



FY2021 half year results presentation

22 February 2021

2020 AFL Premiers – Richmond Tigers
Sponsored by nib

Disclaimer



The material in this presentation is a summary of the results of nib holdings limited (nib) for the six months ended 31 December 2020 and an update on nib's activities and is current at the date of preparation, being 22 February 2021. Further details are provided in nib's half year accounts and results announcement released to ASX on 22 February 2021.

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This presentation should be read in conjunction with other publicly available material. Further information including historical results and a description of the activities of nib is available on our website: nib.com.au/shareholders.

Group, arhi and iihl figures are inclusive of GU Health unless otherwise stated. The GU Health business was acquired on 31 October 2017.

As referenced in this presentation, if there is a percentage increase or (decrease) between 1H20 and 1H21, the change shown is the difference between those two percentages.

Any discrepancies between totals and sums of components in this publication are due to rounding.

Chief Executive Officer
& Managing Director

Mark Fitzgibbon



Acknowledgement of country



Image: nib Reflect RAP artwork by proud Barkindji, Malyangapa woman and artist Jasmine Craciun.

nib acknowledges Aboriginal and Torres Strait Islander peoples as the First Australians, and pays respect to Elders past and present across all the lands on which we operate.

We acknowledge the rich and meaningful contribution they make to life and culture in Australia, and we aim to be a partner in improving the quality of life and health of Aboriginal and Torres Strait Islander peoples.

Our purpose: your better health

\$45m+ in CV19 support to date

Population health initiatives, including
Ngāti Whātua Ōrākei

~185,000 hospital admissions and
1.9 million ancillary visits during 1H21

Accelerating plans to better predict
disease risk and manage illness
with ~1,900 members enrolled in
Honeysuckle Health management
programs in 1H21

>643,000 users engaged with
nib's The Check Up, getting the latest
information on health insurance,
wellbeing and healthy living

\$1m+ committed by nib foundation in
1H21 to community preventative health
partnerships

nib



1H21: Group results



\$1.3b

total Group revenue

▼1.1%

Group revenue up ▲2.5%
excluding nib Travel



\$86.9m

Group UOP

▲4.4%

Statutory operating profit \$71.6m ▼2.2%



\$28.0m

net investment income

▲122.2%



\$66.2m

NPAT

▲15.9%, ▲27.5%,
excluding nib Travel
impairment



14.5cps

statutory EPS

▲15.1%



10.0cps

interim dividend

1H20 10.0cps
2H20 4.0cps



12.2%

ROIC

▼444bps

ROE 16.3% ▼620bps



28.5

Group NPS¹



\$65.8m

available capital
above internal
target

1. Excludes nib Travel due to low sales interactions.

1H21: highlights



- Strong focus upon member needs in relation to CV19. 1H21 premium relief of \$20.2m in arhi and \$0.2m in NZ and expanded cover for CV19 related treatment.
- Impressive arhi net membership growth of 2.7%¹. 52.0% of sales <40 with 45.2% of all sales new to category. Net margin of 8.3%.
- Claims outlook remains uncertain with no clear pattern in the “catch-up” of previously deferred treatment and ongoing CV19 implications. \$73.1m provision has been retained in recognition of treatment still deferred.
- Both iih and nib Travel continue to be materially affected by CV19 restrictions on travel. Rate of decline in iih members has slowed and some early, albeit small improvement in travel sales.
- New Zealand resident strong net membership growth of 2.6%¹ and net margin of 8.7%. Now cover almost 4,200 lives with Ngāti Whātua Ōrākei initiative.
- Good progress in reducing operating expenses² 1H21: \$172.1m vs 1H20: \$200.3m. Heavy emphasis upon digital engagement, process automation, distributed work force and internal “contestability”.
- Ramping up of Honeysuckle Health and capability around data science and disease prevention/management.
- Government announced a review of industry risk equalisation.

1. Net policyholder growth for six months to 31 December 2020.

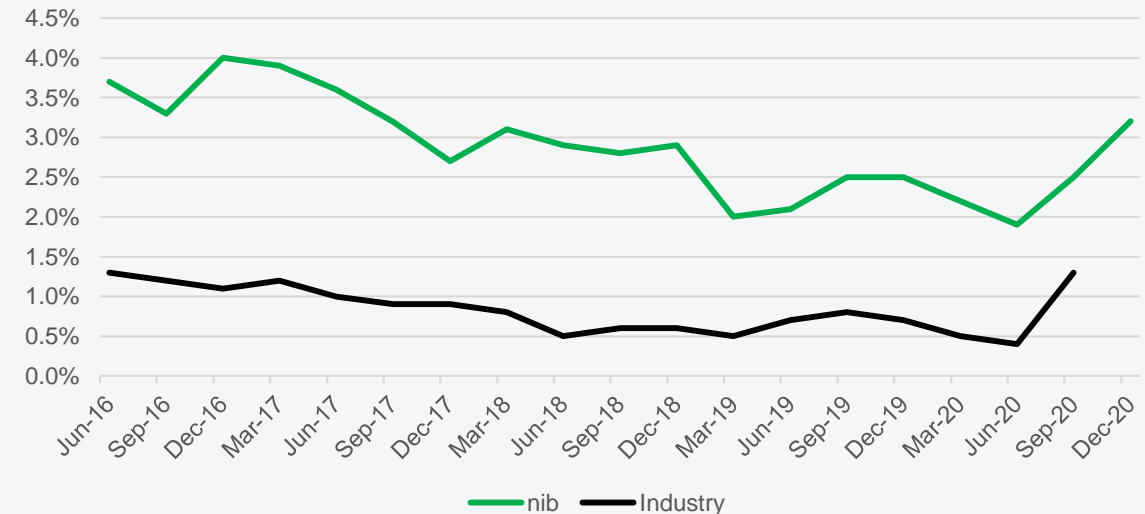
2. Underlying expenses excluding claims handling.

3. GU Health figures included in all periods and acquired October 2017. December 2019 sales and lapse figures adjusted from reported APRA results due to combining of nib and GU Health APRA reporting.

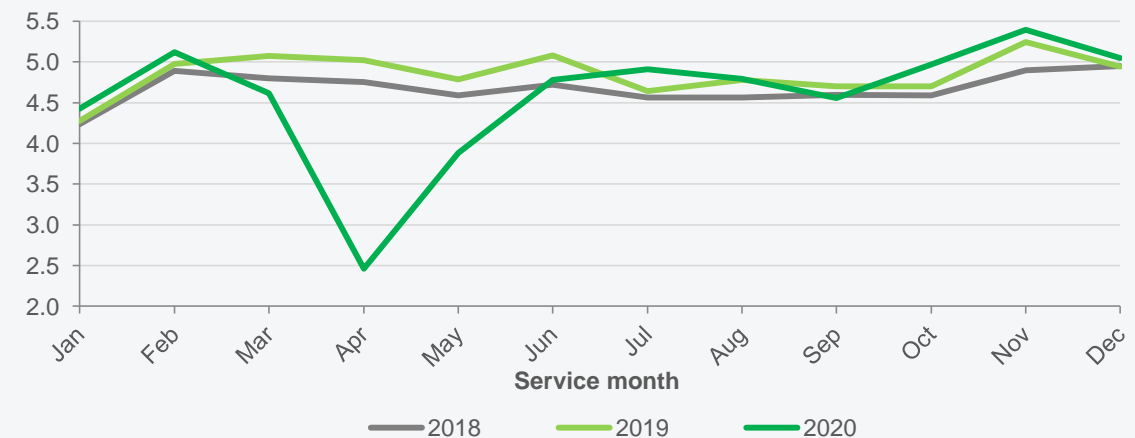
4. Excludes risk equalisation, CV19 provision and state levies.

FY21 half year results

Annual arhi net policyholder growth nib v industry³



arhi incurred claims⁴ per person per workday (\$)



Group Chief Financial
Officer

**Nick
Freeman**



Group income statement



(\$m)	1H21	1H20	Change
Net premium revenue	1,253.3	1,227.6	▲2.1%
Net claims incurred ¹	(1,003.0)	(994.2)	▲0.9%
Other underwriting revenue	1.7	1.5	▲13.3%
Underwriting expenses	(151.9)	(148.2)	▲2.5%
Underwriting result²	100.1	86.7	▲15.5%
Other income	9.4	50.0	▼81.2%
Other expenses	(20.2)	(52.1)	▼61.2%
Share of net profit/(loss) of associates and joint ventures	(2.4)	(1.4)	▲71.4%
Underlying operating profit	86.9	83.2	▲4.4%
Amortisation of acquired intangibles	(4.1)	(5.3)	▼22.6%
Impairment of intangibles	(7.0)	-	n/a
One-off transactions, M&A and business implementation costs	(4.2)	(4.7)	▼10.6%
Statutory operating profit	71.6	73.2	▼2.2%
Finance costs	(3.7)	(6.0)	▼38.3%
Net investment income	28.0	12.6	▲122.2%
Profit before tax	95.9	79.8	▲20.2%
Tax	(29.7)	(22.7)	▲30.8%
Net profit after tax	66.2	57.1	▲15.9%

1. Net claims incurred including claims handling.

2. Underlying underwriting result.

3. Underlying expenses excluding claims handling.

Key drivers of result

- 2020 arhi six month premium increase postponement offset by buoyant policyholder sales and retention.
- Border restrictions and claims/margin pressure impacting 1H21 ihi performance.
- Low claims incurred due to CV19 including risk equalisation.
- Underwriting expenses ▲2.5%, includes upfront investment in Payer to Partner (P2P).
- Reduction in other income and other expenses due to nib Travel.
- Total expenses³ ▼14.1%, largely driven by nib Travel.
- Change in other income and other expenses primarily due to nib Travel.
- \$7.0m non-cash impairment charge against nib Travel intangible assets due to CV19.
- One-off transactions mainly restructure costs (~\$4.0m).
- Finance costs ▼38.3% reflecting lower rate environment.
- Rebound of investment markets.
- Excluding impairment 1H21 NPAT would be \$72.8m up 27.5%.

Group gross profit drivers 1H20 – 1H21



1H20 Group gross profit (\$m)	242.3
Policyholder growth	3.6
Premium revenue	25.2
Claims expense	(21.7)
Product and scale mix	(9.8)
Premium revenue	(31.3)
Claims expense	21.6
Rate variances	7.2
Premium revenue (excluding price deferral)	52.6
Claims expense	(45.5)
Prior year impacts - OSC development	3.6
1H20	(0.8)
1H21	4.4
Risk equalisation	22.5
Lower industry experience	29.9
Allowance for ineligible claims	(7.5)
COVID-19	(9.7)
Savings	17.1
Claims catch-up	(31.3)
Suspension/waiver impact	(0.7)
Release of provision (including RE component)	25.6
Price increase deferral	(20.4)
1H21 Group gross profit¹	259.7

- Premium revenue growth impacted by postponement of price increases due to CV19 and shifting product mix.
- Policyholder growth benefit lower than normal with strong arhi growth offset by slower than prior period policyholder growth in NZ and impacts of CV19 on iih and nib Travel growth.
- Price increase (excluding deferral) covered claims increase maintaining margins.
- Strong benefit from lower risk equalisation due to low industry claims experience.
- Review of risk equalisation claims identified some that may be ineligible. \$7.5m has been allowed for this.
- CV19 impact positive on claims primarily due to savings realised to date in risk equalisation and reducing assumption for deferred claims, offset by impact of price increase deferral.

Calculation of gross profit (\$m)	1H21	1H20
Net premium revenue per income statement	1,253.3	1,227.6
Net claims incurred per income statement	(1,003.0)	(994.2)
Exclude claims handling expenses	9.4	8.9
Gross profit	259.7	242.3

1. As gross profit excludes the impact of claims handling expense, the CV19 claims and deferral impacts shown exclude the impact of claims handling expense (1%). Refer to table above for reconciliation.

Movement in COVID-19 provision



30 June 2020 (\$m)	arhi	NZ	Group
Est hospital savings	58.3		
Est risk equalisation savings	14.5		
Est ancillary savings	40.7		
Lower than expected claims due to CV19	113.5	9.4	122.9
% deferred	79.6%	90.0%	80.4%
Balance sheet – CV19 claims liability	90.4	8.4	98.8

31 December 2020 (\$m)	arhi	NZ	Group
Est hospital savings	75.6		
Est risk equalisation savings	35.7		
Est ancillary savings	49.5		
Lower than expected claims due to CV19	160.8	9.4	170.2
% deferred	59.7%	90.0%	61.4%
Catch-up to date	(25.3)	(6.1)	(31.4)
Balance sheet – CV19 claims liability	70.7	2.3	73.1

- Lower than expected claims increased from 30 June 2020 principally due to Victorian lockdowns and favourable risk equalisation results.
- Group deferred claims now assumed at ~61% (60% arhi, 90% nz) down from ~80% (80% arhi, 90% nz).
- 81% (85% June) arhi non-risk equalisation hospital deferred claims assumption and 65% (70% June) ancillary deferred claims assumption.

Australian residents health insurance



Financial performance (\$m)	1H21	1H20	Change
Premium revenue	1,067.8	1,044.4	▲2.2%
Claims expense ¹	(874.5)	(881.3)	▼0.8%
Other underwriting revenue	0.8	1.0	▼20.0%
Management expenses	(105.1)	(101.0)	▲4.1%
UOP ²	89.0	62.6	▲42.2%
Key metrics (%)			
Net promoter score (NPS) ³	26.7	33.1	▼6.4
Lapse ⁴	11.9	13.1	▼120bps
Net policyholder growth ⁵	3.2	2.5	▲70bps
Gross margin	18.1	15.6	▲250bps
Management expense ratio	9.8	9.7	▲10bps
Marketing MER	3.7	3.8	▼10bps
Other MER	6.1	5.9	▲20bps
Net margin	8.3	5.9	▲240bps

1. Includes risk equalisation, CV19 provision and state levies.

2. Includes share of net profit/loss of associates and joint ventures accounted for using the equity method.

3. Excludes GU Health.

4. Lapse for 12 months to 31 December 2020 (1H21: 5.0%). Includes impact of CV19 suspensions and resumptions, excluding these lapse would be 10.2% and net policyholder growth 3.4%.

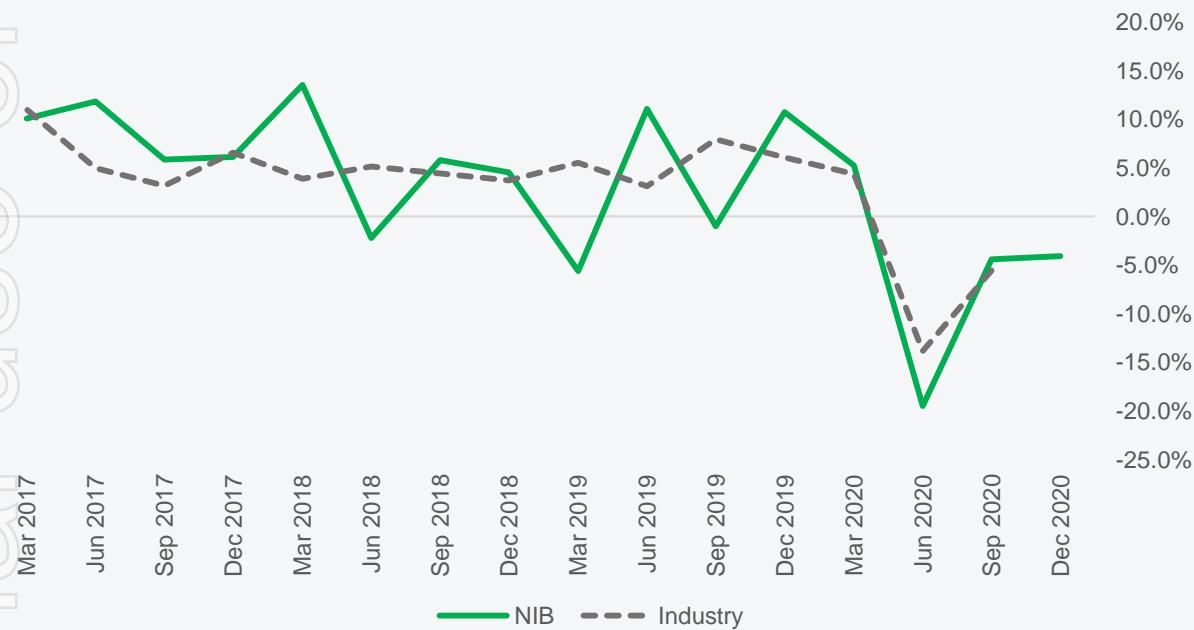
5. Net policyholder growth for 12 months to 31 December 2020. Net policyholder growth for six months to 31 December 2020 of 2.7%, includes impact of CV19 suspensions and resumptions, excluding these net growth would be 1.8%.

Double digit earnings growth driven by policyholder growth as well as favourable nib and industry claims experience

- Premium revenue ▲2.2% driven by 1 October 2020 premium increase and policyholder growth (▲3.2%) vs pcp.
- Premium revenue increase would have been 4.2% if 1 April 2020 premium increase not postponed.
- 1H21 experiencing greater policy upgrades (51%) to downgrades (49%) (1H20: 42% v 58%). First time since FY15 proportion of product movements have shifted towards upgrades³.
- Claims expense benefit from lower risk equalisation due to industry experience, and CV19 provision release.
- Other MER (6.1%) does not include benefit of reduction in property footprint (occupancy costs – subleases included in other income) and includes higher P2P investment.
- NPS impacted by multiple pricing member notifications during CV19 (April deferral and October resumption).

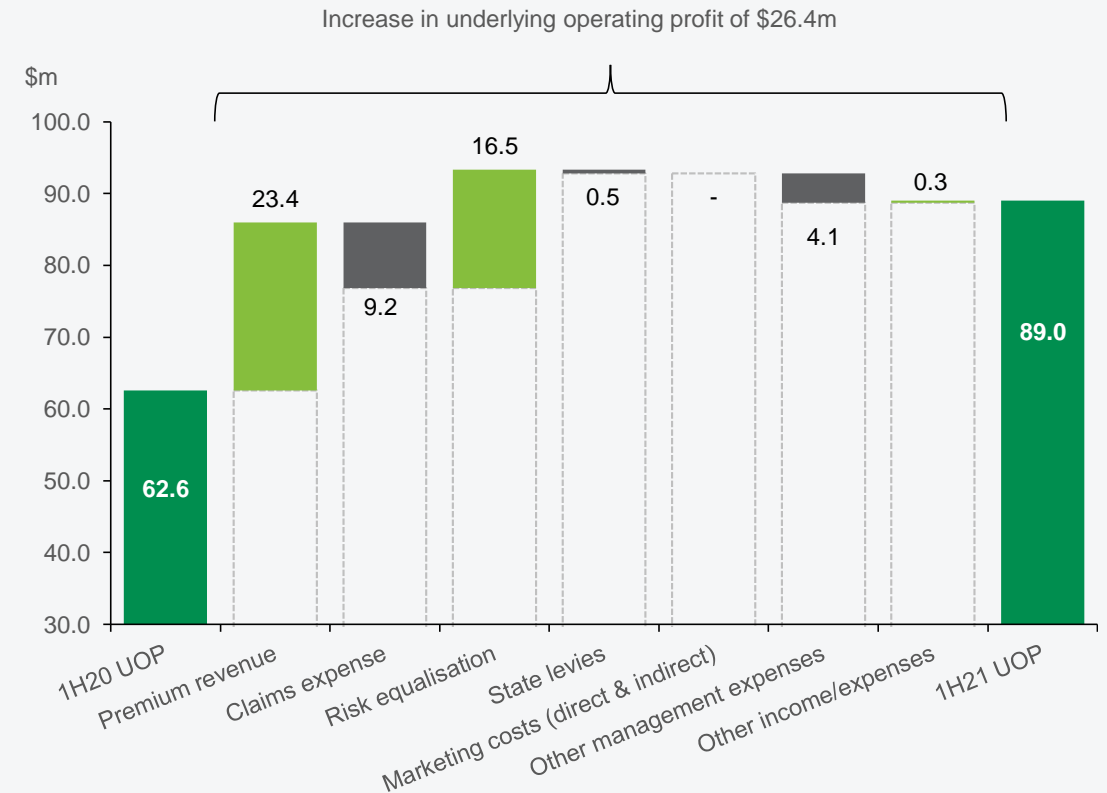
arhi: UOP and risk equalisation trends

Risk equalisation trends – quarterly YOY change in gross deficit per SEU¹



1. Industry risk equalisation data not available for December 2020 quarter at time of publishing.

UOP 1H20 v 1H21



International (inbound) health insurance



Financial performance (\$m)	1H21	1H20	Change
Premium revenue	58.3	61.5	▼5.2%
Claims expense	(39.8)	(30.3)	▲31.4%
Other underwriting revenue	0.9	0.6	▲50.0%
Management expenses	(19.1)	(19.5)	▼2.1%
UOP	0.3	12.3	▼97.6%
Key metrics (%)			
iwhi net promoter score ¹	40.5	48.8	▼8.3
ishi net promoter score	46.0	40.5	▲5.5
Net policyholder growth ²	(6.9)	17.4	▼2430bps
Gross margin	31.7	50.7	▼1900bps
Management expense ratio	32.8	31.7	▲110bps
Marketing MER	7.9	8.0	▼10bps
Other MER	24.9	23.7	▲120bps
Net margin	(1.0)	19.0	▼2000bps

1. Excludes GU Health.

2. Net policyholder growth for 12 months to 31 December 2020. Net policyholder growth for 6 months to 31 December of (6.4)% (1H20: 7.0%)

1H21 performance a tale of two businesses

- ihi business impacted by negative policy growth due to border restrictions and higher claims in international students.
- International students business impacted by:
 - Travel restrictions significantly reducing new international student sales and top line growth.
 - Gross margin decline driven by a combination of changes in policyholder and tenure mix (lack of new sales to refresh), increase in medical treatment costs and utilisation, shift in periods of stay (remain on-shore for visa duration) as well as decline in voluntary repatriation for treatment (eg. child birth) and higher incidence of high-cost claims (▲\$3.6m).
 - Initiatives underway include expanding preferred provider arrangements and rollout of telehealth/online healthcare alternatives, particularly GPs as well as pricing adjustments.
- International workers segment holding up and, while policyholder growth impacted by CV19, sales activity seen from arrival of seasonal workers.
- ihi business remains well positioned for future growth and recovery when travel restrictions are relaxed or borders re-open:
 - Student visas still being processed by Department of Home Affairs indicating potential pipeline of new students.
 - nib recently selected as the preferred insurer for the Australian Government's Pacific Labour Scheme and Seasonal Worker Programme.

Financial performance (\$m)	1H21	1H20	Change
Premium revenue	126.9	119.0	▲6.6%
Claims ¹	(79.3)	(73.7)	▲7.6%
Management expenses	(36.6)	(34.1)	▲7.3%
UOP	11.0	11.1	▼0.9%
Key metrics (%)			
Net promoter score	34.0	34.3	▼0.3
Net policyholder growth ²	1.6	11.4	▼980bps
NZ residents net policyholder growth	2.8	6.8	▼400bps
NZ international students net policyholder growth	(26.0)	n/a	n/a
Gross margin	37.5	38.1	▼60bps
Management expense ratio	28.8	28.7	▲10bps
Marketing MER	14.4	15.2	▼80bps
Other MER	14.4	13.5	▲90bps
Net margin	8.7	9.4	▼70bps

1. Includes movement in premium payback liability.

2. Net policyholder growth for 12 months to 31 December 2020. Net policyholder growth for six months to 31 December 2020 of 0.0% (1H20: 5.7%). 1H20 net policyholder growth reflects commencement of international students partnership.

Track record of top line growth and stable margins

- Premium revenue ▲6.6% a combination of policyholder growth, price adjustments and FX.
- Resident net policyholder growth (excluding underwriting agreement for international students) of 2.8%.
- CV19 claims catch-up consistent with NZ expectations.
- Claims expense ▲7.6% due to increased utilisation offset by reduction in service cost inflation aided by First Choice Network.
- Management expenses ▲7.3% driven by IT investment in key business platforms.
- Population health initiative with Ngāti Whātua Ōrākei now includes almost 4,200 lives, with opportunities being progressed with other iwi.
- Net margin (8.7%) within 8% - 10% target range.

Financial performance (\$m)	1H21	1H20	Change
Operating income	4.4	47.8	▼90.8%
Acquisition costs	(0.3)	(22.2)	▼98.5%
Underwriting result	(0.2)	0.2	▼200.0%
Operating expenses	(11.2)	(24.1)	▼53.6%
UOP	(7.3)	1.7	▼529.4%
Key metrics			
Sales (#)	25,450	605,635 ¹	▼95.8%
Domestic	6,698	404,325	▼98.3%
International	28,650	202,238	▼85.8%
Refunds domestic & international	(9,898)	(928)	▲966.6%
Gross written premium (GWP) ² (\$m)	2.8	100.3	▼97.2%
Gross profit after commissions ³ (\$m)	3.3	24.2	▼86.4%

1. 1H20 total sales figure restated for immaterial adjustment associated with policy amendments after original sale.

2. nib Travel is a distributor of travel insurance and earns a commission for policies sold, however, GWP is shown as it is a key performance metric of the business noting GWP excludes other sources of income such as emergency travel assistance and managing general agent fees.

3. GPAC includes other marketing costs.

Challenging operating environment with focus on keeping acquisition channels ready for new environment, brands healthy and rightsizing the cost base

- Sales excluding cancellations of 35,348, GWP excluding cancellations of \$6.7m.
- FY21 Q1 sales ▼96%, Q2 sales ▼93% (Dec ▼88%), 1 Jan–16 Feb ▼85% on pcp.
- Recently updated policies and recommenced travel insurance sales to include cover for some coronavirus related events.
- Operating expenses ▼53.6% reflecting management response to operating environment.
- UOP loss of \$7.3m line with expectations (2H20 UOP loss of \$21.4m).
- nib received \$3.2m in JobKeeper subsidy during 1H21.
- Non-cash impairment charge of \$7.0m against nib Travel intangible assets reflecting ongoing impact of CV19.

Investments, gearing and capital



(\$m)	1H21	1H20	Change
Net investment income (\$m)	28.0	12.6	▲ 122.2%
Net investment return (%)	2.7	1.3	▲ 140bps
Funds invested (\$m)	928.2	865.9	▲ 7.2%
Debt (\$m)	233.0	234.3	▼ 0.6%
Finance costs (\$m)	(3.7)	(6.0)	▼ 38.3%
Finance costs (\$m)	(1.7)	(3.0)	▼ 43.3%
Finance costs – interest on lease liabilities (\$m)	(2.0)	(3.0)	▼ 33.3%
Interest ratio cover	35:1	28:1	n/a
Effective tax rate (%)	31.0	28.4	▲ 260bps
Gearing ratio (%)	26.7	27.9	▼ 120bps
Available capital above internal targets ¹ (\$m) nib Group	65.8	69.2	▼ 4.9%
Surplus assets for capital adequacy nib health funds limited	407.1	400.4	▲ 1.7%

- Increase in net investment income reflects strong returns in the growth portfolio across domestic and global equities and global listed property.
- Low finance costs reflective of low interest rate environment.
- Available capital increases despite increase in capital targets due to growth in business and allowance for additional claims catch up.

1. Allowing for payment of final dividend but does not include impact of any dividend reinvestment plan.

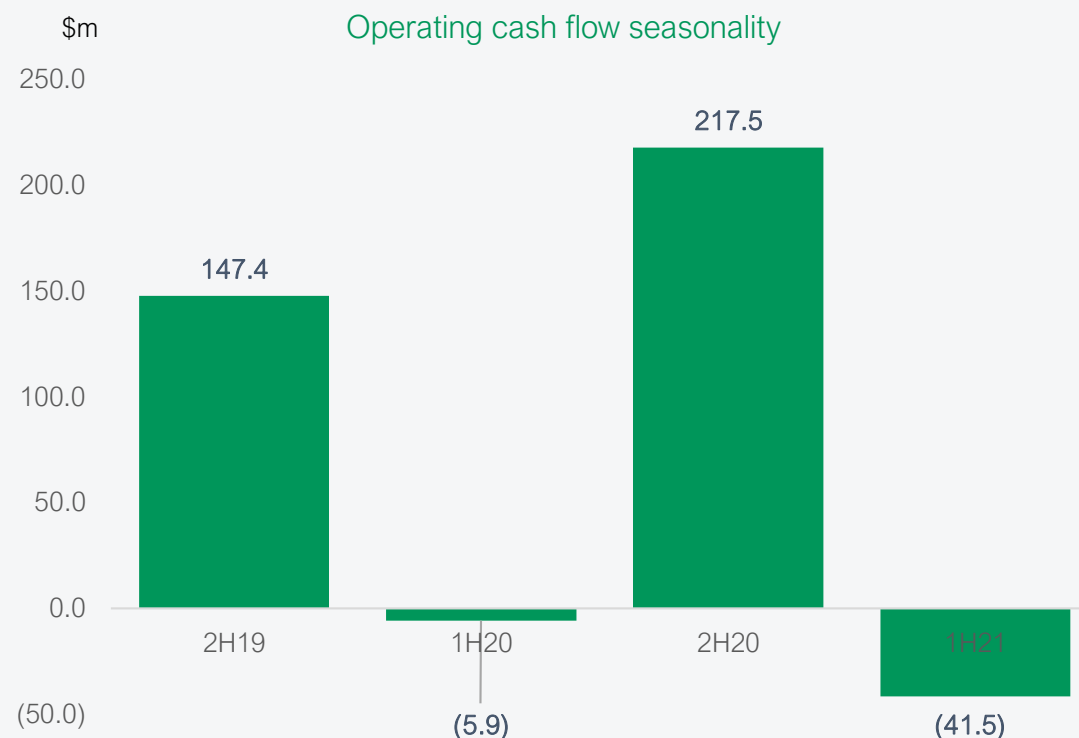
(\$m)	
Opening available capital 30 June 2020	57.0
Sources of capital:	22.6
NPAT	66.2
Other increases in equity	2.1
Allowance for interim dividend	(45.7)
Changes in capital employed:	(13.8)
Increase in nib health fund internal capital target	(25.4)
Increase in nib nz internal capital target	(5.1)
Write down in intangibles already excluded from available capital	7.0
Reduction in capital required for non-regulated entities	9.7
Closing available capital as at 31 December 2020	65.8

Cash flow

Consolidated cash flow (\$m)	1H21	1H20	Change
Receipts from policyholders and customers	1,272.6	1,298.6	▼2.0%
Payments to policyholders and customers	(1,029.3)	(1,011.5)	▲1.8%
Net outwards reinsurance contracts	(13.5)	(7.3)	▲84.9%
Payments to suppliers and employees	(219.7)	(252.4)	▼13.0%
Subtotal	10.1	27.4	▼63.1%
Other operating activities	0.6	2.4	▼75.0%
Income taxes paid	(52.2)	(35.7)	▲46.2%
Net cash inflow from operating activities	(41.5)	(5.9)	▲603.4%
Investing cash outflows – PPE & intangibles	(13.2)	(11.4)	▲15.8%
Investing cash outflows – other assets	(5.7)	-	n/a
Lease payments	(5.2)	(5.3)	▼1.9%
Dividends paid	(18.3)	(59.2)	▼69.1%
Free cash flows	(83.9)	(81.8)	▲2.6%
Net proceeds from investments	28.0	62.6	▼55.3%
Movement in shares	0.4	0.9	▼55.6%
Effects of exchange rate changes	(0.2)	(0.1)	▲100.0%
Net increase in cash and cash equivalents	(55.7)	(18.4)	▲202.7%

Net operating cash impacted by:

- Deferral of price increase to October 2020.
- Cash vs incurred claims increase due to CV19 (cash benefit in 2H20) and hospital contracting finalisation.
- nib Travel and ishi.
- Increased tax (higher FY20 true up and tax on increased investment gains).
- Operating cash flow seasonally biased to 2H given timing of price increases, rate locks, claims experience.



Chief Executive Officer
& Managing Director

Mark Fitzgibbon



Sustainability at nib



Included in the 2021 Bloomberg Gender Equality Index for the second year running

Reflect Reconciliation Action Plan published

Transition to 100% renewable energy procurement for all nib controlled locations by end of FY21

Commitment that nib operations to be carbon neutral by end of FY22

Continued partnership with Māori iwi, Ngāti Whātua Ōrākei

Placed 87th globally in the Refinitiv 2020 Diversity and Inclusion Index (was one of only 9 Australian companies included)



Population health



Natural environment



Economic development & employment



Community spirit & cohesion



Leadership & governance

Business strategy



Personalised
healthcare



Affordability and
sustainability



Grow the core
(arhi)



Economies
of scope



Racing the Red
Queen (RRQ)

Key focus areas

- arhi and NZ membership growth (organic, partnerships, M&A).
- New product development associated with P2P.
- Active and targeted disease prevention and management.
- Digital health ecosystem.
- Continued investment in Honeysuckle Health.
- Redressing high claims experience in iihi.
- Limiting loss making in nib Travel while modernising business fundamentals.
- Tight Group cost control.



Outlook

arhi

- Strong sales and improved retention throughout FY21 and beyond. Target 3-4% annual net policyholder growth.
- Relatively modest claims growth given ongoing CV19 risk in near term with medium to longer term reversion to trend.
- Growing acceptance of PHI role and capability to help improve health outcomes.

New Zealand

- Strong sales and improved retention throughout FY21 and beyond.
- Relatively modest claims growth given ongoing CV19 risk in near term with medium to longer term reversion to trend.
- Growing acceptance of PHI role and capability to help improve health outcomes. Additional iwi coverage.

iihi

- Gradual return of international students in FY22 and less restriction on international workers.
- Improved profitability through claims and cost control as well as pricing.

nib Travel

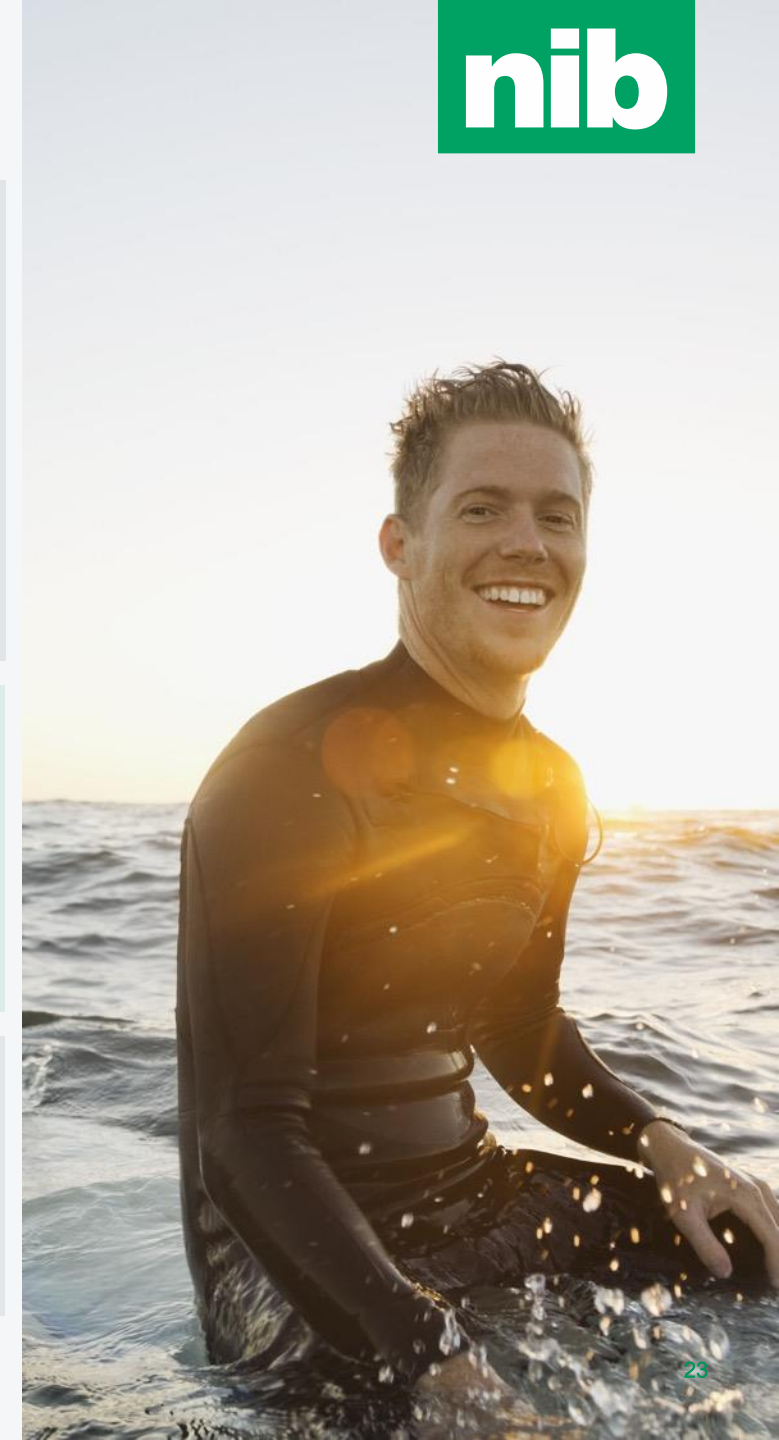
- Slow return to travel over the course of FY22.
- Short term cost and loss minimisation.

Honeysuckle Health

- Continued building of capability with new clients in FY22.
- Further capital investment in business model.

China joint venture

- Business anticipated to commence selling health insurance (critical illness) in 1H22.



Honeysuckle Health & China JV



Honeysuckle Health

- Joint venture between nib and Cigna
- Newcastle
- CEO Rhod McKenney (formerly Group Executive arhi)
- 57 employees

- Healthcare data science and insight
- Contracting platform for provider networks
- Disease prevention and management
- Digital health platform

- Data science technology built
- Inaugural health management programs (hospital discharge, chronic condition case management, mental health)
- Seeking ACCC authorisation for joint contracting
- Capital invested to date \$10.0m (carrying value \$7.0m)

China JV (Flying Tiger)

- Joint venture between nib and Tasly Group
- Tianjin/Shanghai
- CEO Wu Jun
- 25 employees

- Corporate health management
- Health and living benefits insurance

- 40 corporate clients with A\$5.3m in revenue CY20¹
- Acquisition of licence to sell insurance near completion
- Capital invested to date \$16.4m (carrying value \$13.2m)

About

Purpose

Progress

1. Represents 100% of revenue. nib has 50% investment in joint venture.

Questions and answers





Appendix

Policyholder and other data



nib Group health insurance	1H21	1H20	FY20		
Total persons covered ¹	1,629,784	1,614,838	1,616,263		
Australian residents health insurance	1,211,264	1,186,159	1,186,805		
International (inbound) health insurance ¹	189,288	203,143	202,533		
New Zealand	229,232	225,536	226,925	vs PCP	vs HOH
Total policyholders ¹	926,480	917,694	921,717	1.0%	0.5%
Australian residents health insurance	635,600	615,871	619,079	3.2%	2.7%
International (inbound) health insurance ¹	172,651	185,475	184,379	(6.9)%	(6.4)%
New Zealand	118,229	116,348	118,259	1.6%	0.0%
arhi					
Market share	**	9.2%	9.2%		
Average age of hospital persons covered (years) ²	41.0	40.5	40.8		
arhi sales by channel ²					
Corporate	8.8%	11.1%	10.8%		
Direct to consumer	39.6%	34.8%	35.9%		
Retail brokers	34.7%	29.4%	29.9%		
Whitelabel partners	16.9%	24.6%	23.4%		

** Industry data to 31 December 2020 not available at time of publishing. nib market share as at 30 September 2020 was 9.3%.

1. Immaterial adjustment to 1H20 and FY20 figures associated with allocation between segments.

2. Immaterial adjustment to FY20 figure associated with calculation.

3. Immaterial adjustment to FY20 figures associated with allocation between channels.

Detailed Group gross underwriting result

(\$m)	1H21	1H20	Change
Net premium revenue	1,253.3	1,227.6	2.1%
- arhi	1,067.8	1,044.4	2.2%
- iihi	58.3	61.5	(5.2)%
- nz	126.9	119.0	6.6%
- nib Travel	0.3	2.7	(88.9)%
Net claims expense	(866.4)	(841.5)	3.0%
- Hospital claims paid (arhi)	(518.7)	(513.7)	1.0%
- Ancillary claims paid (arhi)	(228.3)	(218.0)	4.8%
- OSC provision movement (arhi)	(15.7)	(5.5)	187.0%
- Claims CV19 provision (arhi)	16.2	-	n/a
- arhi claims incurred	(746.5)	(737.3)	1.2%
- iihi claims incurred	(39.8)	(30.3)	31.4%
- Claims incurred (nz)	(86.1)	(73.9)	16.6%
- Claims CV19 provision (nz)	6.0	-	n/a
- nz claims incurred	(80.1)	(73.9)	8.4%
- nib Travel claims incurred	-	-	-
Risk equalisation levy	(110.0)	(126.5)	(13.0)%
- OSC risk equalisation margin	0.1	(1.1)	(107.1)%
- Provision for ineligible claims	(7.5)	-	n/a
- Gross deficit ¹	233.0	252.6 ¹	(7.8)%
- Calculated deficit	(339.0)	(378.0) ²	(10.3)%
- CV19 risk equalisation provision	3.4	-	n/a
State levies	(18.0)	(17.5)	2.9%
Decrease / (increase) in premium payback liability	0.8	0.2	300.0%
Net claims incurred (excluding claims handling)	(993.6)	(985.3)	0.8%
Gross underwriting result	259.7	242.3	7.2%
- arhi	193.3	163.1	18.5%
- iihi	18.5	31.2	(40.7)%
- nz	47.6	45.3	5.1%
- nib Travel	0.3	2.7	(88.9)%

1. Gross deficit is consistent with 1H20 investor presentation. During the year a change in accounting process has occurred eliminating gross-ups in risk equalisation. After eliminating gross-ups, the comparable number to 1H21 becomes \$232.4 million.
2. Calculated deficit is consistent with 1H20 investor presentation. During the year a change in accounting process has occurred eliminating gross-ups in risk equalisation. After eliminating gross-ups, the comparable number to 1H21 becomes \$(357.8) million. (There is no difference in the net of gross deficit less calculated deficit of \$(125.4) million.

Management expenses: arhi, iihl and nz

(\$m)	Marketing (direct)	Marketing indirect (commissions paid)	Marketing indirect (commissions deferred)	Marketing indirect (commissions amortised)	Total marketing	Other management expenses	Total management expenses	MER underwriting expenses	Amortisation of acquired intangibles	Total operating expenses	MER
Australian residents health insurance											
1H20	11.9	27.1	(17.1)	17.2	39.1	61.9	101.0	9.7%	1.0	102.0	9.8%
1H21	10.7	27.4	(16.0)	17.0	39.1	66.0	105.1	9.8%	1.0	106.1	9.9%
International (inbound) health insurance											
1H20	0.6	4.3	(3.2)	3.2	4.9	14.6	19.5	31.7%	0.8	20.3	33.0%
1H21	0.4	3.7	(2.5)	3.0	4.6	14.5	19.1	32.8%	0.4	19.5	33.4%
New Zealand											
1H20	2.7	17.3	(8.5)	6.5	18.1	16.0	34.1	28.7%	1.7	35.8	30.0%
1H21	2.2	20.4	(12.2)	7.9	18.3	18.3	36.6	28.8%	1.7	38.3	30.2%

Risk equalisation: how it works

The current Risk Equalisation Trust Fund (RETF), which has been in place since 1 April 2007, consists of two elements:

- Gross deficit (what we 'get back' from the pool).
 - Consists of the Age Based Pool (ABP) and the High Cost Claims Pool (HCCP). The ABP makes up around 97% of the RETF.
 - The ABP is calculated based on the patient's age (for example, we receive 15% of the hospital, medical and/or prosthesis claims payments back for a 57 year old).

Customer age (at date of service)	Claims attributed to RETF
<55	0.0%
55 – 59	15.0%
60 – 64	42.5%
64 – 69	60.0%
70 – 74	70.0%
75 – 79	76.0%
80 – 84	78.0%
85 +	82.0%

- Calculated deficit (what we 'pay into' the pool).
 - The gross deficit amounts for each fund are aggregated and divided by the total number of hospital SEUs (single equivalent units) in the industry (by state).
 - The "state average deficits" are then multiplied by the number of hospital SEUs in each state for each fund to determine the amount payable to the pool for each fund.

Investment asset allocation



	Consolidated			Australian investment portfolio			New Zealand investment portfolio			nib foundation investment portfolio		
	Balance at 31/12/2020 (\$m)	Allocation at 31/12/2020 (%)	Net return 6 months to 31/12/2020 (\$m)	Balance at 31/12/2020 (\$m)	Allocation at 31/12/2020 (%)	Net return 6 months to 31/12/2020 (\$m)	Balance at 31/12/2020 (\$m)	Allocation at 31/12/2020 (%)	Net return 6 months to 31/12/2020 (\$m)	Balance at 31/12/2020 (\$m)	Allocation at 31/12/2020 (%)	Net return 6 months to 31/12/2020 (\$m)
Cash ¹	100.9	10.9	0.5	71.6	9.0	0.4	19.6	17.2	-	9.7	59.0	0.1
Fixed interest/short maturity	642.0	69.2	2.4	544.9	68.3	1.7	94.0	82.8	0.7	3.1	18.6	-
Total defensive	742.9	80.0	2.9	616.5	77.2	2.1	113.6	100.0	0.7	12.8	77.6	0.1
Australian shares	74.4	8.0	11.0	71.6	9.0	10.4	-	-	-	2.8	16.7	0.6 ²
Global shares – hedged	20.4	2.2	6.9	20.4	2.6	6.9	-	-	-	-	-	-
Global shares – unhedged	55.2	6.0	4.8	54.3	6.8	4.8	-	-	-	0.9	5.7	-
Listed property	10.5	1.1	-	10.5	1.3	-	-	-	-	-	-	-
Global property	24.8	2.7	2.4	24.8	3.1	2.4	-	-	-	-	-	-
Total growth	185.3	20.0	25.1	181.6	22.8	24.5	-	-	-	3.7	22.4	0.6
Total	928.2	100.0	28.0	798.1	100.0	26.6	113.6	100.0	0.7	16.5	100.0	0.7

1. Excludes operating cash of \$49.6m, noting total cash is split between cash and cash equivalents of \$142.3m and short term deposits of \$8.2m included in Financial Assets.

2. Net return for nib foundation Growth Portfolio grouped under Australian shares.

Glossary



Term	Definition
1H	Six months ended/ending 31 December of the relevant financial year
2H	Six months ended/ending 30 June of the relevant financial year
APRA	Australian Prudential Regulation Authority
arhi	Australian residents health insurance, inclusive of GU Health unless otherwise stated
AUD	Australian dollar
bps	Basis points (1.0% = 100 bps)
cps	Cents per share
DRP	Dividend reinvestment plan
CV19	COVID-19
DTC	Direct to consumer
EPS	Earnings per share
FX	Foreign exchange
FY	Financial year ended/ending 30 June
Group	nib holdings Group
GPAC	Gross profit after commissions, includes other marketing costs
GWP	Gross written premium
iihi	International inbound health insurance (ishi & iwhi combined), inclusive of GU Health unless otherwise stated
IMAN	IMAN Australia Health Plans – OVHC health insurance by nib
ishi	International students health insurance
iwhi	International workers health insurance
JV	Joint venture
Lapse	Lapse is determined by dividing the average of opening and closing policyholder counts
MER	Management expense ratio
MGA	Managing general agent
Net claims expense	Claims expense net of reinsurance
Net margin	Gross profit less management expenses as percentage of net premium revenue
Net policyholder growth	Total policies as at the end of the reporting period less total policies as at 30 June of the prior financial year
Net premium revenue	Premium revenue net of reinsurance

Term	Definition
nib	nib holdings limited
nib Travel	nib Travel is a travel insurance distributor
niss	nib international student services
NPAT	Net profit after tax
NPS	Net promoter score (service) (number of promoters less number of detractors)
NZD	New Zealand dollar
OSC	Outstanding claims liability
Other underwriting revenue	Revenue from underwriting activities excluding premium revenue
P2P	Payer to partner
PCP	Prior comparative period
PHI	Private health insurance
PPB	Premium payback liability relates to previously offered products, where customers are entitled to receive a refund (or partial refund) of premiums paid less any claims made, once the policy has been in force for a specified period. It is determined based on the discounted value of accumulated excess of premiums over claims at an individual policy level
Sales NPS	A measure of the likelihood of a new customer to recommend the brand immediately following a sales interaction
Shared services	Refers to nib Group shared service functions including finance and corporate services, people and culture, IT, benefits and provider relations as well as legal, risk and governance and executive management
Underlying underwriting revenue	Net premium revenue and other underwriting revenue
UOP	Underlying operating profit - comprised of underwriting result, other income and expenses including non-underwriting businesses. It excludes amortisation of acquired intangibles, one-off transactions (integration of acquired business, establishment of business costs as well as extraordinary legal fees), merger and acquisition costs, finance costs, net investment income and income tax