

NobleOak FY23 Results

In-force premium growth tops guidance

NobleOak Life Limited (ASX: NOL) (**NobleOak** or **the Company**), Australia's fastest growing direct life insurer, today announces its full year results for the 12 months ended 30 June 2023 (**FY23**).

Highlights¹:

- **Strong in-force premium growth² of 24% to \$315.9 million, ahead of FY23 guidance**
- **Active policies² up 16% to over 120,000**
- **H1 sales were impacted by lower market activity, with improvement in H2**
- **Continued market share growth driven by strong brand and diversified distribution model**
- **Underlying gross insurance margin of 11%, with claims and lapse experience ahead of industry**
- **Financial discipline retained amid significant investment, with rising interest rates a tailwind**
- **Underlying NPAT up 9% to \$10.3 million**
- **Sound regulatory capital position confirmed after ACRC mitigation actions implemented**

NobleOak Chief Executive Officer, Anthony Brown, said: "FY23 was another year of execution and delivery for the NobleOak team, as we continued to outperform the industry and gain market share. Our strong in-force premium growth of 24% was ahead of our guidance and achieved despite industry sales activity being down significantly in the first half, with some recovery in the second half, and our lapse rates remaining well below the market.

"We have maintained our strong financial discipline as we invest to build the foundations for long-term growth, which along with our prudent underwriting and reinsurance strategy, continues to stabilise our profits. Rising interest rates are a tailwind for us, with returns from our growing investment portfolio continuing to increase as we enter FY24.

"While the regulatory environment remains challenging, we are pleased to see it improving, with the Quality of Advice Review expected to support a stronger life insurance industry over the long-term. We welcome structural industry change, which is expected to deliver better outcomes for customers and provide opportunities for profitable growth for a nimble and customer-focused player like NobleOak."

Group financial performance

	FY23	FY22	Var
In-force premiums (ex-Genus) at period end (\$m)	315.9	254.6	+24%
New business sales (\$m)	46.2	60.9	(24%)
Net insurance premium revenue (\$m)	77.6	63.7	+22%
Underlying gross insurance margin (%)	11%	14%	(3 ppts)
Administration expense ratio (%)	7%	9%	(2 ppts)
Investment return (as % of insurance premium)	1.2%	0.1%	+1.1 ppts
Underlying NPAT (\$m)	10.3	9.5	+9%

¹ All comparisons relate to the prior corresponding period unless otherwise stated.

² Excludes the Genus administration business.

After a first half that was impacted by an industry-wide decline in sales volumes, new business activity bounced back in H2, with NobleOak's second half sales 19% ahead of the prior corresponding period (pcp).

NobleOak continued to outperform the market and achieve a significantly higher share of sales, with the Company's lapse rates remaining materially lower than the industry average at 8.1%. This drove strong in-force premium growth of 24% to \$315.9 million, which was ahead of guidance, in a market that grew by around 5% in FY23.

As a result, the Company's in-force premium market share grew to approximately 2.7% at 31 December 2022³, reflecting the continued success of NobleOak's strong brand and diversified distribution model.

NobleOak maintained stable overall margins, with a lower insurance margin offset by an improved administration expense ratio driven by emerging operating leverage, and significantly higher investment returns.

The average return on invested assets increased to 3.2% (FY22: 0.3%), reflecting the benefit of higher interest rates and the diversification of the portfolio into short-duration fixed interest assets.

NobleOak's underlying net profit after tax (NPAT) grew by 9% to \$10.3 million as the Company continued to invest towards building capability for long-term growth.

NobleOak reported a sound regulatory capital position and strong financial liquidity at 30 June 2023, with a capital adequacy multiple of 191% and assets above target of \$7.7 million.

Direct Channel

	FY23	FY22	Var
In-force premiums at period end (\$m)	80.3	69.2	+16%
New business sales (\$m)	10.4	10.2	+2%
Lapse rate (%)	10.6%	8.4%	+2.2 ppts
Net insurance premium revenue (\$m)	41.2	35.0	18%
Underlying gross insurance margin (%)	28%	31%	(3 ppts)
Administration expense ratio (%)	19%	19%	-
Investment return (as % of insurance premium)	2.2%	0.2%	+2.0 ppts
Underlying NPAT (\$m)	5.6	5.4	+3%

In the Direct Channel, sustained investment in brand, technology and distribution continues to drive growth, as NobleOak continues to take market share from larger incumbents.

NobleOak's policy count in the Direct Channel increased by 13% to over 45,000, with in-force premiums growing by 16% to \$80.3 million.

After a challenging first half for new business, sales from NobleOak's alliance partnerships with Budget Direct and RAC WA combined to offset lower market activity in H2, with NobleOak's FY23 sales finishing up 2% year-on-year, or up 21% in the second half vs. the pcp.

³ APRA quarterly life insurance performance statistics, December 2022. Data is only available six months in arrears.

The NobleOak team's focus on providing exceptional customer service continues to deliver strong customer outcomes, with the Company retaining its position as Australia's most awarded Direct Life insurer, with market-leading customer satisfaction scores.

Strategic Partner Channel

	FY23	FY22	Var
In-force premiums at period end (\$m)	235.6	185.4	+27%
New business sales (\$m)	35.8	50.7	(29%)
Lapse rate (%)	7.2%	4.0%	+3.2 ppts
Net insurance premium revenue (\$m)	33.7	25.3	+33%
Underlying gross insurance margin (%)	3%	5%	(2 ppts)
Administration expense ratio (%)	2%	2%	-
Investment return (as % of insurance premium)	0.9%	0%	+0.9 ppts
Underlying NPAT (\$m)	4.0	3.2	+23%

In the Strategic Partner Channel, in-force premiums grew by 27% to \$235.6 million, with NobleOak's contemporary products, high-quality service and strong strategic partnerships with NEOS and PPS Mutual continuing to deliver market share gains.

New business sales bounced back in H2 after a soft first half for the advised market, where customer insurance purchasing activity declined following the introduction of the new IDII products, compounded by a reduction in adviser numbers across the industry. In H2, sales in the Strategic Partner Channel were up 18% on the pcp. NobleOak continues to engage with its Strategic Partners to ensure ongoing commercial alignment and an appropriate balance of risk and return.

Genus

	FY23	FY22	Var
In-force premiums under management (\$m)	24.7	25.5	(3%)
Administration expenses (\$m)	5.2	6.1	(15%)
Amortisation of portfolio acquisition cost Included in administration expenses (\$m)	0.3	0.3	18%
Underlying NPAT (\$m)	0.8	0.9	(8%)

In-force premiums under management by Genus reduced by less than expected to \$24.7 million due to a favourable lapse experience which has continued since the conclusion of the remediation program on the Freedom portfolio in April 2022.

Underlying NPAT for Genus reduced in line with the lower in-force premium under management.

Regulatory projects

NobleOak continues to invest significant resource towards implementing important regulatory changes impacting the industry.

The Company has been preparing for the implementation of AASB 17 from 1 July 2023. The new accounting standard for insurance and reinsurance contracts will significantly change the way the industry reports its financial performance.

NobleOak expects to update the market on the impacts for the presentation of its financial performance before the HY24 results release.

NobleOak has also changed the way it operates its reinsurance arrangements to address matters raised by APRA and disclosed to the market in March 2023. APRA has since confirmed the arrangements, including changes to reinsurance claims settlement terms and additional security provided by reinsurers, meet the requirements of its prudential standards.

NobleOak remains committed to the highest standards of governance and conduct and is continuing to review the Company's control environment and accountabilities.

FY24 outlook

While profitability in the Australian Life Insurance market continues to improve, the outlook for market sales activity, particularly in the advised market, remains uncertain.

Treasury's Quality of Advice Review has established the long-term sustainability of the advised market as a regulatory priority, as well as support for Direct Life Insurance models. Both are expected to be tailwinds for the market and for NobleOak.

Higher interest rates are expected to continue to benefit investment returns, with NobleOak's investment portfolio now earning an average return of 4.9% compared to 0.9% 12 months ago.

In FY24, the Company's strong brand and low lapse rates are expected to drive continued above market growth in in-force premiums, with NobleOak's disciplined approach to keep margins stable while investing for growth and capability.

As a diversified life insurer with a strong brand and growing direct-to-consumer business, NobleOak is well placed to continue its strong growth trajectory.

Investor webcast

NobleOak CEO Anthony Brown and CFO Scott Pearson will host a webcast briefing for analysts and investors from **10.00am AEST today (31 August 2023)**.

The webcast will be available live and can be accessed at the following link:

https://webcast.openbriefing.com/nol_fyr_2023/

Ends

This announcement has been authorised by the Board of NobleOak Life Limited.

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About NobleOak (ASX: NOL)

NobleOak is an independent, multi award-winning, APRA-regulated Australian life insurance provider which has a 146-year history, dating back to one of the first benevolent societies in Australia, the United Ancient Order of Druids Friendly Society of NSW. NobleOak's core values: nobility, simplicity, adaptability and delivery, are embedded deeply in its culture. Following its demutualisation in 2011, NobleOak repositioned its business model, launching direct-to-consumer life insurance products through its modern and intuitive digital platform. Since then, NobleOak has diversified its business by manufacturing white-labelled tailored products for strategic partners which are mostly offered to customers through advisers. NobleOak's strategy is underpinned by a commitment to offer customers high value, easy to understand and competitive life risk insurance products. For more information, please visit: www.nobleoak.com.au