



NOBLEOAK

HY23 FINANCIAL RESULTS

AUSTRALIA'S FASTEST-GROWING LIFE INSURER

NobleOak Life Limited

28 February 2023

Agenda and presenters

- 01 HY23 highlights
- 02 Financial results
- 03 Business update
- 04 FY23 outlook
- 05 Q&A



Anthony Brown
Chief Executive Officer



Scott Pearson
Chief Financial Officer



01 | HY23 highlights

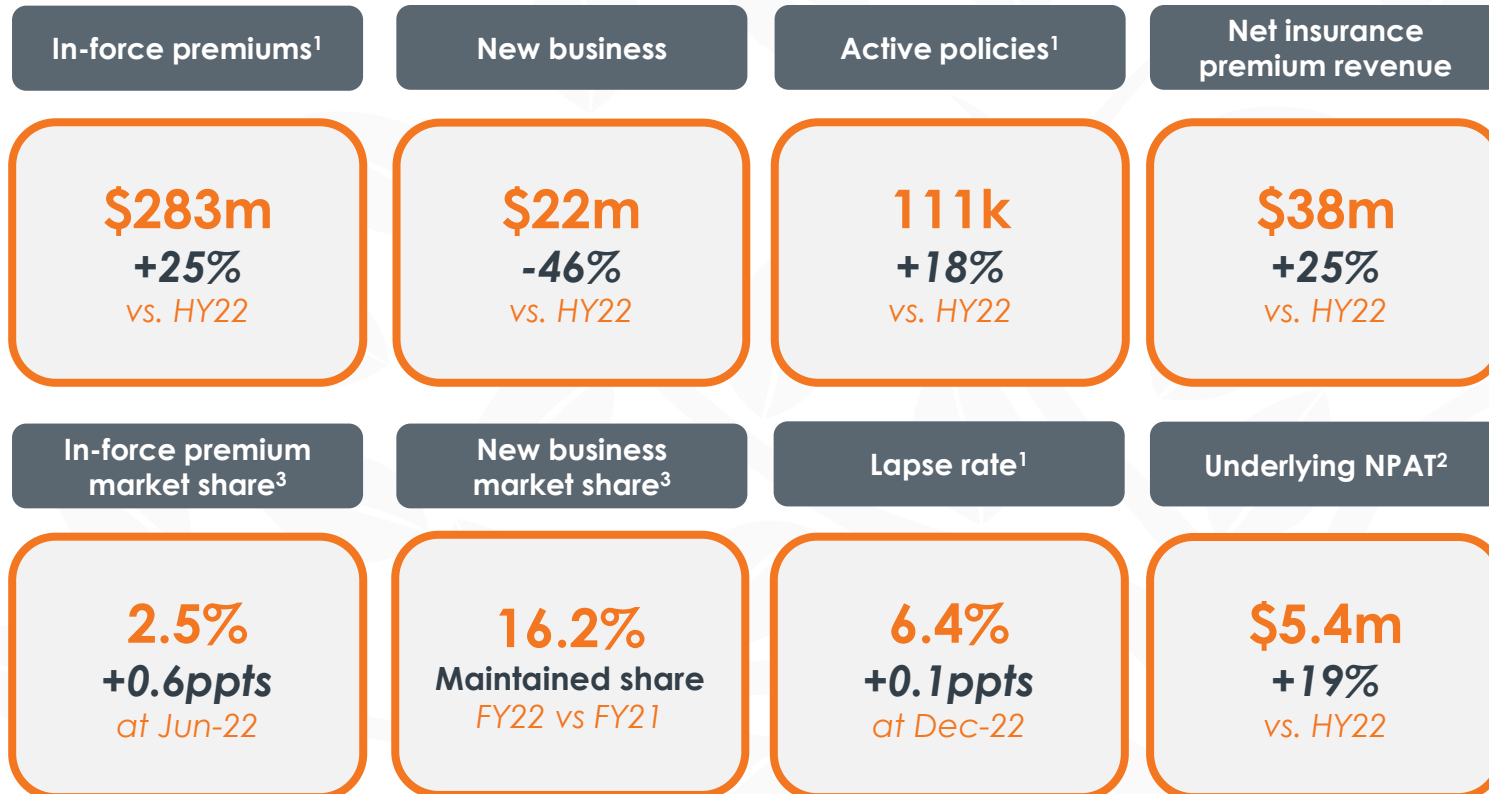
HY23 highlights

Trusted challenger brand continuing to outperform and gain market share

- ① NobleOak continues to deliver strong in-force premium growth and gain market share
- ② Strength of diversified distribution model shines through despite lower industry sales activity
- ③ Executing our Direct strategy, with strong brand and distribution driving growth
- ④ Financial discipline and high quality underwriting delivers stable margins
- ⑤ Market conditions improving, with long-term industry tailwinds
- ⑥ Well capitalised for growth with \$14.6 million regulatory capital surplus

Financial highlights

Strong growth in premiums and profits continues



1. Excludes Genus.

2. A reconciliation between Statutory NPAT to Pro Forma Underlying NPAT is provided later in this presentation.

3. As at 30 June 2022. Market share calculated by dividing NobleOak's total in-force premiums and new business sales by APRA's Quarterly life insurance performance statistics.

Operational and strategic highlights

Making progress on key strategic initiatives and delivering on our ESG commitments




**Most awarded
Direct Life Insurer 2021-2022**



**Maintained high
customer satisfaction**




**Carbon neutral certification
from Climate Active**



**Preparing for further
regulatory change
AASB 17 and LPS 117**



**New partnerships
Now 39 alliance partners**



**New Sydney head office
5* NABERS rating**

Australian Life Insurance market

Navigating ongoing regulatory change as market conditions improve

Market adjusting to regulatory change

- 1 Significant regulatory intervention**
Market settling after introduction of new income protection products
- 2 Adviser numbers down by 30%²**
More onerous obligations for advisers and limits around revenue models
- 3 AASB 17 Insurance Contracts**
New accounting standard changing how Life Insurers present financial performance
- 4 LPS 117 capital adequacy standard**
Updated APRA Prudential Standard for asset concentration risk

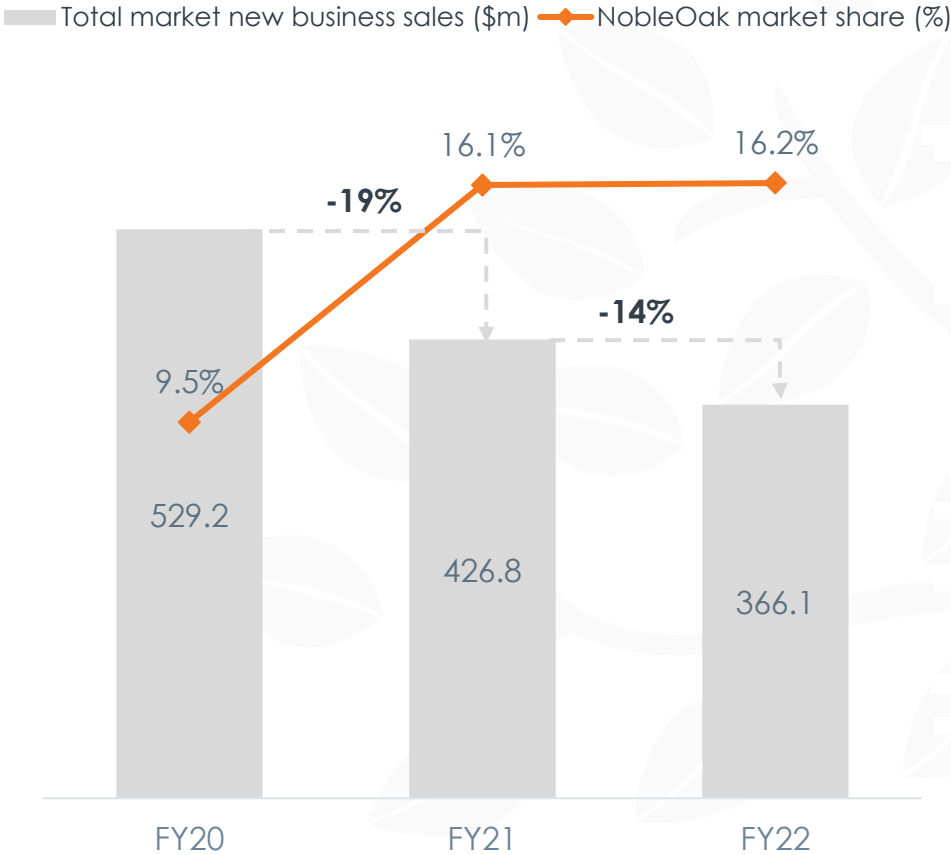
Significant opportunity ahead

- 1 Industry profitability improving**
Regulatory scrutiny relaxing as a result
- 2 Market sales activity bouncing back**
While new business sales remain down, 2023 is trending positively
- 3 Quality of Advice Review**
Aiming to create a sustainable advised market, supportive of Direct Life model
- 4 Favourable long-term industry trends**
Increasing debt, underinsurance and regulatory trends expected to drive sales

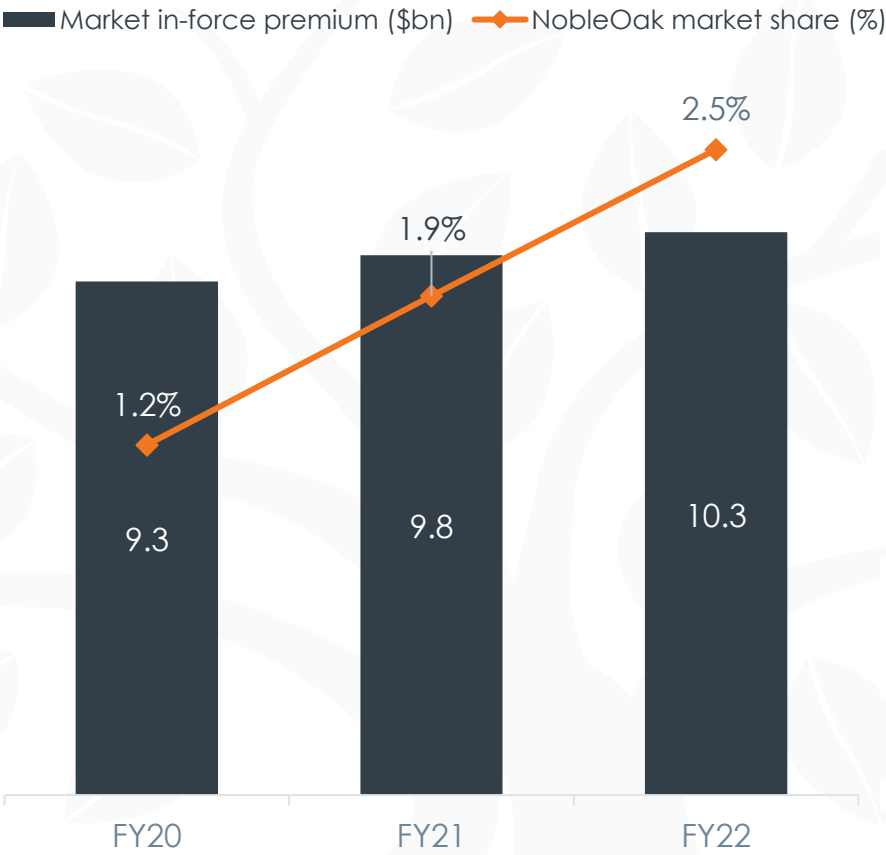
Continuing to outperform

NobleOak continues to gain market share

Growing new business share as others contract¹



Driving in-force premium market share growth¹



¹ Market share calculated by dividing NobleOak's total in-force premiums and new business sales by APRA's Quarterly life insurance performance statistics.



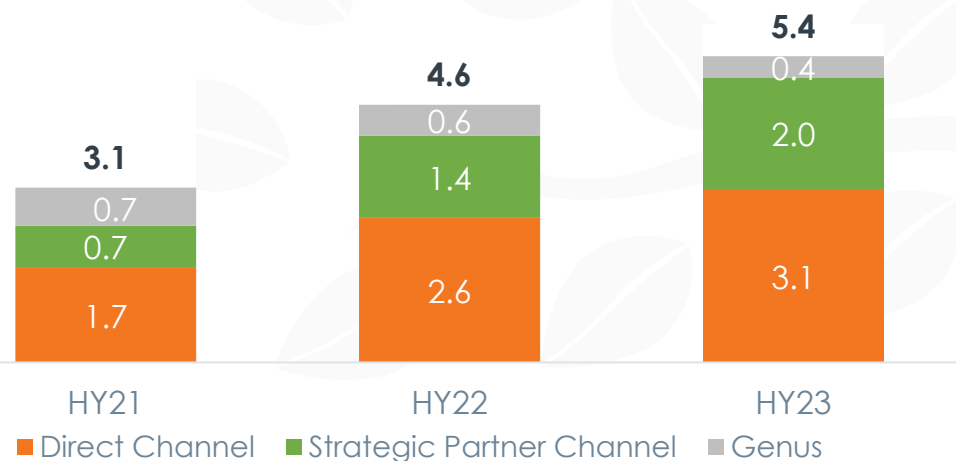
02 | Financial results

Group financial performance

Key financial metrics

\$m/%	HY23	HY22	Var
In-force premiums (ex-Genus) at period end	283.3	226.5	25%
New business	21.6	40.2	(46%)
Net Insurance Premium Revenue	38.4	30.8	25%
Underlying Gross Insurance Margin	11%	15%	(4 pts)
Administration Expense Ratio	7%	10%	+3 pts
Investment Return (% of insurance Premium)	1%	0.1%	+0.9 pts
Underlying NPAT	5.4	4.6	19%

Underlying NPAT (\$m)



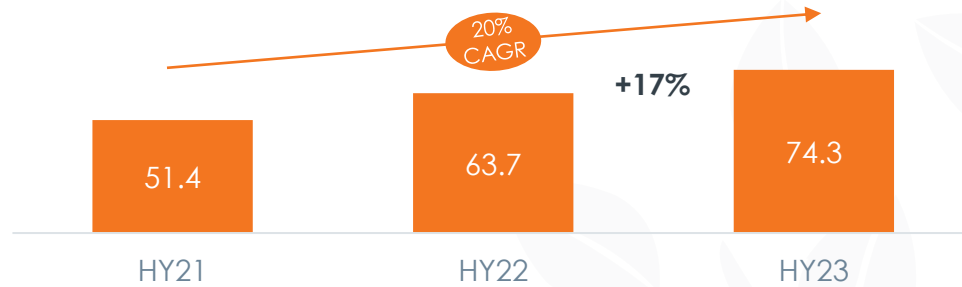
Commentary

- In-force premium up 25% as NobleOak continues to gain market share – 2.5% at Jun-22 (Jun-21: 1.9%)¹
- First half sales down due to lower market sales and elevated pcp sales; NobleOak continues to outperform with 16%² market share of sales
- Margins stable, with lower Underlying Gross Insurance Margin offset by lower administration expenses as operating leverage emerges
- Investment returns increased materially, with average return on invested assets of 2.5% (HY22: 0.3%)
- Underlying NPAT up 19% to \$5.4m, driven by strong in-force premium growth, disciplined underwriting and expense management
- Excluding Genus, Underlying NPAT grew by 26%, showing financial discipline and emerging economies of scale

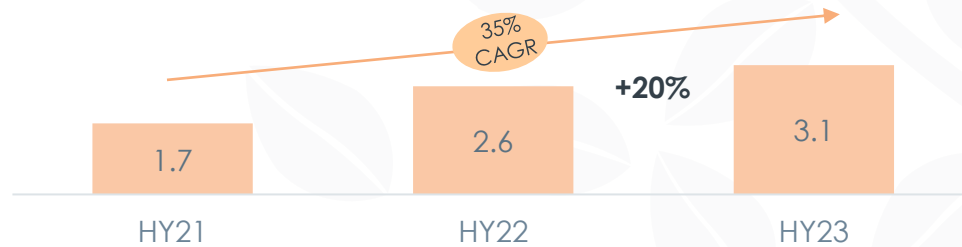
1. APRA quarterly life insurance performance statistics, November 2022. Data is only available six months in arrears.
 2. 12 months to June 2022.

Direct Channel

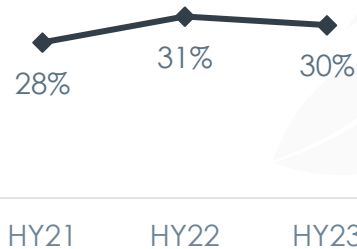
In-force premiums (\$m)



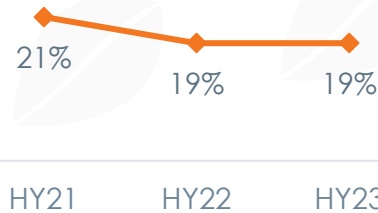
Underlying NPAT (\$m)



Underlying gross insurance margin



Administration expense ratio



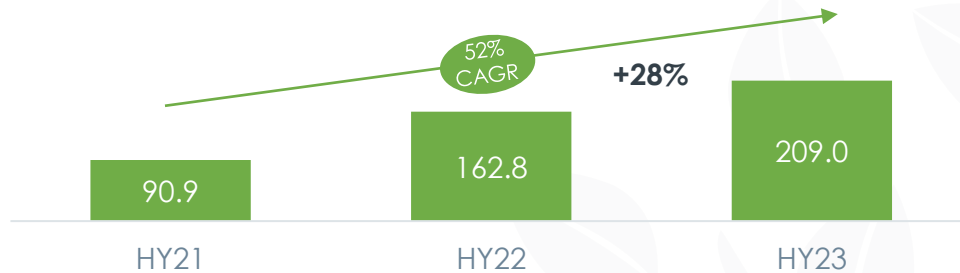
Commentary

- Direct policy count up 15% to 43,000 with in-force premiums growing 17% to \$74.3m
- Market share increased to 0.7% from 0.4% in 2019¹, with sustained investment in brand, technology and distribution driving growth
- Lapse rates remain low and well below the industry average at 9.5%
- Underlying NPAT up 20% to \$3.1m, with margin stability due to significantly increased investment returns

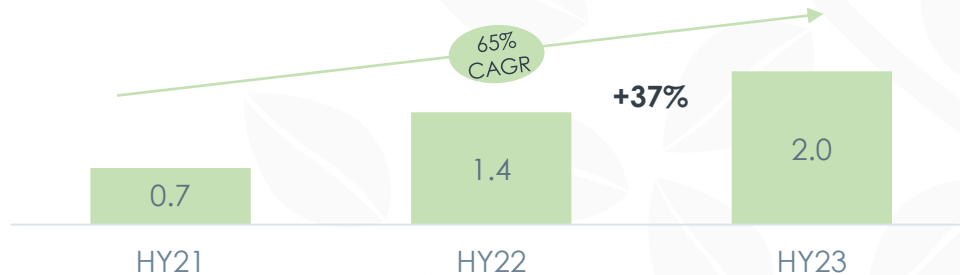
1. APRA quarterly life insurance performance statistics, November 2022. Data is only available six months in arrears.

Strategic Partner Channel

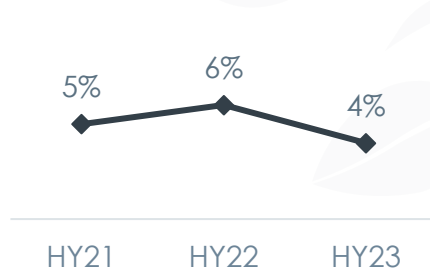
In-force premiums (\$m)



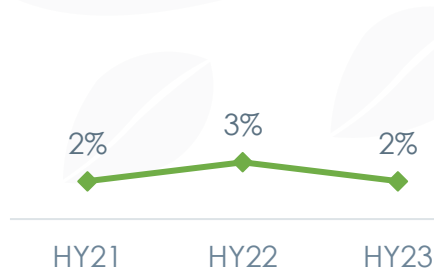
Underlying NPAT (\$m)



Underlying gross insurance margin



Administration expense ratio



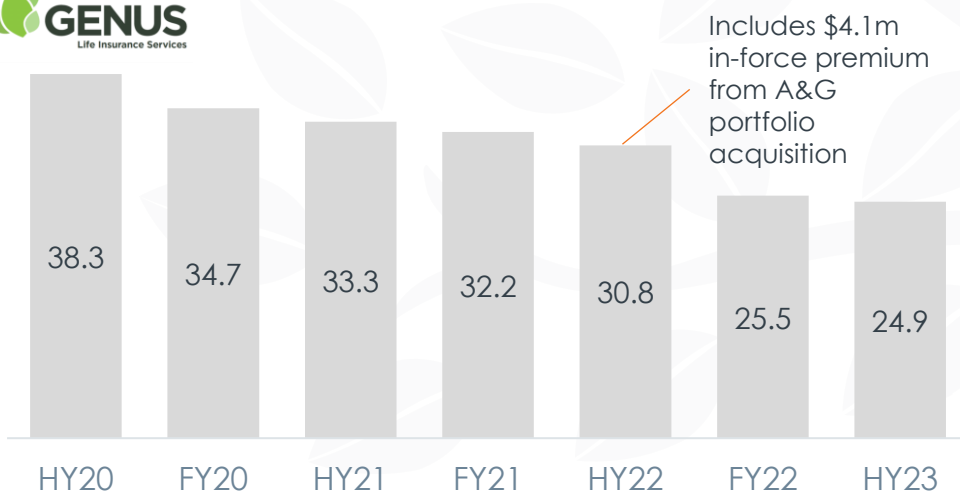
Commentary

- In-force premiums grew by 28% with NobleOak continuing to gain share in advised market
- As in Direct, lower market activity impacted new business volumes, down 52% to \$16.8m
- Lapse rates remain well below market at 5.2%
- Underlying Gross Insurance Margin impacted by changing mix
- Administration Expense Ratio benefited from operating leverage and financial discipline
- Increased investment income contributed to margin stability
- Underlying NPAT up 37% to \$2.0m
- Strategic Partner Channel growth expected to moderate, with Direct to remain the key organic growth driver

Key metrics

\$m / %	HY23	HY22	Variance
In-force premiums under management	24.9	30.8	(19%)
Administration Expenses	2.6	3.2	19%
Amortisation of Portfolio Acquisition Cost Included in Administration Expenses	0.2	0.1	(38%)
Underlying NPAT	0.4	0.6	(33%)

Genus in-force premiums under management (\$m)



Commentary

- In-force premiums under management reduced in line with expectations to \$24.9m following conclusion of Freedom portfolio conduct remediation program in April 2022
- Reduction partially offset by acquisition of A&G run-off portfolio, which added \$4.1m of in-force premium
- Lapse rate stabilised in HY23 following completion of conduct remediation program, slowing decline in in-force
- Underlying NPAT reduced in line with in-force to \$0.4m

Capital position

Well capitalised for growth



Sound capital position above regulatory requirement

Managing capital in line with regulatory requirements which will be updated as we implement AASB 17 and transition to updated LPS 117

Notes: 1. Multiple of capital base above the minimum level of assets required to be held in the Company, prescribed by the solvency standard referred to in part 5 of the Life Insurance Act 1995.

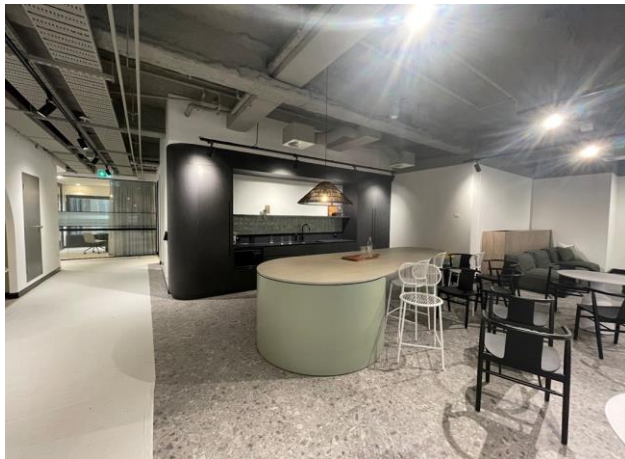


03 | Business update

Making progress on sustainability

Growing sustainably, guided by our ESG strategy and Net Zero by 2030 commitment

- Relocated to new Sydney office with 5-star NABERS rating, enhancing our ability to measure and contribute to sustainability initiatives
- Achieved carbon neutral certification for our business operations from Climate Active after measuring and reducing our emissions and purchasing 100% Australian Carbon Credit Units



Direct Channel

Strong brand and diversified distribution driving growth

Building a platform for long-term growth



New partnerships up and running and showing strong growth



Building out our 16 professional association partnerships



Strong pipeline of alliance partner opportunities, including well-known names

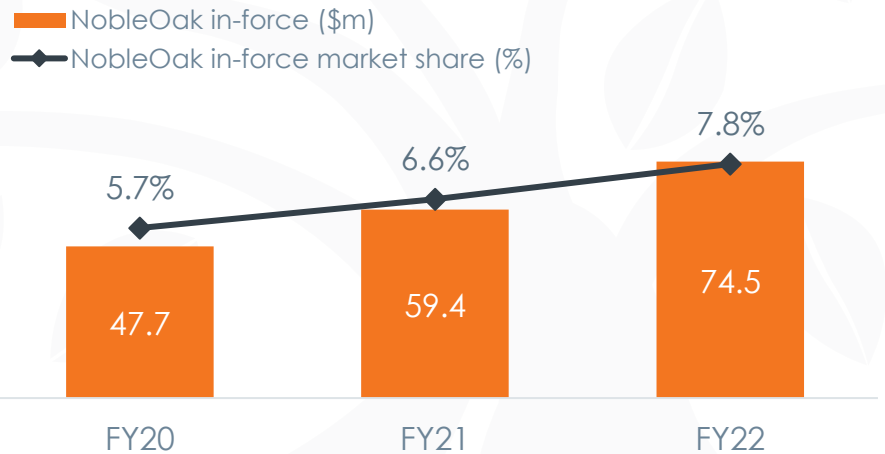
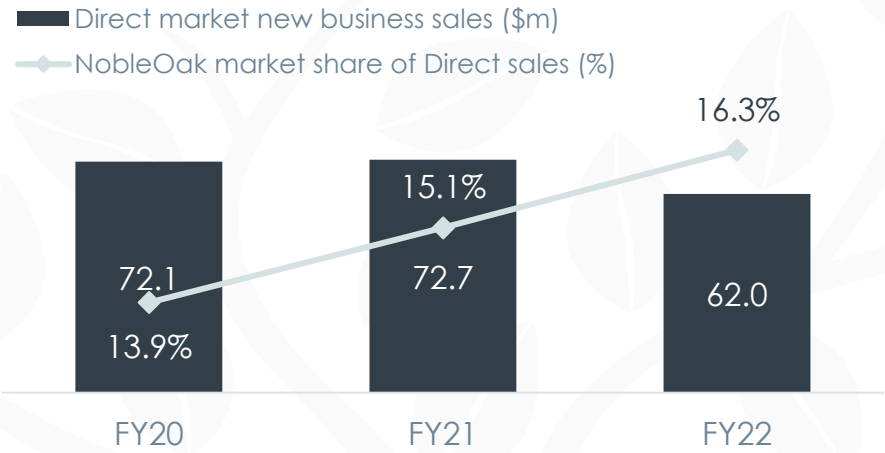


Omnichannel platform upgrade on track for end of 2023



Investment in team to power future growth

Market share gains driving in-force growth



Strategic Partner Channel

Continued market share growth and strong underlying performance



Industry new business activity remains subdued in advised market



New IDII products launched and refined to meet market expectations and risk appetites



Retention on PPS book increased as we build confidence in portfolio performance



Strategic Partner products continue to deliver good market share growth – 16.1% of advised market new business and 2.0% share of in-force in advised market at Jun-22



04 | FY23 outlook

FY23 outlook

Expect continued outperformance and market share growth while investing for the long-term

Market conditions improving

- New business volumes below historical levels but improving, as is industry profitability
- NobleOak continues to achieve above market in-force premium growth

Lapse rates to remain below market

- Industry lapse rates slowly increasing as we emerge from COVID lows
- NobleOak expects to remain materially below market

Well positioned in an inflationary environment

- Improved investment returns largely offsetting cost inflation
- Further improvement expected as we diversify the portfolio
- Products contain inflation adjustments which protect margins

Regulatory change ongoing

- Quality of Advice Review a tailwind for Direct model
- AASB 17 implementation an opportunity to enhance capability
- LPS 117 to ensure security of reinsurance asset exposures

FY23 outlook

- NobleOak well capitalised and well positioned
- Expect to continue to gain share, with in-force premium growth of ~20% (vs. market ~3%)
- Disciplined approach to keep margins stable while investing for growth and capability



05 | Q&A



06 | Appendix

Consolidated income statement

Statutory and Underlying results

\$'000			Variance
	HY23	HY22	%
Insurance premium revenue ¹	164,310	114,485	44%
Reinsurance expense ²	-125,895	-83,640	51%
Net insurance premium revenue	38,415	30,845	25%
Investment income	1054	94	1021%
Net commissions ³	7,497	7,173	5%
Fees and other income ⁴	1,880	2,128	-12%
Claims expense (net of reinsurance recoveries) ⁵	-6,773	-3,982	70%
Policy acquisition cost ⁶	-24,909	-21,793	14%
Change in net policy liabilities (before economic assumption changes) ⁷	2,177	3,193	-32%
Change in net policy liabilities (economic assumption changes) ⁸	-368	-910	-60%
Administration expense ⁹	-11,513	-10,954	5%
AASB17 Implementation expense ¹⁰	-837	0	na
IPO expenses ¹¹	0	-2,807	na
Operating profit	6,623	2,987	122%
Lease interest expense	-46	-29	59%
Profit before tax	6,577	2,958	122%
Income tax expense	-1982	-980	102%
NPAT	4,595	1,978	132%
Addback: impact of policy liability economic assumption changes (post tax)	257	637	na
Addback: AASB17 Implementation expense (post Tax)	586	0	na
Addback: impact of IPO expense (post tax)	0	1,965	na
Underlying NPAT	5,438	4,580	19%

Notes: 1. Insurance premium revenue is comprised of premiums received from customers (insurance policyholders) for life insurance products from the Direct Channel, Strategic Partner Channel and Genus segments; 2. Reinsurance expenses represents fees paid to reinsurers to cover administration expense and policy liabilities ceded to the reinsurer; 3. Net commissions comprise commissions earned from reinsurers net of commissions paid to distributors primarily in the Strategic Partner Channel segment; 4. Fees and other income primarily represent income earned on the administration of the run-off of life insurance products in the Genus segment; 5. Claims expense (net of reinsurance recoveries) represents the residual cost of claims to NobleOak; 6. Policy acquisition cost relates to costs incurred to acquire new business such as advertising, policy issuance in the Direct Segment and ongoing fees and commissions as policies renew; 7. Changes in net policy liabilities (before economic assumption changes) represent the movement in NobleOak's gross life insurance contract liabilities net of recoveries for policy liabilities ceded to reinsurers between each reporting period excluding the impact of change in economic assumption (such as discount rates); 8. Changes in net policy liabilities (economic assumption changes) represent the impact of the change in economic assumptions (such as discount rates) on the valuation of policy liabilities in the period; 9. Administration expense includes employee expenses, IT costs, professional fees, insurance, board and committee costs, depreciation and other expenses (not related to policy acquisition activity); 10. AASB17 implementation expenses relate to the cost of preparing the business for the changes in insurance accounting standard 11. IPO expense relates to the expensed component of non-recurring transaction costs pertaining to the IPO.

Financial strength

Strong capital position above regulatory requirements and well positioned for growth

Statutory balance sheet at 31 December 2022

\$m	31 Dec 2022	30 Jun 2022
Assets		
Cash and cash equivalents	53.2	30.3
Receivables	19.0	12.0
Financial assets	81.6	69.2
Gross policy liabilities ceded to reinsurers	13.8	27.4
Plant and equipment	0.4	0.2
Right-of-use assets	6.2	0.5
Deferred tax asset	2.7	3.6
Intangible assets	5.2	5.4
Total assets	182.0	148.5
Liabilities		
Payables	52.6	28.6
Current tax liabilities	1.5	0.7
Lease liabilities	6.1	0.6
Provisions	1.9	1.5
Gross policy liabilities	3.6	5.5
Total liabilities	65.6	36.9
Net assets	116.4	111.6
Equity		
Issued capital	95.7	95.3
Accumulated profits	19.4	14.8
Other reserves	1.2	1.5
Total equity	116.4	111.6

Capital adequacy

\$m / %	31 Dec 2022	30 Jun 2022
Capital base – (a)	43.1	41.8
Prescribed capital amount – (b)	17.1	13.2
Capital adequacy multiple % (a)/(b)	252%	316%
Target capital (incl. management buffer) – (c)	28.6	24.3
Assets in excess of target (a) – (c)	14.5	17.5

Commentary

Financial assets

- Primarily held in short term deposits and floating rate fixed interest funds
- Claims settled by reinsurers on actuarial reserve basis represent \$32.4m (Jun-22: \$20.0m)

Policy liabilities

- Liabilities ceded to reinsurers are reduced by claims settled by reinsurers on actuarial reserve basis represent \$32.4m (Jun-22: \$20.0m)
- Gross Policy Liabilities are best estimate net of implied deferred acquisition costs in Direct segment

Intangible assets

- Includes \$3.2m cost of acquiring A&G run-off portfolio in the period

Payables

- Significant portion of premium with one strategic partner changed from monthly to annually. Reinsurance premium continues to be paid monthly, increasing payables by \$15m in period

Dividend

- No dividend declared in line with stated intention to invest for growth

Capital adequacy

- Healthy capital adequacy multiple, providing capacity for growth

NobleOak's ESG framework

10 ESG focus areas linked to UN SDGs¹ with key metrics to be further refined in FY23

	ESG focus area	Key metrics	Target(s)	UN SDGs
Environment	Climate change	Carbon emissions	Net zero by 2030	13, 15
	Recycling	Recycling our office waste	50% reduction in total office waste in 2-3 years	13,15
	Paper	Reduction in office paper usage	Target TBC – 2-3 years	11, 12, 13
Social	Workplace multicultural diversity	Team members identify with an ethnicity other than Australian	40%	3, 5
	Workplace gender diversity	Team members identify as female	40%	5, 10
	Leadership gender diversity	Senior Leadership Team members identify as female	30% by FY22 35% by FY23 40% by FY24	5, 10
	Human rights & Modern Slavery	Commitment to Human Rights	Adhere to Human Rights 1, 3, 10 policy	
Governance	Board diversity	Board members identify as female	30% FY22 40% by FY24	5, 10
	Ethical standards	Evaluate all employees against values including nobility/integrity	100% target with a minimum of 90%	9, 12
	Linking E&S with executive remuneration	Incorporate culture and values measure in each existing STI program	100% of STI programs by 8 October 2022	8, 17

1. UN Sustainable Development Goals (UNSDGs) defined on slide 34

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- **Currency:** all amounts in this presentation are in Australian dollars unless otherwise stated.
- **Financial years:** FY refers to the full year to 30 June, 1H refers to the six months to 31 December, and 2H refers to the six months to 30 June.
- **Rounding:** amounts in this document have been rounded to the nearest reported whole unit (unless otherwise stated). Any differences between this document and the accompanying financial statements are due to rounding.

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