

11 September 2014

The Manager
Company Announcements
Australian Securities Exchange Limited
Level 4, Bridge Street
SYDNEY NSW 2000

2014 Full Year Results Investor Presentation updated with available industry data

On 25 August 2014 nib lodged with ASX an investor presentation for the company's 2014 full year results. At the time of lodging, Private Health Insurance Administration Council (PHIAC) had not publicly released industry data for the June 2014 quarter. Due to some slides within the presentation referring to industry data, it was noted within the presentation that industry statistics for the June quarter were not available at the time of lodging with ASX.

On 2 September 2014, PHIAC made available the June 2014 quarter industry data. With this information now publicly available, nib has updated its 2014 full year results investor presentation. Attached is an updated 2014 full year results investor presentation, noting slides 22, 28, 29, 32 and 33 have been updated with the relevant industry data.

Yours sincerely,



Michelle McPherson
Company Secretary/Chief Financial Officer

2014 FULL YEAR RESULTS INVESTOR PRESENTATION

MONDAY 25 AUGUST 2014

The nib logo consists of the lowercase letters 'nib' in a white, bold, sans-serif font, positioned inside a dark green square. The square is located in the bottom right corner of the slide, overlapping the light green background.

MARK FITZGIBBON

CEO AND MANAGING DIRECTOR

nib

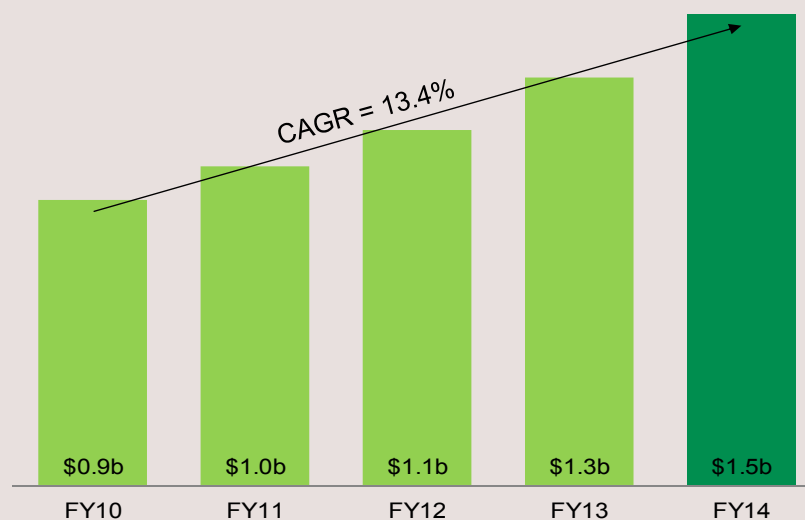
FY14 group summary

- Operating profit of \$72.3m up 4.3% on FY13 with premium revenue up 15.6% to \$1.5b¹
- Net profit after tax up 3.9% to \$69.8m (FY13: \$67.2m)
- FY14 EPS of 15.9c up 3.9% (FY13: 15.3c). Return on equity 20.8% (FY13: 21.6%)
- Group operating profit hampered by weaker arhi performance. While premium revenue was up 10.7%, arhi's operating profit result of \$57.0 was 3.5% below FY13 with a weak 12.3% gross margin (FY13: 13.2%) and 4.2% net margin (FY13: 5.0%). Corrective measures being taken including 7.99% premium increase and product changes
- All other businesses grew profitability:
 - International Students Health Insurance (ishi) operating profit of \$1.9m (FY13: \$(0.1)m)
 - International Workers Health Insurance (iwhi) operating profit of \$9.4m (FY13: \$8.4m)
 - nib New Zealand operating profit of \$7.4m²
 - Other insurance commissions (non-underwritten) of \$2.2m (FY13: \$1.9m)
- Operating cash flow of \$93.7m (average of \$84.2m p.a. across 4 years since FY11)
- nib New Zealand business transition completed, new management team installed, direct-to-consumer (DTC) channel launched and no material loss of customer base
- New business initiatives included nib Options, "Whitecoat" and partnership with Apia
- Full year fully franked ordinary dividend of 11.0cps (interim: 5.25cps, final: 5.75cps) up 10% (payout ratio 69% of NPAT)
- Special dividend (capital management initiative) of 9.0cps (fully franked) equating to a \$39.5m release of capital

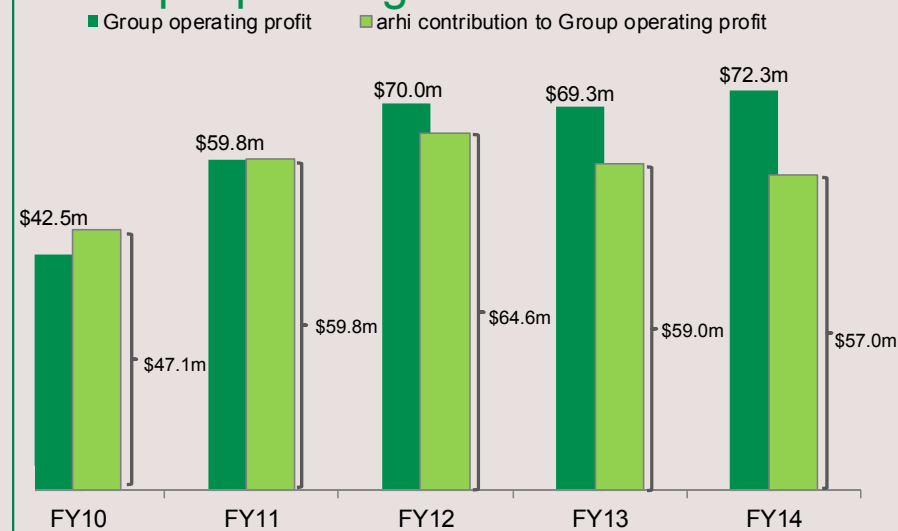
¹ Premium revenue would have been up 10.9% on FY13 to \$1.4b excluding nib New Zealand. Business acquired in November 2012 and FY13 being only a 7 month result, compared to 12 months in FY14
² FY13 not comparable to FY14 as only a 7 month result with business acquired November 2012

Performance metrics

Group Premium Revenue

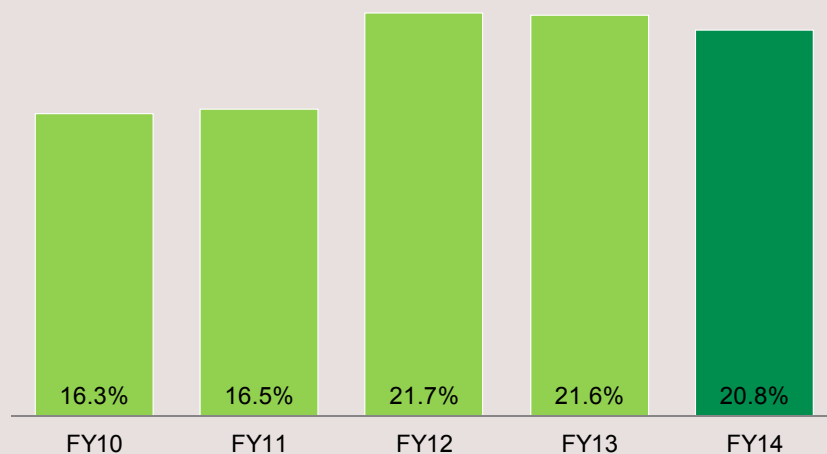


Group Operating Profit

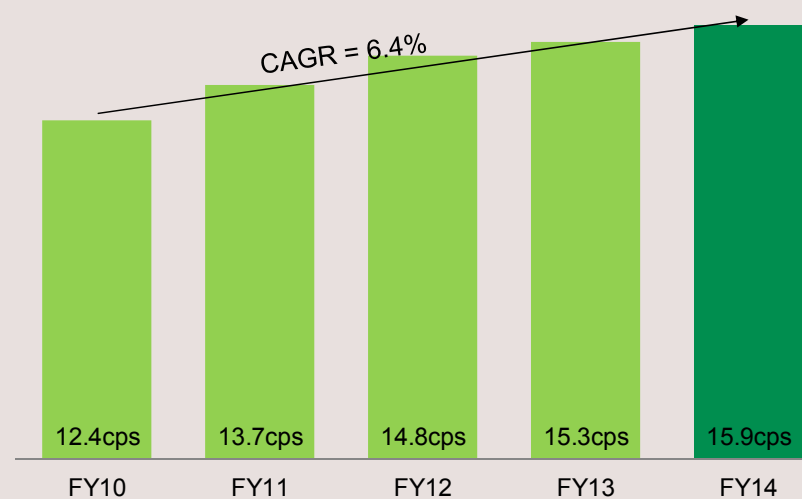


Performance metrics

Return On Equity



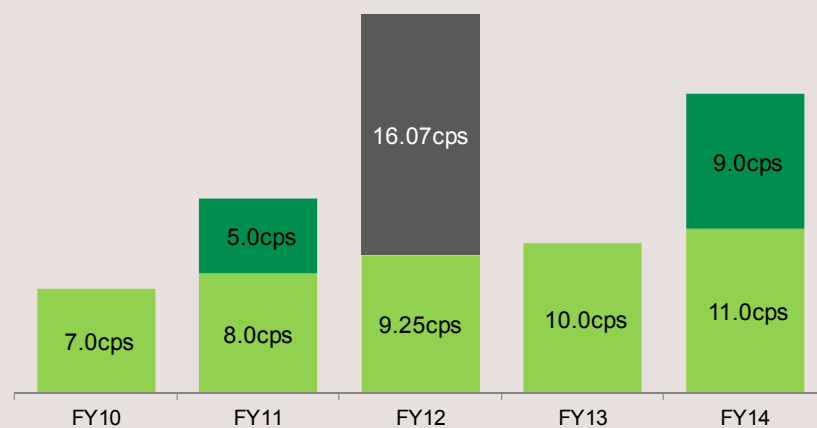
Earnings Per Share



Performance metrics

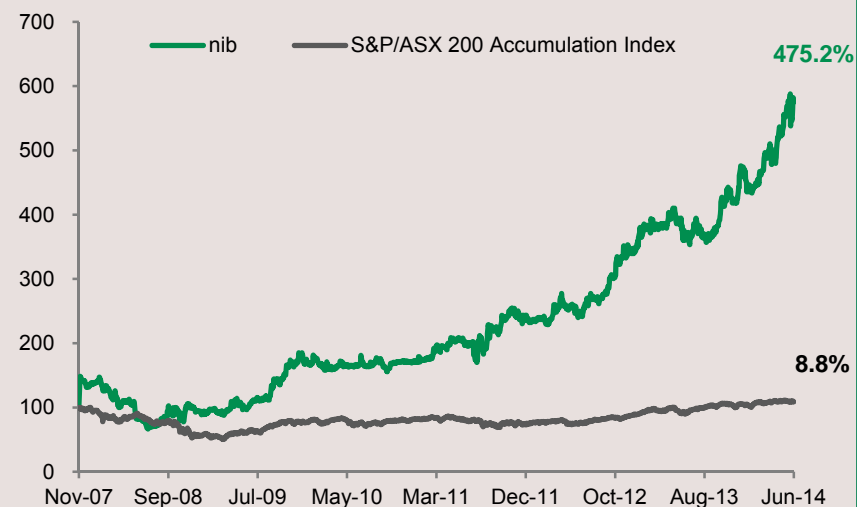
Dividends & Capital Management*

■ Ordinary Dividend ■ Special Dividend ■ Capital Return



* Other capital management initiatives included an on-market share buyback of 10% of issued capital

Total Shareholder Return*



* TSR rebased to 100 (assumes capital returns and dividends re-invested at the payout date)

MICHELLE MCPHERSON

**CHIEF FINANCIAL OFFICER
AND DEPUTY CEO**

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Group income statement

(\$m)	FY14	FY13 [#]	%*
Group premium revenue ¹	1,491.6	1,290.4	15.6
Claims expense ¹	(1,040.0)	(896.7)	16.0
Risk equalisation	(190.6)	(167.4)	13.8
State levies	(28.2)	(28.8)	(2.3)
Premium payback liability movement	3.3	3.3	0.8
Gross underwriting result	236.2	200.8	17.6
- Gross profit margin	15.8%	15.6%	0.2
Acquisition costs	(67.9)	(52.2)	29.9
Claims handling and other underwriting expenses	(94.2)	(74.8)	26.0
Net underwriting profit	74.1	73.8	0.5
- Group underwriting margin	5.0%	5.7%	(0.7)
Other income	5.7	3.1	82.8
Other expenses	(7.5)	(7.6)	(1.2)
Operating profit	72.3	69.3	4.3
Finance costs	(2.7)	(1.4)	98.6
Net investment income	29.7	28.8	3.0
Profit before income tax	99.2	96.7	2.6
Income tax expense	(29.4)	(29.5)	(0.4)
NPAT	69.8	67.2	3.9
Profit is attributable to:			
Owners of nib holdings limited	69.9	67.2	4.1
Non-controlling interests	(0.1)	-	na
EPS	15.9cps	15.3cps	3.9

¹ Net of reinsurance

[#] FY13 was only a 7 month result for nib New Zealand with business acquired November 2012

* Change is percentage increase or (decrease), FY14 to FY13, where results are a percentage, the change shown is difference between two results

Strong arhi growth although lapse is a brake

	FY14	FY13	%*
Total policyholders	486,794	472,264	3.1
- Net policyholder growth	3.1%	4.6%	(1.5)
Net new policyholders	14,530	20,617	(29.5)
Total sales	71,060	66,379	7.1
- Sales rate	15.0%	14.7%	0.3
- Sales new to category	49.3%	58.2%	(8.9)
- Sales under 40 years of age	53.7%	67.1%	(13.4)
- Sales over 55 years of age	21.9%	11.8%	10.1
- Sales online (nib.com.au)	20.8%	23.4%	(2.6)
- Sales retail broker	31.0%	31.8%	(0.8)
- Sales outside NSW/ACT	56.1%	51.2%	4.9
Total lapses	56,536	45,762	23.5
- Lapse rate	12.0%	10.1%	1.8

* Change is percentage increase or (decrease), FY14 to FY13, where results are a percentage, the change shown is difference between two results

- Sales remain strong up 7.1% on FY13 and API per sale increased 15.4% to \$2,343 (FY13: \$2,030)
- Lower sales new to category reflects successful focus and investment on over 55s sales (including Apia relationship) which increased 10.1% on FY13
- Retail broker sales steady. Sales online lower due to changing marketing mix to optimise cost of acquisition across channels. Amortisation of deferred acquisition costs currently accounts for 0.6% of the 8.1% MER and future levels are well understood and managed
- Lapse continues to be our greatest challenge in terms of policyholder growth up 23.5% on FY13. Changes to Government Rebate and above industry average 2014 premium increase appear to be drivers of increased lapse

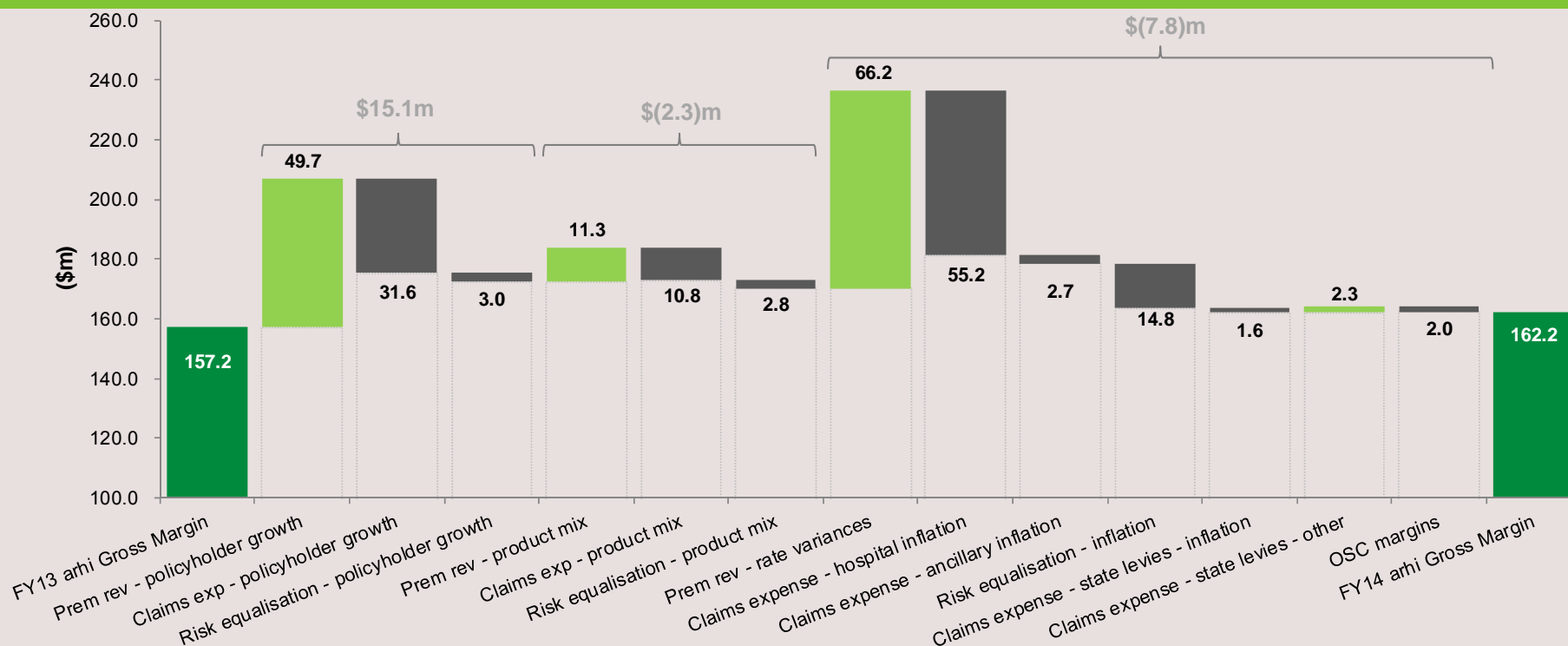
arhi claims inflation behind gross margin weakness

(\$m)	FY14	FY13	%*
Premium revenue	1,314.5	1,187.2	10.7
- % of total Group	88.1%	92.0%	(3.9)
Claims (excluding risk equalisation)	(961.7)	(862.6)	11.5
Risk equalisation	(190.6)	(167.4)	13.8
Gross underwriting result	162.2	157.2	3.1
- Gross margin (%)	12.3%	13.2%	(0.9)
Management expenses	(106.4)	(98.2)	8.3
- MER (%)	8.1%	8.3%	(0.2)
Net underwriting result	55.8	59.0	(5.5)
- Net margin (%)	4.2%	5.0%	(0.8)
Other income	1.2	-	na
Operating profit	57.0	59.0	(3.5)
- % of Group	78.9%	85.2%	(6.4)

* Change is percentage increase or (decrease), FY14 to FY13, where results are a percentage, the change shown is difference between two results

- Premium revenue up 10.7% driven by policyholder growth, higher API per sale and premium increases
- Claims expense (excluding risk equalisation) up 11.5% primarily due to policyholder growth, private hospital inflation (mainly utilisation), public hospital utilisation and product mix (selling higher value products, ie over 55s, and high utilisation on Top Extras 85% product). Refer slide 11 for further analysis
- Number of initiatives underway focussing on reducing level of claims inflation
- Management expenses up 8.3% due to increase in employee costs (frontline), increased investment in IT and retail broker commissions, with MER of 8.1% (FY13: 8.3%) lowest since listing
- Net operating profit down 3.5% primarily due to gross margin weakness
- \$1.2m arhi other income in FY14 associated with one off provider contract sign on fee

arhi gross margin analysis



- Expected favourable product mix effect due to marketing strategies, eg Virgin Silver has been more than offset by an adverse selection trend on the comprehensive 'Top Extras 85%' general treatment product which saw a gross margin loss of \$8.8m during FY14. Corrective measures on pricing implemented and product offering changes underway
- Private hospital and prosthesis inflation makes up over two-thirds of the \$55.2m hospital claims inflation variance. Hip replacements, eye surgery and mental health services have experienced above average inflation
- Utilisation of public hospitals continues to grow, we've been able to offset this by containing service cost

ishi distribution driving strong top line growth

(\$m)	FY14	FY13	%*
Total policyholders	26,176	9,115	187.2
Premium revenue	9.2	4.4	110.8
- % of total Group	0.6%	0.3%	0.3
Claims	(5.1)	(3.4)	48.9
Gross underwriting result	4.2	1.0	322.1
- Gross margin (%)	45.4%	22.7%	22.7
Management expenses	(2.7)	(1.1)	150.4
- MER (%)	29.1%	24.5%	4.6
Net underwriting result	1.5	(0.1)	-
- Net margin (%)	16.3%	(1.8)%	18.1
Other income	0.4	-	na
Operating profit	1.9	(0.1)	(3.5)
- % of Group	2.6%	(0.1)%	-

* Change is percentage increase or (decrease), FY14 to FY13, where results are a percentage, the change shown is difference between two results

- Policyholder sales and revenue growth remain strong due to “upstream” distribution strategy
- Improved gross margin result due to increased risk pool given scale of business
- Increase in full year management expenses due to growth and business operating in standalone mode resulting in additional corporate costs of \$1.5m in FY14 being absorbed
- Other income reflects discounting (recurring) of unearned premium liability

iwhi growing policyholders while maintaining margins

(\$m)	FY14	FY13	%*
Total policyholders	19,108	18,071	5.7
Premium revenue ¹	28.7	27.6	4.0
- % of total Group	1.9%	2.2%	(0.3)
Claims ¹	(11.9)	(11.8)	0.8
Gross underwriting result	16.9	15.9	6.3
- Gross margin (%)	58.6%	57.4%	1.2
Management expenses	(7.4)	(7.4)	(0.3)
- MER (%)	25.8%	26.9%	(1.1)
Net underwriting result	9.4	8.4	12.1
- Net margin (%)	32.9%	30.5%	2.4
Other income	-	-	na
Operating profit	9.4	8.4	12.1
- % of Group	13.1%	12.2%	0.9

* Change is percentage increase or (decrease), FY14 to FY13, where results are a percentage, the change shown is difference between two results

¹ Net of reinsurance

- Market conditions tougher than previous years due to softening labour demand however sales still strong (FY14 net policyholder growth 5.7%)
- Continued strong track record of stable gross and net margin
- 13.1% of Group operating profit

nib NZ transition and rebranding complete, ready to grow market and nib's share

(\$m) ¹	FY14	FY13 ² – 7 month result
Total policyholders	79,147	79,209
Premium revenue	139.2	71.1
- % of total Group	9.3%	5.5%
Claims	(89.5)	(47.7)
Decrease in premium payback liability	3.3	3.3
Gross underwriting result	53.0	26.7
- Gross margin (%)	38.1%	37.5%
Acquisition costs (direct and commissions)	(25.4)	(11.2)
- Acquisition costs (%)	(18.3)%	(15.7)%
Claims handling and other underwriting costs	(20.2)	(9.1)
- Claims handling and other underwriting costs (%)	(14.5)%	(12.8)%
Total management expenses	(45.6)	(20.3)
- MER (%)	32.8%	28.5%
Net underwriting result	7.4	6.4
- Net margin (%)	5.3%	9.0%
Other income	-	-
Operating profit	7.4	6.4
- % of Group	10.2%	9.5%

¹ All figures are Australian dollars unless otherwise stated

² FY13 was only a 7 month result for nib New Zealand with business acquired November 2012

- No material change in total policyholders, appears long-term trend of customer losses has been arrested
- Business transition and rebranding complete, new management team installed
- Launch of direct-to-consumer (DTC) product offering in 1H14. DTC now our biggest sales channel (in terms of policies), accounting for 40.6% of total sales of 10,513 policies in FY14, 57.1% of DTC customers aged under 40, with 52.0% of all DTC sales made online
- Advisor relationships being strengthened, new advisor only product range launched 2H14. Advisor channel cost of acquisition still very high
- Operating profit of \$7.4m includes significant investment in growth and benefited from lower than forecast claims expense

nib Options

(\$m)	FY14	FY13*
Other income	0.4	-
Other expenses	(2.9)	-
Operating profit	(2.5)	-

** nib Options launched in March 2014, no operating expenditure in FY13*

- nib Options operating expenditure of \$2.9m to build and launch business in 2H14, offset by \$0.3m in subscription income (other income)
- Efforts to date have largely focussed upon developing marketing plans, systems, resources/tools for customers and establishing hospital and provider networks
- FY15 will see further investment and acceleration of business activity

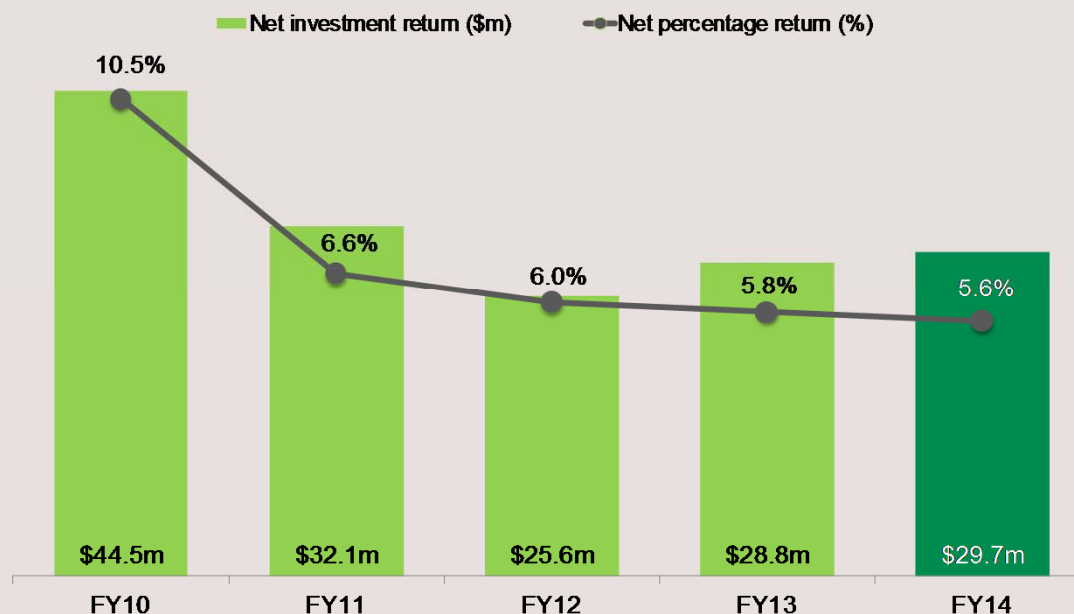
Other income, expenses (excluding nib Options) & finance costs

(\$m)	FY14	FY13	%*
Complementary insurance			
Life and funeral insurance commission	1.8	1.5	17.0
Travel insurance and other commission	0.4	0.4	2.9
Total complementary insurance	2.2	1.9	14.1
Other income (excluding nib Options and complementary insurance)			
Agency fee	0.2	0.1	51.0
Rental income	0.9	0.8	9.7
Sundry income	2.1	0.3	626.4
Total other income	3.1	1.2	158.4
Other expenses (excluding nib Options)			
Share registry	1.2	1.7	(28.0)
M&A	0.8	3.6	(77.7)
Other	2.6	2.4	10.4
Total other expenses	4.6	7.6	39.4
Finance Costs	2.7	1.4	98.6

* Change is percentage increase or (decrease), FY14 to FY13

- Life and funeral insurance commissions up 17.0% due to upselling and premium increases
- Other income includes one off provider contract sign on fee
- Other expenses of \$4.6m (down 39.4%) include:
 - Share registry costs down 28.0% due to campaign in FY13 to encourage retail shareholders to provide direct credit details for dividend payments
 - M&A costs reflects ongoing exploration of opportunities
- Finance costs relate to nib New Zealand debt facility, with FY13 being a 7 month period

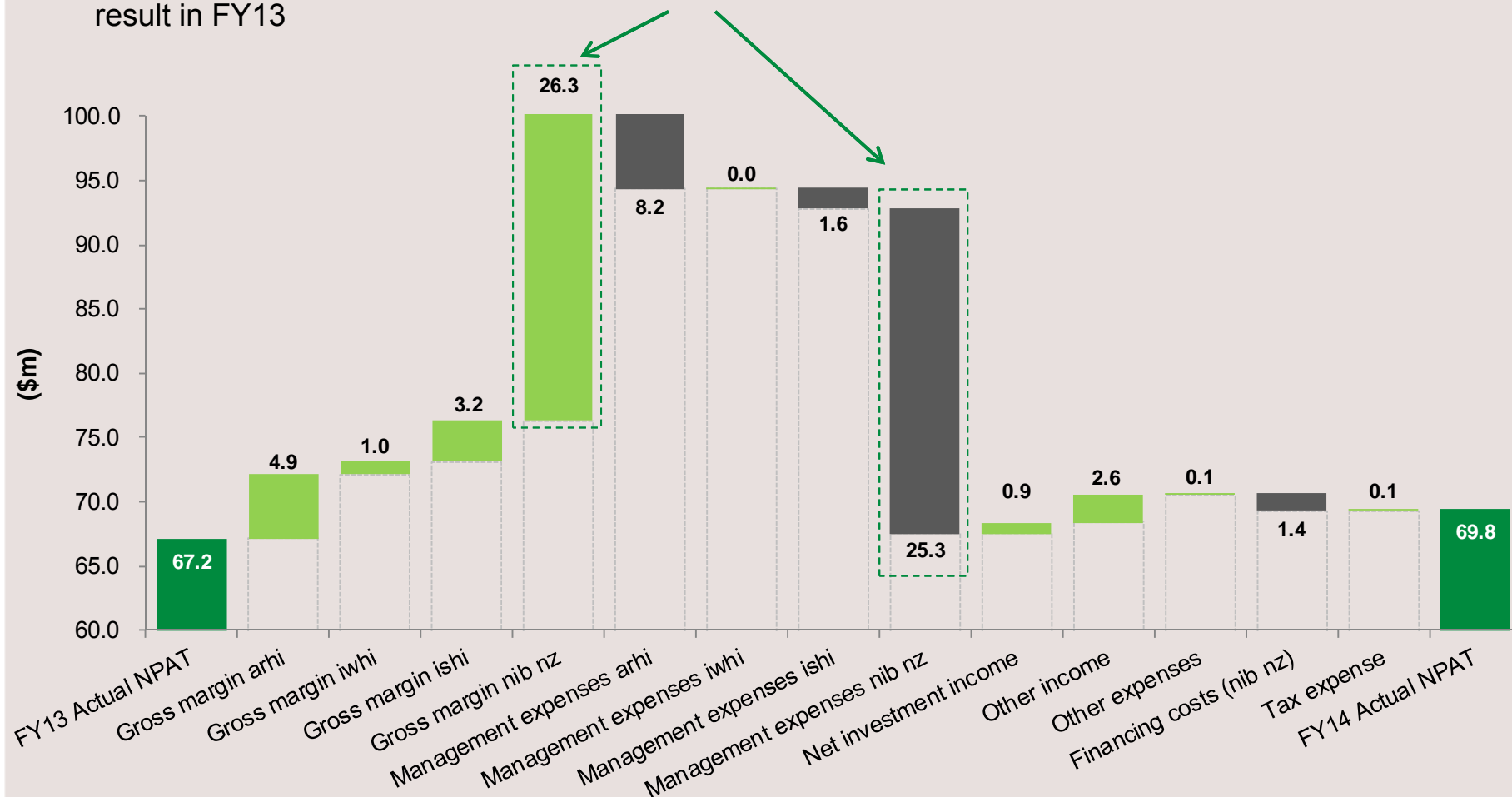
Investment returns above internal benchmarks



- Above internal benchmark investment returns for the period, primarily due to equity asset class performance
- Consolidated defensive/growth split of 83%/17%, including nib New Zealand (FY13: 85%/15%)
- Total net investment assets at 30 June 2014 of \$581.7m (including Newcastle office building)

NPAT drivers

- nib New Zealand variances largely driven by a full 12 month result in FY14 compared to a 7 month result in FY13



Generating strong operating cashflows

(\$m)	FY14	FY13	%
Net cash inflow/(outflow) from operating	93.7	20.0	367.6
Net cash inflow/(outflow) from investing	(42.0)	24.0	(275.1)
Net cash inflow/(outflow) from financing	(46.3)	10.5	(541.5)
Net increase (decrease) in cash and cash equivalents	5.4	54.5	(90.1)

* Change is percentage increase or (decrease), FY14 to FY13

- Operating cash inflow lower in FY13 due to prepayment of premiums in FY12 to avoid income testing of Government Rebate
- Investing cash outflow down in FY14 due to reallocation from cash to fixed interest in Australia
- Financing cash outflow lower in FY14 due to dividends paid during the year. FY13 dividends paid were offset by proceeds from borrowings (nib New Zealand)
- Average operating cashflow of \$84.2m p.a. across 4 years FY11 – FY14

Available capital position

	FY14 (\$m)	FY13 (\$m)
Opening available capital position above internal targets	14.8	13.3
Net profit after tax	69.8	67.2
Movement in foreign currency transaction reserve direct to equity	2.0	1.2
Movement in other reserves direct to equity	3.4	0.1
Changes in debt	5.9	59.1
Changes in New Zealand intangibles and other liabilities	(1.4)	(37.6)
Changes in other intangibles, other assets and liabilities	(1.3)	(0.2)
(Increase)/Decrease in capital required nib health funds	49.0	(7.9)
(Increase)/Decrease in capital required nib New Zealand	(11.8)	(36.6)
Increase in allowance for debt net tangible assets covenant and \$5.0m buffer for forecast volatility	(23.9)	-
Interim dividend paid and allowance for final dividend	(48.3)	(43.9)
Allowance for special dividend	(39.5)	-
Consolidated available capital position above internal targets	18.7	14.8

- Gearing ratio at 30 June 2014 of 15.8% (debt to debt plus equity)
- The \$39.5m capital release by way of special dividend would have resulted in a gearing ratio at 30 June 2014 of 17.4% (debt to debt plus equity) being 160 bps higher had capital been released at that date
- nib will raise debt up to a level that achieves a long term average gearing ratio of 30%, with a short to medium term target of 25% based on business as usual with the remaining 5% available for strategic M&A opportunities, noting that for a significant transaction gearing may be above 30% for a short time if necessary to effect the transaction

MARK FITZGIBBON

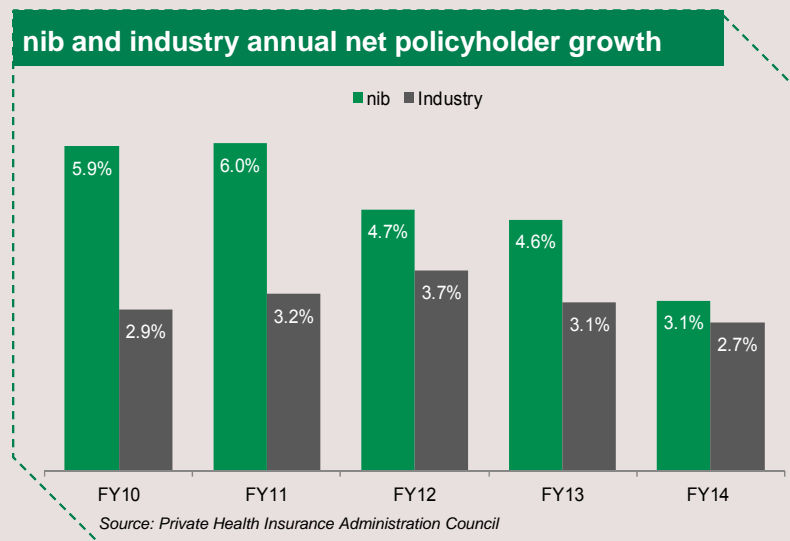
CEO AND MANAGING DIRECTOR

nib

Outlook – arhi demand likely to be strong

arhi

- Total demand for private health insurance expected to grow circa 3% (net annual policyholder growth) - with nib continuing to do better
- Steps have and are being taken to restore net margin towards target 5.0%-5.5% range, include
 - 2014 premium increase
 - Product changes
 - Benefits and utilisation management
- Possible favourable regulatory reforms around premium approvals and expanded PHI cover (e.g. GPs)
- Medibank Private IPO not without implications



Value creation via diversification

International and adjacent business segments

- iwhi and ishi markets forecast to grow with opportunities for nib to increase market share and profitability
- nib New Zealand investment to be maintained especially in relation to direct-to-consumer channel with short term impact upon profitability
- Planned launch of International Private Medical Insurance (IPMI) in New Zealand in September 2014 with intention to launch into Australia within 18 months
- Adjacent insurance lines earnings will continue to increase with possible additional product lines

nib Options

- nib Options in the early stages of development and more concerted marketing effort planned from October 2014
- Not expected to be profitable until FY16

Capital management remains in focus

- Dividend payout ratio of 60%-70% full year NPAT
- Capacity to better optimise nib's capital structure with additional debt
- M&A opportunities although not clear, have been provided for in capital planning

FY15 guidance

- FY15 consolidated operating profit in the range of \$75 million to \$82 million
- FY15 investment income forecast to be line with relevant internal benchmarks*

* Internal Investment benchmarks

- Australian Regulatory capital (80/20 defensive/growth) - target for portfolio UBS bank bill index plus 1%
- New Zealand regulatory capital (100% defensive) (1) For core portfolio target is a 6 month bank bill index (2) For premium payback portfolio target is a 3.0 years interest rate swap index
- Surplus capital (100% defensive) - UBS bank bill index

Q&A

nib

APPENDIX

nib

nib policyholder & other data

nib	FY10	FY11	FY12	FY13	FY14
Total policyholders	407,007	446,504	471,455	578,659	611,225
- arhi	406,929	431,173	451,647	472,264	486,794
- ishi	78	1,432	3,328	9,115	26,176
- iwhi	-	13,899	16,480	18,071	19,108
- nib New Zealand	-	-	-	79,209	79,147
nib New Zealand (Persons covered)	-	-	-	163,148	156,730
Employees (FTEs)	470	572	556	692	784
arhi					
Net policyholder growth	5.9%	6.0%	4.7%	4.6%	3.1%
Market share	7.3%	7.5%	7.6%	7.7%	7.7%
Persons covered	797,144	839,282	881,922	927,043	959,974
Average age of hospital persons covered (yrs)	36.1	35.9	35.8	35.9	36.7
Total policyholders "under 40"	193,261	208,082	217,322	222,746	216,109
- Growth in "under 40" segment	8.0%	7.7%	4.4%	2.5%	(3.0)%
Total policyholders "over 55"	102,879	106,618	111,374	118,881	132,378
- Growth in "over 55" segment	4.3%	3.6%	4.5%	6.7%	11.4%
Total hospital persons "20-39"	246,316	262,981	274,922	280,194	271,903
- Growth in hospital persons "20-39"	6.6%	6.8%	4.5%	1.9%	(3.0)%
- Market share	10.2%	10.6%	10.7%	10.7%	10.1%
Total hospital persons "55+"	134,200	139,292	145,646	155,603	173,868
- Growth in hospital persons "55+"	4.4%	3.8%	4.6%	6.8%	11.7%
- Market share	4.7%	4.7%	4.7%	4.9%	5.3%
arhi sales by channel					
Call centre	42.1%	39.1%	33.9%	32.2%	35.4%
Web	33.1%	33.8%	29.3%	23.4%	20.8%
Broker	7.7%	10.9%	22.2%	31.8%	31.0%
Retail	15.0%	14.7%	13.1%	10.7%	9.7%
Corporate	1.2%	1.3%	1.4%	1.8%	2.5%
Other	0.9%	0.2%	0.1%	0.1%	0.6%

Australian PHI industry data

	FY10	FY11	FY12	FY13	FY14
Total policyholders	5,549,338	5,727,566	5,936,660	6,118,351	6,286,535
- Policyholder growth	2.9%	3.2%	3.7%	3.1%	2.7%
Persons covered	11,561,299	11,901,915	12,321,848	12,680,337	13,006,018
Average age of hospital persons (yrs)	40.1	40.2	40.3	40.4	40.5
Total hospital persons "20-39"	2,407,852	2,477,256	2,562,382	2,626,727	2,686,824
- Growth in hospital persons "20-39"	2.1%	2.9%	3.4%	2.5%	2.3%
Total hospital persons "55+"	2,859,104	2,969,911	3,086,206	3,197,316	3,303,394
- Growth in hospital persons "55+"	4.1%	3.9%	3.9%	3.6%	3.3%

Detailed income statement

(\$m)	FY10	FY11	FY12	FY13	FY14	%*
Net premium revenue	901.4	1,007.8	1,123.8	1,290.4	1,491.6	15.6
- arhi	901.4	991.3	1,095.6	1,187.2	1,314.5	10.7
- iwhi ³	-	16.0 ¹	25.2	27.6	28.7	4.0
- ishi	-	0.5	3.0	4.4	9.2	110.8
- nib New Zealand	-	-	-	71.1 ²	139.2	95.7
Net claims expense	(636.0)	(693.1)	(765.4)	(896.7)	(1,040.0)	16.0
- Hospital claims paid (arhi)	(428.5)	(461.6)	(499.8)	(561.2)	(609.5)	8.6
- Ancillary claims paid (arhi)	(204.3)	(222.2)	(246.5)	(274.5)	(314.7)	14.6
- OSC provision movement (arhi)	(3.2)	(1.5)	(5.7)	2.0	(9.3)	561.4
- iwhi claims incurred ³	-	(7.6) ¹	(10.6)	(11.8)	(11.9)	0.8
- ishi claims incurred	-	(0.2)	(2.9)	(3.4)	(5.1)	48.9
- nib New Zealand claims incurred	-	-	-	(47.7) ²	(89.5)	87.6
Risk equalisation levy (arhi)	(109.9)	(132.7)	(160.0)	(167.4)	(190.6)	13.8
- OSC risk equalisation margin	(2.9)	(0.7)	(2.9)	1.6	(1.0)	(160.9)
- Gross deficit	147.9	160.3	176.5	202.6	222.0	9.6
- Calculated deficit	(254.9)	(292.3)	(333.6)	(371.6)	(411.6)	10.8
State levies	(22.0)	(22.9)	(23.8)	(28.8)	(28.2)	(2.3)
Decrease/(Increase) in premium payback liability (NZ)	-	-	-	3.3²	3.3	0.8
Net claims incurred	(767.9)	(848.7)	(949.2)	(1,089.6)	(1,255.4)	15.2
Gross underwriting result	133.5	159.1	174.6	200.8	236.2	17.6
- arhi	133.5	150.4	159.9	157.2	162.2	3.1
- iwhi	-	8.4 ¹	14.5	15.9	16.9	6.3
- ishi	-	0.3	0.1	1.0	4.2	322.1
- nib New Zealand	-	-	-	26.7 ²	53.0	98.6
Management expenses	(86.4)	(97.6)	(103.8)	(127.0)	(162.1)	27.6
- arhi	(86.4)	(90.6)	(95.3)	(98.2)	(106.4)	8.3
- iwhi	-	(5.6) ¹	(7.1)	(7.4)	(7.4)	(0.3)
- ishi	-	(1.4)	(1.5)	(1.1)	(2.7)	150.4
- nib New Zealand	-	-	-	(20.3) ²	(45.6)	124.6
Net underwriting profit	47.1	61.5	70.7	73.8	74.1	0.5
- arhi	47.1	59.8	64.6	59.0	55.8	(5.5)
- iwhi	-	2.8 ¹	7.5	8.4	9.4	12.1
- ishi	-	(1.1)	(1.4)	(0.1)	1.5	-
- nib New Zealand	-	-	-	6.4 ²	7.4	15.6
Other income	1.3	5.7	3.6	3.1	5.7	82.8
Other expenses	(5.8)	(7.5)	(4.3)	(7.6)	(7.5)	(1.2)
Operating profit	42.5	59.8	70.0	69.3	72.3	4.3
- arhi	47.1	59.8	64.6	59.0	57.0	(3.5)
- iwhi	-	2.8	7.5	8.4	9.4	12.1
- ishi	-	(1.1)	(1.4)	(0.1)	1.9	-
- nib New Zealand	-	-	-	6.4	7.4	15.6
- nib Options	-	-	-	-	(2.5)	na
- Unallocated	(4.5)	(1.7)	(0.7)	(4.5)	(0.9)	(79.8)

* Change favourable/(unfavourable), FY14 to FY13. ¹FY11 iwhi was a 9 month result with IMAN business acquired October 2010. ² FY13 was only a 7 month result for nib New Zealand with business acquired November 2012 ³ Net of reinsurance

arhi = Australian Resident Health Insurance, ishi = International Students Health Insurance, iwhi = International Workers Health Insurance

Detailed management expenses

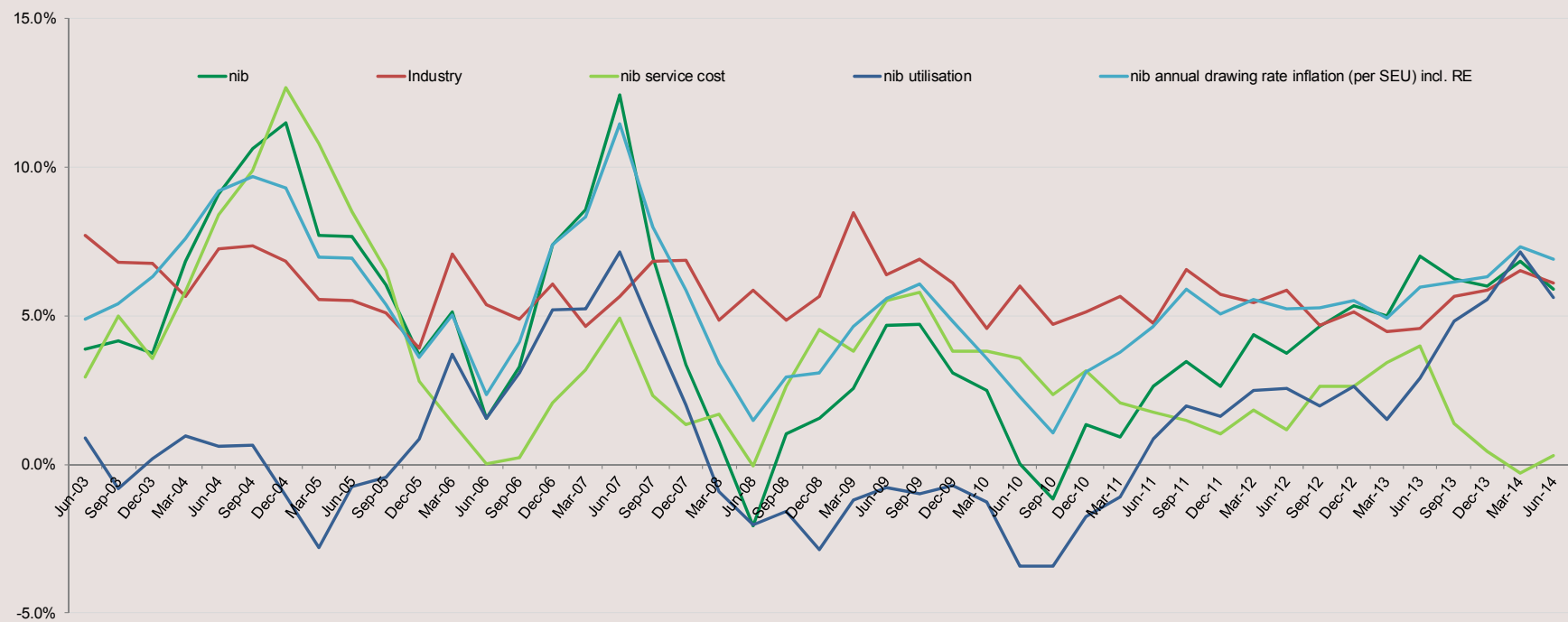
(\$m)	Employment	Marketing (Direct)	Marketing Commissions (Paid)	Marketing Commissions (deferred)	Marketing Commissions (amortisation)	IT	Occupancy	Other	Total Management Expenses	Total MER (%)
arhi										
FY10	37.0	19.4	3.7	-	-	6.2	7.7	12.4	86.4	9.6
FY11	40.3	21.0	5.3	-	-	6.5	3.9	13.6	90.6	9.2
FY12	45.4	20.4	10.6	(9.0)	0.7	7.5	5.8	13.8	95.3	8.7
FY13	46.3	20.0	15.1	(13.7)	2.7	8.6	6.4	12.8	98.2	8.3
FY14	49.8	20.4	17.6	(16.0)	5.4	9.3	5.9	13.9	106.4	8.1
iwhi										
FY11 ¹	2.7	0.2	0.0	-	-	0.8	0.2	1.7	5.6	35.0
FY12	3.4	0.5	0.1	-	-	1.1	0.3	1.6	7.0	24.6
FY13	3.2	1.6	0.1	-	-	1.2	0.2	1.1	7.4	26.9
FY14	3.7	1.1	0.1	-	-	1.0	0.5	0.9	7.4	25.8
ishi										
FY11	0.9	0.1	0.2	-	-	0.0	0.0	0.2	1.4	247.4
FY12	0.6	0.1	0.6	-	-	-	-	0.2	1.5	50.8
FY13	0.3	0.1	0.7	-	-	-	-	0.1	1.1	24.5
FY14	1.7	0.1	1.4	(1.4)	0.4	0.2	0.1	0.2	2.7	29.1
nib New Zealand										
FY13 ²	5.9	0.5	8.2	(4.4)	5.2	0.5	0.3	4.2	20.3	28.5
FY14	12.1	5.7	18.2	(9.7)	9.3	2.3	0.8	7.0	45.6	32.8

¹FY11 iwhi was a 9 month result with IMAN business acquired October 2010

² FY13 was only a 7 month result for nib New Zealand with business acquired November 2012

arhi claims

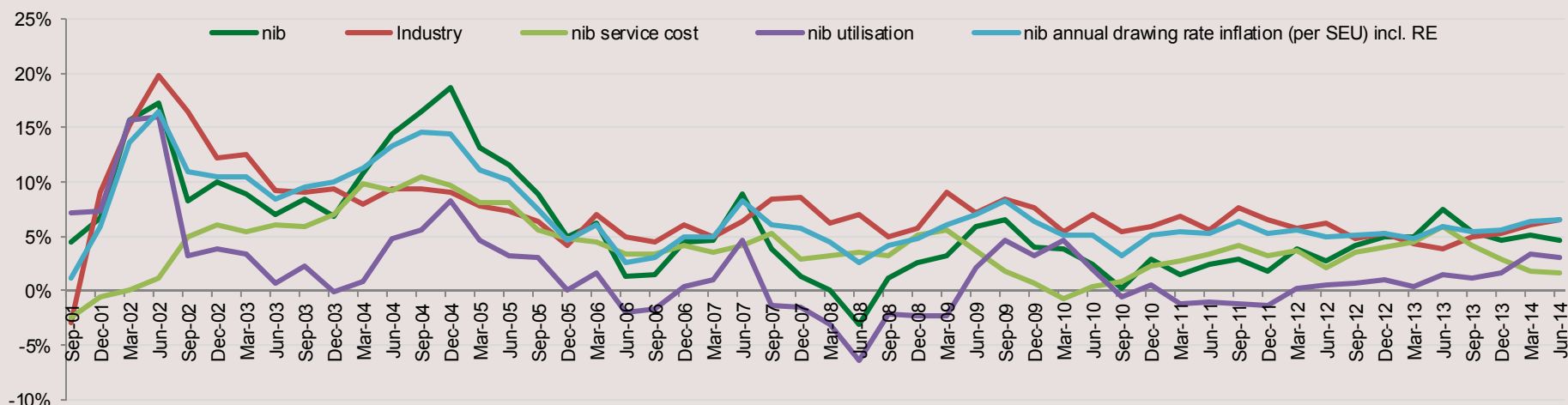
Overall claims inflation (hospital and ancillary)



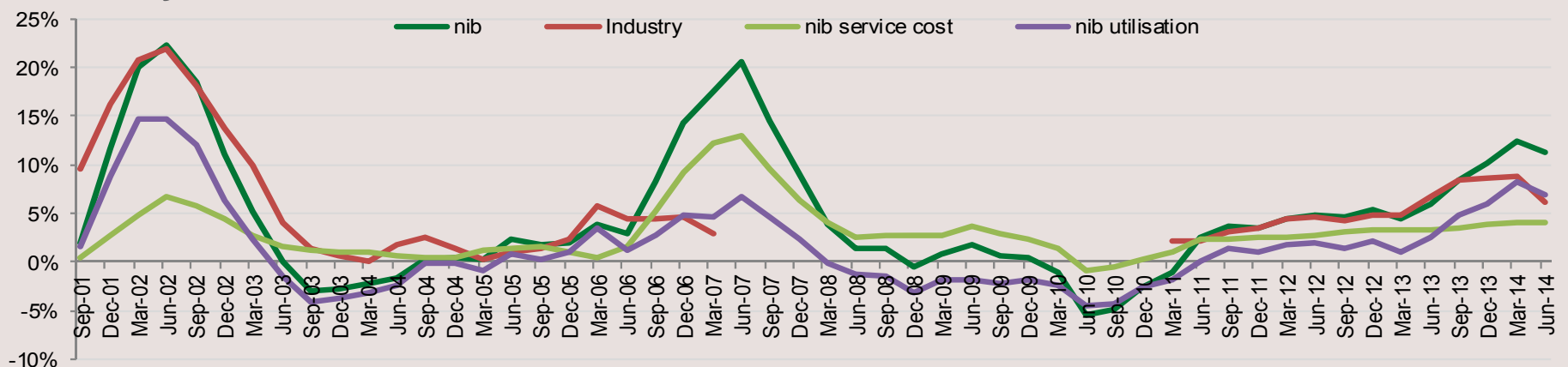
Source: Private Health Insurance Administration Council and nib
All figures exclude ishi, iwih and nib New Zealand, unless otherwise stated

arhi claims

Hospital claims inflation



Ancillary claims inflation



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

Premium payback liability (nib New Zealand)

- Premium payback liability relates to products that were sold between 1992 - 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\$40.6m out of NZ\$42.5m relating to 3,682 policies in force. The 2nd type has 1,422 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\$42.8m in December 2013 to NZ\$42.5m in June 2014 due to reduction in expected payouts
- Risk margin reduction due to change in early lapse assumptions
- Actual decrease in liability in NZD of NZD \$0.6m is offset by a strengthening of the NZD to AUD

Components of Premium Payback Liability

(\$m)	Jun 14	Dec 13	Jun 13
Premium payback liability NZD			
Expected payouts based on net premium over claims paid to date	58.2	59.7	61.0
Expected profit on lapse prior to payback date	(3.2)	(3.4)	(3.7)
Investment income (effect of discounting the liability)	(12.5)	(13.4)	(12.1)
Central Estimate	42.5	42.8	45.2
Risk Margin	1.2	1.5	2.3
Premium payback liability NZD	43.8	44.4	47.5
Premium payback liability AUD	40.8	40.8	40.2

Movement in Central Estimate

(\$m)	Jun 14	Dec 13	Jun 13
Opening Balance - central estimate NZD	42.8	45.2	50.6
Funding - new premium	3.6	3.9	4.0
Payouts (medical claims and settlements)	(4.6)	(6.2)	(6.8)
Movement in discount rate	0.7	(0.1)	(0.3)
Discount rate conversion	0.0	0.0	(2.3)
Closing Balance - Central estimate NZD	42.5	42.8	45.2

Investment asset allocation

	Consolidated		Australian Investment Portfolio		New Zealand Investment Portfolio	
	Balance (\$m) at 30/6/14	Allocation (%) at 30/6/14	Net return (\$m) 12 months to 30/6/14	Allocation (%) at 30/6/14	Net return (\$m) 12 months to 30/6/14	Allocation (%) at 30/6/14
Cash	178.2	30.6	4.6	31.7	0.7	25.9
Fixed interest	307.0	52.8	11.5	48.2	2.6	74.1
Total defensive	485.2	83.4	16.1	79.9	3.3	100.0
Australian shares	18.1	3.1	3.5	3.8	-	-
Global shares – hedged	11.5	2.0	2.2	2.4	-	-
Global shares – unhedged	23.4	4.0	4.0	4.9	-	-
Direct property	39.3	6.8	-	8.2	-	-
Property trusts	0.7	0.1	0.0	0.1	-	-
Unlisted security	3.5	0.6	0.6	0.7	-	-
Total growth	96.5	16.6	10.3	20.1	-	0.0
TOTAL	581.7	100.0	26.4	100.0	3.3	100.0

Balance sheet

(\$m)	30 June 14	30 June 13	Change	
			(\$m)	(%)
Assets				
Cash and cash equivalents	148.7	143.1	5.7	4.0
Receivables	44.9	51.9	(7.0)	(13.5)
Financial assets at fair value through P&L	410.8	351.8	59.0	16.8
Deferred acquisition costs	40.0	27.2	12.8	47.0
Property, plant and equipment	48.0	41.7	6.2	15.0
Intangibles	95.2	91.3	3.9	4.3
Other assets	10.5	5.3	5.2	97.0
Total assets	798.1	712.3	85.8	12.0
Liabilities				
Payables	111.4	99.2	12.2	12.3
Borrowings	66.8	62.4	4.4	7.0
Outstanding claims liability	93.7	81.4	12.2	15.0
Unearned premium liability	114.2	93.4	20.8	22.2
Premium payback liability	40.8	40.2	0.5	1.3
Other liabilities	14.9	9.5	5.4	57.1
Total liabilities	441.7	386.2	55.6	14.4
Net assets	356.4	326.2	30.2	9.3

Available capital

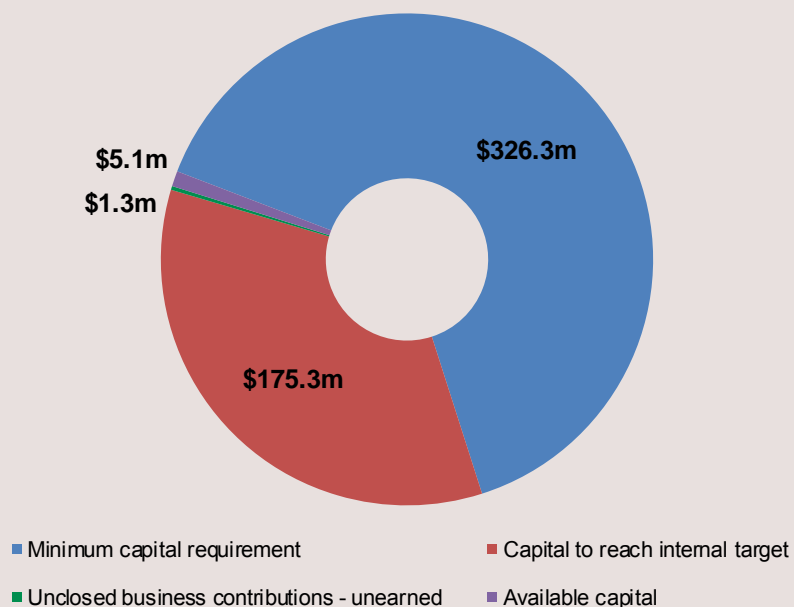
- As previously reported the introduction of the new PHIAC capital standards has resulted in a new internal capital target for nib health funds limited and has seen an increase in nib holdings limited group (the Group) available capital
- At 30 June 2014 before any release of capital the Group has \$58.2m in available capital above internal targets (after allowing for the final dividend payment), with \$39.5m to be distributed to shareholders by special dividend, with the balance being available for business investment opportunities (noting capacity to also use debt)
- Available capital determined taking into consideration the following elements:

(\$m)	FY14	FY13
Net assets	356.4	326.2
nib health fund capital required	(200.8)	(249.8)
nib New Zealand limited capital required	(48.4)	(36.6)
nib New Zealand holdings limited group intangibles	(42.6)	(41.6)
International workers intangibles	(23.9)	(24.2)
nib Options intangibles	(1.4)	-
Debt	65.1	59.1
Other assets and liabilities	3.7	3.6
Allowance for final dividend	(25.2)	(22.0)
Allowance for special dividend	(39.5)	-
Available capital before debt covenant and forecast volatility	43.4	14.8
Reduction in available capital due to debt covenant	(19.7)	-
Reduction for forecast volatility	(5.0)	-
Net available capital	18.7	14.8

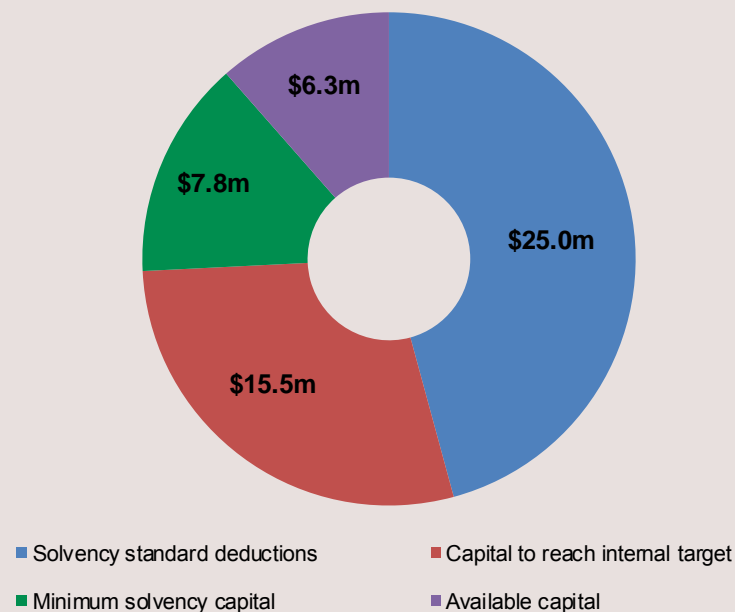
Regulatory capital requirements*

- \$18.7m of available capital across the Group above internal targets after allowing for final dividend, special dividend and holding company funding requirements with \$7.3m of available capital held outside of Australian and New Zealand funds

Australian fund total assets capital allocation (at 30 June 2014)



New Zealand fund capital allocation (at 30 June 2014)



* Refer to Note 30 of Appendix 4E for period ending 30 June 2014 for further detail

Disclaimer

The material in this presentation is a summary of the results of nib holdings limited (nib) for the 12 months ended 30 June 2014 and an update on nib's activities and is current at the date of preparation, 25 August 2014. Further details are provided in nib's full year accounts and results announcement released on 25 August 2014.

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