



FY18 HALF YEAR RESULTS

INVESTOR PRESENTATION
19 FEBRUARY 2018

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 2017 and an update on nib's activities and is current at the date of preparation, 19 February 2018. Further details are provided in nib's half year accounts and results announcement released on 19 February 2018.

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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: www.nib.com.au/shareholders.

As referenced in this presentation, if there is a change percentage increase or (decrease) between 1H17 and 1H18 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.

All figures quoted are in Australian dollars unless otherwise stated.



nib

MARK FITZGIBBON

CHIEF EXECUTIVE OFFICER &
MANAGING DIRECTOR

OUR MISSION



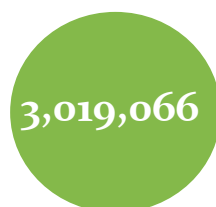
We exist to help people access and afford world class healthcare when and where needed.



Paid in benefits¹



Hospital admissions



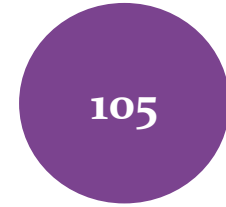
Ancillary services



Public hospital admissions



nib foundation grants made since 2008



nib foundation partnerships funded



Hip and knee replacements



Colonoscopies and gastroscopies



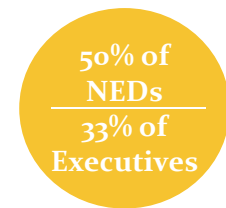
Major dental services



Travel claims processed²



WNG Footprints Network funding since 2006



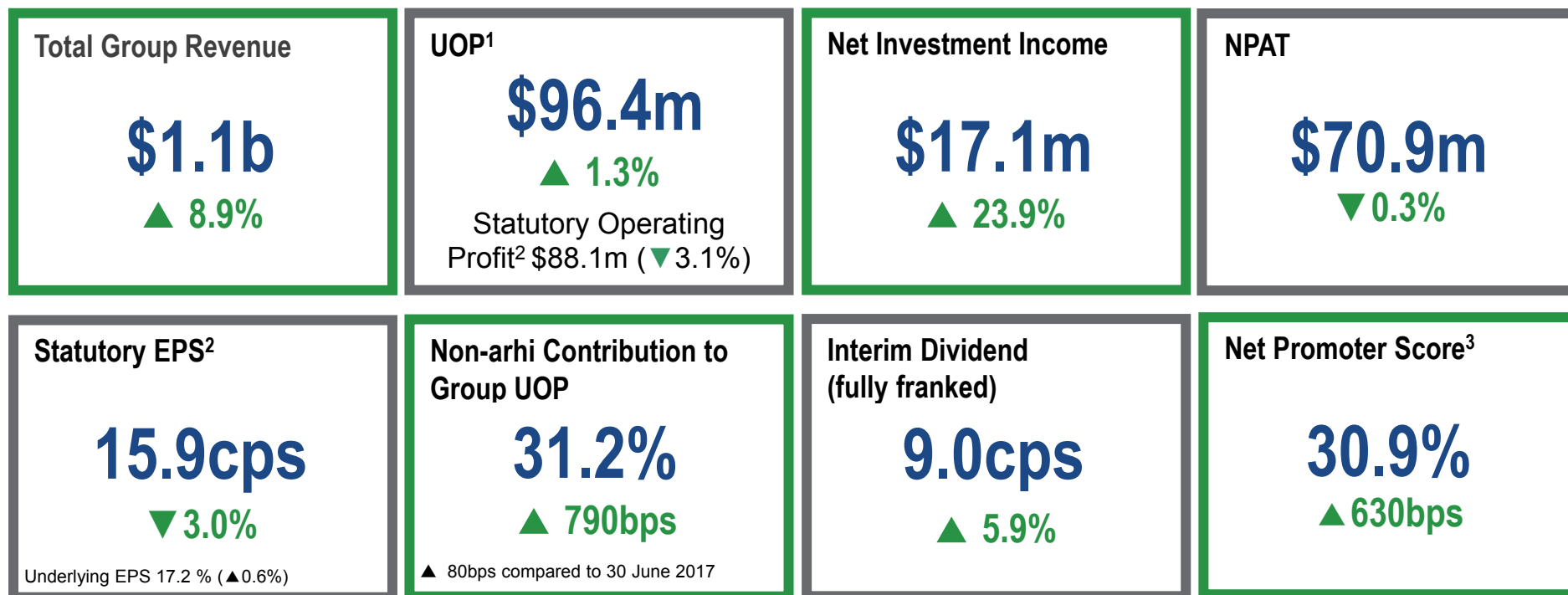
Female representation

Note: Claims figures shown are for the 6 months to 31 December 2017, including arhi, iih and nz.

1. Net claims incurred - Health insurance benefits including hospital, risk equalisation, state levies and ancillary benefits. Hospital includes hospital, medical and prostheses.

2. Travel insurance claims managed by Cerberus and underwritten by certain underwriters at Lloyd's.

1H18 FINANCIAL HIGHLIGHTS



Note: The percentage increases shown above are the difference between the 1H17 and 1H18 results.

1. UOP – Underlying Operating Profit, is 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), and merger and acquisition costs, finance costs, net investment income and income tax.

2. Statutory operating profit includes \$8.3m in amortisation of acquired intangibles, one-off transactions (integration of acquired business, establishment of business costs as well as extraordinary legal fees), and merger and acquisition costs.

3. Based on arhi customers, excludes GU Health.

KEY BUSINESS STRATEGIES



Grow our core Australian Residents Health Insurance (arhi) business at a “sustainable” rate of 4-5% (net policyholder growth) with an emphasis upon segmentation and risk selection.

- nib¹ accounted for 35.6% of industry growth in 1H18 with multi-channel distribution a key factor.
- Increasing use of big data and data science capability to improve retention and better risk selection.
- Efforts to rein in provider cost combined with subdued utilisation growth assisting affordability.
- Recently announced PHI Reforms a good start for improving consumer affordability and value.
- 2018 premium increase of 3.93%¹ lowest in 15 years and third year in a row below industry average (3.95%).
- Transition and integration of GU Health going to plan.

1. Excludes GU Health.

KEY BUSINESS STRATEGIES



Leverage capabilities and assets within the Group to pursue adjacent business opportunities.

- Adjacent businesses grew their 1H18 earnings by 35.6% contributing over \$30 million to Group UOP.
- Significant growth in New Zealand earnings with UOP up ▲ 20.2% to \$13.1million. Successful launch of First Choice Network with ~90% providers in network reducing out-of-pockets for customers and lower claims costs.
- International (inbound) health insurance (iihi) accounting for 16.1% of Group UOP. International student and workers sales remain strong and margins relatively stable. Policyholder base now more than 130,000.
- Improved 1H World Nomads Group (WNG) domestic sales with international expansion strategy taking shape, UOP ▲ 51.6% to \$4.7 million.
- Good progress with China proposed joint venture with all project streams on track for late CY18 launch.

KEY BUSINESS STRATEGIES



Create competitive advantage across the Group through constant innovation, agility and cultural alignment.

- Successful pilot launch of Going to Hospital tool to assist customers when going to hospital.
- First Australian health insurer to launch customer service chatbot (nibby).
- Ongoing contribution to development of Whitecoat.
- Imminent launch of nib international students service (NISS) a global service to assist foreign students.
- Employee engagement¹ of 76.0%.

1. nib Group employees – November 2017 Employee Engagement Pulse Survey.

Going to hospital tool

<p>Dr Daniel Lanois Obstetrician and Gynaecologist</p> <p>Email info@sydneybaypractice.com.au</p> <p>Phone 1300555555</p> <p>Practices 555 Jones Ave, Sydney Bay NSW 2000, Australia 📍 3km</p>	<p>This specialist has performed this procedure 51 times for nib customers between September 2016 and September 2017</p> <p>This specialist has participated in MediGap 74% of the time when performing Gynaecological services</p> <p>Average out of pocket expense \$2,292</p>
<p>Dr Emmylou Harris Obstetrician and Gynaecologist</p> <p>Email</p> <p>Phone 0299995555</p> <p>Practices 555 Yosemite Rd, Sydney Bay NSW 2000, Australia 📍 3km</p>	<p>This specialist has performed this procedure 9 times for nib customers between September 2016 and September 2017</p> <p>This specialist has participated in MediGap 100% of the time when performing Gynaecological services</p> <p>Average out of pocket expense \$0</p>
<p>Dr David Byrne Gynaecological Oncologist</p> <p>Email info@sydneybayclinic.com.au</p> <p>Phone 0255595559</p> <p>Practices 555 Missouri St, Sydney Bay NSW 2000, Australia 📍 0km</p>	<p>This specialist has performed this procedure 7 times for nib customers between September 2016 and September 2017</p> <p>This specialist has participated in MediGap 42% of the time when performing Gynaecological services</p> <p>Average out of pocket expense \$1,989</p>

Sample, for illustration purposes only

- Launched to nib customers today (19 February 2018).
- Helps answer questions when customers are being admitted to hospital:
 - Am I covered?
 - Who can I see?
 - How much will it likely cost?
- Coming soon – service data such as PREMS.

The background of the entire slide is a photograph of several people in a swimming pool. The scene is captured at sunset, with the sun low on the horizon, creating a warm, golden glow. The silhouettes of the people are visible against the bright sky. A rope with posts runs across the pool, and the water's surface reflects the light from the sun.

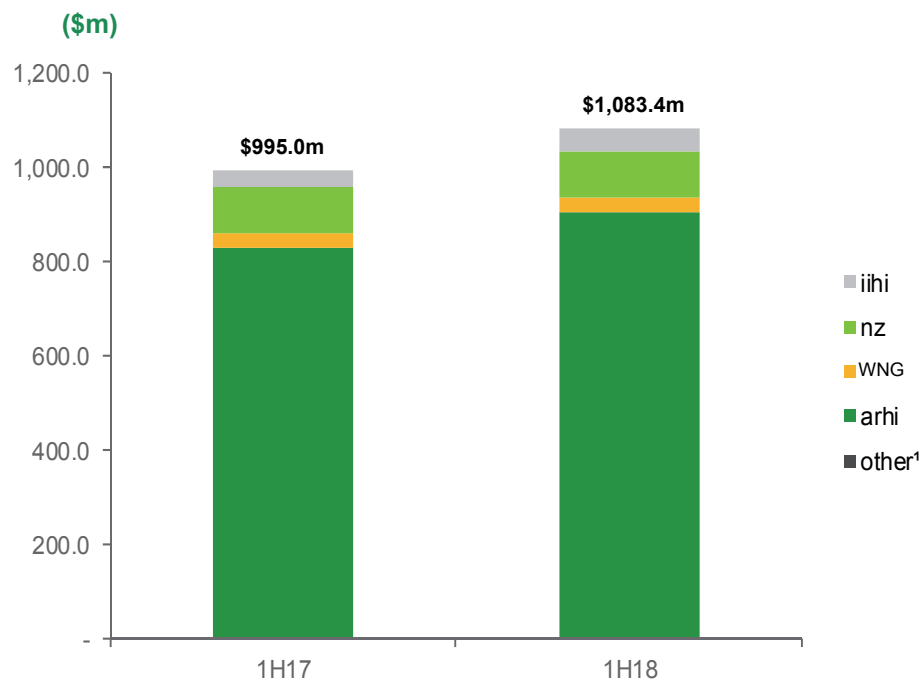
MICHELLE McPHERSON

CHIEF FINANCIAL OFFICER &
DEPUTY CEO

GROUP REVENUE



Total revenue by segment



Total Group revenue of \$1.1b (▲ 8.9%) due to:

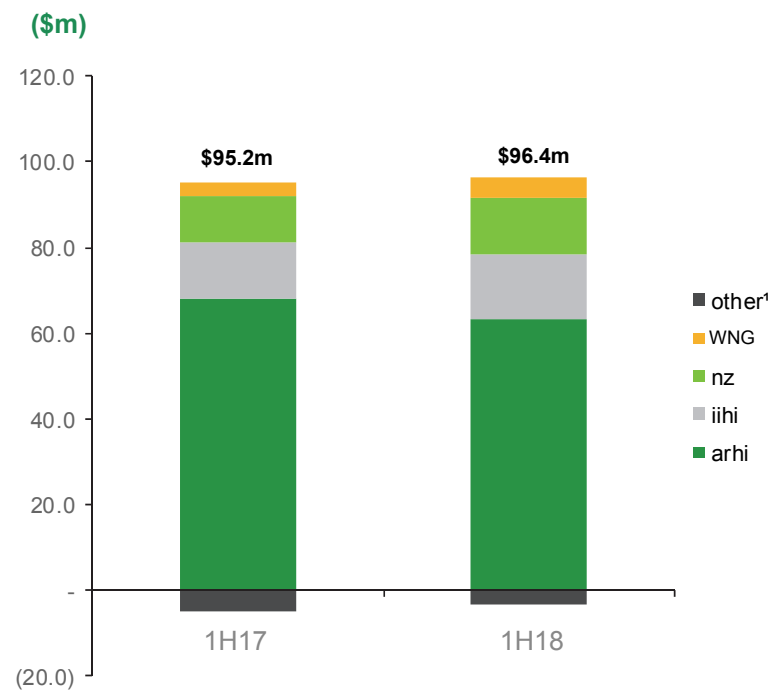
- arhi revenue of \$905.6m (▲ 9.1%), accounting for 83.6% of total Group revenue.
- iih revenue of \$46.2m (▲ 27.6%) due to international student and workers policyholder growth ▲ 6.0%.
- GU Health² contributed \$28.4 million in revenue to 1H18 arhi and iih result.
- New Zealand revenue of \$97.5m (▼ 2.5%) due to FX impacts. NZD revenue favourable NZ\$1.3 million versus 1H17.
- WNG operating revenue of \$32.5m (▲ 20.4%) on the back of improved domestic sales and strong international performance.

1. Refer slide 29 for breakdown of other income.
 2. GU Health a 2 month result with business acquired 31 October 2017.

GROUP UOP



Total Group UOP by segment



Group UOP of \$96.4m (▲ 1.3%) due to:

- arhi of \$66.3m reflects move to target 5% - 6% full year net margin range and ongoing investment in growth and other initiatives.
- Adjacent businesses accounted for 31.2% of Group UOP (1H17: 23.3%) due to:
 - iihi ▲ 16.5%
 - NZ ▲ 20.2%
 - WNG ▲ 51.6%
 - Offset by arhi ▼ 9.2%
- GU Health² contributed \$3.9m to 1H18 arhi and iihi UOP.

1. Other includes corporate expenses (share registry/directors fees) as well as investment in nib Options (1H17), offset by income from complementary products (life and related insurance commissions), travel insurance, as well as rent and licence fee income (Digital Health Ventures in 1H17). Refer slide 29 for breakdown of other income & expenses.

2. GU Health a two month result with business acquired 31 October 2017.

UNDERLYING OPERATING PROFIT TO NET PROFIT AFTER TAX



(\$m)	1H18	1H17	Change
UOP	96.4	95.2	1.3%
Amortisation of acquired intangibles	(3.4)	(3.8)	(10.5)%
arhi	-	-	-
iihi	(0.4)	(0.4)	-
nz	(1.9)	(2.0)	(5.0)%
WNG	(1.1)	(1.4)	(21.4)%
One-off transactions and M&A costs	(4.9)	(0.5)	880.0%
One-off transactions ¹	(1.6)	(0.5)	220%
M&A costs	(3.3)	-	NA
Statutory operating profit	88.1	90.9	(3.1)%
Finance costs	(2.7)	(2.4)	12.5%
Net investment income	17.1	13.8	23.9%
Profit before tax	102.5	102.3	0.2%
Tax	(31.6)	(31.2)	1.3%
NPAT	70.9	71.1	(0.3)%

- Acquisition of GU Health during 1H18 drove increase in M&A costs.
- Increase in one-off transaction costs includes proposed JV in China, GU Health integration costs to date and legal fees.

1. One-off transactions include integration of acquired business, establishment of business costs as well as extraordinary legal fees.

AUSTRALIAN RESIDENTS HEALTH INSURANCE



Financial performance (\$m)	1H18 ¹	1H17	Change
Premium revenue	905.2	829.8	9.1%
Claims expense ²	(752.5)	(686.0)	9.7%
Management expenses	(86.6)	(71.2)	21.6%
UOP	66.3	73.0	(9.2)%

Key metrics (%)	1H18	1H17	Change
Net policyholder growth ³	1.1	2.1	(100)bps
Lapse ⁴	5.6	5.8	(20)bps
Gross margin ¹	16.9	17.3 ⁵	(40)bps
Management expense ratio ¹	9.6	8.6	100bps
Marketing MER	3.5	2.9	60bps
Other MER	6.0	5.6	40bps
Net margin ¹	7.3	8.8	(150)bps

- Premium revenue boosted by policyholder growth, 2017 premium increase and acquisition of GU Health (excluding GU Health revenue ▲6.0%).
- Industry sales and market conditions remain tough (industry growth 0.3%) with nib⁴ accounting for 35.6% of industry growth aided by our multi-channel growth strategy.
- Retention and lapse initiatives showing traction.
- Claims expense ▲9.7% a function of GU Health acquisition, underestimation of 1H17 OSC, an increase in policyholders and a continued low claims inflation environment.
- Risk equalisation ▲13.9% (excluding GU ▲7.6%).
- Increase in management expenses reflects acquisition of GU Health, strengthening organisational structure, investment in growth (direct, whitelabel) and retention initiatives.

1. Includes GU Health (arhi customers) with business acquired 31 October 2017.

2. Includes risk equalisation and state levies.

3. Addition of GU Health policyholders contributed a further 5.2% of net policyholder growth resulting in nib total net policyholder growth of 6.3% for 1H18.

4. Excludes GU Health.

5. 1H17 gross margin result included \$8.8m in underestimation of OSC, on adjustment gross margin was 16.3%.

INTERNATIONAL (INBOUND) HEALTH INSURANCE



Financial performance (\$m)	1H18 ¹	1H17	Change
Premium revenue	45.7	35.9	27.3%
Claims expense	(17.5)	(12.8)	36.7%
Management expenses	(13.2)	(10.1)	30.7%
UOP	15.5	13.3	16.5%

Key metrics (%)	1H18 ¹	1H17	Change
Net policyholder growth ²	11.0	14.0	(300)bps
Gross margin	61.7	64.3	260bps
Management expense ratio	28.9	28.1	80bps
Marketing MER	7.0	7.2	(20)bps
Other MER	21.9	20.9	100bps
Net margin	33.9	37.0	(310)bps

1. Includes GU Health (international workers customers) with business acquired 31 October 2017.

2. Addition of GU Health policyholders contributed 500bps to growth.

- Impressive iih top line and earnings result accounting for 16.1% of Group UOP (1H17: 14.0%).
- GU Health contributed \$1.9m to premium revenue.
- International student and workers sales remain strong and margins relatively stable.
- Claims expense up ▲ 36.7% a function of growth, GU Health acquisition and some high cost claims in 1H.
- iih management expenses ▲ 30.7% to support policyholder growth and new business initiatives.

NEW ZEALAND



Financial performance (\$m)	1H18	1H17	Change
Premium revenue	97.5	100.0	(2.5)%
Claims (medical & PPB ¹)	(58.0)	(64.7)	(10.4)%
Management expenses	(29.1)	(28.3)	2.8%
UOP	13.1	10.9	20.2%

Key metrics (%)	1H18	1H17	Change
Net policyholder growth	1.2	1.0	20bps
Gross margin	43.3	39.2	410bps
Management expense ratio	29.8	28.3	150bps
Marketing MER	15.9	15.8	10bps
Other MER	13.9	12.5	140bps
Net margin	13.4	10.9	250bps

- Strong earnings growth with UOP up ▲ 20.2% benefiting from positive underwriting performance with claims ▼ 10.4%.
- In NZD premium revenue favourable NZ\$1.3m versus 1H17 with loss of corporate group in 2H17 offset by growth in other channels (DTC and whitelabel) and price adjustments. AUD premium revenue ▼ 2.5% due to FX impacts.
- Good progress to grow DTC with launch of new product range targeting millennials, new families and migrant families. Recently signed Stuff (Fairfax Media NZ) as new whitelabel partner alongside AA NZ.
- Successful launch of First Choice Network (September 2017) to reduce customer out of pocket hospital medical treatment costs, ~90% of providers participating in Network.
- Net margin benefitted from positive claims experience, PPB early settlement (\$0.3m).
- Increase in MER reflective of investment in strategic initiatives, partially offset by focus on operational efficiencies.

1. PPB – excludes movement in Premium Payback liability. Refer slide 28 for further detail.

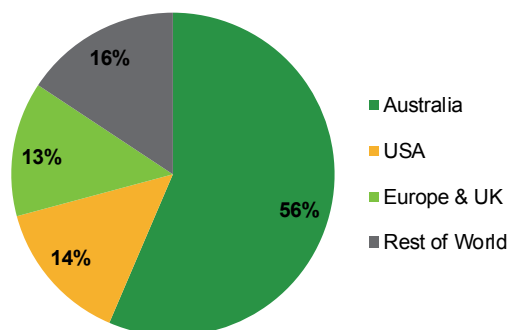
WORLD NOMADS GROUP



Financial performance	1H18	1H17	Change
Policyholder sales (#)	350,338	303,938	15.3%
Gross written premium ¹ (\$m)	70.7	62.1	13.9%
Operating income (\$m)	32.5	27.0	20.4%
Operating expenses (\$m)	(27.8)	(23.9)	16.3%
UOP (\$m)	4.7	3.1	51.6%

- Domestic and international sales have jumped ▲ 15.3% with our growth and expansion strategy starting to deliver results.
 - Australian domestic sales ▲ 12.2%
 - International sales ▲ 19.5%; with USA sales ▲ 25.6%
- Growth initiatives and skew towards investment in 2H will lower earnings 2H18 v 1H18.

1H18 sales by region



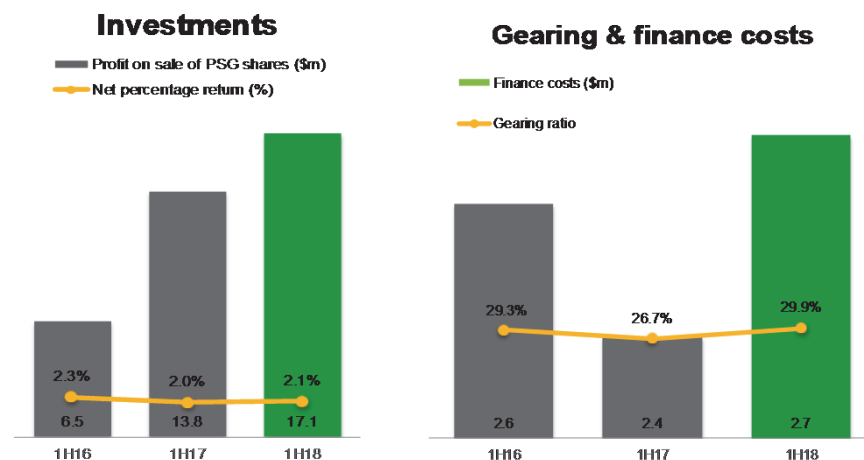
1. WNG is a distributor of travel insurance and earns a commission for policies sold, however GWP is shown as it is a key performance metric of the business, noting GWP excludes other sources of income such as Emergency Travel Assistance and Managing General Agent fees.

INVESTMENTS, GEARING & CAPITAL



	1H18	1H17	Change
Net investment income (\$m)	17.1	13.8	23.9%
Net investment return (%)	2.1	2.0	10bps
Finance costs (\$m)	(2.7)	(2.4)	12.5%
Available capital above internal targets ¹ (\$m)	61.0	31.6	93.0%
Interest cover ratio	39:1	44:1	
Gearing ratio (%)	29.9	26.7	320bps

- Investment portfolio generated strong returns.
- Increase in finance costs due to GU Health acquisition (additional \$80.5m debt facility).
- Increase in available capital above internal targets includes additional capital raised through SPP to fund GU Health acquisition (SPP raised approximately \$29.5m with \$15m used to fund GU Health acquisition).
- Gearing ratio of 29.9% in line with internal target.



1. Allowing for payment of interim dividend.



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MARK FITZGIBBON

CHIEF EXECUTIVE OFFICER &
MANAGING DIRECTOR

OUTLOOK



Thematic of growing healthcare spending (5% - 6% pa) with constrained public funding remain very powerful. Further public/private partnerships?



Domestic Australian and New Zealand health insurance markets remain "soft" with strong competition creating sales, lapse and downgrading pressures. Net policyholder growth (arhi) expected to be ~3% in FY18. Expecting better conditions in FY19 and beyond.



Australian PHI reforms a good and sensible start towards improving affordability and value. Hopefully more to come. Opposition's proposal of 2% cap on premiums for two years clearly a threat to stability and orderly system improvement.



Increased likelihood in medium term of PHI industry consolidation, we remain opportunistically interested. PHI is increasingly demanding economies of scale.



Growing demand for international student and workers health insurance as well as worldwide health and travel insurance.



Digital age and globalisation likely to bring some disruption to various markets with emphasis upon customer empowerment, funding mechanisms, precision medicine and care coordination.



Profit margins across the Group expected to remain stable (FY18 arhi net margin likely to be at high end of 5% - 6% range).

OUR FOCUS



Pursue arhi organic net growth with emphasis upon innovation, technology, cost control and expanding the value proposition. Give people more reason to have private health insurance, especially millennials. Target net profit margin 5%-6%.



Further increase investment in adjacent businesses and their contribution to Group earnings towards 50% of total. Ensure strong execution and commercial results on new initiatives (e.g. World Nomads expansion, GU Health acquisition and China proposed joint venture).



Explore opportunities for personalising health insurance coverage, helping customers make better decisions and improving health outcomes. Examine future public/private partnership opportunities.



Lift productivity and efficiency through further automation (e.g. claims payments), increased scale and work process reengineering aided by data science and AI.



Ensure acceptable ROIC both in market growth and productivity improvement. Grow enterprise value.



Continue to experiment and innovate as a fundamental basis for competitive advantage and towards a better healthcare system.

GUIDANCE



(\$m)	FY18 (Guidance)
Statutory operating profit	\$148.7
One-off transactions and M&A costs	9.0
One-off transactions ¹	5.7
M&A costs	3.3
Amortisation of acquired intangibles	7.3
Amortisation of acquired intangibles (IMAN)	0.8
Amortisation of acquired intangibles (NZ)	3.6
Amortisation of acquired intangibles (WNG)	2.2
Amortisation of acquired intangibles (GU)	0.7
UOP	\$165.0

1. One-off transactions include integration of acquired business, establishment of business costs as well as extraordinary legal fees.

- FY18 UOP expected to be at least \$165 million (statutory operating profit at least \$148 million).
- FY18 investment returns in line with internal benchmarks.
- Ordinary dividend pay-out ratio 60 - 70% of full year NPAT.

A person is surfing on a wave at sunset. The sky is a vibrant mix of orange, red, and yellow, with the sun low on the horizon. The ocean is dark blue with white foam from the waves. A small boat is visible in the distance on the horizon. The person is in the foreground, riding a wave, with water splashing around them. They are holding a surfboard.

QUESTIONS & ANSWERS

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APPENDIX



POLICYHOLDER & OTHER DATA



nib Group Health Insurance	1H18	1H17
Total persons covered	1,494,510	1,378,127
Total policyholders	816,676	751,629
- Australian Residents Health Insurance	584,416	540,403
- International (Inbound) Health Insurance	131,109	104,766
- nib New Zealand	101,151	106,460
arhi		
Net policyholder growth	6.3%	2.1%
Market share	8.8%	8.2%
Persons covered	1,142,827	1,047,733
Average age of hospital persons covered (yrs)	39.4	39.1
Total policyholders "under 40"	217,408	208,389
- Growth in "under 40" segment	4.8%	(0.3)%
Total policyholders "over 55"	198,827	179,440
- Growth in "over 55" segment	6.1%	4.9%
Total hospital persons "20-39"	268,451	255,483
- Growth in hospital persons "20-39"	6.4%	(0.8)%
- Market share	10.2%	9.5%
Total hospital persons "55+"	261,922	235,749
- Growth in hospital persons "55+"	6.3%	4.5%
- Market share	7.3%	6.7%
arhi sales by channel		
Direct to consumer	48.2%	44.9%
Broker	29.8%	36.9%
Partners	22.0%	18.2%

Source: nib/APRA

Note: arhi and iihl 1H18 figures are inclusive of GU Health with business acquired 31 October 2017.

DETAILED INCOME STATEMENT

(UNDERLYING UNDERWRITING RESULT)



(\$m)	1H18	1H17	Change
Net premium revenue¹	1,048.4	965.7	8.6%
- arhi	905.2	829.8	9.1%
- iihi	45.7	35.9	27.3%
- nz	97.5	100.0	(2.5)%
Net claims expense¹	(712.7)	(661.1)	7.8%
- Hospital claims paid (arhi)	(452.5)	(424.9)	6.5%
- Ancillary claims paid (arhi)	(171.4)	(164.4)	4.3%
- OSC provision movement (arhi)	(13.4)	5.6	(339.7)%
- arhi claims incurred	(637.2)	(583.6)	9.2%
- iihi claims incurred	(17.5)	(12.8)	36.7%
- nz claims incurred	(58.0)	(64.7)	(10.4)%
Risk equalisation levy	(99.5)	(87.4)	13.9%
- OSC risk equalisation margin	(0.8)	1.5	(153.5)%
- Gross deficit	2.7	211.7	(98.7)%
- Calculated deficit	(101.4)	(300.5)	(66.3)%
State levies	(15.8)	(15.0)	5.3%
Decrease / (Increase) in premium payback liability	2.7	3.9	(30.8)%
Net claims incurred (excluding claims handling)	(825.3)	(759.6)	8.6%
Gross underwriting result	223.1	206.1	8.2%
- arhi	152.7	143.8	6.2%
- iihi	28.2	23.1	22.1%
- nz	42.2	39.2	7.7%
Other underwriting revenue	0.9	0.7	28.6%
- arhi	0.4	0.4	-
- iihi	0.5	0.3	66.7%
Underwriting expenses (including claims handling)	(128.9)	(109.6)	17.6%
- arhi	(86.6)	(71.2)	21.6%
- iihi	(13.2)	(10.1)	30.7%
- nz	(29.1)	(28.3)	2.8%
Underlying underwriting result²	95.1	97.2	(2.2)%
- arhi	66.5	73.0	(8.9)%
- iihi	15.5	13.3	16.5%
- nz	13.1	10.9	20.2%

Note: arhi and iihi 1H18 figures are inclusive of GU Health with business acquired 31 October 2017.

1. Net of reinsurance.

2. Refer Note 3 of Interim Report (Segment Reporting)

DETAILED MANAGEMENT EXPENSES

(UNDERWRITING SEGMENTS)



(\$m)	Employment	Marketing	Marketing Indirect Commissions (Commissions Paid)	Marketing Indirect (Commissions deferred)	Marketing Indirect (Commissions amortised)	IT	Occupancy	Other	Total Underwriting Expenses	MER Underlying Expenses	Amortisation of Acquired Intangibles	Total Management Expenses	MER
Australian Residents Health Insurance													
1H16	28.0	12.7	13.1	(12.2)	6.5	5.1	2.6	10.4	66.2	8.5%	-	66.2	8.5%
1H17	28.9	10.8	17.4	(15.8)	11.9	6.6	3.8	7.5	71.2	8.6%	-	71.2	8.6%
1H18	33.7	11.9	19.7	(13.4)	13.8	7.7	3.9	9.2	86.6	9.6%	-	86.6	9.6%
International (Inbound) Health Insurance													
1H16	4.8	0.6	1.7	(1.5)	1.2	0.9	0.4	0.9	9.0	21.7%	0.4	9.4	22.7%
1H17	5.2	0.6	2.3	(2.0)	1.7	1.1	0.5	0.7	10.1	28.1%	0.4	10.5	29.2%
1H18	6.8	0.6	2.5	(2.0)	2.0	1.6	0.4	1.1	13.2	28.9%	0.4	13.6	29.8%
New Zealand													
1H16	6.6	2.2	13.3	(8.2)	4.8	1.4	0.6	2.3	23.0	28.8%	1.4	24.4	30.5%
1H17	7.5	3.5	17.0	(10.4)	5.7	1.8	0.7	2.6	28.3	28.3%	2.0	30.3	30.3%
1H18	7.6	3.1	14.2	(6.9)	5.2	2.1	0.7	3.1	29.1	29.8%	1.9	31.0	31.8%

Note: arhi and iih 1H18 figures are inclusive of GU Health with business acquired 31 October 2017.

PREMIUM PAYBACK (PPB)



Movement in central estimate of PPB liability (\$m)	1H18	1H17
Opening balance – central estimate	21.4	25.6
Funding – new premium less medical claims (discounted)	1.1	1.9
Payouts (normal)	(2.1)	(3.2)
Payouts (early settlement)	(1.9)	(1.5)
Release of reserves on early settlements	(0.2)	(0.4)
Movement in discount rate	0.4	(0.8)
Discount rate – duration impact	0.3	0.3
Effect of changes in foreign exchange rates	(0.7)	0.1
Closing balance – central estimate	18.1	22.1

- Premium Payback (PPB) 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.
- A PPB liability is recognised for these products. It is determined based on the discounted value of accumulated excess of premiums over claims at an individual policy level.
- The PPB liability is matched with investments of approximately the same duration.
- Latest campaign to shift customers off PPB product (early settlement offer) with letters issued in February for April 2018 renewals.

nib New Zealand UOP split between PPB & non PPB (\$m)	Non PPB	1H18 PPB	Total	Non PPB	1H17 PPB	Total
Premium revenue	93.5	4.0	97.5	95.3	4.7	100.0
Claims (medical)	(53.3)	(0.8)	(54.0)	(58.5)	(1.4)	(60.0)
Premium payback liability settlement ¹		(4.0)	(4.0)	-	(4.7)	(4.7)
Decrease/(Increase) in premium payback liability		2.7	2.7	-	3.9	3.9
Gross underwriting result	40.2	2.0	42.2	36.8	2.5	39.2
Management expenses			(29.1)			(28.3)
UOP			13.1			10.9

1. Premium payback liability settlement includes \$1.9m relating to the early settlement campaign.

2. Decrease in premium payback liability includes \$2.1m relating to early settlement campaign.

3. Gross underwriting result includes \$0.2m relating to early settlement campaign.

OTHER INCOME & EXPENSES¹



(\$m)	1H18	1H17	Change
Other income			
Complementary insurance	1.3	1.2	8.3%
Agency fee (excluding nib Options)	0.2	0.2	-
Rental income	0.1	0.1	-
Sundry income	0.0	0.0	-
Digital Health Ventures income	-	0.1	(100.0)%
Total other income	1.6	1.6	-
Other expenses			
Complementary insurance expenditure	(0.6)	(0.3)	100.0%
nib Options expenditure	-	(1.6)	(100.0)%
Share registry	(0.6)	(0.5)	20.0%
Corporate overheads	(2.9)	(2.4)	20.8%
Digital Health Ventures expenditure	-	(1.6)	(100.0)%
Other	(0.7)	(0.3)	133.3%
Total other expenses	(4.8)	(6.7)	(28.4)%

- nib Options business commenced winding down in May 2017 with business terminations costs provided for in FY17.
- Digital Health Ventures income and expenditure ceased on completion of restructure of Whitecoat on 1 February 2017.

1. Excludes World Nomads Group.

INVESTMENT ASSET ALLOCATION



	Consolidated		Australian Investment Portfolios		New Zealand Investment Portfolio	
	Balance (\$m) at 31/12/2017	Allocation at 31/12/2017	Net return (\$m) 6 months to 31/12/2017	Allocation at 31/12/2017	Net return (\$m) 6 months to 31/12/2017	Allocation at 31/12/2017
Cash ¹	221.9	27.6%	2.1	29.4%	0.1	14.8%
Fixed interest	460.2	57.4%	3.7	53.5%	1.7	85.2%
Total defensive	682.1	85.0%	5.8	82.9%	1.8	100.0%
Australian shares	43.3	5.4%	3.7	6.2%	-	-
Global shares - hedged	14.4	1.8%	1.2	2.0%	-	-
Global shares - unhedged	41.1	5.1%	3.4	5.8%	-	-
Global property	16.2	2.0%	1.1	2.3%	-	-
Property trusts	5.3	0.7%	0.1	0.8%	-	-
Total growth	120.3	15.0%	9.5	17.1%	-	-
Total	802.4	100.0%	15.3	100.0%	1.8	100.0%

1. Excludes operating cash of \$30.2m, noting total cash is split between cash and cash equivalents of \$221.9m and short term deposits of \$30.1m included in Financial Assets at Fair Value Through Profit or Loss.