

nib holdings limited
ABN 51 125 633 856

Half-year report for the period ended 31 December 2018

This report should be read in conjunction with the annual financial report for the year ended 30 June 2018.

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Appendix 4D

For the half year ended 31 December 2018
nib holdings limited

Results for announcement to the market

	6 months to 31 Dec 18 \$m	6 months to 31 Dec 17 \$m	Movement up / (down) \$m	Movement %
Revenue from ordinary activities	1,205.6	1,101.5	104.1	9%
Profit from ordinary activities after tax attributable to members	74.5	70.9	3.6	5%
Net profit attributable to members	74.5	70.9	3.6	5%

	6 months to 31 Dec 18 Amount per security (cps)	6 months to 31 Dec 17 Franking amount per security	6 months to 31 Dec 17 Amount per security (cps)	6 months to 31 Dec 17 Franking amount per security
Interim Dividend				
Ordinary Dividend	10.00	100%	9.00	100%
Special Dividend	0.00	100%	0.00	100%
Total Interim Dividend	10.00	100%	9.00	100%
Record date for determining entitlements to the dividend	1 March 2019			
Date the interim dividend is payable	2 April 2019			

Brief explanation of figures reported above:

Net profit after tax attributable to owners of nib holdings limited for the half year to 31 December 2018 calculated on a statutory basis equated to a profit of \$74.5 million.

For further information refer to the Directors' Report in the attached Interim Report of nib holdings limited for the period ended 31 December 2018.

Appendix 4D

For the half year ended 31 December 2018

nib holdings limited

Appendix 4D disclosure requirements	nib group Appendix 4D	Note Number
1. Details of the reporting period and the previous corresponding period	All financial data headings	
<p>2. Key information in relation to the following:</p> <p>This information must be identified as “Results for announcement to the market”.</p> <p>2.1 The amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities.</p> <p>2.2 The amount and percentage change up or down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members.</p> <p>2.3 The amount and percentage change up or down from the previous corresponding period of profit (loss) attributable to members.</p> <p>2.4 The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends.</p> <p>2.5 The record date for determining entitlements to the dividends (if any).</p> <p>2.6 A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.</p>	“Results for announcement to the market” page 1 Appendix 4D	
3. Net tangible assets per security with the comparative figure for the previous corresponding period.	Net tangible asset backing per ordinary security (cents per share) is 58.39 (50.40 as at 31 Dec 2017)	
<p>4. Details of entities over which control has been gained or lost during the period, including the following:</p> <p>4.1 Name of entity.</p> <p>4.2 The date of the gain or loss of control.</p> <p>4.3 Where material to the understanding of the report – the contribution of such entities to the reporting entity’s profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding reporting period.</p>	<p>Interim Report 31 December 2018</p> <ul style="list-style-type: none"> • Notes to the financial statement - Interest in other entities 	Note 20
5. Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which the dividend or distribution is payable and (if known) the amount per security of foreign sourced dividend or distribution.	<p>Interim Report 31 December 2018</p> <ul style="list-style-type: none"> • Notes to the financial statement - Dividends 	Note 14
6. Details of any dividend or distribution reinvestment plan in operation and the last date for the receipt of an election notice for the participation in any dividend or distribution reinvestment plan.	The DRP will be available to shareholders for the FY19 interim dividend. Shareholders can participate in the DRP by completing the application form by visiting nib.com.au/easyupdate . DRP elections for the FY19 interim dividend must be received by no later than 5pm (AEST) on Monday 4 March 2019.	
7. Details of associates and joint venture entities including the name of the associate or joint venture entity and details of the reporting entity’s percentage holding in each of these entities and - where material to the understanding of the report – aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for the previous corresponding reporting period.	<p>Interim Report 31 December 2018</p> <ul style="list-style-type: none"> • Notes to the financial statement - Interest in other entities 	Note 20

Appendix 4D

For the half year ended 31 December 2018
nib holdings limited

8. For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Accounting Standards).	Not applicable	
9. For all entities, if the accounts contain an independent audit report or review that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph.	Not applicable	

R Toms
Company Secretary
nib holdings limited

Date 15 February 2019



Interim Report

31 December 2018



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Directors' Report

For the half year ended 31 December 2018

nib holdings limited

The Directors of nib holdings limited (Company) present their report on the consolidated entity (Group) consisting of nib holdings limited and the entities it controlled at the end of or during the half year ended 31 December 2018.

DIRECTORS

The following persons were Directors of nib holdings limited during the whole of the financial half year and up to the date of this report:

Steve Crane
Lee Ausburn
Anne Loveridge
Donal O'Dwyer

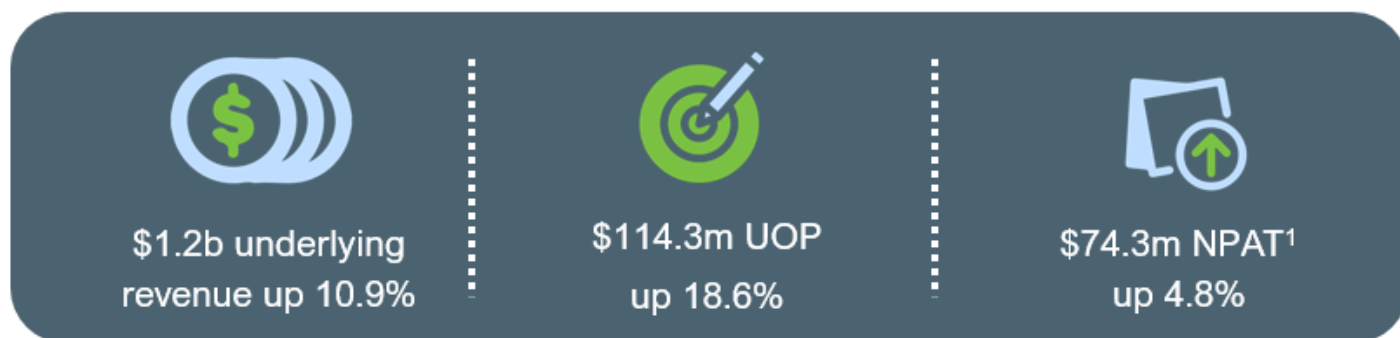
Mark Fitzgibbon
Jacqueline Chow
Christine McLoughlin

Philip Gardner retired as a Director on 31 August 2018.

PRINCIPAL ACTIVITIES

The principal activities of the nib Group during the financial half year were as a private health insurer in Australia and New Zealand, whereby it underwrites and distributes private health insurance to Australian and New Zealand residents as well as international students and visitors to Australia. Through its World Nomads Group business, it also specialises in the sale and distribution of travel insurance policies globally.

REVIEW OF OPERATIONS



At a Group level, our operating performance for first half fiscal 2019 (1H19) produced another strong result with total Group revenue up 10.9% to \$1.2 billion and underlying operating profit (UOP) rising 18.6% to \$114.3 million.

A focus on meeting our members' and travellers' expectations, along with our strategic execution, underpins everything we do at nib. We believe good results follow when we work hard and are good at what we do.

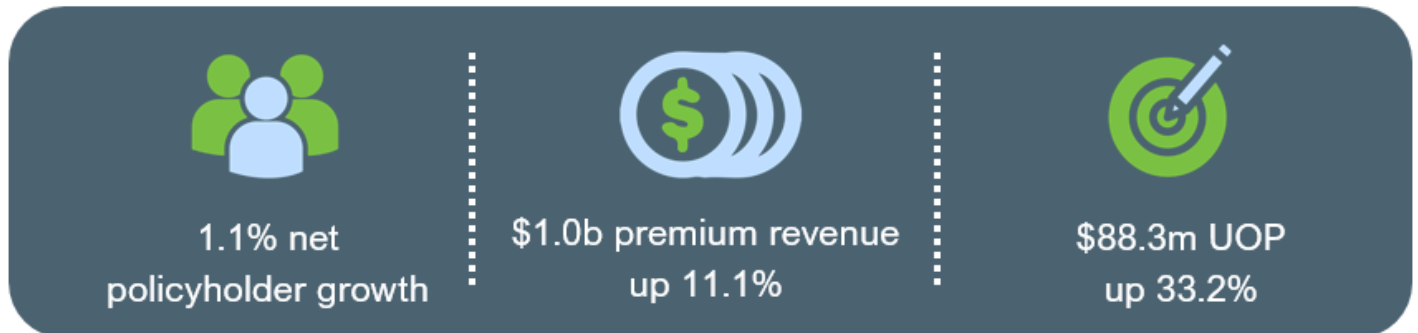
Net profit after tax (NPAT) was \$74.3 million (up 4.8%). This is an improvement on 1H18, but was impacted by soft equity investment returns, with net investment income of just \$1.5 million, down 91.2%. Earnings per share (Statutory) was 16.4 cents per share up 3.1%.

The Board has declared a fully franked interim dividend of 10.0 cents per share, in line with an increase of 11.1% on last year. The interim dividend has an ex-dividend and record date of 28 February and 1 March 2019 respectively with payment to be made to shareholders on 2 April 2019.

1. NPAT attributable to owners \$74.5m, excluding nib charitable foundation \$0.2m.

REVIEW OF OPERATIONS continued

Australian Residents Health Insurance (arhi)



In what were very tough market conditions, our flagship arhi business delivered an impressive result, with UOP up 33.2% to \$88.3 million. Premium revenue rose 11.1% to just over \$1 billion, reflecting above-industry policyholder growth, premium adjustments and a full six-month contribution from GU Health (in 1H18, this business made a two-month contribution having been acquired 31 October 2018).

During the period we also paid a record amount in claims on behalf of our members. Claims were up 7.8% to just over \$800 million, funding more than 151,000 hospital admissions and over 1.8 million ancillary visits including dentists and optometrists.

We continue to pursue and invest in programs that help our members lead a healthier life, particularly those who have a chronic illness. In the six months to 31 December 2018 we had over 6,000 new members participate in a preventative health management program, from personalised weight management programs to support for members discharged from hospital.

We know premium affordability and value for money are real issues for our members. Our 2019 premium increase of 3.38% is the lowest in 16 years and it's the fifth consecutive year we've delivered an increase lower than the previous year.

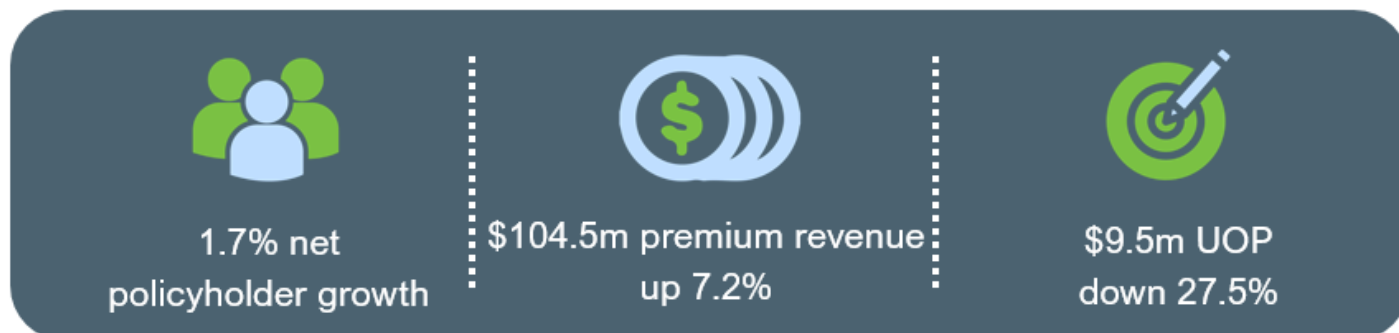
We are also taking an active role in leading change within the industry, including adopting the Government's Private Health Insurance Reforms (PHI Reforms) from 1 April 2019. Overall, we believe the PHI Reforms will be a net positive leading to greater health insurance participation, improved affordability for members and greater transparency.

We also continue to place a significant emphasis on improving the experience of our members, which is reflected in our net promoter score for 1H19, which has risen 280bps to 33.7%¹.

1. Based on arhi customers, excludes GU Health.

REVIEW OF OPERATIONS continued

nib New Zealand



Our New Zealand business delivered an improved top line result, with premium revenue up 7.2% to \$104.5 million, while earnings were impacted by a growth in claims. Claims expenses rose 9.8% for the period due to an increase in utilisation, with UOP down 27.5% to \$9.5 million.

Our multi-channel distribution strategy again made good progress with net policyholder growth for the period up 50bps to 1.7%.

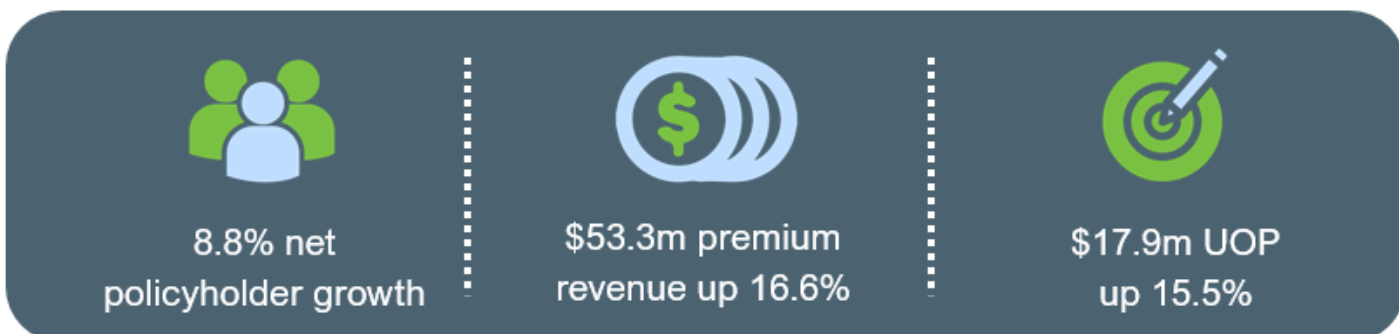
We also recently rolled out in New Zealand our online health directory, Whitecoat, to help members search, compare and select a healthcare provider, including specialists, GPs, dentists and physiotherapists. This is another example of the way we tap into nib's Group capability and skills to benefit our New Zealand operations and members.

Our New Zealand NPS continued its positive trajectory jumping to 34.0%, up from 19.1% on the same time last year.

A continuing focus on meeting the needs of our members in the most efficient and effective way has seen an increase in our costs as we further improve our technology and processes.

International & New Business

International (Inbound) Health Insurance



Our international inbound health insurance business continues to deliver impressive top line and earnings growth, with premium revenue up 16.6% to \$53.3 million¹ and UOP rising 15.5% to \$17.9 million¹.

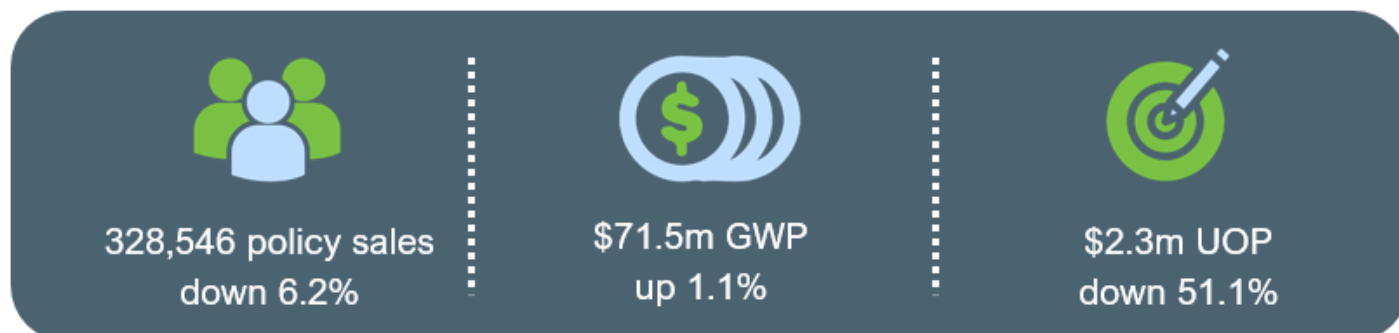
Our sales pipeline for international students and workers has been a key driver of our commercial results, with net policyholder growth for the period of 8.8%. nib now provides health insurance to more than 170,000² international students and workers in Australia.

The outlook for our iih business remains positive, supported by strong growth prospects and stable margins.

1. Includes GU Health.
 2. Total insured persons.

REVIEW OF OPERATIONS continued

World Nomads Group



The first half performance for our travel insurance operations was mixed, with traction gained by our international expansion strategy offset by challenging domestic market conditions.

International sales rose 14.4% to cover almost 175,000 travellers, with the North American market accounting for just over 40% of all international sales. However, our domestic operations were soft, with sales down 22.1%. Overall UOP for the period fell 51.1% to \$2.3 million.

Expanding our business operations and capturing more of the travel insurance value chain, particularly in international markets, led to the establishment of a European Managing General Agency (EMGA). Licencing requirements for this operation saw us incurring operating costs in advance of "go live", with our EMGA incurring a loss of \$1.1 million during the period. The first sale in this new model (replacing previous distribution arrangements) occurred in November 2018.

Our acquisition of Australia's fourth largest travel insurer, QBE Travel, will help bolster our presence in the domestic market. The transaction, which was announced in August last year, is expected to be completed by May 2019 (previously, first quarter 2019).

CAPITAL MANAGEMENT

At 31 December 2018 the Group had net assets of \$605.6 million (June 2018: \$557.8 million) and a return on equity of 24.7%, using average shareholders' equity and NPAT for the previous 12 months over a rolling 12-month period (December 2017: 26.6%). Further, at 31 December 2018 the Group had available capital of \$60.9 million above our internal benchmark (after allowing for the payment of an interim dividend of 10.0 cents per share, totalling \$45.6 million, in April 2019).

DIVIDENDS

Dividends paid to shareholders during the half year were as follows:

	31 Dec 18 \$m	31 Dec 17 \$m
Final dividend for the year ended 30 June 2018 of 11.0 cents (2017 - 10.5 cents) per fully paid share paid on 5 October 2018	50.0	46.1
	50.0	46.1

In addition to these dividends, since the end of the half year the Directors have recommended the payment of a fully franked interim dividend of \$45.6 million (10.0 cents per fully paid ordinary share) to be paid on 2 April 2019 out of retained profits at 31 December 2018.

Subject to franking credit availability, the Board's position is that future ordinary dividends will reflect a dividend payout ratio of 60% to 70% of earnings with additional capacity to pay special dividends as part of future capital management.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest hundred thousand dollars in accordance with that Instrument.

This report is made in accordance with a resolution of the Directors.

On behalf of the Board



Steve Crane
Director



Anne Loveridge
Director

Newcastle, NSW
15 February 2019



Auditor's Independence Declaration

As lead auditor for the review of nib holdings limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of nib holdings limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'C. Mara' with a stylized flourish at the end.

Caroline Mara
Partner
PricewaterhouseCoopers

Newcastle
15 February 2019

Financial Report

For the half year ended 31 December 2018

nib holdings limited

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Consolidated Income Statement

For the half year ended 31 December 2018

nib holdings limited

	Notes	Half year	
		31 Dec 18 \$m	31 Dec 17 \$m
Premium revenue	4	1,178.7	1,055.2
Outwards reinsurance premium expense	4	(14.8)	(6.8)
Net premium revenue		1,163.9	1,048.4
Claims expense		(768.7)	(715.6)
Reinsurance and other recoveries revenue		5.9	2.9
RESA levy		(114.7)	(99.5)
State levies		(17.1)	(15.8)
Decrease / (increase) in premium payback liability		0.2	2.7
Claims handling expenses	5	(9.3)	(8.9)
Net claims incurred		(903.7)	(834.2)
Other underwriting revenue	4	1.7	0.9
Acquisition costs	5	(74.9)	(63.7)
Other underwriting expenses	5	(74.5)	(58.6)
Underwriting expenses		(149.4)	(122.3)
Underwriting result		112.5	92.8
Other income	4	37.4	34.1
Other expenses	5	(42.4)	(38.6)
Share of net profit / (loss) of associates and joint ventures accounted for using the equity method		(0.3)	(0.2)
Operating profit		107.2	88.1
Finance costs	5	(3.8)	(2.7)
Investment income	4	2.6	18.1
Investment expenses	5	(1.1)	(1.0)
Profit before income tax		104.9	102.5
Income tax expense	6	(30.6)	(31.6)
Profit for the half year		74.3	70.9
Profit for the half year is attributable to:			
Owners of nib holdings limited		74.5	70.9
Non-controlling interests		-	-
Charitable foundation	20	(0.2)	-
		74.3	70.9
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company			
Basic earnings per share	15	16.4	15.9
Diluted earnings per share	15	16.4	15.9
Earnings per share for profit attributable to the ordinary equity holders of the company			
Basic earnings per share	15	16.4	15.9
Diluted earnings per share	15	16.4	15.9

The above Consolidated Income Statement should be read in conjunction with the accompanying notes

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2018

nib holdings limited

	Notes	Half year	
		31 Dec 18 \$m	31 Dec 17 \$m
Profit for the half year		74.3	70.9
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		2.8	(3.2)
Income tax related to these items	6(a)(iii)	(0.8)	0.8
Other comprehensive income for the half year, net of tax		2.0	(2.4)
Total comprehensive income for the half year		76.3	68.5
Total comprehensive income for the half year is attributable to:			
Owners of nib holdings limited		76.5	68.5
Non-controlling interests		-	-
Charitable foundation	20	(0.2)	-
		76.3	68.5

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes

Consolidated Balance Sheet

As at 31 December 2018

nib holdings limited

	Notes	31 Dec 18 \$ m	30 Jun 18 \$ m
ASSETS			
Current assets			
Cash and cash equivalents		268.9	192.2
Receivables	7	71.8	78.6
Financial assets at fair value through profit or loss	8	637.1	731.9
Deferred acquisition costs	9	47.8	45.4
Total current assets		1,025.6	1,048.1
Non-current assets			
Receivables	7	1.7	1.7
Financial assets at fair value through profit or loss	8	2.5	3.0
Investments accounted for using the equity method		9.7	2.1
Deferred acquisition costs	9	63.1	65.3
Property, plant and equipment		11.0	10.4
Intangible assets		321.7	316.9
Total non-current assets		409.7	399.4
Total assets		1,435.3	1,447.5
LIABILITIES			
Current liabilities			
Payables		173.2	195.3
Borrowings	10	2.3	1.1
Outstanding claims liability	11	137.0	152.2
Unearned premium liability		172.3	205.1
Premium payback liability	12	3.4	3.7
Provision for employee entitlements		4.7	4.2
Current tax liabilities		7.5	5.7
Other liabilities		0.4	0.4
Total current liabilities		500.8	567.7
Non-current liabilities			
Payables		8.6	4.6
Borrowings	10	232.1	229.5
Unearned premium liability		34.3	32.7
Premium payback liability	12	15.3	14.4
Provision for employee entitlements		2.3	2.4
Deferred tax liabilities		31.7	33.6
Other liabilities		4.6	4.8
Total non-current liabilities		328.9	322.0
Total liabilities		829.7	889.7
Net assets		605.6	557.8
EQUITY			
Contributed equity	13	119.3	112.3
Retained profits		469.1	445.5
Reserves		(0.7)	-
Capital and reserves attributable to owners of nib holdings limited		587.7	557.8
Non-controlling interests		-	-
Charitable foundation	20	17.9	-
Total equity		605.6	557.8

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2018

nib holdings limited

	Attributable to owners of nib holdings limited							Total equity \$m
	Notes	Contributed equity	Retained profits	Reserves	Total	Non-controlling interests	Charitable foundation	
		\$m	\$m	\$m	\$m	\$m	\$m	
Balance at 1 July 2017		25.0	399.0	4.6	428.6	(1.0)	-	427.6
Profit for the half year		-	70.9	-	70.9	-	-	70.9
Transfer to retained profits on sale of land and buildings, net of tax		-	1.1	(1.1)	-	-	-	-
Movement in foreign currency translation, net of tax		-	-	(2.4)	(2.4)	-	-	(2.4)
Total comprehensive income for the half year		-	72.0	(3.5)	68.5	-	-	68.5
Transactions with owners in their capacity as owners:								
Contributions of equity net of transaction costs and tax	13	88.0	-	-	88.0	-	-	88.0
Shares acquired by the nib Holdings Ltd Share Ownership Plan Trust	13	(1.1)	-	-	(1.1)	-	-	(1.1)
Issue of shares held by nib Holdings Ltd Share Ownership Plan Trust to employees	13	4.2	-	(3.0)	1.2	-	-	1.2
Employee performance rights - value of employee services		-	-	0.8	0.8	-	-	0.8
Dividends paid	14	-	(46.1)	-	(46.1)	-	-	(46.1)
		91.1	(46.1)	(2.2)	42.8	-	-	42.8
Balance at 31 December 2017		116.1	424.9	(1.1)	539.9	(1.0)	-	538.9
Balance at 30 June 2018 as originally presented		112.3	445.5	-	557.8	-	-	557.8
Adjustment on adoption of AASB 9, net of tax		-	(0.1)	-	(0.1)	-	-	(0.1)
Adjustment on adoption of AASB 15, net of tax		-	(0.8)	-	(0.8)	-	-	(0.8)
Restated balance at 1 July 2018		112.3	444.6	-	556.9	-	-	556.9
Profit for the half year		-	74.5	-	74.5	-	(0.2)	74.3
Movement in foreign currency translation, net of tax		-	-	2.0	2.0	-	-	2.0
Total comprehensive income for the half year		-	74.5	2.0	76.5	-	(0.2)	76.3
Consolidation of Charitable foundation	20	-	-	-	-	-	18.1	18.1
		-	-	-	-	-	18.1	18.1
Transactions with owners in their capacity as owners:								
Ordinary shares issued	13	4.2	-	-	4.2	-	-	4.2
Shares acquired by the nib Holdings Ltd Share Ownership Plan Trust	13	(1.9)	-	-	(1.9)	-	-	(1.9)
Issue of shares held by nib Holdings Ltd Share Ownership Plan Trust to employees	13	4.7	-	(3.1)	1.6	-	-	1.6
Employee performance rights - value of employee services		-	-	0.4	0.4	-	-	0.4
Dividends paid	14	-	(50.0)	-	(50.0)	-	-	(50.0)
		7.0	(50.0)	(2.7)	(45.7)	-	-	(45.7)
Balance at 31 December 2018		119.3	469.1	(0.7)	587.7	-	17.9	605.6

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

Consolidated Statement of Cash Flows

For the half year ended 31 December 2018

nib holdings limited

	Notes	Half year	
		31 Dec 18	31 Dec 17
		\$m	\$m
Cash flows from operating activities			
Receipts from policyholders and customers (inclusive of goods and services tax)		1,221.0	1,081.2
Payments to policyholders and customers		(933.4)	(828.5)
Receipts from outwards reinsurance contracts		7.5	(1.3)
Payments for outwards reinsurance contracts		(15.4)	2.9
Payments to suppliers and employees (inclusive of goods and services tax)		(217.3)	(191.7)
		62.4	62.6
Dividends received		0.2	-
Interest received		4.6	3.6
Distributions received		5.2	3.6
Transaction costs relating to acquisition of business		(0.7)	(3.3)
Interest paid		(3.8)	(2.3)
Income taxes paid		(30.8)	(38.5)
Net cash inflow from operating activities		37.1	25.7
Cash flows from investing activities			
Proceeds from disposal of other financial assets at fair value through profit or loss		184.7	171.0
Payments for other financial assets at fair value through profit or loss		(90.0)	(121.7)
Proceeds from sale of assets classified as held for sale		-	2.1
Payments for property, plant and equipment and intangibles		(14.3)	(9.2)
Net cash from consolidation of Charitable foundation	20	13.8	-
Payment for acquisition of business combination, net of cash acquired		-	(85.1)
Payments for investments in associates and joint ventures	20	(7.9)	-
Net cash (outflow) from investing activities		86.3	(42.9)
Cash flows from financing activities			
Proceeds from issue of shares	13	4.2	89.5
Proceeds from borrowings	10	-	80.5
Shares acquired by the nib Holdings Ltd Share Ownership Plan Trust	13	(1.9)	(1.1)
Share issue transaction costs	13	-	(2.1)
Dividends paid to the company's shareholders	14	(50.0)	(46.1)
Net cash inflow / (outflow) from financing activities		(47.7)	120.7
Net increase / (decrease) in cash and cash equivalents		75.7	103.5
Cash and cash equivalents at beginning of the half year		191.1	117.5
Effects of exchange rate changes on cash and cash equivalents		(0.2)	(0.7)
Cash and cash equivalents at the end of the half year		266.6	220.3
Reconciliation to Consolidated Balance Sheet			
Cash and cash equivalents		268.9	221.9
Borrowings - overdraft		(2.3)	(1.6)
		266.6	220.3

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2018

nib holdings limited

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of nib holdings limited and its subsidiaries.

a) Basis of preparation of the half year report

This consolidated interim financial report for the half year reporting period ended 31 December 2018 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*. nib holdings limited is a for-profit entity for the purpose of preparing the financial statements.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by nib holdings limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

b) Accounting policies

The accounting policies adopted in the preparation of these interim financial statements are consistent with those of the previous financial year except for the policies stated below. Additional accounting policies are shown for new transactions that have occurred since the previous financial year. When the presentation or classification of items in the financial report is amended, comparative amounts have been reclassified.

c) New or amended accounting standards and interpretations adopted

The Group has adopted all of the new or amended accounting standards and interpretations issued by the AASB that are mandatory for the current reporting period.

Any new or amended accounting standards or interpretations that are not yet mandatory have not been early adopted.

i) AASB 9 Financial Instruments

The Group has applied AASB 9 Financial Instruments from 1 July 2018.

The standard introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI').

Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity.

New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

Notes to the Consolidated Financial Statements *continued*

For the half year ended 31 December 2018

nib holdings limited

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

c) New or amended accounting standards and interpretations adopted *continued*

i) **AASB 9 Financial Instruments** *continued*

The adoption of AASB 9 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with transitional provisions in AASB 9 comparative figures have not been restated.

The impact on the consolidated financial performance and position of the Group from the adoption of AASB 9 is detailed in note 7.

ii) **AASB 15 Revenue from Contracts with Customers**

The Group has adopted AASB15 from 1 July 2018.

The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The adoption of AASB 15 resulted in an additional unearned revenue payable adjustment of \$1.1 million and associated deferred tax asset of \$0.3 million, both raised against retained earnings as at 1 July 2018.

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2018

nib holdings limited

2. FAIR VALUE MEASUREMENT

a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows below the table.

The following tables present the Group's assets and liabilities measured and recognised at fair value at 31 December 2018 and 30 June 2018:

	Level 1	Level 2	Level 3	Total
	\$m	\$m	\$m	\$m
Group at 31 December 2018				
Assets				
Cash and cash equivalents and deposits at call	268.9	-	-	268.9
Receivables	-	1.7	-	1.7
Financial assets at fair value through profit or loss				
Equity securities	7.6	104.0	-	111.6
Interest-bearing securities	65.4	414.0	-	479.4
Mortgage trusts	-	0.5	-	0.5
Property trusts	2.0	0.8	13.2	16.0
Short term deposits	32.0	-	-	32.0
Derivative financial instruments	0.1	-	-	0.1
Total assets	376.0	521.0	13.2	910.2

	Level 1	Level 2	Level 3	Total
	\$m	\$m	\$m	\$m
Group at 30 June 2018				
Assets				
Cash and cash equivalents and deposits at call	192.2	-	-	192.2
Receivables	-	1.7	-	1.7
Financial assets at fair value through profit or loss				
Equity securities	5.3	119.4	-	124.7
Interest-bearing securities	68.0	430.9	-	498.9
Mortgage trusts	-	0.5	-	0.5
Property trusts	2.0	0.6	13.1	15.7
Short term deposits	95.1	-	-	95.1
Total assets	362.6	553.1	13.1	928.8

The Group classifies its financial instruments into three levels based on the valuation techniques described below:

Level 1	The fair value of financial instruments traded in active markets (for example shares in companies listed on a stock exchange) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.
Level 2	The fair value of financial instruments that are not traded in active markets (for example over the counter fixed interest bonds or units in unlisted trusts) is determined using the unit price provided by the underlying fund manager.
Level 3	The fair value of financial instruments where one or more significant inputs is not based on observable market data (for example units held in illiquid unlisted property trusts), is determined using the unit price provided by the underlying fund manager.

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2018

nib holdings limited

2. FAIR VALUE MEASUREMENT continued

b) Transfers between levels

The Group's policy is to recognise transfers into and transfers out of the fair value hierarchy levels as at the end of the reporting period.

Investments in unlisted unit trusts have been reclassified to level 2 following a detailed review of the valuation techniques used in these investments. Comparative amounts have also been reclassified.

c) Valuation processes

The finance department of the Group includes a team that performs the valuations of non-property items required for financial reporting purposes.

The level 2 and 3 inputs used by the Group are derived from unit prices provided by investment fund managers.

d) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the periods ended 31 December 2018 and 30 June 2018:

	31 Dec 18	30 Jun 18
	\$m	\$m
Fair value measurement as at 1 July	13.1	-
Acquisition of business	-	4.9
Purchased	0.4	9.5
Sales	(0.8)	(1.2)
Change in fair value ¹	0.5	(0.1)
Fair value measurement at end of period	13.2	13.1

1. Includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value \$m	Unobservable inputs	Relationship of unobservable inputs to fair value
At 31 December 2018			
Unlisted property trusts	13.2	Redemption price	Higher/(low er) redemption price (+/- 10%) w ould increase/(decrease) fair value by \$1.3m
At 30 June 2018			
Unlisted property trusts	13.1	Redemption price	Higher/(low er) redemption price (+/- 10%) w ould increase/(decrease) fair value by \$1.3m

e) Fair values of other financial instruments

The Group also had another financial instrument which was not measured at fair value in the balance sheet. This had the following fair value as at 31 December 2018 and 30 June 2018:

	31 Dec 18		30 Jun 18	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$m	\$m	\$m	\$m
Non-current borrowings				
Bank loans	232.1	232.1	229.5	229.5

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values due to their short-term nature and interest charges being based on floating market rates.

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2018

nib holdings limited

3. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to Executive management. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director/Chief Executive Officer (MD/CEO).

The MD/CEO assesses the performance of the operating segments based on underlying operating profit. This measurement basis excludes from the operating segments the effects of non-recurring income and expenditure such as integration costs, merger and acquisition costs, new business implementation costs and amortisation of acquired intangibles.

No information regarding assets, liabilities and income tax is provided for individual Australian Residents Health Insurance and International (Inbound) Health Insurance segments to the MD/CEO. Furthermore, investment income and expenditure for Australia is not allocated to individual Australian segments as this type of activity is driven by the central treasury function, which manages the cash position of the Australian companies.

Management has determined the operating segments based on the reports reviewed by the MD/CEO that are used to make strategic decisions.

The MD/CEO considers the business from both a geographic and product perspective and has identified four reportable segments:

Australian Residents Health Insurance	nib's core product offering within the Australian private health insurance industry
New Zealand Residents Health Insurance	nib's core product offering within the New Zealand private health insurance industry
International (Inbound) Health Insurance	nib's offering of health insurance products for international students and workers
World Nomads Group	nib's distribution of travel insurance products

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2018

nib holdings limited

3. SEGMENT REPORTING continued

	For the half year ending 31 December 2018					
	Australian Residents Health Insurance	International (Inbound) Health Insurance	New Zealand Health Insurance	World Nomads Group	Unallocated to segments	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Premium revenue	1,012.8	61.4	104.5	-	-	1,178.7
Outwards reinsurance premium expense	(6.7)	(8.1)	-	-	-	(14.8)
Net premium revenue	1,006.1	53.3	104.5	-	-	1,163.9
Claims expense	(682.3)	(22.7)	(63.7)	-	-	(768.7)
Reinsurance and other recoveries revenue	3.2	2.7	-	-	-	5.9
RESA	(114.7)	-	-	-	-	(114.7)
State levies	(17.1)	-	-	-	-	(17.1)
Decrease in premium payback liability	-	-	0.2	-	-	0.2
Claims handling expenses	(7.7)	(0.9)	(0.7)	-	-	(9.3)
Net claims incurred	(818.6)	(20.9)	(64.2)	-	-	(903.7)
Other underwriting revenue	1.2	0.5	-	-	-	1.7
Acquisition costs	(50.7)	(6.9)	(17.3)	-	-	(74.9)
Other underwriting expenses	(49.5)	(8.1)	(13.5)	-	-	(71.1)
Underwriting expenses	(100.2)	(15.0)	(30.8)	-	-	(146.0)
Underwriting result	88.5	17.9	9.5	-	-	115.9
Other income	-	-	-	33.5	2.9	36.4
Other expenses	-	-	-	(31.2)	(6.5)	(37.7)
Share of net profit / (loss) of associates and joint ventures accounted for using the equity method	(0.2)	-	-	-	(0.1)	(0.3)
Underlying operating profit / (loss)	88.3	17.9	9.5	2.3	(3.7)	114.3
Items not included in underlying operating profit						
Amortisation of acquired intangibles	(0.9)	(0.8)	(1.7)	(1.0)	-	(4.4)
One-off transactions, merger, acquisition and new business implementation costs	-	-	-	-	(2.7)	(2.7)
Finance costs	-	-	-	-	(3.8)	(3.8)
Investment income	-	-	-	-	2.6	2.6
Investment expenses	-	-	-	-	(1.1)	(1.1)
Profit before income tax from continuing operations						104.9
Inter-segment other income ¹	6.5	0.2	-	-	-	6.7
Total assets	997.8		201.1	121.1	115.3	1,435.3
Total liabilities	482.7		58.8	14.5	273.7	829.7
Insurance liabilities						
Outstanding claims liability	122.6		14.4	-	-	137.0
Unearned premium liability	187.2		19.4	-	-	206.6
Premium payback liability	-		18.7	-	-	18.7
Total	309.8		52.5	-	-	362.3

1. Inter-segment other income is eliminated on consolidation and not included in operating profit.

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2018

nib holdings limited

3. SEGMENT REPORTING continued

	For the half year ending 31 December 2017					
	Australian Residents Health Insurance	International (Inbound) Health Insurance	New Zealand Health Insurance	World Nomads Group	Unallocated to segments	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Premium revenue	907.4	50.3	97.5	-	-	1,055.2
Outwards reinsurance premium expense	(2.2)	(4.6)	-	-	-	(6.8)
Net premium revenue	905.2	45.7	97.5	-	-	1,048.4
Claims expense	(638.2)	(19.4)	(58.0)	-	-	(715.6)
Reinsurance and other recoveries revenue	1.0	1.9	-	-	-	2.9
RESA	(99.5)	-	-	-	-	(99.5)
State levies	(15.8)	-	-	-	-	(15.8)
Decrease in premium payback liability	-	-	2.7	-	-	2.7
Claims handling expenses	(7.5)	(0.6)	(0.8)	-	-	(8.9)
Net claims incurred	(760.0)	(18.1)	(56.1)	-	-	(834.2)
Other underwriting revenue	0.4	0.5	-	-	-	0.9
Acquisition costs	(41.2)	(5.7)	(16.8)	-	-	(63.7)
Other underwriting expenses	(37.9)	(6.9)	(11.5)	-	-	(56.3)
Underwriting expenses	(79.1)	(12.6)	(28.3)	-	-	(120.0)
Underwriting result	66.5	15.5	13.1	-	-	95.1
Other income	-	-	-	32.5	1.6	34.1
Other expenses	-	-	-	(27.8)	(4.8)	(32.6)
Share of net profit / (loss) of associates and joint ventures accounted for using the equity method	(0.2)	-	-	-	-	(0.2)
Underlying operating profit / (loss)	66.3	15.5	13.1	4.7	(3.2)	96.4
Items not included in underlying operating profit						
Amortisation of acquired intangibles	-	(0.4)	(1.9)	(1.1)	-	(3.4)
One-off transactions, merger, acquisition and new business implementation costs	-	-	-	-	(4.9)	(4.9)
Finance costs	-	-	-	-	(2.7)	(2.7)
Investment income	-	-	-	-	18.1	18.1
Investment expenses	-	-	-	-	(1.0)	(1.0)
Profit before income tax from continuing operations						102.5
Inter-segment other income ¹	4.0	-	0.2	0.1	-	4.3
Total assets	977.6		197.2	117.8	42.4	1,335.0
Total liabilities	466.0		56.1	11.4	262.6	796.1
Insurance liabilities						
Outstanding claims liability	136.7		12.6	-	-	149.3
Unearned premium liability	170.9		18.0	-	-	188.9
Premium payback liability	-		19.3	-	-	19.3
Total	307.6		49.9	-	-	357.5

1. Inter-segment other income is eliminated on consolidation and not included in operating profit.

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2018

nib holdings limited

4. REVENUE AND OTHER INCOME

	Half year	
	31 Dec 18	31 Dec 17
	\$m	\$m
Premium revenue	1,178.7	1,055.2
Outwards reinsurance premiums	(14.8)	(6.8)
Net premium revenue	1,163.9	1,048.4
Agency fee	0.2	0.2
Sundry income	1.5	0.7
Other underwriting revenue	1.7	0.9
Other income		
Travel insurance commission	33.5	32.5
Life and funeral insurance commission and other commissions	1.3	1.1
Deferred profit on sale and leaseback of head office building	0.2	0.3
Insurance recoveries	1.0	-
Sundry income	1.4	0.2
	37.4	34.1
Investment income		
Interest	4.5	3.5
Net realised gain (loss) on financial assets at fair value through profit or loss	4.6	4.4
Net unrealised gain (loss) on financial assets at fair value through profit or loss	(6.7)	10.2
Dividends	0.2	-
	2.6	18.1

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2018

nib holdings limited

5. EXPENSES

	Half year	
	31 Dec 18	31 Dec 17
	\$m	\$m
Expenses by function		
Claims handling expenses	9.3	8.9
Acquisition costs	74.9	63.7
Other underwriting expenses	74.5	58.6
Other expenses	42.4	38.6
Finance costs	3.8	2.7
Investment expenses	1.1	1.0
Total expenses (excluding direct claims expenses)	206.0	173.5
Expenses by nature		
Amortisation of acquired intangibles	4.4	3.4
Bank charges	2.4	2.2
Communications, postage and telephone expenses	3.0	2.9
Depreciation and amortisation	7.4	8.1
Employee costs	75.0	63.8
Finance costs	3.8	2.7
Information technology expenses	8.9	5.4
Investment expenses	1.1	1.0
Marketing expenses - excluding commissions	22.5	19.7
Marketing expenses - commissions	50.2	42.4
Merger, acquisition and new business implementation costs	3.6	3.7
Operating lease rental expenses	6.7	4.4
Professional fees	9.0	7.3
Other expenses	8.0	6.5
Total expenses (excluding direct claims expenses)	206.0	173.5

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2018

nib holdings limited

6. TAXATION

a) Income tax

	Half year	
	31 Dec 18	31 Dec 17
	\$m	\$m
<i>i) Income tax expense</i>		
Recognised in the income statement		
Current tax expense	33.1	23.1
Deferred tax expense	(2.3)	8.1
Under (over) provided in prior years	(0.1)	0.2
Under (over) provided in prior years - research and development tax credit	(0.1)	0.2
	30.6	31.6
Income tax expense is attributable to:		
Profit from continuing operations	30.6	31.6
Aggregate income tax expense	30.6	31.6
Deferred income tax expense included in income tax expense comprises:		
Increase in deferred tax assets	(1.5)	7.6
Increase in deferred tax liabilities	(0.8)	0.5
	(2.3)	8.1
<i>ii) Numerical reconciliation of income tax expense to prima facie tax payable</i>		
Profit from continuing operations before income tax expense	104.9	102.5
Tax at the Australian tax rate of 30% (December 2017: 30%)	31.5	30.8
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Sundry items	(0.5)	0.5
Adjustment for current tax of prior periods	(0.1)	0.2
Adjustment for current tax of prior periods - research and development tax credit	(0.1)	0.2
Unrecognised tax losses and deferred tax assets	-	0.2
Differences in foreign tax rates	(0.2)	(0.3)
Income tax expense	30.6	31.6
<i>iii) Tax expense relating to items of other comprehensive income</i>		
Foreign currency translations	0.8	(0.8)
	0.8	(0.8)
<i>iv) Amounts recognised directly to equity</i>		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Share issue costs	-	0.6
	-	0.6

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2018

nib holdings limited

7. RECEIVABLES

	31 Dec 18	30 Jun 18
	\$m	\$m
Current		
Premium receivable	12.1	11.7
Private Health Insurance Premiums Reduction Scheme receivable	36.9	39.2
Other receivables	10.1	16.2
Provision for impairment loss	(2.0)	(1.7)
Prepayments	10.1	7.0
Expected future reinsurance recoveries undiscounted		
on claims paid	3.0	4.2
on outstanding claims	1.6	2.0
	71.8	78.6
Non-current		
Other receivables	1.7	1.7
	1.7	1.7

a) Changes in accounting policies

i) Adoption of AASB 9 Financial Instruments

The Group has applied the simplified approach to measuring expected credit losses, as a result an additional provision of \$0.1 million was raised against retained earnings as at 1 July 2018.

b) Accounting policy

i) Premium receivables

Amounts due from policyholders are initially recognised at fair value, being the amounts due. They are subsequently measured at fair value which is approximated by taking this initially recognised amount and reducing it for an allowance for expected credit losses.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, premium receivables have been grouped based on shared risk characteristics.

The amount of expected credit losses is recognised in the Consolidated Income Statement.

ii) Other receivables

Other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Other receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, other receivables have been grouped based on shared risk characteristics.

The amount of expected credit losses is recognised in the Consolidated Income Statement.

When a receivable becomes uncollectible it is written off against the expected credit loss account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Consolidated Income Statement.

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2018

nib holdings limited

7. RECEIVABLES continued

b) Accounting policy continued

iii) *Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2018

nib holdings limited

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 Dec 18	30 Jun 18
	\$m	\$m
Current		
Equity securities	111.6	124.7
Interest-bearing securities	479.4	498.9
Mortgage trusts	0.2	0.2
Property trusts	13.8	13.0
Short term deposits	32.0	95.1
Derivative financial instruments	0.1	-
	637.1	731.9
Non-current		
Mortgage trusts	0.3	0.3
Property trusts	2.2	2.7
	2.5	3.0

a) Current and non-current split

The redemption terms for investments in certain managed trusts can be varied by their responsible entities in response to market conditions. For those investments which cannot be redeemed entirely within one year from reporting date, the amounts have been allocated between current and non-current in accordance with the maximum percentage redeemable within one year as per the most recent advice from the manager at the end of the reporting period.

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2018

nib holdings limited

9. DEFERRED ACQUISITION COSTS

	31 Dec 18	30 Jun 18
	\$ m	\$ m
Current	47.8	45.4
Non-current	63.1	65.3

Movements in the deferred acquisition costs are as follows:

	31 Dec 18	30 Jun 18
	\$ m	\$ m
Balance at beginning of year	110.7	101.6
Acquisition costs deferred during the period	23.6	57.1
Amortisation expense	(24.3)	(47.1)
Exchange differences	0.9	(0.9)
	110.9	110.7

Deferred acquisition costs by segment are as follows:

	31 Dec 18	30 Jun 18
	\$ m	\$ m
Australian Residents Health Insurance	81.6	83.7
New Zealand Residents Health Insurance	25.1	23.1
International (Inbound) Health Insurance	4.2	3.9
	110.9	110.7

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2018

nib holdings limited

10. BORROWINGS

	31 Dec 18	30 Jun 18
	\$ m	\$ m
Current		
Bank overdraft	2.3	1.1
	2.3	1.1
Non-current		
Bank loans (secured)	232.1	229.5
	232.1	229.5

The bank overdraft comprises the closing positive balance of the bank account, adjusted for un-presented cheques and outstanding deposits.

Movements in the bank loans (secured) are as follows:

	31 Dec 18	30 Jun 18
	\$ m	\$ m
Balance at beginning of period	229.5	151.7
Proceeds from borrowings	-	80.5
Exchange differences	2.6	(2.7)
Balance at end of period	232.1	229.5

a) Secured liabilities

nib holdings limited has both AUD \$80.5 million and AUD \$85.0 million variable rate loans with NAB with maturity dates of 31 October 2020 and 16 December 2021 respectively. Both loans are carried at amortised cost.

nib nz holdings limited, a wholly owned subsidiary of nib holdings limited, has a NZD \$70.0 million variable rate term loan facility with a maturity date of 18 December 2020. The bank loan is secured by the shares in nib nz holdings limited and a negative pledge that imposes covenants on the Group.

The above loans have the following covenants that must be met by the Group:

Financial Covenant	Ratio as at 31 December 2018
Group Gearing Ratio will not be more than 45%	28.5%
Group Interest Cover Ratio will not be less than 3:1.	29:1

nib holdings limited has provided a guarantee and indemnity to the ANZ Bank New Zealand on behalf of nib nz holdings limited in respect of the NZD \$70 million term loan facility.

nib holdings limited has subordinated any amounts owing to it from nib nz holdings limited and nib nz limited in favour of all other creditors of these companies.

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2018

nib holdings limited

11. OUTSTANDING CLAIMS LIABILITY

	31 Dec 18	30 Jun 18
	\$ m	\$ m
Outstanding claims - central estimate of the expected future payment for claims incurred	106.7	120.3
Risk margin	8.2	9.4
Administration component	1.7	1.9
Gross outstanding claims liability	116.6	131.6
Outstanding claims - expected payment to the RESA ¹ in relation to the central estimate	19.0	19.1
Risk margin	1.4	1.5
Net outstanding claims liability	137.0	152.2

1. Risk Equalisation Special Account (RESA) Levy represents expenses incurred under Risk Equalisation Trust Fund arrangements which are provided for within the legislation to support the principle of community rating.

Movements in the gross outstanding claims are as follows:

	31 Dec 18	30 Jun 18
	\$ m	\$ m
Gross outstanding claims at beginning of period	131.6	104.9
Risk margin	(9.4)	(6.6)
Administration component	(1.9)	(1.6)
Central estimate at beginning of period	120.3	96.7
Change in claims incurred for the prior year	(12.8)	(10.2)
Claims paid in respect of the prior year	(99.2)	(93.6)
Claims incurred during the period (expected)	780.6	1,465.9
Claims paid during the period	(682.8)	(1,347.9)
Acquisition of business	-	10.0
Effect of changes in foreign exchange rates	0.6	(0.6)
Central estimate at end of period	106.7	120.3
Risk margin	8.2	9.4
Administration component	1.7	1.9
Gross outstanding claims at end of period	116.6	131.6

a) Actuarial methods and critical accounting judgements and estimates

Provision is made at the period end for the liability for outstanding claims which is measured as the central estimate of the expected payments against claims incurred but not settled at the reporting date under private health insurance contracts issued by the Group. The expected future payments include those in relation to claims reported but not yet paid and claims incurred but not yet reported. This 'central estimate' of outstanding claims is an estimate which is intended to contain no intentional over or under estimation. For this reason the inherent uncertainty in the central estimate must also be considered and a risk margin is added. The estimated cost of claims includes allowances for Risk Equalisation Special Account (RESA) consequences and claims handling expense. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

In calculating the estimated cost of unpaid claims, the Group uses estimation techniques based upon statistical analysis of historical experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims, including changes in the Group's processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods. The calculation is determined taking into account one month of actual post-balance date claims.

The risk margin is based on an analysis of the past experience of the Group. This analysis examines the volatility of past payments that is not explained by the model adopted to determine the central estimate. This past volatility is assumed to be indicative of the future volatility. The central estimates are calculated gross of any risk equalisation recoveries. A separate estimate and risk margin is made of the amounts that will be recoverable from or payable to the RESA based upon the gross provision.

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2018

nib holdings limited

11. OUTSTANDING CLAIMS LIABILITY continued

a) Actuarial methods and critical accounting judgements and estimates continued

The outstanding claims estimate for Australian segments is derived based on three valuation classes, namely hospital and prostheses services combined, medical services, and general treatment. For the New Zealand segment the outstanding claims estimate is derived based on two valuation classes, surgical and medical. This analysis is supplemented by more granular analysis within classes as appropriate.

In calculating the estimated cost of unpaid claims two methods are used. For recent service months for hospital and medical, and for all months for general treatment, a chain ladder method is used; this assumes that the development pattern of the current claims will be consistent with historical experience. For hospital and medical, for recent service months the Bornhuetter-Ferguson method is given some weight, which progressively blends payment experience and prior forecasts of incurred costs.

As most claims for health funds are generally settled within one year, no discounting of claims is usually applied as the difference between the undiscounted value of claims payments and the present value of claims payments is not likely to be material. Accordingly, reasonable changes in assumptions would not have a material impact on the outstanding claims balance.

b) Actuarial assumptions

The following assumptions have been made in determining the outstanding claims liability for claims incurred 12 months to the following financial years:

	31 Dec 18			30 Jun 18		
	Hospital %	Medical %	General %	Hospital %	Medical %	General %
Australian Residents Health Insurance						
Assumed proportion paid to date	92.1%	91.4%	98.3%	90.6%	90.9%	98.1%
Expense rate	1.2%	1.2%	1.2%	1.3%	1.3%	1.3%
Discount rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk margin	6.1%	6.1%	6.1%	6.4%	6.4%	6.4%
Risk equalisation rate	25.0%	25.0%	0.0%	21.5%	21.5%	0.0%
Risk margin for risk equalisation	7.5%	7.5%	0.0%	7.9%	7.9%	0.0%
International Students Health Insurance						
Assumed proportion paid to date	75.3%	90.1%	100.0%	67.3%	85.6%	100.0%
Expense rate	4.0%	4.0%	4.0%	3.5%	3.5%	3.5%
Discount rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk margin	24.4%	24.4%	24.4%	24.9%	24.9%	24.9%
International Workers Health Insurance						
Assumed proportion paid to date	71.8%	87.3%	93.0%	75.6%	86.7%	94.1%
Expense rate	4.2%	4.2%	4.2%	4.6%	4.6%	4.6%
Discount rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk margin	16.8%	16.8%	16.8%	16.3%	16.3%	16.3%
	Surgical %	Medical %		Surgical %	Medical %	
NZ Health Insurance						
Assumed proportion paid to date	89.6%	85.9%		89.0%	85.1%	
Expense rate	2.1%	2.1%		2.1%	2.1%	
Discount rate	0.0%	0.0%		0.0%	0.0%	
Risk margin	6.9%	6.9%		6.9%	6.9%	

The risk margin of the underlying liability has been estimated to equate to a probability of adequacy of 95% (June 2018: 95%) for the Group. The risk margin within each territory allows for diversification across the entity. The benefit of diversification across the Group is again allocated to the Australian Residents Health Insurance segment.

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2018

nib holdings limited

11. OUTSTANDING CLAIMS LIABILITY continued

c) Sensitivity analysis – impact of key variables

			Profit after tax		Equity
			31 Dec 18		31 Dec 18
			\$ m		\$ m
Recognised amounts in the financial statements attributable to owners of nib holdings limited			74.5		587.7
Variable	Movement in variable	Adjustments	Adjusted amounts	Adjustments	Adjusted amounts
		\$ m	\$ m	\$ m	\$ m
Chain ladder development factors	+0.5%	(10.9)	63.6	(10.9)	576.8
	-0.5%	10.9	85.4	10.9	598.6
Bornhuetter-Ferguson unpaid factors	+2.0%	(3.9)	70.6	(3.9)	583.8
	-2.0%	3.9	78.4	3.9	591.6
Expense rate	+1.0%	(0.8)	73.7	(0.8)	586.9
	-1.0%	0.8	75.3	0.8	588.5
Risk equalisation allowance	+2.5%	(1.4)	73.1	(1.4)	586.3
	-2.5%	1.4	75.9	1.4	589.1
Risk margin	+1.0%	(0.9)	73.6	(0.9)	586.8
	-1.0%	0.9	75.4	0.9	588.6

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2018

nib holdings limited

12. PREMIUM PAYBACK LIABILITY

	31 Dec 18	30 Jun 18
	\$ m	\$ m
Current	3.4	3.7
Non current	15.3	14.4

Movements in the premium payback liability are as follows:

	31 Dec 18	30 Jun 18
	\$ m	\$ m
Gross premium payback liability at beginning of period	18.1	23.0
Adjustment to ensure reserve exceeds current payout on early lapse	-	(0.1)
Value of payments currently being processed	(0.6)	(0.9)
Risk margin	(0.5)	(0.6)
Central estimate at beginning of period	17.0	21.4
Funding/new accrued	1.1	2.7
Unw ind discount rate	0.2	0.5
Interest rate movement impact	0.3	0.4
Premium payback payments	(1.8)	(7.1)
Others	(0.2)	(0.1)
Effect of changes in foreign exchange rates	0.8	(0.8)
Central estimate at end of the period	17.4	17.0
Adjustment to ensure reserve exceeds current payout on early lapse	-	-
Value of payments currently being processed	0.8	0.6
Risk margin	0.5	0.5
Total premium payback liability as at end of period	18.7	18.1

The following assumptions have been made in determining the premium payback liability:

	31 Dec 18	30 Jun 18
Lapse rate until 3 years from premium payback date	2.0% - 10.0%	2.0% - 10.0%
Lapse rate within 3 years of premium payback date	0.0% - 1.0%	0.0% - 1.0%
Expense rate	0.0%	0.0%
Discount rate for succeeding and following year	1.7% - 1.9%	1.8% - 2.2%
Risk margin	2.8%	2.6%

The risk margin has been estimated to equate to a 95% probability of adequacy (June 2018: 95%).

Impact of key variables

Variable	Movement in variable	Profit after tax		Equity	
		31 Dec 18		31 Dec 18	
		\$ m	\$ m	\$ m	\$ m
Recognised amounts in the financial statements attributable to owners of nib holdings limited		74.5		587.7	
		\$ m	\$ m	\$ m	\$ m
Lapse rate	+1.0%	(0.4)	74.1	(0.4)	587.3
	-1.0%	0.4	74.9	0.4	588.1
Discount rate	+1.0%	(0.6)	73.9	(0.6)	587.1
	-1.0%	0.7	75.2	0.7	588.4
Risk margin	+1.0%	(0.1)	74.4	(0.1)	587.6
	-1.0%	0.1	74.6	0.1	587.8

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2018

nib holdings limited

13. CONTRIBUTED EQUITY

a) Share capital

	31 Dec 18	30 Jun 18
	\$m	\$m
Ordinary shares		
Fully paid	120.3	116.1
Other equity securities		
Treasury shares	(1.0)	(3.8)
Total contributed equity	119.3	112.3

b) Movements in share capital

Date	Details	No. of shares	Price \$	\$m
1 July 2017	Opening balance	439,004,182	-	28.1
26 Sep 2017	Shares issued - Institutional placement ¹	10,619,470	5.65	60.0
27 Oct 2017	Shares issued - Share purchase plan ¹	5,225,217	5.65	29.5
	Share issue transaction costs	-	-	(2.1)
	Deferred tax component	-	-	0.6
30 June 2018	Balance	454,848,869		116.1
1 July 2018	Opening balance	454,848,869	-	116.1
5 Oct 2018	Shares issued - Dividend reinvestment plan	702,509	5.99	4.2
31 Dec 2018	Balance	455,551,378		120.3

1. The majority of the shares issued during FY18 were used to fund the acquisition of Grand United Corporate Health Limited.

c) Treasury shares

Date	Details	No. of shares	\$m
1 July 2017	Balance	588,573	3.1
	Acquisition of shares by the Trust	802,394	5.0
	Employee share issue - LTIP	(559,057)	(3.0)
	Employee share issue - STI	(217,678)	(1.3)
30 June 2018	Balance	614,232	3.8
	Acquisition of shares by the Trust	337,299	1.9
	Employee share issue - LTIP	(496,883)	(3.1)
	Employee share issue - STI	(249,542)	(1.6)
31 Dec 2018	Balance	205,106	1.0

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2018

nib holdings limited

14. DIVIDENDS

a) Ordinary shares

	Half year	
	31 Dec 18	31 Dec 17
	\$m	\$m
Final dividend for the year ended 30 June 2018 of 11.0 cents (2017 - 10.5 cents) per fully paid share paid on 5 October 2018		
Fully franked based on tax paid at 30%	50.0	46.1
Total dividends provided for or paid	50.0	46.1

b) Dividends not recognised at half year end

	Half year	
	31 Dec 18	31 Dec 17
	\$m	\$m
In addition to the above dividends, since the end of the half year the Directors have recommended the payment of an interim dividend of 10.0 cents (2018 - 9.0 cents) per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 2 April 2019 out of retained profits at 31 December 2018, but not recognised as a liability at the end of the half year, is:		
	45.6	40.9

15. EARNINGS PER SHARE

		Half year	
		31 Dec 18	31 Dec 17
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic/diluted EPS	\$m	74.5	70.9
Weighted average number of ordinary shares	#m	455.0	446.5
Basic / Diluted EPS	cents	16.4	15.9

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2018

nib holdings limited

16. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group has a number of levers, including adjusting the amount of dividends paid to shareholders, returning capital to shareholders, issuing new shares, selling assets, raising or reducing debt or buying back shares.

nib holdings limited

The Group, through earnings and capital management, has achieved a return on equity of 20% or greater for the last seven years and continues to target return on equity in the order of 20%. The return on equity as at 31 December 2018 is 24.7% (December 2017: 26.6%). While improvement to return on equity can be made through increased profitability, it is also important that capital be managed appropriately; therefore, if funds are not required for strategic reasons, the Group will consider a range of capital management initiatives.

At 31 December 2018 the Group had available capital of \$60.9 million above our internal benchmark (after allowing for the payment of a fully franked ordinary interim dividend of 10.0 cents per share, totalling \$45.6 million, in April 2019).

Below is a reconciliation of net assets to available capital as at 31 December 2018 (after allowing for payment of an interim dividend):

	31 Dec 18
	\$ m
Net assets	605.6
Less:	
nib health fund capital required	(290.7)
nib nz capital required	(87.9)
Grand United capital required	(42.9)
Joint venture in China capital required	(11.2)
Acquisition of QBE Travel capital required	(25.0)
Capital required looking forward 12 months	(8.5)
nib nz intangibles	(35.3)
Grand United intangibles	(101.6)
iihi intangibles	(19.5)
World Nomads Group intangibles	(97.3)
Charitable foundation	(17.9)
Borrowings	232.1
Other assets and liabilities	6.6
Interim dividend	(45.6)
Available capital (after allowing for payment of interim dividend)	60.9

nib health funds limited and

nib health funds limited has a capital management plan which establishes a target for capital held in excess of the regulatory requirement; the aim is to keep a sufficient buffer in line with the Board's attitude to and tolerance for risk. The internal capital target ensures nib has a minimum level of capital given certain stressed capital scenarios. This currently approximates to 14.4% of total projected premiums for the next 12 months.

Any capital in excess of the benchmark, taking a 12-month forward looking view, will be reduced by way of dividend to nib holdings limited.

nib health funds limited paid a dividend of \$56.9 million in September 2018 to nib holdings limited.

The surplus assets over benchmark at 31 December 2018 and 30 June 2018 were as follows:

	31 Dec 18	30 Jun 18
	\$ m	\$ m
Total assets nib health funds limited (excluding unclosed business contributions - unearned)	768.5	818.2
Capital adequacy requirement	468.5	530.4
Surplus assets for Capital Adequacy	300.0	287.8
Net assets nib health funds limited	328.9	322.2
Internal capital target	290.7	282.8
Surplus assets over internal capital target	38.2	39.4

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2018

nib holdings limited

16. CAPITAL MANAGEMENT continued

Grand United Corporate Health Limited

Grand United Corporate Health Limited has a capital management plan which establishes a target for capital held in excess of the regulatory requirement; the aim is to maintain a sufficient buffer in line with the Board's risk appetite and risk tolerances. The internal capital target ensures Grand United maintain the preferred range of capital adequacy ratio (CAR) given certain stressed capital scenarios. Grand United's CAR range is currently approximating to 1.35x the Capital Adequacy Requirement.

Any capital in excess of the benchmark, taking a 12-month forward looking view, will be reduced by way of dividend to nib holdings limited. Grand United Corporate Health Limited paid a dividend of \$25.1 million in September 2018 to nib holdings limited.

The surplus assets over benchmark at 31 December 2018 and 30 June 2018 are as follows:

	31 Dec 18	30 Jun 18
	\$ m	\$ m
Total assets Grand United Corporate Health Limited (per Capital Adequacy Standard)	117.3	130.4
Capital adequacy requirement	76.7	77.9
Surplus assets for Capital Adequacy	40.6	52.5
Net assets Grand United Corporate Health Limited	53.4	70.3
Internal capital target	42.9	45.0
Surplus assets over internal capital target	10.5	25.3

nib nz limited

nib nz limited, a controlled entity, is required to comply with *the Solvency Standard for Non-Life Insurance Business (2014)* published by the Reserve Bank of New Zealand (RBNZ). The Solvency Standards determine the Minimum Solvency Capital (MSC) required. A requirement of nib nz limited's insurance licence is that it maintains capital above the MSC.

Any capital in excess of the benchmark, taking a 12-month forward looking view, will be reduced by way of dividend to nib nz holdings limited, unless management decide to retain funds for strategic purposes. nib nz limited paid a dividend of NZD \$7.5 million in August 2018 to nib nz holdings limited.

The surplus assets over benchmark at 31 December 2018 and 30 June 2018 are as follows:

	31 Dec 18	30 Jun 18
	\$ m	\$ m
Actual Solvency Capital	29.3	28.2
Minimum Solvency Capital	11.0	10.4
Solvency Margin	18.3	17.8
Net assets nib nz limited	95.6	91.8
Capital Adequacy Coverage Ratio	2.67	2.71
Internal benchmark	2.00xMSC	2.00xMSC
Internal benchmark requirement	21.9	20.8
Surplus/(deficit) assets over internal benchmark	7.4	7.4

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2018

nib holdings limited

17. COMMITMENTS FOR EXPENDITURE

On 3 August 2018, nib announced that its subsidiary, World Nomads Group, would acquire QBE's travel insurance business (QBE Travel), for a total consideration of up to \$25.0 million. This is currently anticipated to occur prior to 30 June 2019.

QBE Travel is Australia's fourth largest travel insurer and has an extensive distribution network including partnerships with well-known Australian brands, as well as a national network of more than 2,000 travel insurance agents.

The transaction will be funded through existing available capital.

18. CONTINGENT LIABILITIES

a) Australian Competition and Consumer Commission (ACCC) allegations

On 30 May 2017, the Australian Competition and Consumer Commission (ACCC) instituted proceedings in the Federal Court against nib health funds limited (nib). The ACCC alleges that nib engaged in misleading and deceptive conduct, unconscionable conduct and made false or misleading representations by failing to notify customers in relation to changes made to its Medigap Scheme. nib denies the ACCC's allegations and intends to defend the claims. In the event that the Court finds in favour of the ACCC, nib may have potential liabilities, including pecuniary penalties. The matter was unsuccessfully mediated in October 2017 and was set down for hearing in June 2018. The hearing date was vacated in June 2018. The matter has yet been set down for a new hearing date. Due to the nature of the matter, the outcome is uncertain. Costs incurred to date have been partially recoverable under nib's corporate insurance program and reflected in the Interim Report.

b) Other Contingencies

nib operates in a highly regulated industry where guidance is issued from a number of stakeholders including, ASIC, APRA and the Department of Health. From time to time nib will be required to modify practices and health fund rules as a result of new or clarified guidance, which exposes nib to risks and potential liabilities.

Management are not aware of any material financial consequences as a result of updated guidance or changes made to practices and fund rules during the half year. Management are continuing to investigate the full impact of Department of Health Circular PHI 75/18 issued on 19 December 2018 providing guidance to insurers regarding their statutory requirement to pay hospital benefits in circumstances where an insured person receives treatment that is both covered and not covered under a single episode of care. Any potential obligation arising from this review cannot be accurately assessed as the investigation is ongoing.

nib seeks to respond to evolving stakeholder expectations. The recent Final Report from the *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* highlighted concerns regarding the conduct of some businesses including sales practices (and payments to intermediaries) and monitoring of compliance by regulators. Future implications for nib, if any, that result from the evolving expectations are as yet unknown.

c) Guarantees and financial support

nib holdings limited has provided a guarantee and indemnity to the ANZ Bank New Zealand on behalf of nib nz holdings limited in respect of the NZD \$70 million term loan facility.

nib holdings limited has given an undertaking to extend financial support to nib options pty limited, Realsurgeons pty limited, Realself pty limited and nib Global Pty Limited by subordinating repayment of debts owed by the entities to nib holdings limited, in favour of all other creditors. This undertaking has been provided as a result of each of these subsidiaries experiencing deficiencies of capital and reserves, and is intended to enable the entities to continue their operations and fulfil all financial obligations now and in the future. The undertaking is provided for a minimum period of twelve months from 18 August 2018, or if earlier, to the date of sale of the entities should this occur.

19. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have not been any matters or circumstances that have arisen since the end of the financial half year that has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2018

nib holdings limited

20. INTEREST IN OTHER ENTITIES

a) Consolidation of nib foundation trust and nib foundation limited

During the half year, the constitution of nib foundation limited (as trustee for the nib foundation trust) was changed to enable receipt of unclaimed dividends of the parent entity (nib holdings limited) to fund charitable donations to the community. Due to this change, the parent is required to consolidate the nib foundation trust. The assets of the nib foundation trust are shown as restricted in use and the retained earnings are shown as a restricted reserve of the Group given they can only be distributed for charitable purposes under the constitution of nib foundation trust and are not available to owners of nib holdings limited.

b) Interest in associates and joint ventures

Set out below are the associates and joint ventures of the Group as at 31 December 2018 and 30 June 2018:

Name of entity	Place of business / country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Carrying amount \$m	
		31 Dec 18	30 Jun 18			31 Dec 18	30 Jun 18
		Whitecoat Pty Ltd	Australia			35%	35%
Sino-Australia Insurance Consulting Co., Ltd	China	75%	N/A	Joint venture	Equity	7.8	-
Total equity accounting investments						9.7	2.1

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2018

nib holdings limited

21. PARENT ENTITY FINANCIAL INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts:

	31 Dec 18	30 Jun 18
	\$ m	\$ m
Balance Sheet		
ASSETS		
Current assets	78.4	56.8
Non-current assets	714.0	698.7
Total assets	792.4	755.5
LIABILITIES		
Current liabilities	5.8	3.9
Non-current liabilities	165.6	165.5
Total liabilities	171.4	169.4
NET ASSETS	621.0	586.1
EQUITY		
Share capital	389.4	385.2
Share-based payments	(5.2)	(2.4)
Retained profits	236.8	203.3
Total Equity	621.0	586.1
	31 Dec 18	31 Dec 17
	\$ m	\$ m
Profit for the half year	83.6	36.3
Total comprehensive income for the half year	83.6	36.3

22. COMPANY DETAILS

nib holdings limited is a company limited by shares, incorporated and domiciled in Australia. The registered office of the company is:

22 Honeysuckle Drive
NEWCASTLE NSW 2300

The Financial Report was authorised for issue by the Directors on 15 February 2019. The company has the power to amend and reissue the Financial Report.

Directors' Declaration

For the half year ended 31 December 2018
nib holdings limited

In the Directors' opinion:

- a) the financial statements and notes set out on pages 7 to 38 are in accordance with the *Corporations Act 2001*, including:
- i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii. giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half year ended on that date; and
- b) there are reasonable grounds to believe that nib holdings limited will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

On behalf of the Board



Steve Crane
Director



Anne Loveridge
Director

Newcastle, NSW
15 February 2019



Independent auditor's review report to the members of nib holdings limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of nib holdings limited (the Company), which comprises the consolidated balance sheet as at 31 December 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration for nib holdings limited. The Group comprises the Company and the entities it controlled from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of nib holdings limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of nib holdings limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

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C. Mara

Caroline Mara
Partner

Newcastle
15 February 2019

