

# Market Release

Sydney, 23 February 2017

## ClearView reports strong double digit growth in Underlying NPAT<sup>1</sup> up 14% to \$15.2 million for HY17

ClearView Wealth Limited (**ClearView**, ASX: CVW) has announced a 14 per cent increase in Underlying Net Profit after Tax (**NPAT**) to \$15.2 million, for the six months to December 31, 2016; reflecting robust earnings growth across its three business segments and support for the group's products and services.

### Results highlights

- **ClearView continues to deliver strong, profitable and sustainable growth and remains on track to achieve its near and medium-term goals**
- **Underlying NPAT<sup>1</sup> up 14% to \$15.2 million**
- **Life Insurance segment earnings up 5% to \$12.7 million, compared to expected growth in HY17 of 25%<sup>2</sup>. The modest growth was driven by statistical claims volatility that can be expected between periods given the size and nature of the portfolio**
- **The underlying performance of the Life Insurance segment remains very strong with in-force book growth of 30%, material increases in sales of the flagship LifeSolutions product of 31% and broadening out of distribution to rapidly diversify sales and create material embedded growth**
- **IFA<sup>3</sup> channel represents 65% of sales with LifeSolutions currently on 293 non-aligned Approved Product Lists, up 28% in the half**
- **Wealth Management segment earnings up 28% to \$1.6 million reflecting the emergence of earnings growth, 15% increase in FUM<sup>4</sup>, and top quartile performance of underlying model portfolios**
- **Financial Advice segment earnings up 76% to \$1.2 million. Overall focus on building a high quality financial advice business**
- **Reported NPAT of \$3.2 million, down 58%, impacted by changes in long term discount rates used to determine the insurance policy liabilities (\$7.6 million 'swing' between periods), represents a non-cash timing difference in the release of profit over time (similar to a held to maturity asset) and has no impact on underlying earnings**
- **Embedded Value growth of 15%<sup>5</sup> to \$632.8 million reflects strong growth and diversity of in-force portfolios of contemporary products**
- **Ongoing collaboration with Sony Life Insurance Co., Ltd. (Sony Life) to drive efficiency and growth**

1 Underlying net profit after tax is the Board's key measure of group profitability and the basis on which dividend payments are determined. It consists of consolidated profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group's ordinary activities

2 Actuarial planned Underlying NPAT of \$14.3m (+25% HY16 to HY17) reflects expected profit margins on in-force portfolios based on actuarial assumptions  
3 Independent Financial Advisers

4 FUM includes Funds Under Management (ClearView Master Trust, WealthFoundations and ClearView Managed Investment Schemes), Funds Under Administration on WealthSolutions and FUM in ClearView MIS platform funds that are placed on external platforms

5 Embedded Value at 4% discount rate margin, including a value for future franking credits, accrued franking credits and ESP loans; % movement HY16 to HY17 adjusted for the \$50m Entitlement Offer completed in June 2016 less the net FY16 cash dividend paid of \$15.7m in September 2016

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## Segment results

After Tax Profit by Segment	31 December 2016 \$'000	31 December 2015 \$'000	% Change <sup>1</sup>
Life Insurance	12,731	12,146	5%
Wealth Management	1,630	1,270	28%
Financial Advice	1,226	695	76%
Listed Entity/Interest Expense	(437)	(784)	N.M
<b>Underlying NPAT<sup>2</sup></b>	<b>15,150</b>	<b>13,327</b>	<b>14%</b>
Other Adjustments	(7,392)	(1,215)	Large
<b>NPATA<sup>3</sup></b>	<b>7,758</b>	<b>12,112</b>	<b>(36%)</b>
Amortisation <sup>4</sup>	(4,562)	(4,569)	0%
<b>Reported NPAT</b>	<b>3,196</b>	<b>7,543</b>	<b>(58%)</b>
Embedded Value <sup>5, 6</sup>	632,752	518,183	15%
Value of New Business <sup>7</sup>	8,511	7,078	20%
Net Asset Value <sup>8</sup>	399,718	345,474	6%

### Life Insurance Underlying NPAT increased 5 per cent to \$12.7 million

The modest growth in Underlying NPAT (compared to expected growth in HY17 of 25%<sup>9</sup>) was driven by statistical claims volatility that can be expected between periods given the size and nature of the portfolio. This was driven by a \$2.3 million adverse 'swing' in claims experience, given that the HY16 result included a claims profit of \$1.7 million as opposed to the HY17 result that includes a claims loss of \$0.6 million. The overall net claims impact over the last nine half year periods broadly nets out to zero and reflects that there can be some statistical volatility between periods.

The underlying performance of the Life Insurance segment remains very strong with in-force book growth of 30% and material increases in sales of the flagship LifeSolutions product of 31%. This includes the broadening out of the distribution footprint to rapidly diversify sales and create material embedded growth.

### Wealth Management Underlying NPAT increased 28 per cent to \$1.6 million

Growth in earnings is starting to emerge following significant investment in the development of contemporary platforms and products. The number of dealer groups that currently recommend ClearView wealth management products tripled to 18 in calendar year 2016.

1 % movement HY16 to HY17, unless otherwise stated

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

3 NPATA is reported net profit after tax adjusted to exclude the non-cash amortisation of acquired intangibles (not including capitalised software)

4 Amortisation is amortisation of acquired intangibles (not including depreciation and amortisation of software)

5 Embedded Value at 4% discount rate margin, including a value for future franking credits, accrued franking credits and ESP loans; % movement HY16 to HY17 adjusted for the \$50m Entitlement Offer completed in June 2016 less the net FY16 cash dividend paid of \$15.7m in September 2016

6 HY16 EV restated to include accrued franking credits

7 Value of New Business at 4% discount rate margin

8 Net Asset Value as at 31 December 2016 excluding ESP Loans; % movement HY16 to HY17 adjusted for the \$50m Entitlement Offer completed in June 2016, net of \$15.7m FY16 final cash dividend paid in September 2016

9 Actuarial planned Underlying NPAT of \$14.3m (+25% HY16 to HY17) reflects expected profit margins on in-force portfolios based on actuarial assumptions

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### Financial Advice Underlying NPAT increased 76 per cent to \$1.2 million

ClearView's aligned dealer groups, Matrix Planning Solutions Limited and ClearView Financial Advice Pty Ltd, experienced a 10 per cent increase in adviser numbers to 243. Funds Under Management and Advice (**FUMA**<sup>1</sup>) reached \$8.5 billion and Premiums Under Advice (**PUA**<sup>2</sup>) reached \$223 million.

ClearView Managing Director Simon Swanson said ClearView's solid result reflected a significant increase in sales of its flagship LifeSolutions product and positive net flows in wealth management, driven by strong support from the Independent Financial Adviser (**IFA**) channel.

"ClearView continues to deliver strong, profitable and sustainable growth and remains on track to achieve its near and medium-term goals."

"The Life Insurance segment continues to be the key profit driver with the strong growth of our distribution footprint underpinning the company's profit profile and embedded value."

"This result demonstrates our position as an innovative challenger brand in the life insurance and wealth management markets and the outlook for the Life Insurance segment remains strong as it builds scale. Furthermore, long-term market growth fundamentals, including Australia's stable population growth, inflation, and real GDP growth are tailwinds for each business segment."

"Going forward, we want to continue to partner with advisers to help them navigate the new Life Insurance Framework, which passed through the Senate earlier this month. This means continuing to deliver innovative products and a high level of service while equipping and coaching advisers to make any necessary changes to their business models."

"The rapid convergence of life insurance and wealth management also presents opportunities for ClearView to partner with advisers to provide strategic advice that will help more Australians grow and protect their wealth and achieve their goals."

### Capital management

The ClearView Balance Sheet reflected net assets (pre-Employee Share Plan (**ESP**) loans) of \$399.7 million and Net Tangible Assets (pre-ESP loans) of \$352.3 million, as at 31 December 2016.

Shareholders' capital continues to be invested conservatively in cash with net cash of \$150 million.

At the end of the half year, the group held \$13 million of capital above APRA's regulatory requirements and risk capital reserves.

Following a successful \$50 million capital raising in mid 2016, ClearView is fully capitalised with "Common Equity Tier 1" capital to fund its current business plans and anticipated medium-term growth with some additional flexibility over the medium term.

It maintains a \$50 million debt funding facility which may be utilised to support ClearView's medium to longer term growth strategy, if required.

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1 FUMA includes FUM<sup>3</sup> and funds under advice that are externally managed and administered

2 Premiums Under Advice is life insurance in-force premium that are externally managed and administered (Third Party Products) and in-force LifeSolutions premium

3 FUM includes Funds Under Management (ClearView Master Trust, WealthFoundations and ClearView Managed Investment Schemes), Funds Under Administration on WealthSolutions and FUM in ClearView MIS platform funds on external platforms

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## Market Release

### Sony Life

During the half year, ClearView announced Sony Life as the group's new strategic shareholder, following Crescent Capital Partner's (**Crescent**) decision to sell down part of its shareholding.

In January 2017, ClearView and Sony Life entered a mutually-beneficial Cooperation Agreement to share information and increase their co-ordination to drive efficiency and growth.

Under the Cooperation Agreement, ClearView and Sony Life will leverage each other's knowledge, skills and experience to continue developing both businesses.

### Strategy and outlook

ClearView's ongoing focus is to continue delivering strong, profitable and sustainable growth.

Key initiatives, by business segment, are outlined below.

- **Life Advice:** Continue expanding the group's IFA network by forming relationships with new licensees while strengthening existing relationships, particularly where LifeSolutions has been on APLs for over 12 months.
- **Non-Advice Life (Direct):** Focus on meeting the needs of the mid-market segment that does not seek personal advice but requires more sophisticated solutions than typical direct offerings.
- **Wealth Management:** Build out the business to leverage the investment made over the past two years, including benefiting from the life insurance distribution network.
- **Financial Advice:** Selectively recruit high-quality, client-centric, professional advisers with a sharp focus on quality not quantity.

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### About ClearView Wealth Limited

ClearView Wealth Limited is a diversified Australian financial services company with businesses that provide integrated life insurance, wealth management and financial advice solutions.

Additional information is available at [www.clearview.com.au](http://www.clearview.com.au)