

Shareholder Review 2022

Chairman's Report



This year marks nib's 70th year of meeting the needs of our members for health insurance and access to healthcare services. Founded by a relatively small group of steel workers deep inside BHP in Newcastle, the company today covers more than 1.7 million¹ people across Australia and New Zealand, and offers travel insurance worldwide. It's a remarkable story of growth and success.

In terms of performance, it's almost impossible to discuss FY22 without further commentary on COVID-19 and its variants. Apart from the havoc it's caused society and marketplaces in general, the pandemic has had very material consequences across the nib Group, which Mark will cover in his report. It has required a level of agility above any the company has encountered in its 70-year history. That we are emerging in such a strong position is an enormous credit to everyone at nib.

Most importantly, FY22 was full of highlights in fulfilling our purpose of 'your better health and wellbeing'. We added more than 20,000 members in our core Australian Residents Health Insurance business, at a growth rate of 3.2%, well ahead of the anticipated industry average. We provided access to the best possible care for our members, and in FY22 paid \$1.8 billion in claims², related to over 300,000 hospitalisations and more than 3.5 million allied treatments such as dental and optical. Importantly, we enrolled over 7,000 arhi members in health management programs relevant to their disease or medical condition with strong evidence of improved health outcomes.

1. Persons covered. Includes life and living.
2. arhi net claims incurred.



\$2.8b
total Group revenue
up 7.2%



\$235.3m
Group UOP
up 14.8%



\$133.8m
NPAT
down 16.6%



29.6cps
statutory EPS
down 15.9%

Our experience in New Zealand was similarly positive. We added over 6,000 members to our private health insurance book, at a growth rate of 5.6%, and incorporated life and living insurance within our product offerings through nib nz insurance limited (previously Kiwi Insurance Limited, acquired on 29 April 2022). Our life and living products include life, serious illness trauma and income protection insurance.

Our international workers business also had a very positive year with an increase in seasonal workers arriving in Australia. COVID-19 and border closures seriously disrupted demand and activity in our student and travel businesses. Nevertheless, both are rapidly recovering as activity returns.

Operating revenue and profitability were particularly strong against that backdrop. Year on year, the strong performance overall delivered a 14.8% increase in our underlying operating profit to \$235.3 million. Unfortunately, a good part of that uplift was offset by \$30.0 million of reported losses on investment income, a negative swing factor of \$81.8 million against an investment income gain of \$51.8 million the previous year. It meant our earnings of 29.6 cents per share was below that of FY21.

The Board has determined a final dividend of 11.0 cents per share, bringing the full year dividend to 22.0 cents per share fully franked. The full year dividend, representing an earnings payout ratio of 74.4%, is slightly higher than our target but reasonable under the circumstances.

Your Board of Directors and I are very excited about our ambitions for nib and its prospects. As Mark describes, we see a larger place for nib in

the future of healthcare. nib will be as much about keeping our members and travellers disease and injury free as it has and will be about helping them through their sickness and injury. Much of this vision relies upon efforts and investments we're making in data science and predictive analytics. There's no better example than Honeysuckle Health, our joint venture with global health services company, Cigna Corporation.

This same focus is at the heart of our approach to meeting our environmental, social and governance obligations. For example, we're already carbon neutral with a commitment and roadmap to be net zero carbon by 2040. Our Ngāti Whātua Ōrākei partnership aims to improve the health and wellbeing outcomes for the Auckland hapū (Māori sub tribe). It continues to grow and now includes a screening service for heart disease, a program tailored to the needs of the hapū. And nib's inaugural *Reflect* Reconciliation Action Plan, which included a commitment to building the cultural capability of our workforce, was completed. A key focus has been nib employees learning about the health disparities experienced by First Nations people.

nib proudly celebrates its 70th year as we remain true to our purpose of improving access to healthcare and providing better health outcomes throughout the community at large, including all First Nations people in Australia and New Zealand. It is here that we see our greatest potential for meaningful impact.

David Gordon
Chairman

Managing Director's Report



As David has mentioned, it's been another extraordinary year with the COVID-19 pandemic affecting every part of our business. Of greatest financial consequence has been the significant reduction in hospital and healthcare treatment and thus our claims experience, and that of the entire private health insurance industry. It's resulted in short-term increases in operating profitability. Our reported underlying operating profit of \$235.3 million was 14.8% ahead of FY21, with Group underlying revenue of \$2.8 billion up 7.2%.

Our higher level of profitability partially reflects deferred or foregone healthcare treatment. Members postponed or found it difficult to access hospital and other healthcare services through the COVID-19 pandemic. We have pre-emptively returned savings to members in a range of ways, and made provisions in our financial accounts for much of the deferred treatment, expecting catch-up at some future time.

To date, we have provided premium deferrals, premium credits, expanded COVID-19 treatment cover, and additional benefits at no extra cost to members. We have valued our full pandemic support package at \$100 million and we expect further measures once the position becomes clearer and the pandemic is behind us.

Increased profitability has helped offset several negative impacts. Our previously profitable international students health insurance and travel insurance businesses both incurred material losses in FY22, compounding losses made in FY21. And although direct COVID-19 attribution is problematic, we booked a significant loss in our investment returns, which David has already highlighted. This is disappointing, yet we assume it will bounce back in the future, even if the near term macro-economic outlook seems a little uncertain.

As David mentioned, we are fundamentally attempting to become as much a health management company as we are a health insurance company.

Nobody celebrates the misery and disruption of COVID-19, but the pandemic has led to an increased awareness in the community of the risk of disease and the need for active health management. More people acknowledge the advantageous nature of healthcare technologies, which are more compelling than ever before. The pandemic has driven efficiency improvements, including the gravitation to home-based care. Virtual consultations and digital treatment are germane to the way we can deliver care.

Another important development has been our shift to hybrid working. I believe we've experienced a page-turning moment in organisational theory, and today, piling our people into an office five days a week is no longer the norm. Rather – and subject to meeting technology and health and safety requirements – about 1,350 people work from wherever they choose – and for many that is from home. We acknowledge the importance of regular social contact, and we know that for some, home isn't an option. Nevertheless, across a much-reduced office footprint, we're only requiring people to come into their hub when warranted, including for training, coaching, business planning, brain storming, project coordination and celebration.

I'm as excited as ever before about the future and the company's prospects. As a society our spending upon healthcare continues to accelerate, limitations on government funding mean we need even more private sector involvement and there are so many opportunities beyond our traditional role as a health insurer. I easily imagine a near-term where our members, travellers, employees and all stakeholders, including shareholders, view us as preoccupied with improving people's health and wellbeing. They see that being "purpose-led" aligns with powerful commercial performance.

Mark Fitzgibbon
Managing Director

arhi

nib's arhi business reported an underlying operating profit of \$240.5 million, up 12.3% as a result of strong top line growth and lower claims experience. Premium revenue was up 5.2% to \$2,286.2 million driven by net policyholder growth of 3.2%.

Claims experience has continued to be favourable due to the ongoing impacts of COVID-19. Net margin remains high due to strong growth and the favourable claims environment.

As part of nib's COVID-19 member support package, our expected 1 April 2022 price increase was deferred for seven months.

iihi

The performance of our iihi segment continues to reflect very different market conditions for the international workers and international students businesses.

Premium revenue increased to a record high of \$123.7 million. This was driven by strong performance in the workers business with high growth in seasonal workers arriving in Australia. However, pandemic impacts continued to be felt in the student market. Policyholders were down 4.8% due to a decline in the students business.

A shift in mix towards the workers business increased average revenue per member and improved gross margins.

new zealand

nib New Zealand delivered another strong result reporting a UOP of \$22.7 million, after a year of strong growth. Premium revenue was up 12.8% to \$291.8 million.

Private health insurance policyholders grew 5.6% (net), with strong performance across the corporate group, advisor and whitelabel channels. Travel restrictions imposed as a result of COVID-19 resulted in a sharp reduction in international students, with policyholder numbers down 43.9%. The acquisition of the life and living insurance business (completed in April 2022) added over 30,000 policyholders to the New Zealand business.

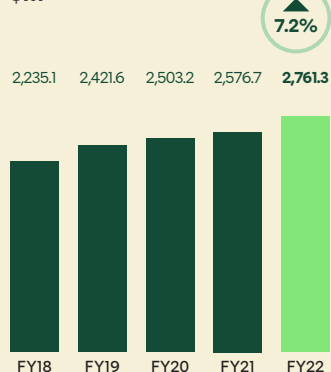
nib travel

The easing of global COVID-19 travel restrictions resulted in a return to profitability for nib Travel in 2H22, following losses in 1H22. While the business made an overall underlying operating loss of \$7.4 million for FY22, gross written premium grew by 481.2% to \$98.8 million and operating income increased by 232.9% to \$46.6 million.

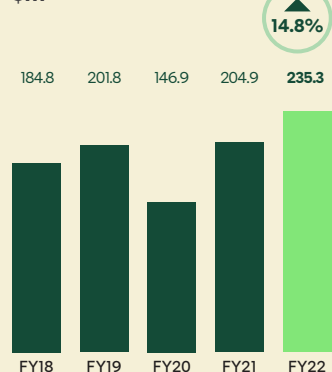
While the business faced major disruption when borders were closed, there has been a strong recovery in Q4. Demand was driven by product positioning and a pickup in customer interest in travel insurance.

Group Performance Highlights

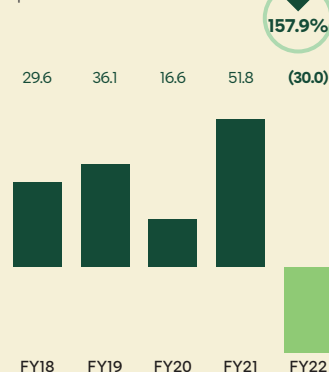
Total underlying revenue \$m



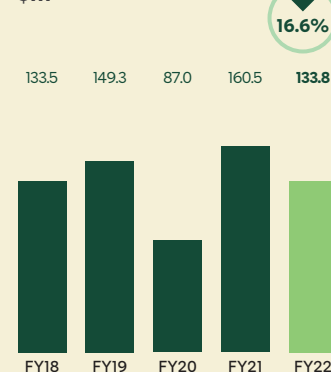
Underlying operating profit \$m



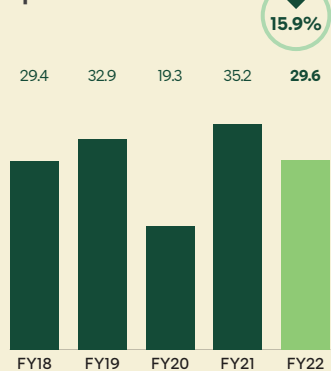
Net investment income \$m



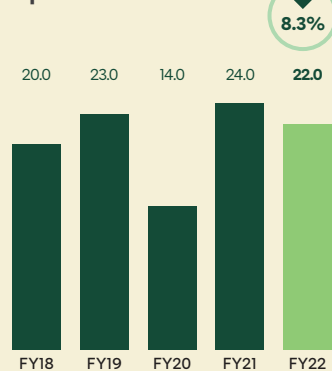
Net profit after tax \$m



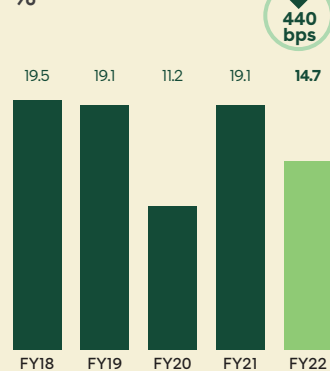
Statutory EPS cps



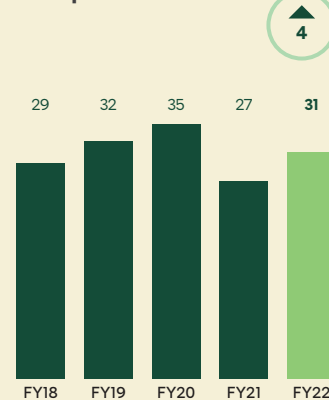
Dividends cps



Return on invested capital¹ %



Group NPS



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



Sustainability at nib

Our purpose is the better health and wellbeing of the people and communities we serve. In pursuit, we are investing in more cost effective, sustainable and fairer healthcare systems.

We also recognise the influence of a wide range of social, economic and environmental factors and the role we can play, however modest, in aligning these with our purpose. They include a sense of acceptance and inclusion, meaningful employment and economic security as well as a clean and sustainable natural environment.

FY22 highlights include:

- Assisted ~10,000 members to stay healthy through our health management programs including almost 1,000 Māori rōpū (Māori group members)
- Launched a health check (health risk assessment) and associated good health plan to help improve health outcomes for members
- Almost 500,000 people reached via nib foundation's Prevention Partnerships with a focus on chronic disease risk reduction

- \$2.3 million in community funding including 26 charities supported by nib foundation
- Achieved 40/40/20 gender representation across our managers, team leaders, heads of business, Executive and Board
- Delivered all outcomes of our Reflect Reconciliation Action Plan
- 50% of our brand partnership and community sponsorship portfolio advocated for equality and diversity
- Attained Climate Active Carbon Neutral certification for the first time
- Developed science based targets to achieve net carbon zero by 2040
- Attainment of ISO 27001 certification for cybersecurity processes

nib in the Community

\$2.3m
in community funding

26
charities funded by nib foundation

\$70k
value in volunteer time

\$122k
in traveller donations

Learn more in our 2022 Community Report available at nib.com.au/foundation/community-report.



Supporting better health

As we celebrate 70 years' of nib Group, we're proud to continue to recognise our community impact through our charitable organisation, nib foundation. This year, nib foundation has committed over \$1.7 million in funding to support 26 charity partners across Australia and New Zealand that specialise in our three focus areas – promoting prevention, enabling equality, and empowering communities. And together we're making an impact. Our prevention partners have supported the health and wellbeing of more than 488,000 individuals to help build health literacy and reduce the health risks that contribute most to chronic disease, such as, smoking, sleep, exercise, diet and alcohol.

A more sustainable footprint

We believe that as travellers we have a responsibility to give back. The Footprints Network, founded by our World Nomads travel brand, encourages travellers who purchase a policy with us to add a small donation toward one of the community development projects we support. While there was less opportunity for our customers to purchase a policy and make a donation during the pandemic, we're proud to have supported six projects this year and continued to make a positive impact on people and places around the world, totalling \$5.2 million since 2005.



Giving from the heart

We're always looking for opportunities for our people to get behind a good cause, and our nibgive program enables our employees to do just this through fundraising, volunteering and payroll giving. Our employees have raised over \$17,000 in donations and provided \$70,000 value in volunteer time to our community partners. More notably, our people came together when our community needed it most, helping to provide immediate financial relief for communities devastated by the recent floods in Australia and the volcanic eruption and tsunami in Tonga.

Five-year Performance Summary

\$m		2022	2021	2020	2019	2018
Net premium revenue		2,703.4	2,548.8	2,439.6	2,340.8	2,162.6
Underlying operating profit		235.3	204.9	146.9	201.8	184.8
Statutory operating profit ¹		227.5	186.0	114.9	184.6	169.0
Profit before tax		190.8	231.0	121.8	213.0	192.3
Net profit after tax		133.8	160.5	87.0	149.3	133.5
Balance sheet						
Total assets		1,880.4	1,702.8	1,677.8	1,554.1	1,447.5
Equity		734.3	706.2	603.1	632.2	557.8
Debt		260.9	232.3	232.9	233.9	230.6
Share performance						
Number of shares on issue	m	459.1	457.7	456.8	455.6	454.8
Earnings per share (statutory)	cps	29.6	35.2	19.3	32.9	29.4
Dividend per share	cps	22.0	24.0	14.0	23.0	20.0
Dividend payout ratio	%	74.4	68.2	71.0	70.0	68.5
Share price at year end	\$	7.38	6.51	4.62	7.68	5.72
Total shareholder return ²	%	18.9	44.4	(37.7)	38.1	15.2
Other financial data						
MD/CEO total actual remuneration ³	\$m	3.2	2.0	4.4	3.8	3.6
Return on invested capital	%	14.7	19.1	11.2	19.1	19.5
Operating cash flow	\$m	337.6	108.7	207.6	184.5	179.9

The above reflects the operations of the Group and should be read in conjunction with the 2022 Annual Report, together with the accompanying notes which is available on our shareholder website, nib.com.au/shareholders.

1. Statutory operating profit includes \$7.8m in amortisation of acquired intangibles, one-off transactions, merger, acquisition and new business implementation costs.

2. Source: Bloomberg. 12 month TSR. Total shareholder return represents the simple return over the holding period due to the change in the share price plus dividends re-invested on the ex-dividend date.

3. Total actual remuneration includes fixed pay and other benefits, the value of STI awards (cash and shares in escrow) received, and the value of prior years' deferred LTI awards that vested, in the financial year.

2022 Annual General Meeting

The Annual General Meeting (AGM) of nib holdings limited will be held on Friday, 18 November 2022 at 11am (AEDT) at Newcastle City Hall, 290 King St, Newcastle NSW 2300.

The AGM will be held as a hybrid meeting offering both virtual and physical attendance. Full details of the AGM, including the Notice of Meeting and how to participate are available at nib.com.au/shareholders.

Corporate governance

nib's Corporate Governance Statement and further information about nib's Governance, including company policies, Board and Committee charters, are available from the Corporate Governance section of the shareholder website nib.com.au/shareholders.

Investor relations

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