

12 November 2018

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

Presentation to UBS Australasia Conference – November 2018

The attached presentation will be delivered by nib at the UBS Australasia Conference today.

Yours sincerely,



Roslyn Toms
Company Secretary

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UBS Australasia Conference 2018

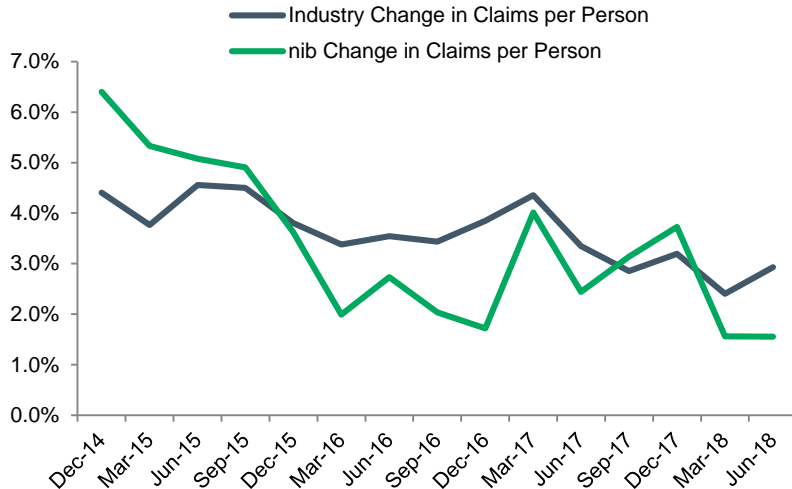
Michelle McPherson
Chief Financial Officer & Deputy CEO

12 November 2018

The Three C's: Claims, Costs & Capital

Change in claims per person (%) nib¹ vs industry - 12 months rolling

We are experiencing lower levels of claim inflation



Industry claims remain low due to:

- Continuing favourable claims inflation environment
- Revenue growth continues to be impacted by lower premium increases and downgrading of cover
- Prosthesis pricing reform with savings passed on in full to members through lower than otherwise premium increases.

nib claims inflation reduced further as a result of:

- Targeted distribution and product design
- Expansion of ancillary provider networks
- Claims activity for Q1 FY19 lower than originally forecast. FY19 net margin expected to be similar to FY18.

The world we live in is constantly changing... so are the expectations of our members and travellers.



We will review all of our significant work practices to understand how we can better deliver value across our touch points, processes and systems.



We will create amazing member, traveller and employee experiences, increase efficiency and productivity, and make work more meaningful for our people.

nibx 2.0 will enable us to adapt, reimagine and redesign the experience across key 'moments of truth' through personalisation, service design, process reengineering, Artificial Intelligence (AI) and automation.



EXPLORE JOIN WELCOME CARE USE CHANGE PAY LEAVE

Review of opportunity areas to drive synergies, efficiencies and effectiveness across the nib Group and set up for future success

Optimise Payment Integrity



Reduce claims leakage by analysing claims leakage root causes and improving operational capabilities

Improve Operations Performance



Eliminate demand, optimise capacity management, standardise, optimise and redesign processes

AI and Intelligent Automation



Expand applications of AI and Intelligent Automation to improve member and employee experiences

Review Operating Model



Review, redesign and optimise our structure to enable future success and strategic ambition

Optimise Third Party Spend



Improve Group leverage and maximise buying power, strategic relationships and operations efficiencies

Increase project delivery velocity



Optimise project execution and delivery capability in a Racing the Red Queen environment to reduce productivity losses and increase velocity, and realise benefits sooner

APRA has noted that a review of the Australian PHI capital standards is likely to commence later this calendar year and we anticipate any revised standards would be in place from FY21 at the earliest. nib has a range of capital management levers to manage a transition in the event that APRA increases capital requirements (eg based on LAGIC).

- A more defensive investment asset allocation would result in a lower Prescribed Capital Amount (PCA).
- nib and GU Health fund merger estimated to result in a lower PCA than the sum of the two individual fund PCAs.
- The short-tail nature of health insurance as well as the risk equalisation framework expected to lead to a lower total capital/PCA multiple relative to life and general insurers
- **Current activities that will grow Tier 1 - CET1 capital:**
 - Dividend Reinvestment Plan (DRP) – in place from FY18 final dividend
 - Earnings retention occurring under current targets (ie 60 - 70 % dividend payout ratio)
- **We are confident in nib's ability meet Tier 2 capital requirements through the conversion of part of existing senior debt to subordinated debt. Plan to do this during CY19.**
- Capital raising if required but not preferred to meet PCA and noting APRA outlook remains unclear

Outlook and Guidance



Australian (arhi) and NZ markets remain difficult with modest growth due to macroeconomic factors including affordability and negligible growth in discretionary spending.



Pursuing arhi net policyholder growth of 3%-4%, FY19 net margin expected to be similar to FY18.



Federal Opposition's premium cap proposal (2% for 2 years) would put additional pressure on arhi net margins from FY21. Initiatives already underway to maintain profitability within target range under such a scenario.



Thematics and growth prospects for international students, workers and travel insurance businesses look positive. Investment in WNG limiting earnings growth in near term.



Tasly JV progressing well and expect to start selling health insurance in China in the second half of FY19 (subject to regulatory approval).



Potential for consolidation across all markets are real (including arhi) but uncertain.



Capital management remains a high priority (mooted changes by APRA to prudential capital standards), with nib confident of navigating any changes.



FY19 UOP forecast to be at least \$190m (statutory operating profit of at least \$168m).

(\$m)	FY19
Statutory operating profit	~168
One-off transactions and M&A costs	~12.7
Amortisation of acquired intangibles	9.5
GU Health	2.7
IMAN	0.8
nib Travel Group (WNG/QBE)	2.7
NZ	3.3
Underlying operating profit	~190

- FY19 UOP forecast to be at least \$190m (statutory operating profit of at least \$168m).
- FY19 investment returns in line with internal benchmarks.
- Ordinary dividend payout ratio 60 – 70% of full year NPAT.

Thank you