



FY20 half year results

24 February 2020



Disclaimer



The material in this presentation is a summary of the results of nib holdings limited (nib) for the 6 months ended 31 December 2019 and an update on nib's activities and is current at the date of preparation, being 24 February 2020. Further details are provided in nib's half year accounts and results announcement released to ASX on 24 February 2020.

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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.

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

As referenced in this presentation, if there is a percentage increase or (decrease) between 1H19 and 1H20, 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.




Mark Fitzgibbon 
Chief Executive Officer & Managing Director



Our purpose: your better health

6 months to 31 December 2019

164,339

Private hospital admissions
up 5.2%

27,081

Public hospital admissions
up 3.6%

1,872,955

Ancillary visits (including dental)
up 0.9%

3,023

Knee & hip replacements
up 9.4%



19,664

Rehab admissions
up 5.5%

17,699

Travel claims processed¹
up 66.0%

4,731

Members participated in health management programs
up 1.0%

\$126.5m

Risk equalisation contribution
up 10.3%

Note: Claims, hospital admissions and ancillary figures above are for underwriting segments only and exclude travel insurance claims.

1. nib Travel is a managing general agent both domestically and in Ireland and performs all the functions of an insurer as agent for the underwriter other than carrying the underwriting risk. Companies within the nib Travel group manage and process claims. nib Travel has required underwriting arrangements in place.

1H20 Group results

Total Group revenue

\$1.3b

1H19 \$1.2b, up 6.4%

Underlying operating profit

\$83.2m

1H19 \$114.3m, down 27.2%
Statutory operating profit² \$73.2m (down 31.7%)

Net investment income

\$12.6m

1H19 \$1.5m, up \$11.1m

Net profit after tax¹

\$57.1m

1H19 \$74.3m, down 23.1%



Statutory EPS²

12.6cps

1H19 16.4cps, down 23.2%

Non-arhi contribution to Group UOP

24.8%

1H19 22.7%, up 210bps

Interim dividend (fully franked) with DRP available

10.0cps

1H19 10.0cps, unchanged

Net promoter score³

33.1

1H19 33.7, down 60bps

1. NPAT attributable to owners \$57.3m, excludes nib charitable foundation \$(0.2)m.

2. Statutory operating profit includes \$10.0m 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.

1H20 observations

- 1H20 result disappointing and indicative of current industry pressures and escalating competition. arhi 1H20 on 1H19:
 - nib claims (including risk equalisation) ▲ 8.7% vs premium revenue 3.8%
 - nib prostheses benefits paid ▲ 10.7% (1H20: \$79.2m)
 - nib risk equalisation ▲ 10.3% (1H20: \$126.5m)
 (CY19 on CY18 industry claims ▲ 4.0% vs premium revenue ▲ 2.5%¹)
- Group revenue ▲ 6.4% with organic growth across Group in difficult market conditions.

Private health insurance profit margins remain solid.



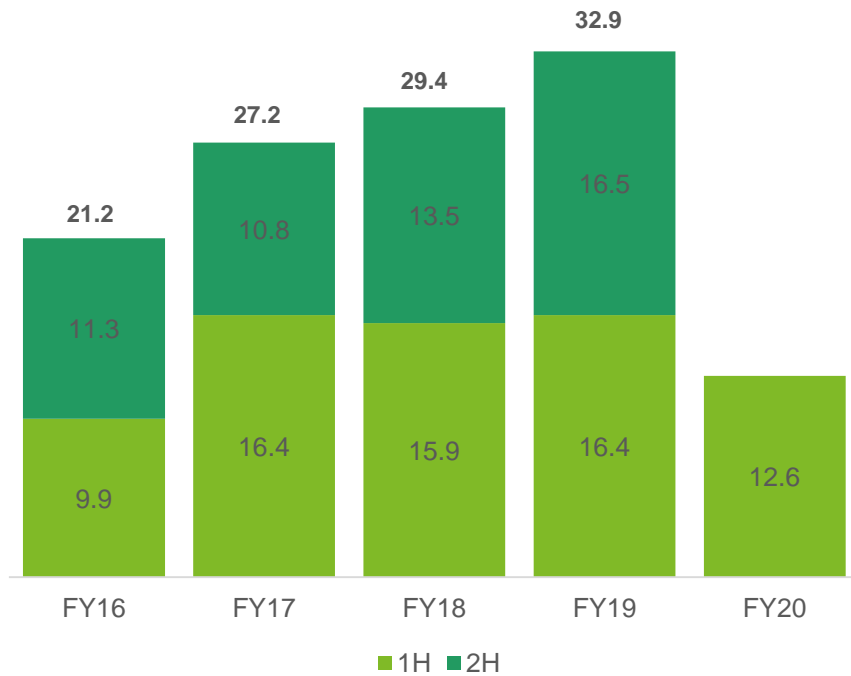
- Adjusting for outstanding claims reserve releases/increases shows a decline in Group UOP of 2.1% to \$87.4 million².
- Good progress is being made on reducing operating expenses with Group management expenses (excluding marketing) down \$3.9m (4.0%)³.
- Several initiatives are underway which promise to grow (and diversify) enterprise value.
- ROIC across the Group of 16.7% remains a measure of strong business fundamentals.

1. Source: APRA
 2. Normalising for claims development using up to date assessment of claims (31 January 2020), 1H19 Group UOP reduces by \$25.0m and 1H20 increases by \$4.2m. Normalised 1H19 Group UOP \$89.3m and normalised 1H20 Group UOP \$87.4m.
 3. arhi, iihl and nz segments only, excludes nib Travel.

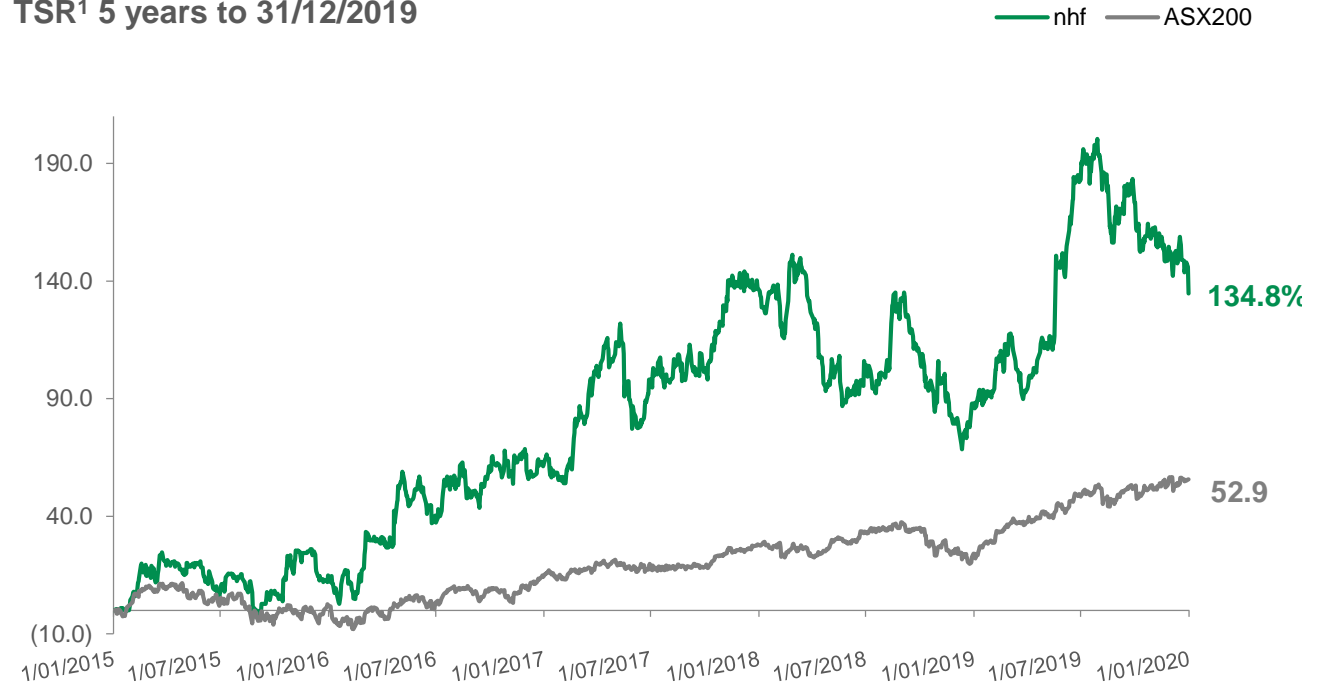
Positive long-run EPS and TSR



Statutory EPS (cps)



TSR¹ 5 years to 31/12/2019



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

Making the world a better place



Bushfire relief

- Three month health insurance premium waiver.
- Alternate option to suspend policy for up to six months.



Aboriginal health programs

- nib foundation will donate \$1 million from unclaimed dividends for programs aimed specifically at 'closing the health gap'.



Socially responsible investment

- Completed divestment from companies whose primary business is in carbon intensive fossil fuels (thermal coal and tar sands).



nibGIVE

- 438 employee volunteered hours in 1H20.
- On track for 1,000 hours for FY20.



Gender equality

- Included in the Bloomberg 2020 Gender-Equality Index recognising commitment to supporting gender equality.



Modern Slavery Act reporting

- Launched new Supplier Code of Conduct.
- Inaugural Modern Slavery Statement in 2020.



 **Michelle McPherson**
Chief Financial Officer & Deputy CEO



Group revenue & underlying operating profit

\$1,279.1m up 6.4%
Group underlying revenue¹

\$83.2m down 27.2%
Group underlying operating profit²

arhi
\$1,045.4m
up 3.8%

iihi
\$62.1m
up 15.4%

nz
\$118.9m
up 13.8%

nib Travel
\$50.5m
up 50.7%

arhi
\$62.6m
down 29.1%

iihi
\$12.3m
down 31.3%

nz
\$11.1m
up 16.8%

nib Travel
\$1.7m
down 26.1%

1. Included in Group revenue is other revenue not allocated to segments of \$2.2m as detailed on slide 31.

2. Included in Group UOP is other UOP of \$(4.5)m representing other income and expenses as detailed on slide 31, together with \$(0.9)m share of net loss of associates and joint ventures.

Australian residents health insurance

Financial performance (\$m)	1H20	1H19	Change
Premium revenue	1,044.4	1,006.1	▲ 3.8%
Claims expense excluding RE ¹	(754.8)	(696.2)	▲ 8.4%
Risk equalisation levy	(126.5)	(114.7)	▲ 10.3%
Other underwriting revenue	1.0	1.2	▼ 16.7%
Management expenses	(101.0)	(107.9)	▼ 6.4%
UOP ²	62.6	88.3	▼ 29.1%
Key metrics (%)			
Net promoter score (NPS) ³	33.1	33.7	▼ 60bps
Net policyholder growth	1.4	1.1	▲ 30bps
Lapse	5.7	6.0	▼ 30bps
Gross margin	15.6	19.4	▼ 380bps
Gross margin (normalised)	16.1	17.3	▼ 120bps
Management expense ratio	9.7	10.7	▼ 100bps
Marketing MER	3.8	3.8	--
Other MER	5.9	6.9	▼ 100bps
Net margin	5.9	8.7	▼ 280bps
Net margin (normalised)	6.4	6.6	▼ 20bps

1. Includes state levies

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

3. Excludes GU Health

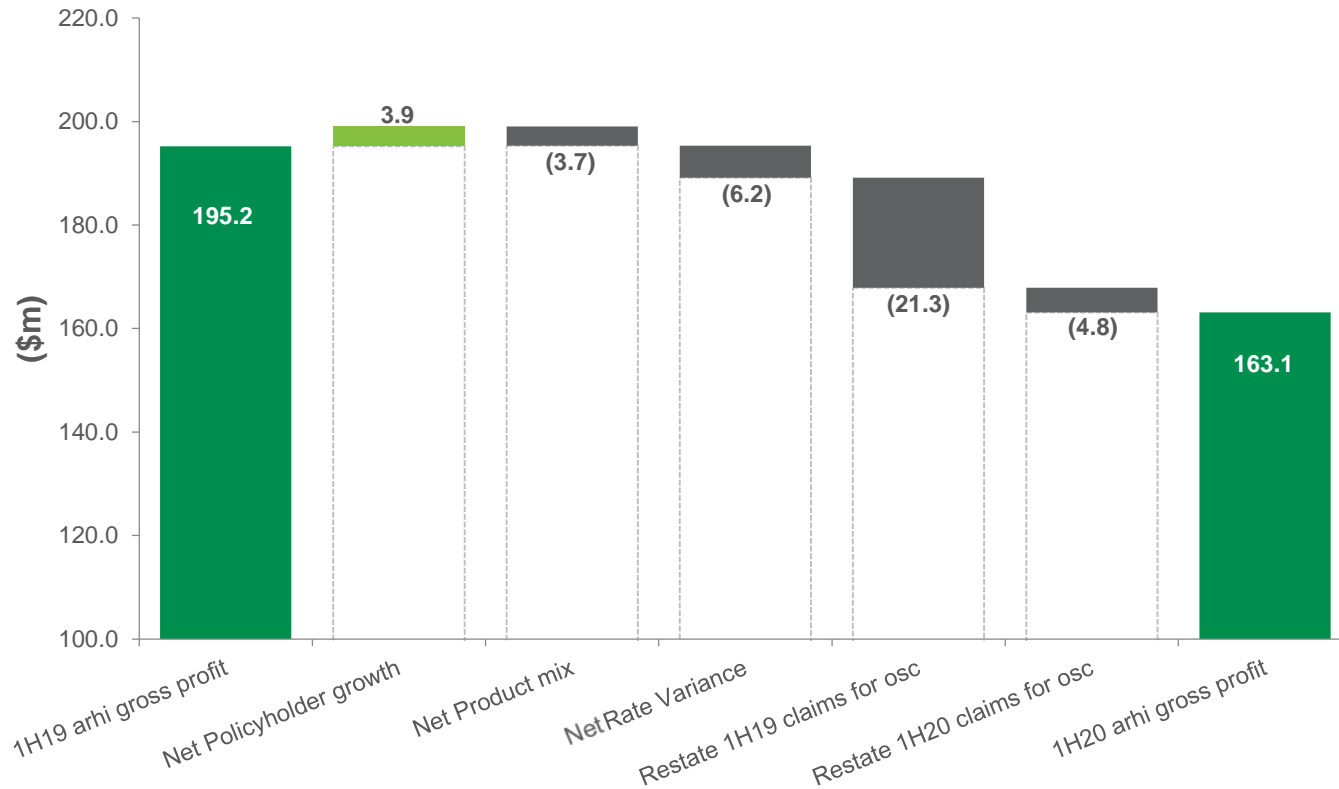
4. Source APRA and nib

5. AASB 16 Leases Standard

Improved policyholder growth with nib accounting for ~38%⁴ of industry growth

- Premium revenue ▲3.8% due to policyholder growth and 1 April 2019 premium adjustment. 2019 premium assumed reduction in net margin (target ~6.0%).
- Generated over 47,000 sales (1H19: 41,407).
- Claims development (1H19 overstated by \$21.3m and 1H20 understated by \$4.8m) led to a double ended net unfavourable OSC variance of \$26.1m, delivering a reported 1H20 net margin of 5.9% (reported 1H19 net margin of 8.7%).
- Normalising claims development and using up to date assessment of claims (31 January 2020), net margin for 1H20 improves to 6.4% (1H19 normalised net margin of 6.6%), bringing underlying performance half on half more in line with net margin targets.
- Management expenses ▼6.4% (MER 9.7%) reflecting focus on operational efficiencies, change in leases standard⁵ while maintaining investment in growth (Other MER ▼100bps).

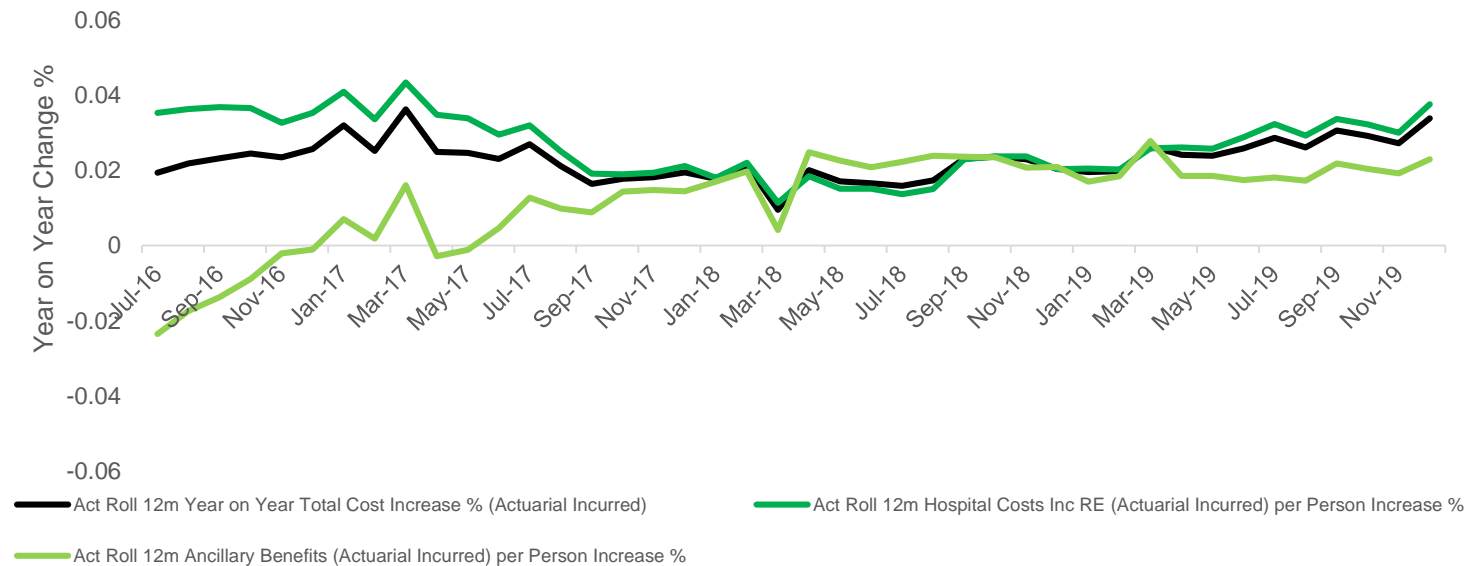
Gross profit - arhi



- Product downgrading led by affordability concerns resulted in a \$3.7m unfavourable gross profit impact. Offering \$750 excess across our entire product range as part of PHI Reforms from April 2019 improved affordability and impacted on favourable growth variance whilst at the same time slightly diluting gross profit per member.
- 2019 premium increase (3.38%) generated \$33.3m in revenue, not sufficient to offset claims inflation (\$39.5m) with the 0.6% of revenue variance consistent with our April 19 pricing application that assumed a net margin reduction and allowed for the introduction of the age-based discount (1 April 2019).
- Detailed gross margin waterfall included on slide 33.

Claims expense - arhi

Rolling 12 month change in total costs, hospital and ancillary benefits (actuarial incurred¹) per person: arhi (including GU Health)



1. Actuarial incurred is latest estimate of claims incurred by service month taking into account all payments to date by service month and any claims still estimated to be outstanding as at 31 January 2020 for each service month.
 2. Admission dates for 12 months to 31 October 2019 net of risk equalisation based on claims paid to 31 January 2020 to allow for some claims development. Excludes GU Health.

- Mental health benefits (hospital psychiatric services) a key driver of the increase between April 2018 and March 2019 due to mental health waiver (implemented in April 2018).
 - Over 500 members made use of the mental health waiver in the 12 months to 31 December 2019 at an estimated cost of \$7.1m.
- Prosthesis inflation has increased significantly since April 2019. The absence of prosthesis reforms in more recent periods contribute to some of the increase. In addition, we are seeing higher than expected increase in some items including insulin pumps, closure devices and skeletal reconstruction.
- Recent hospital experience reflects a return to longer term inflationary trends.

Top hospital procedures (episodes and total benefits) 12 months to 31 October 2019 versus prior period²

Procedures	Episodes	12 month service benefit	Episodes increase	Service benefit increase
Heart and vascular system	10,557	\$55.1m	▲ 4.1%	▲ 2.4%
Joint replacements	5,095	\$44.2m	▲ 2.7%	▼ 0.4%
Hospital psychiatric services	14,454	\$41.1m	▲ 8.1%	▲ 15.7%
Gastrointestinal endoscopy	49,055	\$29.8m	▲ 5.8%	▲ 6.3%
Rehabilitation	36,128	\$22.4m	▲ 1.1%	▼ 1.5%

International (inbound) health insurance

Financial performance (\$m)	1H20	1H19	Change
Premium revenue	61.5	53.3	▲ 15.4%
Claims expense	(30.3)	(20.0)	▲ 51.5%
Other underwriting revenue	0.6	0.5	▲ 20.0%
Management expenses	(19.5)	(15.9)	▲ 22.6%
UOP	12.3	17.9	▼ 31.3%
Key metrics (%)			
iwhi net promoter score ¹	48.8	41.1	▲ 770bps
ishi net promoter score	40.5	31.6	▲ 890bps
Net policyholder growth	7.0	8.8	▼ 180bps
Gross margin	50.7	62.5	▼ 1,180bps
Gross margin (normalised)	51.5	57.3	▼ 580bps
Management expense ratio	31.7	29.8	▲ 190bps
Marketing MER	8.0	7.8	▲ 20bps
Other MER	23.7	21.9	▲ 180bps
Net margin	19.0	32.6	▼ 1,360bps
Net margin (normalised)	19.8	27.5	▼ 770bps

Business generating strong double digit top line growth with some re-setting of margins

- Impressive top-line growth ▲15.4%, driven by net policyholder growth, recently surpassing over 184,000 net policyholders (representing 5 year CAGR 27.2%).
- Gross margin compression a result of increasing claims experience due to greater utilisation of medical services, overstatement of June 2018 OSC as well as competition (refer slide 34 for gross profit waterfall).
- Normalising claims development and using up to date assessment of claims (31 January 2020), gross margin for 1H20 improves to 51.5% (1H normalised gross margin of 57.3%), narrowing the gap between half on half experience.
- Greater focus on claims adjudication, processing and digital payment options to create operational efficiencies.

1. Excludes GU Health.

Financial performance (\$m)	1H20	1H19	Change
Premium revenue	119.0	104.5	▲ 13.9%
Claims ¹	(73.7)	(63.5)	▲ 16.1%
Management expenses	(34.1)	(31.5)	▲ 8.3%
UOP	11.1	9.5	▲ 16.8%
Key metrics (%)			
Net promoter score	34.3	34.0	▲ 30bps
Net policyholder growth	5.7	1.7	▲ 400bps
Gross margin	38.1	39.2	▼ 110bps
Gross margin normalised	37.2	38.3	▼ 110bps
Management expense ratio	28.7	30.1	▼ 140bps
Marketing MER	15.2	15.6	▼ 40bps
Other MER	13.5	14.6	▼ 110bps
Net margin	9.4	9.1	▲ 30bps
Net margin normalised	8.5	8.2	▲ 30bps

Stand-out performance with business growing revenue and earnings

- Premium revenue ▲ 13.9% reflecting very strong policyholder growth and premium adjustments to account for increase in claims.
- Claims ▲ 16.1% a function of higher utilisation (▲ 13.4%) driven by an increase in smaller value claims and policyholder growth (refer slide 35 for gross profit waterfall).
- Normalising claims development would reduce 1H20 gross margin from 38.1% to 37.2%, reflecting the estimated incurred health insurance claims for June 2019 and prior period being lower than expected.
- First Choice Network (FCN), guaranteeing zero member out of pocket expenses, remains a key tool in managing service cost inflation with ~95% of claims volume now through a FCN provider.
- Population health initiative with Maori tribe Ngāti Whātua Ōrākei has continued to grow with a continued focus on improving health outcomes for members.

1. Includes movement in premium payback liability.

Financial performance (\$m)	1H20 excluding QBE Travel	1H20	1H19	Change
Operating income	31.3	47.8	33.5	▲ 42.7%
Acquisition costs	(10.4)	(22.2)	(14.3)	▲ 55.2%
Underwriting result	0.2	0.2	-	n/a
Gross profit after commissions ¹	21.1	25.8	19.2	▲ 34.4%
Operating expenses		(24.1)	(16.9)	▲ 42.6%
UOP		1.7	2.3	▼ 26.1%
Key metrics				
Sales NPS (%)		64.2	59.2	▲ 500bps
Sales (#)	344,476	612,767	328,546	▲ 86.5%
Domestic	145,022	408,501	153,916	▲ 165.4%
International	199,454	204,266	174,630	▲ 17.0%
Gross written premium ²	75.3	100.3	71.5	▲ 40.3%

1. Includes other marketing costs.

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

3. The members of AXA which nib travel has this agreement with are Catlin Australia Pty Ltd (CAU), XL Insurance Company SE, Australia branch (XLICSE AU), XL Insurance Company SE (XLICSE), XL Catlin Insurance Company UK Limited (CICL).

Improved sales and operating income, but result below expectations

- Sales ▲4.8% excluding acquisition of QBE Travel (completed May 19), including QBE Travel sales ▲86.5%.
- Acquisition costs (▲55.2%) growing faster than operating income (▲42.7%) due to change in distribution mix (higher commission arrangements) associated with QBE Travel book of business.
- Operating expenses ▲42.6% due to higher cost base and additional office locations (Melbourne and Philippines) with QBE Travel acquisition.
- GPAC ▲34.4% with 2H20 focus on right-sizing operating cost base key to improving future UOP trajectory.
- Implementing new multi-year underwriting partnership agreement with AXA XL, a division of AXA³ enhancing our leading industry expertise and underwriting reach, including directly managing product and claims with the introduction of a new performance based payment structure.
- One-off costs associated with QBE Travel acquisition of \$4.0m not included in UOP.

Investments, gearing, cash flow & capital

- Increase in net investment income reflects a return to more normal returns compared to the soft equity performance encountered in 1H19.
- Finance costs increased due to implementation of new Leases Standard.
- Claims rising faster than premiums during the period, timing of supplier payments, increases in employee costs, lower cash flows from investments and tax payments during the half resulted in a \$5.9 million operating cash outflow.
- Completed nib/GU Health fund merge on 31 December 2019.

	1H20	1H19	Change
Net investment income (\$m)	12.6	1.5	▲ 740.0%
Net investment return (%)	1.3	0.1	▲ 120bps
Funds invested (\$m)	865.9	864.7	▲ 0.1%
Debt (\$m)	234.3	234.4	▼ 0.0%
Finance costs (\$m)	(6.0)	(3.8)	▲ 57.9%
Interest cover ratio	28:1	29:1	n/a
Effective tax rate (%)	28.4	29.2	▼ 80bps
Gearing ratio (%)	27.9	28.5	▼ 60bps
Net cash flow from operating activities (\$m)	(5.9)	37.1	▼ 115.9%
Available capital above internal targets ¹ (\$m)	69.2	60.9	▲ 13.6%

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

Capital summary

(\$m)	31 Dec 2019
Net assets	622.3
Add: Borrowings (excluding bank overdraft)	232.7
Less: Intangibles within non-regulated entities	(167.0)
Internal capital targets looking forward 12 months	(541.9)
Working and strategic capital requirements	(13.9)
Charitable foundation	(17.4)
Allowance for interim dividend	(45.6)
Available capital ¹	69.2

- As part of the review of internal capital targets following the nib/ GU Health fund merge the Board approved an increase in the internal capital target to allow for:
 - 75% write-off of deferred acquisition intangibles and non acquisition intangibles (was previously 50%, equating to a \$29.6m increase as at 31 December 2019); and
 - 100% write-off acquisition related intangibles reflecting our view of requirements under future regulatory capital standards.
- No surprises but still a number of specifics to be determined during consultation following release of APRA's consultation paper on new PHI Capital Standard. New standard not expected to come into effect until July 2023.
- Capital accumulation occurring prior to implementation of new capital standard.

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




Mark Fitzgibbon 
Chief Executive Officer & Managing Director



New members of executive team



Edward Close
Group Executive – Australian Residents Health Insurance



Matt Paterson
Group Executive – Business Services



Business strategy



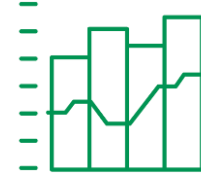
**Personalised
healthcare**



**Affordability and
sustainability**



**Grow the core
(arhi)**



**Economies of
scope**



**Racing the Red
Queen (RRQ)**

Personalisation and the member value proposition

Today

Financial protection

- PHI cover defined by legislation.
- Tiered product selection based upon member self-assessment of their risk.
- Frequent “out of pocket” expense with members self financing.

Connectivity

- Access to hospital treatment, specialist doctors and allied healthcare providers (e.g. dentists).
- Restricted access to other care to prevent or substitute for hospitalisation.
- Developing ability to choose a provider based upon location, fees and patient reported reviews.

Health management

- General online/digital healthcare content designed to improve health literacy.
- Some active support and intervention based upon diagnosed disease conditions.



Tomorrow

Financial protection

- Customised PHI cover based upon member’s individual health needs.
- Optional and “seamless” critical illness cover, health savings account and/or debt facility to meet “out of pocket”.

Connectivity

- Access to hospital treatment, specialist doctors, GPs (including digital) and allied healthcare providers within carefully designed “preferred” networks.
- Easy access to other care to prevent or substitute for hospitalisation.
- Access for a wider range of services/products to prevent/manage disease (including digital).
- Ability to choose a provider based upon location, fee, patient reported reviews and clinical performance data.

Health management

- Member health management plan based upon individual risk profile and in consultation with GPs and other clinicians.
- Insight for members and doctors which improves the precision of prevention, management and treatment.
- Personalised information and content designed to improve health literacy.
- Active measurement, encouragement and rewarding of good health behaviour.

Personalisation so far



Joint venture with Cigna to create data science and healthcare company Honeysuckle Health



Find a Provider and Going to Hospital Tool (including digital and online)

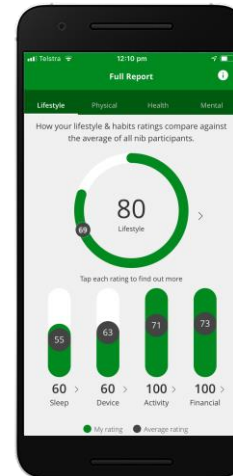


Rebuild and refresh of nib app (with 220,000 active users)

Ongoing health management programs such as:



Clinical Partners
Ngāti Whātua Ōrākei



Imminent launch of wellbeing app and rewards program

Near term outlook

arhi

- Organic net policyholder growth 2%-3% per annum. Looking to accelerate as part of “personalisation” strategy.
- Net margin target of ~6.0% (other MER ~6.0%).
- Lifetime profitability remains attractive.
- M&A possibilities could emerge in short to medium term.



Adjacent businesses

- Ongoing organic growth at rates subject to market conditions.
- Net insurance margins for FY20 consistent with 1H20.
- QBE Travel expected to grow earnings going forward with nib Travel’s contribution to Group UOP expected to increase in FY21.
- Impacts of COVID-19 on sales (delayed arrival) a watch point for inbound students/workers as well as travel insurance.
- Licence to sell health insurance as part of China JV (critical illness) targeted for end of FY20.



General

- Emphasis and investment in “personalisation” and Honeysuckle Health.
- Heavy focus upon claims and operating efficiency.
- Some additional capital accumulation is anticipated as part of APRA review.

Guidance

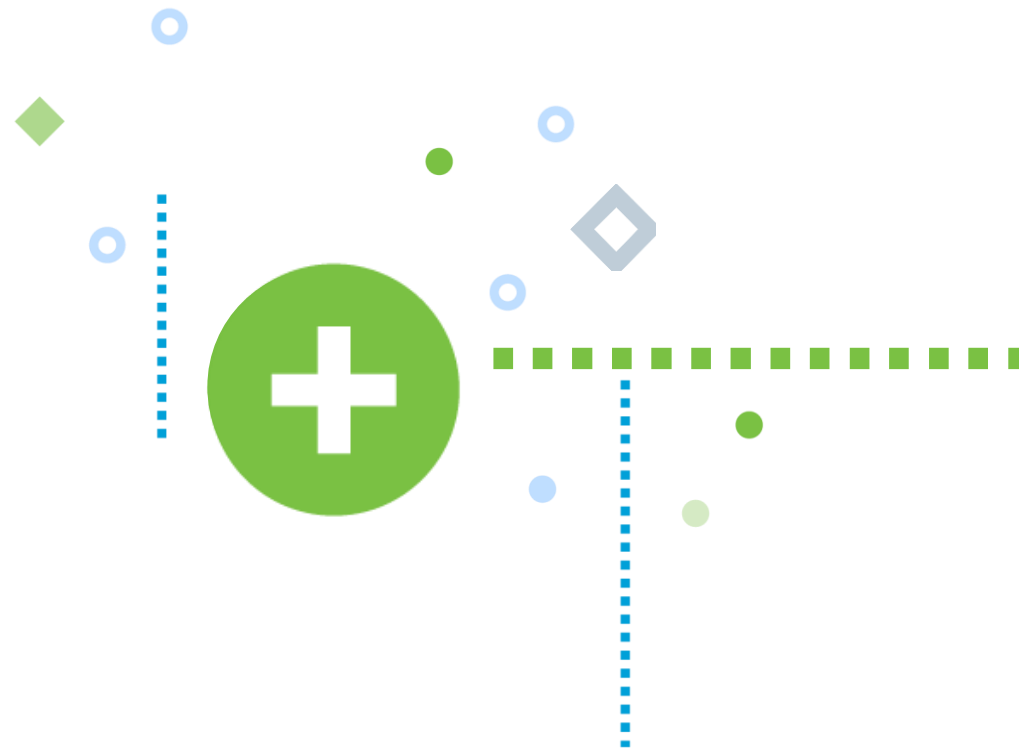


FY20 UOP forecast to be at least \$170m

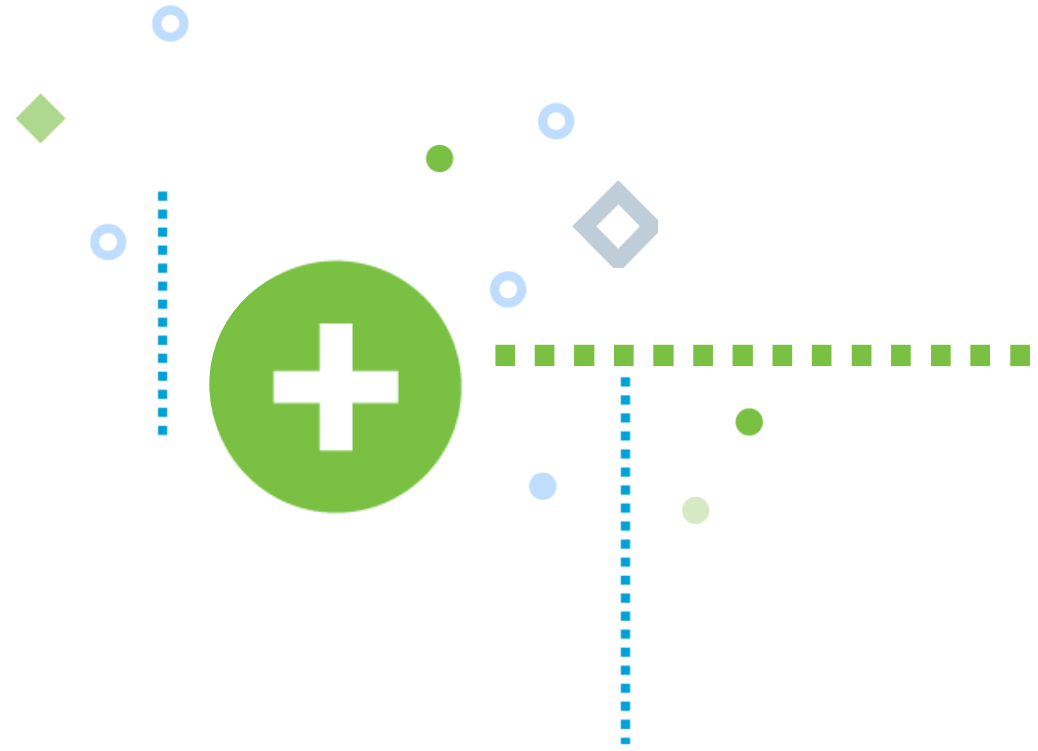
Statutory operating profit of at least \$150m

(\$m)	FY20
Statutory operating profit	~150
One-off transactions and M&A costs	~9
Amortisation of acquired intangibles	~11
GU Health	2.7
IMAN	0.7
nib Travel	3.8
NZ	3.5
Underlying operating profit	~170

Questions and answers



Appendix



Policyholder and other data



nib Group health insurance	1H20	1H19
Total persons covered	1,612,683	1,547,801
Australian residents health insurance	1,186,159	1,168,358
International (inbound) health insurance	200,988	172,771
New Zealand	225,536	206,672
Total policyholders	916,635	862,465
Australian residents health insurance	615,871	601,131
International (inbound) health insurance	184,416	156,935
New Zealand	116,348	104,399
arhi		
Net policyholder growth	1.4%	1.1%
Market share ¹	9.2%	9.0%
Average age of hospital persons covered (years)	40.5	40.0
arhi sales by channel		
Corporate health	11.1%	13.5%
Direct to consumer	34.8%	35.7%
Retail brokers	29.4%	25.0%
White-label partners	24.7%	25.9%

1. Source: APRA

Detailed income statement (underlying underwriting result)

(\$m)	1H20	1H19	Change
Net premium revenue	1,227.6	1,163.9	5.5%
- arhi	1,044.4	1,006.1	3.8%
- iihi	61.5	53.3	15.4%
- nz	119.0	104.5	13.9%
- nib Travel	2.7	-	n/a
Net claims expense	(841.5)	(762.8)	10.3%
- Hospital claims paid (arhi)	(513.7)	(515.2)	(0.3)%
- Ancillary claims paid (arhi)	(218.0)	(180.1)	21.0%
- OSC provision movement (arhi)	(5.5)	16.2	(133.8)%
- arhi claims incurred	(737.3)	(679.1)	8.6%
- iihi claims incurred	(30.3)	(20.0)	51.5%
- nz claims incurred	(73.9)	(63.7)	16.0%
- nib Travel claims incurred	-	-	-
Risk equalisation levy	(126.5)	(114.7)	10.3%
- OSC risk equalisation margin	(1.1)	(1.2)	(5.0)%
- Gross deficit	252.6	214.0	18.0%
- Calculated deficit	(378.0)	(327.5)	15.4%
State levies	(17.5)	(17.1)	2.3%
Decrease / (increase) in premium payback liability	0.2	0.2	-
Net claims incurred (excluding claims handling)	(985.3)	(894.4)	10.2%
Gross underwriting result	242.3	269.5	(10.1)%
- arhi	163.1	195.2	(16.4)%
- iihi	31.2	33.3	(6.3)%
- nz	45.3	41.0	10.5%
- nib Travel	2.7	-	n/a
Other underwriting revenue	1.5	1.7	(11.8)%
- arhi	1.0	1.2	(16.7)%
- iihi	0.6	0.5	20.0%
- nz	(0.1)	-	n/a
Underwriting expenses (including claims handling)	(157.1)	(155.3)	1.2%
- arhi	(101.0)	(107.9)	(6.4)%
- iihi	(19.5)	(15.9)	22.6%
- nz	(34.1)	(31.5)	8.3%
- nib Travel	(2.5)	-	n/a
Underlying underwriting result	86.7	115.9	(25.2)%
- arhi	63.1	88.5	(28.7)%
- iihi	12.3	17.9	(31.3)%
- nz	11.1	9.5	16.8%
- nib Travel	0.2	-	n/a

Management expenses (arhi, iihi and nz)

(\$m)	Marketing (direct)	Marketing indirect (commissions paid)	Marketing indirect (commissions deferred)	Marketing indirect (commissions amortised)	Total marketing	Other management expenses	Total underwriting expenses	MER underwriting expenses	Amortisation of acquired intangibles	Total management expenses	MER
Australian residents health insurance (arhi)											
1H19	12.5	23.8	(13.0)	15.1	38.4	69.5	107.9	10.7%	0.9	108.8	10.8%
1H20	11.9	27.1	(17.1)	17.2	39.1	61.9	101.0	9.7%	1.0	102.0	9.8%
International (inbound) health insurance (iihi)											
1H19	0.7	3.8	(2.9)	2.5	4.2	11.7	15.9	29.8%	0.8	16.7	31.3%
1H20	0.6	4.3	(3.2)	3.2	4.9	14.6	19.5	31.7%	0.8	20.3	33.0%
New Zealand											
1H19	2.8	14.5	(7.7)	6.7	16.3	15.2	31.5	30.1%	1.7	33.2	31.8%
1H20	2.7	17.3	(8.5)	6.5	18.1	16.0	34.1	28.7%	1.7	35.8	30.0%

Other income and expenses¹



(\$m)	1H20	1H19	Change
Other income			
Complementary insurances	1.4	1.4	-
nib foundation income ²	0.3	1.1	▼ 72.7%
Other	0.5	0.4	▲ 25.0%
Total other income	2.2	2.9	▼ 24.1%
Other expenses			
Complementary insurances expenditure	(0.3)	(0.4)	▼ 25.0%
Corporate and share registry costs	(3.6)	(3.8)	▼ 5.3%
niss expenditure	(1.1)	(1.1)	-
nib foundation expenses ²	(0.8)	(1.2)	▼ 33.3%
Total other expenses	(5.8)	(6.5)	▼ 10.8%

1. Other income and expenses unallocated to segments.

2. Income of nib foundation is restricted for use for philanthropic purposes only.

Investment asset allocation

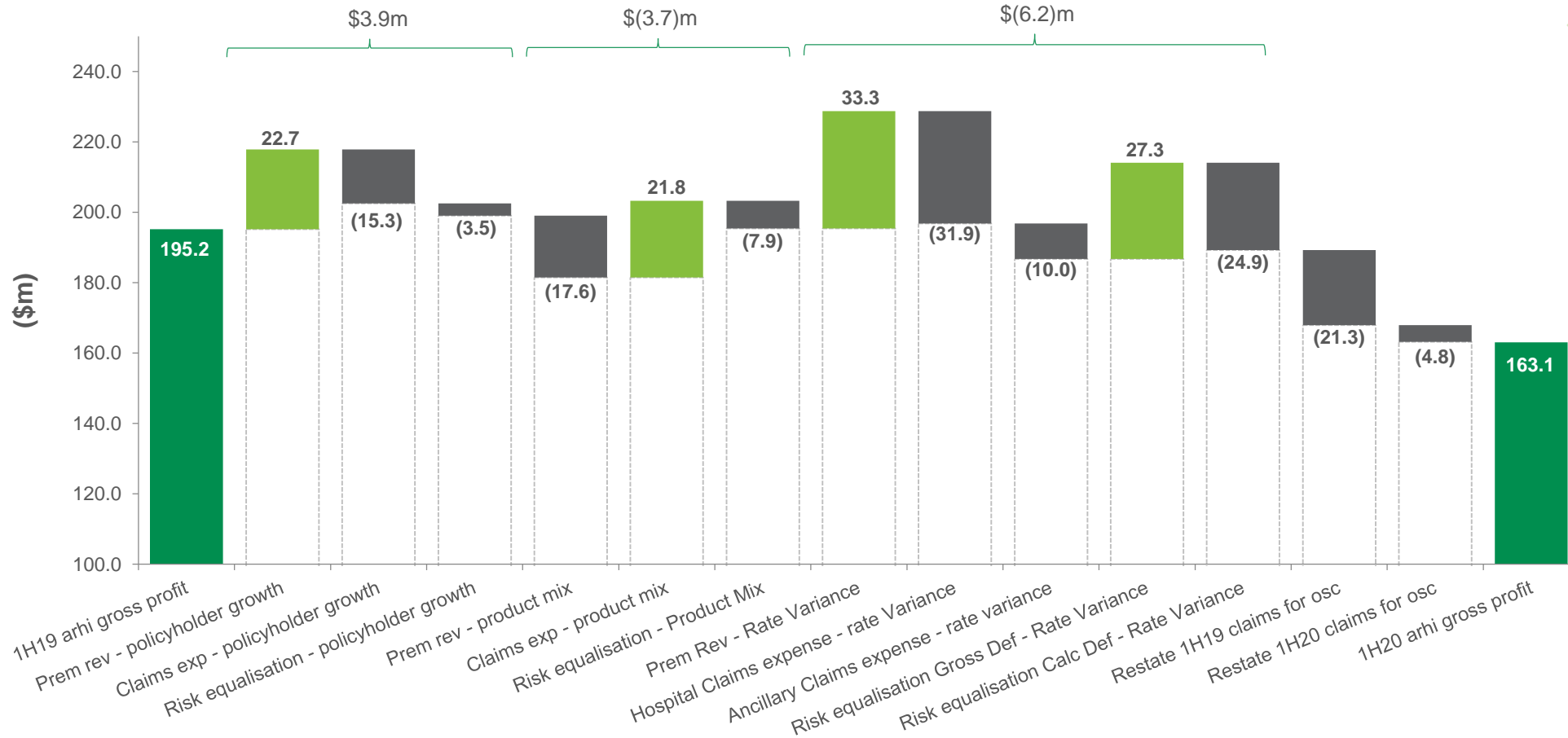


	Consolidated			Australian investment portfolio			New Zealand investment portfolio			nib foundation investment portfolio		
	Balance at 31/12/2019 (\$m)	Allocation at 31/12/2019 (%)	Net return 6 month to 31/12/2019 (\$m)	Balance at 31/12/2019 (\$m)	Allocation at 31/12/2019 (%)	Net return 6 month to 31/12/2019 (\$m)	Balance at 31/12/2019 (\$m)	Allocation at 31/12/2019 (%)	Net return 6 month to 31/12/2019 (\$m)	Balance at 31/12/2019 (\$m)	Allocation at 31/12/2019 (%)	Net return ¹ 6 month to 31/12/2019 (\$m)
Cash ²	216.1	25.0	2.0	197.7	26.5	1.8	8.2	8.0	0.1	10.2	58.9	0.1
Fixed interest/short maturity	495.8	57.3	1.8	399.2	53.4	0.8	93.5	92.0	1.0	3.1	18.1	-
Mortgages	0.4	0.1	-	0.4	0.1	-	-	-	-	-	-	-
Total defensive	712.3	82.3	3.8	597.3	80.0	2.7	101.7	100.0	1.0	13.3	77.0	0.1
Australian shares	61.0	7.0	2.2	58.0	7.8	2.1	-	-	-	3.0	17.1	0.2
Global shares – hedged	26.6	3.1	1.4	26.6	3.6	1.4	-	-	-	-	-	-
Global shares – unhedged	32.7	3.8	3.7	31.7	4.2	3.7	-	-	-	1.0	5.9	0.1
Direct and unlisted property	13.4	1.5	0.7	13.4	1.8	0.7	-	-	-	-	-	-
Listed property	2.4	0.3	(0.1)	2.4	0.3	(0.1)	-	-	-	-	-	-
Global property	17.5	2.0	0.9	17.5	2.3	0.9	-	-	-	-	-	-
Total growth	153.6	17.7	8.8	149.6	20.0	8.6	-	-	-	4.0	23.0	0.2
Total	865.9	100.0	12.6	746.9	100.0	11.2	101.7	100.0	1.0	17.3	100.0	0.3

1. Net return for Foundation Growth Portfolio grouped under Australian shares.

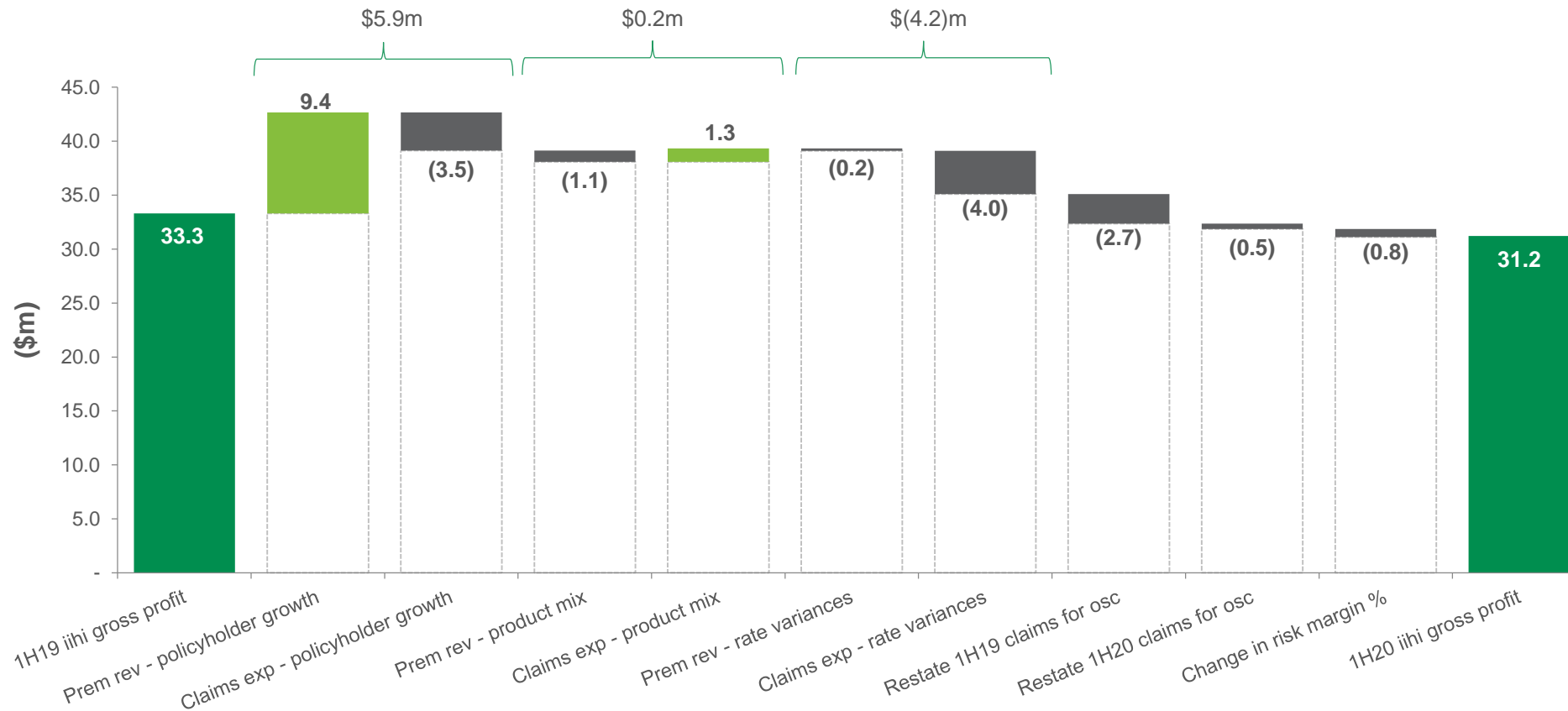
2. Excludes operating cash of \$43.4m, noting total cash is split between cash and cash equivalents of \$146.4m and short term deposits of \$113.1m included in Financial Assets.

Gross profit - arhi



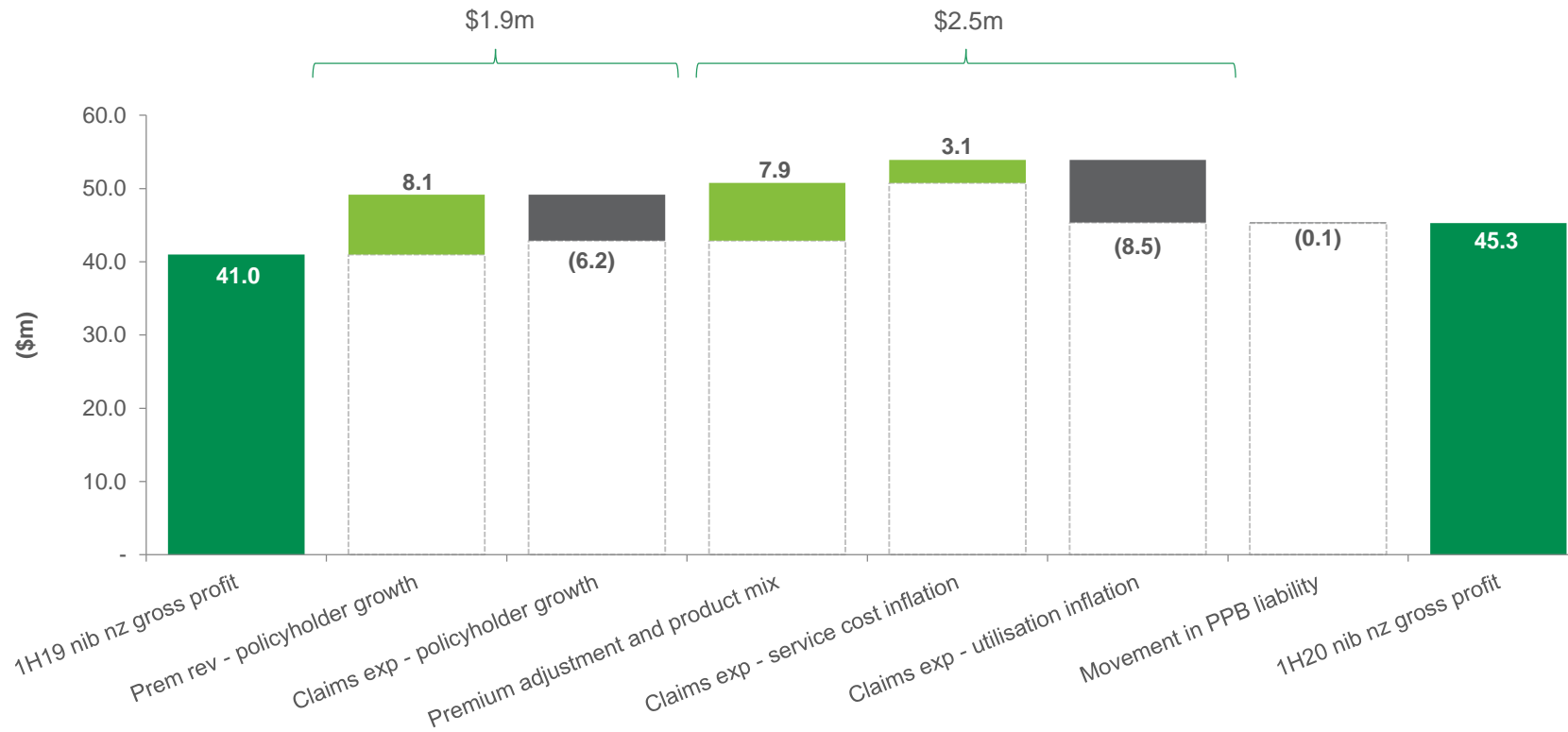
- Product downgrading led by affordability concerns resulted in a \$3.7m unfavourable gross profit impact. Offering \$750 excess across our entire product range as part of PHI Reforms from April 2019 improved affordability and impacted on favourable growth variance whilst at the same time slightly diluting gross profit per member.
- 2019 premium increase (3.38%) generated \$33.3m in revenue, not sufficient to offset claims inflation (\$39.5m) with the 0.6% of revenue variance consistent with our April 19 price application that assumed a net margin reduction and allowed for the introduction of the age-based discount (1 April 2019).

Gross profit - iih



- Competition has led to minimal movements in average premiums in an environment of increasing claims leading to a \$4.2m reduction that was more than offset by positive variances due to growth of \$5.9m. Increased competition has also resulted in increase in marketing costs (included below gross margin).

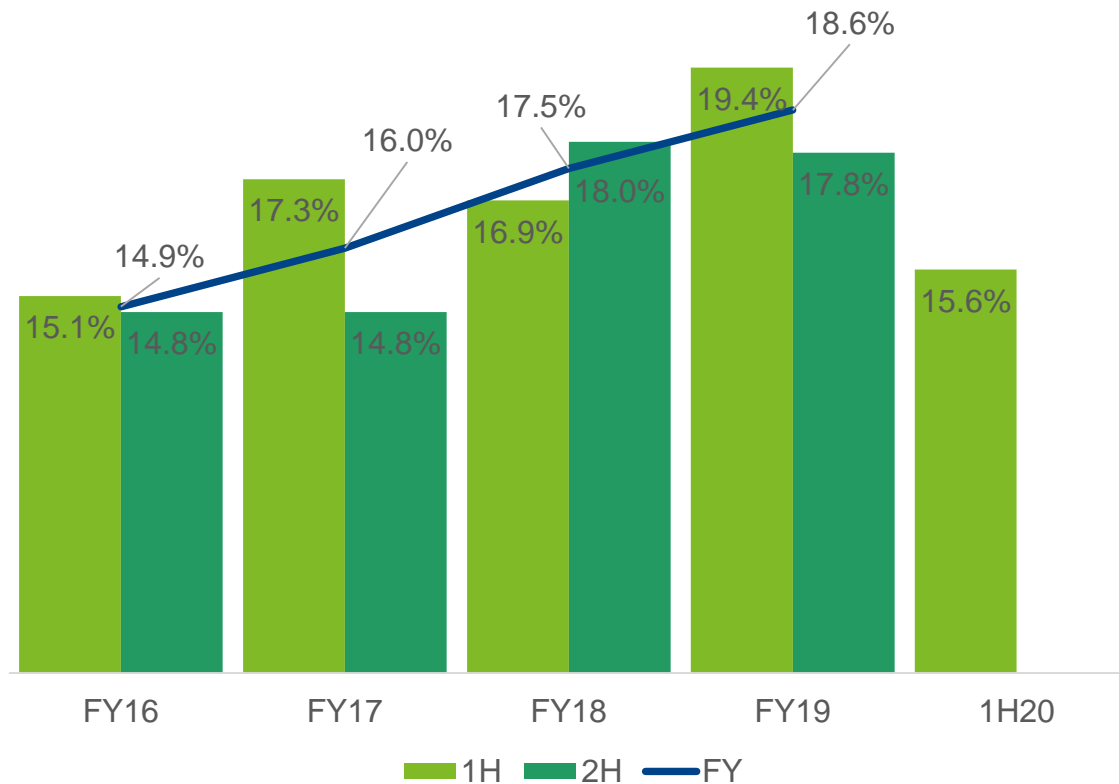
Gross profit - nz



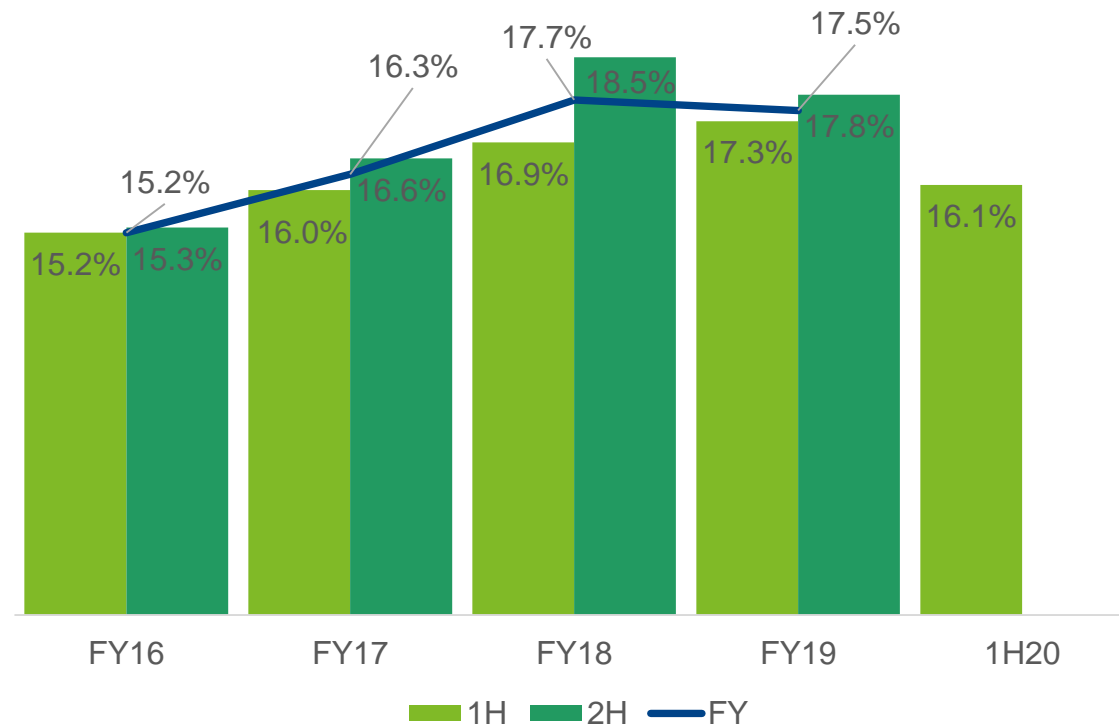
- Gross margin ▲\$4.3m (10.5%), reflecting the successful growth of the business.
- Policyholder growth contributes \$1.9m.
- Premium adjustment and product mix contributes \$7.9m to cover high claims inflation.
- Service cost inflation is more controlled through FCN but utilisation impact on claims is \$8.5m reduction to gross margin. Overall total claims inflation impact is \$5.4m reduction to gross margin.

5 year trends - arhi

arhi gross margin (reported)

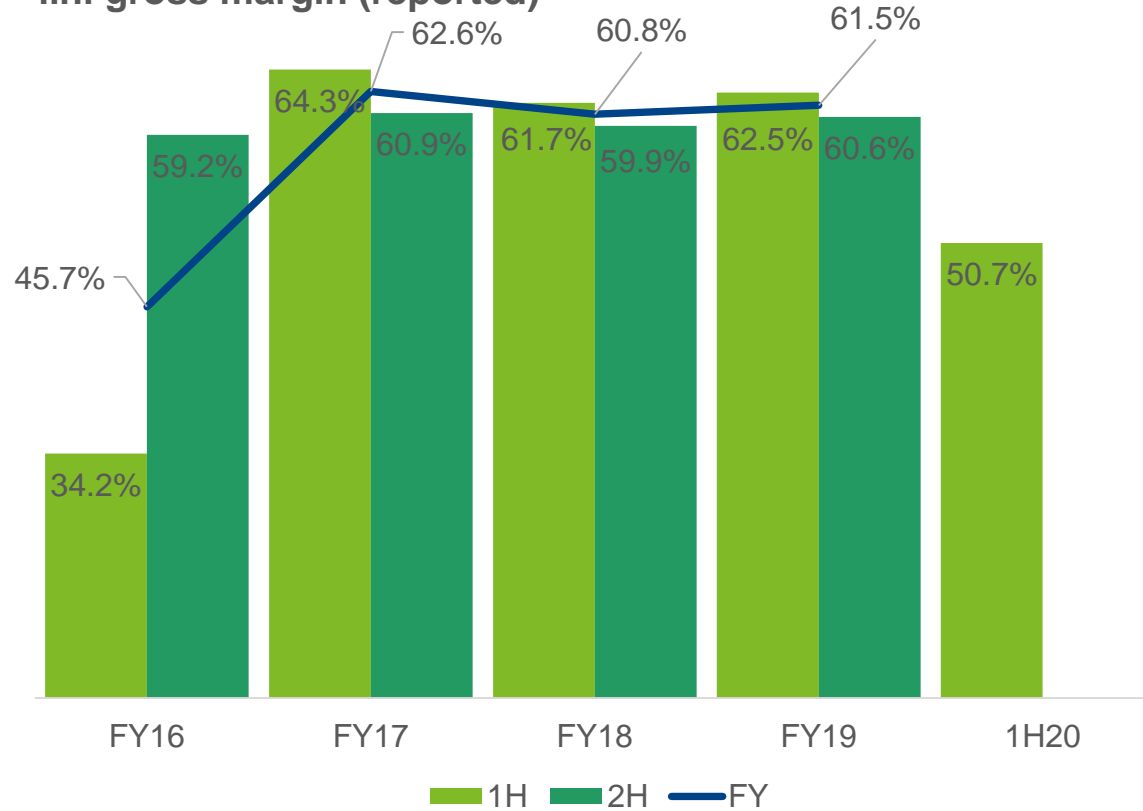


arhi gross margin (adjusted for OSC movements)

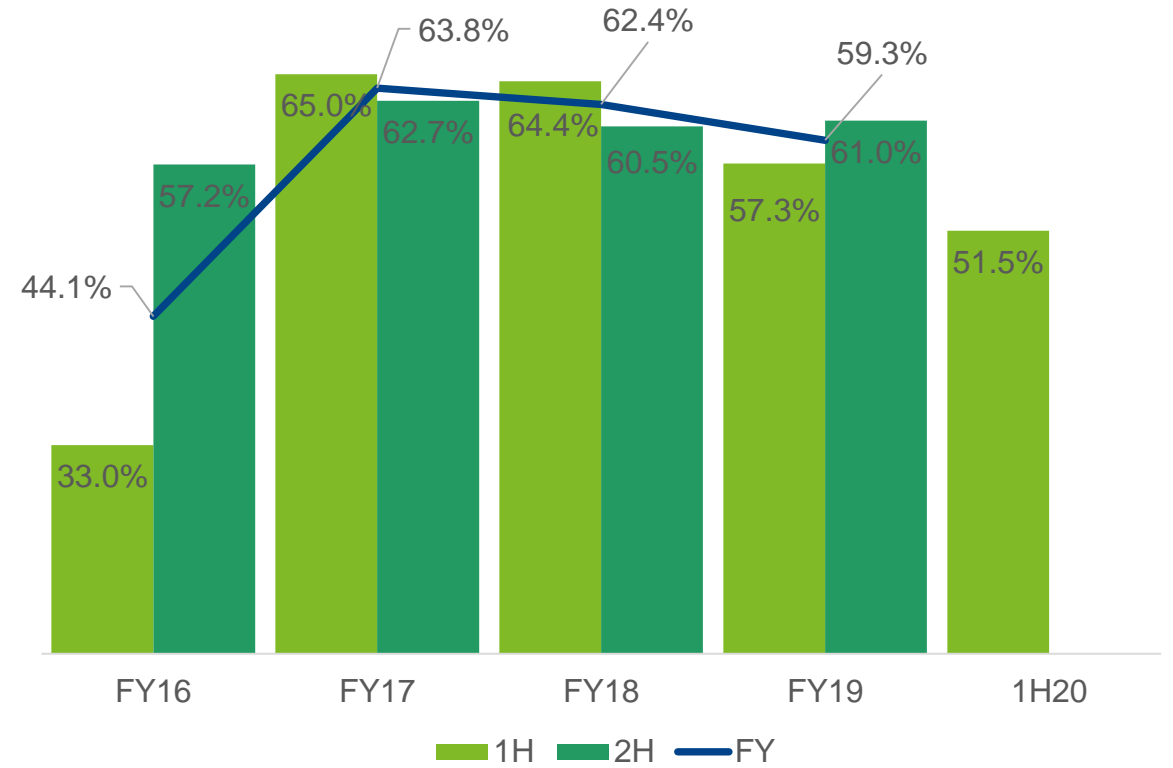


5 year trends - iih

iih gross margin (reported)

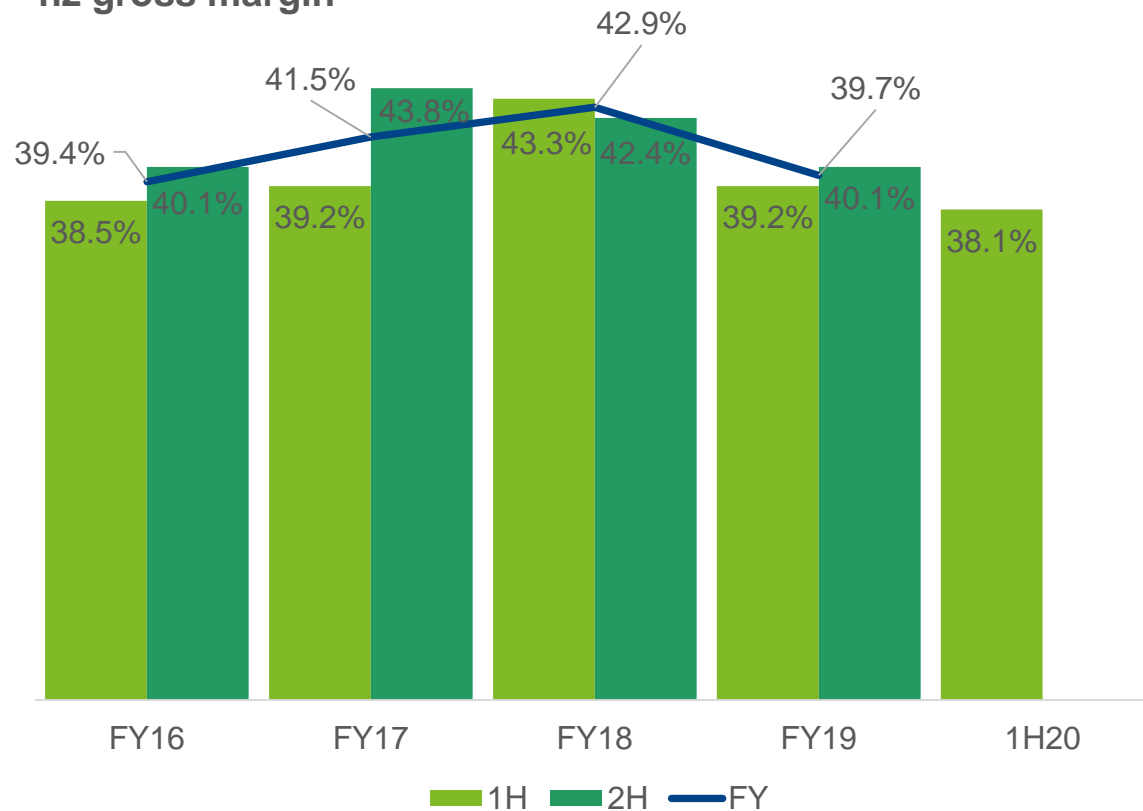


iih gross margin (adjusted for OSC movements)

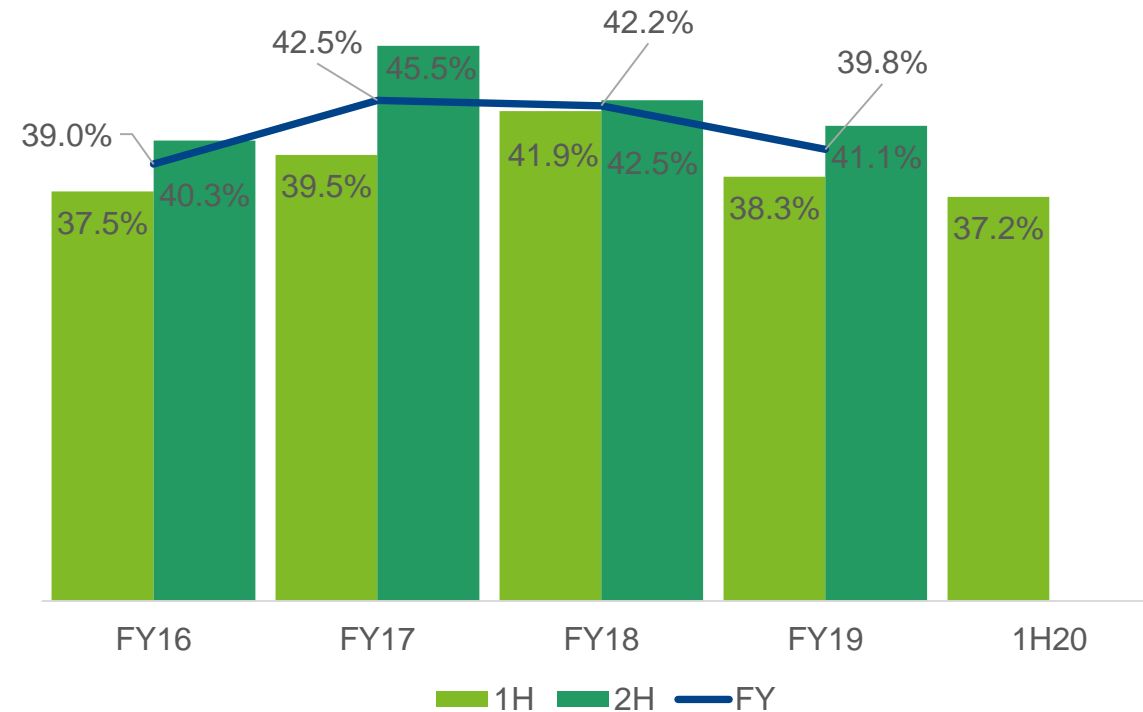


5 year trends - nz

nz gross margin



nz gross margin



Glossary



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

Term	Definition
nib	nib holdings limited
nib Travel	nib Travel is a travel insurance distributor
niss	nib international student services
Normalised	Refers to reported claims or margins adjusted for the latest estimate of claims incurred taking into account all payments to date by service period and any claims still estimated to be outstanding as at 31 January 2020 for each service period. These figures have not been audited or reviewed by our external auditors and are provided to give a view of normalised performance for the period
NPAT	Net profit after tax
NPS	Net promoter score (service) (number of promoters less number of detractors)
NZD	New Zealand dollar
OSC	Outstanding claims liability
Other underwriting revenue	Revenue from underwriting activities excluding premium revenue
PHI	Private health insurance
PPB	Premium payback liability relates to previously offered products, where customers are entitled to receive a refund (or partial refund) of premiums paid less any claims made, once the policy has been in force for a specified period. It is determined based on the discounted value of accumulated excess of premiums over claims at an individual policy level
Sales NPS	A measure of the likelihood of a new customer to recommend the brand immediately following a sales interaction
Shared services	Refers to nib Group shared service functions including finance and corporate services, people and culture, IT, benefits and provider relations as well as legal, risk and governance and executive management
Underlying underwriting revenue	Net premium revenue and other underwriting revenue
UOP	Underlying operating profit - comprised of underwriting result, other income and expenses including non-underwriting businesses. It excludes amortisation of acquired intangibles, one-off transactions (integration of acquired business, establishment of business costs as well as extraordinary legal fees), merger and acquisition costs, finance costs, net investment income and income tax