Smarter today, stronger tomorrow.

Half year report 2023.

Confidence and caution.

At the halfway point of FY23 – and the start of our 50th year in business – the benefits of our Westpac Life acquisition are emerging, and we're confident we'll achieve our year end targets. But with the economy and the cost of living expected to get worse before they start improving, we're certainly not becoming complacent. We're keeping a watchful eye on the financial resilience of our customers, particularly at policy renewal time.

Underlying profit almost doubled to $24.6m, from $12.9m in the same period last year. A key reason for this was the positive contribution of Fidelity Insurance, our ex-Westpac Life subsidiary, and a net premium revenue increase of 57%.

A better than expected lapse experience was also an important factor. It reflects the continued good performance of our day-to-day business in the face of declining economic conditions.

Net claims, at 38% of net premium revenue, were slightly higher than the 33% in the same period last year. Commissions and operating expenses represented 77% of net premium income. These were slightly lower than the comparable 81% in the prior period and reflect last year's elevated spend on our new Tahi platform and the acquisition of Westpac Life.

Total comprehensive income was a $4.9m loss compared to a $6.7m loss for the same period last year. This reflects a $12.2m impact from rising government bond rates, which are higher than the $8.5m impact in the prior period, and continued investment of $16.2m in our essential transformation programme.

We note that continuing bond rate volatility during the second half of the year has the potential to significantly impact our total comprehensive income at the end of the year.

Results for the 6-months ending 31-December 2022	Actual HY23 $m	Actual HY22 $m
Net premium revenue	137.3	87.7
Other revenue	7.6	7.6
Net claims	(52.1)	(29.0)
Commissions	(36.1)	(28.1)
Operating expenses	(69.1)	(43.1)
Change in insurance contract assets	7.4	(1.1)
Taxation	0.2	(0.7)
Profit after tax	**(4.9)**	**(6.7)**
Other comprehensive income	-	-
Total comprehensive income	**(4.9)**	**(6.7)**

Reconciliation of underlying profit for the 6-months ending 31-December 2022[1]	Actual HY23 $m	Actual HY22 $m
Total comprehensive income (as reported)	(4.9)	(6.7)
Add back: impact of government bond rate changes (net of tax)	12.2	8.5
Add back: transformation expenses (net of tax)	16.2	9.9
Add back: investment opportunity expenses (net of tax)	0.4	1.2
Add back: value of business acquired (VOBA) amortisation	0.6	-
Underlying profit from insurance operations before bond rate impact, investment opportunity and transformation expenses and VOBA amortisation	**24.6**	**12.9**

[1] Underlying profit is not a prescribed or audited measure under applicable accounting standards and may therefore not be directly comparable to underlying profit as reported by other similar entities. It is included to more accurately reflect year-on-year performance outside of those items which are one-off in nature or unrelated to the Group's core business of providing insurance.

Continuing with essential transformation investment.

As discussed at our last AGM, we remain in a period of intense transformation investment. The planned $16.2m spent on key projects during the first half of FY23 has delivered good progress.

Most notably, the integration of our Fidelity Insurance subsidiary (formerly Westpac Life) is on track for completion at the end of the financial year, with a number of transitional services due to end shortly thereafter.

We've continued to enhance Tahi, we've made significant advances with a new digital advice tool for our Westpac bancassurance channel, and we've progressed our new data platform. The new data platform underpins our compulsory adoption of a new global financial reporting standard known as IFRS 17 and will deliver improved analytics and insights to the entire business.

First half highlights.

Supporting advisers through licensing.

During the first 9-months of FY23, work to ready ourselves, our advisers and our partners for the next milestone of the Financial Services Legislation Amendment Act ramped up significantly. The Act aims to lift the quality of financial advice in New Zealand through the introduction of minimum competence standards and licensing, and ultimately deliver fair outcomes to customers.

From 17-March 2023 anyone offering financial advice in New Zealand is required to operate under a licensed Financial Advice Provider. We've spent the past 2-years preparing for this milestone, and it was a great result to see almost 1,800 of our financial advisers get over the line and be able to continue writing business and supporting customers.

Almost

1,800

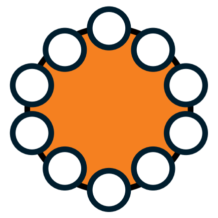
financial advisers

became licensed Financial Advice Providers and were able to continue writing business and supporting customers.

Strengthening our adviser proposition.

Financial advisers have been central to our success for the past 50-years. While we've diversified our channels to offer customers more choice, financial advice continues to deliver good outcomes and that's why the nearly 1,800 financial advisers we partner with today remain our biggest channel.

In September 2022 we returned to hosting our ENGAGE adviser conference which had been postponed for the prior 2-years due to COVID-19. We used the opportunity to launch 2 important new initiatives which deepen our commitment to the adviser channel and help future-proof the advice industry in New Zealand.



Adviser council – a formal 10-member advisory group comprising advisers from a range of backgrounds, experiences and perspectives who reflect New Zealand's diverse communities. Members serve a 2-year term, discuss key industry trends and provide objective feedback on Fidelity Life's future initiatives and propositions, with a view to collectively closing New Zealand's protection gap.

Career connect – a skills and training programme to develop New Zealand's next generation of financial advisers. Each year, the programme will help up to 40 candidates gain the required qualifications and skills to become financial advisers. We'll connect programme graduates to financial advice businesses for potential employment opportunities to help kick start their new careers. The programme also offers several scholarships, sponsored by Fidelity Life and our strategic alliance partner FMG, which aim to boost adviser diversity to better match NZ's diverse communities.

Supporting customers with cancer.

At ENGAGE we also launched a New Zealand-first cancer support service called Cancer companion. Delivered together with global experts CancerAid and Teladoc Health, Cancer companion provides support that equips customers to navigate their cancer diagnosis with control, confidence and care.

Cancers are one of New Zealand's leading causes of death, and typically account for around one third of the claims we pay. Cancer companion is another way we're helping provide certainty and support for our customers and their loved ones when things don't go to plan.

Ongoing financial strength.

On 15-March 2023, ratings agency AM Best affirmed Fidelity Life's A- (Excellent) financial strength rating* for the 27th consecutive year. AM Best also affirmed the A- (Excellent) financial strength rating for Fidelity Insurance. The outlook for both ratings is stable.

During the period our solvency margin reduced by $18.9m and the solvency ratio reduced from 169% to 160%. This was in line with expectations and reflects our continued investment in the business.

According to AM Best the ratings reflect each entity's respective 'very strong' balance sheet, adequate operating performance, neutral business profile and appropriate enterprise risk management.

*Fidelity Life Assurance Company Limited and Fidelity Insurance Limited each have A- (Excellent) financial strength ratings from AM Best. The rating scale that these ratings form part of is available for inspection at our offices.

Click here for more information on
Fidelity Life's financial strength web page.

Event occurring after balance date.

Shareholders may recall that minority buy-out rights were available as part of our proposal to acquire Westpac Life, which was voted on under a Special Resolution at our 2021 annual meeting.

These rights entitled minority shareholders who voted all their shares against the proposal to require Fidelity Life to purchase their shares at a fair and reasonable price.

6 minority shareholders, who collectively held approximately 8% of the company's shares, voted against the proposal and exercised their minority buy-out rights. Under the process required by the Companies Act, we offered and paid those shareholders $125 per share as a fair and reasonable price. However, 2 of the 6 shareholders objected to this price and we entered into arbitration, again following the process set out in the Companies Act.

On 6-March 2023 the arbitrator determined the fair and reasonable price to be $140 per share and, as a result, Fidelity Life is required to pay this total price to the 2 objecting shareholders. To treat shareholders equitably, the Board agreed to also pay the difference between $125 and $140, or $15 per share, to the other 4 shareholders.

We estimate this will amount to a total cost of approximately $2.5m, plus interest, legal fees and arbitration costs. The final amount, once confirmed, will be disclosed in our full year financial statements.

Outlook: proceed with caution.

While we're pleased with our progress during the first half of the year and are on track to meet our year end targets, we remain cautious given the weak economic outlook. Our teams are alert to customers who may be facing financial hardship due to rising mortgage rates and the cost of living, and can offer support to help keep their cover in place.

Like many other financial services firms, we're also very mindful of the Financial Markets Authority's focus on conduct and are preparing for the introduction of a new conduct licensing regime from 2025. This work includes identifying and investigating often-complex issues, both current and historic, that may require customer remediation. It's too early to quantify a potential financial impact, but we will keep you posted.

Given the ongoing economic uncertainty and our commitment to seeing our transformation programme through to its conclusion, the Board has taken the prudent decision to not pay an interim dividend.

Thank you for your continued support and we look forward to updating you on our full FY23 results later in the year.

Punakaiki
Te Tai Poutini
Aotearoa New Zealand

Why choose Fidelity Life?

Est. in NZ
1973

93%
of claims paid out
1/7/21 – 30/6/22

NZ
based
customer
service

Over
$1.4B
paid out in claims
since 1973

Rated A-
(Excellent)
for financial
strength*

Here for the
good of NZ

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* Fidelity Life has an A- (Excellent) financial strength rating from AM Best. The rating scale that this rating forms part of is available for inspection at our offices. For more information please visit Fidelity Life's financial strength web page.