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FY21 full year results

23 August 2021



Disclaimer

The material in this presentation is a summary of the results of nib holdings limited (nib) for the 12 months ended 30 June 2021 and an update on nib's activities and is current at the date of preparation, being 23 August 2021. Further details are provided in nib's full year accounts and results announcement released to ASX on 23 August 2021.

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The financial information disclosed has been prepared on a statutory basis. Due care and consideration should be undertaken when considering and analysing nib's financial performance. All references to dollars are to Australian Dollars unless otherwise stated.

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Following the IFRS Interpretations Committee agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement in March 2021, the Group has reconsidered its accounting treatment and adopted the treatment set out in the IFRS IC agenda decision. The change in policy has been applied retrospectively and comparative information has been restated. Refer to note 31 of the Notes to the Consolidated Financial Statements for the year ended 30 June 2021 for more information.

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: www.nib.com.au/shareholders.

Group, arhi and iihi 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 FY20 and FY21, 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.

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, present and emerging 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.

For our New Zealand viewers
e ngā iwi, e ngā Mana, Tēnā koutou katoa!

Result highlights and business update



Mark Fitzgibbon

Chief Executive Officer & Managing
Director

Our purpose: your better health

COVID-19 SUPPORT

OUR MEMBERS

- PREMIUM INCREASES POSTPONED FOR SIX MONTHS FOR ALL MEMBERS**
- PREMIUM INCREASES WAIVED FOR 12 MONTHS FOR 10,000 MEMBERS ON JOBKEEPER OR JOBSEEKER**
- RETURNED \$15 MILLION IN CLAIMS SAVINGS VIA COVID CREDIT**
- \$2.4 MILLION IN FINANCIAL ASSISTANCE**
- LATEST COVID-19 HEALTH INFORMATION ON THE CHECK UP**
- EXPANDED COVER FOR COVID-19 TREATMENT & PSYCHOLOGY SERVICES AT NO COST**
- FREE ANTENATAL AND EARLY PARENTING CLASSES ONLINE**
- PERMANENT TELEHEALTH SERVICES**
- 24/7 MEDICAL & NON-MEDICAL ASSISTANCE HOTLINE**

Delivering on our purpose:



378,900 hospital admissions



3.9 million dental, optical and ancillary visits



\$1.8 billion benefits paid¹ (up 14.5% on FY20)



More than 6,500 members in health management programs (10% reduction in readmissions²)



6 active Honeysuckle Health programs

1. Net claims incurred excluding risk equalisation and CV19 provision.

2. Reduction in the volume of readmissions occurring for the treatment group vs control group for discharge support program.

Sustainability

Responsible Investment Policy

Continued support of Ngāti Whātua Ōrākei members

Distributed Work Policy

Transitioned to 100% renewable energy

Diversity & Inclusion Plan

Over \$2.7m in community & preventative health funding (with nib foundation)



Population health



Natural environment



Economic development & employment



Community spirit & cohesion



Leadership & governance

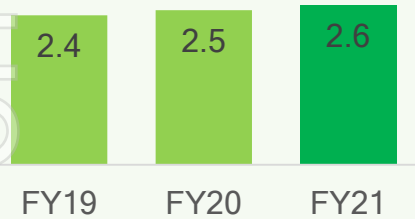


FY21: Group financial results and highlights

total Group revenue



\$2.6b ▲2.9%



Group UOP



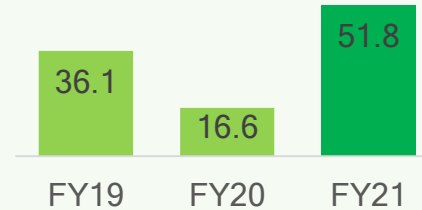
\$204.9m ▲39.5%



net investment income



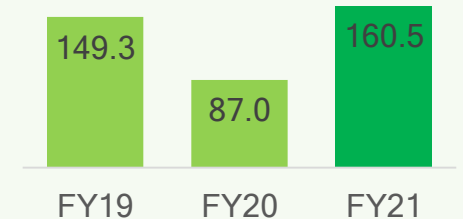
\$51.8m ▲212.0%



NPAT



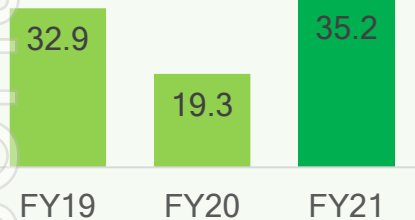
\$160.5m ▲84.5%



statutory EPS



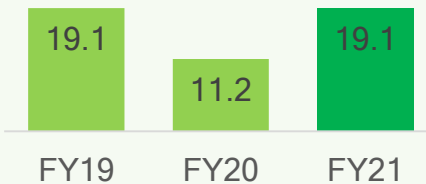
35.2cps ▲82.4%



ROIC¹



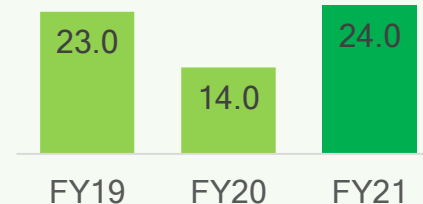
19.1% ▲790bps



full year dividend



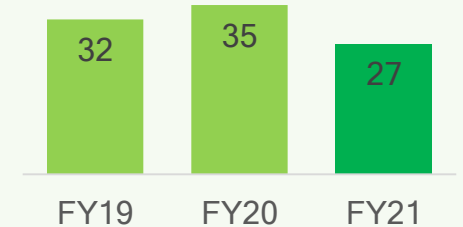
24.0cps ▲71.4%



Group NPS



27 ▼8



Note: Some FY20 figures restated refer Note 31 in the 2021 Annual Report.

1. ROIC calculated using average shareholders' equity including non-controlling interests and average interest-bearing debt over a rolling 12 month period.



Nick Freeman

Group Chief Financial Officer

Group income statement

(\$m)	FY21	FY20	FY19	Change FY21 v FY20
Net premium revenue	2,548.8	2,439.6	2,340.8	▲4.5%
Net claims incurred ¹	(2,004.9)	(1,955.3)	(1,829.8)	▲2.5%
Other underwriting revenue	3.8	3.5	3.6	▲8.6%
Underwriting expenses	(318.0)	(310.3) ²	(310.7)	▲2.5%
Underlying underwriting result	229.7	177.5²	203.9	▲29.4%
Other income	24.1	60.1	77.2	▼59.9%
Other expenses	(44.1)	(86.7)	(78.3)	▼49.1%
Share of net profit/(loss) of associates and joint ventures	(4.8)	(4.0)	(1.0)	▲20.0%
Underlying operating profit	204.9	146.9²	201.8	▲39.5%
Amortisation of acquired intangibles	(8.0)	(10.4)	(9.2)	▼23.1%
Impairment of intangibles	(8.8)	(8.0)	(1.0)	▲10.0%
One-off transactions, M&A and business implementation costs	(2.1)	(13.6)	(7.0)	▼84.6%
Statutory operating profit	186.0	114.9²	184.6	▲61.9%
Net finance costs	(6.8)	(9.7)	(7.7)	▼29.9%
Net investment income	51.8	16.6	36.1	▲212.0%
Profit before tax	231.0	121.8²	213.0	▲89.7%
Tax	(70.5)	(34.8) ²	(63.7)	▲102.6%
Net profit after tax	160.5	87.0²	149.3	▲84.5%

1. Net claims incurred includes claims handling.

2. FY20 figure restated, refer Note 31 in the 2021 Annual Report.

3. Excludes claims handling expenses.

Key drivers of result

- Strong arhi policyholder sales growth and retention. Net arhi policyholder growth of 4.2% versus 3.1% industry average.
- Claims benefit from limited catch-up and favourable risk equalisation.
- Border restrictions impacting iihi performance (reduced student policyholders and increase in claims expense) and Travel.
- Good expense control with total expenses (underwriting and other expenses³ \$362.1m v \$397.0m) reducing 8.8%. Includes Software as a Service IFRIC decision FY21 impact of \$4.3m. Underwriting expenses includes investment in Payer to Partner (P2P).
- Reduction in other income and other expenses due to nib Travel.
- One-off transactions include sale of Whitecoat (\$9.7m) offset by one-off expenses primarily restructure costs (\$10.8m) including closure of Retail Centres.
- Net finance costs decrease due to lower average interest rates and Investment income boosted by investment market rebound and allocation to growth assets.
- Segment mix with iihi/travel UOP losses being offset by arhi.

Segment UOP (\$m)	FY21	FY20	FY19
arhi	211.8	130.4 ²	149.5
iihi	(5.9)	22.2	34.9
nz	24.1	23.4	19.8
nib Travel	(13.6)	(19.7)	6.6
other	(11.5)	(9.4)	(9.0)
Group UOP	204.9	146.9²	201.8

Group gross profit drivers¹ FY20-FY21

(\$m)	FY20	FY21	Movement	
FY20 group gross profit				506.2
Policyholder growth				8.1
Premium revenue			67.2	
Claims expense			(59.1)	
Product and scale mix				(11.7)
Premium revenue (excluding price deferral)			(45.5)	
Claims expense			33.8	
Rate variances				(7.4)
Premium revenue (excluding price deferral)			92.0	
Claims expense			(99.4)	
Prior year impacts - OSC development	(8.8)	(1.5)	7.3	7.3
Industry risk equalisation impacts	6.1	71.6	65.5	65.5
Industry RE savings/deferral	40.7	56.4	15.7	
Original CV19 provision and release	(34.6)	34.6	69.2	
Reassessed CV19 provision at 30 June 2021		(19.4)	(19.4)	
iihi CV19 impacts		(20.3)	(20.3)	(20.3)
arhi and nz CV19 impacts	(0.6)	15.0	15.6	15.6
Claims savings/deferral	81.2	30.7	(50.5)	
Original CV19 provision (claims related) and release	(63.4)	63.4	126.8	
Claims catch-up		(42.7)	(42.7)	
Reassessed CV19 provision (claims related) at June 2021		(14.4)	(14.4)	
Suspension/waiver impact	(2.4)	(0.7)	1.7	
Price increase deferral	(16.0)	(21.3)	(5.3)	
FY21 group gross profit²				563.3

FY21 full year results

- Policyholder growth in resident health insurance (arhi and NZ) offset by decline in iihi sales due to CV19.
- Unfavourable net impact of ongoing product mix downgrading.
- Premium revenue impacted due to postponement of price increases due to CV19 and shifting product mix.
- Price increase (excluding deferral) covered claims inflation allowing for industry risk equalisation, maintaining target margin.
- Timing of OSC development provided lower negative movement vs FY20.
- Large risk equalisation benefit due to reduced claiming in the over 65 cohort across the industry and reduced CV19 provision requirement.
- Negative iihi claims impact as border closures drive greater on-shore tenure of policyholders - increase in utilisation and higher cost treatments, e.g. pregnancy.
- Benefit in arhi claims from limited catch-up and reduction in treatment types associated with changes in member behaviour.

Calculation of gross profit ² (\$m)	FY21	FY20
Net premium revenue per income statement	2,548.8	2,439.6
Net claims incurred per income statement	(2,004.9)	(1,955.3)
Exclude claims handling expenses	19.4	21.9
Gross profit	563.3	506.2

1. The purpose of this slide is to provide an overview of the drivers of change in gross profit. While the FY20 and FY21 Group gross profit is in line with reported results, the causal variances in between are based from the February 2020 forecast (which was also the basis for the CV19 provision).
2. As gross profit excludes the impact of claims handling expense, the CV19 claims and deferral impacts shown exclude the impact of claims handling expense (0.8%). Refer to Calculation of gross profit table for reconciliation.

Australian residents health insurance



Financial performance (\$m)	FY21	FY20	FY19	Change FY21 v FY20
Premium revenue	2,174.1	2,072.3	2,013.20	▲4.9%
Claims expense (ex claims handling)	(1,741.0)	(1,725.5)	(1,639.0)	▲0.9%
<i>Claims¹</i>	<i>(1,575.1)</i>	<i>(1,400.1)</i>	<i>(1,409.5)</i>	▲12.5%
<i>Risk equalisation</i>	<i>(221.8)</i>	<i>(235.0)</i>	<i>(229.5)</i>	▼5.6%
<i>Claims CV19 provision</i>	<i>47.9</i>	<i>(78.1)</i>	-	▼161.3%
<i>Risk equalisation CV19 provision</i>	<i>8.0</i>	<i>(12.3)</i>	-	▼165.0%
Other underwriting revenue	1.8	2.4	2.8	▼25.0%
Management expenses	(223.1)	(217.8) ⁵	(227.0)	▲2.4%
Underlying operating profit ²	211.8	130.4 ⁵	149.5	▲62.4%
Key metrics				
Policyholders (#)	645,152	619,079	607,388	▲4.2%
Lapse ³ (%)	11.2	12.7	13.4	▼150bps
Net policyholder growth (%)	4.2	1.9	2.1	▲230bps
Net promoter score (NPS) ⁴	25	35	33	▼10
Gross margin (%)	19.9	16.7	18.6	▲320bps
Management expense ratio (%)	10.3	10.5 ⁵	11.3	▼20bps
Marketing MER (%)	4.0	4.1	4.2	▼10bps
Other MER (%)	6.3	6.4	7.0	▼10bps
Net margin (%)	9.7	6.2 ⁵	7.3	▲340bps

1. Includes state levies.

2. FY20 UOP includes share of net profit/loss of associates and joint ventures accounted for using the equity method.

3. Lapse for 12 months to 30 June. Includes impact of CV19 suspensions.

4. Excludes GU Health.

5. FY20 figure restated, refer Note 31 in the 2021 Annual Report.

FY21 full year results

- Premium revenue ▲4.9% driven by policyholder growth (4.2% vs 3.1% industry) and premium increases (October 2020 and April 2021).
- Postponement of 2020 premium increase (6 months) impacted revenue by \$21.1m in FY21 (FY20 \$15.0m), premium revenue otherwise would have been ▲5.2%.
- FY21 best ever sales result with over 113,000 policy sales. Net growth continues to benefit from improved lapse (FY21: 11.2% v FY20: 12.7%), lowest in five years.
- Lower risk equalisation expense due to reduced claiming particularly in the over 65 cohort across the industry - aversion to hospital treatment, reduction in disease states / treatment types associated with changes in member behaviour.
- Total claims expense increased to \$1.7b (▲0.9%), impacted by lower risk equalisation contribution and CV19 provision movements offset by a 12.5% increase in nib member claims expense (5.7% due to net savings/catch-up, 3.9% due to policy growth, 2.9% due to mix, inflation and utilisation).
- Other MER of 6.3% remains stable reflecting expense control and ongoing operating efficiencies through claims automation and digitisation offset by an increased investment in P2P.
- NPS impacted by multiple pricing member notifications and some negative media sentiment during CV19 (April deferral and October resumption).

International inbound health insurance



Financial performance (\$m)	FY21	FY20	FY19	Change FY21 v FY20
Premium revenue	115.5	123.1	110.1	▼6.2%
Claims expense	(85.8)	(61.8)	(42.4)	▲38.8%
Other underwriting revenue	2.0	1.2	0.7	▲66.7%
Management expenses	(37.6)	(40.3)	(33.5)	▼6.7%
Underlying operating profit	(5.9)	22.2	34.9	▼126.6%
Key metrics				
Policyholders ¹ (#)	172,462	184,379	173,411	▼6.5%
Net policyholder growth (%)	(6.5)	6.3	19.4	▼1280bps
iwhi promoter score ²	36	47	42	▼11
ishi promoter score	45	43	35	▲2
Gross margin (%)	25.7	49.8	61.5	▼2410bps
Management expense ratio (%)	32.6	32.7	30.4	▼10bps
Marketing MER (%)	7.6	8.2	8.0	▼60bps
Other MER (%)	25.0	24.5	22.4	▲50bps
Net margin (%)	(6.8)	17.1	31.1	▼2390bps

- Despite impact of pandemic on international student and workers arrivals, premium revenue down just 6.2%.
- Overall iihi result impacted by declining policyholder growth (▼6.5%) and higher claiming (▲38.8%) during the pandemic.
- Claims expense increase largely due to a step-up in claims by students:
 - With the sharp reduction in voluntary repatriation of students during study breaks, the use of healthcare services has increased, including certain higher cost services such as pregnancy.
 - The limited intake of new students has also shifted the tenure mix.
 - Estimated \$17.0m claims impact in FY21 attributed to the indirect effects of the pandemic.
- International workers business holding up well, with less material impacts of the pandemic on claims (\$3.4m in FY21).
- iihi business remains well positioned for future growth and recovery when travel restrictions are relaxed, including enhanced operational efficiencies and quality of service through digitisation.

1. Immaterial adjustment to FY20 and FY19 figures associated with allocation between segments.

2. Excludes GU Health.

Financial performance (\$m)	FY21	FY20	FY19	Change FY21 v FY20
Premium revenue	258.6	240.1	215.5	▲ 7.7%
Claims expense ¹	(158.7)	(146.1)	(130.0)	▲ 8.6%
Management expenses	(75.8)	(70.5)	(65.7)	▲ 7.5%
Underlying operating profit	24.1	23.4	19.8	▲ 3.0%
Key metrics				
Policyholders	120,148	118,259	110,121	▲ 1.6%
Net policyholder growth (%)	1.6	7.4	7.2	▼ 580bps
NZ residents net policyholder growth	5.0	5.4	3.3	▼ 40bps
NZ international students net policyholder growth	(57.0)	58.4	-	▼ 11540bps
Net promoter score	34	33	34	▲ 1
Gross margin (%)	38.6	39.2	39.7	▼ 60bps
Management expense ratio (%)	29.3	29.4	30.5	▼ 10bps
Marketing MER (%)	14.8	15.0	15.7	▼ 20bps
Other MER (%)	14.5	14.4	14.8	▲ 10bps
Net margin (%)	9.3	9.8	9.2	▼ 50bps

- Strong operating performance with business improving revenue (▲ 7.7%) and earnings (UOP ▲ 3.0%).
- Net policyholder growth (excluding underwriting agreement for international students) of 5.0%.
- Claims growth reflects inflation, driven by utilisation, largely confined to medical (non-surgical) claims.
- FY20 90% deferred claims provision to allow for claims catch-up fully released in FY21.
- Investment in population health continues, with good participation by iwi and other members in programs.
- Management expenses (▲ 7.5%) driven by marketing (mainly commissions), reflecting revenue increases. Non-marketing expenses includes on-going investment in existing platforms and new functionality.
- Net margin (9.3%) within 8-10% target range.
- Net promoter score reflects the ongoing improvements in the member journey experience.

1. Includes movement in premium payback liability.

Financial performance (\$m)	FY21	FY20	FY19 ¹	Change FY21 v FY20
Operating income	14.0	54.1	72.4	▼74.1%
Acquisition costs	(4.2)	(27.1)	(32.2)	▼84.5%
Marketing - commissions	(3.1)	(19.8)	(20.7)	▼84.3%
Marketing - advertising	(1.1)	(7.3)	(11.5)	▼84.9%
Underwriting result	(0.3)	0.5	(0.8)	▼160.0%
Operating expenses	(23.1)	(47.2)	(32.8)	▼51.1%
Underlying operating profit	(13.6)	(19.7)	6.6	▼31.0%
Key metrics				
Gross written premium (GWP) ²	17.0	129.4	152.7	▼86.9%
Gross profit after commissions ³	8.1	23.6	42.2	▼65.7%
Sales (#)	153,562	851,530	736,553	▼82.0%
Domestic	88,337	549,352	367,597	▼83.9%
International	65,225	302,178	368,956	▼78.4%
Net promoter score - sales	58	64	61	▼6

- Loss of \$13.6m, within expected range, due to continued CV19 impacts on global travel industry.
- Operating income ▼74.1% due to market conditions, strong growth in 2H from \$4.4m to \$9.6m as domestic borders opened and recovery in US sales especially in Q4.
- Operating expenses ▼51.1% from implementation of significant cost saving and business re-alignment initiatives.
- nib Travel qualified and received \$4.2m in government wage subsidies (\$3.8m in JobKeeper in Australia, \$0.4m in Ireland) in FY21 enabling employment continuation within Travel.
- Majority of travel insurance products now updated with additional CV19 cover, in preparation of a return to travel.
- Underwriting arrangements under review. Preferred providers selected and in negotiations.
- Demand for travel insurance has been promising in markets where travel restrictions have or are lifting.

1. FY19 does not include full year impact of QBE Travel with business acquisition completed May 2019.

2. nib Travel is a distributor of travel insurance and earns a commission for policies sold. However, Gross written premium (GWP) is shown as it is a key performance metric of the business. Note: GWP excludes other sources of income such as emergency travel assistance and managing general agent fees and includes deduction of refunds and policy cancellations.

3. Includes other marketing costs.

Investments, gearing and capital

(\$m)	FY21	FY20	FY19	Change FY21 v FY20
Net investment income	51.8	16.6	36.1	▲212.0%
Net investment return (%)	4.9	1.7	3.8	▲320bps
Funds invested	1,091.7	1,035.7	982.6	▲5.4%
Debt	232.3	232.9	233.9	▼0.3%
Finance costs	(6.8)	(9.7)	(7.7)	▼29.9%
Finance costs	(3.4)	(5.5)	(7.7)	▼38.2%
Finance costs - interest on lease liabilities	(3.6)	(4.2)	-	▼14.3%
Finance income	0.2	-	-	n/a
Interest ratio cover	70:1	20:1	29:1	n/a
Effective tax rate (%)	30.5	28.6	29.9	▲190bps
Gearing ratio (%) ¹	25.2	28.3	27.6	▼310bps
Dividend payout ratio (%)	68.2	71.0	70.0	▼280bps
Surplus assets for capital adequacy nib health funds limited	392.8	406.2	301.6	▼3.3%

- Increase in net investment income reflects strong returns in the growth portfolio across domestic and global equities and global listed property.
- Debt finance costs have decreased due to reduction in interest rates. Average interest rate in FY21 declined to 1.5% from 2.3%.

1. Debt / debt + equity not including leases.
 2. FY20 figure restated, refer Note 31 in the 2021 Annual Report.
 3. Allowing for payment of final dividend but does not include impact of any dividend reinvestment plan.

Group capital (\$m)

Opening available capital as at 30 June 2020	57.0
FY20 net assets restatement ²	(3.3)
Sources of capital:	72.5
NPAT	160.5
Write down in intangibles already excluded from available capital	15.2
Other increases in equity	6.5
Interim dividend and allowance for final dividend ³	(109.7)
Changes in capital employed:	(60.5)
Increase in nib health fund internal capital target	(69.8)
Increase in nib NZ internal capital target	(5.1)
Reduction in capital required for non-regulated entities	14.3
Closing available capital as at 30 June 2021	65.7

- Group available capital increases despite capital target increases as a result of COVID uncertainty, particularly in nib health funds.
- Organic earnings able to sustain 60-70% dividend payout ratio.
- Reduction in capital required for non-regulated entities as equity injection for China previously provisioned now included in net assets and profitability for non-regulated entities improved from FY20.

Cash flow

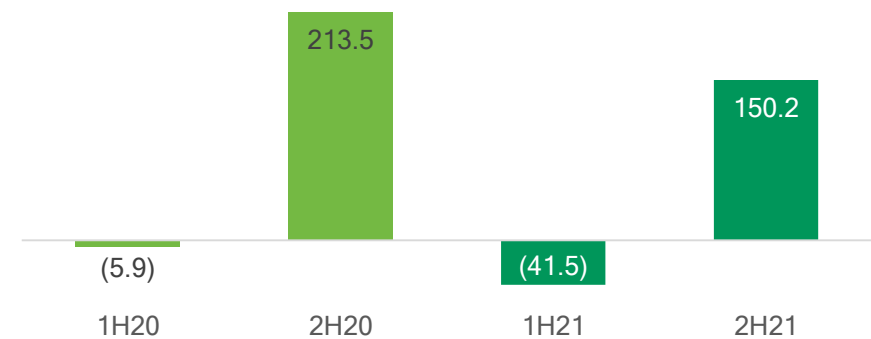
Consolidated cash flow (\$m)	FY21	FY20	FY19	Change FY21 v FY20
Operating cash inflows	2,692.2	2,635.1	2,548.7	▲2.2%
Operating cash outflows	(2,583.5)	(2,427.5) ¹	(2,364.2)	▲6.4%
Net cash inflow from operating activities	108.7	207.6¹	184.5	▼47.6%
Investing cash outflow - PPE & intangibles	(23.5)	(22.9) ¹	(28.6)	▲2.6%
Proceeds from sale of joint venture	12.9	-	-	n/a
Investing cash outflow - M&A/JVs	(5.7)	(10.0)	(34.8)	▼43.0%
Lease payments ²	(9.0)	(10.6)	-	▼15.1%
Dividends paid	(63.9)	(104.7)	(95.5)	▼39.0%
Free cash flow	19.5	59.4	25.6	▼67.2%
Charitable foundation consolidation	-	-	13.8	n/a
Net proceeds from investments	(7.2)	(26.5)	(64.8)	▼72.8%
Movement in shares	3.6	0.8	(1.8)	▲350.0%
Effects of exchange rate changes	0.4	(1.0)	(0.6)	▲140.0%
Net increase in cash/cash equivalents	16.3	32.7	(27.8)	▼50.2%

1. FY20 figure restated, refer Note 31 in the 2021 Annual Report.

2. Net of sublease receipts.

- Lower free cash flow in FY21 due to CV19 provision causing a misalignment of operating cash flow and profit in FY20 and FY21 (net cash claim deferral in FY20 and catch-up in FY21).
- Operating cash inflow in FY21 was also impacted by lower ihi premium received in advance and lower travel insurance income.
- Strong 2H21 cash flows offsetting 1H21 cash outflows as a result of deferral of price increase, high claims payments and FY20 tax true-up.

Operating cash flow \$m



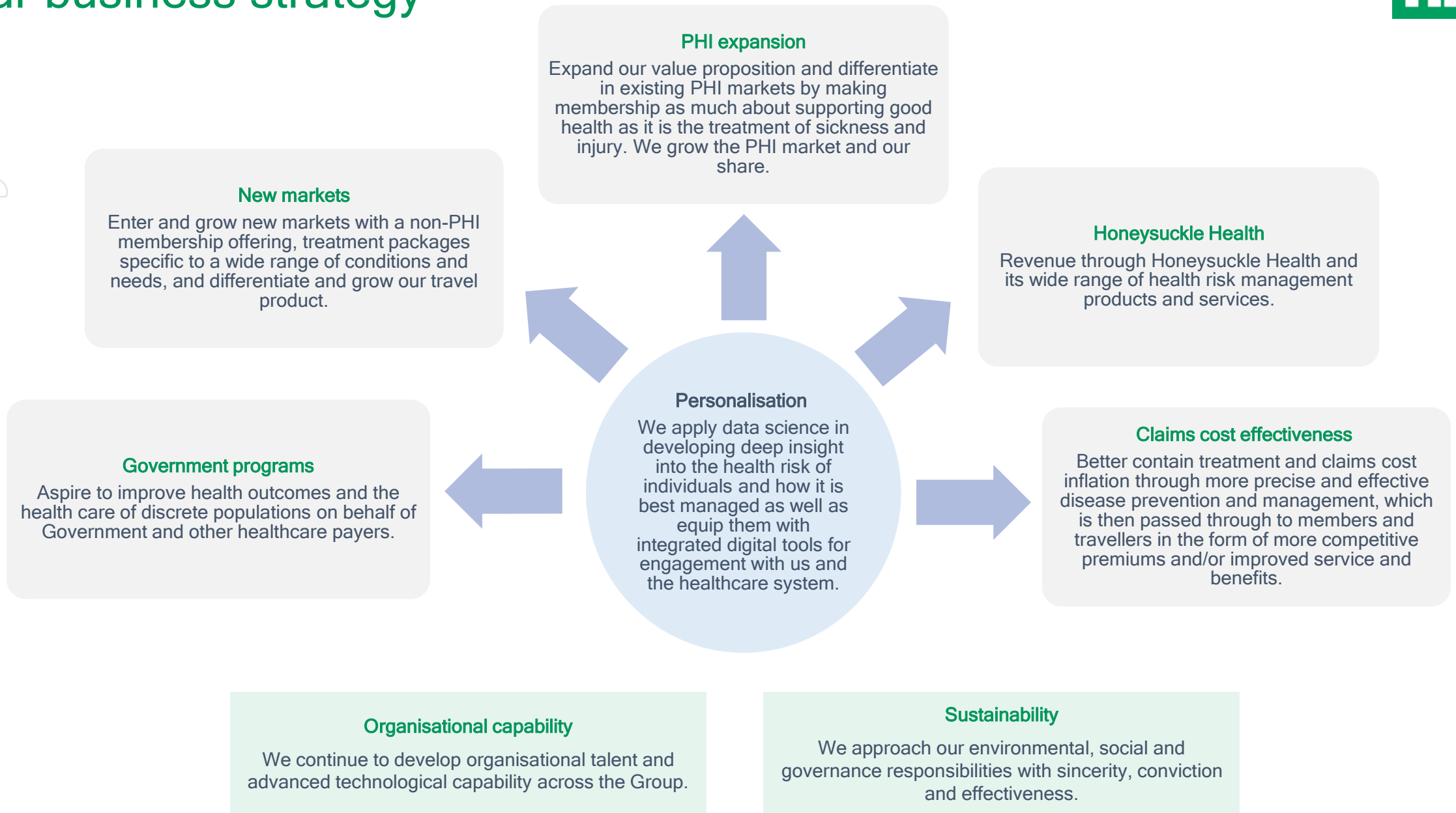


Mark Fitzgibbon

Chief Executive Officer & Managing
Director

Our business strategy

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arhi

- Market sentiment is positive for sales and retention but CV19 economic conditions potentially a countervailing factor. FY22 net policyholder growth expected in the range of 2-3%, driven by multi-channel distribution strategy.
- Claims growth remains very uncertain with ongoing impact of CV19 and possible new trends. PHI reform expected to assist PHI value and affordability. Prosthetic pricing and risk equalisation reviews are key enablers.
- P2P investment to continue - new products and services launching in FY22.
- Margins expected to moderate towards circa target 6% over time.
- Focus on opportunities adjacent to PHI in line with refreshed business strategy.

iihi

- Ongoing impacts of CV19 likely to restrict arrival of international students for remainder of CY21.
- Industry demand for foreign labour a positive.
- P2P investment to continue - new products and services launching in FY22.
- Pricing to reflect increased claims behaviour and continued effort on operating efficiencies and managing claims costs.
- Expected to only return to profitability once international travel resumes.

China joint venture with Tasly

- Broking license acquired and first insurance sales in July, complementing corporate health management.
- Large opportunity given market size over the medium to long term.

New Zealand

- Ongoing investment and effort on Māori population health opportunities.
- Continued investment in digital systems and modernisation of member experience and increased productivity.
- Net policyholder growth likely circa 3% through combination of group, DTC and iwi channels.
- P2P investment to continue with a number of new products and services launching in FY22.
- Potential to better integrate “living benefits” (i.e. life products) into membership.
- Net margin expected to remain within 8-10% target range.

nib Travel

- Return to travel subject to CV19 vaccination success and borders opening. Anticipated high pent-up demand for travel when travel permitted.
- New operating model and structure has business well positioned for recovery.
- Some revised underwriting arrangements.
- Products updated to include cover for some Coronavirus (COVID-19) related events.

Honeysuckle Health

- Further investment in data science and technology, health management delivery and provider contracting. Possible small acquisitions.
- Anticipated ACCC approval of hospital contracting by end of CY21.
- Business strategy and forecasts have profitability by FY23.

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Question and answers

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Appendix



Policyholder data

nib Group health insurance	FY21	1H21	FY20	1H20	FY19	1H19
Total persons covered ¹	1,644,887	1,629,784	1,616,263	1,614,838	1,579,695	1,549,877
Australian residents health insurance	1,224,320	1,211,264	1,186,805	1,186,159	1,176,155	1,168,358
International (inbound) health insurance ¹	187,410	189,288	202,533	203,143	190,479	174,847
New Zealand	233,157	229,232	226,925	225,536	213,061	206,672
Total policyholders ¹	937,762	926,480	921,717	917,694	890,920	863,481
Australian residents health insurance	645,152	635,600	619,079	615,871	607,388	601,131
International (inbound) health insurance ¹	172,462	172,651	184,379	185,475	173,411	157,951
New Zealand	120,148	118,229	118,259	116,348	110,121	104,399
Total policyholder growth (v PCP)	1.7%	1.0%	3.5%	6.3%	5.7%	5.6%
Total policyholder growth (v HOH)	n/a	0.5%	n/a	3.0%	n/a	2.5%
arhi policyholder growth (v PCP)	4.2%	3.2%	1.9%	2.5%	2.1%	2.9%
arhi policyholder growth (v HOH)	n/a	2.7%	n/a	1.4%	n/a	1.1%
arhi						
Market share	9.3%	9.3%	9.2%	9.2%	9.1%	9.0%
Average age of hospital persons covered (years) ²	41.2	41.0	40.8	40.5	40.2	40.0
arhi sales by channel ³						
Corporate	9.3%	8.8%	10.5%	11.1%	11.4%	13.1%
Direct to consumer	36.3%	39.7%	36.1%	34.8%	35.5%	35.9%
Retail brokers	37.5%	34.7%	30.0%	29.4%	25.0%	25.1%
Whitelabel partners	16.9%	16.9%	23.4%	24.7%	28.1%	26.0%

1. Immaterial adjustment to 1H20, FY20, 1H19 and FY19 figures associated with allocation between segments.

2. Immaterial adjustment to FY20 figure associated with calculation.

3. Immaterial adjustment to prior year reported figures associated with allocation between channels.

Movement in COVID-19 provision



(\$m)	6 months to 30 June 2020		
	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%
Expected total catch-up	90.4	8.4	98.8
Catch-up at period end	0.0	0.0	0.0
Balance sheet - CV19 claims liability	90.4	8.4	98.8

(\$m)	12 months to 31 December 2020		
	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%
Expected total catch-up	96.0	8.4	104.5
Catch-up at period end	(25.3)	(6.1)	(31.4)
Balance sheet - CV19 claims liability	70.7	2.3	73.1

(\$m)	18 months to 30 June 2021		
	arhi	NZ	Group
Est hospital savings	78.6		
Est risk equalisation savings	60.4		
Est ancillary savings	61.3		
Lower than expected claims due to CV19	200.3	9.4	209.6
% deferred	34.1%	90.0%	36.6%
Expected total catch-up	68.2	8.4	76.6
Catch-up at period end	(34.2)	(8.4)	(42.7)
Balance sheet - CV19 claims liability	34.0	0.0	34.0

(\$m)	18 months to 30 June 2021		
Lower than expected claims reconciliation	arhi	NZ	Group
Industry RE savings/deferral	97.1		97.1
Claims savings/deferral	102.5	9.4	111.9
Claims handling	0.6		0.6
Lower than expected claims	200.3	9.4	209.6

Group gross profit drivers - CV19 impacts FY20-FY21 for arhi and nz

(\$m)	FY21			FY20		
	arhi	NZ	Group	arhi	NZ	Group
arhi and nz CV19 impacts	15.0	0.0	15.0	0.0	(0.6)	(0.6)
Claims savings/deferral	30.7	0.0	30.7	71.8	9.4	81.2
Original CV19 provision and release	55.0	8.4	63.4	(55.0)	(8.4)	(63.4)
Claims catch-up	(34.3)	(8.4)	(42.7)			0.0
Reassessed CV19 provision at Jun 21	(14.4)	0.0	(14.4)			0.0
Suspension/waiver impact	(0.7)	0.0	(0.7)	(1.8)	(0.6)	(2.4)
Price increase deferral	(21.1)	(0.2)	(21.3)	(15.0)	(1.0)	(16.0)

Detailed Group gross underwriting result

Underwriting result (\$m)	FY21	FY20	FY19	Change FY21 v FY20
Net premium revenue	2,548.8	2,439.6	2,340.8	▲ 4.5%
- arhi	2,174.1	2,072.3	2,013.2	▲ 4.9%
- iihi	115.5	123.1	110.1	▼ 6.2%
- nz	258.6	240.1	215.5	▲ 7.7%
- nib Travel	0.6	4.1	2.0	▼ 85.4%
Net claims expense	(1,738.0)	(1,649.9)	(1,547.6)	▲ 5.3%
- Hospital claims paid (arhi)	(1,047.1)	(960.2)	(988.2)	▲ 9.1%
- Ancillary claims paid (arhi)	(464.9)	(406.6)	(401.5)	▲ 14.3%
- OSC provision movement (arhi)	(27.2)	1.7	14.3	▼ 1700.0%
- Claims CV19 provision (arhi)	47.9	(78.1)	-	▼ 161.3%
- arhi claims incurred	(1,491.2)	(1,443.2)	(1,375.5)	▲ 3.3%
- iihi claims incurred	(85.8)	(61.8)	(42.4)	▲ 38.8%
- Claims incurred (nz)	(169.4)	(136.5)	(129.7)	▲ 24.1%
- Claims CV19 provision (nz)	8.4	(8.4)	-	▼ 200.0%
- nz claims incurred	(161.0)	(144.9)	(129.7)	▲ 11.1%
- nib Travel claims incurred	-	-	-	
Risk equalisation levy	(213.8)	(247.3)	(229.5)	▼ 13.5%
- OSC risk equalisation margin	0.7	(1.8)	(1.6)	▼ 137.2%
- Provision for ineligible claims	(3.4)	-	-	n/a
- Gross deficit	475.0	435.7	423.0	▲ 9.0%
- Calculated deficit	(694.1)	(668.9)	(650.9)	▲ 3.8%
- CV19 risk equalisation provision	8.0	(12.3)	-	▼ 165.0%
State levies	(36.0)	(35.0)	(34.0)	▲ 2.9%
Dec/(inc) in premium payback liability	2.3	(1.2)	(0.3)	▼ 291.7%
Net claims incurred (excl. claims handling)	(1,985.5)	(1,933.4)	(1,811.4)	▲ 2.7%
Gross underwriting result	563.3	506.2	529.4	▲ 11.3%
- arhi	433.1	346.8	374.2	▲ 24.9%
- iihi	29.7	61.3	67.7	▼ 51.5%
- nz	99.9	94.0	85.5	▲ 6.3%
- nib Travel	0.6	4.1	2.0	▼ 85.4%

Management expenses - arhi, iihi and NZ

(\$m)	Marketing (direct)	Marketing indirect			Total marketing	Other management expenses	Total underwriting expenses	MER underwriting expenses	Amortisation of acquired intangibles	Total management expenses	MER
		(commissions paid)	(commissions deferred)	(commissions amortised)							
Australian residents health insurance (arhi)											
FY19	32.1	54.6	(32.4)	31.2	85.5	141.5	227.0	11.3%	1.9	228.9	11.3%
FY20	29.8	56.9	(35.7)	34.6	85.6	132.2 ¹	217.8 ¹	10.5% ¹	1.9	219.7 ¹	10.6% ¹
FY21	27.6	63.4	(38.0)	34.9	87.9	135.2	223.1	10.3%	1.9	225.0	10.3%
International (inbound) health insurance (iihi)											
FY19	1.5	8.3	(6.4)	5.5	8.9	24.6	33.5	30.4%	1.6	35.1	31.9%
FY20	1.7	8.0	(6.0)	6.5	10.1	30.2	40.3	32.7%	1.5	41.8	34.0%
FY21	0.7	7.6	(5.2)	5.8	8.8	28.8	37.6	32.6%	0.8	38.4	33.2%
New Zealand											
FY19	6.0	29.2	(16.1)	14.8	33.8	31.9	65.7	30.5%	3.4	69.1	32.1%
FY20	4.9	33.2	(19.2)	17.1	36.0	34.5	70.5	29.4%	3.4	73.9	30.8%
FY21	5.8	39.0	(24.7)	18.2	38.2	37.6	75.8	29.3%	3.4	79.2	30.6%

1. FY20 figure restated, refer Note 31 in the 2021 Annual Report.

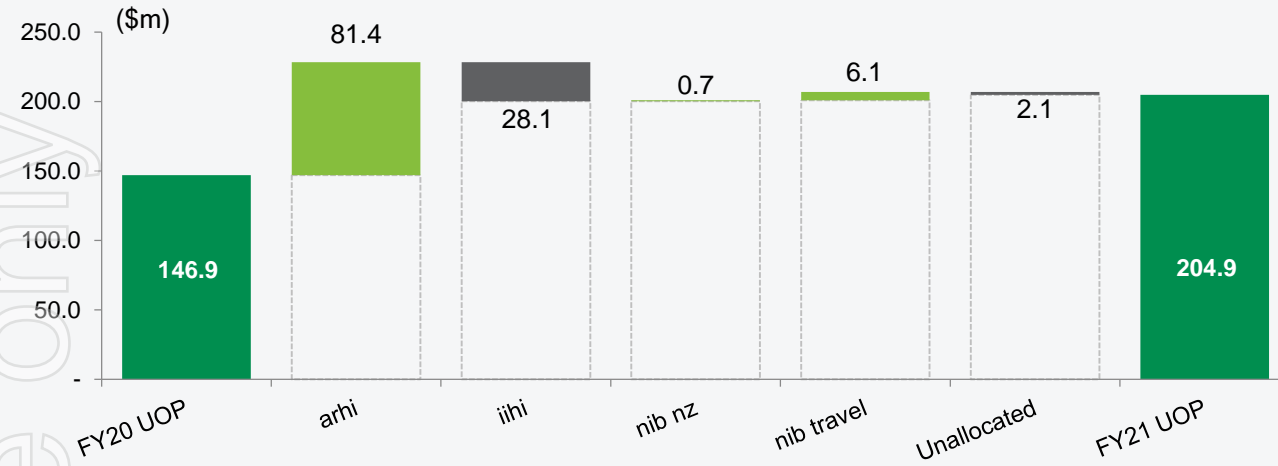
Investment asset allocation

	Consolidated			Australian investment portfolio			New Zealand investment portfolio			nib foundation investment portfolio		
	Balance at 30/6/2021 (\$m)	Allocation at 30/6/2021 (%)	Net return 12 months to 30/6/2021 (\$m)	Balance at 30/6/2021 (\$m)	Allocation at 30/6/2021 (%)	Net return 12 months to 30/6/2021 (\$m)	Balance at 30/6/2021 (\$m)	Allocation at 30/6/2021 (%)	Net return 12 months to 30/6/2021 (\$m)	Balance at 30/6/2021 (\$m)	Allocation at 30/6/2021 (%)	Net return 12 months to 30/6/2021 (\$m)
Cash	178.1	17.0	0.6	147.0	16.0	0.5	21.4	18.6	0.1	9.7	60.6	0.1
Fixed interest/short maturity	645.8	61.6	0.1	548.8	59.9	(0.4)	93.9	81.4	0.4	3.1	19.2	0.0
Total defensive	823.9	78.6	0.7	695.8	75.9	0.1	115.3	100	0.4	12.8	79.8	0.1
Australian shares	91.0	8.7	21.1	88.6	9.7	20.4	-	-	-	2.4	14.8	0.7
Global shares - hedged	22.8	2.2	9.3	22.8	2.5	9.3	-	-	-	-	-	-
Global shares - unhedged	70.3	6.7	13.1	69.4	7.6	12.9	-	-	-	0.9	5.4	0.2
Unlisted property	11.2	1.1	0.8	11.2	1.2	0.8	-	-	-	-	-	-
Global property	29.1	2.8	6.7	29.1	3.2	6.7	-	-	-	-	-	-
Total growth	224.3	21.4	51.0	221.1	24.1	50.1	0.0	0.0	0.0	3.2	20.2	0.9
Total¹	1,048.2	100.0	51.7	916.9	100.0	50.2	115.3	100.0	0.4	16.0	100.0	1.0

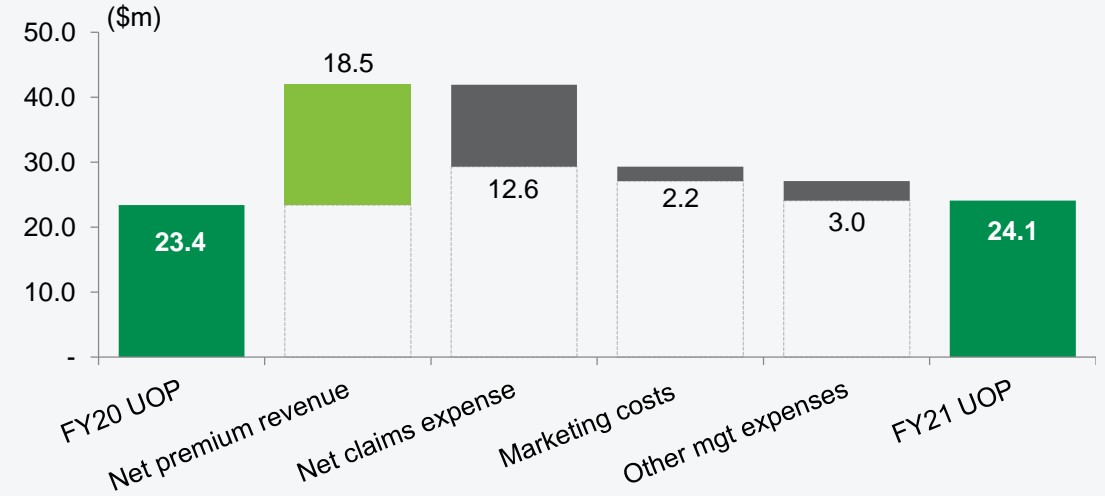
1. Investment portfolio of \$1,048.2m + operating cash of \$43.5m = \$1,091.7m. This reconciles to cash and cash equivalents of \$213.9m, financial assets at amortised cost of \$7.7m and financial assets at fair value through profit or loss of \$870.1m which totals \$1,091.7m in the Annual Report.

UOP waterfall graphs

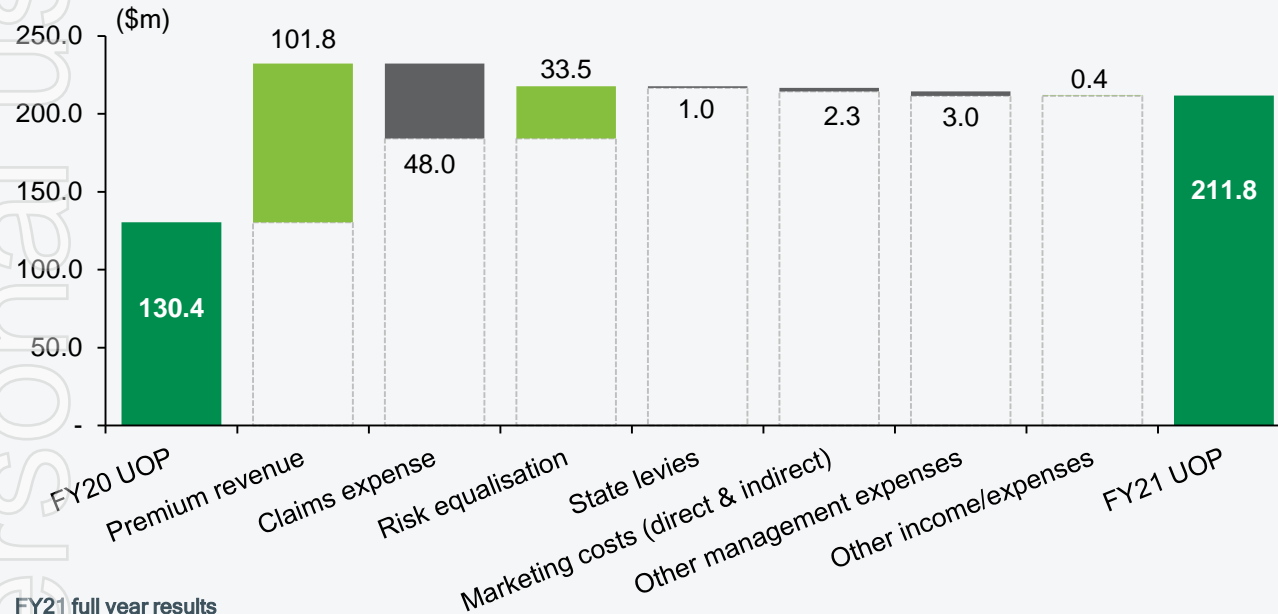
Group



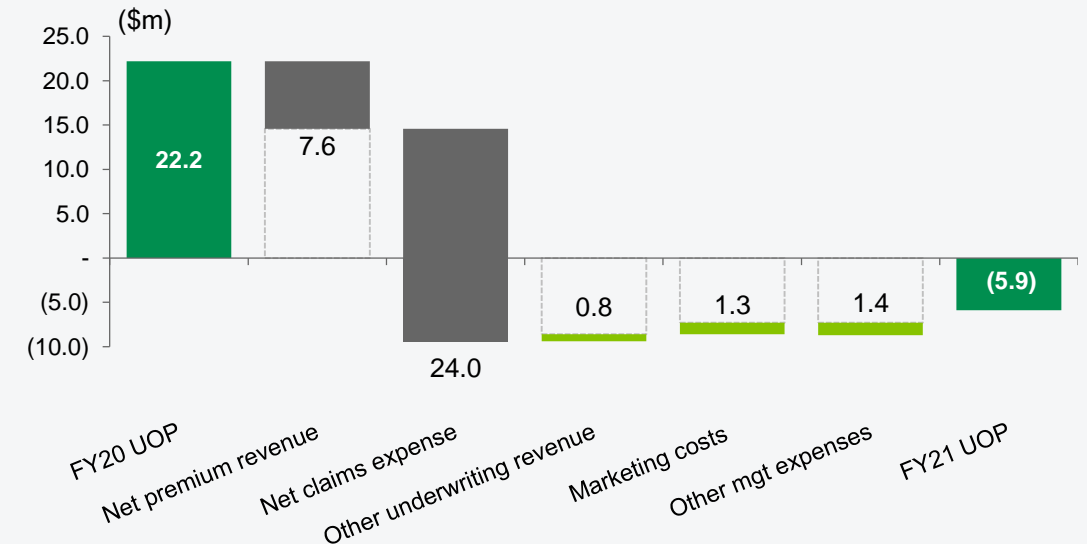
New Zealand



arhi



iihi



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.

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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
HH	Honeysuckle Health
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 the number of policy lapses divided by the average of the 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

Term	Definition
Net premium revenue	Premium revenue net of reinsurance
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, business services 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