Half Year Condensed Consolidated Financial Report

for the six months ended 31 December 2017

ClearView

Directors' Report

The Directors of ClearView Wealth Limited (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 2017. 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 2017 and up to the date of this report are shown below.

- **Bruce Edwards** (Chairman)
- **Andrew Sneddon**
- **David Brown**
- **Gary Burg**
- **Michael Alscher**
- **Michael Lukin** (Alternate to Mr Alscher)
- **Nathanial Thomson**
- **Satoshi Wakuya**
- **Susan Young**
- **Simon Swanson** (Managing Director)

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 specialise in life insurance, wealth management and financial advice solutions.

ClearView generates its revenue through the provision and distribution of life insurance, investment, superannuation and retirement income products, and through the provision of financial advice and support services to financial advisers.

Operating and Financial Review

Business overview

ClearView Wealth Limited is an ASX-listed diversified financial services company which partners with financial advisers and strategic partners to help Australians protect and grow their wealth, and achieve their financial goals.

ClearView's current operating structure which comprises of three core business segments: Life Insurance, Wealth Management and Financial Advice, was established in 2010 but the origins of the company date back to 1976.

Financial Advice

ClearView Financial Advice | MATRIX PLANNING SOLUTIONS

ClearView operates two Australian Financial Services Licences ClearView Financial Advice (CFA) and Matrix Planning Solutions (Matrix).

CFA and Matrix provide licensing services and business support to 246 financial advisers. They, in turn, provide quality financial advice to retail clients.

Recently, Matrix was named the 2017 Licensee of the Year by independent research house CoreData.

Life Insurance

ClearView **LifeSolutions**

ClearView manufactures products for the Advised Life Insurance market which refers to life insurance products placed by financial advisers.

ClearView competes in a subset of Australia's $16.1bn[1] life (risk) insurance market, namely the $9.7bn[1] individual risk market (excluding group life).

Our product suite is branded LifeSolutions. Policies are issued by ClearView Life or via the ClearView Retirement Plan (ClearView's superannuation fund).

Wealth Management

ClearView **WealthSolutions**

ClearView **WealthFoundations**

ClearView is a provider of wealth management products in Australia's $1.1+ trillion[2] retail funds management industry.

Our product suite includes:

WealthSolutions – A comprehensive superannuation and retirement income investment and administration platform issued via the ClearView Retirement Plan and an IDPS. The platform's investment menu includes a Separately Managed Account option.

WealthFoundations – A simple superannuation and retirement income investment and administration solution issued by the ClearView Retirement Plan and underwritten by ClearView Life. WealthFoundations offers a range of model portfolios.

Managed investments - Actively-managed pooled investment funds issued by ClearView Financial Management Limited (CFML) as the ASIC-licenced Responsible Entity. These funds are available on WealthSolutions and selected external platforms.

1 Strategic Insights data as at 30 September 2017.
2 ABS 5655.0 data as at September 2017 (unconsolidated). Retail segment based on management estimates.

Directors' Report

Continued

ClearView has a high-growth strategy that targets 5 per cent of the long-term life insurance profit pool, and focuses on building a material wealth management business and a quality financial advice business.

Following a strong 2017 financial year, ClearView continued to make solid progress against its strategy in the first half of the 2018 year and remains on track to achieve its near and medium term goals.

Regulatory changes

The financial services industry is in a state of flux with the announcement of a Royal Commission and the Government's continued focus on ensuring optimal consumer outcomes. On 30 November 2017, Prime Minister Malcolm Turnbull and Treasurer Scott Morrison announced a Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. Under the Royal Commission's Terms of Reference, the Commissioner will provide an Interim Report to the Government by September 2018 and a final report within 12 months.

The list below outlines key regulatory changes that are occurring in ClearView's operating environment.

- **Changes in commissions for financial advisers.** From 1 January 2018, the life insurance commission structure is transitioning towards reducing upfront commissions over the next 2-3 years. A number of 'anti-lapse measures' have also been introduced including strict clawback conditions. These reforms are not expected to materially change the economics of insurers or advisers in the long run. An unfortunate side effect, however, is that the industry has been experiencing elevated lapse rates (and related lapse losses). This, combined with low wage growth and product repricing, is likely to affect the whole industry in the short term. That said, our expectation is that lapses are likely to improve post 1 January 2018 when these changes are bedded down and new clawback rules take effect.
- **Bans on kickbacks and volume incentives.** From 1 January 2018, shelf space fees and rebates in life insurance are banned. ClearView has refused to pay material rebates or shelf space fees to gain access to APLs because we believe the 'pay to play' model does not lead to optimal customer outcomes. We support changes to ban rebates and increase transparency as a net positive for life insurers like ClearView, who focus on earning the right to do business by delivering superior products and excellent client service.
- **The potential shift towards open APL's.** Many larger institutions lock-in distribution by limiting the choice of insurance products that their aligned advisers can recommend (even to only one life insurer). This creates significant conflicts of interest. Pressure is mounting on institutional licensees to give their aligned advisers and clients access to multiple life insurance products. Should this occur, companies that are locked out of APLs because they refuse to pay shelf space fees and rebates for access to distribution, such as ClearView, stand to benefit.

While regulatory changes are creating significant work and costs for ClearView, they will make the industry more open and transparent. Companies that focus on legitimately winning market share by delivering superior products and service stand to benefit.

ClearView broadly supports the recently-introduced Life Insurance Framework (LIF). We believe that the life insurance reforms will provide greater certainty and stimulus for the industry in the long-run. That said, we continue to advocate for good public policy, such as:

- **Open life insurance APLs:** Financial advisers should have the autonomy to choose the most appropriate solution for their clients from the 11 APRA-regulated insurers operating in the Advised Life Insurance market. Open APLs should be mandated to ensure improved consumer outcomes.
- **Life Code of Conduct:** ASIC and the industry should work together to ensure the second iteration of the Life Code of Conduct is constructed in accordance with RG 183 and is contractually enforceable by consumers. This would lead to critical behavioural change across the financial services industry and boost the industry's reputation.

- **Group insurance offered on an "opt-in" basis:** The current automatic acceptance (opt-out) model should be disbanded and super fund members should be required to consciously "opt-in" for insurance cover. This approach would help address Australia's underinsurance problem by increasing the probability of members understanding the level and type of cover they have. It would go some way toward seeing more Australians gain adequate protection and value for money. It would also prevent the current cross subsidies within the existing model.

Material business risks

ClearView's operations expose it to a variety of financial and non-financial risks. Risk management is an integral part of the Group's management processes and the Board continuously reviews material business risks.

The Board has adopted a formal Risk Management and Capital Strategy (RMCS) and a structured Risk Management Framework (RMF) to ensure the early identification of risks and adequate management of key risks, particularly those with the potential to impact the Company's future financial prospects and strategic imperatives.

The RMCS and RMF are fundamental to business decisions including resource allocation and prioritisation of activities.

Details of the Group's risk management practices including risk mitigation strategies are set out in Note 5 of the 30 June 2017 Annual Report.

Competitive strengths

Integrated business model

As a relatively young diversified financial services company, with an integrated business structure that encompasses Life Insurance, Wealth Management and Financial Advice, ClearView is differentiated from other newcomers, the majority of whom focus on a single area.

Strong IFA relationships

ClearView has a sharp focus on the Independent Financial Adviser (IFA) market. It has developed strong IFA relationships by consistently delivering smart, customer-centric products and excellent service.

Non-institutional ownership

As dissatisfaction with, and distrust of, large financial institutions grows, consumers and financial advisers alike are increasingly seeking to form relationships with customer-centric non-bank organisations.

ClearView is ideally-positioned to attract advisers and customers looking for objective service and advice.

Nimble size and no material legacy issues

ClearView stands to gain from market disruption, particularly around life insurance reforms with a stepped change in distribution profile expected to occur if institutionally-aligned licensees are forced to adopt open Approved Product Lists and with the introduction of a ban on shelf-space fees.

Furthermore, an extended period of consolidation in the Australian life insurance and wealth management industry, has created the need for a fresh, innovative entrant focused on servicing IFAs.

Legacy issues such as multiple administration platforms; out-dated, expensive products; and older, higher margin in-force portfolios in run-off often stifle the ability of larger institutional competitors to innovate and adapt to change. This creates opportunities for ClearView given our relatively small size and differentiated business model with limited legacy issues.

Awards

ClearView was recognised by a number of leading research and ratings agencies in 2017 including Canstar, Investment Trends, CoreData, Money Magazine, Dexx&r and Money Management.

1 Investment Trends 2017 Planner Risk Report, based on a survey of 495 financial planners.
2 CoreData 2017 Licensee Report.
3 AQUA launched in January 2018.
4 Chant West 2018 rating of 4 Apples for ClearView WealthFoundations Super and Pension, and ClearView WealthSolutions Super and Pension. A 4 Apples rating reflects a "high quality fund".

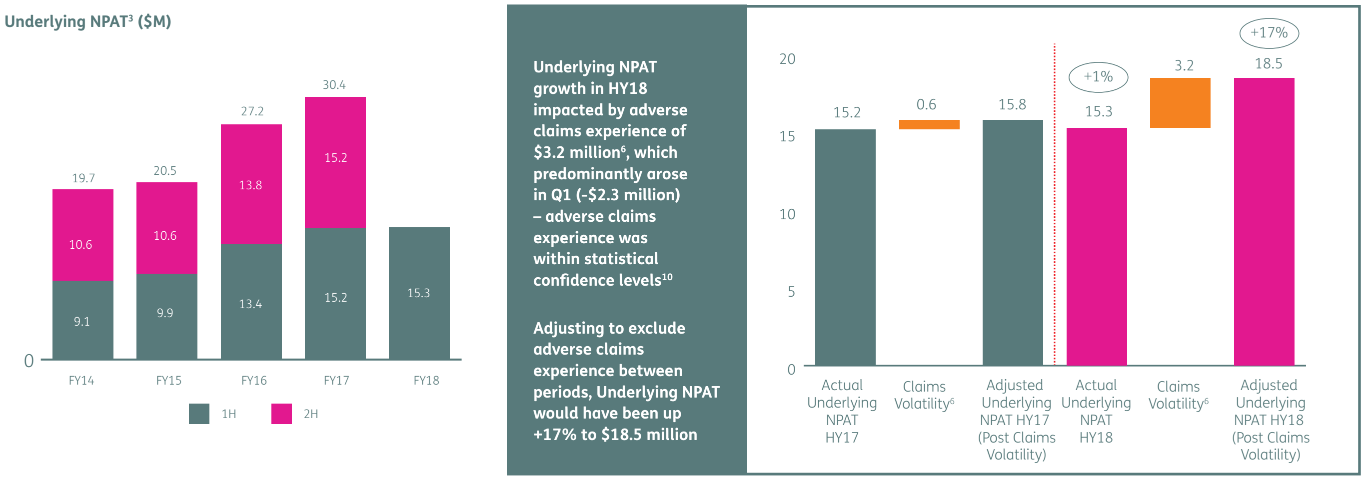
HY18 Results overview

Overview of result

The ClearView Group achieved the following results for the half year ended 31 December 2017:

After Tax Profit by Segment, $M	HY18 $M	HY17 $M		% Change[1]
Life Insurance	12.5	12.7	↓	2%
Wealth Management	2.6	1.6	↑	61%
Financial Advice	1.0	1.2	↓	21%
Listed entity and other	(0.8)	(0.4)	↓	90%
Underlying NPAT[3]	**15.3**	**15.2**	↑	**1%**
Other adjustments[7]	(3.0)	(12.0)	↑	75%
Reported NPAT[5]	**12.3**	**3.2**	↑	**284%**
Embedded value[2]	681.0	632.8	↑	8%
Value of New Business[9]	9.6	8.5	↑	13%
Net asset value[4]	428.4	400.0	↑	7%
Underlying diluted EPS (cps)[8]	2.38	2.45	↓	3%

Chart 1: Group performance FY13-FY17



1 % movement, HY17 to HY18 unless otherwise stated.
2 Embedded Value at 4% discount rate margin, including a value for future franking credits, accrued franking credits and Employee Share Plan (ESP) loans; % movement HY17 to HY18 adjusted for the impact of the cash component of the FY17 final dividend and ESP related items ($0.2 million).
3 Underlying NPAT consists of consolidated profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group's ordinary activities.
4 Net Asset Value as at 31 December 2017 excluding ESP Loans; % movement HY17 to HY18 adjusted for the impact of the cash component of the FY17 final dividend and ESP related items ($0.2 million).
5 Reported NPAT of $12.3 million, up 284%, impacted by changes in long term discount rates used to determine the insurance policy liabilities ($6.2 million 'swing' between periods); represents a non-cash timing difference in the release of profit over time and has no impact on underlying earnings.
6 Actual claims experience loss on life insurance portfolio in relevant half year period.
7 Other adjustments includes non-cash amortisation, costs considered unusual to normal activities and changes in long term discount rates used to determine the insurance policy liabilities ($6.2 million 'swing' between periods).
8 Adversely impacted by the dilutive effect of shares issued under the DRP, ESP shares vested/forfeited during the period and an increase in the number of ESP shares 'in the money' given the increase in ClearView's share price period on period.
9 Value of New Business (VNB) at 4% discount rate margin.
10 Represents a 95% confidence interval test that is a two tailed test where there is a 2.5% chance of being above the upper bound.

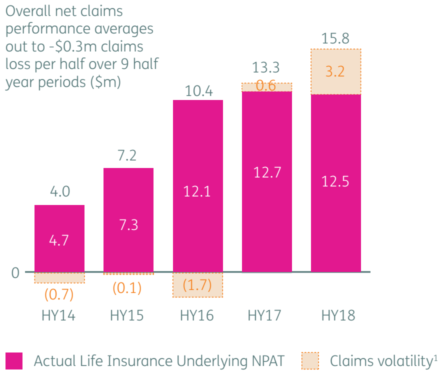
Underlying NPAT, the Board's key measure of Group profitability and also used for dividend payment decisions, **increased 1% to $15.3 million (HY17: $15.2 million)**. This modest growth underplays the strong fundamentals in the underlying operating businesses and further emergence of sustainable growth, offset by adverse claims experience.

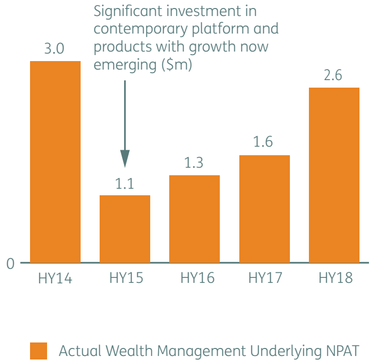
HY18 results by segment

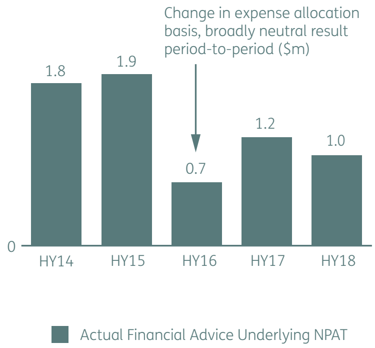
$12.5m
Life Insurance
Underlying NPAT[2]
2% ↓

$2.6m
Wealth Management
Underlying NPAT[2]
61% ↑

$1.0m
Financial Advice
Underlying NPAT[2]
21% ↓







- **Life Insurance Underlying NPAT down 2% to $12.5 million (HY17: $12.7 million)** compared to expected growth of 12%[3]
  - In HY18, there was an adverse claims experience of $3.2 million (HY17: $0.6 million). This adverse claims experience primarily occurred in Q1. The adverse claims experience was within statistical confidence levels[4]. However, due to the small size and nature of the portfolio, it has a material impact on profitability.
  - Adjusting to exclude this adverse claims experience, Underlying NPAT would have been up 19% to $15.8 million.
  - Lapses also had an adverse impact (-$0.8 million), arising from heightened lapses in the lead up to the 1 January 2018 regulatory changes, income protection price increases implemented in HY17 and a drift in the competitive position of LifeSolutions lump sum premium rates (to be addressed during CY18).
  - Life Insurance remains the key profit driver. Our expanding distribution footprint and strong new business volumes led to a material increase in the in-force portfolio which underpins the growth profile.
  - In-force book growth of 23% in HY18 and LifeSolutions sales up 10%. The IFA distribution footprint continues to expand, diversifying sales and creating material embedded growth.

1 Reflects actual after tax claims experience for the relevant period, noting volatility between periods, given the size and nature of the portfolio.
2 HY18 Underlying NPAT for the relevant segment. Underlying NPAT consists of consolidated profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group's ordinary activities.
3 Expected Underlying NPAT of $16.0 million (+12% HY17 to HY18) reflects expected profit margins on in-force portfolios based on actuarial assumptions.
4 Represents a 95% confidence interval test that is a two tailed test where there is a 2.5% chance of being above the upper bound.

- **Wealth Management Underlying NPAT up 61% to $2.6 million (HY17: $1.6 million)**
  - Wealth Management is a strong net flow positive business with material growth in earnings. The business will continue to benefit from the shift away from large institutions and banks and increasing demand for innovative investment administration platforms.
  - Growth in earnings follows material investment in the contemporary wealth platform and products in FY15.
  - Net flows of $229 million (+63%) into new contemporary products and FUM up 20%.
- **Financial Advice Underlying NPAT down 21% to $1.0 million (HY17: $1.2 million)**
  - Committed to building a high quality aligned advice business and assisting advisers run more efficient and profitable practices.
  - Prior period includes the potential recovery of certain compliance costs incurred (+$0.3 million). Adjusting for this item recognised in HY17, Underlying NPAT has remained broadly neutral year-on-year.

Other adjustments and amortisation

The following additional items impacted the statutory net profit after tax and comprised the reconciling items outlined in the following table.

Reconciling items ($M) (Net of Tax)	HY18	HY17	% Change
Amortisation of intangibles	(2.0)	(4.6)	(56%)
Policy liability discount rate effect	(0.7)	(6.9)	(90%)
Strategic review costs	(0.3)	(0.5)	(41%)
Total	**(3.0)**	**(12.0)**	**(75%)**

- Amortisation of intangibles ($2.0 million) is associated with the acquisition of wealth management and life insurance businesses from Bupa, ComCorp and Matrix Planning Solutions. These are separately reported to remove the non-cash effect of the write-off of these acquired intangibles. However, amortisation associated with capitalised software is reported as part of Underlying NPAT.
- The policy liability discount rate effect is the result of changes in the long-term discount rates used to determine insurance policy liabilities. The Life Insurance policy liability (based on AIFRS) is discounted using market discount rates that typically vary at each reporting date and create volatility in the policy liabilities, and consequently, earnings. ClearView separately reports this volatility which represents a timing difference in the release of profit and has no impact on underlying earnings. This movement in policy liability creates a cash flow tax effect. The increase in long-term discount rates over HY18 caused an adverse after-tax impact of -$0.7 million (HY17: -$6.9 million).
- Costs that are considered unusual to ClearView's ordinary activities and therefore not reflected as part of Underlying NPAT, relate to expenses incurred as part of Sony Life becoming a strategic shareholder and ongoing costs associated with the Cooperation Agreement between ClearView and Sony Life.

Reported NPAT and earnings per share (EPS)

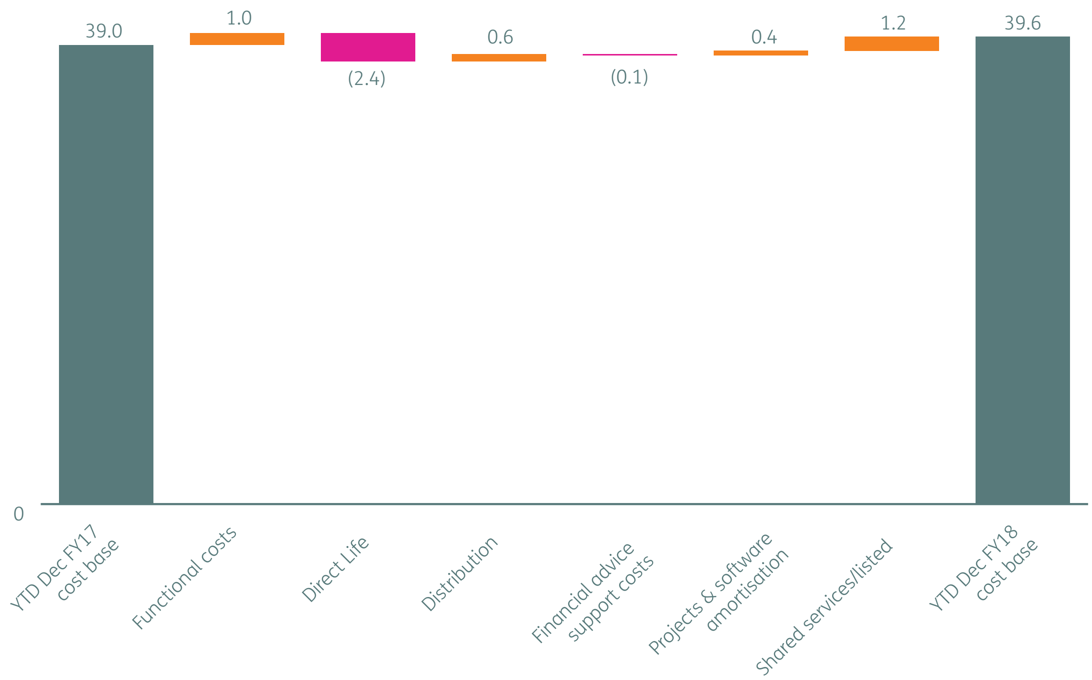
Reported NPAT increased to $12.3 million (HY17: $3.2 million) and reported diluted EPS increased to 1.90 cps (HY17: 0.52 cps). EPS calculations have been impacted by a positive swing of $6.2 million (after-tax) from the impact of changes in the long-term discount rates on policy liabilities between periods, partially offset by the dilutive effect of shares issued under the DRP, ESP shares vested/forfeited during the period and an increase in the number of ESP shares 'in the money' given the increase in ClearView's share price period on period.

Fully diluted Underlying EPS was down 0.07 cps to 2.38 cps (HY17: 2.45 cps). This was driven by the change in the number dilutive shares (as noted above) given the broadly flat Underlying NPAT between period.

Operating expenses

The waterfall chart below shows a 2% increase in the operating cost base from $39.0 million in HY17 to $39.6 million in HY18. Key components of the movements included:

Chart 2: Operating expense analysis HY17 vs HY18 cost base



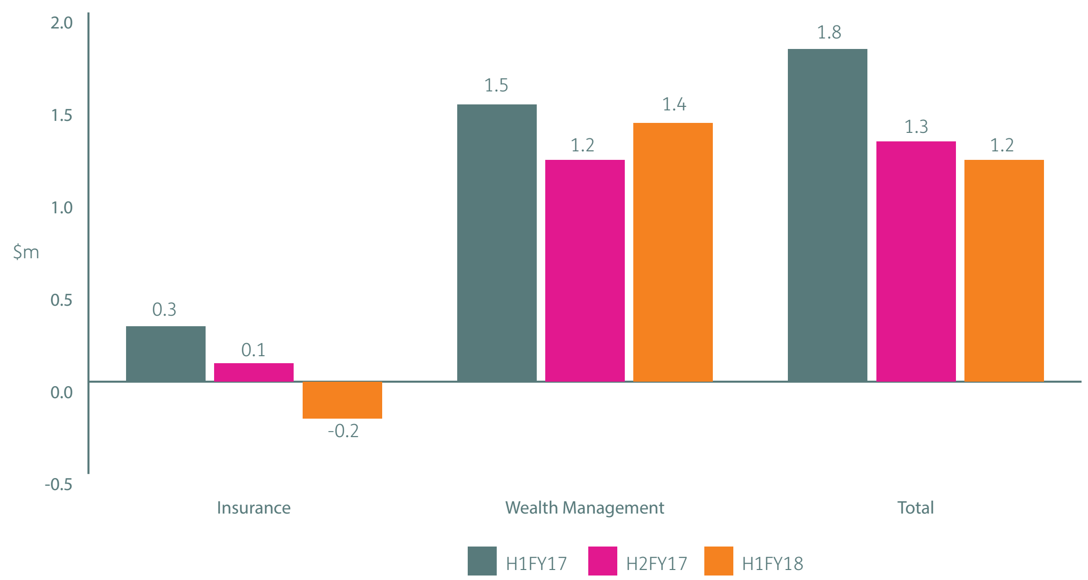
- **Functional costs –** Costs increased in functional areas that support business growth including administration, call centre, claims and underwriting. This reflects underlying volume growth in both new business and the in-force base.
- **Direct Life Insurance exit –** The closure of the direct business has reduced costs by $2.4 million vs pcp. This is driven by a reduction in the fixed cost base coupled with the volume-based cost structure (call centre agents and related costs).
- **Distribution costs –** Increased business development costs reflect a larger Life Insurance distribution presence to support the broader IFA footprint. Investment in Wealth Management's 'front-end' to support business growth remains broadly consistent between periods.
- **Financial Advice support costs –** Decreased dealer services costs due to the investment in the broader dealer group services model (including compliance costs) offset by lower conference costs in the current period.
- **Project costs and software amortisation –** Software amortisation costs have increased as projects pass go-live dates. A project to migrate the Master Trust onto the contemporary wealth platform commenced in 2H FY17 with cost benefits and efficiencies expected to flow after completion of the project. Provision for the wealth migration of $0.3 million remains on balance sheet at 31 December 2017 and is expected to be progressively utilised in FY18.
- **Shared services / Listed entity –** Increased shared services and business support costs should reduce on a per customer basis as the business grows and achieves further scale. Listed entity costs increased given changes in the Board's size and composition and investor relations costs incurred.

Expense Overruns

ClearView has consistently invested in operations ahead of revenue to support growth including prioritising incremental costs above those required for ClearView's current scale (expense overruns) to build capability for the future. This includes initial start-up costs and business investment costs that are being incurred prior to achieving scale. As ClearView continues to grow, the remaining expense overruns are likely to be absorbed.

Expense overruns initially depress reported profits but begin to unwind as scale is achieved and underlying profit is realised as the in-force portfolio increases. In HY18, the non-deferred expense overruns across the Life Insurance and Wealth Management 'manufacturing' businesses had a negative impact on UNPAT of $1.2 million (HY17: $1.3 million). The movements between segments are shown in the corresponding graph which indicates that cost overruns continue to be absorbed.

Chart 3: Non-deferred expense overruns HY17-HY18



The increased scale in the Life Insurance in-force premium (+23%) has progressively reduced expense overruns with the actual Life Insurance non-deferred overruns reflecting an experience profit of $0.2 million in the half-year period.

Investment in WealthFoundations and the contemporary wealth platform is however causing overruns in the Wealth Management segment. WealthSolutions continues to build scale (FUM +31%) with WealthFoundations now contributing to growth and development costs (FUM +52%). Expense overruns marginally decreased in HY18 due to increased FUM balances. A key driver of the overrun is that the expense allowances for the Master Trust are higher than contemporary products, in particular WealthSolutions where IT and administration is outsourced. As the Master Trust business runs off, albeit at a slower rate than anticipated, this has an adverse impact on the expense overruns until WealthFoundations achieves scale to support the cost base and the Master Trust product is migrated onto the new platform. Costs associated with the contemporary platform will be shared with the Master Trust once the migration project is completed. Expense overruns should therefore improve further as WealthFoundations FUM builds and the migration project is completed.

The elimination of expense overruns along with achieving the business' growth ambitions remains a key focus of management and the Board.

Directors' Report

Continued

Operating expense reconciliation to the half year report

The table below reconciles the operating expenses analysed in Chart 2 (page 10) with reported operating expenses in the half year financial statements.

Reconciliation of operating expenses to reported operating expenses per financial statements	HY18 $M	HY17 $M
Operating expenses per waterfall chart	**39.6**	**39.0**
Custody and investment management expenses	4.7	4.1
Depreciation and software amortisation	(2.9)	(2.7)
Reinsurance technology costs	0.3	0.4
Stamp duty	4.3	3.1
Medical costs	1.0	0.8
Interest expense	0.2	0.1
Strategic review costs	0.4	0.7
Recoverable adviser related costs	1.9	0.5
Other expenses on consolidation of unit trusts	0.9	0.8
Operating expenses per financial statements	**50.3**	**46.8**

Operating segment review

Life Insurance

Approach

ClearView has built a firm foundation for ongoing growth in the Advised Life Insurance market:

- The LifeSolutions product, which was launched in FY12, is our core product suite with innovative features that compare favourably with competing products;
- Continuous product upgrades has seen LifeSolutions consistently ranked top quartile;
- Strong adviser support due to sharp focus on relationships and providing excellent service;
- Recognised as a customer-focused challenger, due largely to its leadership position on open APLs and deliberate decision to not pay material shelf space fees or volume bonuses for inclusion on APLs; and
- Enhanced LifeSolutions quote and application system, designed to speed up the application process and drive operational efficiencies and productivity.

AQUA

ClearView has recently completed significant enhancements to its life insurance quote and application system including an intuitive new-look front-end and integrated eQuote and eApplication to streamline the LifeSolutions application process and implement Tele-Interviewing and Tele-Underwriting.

These enhancements (launched in January 2018) underpin our life insurance platform, AQUA – which stands for Adviser Quote Underwriting and Apply.

Performance

The core of ClearView's success over the past four financial years has been its strong growth in life insurance new business flows and in-force premium. ClearView set out to create a customer-focused business with a reputation for excellent customer service, innovative products and professional advisers.

As previously outlined, it takes some time for success to be reflected in the financial results. A new player must lay a solid foundation for future success by building competitive products and establishing a distribution network. This was ClearView's core focus in 2012 and 2013 when there were yet no visible signs of financial success.

The next step was to increase new business flows and market share. Over the period from 2013, our share of new policies written in the Independent Financial Adviser (IFA) channel rose steadily from a standing start, to around 8%. This has now started to flow through to growth in the in-force portfolio. If ClearView consistently captures an increasing share of new policies, this will progressively flow through to growth in in-force premiums and ultimately profits. There is effectively a significant lag in the flow through from building a distribution network to building new sales and then inforce/profitability.

ClearView's distribution universe consists of two national aligned dealer groups and a rapidly growing network of IFAs.
The Life distribution strategy has over time shifted to the IFA channel to grow and diversify sales.

- The aligned adviser network (CFA and Matrix) provides a solid distribution base, but the IFA market represents ClearView's largest, fastest growing sales channel.
- Growth in sales since 2014 has been the result of building out the IFA footprint:
  - ClearView is still relatively early in the process of penetrating the IFA channel;
  - ClearView continues to increase its wallet share of existing APLs, especially where it has been on the APL for over 12 months; and
  - LifeSolutions sales growth continues to outperform the market.
- Organic growth opportunities will be derived from three sources:
  - The maturation of relatively recent APLs;
  - Access to new APLs; and
  - The removal of shelf-space fees, volume rebates with the implementation of the life insurance reforms and the potential opening up of APLs will likely improve ClearView's competitive position and provide access to increased new business sources.

The fundamentals of the business are very strong with gross premiums up 24% to $104.7 million, life insurance sales up 10% to $22.6 million and in-force premiums up 23% to $209.9 million.

The 1H HY18 expense-base reflects an incremental investment to upgrade the LifeSolutions application system and deliver an integrated eQuote and eApplication platform with Tele-Interviewing and Tele-Underwriting.

Our new LifeSolutions application system, AQUA, is a key plank in our adviser engagement strategy which focuses on driving automation and practice efficiencies to ensure we are easy to do business with. Over time, this will lead to greater business efficiencies for ClearView.

The 2H FY18 result will include the impact of the recently-introduced LIF[1] reforms, detailed on page 4. In the short-term, these will reduce profit margins given the shift to a hybrid commission model but will unwind and improve as the upfront commission cap reduces from 80% to 60% over the next few years. Lapse rates are likely to improve (post implementation of the reforms) given the increased clawback period. Furthermore, the return on capital will also increase given the reduced capital requirements via lower upfront commissions paid to advisers. These will start to impact from 2H FY18 with the overall impact to be monitored over time.

1 Life Insurance Framework

Directors' Report

Continued

The result is discussed in further detail below.

Life Insurance financial result:

6 Months to 31 December 2017 ($M)[1]	2016			2017				%
	1H	2H	FY16	1H	2H	FY17	HY18	Change[2]
Gross life insurance premiums	64.9	73.4	138.3	84.4	93.3	177.7	104.7	24%
Interest income	1.4	1.4	2.8	1.2	1.1	2.3	1.1	(9%)
Net claims incurred	(7.5)	(11.3)	(18.8)	(11.8)	(13.2)	(25.0)	(16.9)	43%
Reinsurance premium expense	(14.0)	(16.8)	(30.8)	(20.3)	(24.0)	(44.3)	(27.2)	34%
Commission and other variable expenses	(21.9)	(24.0)	(45.9)	(27.8)	(29.9)	(57.7)	(33.7)	21%
Operating expenses	(22.2)	(22.0)	(44.2)	(24.2)	(23.7)	(47.9)	(24.3)	0%
Movement in policy liabilities	16.6	16.9	33.5	16.7	13.8	30.5	14.2	(15%)
Underlying NPBT	**17.3**	**17.6**	**34.9**	**18.2**	**17.4**	**35.6**	**17.9**	**(2%)**
Income tax (expense) / benefit	(5.2)	(5.2)	(10.4)	(5.5)	(5.1)	(10.6)	(5.4)	(2%)
Underlying NPAT	**12.1**	**12.4**	**24.5**	**12.7**	**12.3**	**25.0**	**12.5**	**(2%)**
Amortisation of intangibles	(1.4)	(1.4)	(2.8)	(1.4)	(1.4)	(2.8)	(1.4)	0%
Policy liability discount rate effect (after tax)	0.7	7.1	7.8	(6.9)	1.0	(5.9)	(0.7)	(90%)
Reported NPAT	**11.4**	**18.1**	**29.5**	**4.4**	**12.0**	**16.3**	**10.4**	**136%**

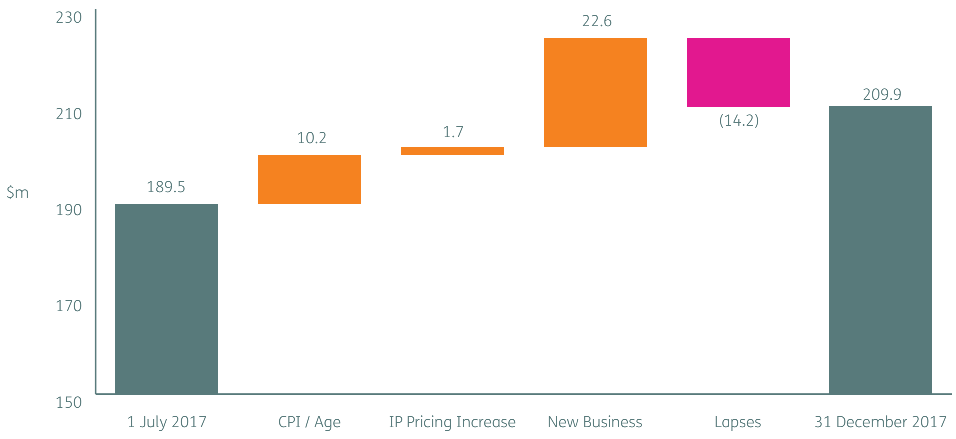
Analysis of Profit ($M)	2016			2017				%
	1H	2H	FY16	1H	2H	FY17	HY18	Change[2]
Expected Underlying NPAT[3]	**11.4**	**12.3**	**23.7**	**14.2**	**15.1**	**29.3**	**16.0**	**12%**
Claims experience	1.7	(0.7)	1.1	(0.6)	(1.3)	(1.9)	(3.2)	430%
Lapse experience	(0.2)	0.7	0.5	(0.7)	(1.3)	(2.0)	(0.8)	14%
Expense experience	(0.9)	(0.2)	(1.2)	(0.3)	(0.1)	(0.4)	0.2	(178%)
Other	0.1	0.3	0.4	0.1	(0.2)	(0.1)	0.2	325%
Underlying NPAT	**12.1**	**12.4**	**24.5**	**12.7**	**12.2**	**24.9**	**12.5**	**(2%)**

Key Statistics And Ratios ($M)	2016			2017				%
	1H	2H	FY16	1H	2H	FY17	HY18	Change[2]
New business	**18.2**	**21.0**	**39.2**	**22.1**	**20.2**	**42.3**	**22.6**	**2%**
LifeSolutions	15.7	19.0	34.7	20.6	19.7	40.3	22.6	10%
Non-Advice	2.5	2.0	4.5	1.5	0.5	2.0	0.0	(99%)
In-force premium	**132.0**	**150.7**	**150.7**	**171.0**	**189.5**	**189.5**	**209.9**	**23%**
LifeSolutions	86.7	105.7	105.7	126.1	146.1	146.1	167.5	33%
Non-advice (closed to new business)	45.3	45.0	45.0	44.9	43.4	43.4	42.4	(6%)
Cost to income ratio	**34.2%**	**30.0%**	**32.0%**	**28.7%**	**25.4%**	**27.0%**	**23.2%**	

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 HY17 to HY18.
3 Expected Underlying NPAT of $16.0 million (+12% HY17 to HY18) reflects expected profit margins on in-force portfolios based on actuarial assumption.

The Life Insurance in-force movement is driven by the net impacts of new business, price increases, lapse and CPI/aged based variances and is reflected in the waterfall chart below.

Chart 1: Life insurance in-force movement ($M)

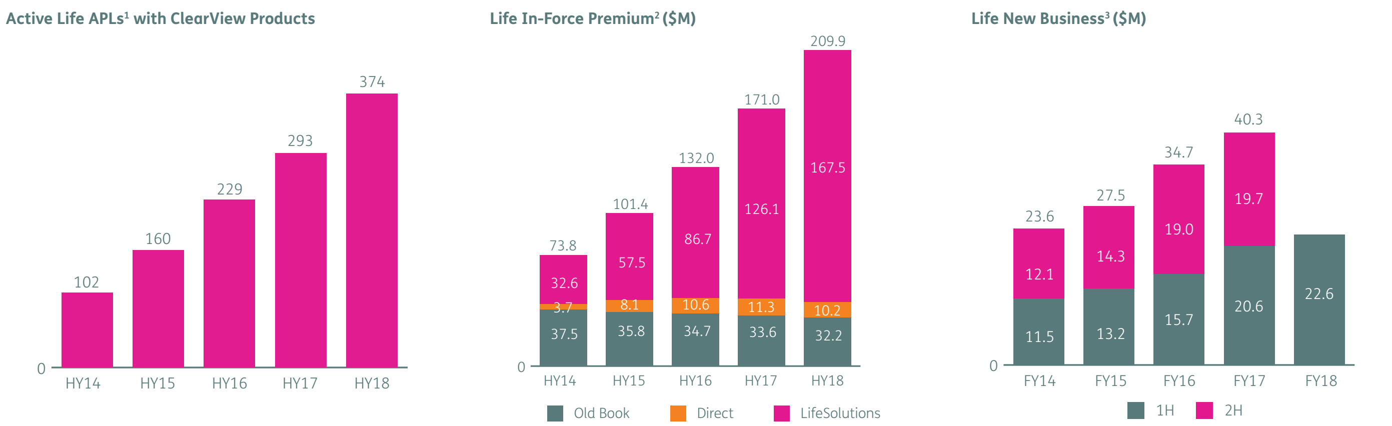


Life Insurance in-force is $209.9 million at 31 December 2017 ($167.5 million LifeSolutions, +33%; $10.2 million Non-advice, -10%; $32.2 million Old-Life book, -4%):

- The mix of products making up the in-force has changed materially with LifeSolutions now representing 80% of total in-force premium. This links to the margin shifts across the portfolio;
- IP price increases were implemented in HY17 and increased the in-force book by $1.7 million for those policies that subsequently renewed in the half-year period;
- The direct business was closed to new business in 2H FY17; and
- The increased scale in the in-force premium (+23%) has progressively reduced expense overruns over time with the actual non-deferred overruns reflecting an experience profit of $0.2 million in the half-year period.

The following graphs illustrate the performance of the Life Insurance business and the growth profile of the business.

Chart 2: Life Insurance key performance indicators



1 Approved Product Lists.

2 In-force premium is defined as annualised premium in-force at the balance date.

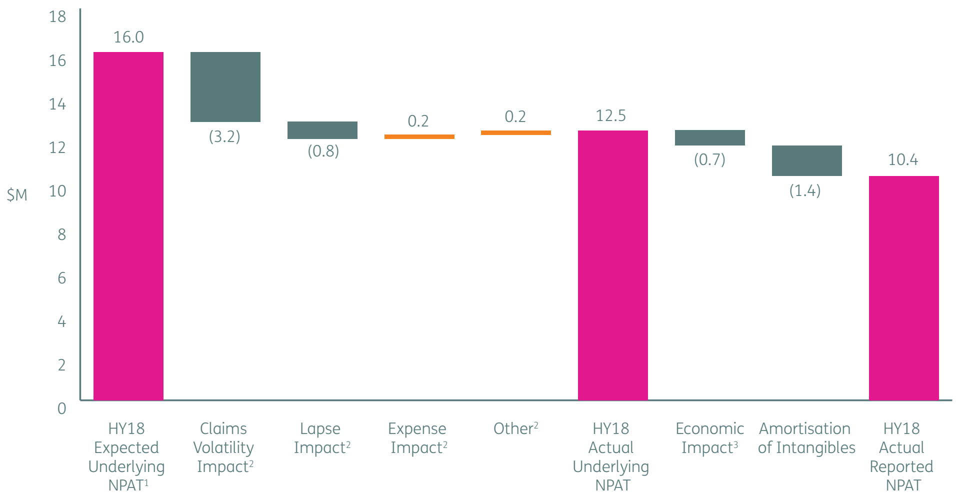
3 Life Insurance contemporary new business or sales represents the amount of new LifeSolutions annual written premium sold during the period, net of policies cancelled from inception and excludes age based/ CPI increases.

LifeSolutions new business of $22.6 million (+10%) was achieved:

- This result reflects continued market outperformance;
- Further broadening out of IFA footprint (sales of $17.4 million; +20%) with 77% of new business from the IFA channel (70% in HY17);
- LifeSolutions now available on 374 APLs, up 28%; and
- Further embedded growth in the distribution footprint.

The closure of the direct business has adversely impacted the overall growth rate of Life Insurance sales in the half-year period (+2%), given that direct sales only started to reduce from the 2H of FY17, as new business was intentionally slowed over time (direct sales of $1.5 million was achieved in HY17).

Chart 3: Life Insurance Underlying NPAT analysis



The Life Insurance segment result for the half-year period to 31 December 2017 is shown in the chart above. Underlying NPAT was $12.5 million (-2%) compared to the expected Underlying NPAT of $16.0 million (+12%). The adverse variance is primarily driven by material claims volatility and adverse lapse experience:

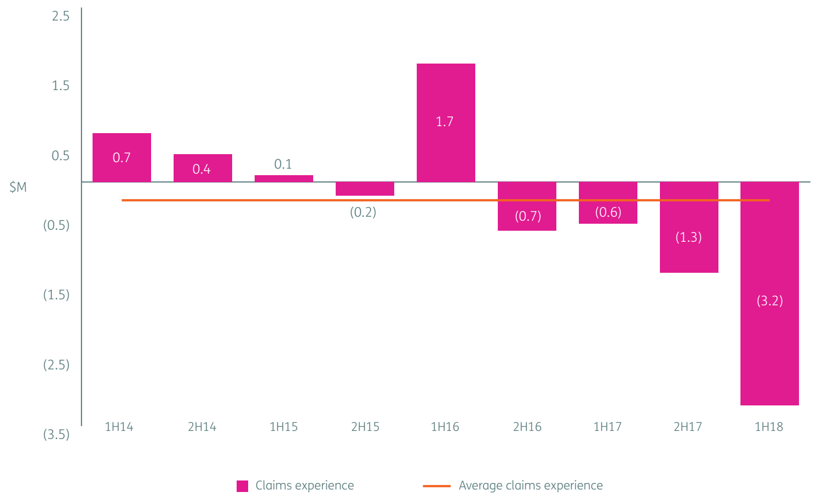
- Adverse claims (-$3.2 million) and lapses (-$0.8 million) resulting in a combined adverse experience -$4.0 million;
- Net claims of $16.9 million up 43% on the prior comparable; and
- Lapse losses of $0.8 million incurred, attributable largely to lapses on LifeSolutions policies that paid upfront commission (both lump sum and income protection).

These are discussed in further detail below.

- Expected UNPAT of $16.0 million in HY18 is up 12% reflecting:
  - Expected profit margins on the in-force portfolios based on actuarial assumptions.
  - Strong growth in the in-force portfolios (+23%) partially offset by the run-off of the higher margin old book and mix of business written.
- Actual Life Insurance Underlying NPAT is down 2% to $12.5 million. The lower-than- expected growth is attributable to:
  - Adverse claims experience relative to the claims assumptions in the life insurance policy liability (determined at 30 June 2017) resulting in an experience loss of $3.2 million (after tax) relative to planned margins ($0.6 million loss in HY17). The following graph reflects the overall claims experience over the last nine half-year periods;

1 Expected Underlying NPAT of $16.0 million (+12% HY17 to HY18) reflects expected profit margins on in-force portfolios based on actuarial assumptions.
2 Reflects actual experience for relevant item in the HY18 result.
3 The policy liability discount rate effect is the result of changes in the long-term discount rates used to determine insurance policy liabilities. The Life Insurance policy liability (based on AIFRS) is discounted using market discount rates that typically vary at each reporting date and create volatility in the policy liabilities, and consequently, earnings. ClearView separately reports this volatility which represents a timing difference in the release of profit and has no impact on underlying earnings.

Chart 4: Claims experience ($M)

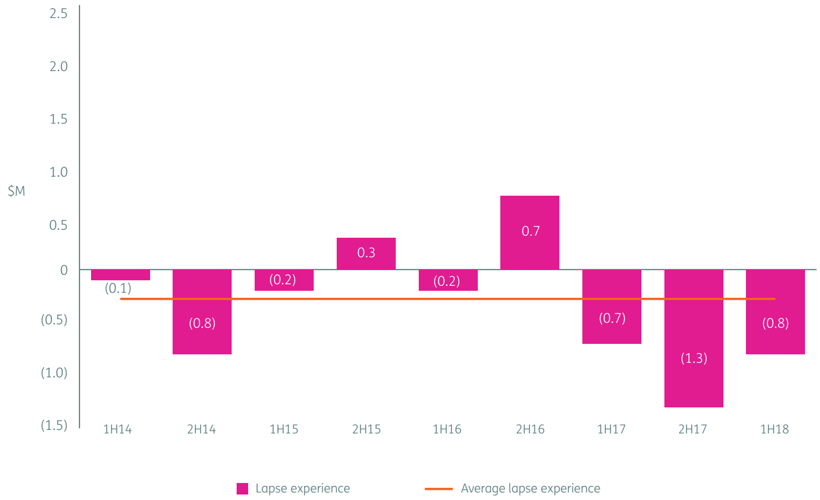


- Adverse claims experience across products in HY18: LifeSolutions portfolios (-$2.0 million) and the Direct portfolios (-$1.2 million) which are closed to new business;
- A material component of the claims loss arose in Q1 of FY18 (-$2.3 million) with an improvement in Q2 of FY18 across both lump sum and IP[1] claims;
- The claims loss included adverse experience on the Old Life Book (-$0.8 million) which has historically reflected claims profits over a long period of time (albeit with some volatility between periods);
- LifeSolutions' adverse claims experience was driven mainly by the IP portfolio (-$1.6 million) with lump sum reflecting a claims loss of (-$0.4 million). Actuarial claims assumptions were updated in FY17 (post the new reserving basis changes adopted on IP), reflecting an increase in the projected claims costs of the IP portfolio (this change in basis is included in the adverse experience of -$1.9 million in FY17);
- In HY18, the IP portfolio reflected adverse experience relative to this new basis adopted. A material component of the IP claims loss arose from the incidence of new claims. Notwithstanding this, the IP portfolio remains profitable;
- The overall net claims performance has an average -$0.3 million impact per half period over the past nine half year periods (and excluding the last half is broadly neutral); and
- Given the current size of the Life Insurance portfolio and the reinsurance arrangements in place, which vary by product, some statistical claims volatility can be expected period-to-period. The claims experience is expected to average out over time based on actuarial best-estimate assumptions.

• Lapse experience loss relative to assumptions in the Life Insurance policy liability (determined at 30 June 2017) with an experience loss of $0.8 million in HY18 against planned margins ($0.7 million loss in HY17);

1 IP is income protection.

Chart 5: Lapse experience ($M)



  - LifeSolutions portfolio had an overall adverse lapse experience loss relative to assumptions in HY18 (-$0.8 million);
  - The old Direct book (business written pre-2011) and the Non-advice portfolio recorded a neutral lapse experience in HY18. Both portfolios are closed to new business;
  - LifeSolutions IP price increases were implemented in October 2016 to help manage margin over time. Lapse rates have been trending upwards since the IP price increases, albeit with an improvement in Q2 FY18. This indicates a level of shock lapse for both lump sum and IP as policies renew on the new rates (noting these policies are generally sold together and therefore are likely to lapse at the same time). It is expected for this dynamic to largely have washed through the portfolio by December 2017;
  - There are suggestions of some structural reasons for heightened lapses in the lead up to the LIF[1] reforms, in particular in policies with upfront commission. This appears likely to be a short-term effect but is unlikely to cease immediately on 1 January 2018 when the LIF reforms came into effect; and
  - In addition, there are indications that the competitiveness of LifeSolutions' lump sum premium rates have drifted over the last year which has also adversely impacted lapse rates. These factors will be addressed with a product and pricing review in calendar year 2018.
- Although expense overruns initially depress reported profits they should eliminate as scale is achieved thereby increasing underlying profit on the growing in-force portfolio.
  - Non-deferred expense experience improved from a $0.3 million loss in HY17 to a $0.2 million profit in HY18, demonstrating that expense overruns are being absorbed as scale is achieved.
- Investment earnings were impacted by changing interest rates between periods, partially offset by the reallocation of shareholder cash to the Life Insurance segment (given the growth in the business and related capital requirements).
- The increased reinsurance expense is aligned to the growth in in-force portfolios given the upfront reinsurance support provided in the first year of a policy by the reinsurer.
- Growth in Life Insurance initial commission in HY18 was driven by the upfront variable commission cost related to higher new business volumes. These acquisition costs are deferred and amortised within the policy liability over the expected life of the policies, in accordance with accounting standards. From 1 January 2018, life insurance reforms will be implemented with caps on upfront commission.
- An increased variable expenses related to stamp duty and medical policy acquisition costs driven by increased new business volumes.

1 Life insurance framework.

Operating segment review

Wealth Management

Approach

While Life Insurance has been the key value driver, ClearView continues to invest significantly in Wealth Management product development and distribution. ClearView's position in Wealth Management is roughly two to three years behind the Life Insurance strategy but we believe that convergence of life insurance and superannuation will be a significant driver of shareholder value creation over the medium term.

Key measures to capitalise on the Group's significant investment in Wealth Management include:

- Increasing penetration of the aligned network (CFA[1] and Matrix[1]) by delivering excellent service;
- Leveraging the Life Insurance IFA distribution network to gain inclusion on additional third party APLs;
- Marketing ClearView platform funds in the external platform market to allow further participation in the funds management margin;
- Further investment in the contemporary platform to improve back office efficiency and automation;
- The migration of the old Master Trust business onto the contemporary platform which will significantly enhance the customer experience; and
- Capturing opportunities from the convergence of life and wealth by providing products that improve adviser efficiency and customer experience.

Products

ClearView's contemporary wealth products, which are available through financial advisers, are:

- WealthSolutions: A full service wrap platform that allows sophisticated clients to invest in various asset classes including direct shares; access tax and portfolio performance reports; and efficiently manage their client's accounts;
- WealthFoundations: A slimmed-down platform for mid-level clients based on 14 multi-manager model portfolios that are constructed and managed internally by ClearView's in-house investment research team, leveraging the expertise of third party fund managers. This product is ideally-suited to traditional risk advisers looking to expand into wealth management; and
- External platforms: ClearView MIS platform funds are available on selected third party platforms.

  ClearView continues to maintain the Master Trust product that includes life investment contracts issued by ClearView Life. The product is in run-off as it is no longer marketed to new customers.

ClearView has followed a program of ongoing development and refinement of wealth products over time with contemporary products including SMA capabilities to support both aligned and third-party advisers. ClearView also has the ability to place in-house model portfolios on external platforms.

Investment management approach

ClearView's Wealth Management business includes an in-house research and investment arm that builds and actively manages a range of implemented model portfolios including Separately Managed Accounts (SMAs). ClearView's model portfolios invest in various independent asset manager funds.

Key benefits of model portfolios include:

- Advisers can efficiently meet the investment needs of clients by recommending well-researched, well-constructed diversified multi-manager portfolios that target clearly defined investment objectives (for example, asset protection, retirement income, moderate risk and high growth);
- Advisers gain access to specialist asset managers that are not directly available to retail clients;
- ClearView charges a model portfolio fee and earns a margin on wealth management FUM by using our scale to negotiate wholesale asset management fees from underlying managers;

1 ClearView Financial Advice Pty Ltd and Matrix Planning Solutions Limited.

- Solid performance and increasing demand among advisers; and
- Sharper focus on asset allocation, manager selection and portfolio management, as ClearView does not directly manage investments in underlying assets (this is outsourced to third party asset managers).

Performance

ClearView began investing significantly in its Wealth Management business in FY15 with the launch of a contemporary platform and WealthFoundations product in FY15. This resulted in an adverse $3.2 million (after tax) impact on Underlying NPAT in FY15.

ClearView now has a competitive product suite and improving distribution network. In FY17 ClearView increased its share of net flows in the retail segment of market from 1.8% through to 2.7% and has further seen material growth in net flows in HY18. As in Life Insurance, steadily increasing net flows will lead to comparable market share growth in FUM which is a key profit driver.

ClearView is a positive net flow business (material to its FUM balances). This has been driven by:

- The launch of new, client-focused products and the placement of in-house model portfolios on external platforms;
- Material investment in FY15 to build a compliant and functional platform coinciding with the launch of WealthFoundations;
- A solid track record of investment performance which is key to distributing the wealth products through IFA's; and
- Stronger inflows and scale benefits for WealthSolutions with continued support for WealthFoundations, albeit at a slower pace.

The net flows of the new contemporary product suites are starting to outweigh the profit drag of pension outflows of the very profitable Master Trust product.

One of the key differences between Wealth Management and Life Insurance is the accounting around costs. In Wealth Management, the customer acquisition costs are all expensed up front so ClearView's increase in wealth acquisition, distribution and related upfront costs acts as a drag on reported earnings. However, the profit pool of Wealth Management is similar to Life Insurance and as ClearView's share of FUM starts to approach its share of net flows (which mathematically it has to over time), its share of the profit pool in the industry will increase significantly.

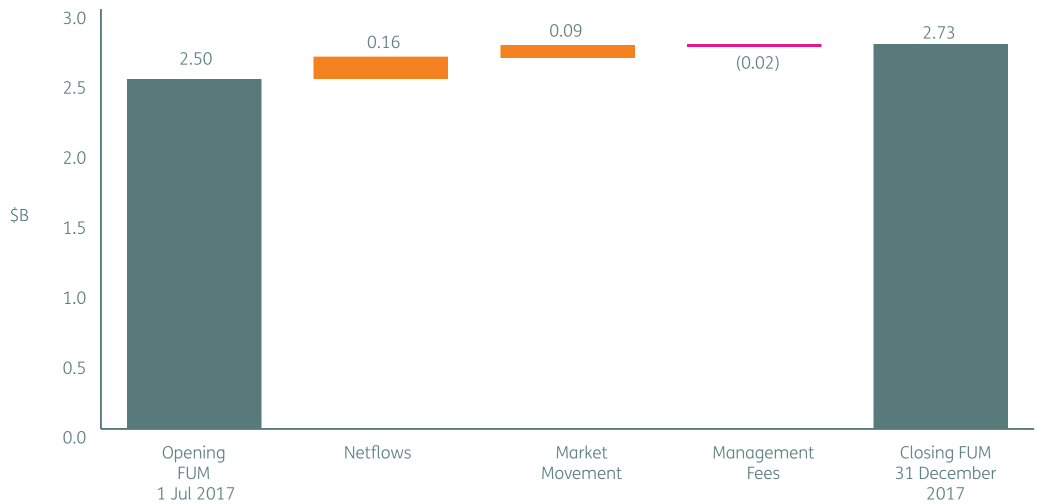
Wealth Management financial result:

6 Months to December ($M)[1]	2016			2017				%
	1H	2H	FY16	1H	2H	FY17	HY18	Change[2]
Fund management fees	15.7	15.4	31.1	16.3	16.5	32.8	18.0	11%
Interest income	0.2	0.2	0.4	0.2	0.2	0.3	0.2	44%
Variable expense[3]	(3.4)	(3.3)	(6.7)	(3.3)	(3.2)	(6.5)	(3.3)	(1%)
Funds management expenses	(3.5)	(3.4)	(6.9)	(4.1)	(4.0)	(8.1)	(4.7)	15%
Operating expenses	(7.7)	(7.5)	(15.2)	(7.0)	(6.8)	(13.8)	(7.0)	0%
Underlying NPBT	**1.3**	**1.3**	**2.6**	**2.1**	**2.6**	**4.6**	**3.3**	**61%**
Income tax (expense)/benefit	0.0	0.1	0.1	(0.4)	(0.3)	(0.7)	(0.7)	63%
Underlying NPAT	**1.3**	**1.4**	**2.7**	**1.6**	**2.3**	**3.9**	**2.6**	**61%**
Amortisation of intangibles	(2.6)	(2.7)	(5.3)	(2.6)	(1.8)	(4.4)	0.0	(98%)
Reported NPAT	**(1.3)**	**(1.3)**	**(2.6)**	**(0.9)**	**0.5**	**(0.5)**	**2.6**	**377%**

Key Statistics And Ratios ($M)	2016			2017				%
	1H	2H	FY16	1H	2H	FY17	HY18	Change[2]
Net Flows	**101.2**	**111.1**	**212.3**	**59.5**	**145.4**	**204.9**	**163.6**	**174%**
Master Trust	(58.1)	(64.5)	(122.6)	(81.5)	(66.3)	(147.8)	(65.6)	(20%)
WealthSolutions	112.7	75.3	188.0	86.6	112.5	199.1	103.9	20%
WealthFoundations	46.6	45.8	92.4	42.1	45.7	87.8	66.0	56%
External Platforms	0.0	54.5	54.5	12.3	53.5	65.8	59.3	380%
Total FUM ($b)	**1.98**	**2.13**	**2.13**	**2.28**	**2.50**	**2.50**	**2.73**	**20%**
Master Trust	1.11	1.07	1.07	1.03	1.00	1.00	0.96	(7%)
WealthSolutions	0.72	0.80	0.80	0.93	1.08	1.08	1.22	31%
WealthFoundations	0.15	0.20	0.20	0.25	0.30	0.30	0.38	52%
External Platforms	0.00	0.06	0.06	0.07	0.12	0.12	0.18	172%
Cost to Income Ratio	**49.0%**	**48.7%**	**49.0%**	**42.9%**	**41.4%**	**42.1%**	**38.9%**	

The wealth management FUM movement is driven by the net impacts of net flows, funds management fees and investment market movement-based variances. This is shown in the following graph.

Chart 1: Wealth Management in-force FUM movement FY17 – HY18 ($B)



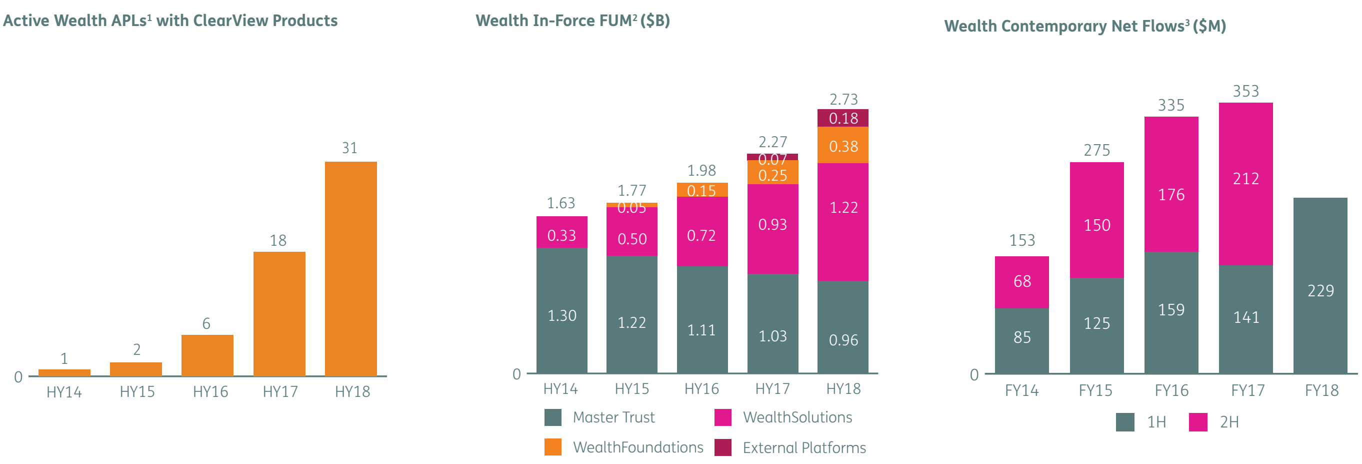
Wealth Management FUM is $2.73 billion at 31 December 2017 ($1.22 billion WealthSolutions, +31%; $0.38 billion WealthFoundations, +52%; $0.18 billion External Platforms, +172%; $0.96 billion Master Trust, -7%):

- FUM is up 20% to $2.7 billion at 31 December 2017 with $1.8 billion in contemporary products including ClearView platform funds on external platforms;
- Solid investment performance across ClearView models remains key to attracting flows and supporting the Master Trust FUM given that product is not actively marketed to new customers; and
- The mix of products making up the FUM has changed materially with new contemporary products now 65% of the total in-force. This links to the margin shifts across the portfolio.

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 HY17 to HY18.
3 Variable expense include the platform fee payable on WealthSolutions and the internal advice fee payable to the Financial Advice segment on the Master Trust product.

The following graphs illustrate the performance and growth profile of the Wealth Management business.

Chart 2: Wealth Management key performance indicators



Wealth Management net inflows with material net flows (relative to FUM balances) into contemporary products:

- Gross inflows of $334.6 million was achieved in HY18 predominantly into contemporary products (+61%);
- Net inflows of $164 million was achieved in HY18 (+174%) including an improvement in Master Trust outflows:
  - WealthSolutions net inflows of $104 million (+20%);
  - WealthFoundations net inflows of $66 million (+56%);
  - External platform net inflows of $59 million (+380%);
  - Master Trust net outflows of $66 million (-20%);
- To date, WealthSolutions and WealthFoundations have primarily been distributed by aligned advisers.
- Expanding Wealth Management's distribution footprint broadly commenced in FY17 with WealthFoundations now available on 31 third-party APLs (+72%).
- Inflows represent a material portion of overall FUM balances.

The Wealth Management segment financial results for the half-year period to 31 December 2017 are shown in the previous table. Underlying NPAT was $2.6 million (+61%). Wealth Management segment profitability is primarily driven by fees earned from FUM less expenses incurred.

1 APLs are where ClearView products that are placed on third party dealer group approved product lists.
2 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.
3 Wealth Contemporary Product Net Flows is defined as inflows less redemptions into FUM but excludes management fees outflow and ClearView Master Trust product net flows given that the product is not marketed to new customers.

Growth in Underlying NPAT was driven by the following factors:

- The positive impact on net fee income from FUM growth (+20%) partially offset by margin compression from the gradual run-off of the Master Trust product being replaced by lower margin new business written in new contemporary products (fee income +11% overall):
  - Master Trust is effectively a closed book with a portion of FUM in pension phase;
  - Investment market performance of 9% on FUM compared to a 5% investment return in HY17;
  - The net flows of the new contemporary product suites are starting to outweigh the profit drag of pension outflows of the very profitable old book; and
  - Margin compression and run off from the Master Trust book is assumed in Embedded Value (EV) calculations.
- Decrease in variable expenses (-1%) driven by:
  - Decrease in inter-segment advice fee (50bps) paid to Financial Advice on Master Trust FUM (in line with average Master Trust FUM); and
  - Partially offset by higher platform fees payable on WealthSolutions (in line with growth in average WealthSolutions FUM).
- Funds management expenses increased in line with the expanded wealth product range (WealthFoundations launch and MIS growth on platforms) and increased FUM between periods.
- Operating expenses are broadly in line with HY17:
  - Reduction in wealth administration functions due to greater efficiencies from growth in WealthFoundations and MIS FUM;
  - Front-end costs to support business growth has remained broadly consistent (notwithstanding a 63% increase in contemporary product new flows); and
  - The Master Trust migration project commenced in 2H FY17 with cost benefits expected to flow through after completion of the project.
- Expense overruns (after tax) decreased to $1.4 million in HY18 (HY17: $1.5 million) driven by higher FUM balances (+20%) and a flat Wealth Management operating cost-base. The current overruns reflect the accounting treatment as the WealthFoundations product is yet to achieve scale relative to initial system and ramp up costs (noting that the IT system costs will be spread across the Master Trust product once migration is completed).
- The tax benefit of $0.3 million in HY18 (HY17: $0.2 million) included:
  - Exempt fees in the Master Trust product range.
  - Positive impact from a tax benefit arising from superannuation insurance premium deductions.
- The tax benefits are predominantly offset in the Listed segment (given some non-deductibility of certain expenses across the Group) resulting in an overall effective group tax rate that is broadly consistent between periods (circa 30%).
- Investment earnings are impacted by the reallocation of shareholder cash between segments and movement in market interest rates between periods.

Operating segment review

Financial Advice

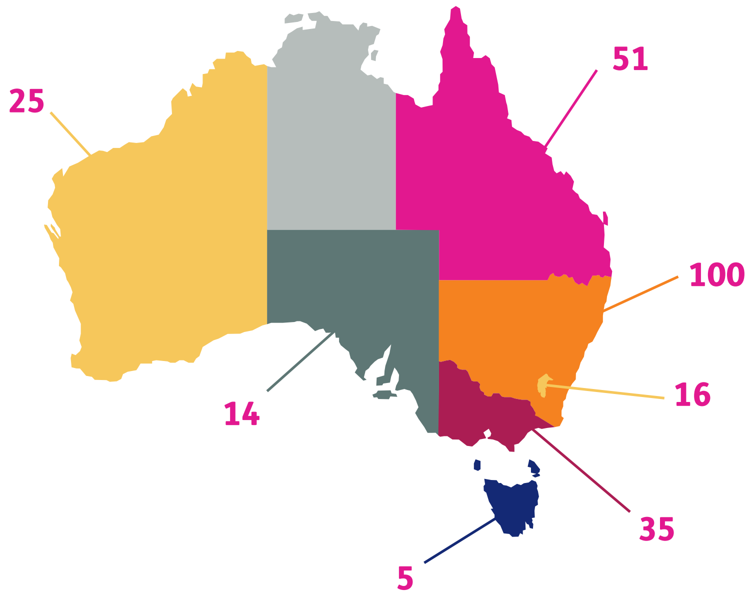
Approach

Aligned Network

- Primarily self-employed advisers operating under the CFA and Matrix licences
- At 31 December 2017, 246 advisers (98 Matrix and 148 CFA)
- Focused on recruiting professional advisers with the right cultural fit
- CFA and Matrix have $9.3 billion of FUMA[1] and $247 million of Premiums Under Advice (PUA)[2]
- Intention to gradually roll out the strategic advice program across the network and support the business efficiency of adviser practices
- Strong compliance focus and committed to helping advisers to adapt to regulatory changes and transition to the 'new advice world'

The geographical spread of the ClearView financial advisers is outlined in the diagram below:

Geographical Adviser Composition



Performance

ClearView's national dealer groups, CFA and MPS segment their advisers and operations into the following categories.

- **CFA employed advisers:** These are the employed, salaried advisers. ClearView retains 100% of the fees charged to clients and pays the advisers in accordance with ClearView's remuneration policy. The number of employed advisers has steadily declined over time with many transitioning to the self-employed model.
- **CFA self-employed advisers:** These advisers pay CFA a fee to operate under its AFSL and utilise the Group's support services. CFA provides a range of services to these advisers including compliance, practice management solutions, IT and software. Traditionally, CFA advisers have focused on life insurance advice but there is emerging growth in wealth management.
- **MPS self-employed advisers:** These advisers pay MPS a fee to operate under the Matrix AFSL and utilise the Group's support services. MPS provides a range of services to these advisers including compliance, practice management solutions, IT and software. Traditionally, MPS advisers have focused on wealth management advice. Matrix advisers received shares as consideration for the acquisition of MPS in 2014. The performance based shares vested in HY18, noting that the shares are no longer held in trust and have been issued to the vendors MPS.

Key drivers of performance:

- Net adviser service fees and membership fees earned;
- Financial support from the ClearView manufacturers businesses;

1 FUMA includes FUM[3] 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.

- Grandfathered platform rebates;
- Dealer service fees (DSF) earned on the new contemporary platforms. (As the FUM increases on these platforms this is expected to continue to grow as grandfathered rebates run off);
- Dealer group overheads include staff, marketing, rent, professional indemnity insurance and shared services allocation. Other costs include investment in a strategic advice program that is to be rolled out over time.

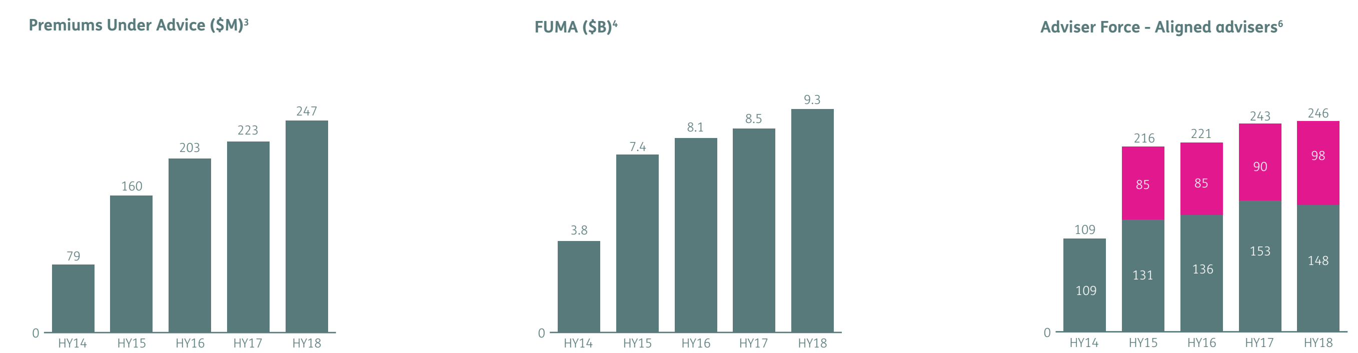
Financial Advice financial result:

	2016			2017				%
6 Months to December ($M)[1]	**1H**	**2H**	**FY16**	**1H**	**2H**	**FY17**	**HY18**	**Change[2]**
Net financial planning fees	8.5	8.2	16.7	8.6	8.3	16.9	8.8	2%
Interest and other income	0.2	0.1	0.3	0.5	0.1	0.6	0.2	(61%)
Operating expenses	(7.7)	(7.2)	(14.9)	(7.4)	(7.0)	(14.4)	(7.6)	3%
Underlying NPBT	**1.0**	**1.1**	**2.1**	**1.7**	**1.5**	**3.2**	**1.3**	**(23%)**
Income tax (expense) / benefit	(0.3)	(0.3)	(0.6)	(0.5)	(0.4)	(0.9)	(0.4)	(28%)
Underlying NPAT	**0.7**	**0.8**	**1.5**	**1.2**	**1.0**	**2.2**	**1.0**	**(21%)**
Amortisation of intangibles	(0.5)	(0.5)	(1.0)	(0.5)	(0.5)	(1.0)	(0.6)	8%
Reported NPAT	**0.2**	**0.3**	**0.5**	**0.7**	**0.5**	**1.2**	**0.4**	**(42%)**

	2016			2017				%
Key statistics ($M)	**1H**	**2H**	**FY16**	**1H**	**2H**	**FY17**	**HY18**	**Change[2]**
FUMA ($b)[4]	8.1	8.2	8.2	8.5	8.9	8.9	9.3	9%
PUA ($m)[3]	203	215	215	223	237	237	247	11%
Financial advisers	221	235	235	243	243	243	246	1%

The FUMA movement in the dealer group is driven by the net impacts of net flows, funds management fees and investment market movement-based variances. Premiums under advice (PUA) is driven by the net impacts of new life insurance business, price increases, lapse and CPI/aged-based variances.

Chart 1: HY18 - Key performance indicators



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 HY17 to HY18
3 Premiums Under Advice is life insurance in-force premium that are externally managed and administered (Third Party Products) and in-force LifeSolutions premium
4 FUMA includes FUM[5] and funds under advice that are externally managed and administered
5 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.
6 Aligned advisers are licenced by the ClearView Financial Advice Pty Ltd and Matrix Planning Solutions Ltd dealer groups.

Directors' Report

Continued

Financial Advice FUMA is $9.3 billion at 31 December 2017, up 9% with PUA of $247 million, up 11%[2].

- FUMA was positively impacted by the movement in investment markets, change in adviser numbers and composition period to period (including growth in underlying practices licenced by the dealer groups).
- PUA is impacted by the net impact of adviser recruitment, composition and growth in underlying practices.
- Of the $9.3 billion in FUMA, $1.7 billion was in contemporary in-house products and $0.9 billion was in the Master Trust product (HY17: $8.5 billion, $2.2 billion).
- Of the $247 million PUA in-force, $77 million was in LifeSolutions (HY17: $223 million, $64 million).
- Financial advisers increased 1% to 246 with a continued focus on selectively recruiting high quality advisers that have the right cultural fit.

Underlying NPAT was $1.0 million (-21%) but would have been broadly flat period-to-period if the other income ($0.3 million) was excluded. Notable items include:

- Growth in net financial planning fees (+2%) is broadly in line with the prior half-year period with marginal increases across all key revenue line items;
- Increased operating expenses of $0.2 million in HY18 (+3%) was driven by the investment in marketing and legal shared services costs allocated to the segment. Overall decreased dealer group support costs due to the investment in the broader dealer group services model (including compliance costs) offset by lower conference costs in the current period; and
- Other income in the prior period included the potential recovery of certain compliance costs incurred (+$0.3 million). This was a benefit in HY17 that increased the profitability of the dealer group in the prior period. Interest relates to the reallocation of shareholder cash between segments and lower market interest rates. Adjusting for the potential recovery of certain compliance costs recognised in HY17, other income has remained broadly neutral year-on-year.

Operating segment review

Listed Entity/Other

Approach

This segment includes the Investment earnings on cash and investments held in the listed and central services entities and in the shareholders' fund of ClearView Life, less costs associated with maintaining a listed entity. The Company manages capital at the listed entity level in accordance with its Internal Capital Adequacy Assessment Process (ICAAP) policy.

Listed Entity/Other financial result:

	2016			2017				%
6 Months to December 2017 ($M)[1]	1H	2H	FY16	1H	2H	FY17	HY18	Change[2]
Interest income	0.6	0.6	1.2	0.2	0.1	0.3	0.1	(6%)
Operating expenses	(0.6)	(0.6)	(1.2)	(0.4)	(0.6)	(1.0)	(0.7)	75%
Operating earnings NPBT	**0.0**	**0.0**	**0.0**	**(0.2)**	**(0.5)**	**(0.7)**	**(0.6)**	**127%**
Income tax (expense) / benefit	(0.2)	(0.3)	(0.5)	(0.1)	0.3	0.2	(0.1)	5%
Operating earnings NPAT	**(0.2)**	**(0.3)**	**(0.5)**	**(0.3)**	**(0.2)**	**(0.5)**	**(0.7)**	**90%**
Interest expense on corporate debt (after tax)	(0.5)	(0.5)	(1.0)	(0.1)	(0.1)	(0.2)	(0.2)	69%
Underlying NPAT	**(0.7)**	**(0.8)**	**(1.5)**	**(0.4)**	**(0.3)**	**(0.7)**	**(0.8)**	**86%**
Strategic review costs	0.0	(0.4)	(0.4)	(0.5)	(0.1)	(0.6)	(0.3)	(41%)
Your Insure impairment	(1.9)	0.0	(1.9)	0.0	0.0	0.0	0.0	NM
Direct closure provision	0.0	0.0	0.0	0.0	(2.4)	(2.4)	0.0	NM
Reported NPAT	**(2.6)**	**(1.2)**	**(3.8)**	**(0.9)**	**(2.8)**	**(3.7)**	**(1.1)**	**20%**

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 HY17 to HY18.

The Listed segment financial results for the half-year period to 31 December 2017 are shown in the previous table. Underlying NPAT was -$0.8 million (-86%).

Notable items include:

- Decreased investment earnings arising from a reduction in cash holdings with some reallocation of physical cash between segments;
- Higher expenses given the increased Board composition and investor relations costs coupled with the allocation of insurance costs in HY18;
- Interest on corporate debt relating to loan establishment and line fees on the $60 million NAB debt facility that was refinanced in June 2017. This reflects the increased costs of the facility given the movement in interest rates;
- Tax benefits in the Wealth Management segment which generally offset the tax costs on the non-deductible ESP expense in the Listed segment giving rise to a Group overall effective tax rate of circa 30%. This is consistent with the prior periods.

Statement of financial position

The Group's Statement of financial position, which is set out on page 36, reflects the key metrics below.

- Net assets at 31 December 2017 increased to $428.4 million (June 2017: $415.7 million) comprising:
  - Reported profit of $12.3 million;
  - FY17 net cash dividend (-$6.0 million);
  - Movements in the ESP Reserve due to the treatment of the ESP expense in accordance with the accounting standards (+$0.8 million), ESP loans settled through the FY17 final dividend and ESP impacts of the sale of vested ESP shares (+$0.4 million); and
  - The proceeds from ESP shares sold via off-market transfer, including repayment of ESP loans (+$5.2 million);
- Net tangible assets increased to $383.5 million ($416.4 million including ESP loans) (June 2017: $371.0 million);
- Net asset value per share (including ESP loans) of 69.0 cents per share (June 2017: 68.6 cents per share);
- Net tangible asset value per share (including ESP loans) of 62.3 cents per share (June 2017: 61.8 cents per share);

The net asset value per share and net tangible asset value per share are reflected above on a fully diluted basis, as ClearView ESP shares have been issued to employees and contractor participants as at 31 December 2017 (in accordance with the ClearView ESP Rules). The ClearView ESP shares on issue have a corresponding non-recourse loan from ClearView to facilitate the purchase of ClearView ESP shares by the participants. The shares and loans are not reflected in the statutory accounts as they are accounted for as an option in accordance with Australian Accounting Standards. If the loan is not repaid, the relevant ClearView ESP shares are cancelled or reallocated in accordance with the ClearView ESP Rules.

Embedded Value

Life Insurance and Wealth Management are long-term businesses that involve long-term contracts with customers and complex accounting treatments. Embedded Value (EV) represents the discounted value of the future net cash flows anticipated to arise from the in-force life policies, investment client balances and advice client recurrent revenue as at the valuation date.

Directors' Report

Continued

EV calculations at a range of risk discount margins (DM) is shown below.

Risk margin over risk free: ($M), (unless stated otherwise)	3% DM	4% DM	5% DM
Life Insurance	420.5	395.9	373.9
Wealth Management	68.2	64.5	61.2
Financial Advice	27.0	25.1	23.4
Value of In-Force (VIF)	**515.8**	**485.5**	**458.5**
Net Worth	58.6	58.6	58.6
Total EV	**574.4**	**544.1**	**517.2**
ESP Loans	32.9	32.9	32.9
Total EV Incl. ESP Loans	**607.3**	**577.0**	**550.1**
Franking Credits:			
Life Insurance	70.0	65.9	62.1
Wealth Management	18.3	17.3	16.4
Financial Advice	7.9	7.4	6.9
Net Worth	13.4	13.4	13.4
Total EV Incl. Franking Credits and ESP Loans	**716.9**	**681.0**	**648.9**
EV per Share Incl. ESP Loans (cents)	**90.9**	**86.3**	**82.3**
EV per Share Incl. Franking Credits and ESP Loans (cents)	**107.3**	**101.9**	**97.1**

The key movement in the EV between FY17 and HY18 is described in detail below.

Net capital applied (+$0.2 million) driven by:

- FY17 final cash dividend (-$18.1 million) paid in September 2017 with $12.2 million reinvested as part of the Dividend Reinvestment Plan;
- Movements in the Share Based Payments Reserve including ESP shares sold via off-market transfer (+$4.9 million), treatment of the ESP expense in accordance with the accounting standards (+$0.8 million), and ESP loans settled through the FY17 final dividend (+$0.7 million); and
- Costs associated with Sony Life becoming a strategic shareholder (-$0.3 million).

Expected gain (+$17.4 million):

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

VNB added (+$9.6 million):

- The value added by new business written (Life insurance and Wealth Management products) over the period. The current value of new business is suppressed by the growth costs incurred. The acquisition cost overruns should decrease as the business grows, providing it with operating leverage. LifeSolutions continues to be the key driver of VNB given increased scale and volumes, albeit impacted by the mix of business written (including mix of hybrid commission business sold in anticipation of the recently implemented LIF reforms).

The claims experience (-$3.2 million):

- Adverse claims experience loss (relative to planned margins) across all products. In HY18, there was an adverse claims experience of $3.2 million. This adverse claims experience primarily occurred in Q1 and was within statistical confidence levels[1]. However, due to small size and nature of the portfolio, it has a material impact on profitability.
- The overall net claims performance has broadly averaged -$0.3 million per half-year period over the past 9 half year periods (and excluding the last half is broadly neutral).

1 Represents a 95% confidence interval test that is a two tailed test where there is a 2.5% chance of being above the upper bound.

The impact of lapses on the life insurance book and FUMA discontinuances (-$0.8 million):

- Life Insurance lapse impact was driven by higher-than-expected lapses for LifeSolutions arising from the heightened lapses in the lead up to the 1 January 2018 regulatory changes, the tail end of the effect of income protection price increases implemented in HY17 and a drift in the competitive position of LifeSolutions lump sum premium rates (to be addressed during CY18). The old Direct book (business written pre-2011) and the Non-advice portfolio recorded a neutral lapse experience in HY18. Both direct portfolios are closed to new business. For Wealth business, discontinuance rates overall were close to expected.

FUMA mark to market and business mix (+$1.4 million):

- The EV increased by $1.4 million due to the business mix and net investment performance on FUMA, which resulted in higher fee income relative to expectations over the period and a higher present value of future fees at the end of the period

Maintenance, listing and interest expenses (-$0.6 million):

- Maintenance expense overruns versus the long-term unit costs assumed. Emerging life insurers invest and incur overhead costs ahead of "getting to scale". The maintenance expense rates assumed in the EV are based on longer term unit costs, as opposed to current "expense overrun" levels. As the business gets to scale, it is expected that the expense overruns will be eliminated, thereby increasing underlying profit margins on the in-force portfolio and removing the drag on the EV.
- Listing and interest expenses were impacted by the Group's listed overhead costs and line fee on corporate debt which are not allowed for in the Embedded Value

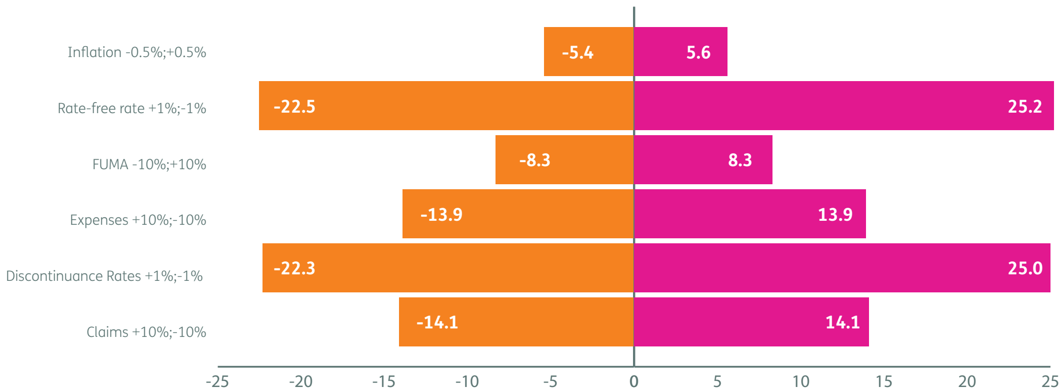
Other items (-$1.4 million):

- Net impact of capital reallocations by segment, modelling enhancements (including assumption changes), restatements, timing effects and tax impacts of the policy liability discount rate effect in the period.

ESP loans/franking credits (-$3.5 million):

- Reflects the net movement in ESP loans and franking credits between periods.

Chart 2: Embedded Value movement analysis @ 4%DM



Dividends

The Directors have not declared an interim dividend (HY17: Nil). The ability to pay an interim dividend has been to date limited by the availability of franking credits and the effect on tax paid of the changes in long term discount rates used to determine the insurance policy liabilities between the half year period and year end. As a sufficient franking credit balance continues to be progressively established, the payment of interim dividends will be considered.

The Board seeks to pay dividends at sustainable levels and has a target payout ratio of between 40% and 60% of Underlying NPAT. Furthermore, it is the Company's intention to maximise the use of its franking account by paying fully franked dividends.

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. Accordingly, no assurance can be given as to the timing, extent and payment of dividends.

Capital position

ClearView is fully capitalised with Common Equity Tier 1 capital to fund its current business plans and anticipated medium-term growth.

The Company entered into a three-year, $60 million Debt Facility Agreement with National Australia Bank in July 2017 for the following key reasons:

- To provide future capital funding in the event that growth is materially above what is currently anticipated; and
- To meet the liquidity needs of the Group or to capitalise on other opportunities should they arise.

This replaced the $50 million facility that was due to expire in December 2017.

The table below provides an analysis of reconciliation of the net assets in the Statement of Financial Position to the Group capital position.

	Life Insurance	Wealth Management	Other	APRA Regulated Entities	Wealth Management	Financial Advice	ASIC Regulated Entities	All Regulated Entities	NOHC[2]/Other	Group
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Net Assets	347.3	14.5	4.4	366.2	8.6	19.3	28.0	394.1	34.3	428.4
Goodwill & Intangibles	(12.1)	(3.8)	0.0	(16.0)	0.0	(8.1)	(8.1)	(24.1)	(20.7)	(44.9)
Net Tangible Assets	**335.1**	**10.6**	**4.4**	**350.2**	**8.6**	**11.2**	**19.8**	**370.0**	**13.5**	**383.6**
Capital Base Adjustment:										
Deferred Acquisition Costs (DAC)	(291.8)	(0.1)	-	(291.8)	-	-	-	(291.8)	-	(291.8)
Other Adjustments to Capital Base	(0.7)	(0.1)	-	(0.8)	(0.1)	(0.0)	(0.1)	(0.9)	(0.4)	(1.3)
Regulatory Capital Base	**42.7**	**10.5**	**4.4**	**57.6**	**8.6**	**11.2**	**19.7**	**77.3**	**13.2**	**90.5**
Prescribed Capital Amount	(10.6)	(3.6)	(3.3)	(17.6)	(5.0)	(0.4)	(5.4)	(22.9)	-	(22.9)
Available Enterprise Capital	**32.0**	**6.9**	**1.1**	**40.0**	**3.6**	**10.8**	**14.4**	**54.4**	**13.2**	**67.6**
Enterprise Capital Benchmark (ECB)										
Working Capital[3]	2.0	(2.6)	(0.5)	(1.1)	(1.0)	(1.0)	(2.0)	(3.1)	(4.5)	(7.6)
Risk Capital[1]	(33.8)	(2.8)	0.0	(36.6)	(2.2)	(3.1)	(5.4)	(41.9)	(5.5)	(47.4)
Excess/ Deficit over ECB[4]	**0.3**	**1.5**	**0.6**	**2.4**	**0.3**	**6.7**	**7.0**	**9.4**	**3.1**	**12.5**

Under the APRA capital standards, adjustments are made to the capital base for various asset amounts that are deducted, for example, intangibles, goodwill and deferred tax assets (net of deferred tax liabilities). ClearView's capital is currently rated Common Equity Tier 1 in accordance with APRA capital standards.

The regulated entities had $9.4 million of net assets in excess of internal benchmarks as at 31 December 2017.

Internal benchmarks exceed regulatory capital requirements and include capital held for the protection of ClearView's regulatory capital position for risk outcomes where the regulatory capital cannot be readily accessed and to protect the various regulated entities' regulatory licences.

Furthermore, a working capital reserve is the capital held to support the capital needs of the business beyond the risk- reserving basis. This includes the net capital that may be required to support the medium term new business plans (in accordance with the Internal Capital Adequacy Process).

1 As at 31 December 2017, risk capital is held in regulated entities at 97.5% probability of adequacy (POA). Risk capital at 99% POA is held in the NOHC[2].
2 NOHC is a non operating holding company regulated by APRA under the Life Insurance Act.
3 Working capital includes Board approved transfers post 31 December 2017.
4 Stated post 31 December 2017 Board approved transfers.

Internal benchmarks include a working capital reserve in the regulated entities of $3.1 million as at 31 December 2017 to fund anticipated new business growth over the medium-term.

Internal benchmarks in the non-regulated entities include a further working capital reserve of $4.5 million as at 31 December 2017, providing a combined total of $7.6 million that is set aside across the Group to fund anticipated new business growth over the medium-term.

The net capital position of the Group as at 31 December 2017 ($12.5 million) represents a decrease of $0.4 million since 30 June 2017. This decrease reflects the following key items:

- The Underlying NPAT for the half-year (+$15.3 million).
- The net capital absorbed by the growth of the business over the period (-$20.7 million).
- The decrease in the working capital reserve (+$9.4 million) reflecting capital set aside to fund the anticipated new business growth over the medium term.
- Increase in regulatory and risk capital reserved due to increasing new business volumes (-$2.6 million), and the net impacts of capitalised software, acquired intangibles and deferred tax (-$2.9 million).
- Decrease in asset concentration risk reserve given reinsurance asset concentration limits have changed over the period (+$0.6 million).
- The net impacts of the movements in the ESP reserve due to the treatment of the ESP expense in accordance with accounting standards, ESP loans settled through the FY17 dividend and the proceeds from ESP shares sold via off market transfer, including the repayment of ESP loans (+$6.5 million).
- The after tax costs associated with the evaluation of strategic options and Sony Life becoming a new strategic shareholder, after tax interest cost on debt and the Direct Life insurance business closure provision (-$0.4 million).
- The net impacts of the tax effect on the change in policy liability discount rate (+$0.4 million).
- The net impact of the final FY17 cash dividend paid in September 2017 (-$6.0 million).

Share buyback

The Board continues to believe that buying back shares in circumstances where the share price is below the Company's view of intrinsic value is in the best interests of shareholders.

The Board has determined to extend its share buyback (has been in place since 19 December 2014) until December 2018. Existing buyback arrangements continue to apply. Since 30 June 2015, 83,572 shares have been bought back under the scheme. No shares were bought back in the half year ended 31 December2017.

Outlook

Market outlook

- Long-term market growth fundamentals remain sound:
  - **Life Insurance:** The Australian market is under-insured; growth is driven by population increases, inflation and real GDP growth.
  - **Wealth Management:** Growth is underpinned by compulsory retirement savings regime (superannuation).
- Short-term challenges and opportunities exist:
  - **Group Life Insurance:** ClearView intentionally does not participate in Group Life. There has been material price increases in recent years. Such increases have improved the competitive position of ClearView's retail life products.
  - **Retail Income Protection:** Industry participants have progressively increased prices driven by losses on IP portfolio. ClearView increased prices in HY17 (10% on average) to manage margin over time, resulting in some short-term elevated lapses, but expected for this dynamic to have largely washed through the portfolio by December 2017. Notwithstanding adverse claims experience in HY18 (relative to new assumptions adopted at 30 June 2017), ClearView's portfolio remains profitable. Broader industry pricing cycle and performance of IP portfolios continues to being closely monitored including the ability to further increase prices over time (to maintain profit margins).

- **Direct Life Insurance:** There have also been changes in the direct market's appetite for telephone based non-advice models. These are no longer economically viable or socially acceptable due to increasing client acquisition costs, rising consumer expectations and heightened regulatory scrutiny. ClearView closed its Direct Life operation to new business in 2H of FY17 given a number of issues associated with the direct distribution (non advice) channel. ClearView is currently undertaking a Direct Remediation Program to compensate a number of Direct life insurance customers who may have been affected by inappropriate sales practices. Provision for the remediation program has already been made and it is not expected to have a material impact on the Group.
- **Regulatory changes:** The life insurance reforms include changes to commissions and clawbacks, with an implementation date of 1 January 2018. In the short-term these will reduce profit margins given the shift to a hybrid commission model but will unwind and improve as the upfront commission cap reduces from 80% to 60% over the next few years. Lapse rates are likely to improve (post implementation of the reforms) given the increased clawback period. Furthermore, the return on capital will also increase given the reduced capital requirements via lower upfront commissions paid to advisers. These will start to impact from 2H FY18 with the overall impact to be monitored over time (including any effects on sales volumes).
- **M&A activity:** The banks have focused on returning to core business lines, and there has been an emergence of foreign institutions investing in the Australian life insurance industry. This is likely to drive investment in the businesses that have been acquired from the banks.
- **Royal Commission:** There is heightened government and media scrutiny of the financial services sector, covering both life insurance and superannuation. This may lead to government policy changes and further fee pressures. As an integrated financial services company, ClearView is well positioned to take advantage of the convergence of life insurance and wealth management.

• Life Insurance and Wealth Management products are highly complementary over the economic cycle.
  - **Life Insurance:** Favourable given "fear" can drive strong sales momentum.
  - **Wealth Management:** Impacts of the performance of investment markets on fee income and net investment flows.

Business outlook

• In HY18, there was an adverse claims experience of $3.2 million (HY17: $0.6 million). This adverse claims experience primarily occurred in Q1. The adverse claims experience was within statistical confidence levels[1]. However, due to small size and nature of the portfolio, it has a material impact on profitability.
• Lapses had an adverse impact (-$0.8m)[2] arising from the heightened lapses in the lead up to the 1 January 2018 regulatory changes, the tail end of the effect of income protection price increases implemented in HY17 and a drift in the competitive position of LifeSolutions lump sum premium rates (to be addressed during CY18).
• The underlying performance remains strong with in-force book growth of 23%, LifeSolutions sales up 10%, FUM growth of 20% and wealth contemporary net flows up 63% in HY18. The IFA distribution footprint continues to expand, diversifying sales and creating material embedded growth.
• Life Insurance continues to be the key profit driver. ClearView continues to be well positioned to outperform the market and generate material earnings growth in 2H FY18 (versus 2H FY17), noting however that there can be some claims volatility between periods.
• The current focus remains:
  - Expanding distribution reach and embedding growth via the third-party IFA market;
  - Incrementally investing in the core advice market and product portfolios;
  - Rolling out further enhancements to the AQUA life insurance platform to better support advisers and ensure ClearView is easy to do business with coupled with the migration of the Master Trust product onto the wealth contemporary platform;
  - Capitalising on market disruption around regulatory reforms due to the fact ClearView has no material legacy issues; and
  - Increasing scale over time thereby progressively reducing the expenses overruns.

1 Represents a 95% confidence interval test that is a two tailed test where there is a 2.5% chance of being above the upper bound.
2 Reflects actual adverse lapse experience in HY18.

Directors' Report

Continued

- Our competitive position is further strengthened by our strategic partnership and close collaboration with Sony Life. This collaboration is seeing both parties benefit from open sharing and cooperation on a range of matters including distribution, marketing and technology.
- The Group maintains a positive outlook and is committed to executing its high growth strategy which targets 5% of the long-term life insurance profit pool and focuses on building a material wealth management business and high quality financial advice business.

Changes in state of affairs

There were no other significant changes in the state of affairs of the Group apart from than those discussed above, during the half year ended 31 December 2017.

Auditor's independence declaration

The auditor's independence declaration is included on page 34.

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

Bruce Edwards

Chairman

Sydney, 21 February 2018

Auditor's Independence Declaration

Deloitte.

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Australia

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

21 February 2018

Dear Board Members

ClearView Wealth Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of ClearView Wealth Limited.

As lead audit partner for the review of the financial statements of ClearView Wealth Limited for the financial half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Max Rt Murray

Max Murray
Partner
Chartered Accountants

Condensed consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2017

	Note	Consolidated 6 months to 31 December 2017 $'000	Consolidated 6 months to 31 December 2016 $'000
Continuing operations			
Revenue from continued operations			
Premium revenue from insurance contracts		104,708	84,400
Outward reinsurance expense		(26,934)	(19,868)
Net life insurance premium revenue		**77,774**	**64,532**
Fee and other revenue		63,897	58,539
Investment income		55,302	49,668
Operating revenue before net fair value gains on financial assets		**196,973**	**172,739**
Net fair value gains on financial assets		29,402	16,648
Net operating revenue		**226,375**	**189,387**
Claims expense		(46,828)	(36,496)
Reinsurance recoveries revenue		29,950	24,653
Commission and other variable expenses		(66,927)	(59,224)
Operating expenses	4	(50,345)	(46,813)
Depreciation and amortisation expense	4	(4,941)	(7,255)
Change in life insurance policy liabilities	10	11,209	6,841
Change in reinsurers' share of life insurance liabilities	10	1,939	12
Change in life investment policy liabilities	10	(51,731)	(51,399)
Movement in liability of non-controlling interest in controlled unit trusts		(34,679)	(16,846)
Profit before income tax expense		**14,022**	**2,860**
Income tax (expense)/benefit		(1,745)	336
Total comprehensive income for the period from continuing operations		**12,277**	**3,196**
Attributable to:			
Equity holders of the parent		12,277	3,196
Earnings per share			
Basic (cents per share)		2.00	0.53
Diluted (cents per share)		1.90	0.52

To be read in conjunction with the accompanying notes.

Condensed consolidated statement of financial position

For the half year ended 31 December 2017

	Note	Consolidated 31 December 2017 $'000	Consolidated 30 June 2017 $'000
Assets			
Cash and cash equivalents		211,411	222,197
Investments	9	2,017,328	1,814,049
Receivables		33,085	37,947
Fixed interest deposits		81,506	78,327
Reinsurers' share of life insurance policy liabilities	10	23,808	15,338
Deferred tax asset		9,255	10,509
Property, plant and equipment		1,427	1,425
Goodwill	7	20,452	20,452
Intangible assets	8	24,402	24,202
Total assets		**2,422,674**	**2,224,446**
Liabilities			
Payables		26,587	39,909
Current tax liabilities		1,570	523
Provisions		6,923	8,460
Life insurance policy liabilities	10	(203,687)	(207,632)
Life investment policy liabilities	10	1,218,885	1,177,290
Liability to non-controlling interest in controlled unit trusts		941,991	788,427
Deferred tax liabilities		1,980	1,819
Total liabilities		**1,994,249**	**1,808,796**
Net assets		**428,425**	**415,650**
Equity			
Issued capital	6	437,459	421,717
Retained losses		(21,507)	(15,648)
Executive Share Plan Reserve		11,264	10,068
General Reserve		1,209	(487)
Equity attributable to equity holders of the parent		428,425	415,650
Total equity		**428,425**	**415,650**

To be read in conjunction with the accompanying notes.

Condensed consolidated statement of changes in equity

For the half year ended 31 December 2017

	Share Capital $'000	Executive Share Plan Reserve $'000	General Reserve $'000	Retained Losses $'000	Attributable to Owners of the Parent $'000
Balance at 30 June 2017	**421,717**	**10,068**	**(487)**	**(15,648)**	**415,650**
Profit for the period	-	-	-	12,277	12,277
Total comprehensive income for the period	**-**	**-**	**-**	**12,277**	**12,277**
Recognition of share based payments	-	789	-	-	789
Dividend reinvestment plan (net of costs)	12,180	-	-	-	12,180
Dividend paid	-	-	-	(18,136)	(18,136)
ESP shares vested/(forfeited)	3,562	(364)	1,696	-	4,894
ESP Loans settled through dividend	-	771	-	-	771
Balance at 31 December 2017	**437,459**	**11,264**	**1,209**	**(21,507)**	**428,425**

Balance at 30 June 2016	**417,850**	**8,342**	**(2,085)**	**(12,344)**	**411,763**
Profit for the period	-	-	-	3,196	3,196
Total comprehensive income for the period	**-**	**-**	**-**	**3,196**	**3,196**
Recognition of share based payments	-	454	-	-	454
Entitlement offer costs (net of costs)	(15)	-	-	-	(15)
Dividend paid	-	-	-	(16,454)	(16,454)
ESP Loans settled through dividend	-	774	-	-	774
Balance at 31 December 2016	**417,835**	**9,570**	**(2,085)**	**(25,602)**	**399,718**

To be read in conjunction with the accompanying notes.

Condensed consolidated statement of cash flows

For the half year ended 31 December 2017

	Consolidated	
	6 months to 31 December 2017 $'000	6 months to 31 December 2016 $'000
Cash flows from operating activities		
Receipts from clients and debtors	271,051	222,776
Payments to suppliers and other creditors	(172,709)	(148,163)
Withdrawals paid to life investment clients	(106,031)	(109,286)
Dividends and trust distributions received	9,771	9,100
Interest received	11,948	10,936
Interest on borrowings and others costs of finance	(561)	(421)
Income taxes paid	(2,168)	(6,754)
Net cash generated/(utilised) by operating activities	**11,301**	**(21,812)**
Cash flows from investing activities		
Payments for investment securities	(1,081,741)	(965,003)
Proceeds from sales of investment securities	950,725	974,727
Net cash paid for business combination	-	(1,087)
Acquisition of property, plant and equipment	(325)	(148)
Acquisition of capitalised software	(4,817)	(3,724)
Fixed interest deposits (invested)/redeemed	(3,179)	1,759
Loans (granted)/redeemed	(1,345)	(490)
Net cash (utilised)/generated by investing activities	**(140,682)**	**6,034**
Cash flows from financing activities		
Net movement in liability of non-controlling interest in unit trusts	118,885	34,738
Share issue expenses	(37)	(15)
Repayment of ESP loans	771	774
ESP shares vested/forfeited	4,894	-
Net cash dividend paid	(5,918)	(16,454)
Net cash generated in financing activities	**118,595**	**19,043**
Net (decrease)/increase in cash and cash equivalents	(10,786)	3,265
Cash and cash equivalents at the beginning of the financial year	222,197	217,673
Cash and cash equivalents at the end of the financial period	**211,411**	**220,938**

To be read in conjunction with the accompanying notes.

Notes to the condensed consolidated financial statements

For the half year ended 31 December 2017

1. Significant accounting policies

General information

ClearView Wealth Limited (the Company or the Group) is a limited company incorporated in Australia. The address of its registered office is Level 15, 20 Bond Street, Sydney, NSW 2000. 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 stated.

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 and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2017 Annual Financial Report for the financial year ended 30 June 2017. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New and revised accounting standards affecting amounts reported and/or disclosures in the financial statements

There were no new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to the Group and its operations the current half year.

Use of estimates, assumptions and judgments

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. Discussion of the critical accounting estimates and judgements, which include complex or subjective decisions or assessments, are covered in Note 4 of the 2017 Annual Financial Statements. Such estimates and judgements are reviewed on an ongoing basis.

2. Events subsequent to reporting date

The Directors are not aware of any matter or circumstance not otherwise dealt with in this report or the financial statements that has significantly, or may significantly; affect the operations of the Group, the results of those operations or the state of the affairs of the Group in future financial years.

3. Segment information

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 focussed on the products and services of each reporting segment.

The principal activities and the Group's reportable segments under AASB 8 are as follows:

- Life Insurance;
- Wealth Management;
- Financial Advice; and
- Listed Entity/Other.

3. Segment information Continued

(a) Life Insurance ("protection" products)

ClearView provides life insurance protection products through its wholly owned subsidiary ClearView Life. The products provided by ClearView include:

- A comprehensive range of life protection products distributed by both ClearView Financial Advice (CFA) and Matrix financial advisers and third party, external advisers (IFAs). The product suite, LifeSolutions, was launched in December 2011 and is a high quality advice based product suite, providing top quartile benefits and terms at market competitive prices. LifeSolutions includes term life, permanent disability, trauma and critical illness benefits, parent cover, child cover, accident covers, income protection and business expense covers. Policies can be issued directly or via the ClearView Retirement Plan as superannuation; and
- A range 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.

(b) Wealth Management ("investment" products)

ClearView provides wealth management products via four primary avenues:

- Master Trust - Life investment contracts issued by ClearView Life. Products include ordinary savings, superannuation and allocated pension products, with the latter two provided via the ClearView Retirement Plan;
- 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. WealthSolutions includes a broad menu of investment funds, ASX listed shares, term deposits, ClearView managed funds and Separately Managed Accounts (SMA) offering. It also provides a number of model portfolios managed by ClearView for superannuation and non superannuation investors;
- WealthFoundations - Life investment contracts issued by ClearView Life. Products include superannuation and allocated pension products, issued via the ClearView Retirement Plan. WealthFoundations includes a menu of 14 investment options with transparent investment in underlying funds; and
- Managed Investment Schemes (MIS) - Products are issued via ClearView Financial Management Limited (CFML) as the ASIC licensed Responsible Entity and include platform MIS products available on ClearView's WealthSolutions platform and on external platforms.

(c) Financial Advice

ClearView provides financial advice services through its wholly owned subsidiaries ClearView Financial Advice (CFA) and Matrix Planning Solutions (MPS). CFA and Matrix provide dealer group services to financial advisers.

(d) Listed Entity/Other

This 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 debt. The Group manages capital at the listed entity level in accordance with its ICAAP[1] policy.

Asset segment information has not been disclosed because the allocation of assets is not used for evaluating segment performance and deciding the allocation of resources to segments.

Asset segment information is critical to the performance of each company and their respective regulatory obligations and is managed at a company level.

Information regarding segments is provided on the following page. The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 1.

1 Internal Capital Adequacy and Assessment Process.

Notes to the condensed consolidated financial statements

For the half year ended 31 December 2017

Continued

3. Segment information Continued

	Total Revenue		Inter-segment Revenue		Consolidated Revenue	
	Half year ended		Half year ended		Half year ended	
	31 December 2017 $'000	31 December 2016 $'000	31 December 2017 $'000	31 December 2016 $'000	31 December 2017 $'000	31 December 2016 $'000
Segment revenue						
Life Insurance	78,859	65,716	-	-	78,859	65,716
Wealth Management	75,312	68,301	(3,444)	(2,733)	71,868	65,568
Financial Advice	57,895	55,613	(11,789)	(14,312)	46,106	41,301
Listed entity/Other	140	154	-	-	140	154
Consolidated segment revenue	**212,206**	**189,784**	**(15,233)**	**(17,045)**	**196,973**	**172,739**

Segment profit or loss represents the profit or loss earned by each segment including the allocation of directly attributable costs of each segment and an allocation of central services costs according to an expense allocation model which allocates costs across each segment. The allocation model excludes the allocation of investment revenue as there are directly recorded against the relevant segments. This is the measure reported to the Board for the purposes of resource allocation and assessment of segment performance.

6 months to 31 December 2017	Life Insurance $'000	Wealth Management $'000	Financial Advice $'000	Listed Entity/Other $'000	Total $'000
Total operating earnings after tax	**12,519**	**2,619**	**969**	**(664)**	**15,443**
Interest expense on corporate debt (after tax)	-	-	-	(149)	(149)
Underlying net profit/(loss) after tax	**12,519**	**2,619**	**969**	**(813)**	**15,294**
Amortisation of acquired intangibles[1]	(1,416)	(45)	(561)	-	(2,022)
AIFRS policy liability discount rate effect (net of tax)[2]	(720)	-	-	-	(720)
Strategic Review cost (net of tax)[3]	-	-	-	(275)	(275)
Reported profit/(loss)	**10,383**	**2,574**	**408**	**(1,088)**	**12,277**
6 months to 31 December 2016					
Total operating earnings after tax	**12,731**	**1,630**	**1,226**	**(349)**	**15,238**
Interest expense on corporate debt (after tax)	-	-	-	(88)	(88)
Underlying net profit/(loss) after tax	**12,731**	**1,630**	**1,226**	**(437)**	**15,150**
Amortisation of acquired intangibles[1]	(1,416)	(2,628)	(518)	-	(4,562)
AIFRS policy liability discount rate effect (net of tax)[2]	(6,924)	-	-	-	(6,924)
Strategic Review cost (net of tax)[3]	-	-	-	(468)	(468)
Reported profit/(loss)	**4,392**	**(998)**	**708**	**(905)**	**3,196**

1 The amortisation of the intangibles is associated with the acquisition of wealth and life insurance businesses from Bupa, the ComCorp financial advice business and Matrix. These are separately reported to remove the non-cash effect of the write-off of these acquired intangibles. However, amortisation associated with capitalised software is reported as part of Operating Earnings (after tax).

2 The policy liability discount rates effect is the result of the changes in long term discount rates used to determine the insurance policy liabilities. The life insurance policy liability (based on AIFRS) is discounted using market discount rates that typically vary at each reporting date and create volatility in the policy liabilities and consequently earnings. ClearView separately reports this volatility which represents a timing difference in the release of profit and has no impact on underlying earnings. This movement in policy liability creates a cash flow tax effect.

3 Certain costs were recognised in relation to the evaluation of strategic options and proposals and with Sony Life Insurance Co., Ltd becoming a new strategic shareholder and costs associated with the Cooperation Agreement. The costs are considered unusual to the ordinary activities of the Group and are therefore not reflected as part of Operating Earnings (after tax).

Notes to the condensed consolidated financial statements

For the half year ended 31 December 2017

Continued

4. Operating Expenses

	Consolidated	
	6 months to 31 December 2017 $'000	6 months to 31 December 2016 $'000
Administration expenses		
Administration and other operational costs	18,151	16,417
Custody and investment management expenses	4,695	4,087
Total administration expenses	**22,846**	**20,504**
Employee costs and directors' fees		
Employee expenses	25,007	24,347
Share based payments	789	454
Employee termination payments	215	64
Directors' fees	533	355
Total employee costs and directors' fees	**26,545**	**25,220**
Other expenses		
Interest and other costs of finance	561	421
Strategic review costs	393	668
Total other expenses	**954**	**1,089**
Total operating expenses	**50,345**	**46,813**
Depreciation and amortisation		
Depreciation expenses	324	329
Software amortisation	2,595	2,364
Amortisation of acquired intangibles	2,022	4,562
Total depreciation and amortisation	**4,941**	**7,255**

5. Dividends Paid

During the period, ClearView made the following dividend payments:

	Consolidated			
	6 months to 31 December 2017		6 months to 31 December 2016	
	Cents per share	$'000	Cents per share	$'000
Final dividend	2.75	18,136	2.5	16,454
Total		**18,136**		**16,454**

No interim dividend has been declared.

A final fully franked dividend for FY17 of $18.14 million was declared and paid. This equated to 2.75 cents per share and represented approximately 60% of the FY17 underlying net profit after tax and is in line with the Company's dividend policy.

The Company operates a Dividend Reinvestment Plan (DRP) and as such $5.92 million of the dividend was paid in cash during the half year, as can be seen in the Condensed Consolidated Statement of Cash Flows.

Notes to the condensed consolidated financial statements

For the half year ended 31 December 2017

Continued

6. Issuances and Repurchase of Equity

	6 months to 31 December 2017 No of shares	6 months to 31 December 2017 $'000	12 months to 30 June 2017 No of shares	12 months to 30 June 2017 $'000
Issued and fully paid ordinary shares				
Balance at the beginning of the period	603,266,050	421,717	597,429,600	417,850
Dividend reinvestment plan	8,789,480	12,217	-	-
Entitlement offer costs	-	-	-	(12)
Dividend reinvestment plan costs	-	(37)	-	(3)
Shares issued during the period (ESP vested / forfeited)	5,580,967	3,562	5,836,450	3,882
Balance at the end of the period	**617,636,497**	**437,459**	**603,266,050**	**421,717**
Executive share plan				
Balance at the beginning of the period	56,207,077	-	60,743,527	-
Shares granted under employee share plan	-	-	1,300,000	-
Shares forfeited during the year	(2,521,437)	-	(3,693,143)	-
Shares exercised during the year	(3,059,530)	-	(2,143,307)	-
Executive share plan balance at the end of the period	**50,626,110**	**-**	**56,207,077**	**-**

During the half year period no shares were granted to senior management and contractor participants. Shares granted under the ESP carry rights to dividends and voting rights. For details of the ESP refer to the June 2017 Annual Report.

The above ESP balance reconciles to the outstanding shares granted under the ESP at the beginning and the end of each relevant period. In accordance with AASB 2 Share Based Payments, the shares issued under the employee share plan are treated as options and are accounted for as set out in Note 3 of the 30 June 2017 Annual Report.

In accordance with the new LTI structure approved by the Board on 21 June 2017, 2.9m performance rights were issued to Senior Management during the period. For further details refer to Note 15.

7. Goodwill

	Consolidated	
	31 December 2017 $'000	30 June 2017 $'000
Gross carrying amount		
Balance at the beginning of the period	20,452	19,952
Additional amount recognised through acquisition of business[1]	-	500
Balance at the end of the period	**20,452**	**20,452**
Net book value		
At the beginning of the period	20,452	19,952
At the end of the period	**20,452**	**20,452**

1 In August 2016 the Group acquired the business of a financial adviser under pre exisitng contracted arrangements.

As required under accounting standards the Group completes an impairment assessment at each reporting date. As at 31 December 2017, no impairment was required to the carrying value of goodwill.

Notes to the condensed consolidated financial statements

For the half year ended 31 December 2017

Continued

8. Intangible Assets

	Consolidated					
	Capitalised Software	CWT Software	Client Book	Matrix Website	Matrix Brand	Total
6 months to 31 December 2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross carrying amount						
Balance at the beginning of the period	30,683	1,500	65,017	20	200	97,420
Acquired directly during the period	4,817	-	-	-	-	4,817
Balance at the end of the period	**35,500**	**1,500**	**65,017**	**20**	**200**	**102,237**
Accumulated amortisation and impairment losses						
Balance at the beginning of the period	16,923	1,500	54,775	20	-	73,218
Amortisation expense in the current period	2,595	-	2,022	-	-	4,617
Balance at the end of the period	**19,518**	**1,500**	**56,797**	**20**	**-**	**77,835**
Net book value						
Balance at the beginning of the period	13,760	-	10,242	-	200	24,402
At the end of the period	**15,982**	**-**	**8,220**	**-**	**200**	**24,402**

12 months to 30 June 2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross carrying amount						
Balance at the beginning of the period	23,611	1,500	63,317	20	200	88,648
Acquired directly during the period	7,072	-	1,700	-	-	8,772
Balance at the end of the period	**30,683**	**1,500**	**65,017**	**20**	**200**	**97,420**
Accumulated amortisation and impairment losses						
Balance at the beginning of the period	12,115	1,500	46,585	20	-	60,220
Amortisation expense in the current period	4,808	-	8,190	-	-	12,998
Balance at the end of the period	**16,923**	**1,500**	**54,775**	**20**	**-**	**73,218**
Net book value						
Balance at the beginning of the period	11,496	-	16,732	-	200	28,428
At the end of the period	**13,760**	**-**	**10,242**	**-**	**200**	**24,202**

The intangible assets are amortised over their expected useful lives. As required under accounting standards at each reporting date the Group assesses whether there is an indication of impairment. No impairment was required to the carrying values of internally generated software as at 31 December 2017.

Notes to the condensed consolidated financial statements

For the half year ended 31 December 2017

Continued

9. Investments

	Consolidated	
	31 December 2017 $'000	30 June 2017 $'000
Equity securities		
Held directly	302,840	262,428
Held indirectly via unit trust	508,308	433,603
	811,148	**696,031**
Debt securities/fixed interest securities		
Held directly	467,125	448,086
Held indirectly via unit trust	398,132	357,944
	865,257	**806,030**
Property/infrastructure		
Held indirectly via unit trust	340,923	311,988
	340,923	**311,988**
Total investments	**2,017,328**	**1,814,049**

10. Policy Liabilities

	Consolidated	
	6 months to 31 December 2017 $'000	6 months to 31 December 2016 $'000
Life Investment Policy Liabilities		
Opening gross life investment policy liabilities	1,177,290	1,152,554
Net increase in life investment policy liabilities reflected in the income statement	51,731	51,399
Decrease in life investment policy liabilities due to management fee reflected in the income statement	(11,117)	(11,304)
Life investment policy contributions recognised in policy liabilities	115,753	80,749
Life investment policy withdrawals recognised in policy liabilities	(114,772)	(113,112)
Closing gross life investment policy liabilities	**1,218,885**	**1,160,286**
Life Insurance Policy Liabilities		
Opening gross life insurance policy liabilities	(207,632)	(203,830)
Movement in outstanding claims	15,154	10,764
Decrease in life insurance policy liabilities reflected in the income statement	(11,209)	(6,841)
Closing gross life insurance policy liabilities	**(203,687)**	**(199,907)**
Total gross policy liabilities	**1,015,198**	**960,379**
Reinsurers' Share of Life Insurance Policy Liabilities		
Opening reinsurer's share of life insurance policy liabilities	(15,338)	703
Movement in outstanding reinsurance	(6,531)	(6,823)
Increase in reinsurance assets reflected in the income statement	(1,939)	(12)
Closing reinsurer's share of life insurance policy liabilities	**(23,808)**	**(6,132)**
Net policy liabilities at balance date	**991,390**	**954,247**

Notes to the condensed consolidated financial statements

For the half year ended 31 December 2017

Continued

11. Financial Instruments

This note provides information about how the Group determines fair value of various financial assets and financial liabilities.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period.

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

	Fair Value					
Financial Assets/ Financial Liabilities	31 December 2017 $'000	30 June 2017 $'000	Fair Value Hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Equity securities	302,840	262,428	Level 1	Quoted bid prices in an active market	n/a	n/a
Fixed interest securities	467,125	448,086	Level 2	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.	n/a	n/a
Unit Trusts	1,247,363	1,103,535	Level 1	Quoted bid prices in an active market	n/a	n/a
Total	**2,017,328**	**1,814,049**				

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.

12. Contingent Liabilities and Contingent Assets

There are no other material changes to contingent liabilities and contingent assets that were disclosed in the 30 June 2017 Annual Report.

13. Borrowings

On 25 July 2017 the Facility with the Commonwealth Bank of Australia was terminated and the Company entered into a facility with National Australia Bank. As at the reporting date, the Company had not drawn down on the facility.

Interest on the loan accrues at BBSY plus a margin of 0.67% per annum, and is payable monthly. Furthermore, a line fee of 0.65% per annum is payable on the facility on a quarterly basis.

The facility is secured by a number of cross guarantees, refer to Note 14 for details.

Notes to the condensed consolidated financial statements

For the half year ended 31 December 2017

Continued

14. Guarantees

The facility entered into with the National Australia Bank 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
- Matrix Planning Solutions Limited* ACN 087 470 200
- ClearView Financial Advice Pty Ltd* ACN 133 593 012

*These entities provide a limited guarantee. The recovery granted from the guarantee is limited to the extent that it does not result in the entities breaching their Australian Financial Services Licence conditions.

15. Key management personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report. In addition, during the half year, performance rights were issued under the LTIP as proposed on pages 55-56 of the 2017 annual report.

The following table sets out the performance rights issued to KMP during the half year:

KMP to which the performance rights relate	No. Performance rights	Fair value at grant date	Aggregate value at grant date
Simon Swanson	171,429	0.03	5,143
Simon Swanson	971,428	1.22	1,185,142
Athol Chiert	53,571	0.03	1,607
Athol Chiert	303,572	1.22	370,358
Christopher Blaxland-Waker	42,857	0.03	1,286
Christopher Blaxland-Waker	242,857	1.22	296,286
Deborah Lowe	17,143	0.03	514
Deborah Lowe	97,143	1.22	118,514
Gregory Martin	64,286	0.03	1,929
Gregory Martin	364,285	1.22	444,428
Justin McLaughlin	37,500	0.03	1,125
Justin McLaughlin	212,500	1.22	259,250
Sarah Cummings[1]	10,714	0.03	321
Sarah Cummings[1]	60,715	1.22	74,072
Todd Kardash	42,857	0.03	1,286
Todd Kardash	242,857	1.22	296,286
Total	**2,935,714**		**3,057,546**

1 On 31 January 2018, Sarah Cummings, General Manager, Development ceased employment at ClearView. In accordance with the terms of the LTIP these performance rights will be forfeited.

Directors' Declaration

The Directors declare that:

a) In the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

b) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and give a true and fair view of the financial position and performance of the consolidated entity, for the half year ended 31 December 2017.

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 Bruce Edwards
Chairman
Sydney, 21 February 2018

Deloitte.

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

We have reviewed the accompanying half-year financial report of ClearView Wealth Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2017, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 35 to 49.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of a 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 a 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 Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 consolidated entity's financial position as at 31 December 2017 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*. As the auditor of ClearView Wealth Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independent Auditor's Review Report

Deloitte.

would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of ClearView Wealth Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of ClearView Wealth Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Max Rt Murray

Max Murray
Partner
Chartered Accountants
Sydney, 21 February 2018

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