

nib holdings limited
ABN 51 125 633 856

Half-year report for the period ended 31 December 2020

This report should be read in conjunction with the annual financial report for the year ended 30 June 2020.

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Appendix 4D

For the half year ended 31 December 2020
nib holdings limited

Results for announcement to the market

	6 months to 31 Dec 20 \$m	6 months to 31 Dec 19 \$m	Movement up / (down) \$m	Movement %
Revenue from ordinary activities	1,293.6	1,293.0	0.6	0%
Profit from ordinary activities after tax attributable to members	66.3	57.3	9.0	16%
Net profit attributable to members	66.3	57.3	9.0	16%

	6 months to 31 Dec 20 Amount per security (cps)	6 months to 31 Dec 19 Franking amount per security	6 months to 31 Dec 19 Amount per security (cps)	6 months to 31 Dec 19 Franking amount per security
Interim Dividend				
Ordinary Dividend	10.00	100%	10.00	100%
Special Dividend	0.00	100%	0.00	100%
Total Interim Dividend	10.00	100%	10.00	100%
Record date for determining entitlements to the dividend	5 March 2021			
Date the interim dividend is payable	6 April 2021			

Brief explanation of figures reported above:

Net profit after tax attributable to owners of nib holdings limited for the half year to 31 December 2020 calculated on a statutory basis equated to a profit of \$66.3 million.

For further information, refer to the Directors' Report in the attached Interim Report of nib holdings limited for the period ended 31 December 2020.

Appendix 4D

For the half year ended 31 December 2020

nib holdings limited

Appendix 4D disclosure requirements	nib group Appendix 4D	Note Number
1. Details of the reporting period and the previous corresponding period	All financial data headings	
<p>2. Key information in relation to the following:</p> <p>This information must be identified as "Results for announcement to the market".</p> <p>2.1 The amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities.</p> <p>2.2 The amount and percentage change up or down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members.</p> <p>2.3 The amount and percentage change up or down from the previous corresponding period of profit (loss) attributable to members.</p> <p>2.4 The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends.</p> <p>2.5 The record date for determining entitlements to the dividends (if any).</p> <p>2.6 A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.</p>	"Results for announcement to the market" page 1 Appendix 4D	
3. Net tangible assets per security with the comparative figure for the previous corresponding period.	Net tangible asset backing per ordinary security (cents per share) is 67.07 (56.35 as at 31 Dec 2019)	
<p>4. Details of entities over which control has been gained or lost during the period, including the following:</p> <p>4.1 Name of entity.</p> <p>4.2 The date of the gain or loss of control.</p> <p>4.3 Where material to the understanding of the report – the contribution of such entities to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding reporting period.</p>	Not applicable – no change in control of entities	
5. Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which the dividend or distribution is payable and (if known) the amount per security of foreign sourced dividend or distribution.	Interim Report 31 December 2020 <ul style="list-style-type: none"> Notes to the financial statement - Dividends 	Note 12
6. Details of any dividend or distribution reinvestment plan in operation and the last date for the receipt of an election notice for the participation in any dividend or distribution reinvestment plan.	The DRP will be available to shareholders for the FY21 interim dividend. Shareholders can participate in the DRP by completing the application form by visiting nib.com.au/easyupdate . DRP elections for the FY21 interim dividend must be received by no later than 5pm (AEST) on Monday 8 March 2021.	
7. Details of associates and joint venture entities including the name of the associate or joint venture entity and details of the reporting entity's percentage holding in each of these entities and - where material to the understanding of the report – aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for the previous corresponding reporting period.	Interim Report 31 December 2020 <ul style="list-style-type: none"> Notes to the financial statement - Interest in Other Entities 	Note 7

Appendix 4D

For the half year ended 31 December 2020
nib holdings limited

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

R Toms
Company Secretary
nib holdings limited

Date 19 February 2021



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2021 half year report

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Directors' Report

For the half year ended 31 December 2020

nib holdings limited

The Directors of nib holdings limited (Company) present their report on the consolidated entity (Group) consisting of nib holdings limited and the entities it controlled at the end of or during the half year ended 31 December 2020.

DIRECTORS

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

Steve Crane
Mark Fitzgibbon
Lee Ausburn
Jacqueline Chow
David Gordon
Anne Loveridge
Donal O'Dwyer

Christine McLoughlin retired as a Director on 25 September 2020.

PRINCIPAL ACTIVITIES

The principal activities of the nib Group during the financial half year were as a private health insurer in Australia and New Zealand, whereby it underwrites and distributes private health insurance to Australian and New Zealand residents as well as international students and visitors to Australia. Through its nib Travel business, it also specialises in the sale and distribution of travel insurance policies globally. The Group undertakes specialist health care data science services through its joint venture with Cigna, Honeysuckle Health.

REVIEW OF OPERATIONS

nib Group

At a Group level, our operating performance for first half fiscal year 2021 (1H21) delivered an improved Group underlying operating profit (UOP), up 4.4% on 1H20 to \$86.9 million (statutory operating profit¹ was down 2.2% to \$71.6 million). Group revenue of \$1.3 billion benefited from improved top line growth from both our Australian residents health insurance (arhi) and New Zealand operations. However, overall Group revenue declined 1.1% from 1H20 due to impacts of COVID-19 on our international inbound health insurance business (iihi) and nib Travel.

As announced at our FY20 results announcement, nib set aside a provision for an expected claims catch-up as members access the healthcare treatment that was disrupted due to COVID-19. This was in recognition of the fact that the need for these treatments had not disappeared but potentially postponed. To meet this expected claims catch-up over the course of FY21 a provision of \$98.8 million across the Group was provided. Our experience as at 31 December 2020 is that the Group provision of \$73.1 million remains adequate noting future claims activity remains uncertain.

Net claims expense² grew a relatively modest 0.9% on 1H20 due to lower risk equalisation and as the catch up in claims has been lower than anticipated, mainly due to Victoria's COVID-19 lockdowns.

Expenses were well managed with underwriting expenses³ up 2.5% on 1H20 and other expenses³ reducing by 61.2% on 1H20 mainly in response to the reduction in nib Travel activity as a result of COVID-19.

Net profit after tax (NPAT) rose 15.9% to \$66.2 million, benefiting from a rebound of investment markets, particularly growth assets, with net investment income of \$28.0 million up more than 122%. 1H21 NPAT was impacted by a non-cash impairment charge against nib Travel's intangible assets of \$7.0 million reflecting the ongoing impact of COVID-19 on global leisure travel. Excluding the impairment, 1H21 NPAT would be \$72.8 million.

Earnings per share (statutory) was 14.5 cents per share, up 15.1%.

The Board has declared a fully franked interim dividend of 10.0 cents per share (1H20:10.0 cents per share). The interim dividend has an ex-dividend and record date of 4 March and 5 March 2021 respectively with payment to be made to shareholders on 6 April 2021. Overall, the nib Group remains well capitalised with \$65.8 million in available capital above internal targets after allowing for payment of the interim dividend.

1. The difference between our UOP and statutory operating profit reflects one-off transactions and amortisation or impairment of acquired intangibles as detailed in Note 3 Segment Reporting.

2. Net claims expense including claims handling

3. Underlying

REVIEW OF OPERATIONS continued

Australian residents health insurance business (arhi)

Our arhi business again led the way delivering both strong top line and earnings growth for 1H21. Net premium revenue rose 2.2% to \$1.1 billion with UOP up 42.2% to \$89.0 million. As a financial support measure for members due to COVID-19, nib postponed the 1 April 2020 premium increase for six months. Premium revenue would have risen 4.2% if the premium increase was not postponed.

arhi's net policyholder growth for the 12 months to 31 December 2020 was 3.2%, compared to 2.5% for the prior corresponding period. The FY21 outlook remains positive with the business continuing to benefit from improved consumer awareness of the importance of health brought on by the pandemic.

Overall arhi claims expense in 1H21 benefited from lower risk equalisation due to lower industry experience and COVID-19 provision release.

International inbound health insurance (iihi)

The performance of our iihi segment for 1H21 reflects the different markets of the two businesses - international students and international workers.

Overall, iihi premium revenue declined 5.2% to \$58.3 million, with UOP of \$0.3 million compared to \$12.3 million in the prior period.

A key driver of the premium revenue and earnings decline has been the performance of the international students business, due to COVID-19 impacting new international student arrivals as well as higher than anticipated claims activity. A combination of factors is driving the recent claims experience including increasing medical costs and frequency which students receive health care treatment, high-cost claims as well as the ongoing impacts of COVID-19 and inability of students to return to their country of origin for treatment and recovery. A number of initiatives are currently underway to address the claims performance including premium adjustments, expanding preferred provider arrangements as well as the rollout of telehealth and online healthcare alternatives.

Our international workers business is holding up, and while policyholder growth is being impacted by COVID-19, we are seeing sales activity from the arrival of seasonal workers.

Despite the tough COVID-19 headwinds both our international students and workers businesses are well positioned for future growth and recovery when travel restrictions are relaxed or borders re-open.

nib New Zealand

nib New Zealand continued its strong track record of top line growth and stable margins, with net premium revenue up 6.6% to \$126.9 million and UOP of \$11.0 million broadly in line with same period last year (1H20: \$11.1 million).

Our investment in organic growth continues to yield results despite tough market conditions, with New Zealand resident net policyholder growth for the 12 months to December 2020 of 2.8% compared to 6.8% the prior comparable period.

New Zealand continues to lead the way in terms of enhancing our population health capability with our partnership with Auckland iwi (Māori tribe), Ngāti Whātua Ōrākei. The partnership which now provides health insurance to almost 4,200 lives, is aimed at improving health and wellbeing of Ngāti Whātua Ōrākei members. Opportunities are currently being progressed to expand this initiative to other iwi.

nib Travel

nib Travel's performance continues to be challenged by a very tough operating environment due to COVID-19, with ongoing focus on keeping acquisition channels ready for the new environment, brands healthy and rightsizing the cost base. Operating income of \$4.4 million was down 90.8%, UOP was \$(7.3) million compared to \$1.7 million same period last year, while nib Travel's operating expenses were down almost 55%. Overall, the result was in line with expectations due to the impact of the pandemic, with expectation of prolonged downturn in leisure travel. For the six months to 31 December 2020, nib Travel received \$3.2 million in JobKeeper subsidy.

A \$7.0 million non-cash impairment of nib Travel intangibles has been taken reflecting an updated assessment of risks associated with the ongoing impact of COVID-19.

CAPITAL MANAGEMENT

At 31 December 2020 the Group had net assets of \$656.4 million (June 2020: \$606.4 million) and a return on equity of 16.3%, using average shareholders' equity and NPAT for the previous 12 months over a rolling 12-month period (December 2019: 22.5%). Further, at 31 December 2020 the Group had available capital of \$65.8 million above our internal benchmark (after allowing for the payment of an interim dividend of 10.0 cents per share, totalling \$45.7 million, in April 2021).

DIVIDENDS

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

	31 Dec 20 \$m	31 Dec 19 \$m
Final dividend for the year ended 30 June 2020 of 4.0 cents (2019 - 13.0 cents) per fully paid share paid on 6 October 2020	18.3	59.2
	18.3	59.2

In addition to these dividends, since the end of the financial half year the Directors have recommended the payment of a fully franked interim dividend of \$45.7 million (10.0 cents per fully paid ordinary share) to be paid on 6 April 2021 out of retained profits at 31 December 2020.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

ROUNDING OF AMOUNTS

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

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

On behalf of the Board

Steve Crane
Director

Newcastle, NSW
19 February 2021

Anne Loveridge

Anne Loveridge
Director



Auditor's Independence Declaration

As lead auditor for the review of nib holdings limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'SK Fergusson', written over a light blue horizontal line.

SK Fergusson
Partner
PricewaterhouseCoopers

Newcastle
19 February 2021

Financial Report

For the half year ended 31 December 2020

nib holdings limited

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Consolidated Income Statement

For the half year ended 31 December 2020

nib holdings limited

	Notes	Half year	
		31 Dec 20 \$m	31 Dec 19 \$m
Premium revenue	4	1,271.1	1,243.9
Outwards reinsurance premium expense	4	(17.8)	(16.3)
Net premium revenue		1,253.3	1,227.6
Claims expense		(875.7)	(850.9)
Reinsurance and other recoveries revenue		9.3	9.4
RESA levy		(110.0)	(126.5)
State levies		(18.0)	(17.5)
(Increase) / decrease in premium payback liability		0.8	0.2
Claims handling expenses	5	(9.4)	(8.9)
Net claims incurred		(1,003.0)	(994.2)
Other underwriting revenue	4	1.7	1.5
Acquisition costs	5	(79.7)	(82.7)
Other underwriting expenses	5	(75.3)	(69.0)
Underwriting expenses		(155.0)	(151.7)
Underwriting result		97.0	83.2
Other income	4	9.6	50.2
Other expenses	5	(32.6)	(58.8)
Share of net profit / (loss) of associates and joint ventures accounted for using the equity method		(2.4)	(1.4)
Operating profit		71.6	73.2
Finance costs	5	(3.7)	(6.0)
Investment income	4	29.0	13.7
Investment expenses	5	(1.0)	(1.1)
Profit before income tax		95.9	79.8
Income tax expense		(29.7)	(22.7)
Profit for the half year		66.2	57.1
Profit / (loss) for the half year is attributable to:			
Owners of nib holdings limited		66.3	57.3
Charitable foundation		(0.1)	(0.2)
		66.2	57.1
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company			
Basic earnings per share	13	14.5	12.6
Diluted earnings per share	13	14.5	12.6
Earnings per share for profit attributable to the ordinary equity holders of the company			
Basic earnings per share	13	14.5	12.6
Diluted earnings per share	13	14.5	12.6

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

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2020

nib holdings limited

	Notes	Half year	
		31 Dec 20 \$m	31 Dec 19 \$m
Profit for the half year		66.2	57.1
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		-	0.2
Income tax related to these items		-	(0.1)
Other comprehensive income for the half year, net of tax		-	0.1
Total comprehensive income for the half year		66.2	57.2
Total comprehensive income / (loss) for the half year is attributable to:			
Owners of nib holdings limited		66.3	57.4
Charitable foundation		(0.1)	(0.2)
		66.2	57.2

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

Consolidated Balance Sheet

As at 31 December 2020

nib holdings limited

	Notes	31 Dec 20 \$m	30 Jun 20 \$m
ASSETS			
Current assets			
Cash and cash equivalents		142.3	198.0
Receivables		97.4	86.4
Financial assets at amortised cost		8.2	8.8
Financial assets at fair value through profit or loss		827.3	828.6
Deferred acquisition costs		60.4	50.7
Current tax assets		13.2	-
Total current assets		1,148.8	1,172.5
Non-current assets			
Financial assets at fair value through profit or loss		-	0.4
Investments accounted for using the equity method	7	20.9	17.6
Deferred acquisition costs		59.7	66.7
Deferred tax assets		-	12.4
Property, plant and equipment		10.0	11.4
Intangible assets	8	333.2	339.4
Right-of-use assets		49.3	62.1
Total non-current assets		473.1	510.0
Total assets		1,621.9	1,682.5
LIABILITIES			
Current liabilities			
Payables		158.3	191.4
Borrowings	9	2.0	2.0
Claims liabilities	10	245.2	245.9
Unearned premium liability		186.9	223.3
Premium payback liability		3.3	3.5
Lease liabilities		7.4	6.3
Provision for employee entitlements		5.9	6.8
Current tax liabilities		-	23.9
Total current liabilities		609.0	703.1
Non-current liabilities			
Payables		5.3	6.5
Borrowings	9	231.0	230.9
Unearned premium liability		31.7	34.8
Premium payback liability		16.0	16.6
Lease liabilities		62.5	76.3
Provision for employee entitlements		3.0	3.2
Deferred tax liabilities		7.0	4.7
Total non-current liabilities		356.5	373.0
Total liabilities		965.5	1,076.1
Net assets		656.4	606.4
EQUITY			
Contributed equity	11	124.0	121.4
Retained profits		521.8	473.8
Reserves		(6.0)	(5.5)
Capital and reserves attributable to owners of nib holdings limited		639.8	589.7
Charitable foundation		16.6	16.7
Total equity		656.4	606.4

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

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2020

nib holdings limited

	Notes	Attributable to owners of nib holdings limited				Charitable foundation	Total equity
		Contributed equity	Retained profits	Reserves	Total		
		\$m	\$m	\$m	\$m	\$m	\$m
Balance at 30 June 2019 as originally presented		115.2	498.9	0.5	614.6	17.6	632.2
Adjustment on adoption of AASB 16, net of tax		-	(10.5)	-	(10.5)	-	(10.5)
Restated balance at 1 July 2019		115.2	488.4	0.5	604.1	17.6	621.7
Profit / (loss) for the half year		-	57.3	-	57.3	(0.2)	57.1
Movement in foreign currency translation, net of tax		-	-	0.1	0.1	-	0.1
Total comprehensive income / (loss) for the half year		-	57.3	0.1	57.4	(0.2)	57.2
Transactions with owners in their capacity as owners:							
Ordinary shares issued	11	3.9	-	-	3.9	-	3.9
Shares acquired by the nib Holdings Ltd Share Ownership Plan Trust		(3.0)	-	-	(3.0)	-	(3.0)
Issue of shares held by nib Holdings Ltd Share Ownership Plan Trust to employees		5.9	-	(3.9)	2.0	-	2.0
Employee performance rights - value of employee services		-	-	(0.3)	(0.3)	-	(0.3)
Dividends paid	12	-	(59.2)	-	(59.2)	-	(59.2)
		6.8	(59.2)	(4.2)	(56.6)	-	(56.6)
Balance at 31 December 2019		122.0	486.5	(3.6)	604.9	17.4	622.3
Balance at 1 July 2020		121.4	473.8	(5.5)	589.7	16.7	606.4
Profit / (loss) for the half year		-	66.3	-	66.3	(0.1)	66.2
Movement in foreign currency translation, net of tax		-	-	-	-	-	-
Total comprehensive income / (loss) for the half year		-	66.3	-	66.3	(0.1)	66.2
Transactions with owners in their capacity as owners:							
Ordinary shares issued	11	1.5	-	-	1.5	-	1.5
Shares acquired by the nib Holdings Ltd Share Ownership Plan Trust	11	(1.1)	-	-	(1.1)	-	(1.1)
Issue of shares held by nib Holdings Ltd Share Ownership Plan Trust to employees	11	2.2	-	(1.0)	1.2	-	1.2
Employee performance rights - value of employee services		-	-	0.5	0.5	-	0.5
Dividends paid	12	-	(18.3)	-	(18.3)	-	(18.3)
		2.6	(18.3)	(0.5)	(16.2)	-	(16.2)
Balance at 31 December 2020		124.0	521.8	(6.0)	639.8	16.6	656.4

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

Consolidated Statement of Cash Flows

For the half year ended 31 December 2020

nib holdings limited

	Notes	Half year	
		31 Dec 20	31 Dec 19
		\$m	\$m
Cash flows from operating activities			
Receipts from policyholders and customers (inclusive of goods and services tax)		1,272.6	1,298.6
Payments to policyholders and customers		(1,029.3)	(1,011.5)
Receipts from outwards reinsurance contracts		10.5	8.5
Payments for outwards reinsurance contracts		(24.0)	(15.8)
Payments to suppliers and employees (inclusive of goods and services tax)		(219.7)	(252.4)
		10.1	27.4
Dividends received		0.1	0.2
Interest received		1.4	3.3
Distributions received		0.9	2.3
Interest paid		(1.8)	(3.4)
Income taxes paid		(52.2)	(35.7)
Net cash inflow / (outflow) from operating activities		(41.5)	(5.9)
Cash flows from investing activities			
Proceeds from disposal of financial assets at fair value through profit or loss		227.7	1,094.1
Payments for financial assets at fair value through profit or loss		(199.7)	(1,031.5)
Proceeds from sale of property, plant and equipment and intangibles		0.1	-
Payments for property, plant and equipment and intangibles		(13.3)	(11.4)
Payments for investments in associates and joint ventures	7	(5.7)	-
Net cash inflow / (outflow) from investing activities		9.1	51.2
Cash flows from financing activities			
Proceeds from issue of shares		1.5	3.9
Proceeds from borrowings		-	67.2
Repayment of borrowings		-	(67.2)
Principal elements of lease payments		(5.2)	(5.3)
Shares acquired by the nib Holdings Ltd Share Ownership Plan Trust		(1.1)	(3.0)
Dividends paid to the company's shareholders		(18.3)	(59.2)
Net cash inflow / (outflow) from financing activities		(23.1)	(63.6)
Net increase / (decrease) in cash and cash equivalents		(55.5)	(18.3)
Cash and cash equivalents at beginning of the half year		196.0	163.2
Effects of exchange rate changes on cash and cash equivalents		(0.2)	(0.1)
Cash and cash equivalents at the end of the half year		140.3	144.8
Reconciliation to Consolidated Balance Sheet			
Cash and cash equivalents		142.3	146.4
Borrowings - overdraft		(2.0)	(1.6)
		140.3	144.8

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

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2020

nib holdings limited

1. SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

The financial position and performance of the Group was particularly affected by the following events and transactions during the six months to 31 December 2020:

Note 3	Segment Reporting	The ongoing impact of COVID-19 has resulted in: <ul style="list-style-type: none">• A significant decrease in revenue and expenses for the nib Travel business.• Impact on Health Insurance premium revenues due to deferral of arhi premium increase from 1 April 2020 to 1 October 2020.
Note 4	Revenue	
Note 5	Expenses	
Note 7	Interest in Other Entities	An increase in investment in the China joint ventures for the acquisition of an underwriting business.
Note 8	Intangible Assets	Change in key assumptions used for value-in-use calculations for nib Travel business resulting in an impairment of nib travel intangibles of \$7.0 million. Change in critical accounting judgements and estimates for useful life of certain nib Travel brands and trademarks.
Note 9	Borrowings	Refinancing one of the Group's main borrowing facilities to extend maturity date to a further two years.
Note 10	Claims Liabilities	The ongoing impact of COVID-19 has resulted in a change in assumptions for the provision for deferred and suspended claims.

For a detailed discussion about the Group's performance and financial position please refer to our Review of Operations on pages 1 to 2.

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2020

nib holdings limited

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation for the half year report

This consolidated interim financial report for the half year reporting period ended 31 December 2020 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*. nib holdings limited is a for-profit entity for the purpose of preparing the consolidated financial statements.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by nib holdings limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

b) Accounting policies

The accounting policies adopted in the preparation of these interim financial statements are consistent with those of the previous financial year. When the presentation or classification of items in the financial report is amended, comparative amounts have been reclassified.

c) New and amended standards adopted by the Group

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

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

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2020

nib holdings limited

3. SEGMENT REPORTING

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

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

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

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

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

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

"Unallocated to segments" includes life and funeral insurance commission, corporate and share registry, share of profit / (loss) of Honeysuckle Health and China joint ventures and charitable foundation as they do not meet the quantitative requirements for reportable segments.

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2020

nib holdings limited

3. SEGMENT REPORTING continued

For the half year ending 31 December 2020						
	Australian Residents Health Insurance \$m	International (Inbound) Health Insurance \$m	New Zealand Health Insurance \$m	nib Travel \$m	Unallocated to segments \$m	Total \$m
Premium revenue	1,073.5	69.9	127.1	0.6	-	1,271.1
Outwards reinsurance premium expense	(5.7)	(11.6)	(0.2)	(0.3)	-	(17.8)
Net premium revenue	1,067.8	58.3	126.9	0.3	-	1,253.3
Claims expense	(749.5)	(45.7)	(80.1)	(0.4)	-	(875.7)
Reinsurance and other recoveries revenue	3.0	5.9	-	0.4	-	9.3
RESA	(110.0)	-	-	-	-	(110.0)
State levies	(18.0)	-	-	-	-	(18.0)
(Increase) / decrease in premium payback liability	-	-	0.8	-	-	0.8
Claims handling expenses	(6.8)	(1.1)	(1.3)	(0.2)	-	(9.4)
Net claims incurred	(881.3)	(40.9)	(80.6)	(0.2)	-	(1,003.0)
Other underwriting revenue	0.8	0.9	-	-	-	1.7
Acquisition costs	(52.0)	(7.4)	(20.1)	(0.2)	-	(79.7)
Other underwriting expenses	(46.3)	(10.6)	(15.2)	(0.1)	-	(72.2)
Underlying underwriting expenses	(98.3)	(18.0)	(35.3)	(0.3)	-	(151.9)
Underlying underwriting result	89.0	0.3	11.0	(0.2)	-	100.1
Other income	-	-	-	4.4	5.0	9.4
Other expenses	-	-	-	(11.5)	(8.7)	(20.2)
Share of net profit / (loss) of associates and joint ventures	-	-	-	-	(2.4)	(2.4)
Underlying operating profit / (loss)	89.0	0.3	11.0	(7.3)	(6.1)	86.9
Items not included in underlying operating profit						
Amortisation of acquired intangibles	(1.0)	(0.4)	(1.7)	(1.0)	-	(4.1)
Impairment of intangibles	-	-	-	(7.0)	-	(7.0)
One-off transactions, merger, acquisition and new business implementation costs	-	-	-	-	(4.2)	(4.2)
Finance costs	-	-	-	-	(3.7)	(3.7)
Investment income	-	-	-	-	29.0	29.0
Investment expenses	-	-	-	-	(1.0)	(1.0)
Profit before income tax from continuing operations						95.9
Inter-segment other income ¹	0.1	-	-	-	-	0.1
Total assets	1,159.4		223.3	148.1	91.1	1,621.9
Total liabilities	621.4		79.2	35.7	229.2	965.5
Insurance liabilities						
Claims liabilities	227.5		17.5	0.2	-	245.2
Unearned premium liability	196.4		22.0	0.2	-	218.6
Premium payback liability	-		19.3	-	-	19.3
Total insurance liabilities	423.9		58.8	0.4	-	483.1

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

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2020

nib holdings limited

3. SEGMENT REPORTING continued

For the half year ending 31 December 2019						
	Australian Residents Health Insurance \$m	International (Inbound) Health Insurance \$m	New Zealand Health Insurance \$m	nib Travel \$m	Unallocated to segments \$m	Total \$m
Premium revenue	1,050.9	69.0	119.2	4.8	-	1,243.9
Outwards reinsurance premium expense	(6.5)	(7.5)	(0.2)	(2.1)	-	(16.3)
Net premium revenue	1,044.4	61.5	119.0	2.7	-	1,227.6
Claims expense	(739.5)	(35.1)	(73.9)	(2.4)	-	(850.9)
Reinsurance and other recoveries revenue	2.2	4.8	-	2.4	-	9.4
RESA	(126.5)	-	-	-	-	(126.5)
State levies	(17.5)	-	-	-	-	(17.5)
(Increase) / decrease in premium payback liability	-	-	0.2	-	-	0.2
Claims handling expenses	(6.5)	(1.0)	(1.1)	(0.3)	-	(8.9)
Net claims incurred	(887.8)	(31.3)	(74.8)	(0.3)	-	(994.2)
Other underwriting revenue	1.0	0.6	(0.1)	-	-	1.5
Acquisition costs	(52.3)	(8.3)	(19.9)	(2.2)	-	(82.7)
Other underwriting expenses	(42.2)	(10.2)	(13.1)	-	-	(65.5)
Underlying underwriting expenses	(94.5)	(18.5)	(33.0)	(2.2)	-	(148.2)
Underlying underwriting result	63.1	12.3	11.1	0.2	-	86.7
Other income	-	-	-	47.8	2.2	50.0
Other expenses	-	-	-	(46.3)	(5.8)	(52.1)
Share of net profit / (loss) of associates and joint ventures	(0.5)	-	-	-	(0.9)	(1.4)
Underlying operating profit / (loss)	62.6	12.3	11.1	1.7	(4.5)	83.2
Items not included in underlying operating profit						
Amortisation of acquired intangibles	(1.0)	(0.8)	(1.7)	(1.8)	-	(5.3)
One-off transactions, merger, acquisition and new business implementation costs	-	-	-	-	(4.7)	(4.7)
Finance costs					(6.0)	(6.0)
Investment income					13.7	13.7
Investment expenses					(1.1)	(1.1)
Profit before income tax from continuing operations						79.8
Inter-segment other income ¹	3.7	0.2	-	-	-	3.9
Total assets	1,033.1		211.6	172.0	144.3	1,561.0
Total liabilities	555.6		70.8	41.3	271.0	938.7
Insurance liabilities						
Claims liabilities	134.2		12.7	1.9	-	148.8
Unearned premium liability	207.2		21.7	1.0	-	229.9
Premium payback liability	-		19.2	-	-	19.2
Total insurance liabilities	341.4		53.6	2.9	-	397.9

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

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2020

nib holdings limited

4. REVENUE AND OTHER INCOME

	Half year	
	31 Dec 20	31 Dec 19
	\$m	\$m
Premium revenue	1,271.1	1,243.9
Outwards reinsurance premiums	(17.8)	(16.3)
Net premium revenue	1,253.3	1,227.6
Agency fee	0.2	0.2
Sundry income	1.5	1.3
Other underwriting revenue	1.7	1.5
Other income		
Travel insurance commission	3.3	47.8
Life and funeral insurance commission and other commissions	1.4	1.5
Insurance recoveries	0.1	0.1
Sundry income	4.8	0.8
	9.6	50.2
Investment income		
Interest	1.4	3.1
Net realised gain (loss) on financial assets at fair value through profit or loss	4.2	20.3
Net unrealised gain (loss) on financial assets at fair value through profit or loss	23.3	(9.9)
Dividends	0.1	0.2
	29.0	13.7

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2020

nib holdings limited

5. EXPENSES

	Half year	
	31 Dec 20	31 Dec 19
	\$m	\$m
Expenses by function		
Claims handling expenses	9.4	8.9
Acquisition costs	79.7	82.7
Other underwriting expenses	75.3	69.0
Other expenses	32.6	58.8
Finance costs	3.7	6.0
Investment expenses	1.0	1.1
Total expenses (excluding direct claims expenses)	201.7	226.5
Expenses by nature		
Amortisation of acquired intangibles	4.1	5.3
Bank charges	1.4	3.0
Communications, postage and telephone expenses	2.4	3.1
Depreciation and amortisation	9.8	8.0
Depreciation of right-of-use assets	3.5	3.4
Employee costs	76.3	79.2
Finance costs	1.7	3.0
Finance costs - interest on lease liabilities	2.0	3.0
Impairment of intangibles	7.0	-
Information technology expenses	10.5	9.7
Investment expenses	1.0	1.1
Marketing expenses - excluding commissions	13.7	20.6
Marketing expenses - commissions	49.0	64.8
Merger, acquisition and new business implementation costs	0.3	4.6
Professional fees	12.4	8.3
Other expenses	6.6	9.4
Total expenses (excluding direct claims expenses)	201.7	226.5

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2020

nib holdings limited

6. FAIR VALUE MEASUREMENT

a) Fair value hierarchy

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

The following tables present the Group's financial assets and liabilities measured and recognised at fair value at 31 December 2020 and 30 June 2020:

	Level 1	Level 2	Level 3	Total
	\$m	\$m	\$m	\$m
Group at 31 December 2020				
Assets				
Receivables	-	2.0	-	2.0
Financial assets at fair value through profit or loss				
Equity securities	174.8	-	-	174.8
Interest-bearing securities	608.8	31.5	1.7	642.0
Mortgage trusts	-	-	-	-
Property trusts	-	-	10.5	10.5
Total assets	783.6	33.5	12.2	829.3

	Level 1	Level 2	Level 3	Total
	\$m	\$m	\$m	\$m
Group at 30 June 2020				
Assets				
Receivables	-	1.9	-	1.9
Financial assets at fair value through profit or loss				
Equity securities	156.1	-	-	156.1
Interest-bearing securities	633.8	26.4	-	660.2
Mortgage trusts	-	0.4	-	0.4
Property trusts	1.8	-	10.5	12.3
Total assets	791.7	28.7	10.5	830.9

There were no transfers between levels 1, 2 and 3 during the half year.

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

Level 1	The fair value of financial instruments traded in active markets (such as financial assets at fair value through profit or loss) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
Level 2	The fair value of financial instruments that are not traded in active markets (for example interest bearing securities) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. These instruments are included in level 2.
Level 3	If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2020

nib holdings limited

6. FAIR VALUE MEASUREMENT continued

b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All of the resulting fair value estimates for financial instruments are included in level 2.

In the circumstances where a valuation technique for financial instruments is based on significant unobservable inputs, those instruments are included in level 3. For the Group this includes the valuation of certain property trusts and interest bearing securities.

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

The Group's level 3 investments comprise units in property trusts which hold illiquid investments in unlisted property and interest bearing securities which are infrequently traded. The following table presents the changes in level 3 instruments for the periods ended 31 December 2020 and 30 June 2020:

	31 Dec 20	30 Jun 20
	\$m	\$m
Fair value measurement as at 1 July	10.5	12.9
Purchased	1.9	0.7
Sales	(0.2)	(2.2)
Change in fair value	(0.1)	(0.9)
Exchange differences	0.1	-
Fair value measurement at end of period	12.2	10.5

i) Transfers between levels 2 and 3

There were no transfers between the levels of the fair value hierarchy during the half year. There were also no changes during the half year to any of the valuation techniques applied as of 30 June 2020.

ii) Valuation process

The valuation of unlisted property and interest bearing securities is based on unit prices provided by investment managers.

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

Description	Fair value \$m	Unobservable inputs	Relationship of unobservable inputs to fair value
At 31 December 2020			
Interest-bearing securities and Unlisted property trusts	12.2	Redemption price	Higher/(low er) redemption price (+/- 10%) would increase/(decrease) fair value by \$1.2m
At 30 June 2020			
Unlisted property trusts	10.5	Redemption price	Higher/(low er) redemption price (+/- 10%) would increase/(decrease) fair value by \$1.1m

d) Fair values of other financial instruments

The Group also had another financial instrument which was not measured at amortised cost in the balance sheet. This had the following fair value as at 31 December 2020 and 30 June 2020:

	31 Dec 20		30 Jun 20	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$m	\$m	\$m	\$m
Non-current borrowings				
Bank loans	231.0	231.0	230.9	230.9

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values due to their short-term nature.

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2020

nib holdings limited

7. INTEREST IN OTHER ENTITIES

a) Interest in associates and joint ventures

During the period nib Asia Pty Limited (a wholly-owned subsidiary) invested a further \$3.8m in Aohua Insurance Consulting Co Ltd and \$1.9m in Kangaroo Technologies Ltd for the acquisition of an underwriting business, whilst maintaining ownership interest percentage.

Set out below are the associates and joint ventures of the Group as at 31 December 2020 and 30 June 2020:

Name of entity	Place of business / country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Carrying amount \$m	
		31 Dec 20	30 Jun 20			31 Dec 20	30 Jun 20
Honeysuckle Health Pty Ltd	Australia	50.0%	50.0%	Joint venture	Equity	7.0	8.4
Aohua Insurance Consulting Co Ltd (formerly Sino-Australia Insurance Consulting Co., Ltd)	China	75.1%	75.1%	Joint venture	Equity	9.2	6.4
Kangaroo Technologies Ltd (formerly Kangaroo Insurance Broker Co., Ltd.)	China	24.9%	24.9%	Joint venture	Equity	4.0	2.1
Total material equity accounting investments						20.2	16.9
Aggregate carrying amount of individually immaterial associates and joint ventures						0.7	0.7
Total equity accounting investments						20.9	17.6

1. Honeysuckle Health Pty Ltd is a specialist healthcare data science and services company. It is a strategic investment complementing the Group's health insurance business.

2. Aohua Insurance Consulting Co., Ltd and Kangaroo Technologies Ltd currently offers health checks and will offer lump-sum critical illness products across China.

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2020

nib holdings limited

8. INTANGIBLE ASSETS

	Goodwill	Software	Brands and Trademarks	Customer Contracts and relationships	Total
	\$m	\$m	\$m	\$m	\$m
At 1 July 2019					
Cost	227.4	112.9	32.6	81.7	454.6
Accumulated amortisation and impairment	-	(69.8)	(7.2)	(29.5)	(106.5)
Net book amount	227.4	43.1	25.4	52.2	348.1
Year ended 30 June 2020					
Opening net book amount	227.4	43.1	25.4	52.2	348.1
Additions	-	24.7	-	-	24.7
Disposals	-	(0.1)	-	-	(0.1)
Amortisation charge for the year	-	(15.0)	(1.2)	(7.4)	(23.6)
Impairment charge	-	-	(5.8)	(2.2)	(8.0)
Exchange differences	(0.9)	(0.3)	-	(0.5)	(1.7)
Closing net book amount	226.5	52.4	18.4	42.1	339.4
At 30 June 2020					
Cost	226.5	135.9	32.6	80.7	475.7
Accumulated amortisation and impairment	-	(83.5)	(14.2)	(38.6)	(136.3)
Net book amount	226.5	52.4	18.4	42.1	339.4
Half year ended 31 December 2020					
Opening net book amount	226.5	52.4	18.4	42.1	339.4
Additions	-	12.6	-	-	12.6
Disposals	-	-	-	-	-
Amortisation charge for the half year	-	(8.0)	(0.5)	(3.4)	(11.9)
Impairment charge	(5.8)	-	(1.2)	-	(7.0)
Exchange differences	-	-	-	0.1	0.1
Closing net book amount	220.7	57.0	16.7	38.8	333.2
At 31 December 2020					
Cost	226.5	148.5	32.6	80.8	488.4
Accumulated amortisation and impairment	(5.8)	(91.5)	(15.9)	(42.0)	(155.2)
Net book amount	220.7	57.0	16.7	38.8	333.2

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2020

nib holdings limited

8. INTANGIBLE ASSETS continued

a) Impairment tests for goodwill and intangibles

Goodwill and intangibles are allocated to a cash-generating unit (CGU).

The recoverable amount of a CGU is determined based on a value-in-use calculation. The value-in-use calculation uses cash flow projections based on financial budgets and forecast forward projections approved by management covering a four-year period.

An asset is considered impaired when its balance sheet carrying amount exceeds its estimated recoverable amount, which is defined as the higher of its fair value less cost of disposal and its value in use.

The nib Travel Group CGU goodwill was impaired by \$5.8 million and the Travel Insurance Direct brand name was partially impaired by \$1.2 million down to \$0.8 million, due to the ongoing impact of COVID-19 and an increase in the discount rate applied to the CGU. The impairment has been included in Other expenses on the Consolidated Income Statement.

The estimates used in calculating value-in-use are highly sensitive, and depend on assumptions specific to the nature of the Group's activities. Actual cash flows and values could vary significantly from forecasted future cash flows and related values derived from discounting techniques.

b) Key assumptions used for value-in-use calculations

The assumptions used for the cash flow projections for the first four years are in line with the current forecast forward projections. Key assumptions include policyholder growth, claims ratio and the discount factor.

Policyholder growth is calculated by forecasting the number of sales each month based on budgeted advertising and promotions spend, less the number of expected lapses each month. Claims ratios are targeted that generate price increases that maintain price competitiveness, cover expected increases in claims costs, do not adversely affect the funds capital adequacy position and enable funding of future business growth.

Cash flows beyond the four-year period are extrapolated into perpetuity assuming a growth factor of 2.5%. The Group has applied a post-tax discount rate to discount the forecast future attributable post tax cash flows.

These assumptions have been used for analysis of each CGU. Management determined policyholder growth and claims ratios based on past performance and its expectations for the future.

i) nib Travel

The assumptions have been updated for the ongoing economic impact of COVID-19. COVID-19 has particularly impacted the travel industry to which nib is exposed via the nib Travel Group Australia CGU.

Based on probability weighted scenario modelling, a key assumption in the nib Travel Group Australia CGU is that the travel industry returns back to pre-COVID-19 levels of activity by FY24, which is consistent with the previous assumption made at 30 June 2020. The following process has been utilised in forecasting cashflows for the nib Travel Group Australia CGU:

- FY21 to FY24 utilise nib internal forecasts. A gradual recovery back to pre-COVID-19 levels by FY24 has been forecast, with any notable recovery not starting until Calendar Year 2022,
- In determining what constitutes this CGU returning back to pre-COVID-19 levels of activity in FY24:
 - o 1H20 revenues have been assumed to represent pre-COVID levels of activity which have then been run rated,
 - o A 2.5% pa compound annual growth rate (CAGR) has been utilised to forecast expected revenue in FY24, consistent with the terminal growth rate also applied,
 - o Expense ratios have been applied in FY24 with reference to internal budget ratios as well as FY18 and FY19 actual ratios.
- It is assumed that this level of activity is appropriate to be included in the calculation of the Terminal Growth Value in the Value in Use calculation. Implied revenue CAGR's out to FY24 are 8% from the FY19 base (noting this year did not include the full year effect of the QBE acquisition), 19% from the FY20 base (noting that COVID-19 has impacted this year) and 2.5% from the 1H20 base annualised.

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2020

nib holdings limited

8. INTANGIBLE ASSETS continued

b) Key assumptions used for value-in-use calculations continued

The following table sets out the key assumptions for the nib travel CGU. The pre-tax discount rate has increased to 13.1% from 11.0% to reflect an updated assessment of risk in the cash flow forecasts.

	Revenue growth rate (forecast years)		Long term growth rate		Pre-tax discount rate	
	31 Dec 20	30 Jun 20	31 Dec 20	30 Jun 20	31 Dec 20	30 Jun 20
	%	%	%	%	%	%
nib travel	2.5	2.5	2.5	2.5	13.1	11.0

c) Significant estimate: Impact of possible changes in key assumptions

During the half year the nib Travel Group CGU goodwill was impaired by \$5.8 million and the Travel Insurance Direct brand name was partially impaired by \$1.2 million down to \$0.8 million, based on the assumptions in section b). A further deterioration in these assumptions may result in a further impairment of the CGU.

Should the travel industry return back to pre-COVID-19 levels of activity be delayed by one year (i.e. from FY24 to FY25) a further impairment of approximately \$10.3 million would be present. Given the high level of uncertainty around whether the travel industry will return to pre-COVID-19 levels, the nib Travel Group Australia CGU will continually be assessed as more information evolves. Sensitivity to changes in other key assumptions have been outlined in the table below.

Sensitivity to changes in assumptions	Carrying value	Recoverable value	Difference
	\$m	\$m	\$m
nib Travel Group CGU	106.7	106.7	-
Change in recoverable value	Movement in variable	Change in recoverable value	Excess/(deficit) in carrying value
		\$m	\$m
Change in revenue across FY21 - FY24	+10.0%	10.5	10.5
	-10.0%	(10.5)	(10.5)
Change in pre-tax discount rate	+1.0%	(11.6)	(11.6)
	-1.0%	14.0	14.0
Change in Long Term Growth Rate	+1.0%	14.1	14.1
	-1.0%	(11.1)	(11.1)

The following table sets out the key assumptions for the indefinite life for the brand names and trademarks for the nib Travel CGUs.

	Revenue growth rate (forecast years)		Royalty rate		Long term growth rate		Pre-tax discount rate	
	31 Dec 20	30 Jun 20	31 Dec 20	30 Jun 20	31 Dec 20	30 Jun 20	31 Dec 20	30 Jun 20
	%	%	%	%	%	%	%	%
Brandnames and trademarks								
WorldNomads.com	2.5	2.5	2.5	2.5	2.5	2.5	13.1	11.0

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2020

nib holdings limited

9. BORROWINGS

	31 Dec 20 \$m	30 Jun 20 \$m
Current		
Bank overdraft	2.0	2.0
	2.0	2.0
Non-current		
Bank loans	231.0	230.9
	231.0	230.9

a) Bank loans

During the period nib holdings limited refinanced its AUD \$85.0 million variable rate loan with NAB to extend its maturity date to 16 December 2023. It also has a AUD \$80.5 million variable rate loan with NAB with a maturity date of 9 December 2022. Both loans are carried at amortised cost.

nib nz holdings limited, a wholly owned subsidiary of nib holdings limited, has a NZD \$70.0 million variable rate loan with NAB with a maturity date of 9 December 2022.

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

Financial Covenant	Ratio as at 31 December 2020
Group Gearing Ratio will not be more than 45%	26.7%
Group Interest Cover Ratio ¹ will not be less than 3:1.	35:1

¹ Excludes interest on lease liabilities.

nib holdings limited has provided a guarantee and indemnity to NAB on behalf of nib nz holdings limited in respect of the NZD \$70.0 million term loan facility.

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2020

nib holdings limited

10. CLAIMS LIABILITIES

	31 Dec 20	30 Jun 20
	\$m	\$m
Outstanding Claims Liability		
Outstanding claims - central estimate of the expected future payment for claims incurred ¹	127.3	112.6
Risk margin	12.1	9.8
Claims handling costs	2.5	2.0
Gross outstanding claims liability	141.9	124.4
Outstanding claims - expected payment to the RESA ² in relation to the central estimate	28.3	21.3
Risk margin	1.9	1.4
Net outstanding claims liability	172.1	147.1
Provision for deferred and suspended claims		
Provision for deferred and suspended claims	73.1	98.8
	73.1	98.8
Total claims liabilities	245.2	245.9

1. Includes \$0.2 million of outstanding claims for nib Travel's underwriting company nib Travel Services Europe Limited which is 100% reinsured.

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

a) Outstanding claims liability

Movements in the gross outstanding claims are as follows:

	31 Dec 20	30 Jun 20
	\$m	\$m
Gross outstanding claims at beginning of period	124.4	122.4
Risk margin	(9.8)	(8.4)
Administration component	(2.0)	(1.8)
Central estimate at beginning of period	112.6	112.2
Change in claims incurred for the prior year	(2.9)	2.3
Claims paid in respect of the prior year	(102.0)	(112.1)
Claims incurred during the period (expected)	897.0	1,576.9
Claims paid during the period	(777.4)	(1,466.4)
Effect of changes in foreign exchange rates	-	(0.3)
Central estimate at end of period	127.3	112.6
Risk margin	12.1	9.8
Administration component	2.5	2.0
Gross outstanding claims at end of period	141.9	124.4

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2020

nib holdings limited

10. CLAIMS LIABILITIES continued

a) Outstanding claims liability continued

i) Actuarial assumptions

	31 Dec 20			30 Jun 20		
	Hospital	Medical	General	Hospital	Medical	General
	%	%	%	%	%	%
Australian Residents Health Insurance						
Assumed proportion paid to date	83.6%	86.6%	97.5%	92.1%	91.6%	98.6%
Expense rate	1.3%	1.3%	1.3%	1.1%	1.1%	1.1%
Discount rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk margin	6.6%	6.6%	6.6%	5.5%	5.5%	5.5%
Risk equalisation rate	23.7%	23.7%	0.0%	27.6%	27.6%	0.0%
Allowance for risk equalisation claims eligibility	7.8%	7.8%	0.0%	0.0%	0.0%	0.0%
Risk margin for risk equalisation	6.6%	6.6%	0.0%	6.5%	6.5%	0.0%
International Students Health Insurance						
Assumed proportion paid to date	52.5%	88.3%	100.0%	72.7%	91.5%	99.3%
Expense rate	5.0%	5.0%	5.0%	4.0%	4.0%	4.0%
Discount rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk margin	29.3%	29.3%	29.3%	29.4%	29.4%	29.4%
International Workers Health Insurance						
Assumed proportion paid to date	62.2%	81.9%	87.4%	72.1%	86.2%	93.4%
Expense rate	5.0%	5.0%	5.0%	4.5%	4.5%	4.5%
Discount rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk margin	29.4%	29.4%	29.4%	29.4%	29.4%	29.4%
	Surgical	Medical		Surgical	Medical	
	%	%		%	%	
NZ Health Insurance						
Assumed proportion paid to date	90.8%	90.0%		89.0%	88.7%	
Expense rate	3.2%	3.2%		3.0%	3.0%	
Discount rate	0.0%	0.0%		0.0%	0.0%	
Risk margin	5.1%	5.1%		7.0%	7.0%	

ii) Actuarial methods and critical accounting judgements and estimates

nib notified the regulatory authorities in December 2020 that it had become aware of issues in its risk equalisation reporting, involving the inclusion of certain claims that may be ineligible. At balance date the Group recorded an increase in its risk equalisation estimate of \$7.5m including risk margin in relation to the matter.

The risk margin of the underlying liability has been estimated to equate to a probability of adequacy of 95% (June 2020: 95%) for the Group. The risk margin within each territory is set at the probability of adequacy adopted for the local accounts and is 95% in Australia (June 2020: 95%) and 75% in New Zealand (June 2020: 95%) with the benefit of diversification across the Group now negligible after adjustment to achieve an overall Group probability of adequacy of 95%.

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2020

nib holdings limited

10. CLAIMS LIABILITIES continued

a) Outstanding claims liability continued

iii) Sensitivity analysis – impact of key variables

The table below sets out the changes to profit and equity that would arise from reasonably possible movements in key variables.

			Profit after tax	Equity	
			31 Dec 20	31 Dec 20	
			\$m	\$m	
Recognised amounts in the financial statements attributable to owners of nib holdings limited			66.3	639.8	
Variable	Movement in variable	Adjustments	Adjusted amounts	Adjustments	Adjusted amounts
		\$m	\$m	\$m	\$m
Chain ladder development factors	+0.5%	(13.8)	52.5	(13.8)	626.0
	-0.5%	13.8	80.1	13.8	653.6
Expense rate	+1.0%	(1.0)	65.3	(1.0)	638.8
	-1.0%	1.0	67.3	1.0	640.8
Risk equalisation allowance	+2.5%	(1.7)	64.6	(1.7)	638.1
	-2.5%	1.7	68.0	1.7	641.5
Risk margin	+1.0%	(1.1)	65.2	(1.1)	638.7
	-1.0%	1.1	67.4	1.1	640.9

10. CLAIMS LIABILITIES continued

b) Provision for deferred and suspended claims

i) Critical accounting judgements and estimates

On 12 March 2020, the World Health Organisation declared the outbreak of coronavirus (COVID-19) a global pandemic. Due to the temporary closure of elective surgery and reduced access to ancillary benefits, Private Health Insurers (PHIs) in both Australia and New Zealand experienced unusually low claims volumes in March, April and May 2020 with unusually low claim volumes again experienced in the state of Victoria over July to September 2020 following lockdowns in that State.

Given the lower claims activity, the Group believes it has an obligation to recognise a provision for deferred claims based on a present constructive obligation resulting from a past event under relevant accounting standards. In nib's case, the event (impacts of COVID-19 on the availability of and access to procedures since March 2020) has triggered the deferral of claims activity and benefits that would have otherwise been provided to members. If cover remains in place, a responsibility exists to provide for these claims that would have ordinarily been incurred under normal circumstances. nib members with continuing cover would have had an expectation to use and therefore claim on hospital, surgical and ancillary services had the pandemic not arisen, notwithstanding the backlog of activity. The provision is therefore management's estimate of the cost of claims which might have occurred up until 31 December but did not as a result of COVID-19 impacts and are therefore deferred at that date.

In estimating the provision, four key steps were undertaken:

1. **Estimating the gross reduction in claims due to temporary closure of elective surgery and reduced access to ancillary benefits.** Incurred claims estimates produced across the period from March 2020 to 31 December 2020 as part of the outstanding claims provisioning process were compared to the forecast produced leading up to March 2020 when COVID-19 impacted claims activity. The difference between forecast and actual incurred was calculated by modality (claim type) to estimate the financial impact of COVID-19 across the March to December 2020 period.
2. **Estimating risk equalisation levy impact (Australian claims only).** The risk equalisation impact of COVID-19 was estimated by applying consistent ratios used for the risk equalisation amounts in outstanding claims.
3. **Applying a deferral rate (percentage of the gross reduction in claims to date due to COVID-19 that is expected to be caught up in later periods).** Certain factors need to be considered when assessing that not all estimated savings translate to a claims payment backlog at balance date. For example:
 - a. there has continued to be lapses of memberships in the normal course of business;
 - b. some types of private health benefits are less likely to have been deferred;
 - c. catch up patterns differ between ancillary and hospital benefit types due to capacity in facilities, lead time to arrange procedures etc.

nib's deferral rates have been estimated as follows:

- 60% (June 2020: 80%) of Australian claims reduction in 2020; and
- 90% (June 2020: 90%) of New Zealand

to be deferred on the basis that this represents the 2021 financial year claims which are expected to be inflated above normal trends due to COVID-19.

4. **Deducting the catch up of claims to date.** Incurred claims estimates for this half year ended 31 December 2020 were compared to prior year incurred claims (pre COVID-19 impacted claims activity). The difference between actual incurred and prior period incurred was calculated by modality (claim type) and used to estimate the catch up of claims to date.

Risks and uncertainties have been taken into account in the measurement of the liability and are reflected in the key inputs and judgements. The key risks associated in estimating the components of the provision is the under/over estimation of the claims deferral rate and to a lesser extent, the under/over estimation of the claims savings (net of risk equalisation impact).

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2020

nib holdings limited

10. CLAIMS LIABILITIES continued

b) Provision for deferred and suspended claims continued

ii) Sensitivity analysis – impact of key variables

The table below sets out the changes to profit and equity that would arise from reasonably possible movements in key variables.

			Profit after tax		Equity	
			31 Dec 20		31 Dec 20	
			\$m		\$m	
Recognised amounts in the financial statements attributable to owners of nib holdings limited			66.3		639.8	
Variable	Movement in variable	Adjustments	Adjusted amounts	Adjusted amounts	Adjusted amounts	Adjusted amounts
		\$m	\$m	\$m	\$m	\$m
Reduction in claims activity	+2.0%	(1.5)	64.8	(1.5)	638.3	
	-2.0%	1.5	67.8	1.5	641.3	
Claims deferral rate	+10.0%	(7.3)	59.0	(7.3)	632.5	
	-10.0%	7.3	73.6	7.3	647.1	
Catch up of claims to date	+20.0%	4.4	70.7	4.4	644.2	
	-20.0%	(4.4)	61.9	(4.4)	635.4	

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2020

nib holdings limited

11. CONTRIBUTED EQUITY

a) Share capital

	31 Dec 20	30 Jun 20
	\$m	\$m
Ordinary shares		
Fully paid	128.9	127.4
Other equity securities		
Treasury shares	(4.9)	(6.0)
Total contributed equity	124.0	121.4

b) Movements in share capital

Date	Details	No. of shares	Price \$	\$m
1 Jul 2019	Opening balance	455,551,378	-	120.3
30 Sep 2019	Shares issued - Dividend reinvestment plan	533,454	7.32	3.9
7 Apr 2020	Shares issued - Dividend reinvestment plan	734,694	4.30	3.2
30 Jun 2020	Balance	456,819,526	-	127.4
1 Jul 2020	Opening balance	456,819,526	-	127.4
6 Oct 2020	Shares issued - Dividend reinvestment plan	346,540	4.22	1.5
31 Dec 2020	Balance	457,166,066	-	128.9

c) Treasury shares

Date	Details	No. of shares	\$m
30 Jun 2019	Balance	920,760	5.1
	Acquisition of shares by the Trust	1,062,658	6.3
	Employee share issue - LTIP	(628,895)	(3.9)
	Employee share issue - STI	(283,080)	(1.5)
30 Jun 2020	Balance	1,071,443	6.0
	Acquisition of shares by the Trust	223,679	1.1
	Employee share forfeiture	52,071	-
	Employee share issue - LTIP	(141,334)	(1.0)
	Employee share issue - STI	(192,022)	(1.2)
31 Dec 2020	Balance	1,013,837	4.9

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2020

nib holdings limited

12. DIVIDENDS

a) Ordinary shares

	Half year	
	31 Dec 20	31 Dec 19
	\$m	\$m
Final dividend for the year ended 30 June 2020 of 4.0 cents (2019 - 13.0 cents) per fully paid share paid on 6 October 2020		
Fully franked based on tax paid at 30%	18.3	59.2
Total dividends provided for or paid	18.3	59.2

b) Dividends not recognised at half year end

	Half year	
	31 Dec 20	31 Dec 19
	\$m	\$m
In addition to the above dividends, since the end of the half year the Directors have recommended the payment of an interim dividend of 10.0 cents (2020 - 10.0 cents) per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 6 April 2021 out of retained profits at 31 December 2020, but not recognised as a liability at the end of the half year, is:	45.7	45.6

13. EARNINGS PER SHARE

		Half year	
		31 Dec 20	31 Dec 19
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic/diluted EPS	\$m	66.3	57.3
Weighted average number of ordinary shares	#m	457.0	455.8
Basic / Diluted EPS	cents	14.5	12.6

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2020

nib holdings limited

14. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group has a number of levers, including adjusting the amount of dividends paid to shareholders, returning capital to shareholders, issuing new shares, selling assets, raising or reducing debt or buying back shares.

nib holdings limited

At 31 December 2020 the Group had available capital of \$65.8 million above our internal benchmark (after allowing for the payment of a fully franked interim ordinary dividend of 10.0 cents per share, totalling \$45.7 million, in April 2021).

Below is a reconciliation of net assets to available capital as at 31 December 2020 (after allowing for payment of an interim dividend):

	31 Dec 20	30 Jun 20
	\$m	\$m
Net assets	656.4	606.4
Less:		
nib health fund capital required	(469.9)	(444.5)
nib nz capital required	(100.0)	(94.9)
Investment in associates	(20.9)	(17.5)
Capital required looking forward 12 months	(15.1)	(24.7)
nib nz intangibles	(32.3)	(32.9)
iihi intangibles	(18.4)	(21.4)
nib travel intangibles	(106.7)	(113.5)
Charitable foundation	(16.6)	(16.7)
Borrowings	231.0	230.9
Other assets and liabilities	4.0	4.1
Interim dividend	(45.7)	(18.3)
Available capital (after allowing for payment of interim dividend)	65.8	57.0

nib health funds limited

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

Any capital in excess of the benchmark, taking a 12-month forward looking view, will be reduced by way of dividend to nib holdings limited. nib health funds limited paid a dividend of \$30.7 million in August 2020 to nib holdings limited.

The surplus assets over benchmark at 31 December 2020 and 30 June 2020 are as follows:

	31 Dec 20	30 Jun 20
	\$m	\$m
Total assets nib health funds limited (excluding unclosed business contributions - unearned)	1,163.2	1,198.8
Capital adequacy requirement	756.1	792.6
Surplus assets for Capital Adequacy¹	407.1	406.2
Net assets nib health funds limited	509.0	464.7
Internal capital target	469.9	444.5
Surplus assets over internal capital target	39.1	20.2

1. Surplus assets for Capital Adequacy based on most recent APRA return.

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2020

nib holdings limited

14. CAPITAL MANAGEMENT continued

nib nz limited

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

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

The surplus assets over benchmark at 31 December 2020 and 30 June 2020 are as follows:

	31 Dec 20 \$m	30 Jun 20 \$m
Actual Solvency Capital	34.1	30.4
Minimum Solvency Capital	13.2	12.6
Solvency Margin	20.9	17.8
Net assets nib nz limited	104.4	97.1
Capital Adequacy Coverage Ratio	2.58	2.42
Internal benchmark	2.25xMSC	2.25xMSC
Internal benchmark requirement	29.7	28.3
Surplus assets over internal benchmark	4.4	2.1

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2020

nib holdings limited

15. CONTINGENT LIABILITIES

a) Australian Competition and Consumer Commission (ACCC) allegations

On 30 May 2017, the Australian Competition and Consumer Commission (ACCC) instituted proceedings in the Federal Court against nib health funds limited (nib). The ACCC alleges that nib engaged in misleading and deceptive conduct, unconscionable conduct and made false or misleading representations by failing to notify certain customers in relation to changes made to its Medigap Scheme. nib denies the ACCC's allegations and intends to defend the claims. In the event that the Court finds in favour of the ACCC, nib may have potential liabilities, including pecuniary penalties. The matter was unsuccessfully mediated in October 2017 and was set down for hearing in June 2018. The hearing date was vacated by the Court in June 2018, as a result of a then-outstanding Full Federal Court decision in similar proceedings brought by the ACCC against Medibank Private Limited (MPL), which had been resolved by the Federal Court at first instance against the ACCC. In December 2018, the Full Federal Court dismissed the ACCC's appeal of the first instance judgment against it in favour of the MPL. The ACCC has since indicated that it intended to press its proceedings against nib. The matter has been set down for hearing on 3 June 2021. Due to the nature of the matter, the outcome is uncertain.

b) Guarantees and financial support

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

nib holdings limited has in place a commitment to fund advances up to NZD \$10 million to nib nz holdings limited upon written request. Any advances would be on the same terms as contained in current intercompany loans between nib holdings limited and nib nz holdings limited.

nib holdings limited has given an undertaking to extend financial support to a number of other subsidiaries within the Group, and Footprints Fundraising Inc. (Footprints) by subordinating repayment of debts owed by the entities to nib holdings limited, in favour of all other creditors. The amount owed from Footprints at balance date is \$24,135. This undertaking has been provided as a result of each of these subsidiaries experiencing deficiencies of capital and reserves, and is intended to enable the entities to continue their operations and fulfil all financial obligations now and in the future. The undertaking for Footprints is valid from 1 January 2021 to 31 December 2021.

16. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

Notes to the Consolidated Financial Statements continued

For the half year ended 31 December 2020

nib holdings limited

17. PARENT ENTITY FINANCIAL INFORMATION

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

	31 Dec 20	30 Jun 20
	\$m	\$m
Balance Sheet		
ASSETS		
Current assets	98.2	120.9
Non-current assets	746.0	739.7
Total assets	844.2	860.6
Current liabilities	3.2	29.0
Non-current liabilities	165.5	165.5
Total liabilities	168.7	194.5
NET ASSETS	675.5	666.1
EQUITY		
Share capital	397.9	396.5
Share-based payments	(9.2)	(8.7)
Retained profits	286.8	278.3
Total Equity	675.5	666.1
	31 Dec 20	31 Dec 19
	\$m	\$m
Profit for the half year	26.7	82.1
Total comprehensive income for the half year	26.7	82.1

18. COMPANY DETAILS

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

22 Honeysuckle Drive
NEWCASTLE NSW 2300

The Financial Report was authorised for issue by the Directors on 19 February 2021. The company has the power to amend and reissue the Financial Report.

Directors' Declaration


For the half year ended 31 December 2020
nib holdings limited

In the Directors' opinion:

- a) the financial statements and notes set out on pages 5 to 35 are in accordance with the *Corporations Act 2001*, including:
- i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii. giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half year ended on that date; and
- b) there are reasonable grounds to believe that nib holdings limited will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board



Steve Crane
Director

Anne Loveridge
Director

Newcastle, NSW
19 February 2021



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

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of nib holdings limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the Consolidated Balance Sheet as at 31 December 2020, the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and Consolidated Income Statement for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the half-year financial report

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

Auditor's responsibility for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true

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and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PricewaterhouseCoopers

PricewaterhouseCoopers

SK Fergusson

SK Fergusson
Partner

Newcastle
19 February 2021

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