Alliance.

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 $3.1 million (HY22: $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 $1.3 million (HY22: $0.9 million). The internal notes and associated interest is eliminated in the Group's consolidated financial statements.

Other related party transactions

Directors fees were paid to Crescent Capital Partners Pty Limited the manager of the parent entity's major shareholder CCP Bidco Pty Limited.

A director held 100 subordinated notes during the period and the notes were issued on the same terms and conditions available to other note holders.

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.

17. 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

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

18. Leases

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Consolidated	
	31 December 2022 $'000	30 June 2022 $'000
Right-of-use assets		
Buildings	8,846	10,338
Equipment	76	118
Total	**8,922**	**10,456**
Lease liabilities		
Buildings	9,624	11,039
Equipment	78	121
Total	**9,702**	**11,160**

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 2022 $'000	6 months to 31 December 2021 $'000
Depreciation of right-of-use assets	1,499	1,570
Impairment of right-of-use assets	—	1,175
Interest expense	93	118

19. Commitments

ClearView has committed to technology projects and service agreements to a value of $15.7 million. This predominantly relates to the implementation and ongoing costs of a new integrated policy administration system and underwriting rules engine ($12.7 million). Other commitments of $3.0 million include the infrastructure as a service agreement (service fees) 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	Total $'000
PAS/URE	4,147	4,595	2,434	1,523	12,699
Other commitments	2,102	347	274	262	2,985
Total	**6,249**	**4,942**	**2,708**	**1,785**	**15,684**

20. Key management personnel

Remuneration arrangements of key management personnel are disclosed in the 2022 Annual Financial Report. During the half year, the Board has resolved that:

- The performance vesting conditions for the 2020 LTIP were not met and 2,020,202 performance rights with a vesting date of 30 June 2022 were forfeited.
- Restricted rights were approved to be granted in respect of the FY22 deferred STVR component at the value of $0.55 per restricted right.
- Performance rights were approved to be granted in respect of the FY23 LTVR as compensation to executives, with the following key criteria:

Criteria	Detail
Measurement period	1 July 2022 to 30 June 2026 (4 years)
Performance metric	• 50% of the award to be measured against Total Shareholder Return (TSR) reflected as the Company's target share price of $0.78 at the end of the measurement period; • 50% of the award to be measured against an Embedded Value (excluding franking credits) (EV) target of $675 million at the end of the measurement period.
Vesting scale	Performance rights will vest on a pro-rata basis where: • The Company's share price is between $0.72 and $0.78; • EV is between $625 million and $675 million. The respective tranches of Performance rights will not vest where the Company's share price is below target of $0.72; and EV is below target of $625 million.

Apart from the above, there are no key changes to the terms of the STVR and LTVR plans as set out in the 2022 Annual Report. Further details will be included in the Remuneration Report for the year ending 30 June 2023.

The following table outlines the number of rights issued or forfeited for each KMP during the half year period:

Executives and former Executives to which the performance rights related	2020 LTIP forfeited	2022 STVR[1]	2023 LTVR[1]
S Swanson	897,868	211,181	1,025,641
A Chiert	280,584	75,361	320,512
J McLaughlin[2]	196,408	59,796	—
C Blaxland - Walker	224,467	66,089	256,410
D Lowe	196,408	70,692	256,410
T Kardash[3]	224,467	—	—
J Beaumont	—	72,410	256,410
H Mourad	—	60,316	256,410
N Gooderick	—	63,756	256,410
G Kerr	—	80,001	384,615
C Reece	—	30,927	256,410
Total	**2,020,202**	**790,529**	**3,269,228**

1 Rights were approved to be granted by the Board in December 2022.
2 Ceased as KMP in August 2022.
3 Employment terminated in November 2021.

Directors' declaration

The Directors of ClearView Wealth Limited (the Company) declare that in their opinion:

(a) the consolidated financial statements and Notes 1 to 20 are in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

22 February 2023

Independent auditor's review report

Building a better working world

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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 accompanying half-year financial report of ClearView Wealth Limited (the Company) and its subsidiaries (collectively the Group), which comprised the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a description of significant accounting policies and other explanatory information, and the directors' declaration.

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 the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial 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* (ASRE 2410). 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 auditor independence requirements of the *Corporations Act 2001* and 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.

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 2022 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*.

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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.

Ernst & Young

Louise Burns
Partner
Sydney
22 February 2023

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