

# 2016 FULL YEAR RESULTS INVESTOR PRESENTATION

22 AUGUST 2016

nib

FULL YEAR RESULTS 2016



# Disclaimer



The material in this presentation is a summary of the results of nib holdings limited (nib) for the 12 months ended 30 June 2016 and an update on nib's activities and is current at the date of preparation, 22 August 2016. Further details are provided in nib's full year accounts and results announcement released on 22 August 2016.

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**As referenced in this presentation, if there is a change percentage increase or (decrease) between FY15 and FY16 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.**

**All figures quoted are in Australian dollars unless otherwise stated.**



A photograph of people playing in the ocean at sunset. The silhouettes of several people are visible against the bright, golden light of the setting sun. The water is splashing, and the overall scene is warm and energetic.

# Mark Fitzgibbon

CEO & MANAGING DIRECTOR

nib

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# Snapshot

## Underlying business performance



Group revenue<sup>1</sup> grew by \$233.8m (▲14.3%) to \$1.9b with underlying operating profit<sup>2</sup> (UOP) up by \$44.0m (▲49.9%) to \$132.0m<sup>3</sup> (statutory operating profit of \$120.8m ▲47.9%). All business segments grew and improved UOP.



arhi with organic growth of 19,501 policies grew 3.8% in a very competitive market and with a higher gross margin increased UOP by \$22.6m.



Businesses other than arhi increased UOP by 132% to \$37.5m and accounted for 28.4% of Group UOP (compared to 18.3% in FY15). Within this, World Nomads Group made inaugural contribution of \$9.7m. nib NZ doubled UOP to \$17.3m.



arhi net promoter score of 17.7 compared with 20.7 in FY15. Some media coverage hostile to the industry was unhelpful.



Ongoing diversification (World Nomads Group), innovation (Qantas Assure) and disruption (Whitecoat).

<sup>1</sup> Excludes non-recurring profit from sale of Newcastle office building.

<sup>2</sup> UOP is comprised of underwriting result, other income and expenses including non-underwriting businesses. It excludes amortisation of acquired intangibles, one-off transactions, M&A costs, finance costs, net investment income and income tax.

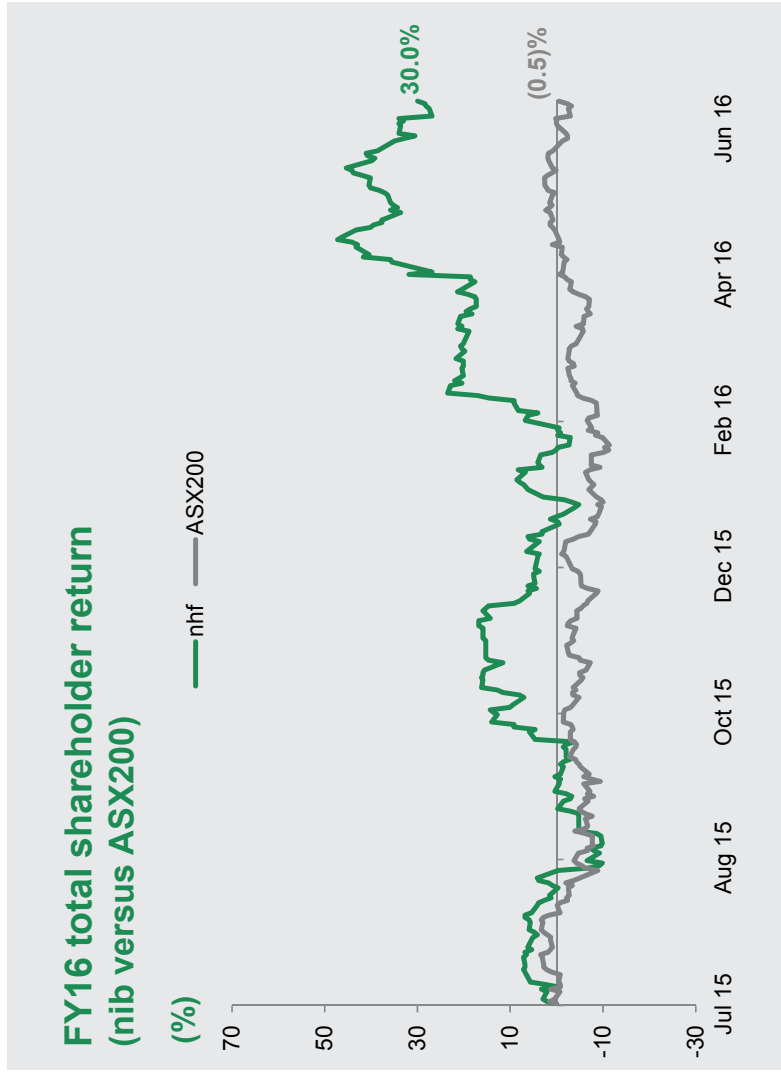
<sup>3</sup> nib's statutory operating profit includes \$11.2m in amortisation of acquired intangibles and one-off transactions and M&A costs.



## Snapshot Group profitability



- Net investment income of \$16.9m was lower than FY15 (\$31.4m). Previous year included one-off profit on sale of shares in PSG (\$5.4m).
- Net Profit After Tax of \$91.8m (▲22.0%), EPS of 21.2cps (FY15: 17.3cps).
- Final ordinary dividend of 9.0cps (▲50.0%), fully franked (14.75cps for full year ▲28.3%). TSR of 30.0% versus (0.5)% for ASX200.



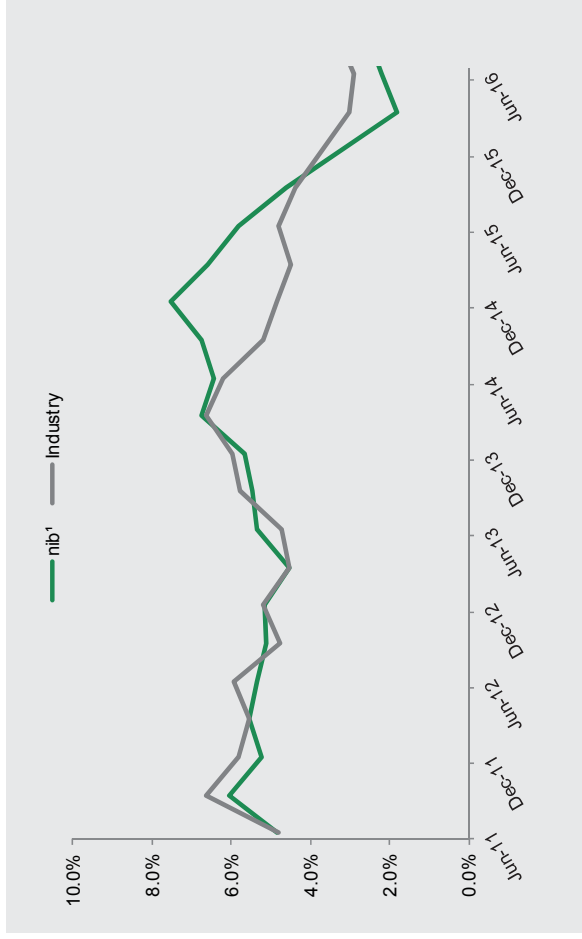


## arhi gross margin improvement a key driver

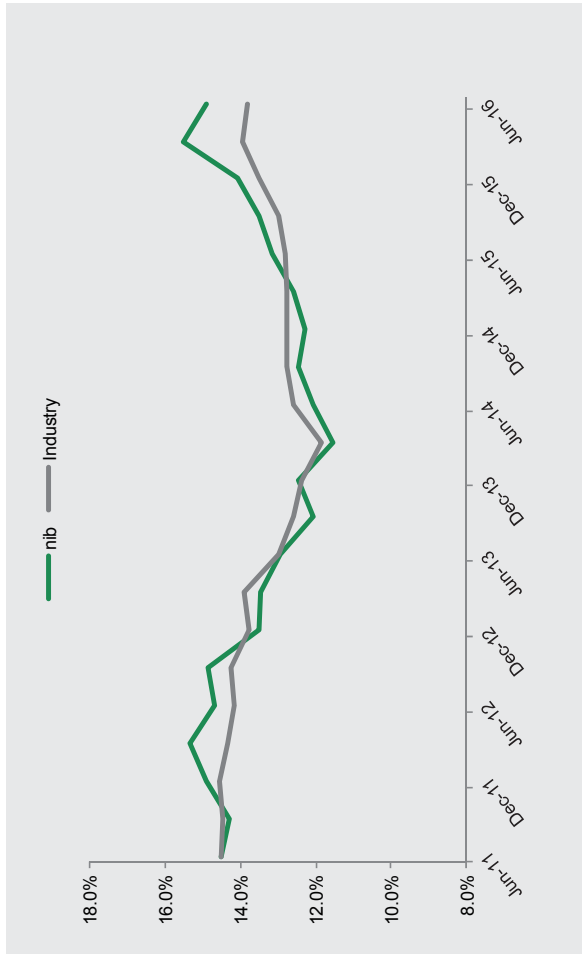


- Claims inflation experience and trajectory favourable.
- Lower hospital and ancillary utilisation growth the primary explanation.
- nib experience accentuated by tactical product changes in FY15.

### Annual drawing rate inflation nib versus industry (Rolling 12 months)



### Gross margin nib versus industry (Rolling 12 months)

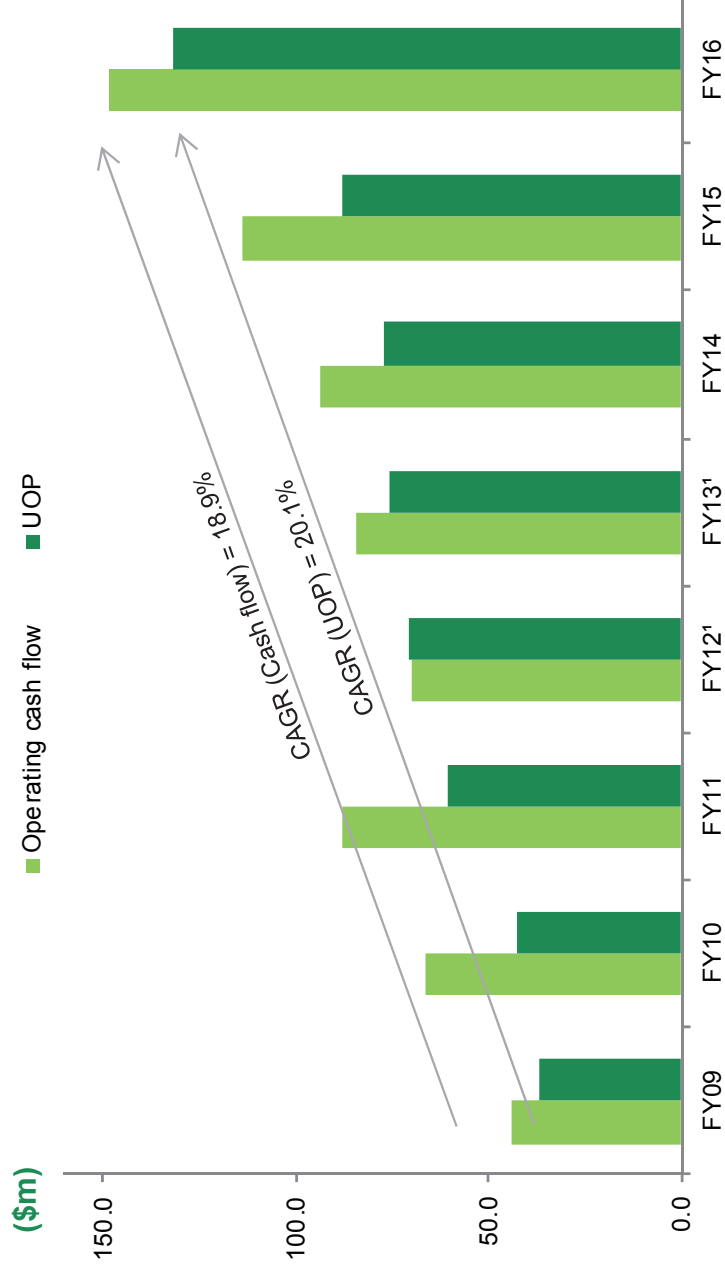


<sup>1</sup> Includes risk equalisation  
Source: nib/APRA





## Strong operating cash flow correlating with UOP



<sup>1</sup>FY12 & FY13 normalised for pre-payments of premiums in May/June 2012 associated with introduction of income testing of Government Rebate. FY12 normalised for pre-payments of premiums in May/June 2012 associated with introduction of income testing of Government Rebate is lower than FY11 mainly due to \$7m decrease in distributions received from investment trusts and \$10m increase in income.



# Whitecoat

Tackling information asymmetries and improving market efficiency



- Whitecoat enables consumers to search, find and book a healthcare provider as well as review their experience. Currently hosts more than 210,000 health care and ancillary providers and over 250,000 customer reviews.
- Rapidly expanding to include GPs and medical specialists.
- Recent announcement to form JV with BUPA and HBF will significantly expand reach and consumer engagement (~6 million people). Open invitation extended to other insurers and healthcare payers to participate.
- Allows insurer/payer to host "customer only" portal for deeper engagement and insurer/payer specific information such as preferred clinical providers and "no gap" arrangements.
- When fully developed will also include accredited clinical performance information including self-reported patient outcomes.
- Additional near term opportunities to automate patient/provider transactions such as payments and prescriptions.





A woman is running on a paved path that leads towards a bright sunset. The sky is filled with orange and yellow clouds, and the sun is low on the horizon, creating a strong silhouette effect on the runner. The path is bordered by a low wall on the right side.

# Michelle McPherson

CHIEF FINANCIAL OFFICER & DEPUTY CEO

nib

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# FY16 Financial Summary

Outperformance across key performance areas



	FY16	FY15	Change
Total Group revenue (\$m)	1,873.1 <sup>1</sup>	1,639.3	14.3%
UOP (\$m)	132.0	88.0	49.9%
Amortisation of acquired intangibles, one-off transactions and M&A costs (\$m)	(11.2)	(6.4)	75.8%
Statutory operating profit (\$m)	120.8	81.7	47.9%
Net investment income <sup>2</sup> (\$m)	16.9	31.4	(46.2)%
NPAT (\$m)	91.8	75.3	22.0%
Underlying EPS (cps)	22.9	18.3	25.1%
Statutory EPS (cps)	21.2	17.3	22.5%
Dividend (cps)	14.75	11.5	28.3%
ROE (%)	25.8	23.1	2.7%

<sup>1</sup> Excludes non-recurring profit from sale of Newcastle office building

<sup>2</sup> Net investment income in FY15 benefited \$5.4m from sale of shareholding in Pacific Smiles Group

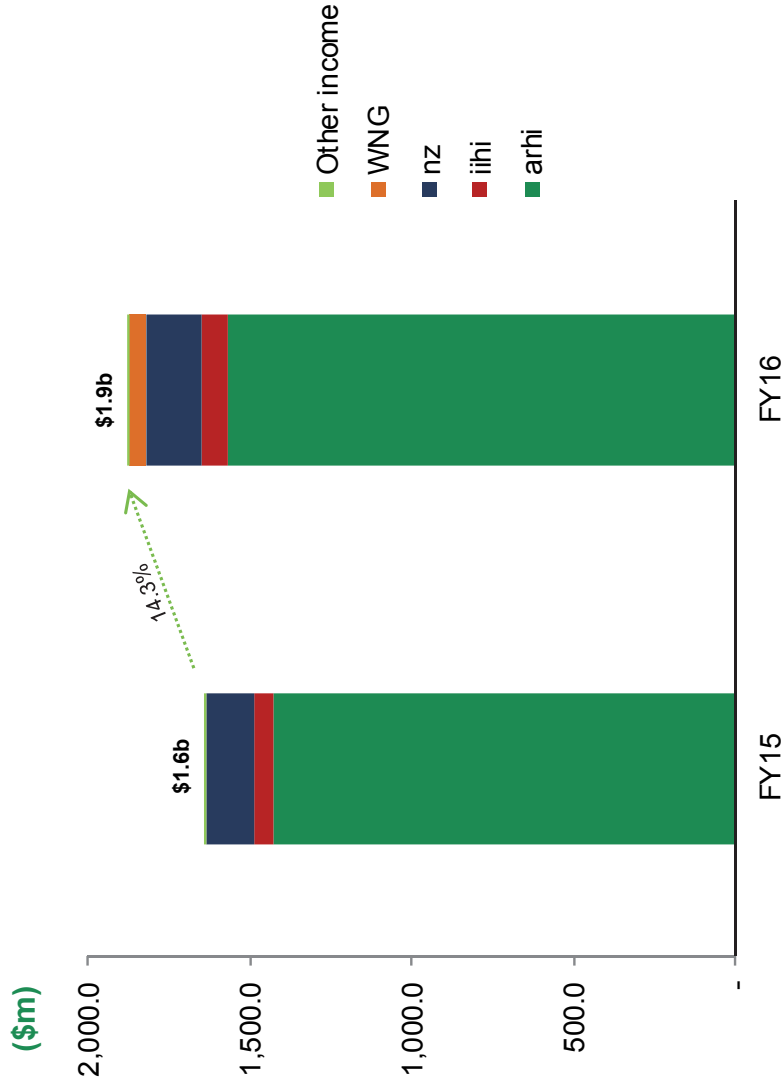


# Total Group Revenue

Continued strong revenue growth



## Total revenue by segment



- Total Group revenue of \$1.9b<sup>1</sup> (▲ 14.3%) due to:
- arhi premium revenue of \$1.6b (▲ 9.7%), accounting for 83.7% of total group revenue.
  - International (inbound) health insurance (iihl) premium revenue of \$76.8m (▲ 39.7%).
  - nib New Zealand premium revenue of \$173.6m (▲ 15.4%), includes acquisition of OnePath (NZ) health insurance (7 month result).
  - First-time inclusion of World Nomads Group (WNG) with operating revenue of \$50.0m (11 month result).

<sup>1</sup> Excludes non-recurring profit from sale of Newcastle office building  
Refer Slide 30 for breakdown of Other income



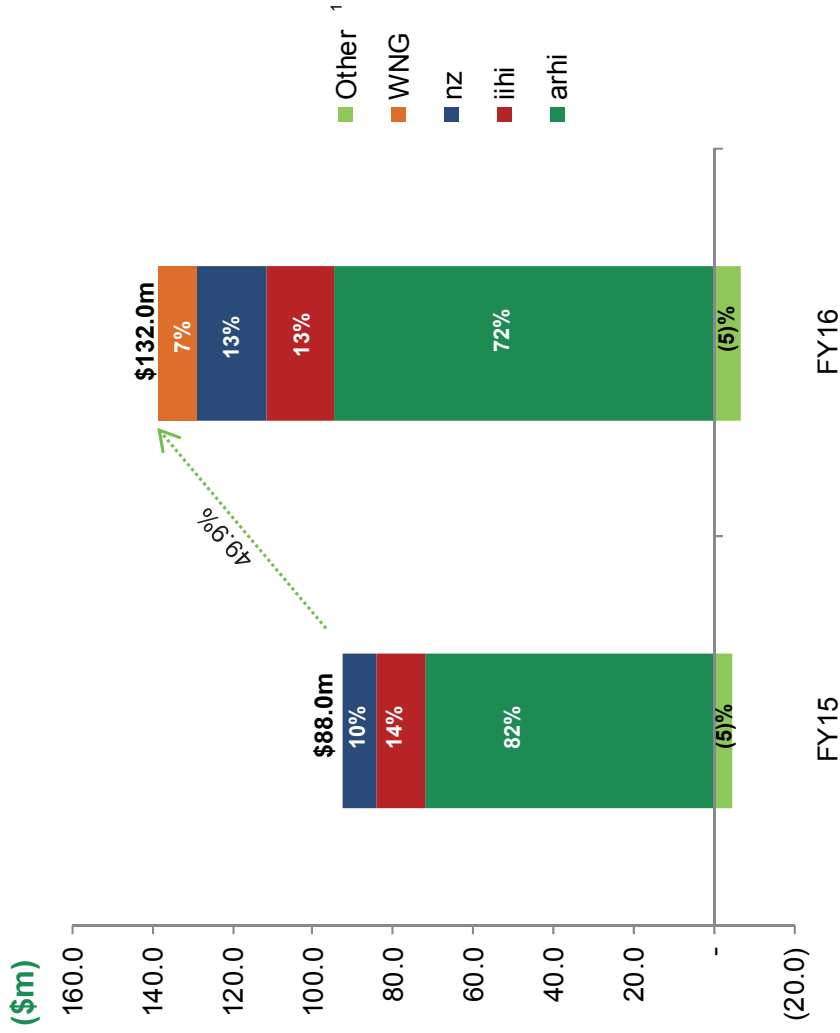


# Group UOP

## Earnings improvement across key business segments



### UOP by segment



Group UOP of \$132.0m (▲ 49.9%) due to:

- Significant improvement in arhi UOP up 31.4% to \$94.5m with improved claims experience a key driver. arhi continues to be core contributor to Group UOP (71.6% of Group).
- Growth in adjacent businesses accounted for 28.4% of Group UOP (FY15: 18.3%) on the back of:
  - Growth and improved profitability in iihl and nib New Zealand.
  - First-time contribution of WNG.
- Robust Group underlying insurance margins
  - Group gross margin 18.6% (FY15: 16.4%).
  - Group net margin 7.1% (FY15: 5.6%).

<sup>1</sup> Other includes corporate expenses (share registry/directors fees) as well as investment in nib Options, offset by income from complementary products (life and related insurance commissions), travel insurance commissions prior to WNG acquisition (31 July 2015), as well as rent and licence fee income (Digital Health Ventures). Refer Slide 30 for breakdown of Other Income & Expenses.

Percentages shown in graph are a percentage of Group UOP by business segment

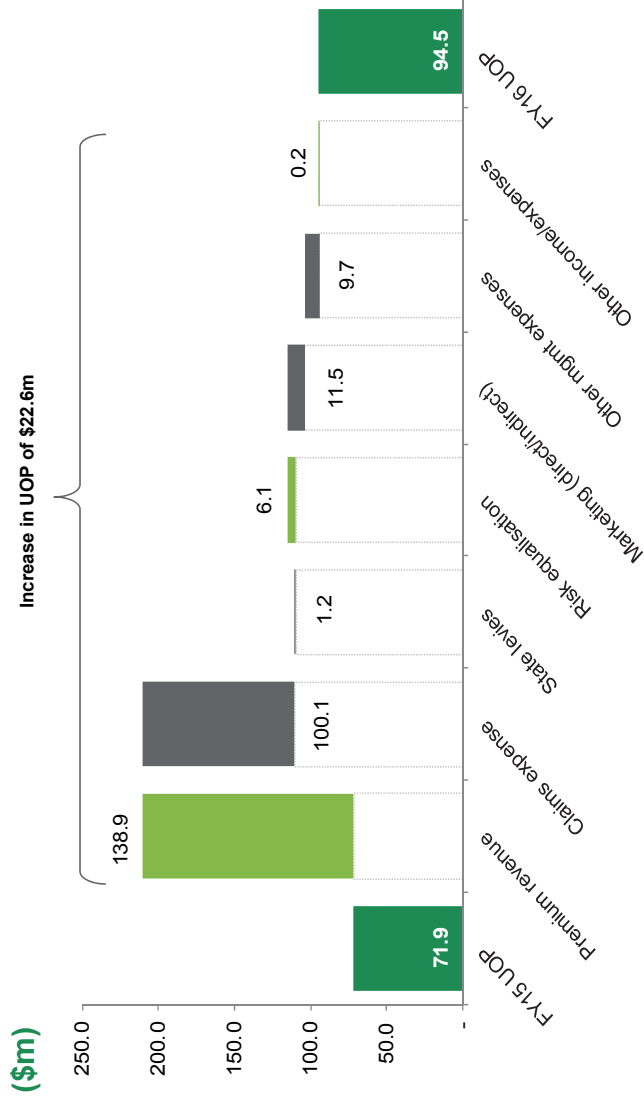


# Australian Residents Health Insurance (arhi)

Strong improvement in gross margin



	FY16	FY15	Change
Policyholder growth (%)	3.8	4.7	(0.9)%
Lapse (%)	12.6	12.3	0.3%
Premium revenue (\$m)	1,568.4	1,429.5	9.7%
Claims expense <sup>1</sup> (\$m)	(1,334.1)	(1,238.9)	7.7%
Gross underwriting result (\$m)	234.2	190.6	22.9%
UOP (\$m)	94.5	71.9	31.4%



- UOP result of \$94.5m ( $\Delta$ 31.4%) primarily due to:
  - Gross margin improvement of 160bps to 14.9%.
  - Risk equalisation contribution favourable to PCP ( $\Delta$ 3.3%) reflecting success targeting over 55s.
  - Net policyholder growth almost 3x industry average of 1.3% with nib lapse steady.
- Qantas Assure performing to expectations (launched 31 March 2016).
- Rate of downgrading/upgrading remains broadly consistent with previous years.
- Increase in management expenses to \$140.1m ( $\Delta$ 17.8%) due to increases in employee, acquisition costs and investment in new business (e.g. Qantas Assure).
- MER increased from 8.3% to 8.9%. MER excluding marketing (direct/indirect) costs was 5.9% (FY15: 5.8%).
- Change in DAC amortisation period from 6 years to 5 years (from 1 April 2016) increased FY16 management expenses by \$1.8m.
- FY16 net margin 6.0% (FY15: 5.0%).

<sup>1</sup> Includes Risk Equalisation and State levies

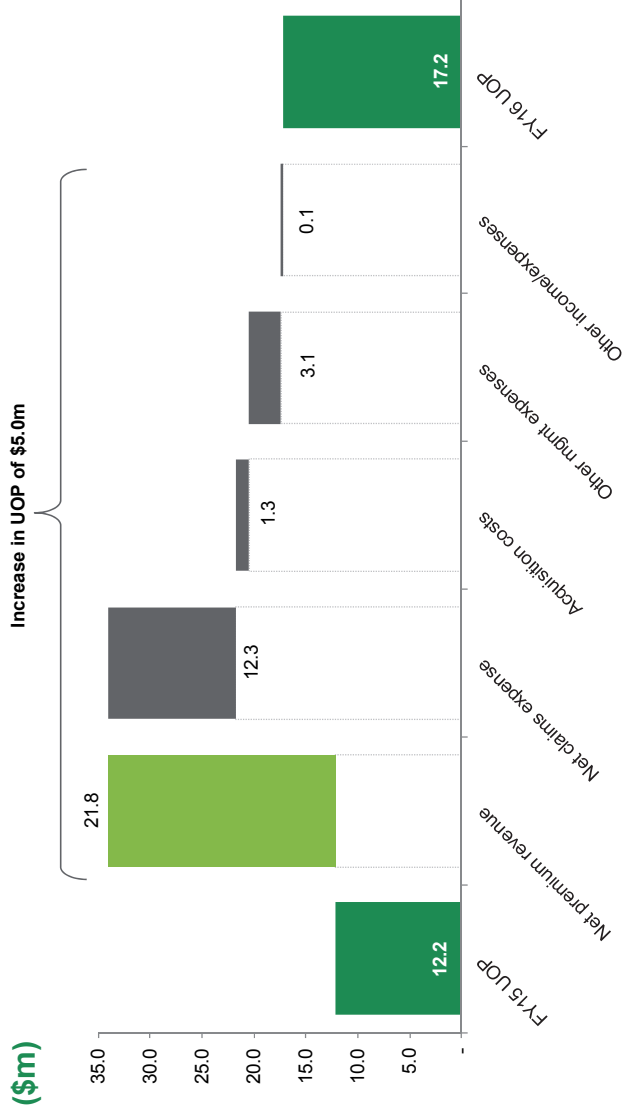


# International (Inbound) Health Insurance (iihi)

## Gross margin and volume drives positive earnings performance



	FY16	FY15	Change
Policyholder growth (%)	28.0	58.5	(30.5)%
Premium revenue (\$m)	76.8	54.9	39.7%
Claims expense (\$m)	(41.7)	(29.4)	41.6%
Gross underwriting result (\$m)	35.1	25.5	37.5%
UOP (\$m)	17.2	12.2	41.2%



- Significant increase in revenue and earnings underpinned by ongoing growth and improved scale.
- Increase in claims expense ( $\Delta$ 41.6%) a function of volume growth.
- International student business showing positive earnings trajectory following Saudi contract discontinued 1 March 2016.
- Management expenses up \$4.4m ( $\Delta$ 32.2%) to support growth (marketing and employment costs).
- Margins viewed as sustainable.



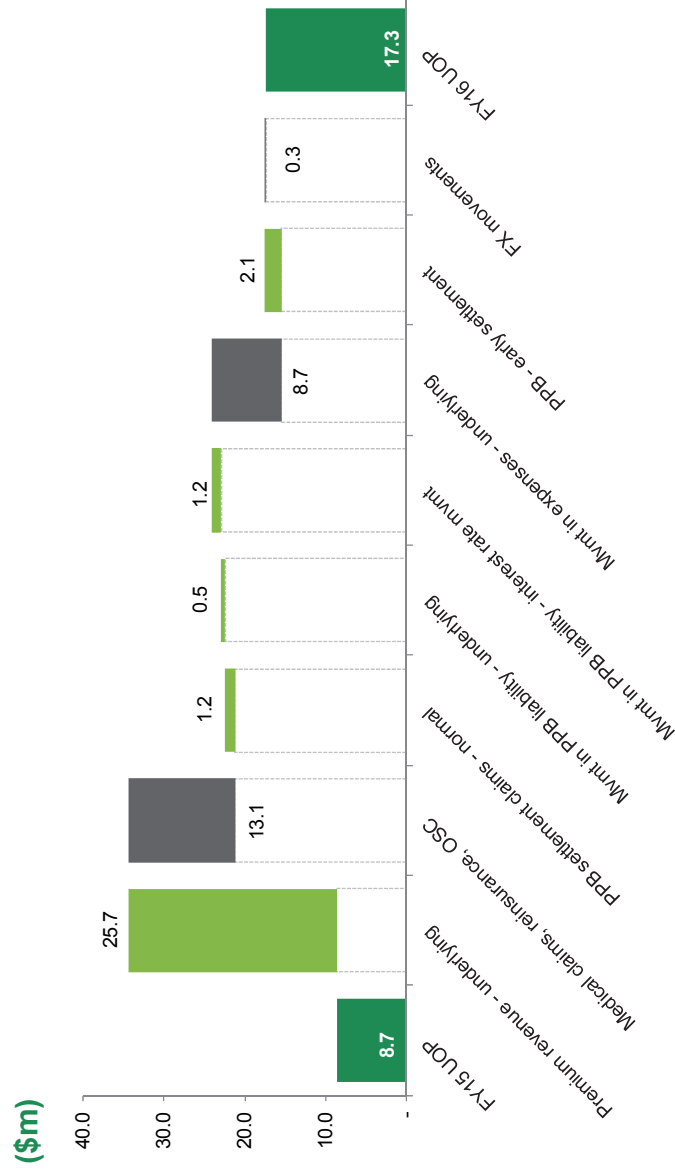


# nib New Zealand

## Delivering against performance targets



	FY16	FY15	Change
Policyholder growth (%)	25.8 <sup>1</sup>	5.9	19.9%
Premium revenue (\$m)	173.6	150.4	15.4%
Claims (medical and PPB <sup>2</sup> settlement) (\$m)	(121.0)	(96.8)	25.1%
Gross underwriting result (\$m)	68.3	51.7	32.0%
UOP (\$m)	17.3	8.7	99.9%



- UOP up almost 100% due to continued policyholder growth, success of PPB<sup>2</sup> settlement campaign, lower than forecast claims and OnePath acquisition (7 month result).
- Investment in growth continues to deliver results with approximately 45% of new sales through DTC channel.
- Successful transition of OnePath business. Positive feedback to date from advisors and no material shock lapse.
- Strong acceptance of PPB settlement offer campaign having positive impact on UOP. Refer slide 29 for further detail on PPB and settlement offer.
- Trajectory of returns has NZ business on track to deliver on return objectives.

<sup>1</sup> Includes policyholders from acquisition of OnePath Life NZ medical insurance business completed 1 December 2015. Excluding OnePath Life NZ, net policyholder growth for FY16 was 4.1%.

<sup>2</sup> PPB – Premium Payback product. Refer slide 29 for details of movement in PPB.



# World Nomads Group (WNG)

## Operating results in line with expectations

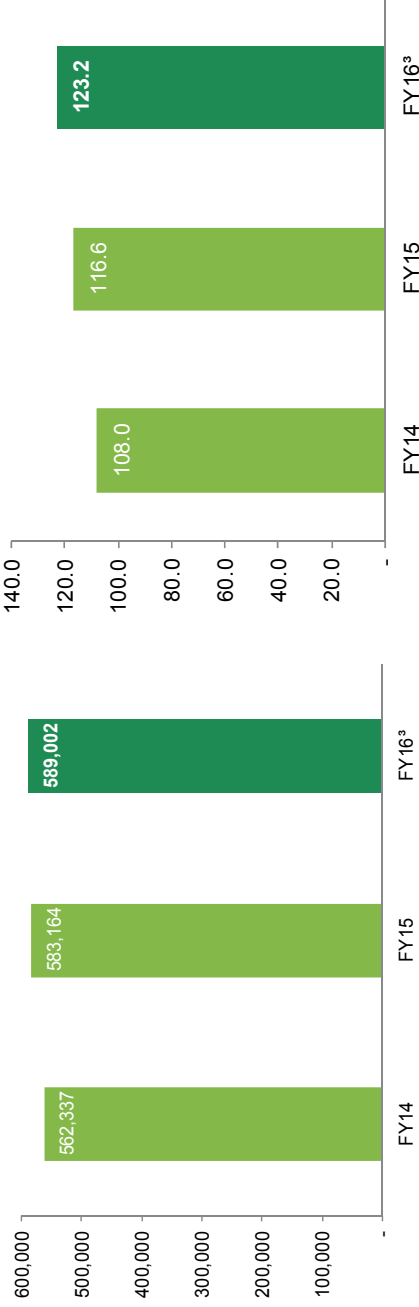


	FY16 <sup>1</sup>
Gross Written Premium <sup>2</sup>	112.2
Operating income	50.0
Operating expenses	(40.3)
UOP	9.7

- GWP up 5.6% due to strong international sales (sales in USA up more than 30% and UK more than 25% on FY15), offset by weak Australian market performance.
- Successful transition of business to nib ownership with minimal disruption.
- Growth plans being accelerated and supported to target international expansion and new business opportunities, with level of investment to impact FY17 UOP result.

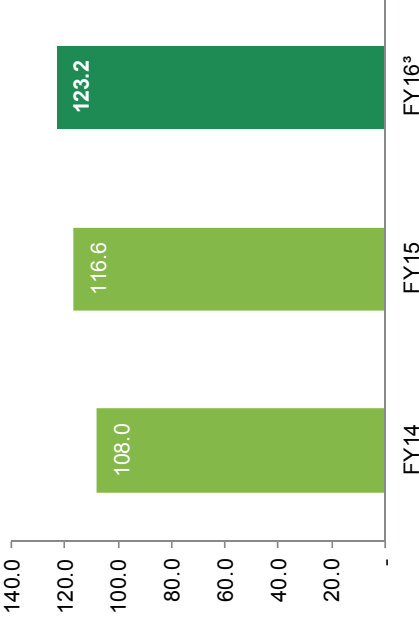
### WNG Sales

(Policies)



### WNG GWP<sup>2</sup>

(\$m)



<sup>1</sup> FY16 is a 11 month result with WNG business acquired on 31 July 2015

<sup>2</sup> WNG 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

<sup>3</sup> WNG was acquired and was only consolidated in the nib results from 31 July 2015 (FY16), the numbers shown are a 12 month result



# Investments, Gearing & Capital

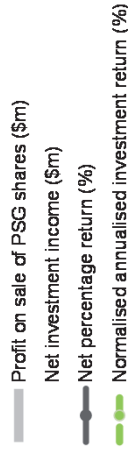
## Strong and efficient balance sheet



(\$m)	FY16	FY15	Change
Net investment income	16.9	31.4	(46.2)%
Finance costs	(5.2)	(3.4)	53.1%
Available capital above internal targets <sup>1</sup>	6.8	10.2	(33.3)%

<sup>1</sup> Allowing for payment of final dividend

### Investments



### Gearing



- Group target capital and gearing remain in line with stated internal policies.
- Continued focus on maintaining an efficient balance sheet.
- Net investment income (▼46.2%) a combination of one off FY15 gain from sale of shareholding in PSG and equity market performance.
- Consolidated portfolio (85%/15%, Defensive/Growth) performed in line with market benchmarks.
- Finance costs (▲53.1%) due to increased debt funding associated with WNG acquisition (31 July 2015).
- Interest cover of 27:1 at 30 June 2016 well above debt covenant.
- APRA have published prudential policy outlook currently indicating a review of capital standards is envisaged in 2018/2019.

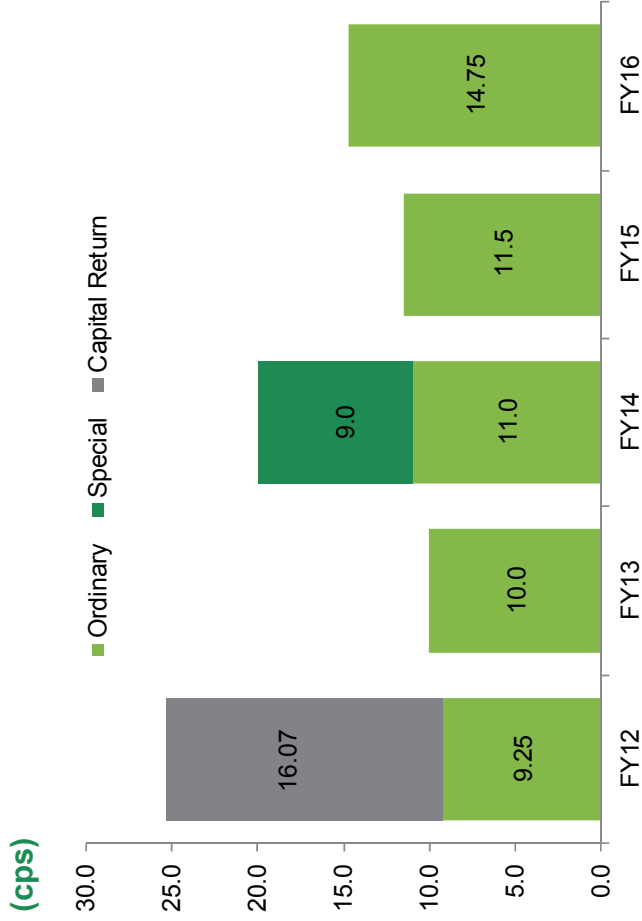
<sup>2</sup> Net investment income in FY15 benefited \$5.4m from sale of shareholding in PSG





## Dividends

Dividend reflects ongoing earnings growth



- FY16 final dividend increased to 9.0cps, fully franked (FY15: 6.0 cps)
  - Ex-dividend date – 8 September 2016
  - Record date – 9 September 2016
  - Payment date – 7 October 2016
- Full year dividend 14.75cps, fully franked (▲28.3%), represents full year payout ratio of 70% of NPAT.
- Dividend policy to continue to reflect payment of fully franked dividends at a payout ratio of 60% - 70% of full year NPAT.

A photograph of people playing in the ocean at sunset. The silhouettes of several people are visible against the bright, golden light of the setting sun. The water is splashing, and the overall scene is warm and energetic.

# Mark Fitzgibbon

CEO & MANAGING DIRECTOR

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# Regulatory reform

Expect PHI reforms and potential regulatory changes to be a net positive



- Market pricing for prostheses/medical devices.
- Improved transparency to assist consumers choose/compare health insurance products.
- Premium pricing deregulation.
- Potential reform to risk equalisation.
- Lifetime discounts.
- Second tier hospital default benefits.
- Public hospital cost shifting.
- Healthcare homes an opportunity for better coordination and management.







## FY17 Outlook

Increased investment to support business expansion and earnings growth



Soft market conditions likely to continue into FY17 however nib expected to deliver volume growth within 4% - 5% target range.

Difficult to predict arhi claims inflation trajectory. Drawing rate inflation (per person) expected to be within range of 3% - 4% (FY16: 2.9%).

Focus on achieving net margin (arhi) within target range of 5.0% - 5.5% noting competitive pressures.

Change in arhi DAC amortisation period related to sales from past periods will add \$4.6m to FY17 acquisition expenses.

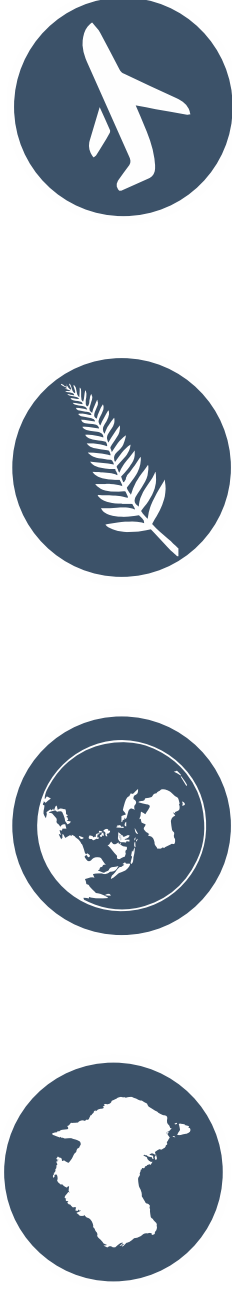
Adjacent businesses will continue to grow with NZ to increase earnings and improvement in international (inbound) business.

Investment in growth and expansion of WNG will result in a subdued FY17 UOP for that business.

Ongoing pursuit of new business opportunities and innovation to create enterprise value.



## FY17 Guidance



- Consolidated UOP<sup>1</sup> of \$130m – \$140m (Statutory operating profit of \$122m – \$132m).
- Investment returns to be in line with relevant internal benchmarks<sup>2</sup>.

<sup>1</sup> Refer slide 27 for breakdown of FY17 forecast one-off transaction/M&A costs and amortisation of acquired intangibles

<sup>2</sup> Internal Investment benchmarks

– Australian Regulatory capital (79%/21% defensive/growth) – target for portfolio bank bill index plus 1%

– New Zealand regulatory capital (100% defensive) (1) For core portfolio target is a 6 month bank bill index (2) For premium payback portfolio target is a 3.0 years interest rate swap index

– Surplus capital (100% defensive) – bank bill index

# Questions & Answers

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A man with short brown hair, wearing a grey sweater and blue jeans, is sitting on a white balcony railing. He is holding a dark blue mug in his right hand and resting his left hand on his knee. He is looking out over a vast landscape that includes a body of water and distant mountains under a clear sky. To his right, a portion of a green and yellow patterned sofa is visible. The background shows a large window reflecting the outdoor scene.

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# Appendix







# nib Policyholder & Other Data (underwriting segments)



nib Group	FY16	FY15
Total policyholders	726,710	665,458
– Australian Residents Health Insurance	529,398	509,897
– International (Inbound) Health Insurance	91,918	71,783
– nib New Zealand	105,394	83,778
nib New Zealand (Persons covered)	212,497	162,351
Employees (FTEs)	1,043 <sup>1</sup>	843
<b>arhi</b>		
Net policyholder growth	3.8%	4.7%
Market share	8.1%	7.9%
Persons covered	1,030,220	1,001,368
Average age of hospital persons covered (yrs)	38.8	37.9
Total policyholders “under 40”	208,966	210,398
– Growth in “under 40” segment	(0.7)%	(2.6)%
Total policyholders “over 55”	171,023	154,561
– Growth in “over 55” segment	10.7%	16.8%
Total hospital persons “20-39”	257,670	263,820
– Growth in hospital persons “20-39”	(2.3)%	(3.0)%
– Market share	9.5%	9.7%
Total hospital persons “55+”	225,625	205,119
– Growth in hospital persons “55+”	10.0%	18.0%
– Market share	6.5%	6.0%
<b>arhi Sales by Channel (%)</b>		
Direct (nib)	59.5%	58.4%
Broker	40.5%	41.6%

<sup>1</sup> FTEs include WNG employees

Source: nib/APRA



# Detailed Income Statement (UOP)



(\$m)	FY16	FY15	Change
<b>Net premium revenue<sup>1</sup></b>	<b>1,818.7</b>	<b>1,634.9</b>	<b>11.2%</b>
- arhi	1,568.4	1,429.5	9.7%
- iihl	76.8	54.9	39.7%
- nibnz	173.6	150.4	15.4%
<b>Net claims expense<sup>1</sup></b>	<b>(1,288.0)</b>	<b>(1,151.4)</b>	<b>11.9%</b>
- Hospital claims paid (arhi)	(782.3)	(695.9)	12.4%
- Ancillary claims paid (arhi)	(333.4)	(328.5)	1.5%
- OSC provision movement (arhi)	(9.6)	(0.8)	1160.0%
- arhi claims incurred	(1,125.3)	(1,025.2)	9.8%
- iihl claims incurred	(41.7)	(29.4)	41.6%
- nibnz claims incurred	(121.0)	(96.8)	25.1%
<b>Risk equalisation levy</b>	<b>(179.4)</b>	<b>(185.5)</b>	<b>(3.3)%</b>
- OSC risk equalisation margin	(2.0)	0.8	(333.1)%
- Gross deficit	318.0	267.0	19.1%
- Calculated deficit	(495.5)	(453.3)	9.3%
<b>State levies</b>	<b>(29.4)</b>	<b>(28.2)</b>	<b>4.1%</b>
<b>Decrease/(Increase) in premium payable liability</b>	<b>15.8</b>	<b>(1.9)</b>	<b>(929.5)%</b>
<b>Net claims incurred (excluding claims handling)</b>	<b>(1,481.1)</b>	<b>(1,367.1)</b>	<b>8.3%</b>
<b>Gross underwriting result</b>	<b>337.6</b>	<b>267.8</b>	<b>26.1%</b>
- arhi	234.2	190.6	22.9%
- iihl	35.1	25.5	37.5%
- nibnz	68.3	51.7	32.0%
<b>Underwriting expenses (including claims handling)</b>	<b>(209.2)</b>	<b>(175.6)</b>	<b>19.1%</b>
- arhi	(140.1)	(118.9)	17.8%
- iihl	(18.1)	(13.7)	32.2%
- nibnz	(51.0)	(43.1)	18.4%
<b>Net underwriting result</b>	<b>128.4</b>	<b>92.2</b>	<b>39.3%</b>
- arhi	94.1	71.7	31.3%
- iihl	17.0	11.8	43.7%
- nibnz	17.3	8.7	99.9%
<b>Other income</b>	<b>54.4</b>	<b>4.4</b>	<b>1141.1%</b>
- WNG	50.0	-	NA
- nib Options	0.0	(0.1)	145.6%
- Other	4.4	4.4	(0.0)
<b>Other expenses</b>	<b>(50.8)</b>	<b>(8.5)</b>	<b>496.2%</b>
- WNG	(40.3)	-	NA
- nib Options	(2.6)	(3.0)	(13.6)%
- Other	(8.0)	(5.6)	43.6%
<b>UOP</b>	<b>132.0</b>	<b>88.0</b>	<b>49.9%</b>

<sup>1</sup> Net of reinsurance



## Underlying to statutory operating profit



(\$m)	FY17 Guidance	FY16	FY15	Change
<b>UOP</b>	<b>130 – 140</b>	<b>132.0</b>	<b>88.0</b>	<b>49.9%</b>
- arhi	-	94.5	71.9	31.4%
- iih	-	17.2	12.2	41.2%
- nibnz	-	17.3	8.7	99.9%
- WNG	-	9.7	-	NA
- nib Options	-	(2.5)	(3.0)	16.1%
- Unallocated	-	(4.2)	(1.7)	146.6%
<b>Amortisation of acquired intangibles</b>	<b>(7.9)</b>	<b>(7.8)</b>	<b>(3.5)</b>	<b>121.6%</b>
- arhi	-	-	-	-
- lihi	(0.8)	(0.9)	(0.3)	239.5%
- nibnz	(4.0)	(3.4)	(3.3)	2.9%
- WNG	(3.1)	(3.6)	-	NA
<b>One-off transaction and M&amp;A costs</b>	<b>-</b>	<b>(3.4)</b>	<b>(2.8)</b>	<b>19.0%</b>
- arhi	-	-	-	-
- iih	-	-	-	-
- nibnz	-	-	-	-
- WNG	-	(1.9)	-	NA
- nib Options	-	-	(0.8)	NA
- Unallocated	-	(1.5)	(2.1)	(29.9)%
<b>Statutory Operating Profit</b>	<b>122 – 132</b>	<b>120.8</b>	<b>81.7</b>	<b>47.9%</b>



## Detailed Management Expenses (Underwriting segments)



(\$m)	Employment	Marketing	Marketing Indirect (Commissions Paid)	Marketing Indirect (Commissions deferred)	Marketing Indirect (Commissions Amortised)	IT	Occupancy	Other	Total Underwriting Expenses	MER% Underlying Expenses	Amortisation of acquired intangibles	Total Management Expenses	MER %
Australian Residents Health Insurance													
FY14	49.8	20.4	17.6	(16.0)	5.4	9.3	5.9	13.9	106.4	8.1%	-	106.4	8.1%
FY15	53.0	25.8	32.1	(30.2)	8.4	9.9	5.9	14.1	118.9	8.3%	-	118.9	8.3%
FY16	57.6	29.8	30.9	(29.0)	15.7	10.7	6.1	18.2	140.1	8.9%	-	140.1	8.9%
International (Inbound) Health Insurance													
FY14	5.4	1.3	1.5	(1.4)	0.4	1.2	0.6	0.8	9.9	25.9%	0.2	10.1	26.6%
FY15	8.1	1.2	2.4	(2.3)	1.6	1.3	0.6	0.9	13.7	24.9%	0.3	13.9	25.3%
FY16	10.0	1.1	3.8	(3.4)	2.6	1.7	0.7	1.5	18.1	23.5%	0.9	18.9	24.7%
nib New Zealand													
FY14	12.1	5.7	18.1	(9.7)	9.3	2.3	0.8	3.0	41.6	29.9%	4.0	45.6	32.8%
FY15	12.5	4.8	20.3	(11.6)	9.6	2.9	1.2	3.3	43.1	28.6%	3.3	46.3	30.8%
FY16	14.0	5.5	25.6	(15.0)	10.9	3.1	1.3	5.7	51.0	29.4%	3.4	54.3	31.3%





# Premium Payback (PPB)

Reduction in PPB liability having positive impact on UOP



## Movement in central estimate of PPB liability

(\$m)	FY16	FY15
Opening Balance – central estimate	38.0	36.8
Funding – new premium less medical claims (discounted)	5.0	7.4
Payouts (normal)	(6.9)	(8.2)
Payouts (early settlement)	(13.9)	-
Release of reserves on early settlements	(1.7)	-
Movement in discount rate	2.0	2.0
Discount rate – duration impact	1.0	1.6
Effect of changes in foreign exchange rates	2.0	(1.6)
Closing Balance – Central estimate	25.6	38.0

- Premium Payback (PPB) 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.
- A PPB liability is recognised for these products. It is determined based on the discounted value of accumulated excess of premiums over claims at an individual policy level.
- The PPB liability is matched with investments of approximately the same duration.
- Campaign currently underway to shift customers off PPB product.

## nib New Zealand UOP split between PPB and non PPB

(\$m)	FY16		FY15	
	Non PPB	PPB	Non PPB	PPB
Premium revenue	161.6	12.0	135.3	15.1
Claims (medical)	(96.5)	(3.7)	(83.7)	(4.9)
Premium payback liability settlement <sup>1</sup>	-	(20.8)		(8.2)
Decrease/(Increase) in premium payback liability <sup>2</sup>	-	15.8		(1.9)
<b>Gross underwriting result<sup>3</sup></b>	<b>65.1</b>	<b>3.2</b>	<b>51.7</b>	<b>0.1</b>
Management expenses		(51.0)		(43.1)
<b>UOP</b>		<b>17.3</b>		<b>8.7</b>

<sup>1</sup>Premium payback liability settlement includes \$13.9m relating to the early settlement campaign

<sup>2</sup>Decrease in premium payback liability includes \$16.0m relating to early settlement campaign

<sup>3</sup>Gross underwriting result includes \$2.1m relating to early settlement campaign



## Other Income & Expenses



(\$m)	FY16	FY15	Change
<b>Other income</b>			
Complementary insurance	2.3	2.4	(5.6)%
nib Options income	0.0	(0.1)	145.7%
Agency fee (exc nib Options)	0.3	0.3	0.3%
Rental income	0.7	1.0	(21.5)%
Digital Health Ventures income	0.2	0.5	(52.2)%
Other	0.2	(0.3)	153.4%
<b>Total Other Income</b>	<b>3.8<sup>1</sup></b>	<b>3.8</b>	<b>0.0%</b>
<b>Other expenses</b>			
Complementary insurance expenditure	(0.7)	(0.2)	297.8%
nib Options expenditure	(2.6)	(3.0)	(13.6)%
Share registry and other corporate overheads	(4.6)	(4.3)	5.8%
Digital Health Ventures expenditure	(2.4)	(0.9)	158.7%
Other	(0.4)	(0.3)	18.3%
<b>Total other expenses</b>	<b>(10.5)</b>	<b>(8.5)</b>	<b>23.6%</b>

<sup>1</sup> Excludes non-recurring profit from sale of Newcastle office building



# Investment Asset Allocation



	Consolidated		Australian Investment Portfolio		New Zealand Investment Portfolio	
	Balance (\$m) at 30/06/2016	Allocation (%) at 30/06/2016	Net return (\$m) 12 months to 30/06/2016	Allocation (%) at 30/06/2016	Net return (\$m) 12 months to 30/06/2016	Allocation (%) at 30/06/2016
Cash <sup>1</sup>	120.2	18.8%	3.6	19.7%	0.5	13.2%
Fixed Interest	422.7	66.0%	8.4	62.4%	3.8	86.8%
<b>Total defensive</b>	<b>542.9</b>	<b>84.7%</b>	<b>12.0</b>	<b>82.1%</b>	<b>4.3</b>	<b>100.0%</b>
Australian Shares	36.0	5.6%	0.1	6.6%	-	-
Global shares – hedged	10.3	1.6%	(0.0)	1.9%	-	-
Global shares – unhedged	35.7	5.6%	(0.5)	6.5%	-	-
Global property	15.9	2.5%	0.9	2.9%	-	-
Property trusts	0.0	0.0%	0.1	0.0%	-	-
<b>Total growth</b>	<b>97.8</b>	<b>15.3%</b>	<b>0.6</b>	<b>17.9%</b>	<b>0.0</b>	<b>0.0%</b>
<b>Total</b>	<b>640.8</b>	<b>100.0%</b>	<b>12.6</b>	<b>100.0%</b>	<b>4.3</b>	<b>100.0%</b>

<sup>1</sup> Excludes operating cash of \$29.4m, noting total cash is split between cash and cash equivalents of \$89.4m and short term deposits of \$60.2m included in Financial Assets at Fair Value Through Profit or Loss.

<sup>2</sup> Sale of Newcastle office building for \$46.6m (15 year lease, plus 2 x 5 year options) with settlement occurring 29 February 2016.