NOBLEOAK

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

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NobleOak Life Limited
ACN 087 648 708

DIRECTORS' REPORT

The Directors present their report of NobleOak Life Limited and its subsidiaries (the Group) for the half-year ended 31 December 2023.

Directors

The following Directors held office during the half-year and up to the date of this report:

- Stephen Harrison (Chairman)
- Anthony R Brown (CEO)
- Andrew Boldeman
- Sarah Brennan
- Kevin Hamman
- Inese Kingsmill

Company Secretary

- Suzanne Barron

Principal Activities

The principal activities of the Group during the period were the manufacture and distribution of Life Insurance products (including death, total and permanent disability, trauma, income protection and business expenses insurance) through both its Direct and Strategic Partnership (Advised) channels.

NobleOak also provides administration services for run-off Life Insurance portfolios through its subsidiary Genus Life Insurance Services Pty Ltd.

Review of Operations

Information on the Group's performance and outlook is set out in the operation and financial review section, and operating segment review section of this half-year report.

Dividend Payments

The directors consider that 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 in the half-year.

Subsequent events

No matters or circumstances, other than that referred to in the financial statements or notes thereto, have arisen subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS' REPORT

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Auditor's Independence Declaration

The auditor's independence declaration is included on page 19 of the half-year report.

Rounding of amounts

The Company is of a 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 this 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 Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors

Anthony R Brown
Director

Stephen Harrison
Chair

Sydney, 27 February 2024

OPERATING AND FINANCIAL REVIEW

Overview of NobleOak's operations

NobleOak is a challenger brand to the more traditional life risk insurance market incumbents operating across the Life Insurance value chain, including product design and manufacturing, marketing distribution, administration, underwriting and claims.

NobleOak operates across three business lines:

- **Direct Channel:** more affordable and accessible Life Insurance products delivered through an omnichannel customer acquisition strategy. These products are mostly NobleOak-branded policies marketed and distributed by NobleOak, direct-to-market and through Alliance Partners, without personal financial advice;
- **Strategic Partner Channel:** white labelled tailored Life Insurance products designed and delivered in partnership with developers and distributors of intermediated life risk insurance policies ("Strategic Partners") on an advised basis; and
- **Genus:** administration business, managing insurance portfolios which are no longer issuing new policies (entirely reinsured).

By operating across three business lines, NobleOak is able to generate diversified revenue streams with varying exposures to different customer demographics and parts of the life risk insurance value chain which are exposed to structural growth trends.

Strategy and focus for FY24

NobleOak continues to focus on disciplined growth and sustainability, operating within a well-defined culture and risk framework. Keys to long-term sustainability are:

- a service focused business model;
- disciplined underwriting;
- robust claims management and reinsurer relationships; and
- prudent capital management.

NobleOak's purpose is to financially protect Australian lives and wealth with integrity.

The Company's value proposition is to provide:

- secure cover;
- best personal service; and
- value for money.

from a provider customers can trust.

NobleOak's strategy continues to focus on achieving organic growth in the Direct Channel, complemented by growth in its Strategic Partner Channel and Genus administration business.

In FY24, the NobleOak management team has three main strategic priorities.

- Firstly, to build on the Company's position as Australia's fastest-growing Direct life insurer. The Direct Channel is NobleOak's key long-term growth engine, and the Company remains committed to continuing to invest in its strong brand, technology and diversified network of distribution partners;
- Secondly, to build and support NobleOak's network of adviser partners in the Strategic Partner Channel. The advised market remains an important growth opportunity, and the Company is committed to working closely with its partners to continue to grow market share; and
- Thirdly, focusing on optimising the business to achieve economies of scale. This will be driven by growth and further assisted by our ongoing investment in technology.

These strategic priorities are underpinned by ongoing investment in NobleOak's people, who are the heart of the business.

We remain well capitalised to continue our growth trajectory. In FY24, NobleOak has also been considering opportunities for moving into adjacent areas of direct advice.

OPERATING AND FINANCIAL REVIEW

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Focus on sustainability

NobleOak continues to invest towards ensuring the sustainability of its growth in line with its ESG (Environmental, Social, and corporate Governance) strategy and framework, and is currently going through the recertification process with Climate Active.

Life insurance and regulatory environment

In recent years, the Australian Life Insurance industry has faced a period of unprecedented regulation, scrutiny and disruption.

Pleasingly, as reported in prior year annual report, the regulatory environment appears to be improving, in an aim to support a stronger Life Insurance industry in the future. Adviser numbers now appear to be stabilising, market activity is relatively flat from FY23 compared to FY22. Importantly, whilst lapse rates continue to normalise as expected post pandemic lows, the total Australian Life Insurance market is growing, with inforce premium increasing by 3% over the year to 30 June 2023.

NobleOak believes it is well positioned to continue to take advantage of industry disruption to drive further sustainable growth in the business. Nevertheless, NobleOak continues to prudently monitor and manage the risks posed by regulatory changes and ensures it complies with its regulatory obligations.

During the half-year:

AASB 17 *Insurance Contracts.*

NobleOak has substantially completed its transition project to implement the new accounting standard AASB 17 *Insurance Contracts*. This is a comprehensive new accounting standard for insurance and reinsurance contracts that replaces AASB 1038 within the Australian Life Insurance industry. It applies to all insurers and reinsurers, including NobleOak.

This half-year financial report has been prepared in compliance with AASB 17 and introduces significant change in the recognition, measurement, presentation, and disclosure of insurance contracts.

The company provided information sessions in February 2024 on the key impacts of the transition to AASB 17. The accounting standard does not impact the underlying business value drivers and strategy for NobleOak, but will see some changes in the timing of recognition of profits across NobleOak's business segments.

A significant investment was required to implement AASB 17 to ensure NobleOak's accounting policies and financial reporting is compliant with the new accounting standard.

Further details on AASB 17 are outlined in note 1 of the Financial Statements.

OPERATING AND FINANCIAL REVIEW

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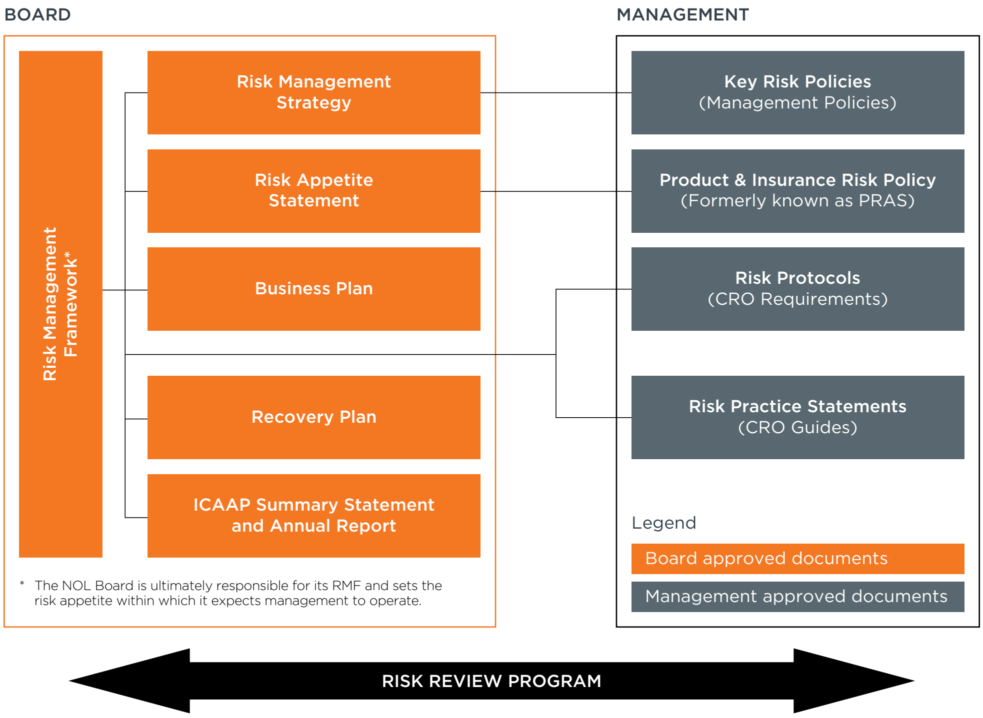
Risk management

Risk Management Framework (RMF)

NobleOak has systems, structures and processes in place for identifying, assessing, mitigating and monitoring internal and external sources of risks that could have a material impact on its operations. This comprises NobleOak's Risk Management Framework.

Outlined below are the components of NobleOak's Risk Management structure and Internal Capital Adequacy Assessment Process (ICAAP).



OPERATING AND FINANCIAL REVIEW

continued

NobleOak's risk management and risk appetite objectives are to:

- provide a framework to enable the identification and management of risk at all levels of the organisation as set out in its Risk Management Framework (RMF);
- align the risk management effort to the objectives and goals of the organisation to ensure that key risks are addressed, including new and emerging risks;
- manage identified risks within the risk appetite of the organisation and specifically within risk tolerances as set out in its Risk Appetite Statement (RAS); and
- manage its capital in accordance with its Internal Capital Adequacy Assessment Process (ICAAP).

These objectives are to be met by:

- enabling a consistent and enterprise-wide risk process for adoption;
- defining risk roles and responsibilities across different levels of the organisation;
- helping embed risk management as part of the way business is undertaken;
- encouraging a culture of disclosure; and
- requiring a regular re-assessment and reporting of risk to management, the Risk Committee and the NobleOak Board.

Principal Risks

NobleOak's Risk Management Framework sets out the approach to the management of risk at NobleOak with a focus on empowering employees to identify, promptly report and manage risk in consultation with specialist risk resources. NobleOak's senior leadership team is responsible for managing key material risks in the business under the guidance of a Chief Risk Officer.

NobleOak's Risk Committee ultimately considers key material risks and refers high rated risks under the RMF and the RAS to the Board for decision-making on risk taking or recommendation on risk management actions.

Key material risks to NobleOak have been segregated into seven categories in the NobleOak RAS:

- Capital Risk: refers to the risk that Target Capital levels are not adequately maintained, there is an insufficient supply of capital to execute the NobleOak Business Plan, and/or capital cannot be accessed when required.

  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. Profits accumulated in the benefit funds in excess of projected capital requirements are transferred (centralised) to the management fund with Board approval and supporting advice from the Appointed Actuary.
- Life Insurance Risk: refers to the potential for loss or adverse impacts resulting from activities involved in manufacturing and distributing life insurance products as well as operating a life insurance business. This risk category includes:
  - premium and reserving risks;
  - underwriting risk, including mortality, morbidity and longevity risks;
  - adverse movements in claims liabilities;
  - reinsurance risk including reinsurer terms and reinsurance asset concentration capital charges;
  - discontinuance (lapse) risk;
  - concentration of insurance risk in relation to higher risk income protection products; and
  - life insurance market disruption risk including new entrants.

OPERATING AND FINANCIAL REVIEW

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As a result of NobleOak's strong growth, the company's reinsurance asset concentration exposures continue to increase. This growth requires ongoing assessment of measures required to mitigate asset concentration risk. Current mitigation arrangements include:

- *Claims Settlement Terms* – this represents changes to reinsurance arrangement so that funds from reinsurers are provided to the Company on a 'claims reserved' basis for certain claims categories, rather than on a 'claims paid' basis;
- *Deposit Back Arrangement* – this represents changes to reinsurance arrangement so that the reinsurer provides assets to the Company in support of and as security over estimated reinsurance exposures; and
- *Letters of credit (LOC)* – this represents guarantees from banks with suitable credit ratings, that provide security to NobleOak against the default risk of its reinsurance asset exposure.

These arrangements, whilst effective, have varying levels of efficiency and cost, therefore NobleOak is continually considering alternative structures that may be more efficient and cost effective over the longer term.

NobleOak also mitigates these risks by applying its underwriting strategy to diversify the type of insurance risks accepted and the level of insured benefits.

- Asset Risk: refers to the potential for financial loss or adverse impacts arising from NobleOak's assets. This risk category includes:
  - asset-liability mismatch risk;
  - market and investment risk (volatility of investments);
  - macro economic risks impacting insurance liability management including rising inflation and interest rates;
  - liquidity risk;
  - credit risk (changing credit spreads and actual defaults); and
  - reinsurance asset concentration risk.

  NobleOak mitigates asset and investment risks by applying its investment strategy and policy, which are aligned to the NobleOak RAS.

- Operational Risk (including Regulatory and Compliance Risk): refers to the potential losses or adverse impacts resulting from inadequate or failed internal processes, people, systems, projects (including implementation of alliance partner relationships) or from external events. This risk category includes:
  - cyber risk;
  - regulatory, compliance and outsourcing risk;
  - risks associated with the retention, capability and capacity of people; and
  - failure to comply with, and adverse changes to, applicable laws and regulations.

  NobleOak mitigates operational risk through the implementation of controls to monitor compliance with policies and procedures, such as quality assurance, staff training, resource planning to manage staff capacity, and the monitoring of upcoming legislative change.

- Strategic, Reputational and Contagion Risk: refers to the potential for loss or adverse impacts arising from poorly designed and implemented strategies or significant unforeseen business events. Examples of risks in this category includes partner risk, modern slavery risk, climate change and ESG risk.

  NobleOak mitigates these risks by monitoring its carbon footprint, establishing governance frameworks for partners and annual review of the business plan.

OPERATING AND FINANCIAL REVIEW

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- Culture and Conduct Risk: refers to the potential for loss or adverse impacts associated with poor behaviours or decisions, including those that give rise to outcomes that do not demonstrate good value, sound customer service and fairness and transparency in decision making, particularly in the management of claims.

  NobleOak mitigates these risks by implementing quality assurance and peer reviews in claims management, as well as having a consequence management framework and an incident and breach management process for escalation of issues.

- Market Risk: refers to the risk associated with being an entity listed on the ASX and includes compliance and market transparency risk and the potential contagion risk on NobleOak's purpose, operations, values and culture.

  NobleOak mitigates these risks by regular monitoring of compliance requirements, staff training to ensure awareness of requirements, and appropriate approvals prior to the disclosure of market information.

NobleOak is committed to ensuring it remains in compliance with its regulatory obligations as well as maintaining strong governance across all areas of the business.

HY24 results overview

Over the six months to 31 December 2023, NobleOak continued to deliver strong in-force premium growth across the Direct (digital and alliance partners) and Strategic Partner segments while continuing to grow its market share. Disciplined underwriting and expense management continues to contribute to sustainable profit growth.

At period end, NobleOak had more than 128,000 active policies (excluding Genus), up 15% from 31 December 2022. These policies represented over $351 million of annual in-force premiums (31 December 2022: $283 million), which grew by 24%, significantly outperforming the industry which grew by 3% over the 12-month period.

NobleOak's first half in-force premium growth of 11% sees the Company on track to meet its guidance provided at the November 2023 AGM for in-force premium growth of between 15% to 20% for the full year to 30 June 2024.

NobleOak delivered the following results for the half-year ended 31 December 2023:

After Tax Results by Segment $'000/%	Consolidated HY24	Restated HY23	Variance
Direct	2,974	2,523	18%
Strategic Partners	4,520	3,871	17%
Genus	341	376	(9%)
Group Underlying NPAT[1]	**7,835**	**6,770**	**16%**
Recurring Adjustments			
Impact of policy liability economic assumption changes (post tax)	745	3,695	–
Impact of change in loss recognition reserves (post tax)	(1,232)	(399)	–
Non-Recurring Adjustments			
Impact of funeral fund member allocation	(780)	–	–
Impact of AASB 17 implementation expenses (post tax)	(1,409)	(586)	–
Impact of IT transformation project expense (post tax)	(918)	–	–
Reported NPAT	**4,241**	**9,480**	**(55%)**
Reported diluted earnings per share (cents)	4.80	10.78	(55%)
Underlying diluted earnings per share (cents)	8.88	7.70	15%

1. Underlying NPAT is a non-IFRS financial measure, defined as net profit after tax excluding the impact on one-off and recurring items. Disclosing an underlying measure of profits, 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). More details on the recurring and non-recurring adjustment are provided in the Statutory to Management Result Reconciliation Section of this Directors' Report.

OPERATING AND FINANCIAL REVIEW

continued

Key metrics[2]

$'000/%	Consolidated HY24	Restated HY23	Variance
In-force premiums (ex-Genus) at period end	351,431	283,310	+24%
New business	26,503	21,606	+23%
Net insurance premium revenue	48,722	38,415	+27%
Underlying gross insurance margin	12.2%	12.1%	+0.1ppts
Underlying administration expense ratio	7.5%	6.8%	(0.7)ppts
Investment return (% insurance premium)	1.5%	0.6%	+0.9ppts
Underlying NPAT	7,835	6,770	+16%

2. Key metrics of the business are based on the way management analyses business performance. See the Statutory to Management Result Reconciliation Section of the Directors' Report for more information.

NobleOak is focused on maintaining its key financial disciplines which deliver margin stability.

The key growth metrics are outlined below:

- Underlying NPAT of $7.8 million, up 16% on the prior corresponding period (pcp);
- Active policies in place at 31 December 2023 now exceed 128,000 (15% growth);
- In-force premium at 31 December 2023 grew by 24% to $351.4 million;
- Net Insurance premium revenue increased by 27% to $48.7 million; and
- Underlying administration expense ratio increased slightly to 7.5% (FY22: 6.8%).

NobleOak's Statutory Reported NPAT was $4.2 million for the year, down 55% from HY23, largely due to impact of changing economic assumption (interest rates) on policy liabilities, the movement in provision for onerous contracts and one-off compliance and IT project costs.

Key highlights for NobleOak's business in the reporting period are:

- once again being Australia's most awarded direct life insurer, including receiving Platinum Trusted Services Award for the fifth consecutive year, and securing the Overall Excellence award from Plan For Life;
- continuing to invest in people, processes and systems to improve scalability; and
- adding further alliance partnerships with two industry-leading brands, Singapore Airlines' KrisFlyer program and Costco.

NobleOak retains surplus capital above its target and regulatory capital requirement, providing flexibility to continue its organic growth, while meeting its obligations to policyholders and other stakeholders.

The following section provides an overview of some of the Group's consolidated key metrics. More detailed commentary is included in the Operating Segment Review beginning on page 12.

In-force premium and new business

Over the reporting period, sales volumes in the Australian Life Insurance industry continued to improve following the negative impact of industry-wide Income Protection product changes in October 2021.

In-force premiums are the key value driver of NobleOak's business, and the Company achieved strong growth of 24% on the pcp to $351.4 million, significantly outperforming the industry which grew by 3%.

Pleasingly, NobleOak's new business sales have increased by 23% year-on-year, with a significantly higher market share of new business sales delivering continued market share growth. As a result, in-force premium market share grew to approximately 3.0% at 30 June 2023 (June 2022: 2.5%).

OPERATING AND FINANCIAL REVIEW

continued

NobleOak's outperformance has been driven by a strong share of new business sales of approximately 13.2% for 12 months to June 2023 (12 months to June 2022: 16.2%) and lower than industry average lapse rates across both the Direct and Strategic Partner Segments.

Net insurance premium revenue

Total net insurance premium revenue grew by 27% to $48.7 million in HY24 (HY23: $38.4 million), benefiting from the strong growth in sales volumes and ongoing favourable lapse experience.

Underlying gross insurance margin (before admin expenses)

NobleOak delivered another strong underwriting performance during the period, with the overall net claims experience remains stable and in line with expectations.

Importantly we have not seen further net claims reserves deterioration in the half-year following reserving methodology changes at the end of the prior year.

During the half-year, a one-off surplus on the Funeral Fund has been allocated to members, which resulted in a $0.8 million reduction in profit before tax.

Underlying administration expense ratio

NobleOak's disciplined approach to investing to build capability continues to drive operating leverage. The Investment in its digital technology and actuarial, risk and claims teams is designed to support long-term sustainable growth. These investments have seen the underlying administration expense ratio increased slightly to 7.5% (HY23: 6.8%).

Both the current and prior years have benefited from the transfer of claims handling expenses to the claims expense line in the income statement, bringing NobleOak into line with its peers and with the AASB 17 accounting standard.

As foreshadowed in the 2023 Annual Report, the business is also incurring costs associated with implementation of the new insurance accounting standard AASB 17 *Insurance Contracts* and an organisation-wide technology transformation program. This technology initiative will transition the Company's IT platform to a versatile cloud-based system with new processes, automated forms, and enhanced client access capabilities, representing a significant investment over 2023 and 2024. These IT transformation costs and the AASB 17 compliance costs are excluded from the underlying results to enable a more accurate assessment of the underlying business performance.

Administration expenses in HY24 include depreciation and amortisation expense of $1.0 million (HY23: $0.8 million).

Investment returns

Higher interest rates during the period and the overall growth of the investment portfolio drove investment returns (pre fees) up materially to $5.4 million (HY23: $1.1 million), with the average return on invested assets improving to 4.4% (HY23: 2.5%).

The growth of the portfolio benefited from the deposit back assets held to support reinsurance concentration exposure in the Strategic Partner segment. Fees for the deposit back arrangement plus normal investment management fees have been deducted against investment returns to bring the reported investment returns (post fees) to $2.7 million (HY23: $1 million).

Moving forward, the current interest rates are expected to continue to deliver strong investment returns on the portfolio, which retains an overall low risk profile.

OPERATING AND FINANCIAL REVIEW

continued

Outlook

Against a backdrop of improving market conditions, with industry sales volumes continuing to recover after a period of disruption, NobleOak expects to continue to achieve above-market growth, supported by lapse rates that are expected to remain favourable to the market.

Higher interest rates are a tailwind for the industry and for NobleOak, with significantly improved investment returns and inflation-linked premiums combining to offset inflationary impacts on the cost base and protect margins. NobleOak will retain its strong financial disciplines while investing for growth and capability, particularly in implementing the next phase of its IT transformation.

While the industry continues to be impacted by regulatory change, the Quality of Advice Review is expected to be a tailwind for NobleOak, supporting the Direct model and providing options to move into adjacent areas of Direct advice.

With in-force premium growth of 11% in the first half of FY24, the Company is on track to meet its guidance of approximately 15% to 20% annual in-force premium growth for the full year to 30 June 2024 in a market that is expected to grow by around 5%.

OPERATING SEGMENT REVIEW

The Company is pleased with the performance of all business segments, each of which has contributed positively during the period.

Direct

$'000/%	HY24	Restated HY23	Variance
In-force premiums at period end	85,927	74,298	+16%
New business sales (annualised premium)	5,027	4,847	+4%
Lapse rate	11.3%	9.5%	(1.8)ppts
Net insurance premium revenue	23,132	20,061	+15%
Underlying gross insurance margin	28.0%	26.6%	+1.4ppts
Underlying administration expense ratio	19.9%	18.2%	(1.7)ppts
Investment return (% insurance premium)	2.0%	1.5%	+0.5ppts
Underlying NPAT	2,974	2,523	18%

Key metrics of the business are based on the way management analyses business performance. See the Statutory to Management Result Reconciliation Section of the Directors' Report for more information.

NobleOak's Direct strategy continues to deliver results, with the Company's strategy of investing in digital marketing alongside a diverse and growing range of alliance partnerships contributing to strong market share gains.

Direct Channel policy count increased by 12% since December 2023, with gross in-force premiums growing by 16% to $85.9 million (HY23: $74.3 million). Direct market share has grown to 8.3% (of Direct Market) at 30 June 2023 compared to 4.7% at 30 June 2019.

Lapse rates are returning to more normal levels from pandemic era lows, increasing to 11.3% in the first half but remaining well below the industry average. This is expected to continue over the medium term.

New business sales in the Direct channel grew by 4% on the pcp, driven by good growth from alliance partnerships, including those with Budget Direct and RAC WA. NobleOak's market share on Direct Sales was 15.8% over the 12 months to 30 June 2023 (FY22: 16.3%), remaining significantly higher than the market share of Direct in-force premiums of 8.3% (FY22: 7.8%).

The underlying insurance margin remained strong at 28%, with the net claims experience in the half better than expected.

The underlying administration expense ratio of 19.9% includes increased premises cost, investment in technology and capability within the business, including actuarial and strategic business development teams. This is expected to improve in the second half. It is important to note that both the current and prior years have benefited from the transfer of claims handling expenses to the claims expense line in the income statement, which brings NobleOak into line with its peers and is consistent with the requirements of the AASB 17 accounting standards.

Underlying NPAT grew by 18% on the pcp to $3.0 million.

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:

- 4.6/5 Feefo customer rating as at 31 December 2023, with a fifth Platinum Trusted Service award;
- 4.2/5 Google customer satisfaction rating as at 31 December 2023; and
- NobleOak was the most awarded Australian direct Life Insurer in 2023, this is the fifth year in a row NobleOak has been the most awarded (2016-2023). In 2023 NobleOak won awards from Canstar, Plan for Life, Mozo, Money Magazine, Finder, WeMoney and DBM during the year for the quality and value of our Life Insurance and Income Protection products and received awards for our customers service from WeMoney, Feefo and Plan For Life. In 2023 NobleOak also became an Employer of Choice winner at The Australian Business Awards.

OPERATING SEGMENT REVIEW

continued

Strategic Partners

$'000/%	HY24	Restated HY23	Variance
In-force premiums at period end	265,504	209,013	+27%
New business Sales (annualised premium)	21,476	16,759	+28%
Lapse rate	8.4%	5.2%	(3.2)ppts
Net insurance premium revenue	24,315	17,011	+43%
Underlying gross insurance margin	5.5%	5.8%	(0.3)ppts
Underlying administration expense ratio	2.0%	1.6%	(0.4)ppts
Investment return (% insurance premium)	1.3%	0.4%	+0.9ppts
Underlying NPAT	4,520	3,871	+17%

Key metrics of the business are based on the way management analyses business performance. See the Statutory to Management Result Reconciliation Section of the Directors' Report for more information.

The Strategic Partners channel continues to deliver strong growth, with NobleOak's contemporary products, high quality service and strong partnerships with Neos and PPS continuing to deliver market share gains.

In force premium grew by 27% to $265.5 million as at 31 December 2023 (Dec 22: $209.0 million), with NobleOak's market share of advised business having grown to 2.5% as at 30 June 2023, up from 0.3% as at 30 June 2019.

Pleasingly, new business sales grew by 28%, supported by improved industry sales volumes which are bouncing back after the impact of industry-wide income protection product changes in October 2021, as well as reduced advisor numbers.

NobleOak's market share of advised sales was 12.5% in the 12 months to 30 June 2023 (FY22: 16.1%).

As expected, lapse rates continue to normalise from pandemic era lows, but remain well below the industry average.

The underwriting performance in the Strategic Partner channel was strong during the period, with overall net claims in line with expectations.

Investment results have benefited from higher interest rates, noting that the return achieved on additional deposit back assets held (supporting reinsurance asset exposures) are offset by higher fees associated with holding these assets.

The underlying administration expense ratio remains low at 2.0% and continues to benefit from operating leverage and financial discipline.

Underlying NPAT of $4.5 million for HY24 was up 17% pcp.

Genus

$'000/%	HY24	Restated HY23	Variance
In-force premiums at period end	24,526	24,881	(1%)
Underlying administration expenses (excluding amortisation)	2,374	2,441	+3%
Amortisation of portfolio acquisition cost	237	155	(53%)
Underlying NPAT	341	376	(9%)

Key metrics of the business are based on the way management analyses business performance. See the Statutory to Management Result Reconciliation Section of the Directors' Report for more information.

In-force premiums under management by Genus have stabilised at $24.5 million at December 2023, with the Freedom conduct remediation program having now concluded.

Moving forward, the business expects to return to a more normal run-off pattern of c.10% per year.

Genus generated $0.3 million of Underlying NPAT in the half, which is a slight reduction from the prior year in line with in-force premiums under management.

OPERATING SEGMENT REVIEW

continued

The following set out the profit or loss statement showing both provides statutory presentation and the *management analysis in italics.*

The insurance operating result is further analysed as net insurance revenue, net claims, net commissions and other revenue, policy acquisition costs, changes in policy liabilities and expenses for the purposes of explaining the key drivers of the Group's operating result and calculating key metrics. Analysis of the nature of income and expenses within the insurance operating result provides useful additional information about underlying trends in relation to the different components of underwriting profitability.

An unaudited reconciliation from the Statutory presentation to the management analysis is provided on page 16.

	Direct		Strategic Partnerships		Genus		Consolidated	
For the half-year ended	**31/12/2023 $'000**	**Restated 31/12/2022 $'000**	**31/12/2023 $'000**	**Restated 31/12/2022 $'000**	**31/12/2023 $'000**	**Restated 31/12/2022 $'000**	**31/12/2023 $'000**	**Restated 31/12/2022 $'000**
Insurance revenue	39,996	36,508	124,174	118,760	5,398	5,699	169,568	160,967
Insurance service expenses	(24,413)	(22,656)	(97,511)	(66,475)	(3,165)	(1,818)	(125,090)	(90,949)
Reinsurance expenses	(20,224)	(19,061)	(101,073)	(101,611)	(4,151)	(4,363)	(125,448)	(125,035)
Reinsurance income	14,455	14,241	78,809	55,565	1,874	485	95,138	70,291
Insurance service result	9,814	9,032	4,399	6,239	(44)	3	14,168	15,274
Net finance income on insurance and reinsurance contracts	(531)	7,062	1,288	(2,373)	–	–	757	4,689
Fees & other revenue	29	27	–	–	1,874	1,853	1,904	1,880
Other operating expenses	(6,874)	(5,349)	(2,644)	(1,789)	(1,596)	(1,312)	(13,126)	(9,287)
Insurance operating result	**2,439**	**10,772**	**3,043**	**2,077**	**233**	**544**	**3,703**	**12,556**
Management analysis of operating profit								
Insurance premium revenue	*41,633*	*36,251*	*134,118*	*122,382*	*5,490*	*5,677*	*181,241*	*164,310*
Reinsurance expenses	*(18,501)*	*(16,190)*	*(109,803)*	*(105,371)*	*(4,215)*	*(4,334)*	*(132,519)*	*(125,895)*
Net insurance premium revenue	*23,132*	*20,061*	*24,315*	*17,011*	*1,275*	*1,343*	*48,722*	*38,415*
Net claims expense	*(4,932)*	*(5,414)*	*(4,104)*	*(1,924)*	*(16)*	–	*(9,052)*	*(7,338)*
Net commissions and other revenue	*2,716*	*2,606*	*3,082*	*4,918*	*1,874*	*1,853*	*7,672*	*9,377*
Policy acquisition costs	*(13,554)*	*(13,017)*	*(14,055)*	*(11,842)*	*(38)*	*(50)*	*(27,647)*	*(24,909)*
Change in net policy liabilities	*4,441*	*13,134*	*(3,458)*	*(4,103)*	*(29)*	*(8)*	*954*	*9,023*
Insurance profit	***11,803***	***17,370***	***5,780***	***4,060***	***3,066***	***3,138***	***20,649***	***24,568***
Administration expenses	(9,362)	(6,596)	(2,737)	(1,985)	(2,833)	(2,596)	(16,945)	(12,014)
Insurance operating profit	**2,439**	**10,772**	**3,043**	**2,077**	**233**	**544**	**3,703**	**12,556**
Net investment income	825	539	1,803	452	32	8	2,660	999
Profit before tax	**3,264**	**11,311**	**4,846**	**2,529**	**265**	**550**	**6,363**	**13,555**
Income tax expense	(1,192)	(3,392)	(1,454)	(759)	(80)	(176)	(2,122)	(4,075)
Profit after tax	**2,072**	**7,919**	**3,392**	**1,771**	**186**	**376**	**4,241**	**9,480**

OPERATING SEGMENT REVIEW

continued

Insurance metrics based on management analysis are defined as:

- Underlying gross insurance margin = Insurance profit/Insurance premium revenue (after removing the impact of policy liability economic assumption changes, impact of change in loss recognition reserves and impact of funeral fund member allocation);
- Underlying administration expense ratio = Administration expenses/Insurance premium revenue (after removing the impact of AASB 17 implementation expenses and impact of IT transformation project expense); and
- Investment return (% insurance premium) = Net investment income/Insurance premium revenue.

STATUTORY TO MANAGEMENT RESULT RECONCILIATION

The company manages the business through analysis of key insurance metrics and ratios.

The following provides an unaudited reconciliation of the statutory presentation of the profit or loss statement to the management analysis.

For the half-year ended	Statutory		Management Analysis											
			Net insurance revenue		Net claims expense		Net commission and other revenue		Policy acquisition costs		Administration expenses		Change in policy liabilities	
	31/12/23 $'000	Restated 31/12/22 $'000	31/12/23 $'000	Restated 31/12/22 $'000	31/12/23 $'000	Restated 31/12/22 $'000	31/12/23 $'000	Restated 31/12/22 $'000	31/12/23 $'000	Restated 31/12/22 $'000	31/12/23 $'000	Restated 31/12/22 $'000	31/12/23 $'000	Restated 31/12/22 $'000
Continuing operations														
Insurance revenue	169,568	160,967	181,241	164,310	-	-	(28,866)	(34,586)	(11,269)	(10,350)	-	-	28,462	41,592
Insurance service expenses	(125,090)	(90,951)	-	-	(61,738)	(43,914)	(29,517)	(10,942)	(16,371)	(14,554)	(3,826)	(2,733)	(13,637)	(18,808)
Reinsurance expenses	(125,448)	(125,035)	(132,518)	(125,895)	-	-	33,657	38,678	-	-	-	-	(26,587)	(37,818)
Reinsurance income	95,138	70,291	-	-	52,685	36,576	30,494	14,347	-	-	-	-	11,959	19,368
Insurance service result	**14,168**	**15,272**	**48,723**	**38,415**	**(9,053)**	**(7,338)**	**5,768**	**7,497**	**(27,640)**	**(24,904)**	**(3,826)**	**(2,733)**	**197**	**4,334**
Net insurance finance income	757	4,689	-	-	-	-	-	-	-	-	-	-	757	4,689
Net commission and other revenue	1,904	1,880	-	-	-	-	1,904	1,880	-	-	-	-	-	-
Other operating expenses	(13,126)	(9,286)	-	-	-	-	-	-	(7)	(5)	(13,119)	(9,281)	-	-
Insurance operating profit	**3,703**	**12,556**	**48,723**	**38,415**	**(9,053)**	**(7,338)**	**7,671**	**9,377**	**(27,647)**	**(24,909)**	**(16,945)**	**(12,014)**	**954**	**9,023**

STATUTORY TO MANAGEMENT RESULT RECONCILIATION

continued

Adjustments

The statutory results have been adjusted for the following items when discussing the results to provide more transparency in the underlying performance of the company. Disclosing an underlying measure of profits, which excludes the impact of items that don't relate to current period performance or non-recurring costs, 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).

The following adjustments have been made on the current period:

Recurring adjustments

Economic assumptions

Economic assumptions are driven by external economic market conditions and can generate volatility in statutory profits. The primary driver relates to movements in interest rates that affect the valuation of future cash flows within the policy liabilities reserves and also generate mark to market adjustments within the valuation of investment assets. Management results remove the impact of these items which create volatility in reported results but will balance out over time.

Loss recognition reserves

The new AASB 17 *Insurance Contracts* accounting standard requires the insurance portfolio to be assessed by profitability at a much lower level of granularity than was the case under the prior accounting standard. This assessment which is now at a policy level, requires the present value of all future losses on policies considered "onerous" (loss making) at inception (or upon reassessment each reporting period), to be recognised immediately. Where the overall portfolio is assessed as profitable, the management result is adjusted to exclude the movement in these "loss recognition reserves" which create volatility in reported results but will balance out over time.

Non-recurring adjustments

Funeral Fund

The Funeral Fund is a legacy fund of policies taken out by former Druid members. The fund was established in such a way that absent financial stress within the company, any surplus assets of the fund would ultimately be allocated to members.

In the half-year to 31 December 2023, given the current security of the group, the substantial majority ($0.7 million) of remaining surplus assets of the funds were allocated to members. This allocation is recorded as a reduction in net assets and an insurance service expense to the fund.

Given the one-off nature of this member allocation, which will not happen again at this volume (remaining surplus <$0.1 million), management results have removed the impact of this member allocation.

AASB 17 *Costs*

Insurers are required to implement AASB 17 *Insurance Contracts* for periods beginning on or after 1 January 2023. For NobleOak, the first full financial year under AASB 17 is the year ending 30 June 2024. A project team has been established in order to meet the requirements of the standard.

NobleOak has spent approximately $4.2 million on its project to date, with the full cost upon completion of down-stream process changes estimated at ~$5.3 million. Of the total spend to date, the costs incurred and reported as other expenses in the half-year to 31 December 2023 were $2.0 million (HY23: $0.8 million).

STATUTORY TO MANAGEMENT RESULT RECONCILIATION

continued

IT transformation project

During FY23 NobleOak embarked on significant IT transformation initiative aimed at:

- Major upgrade of the OneOffice policy administration system;
- Establish Customer Portal capability; and
- Development of enterprise data warehouse and portfolio management and reporting system.

Given the significance of this project and its deliverables, the material cost would normally be capitalised and depreciated over its useful life given it will drive value to NobleOak for many years to come. However, given the technology platform is cloud based (software as a service) under the current accounting standard AASB 138 *Intangible Assets*, these costs are required to be expensed.

As this is a one-off significant expense for the Company, NobleOak has separately disclosed the amount of this investment in its Financial Statements so that it can be distinguished from underlying business performance.

NobleOak has spent approximately $1.3 million on its project to date with the full cost upon completion of project estimated to total ~$2.2 million. Of the total spend to date, the costs incurrent in the half-year to 31 December 2023 was $0.9 million (HY23: nil).

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

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27 February 2024

The Board of Directors
NobleOak Life Limited
Level 4,44 Market St
Sydney NSW 2000

Dear Board Members

Auditor's Independence Declaration to NobleOak Life 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 NobleOak Life Limited.

As lead audit partner for the review of the half-year financial report of NobleOak Life Limited for the year-half year ended 31 December 2023, 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 audit review.

Yours faithfully

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 2023

		Consolidated Half-year ended	
	Note	31/12/23 $'000	Restated 31/12/22 $'000
Insurance revenue	2.1	169,568	160,967
Insurance service expenses	2.2	(125,090)	(90,949)
Reinsurance expenses	2.3	(125,448)	(125,035)
Reinsurance income	2.4	95,138	70,291
Insurance service result		**14,168**	**15,274**
Net finance income on insurance and reinsurance contracts	2.5	757	4,689
Fees & other revenue		1,904	1,880
Other operating expenses		(13,126)	(9,287)
Insurance operating result		**3,703**	**12,556**
Net investment income	2.6	2,660	999
Profit before tax		**6,363**	**13,555**
Income tax expense		(2,122)	(4,075)
Profit after tax		**4,241**	**9,480**
Other comprehensive income		–	–
Total comprehensive income attributable to owners of the company		**4,241**	**9,480**
Earnings per share			
Basic (cents per share)		4.93	11.05
Diluted (cents per share)		4.80	10.78

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.

The Group adopted AASB 17 *Insurance Contracts* from 1 July 2023 and has restated the comparative period (transition date: 1 July 2022). The impacts of adoption are detailed in note 1a.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	Consolidated 31/12/23 $'000	Consolidated Restated 30/06/23 $'000
Assets			
Cash and cash equivalents		45,916	50,415
Receivables		5,541	2,889
Financial assets	3	198,148	177,696
Insurance contract assets	5	59,575	32,660
Reinsurance contract assets	5	58,562	63,133
Plant and equipment		415	404
Right-of-use assets		5,248	5,679
Deferred tax asset		26,307	28,429
Intangibles		4,167	4,560
Total assets		**403,879**	**365,865**
Liabilities			
Payables		102,441	99,650
Current tax liabilities		2,728	2,909
Lease liabilities		5,561	5,834
Insurance contract liabilities	5	158,652	138,149
Reinsurance contract liabilities	5	68,305	57,683
Total liabilities		**337,687**	**304,225**
Net assets		**66,192**	**61,640**
Equity			
Issued share capital		96,403	95,727
Accumulated losses		(31,139)	(35,380)
Share-based payment reserve		928	1,293
Total equity		**66,192**	**61,640**

The above Statement of Financial Position should be read in conjunction with the accompanying notes to the financial statements.

The Group adopted AASB 17 *Insurance Contracts* from 1 July 2023 and has restated the comparative period (transition date: 1 July 2022). The impacts of adoption are detailed in note 1a.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Note	Issued share capital	Accumulated profits/ (losses)	Share-based payment reserve	Total equity
		$'000	$'000	$'000	$'000
Balance as at 1 July 2022, as previously reported		95,323	14,826	1,483	111,632
Adjustment on initial adoption of AASB 17 (net of tax)		–	(63,712)	–	(63,712)
Restated balance at 1 July 2022		95,323	(48,886)	1,483	47,920
Profit for the half-year (restated)		–	9,480	–	9,480
Recognition of share-based payments		–	–	143	143
Share issued under Long Term Incentive Plan		404	–	(404)	–
Balance at 31 December 2022 (restated)		95,727	(39,406)	1,222	57,543
Balance as at 1 July 2023 (restated)		95,727	(35,380)	1,293	61,640
Profit for the half-year		–	4,241	–	4,241
Recognition of share-based payments		–	–	166	166
Share issued under Long Term Incentive Plan		531	–	(531)	–
Share issued under IPO related bonus		39	–	–	39
Share issued under employee share gift offer		106	–	–	106
Balance at 31 December 2023	8	**96,403**	**(31,139)**	**928**	**66,192**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes to the financial statements.

The Group adopted AASB 17 *Insurance Contracts* from 1 July 2023 and has restated the comparative period (transition date: 1 July 2022). The impacts of adoption are detailed in note 1a.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Consolidated Half-year ended	
	31/12/23 $'000	Restated 31/12/2022 $'000
Cash flows from operating activities		
Premium received	180,386	163,558
Reinsurance premium payments	(128,472)	(102,385)
Reinsurance recoveries received on incurred claims and expenses	67,111	40,758
Reinsurance financing received	37,690	34,515
Claims and other insurance service expenses paid	(90,554)	(56,903)
Interest received	1,580	475
Lease interest paid	(224)	(46)
Dividends and distribution received	1,804	245
Fees and other income received	1,633	1,820
Marketing and policy acquisition costs	(42,453)	(36,360)
Other operating expenses paid	(12,189)	(9,498)
Net cash from operating activities	16,312	36,179
Cash flows from investing activities		
Purchase of plant and equipment	(74)	(304)
Purchase of intangible assets	(115)	(221)
Purchase of financial assets	(20,349)	(12,303)
Net cash used in investing activities	(20,538)	(12,828)
Cash flows from financing activities		
Repayment of leasing liabilities	(273)	(436)
Net cash used in financing activities	(273)	(436)
Net (decrease)/increase in cash and cash equivalents	**(4,499)**	**22,915**
Cash and cash equivalents at the beginning of the financial period	**50,415**	**30,263**
Cash and cash equivalents at the end of the financial period	**45,916**	**53,178**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes to the financial statements.

The Group adopted AASB 17 *Insurance Contracts* from 1 July 2023 and has restated the comparative period (transition date: 1 July 2022). The impacts of adoption are detailed in note 1a.

1. Material accounting policies

General information

NobleOak Life Limited (the Company) is a company limited by shares, incorporated and domiciled in Australia.

NobleOak Life Limited (ASX:NOL) was admitted to the Official List of the Australian Securities Exchange (ASX) and its ordinary shares commenced trading on Thursday, 22 July 2021.

The Company's registered office is Level 4, 44 Market Street, Sydney NSW, 2000. These consolidated financial statements comprise the Company, its subsidiaries and controlled entities (together referred to as the "Group").

The Group is a for-profit entity and is primarily involved in the manufacture and distribution of Life Insurance products.

The financial report was authorised for issue by the Directors on 28 February 2024. The Company has the power to amend and reissue the Financial Report.

The financial statements are prepared by consolidating the financial statements of the Group's Benefit Funds and Management Fund.

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 should be read in conjunction with the most recent annual financial report and any public announcements by the Company during the half-year in accordance with continuous disclosure obligations under the Corporations Act and the ASX Listing Requirements.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historic cost, except for the adoption of AASB 17 and AASB 9 effective from 1 July 2023. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the 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 Group's annual financial report for the year ended 30 June 2023 except for the changes from transitioning to AASB 17 and AASB 9. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

NOTES TO THE FINANCIAL STATEMENTS

continued

Use of estimates, assumptions and judgements

The preparation of these Condensed Consolidated Financial Statements requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of accounting policies.

In the transition to AASB 17, the application of these estimates, assumptions and judgements applies on a current and forward looking basis (as has been the case in the past), but also on a retrospective basis from the date of transition, being 1 July 2022, to the financial year ended 30 June 2023, in the restatement of NobleOak's financial position under AASB 17. Further details on significant judgements and estimates used in the current and transitional periods are set out under sections on Accounting Policy and Transition respectively.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. The Board believes that the estimates used in preparing the financial report are reasonable. Actual results in the future may differ from those reported and it is therefore reasonably possible, on the basis of existing knowledge, that outcomes within the next financial period that are different from the Consolidated Entity's assumptions and estimates could require an adjustment to the carrying amounts of the reported assets and liabilities.

(a) New Australian Accounting Standards and amendments to Accounting Standards that are effective in the current period

AASB 17 *Insurance Contracts*

Overview

AASB 17 *Insurance Contracts* is a comprehensive new accounting standard for insurance and reinsurance contracts that replaces AASB 1038 *Life Insurance Contracts*, within the Australian Life Insurance industry. It applies to all companies that issue insurance contracts (including friendly societies, reinsurers and non-operating holding companies). The objective of the Standard is to ensure that financial entities provide relevant information that faithfully represents the insurance contracts that it issues and reinsurance contracts that it holds, through considering the substantive rights and obligations under those contracts that may arise from law, regulation or the contracts themselves.

The Standard applies to annual reporting periods beginning on or after 1 January 2023. NobleOak has thus adopted AASB 17 for initial application from 1 July 2023, and has restated comparatives back to the date of transition (1 July 2022).

NOTES TO THE FINANCIAL STATEMENTS

continued

At a high level, and in comparison to AASB 1038, the most significant changes are summarised below:

Component	AASB 17	AASB 1038
Presentation and measurement level	Insurance contracts are split by portfolios (risks with similar natures that are managed together), annual cohort and profitability grouping into Groups of Insurance Contracts. These are more granular than Related Product Groups (RPGs) under AASB 1038.	Contracts are grouped and measured in Related Product Groups (RPGs).
Measurement model	Policy Liabilities measured under the General Measurement model (GMM, default model) include: A best estimate of the present value of future cash flows that are expected to occur within the contract boundary, valued using prevailing risk-free rates plus an illiquidity premium. A risk-adjustment for non-financial risk to allow for uncertainty in timing and/or amount of cash flows. Contractual Services Margin reflecting an estimate of profits to be released in line with services provided over time, valued using a discount rate locked in at inception. Alternate measurement models are allowed in specific circumstances. The Premium Allocation Approach is similar to the accumulation approach under AASB 1038.	Policy liabilities measured using a projection method include: A best estimate of the present value of future cash flows over the duration of the policy, valued using prevailing market yields. A profit margin, reflecting an estimate of profits to be released in line with risk inherent in the policy. An alternate measurement model known as an accumulation approach is allowed, when this approach aligns with the principles applying under AASB 1038.
Profit release	Driven by a release pattern linked to the service provided (reflected by "coverage units" applicable to the group of contracts). The order of recognition of activities that have taken place over the period (e.g. assumption changes) within the CSM release, differs between AASB 17 and AASB 1038. This also impacts profit released over a period.	Driven by a selected driver (usually premiums or claims) used as a proxy for the services provided.
Reporting	Insurance and reinsurance contracts are reported separately in both the statement of financial position and the statement of Profit or Loss. Insurance/reinsurance assets and Liabilities are reflected separately from other assets and liabilities in the Statement of financial position. It is an option to disaggregate impacts from changes in the locked-in discount rate into Other Comprehensive Income, from profits and losses from income and expenses in the provision of insurance services.	Insurance and reinsurance contracts are reported on separately in the Statement of financial position, while some elements are combined in the statement of Profit or Loss. Insurance and reinsurance assets and liabilities are combined with other assets and liabilities in the statement of Profit or Loss. Profit or losses from the provision of insurance services is combined in the profit or loss with all other incomes and expenses, whether they relate to the provision of insurance services or not.

Summary – financial impact of adoption

The adoption of AASB 17 has resulted in a decrease in net assets at 1 July 2022 of $63.7 million, net of the creation of a Deferred Tax Asset of $27.3 million. This amount reflects the difference in the carrying amounts of liabilities (as assessed under AASB 1038) at 1 July 2022 (the transition date to AASB 17), and the values as determined under AASB 17. This amount was recognised as an adjustment to the opening balance of retained earnings as shown in the statement of changes in equity.

The opening net asset impact mainly reflects a reduction in assets due to the removal of the Deferred Acquisition Costs implicit in the policy liability related to Direct business, with further impacts from adjustments to the policy liabilities from the application of fair value and fully retrospective valuations at the transition date.

The statement of Profit or Loss for the year ended 30 June 2023 has been restated to be in accordance with AASB 17. The combination of applying the contract boundary and coverage units policies, has resulted in the consolidated profit release pattern being brought forward with some variability by Segment. In the Strategic partner segment the profit release pattern has been brought forward, whereas in the direct segment the profit release pattern has been delayed.

The project costs for this transition have been $4.2 million to date, with the total cost once fully complete expected to be ~$5.3 million. Cost of $2.0 million has been included in other operating expenses in the Statement of Profit or Loss in the half-year to 31 December 2023.

The effect of adopting AASB 17 on the consolidated financial statements as at 1 July 2022 are presented below:

Balance Sheet under AASB 1038 1 July 2022		Reclassifi-cation	AASB 17 re-measure-ment	Balance Sheet under AASB 17 1 July 2022	
	'000	'000	'000	'000	
Assets					**Assets**
Cash and cash equivalents	30,263	–	–	30,263	Cash and cash equivalents
Receivables	12,041	(8,968)	–	3,074	Receivables
Financial assets	69,200	–	–	69,200	Financial assets
Gross policy liabilities ceded under reinsurance	27,428	(27,428)	–	–	Gross policy liabilities ceded under reinsurance
	–	15,681	1,743	17,424	Insurance contract assets
	–	66,699	(25,807)	40,892	Reinsurance contract assets
Plant and equipment	170	–	–	170	Plant and equipment
Right-of-use assets	495	–	–	495	Right-of-use assets
Deferred tax asset	3,562	–	27,305	30,867	Deferred tax asset
Intangibles	5,353	–	–	5,353	Intangibles
Total assets	**148,512**	**45,984**	**3,241**	**197,738**	**Total assets**
Liabilities					**Liabilities**
Payables	28,639	(27,287)	–	1,352	Payables
Current tax liabilities	702	–	–	702	Current tax liabilities
Lease liabilities	556	–	–	556	Lease liabilities
Provisions	1,512	(1,512)	–	–	Provisions
Gross policy liabilities	5,472	(5,472)	–	–	Gross policy liabilities
	–	47,437	66,439	113,877	Insurance contract liabilities
	–	32,818	514	33,332	Reinsurance contract liabilities
Total liabilities	**36,881**	**45,984**	**66,953**	**149,819**	**Total liabilities**
Net assets	**111,631**	**–**	**(63,712)**	**47,919**	**Net assets**
Equity					**Equity**
Issued share capital	95,323	–	–	95,323	Issued share capital
Accumulated profits	14,826	–	(63,712)	(48,886)	Accumulated profits
Share-based payment reserve	1,483	–	–	1,483	Share-based payment reserve
Total equity	**111,631**	**–**	**(63,712)**	**47,919**	**Total equity**

The changes brought about by AASB 17 did not change the underlying economics of the business or the strategy, with the exception of the impact on tax and creation of the Deferred Tax Asset. While AASB 17 does result in changes to the timing of profit recognition from insurance contracts, it does not change the cash flows that arise under contracts, or the overall level of actual profit that emerges over the lifetime of the contract.

Transition to AASB 17

AASB 17 applies to annual reporting periods from 1 January 2023, and requires entities to transition to the standard from the year preceding the first reporting period, to enable the production of an opening balance on a AASB 17 basis. NobleOak's initial application of AASB 17 is thus from 1 July 2023, with a transition date of 1 July 2022.

At transition, any difference between existing balances (on 1 July 2022) related to insurance contracts, and the related balances determined under AASB 17, is recognised directly in equity.

Measurement Models at transition

The default requirement of AASB 17 is to apply the standard retrospectively as if AASB 17 had always been applicable unless it is impracticable to do so. It is considered impracticable to apply AASB 17 retrospectively for a group of contracts if historical contract data, including data on past assumptions and actual cash flows, or calculations models do not exist, or cannot be obtained, built or suitably modified by applying every reasonable effort to do so. If the Fully Retrospective Approach (FRA) is not applied, then entities can elect to apply either the Fair Value Approach (FVA) or Modified Retrospective Approach (MRA).

NobleOak adopted AASB 17 by applying the fully retrospective approach wherever practicable. If it was considered impracticable to apply the FRA, then NobleOak applied the Fair Value Approach, except for Direct business for which it applied the Modified Retrospective Approach.

Under the Fair Value Approach, the CSM at the transition date is calculated as the difference between the fair value of the group of insurance contracts, and the fulfilment cash flows measured at that date.

The fair value is effectively the consideration that would be paid or received for a group of insurance contracts to enable a market participant their required rate of return in a notional transition involving the group of contracts.

The fair value was calculated by discounting the expected funds becoming available for distribution to a market participant (referred to as distributable income), at the required rate of return. This calculation allows for a market participant's view of future best estimate cash flows and capital requirements and expectations of future real-world returns.

The locked-in discount rates applied to contracts valued using the Fully Retrospective Approach, are the discount rates that would have been used had AASB 17 always been applied. The discount rate applied to contracts valued under the Fair Value Approach at transition, is the discount rate based on the yield curve on 1 July 2022.

Accounting policy choices and significant judgements applied at transition

The grouping of contracts under the Fair Value Approach included an accounting policy choice, i.e. that groups of contracts within each portfolio valued using the Fair Value Approach include contracts issued more than one year apart.

Significant judgements applied at transition include:

- Impracticable to apply Fully Retrospective Approach: This decision was made based on the accessibility of forecast models (required at the point of transition), the availability and quality of granular data and assumptions that would have been required at the date of transition, or prior, where these assumptions and data would have been used had the AASB 17 measurement model applied in practice at the time;
- Fair Value calculation methodology and assumptions as at 30 June 2022; and
- Allocation of contracts to profitability groupings: For contracts measured using the Fair Value Approach, profitability groupings were to be determined based on reasonable and supportable information (such as profitability assessments) at the transition date. To the extent that there was not sufficient reasonable and supportable information available, contracts were classified as 'not onerous' for gross contracts or 'not in a net gain position' for reinsurance contracts. For contracts measured using the FRA at transition, NobleOak determined the profitability grouping of the contract based on the profitability of each contract at inception.

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Accounting Policies

AASB 17 has requirements around the recognition, presentation, measurement and reporting of insurance contracts. The below sub-sections set out the key AASB 17 standard requirements and judgements applied in implementing the new accounting standard within NobleOak.

Recognition: Classification of contracts

Insurance contracts are defined by AASB 17 as contracts under which NobleOak accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event occurs and adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis to determine whether this definition is applicable and the contract can be considered an insurance contract under AASB 17.

NobleOak uses reinsurance contracts to mitigate its risk exposure. A reinsurance contract is a contract by which an insurer transfers all or part of its risk under an insurance contract to the reinsurer.

Recognition: Combination and separation of contracts

The Standard aims to combine contracts in a way that reflects the substance of the contract (i.e. contracts with the same or related counterparty, that are designed to achieve an overall commercial effect), while separating out components that are considered non-insurance components (such as embedded derivatives, distinct investment components and distinct service components).

Presentation: Level of aggregation and Groups of Insurance Contracts

AASB 17 requires that contracts are divided into portfolios and groups of insurance contracts for the purposes of measurement.

NobleOak identifies portfolios of insurance contracts as contracts with similar risks that are managed together based on the product feature and nature of the benefit provided (i.e. Lump Sum or Income Protection) and premium type (i.e. level or stepped premiums). Furthermore, in assessing whether contracts are managed together, NobleOak considers for insurance contracts and reinsurance contracts, the terms of the reinsurance treaties or other contractual arrangements (such as distribution and administration agreements) that affect how contracts are managed, and the benefit fund to which the contract relates.

AASB 17 requires that insurance portfolios are further disaggregated into profitability groupings (onerous, no significant possibility of becoming onerous, and other contracts). NobleOak does not consider that any of its contracts can be considered to have "no significant possibility of becoming onerous" and so only applies two profitability groupings (onerous, and not onerous). Insurance contracts are considered onerous at inception if the best estimate of future outflows under the contract (i.e. the present value of claims and expenses), together with the risk adjustment for non-financial risk, exceeds the best estimate of future inflows (present value of premium receipts) that are expected to occur within the contract boundary. Similarly, reinsurance contracts are required to be disaggregated into three profitability groupings ("in a net gain on initial recognition", "no significant possibility of being in a net gain on initial recognition" and "not in a net gain on initial recognition"). Similarly for insurance contracts, NobleOak only makes use of two of these profitability groupings ("in a net gain on initial recognition" and "not in a net gain on initial recognition").

NobleOak further divides its portfolios into groups of insurance contracts reflecting annual cohorts of new contracts issued by financial year, where new contracts under AASB 17 issued include:

- for gross contracts: true new business and business renewed at the end of a contract boundary; and
- for reinsurance contracts: the reinsurance relating to true new business written over the new business notice period within the relevant treaty.

Measurement: Initial recognition of contracts

NobleOak recognises a group of insurance contracts it issues from the earliest of the following:

(a) the beginning of the coverage period of the group of contracts, and

(b) the date when the first payment from a policyholder in the group becomes due, and when NobleOak determines that a group of contracts becomes onerous.

Similarly, reinsurance contracts are recognised when at least one of the underlying insurance contracts is recognised.

Measurement: Modification and derecognition of contracts

If the terms of a contract are modified in a way that would have significantly changed the accounting for the contract had the new terms always existed, then the modification triggers derecognition of the original contract and recognition of a new contract. This occurs if modified terms are such that, had the terms been in place at contract inception, the contract would:

- Be out of scope for AASB 17;
- Have materially different components of the contract being separated;
- Have a substantially different contract boundary;
- Belong to a different portfolio or group of insurance contracts; or
- If a model other than GMM is used, then no longer meeting the eligibility criteria for the relevant measurement model which is used.

NobleOak derecognises insurance contracts when the rights and obligations relating to the contract are extinguished (i.e. expired, discharged, or cancelled) or when the contract is modified (as identified using the above principles). In such cases, NobleOak derecognises the initial contract and recognises the modified contract as a new contract.

Measurement: Contract boundary

For the purposes of determining the value of insurance and reinsurance liabilities and assets, AASB 17 requires entities to define the period over which insurance services are provided (known as the coverage period), and to only allow for cash flows expected to be incurred within that period in the determination of the value of insurance liabilities.

Cash flows relating to insurance services provided within the coverage period are within the “contract boundary” of that contract.

The coverage period ceases when the entity no longer has substantive rights and obligations to provide cover, as defined in the Standard, which includes the entity having the right to reprice the contract to fully reflect risk. At the end of the coverage period, even if the legal contract continues, a new contract is considered to have commenced for accounting purposes. Cash flows incurred outside the contract’s boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria. A single legal contract may therefore be treated as a number of successive “contracts” for the purposes of accounting under AASB 17.

In assessing contract boundaries risks transferred from the policyholder to NobleOak, such as insurance risk and financial risk, are considered while other risks, such as lapse and expense risk, are not.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of NobleOak that exist during the reporting period in which NobleOak is compelled to pay premiums to the reinsurer or in which NobleOak has a substantive right to receive services from the reinsurer.

Measurement: Policy Liability Measurement models

Under AASB 17, insurance and reinsurance policy liabilities are made up of a liability for remaining coverage (LRC) and a liability for incurred claims (LIC).

The Liability for Remaining Coverage (LRC), reflects an entity's obligation to:

(a) investigate and pay valid claims under existing insurance contracts for insured events that have not yet occurred (i.e. the obligation that relates to the unexpired portion of the insurance coverage); and

(b) pay amounts under existing insurance contracts that are not included in (a) and that relate to:

   i. insurance contract services not yet provided (i.e. the obligations that relate to future provision of insurance contract services); or

   ii. any investment components or other amounts that are not related to the provision of insurance contract services and that have not been transferred to the liability for incurred claims.

The Liability for Incurred Claims (LIC), reflects an entity's obligation to:

(a) investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses; and

(b) pay amounts that are not included in (a) and that relate to:

   i. insurance contract services that have already been provided; or

   ii. any investment components or other amounts that are not related to the provision of insurance contract services and that are not in the liability for remaining coverage.

Broken down further, the Liability for Remaining Coverage is made up of:

- Future cash flows (FCF): Best estimates of future cash flows related to the LRC;
- Risk adjustment (RA): A risk adjustment for non-financial risk; and
- Contractual Services Margin (CSM): An estimate of unearned profit that the business will recognise as it provides coverage in the future.

While the Liability for Incurred Claims is made up of:

- Present value of future expected claim payments related to the LIC; and
- Risk adjustment (RA): A risk adjustment for non-financial risk.

AASB 17 defines a default measurement model referred to as the GMM for determining the liability for remaining coverage (as defined above), and recognition of profit. It also allows for two modifications:

- An alternate model referred to as the VFA ("Variable Fee Approach") for insurance contracts with direct participation features, which must be used when contracts meet certain specified criteria;
- A simplified model referred to as the PAA ("Premium Allocation Approach"), which can be used as a discretionary policy choice in the following circumstances:
  - Where the coverage period (the period up to the contract boundary) is no longer than 12 months; or
  - Where NobleOak expects that such a simplification would produce a policy liability value that is not materially different from the one that would be produced under the GMM.

NobleOak uses the GMM as the default measurement model, unless evidence suggests that the VFA is applicable, or that the group of insurance contracts is eligible to be measured under the PAA. In particular, the GMM model is used across all business with the exception of Direct business for which the contract boundary is short (1 year) and the Freedom and Reward businesses where NobleOak has elected to use PAA approach as the simplified approach will produce a result which is not materially different from that produced by applying the GMM approach.

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Loss Components and Loss Recovery Components

Insurance contracts that are measured under the GMM, are classified as onerous at inception if they are in a net outflow (loss) position. If contracts are measured under the PAA, NobleOak assumes that no contracts are onerous at inception, unless facts and circumstances (i.e. profitability assessments during pricing analysis) indicate otherwise.

NobleOak measures the loss component as the amount that offsets the net out-flow position applicable to the group of insurance contracts.

The loss component is released over time using expected cash outflows to determine the release in the current year.

To the extent that the loss on a gross insurance contract is mitigated through reinsurance held, NobleOak will create a reinsurance loss recovery component that adjusts the contractual service margin within the relevant reinsurance asset for remaining coverage by the same amount. The reinsurance loss recovery component will be proportional (based on the reinsured percentage) when losses are initially recognised and subsequently adjusted and/or reversed on the underlying contract.

Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows under) are included in the carrying amount of the related portfolios of contracts.

Accounting policy choices

AASB 17 offers choice in a number of instances. The accounting policy choices that NobleOak made in the implementation of AASB 17 include:

- Measurement models:
  - The use of PAA as the measurement model for direct business;
  - The choice not to discount projected cash flows for contracts valued under the PAA approach; and
  - The choice not to expense insurance acquisition cash flows as they are incurred, but rather to amortise them over multiple renewal contracts, as available to contracts accounted for using the PAA.
- Reporting:
  - The choice not to disaggregate Insurance Finance Income and Expenses into Profit or loss and Other Comprehensive income.

Significant judgements and estimates

Contracts – the lowest unit of account

In determining whether two or more separate legal contracts (relating to the same life insured or related counterparties), or relevant components thereof, should be combined into a single contract, NobleOak made use of the following criteria:

- The cash flow estimates for the components are interdependent. This means that the cash flow estimates for one component cannot be measured without considering the other component;
- A component cannot be sold on a standalone basis due to the nature of the benefit, or due to the regulatory restriction that prohibits the sale of component on a standalone basis; and
- The components form one legal contract and the lapse of one component contractually leads to the lapse of another.

The level of combination and/or separation could affect the recognition of onerous contracts, the formation of portfolios and groups of insurance contracts, the determination of contract boundaries and eligibility for PAA and VFA measurement approaches.

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Grouping of insurance contracts for measurement

Judgement was used in the consideration of "similar risks that are managed together" (when determining the portfolios applicable to NobleOak), as a number of policy characteristics are considered together across different activities (e.g. experience investigations, profitability assessments, pricing activities, etc.).

This assessment impacts the composition of portfolios and thus the assessment of onerousness at contract inception and subsequent measurement dates.

Best Estimate Cash flows

Best Estimate future cash flows are reflective of premium, expense, commission and claim cash flows that are expected to be incurred over the lifetime of the policy. These cash flows are estimated by projecting various scenarios and attaching best estimate probabilities to the elements that are uncertain (e.g. claim incidence, claim termination, lapse risk, mortality risk, surrender risk etc.) to obtain estimates of the most likely cash flow outcomes in future, given current information available. These cash flows are then discounted using the discount rate applicable to the group of insurance contracts to derive the present value.

In estimating future cash flows, NobleOak incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect NobleOak's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

Furthermore, judgement was used in NobleOak's determination of expense cash flows that are considered directly attributable and so allowed for in the CSM verses non-attributable to contracts and thus accounted for on a cash flow basis as they are incurred.

In addition, judgement was used in the allocation to contracts, and amortisation, of the insurance acquisition cash flow asset, for which the run-off is not prescribed by AASB 17.

Judgement was used in the assessment that the risk of reinsurer non-performance is immaterial in the projected cash flows within reinsurance contracts. In making this assessment consideration was given to reinsurer credit ratings, any historic disputes between NobleOak and its reinsurers, and any other relevant information in respect of the relationship between NobleOak and its reinsurers in making claim decisions. NobleOak has determined:

- The likelihood of default to be immaterial given the investment grade of reinsurers used and the Asset Concentration Risk mitigation arrangements in place with some of these reinsurers, and
- That dispute risk is negligible as evidenced by no material historical disputes between NobleOak and its reinsurers, as well as the existing system of discussions held between NobleOak with reinsurers before making claim payments, avoiding disputes.

This assessment is subject to ongoing review.

Discounting

Cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. NobleOak uses the bottom-up approach to derive discount rates under AASB 17 and determines the discount rate to be made up of a risk-free nominal yield curve applied to nominal cash flows, and an illiquidity premium, which is applied based on the liquidity characteristics of the liability.

In setting the risk-free yield curve NobleOak uses Australian Commonwealth Government bond market yields. NobleOak considers these market yields to have negligible credit risk, and therefore determines a risk-free yield curve with no adjustments for sovereign default risk. This approach is subject to sovereign risk remaining negligible for Australia.

For the illiquidity premium NobleOak assesses the liquidity characteristics of the liability and applies an illiquidity premium only if the liability has been assessed as illiquid (i.e. cannot be accessed by the member before a given future date) and if the application of the illiquidity premium is material.

NobleOak applies a locked-in discount rate to determine the contractual service margin and changes to the contractual services margin. The locked-in discount rate NobleOak applies is a weighted-average discount rate over the period the contracts are issued for each group, which cannot be more than one year apart.

The locked-in discount rate reflects the discount rate at initial recognition for contracts in a group and is used to accrete interest on the contractual services margin and is applied to estimates of future cashflow when determining subsequent changes to the contractual services margin.

Fulfilment cash flows

The assessment of the contract boundary requires judgement and consideration of NobleOak's substantive rights and obligations under the contract. In this assessment for insurance contracts, consideration was given to contractual terms (as per Benefit Fund Rules and the member certificates), implied contractual terms as set out in product disclosure (noting these are materially consistent with contractual terms), and any other legal contracts such as Reinsurance treaties or tripartite agreements). For reinsurance contracts, consideration was given to contractual terms in the Reinsurance Treaties, and any other legal constraints.

Furthermore, judgement was used in the distinction between the LRC and LIC for Income Protection policies. The assessment considers the treatment of continuing coverage provided to policies on claim and treats claims in the course of payment as part of LIC, consistent with historical practices.

AASB 17 does not prescribe a technique for determining the risk adjustment for non-financial risk, and thus judgement was used to determine an approach that is appropriate for NobleOak. Techniques that can be used include the Cost of Capital approach and the Confidence Interval approach. NobleOak has elected to use the confidence level approach at a 75% probability of sufficiency, based on a long-term view of volumes.

Coverage units

Significant judgement was used to determine the coverage units used to recognise future profits in line with coverage provided.

Contracts can have more than one insurance coverage service which necessitates weighting of coverage units between these services. The reinsurance contract held has been identified as having two services being claims protection (the service being the ability to make a valid claim) and lapse risk protection (for example being the removal of the need to repay initial commission in the event of a lapse).

In determining the amount of coverage units to reflect services provided by an insurance contract with multiple coverages, methods based on projected cash flows are considered. In applying these methods, NobleOak estimates the likelihood of insured events occurring to the extent the likelihood affects not just the duration of coverage, but also the amount of all possible benefits provided in a period. This allows NobleOak to determine the relative weights of the different benefits provided under a group of contracts.

AASB 9 *Financial instruments*

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement*. The Group took the deferral approach that was to implement the standard at the same time as AASB 17 and it has now been adopted for the current reporting period.

AASB 9 includes revised guidance on the classification and measurement of financial instruments. It introduces a new classification model for financial assets that is more principles-based than the previous requirements in AASB 139.

An entity's business model reflects how it manages its financial assets in order to generate cash flows. Its business model determines whether cash flows will result from collecting contractual cash flows; selling the financial assets; or both. This assessment is performed on the basis of scenarios that the entity reasonably expects to occur. An entity will need to use judgement to assess its business model for managing financial assets and that assessment is not determined by a single factor or activity.

The Group applied AASB 9 retrospectively with no material impact on the results of the Group.

Financial assets and financial liabilities are recognised at the date the Group becomes a party to the contractual provisions of the instrument. At initial recognition, financial assets are classified as and subsequently measured at fair value through profit or loss, or amortised cost. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to an unrelated third party. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Below is a summary of initial application of AASB 9 as at 1 July 2023:

	Classification under AASB 9
Financial assets	
Cash and cash equivalents	Amortised cost
Bank bills and term deposits	Amortised cost
Unit trusts	Fair Value through Profit or Loss (FVTPL)
Receivables	Amortised cost
Financial liabilities	
Payables	Amortised cost

2. Results for the half-year

2.1 Insurance revenue

	Consolidated Half-year ended	
	31/12/2023 $'000	Restated 31/12/2022 $'000
Insurance contracts not measured under the PAA:		
Amounts relating to changes in liabilities for remaining coverage		
– Expected incurred claims and other insurance service expenses	86,299	85,193
– Change in risk adjustment recognised for non-financial risk	2,620	2,140
– CSM recognised for service provided	29,152	27,109
– Other	(3,547)	(1,752)
Recovery of insurance acquisition cashflows	8,815	6,737
Insurance revenue from contract measured under the PAA	46,229	41,540
Total insurance revenue	**169,568**	**160,967**

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2.2 Insurance service expenses

	Consolidated Half-year ended	
	31/12/2023 $'000	Restated 31/12/2022 $'000
Incurred claims from current period	52,875	36,684
Other incurred directly attributable expenses	50,568	39,973
Changes to liabilities for incurred claims from prior periods	8,008	6,492
Amortisation of insurance acquisition cash flows	8,975	5,589
Losses on onerous contracts and reversals of those losses	4,664	2,211
Total insurance service expenses	**125,090**	**90,949**

2.3 Reinsurance expenses

	Consolidated Half-year ended	
	31/12/2023 $'000	Restated 31/12/2022 $'000
Reinsurance contracts not measured under the PAA:		
Amounts relating to changes in liabilities for remaining coverage		
– Expected claims and other expense recovery	82,640	85,314
– Change in risk adjustment recognised for the risk expired	2,777	2,351
– CSM recognised for service provided	31,880	30,518
– Other	(5,056)	(3,524)
Recovery of reinsurance acquisition cashflows	9,056	6,013
Reinsurance expenses from contracts measured under the PAA	4,151	4,363
Total reinsurance expenses	**125,448**	**125,035**

2.4 Reinsurance income

	Consolidated Half-year ended	
	31/12/2023 $'000	Restated 31/12/2022 $'000
Amounts recoverable for incurred claims	44,608	30,018
Amount recovery for other incurred insurance service expenses	30,621	26,410
Changes in amounts recoverable that relate to past service adjustments to incurred claims	7,950	6,168
Amortisation of reinsurance acquisition cash flows	9,056	6,013
Recoveries of loss on recognition of underlying onerous contracts	2,903	1,682
Total reinsurance income	**95,138**	**70,291**

2.5 Net finance income from insurance and reinsurance contracts

	Consolidated Half-year ended	
	31/12/2023 $'000	Restated 31/12/2022 $'000
Interest accreted to insurance contracts using current financial assumptions	(1,756)	(651)
Interest accreted to insurance contracts using locked-in rate	874	575
Due to changes in interest rates and other financial assumptions	1,639	4,765
Net finance income on insurance and reinsurance contracts	**757**	**4,689**
Total insurance finance income/(expense) from insurance contracts	9,312	(17,406)
Total insurance finance income/(expense) from reinsurance contracts	(8,555)	22,095
Net finance income on insurance and reinsurance contracts	**757**	**4,689**
Net finance expense on insurance and reinsurance contracts using locked in rate	(307)	(589)
Due to current financial assumptions differing from locked-in rate and changes in interest rate	1,064	5,278
Net finance income on insurance and reinsurance contracts	**757**	**4,689**

2.6 Net investment income

	Consolidated Half-year ended	
	31/12/2023 $'000	Restated 31/12/2022 $'000
Interest revenue	3,489	727
Dividends and distribution income	1,830	245
Increase/(Decrease) in market value of investments	104	82
Investment expenses*	(2,763)	(55)
Total net investment income	**2,660**	**999**

* December 2023 investment expenses include $2.6 million fee paid on $97 million received from the reinsurer as part of the deposit back arrangement which have been invested in term deposits and unit trusts. Refer note 7.

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2.7 Segment information

AASB 8 *Operating Segments* requires disclosure of operating segments that engage in business activities and whose results are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess performance.

The information reported to the Group's Board of Directors, being the chief operating decision maker, for the purpose of resource allocation and assessment of performance is focused on the products and services of each reporting segment.

The principal operating segments within the insurance operations of NobleOak are as follows:

(a) Direct business

The term 'Direct' reflects the Life Insurance protection products that are sold directly to customers under the NobleOak brand. This segment also includes the results of the management fund, whose function is to recognise the expenses incurred and investment income of the Group (net of allocation to the other segments), as well as one small closed fund – Funeral Benefit Fund which is held for the Druids members.

Products sold under the direct branded Premium Life Direct or My Protection Plan include term life, total and permanent disability, trauma, income protection and business expenses.

(b) Strategic Partners

The term 'Strategic Partners' reflects the Life Insurance protection products which are sold to customers primarily through advisors under our partner brands. Currently, NobleOak is the issuer of Life Insurance policies for PPS Mutual (established 2016), Avant Mutual (established 2017) and NEOS (established 2018).

(c) Genus

The term 'Genus' refers to Life Insurance administration services performed by the Group company Genus Life Insurance Services Pty Ltd. Genus took on the administration of the run-off of life and funeral insurance protection products written through Freedom Insurance Group following it ceasing operations in 2019.

Genus provides administration services to the policyholders of the portfolios and receives revenue from the insurer. The segment also includes the residual results of the Freedom and Reward Benefit Funds.

	Direct		Strategic Partnerships		Genus		Consolidated	
	Dec 2023 $'000	Restated Dec 2022 $'000	Dec 2023 $'000	Restated Dec 2022 $'000	Dec 2023 $'000	Restated Dec 2022 $'000	Dec 2023 $'000	Restated Dec 2022 $'000
Insurance revenue	39,996	36,508	124,174	118,760	5,398	5,699	169,568	160,967
Insurance service expenses	(24,413)	(22,656)	(97,511)	(66,475)	(3,165)	(1,818)	(125,090)	(90,949)
Reinsurance expenses	(20,224)	(19,061)	(101,073)	(101,611)	(4,151)	(4,363)	(125,448)	(125,035)
Reinsurance income	14,455	14,241	78,809	55,565	1,874	485	95,138	70,291
Insurance service result	**9,815**	**9,032**	**4,399**	**6,239**	**(44)**	**3**	**14,168**	**15,274**
Net finance income on insurance and reinsurance contracts	(531)	7,062	1,288	(2,373)	–	–	757	4,689
Fees & other revenue	29	27	–	–	1,874	1,853	1,904	1,880
Other operating expenses	(6,874)	(5,349)	(2,644)	(1,789)	(1,596)	(1,312)	(13,126)	(9,287)
Insurance operating result	**2,439**	**10,772**	**3,043**	**2,077**	**234**	**544**	**3,703**	**12,556**
Net investment income	825	539	1,803	452	32	8	2,660	999
Profit before tax	**3,264**	**11,311**	**4,846**	**2,529**	**266**	**552**	**6,363**	**13,555**
Income tax expense	(1,192)	(3,392)	(1,454)	(759)	(80)	(176)	(2,122)	(4,075)
Profit after tax	**2,072**	**7,919**	**3,392**	**1,771**	**186**	**376**	**4,241**	**9,480**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income attributable to owners of the company	**2,072**	**7,919**	**3,392**	**1,771**	**186**	**376**	**4,241**	**9,480**
Impact of economic assumption changes (post tax)	(641)	(5,397)	(104)	1,702	–	–	(745)	(3,695)
Impact of change on loss recognition (post tax)	–	–	1,232	399	–	–	1,232	399
Impact of AASB 17 implementation expenses (post tax)	–	–	–	–	–	–	1,409	586
Impact of IT project expense	763	–	–	–	155	–	918	–
Impact of Funeral Fund member allocation	780	–	–	–	–	–	780	–
Underlying NPAT[1]	**2,974**	**2,523**	**4,520**	**3,871**	**341**	**376**	**7,835**	**6,770**

1. Underlying NPAT is a non-IFRS financial measure, defined as net profit after tax excluding the impact on one-off and recurring items. Disclosing an underlying measure of profits, 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). More details on the recurring and one-off adjustment are provided in the statutory to management reconciliation section of this directors report.

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2.8 Dividends

No dividend has been declared for the first half of FY24.

	Consolidated Half-year ended			
	31/12/23 Cents per share	31/12/23 $'000	31/12/22 Cents per share	31/12/22 $'000
Dividend	–	–	–	–

Dividend franking account

	Consolidated	
	31/12/23 $'000	Restated 30/06/23 $'000
Amount of franking credit available for use in subsequent financial years	$5,520	$5,339

3. Financial assets

Financial assets comprise assets held to fund policyholder liabilities, provide securities against reinsurance asset exposures, and excess shareholders' assets. Financial assets are measured at amortised cost or fair value through profit or loss and include bank bills and term deposits, and Australian fixed interest bonds.

	Consolidated	
	31/12/23 $'000	30/06/23 $'000
Financial assets held at amortised cost:		
Bank bills and term deposits	107,545	87,537
Financial assets held at fair value through profit or loss:		
Listed unit trusts	77,664	77,559
Unlisted unit trusts	12,939	12,600
	198,148	177,696
Maturity analysis:		
Current	107,545	87,537
Non-current	90,603	90,159
	198,148	177,696
Level 1		
Listed unit trusts	77,664	77,559
Level 2		
Bank bills and term deposits	107,545	87,537
Unlisted unit trusts	12,939	12,600
	120,484	100,137
	198,148	177,696

Note: Includes assets held in support of reinsurance concentration mitigants including claims settlement terms and deposit back arrangements of $109.4 million (Jun-23: $109.4 million). Refer note 5 and 7 for more details.

The fair value of financial instruments is measured by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(ii) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

4. Right-of-use assets and lease liabilities

	Consolidated
	31/12/23 $'000
Gross carrying amount	
Balance at 1 July 2023	6,174
Additions	–
Balance at 31 December 2023	**6,174**
Accumulated depreciation	
Balance at 1 July 2023	(495)
Depreciation expense	(431)
Balance at 31 December 2023	**(926)**
Net book value	
As at 30 June 2023	5,679
As at 31 December 2023	5,248

	31/12/23 $'000	30/06/23 $'000
Lease liabilities	5,561	5,834
Maturity analysis:		
Current	624	577
Non-current	4,937	5,257
	5,561	**5,834**

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
31 Dec 2023	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Lease payments	1,036	1,082	1,130	1,180	1,233	1,394	7,055
Finance charges	(412)	(359)	(297)	(226)	(146)	(54)	(1,494)
Net present value	**624**	**723**	**833**	**954**	**1,087**	**1,340**	**5,561**

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
30 June 2023	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Lease payments	1,013	1,058	1,106	1,155	1,206	2,013	7,551
Finance charges	(436)	(386)	(329)	(263)	(187)	(116)	(1,717)
Net present value	**577**	**672**	**777**	**892**	**1,019**	**1,897**	**5,834**

5. Movement in insurance and reinsurance contract balances

Insurance contracts

The following table shows the reconciliation from the opening to the closing balances of the net liability for remaining coverage and the liability for incurred claims for insurance contracts:

For the half-year ended 31 December 2023

	Asset for insurance acquisition cash flows	Liabilities for remaining coverage		Liability for incurred claims	Total
		Excluding loss component	Loss component		
	$'000	$'000	$'000	$'000	$'000
Opening assets	22,692	50,606	(15,942)	(24,696)	32,660
Opening liabilities	–	(8,302)	(13,493)	(116,354)	(138,149)
Net opening balance	**22,692**	**42,304**	**(29,435)**	**(141,050)**	**(105,489)**
Changes in the statement of profit or loss and OCI					
Insurance revenue					
Contracts under the modified retrospective approach	–	–	–	–	–
Contracts under the fair value transition approach	–	115,535	–	–	115,535
Other contracts	(26)	54,059	–	–	54,034
Insurance revenue	**(26)**	**169,594**	**–**	**–**	**169,568**
Insurance service expenses					
Incurred claims and other insurance service expenses	–	–	–	(103,443)	(103,443)
Amortisation of insurance acquisition cash flows	(729)	(8,245)	–	–	(8,975)
Losses and reversals of losses on onerous contracts	–	–	(4,664)	–	(4,664)
Adjustments to liabilities for incurred claims for past claims	–	–	–	(8,008)	(8,008)
Insurance service expenses	**(729)**	**(8,245)**	**(4,664)**	**(111,451)**	**(125,090)**
Insurance service result	**(755)**	**161,349**	**(4,664)**	**(111,451)**	**44,479**
Net finance expense from insurance contracts	–	9,522	(208)	–	9,312
Effects of movements in exchange rates	–	–	–	–	–
Total changes in the statement of profit or loss	**(755)**	**170,871**	**(4,872)**	**(111,451)**	**53,791**
Cash flows					
Premiums received	–	(180,386)	–	–	(180,386)
Claims and other insurance service expenses paid	–	–	–	90,554	90,554
Insurance acquisition cash flows	11,234	31,219	–	–	42,453
Total cash flows	**11,234**	**(149,167)**	**–**	**90,554**	**(47,379)**
Transfer to other items in the statement of financial position	–	–	–	–	–
Net closing balance	**33,171**	**64,008**	**(34,308)**	**(161,948)**	**(99,077)**
Closing assets	33,171	72,210	(19,434)	(26,372)	59,575
Closing liabilities	–	(8,202)	(14,874)	(135,576)	(158,652)
Net closing balance	**33,171**	**64,008**	**(34,308)**	**(161,948)**	**(99,077)**

NOTES TO THE FINANCIAL STATEMENTS

continued

Insurance contracts (continued)

For the year ended 30 June 2023

	Asset for insurance acquisition cash flows	Liabilities for remaining coverage: Excluding loss component	Liabilities for remaining coverage: Loss component	Liability for incurred claims	Total
	$'000	$'000	$'000	$'000	$'000
Opening assets	–	47,003	(16,385)	(13,194)	17,424
Opening liabilities	–	(38,111)	(8,549)	(67,216)	(113,877)
Net opening balance	**–**	**8,892**	**(24,935)**	**(80,410)**	**(96,453)**
Changes in the statement of profit or loss and OCI					
Insurance revenue					
Contracts under the modified retrospective approach	–	–	–	–	–
Contracts under the fair value transition approach	–	257,937	–	–	257,937
Other contracts	1,324	78,470	–	–	79,794
Insurance revenue	**1,324**	**336,407**	**–**	**–**	**337,731**
Insurance service expenses					
Incurred claims and other insurance service expenses	–	–	–	(181,517)	(181,517)
Amortisation of insurance acquisition cash flows	–	(14,608)	–	–	(14,608)
Losses and reversals of losses on onerous contracts	–	–	(4,188)	–	(4,188)
Adjustments to liabilities for incurred claims for past claims	–	–	–	(28,649)	(28,649)
Insurance service expenses	**–**	**(14,608)**	**(4,188)**	**(210,166)**	**(228,962)**
Insurance service result	**1,324**	**321,799**	**(4,188)**	**(210,166)**	**108,769**
Net finance expense from insurance contracts	–	(9,267)	(312)	–	(9,579)
Effects of movements in exchange rates	–	–	–	–	–
Total changes in the statement of profit or loss	**1,324**	**312,532**	**(4,500)**	**(210,166)**	**99,190**
Cash flows					
Premiums received	–	(330,473)	–	–	(330,473)
Claims and other insurance service expenses paid	–	–	–	149,526	149,526
Insurance acquisition cash flows	21,367	51,353	–	–	72,720
Total cash flows	**21,367**	**(279,120)**	**–**	**149,526**	**(108,227)**
Transfer to other items in the statement of financial position	–	–	–	–	–
Net closing balance	**22,692**	**42,304**	**(29,435)**	**(141,050)**	**(105,489)**
Closing assets	22,692	50,606	(15,942)	(24,696)	32,660
Closing liabilities	–	(8,302)	(13,493)	(116,354)	(138,149)
Net closing balance	**22,692**	**42,304**	**(29,435)**	**(141,050)**	**(105,489)**

NOTES TO THE FINANCIAL STATEMENTS

continued

Insurance contracts (continued)

Analysis by measurement component – contracts not measured under the PAA

For the half-year ended 31 December 2023

	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM: Contracts under fair value transition approach	CSM: Other contracts	CSM: Subtotal	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Opening assets	442,162	(41,787)	(197,810)	(169,905)	(367,715)	32,660
Opening liabilities	(568)	(23,924)	(12,356)	(72,183)	(84,539)	(109,032)
Net opening balance	**441,594**	**(65,711)**	**(210,166)**	**(242,088)**	**(452,254)**	**(76,372)**
Changes in the statement of profit or loss and OCI						
Changes that relate to current service						
CSM recognised for services provided	–	–	16,091	13,061	29,152	29,152
Change in risk adjustment for non-financial risk expired	–	2,620	–	–	–	2,620
Experience adjustments	2,431	(273)	–	–	–	2,158
Changes that relate to future service						
Contracts initially recognised in the period	47,137	(6,615)	–	(44,546)	(44,546)	(4,024)
Change in estimates that adjust the CSM	(6,908)	(1,237)	(3,190)	11,335	8,145	–
Change in estimates that result in losses and reversal of losses on onerous contracts	(1,347)	(436)	–	–	–	(1,783)
Changes that relate to past service						
Adjustments to liabilities for incurred claims	(2,145)	(112)	–	–	–	(2,257)
Insurance service result	**39,168**	**(6,053)**	**12,901**	**(20,150)**	**(7,249)**	**25,866**
Net finance expense from insurance contracts	18,933	(2,164)	(4,447)	(3,009)	(7,457)	9,312
Effects of movements in exchange rates	–	–	–	–	–	–
Total changes in the statement of profit or loss and OCI	**58,101**	**(8,217)**	**8,453**	**(23,159)**	**(14,706)**	**35,178**
Cash flows						
Premiums received	(132,786)	–	–	–	–	(132,786)
Claims and other insurance service expenses paid, including investment components	70,485	–	–	–	–	70,485
Insurance acquisition cash flows	31,219	–	–	–	–	31,219
Total cash flows	**(31,081)**	**–**	**–**	**–**	**–**	**(31,081)**
Net closing balance	**468,613**	**(73,929)**	**(201,714)**	**(265,247)**	**(466,961)**	**(72,276)**
Closing assets	467,800	(47,183)	(160,553)	(210,994)	(371,547)	49,071
Closing liabilities	813	(26,746)	(41,161)	(54,253)	(95,414)	(121,347)
Net closing balance	**468,613**	**(73,929)**	**(201,714)**	**(265,247)**	**(466,961)**	**(72,276)**

NOTES TO THE FINANCIAL STATEMENTS

continued

Insurance contracts (continued)

Analysis by measurement component – contracts not measured under the PAA

For the year ended 30 June 2023

	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM: Contracts under fair value transition approach	CSM: Other contracts	CSM: Subtotal	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Opening assets	495,182	(45,325)	(279,496)	(152,938)	(432,434)	17,424
Opening liabilities	(19,993)	(16,876)	(12,354)	(25,326)	(37,680)	(74,548)
Net opening balance	**475,189**	**(62,201)**	**(291,850)**	**(178,264)**	**(470,113)**	**(57,125)**
Changes in the statement of profit or loss and OCI						
Changes that relate to current service						
CSM recognised for services provided	–	–	33,077	22,050	55,127	55,127
Change in risk adjustment for non-financial risk expired	–	4,455	–	–	–	4,455
Experience adjustments	43,237	(2,502)	–	–	–	40,735
Changes that relate to future service						
Contracts initially recognised in the year	101,372	(12,023)	–	(95,413)	(95,413)	(6,065)
Change in estimates that adjust the CSM	(74,815)	6,667	55,065	13,083	68,148	–
Change in estimates that result in losses and reversal of losses on onerous contracts	(182)	(130)	–	–	–	(312)
Changes that relate to past service						
Adjustments to liabilities for incurred claims	(14,977)	147	–	–	–	(14,830)
Insurance service result	**54,634**	**(3,386)**	**88,142**	**(60,280)**	**27,862**	**79,110**
Net finance expense from insurance contracts	549	(125)	(6,458)	(3,545)	(10,003)	(9,579)
Effects of movements in exchange rates	–	–	–	–	–	–
Total changes in the statement of profit or loss and OCI	**55,183**	**(3,511)**	**81,683**	**(63,825)**	**17,859**	**69,531**
Cash flows						
Premiums received	(244,619)	–	–	–	–	(244,619)
Claims and other insurance service expenses paid, including investment components	104,489	–	–	–	–	104,489
Insurance acquisition cash flows	51,353	–	–	–	–	51,353
Total cash flows	**(88,777)**	**–**	**–**	**–**	**–**	**(88,777)**
Net closing balance	**441,594**	**(65,711)**	**(210,166)**	**(242,088)**	**(452,254)**	**(76,372)**
Closing assets	442,162	(41,787)	(197,810)	(169,905)	(367,715)	32,660
Closing liabilities	(568)	(23,924)	(12,356)	(72,183)	(84,539)	(109,032)
Net closing balance	**441,594**	**(65,711)**	**(210,166)**	**(242,088)**	**(452,254)**	**(76,372)**

NOTES TO THE FINANCIAL STATEMENTS

continued

Reinsurance contracts

The following table shows the reconciliation from the opening to the closing balances of the net liability for remaining coverage and the liability for incurred claims for reinsurance contracts:

For the half-year ended 31 December 2023

	Assets for remaining coverage			
	Excluding loss component	Loss component	Assets for incurred claims	Total
	$'000	$'000	$'000	$'000
Opening assets	18,154	11,051	33,928	63,133
Opening liabilities	(143,112)	12,668	72,761	(57,683)
Net opening balance	**(124,958)**	**23,719**	**106,689**	**5,450**
Changes in the statement of profit or loss and OCI				
Reinsurance expense				
Allocation of reinsurance premiums paid	(125,448)	–	–	(125,448)
	(125,448)	**–**	**–**	**(125,448)**
Reinsurance income				
Recoveries of incurred claims and other insurance service expenses	–	–	75,229	75,229
Amortisation of reinsurance acquisition cash flows	9,056	–	–	9,056
Recoveries and reversal of recoveries of losses on onerous underlying contracts	–	2,903	–	2,903
Adjustments to assets for incurred claims on past claims	–	–	7,950	7,950
	9,056	**2,903**	**83,179**	**95,138**
Net expenses from reinsurance contracts	**(116,392)**	**2,903**	**83,179**	**(30,310)**
Net finance expense from reinsurance contracts	(8,972)	417	–	(8,555)
Effects of movements in exchange rates	–	–	–	–
Total changes in the statement of profit or loss	**(125,364)**	**3,320**	**83,179**	**(38,865)**
Cash flows				
Reinsurance premiums paid	128,472	–	–	128,472
Reinsurance recoveries received for incurred claims and expenses	–	–	(67,111)	(67,111)
Recovery received for insurance acquisition cash flows	(37,690)	–	–	(37,690)
Total cash flows	**90,782**	**–**	**(67,111)**	**23,671**
Transfer to other items in the statement of financial position	–	–	–	–
Net closing balance	**(159,540)**	**27,039**	**122,757**	**(9,743)**
Closing assets	13,435	11,999	33,127	58,562
Closing liabilities	(172,975)	15,040	89,630	(68,305)
Net closing balance	**(159,540)**	**27,039**	**122,757**	**(9,743)**

Reinsurance contracts (continued)

For the year ended 30 June 2023

	Assets for remaining coverage			
	Excluding loss component	Loss component	Assets for incurred claims	Total
	$'000	$'000	$'000	$'000
Opening assets	15,465	6,929	18,498	40,892
Opening liabilities	(67,378)	12,995	21,051	(33,332)
Net opening balance	**(51,913)**	**19,924**	**39,549**	**7,560**
Changes in the statement of profit or loss and OCI				
Reinsurance expense				
Allocation of reinsurance premiums paid	(264,078)	–	–	(264,078)
	(264,078)	**–**	**–**	**(264,078)**
Reinsurance income				
Recoveries of incurred claims and other insurance service expenses	–	–	138,790	138,790
Amortisation of reinsurance acquisition cash flows	15,072	–	–	15,072
Recoveries and reversal of recoveries of losses on onerous underlying contracts	–	3,543	–	3,543
Adjustments to assets for incurred claims	–	–	26,001	26,001
	15,072	**3,543**	**164,791**	**183,406**
Net expenses from reinsurance contracts	**(249,006)**	**3,543**	**164,791**	**(80,672)**
Net finance expense from reinsurance contracts	13,619	251	–	13,870
Effects of movements in exchange rates	–	–	–	–
Total changes in the statement of profit or loss	**(235,387)**	**3,794**	**164,791**	**(66,802)**
Cash flows				
Reinsurance premiums paid	215,236	–	–	215,236
Reinsurance recoveries received for incurred claims and expenses	–	–	(97,651)	(97,651)
Recovery received for insurance acquisition cash flows	(52,894)	–	–	(52,894)
Total cash flows	**162,342**	**–**	**(97,651)**	**64,691**
Transfer to other items in the statement of financial position	–	–	–	–
Net closing balance	**(124,958)**	**23,719**	**106,689**	**5,450**
Closing assets	18,154	11,051	33,928	63,133
Closing liabilities	(143,112)	12,668	72,761	(57,683)
Net closing balance	**(124,958)**	**23,719**	**106,689**	**5,450**

Reinsurance contracts (continued)

Analysis by measurement component – contracts not measured under the PAA

For the half-year ended 31 December 2023

	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM: Contracts under fair value transition approach	CSM: Other contracts	CSM: Subtotal	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Opening assets	(35,323)	20,277	23,242	54,937	78,179	63,133
Opening liabilities	(536,124)	51,543	243,746	181,001	424,747	(59,834)
Net opening balance	**(571,447)**	**71,820**	**266,988**	**235,938**	**502,926**	**3,299**
Changes in the statement of profit or loss and OCI						
Changes that relate to current service						
CSM recognised for services provided	–	–	(18,854)	(13,027)	(31,881)	(31,881)
Change in risk adjustment for non-financial risk expired	–	(2,777)	–	–	–	(2,777)
Experience adjustments	(5,746)	195	–	–	–	(5,551)
Changes that relate to future service						
Contracts initially recognised in the year	(48,686)	6,026	–	46,441	46,441	3,781
Change in estimates that adjust the CSM	(6,339)	1,740	4,397	202	4,599	–
Change in estimates that result in losses and reversal of losses on onerous contracts	300	(123)	–	–	–	177
Changes that relate to past service						
Adjustments to liabilities for incurred claims	7,594	356	–	–	–	7,950
Net expenses from reinsurance contracts	**(52,878)**	**5,417**	**(14,457)**	**33,616**	**19,159**	**(28,032)**
Net finance expense from reinsurance contracts	(18,993)	2,254	5,123	3,062	8,185	(8,555)
Effects of movements in exchange rates						
Total changes in the statement of profit or loss and OCI	**(71,871)**	**7,671**	**(9,334)**	**36,678**	**27,344**	**(36,857)**
Cash flows						
Reinsurance premiums paid	124,035	–	–	–	–	124,035
Reinsurance recoveries received for incurred claims	(65,362)	–	–	–	–	(65,362)
Recovery received for insurance acquisition cash flows	(37,635)	–	–	–	–	(37,635)
Total cash flows	**21,038**	**–**	**–**	**–**	**–**	**21,038**
Net closing balance	**(622,280)**	**79,490**	**257,654**	**272,616**	**530,269**	**(12,520)**
Closing assets	(53,805)	22,754	38,945	47,891	86,836	55,785
Closing liabilities	(568,475)	56,737	218,709	224,259	443,434	(68,305)
Net closing balance	**(622,280)**	**79,490**	**257,654**	**272,616**	**530,269**	**(12,520)**

NOTES TO THE FINANCIAL STATEMENTS

continued

Reinsurance contracts (continued)

Analysis by measurement component – contracts not measured under the PAA

For the year ended 30 June 2023

	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM			Total
			Contracts under fair value transition approach	Other contracts	Subtotal	
	$'000	$'000	$'000	$'000	$'000	$'000
Opening assets	(6,133)	14,179	9,225	23,621	32,846	40,892
Opening liabilities	(597,493)	55,646	346,520	159,298	505,818	(36,029)
Net opening balance	**(603,626)**	**69,825**	**355,745**	**182,919**	**538,664**	**4,863**
Changes in the statement of profit or loss and OCI						
Changes that relate to current service						
CSM recognised for services provided	–	–	(39,808)	(20,414)	(60,222)	(60,222)
Change in risk adjustment for non-financial risk expired	–	(4,856)	–	–	–	(4,856)
Experience adjustments	(43,472)	2,050	–	–	–	(41,422)
Changes that relate to future service						
Contracts initially recognised in the year	(106,717)	11,390	–	100,393	100,393	5,066
Change in estimates that adjust the CSM	94,995	(7,498)	(56,862)	(30,634)	(87,496)	–
Change in estimates that result in losses and reversal of losses on onerous contracts	10	640	–	–	–	650
Changes that relate to past service						
Adjustments to liabilities for incurred claims	26,752	297	–	–	–	27,049
Net expenses from reinsurance contracts	**(28,432)**	**2,023**	**(96,670)**	**49,345**	**(47,325)**	**(73,734)**
Net finance expense from reinsurance contracts	2,311	(27)	7,913	3,674	11,587	13,870
Effects of movements in exchange rates	–	–	–	–	–	–
Total changes in the statement of profit or loss and OCI	**(26,121)**	**1,996**	**(88,757)**	**53,019**	**(35,738)**	**(59,864)**
Cash flows						
Reinsurance premiums paid	185,829	–	–	–	–	185,829
Reinsurance recoveries received for incurred claims	(74,635)	–	–	–	–	(74,635)
Recovery received for insurance acquisition cash flows	(52,894)	–	–	–	–	(52,894)
Total cash flows	**58,300**	**–**	**–**	**–**	**–**	**58,300**
Net closing balance	**(571,447)**	**71,820**	**266,988**	**235,938**	**502,926**	**3,299**
Closing assets	(35,323)	20,277	23,242	54,937	78,179	63,133
Closing liabilities	(536,124)	51,543	243,746	181,001	424,747	(59,834)
Net closing balance	**(571,447)**	**71,820**	**266,988**	**235,938**	**502,926**	**3,299**

NobleOak has entered arrangements with its reinsurers to mitigate reinsurance concentration exposures. These arrangements are outlined in note 5.4 with the security provided at 30 June 2023 as follows:

- Claims Settlement Terms – Reinsurance Contract Assets have been reduced by $12.4 million (30 June 2023: $12.4 million) of lump sum claims settled by a reinsurer on incurred claim basis;
- Deposit Back Arrangement – $97 million assets held as security against Reinsurance Contract Assets are recorded as other payable; and
- Letters of credit (LOC's) – $88 million of LOC's are in place as security against Reinsurance Contract Assets.

6. Contractual service margin (CSM)

The following table sets out when the Group expects to recognise the remaining CSM in profit or loss after the reporting date for contracts not measured under the PAA:

Insurance contracts

	Consolidated Half-year ended	
	31/12/23 $'000	Restated 30/06/23 $'000
Less than one year	44,269	43,434
One to two years	41,318	40,291
Two to three years	37,911	37,021
Three to four years	34,339	33,573
Four to five years	30,972	30,257
More than five years	278,152	267,679
Total CSM for insurance contracts	**466,961**	**452,255**

Reinsurance contracts

	Consolidated Half-year ended	
	31/12/23 $'000	Restated 30/06/23 $'000
Less than one year	(47,690)	(45,780)
One to two years	(44,408)	(42,344)
Two to three years	(40,800)	(38,960)
Three to four years	(37,112)	(35,491)
Four to five years	(33,665)	(32,186)
More than five years	(326,595)	(308,165)
Total CSM for reinsurance contracts	**(530,269)**	**(502,926)**

NOTES TO THE FINANCIAL STATEMENTS

continued

7. Capital adequacy

NobleOak is subject to minimum capital regulatory capital requirements in accordance with APRA Life Insurance Prudential Standards. NobleOak is required to maintain adequate capital against the risks associated with its business activities and measure its capital to the 'Prudential Capital Requirement' (PCR).

NobleOak has in place an Internal Capital Adequacy Assessment Process (ICAAP) that 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 and is approved by the Directors.

The capital adequacy position at balance date for NobleOak, in accordance with the APRA requirements, is as follows:

Capital position of the Company	31/12/23 $'000	Restated 30/06/23 $'000
(a) Capital Base	43,955	40,323
(b) Prescribed capital amount	19,247	21,125
Capital in excess of prescribed capital amount = (a) – (b)	24,708	19,198
Capital adequacy multiple (%) (a)/(b)	228.37%	190.88%
Capital Base comprises:		
Common Equity Tier 1 Capital	65,877	61,287
Regulatory adjustment applied in calculation of Tier 1 capital	(21,922)	(20,964)
(A) Common Equity Tier 1 Capital	43,955	40,323
Additional Tier 1 Capital		
Regulatory adjustment applied in calculation of Additional Tier 1 capital	–	–
(B) Total Additional Tier 1 Capital	–	–
Tier 2 Capital		
Regulatory adjustment applied in calculation of Tier 2 capital	–	–
(C) Total Tier 2 Capital	–	
Total capital base	**43,955**	**40,323**

While the disclosure above is at the Company level the capital adequacy position is also calculated and monitored at the benefit fund level in accordance with APRA's capital management standards.

APRA's capital management standard LPS 117 Capital Adequacy: Asset Concentration Risk Charge provides concentration of counterparty risk limits.

NobleOak's successful growth continues to increase its reinsurance assets concentration exposures. This growth along with the changing prudential standards requires a continual reassessment of mitigating measures.

The mitigation arrangements in place and being monitored and updated on an ongoing basis include:

- Claims Settlement Terms – this represents changes to reinsurance arrangement 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;
- Deposit Back Arrangement – this represents changes to reinsurance arrangement so that the reinsurer provides assets to the Company in support of and as security over estimated reinsurance exposures; and
- Letter of credits (LOC's) – this represents obtaining a guarantee from an APRA approved financial institution that provides security to NobleOak against the default risk of its reinsurance asset exposure.

These arrangements, whilst effective, have varying levels of efficiency and cost, therefore NobleOak is also considering alternative structures that may be more efficient and cost effective over the longer term.

8. Share capital

	Consolidated	
	31/12/23 $'000	30/06/23 $'000
Issued share capital	–	–
Fully paid ordinary shares	96,403	95,727

Movement in issued share capital

Ordinary Shares	Number of Shares	Issue Price	$ Value ('000)
Opening Balance 1 July 2022	85,735,166		95,323
Ordinary Shares – Long Term Incentives[(i)]	224,516	1.80	404
Balance 30 June 2023	85,959,682		95,727
Ordinary Shares – Long Term Incentives[(ii)]	342,642	1.55	531
Ordinary Shares – IPO related bonus[(iii)]	22,324	1.75	39
Ordinary Shares – Employee share gift offer[(iv)]	60,526	1.75	106
Balance 31 December 2023	86,385,174		96,403

(i) Ordinary Shares issued to CEO and CFO with performance criteria under the 2019 Long Term incentive plan on 14 October 2022.

(ii) Ordinary Shares issued to executives and senior management with performance criteria under the 2020 Long Term incentive plan on 16 October 2023.

(iii) Ordinary Shares issued to KMP in recognition of the achievement of a successful IPO.

(iv) Ordinary Shares issued to employees under the Employee Gift Offer on 26 October 2023.

9. Key management personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report. In addition, during the half-year, shares were issued on the exercise of performance rights under the 2020 LTI plan and IPO related bonus. The following table sets out the details of the exercise of the performance rights by KMP during the half-year:

KMP to which the performance rights relate	No. performance rights exercised	Fair value at vesting date ($'000)
Anthony Brown	140,813	221
Scott Pearson	107,980	169
Total	**248,793**	**390**

10. Contingent liabilities and contingent assets

Bank Guarantee

The Group has provided a bank guarantee of $806,641 to support the commercial lease on its office premises at Level 4, 44 Market Street, Sydney NSW 2000.

Indemnity

The Company has provided indemnity in favour of the insurer or reinsurer if its subsidiary Genus breaches the Freedom administration arrangements (other than those relating to remediation) and the insurer or reinsurer suffers loss. The indemnity is up to a limit of $1 million for all indemnified breaches during the three years from 1 June 2019 and in each subsequent three-year period (if any) of the administration agreement.

Letter of Credits

The Group is the beneficiary of the following irrevocable letter of credits:

- $22 million issued by DBS bank on behalf of Swiss Re Life & Health Australia Limited;
- $22 million issued by The Australia and New Zealand Banking Group Limited on behalf of Swiss Re Life & Health Australia Limited;
- $22 million issued by National Australia Bank on behalf of Hannover Life Re of Australasia Limited; and
- $22 million issued by National Australia Bank on behalf of Pacific Life Re (Australia) Pty Limited.

The above letter of credits were received to provide security to the Group against the default risk of its reinsurance asset exposure.

11. 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.

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 giving a true and fair view of the financial position and performance of the consolidated entity.

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

Anthony R Brown
Director

Stephen Harrison
Chair

Sydney, 27 February 2024

INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Review Report to the Members of NobleOak Life Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of NobleOak Life Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2023, 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 material accounting policies and other explanatory information, and the directors' declaration as set out on pages 20 to 54.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 31 December 2023 and of 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a *Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Deloitte.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2023 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*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Max Rt Murray

Max Murray
Partner
Chartered Accountants
Sydney, 27 February 2024

DIRECTORY

Registered Office and Contact Details

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Current Directors

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Sarah Brennan

Anthony Brown

Kevin Hamman

Stephen Harrison

Inese Kingsmill

Chief Executive Officer

Anthony Brown

Company Secretary

Suzanne Barron

Appointed Actuary

Martin Paino

Chief Risk Officer

Matthew Wilson

Auditors

Deloitte Touche Tohmatsu

Stock Listing

NobleOak Life Limited is listed on the Australian Securities Exchange (ASX) under the ASX code 'NOL'.

Share Registry

For all enquiries relating to shareholdings, dividends and related matters, please contact the share registry:

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