

Decorative elements in the top left corner including a green diamond with three dots below it, two interlocking gears (one green, one white), and a speech bubble containing a green dollar sign.

# 2019 full year results

19 August 2019



The material in this presentation is a summary of the results of nib holdings limited (nib) for the 12 months ended 30 June 2019 and an update on nib's activities and is current at the date of preparation, being 19 August 2019. Further details are provided in nib's full year accounts and results announcement released to ASX on 19 August 2019.

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This presentation should be read in conjunction with other publicly available material. Further information including historical results and a description of the activities of nib is available on our website: [www.nib.com.au/shareholders](http://www.nib.com.au/shareholders).

Group, arhi and iih figures are inclusive of GU Health unless otherwise stated. The GU Health business was acquired on 31 October 2017.

As referenced in this presentation, if there is a percentage increase or (decrease) between FY18 and FY19, the change shown is the difference between those two percentages.

Any discrepancies between totals and sums of components in this publication are due to rounding.



Mark Fitzgibbon

Chief Executive Officer & Managing Director



# Our purpose: your better health



Launch of Amazon  
Alexa Skill (in AU) to  
help members find a  
provider



98,730

Member<sup>1</sup> eligibility  
checks completed by  
the Going to Hospital  
Tool



3,869,527  
Ancillary visits



333,244  
Hospital  
admissions



23,975

Travel claims  
processed<sup>2</sup>



\$1.8b  
Total claims paid<sup>3</sup>  
up 6.9%

Note: Claims, hospital admissions and ancillary figures above are for underwriting segments only and exclude travel insurance claims.

1. arhi only, excluding GU Health.

2. nib Travel is a managing general agent both domestically and in Ireland and performs all the functions of an insurer as agent for the underwriter other than carrying the underwriting risk. Companies within the nib Travel group manage and process claims. nib Travel has required underwriting arrangements in place.

3. Net claims incurred – Health insurance benefits including hospital, risk equalisation, state levies and ancillary benefits. Hospital includes hospital, medical and prostheses. Excludes travel insurance.

# Delivering on our purpose



Largest claim  
**\$310,000+**



More than  
**3,300**  
births



In excess of  
**4,500** knee  
and hip  
replacements



Rehabilitation  
admissions  
**~35,000**



Public hospital  
admissions  
**~50,000**



**~2,300** members  
with claims  
**>\$50,000**

Note: FY19, based on arhi members only. ihi largest claim ~\$171,000, nib New Zealand largest claim ~\$182,000.

# Your better health in a sustainable way

## population health



1.6m members covered



1<sup>st</sup> anniversary of Ngāti Whātua Ōrākei



10,423 participants in health management programs

## natural environment



First waste audit conducted and inaugural GHG emissions report



Climate change scenario analysis conducted

## economic development & employment



67% female NEDs representation, 33% Executives, Business Unit Heads 40%, Manager/Team Leaders 54%



Almost 1,500 employees across 6 counties

## community spirit and cohesion



\$1.8m funded by nib foundation



Announcement of joint major partnership with Richmond's inaugural AFLW team

## leadership and governance



Conduct and culture participation in APRA's risk governance self-assessment, participated into RBNZ/FMA's reviews from their assessment into life insurance in NZ



New nib compliance framework and ongoing risk management improvement program

# FY19 Group results



Total Group revenue

**\$2.4b** up 8.3%



Non-arhi contribution to Group UOP

**25.9%** down 340bps



Net investment income

**\$36.1m** up 22.0%



NPAT<sup>1</sup>

**\$149.3m** up 11.8%

Underlying operating profit (UOP)

**\$201.8m** up 9.2%

Statutory operating profit<sup>2</sup>  
\$184.6m (up 9.2%)

Statutory EPS<sup>2</sup>

**32.9cps** up 11.9%

Final dividend (fully franked) with  
DRP available

**13.0cps** up 18.2%

Net promoter score<sup>3</sup>

**32.5** up 380bps





Michelle McPherson  
Chief Financial Officer & Deputy CEO





# Group revenue & underlying operating profit



**\$2,421.6m**

Group underlying revenue<sup>1</sup>

up 8.3%

arhi

**\$2,016.0m**

up 7.6%

iihi

**\$110.8m**

up 17.0%

nz

**\$215.5m**

up 8.8%

nib Travel

**\$74.5m**

up 12.7%



**\$201.8m**

Group UOP<sup>2</sup>

up 9.2%

arhi

**\$149.5m**

up 14.4%

iihi

**\$34.9m**

up 17.9%

nz

**\$19.8m**

down 15.4%

nib Travel

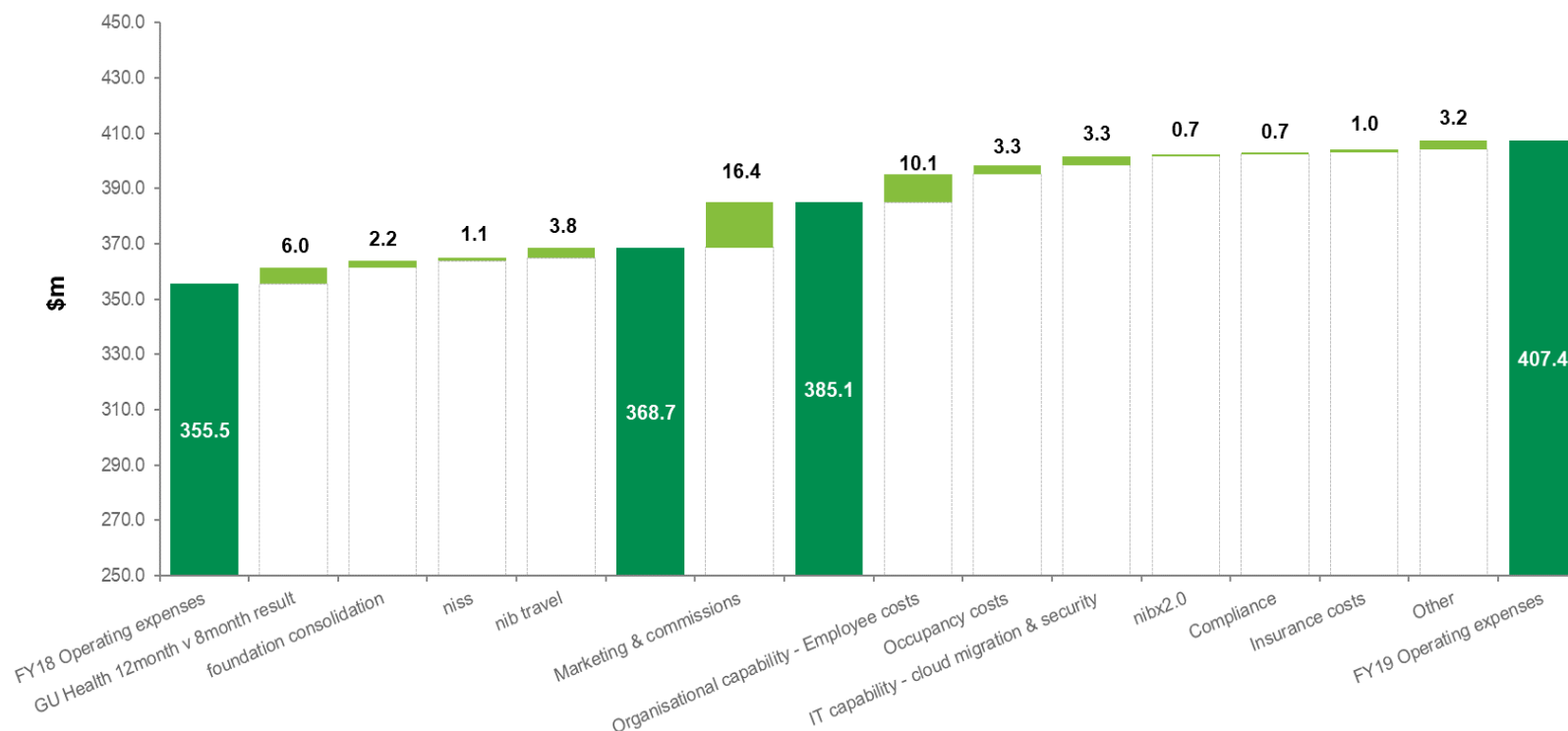
**\$6.6m**

down 18.5%

1. Included in Group revenue is other revenue not allocated to segments of \$4.8m as detailed on slide 31

2. Included in Group UOP is other UOP of \$(9.0)m representing other income and expenses as detailed on slide 31.

# Group underlying operating expenses



Group underlying operating expenses<sup>1</sup> have increased \$51.9m, due to:

- **M&A and building economies of scale and scope** (▲\$13.1m) and primarily includes GU Health (12mth v 8mth), nib foundation consolidation as well as new business development (niss, nib Travel EMGA establishment) and nib Travel acquisition of QBE Travel.
- **Investment in organic growth** (▲\$16.4m) with marketing and commissions yielding Group membership growth<sup>2</sup> of 5.7%.
- **Building operational capability and capacity** (▲\$22.3m) primarily due to increases in:
  - Organisational capability – employee costs (▲\$10.1m), in areas such as benefits and providers relations (▲\$3.4m), IT (▲\$2.6m), risk management and compliance (▲\$1.4m). Includes delivery of PHI Reforms and investment in personalisation journey.
  - IT capability - cloud migration and increased security (▲\$3.3m).
  - Occupancy costs (▲\$3.3m).

1. Group underlying operating expenses represents operating expenditure included in underlying operating result, excluding expenses in gross underwriting result.  
 2. Membership growth is for underwriting segments only and excludes travel insurance sales.

# Australian residents health insurance

Financial performance (\$m)	FY19	FY18 <sup>1</sup>	Change
Premium revenue	2,013.2	1,871.2	7.6%
Claims expense excluding OSC <sup>2</sup>	(1,653.3)	(1,531.0)	8.0%
OSC provision movement	14.3	(13.5)	(205.9)%
Other underwriting revenue	2.8	1.6	75.0%
Management expenses	(227.0)	(197.1)	15.2%
UOP <sup>3</sup>	149.5	130.7	14.4%
Key metrics (%)			
Net promoter score (NPS) <sup>4</sup>	32.5	28.7	380bps
Net policyholder growth	2.1	3.0 <sup>4</sup>	(90)bps
Lapse	13.4	12.9 <sup>4</sup>	50bps
Gross margin	18.6	17.5	110bps
Management expense ratio	11.3	10.5	80bps
Marketing MER	4.2	4.3	(10)Bps
Other MER	7.0	6.3	70bps
Net margin	7.3	6.9	40bps

## Double digit earnings growth with UOP up more than 14%

- Premium revenue ▲ 7.6% due to policyholder growth, premium adjustments and full 12 month contribution of GU Health (FY18 was a 8 month contribution).
- Normalising for 8 month GU Health contribution and OSC restatement premium revenue ▲ 4.8<sup>5</sup>%, claims (including OSC provision movement) ▲ 4.7<sup>5</sup>%.
- Adjusting for claims provision release only, FY19 gross margin was 17.8% versus FY18 of 17.7%, translating to a net margin of 6.5% (FY19) versus 7.2% (FY18).
- Increase in Other MER ▲ 70bps due to member focus, operationalising PHI Reforms, strengthening risk management and compliance, investment in personalisation journey as well as GU Health (8mth v 12mth).
- Focus on member satisfaction has seen NPS continue to improve.

1. FY18 includes 8 month contribution from GU Health with business acquired on 31 October 2017.

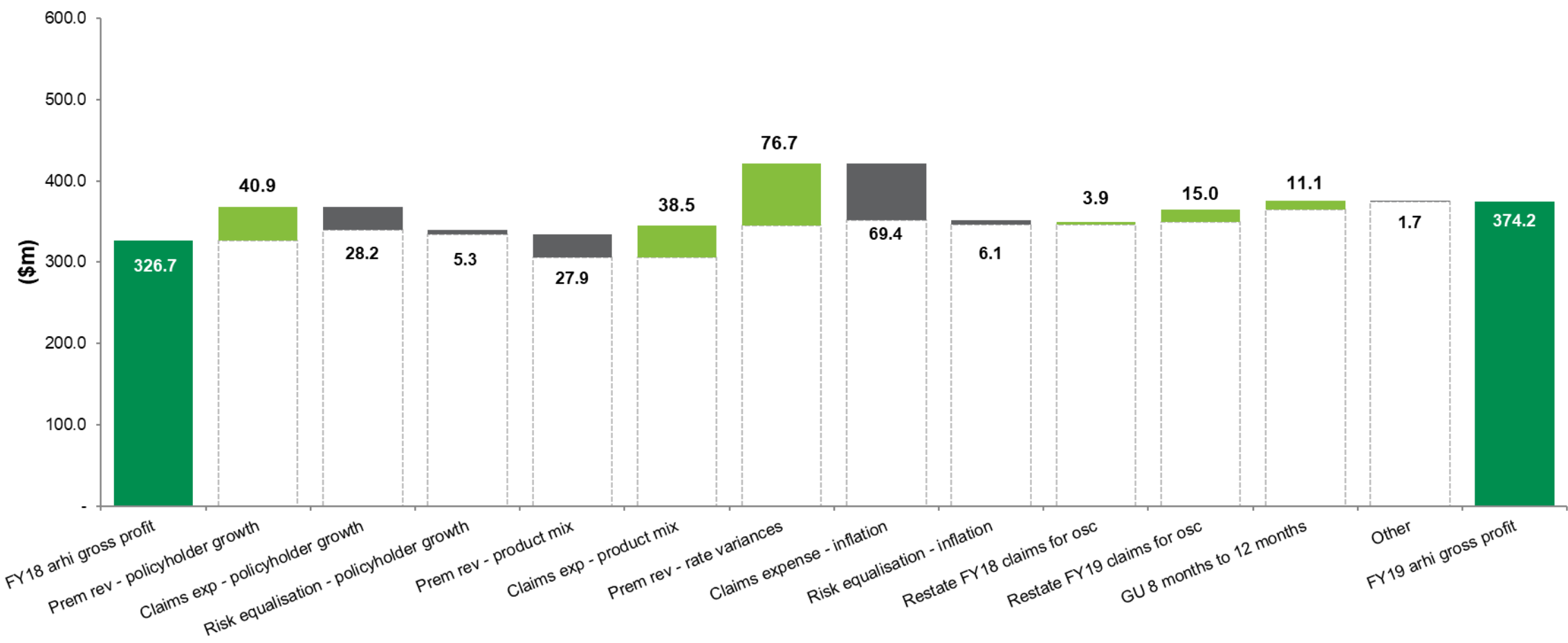
2. Includes risk equalisation and state levies.

3. Includes share of net profit/loss of associates and joint ventures accounted for using the equity method.

4. Excludes GU Health.

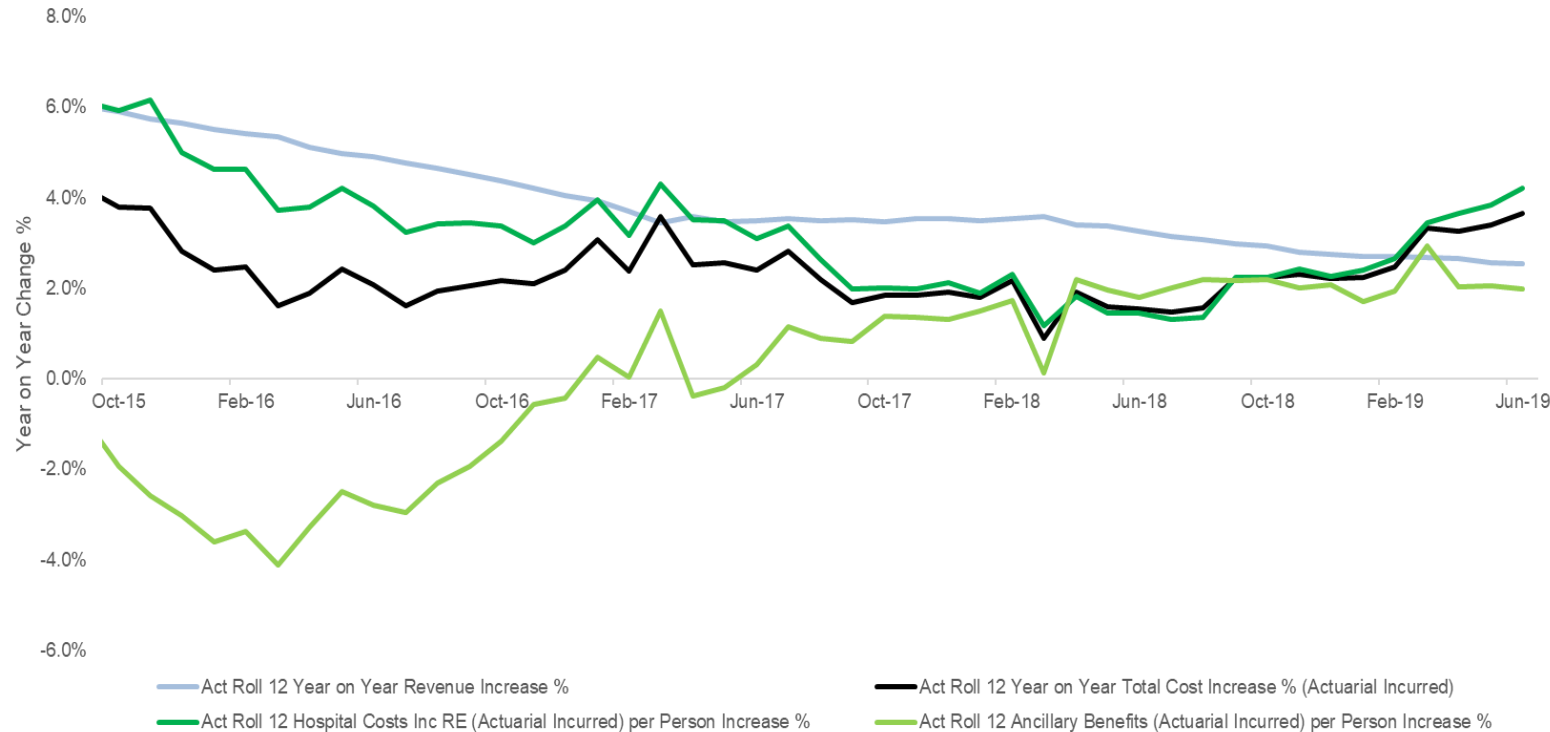
5. Translates to premium revenue impact of \$52.7m and claims impact of \$41.6m for GU Health 8 months, offset partly by \$18.9m OSC restatement. Refer slide 12 for gross margin (arhi) variance.

# Gross margin (arhi)



# Claims inflation (arhi)

Rolling 12 month change in revenue, total costs, hospital and ancillary benefits (actuarial incurred<sup>1</sup>) per person arhi (excluding GU Health)



- Hospital a key contributor of total claims costs, driven by a number of top hospital procedures<sup>2</sup>, with hospital psychiatric service benefits up 24.8% on same period last year.

	Episodes	Service benefit
Heart and vascular system	10,259	\$124.5m
Joint replacements	5,114	\$96.2m
Rehabilitation	35,611	\$60.9m
Gastrointestinal endoscopy	46,999	\$47.2m
Hospital psychiatric services	14,527	\$46.6m

- Our current projections for FY20 assume claims inflation has peaked, taking into consideration a range of initiatives we continue to pursue to mitigate claims inflation and improve the value proposition for our members.

1. Actuarial incurred is latest estimate of claims incurred by service month taking into account all payments to date by service month and any claims still estimated to be outstanding as at 31 July 2019 for each service month.

2. Admission dates for 12 months to 31 March 2019.

# PHI reforms (arhi)

**Making health insurance even better and easier to understand for our members**

One of the first funds to adopt most of the PHI Reforms with all policyholders on compliant products from 1 April 2019.

- Over 15,500 hospital policies now covered with a \$750 front end deductible, comprising both internal migrations and new to nib sales.
- Almost 54,500 persons receiving an-age based discount (up to 10%), with a FY19 premium revenue impact of approximately \$1.3m.
- Approximately 1,300 member admissions made use of the mental health waiver in 12 month to 30 June 2019 (implemented 1 April 2018), at an estimated cost of \$9.3m<sup>1</sup> for the year.
- Almost 91,400 policies were on a gold tier product, representing 17.6% of total hospital policies.

1. Based on full cost of mental health admissions made under mental health waiver during FY19 , does not take into account claims which would have otherwise been eligible for minimum benefits prior to the waiver.

# International (inbound) health insurance

Financial performance (\$m)	FY19	FY18 <sup>1</sup>	Change
Premium revenue	110.1	93.3	18.0%
Claims expense	(42.4)	(36.6)	15.8%
Other underwriting revenue	0.7	1.4	(50.0)%
Management expenses	(33.5)	(28.5)	17.5%
UOP	34.9	29.6	17.9%
<b>Key metrics (%)</b>			
iwhi net promoter score <sup>2</sup>	41.5	42.7	(120)bps
ishi net promoter score	34.6	30.5	410bps
Net policyholder growth	19.5	18.8 <sup>2</sup>	70bps
Gross margin	61.5	60.8	70bps
Management expense ratio	30.4	30.5	(10)bps
Marketing MER	8.0	7.8	20bps
Other MER	22.4	22.7	(30)bps
Net margin	31.1	30.2	90bps

## Impressive result with improvement across key performance metrics

- Net policyholders ▲ 19.5% with almost 190,000 international student and workers now covered (persons covered).
- Ongoing sales growth, particularly international workers, reflects our ability to pivot sales distribution to reflect shifting visa intake.
- Policyholder growth, premium adjustments and acquisition of GU Health (FY18: 8 month result) continues to drive top line (▲ 18.0 %) and earnings result ▲ 17.9% to \$34.9m.
- Claims and management expenses in line with expectations and function of growth.
- Margins remain stable.

1. FY18 includes 8 month contribution from GU Health with business acquired on 31 October 2017.

2. Excludes GU Health.



# New Zealand



Financial performance (\$m)	FY19	FY18	Change
Premium revenue	215.5	198.1	8.8%
Claims (medical & PPB <sup>1</sup> )	(129.7)	(117.2)	10.7%
PPB liability movement	(0.3)	4.0	(107.5)%
Management expenses	(65.7)	(61.5)	6.8%
UOP	19.8	23.4	(15.4)%
<b>Key metrics</b>			
Net promoter score	34.0	21.1	1290bps
Net policyholder growth	7.2	2.8	440bps
Gross margin	39.7	42.9	(320)bps
Management expense ratio	30.5	31.0	(50)Bps
Marketing MER	15.7	16.4	(70)bps
Other MER	14.8	14.7	10bps
Net margin	9.2	11.8	(260)bps

## Solid result with margin and earnings consistent with long term strategy

- Premium revenue ▲ 8.8% a function of premium adjustments, policyholder growth and new business development, including:
  - Net policyholder growth of 7.2% (▲ 440bps) with sales rate of 20.6%. New partnership with travel insurer Uni-Care to provide health insurance to international students. Short tenure duration of international students (~7 mths) contributing to higher lapse.
- Claims ▲ 10.7% (gross margin ▼ 320bps) driven by:
  - Higher utilisation inflation (~▲ 9.4%) reflecting more value to members
  - Low service cost inflation of 1.3% in FY19 compared to an average of 2.3% over last 5 years, reflecting focus on efficiently managing provider costs including implementation of First Choice Network.
- Recently celebrated first anniversary of population health initiative with Auckland iwi, Ngāti Whātua Ōrākei. More than 3,300 of the members currently enrolled in a preventative health program.
- Member first approach continues to drive NPS improvement to 34.0 (FY18: 21.1), highest ever result since first implemented post acquisition of business (NPS first went live in NZ in August 2013 and was negative 29.0).
- UOP ▼ 15.4% includes impact of PPB liability movement. Net margin of 9.2% speaks of ongoing good commercial performance.

1. Excludes movement in premium payback liability.

Financial performance (\$m)	FY19	FY18	Change
Underwriting result	(0.8)	-	n/a
Operating income	72.4	66.1	9.5%
Acquisition costs	(32.2)	(25.1)	28.3%
Operating expenses	(32.8)	(32.9)	(0.3)%
UOP	6.6	8.1	(18.5)%
<b>Key metrics</b>			
Sales NPS (%)	61.2	62.6	(140)bps
Sales (#)	736,553	689,529	6.8%
Domestic	367,597	370,077	(0.1)%
International	368,956	319,452	15.5%
Gross written premium <sup>1</sup>	152.7	142.0	7.5%

## Improved 2H result with global sales showing positive trajectory

- Pleasing sales result ▲ 6.8%, driving improved GWP ▲ 7.5%, due to:
  - Domestic market showing some sales stabilisation, although still some near and present competitor and distribution challenges. Acquisition of QBE Travel (completed 13 May 2019) has certainly bolstered our domestic market presence, cementing #3 in market position.
  - International sales continue to be strong accounting for more than half of all sales (FY18: 46%).
- UOP ▼ 18.5% due to:
  - Increase in acquisition costs (▲ 28.3%) due to acquisition of QBE Travel in 4<sup>th</sup> quarter as well as investment in both domestic and international markets.
- Establishment of captive entity during FY19 to underwrite and distribute travel insurance to rest of the world markets<sup>2</sup> with all claims risk fully re-insured to a selected capital partner.
- Appointment of new nib Travel CEO, Anna Gladman, commencing September 2019.

1. nib Travel is a distributor of travel insurance and earns a commission for policies sold, however, GWP is shown as it is a key performance metric of the business noting GWP excludes other sources of income such as emergency travel assistance and managing general agent fees.

2. Excludes Australia, New Zealand, North America, South America and the European Union.

# UOP to SOP

	FY19	FY18	Change
<b>Underlying operating profit (UOP)</b>	<b>201.8</b>	<b>184.8</b>	9.2%
Amortisation of acquired intangibles	(9.2)	(8.4)	9.5%
arhi	(1.9)	(1.2)	58.3%
iihi	(1.6)	(1.4)	14.3%
nz	(3.4)	(3.6)	(5.6)%
nib Travel	(2.3)	(2.2)	4.5%
One-off transactions and M&A costs	(8.0)	(7.4)	8.1%
One-off transactions	(2.0)	(3.2)	(37.5)%
M&A costs	(6.0)	(4.2)	42.9%
<b>Statutory operating profit (SOP)</b>	<b>184.6</b>	<b>169.0</b>	9.2%

- Increase in amortisation of intangibles (arhi and iihi) due to full 12 month contribution of GU Health (FY18 was a 8 month result).
- Increase in one-off transactions and M&A costs associated with QBE Travel acquisition, GU Health integration and China JV.
- One-off transactions (FY19) includes \$1.0m impairment of Travel Insurance Direct brand.

# Investments, gearing, cash flow & capital

- Net investment income improvement (1H19: \$1.5m) due to positive equity performance in our growth portfolio.
- Increase in finance costs due to GU Health acquisition (FY18: 8 months with business acquired 31 October 2017).
- Movement in debt due to FX (debt portfolio includes NZD70m debt in NZ).
- Decrease in effective tax rate due to non-deductible M&A costs associated with the GU Health acquisition in FY18. The effective tax rate differs from the statutory Australian tax rate of 30% due to differences in tax rates in the countries in which we operate and deductibility of some items. Further information refer nib's 2019 Tax Transparency Report.
- Decrease in gearing ratio reflects increase in retained earnings as part of planned organic capital accumulation.
- APRA are reviewing the capital standards starting from a LAGIC type standard. AASB17 will be considered as part of APRA's review.
- APRA further capital standards discussion paper expected soon.
- Any changes to prudential capital requirements not expected to come into place before December 2021. nib has a number of levers available to navigate any potential changes.
- nib/GU fund merge expected FY20.

	FY19	FY18	Change
Net investment income (\$m)	36.1	29.6	22.0%
Net investment return (%)	3.8	3.5	30bps
Funds invested	942.9	892.1	5.7%
Debt (\$m)	233.9	230.6	1.4%
Finance costs (\$m)	(7.7)	(6.3)	22.2%
Interest cover ratio	29:1	31:1	n/a
Effective tax rate (%)	29.9	30.6	(70)bps
Gearing ratio (%)	27.6	29.2	(160)bps
Net cash flow from operating activities	184.5	179.9	2.6%
Dividend payout ratio (%)	70.0	68.5	150bps
Available capital above internal targets <sup>1</sup> (\$m)	95.7	25.5	275.3%

1. Allowing for payment of final dividend but does not include impact of any dividend reinvestment plan.



Mark Fitzgibbon

Chief Executive Officer & Managing Director

Three green dots arranged vertically.

# Risk culture and governance

- As part of a recent APRA Risk Governance Self-Assessment we identified continuous improvement actions that are already driving change through:
  - Purpose before profits (remuneration structure and sales incentives);
  - Ensuring fit for purpose products;
  - Enhanced systems for managing risk; and
  - Further embedding a risk culture.
- Through our Group-wide risk governance approach we are addressing conduct and culture requirements across our multi-regulatory operating environment, including New Zealand.

# Business strategy



## Personalised healthcare

Harness data science and digital technologies to better “personalise” our relationship with members, the products and services we provide or connect them with and especially help them, their doctors and other clinicians make more informed healthcare decisions. Use “personalisation” as the bedrock of enhancing our member value proposition, differentiating us in the market, improving individual and population health and better managing costs.



## Affordability and sustainability

Improve the affordability of our financial protection through improved operating efficiency, disciplined benefits management and helping members better manage their health and healthcare decisions. Ensure governance and operations across the Group are sensitive and responsive to our broader social, economic and the environmental responsibilities.



## Grow the core (arhi)

Strive for above “system” organic growth with measured brand and acquisition investment, prudent product design and combatting adverse risk selection, channel diversification and “personalising” the value proposition. Consider and pursue M&A as opportunities present.



## Economies of scope

Leverage existing Group assets and capabilities to pursue adjacent business opportunities for the purposes of both growing enterprise value and diversifying risk. Amplify investment in growing our international workers and students, New Zealand, travel insurance and Chinese businesses and deliver identified new prospects.



## Racing the Red Queen (RRQ)

Create competitive advantage across the Group through constant innovation, our RRQ principles around “natural selection”, having world class talent and prudent risk management.



# Key focus areas

- Data science and “personalisation” capability.
- Improved member experience, reduced out of pocket expenses for members and digital engagement.
- Active disease prevention and management (including population health management).
- Operating costs and efficiency (especially indirect costs).
- nib Travel.
- Risk management and accountability.

# Outlook



## arhi

- Organic growth 2%-3% per annum.
- Insurance margins circa 6%.
- M&A possibilities?



## iihi

- Continued organic growth.
- Strong insurance margins.
- Students platform (niss) grows sales.



## New Zealand health insurance

- Continued organic growth.
- Insurance margins 8-9%.
- Further investment and growth in iwi (Maori population health).



## nib Travel

- Improved domestic sales performance.
- Continued strong international sales and value capture.
- Reduced operating costs.



## China

- Further organic growth in health management.
- Licence to sell health insurance (critical illness) target by end of FY20.

# Guidance



## FY20 UOP forecast to be at least \$200m

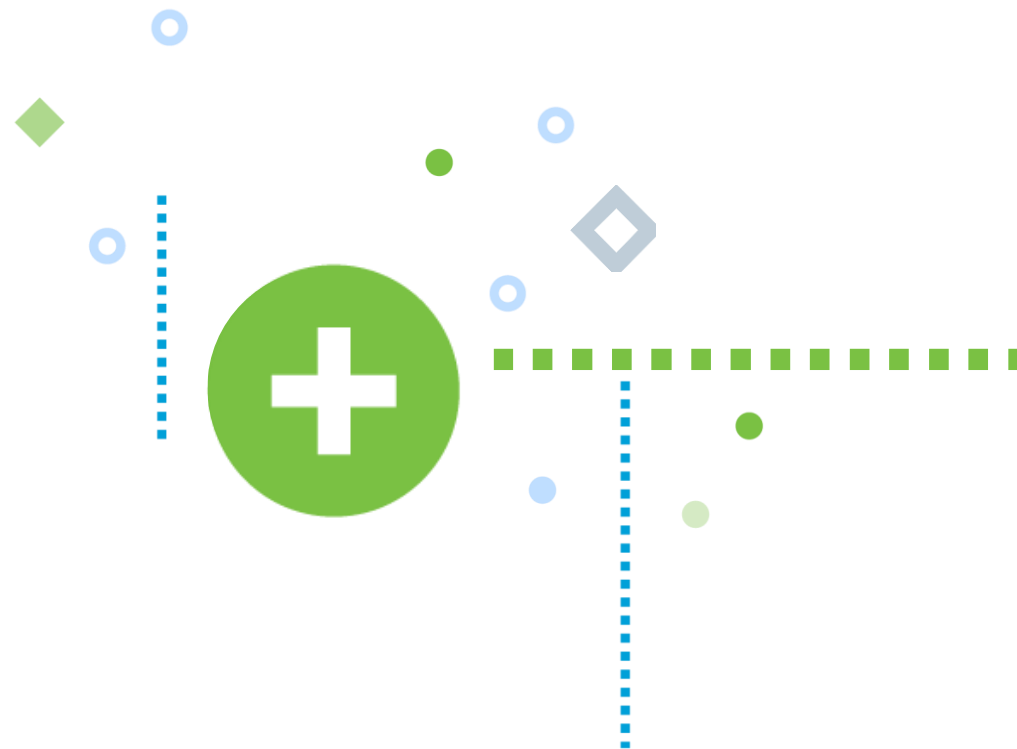
### Statutory operating profit (SOP) of at least \$180m

- FY20 arhi net margin likely to be in the order of 6% (long run target 5%-6%)
- FY20 UOP and SOP benefit from AASB16 Leases Standard<sup>1</sup>
- Financial conditions and performance in other Group businesses are expected to be consistent with recent years.
- Ordinary dividend payout ratio 60% – 70% of full year NPAT.

(\$m)	FY20
<b>Statutory operating profit</b>	<b>~ 180</b>
<b>One-off transactions and M&amp;A costs</b>	<b>~ 9</b>
<b>Amortisation of acquired intangibles</b>	<b>~11</b>
GU Health	2.7
IMAN	0.7
nib Travel	3.8
NZ	3.5
<b>Underlying operating profit</b>	<b>~ 200</b>

<sup>1</sup> The Group expects that net profit after tax will decrease by approximately \$1.3 million for FY20 as a result of adopting the AASB16 Leases Standard. UOP used to measure segment results is expected to increase by approximately \$4.0 million, as the interest on the lease liability is excluded from this measure.

# Questions and answers



# Appendix



# Policyholder and other data



nib Group health insurance	FY19	FY18
Total persons covered	1,577,540	1,524,649 <sup>1</sup>
Australian residents health insurance	1,176,155	1,159,550
International (inbound) health insurance	188,324	160,193 <sup>1</sup>
New Zealand	213,061	204,906
Total policyholders	889,866	841,641 <sup>1</sup>
Australian residents health insurance	607,388	594,762
International (inbound) health insurance	172,357	144,183 <sup>1</sup>
New Zealand	110,121	102,696
arhi <sup>2</sup>		
Net policyholder growth	2.1%	3.0%
Market share <sup>3</sup>	9.0% <sup>4</sup>	8.5%
Persons covered	1,176,155	1,083,354
Average age of hospital persons covered (years)	40.2	40.3
arhi sales by channel <sup>2</sup>		
Corporate	11.7%	**
Direct to consumer	35.4%	42.6%
Retail brokers	25.0%	31.2%
White-label partners	27.9%	26.2%

1. Immaterial adjustment to FY18 figure associated with acquisition of GU Health during the period.

2. FY18 figures exclude GU Health with business acquired 31 October 2017.

3. Source: APRA.

4. As at 31 March 2019 – most recent APRA data.

\*\* Not reported in FY18.

# Detailed income statement (underlying underwriting result)



(\$m)	FY19	FY18	Change
<b>Net premium revenue</b>	<b>2,340.8</b>	<b>2,162.6</b>	<b>8.2%</b>
- arhi	2,013.2	1,871.2	7.6%
- iihi	110.1	93.3	18.0%
- nz	215.5	198.1	8.8%
- nib Travel	2.0	-	n/a
<b>Net claims expense</b>	<b>(1,547.6)</b>	<b>(1,459.6)</b>	<b>6.0%</b>
- Hospital claims paid (arhi)	(988.3)	(933.1)	5.9%
- Ancillary claims paid (arhi)	(401.5)	(359.2)	11.8%
- OSC provision movement (arhi)	14.3	(13.5)	(203.3)%
- arhi claims incurred	(1,375.5)	(1,305.8)	5.3%
- iihi claims incurred	(42.4)	(36.6)	15.8%
- nz claims incurred	(129.7)	(117.2)	10.7%
- nib Travel claims incurred	-	-	-
<b>Risk equalisation levy</b>	<b>(229.5)</b>	<b>(206.4)</b>	<b>11.2%</b>
- OSC risk equalisation margin	(1.6)	-	n/a
- Gross deficit	423.0	417.2	1.4%
- Calculated deficit	(650.9)	(623.6)	4.4%
<b>State levies</b>	<b>(34.0)</b>	<b>(32.3)</b>	<b>5.3%</b>
<b>Decrease / (increase) in premium payback liability</b>	<b>(0.3)</b>	<b>4.0</b>	<b>(107.5)%</b>
<b>Net claims incurred (excluding claims handling)</b>	<b>(1,811.4)</b>	<b>(1,694.3)</b>	<b>6.9%</b>
<b>Gross underwriting result</b>	<b>529.4</b>	<b>468.3</b>	<b>13.0%</b>
- arhi	374.2	326.7	14.5%
- iihi	67.7	56.7	19.4%
- nz	85.5	84.9	0.7%
- nib Travel	2.0	-	n/a
<b>Other underwriting revenue</b>	<b>3.6</b>	<b>3.0</b>	<b>20.0%</b>
- arhi	2.8	1.6	75.0%
- iihi	0.7	1.4	(50.0)%
- nib Travel	0.1	-	NA
<b>Underwriting expenses (including claims handling)</b>	<b>(329.1)</b>	<b>(287.1)</b>	<b>14.6%</b>
- arhi	(227.0)	(197.1)	15.2%
- iihi	(33.5)	(28.5)	17.5%
- nz	(65.7)	(61.5)	6.8%
- nib Travel	(2.9)	-	n/a
<b>Underlying underwriting result</b>	<b>203.9</b>	<b>184.2</b>	<b>10.7%</b>
- arhi	150.0	131.2	14.3%
- iihi	34.9	29.6	17.9%
- nz	19.8	23.4	(15.4)%
- nib Travel	(0.8)	-	n/a



# Management expenses (underwriting businesses)



(\$m)	Marketing (direct)	Marketing indirect (commissions paid)	Marketing indirect (commissions deferred)	Marketing indirect (commissions amortised)	Total marketing	Other management expenses	Total underwriting expenses	MER underwriting expenses	Amortisation of acquired intangibles	Total management expenses	MER
<b>Australian residents health insurance (arhi)</b>											
FY18	31.8	54.3	(34.8)	28.5	79.8	117.2	197.0	10.5%	1.2	198.2	10.6%
FY19	32.1	54.6	(32.4)	31.2	85.5	141.5	227.0	11.3%	1.9	228.9	11.4%
<b>International (inbound) health insurance (iihi)</b>											
FY18	1.4	6.6	(5.1)	4.3	7.3	21.2	28.5	30.5%	1.4	29.9	32.0%
FY19	1.5	8.3	(6.4)	5.5	8.9	24.6	33.5	30.4%	1.6	35.1	31.9%
<b>New Zealand</b>											
FY18	6.9	28.3	(17.2)	14.3	32.4	29.1	61.5	31.1%	3.6	65.1	32.9%
FY19	6.0	29.2	(16.1)	14.8	33.8	31.9	65.7	30.5%	3.4	69.1	32.1%

# Other income and expenses<sup>1</sup>



(\$m)	FY19	FY18	Change
<b>Other income</b>			
Complementary insurances	2.7	2.6	3.8%
nib foundation income <sup>2</sup>	1.1	-	n/a
Other	1.0	0.8	25.0%
<b>Total other income</b>	<b>4.8</b>	<b>3.4</b>	<b>41.2%</b>
<b>Other expenses</b>			
Complementary insurances expenditure	(0.6)	(1.2)	(50.0)%
Corporate and share registry costs	(7.3)	(7.7)	(5.2)%
niss expenditure	(2.3)	(1.2)	91.7%
nib foundation expenses <sup>2</sup>	(2.2)	-	n/a
Other	(0.9)	(0.3)	200.0%
<b>Total other expenses</b>	<b>(13.3)<sup>3</sup></b>	<b>(10.4)</b>	<b>27.9%</b>

1. Other income and expenses unallocated to segments.

2. During the year nib foundation was consolidated into the Group. Income of nib foundation is restricted for use for philanthropic purposes only.

3. Total other expenses does not include share of net profit/(loss) of joint venture of \$(0.5)m.

# Investment asset allocation



	Consolidated			Australian investment portfolio			New Zealand investment portfolio			nib foundation investment portfolio		
	Balance at 30/06/2019 (\$m)	Allocation at 30/06/2019 (%)	Net return 12 month to 30/06/2019 (\$m)	Balance at 30/06/2019 (\$m)	Allocation at 30/06/2019 (%)	Net return 12 month to 30/06/2019 (\$m)	Balance at 30/06/2019 (\$m)	Allocation at 30/06/2019 (%)	Net return 12 month to 30/06/2019 (\$m)	Balance at 30/06/2019 (\$m)	Allocation at 30/06/2019 (%)	Net return <sup>1</sup> 12 month to 30/06/2019 (\$m)
Cash <sup>2</sup>	273.7	29.0	7.1	246.6	21.0	6.7	16.9	4.5	0.2	10.2	45.3	0.3
Fixed interest	518.8	55.1	16.7	427.8	41.4	13.1	87.7	95.5	3.6	3.3	-	-
<b>Total defensive</b>	<b>792.5</b>	<b>84.1</b>	<b>23.8</b>	<b>674.4</b>	<b>62.4</b>	<b>19.8</b>	<b>104.6</b>	<b>100.0</b>	<b>3.8</b>	<b>13.5</b>	<b>45.3</b>	<b>0.3</b>
Australian shares	52.3	5.5	4.5	49.5	13.0	4.1	-	-	-	2.9	54.7	0.4
Global shares – hedged	14.1	1.5	0.7	14.1	2.1	0.7	-	-	-	-	-	-
Global shares – unhedged	46.6	4.9	4.1	45.7	12.9	4.1	-	-	-	0.9	-	-
Global property	21.2	2.2	1.0	21.2	3.2	1.0	-	-	-	-	-	-
Property trusts	16.1	1.8	2.0	16.1	6.4	2.0	-	-	-	-	-	-
<b>Total growth</b>	<b>150.4</b>	<b>15.9</b>	<b>12.3</b>	<b>146.6</b>	<b>37.6</b>	<b>11.9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.8</b>	<b>54.7</b>	<b>0.4</b>
<b>Total</b>	<b>942.9</b>	<b>100.0</b>	<b>36.1</b>	<b>821.0</b>	<b>100.0</b>	<b>31.7</b>	<b>104.6</b>	<b>100.0</b>	<b>3.8</b>	<b>17.3</b>	<b>100.0</b>	<b>0.7</b>

1. Net return for Foundation Growth Portfolio grouped under Australian shares.

2. Excludes operating cash of \$39.9m, noting total cash is split between cash and cash equivalents of \$164.7m and short term deposits of \$148.9m included in Financial Assets.

Term	Definition
1H	Six months ended/ending 31 December of the relevant financial year
2H	Six months ended/ending 30 June of the relevant financial year
APRA	Australian Prudential Regulation Authority
arhi	Australian residents health insurance, inclusive of GU Health unless otherwise stated
AUD	Australian dollar
bps	Basis points (1.0% = 100 bps)
cps	Cents per share
DRP	Dividend reinvestment plan
DTC	Direct to consumer
EPS	Earnings per share
FX	Foreign exchange
FY	Financial year ended/ending 30 June
Group	nib holdings Group
GWP	Gross written premium
iihi	International inbound health insurance (ishi & iwhi combined), inclusive of GU Health unless otherwise stated
ishi	International students health insurance
iwhi	International workers health insurance
JV	Joint venture
Lapse	Lapse is determined by dividing the average of opening and closing policyholder counts
MER	Management expense ratio
MGA	Managing general agent
Net claims expense	Claims expense net of reinsurance
Net margin	Gross underwriting result less management expenses as percentage of net premium revenue
Net policyholder growth	Total policies as at the end of the reporting period less total policies as at 30 June of the prior financial year

Term	Definition
Net premium revenue	Premium revenue net of reinsurance
nib	nib holdings limited
nib Travel	nib Travel is a travel insurance distributor
niss	nib international students services
NPAT	Net profit after tax
NPS	Net promoter score (service) (number of promoters less number of detractors)
NZD	New Zealand dollar
OSC	Outstanding claims liability
Other underwriting revenue	Revenue from underwriting activities excluding premium revenue
PHI	Private health insurance
PPB	Premium payback liability relates to previously offered products, where customers are entitled to receive a refund (or partial refund) of premiums paid less any claims made, once the policy has been in force for a specified period. It is determined based on the discounted value of accumulated excess of premiums over claims at an individual policy level
Sales NPS	A measure of the likelihood of a new customer to recommend the brand immediately following a sales interaction
Shared services	Refers to nib Group shared service functions including finance and corporate services, people and culture, IT, benefits and provider relations as well as legal, risk and governance and executive management.
Underlying underwriting revenue	Net premium revenue and other underwriting revenue
UOP	Underlying operating profit - comprised of underwriting result, other income and expenses including non-underwriting businesses. It excludes amortisation of acquired intangibles, one-off transactions (integration of acquired business, establishment of business costs as well as extraordinary legal fees), merger and acquisition costs, finance costs, net investment income and income tax