



---

SHAREHOLDER REVIEW 2016



# CONTENTS

Group Performance Highlights	2	Board of Directors	20
Chairman's Report	4	Board and Executive Remuneration	24
Managing Director's Report	6	Financial Summary	
Year in Review		Consolidated Income Statement	26
Australian Residents Health Insurance	8	Consolidated Balance Sheet	26
nib New Zealand	12	Consolidated Statement of Cash Flows	27
International and New Business	14	Five-Year Performance Summary	28
Profitability and Shareholder Returns	16	Information for Shareholders	29
Our Community	18		

**WE EXIST TO HELP PEOPLE ACCESS AND AFFORD HEALTHCARE WHEN AND WHERE NEEDED.**

**OUR VISION IS TO BE A LEADING FINANCIER AND FACILITATOR OF HEALTHCARE WITH A REPUTATION FOR INNOVATIVE PRODUCTS, VALUE FOR MONEY, OUTSTANDING CUSTOMER SERVICE, BEING A GOOD CORPORATE CITIZEN AND DELIVERING STRONG SHAREHOLDER RETURNS.**



# GROUP PERFORMANCE HIGHLIGHTS

## TOTAL GROUP REVENUE \$m

▲ 14.3%



## UNDERLYING OPERATING PROFIT \$m

▲ 49.9%



\* Excludes non-recurring profit from sale of Newcastle office building

## DIVIDENDS cps

▲ 28.3%



## RETURN ON EQUITY %

▲ 11.7%



All figures quoted are in Australian dollars unless otherwise stated.

**NET INVESTMENT RETURN**  
\$m

▼ 46.2%



\* Includes profit on sale of PSG shares of \$5.4m in FY15

**NET PROFIT AFTER TAX**  
\$m

▲ 22.0%



**EARNINGS PER SHARE (STATUTORY)**  
cps

▲ 22.5%



**NET PROMOTER SCORE (ARHI\*)**  
%

▼ 3.0%



\* Australian Residents Health Insurance

# CHAIRMAN'S REPORT



**Strong customer, revenue and earnings growth in financial year 2016 reflected how well the nib Group is meeting customer needs across the various markets in which we operate and with that, delivered solid returns for nib shareholders. They are results consistent with the company's performance since listing on the ASX in 2007. I believe we have created a good balance between building upon nib's traditional capabilities and strengths in the private health insurance market and leveraging these to expand into new businesses and markets.**

As will be observed from our operating and financial review, FY16 produced impressive revenue and earnings growth. Total Group revenue was up 14.3% to \$1.9 billion\* and our underlying operating profit (UOP) up almost 50% to \$132.0 million. Net Profit After Tax (NPAT) improved by 22.0% to \$91.8 million or 21.2 cents per share.

Our underlying financial performance for FY16 has allowed the Board to declare dividends totalling 14.75 cents per share (fully franked). This represents a payout ratio of 70% of after tax earnings in keeping with our stated policy range of 60% to 70%.

\* Excludes non-recurring profit from sale of Newcastle office building.

## **An evolving Group**

nib's mainstay Australian Residents Health Insurance (arhi) business produced a pleasing result in terms of both top line and earnings growth. arhi contributed \$94.5 million or 72% to Group UOP in FY16. We're really proud that we've been able to grow this business well ahead of the market average for so long.

Importantly, our adjacent businesses are steadily increasing their earnings contribution with a combined UOP of \$37.5 million in the year under review. These businesses demonstrate a preparedness to deploy existing Group capabilities and assets to explore new market opportunities. They also reflect a disciplined approach to investment. The acquisition during FY16 of specialist travel insurance provider World Nomads Group (WNG) and the medical insurance book of New Zealand insurer, OnePath Life (NZ) Limited (OnePath NZ), were both aligned with our Group strategy and investment framework. Both acquisitions have settled well under nib ownership and are performing in line with expectations.

Shareholders can expect continued and measured amplification of investment in arhi and adjacent businesses as circumstances, our company strategy and our internal 'hurdle' rates of return dictate.

“Our underlying financial performance for FY16 has allowed the Board to declare dividends totalling 14.75 cents per share (fully franked).”

### **An evolving market**

It will be evident from media coverage during the year that many consumers are aggrieved with private health insurance and especially premium increases, out of pocket expenses and limited treatment coverage.

Some of the critique has justification and we recognise there must be ongoing improvement in the industry in meeting customer needs, affordability and cost effectiveness. It's the same recognition that explains the level of innovation for which nib has become well known, our devotion to the principles of Net Promotor Score (a widely used customer satisfaction index) and a general thrust towards reducing claims outlays without compromising customer outcomes. We also welcome many of the reforms being mooted by Government.

There is an urgent need for industry regulatory reform and Mark's report raises some real possibilities.

### **An evolving leadership team**

Succession planning for both Executives and Non-Executive Directors (NED) is a priority for the Board. While we have great confidence in the calibre of our current leadership, naturally we must prepare for a range of future circumstances and market conditions.

We continue to be mindful of ensuring we meet our own tests for NEDs independence and maintaining an appropriate skills mix. During the year we appointed Mr Donal O'Dwyer as a NED after conducting an extensive search through an independent recruitment firm. Donal is a highly-experienced company director with extensive executive-level experience in the global sales and marketing of healthcare products and services. The appointment of Donal follows the announcement in November last year by Dr Annette Carruthers that she would not seek re-election as a NED.

I would like to take this opportunity to again sincerely thank and pay tribute to Annette for her 12 year contribution to the company and shareholders. During her time she has overseen the transition of the business from a mutual to an ASX-listed entity, the significant growth across Australia and expansion into new markets both domestic and international. I'm certain she has much yet to contribute to the Australian corporate world.

I would like to thank everyone at nib for their efforts this year, including my fellow Directors and the Executive team. The success of our business is reflected in the dedication, professionalism and quality of our people and their commitment to delivering service excellence.

**Steve Crane**  
Chairman

# MANAGING DIRECTOR'S REPORT



**Another pleasing result in FY16 reflecting the strong execution of our business strategy across the Group. In just about every part of the business we grew our customer base, market share and profitability. Group underlying operating earnings increased an impressive 49.9% to \$132.0 million and NPAT 22.0% to \$91.8 million.**

Our core arhi segment was once again a 'star' performer. Although the policyholder growth rate of 3.8% was slightly below our sustainable growth rate target of 4% to 5%, we grew almost three times the industry average (1.3%). arhi also produced a very solid UOP up 31.4% on FY15. The 'above system' organic growth and improved profitability is familiar but only ever achieved with constant creativity, effort and investment. Deeply ingrained in our corporate culture is the belief that ongoing experimentation and measured risk taking is crucial to improvement and keeping ahead of competitors.

Importantly, arhi achieved this growth in very 'soft' market conditions not made any easier by all the 'trash talking' in the media about private health insurance (PHI). The diatribe is doing the Australian healthcare system a real disservice given we need the private sector to play an even greater role in meeting our future healthcare needs. Every year we're spending about 6% more per capita on healthcare and our primary reliance on taxes to fund this spending

is simply unsustainable given an ever increasing dependency ratio of retirees to taxpayers.

That's not to suggest there aren't real opportunities to improve our PHI system and nobody is thinking and working harder than nib on a better 'deal' for consumers and market efficiency. We're especially excited about the possibilities in regulatory reform. We do appreciate just how supportive current Commonwealth policy settings are for PHI and we certainly don't look to government to guarantee our future. But there are still obstacles to improved market efficiency such as the perverse system of risk equalisation and the outrageous regulated over-pricing of prosthetic devices.

For several years, we've been very deliberately diversifying the business with a view to exploiting 'economies of scope' across the Group and in order to mitigate earnings concentration risk in arhi. And our efforts haven't been without considerable progress. In FY16, 'non-arhi' earnings accounted for 28% of our Group UOP, compared to just over 18% in FY15 and a negligible contribution just five years ago. These are the earnings derived from our international workers and students businesses, nib New Zealand, our travel insurance business, WNG, and a collection of other smaller product lines such as life insurance. It's a strategy which is clearly working for us and we have an appetite



“The ‘above system’ organic growth and improved profitability is familiar but only ever achieved with constant creativity, effort and investment.”

for more within the disciplined investment framework we apply.

Perhaps our most exciting initiative in FY16 was to take our digital healthcare platform *Whitecoat* to another level. Sometimes referred to as the ‘TripAdvisor’ for healthcare, *Whitecoat* is designed to help people make better choices about their behaviour, treatment options and choice of doctor with the added convenience of search, booking and payment engines. As other digital platforms are doing in other markets, *Whitecoat* is all about producing information in order to ‘level the playing field’ between the sellers and consumers of healthcare.

With the technology in place, more than 40,000 registered clinical providers and 250,000 patient reviews make *Whitecoat* already well-established. However, our recent announcement to form a joint venture with fellow health insurers Bupa and HBF will significantly escalate participation and the ‘network effect’. Under the collaboration *Whitecoat* will have direct engagement with around six million Australians.

I’d like to thank my Executive team, Board of Directors and everyone in the business for their efforts and contribution throughout FY16. We remain very ambitious for the nib Group.

**Mark Fitzgibbon**  
Managing Director



# AUSTRALIAN RESIDENTS HEALTH INSURANCE



**Kim,  
nib arhi customer**

“For years I’ve been struggling with chronic arthritis and have had both hips and knees replaced. I knew I had to make some changes to my lifestyle. As an nib customer, I was asked to try the Healthy Weight for Life program\*. I can’t believe the difference it’s made; I’ve lost almost 15kg, my pain has definitely eased and I feel great.”

\* The online-based specialised knee and hip osteoarthritis management program is provided at no out of pocket cost to eligible nib customers.



**nib continues to perform strongly against the backdrop of weak industry growth and retail conditions. During the year, we added more than 19,500 policyholders at a growth rate of almost three times the industry average.**

Our sustained 'above system' growth has been achieved through ongoing innovation in our distribution model, informed by deep market insight. We continue to grow the 'nib' brand through investment in our own organic channels supplemented by judicious use of retail brokers.

As nib's brand positioning reflects, we intend to remain a major force within the under 40s market segment. In recent years we have also become more focused on the over 55s age group due to the significant ongoing growth in this segment. Distribution partnerships, particularly our relationship with Apia, have been an important part of this strategic shift.

In reaction to the trend of major brands looking for ways to add more value to their existing customer relationships, we have very deliberately developed a 'whitelabelling' capability. This investment led to the launch of the Qantas Assure partnership that we announced in November 2015.

PREMIUM REVENUE UP 9.7%

**\$1.6b**

UOP UP 31.4%

**\$94.5m**



**ANNOUNCED INNOVATIVE  
HEALTH INSURANCE  
DISTRIBUTION PARTNERSHIP  
WITH QANTAS**



Across the business there are several initiatives underway designed to increase the value proposition and make for a better customer experience. For example, we launched the nib Rewards program during the year and we continue to invest heavily in online engagement. There's no better example than how we are looking to better engage with our customers than *Whitecoat*.

This success doesn't mean we don't face a number of business challenges. Customer lapse in particular continues to increase both as a result of customers switching funds or giving up health insurance. We are especially focused on two remedies. First, improving the customer experience when going to hospital by providing them with convenient and relevant information. Second, giving customers a reason to stay with nib beyond the benefits of our core product offering.

As can be observed from the financials, the strong operating performance of arhi translated into a very solid underwriting result. Assisted by claims inflation which was low relative to previous years, our gross underwriting margin improved from 13.3% in FY15 to 14.9%. After operating expenses, we delivered an UOP of \$94.5 million (net margin 6.0%) an increase of 31.4%.

Slowing claims inflation benefits policyholders by relieving pressure on future health insurance premiums. While it remains to be seen if claims inflation will continue this lower trajectory, we are doing our best to keep it as low as possible.

At a broader industry level, health insurance affordability and transparency have been major issues with a number of initiatives being pursued by the Government and the PHI industry. We are, and will continue to be, an active participant in these efforts.

nib has continued to grow policyholders faster than the industry average.

**NET POLICYHOLDER GROWTH (CUMULATIVE)**  
nib versus industry



Source: nib and APRA.



Daniel and Keri,  
nib New Zealand  
customers

“We joined nib after being with another health insurer for many years. The whole online join process was very easy and if I want to make a claim, its simple, I just do it all through the app on my phone.”

**November 2016 marks four years since we acquired our New Zealand operations\*. Since then the business has been dramatically transformed to align with our ambitions in the country.**

Probably the most significant evidence of progress has been customer growth. Prior to our purchase of the business the portfolio had declined for nearly a decade. Our rebranding and the launch of New Zealand’s first direct-to-consumer health insurance range in 2013 was the catalyst for change. We are now growing the health insurance market and our overall share has increased to over 15%. We have made a considerable investment in the brand and the growth of our direct-to-consumer customer base, with approximately 45% of all our sales for FY16 made through this channel.

Good progress was made during the year to strengthen our multi-channel distribution strategy, which included:

- Maintaining our ‘best in class’ advisor product range, as well as continuing to build strong key advisor relationships.

- Developing the group and employer channel by launching new products and a unique health and wellness package (healthHQ) designed to help us win new business.
- Establishing a new ‘whitelabelling’ distribution capability and with that, a relationship with leading New Zealand brand, The Warehouse Group, who sell their own branded nib health and travel insurance policies. We expect to expand this ‘whitelabel’ channel during FY17 with other well-known New Zealand brands.

In October we announced the acquisition of the medical insurance book of OnePath NZ for approximately AU\$22.5 million. OnePath NZ was a subsidiary of ANZ Bank New Zealand Limited (ANZ) and New Zealand’s fifth largest health insurer. As a result, nib New Zealand now provides health insurance to more than 200,000 Kiwis covering more than 15% of the insured population. A key part of the transaction is the distribution agreement between nib and ANZ, where nib will distribute its health insurance products through ANZ’s network of wealth specialists. This further strengthens our position as New Zealand’s second largest health insurer.



Investing in digital and automation initiatives continues to be in focus given we inherited a business that was largely paper-based and manual. Our digital initiatives are proving popular with our customers. For example:

- 30% of claims are now made online
- More than 50% of direct-to-consumer sales are online
- 90% of customer payments are electronic

By focusing on a digital-first approach we are improving customer engagement and satisfaction, as well as generating operational efficiencies.

Overall, New Zealand continues to deliver on the targets set when we acquired the business. For FY17 and beyond we expect profitability to further improve through organic growth and increased scale.

\* nib acquired TOWER Medical Insurance Limited, New Zealand's second largest health insurer, in November 2012.

PREMIUM REVENUE UP 15.4%

**\$173.6m**

UOP UP 99.9%

**\$17.3m**

# INTERNATIONAL AND NEW BUSINESS



Renea, WNG customer

“Going to Canada and the US I wanted to make sure I had the right travel insurance if something did go wrong. The whole process was a breeze, I even had access to my policy via an app, saving me the inconvenience of carrying around all the paperwork.”

## International (Inbound) Health Insurance

Our International (Inbound) Health Insurance business continued to grow powerfully. Net policyholder growth for the year was 28% with UOP up 41.2% to \$17.2 million. The result would have been better if not for higher than expected claims associated with a single business group. The relationship with this group was discontinued from March 2016.

Overall, we expect that earnings will continue to grow aided by a strong pipeline of international student sales and further growth in international visitor visa classes.

## World Nomads Group (WNG)

nib's \$95 million (enterprise value basis) acquisition of WNG, was completed on 31 July 2015. WNG is Australia's third largest travel insurer. Since then our short-term priorities have centred upon business transition, having the right people lead the business, exploring nib Group synergies and considering future investment opportunities.

We have ambitions for WNG and see international markets as rich in opportunity. Investment in these opportunities may impact short term profitability but naturally will reflect a disciplined assessment about creating enterprise value.

WNG is a managing general agent which performs all the functions of an insurer other than carrying the underwriting risk. This includes product design, pricing, marketing, sales, paying claims and emergency assistance. WNG is a leading Australian travel insurance company in a number of international markets including North and South America, Asia and Europe.

WNG had an UOP of \$9.7 million, which was in line with our expectations.



### Adjacent insurance lines and new business

We continue to see an increase in the number of our customers looking to purchase complementary products from nib. In FY16, commissions from our adjacent insurance lines, including life and income insurance, totalled \$2.3 million. Over the next 12 months we expect to launch a number of new product lines and further leverage the expertise and reach of our distribution partners, which we expect will be popular with our customers.

Launched in early 2014, nib Options aims to facilitate customers receiving cosmetic and major dental treatment domestically and overseas. While the business made a loss of \$2.5 million in FY16, our investment thesis is that people will increasingly travel internationally to seek treatment and that nib has capabilities that lend ourselves to competing in the market for clients.

INTERNATIONAL (INBOUND) HEALTH  
INSURANCE UOP UP 41.2%

**\$17.2m**

WNG INAUGURAL UOP CONTRIBUTION

**\$9.7m**

# PROFITABILITY AND SHAREHOLDER RETURNS

Dale and Jane,  
nib shareholders

"We've been shareholders with nib since they listed in 2007. At the time we thought it was a fantastic reward for our long-term membership. Now it's great to see the price of the shares that started at less than a dollar have grown into a nice little nest egg."



**The strong performance of our core arhi business, as well as the continued growth and expansion of our adjacent businesses this financial year, has yielded another material improvement in performance for the nib Group.**

Total Group revenue rose by an impressive 14.3% to \$1.9 billion\*, which included the first time contribution of WNG (11-month result) and OnePath NZ (seven-month result). Our Group UOP of \$132.0 million was up 49.9% (statutory operating profit up 47.9% to \$120.8 million). The difference between our UOP and statutory operating profit reflects one-off transactions and non-cash items associated with business acquisitions.

Our investment portfolio delivered returns that were broadly in line with our internal benchmarks for the year, with a net investment return of \$16.9 million.

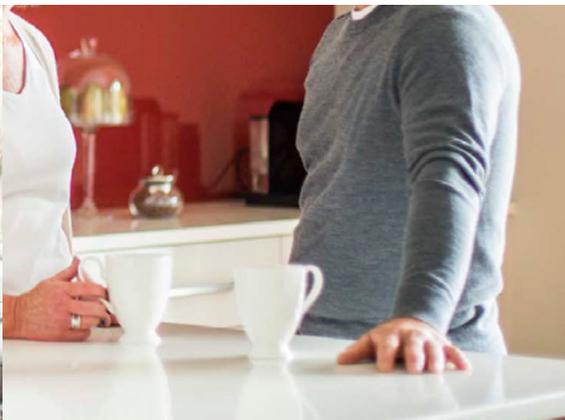
As a share of our overall Group after tax earnings, investment returns have continued to reduce over the past few years. This is due to a lower capital base following a range of capital management initiatives undertaken since listing on the ASX in 2007. Over the course of that period, we have returned more than \$160 million

to shareholders through a combination of special dividends and a Capital Return. Capital above our internal prudential requirements has also been used to partially fund a number of acquisitions, including IMAN in FY10, TOWER Medical Insurance Limited in FY13 as well as our WNG and OnePath NZ transactions this financial year.

As at 30 June 2016, our total investment assets were \$640.8 million.

In addition to using our capital to fund acquisitions, we have also accessed debt as a funding source. As at 30 June 2016, our gearing ratio was 28.1% (debt-to-debt plus equity). This is consistent with our long-term gearing ratio of 30%, noting that the target gearing policy allows for gearing to go above 30% for a short time, if necessary, as part of funding a significant investment. The Board will continue to assess our debt and gearing levels and targets with the view to optimise our capital structure.

Our strong financial performance for FY16 has allowed the Board to declare a full year dividend of 14.75 cents per share fully franked (FY15: 11.5 cents per share), totalling \$64.8 million. The full year dividend comprises an interim dividend of 5.75 cents per share



fully franked (paid 1 April 2016) and a final dividend of 9.0 cents per share fully franked. The final dividend will be paid to shareholders on 7 October 2016. The full year dividend of 14.75 cents per share represents a payout ratio of 70% of full year NPAT and is consistent with our policy to pay ordinary fully franked dividends between 60% to 70% of full year NPAT.

Since listing on the ASX in 2007 our financial performance has been strong and on a Total Shareholder Return (TSR) basis we have consistently outperformed the S&P/ASX200. For FY16, our TSR was 30.0% compared to negative 0.5% for the S&P/ASX200. Our business strategy will continue to focus on delivering outstanding service to our customers, improving our operating efficiencies and growing the business to provide the foundation for ongoing earnings growth and value for shareholders.

\* Excludes non-recurring profit from sale of Newcastle office building.

NPAT UP 22.0%

**\$91.8m**

FULL YEAR DIVIDEND (FULLY FRANKED)

**14.75cps**

# OUR COMMUNITY



## OzHarvest Newcastle

“Since 2010, we've enjoyed a fantastic partnership with nib foundation. Their support has allowed us to expand our food rescue service across the Hunter, which has made a real difference to thousands of the Hunter's most vulnerable residents.”

**nib foundation was established in 2008 with a clear vision to improve the health and wellbeing of individuals and communities across Australia.**

Over the past seven years, the foundation has remained dedicated to this vision through a commitment of \$15 million to 95 charity partners in support of programs that raise awareness, build resilience, increase access to information and foster social connections.

In 2015, four new Multi-Year Partnerships were established that work to address significant health needs affecting the foundation's two focal groups, young people and carers:

- Australian Drug Foundation's *Good Sports Junior* program will encourage sporting clubs to foster a positive and healthy environment for their young members.
- Hello Sunday Morning will develop technology designed to empower Australians to improve their relationship with alcohol.
- National Stroke Foundation will enhance and expand the *My Stroke Journey* program, which supports stroke survivors and their families.
- Disability Sport and Recreation's *Score!* is

Australia's first online platform that will connect young Victorians with a disability with inclusive sporting opportunities.

The foundation's ongoing commitment to the Hunter was clearly demonstrated through the support of the Upper Hunter township of Dungog. April 2016 marked the one-year anniversary of the devastating floods that tore through the region. Through the nib foundation funded, *Project Bounce Forward*, The Dungog Shire Community Centre has worked tirelessly since the disaster to help rebuild the town and provide services to support the wellbeing of residents.

With initial funding due to end in March 2016 and much work still to be done, a renewed funding injection of \$50,000 was provided to ensure the project successfully reaches all those in need of support.

While the foundation continues to support many new and local causes, it has also helped existing partners to build their capacity and expand service offerings. This has been the case with long-standing partner, OzHarvest. This financial year the foundation's ongoing support of the food rescue program enabled the service to



be expanded into the Port Stephens area. Furthermore, an additional three years of funding was announced to help establish and grow OzHarvest Western Australia.

Together with the foundation, we will continue to play an important role in helping meet the health and wellbeing needs of communities across Australia by funding charities that work to address significant health concerns.

In addition to the work of nib foundation, we are focused on giving back to the community through a combination of fundraising initiatives, in-kind support and employee volunteering efforts.

Our dedicated workplace fundraising program, the Make A Difference Committee, has raised more than \$61,000 and provided overwhelming in-kind support for 40 local and national charities since 2008.

It is through the dedication of our employees and the donation of their time and skills that we are able to deliver considerable value to nib foundation partners and other community groups above and beyond agreed funding commitments.

nib foundation FUNDING SINCE 2008

 **\$15m**

nib foundation PARTNERSHIPS WITH

**95 charities**

# BOARD OF DIRECTORS



## STEVE CRANE

*BCom (University of Newcastle), FAICD, SF Fin  
Chairman; Independent Non-Executive Director*

Steve is the Chairman of nib holdings limited and has been a Director since September 2010. He is also Chairman of nib health funds limited.

Steve has more than 40 years of financial market experience, as well as an extensive background in publicly-listed companies. Currently, Steve is a Non-Executive Director of APA Group including APT Pipelines and Chairman of Taronga Conservation Society Australia, Chairman of Global Valve Technology Limited and a consultant member of the Advisory Board with Morgans Financial Ltd.

He was previously the Chief Executive of BZW Australia and ABN AMRO and formerly a member of the CIMB (Australia) Advisory Council. He has also served as a Director of Transfield Services Limited and Bank of Queensland Limited.



## MARK FITZGIBBON

*MBA (UTS), MArts (MQ), ALCA  
(Charles Sturt University), FAICD  
Chief Executive Officer and Managing Director;  
Executive Director*

Mark joined nib health funds limited in October 2002 as Chief Executive Officer and led nib through its demutualisation and listing on the ASX in 2007 when he was appointed Managing Director of nib holdings limited.

Mark is a Director of various nib holdings subsidiaries including nib Options Pty Limited and World Nomads Group Pty Limited. He is currently a Director of Knights Rugby League Pty Limited.

Mark was previously CEO of both the national and NSW peak industry bodies for licensed clubs and has held several CEO positions in local government.



---

### LEE AUSBURN

*MPharm (University of Sydney), BPharm (University of Sydney), Dip Hosp Pharm (University of Sydney), GAICD*  
**Independent Non-Executive Director**

Lee was appointed to the Board of nib holdings limited in November 2013. She is also a Director of nib health funds limited.

Lee is Chairperson of the People and Remuneration Committee and a member of the Risk and Reputation Committee and Nomination Committee.

With more than 30 years' experience in the pharmaceuticals industry, Lee has a wealth of knowledge in the global health industry. She is currently a Director of Australian Pharmaceutical Industries Ltd and SomnoMed Ltd. She is also the President of the Pharmacy Foundation at the University of Sydney.

---

### HAROLD BENTLEY

*MA (Hons), FCA, FCSA, FGIA*  
**Independent Non-Executive Director**

Harold has been a Director of nib holdings limited since November 2007. He is also a Director of nib health funds limited, nib nz holdings limited and nib nz limited.

Harold is the Chairman of the Audit Committee and a member of the Risk and Reputation Committee, Investment Committee and Nomination Committee. He is also Chairman of nib nz holdings limited's Audit Committee and nib nz limited's Board, Audit, Risk and Compliance Committee (BARCC).

Harold has more than 20 years' experience in the insurance and financial services industry, with particular expertise in the transition of private companies to a listed environment.

He was formerly the Chief Financial Officer of Promina Group and an Audit Manager with PricewaterhouseCoopers, specialising in finance and insurance companies.

## BOARD OF DIRECTORS *continued*



### **DR ANNETTE CARRUTHERS**

*MBBS (Hons) (University of Sydney), FRACGP, FAICD, Grad Dip App Finn TAASFA*  
Independent Non-Executive Director

Annette was appointed as a Director of nib holdings limited in September 2007. She is also a Director of nib health funds limited, nib health care services pty ltd, nib nz holdings limited and nib nz limited.

Annette is the Chairman of the Risk and Reputation Committee and a member of the Audit Committee and Nomination Committee. She is also a member of nib nz limited's Board, Audit, Risk and Compliance Committee (BARCC) and a member of nib nz holdings limited's Audit Committee.

Medically trained as a specialist general practitioner with financial qualifications, Annette has extensive experience in the health industry. She is currently a Director of Cater Care Holdings Pty Ltd, Multiple Sclerosis Research Australia and Vice President of MS Australia. She is also a member of NSW Medical Experts Committee of Avant Insurance Pty Ltd.

Annette is a former Director of the AMP Capital Managed Aged Care Investment Trusts, NSW Board of the Medical Board of Australia and Hunter Primary Care Ltd.



### **PHILIP GARDNER**

*BCom (University of Newcastle), CPA, CCM, FAICD, JP*  
Independent Non-Executive Director

Philip was appointed as a Director of nib holdings limited in May 2007. He is also a Director of nib health funds limited.

Philip is the Chairman of the Investment Committee and a member of the Audit Committee, People and Remuneration Committee and Nomination Committee.

As current CEO of The Wests Group Australia, for more than a decade Philip has overseen the Group's significant growth and expansion. He is also a Director of Knights Rugby League Pty Limited.

He is a former Director of Hunter Funds Management Limited and Newcastle Airport Limited.



---

### **CHRISTINE MCLOUGHLIN**

*BA, LLB (Hons) (Australian National University),  
FAICD*

#### **Independent Non-Executive Director**

Christine was appointed to the Board of nib holdings limited in March 2011. She is also a Director of nib health funds limited.

She has more than 25 years' experience as a financial services and legal executive with iconic brands in financial services (AMP and IAG), telecommunications (Optus) and professional services industries in Australia, the UK and Asia.

Christine is a member of the People and Remuneration Committee, Risk and Reputation Committee and Nomination Committee.

She is also Chairman of Stadium Australia Limited. She is a Non-Executive Director of Suncorp Group Limited, Spark Infrastructure Group and Whitehaven Coal Limited. She is also a member of ASIC's Director Advisory Panel and the Minter Ellison Advisory Board.

Formerly, Christine was a Director of Westpac's Insurance Businesses, The Australian Nuclear Science and Technology Organisation, Victoria Transport & Accident Commission, Deputy Chairman of The Smith Family and Inaugural Chairman of Australian Payments Council.

---

### **DONAL O'DWYER**

*MBA (Manchester Business School),  
BE (University College Dublin)*

#### **Independent Non-Executive Director**

Donal is a highly experienced Non-Executive Director and former Executive. He is currently Chairman of AtCor Medical, a Non-Executive Director of Cochlear Ltd, Mesoblast Ltd and Fisher & Paykel Healthcare Corporation Ltd.

He has extensive executive experience in global sales and marketing of healthcare products and medical devices as the former worldwide President at Cordis Cardiology and President of the Cardiovascular Group, Europe with Baxter Healthcare (now Edwards Lifesciences). He is also a former Director of Sunshine Heart Company Pty Limited.

Donal is a member of the People and Remuneration Committee, Risk and Reputation Committee and Nomination Committee.

Donal was appointed as an additional Director to the nib holdings limited Board in March 2016 and will stand for election at the 2016 Annual General Meeting.

# BOARD AND EXECUTIVE REMUNERATION

	Short-term employee benefits		
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$
<b>Non-Executive Directors</b>			
<b>2016</b>			
Steve Crane	222,692	–	–
Lee Ausburn	122,527	–	–
Harold Bentley	169,500	–	–
Annette Carruthers	163,927	–	–
Philip Gardner	134,247	–	–
Christine McLoughlin	126,332	–	–
Donal O'Dwyer (from 22/3/2016)	33,122	–	–
	<b>972,347</b>	<b>–</b>	<b>–</b>
<b>2015</b>			
Steve Crane	215,617	–	–
Lee Ausburn	117,808	–	–
Harold Bentley	163,400	–	–
Annette Carruthers	162,283	–	–
Philip Gardner	130,320	–	–
Christine McLoughlin	126,119	–	–
	<b>915,547</b>	<b>–</b>	<b>–</b>
<b>Executives</b>			
<b>2016</b>			
Mark Fitzgibbon	828,128	384,560	10,999
Michelle McPherson	524,774	143,170	3,871
Rhod McKensy	516,450	141,210	3,759
Rob Hennin	372,636	110,275	8,412
Brendan Mills	302,839	67,743	2,230
Justin Vaughan	273,018	69,888	2,027
David Kan	442,561	89,544	3,098
	<b>3,260,406</b>	<b>1,006,390</b>	<b>34,396</b>
<b>2015</b>			
Mark Fitzgibbon	752,692	272,495	11,352
Michelle McPherson	474,818	126,717	3,673
Rhod McKensy	439,516	128,488	3,455
Rob Hennin	349,186	85,661	7,866
Brendan Mills	292,770	61,138	2,240
Justin Vaughan	279,598	55,003	2,186
David Kan (from 12/1/2015) <sup>2</sup>	181,676	36,581	1,385
	<b>2,770,256</b>	<b>766,083</b>	<b>32,157</b>

1. Includes cash salary and fees and short-term compensated absences, such as annual leave entitlements accrued but not taken during the year.

2. David Kan was appointed Group Executive International and New Business on 12 January 2015.

3. Non-monetary benefits includes insurance cover and cost of benefits and associated Fringe Benefits Tax.

4. Includes bonus share rights.

Post-employment benefits		Long-term benefits	Termination benefits	Share-based payments		Total \$
Superannuation \$	Retirement benefits \$	Long service leave \$	Termination benefits \$	Bonus \$	Performance rights \$	
19,308	–	–	–	–	–	242,000
11,640	–	–	–	–	–	134,167
35,000	–	–	–	–	–	204,500
15,573	5,390	–	–	–	–	184,890
12,753	–	–	–	–	–	147,000
12,002	–	–	–	–	–	138,334
3,147	–	–	–	–	–	36,269
<b>109,423</b>	<b>5,390</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,087,160</b>
18,783	–	–	–	–	–	234,400
11,192	–	–	–	–	–	129,000
35,000	–	–	–	–	–	198,400
15,417	7,256	–	–	–	–	184,956
12,380	–	–	–	–	–	142,700
11,981	–	–	–	–	–	138,100
<b>104,753</b>	<b>7,256</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,027,556</b>

Post-employment benefits		Long-term benefits	Termination benefits	Share-based payments		Total \$
Superannuation \$	Retirement benefits \$	Long service leave \$	Termination benefits \$	Bonus <sup>4</sup> \$	Performance rights \$	
35,000	–	14,699	–	384,560	660,706	2,318,652
24,847	–	9,287	–	143,170	263,960	1,113,079
25,631	–	9,015	–	141,210	179,472	1,016,747
27,370	–	–	–	117,098	62,067	697,858
19,308	–	5,350	–	67,743	52,420	517,633
19,308	–	–	–	69,888	43,579	477,708
19,308	–	–	–	89,544	45,885	689,940
<b>170,772</b>	<b>–</b>	<b>38,351</b>	<b>–</b>	<b>1,013,213</b>	<b>1,308,089</b>	<b>6,831,617</b>
35,000	–	13,326	–	269,012	678,279	2,032,156
24,322	–	8,412	–	125,585	294,442	1,057,969
30,000	–	7,912	–	128,488	168,437	906,296
26,700	–	–	–	82,078	37,865	589,356
18,783	–	5,131	–	61,138	34,847	476,047
18,783	–	–	–	55,413	24,319	435,302
9,012	–	–	–	36,581	2,167	267,402
<b>162,600</b>	<b>–</b>	<b>34,781</b>	<b>–</b>	<b>758,295</b>	<b>1,240,356</b>	<b>5,764,528</b>

# CONSOLIDATED INCOME STATEMENT

(\$000)	2016	2015
Premium revenue	1,820,053	1,636,323
Outward reinsurance premium expense	(1,349)	(1,444)
<b>Net premium revenue</b>	<b>1,818,704</b>	<b>1,634,879</b>
Claims expense	(1,288,708)	(1,152,016)
Reinsurance and other recoveries revenue	660	587
RESA levy	(179,416)	(185,498)
State levies	(29,402)	(28,237)
Decrease/(increase) in premium payback liability	15,778	(1,902)
Claims handling expenses	(16,828)	(16,982)
<b>Net claims incurred</b>	<b>(1,497,916)</b>	<b>(1,384,048)</b>
Acquisition costs	(94,584)	(79,261)
Other underwriting expenses	(101,997)	(82,922)
<b>Underwriting expenses</b>	<b>(196,581)</b>	<b>(162,183)</b>
<b>Underwriting Result</b>	<b>124,207</b>	<b>88,648</b>
Other income	55,800	5,054
Other expenses	(59,217)	(12,047)
<b>Operating profit</b>	<b>120,790</b>	<b>81,655</b>
Finance costs	(5,241)	(3,423)
Investment income	18,477	32,975
Investment expenses	(1,597)	(1,616)
<b>Profit before income tax</b>	<b>132,429</b>	<b>109,591</b>
Income tax expense	(40,598)	(34,330)
<b>Profit for the year</b>	<b>91,831</b>	<b>75,261</b>
<b>Profit for the year is attributable to:</b>		
Owners of nib holdings limited	92,850	75,798
Non-controlling interests	(1,019)	(537)
	<b>91,831</b>	<b>75,261</b>

# CONSOLIDATED BALANCE SHEET

(\$000)	2016	2015
<b>Assets</b>		
Cash and cash equivalents	89,428	123,655
Receivables	51,858	45,130
Financial assets at fair value through P&L	580,738	457,155
Deferred acquisition costs	83,195	64,128
Property, plant and equipment	15,486	53,184
Intangibles	217,428	90,179
Other assets	888	3,677
<b>Total assets</b>	<b>1,039,021</b>	<b>837,108</b>
<b>Liabilities</b>		
Payables	141,289	124,902
Borrowings	151,867	63,891
Outstanding claims liability	112,179	97,147
Unearned premium liability	176,267	143,228
Premium payback liability	27,361	40,888
Other liabilities	43,994	22,789
<b>Total liabilities</b>	<b>652,957</b>	<b>492,845</b>
<b>Net assets</b>	<b>386,064</b>	<b>344,263</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

(\$000)	2016	2015
<b>Cash flows from operating activities</b>		
Receipts from policyholders and customers (inclusive of goods and services tax)	1,934,973	1,696,350
Payments to policyholders and customers	(1,503,099)	(1,351,374)
Payments to suppliers and employees (inclusive of goods and services tax)	(273,792)	(224,172)
	<b>158,082</b>	<b>120,804</b>
Dividends received	–	217
Interest received	7,393	8,938
Distributions received	19,151	12,148
Transaction costs relating to acquisition of business combination	(2,763)	–
Interest paid	(4,817)	(3,227)
Income taxes paid	(28,643)	(24,671)
<b>Net cash inflow from operating activities</b>	<b>148,403</b>	<b>114,209</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of other financial assets at fair value through profit and loss	154,448	154,234
Payments for other financial assets at fair value through profit and loss	(281,829)	(199,028)
Proceeds from sale of available-for-sale financial assets	–	6,882
Proceeds from sale of assets classified as held for sale	46,259	–
Proceeds from sale of property, plant and equipment and intangibles	27	36
Payments for property, plant and equipment and intangibles	(16,173)	(10,982)
Payment for acquisition of business combination, net of cash acquired	(114,506)	–
<b>Net cash inflow (outflow) from investing activities</b>	<b>(211,774)</b>	<b>(48,858)</b>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	85,000	–
Shares acquired by the nib Holdings Ltd Share Ownership Plan Trust	(2,902)	(137)
Transactions with non-controlling interests	23	–
Dividends paid to the company's shareholders	(51,581)	(88,892)
<b>Net cash inflow (outflow) from financing activities</b>	<b>30,540</b>	<b>(89,029)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(32,831)</b>	<b>(23,678)</b>
Cash and cash equivalents at beginning of the year	122,265	146,954
Effects of exchange rate changes on cash and cash equivalents	(6)	(1,011)
<b>Cash and cash equivalents at the end of the year</b>	<b>89,428</b>	<b>122,265</b>
<b>Reconciliation to Consolidated Balance Sheet</b>		
Cash and cash equivalents	89,428	123,655
Borrowings – overdraft	–	(1,390)
	<b>89,428</b>	<b>122,265</b>

DISCLAIMER: These financial summaries are an edited extract from the nib 2016 Annual Report and are provided for illustrative purposes only. Complete audited financial statements, including all explanatory notes, are contained in the nib 2016 Annual Report, available at [nib.com.au/shareholders](http://nib.com.au/shareholders).

# FIVE-YEAR PERFORMANCE SUMMARY

(\$m)		2016	2015	2014	2013	2012
<b>Consolidated Income Statement</b>						
Net premium revenue		1,818.7	1,634.9	1,491.6	1,290.4	1,123.8
Net claims incurred		(1,481.1)	(1,367.1)	(1,255.4)	(1,089.6)	(949.2)
<b>Gross margin</b>		<b>337.6</b>	<b>267.8</b>	<b>236.2</b>	<b>200.8</b>	<b>174.6</b>
Management expenses		(209.2)	(175.6)	(157.9)	(124.4)	(102.9)
<b>Underwriting result</b>		<b>128.4</b>	<b>92.2</b>	<b>78.4</b>	<b>76.4</b>	<b>71.6</b>
Other income		54.4	4.4	5.7	3.1	3.6
Other expenses		(50.8)	(8.5)	(6.8)	(4.0)	(4.3)
<b>Underlying operating profit</b>		<b>132.0</b>	<b>88.0</b>	<b>77.3</b>	<b>75.5</b>	<b>71.0</b>
Amortisation of acquired intangibles		(7.8)	(3.5)	(4.2)	(2.6)	(1.0)
One-off transitions and M&A costs		(3.4)	(2.8)	(0.8)	(3.6)	(0.0)
<b>Statutory operating profit</b>		<b>120.8</b>	<b>81.7</b>	<b>72.3</b>	<b>69.3</b>	<b>70.0</b>
Finance costs		(5.2)	(3.4)	(2.7)	(1.4)	0.0
Net investment income		16.9	31.4	29.7	28.8	25.6
<b>Profit before tax</b>		<b>132.4</b>	<b>109.6</b>	<b>99.2</b>	<b>96.7</b>	<b>95.7</b>
Tax		(40.6)	(34.3)	(29.4)	(29.5)	(28.0)
<b>NPAT</b>		<b>91.8</b>	<b>75.3</b>	<b>69.8</b>	<b>67.2</b>	<b>67.6</b>
<b>Consolidated balance sheet</b>						
Total assets		1,039.0	837.1	798.1	712.3	617.8
Equity		386.1	344.3	356.4	326.2	301.6
Debt		151.9	63.9	66.8	62.4	0.0
<b>Share performance</b>						
Number of shares	m	439.0	439.0	439.0	439.0	439.0
Weighted average number of shares – basic	m	439.0	439.0	439.0	439.0	458.3
Weighted average number of shares – diluted	m	439.0	439.0	439.0	439.0	458.3
Basic earnings per share	cps	21.2	17.3	15.9	15.3	14.8
Diluted earnings per share	cps	21.2	17.3	15.9	15.3	14.8
Underlying earnings per share	cps	22.9	18.3	16.8	16.3	15.0
Share price at year end	\$	4.22	3.36	3.26	2.13	1.50
Dividend per share – ordinary	cps	14.75	11.50	11.00	10.00	9.25
Dividend per share – special	cps	0.00	0.00	9.00	0.00	0.00
Dividend payout ratio – ordinary	%	70.0	66.6	69.2	65.0	60.0
Dividend payout ratio – combined ordinary and special	%	70.0	66.6	125.8	65.0	60.0
<b>Other financial data</b>						
ROE	%	25.8	23.1	20.8	21.6	21.7
Operating cash flow		148.4	114.2	93.7	20.0	134.6

DISCLAIMER: These financial summaries are an edited extract from the nib 2016 Annual Report and are provided for illustrative purposes only. Complete audited financial statements, including all explanatory notes, are contained in the nib 2016 Annual Report, available at [nib.com.au/shareholders](http://nib.com.au/shareholders).

# INFORMATION FOR SHAREHOLDERS

## 2016 ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of nib holdings limited will be held on Wednesday, 2 November 2016 at 11am (Australian Eastern Daylight Time) at The Heritage Ballroom, The Westin, 1 Martin Place, Sydney NSW 2000.

A webcast of this meeting will be streamed live at [nib.com.au/shareholders](http://nib.com.au/shareholders)

Proxy forms can be lodged by post or online.

Full details of the AGM, including the Notice of Meeting, are available at [nib.com.au/shareholders](http://nib.com.au/shareholders).

## FINANCIAL CALENDAR\*

8 September 2016	Ex-dividend date for final dividend
9 September 2016	Record date for final dividend
7 October 2016	Payment date for final dividend
2 November 2016	2016 Annual General Meeting
February 2017**	FY17 Half Year Results Announcement

\* Dates are subject to change

\*\* Date to be confirmed

## CORPORATE GOVERNANCE

The nib Board and management are committed to achieving and demonstrating the highest standards of corporate governance and ensuring compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

As part of this process, the Group's policies and practices are regularly reviewed to ensure that nib continues to comply with legal requirements, meet the expectations of our shareholders and other stakeholders, and best address the needs of the business. In the past 12 months, the Board has reviewed and updated the Board Charter, Audit Committee Charter, Risk and Reputation Committee Charter, Nomination Committee Charter, People and Remuneration Committee Charter, Code of Conduct, Corporate Social Responsibility Principles, Disclosure and Communication Policy, Disclosure and Materiality Guidelines, Trading Policy, Risk Policy, Whistleblower Policy and Diversity Policy.

Further information about nib's Governance, copies of these Policies, Board and Committee Charters and practices are available from the Corporate Governance section of the nib shareholder website at [nib.com.au/shareholders](http://nib.com.au/shareholders).

## SHAREHOLDER COMMUNICATIONS

### e-Comms

nib shareholders can receive the following shareholder communications electronically.

- Dividend statements
- Shareholder Review
- Annual Financial Report
- Notice of Meeting
- Proxy Forms

Switching to electronic communications is easy. Register at [nib.com.au/shareholders](http://nib.com.au/shareholders) via Manage Your Shareholding or contact our share registry on the details below.

## SHAREHOLDER WEBSITE

[nib.com.au/shareholders](http://nib.com.au/shareholders)

A range of information about nib's financial performance and shares is available on our shareholder website including:

- Dividend payments
- Our share price
- ASX announcements
- Investor presentations
- Webcasts of our results presentations
- Event calendar

nib shareholders can also use the site to manage their shareholding, including updating dividend payment instructions or address details, and viewing holding statements.

## INVESTOR RELATIONS

nib holdings limited  
22 Honeysuckle Drive, Newcastle NSW 2300  
Locked Bag 2010, Newcastle NSW 2300

Telephone – (02) 4914 1777  
Email – [corporate.affairs@nib.com.au](mailto:corporate.affairs@nib.com.au)  
Web – [nib.com.au/shareholders](http://nib.com.au/shareholders)

## SHARE REGISTER

Computershare Investor Services Pty Limited  
Level 3, 60 Carrington Street, Sydney NSW 2000

Telephone – 1300 664 316  
Fax – (02) 8235 8150  
Email – [nibshareregistry@computershare.com.au](mailto:nibshareregistry@computershare.com.au)

