

Monday 24 February 2014

The Manager  
Company Announcements  
ASX Limited  
20 Bridge Street  
Sydney, NSW, 2000

**Subject: 2014 Half Year Results Investor Presentation (slide 32)**

This morning nib lodged with ASX its financial results for the six months ending 31 December 2013.

The graph on Slide 32 of the Investor Presentation contained an error relating to the four quarters of calendar year 2013.

The graph on slide 32 has been corrected and an updated Investor Presentation is attached.

Yours sincerely



Michelle McPherson  
Chief Financial Officer &  
Company Secretary

**2014 HALF YEAR RESULTS**

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**INVESTOR PRESENTATION**

**MONDAY 24 FEBRUARY 2014**

**nib**

**MARK FITZGIBBON**

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**CEO AND MANAGING DIRECTOR**

**nib**

# 1H14 Group Summary

- Group operating profit of \$41.4m up 18.5% (1H13: \$34.9m) on the back of growth in all segments. Improvement driven mainly by Group operating revenue which was up 20.0% including nib NZ (noting 1H13 nib NZ was a 1 month result<sup>1</sup>)
- arhi net underwriting result up 1.8% to \$34.0 million and accounted for ~80% of group earnings. Strong premium growth of 10.7% was more than offset by claims and risk equalisation growth resulting in a lower net margin (5.2% v 5.7%:1H13)
- iwhi and ishi continue to show good revenue and earnings growth. iwhi net underwriting result up 25.3% to \$4.7m and ishi profitable for first time with net underwriting result of \$0.8m. ishi sales are very strong reflecting success of distribution strategy
- nib NZ underwriting result of \$3.2m is absorbing a significant investment in direct to consumer (DTC) channel. The business is now growing policyholders after a long period of decline
- nib Options (domestic and international cosmetic treatment business) now ready and will be launched in March
- Investment return outperformed internal benchmarks with return of 6.4% (annualised)
- EPS of 9.0 cps up 8.4%, interim dividend up 5% to 5.25 cps (1H13: 5.0 cps) and ROE of 21.9% (1H13: 21.7%) was steady
- Full year operating result influenced by investment in new business and expansion opportunities such as nib NZ, nib Options, nib global (International Private Medical Insurance) and expanded Executive team

<sup>1</sup> Group operating profit up 15.9% and group premium revenue up 10.8% excluding NZ

<sup>2</sup> Using average shareholders' equity over rolling 12 month period



# Group Key Metrics

	1H14	1H13	%*
Group premium revenue <sup>1</sup>	<b>735.4</b>	612.8	20.0
- Australian Resident Health Insurance (arhi)	<b>649.7</b>	586.7	10.7
- International Workers Health Insurance (iwhi) <sup>1</sup>	<b>14.3</b>	13.8	3.7
- International Students Health Insurance (ishi)	<b>3.9</b>	2.1	82.9
- nib New Zealand <sup>2</sup>	<b>67.5</b>	10.1	569.8
Net underwriting result	<b>42.7</b>	39.1	9.3
- Australian Resident Health Insurance (arhi)	<b>34.0</b>	33.4	1.8
- International Workers Health Insurance (iwhi)	<b>4.7</b>	3.8	25.3
- International Students Health Insurance (ishi)	<b>0.8</b>	(0.1)	-
- nib New Zealand <sup>2</sup>	<b>3.2</b>	2.0	63.8
Group underwriting margin	<b>5.8%</b>	6.4%	(0.6)
Operating profit	<b>41.4</b>	34.9	18.5
Net investment income	<b>16.5</b>	18.2	(9.2)
NPAT	<b>39.6</b>	36.3	9.2
EPS	<b>9.0 cps</b>	8.3 cps	8.4
ROE <sup>3</sup>	<b>21.9%</b>	21.7%	0.2
Interim dividend (fully franked)	<b>5.25 cps</b>	5.0 cps	5.0

\* Change is percentage increase or (decrease), 1H14 to 1H13, where results are a percentage, the change shown is difference between two results

<sup>1</sup> Net of reinsurance

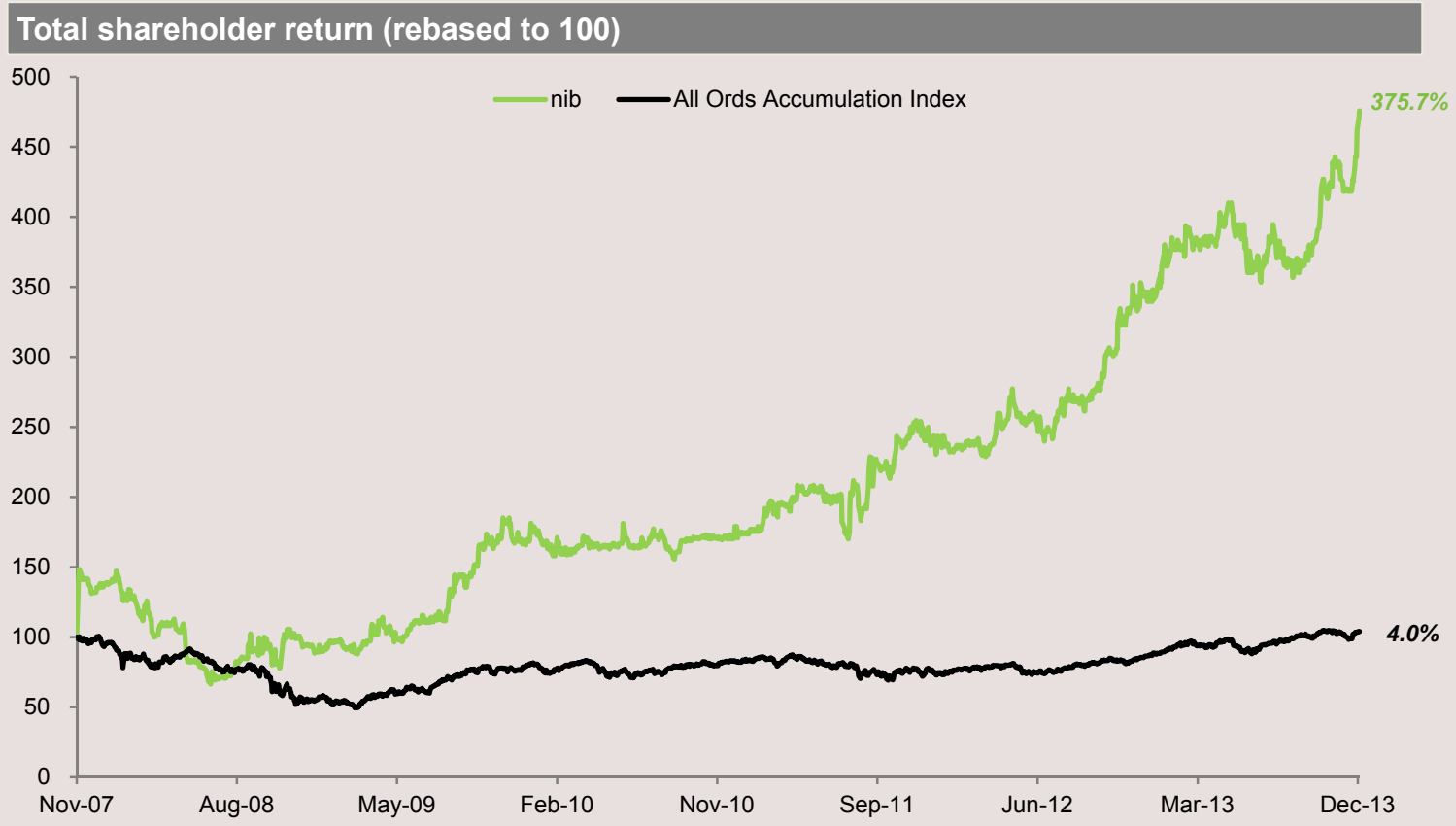
<sup>2</sup> 1H13 nib New Zealand result was a 1 month result with TOWER Medical Insurance acquired November 2012

<sup>3</sup> Using average shareholders' equity over rolling 12 month period



# Total Shareholder Return

nib has delivered a strong shareholder return since listing, having substantially outperformed various accumulation indices



Source: IRESS (as at 11 February 2014)  
Note: Assumes capital returns and dividends are re-invested at the payout date



**MICHELLE MCPHERSON**

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**CHIEF FINANCIAL OFFICER  
AND DEPUTY CEO**

**nib**

# Group Income Statement

(\$m)	1H14	1H13 <sup>#</sup>	%*
Group premium revenue <sup>1</sup>	<b>735.4</b>	612.8	20.0
Claims expense <sup>1</sup>	<b>(501.1)</b>	(419.4)	19.5
Risk equalisation	<b>(100.9)</b>	(83.9)	20.3
State levies	<b>(14.1)</b>	(15.3)	(7.4)
Premium payback liability movement	<b>2.7</b>	0.6	375.1
Gross profit	<b>122.1</b>	94.8	28.8
- <i>Gross profit margin</i>	<b>16.6%</b>	15.5%	1.1
Acquisition costs	<b>(33.4)</b>	(22.3)	49.7
Claims handling and other underwriting expenses	<b>(46.0)</b>	(33.4)	37.7
Net underwriting result	<b>42.7</b>	39.1	9.3
- <i>Group underwriting margin</i>	<b>5.8%</b>	6.4%	(0.6)
Other income	<b>2.1</b>	1.6	36.6
Other expenses	<b>(3.5)</b>	(5.7)	(39.8)
Operating profit	<b>41.4</b>	34.9	18.5
Finance costs	<b>(1.3)</b>	(0.2)	561.1
Net investment income	<b>16.5</b>	18.2	(9.2)
Profit before income tax	<b>56.6</b>	52.9	7.0
Income tax expense	<b>(17.0)</b>	(16.6)	2.2
NPAT	<b>39.6</b>	36.3	9.2
Profit is attributable to:			
<i>Owners of nib holdings limited</i>	<b>39.7</b>	36.3	9.3
<i>Non-controlling interests</i>	<b>(0.1)</b>	-	NA
EPS	<b>9.0 cps</b>	8.3 cps	8.4

<sup>1</sup> Net of reinsurance

<sup>#</sup> Variances include impact of 6 months of nib New Zealand (1H13 was only a 1 month result with business acquired November 2012)

\* Change is percentage increase or (decrease), 1H14 to 1H13, where results are a percentage, the change shown is difference between two results



# arhi Key Metrics

	1H14	1H13	%*
Total policyholders	<b>484,541</b>	462,359	4.8
- Net policyholder growth (%)	<b>2.6</b>	2.4	0.2
Net new policyholders	<b>12,277</b>	10,712	14.6
Total sales	<b>37,002</b>	32,142	15.1
- Sales rate (%)	<b>7.8</b>	7.1	0.7
- Sales new to category (%)	<b>52.8</b>	64.1	(11.3)
- Sales under 40 years of age (%)	<b>54.8</b>	71.1	(16.3)
- Sales over 55 years of age (%)	<b>19.8</b>	9.3	10.5
- Sales online (%)	<b>21.0</b>	26.5	(5.5)
- Sales broker (%)	<b>35.0</b>	28.9	6.1
- Sales outside NSW/ACT (%)	<b>57.0</b>	48.6	8.4
Total lapses	<b>24,725</b>	21,430	15.4
- Lapse rate (%)	<b>5.2</b>	4.7	0.5

\* Change is percentage increase or (decrease), 1H14 to 1H13, where results are a percentage, the change shown is difference between two results

- 1H14 industry policyholder growth rate of 1.1% (1H13: 1.3%)
- Lapse remains a challenge, with nib's lapse experience in target under 40s cohort twice the rate of the over 40s. Regulatory and competitor headwinds continue to drive lapse and churn across the industry, with nib placing continued emphasis to manage lapse rate at current level. nib continues to be a net beneficiary of industry churn
- Virgin silver (over 55s) product range continues to generate increasing growth reflecting success of distribution strategy (e.g. use of retail brokers)
- Strategic alliance with United Healthcare is generating solid sales volume (domestic and international) with plans to further grow channel during the year



## arhi Key Metrics

(\$m)	1H14	1H13	%*
Premium revenue	<b>649.7</b>	586.7	10.7
- % of total Group	<b>88.3%</b>	95.7%	(7.4)
Claims (including state levies, excluding risk equalisation)	<b>(462.1)</b>	(420.0)	10.0
Risk equalisation	<b>(100.9)</b>	(83.9)	20.3
Gross underwriting result	<b>86.7</b>	82.9	4.6
- Gross margin (%)	<b>13.3%</b>	14.1%	(0.8)
Management expenses	<b>(52.7)</b>	(49.5)	6.5
- MER (%)	<b>8.1%</b>	8.4%	(0.3)
Net underwriting result	<b>34.0</b>	33.4	1.8
- Net margin (%)	<b>5.2%</b>	5.7%	(0.5)
- % of Group	<b>79.7</b>	85.5	(5.8)

\* Change is percentage increase or (decrease), 1H14 to 1H13, where results are a percentage, the change shown is difference between two results

- Premium revenue up 10.7%, with 1H14 average premium income for new sales up 21.0% to \$2,301 (1H13: \$1,901)
- Solid underwriting margin of 5.2% within target range of 5% - 5.5%, due to:
  - Improved product buy-up (product mix) is now supporting our continued above system policyholder growth as well as premium increases to drive even stronger top line growth
  - Claims inflation (excluding risk equalisation) broadly in line with expectations
  - Risk equalisation up due to continued industry claims inflation
  - 1 April 2014 price increase (7.99%) expected to absorb ongoing forecast risk equalisation inflation
- MER of 8.1% (1H13: 8.4%) due to continued focus on operational efficiencies and prudent investment in growth
- Continuing to target FY net margin in range of 5.0% - 5.5%, noting ongoing pressure from overall healthcare claims inflation



# iwhi Key Metrics

(\$m)	1H14	1H13	%*
Total policyholders	<b>19,215</b>	16,880	13.8
Premium revenue <sup>1</sup>	<b>14.3</b>	13.8	3.7
- % of total Group	<b>2.0%</b>	2.3%	(0.3)
Claims <sup>1</sup>	<b>(6.0)</b>	(6.6)	(8.6)
Gross underwriting result	<b>8.4</b>	7.3	14.8
- Gross margin (%)	<b>58.3%</b>	52.6%	5.7
Management expenses	<b>(3.6)</b>	(3.5)	3.6
- MER (%)	<b>25.4%</b>	25.4%	0.0
Net underwriting result	<b>4.7</b>	3.8	25.3
- Net margin (%)	<b>32.9%</b>	27.2%	5.7
- % of Group	<b>11.1%</b>	9.7%	1.4

\* Change is percentage increase or (decrease), 1H14 to 1H13, where results are a percentage, the change shown is difference between two results

<sup>1</sup> Net of reinsurance

- Premium revenue lagging policyholder growth due to strong sales of lower premium products (nib's price point product designed to meet minimum visa requirements)
- Claims down 8.6% in 1H14 due mainly to high cost claims in 1H13 and popularity of low price/higher margin products
- 11.1% of group net underwriting profit
- Profit margin remains attractive and expected to be sustainable



# ishi Key Metrics

(\$m)	1H14	1H13	%*
Total policyholders	<b>15,408</b>	4,680	229.2
Premium revenue	<b>3.9</b>	2.1	82.9
- % of total Group	<b>0.5%</b>	0.4%	0.1
Claims	<b>(1.9)</b>	(1.8)	7.7
Gross underwriting result	<b>2.0</b>	0.4	458.7
- Gross margin (%)	<b>51.0%</b>	16.7%	34.3
Management expenses	<b>(1.2)</b>	(0.4)	247.8
- MER (%)	<b>31.7%</b>	19.9%	11.8
Net underwriting result	<b>0.8</b>	(0.1)	-
- Net margin (%)	<b>19.2%</b>	(3.2)%	22.4
- % of Group	<b>1.8%</b>	(0.2)%	2.0

\* Change is percentage increase or (decrease), 1H14 to 1H13, where results are a percentage, the change shown is difference between two results

- Ongoing success with upstream distribution strategy continues to drive policyholder and premium growth. ishi sales were 8,702 policies in 1H14 (1H13: 2,023)
- Segment now profitable due to positive selection business strategy, benefits of scale and product design
- MER up 11.8% with business now operating in standalone mode (i.e. no internal direct cost subsidisation)
- Gross margin and MER expected to improve with increased scale
- Opportunity for continued top line growth and net margin improvement



# nib New Zealand Key Metrics

(\$m)*	1H14#
Total policyholders	79,000
Premium revenue	67.5
- % of total Group	9.2%
Claims	(45.2)
Decrease in premium payback liability	2.7
Gross underwriting result	25.0
- Gross margin (%)	37.1%
Total management expenses	(21.8)
- MER (%)	32.3
Acquisition costs	(12.8)
- Acquisition costs (%)	19.0%
Other management expenses	(9.0)
- Other MER (%)	13.4%
Net underwriting result	3.2
- Net margin (%)	4.8%
- % of Group	7.5%

\* Figures are Australian dollars

# 1H13 not comparable as only a 1 month result with business acquired November 2012

- Transition, integration and separation of business completed on time and to plan
- Acquisition costs of 19.0% of premiums reflect:
  - Structure of NZ health insurance market with the majority of health insurance sold through financial advisors or employee groups
  - Significant investment in direct to consumer (DTC) launch
- Other management expenses and net underwriting profit impacted by investment to support DTC including employee costs and IT investment
- As at 14 February 2014 we had 79,324 policyholders versus 79,209 at 30 June 2013. Positive policyholder growth coincides with launch of DTC product and marketing campaign in October 2013
- Full year result will continue to be impacted by investment in growth



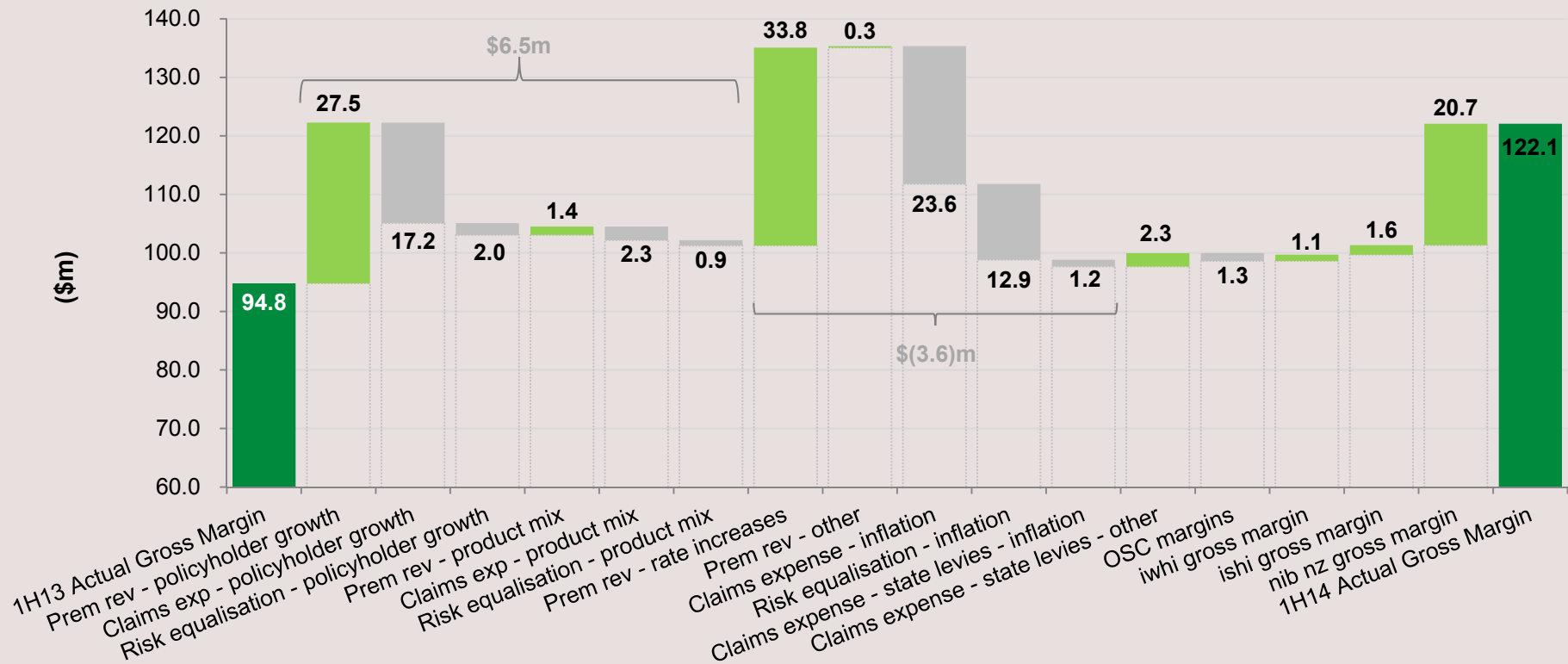
# Other Income & Expenses

(\$m)	1H14	1H13	%*
<b>Other Income</b>			
Life and funeral insurance commission	0.9	0.7	20.1
Travel insurance and other commission	0.2	0.2	2.1
Rental income	0.4	0.4	2.0
nib Options subscription income	0.2	-	NA
Other	0.4	0.3	67.7
<b>Total other income</b>	<b>2.1</b>	<b>1.6</b>	<b>36.6</b>
<b>Other Expenses</b>			
Share registry	0.6	1.1	(43.7)
M&A (including nib New Zealand in 1H13)	0.2	3.3	(94.2)
nib Options operational expenditure	1.2	-	NA
Other	1.4	1.3	13.3
<b>Total other expenses</b>	<b>3.5</b>	<b>5.7</b>	<b>(39.8)</b>
<b>Finance Costs</b>	<b>1.3</b>	<b>0.2</b>	<b>561.1</b>

\* Change is percentage increase or (decrease), 1H14 to 1H13, where results are a percentage, the change shown is difference between two results

- nib Options will be launched in March. Net loss 1H14 of \$1m reflects subscription income of \$0.2m, more than offset by associated expenses and other operational expenditure required ahead of launch
- Share registry costs down 43.7% due to campaign in 1H13 to encourage retail shareholder to provide direct credit details for dividend payments

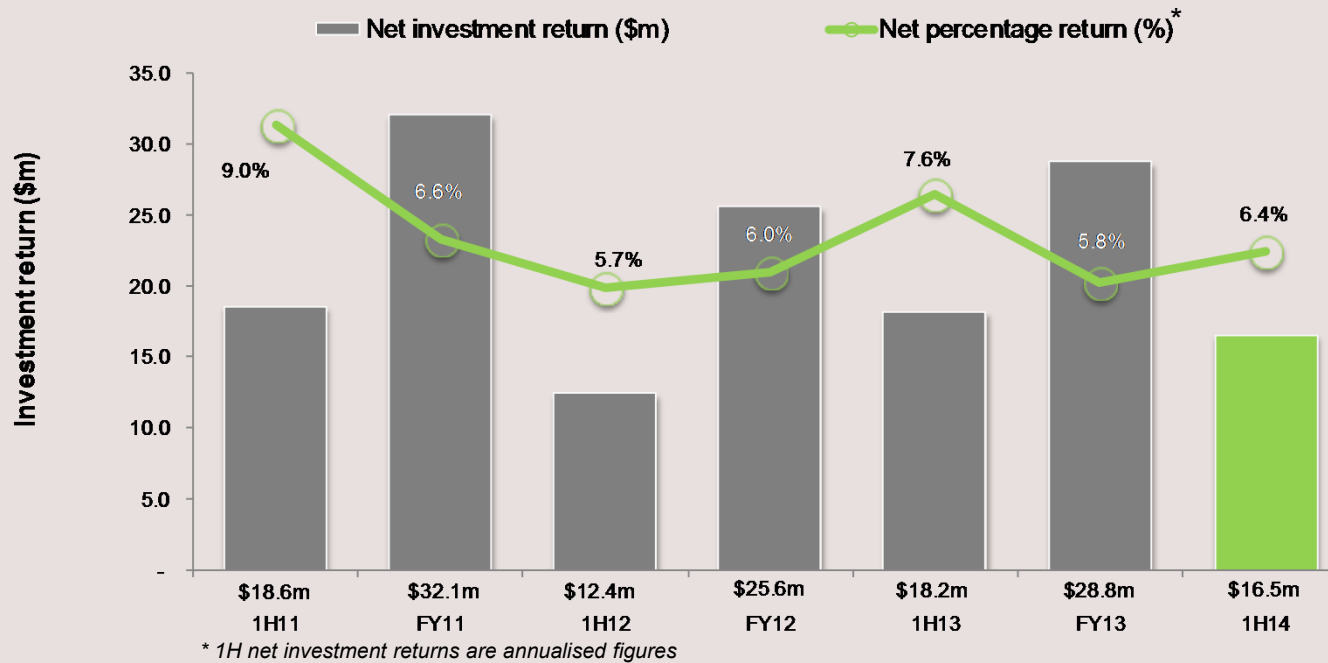
# Gross Profit Drivers



- Premium revenue – product mix of \$1.4 million due to success of product buy-up initiatives reverses historical negative trend
- State levies less due to one off adjustment of \$2.3m in 1H13
- nib NZ gross margin due to additional 5 months (1H13 only 1 month result with business acquired November 2012)
- Risk equalisation net transfer of \$100.9m up 20.3% on 1H13

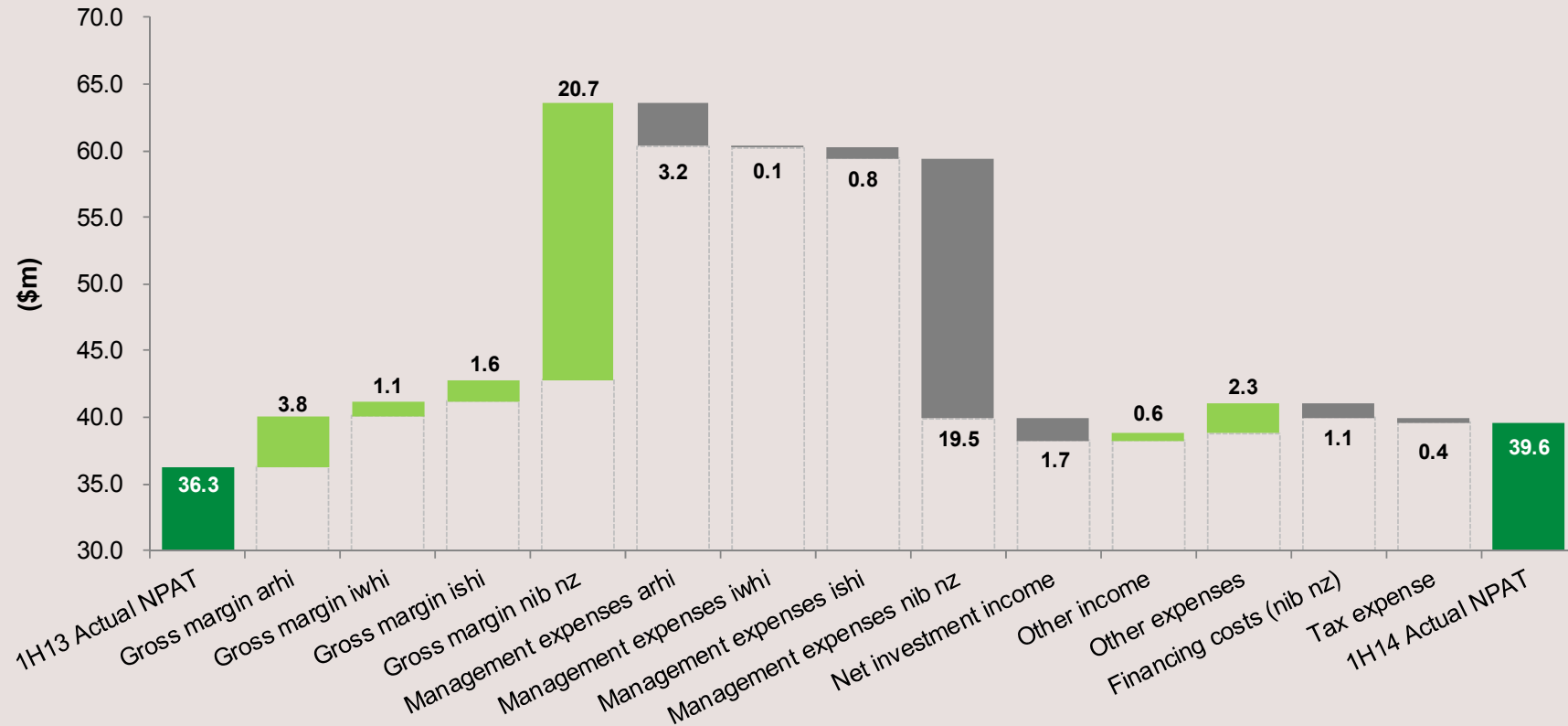


# Investments



- Net investment return of 6.4% (1H13: 7.6%) outperformed internal benchmarks
- Shift in defensive/growth asset allocation from 80%/20% (for Australian regulatory capital) to 75%/25% with no change to internal benchmarks
- Consolidated defensive/growth split of 78%/22% (as at 31/12/13), including nib New Zealand (1H13: 82%/18%)
- Total net investment assets at 31/12/13 of \$548.2m (including head office building of \$39.3m)

# NPAT Summary



- 1H14 nib New Zealand a 6 month result (1H13 a 1 month result with business acquired in November 2012)
- Decrease in other expenses due to one-off acquisition costs in 1H13 (\$3.2m) associated with nib New Zealand acquisition and lower share registry costs (\$0.6m versus 1H13: \$1.1m), offset by nib Options acquisition and operational costs (\$1.2m)



# Cash Flow

(\$m)	1H14	1H13	%
Net cash inflow/(outflow) from operating	<b>26.3</b>	5.0	424.1
Net cash inflow/(outflow) from investing	<b>(31.5)</b>	(8.6)	(265.7)
Net cash inflow/(outflow) from financing	<b>(22.5)</b>	32.6	(168.9)
Net increase (decrease) in cash and cash equivalents	<b>(27.6)</b>	29.0	(195.2)

\* Change is percentage increase or (decrease), 1H14 to 1H13, where results are a percentage, the change shown is difference between two results

- Increase in cash flow from operating due to 1H13 being abnormally low as a result of prepayment of premiums associated with income testing of Australian Government Rebate in June 2012
- Net investing cash outflow in 1H14 due to shift in investment asset allocation as a result of planned reduction in allocation of cash investments
- Net financing cash outflow in 1H14 due to dividends paid, 1H13 financing cash inflow flow due to proceeds from borrowings (acquisition of TOWER Medical Insurance Limited in November 2012), offset by dividends paid of \$22m

# Available Capital Position

	1H14 (\$m)	1H13 (\$m)
<b>Opening available capital position above current internal targets</b>	<b>14.8</b>	<b>13.3</b>
Investment in TOWER Medical New Zealand (nib New Zealand)	-	(18.7)
Allowance for interim dividend	(23.0)	(22.0)
Changes in forecast, liabilities and capital adequacy reserve	(16.3)	(2.2)
Profit after tax	39.6	36.3
<b>Consolidated available capital position above current internal targets</b>	<b>15.1</b>	<b>6.7</b>

- Introduction of PHIAC new capital standards (effective 31 March 2014) is expected to allow nib to reduce its current capital target, with current estimates suggesting this will increase nib's available capital by \$30m - \$40m. A number of strategic opportunities are currently under consideration to determine the best use of this increased available capital
- Changes in forecast, liabilities and capital adequacy reserve due to increase in capital adequacy reserve as a result of increasing deferred commission costs (marketing) and shift in investment asset allocation as a result of planned reduction in allocation of cash investments
- Current gearing of 15.9% (debt to debt plus equity), well below current internal capital target of not more than 30%
- Current internal targets
  - Australia – 1.30x Capital adequacy coverage ratio or Capital adequacy/risk multiple of 2.00 (as at 31/12/13: capital adequacy coverage ratio of 1.38x, Capital adequacy/risk multiple of 2.14)
  - New Zealand 1.75x Minimum solvency capital (as at 31/12/13: Minimum solvency capital of 3.17x)



**MARK FITZGIBBON**

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**CEO AND MANAGING DIRECTOR**

**nib**

## Outlook - arhi

- Continued organic policyholder growth of ~ 4% for FY14 (consistent with target sustainable growth rate) and expected to be 1.5x industry. Ongoing strategy to target <40s (traditional DTC distribution channels) with additional focus on >55s (through retail brokers and new distribution partnerships)
- Continued emphasis to manage lapse rate at current level notwithstanding regulatory and competitor headwinds
- 2014 premium average increase (effective 1 April 2014) of 7.99% will help maintain net margin within target range of 5%-5.5%
- Claims pressure, risk equalisation and public cost shifting expected to continue to place ongoing pressure on gross margin. Industry claims inflation forecast to grow 6%-7% (excluding volume growth) annually
- Sale of Medibank Private possibly to occur in CY14
- Potential for further Government reform and expanded role for PHI

# Outlook - iwahi & ishi

## **iwahi**

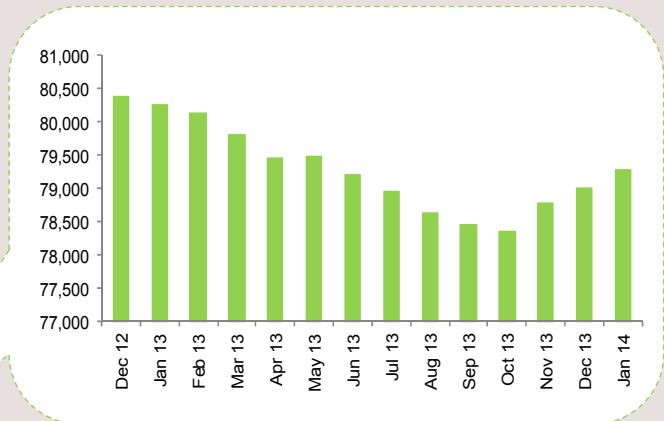
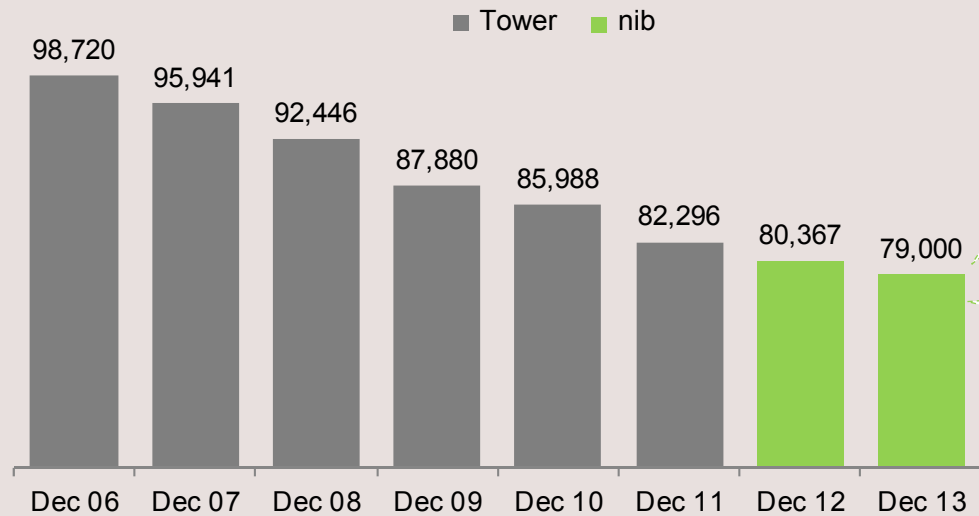
- Policyholder and revenue growth to continue with over 20,000 policyholders forecast by end of FY14
- Visa pipeline expected to remain strong. Upstream relationships with foreign distributors (e.g. United Healthcare) forecast to grow
- MER expected to decline with increased scale and revenue
- Expansion of iwahi business into New Zealand market
- Margins expected to be stable

## **ishi**

- Very strong policyholder growth with over 20,000 policyholders forecast by end of FY14. Distribution strategy expected to continue to drive top line revenue growth
- MER expected to decline with increased scale and revenue
- Expansion of ishi business into New Zealand market
- Margins and profitability of business to further improve

# Outlook - nib New Zealand

Number of nib NZ inforce policies



As at 14 February 2014 we had 79,324 policyholders versus 79,209 at 30 June 2013. Positive policyholder growth coincides with launch of DTC product and marketing campaign in October 2013

- Investment in marketing to continue for 2H14 to grow brand and stimulate DTC policyholder growth
- New advisor product range launched this month which is expected to improve sales and lapse of provider policyholder book
- Renewed focus on group employee market
- Continue to apply nib Group learnings, expertise and resources including provider contracting, IT, online/mobile engagement
- Continuing to actively investigate M&A and other 3rd party distribution opportunities



# Outlook - New Business

## nib Options

- To be launched in March
- Initial efforts focus upon cosmetic surgery
- Value proposition centred around trustworthiness, safety and choice. Includes domestic surgery as an option
- Overseas option involves bundling of transport, medical, accommodation, after care promise, etc
- Emphasis on clinical governance, quality and “after care promise”
- Earnings made through cost of goods sold plus margin (ie not underwriting)
- Plans to expand into New Zealand and other countries

## nib Global (IPMI)

- International Private Medical Insurance offering to be launched through a pilot offering in CY14
- Pursuing “code sharing” partnership with other international insurers to provide global cover

## Other Insurance Lines

- Increased effort and investment in distributing life, travel and other products



## FY14 Guidance

- FY14 consolidated operating profit forecast continues to be in the range of \$73m to \$80m
- FY14 investment income forecast to be line with relevant internal benchmarks

# Q&A

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# APPENDIX

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# nib Policyholder & Other Data

nib Group	1H11	FY11	1H12	FY12	1H13	FY13	1H14
Total policyholders	430,582	446,504	457,768	471,455	564,286	578,659	<b>598,164</b>
- <i>arhi</i>	417,776	431,173	440,707	451,647	462,359	472,264	<b>484,541</b>
- <i>iwhi</i>	12,373	13,899	14,960	16,480	16,880	18,071	<b>19,215</b>
- <i>ishi</i>	433	1,432	2,101	3,328	4,680	9,115	<b>15,408</b>
- <i>nib New Zealand</i>	-	-	-	-	80,367	79,209	<b>79,000</b>
nib New Zealand (Persons covered)	-	-	-	-	167,232	163,148	<b>160,371</b>
Employees (FTEs)	527	572	576	556	662*	692	<b>767</b>
<b><i>arhi</i></b>							
Net policyholder growth	2.7%	6.0%	2.2%	4.7%	2.4%	4.6%	<b>2.6%</b>
Market share	7.4 %	7.5%	7.6%	7.6%	7.7%	7.7%	<b>7.8%</b>
Persons covered	817,583	839,282	859,331	881,922	904,567	927,043	<b>956,207</b>
Average age of hospital persons covered (yrs)	36.0	35.9	35.9	35.8	35.8	35.9	<b>36.2</b>
Total policyholders "under 40"	199,354	208,082	212,157	217,322	221,420	222,746	<b>222,492</b>
- Growth in "under 40" segment	3.2%	7.7%	2.0%	4.4%	1.9%	2.5%	<b>(0.1)%</b>
Total policyholders "over 55"	104,924	106,618	108,889	111,374	114,693	118,881	<b>126,073</b>
- Growth in "over 55" segment	2.0%	3.6%	2.1%	4.5%	3.0%	6.7%	<b>6.0%</b>
Total hospital persons "20-39"	254,438	262,981	269,504	274,922	280,106	280,194	<b>280,688</b>
- Growth in hospital persons "20-39"	3.3%	6.8%	2.5%	4.5%	1.9%	1.9%	<b>0.2%</b>
- Market share	10.4%	10.6%	10.7%	10.7%	10.8%	10.7%	<b>10.6%</b>
Total hospital persons "55+"	137,110	139,292	142,489	145,646	149,871	155,603	<b>165,159</b>
- Growth in hospital persons "55+"	2.2%	3.8%	2.3%	4.6%	2.9%	6.8%	<b>6.1%</b>
- Market share	4.7%	4.7%	4.7%	4.7%	4.8%	4.9%	<b>5.1%</b>
<b><i>arhi Sales by Channel</i></b>							
Call centre	39.4%	39.1%	34.7%	33.9%	32.3%	32.2%	<b>32.0%</b>
Web	35.5%	33.8%	33.3%	29.3%	26.5%	23.4%	<b>21.0%</b>
Broker	9.2%	10.9%	18.1%	22.2%	28.9%	31.8%	<b>35.0%</b>
Retail	14.3%	14.7%	12.3%	13.1%	10.6%	10.7%	<b>9.1%</b>
Corporate	1.5%	1.3%	1.6%	1.4%	1.6%	1.8%	<b>2.3%</b>
Other	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	<b>0.6%</b>

\* Increase in FTEs includes nib New Zealand

Source: nib/Private Health Insurance Administration Council



# Australian PHI Industry Policyholder Data

	1H11	FY11	1H12	FY12	1H13	FY13	1H14
Total policyholders	5,628,419	5,727,566	5,815,019	5,936,660	6,012,420	6,118,351	<b>6,186,569</b>
- Policyholder growth	1.4%	3.2%	1.5%	3.7%	1.3%	3.1%	<b>1.1%</b>
Total persons covered	11,733,719	11,901,915	12,090,453	12,321,848	12,486,627	12,680,337	<b>12,824,890</b>
Average age of hospital persons (yrs)	40.2	40.2	40.2	40.3	40.4	40.4	<b>40.5</b>
Total hospital persons "20-39"	2,445,899	2,477,256	2,511,625	2,562,382	2,588,562	2,627,727	<b>2,650,792</b>
- Growth in hospital persons "20-39"	1.6%	2.9%	1.4%	3.4%	1.0%	2.5%	<b>0.9%</b>
Total hospital persons "55+"	2,924,367	2,969,911	3,035,666	3,086,206	3,150,140	3,197,316	<b>3,258,920</b>
- Growth in hospital persons "55+"	2.3%	3.9%	2.2%	3.9%	2.1%	3.6%	<b>1.9%</b>

Source: Private Health Insurance Administration Council  
 All figures excludes iwhi, ishi and nib New Zealand, unless otherwise stated



## nib & Industry Annual Premium Price Increases (arhi)

	nib		Industry	
	Annual	CAGR*	Annual	CAGR*
2002	2.80%	2.80%	6.90%	6.90%
2003	3.20%	3.00%	7.40%	7.15%
2004	9.10%	4.99%	7.58%	7.29%
2005	13.86%	7.14%	7.96%	7.46%
2006	4.85%	6.68%	5.68%	7.10%
2007	4.65%	6.34%	4.52%	6.67%
2008	4.99%	6.15%	4.99%	6.43%
2009	5.18%	6.02%	6.02%	6.37%
2010	5.95%	6.02%	5.78%	6.31%
2011	6.19%	6.03%	5.56%	6.23%
2012	5.50%	5.99%	5.06%	6.13%
2013	6.50%	6.03%	5.60%	6.08%
2014	7.99%	6.18%	6.20%	6.09%

\* CAGR – Year-on year Compound Annual Growth Rate

- nib's premium increase CAGR for period from 2002 in line with industry CAGR
- Risk equalisation continues to effect nib's premium price increases relative to industry

# Detailed Income Statement

(\$m)	1H12	2H12	FY12	1H13	2H13	FY13	1H14	%*
<b>Premium revenue</b>	<b>554.4</b>	<b>569.4</b>	<b>1,123.8</b>	<b>612.8</b>	<b>677.6</b>	<b>1,290.4</b>	<b>735.4</b>	<b>20.0</b>
- arhi	540.9	554.7	1,095.6	586.7	600.5	1,187.2	649.7	10.7
- iwhi <sup>3</sup>	12.3	12.9	25.2	13.8	13.8	27.6	14.3	3.7
- ishi	1.2	1.8	3.0	2.1	2.2	4.4	3.9	82.9
- nib New Zealand	-	-	-	10.1 <sup>1</sup>	61.1	71.1 <sup>2</sup>	67.5	569.8
<b>Claims expense</b>	<b>(370.7)</b>	<b>(394.7)</b>	<b>(765.4)</b>	<b>(419.4)</b>	<b>(477.3)</b>	<b>(896.7)</b>	<b>(501.1)</b>	<b>19.5</b>
- Hospital benefits paid	(253.7)	(246.1)	(499.8)	(282.9)	(278.3)	(561.2)	(299.4)	5.8
- Ancillary benefits paid	(114.6)	(131.9)	(246.5)	(126.4)	(148.1)	(274.5)	(148.7)	17.8
- OSC provision movement (arhi)	3.8	(9.5)	(5.7)	4.6	(2.6)	2.0	0.1	(98.7)
- iwhi benefits incurred <sup>3</sup>	(5.1)	(5.5)	(10.6)	(6.6)	(5.2)	(11.8)	(6.0)	(8.3)
- ishi benefits incurred	(1.1)	(1.8)	(2.9)	(1.8)	(1.6)	(3.4)	(1.9)	7.7
- nib New Zealand benefits incurred	-	-	-	(6.4) <sup>1</sup>	(41.4)	(47.7) <sup>2</sup>	(45.2)	609.3
<b>Risk equalisation levy</b>	<b>(76.7)</b>	<b>(83.3)</b>	<b>(160.0)</b>	<b>(83.9)</b>	<b>(83.5)</b>	<b>(167.4)</b>	<b>(100.9)</b>	<b>20.3</b>
- OSC risk equalisation margin	(0.8)	(2.1)	(2.9)	(0.4)	2.0	1.6	(1.5)	275.3
- Gross deficit	89.1	87.4	176.5	102.0	100.5	202.6	107.7	5.6
- Calculated deficit	(165.0)	(168.6)	(333.6)	(185.5)	(186.1)	(371.6)	(207.1)	11.6
<b>State levies</b>	<b>(11.7)</b>	<b>(12.1)</b>	<b>(23.8)</b>	<b>(15.3)</b>	<b>(13.6)</b>	<b>(28.8)</b>	<b>(14.1)</b>	<b>(7.4)</b>
<b>Decrease/(Increase) in premium payback liability</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.6<sup>1</sup></b>	<b>2.7</b>	<b>3.3<sup>2</sup></b>	<b>2.7</b>	<b>375.1</b>
<b>Net claims incurred</b>	<b>(459.1)</b>	<b>(490.1)</b>	<b>(949.2)</b>	<b>(518.0)</b>	<b>(571.7)</b>	<b>(1,089.6)</b>	<b>(613.3)</b>	<b>18.4</b>
<b>Gross underwriting result</b>	<b>95.3</b>	<b>79.3</b>	<b>174.6</b>	<b>94.8</b>	<b>106.0</b>	<b>200.8</b>	<b>122.1</b>	<b>28.8</b>
- arhi	87.9	71.8	159.9	82.9	74.4	157.2	86.7	4.6
- iwhi	7.2	7.3	14.5	7.3	8.6	15.9	8.4	14.8
- ishi	0.1	0.0	0.1	0.4	0.6	1.0	2.0	458.7
- nib New Zealand	-	-	-	4.3 <sup>1</sup>	22.4	26.7 <sup>2</sup>	25.0	485.0
<b>Management expenses</b>	<b>(52.6)</b>	<b>(51.3)</b>	<b>(103.8)</b>	<b>(55.7)</b>	<b>(71.3)</b>	<b>(127.0)</b>	<b>(79.4)</b>	<b>42.5</b>
- arhi	(48.1)	(47.2)	(95.3)	(49.5)	(48.8)	(98.2)	(52.7)	6.5
- iwhi	(3.7)	(3.4)	(7.1)	(3.5)	(3.9)	(7.4)	(3.6)	3.6
- ishi	(0.8)	(0.7)	(1.5)	(0.4)	(0.6)	(1.1)	(1.2)	247.8
- nib New Zealand	-	-	-	(2.3) <sup>1</sup>	(18.0)	(20.3) <sup>2</sup>	(21.8)	840.4
<b>Net underwriting result</b>	<b>42.7</b>	<b>28.0</b>	<b>70.7</b>	<b>39.1</b>	<b>34.7</b>	<b>73.8</b>	<b>42.7</b>	<b>9.3</b>
- arhi	39.8	24.7	64.6	33.4	25.6	59.0	34.0	1.8
- iwhi	3.6	4.0	7.5	3.8	4.7	8.4	4.7	25.3
- ishi	(0.7)	(0.7)	(1.4)	(0.1)	(0.0)	(0.1)	0.8	-
- nib New Zealand	-	-	-	2.0 <sup>1</sup>	4.4	6.4 <sup>2</sup>	3.2	63.8
<b>Other income</b>	<b>1.3</b>	<b>2.2</b>	<b>3.6</b>	<b>1.6</b>	<b>1.5</b>	<b>3.1</b>	<b>2.1</b>	<b>36.6</b>
<b>Other expenses</b>	<b>(2.4)</b>	<b>(1.9)</b>	<b>(4.3)</b>	<b>(5.7)</b>	<b>(1.9)</b>	<b>(7.6)</b>	<b>(3.5)</b>	<b>(39.8)</b>
<b>Operating profit</b>	<b>41.7</b>	<b>28.3</b>	<b>70.0</b>	<b>34.9</b>	<b>34.4</b>	<b>69.3</b>	<b>41.4</b>	<b>18.6</b>

\* Change is percentage increase or (decrease), 1H14 to 1H13, where results are a percentage, the change shown is difference between two results

<sup>1</sup> 1H13 nib New Zealand result was a 1 month result with TOWER Medical Insurance acquired November 2012

<sup>2</sup> FY13 nib New Zealand was a 7 month result with TOWER Medical Insurance acquired November 2012

<sup>3</sup> Net of reinsurance



# Detailed Management Expenses

(\$m)	Employment	Marketing (Direct)	Marketing Commissions (Paid)	Marketing Commissions (deferred)	IT	Occupancy	Other	Total Management Expenses	Total MER (%)
<b>arhi</b>									
1H12	22.3	8.3	4.0	-	3.8	3.1	6.6	48.1	8.9
2H12	23.1	12.1	6.6	(8.2)	3.7	2.7	7.2	47.2	8.5
FY12	45.4	20.4	10.6	(8.2)	7.5	5.8	13.8	95.3	8.7
1H13	22.6	11.2	6.5	(4.7)	4.0	3.3	6.5	49.5	8.4
2H13	23.6	8.8	8.6	(6.3)	4.6	3.2	6.3	48.8	8.1
FY13	46.3	20.0	15.1	(11.0)	8.6	6.4	12.8	98.2	8.3
1H14	24.9	9.6	10.1	(6.9)	4.9	3.2	6.9	52.7	8.1
<b>iwhi</b>									
1H12	1.9	0.2	-	-	0.6	0.1	0.9	3.7	30.1
2H12	1.5	0.3	0.1	-	0.5	0.2	0.7	3.2	24.8
FY12	3.4	0.5	0.1	-	1.1	0.3	1.6	7.0	24.6
1H13	1.5	0.6	0.1	-	0.6	0.1	0.6	3.5	25.4
2H13	1.7	1.1	0.1	-	0.5	0.1	0.5	3.9	28.8
FY13	3.2	1.6	0.1	-	1.2	0.2	1.1	7.4	26.9
1H14	2.0	0.7	0.1	-	0.4	0.1	0.4	3.6	25.4
<b>ishi</b>									
1H12	0.4	-	0.3	-	-	-	0.1	0.8	67.5
2H12	0.2	0.1	0.3	-	-	-	0.1	0.7	38.1
FY12	0.6	0.1	0.6	-	-	-	0.2	1.5	49.4
1H13	0.1	-	0.2	-	-	-	-	0.4	19.9
2H13	0.1	0.1	0.4	-	-	-	-	0.6	28.2
FY13	0.3	0.1	0.7	-	-	-	0.1	1.1	24.5
1H14	0.8	0.1	0.4	-	-	-	-	1.2	31.7
<b>nib nzed</b>									
1H13 <sup>1</sup>	0.6	0.1	1.3	-	-	-	0.3	2.3	23.0
2H13	4.3	0.4	8.2	(0.5)	0.5	0.2	4.9	18.0	29.4
FY13 <sup>2</sup>	5.0	0.5	9.5	(0.5)	0.5	0.3	5.1	20.3	28.5
1H14	5.2	3.0	8.7	(0.1)	0.9	0.3	3.8	21.8	32.3

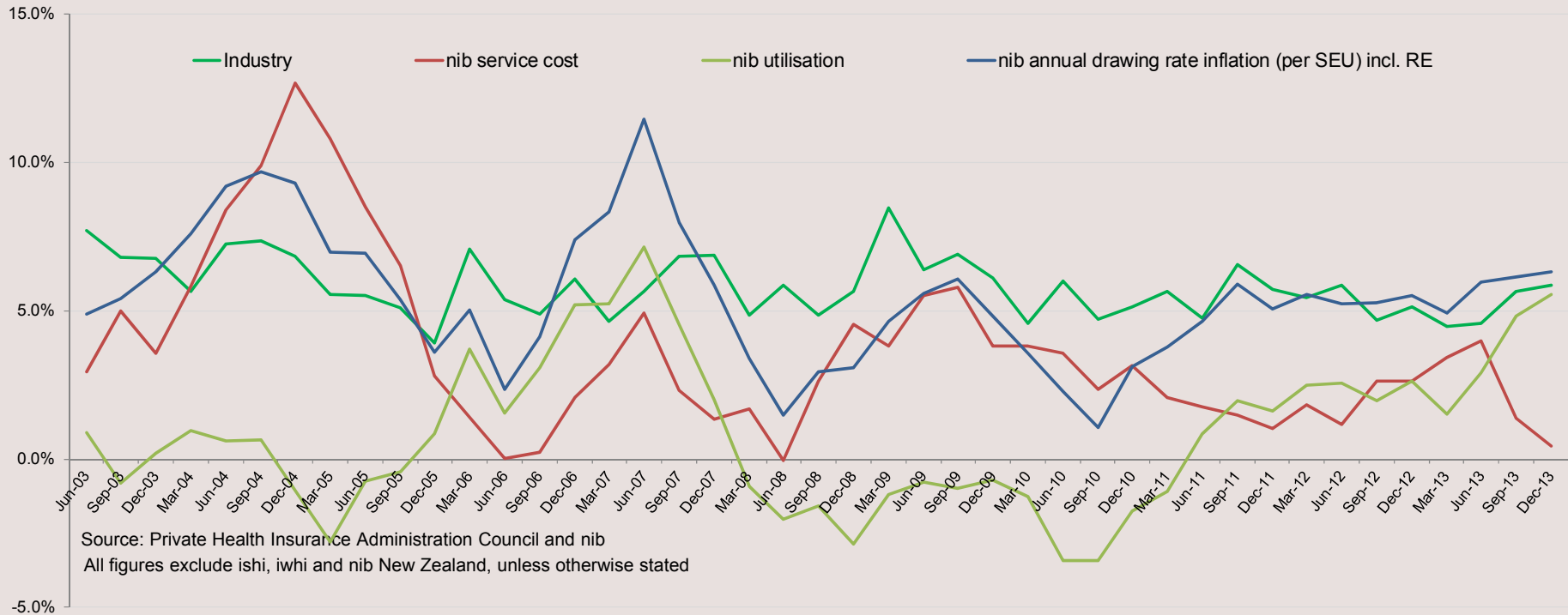
<sup>1</sup> 1H13 nib New Zealand result was a 1 month result with TOWER Medical Insurance acquired November 2012

<sup>2</sup> FY13 nib New Zealand result was a 7 month result with TOWER Medical Insurance acquired November 2012



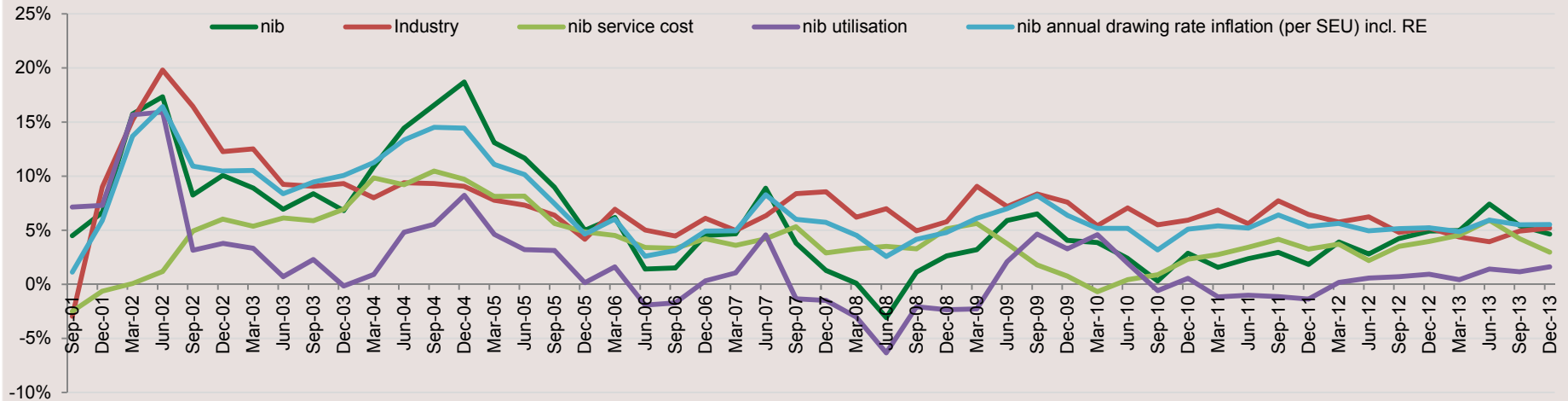
# arhi Claims

## Overall claims inflation (hospital and ancillary)

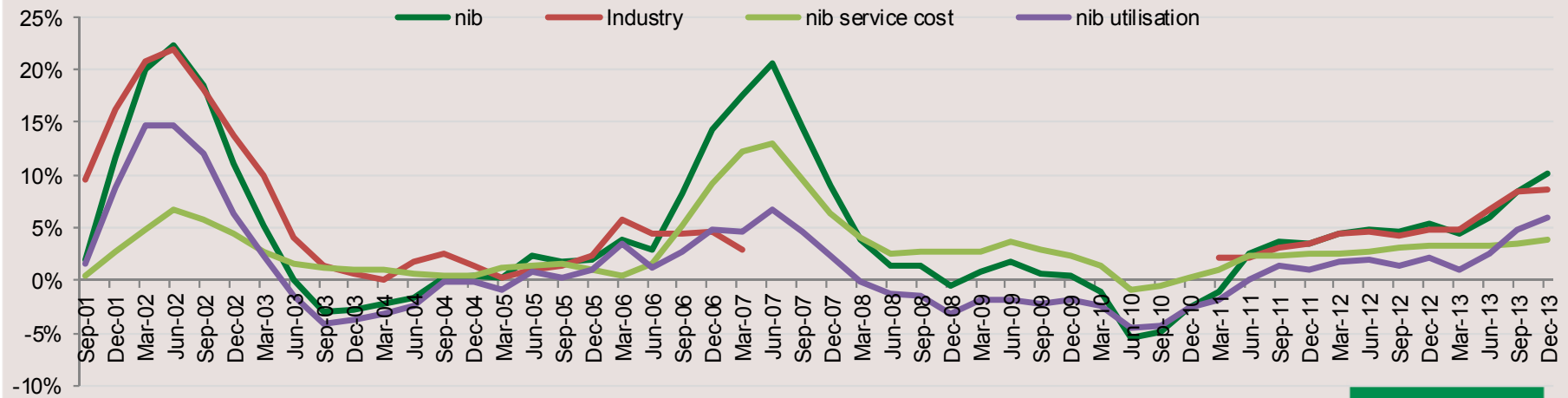


# arhi Claims

## Hospital claims inflation



## Ancillary claims inflation



Source: Private Health Insurance Administration Council and nib  
 All figures exclude ishi, iwhi and nib New Zealand, unless otherwise stated



# Premium Payback Liability (nib New Zealand)

- Premium payback liability relates to products that were sold between 1992 and 2004 that are no longer on offer. Customers holding payback policies 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. There are 2 types of policy with 96% of the central estimate NZ\$41.1 million out of NZ\$42.8 million relating to 3,967 policies in force. The 2nd type has 1,504 policies in force.
- Liability is matched with investments of approximately the same duration, therefore gains and losses as a result of movements in the discount rate are offset by losses and gains in investment returns
- Central estimate has reduced from NZ\$50.6m in December 2012 to NZ\$42.8m in December 2013 due to reduction in expected payouts and an increase in expected investment income
- Investment income expected increased by NZ\$2.3m in June 2013 as a result of matching the gross liability with investment assets
- Risk margin reduction due to change in early lapse assumptions and exclusion of interest rate risk
- Liability is translated to AUD at balance date, income statement effect is translated to AUD based on foreign currency rates during the period
- Liability has increased by AU\$3.4 million due to strengthening of the New Zealand dollar (AU\$2.9m for the 6 months to June 2013)

## Components of Premium Payback Liability

(\$m)	Dec-13	Jun-13	Dec-12
<b>Premium payback liability NZD</b>			
Expected payouts based on net premium over claims paid to date	59.7	61.0	62.4
Expected profit on lapse prior to payback date	(3.4)	(3.7)	(3.3)
Investment income (effect of discounting the liability)	(13.4)	(12.1)	(8.5)
<b>Central Estimate</b>	<b>42.8</b>	<b>45.2</b>	<b>50.6</b>
Risk Margin	1.5	2.3	4.0
<b>Premium payback liability NZD</b>	<b>44.4</b>	<b>47.5</b>	<b>54.6</b>
<b>Premium payback liability AUD</b>	<b>40.8</b>	<b>40.2</b>	<b>43.1</b>

## Movement in Central Estimate

(\$m)	Dec-13	Jun-13
Opening Balance - central estimate NZD	45.2	50.6
Funding - new premium	3.9	4.0
Payouts (medical claims and settlements)	(6.2)	(6.8)
Movement in discount rate	(0.1)	(0.3)
Discount rate conversion	0.0	(2.3)
Closing Balance - Central estimate NZD	42.8	45.2



# Investments

	Consolidated		Australian Investment Portfolio		New Zealand Investment Portfolio	
	Balance (\$m) at 31/12/13	Allocation (%) at 31/12/13	Net return (\$m) 6 months to 31/12/13	Allocation (%) at 31/12/13	Net return (\$m) 6 months to 31/12/13	Allocation (%) at 31/12/13
Cash	101.0	18.4	2.7	17.5	0.3	22.9
Fixed interest	328.8	60.0	4.6	56.4	0.5	77.1
<b>Total defensive</b>	<b>429.8</b>	<b>78.4</b>	<b>7.3</b>	<b>73.9</b>	<b>0.9</b>	<b>100.0</b>
Australian shares	32.3	5.9	2.8	7.1	-	-
Global shares – hedged	13.7	2.5	1.4	3.0	-	-
Global shares – unhedged	29.0	5.3	4.1	6.4	-	-
Direct property	39.3	7.2	-	8.7	-	-
Property trusts	0.7	0.1	-	0.2	-	-
Unlisted security	3.4	0.6	0.1	0.7	-	-
<b>Total growth</b>	<b>118.4</b>	<b>21.6</b>	<b>8.4</b>	<b>26.1</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>548.2</b>	<b>100.0</b>	<b>15.7</b>	<b>100.0</b>	<b>0.9</b>	<b>100.0</b>

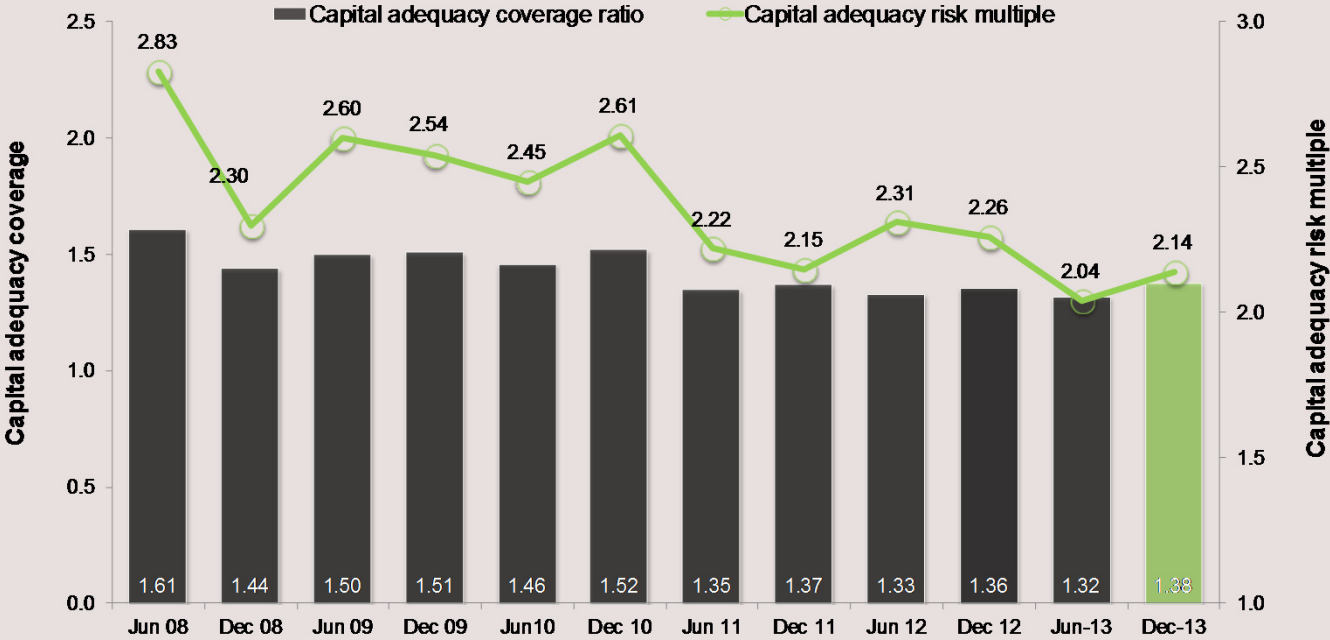
- All available capital above internal targets is held in 100% cash

# Balance Sheet

(\$m)	31-Dec-13	30-Jun-13	Change	
			(\$m)	(%)
<b>Assets</b>				
Cash and cash equivalents	116.0	143.1	(27.1)	(18.9)
Receivables	43.4	51.9	(8.5)	(16.4)
Financial assets at fair value through P&L	404.7	351.8	52.9	15.0
Deferred acquisition costs	35.4	27.2	8.2	30.1
Property, plant and equipment	47.1	41.7	5.3	12.8
Intangibles	96.0	91.3	4.7	5.2
Other assets	6.7	5.3	1.3	24.7
<b>Total assets</b>	<b>749.1</b>	<b>712.3</b>	<b>36.8</b>	<b>5.2</b>
<b>Liabilities</b>				
Payables	103.2	99.2	4.0	4.0
Borrowings	66.1	62.4	3.7	5.9
Outstanding claims liability	83.0	81.4	1.6	2.0
Unearned premium liability	91.9	93.4	(1.5)	(1.6)
Premium payback liability	40.8	40.2	0.6	1.6
Other liabilities	14.5	9.5	5.0	53.3
<b>Total liabilities</b>	<b>399.6</b>	<b>386.1</b>	<b>13.5</b>	<b>3.5</b>
<b>Net assets</b>	<b>349.5</b>	<b>326.2</b>	<b>23.4</b>	<b>7.2</b>

• Change is percentage increase or (decrease), 31 December 2013 to 30 June 2013, where results are a percentage, the change shown is difference between two results

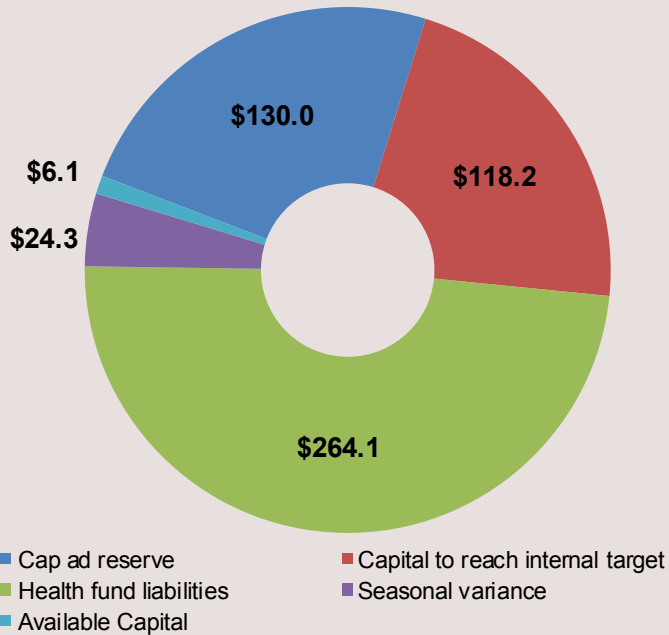
# Capital Adequacy



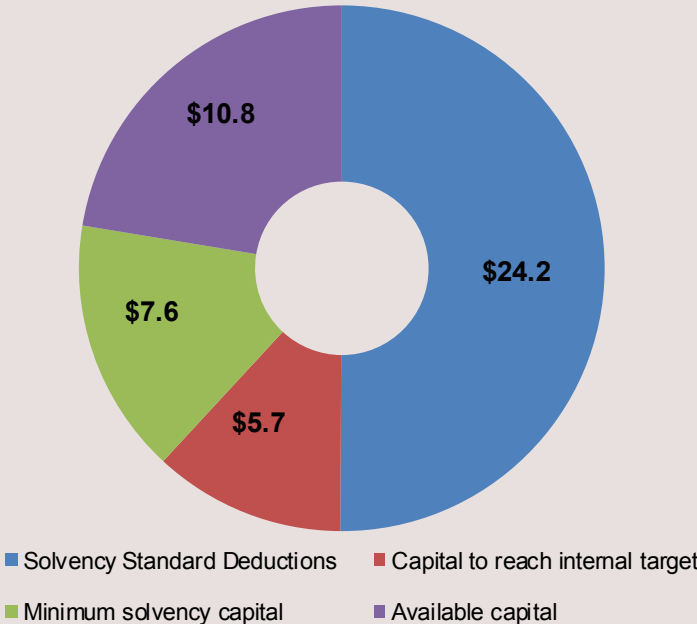
# Regulatory Capital Requirements

- \$15.1m of available capital across the Group above internal targets after allowing for interim dividend and holding company funding requirements

**Australian fund capital allocation  
(at 31 December 2013)**



**New Zealand fund capital allocation  
(at 31 December 2013)**



# Disclaimer

The material in this presentation is a summary of the results of nib holdings limited (nib) for the 6 months ended 31 December 2013 and an update on nib's activities and is current at the date of preparation, 24 February 2014. Further details are provided in nib's half year accounts and results announcement released on 24 February 2014.

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The financial information disclosed has been prepared on a statutory basis, which is consistent with the financial information provided in the Listing Prospectus. Due care and consideration should be undertaken when considering and analysing nib's financial performance. All references to dollars are to Australian Dollars unless otherwise stated.

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