NobleOak

APPENDIX 4D

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NobleOak Life Limited
ACN 087 648 708

APPENDIX 4D

Results for announcement to the market

NobleOak's Underlying NPAT for the six months to 31 December 2022 was $5.4 million, up 19% from the prior corresponding period ($4.6 million).

On a statutory reporting basis, NPAT increased by 132% to $4.6 million (HY22: $2.0 million), after including the impact of changes in economic assumptions on the valuation of policy liabilities and non-recurring costs such as those pertaining the AASB implementation project.

Consolidated	31 December 2022 $'000	31 December 2021 $'000	Movement $'000	Movement %
In force premiums (ex-Genus) at period end	283,310	226,472	56,838	25%
New business sales (annualised premium)	21,606	40,177	(18,571)	(46%)
Net insurance premium revenue	38,415	30,845	7,570	25%
Net profit after tax	4,595	1,978	2,617	132%
Underlying net profit after tax	5,438	4,580	858	19%
Basic earnings per share (cents)	5.36	2.62	2.74	104%
Diluted earnings per share (cents)	5.23	2.56	2.67	104%
Underlying basic earnings per share (cents)	6.34	6.07	0.27	4%
Underlying diluted earnings per share (cents)	6.19	5.92	0.27	4%

Net tangible assets per share

Consolidated	31 December 2022	31 December 2021
Net tangible assets per share:	$1.27	$1.37

Dividends

	Amount per ordinary share	Franked amount per ordinary share
Dividend paid	–	–

The NobleOak Board believes the best returns on capital in the near term will be achieved by reinvesting operating cash flows into the business to support its ongoing growth. Accordingly, no dividend has been declared for the first half of FY23.

APPENDIX 4D
continued

Results of operations

NobleOak has developed a trusted brand in the Australian life risk insurance market, combining contemporary Life Insurance products with a modern digital technology platform and service-driven business model.

The business continued to deliver strong growth across the Direct (digital and alliance partners) and Strategic Partner segments over the six months to 31 December 2022 and our market share continues to increase, in a what has been a challenging environment.

At period end, NobleOak had more than 111,000 active Life Insurance policies (excluding Genus) (30 June 2022: 103,000), representing over $283 million of annual in-force premiums (30 June 2022: $255 million). This represents an impressive growth rate of annual in-force premium of 25% over the 12-month period during which time the insurance section itself grew by 4% resulting in an increase in NobleOak market share of in-force premium from 1.9% to 2.5%.

NobleOak continues to focus on its key financial disciplines to maintain stable margins. Underwriting performance remains strong across the business, with no material claims deterioration. While lapse rates have continued to trend up as anticipated following pandemic-assisted lows, they remain in line with expectations and well below the industry average.

Investment returns have also improved materially as interest rates have risen, providing a profit tailwind for the Company.

The half year results were impacted by costs associated with implementation of the new insurance accounting standard AASB 17 *Insurance Contracts*. These costs and the future costs associated with the mandatory compliance project have been and will be excluded from the underlying results, enabling a more effective assessment of the underlying business performance.

NobleOak's balance sheet remains strong, with healthy capital adequacy positioning the business to continue its strong growth trajectory, while meeting its obligations to policyholders and other stakeholders.

APPENDIX 4D
continued

NobleOak achieved the following results for the half year ended 31 December 2022:

$'000	31 December 2022	31 December 2021	Variance $	Variance %
Insurance premium revenue	164,310	114,485	49,825	44%
Reinsurance expenses	(125,895)	(83,640)	(42,255)	51%
Net insurance premium revenue	38,415	30,845	7,570	25%
Investment income	1,054	94	960	1021%
Net commissions	7,497	7,173	324	5%
Fees & other revenue	1,880	2,128	(248)	(12%)
Claims expense – net of reinsurance recoveries	(6,773)	(3,982)	(2,791)	70%
Policy acquisition costs	(24,909)	(21,793)	(3,116)	14%
Change in net policy liabilities (before economic assumption changes)	2,177	3,193	(1,016)	(32%)
Change in net policy liabilities (economic assumption changes)	(368)	(910)	542	(60%)
Administration expenses	(11,513)	(10,954)	(559)	5%
AASB17 implementation expenses	(837)	–	(837)	100%
IPO expenses	–	(2,807)	2,807	(100%)
Operating Profit	6,623	2,987	3,636	122%
Lease interest expense	(46)	(29)	(17)	59%
Profit Before Tax	6,577	2,958	3,619	122%
Income tax expense	(1,982)	(980)	(1,002)	102%
NPAT	4,595	1,978	2,617	132%
Impact of policy liability economic assumption changes (post tax)	257	637	(380)	(60%)
Impact of AASB17 implementation expenses (post taxes)	586	–	586	100%
Impact of IPO expenses (post tax)	–	1,965	(1,965)	(100%)
Underlying NPAT[1]	5,438	4,580	858	19%

1. Underlying NPAT is a non-IFRS financial measure, defined as net profit after tax excluding the impact on the valuation of policy liability from changes in economic assumptions and other material one-off items considered by the board to not reflect underlying performance of the business. Economic assumptions are driven by external economic market conditions and can generate volatility in statutory profits. Disclosing an underlying measure of profits, which excludes the impact of changes in economic assumptions and non-recurring costs such as those pertaining to the IPO and implementation of AASB17, allows the users of financial information to better assess the underlying performance of the business (as is contemplated by ASIC RG 230 Disclosing non-IFRS financial information).

Underlying NPAT for the six months to 31 December 2022 was $5.4 million, up 19% from the prior corresponding period ($4.6 million).

On a statutory reporting basis, NPAT increased by 132% to $4.6 million (HY22: $2.0 million), after including the impact of changes in economic assumptions on the valuation of policy liabilities and non recurring costs such as those pertaining the AASB implementation project.

APPENDIX 4D
continued

The Company is pleased with the performance of all business segments.

After Tax Results by Segment $'000	Consolidated HY23	Consolidated HY22	Variance $	Variance %
Direct	3,086	2,576	510	20%
Strategic Partners	1,979	1,449	530	37%
Genus	373	555	(182)	(33%)
Group Underlying NPAT	5,438	4,580	1,473	32%

Key metrics

	Consolidated		
$'000/%	HY23	HY22	Variance
In force premiums (ex-Genus) at period end	283,310	226,472	+25%
New business	21,606	40,177	(46%)
Net insurance premium revenue	38,415	30,845	+25%
Underlying gross insurance margin	11%	15%	(4 ppts)
Underlying administration expense ratio	7%	10%	+3 ppts
Investment return (% insurance premium)	1%	0.1%	+0.9 ppts
Underlying NPAT	5,438	4,580	+19%

The following section provides an overview of some of the Group consolidated key metrics. More detailed commentary on the results and key metrics by Segment are included in the Operating Segment Review.

In-force premium and new business

Over the reporting period, the Australian Life Insurance industry has experienced a decline in sales volumes. This contrasts with the prior corresponding period when there was a predicted surge in market sales volumes due to high demand for now-discontinued Income Protection products.

As required by APRA, these products were replaced by new Individual Disability Income Insurance (IDII) products which have higher prices and fewer features, in order to enhance industry profitability.

While NobleOak's new business sales have declined relative to the same period last year, we have continued to achieve a significantly higher market share of new business sales in an environment when many of our competitors have contracted, meaning that our overall market share continues to grow.

In-force premiums are the key value driver of NobleOak's business, and the Company was pleased to achieve strong in-force premium growth of 25% on the prior corresponding period to $283.3 million compared to the market growth of 4% in FY22.

With in-force premium growth of 11% since the end of FY22, the Company is on track to meet its guidance for approximately 20% annual in-force premium growth.

NobleOak continues to outperform the market and deliver strong market share growth, with in-force premium market share increasing to approximately 2.5% at 30 June 2022 according to the most recent industry data published by APRA (June 2021: 1.9%).

NobleOak's outperformance has been driven by a continued strong share of new business sales of approximately 16.2% (12 months to Jun-22) and lower than industry average lapse rates across both the Direct and Strategic Partner Segments.

APPENDIX 4D
continued

Net insurance premium revenue

Total net insurance premium revenue increased by 25% to $38.4 million in HY23 (HY22: $30.8 million), benefiting from the strong growth in annual in-force premiums and continued low lapse rates across the Direct and Strategic Partner Channels.

Underlying Gross Insurance Margin (before admin expenses)

Total Underlying Gross Insurance Margin reduced from 15% in HY22 to 11%, driven largely by an expected change in the Group portfolio mix, with the Strategic Partner segment growing faster than the Direct segment.

Both the Direct and Strategic Partner segments reported slightly lower Underlying Gross Insurance Margins, driven primarily by a less favourable claims experience in HY23 (compared to HY22). Lapse rates trended up in line with expectations, but remain materially below industry average.

Underlying administration expense ratio

NobleOak's disciplined approach to investing in building capability continues to deliver operating leverage, as strong premium growth outpaces growth in the expense base. This has seen the underlying administration expense ratio fall by 3% in HY23 to 7% (HY22: 10%) despite total expenses increasing by 6% in dollar terms.

In HY23, significant one-off investments were made towards the preparation and implementation of the new accounting standard AASB17 *Insurance Contracts* which the business will implement effective 1 July 2023. Of this expense, $0.8 million has been disclosed separately and excluded from the underlying administration expenses and associated ratio in the period.

Administration expenses in HY23 include depreciation and amortisation expense of $0.8 million (HY22: $0.6 million).

Investment returns

Investment returns have increased materially in the period, with average return on invested assets increasing to 2.5% (HY22: 0.3%). This increase reflects the impact of higher market interest rates and the diversification of the strategic investment asset allocation to short-duration fixed interest asset classes, which are projected to continue to enhance returns while retaining the portfolio's overall low risk profile.

Capital management

NobleOak's Internal Capital Adequacy Assessment Process (ICAAP) sets out how NobleOak manages its capital. The ICAAP determines the level of capital to be maintained within each benefit fund including regulatory prescribed capital amounts, Pillar 2 capital requirements and a target level of surplus to reduce the likelihood of falling below regulatory capital requirements.

NobleOak closely monitors capital requirements for each benefit fund to ensure a prudent level of capital adequacy at all times, and transfers capital from the management fund to the benefit fund where required to support growth activities and increasing capital requirement as the business grows.

APRA prudential standard LPS 117 *Capital Adequacy: Asset Concentration Risk Charge* (LPS 117) provides concentration of counterparty risk limits. These limits are designed to ensure that life companies maintain adequate capital against the asset concentration risks associated with their activities. APRA has released an updated prudential standard LPS 117 which comes into effect on 1 July 2023.

NobleOak closely monitors its current and forecast capital adequacy and takes actions to manage the associated risks of this growth and changing capital requirements. As a result of the upcoming changes to LPS 117, NobleOak is in the process of reviewing its reinsurance treaties in each benefit fund to continue to mitigate against asset concentration risk exposures. The mitigation arrangements being implemented or under consideration with reinsurers and in consultation with the regulator include:

- amending claims settlement terms so that the funds from the reinsurer are provided to the Company on a 'claims reserved' basis for certain claims categories, rather than on a 'claims paid' basis; and
- obtaining letters of credit (LOC) from an APRA approved financial institution that provides security to NobleOak against the default risk of its reinsurance asset exposure.

Management and the Board are working to implement these new arrangements by 30 June 2023 in order to mitigate the upcoming changes to LPS 117. These arrangements, whilst effective, have varying levels of efficiency and cost.

APPENDIX 4D
continued

Operating segment review

Direct

$'000/%	HY23	HY22	Variance
In-force premiums at period end	74,298	63,696	+17%
New business sales (annualised premium)	4,847	5,603	(13%)
Lapse rate	9.5%	8.2%	(1.3 ppts)
Net insurance premium revenue	20,061	16,623	+21%
Underlying gross insurance margin	30%	31%	(1 ppts)
Administration expense ratio	19%	19%	0 ppts
Investment return (% insurance premium)	1.6%	0.2%	+1.4 ppts
Underlying NPAT	3,086	2,576	+20%

NobleOak's Direct strategy continues to deliver results, with ongoing investment in the brand continuing to drive sales and market awareness. The Company's strategy of investing in digital marketing alongside a diverse and growing range of alliance partnerships has helped to support strong market share gains at a time when many larger competitors have contracted.

NobleOak's Direct Channel policy count increased by 15%, with gross in-force premiums in the Direct Channel growing by 17% to $74.3 million (HY22: $63.7 million). This represents a market share of 0.7% in 2023 compared to 0.4% in 2019.

Lapse rates have remained low since the onset of COVID-19, and while they did increase slightly to 9.5% as expected, they remain well below the industry average.

Since the launch of new IDII products across the industry, and with fewer advisers in the market, fewer customers are changing insurers. While this continues to support a lower lapse experience across the industry, it also limits sales opportunities. For NobleOak, the launch of new alliance partnerships with the Budget Direct and RAC WA in FY22, which combine to provide access to more than two million customers, have partially offset this impact.

Underlying NPAT rose to $3.1 million in HY23, a 20% increase from the prior corresponding period.

The Underlying Insurance Margin remains strong at 30%, impacted by a slightly less favourable claims experience and higher lapse experience, however both were in line with expectations.

The Administration Expense ratio remained stable at 19%, with enhanced operating leverage offsetting additional expenses associated with building resource capability, and new technology and premises costs.

NobleOak's focus on delivery of our core values of nobility, simplicity, adaptability and delivery continues to deliver strong customer outcomes, resulting in strong customer feedback, including:

- 94% of existing clients surveyed rate customer service as 'good' or 'excellent';
- 4.7/5 Feefo customer rating as at 31 December 2022, with a third Platinum Trusted Service award for maintaining a Gold Trusted Service Award standard for three consecutive years since 2020;
- 4.3/5 Google customer satisfaction rating as at 31 December 2022; and
- NobleOak was again the most awarded Australian direct Life Insurer in 2022, winning awards from Canstar, Plan for Life, Mozo Experts Choice and Finder during the year for the quality of our Life Insurance and Income Protection products. NobleOak also won Money Magazine's inaugural Direct Life Insurance Cover of the year 2022, and the Direct sales team was named the #1 Sales Contact Center in Australia by leading independent consultancy GRIST.

APPENDIX 4D
continued

Strategic Partners

$'000/%	HY23	HY22	Variance
In-force premiums at period end	209,013	162,776	+28%
New business Sales (annualised premium)	16,759	34,574	(52%)
Lapse rate	5.2%	4.0%	(1.2 ppts)
Net insurance premium revenue	17,011	12,317	38%
Underlying gross insurance margin	4%	6%	(2 ppts)
Administration expense ratio	2%	3%	+1 ppts
Investment return (% insurance premium)	0.4%	0.0%	+0.4 ppts
Underlying NPAT	1,979	1,449	+37%

The Strategic Partnership Segment continues to deliver strong growth, with NobleOak's contemporary products and higher quality service delivered through strong partnerships with Neos and PPS continuing to deliver market share gains.

In force premium grew by 28% to $209.0 million as at 31 December 2022 (Dec 21: $162.8 million), representing a market share to 1.8% in 2023 compared 0.4% in 2019.

As in the Direct Channel, customer insurance purchasing activity has decreased in the advised market since the introduction of the new IDII products, compounded by the reduction in adviser numbers across the industry.

While NobleOak's new business sales market share remains strong, lower market sales volumes resulted in sales reducing to $16.8 million, down 52% on the prior corresponding period. The percentage change can be attributed both to lower market sales this year and higher sales in the prior corresponding period ahead of the October 2021 APRA deadline for new IDII products.

Lapse rates have remained low since the onset of COVID-19, and while they did increase slightly during the period to 5.2%, they remain well below the industry average and in line with expectations.

Underlying NPAT of $1.9 million for HY23 represents an increase of 37% on the prior corresponding period and is closely aligned to the growth in net insurance premium.

The Underlying Insurance Margin declined to 4% (HY22: 6%) driven largely by a changing mix of strategic partnership revenue.

The Administration Expense ratio remains low at 2% and continues to benefit from operating leverage and the lack of one-off expenditure relating to the new IDII product incurred in the prior corresponding period.

Moving forward, the Company expects the growth of the Strategic Partner Channel to moderate, with the Direct Channel to remain the principle organic growth driver.

APPENDIX 4D
continued

Genus

$'000/%	HY23	HY22	Variance
In-force premiums at period end	24,881	30,771	(19%)
Administration Expenses	2,596	3,186	19%
Amortisation of Portfolio Acquisition Cost	155	112	(38%)
Underlying NPAT	373	555	(33%)

In-force premiums under management by Genus reduced in line with expectations to $24.9 million at December 2022, driven by the conclusion of the conduct remediation program on the Freedom portfolio in April 2022.

Lapse rates stabilised in the first half of FY23, following completion of the remediation program. As expected, this resulted in a slower rate of decline in in-force premium under management.

Genus generated $0.4 million of Underlying NPAT in HY23, reducing in line with the lower in-force premium.

Subsequent events

There has been no matter or circumstance that has arisen since the reporting date that has significantly affected, or may significantly affect, the operations of the Group, or the state of affairs of the Company in future years.

Compliance statements

The information provided in this report has been prepared in accordance with AASB standards, other AASB authoritative pronouncements or other standards acceptable to ASX.

The NobleOak Life Limited Condensed Consolidated Financial Report for the half-year ended 31 December 2022 has been subject to review by our external auditors. A copy of the independent review report to the members of NobleOak Life Limited is included in the Half-Year Condensed Consolidated Financial Report.

Signed:

Anthony R Brown
Director

Stephen Harrison
Chair

Sydney, 27 February 2023

NOBLEOAK
LIFE INSURANCE

NobleOak Life Limited
ABN 85 087 648 708 AFSL No 247302

Telephone: 02 8123 2622
Email: companysecretary@nobleoak.com.au
Website: www.nobleoak.com.au

Registered office address:
Level 4, 44 Market Street, Sydney NSW 2000