

1 May 2018

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

Presentation to the Macquarie Australia Conference – May 2018

Please find attached the presentation to be delivered by nib at the Macquarie Australia Conference (1 May 2018).

Yours sincerely,



Roslyn Toms
Company Secretary

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A photograph of a woman and a young child lying on their stomachs on a grassy field, laughing joyfully. The image is dimmed to serve as a background for the text.

Macquarie Australia Conference

1 May 2018

Mark Fitzgibbon
Managing Director & Chief Executive Officer

nib

Personalisation

Harness data science to “personalise” our relationship with members and become a “health partner” as a means of enhancing the value proposition, differentiating nib in the market and better influencing costs and affordability.

Grow the core

Target organic arhi growth between 3-4% pa with appropriate brand and acquisition investment, risk selection, product and channel diversification and enhancing the value proposition. Consider and pursue M&A as opportunities present.

Economies of scope

Leverage Group assets and capabilities to pursue adjacent business opportunities, grow enterprise value and diversify risk. Amplify investment in growing international workers and students, New Zealand and travel insurance businesses and execute new opportunities.

Racing the Red Queen

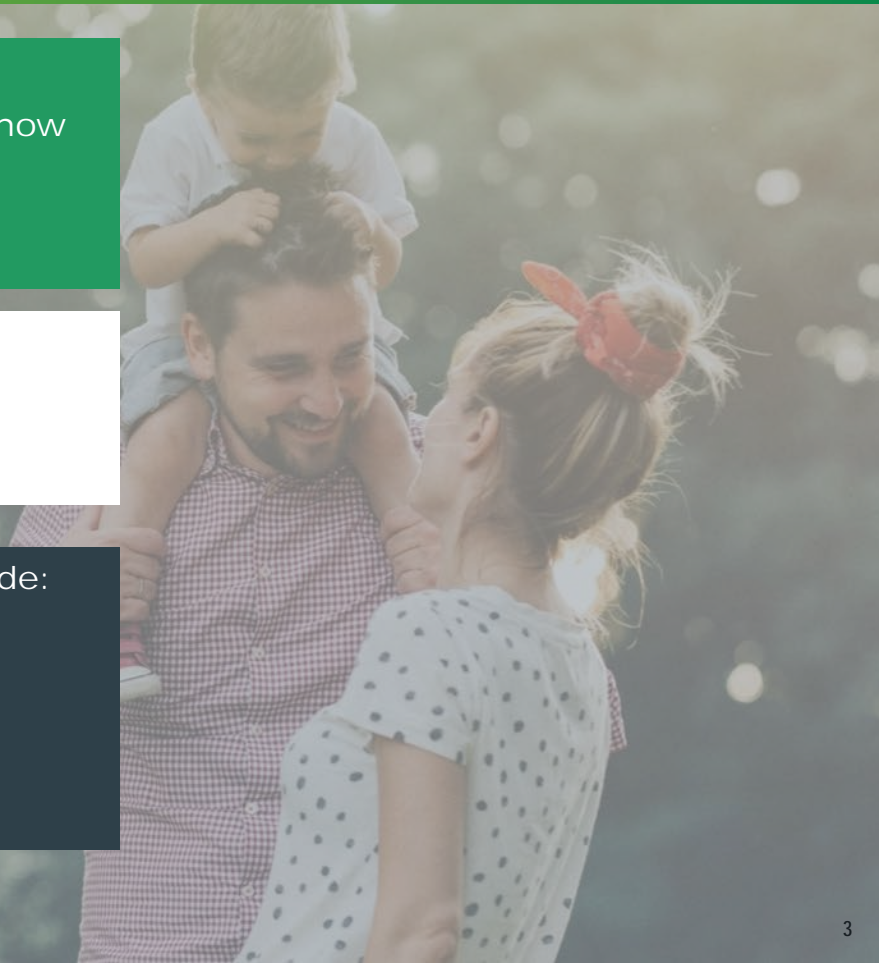
Create competitive advantage across the Group through constant innovation, technology, agility, comprehending risk and cultural alignment.

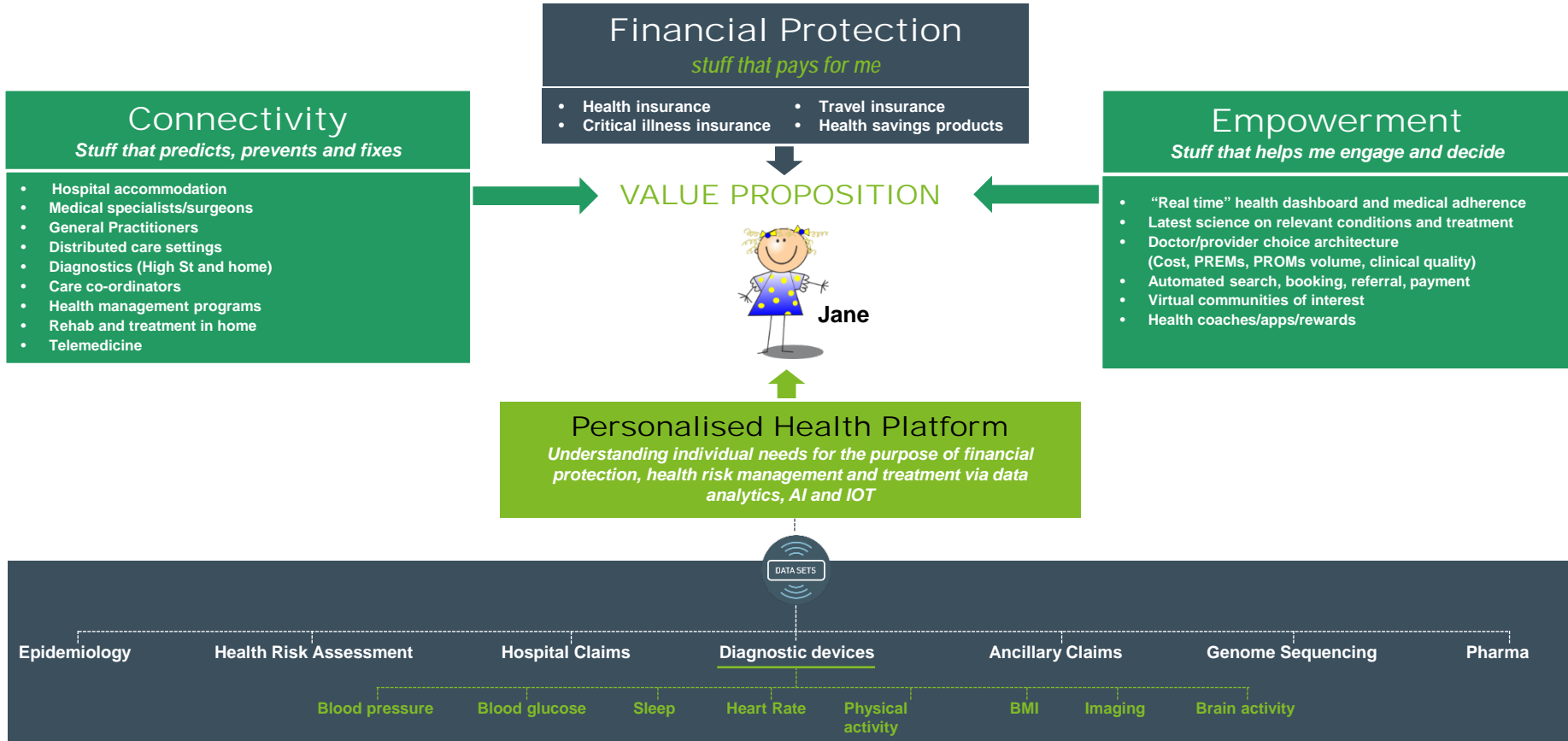
Data science, Artificial Intelligence (AI) and the Internet of Things (IOT) make for a profound shift in how we think about healthcare and the PHI value proposition especially through deep insight and personalisation.

PHI is well placed to lead this shift. PHI has member and provider relationship, access to data and the scale to invest in aggregating and interpreting data.

Data science and personalisation will inform and guide:

- Level and nature of financial protection
- Improved health literacy and behaviour
- Disease prediction, prevention and management
- Better choice of treatment and clinician





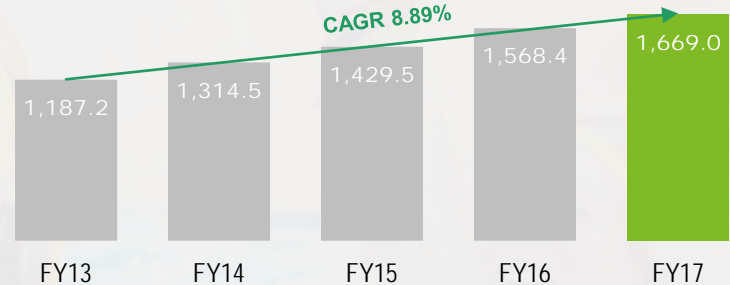
The background of the slide is a photograph of a young boy with dark hair and glasses, wearing a blue and white patterned shirt. He is smiling and splashing water, with his hands in front of him. The water is clear and blue, and there are trees and a shoreline in the background. The entire image is overlaid with a semi-transparent blue filter.

Grow the core

(arhi)

- Australia needs more private healthcare financing not less.
- nib's top line and UOP are growing.
- Claims inflation is low and utilisation management improving.
- There are real opportunities to enhance value proposition via personalisation and digital engagement.
- Supportive Government policy.
- GU Health acquisition going to plan.
- Some signs of industry appetite for consolidation.

PREMIUM REVENUE (\$m)



CLAIMS INFLATION (%)*



*Rolling 12 month change in total benefits per person.
Source: APRA and nib.

- **Low PHI market growth.**
- **High salience around premium increases and “out-of-pocket” expense.**
- **Populist political policy. The potential 2 x 2% cap and impact upon margins.**
- **Ongoing evidence of avoidable hospitalisation, unwarranted treatment and cost variation.**
- **ACCC action.**
- **Possible need to retain more prudential capital.**

- **Current internal capital targets and capital levels fully meet APRA expectations. PHI capital standards were last reviewed by PHIAC in 2014. APRA has openly stated it sees no pressing need for modifications at this stage¹.**
- **APRA has indicated a review of capital standards may occur in late 2018 or 2019 with appropriate time for consultation and transition. We anticipate any revised standards would be in place from 1 July 2020 (FY21) at the earliest.**
- **Business continues to generate material organic capital, in addition to potential capital to be released following the GU Health acquisition. We are mindful any review of PHI capital standards may result in greater harmonisation with other APRA-regulated. To bridge any shortfall and allow for additional internal targets there are a range of levers available to us including (but not limited to):**
 - **Capital accumulation in the ordinary course of business**
 - **Dividend reinvestment**
 - **Replace some current senior debt with subordinated debt (Tier 2 capital)**

1. <http://www.apra.gov.au/Speeches/Documents/Speech%207022018%20Health%20Insurer%20Heal%20Thyself.pdf>

OUTLOOK GENERALLY REMAINS POSITIVE



Organic growth 3-4% with ongoing investment and creativity.

FY18 arhi net margin 5-6%.

Personalisation strategy has enormous potential.

Long term public/private partnerships.

The background of the slide is a photograph of a man and two young children. The man is in the center, smiling warmly. To his left, a young girl is laughing with her eyes closed. To his right, another young girl is looking at him with an open mouth, as if speaking or laughing. The photo is semi-transparent, allowing the text to be overlaid clearly.

Adjacent businesses

(New Zealand, International Students and Workers,
nib Travel and Chinese Joint Venture)



Positive

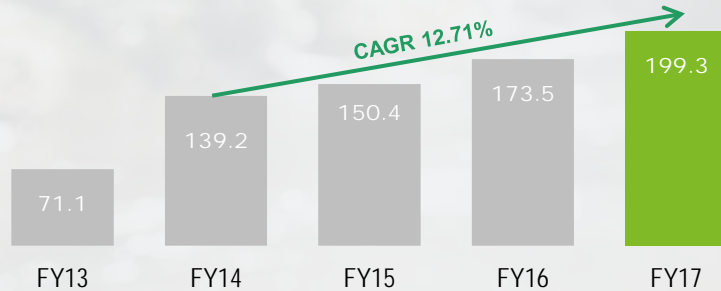
- NZ needs more private healthcare financing not less.
- Top line and UOP growth.
- Management systems improving.
- Population health opportunities.
- Latitude to experiment.



Not so positive

- Negligible system growth.
- High claims inflation (circa 6%).

PREMIUM REVENUE (\$m)*



NET MARGIN (%)



* nib New Zealand acquired November 2012 with FY13 a seven month result.



Positive

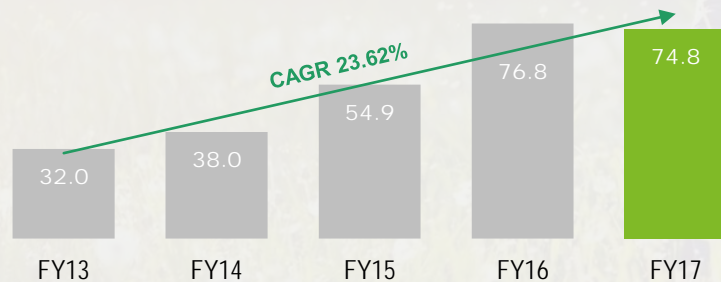
- Ongoing demand for international workers and students.
- Strong profit margins.
- Global expansion via NISS platform.



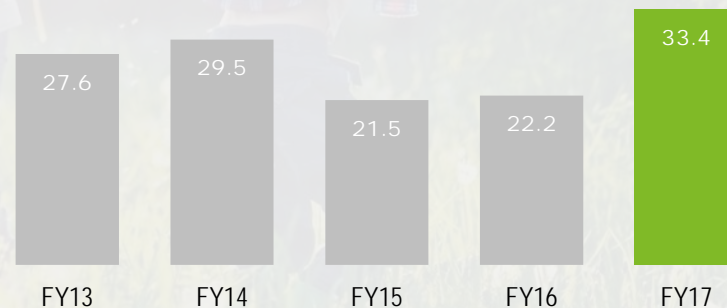
Not so positive

- Price competition.

PREMIUM REVENUE (\$m)



NET MARGIN (%)





Positive

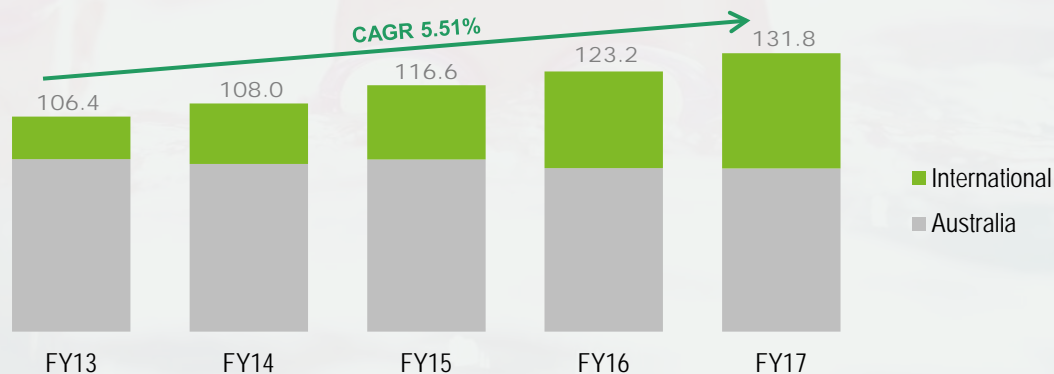
- Strong domestic franchise.
- Growing international sales and value chain expansion.
- Business integration completed.



Not so positive

- No shortage of competition.
- Risk associated with overseas expansion.

GROSS WRITTEN PREMIUM (\$m)*



*World Nomads Group acquired July 2015.



Positive

- Government encouraging healthcare and private insurance.
- Strong working relationship with Tasly.
- License application near submission.
- Imminent appointment of CEO.
- Target the Sichuan Province (population approx. 100 million), using medical big data.



Not so positive

- Tyranny of distance and usual cultural barriers.



OUTLOOK FOR ADJACENT BUSINESSES



Domestic New Zealand health insurance markets remain "soft" with strong competition creating sales, lapse and downgrading pressures. Expecting improved conditions in FY19 and beyond.



Growing demand for international students and workers health insurance both domestically and internationally.



There are very significant opportunities for us in both the domestic and international travel insurance market. The longer term outlook is highly attractive.



First Chinese policy sales by end of 2018 (target).



Aim to achieve 50% of UOP.

RACING THE RED QUEEN



Project Jane



nibx 2.0



Cloud migration of systems



New digital member ecosystem (incl. Whitecoat platform)



First Choice Provider Network



Life insurance

(\$m)	FY18 (Guidance)
Statutory operating profit	\$148.7
One-off transactions and M&A costs	9.0
One-off transactions ¹	5.7
M&A costs	3.3
Amortisation of acquired intangibles	7.3
Amortisation of acquired intangibles (IMAN)	0.8
Amortisation of acquired intangibles (NZ)	3.6
Amortisation of acquired intangibles (WNG)	2.2
Amortisation of acquired intangibles (GU)	0.7
UOP	\$165.0

1. One-off transactions include integration of acquired business, establishment of business costs as well as extraordinary legal fees.

- FY18 UOP expected to be at least \$165 million (statutory operating profit at least \$148 million).
- FY18 investment returns in line with internal benchmarks.
- Ordinary dividend pay-out ratio 60-70% of full year NPAT.

The background of the slide is a photograph of three children playing in a field of tall grass and dandelions. The children are in the center and right-center of the frame, with their arms raised as if blowing on dandelion seeds. The scene is bathed in warm, golden light, suggesting late afternoon or early morning. The overall mood is joyful and carefree.

Questions?