



NOBLEOAK

HY24 FINANCIAL RESULTS

AUSTRALIA'S FASTEST-GROWING DIRECT LIFE INSURER

NobleOak Life Limited

28 February 2024

Agenda and presenters

01 HY24 highlights

—

02 Financial results

—

03 Business update

—

04 FY24 outlook

—

05 Q&A



Anthony Brown
Chief Executive Officer



Scott Pearson
Chief Financial Officer



01 | HY24 highlights

HY24 highlights

Strong growth in premium and profits; FY24 in-force guidance affirmed



Strong in-force premium growth driven by above market sales and lapse outperformance



NPAT growth driven by margin stability, with favourable net claims experience and financial discipline



Tailwind from higher interest rates, benefiting investment returns and stepped premiums



Capital position strengthened; with 228% regulatory capital multiple (FY23: 191%)



New accounting standard AASB 17 – positive impact on capital and profit



FY24 guidance affirmed for 15-20% in-force premium growth



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HY24 financial highlights

Market share gains driving strong growth in premiums and profits

In-force premiums¹

\$351.4m ▲

+24% vs. HY23
+11% vs. Jun-23

New business

\$26.5m ▲

+23% vs. HY23

Active policies¹

128,000+ ▲

+15% vs. HY23

Underlying NPAT²

\$7.8m ▲

+16% vs. HY23

In-force premium market share³

3.0% ▲

+0.5ppts vs. Dec-22

New business market share³

13.2%

> 3% above target

Lapse rate¹

9.1%

+2.7ppts vs. HY23

1. Excludes Genus

2. A reconciliation between Statutory NPAT to Underlying NPAT is provided on page 21

3. As at 30 June 2023. Market share calculated by dividing NobleOak's total in-force premiums and new business sales by APRA's Quarterly life insurance performance statistics



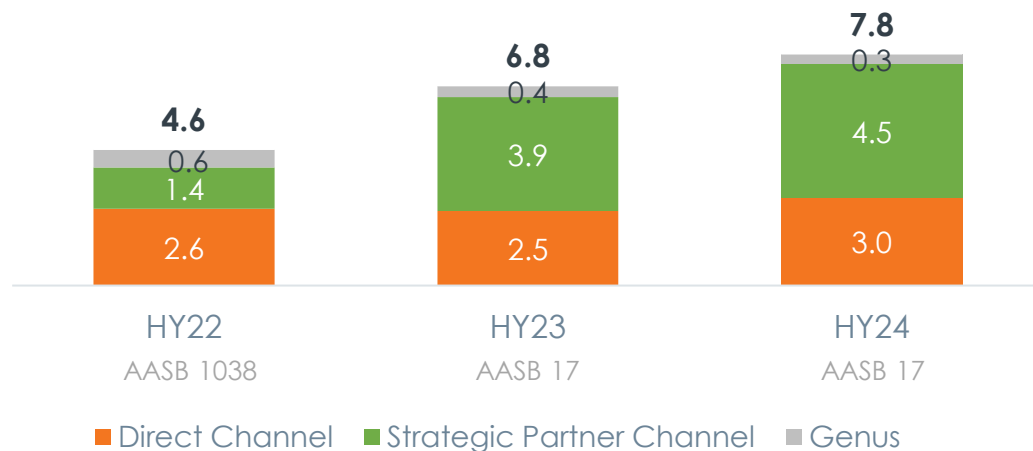
02 | Financial results

Group financial performance

Key financial metrics¹

\$m/%	HY24	HY23	Var
In-force premiums at period end (ex-Genus)	351.4	283.3	+24%
New business	26.5	21.6	+23%
Net insurance premium revenue	48.7	38.4	+27%
Underlying gross insurance margin	12.2%	12.1%	+0.1ppts
Underlying Administration expense ratio	7.5%	6.8%	(0.7)ppts
Investment return (% of insurance Premium)	1.5%	0.6%	+0.9ppts
Underlying NPAT	7.8	6.8	+16%

Underlying NPAT (\$m)



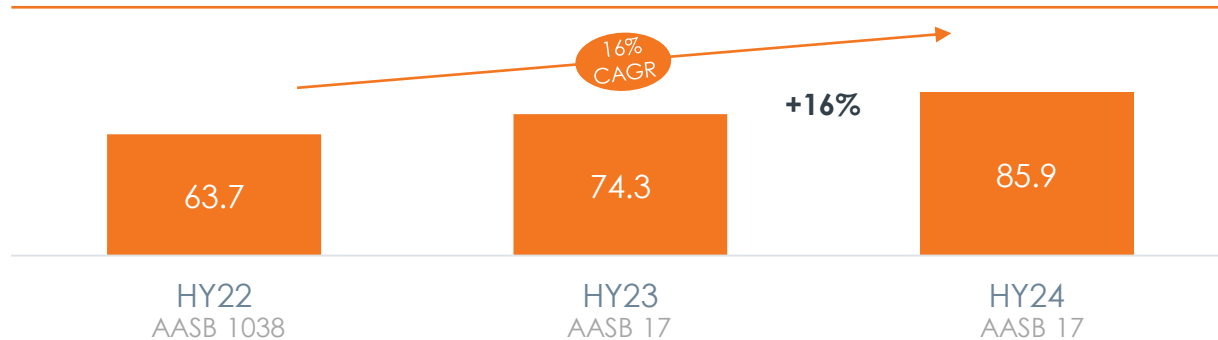
Commentary

- Active policies up 15% to over 128,000, driving strong 24% in-force premium growth
- Continuing to gain market share – now 3% of industry in-force premium
- Strong underwriting performance, with net claims in line with expectations and reserves prudent
- Expense ratio impacted by additional investment to build business capability, to improve in H2
- Current interest rates a tailwind, with average return on invested assets (before fees) 4.4% (HY23: 2.5%)
- Overall margin stability drives underlying NPAT up 16% to \$7.8m

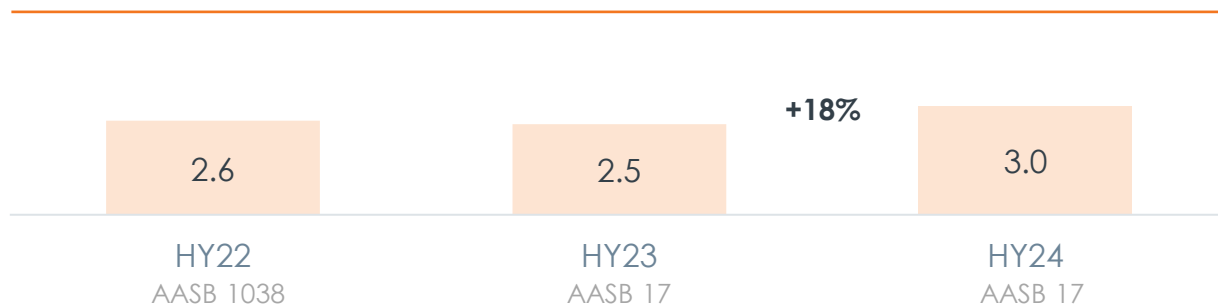
¹ Key metrics of the business are based on the way management analyse business performance. See the Statutory to Management Results Reconciliation Section in the Directors report in the financial report for the half year ended 31 December 2023 for more information.

Direct Channel

In-force premiums (\$m)



Underlying NPAT (\$m)



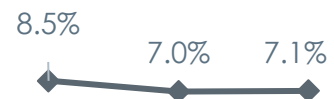
Underlying gross insurance margin



Underlying administration expense ratio



Underlying NPAT margin



HY22 AASB 1038	HY23 AASB 17	HY24 AASB 17	HY22 AASB 1038	HY23 AASB 17	HY24 AASB 17	HY22 AASB 1038	HY23 AASB 17	HY24 AASB 17
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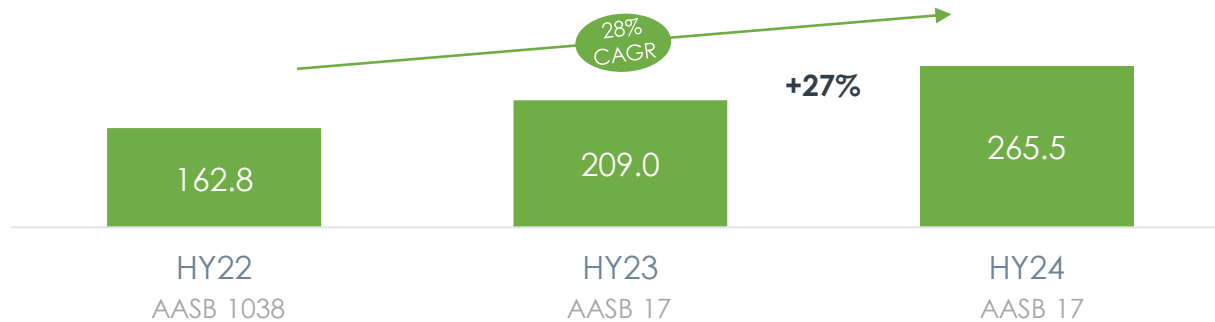
Commentary

- Direct policy count up 12% to almost 48,000, driving strong in-force premium growth
- Sales up 4% driven by alliance partnerships, with market share of direct sales 15.8%¹
- Lapse rates continue to normalise from pandemic era lows but remain well below industry average
- Insurance margin remains strong, with net claims experience better than expected
- Expense ratio impacted by business investment that will not repeat in H2
- HY24 and HY23 have benefited from transfer of claims handling expenses to claims expense line, bringing NobleOak in line with peers
- Underlying NPAT up 18 % to \$3.0m

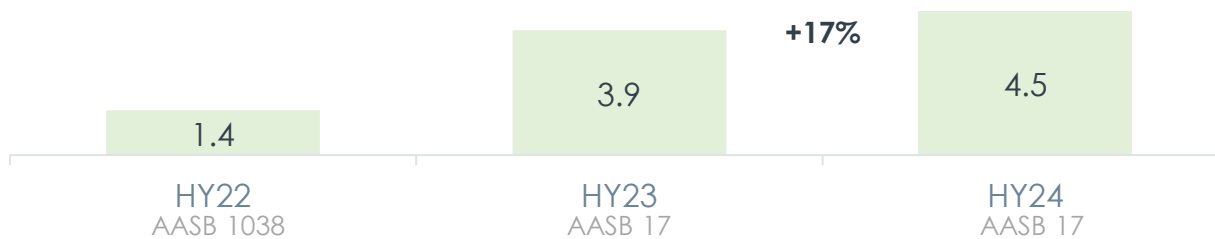
1. APRA quarterly life insurance performance statistics, June 2023. Data is available six months in arrears.

Strategic Partner Channel

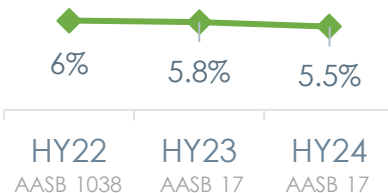
In-force premiums (\$m)



Underlying NPAT (\$m)



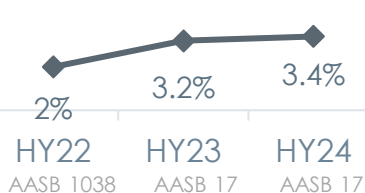
Underlying gross insurance margin



Underlying administration expense ratio



Underlying NPAT margin



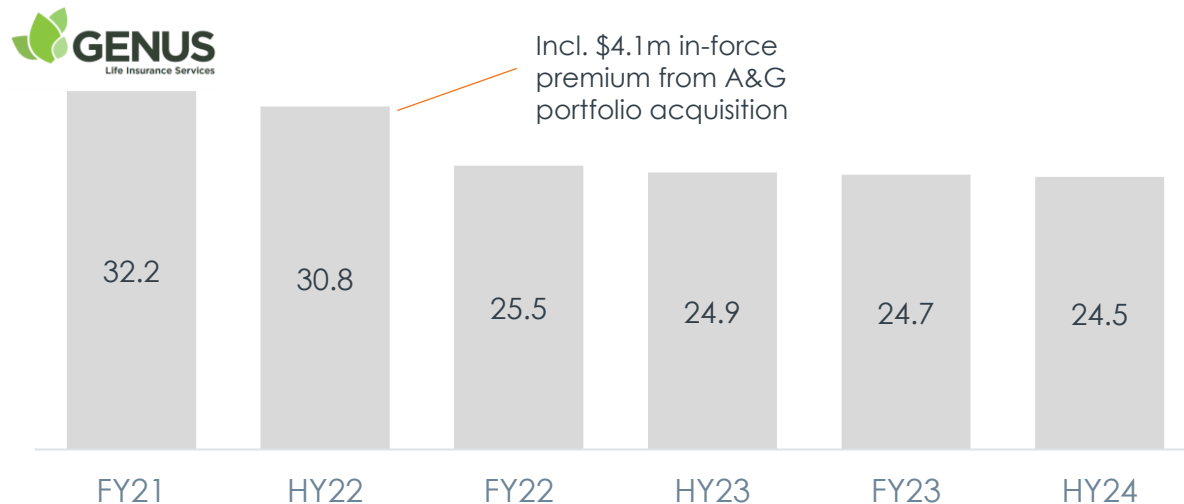
Commentary

- Advised policy count up 17% to over 80,000, driving strong in-force premium growth
- Contemporary products, quality service and partnerships with NEOS and PPS grow market share of advised business to 2.5%
- New business sales up 28%, supported by improved industry sales volumes
- Lapse rates remain well below industry average
- Strong underwriting performance with net claims in line with expectations and reserves prudent after methodology changes in FY23
- Expense ratio continue to benefiting from operating leverage and financial discipline
- Underlying NPAT up 17% to \$4.5m
- Risk retention remains low, reducing profit volatility

Key financial metrics

\$m / %	HY24	HY23 Restated	Var
In-force premiums under management	24.5	24.9	(1%)
Underlying Administration expenses (excluding amortisation)	2.4	2.4	+3%
Amortisation of portfolio acquisition cost	0.2	0.2	(53%)
Underlying NPAT	0.3	0.4	(9%)

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

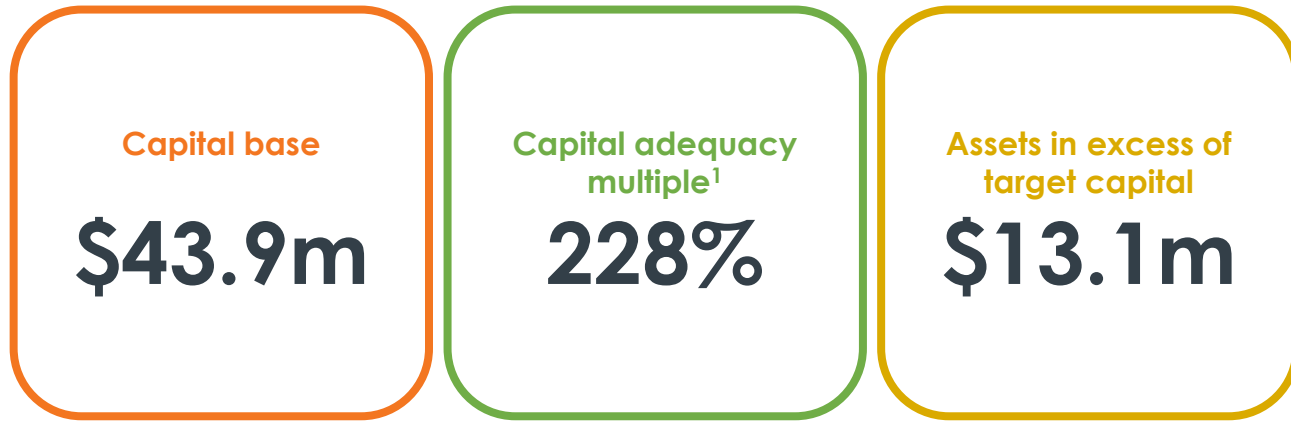


Commentary

- In-force premiums under management stabilised following conclusion of Freedom remediation program
- Expect to return to more normal run-off pattern of ~10% p.a.
- Underlying NPAT has slightly reduced from the prior year in line with in-force premiums under management

Capital position

Strengthened capital position



Commentary

- One-off change in prudential standards that reduce prescribed capital amount (PCA)
- Increase investment income in line with higher interest rates
- Lower tax payments, following recognition of deferred tax loss asset (on transition to AASB 17)
- Capital position sufficient to execute organic growth strategy

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

AASB 17 implementation

New global accounting standard for insurance contracts



Introduces consistent accounting for all types of insurance contracts



NobleOak to report on AASB 17 basis from 1 July 2023



Enhanced comparability with non-insurance reporting and across jurisdictions



NobleOak to restate comparative from 1 July 2022 to 30 June 2023



Greater transparency in financial information

Impacts of AASB 17 for NobleOak

No change to underlying business economic fundamentals or strategy

Balance sheet

Creation of Deferred Tax Asset (DTA) of \$27m

Increased policy liabilities – (write down of opening deferred acquisition costs)
Lower net assets at transition (1 July 2022) \$64m

Capital

No change in regulatory capital requirements

Improved capital position due to lower tax payments

Cash

No change in policy cash flows

Lower tax payments until carried forward tax losses are utilised

Profitability

Underlying net profit marginally brought forward, some more volatility in statutory profit

Pattern of profit release changes over time with variability between segments
Interest rate movement and loss recognition movements to be normalised

Financial statement presentation

Changes to income statement – management analysis to be provided in disclosures to enable insurance metrics

Limited changes to balance sheet – changes to policy liability disclosures

Full impact for NobleOak detailed in AASB 17 information pack lodged with ASX on 21 February 2024



03 | Business update

Direct Channel

Brand, service and distribution driving growth



Australia's most awarded direct life insurer

Launching market-leading omnichannel experience



RAC & Budget Direct sales +44% year-on-year



Co-branded promotion to Costco's 1m members

Strategic Partner Channel

Partners continue to outperform the market



Advised market share up to 2.5%, driven by 12.5% share of sales

Claims and lapse experience remains ahead of industry



New reinsurer for PPS to support ongoing growth



Continued strong growth and service proposition

Digital transformation

Leading omnichannel customer experience to be launched in April 2024

Key deliverables

<p>System upgrade</p> <p>Moving to new secure cloud-based platform</p> <p>✓</p>	<p>Self service portal</p> <p>Online customer portal enables customers to modify and update their policies</p> <p>✓</p>	<p>Front-end integration and data warehouse</p> <p>Centralised data capture and analytics tools to support sales,</p> <p>✓</p>	<p>Omnichannel experience</p> <p>Leading omnichannel experience for our customers</p> <p>April 2024</p>
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<p>Enhanced customer journey</p> <p>Providing 360° view of customer, with integrated support services, AI-enabled chat and call center</p> <p>✓</p>	<p>System and service automation</p> <p>Automate client forms, processes and finance functions</p> <p>✓</p>	<p>Data insights</p> <p>Centralised data management delivering actionable insights, predictive capabilities</p> <p>✓</p>	<p>Product simplification</p> <p>Simplified products provide easier customer access and opens new distribution opportunities</p> <p>April 2024</p>
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Outcomes



04 | FY24 outlook

FY24 outlook

Market share growth to deliver 15-20% in-force premium growth in FY24

- ✓ **Market sales improving** Industry sales volumes expected to continue to improve
- ✓ **Financial disciplines retained** Disciplined approach to keep margins stable while investing for growth
- ✓ **Enhanced digital experience** Launch of new omnichannel portal and further user experience optimisation
- ✓ **Executing growth strategy** Focusing on organic growth and selectively evaluating inorganic opportunities
- ✓ **Robust capital position** Supports execution of strategy
- ✓ **Guidance affirmed** Market share gains to deliver 15-20% in-force premium growth in FY24



05 | Q&A



06 | Appendix



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Consolidated income statement

Statutory and Underlying results reconciliation (using management Analysis)

Management Analysis \$'000	Management Analysis		Variance
	HY24	Restated HY23	%
Insurance premium revenue	181,241	164,310	10%
Reinsurance expense	(132,518)	(125,895)	5%
Net insurance premium revenue	48,723	38,415	27%
Net claims expense	(9,053)	(7,338)	23%
Net commissions and other income	7,671	9,377	(18%)
Policy acquisition cost	(27,647)	(24,908)	11%
Change in net policy liabilities	954	9,023	(99%)
Insurance Profit	20,648	24,569	(20%)
Administration expense ⁹	(16,945)	(12,013)	41%
Insurance operating profit	3,703	12,556	(78%)
Net investment income	2,660	999	166%
Profit before tax	6,363	13,555	(60%)
Income tax expense	(2,122)	(4,075)	(55%)
NPAT	4,241	9,480	(62%)
<u>Recurring Adjustments:</u>			
Addback: impact of policy liability economic assumption changes (post tax)	(745)	(3,695)	
Addback: impact of changes in loss recognition provisions (post tax)	1,232	399	
<u>Non-Recurring Adjustments:</u>			
Addback: AASB17 Implementation expense (post Tax)	1,409	586	
Addback: IT Transformation project expenses (post tax)	918	-	
Addback: Funeral Fund member allocation	780	-	
Underlying NPAT	7,835	6,770	16%

The above profit or loss statement is presented using the way management analysis the performance of the business. The Management analysis assesses the insurance operating result as net insurance revenue, net claims, net commission and other income, 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.

A reconciliation from the Statutory presentation to the management analysis is provide in the directors report in the half year financial report for the period ended 31 December 2023.



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Financial strength

Sound capital position above regulatory requirements

Statutory balance sheet at 31 December 2023

\$m	31 Dec 2023	Restated 30 Jun 2023
Assets		
Cash and cash equivalents	45.9	50.4
Receivables	5.5	2.9
Financial assets	198.1	177.7
Insurance contract assets	59.6	32.7
Reinsurance contract assets	58.6	63.1
Plant and equipment	0.4	0.4
Right-of-use assets	5.2	5.7
Deferred tax asset	26.3	28.4
Intangible assets	4.2	4.6
Total assets	403.8	365.9
Liabilities		
Payables	102.4	99.7
Current tax liabilities	2.7	2.9
Lease liabilities	5.5	5.9
Insurance contract liabilities	158.7	138.1
Reinsurance contract liabilities	68.3	57.7
Total liabilities	337.6	304.3
Net assets	66.2	61.6
Equity		
Issued capital	96.4	95.7
Accumulated losses	(31.1)	(35.4)
Other reserves	0.9	1.3
Total equity	66.2	61.6

Capital adequacy

\$m / %	31 Dec 2023	30 Jun 2023
Capital base – (a)	44.0	40.3
Prescribed capital amount - (b)	19.3	21.1
Capital adequacy multiple % (a)/(b)	228%	191%
Target capital (incl. management buffer) - (c)	30.9	32.6
Assets in excess of target (a) – (c)	13.1	7.7

Commentary

Financial assets

- Primarily held in term deposits and floating rate fixed interest funds
- Claims settled by reinsurers on actuarial reserve basis represent \$12.4m (Jun-23: \$12.4m)
- Deposit Back assets held to secure reinsurance assets exposures \$97.0m (Jun-23: \$97.0m)

Policy liabilities

- Reinsurance contract assets are reduced by claims settled by reinsurers on actuarial reserve basis represent \$12.4m (Jun-23: \$212.4m)

Intangible assets

- Includes \$2.4m (Jun-23: \$2.5m) amortised cost of acquiring A&G run-off portfolio

Deferred tax assets

- Include \$22.8m (Jun-23: \$24.9m) deferred tax loss asset

Payables

- Includes \$97.0m (Jun-23: \$97.0m) payable to reinsurers under deposit back arrangement supporting reinsurance asset concentration exposures

Dividend

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

Capital adequacy

- Sound capital adequacy multiple

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