



nib

nhf
asx
2007-2017

SHAREHOLDER REVIEW 2017

Celebrating 10 years on the
Australian Securities Exchange

We exist to help people access and afford world class healthcare when and where needed.

Our vision is to be a leading financier and facilitator of healthcare with a reputation for product innovation, value for money, awesome customer service, being an employer of choice, a good corporate citizen and delivering strong shareholder returns.



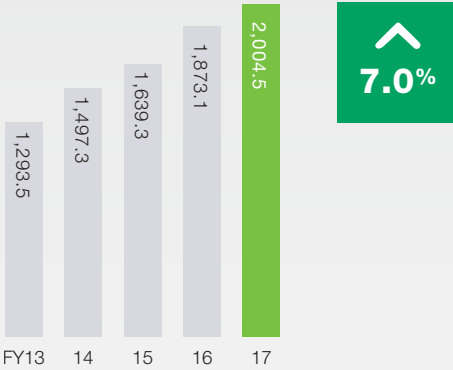
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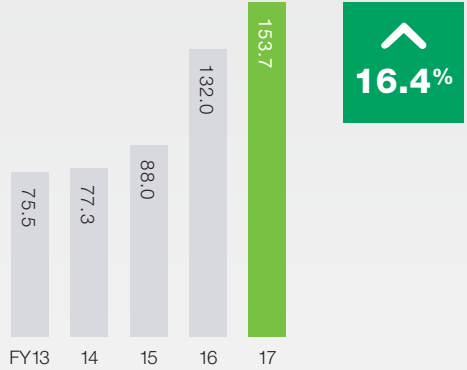


GROUP PERFORMANCE HIGHLIGHTS

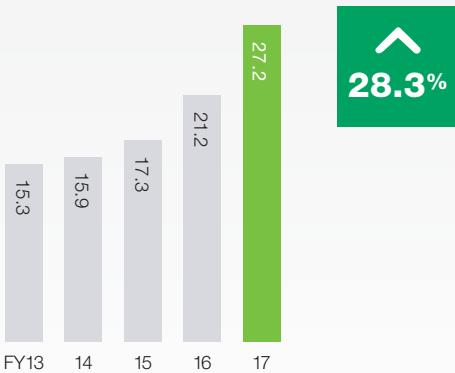
TOTAL UNDERLYING REVENUE
\$m



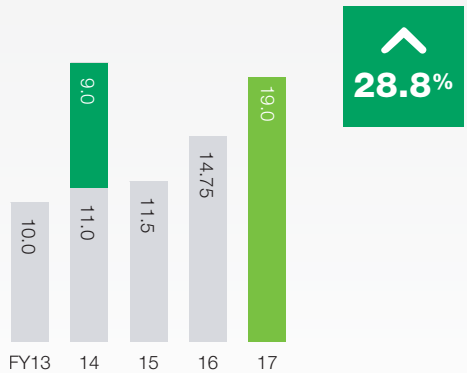
UNDERLYING OPERATING PROFIT
\$m



EARNINGS PER SHARE (STATUTORY)
cps

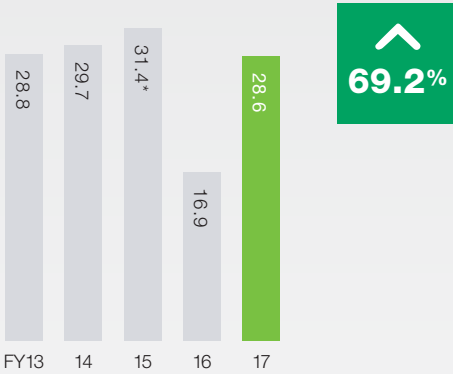


DIVIDENDS
cps

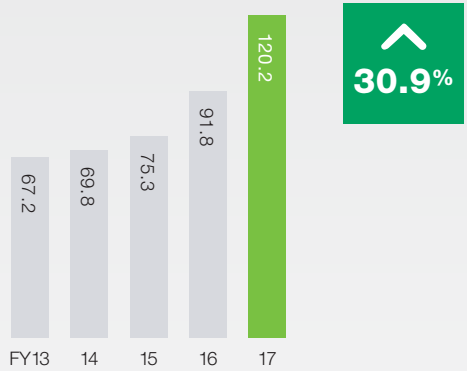


■ Ordinary
■ Special

NET INVESTMENT RETURN
\$m

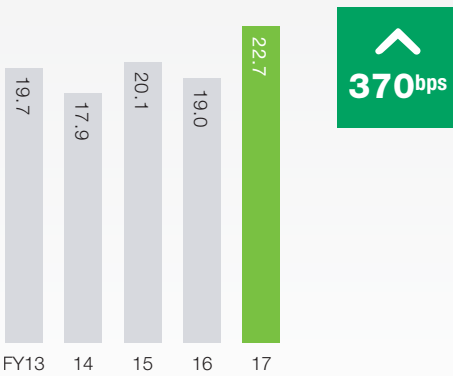


NET PROFIT AFTER TAX
\$m

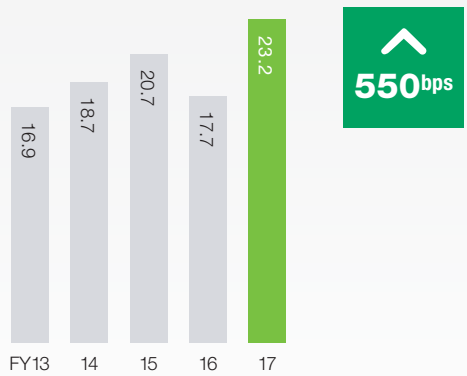


*Includes profit on sale of PSG shares of \$5.4m in FY15

RETURN ON INVESTED CAPITAL*
%



NET PROMOTER SCORE (ARHI*)
%



*ROIC calculated using average shareholders' equity including non-controlling interests and average interest-bearing debt over a rolling 12 month period.

*Australian Residents Health Insurance

CHAIRMAN'S REPORT

In my report last year I highlighted our ongoing success in growing our core Australian Residents Health Insurance (arhi) business and amplifying the portfolio of adjacent business we've built in more recent years.

It's a very deliberate business strategy supported by deep market insight, customer focus, measured risk-taking and a genuine belief in the role of innovation.

FY17 was further evidence of the efficacy of our business strategy. It's pleasing how in weak market conditions our arhi business still managed to grow almost four times the market growth rate. It's a remarkable trend that for more than a decade arhi has consistently grown well ahead of the market. A genuine focus upon improving the customer experience partly explains this success. And as you will read further on it is good to see how initiatives like our new First Choice network for dentists and other ancillary providers has reduced out-of-pocket expenses for customers by an average of 10%. Our customer Net Promoter Score* jumping from 17.7% in the previous year to 23.2% was also a highlight.

Organic growth in our international students/workers and World Nomads Group businesses was equally impressive. Although nib New Zealand finished the year slightly down on its stock of policyholders, this was attributable to a specific corporate account loss and our NZ business actually made significant progress in building its direct to consumer channel.

The strong performance across the Group translated into another year of significant value creation. Underlying Operating Profit (UOP) of \$153.7 million was 16.4% more than FY16 and Net Profit After Tax (NPAT) of \$120.2 million 30.9% ahead. Return on Invested Capital of 22.7% beat last year's 19.0%.

Importantly and consistent with our business strategy, the underlying operating earnings contribution from adjacent business have grown almost 190% over the past three years and accounted for 30.4% of total Group earnings in FY17. We think we can get this as high as 50% in the years to come. Apart from creating additional enterprise value, this part of our strategy is also

diversifying risk. Shareholders can take comfort that we see managing risk at all levels in the business as supporting our ambitions.

Ultimately, how well we fulfil our mission of helping people access and afford world class healthcare determines our commercial results. In this way, growing our presence in the markets we operate in and the goal of creating enterprise value are totally aligned.

FY17 was also another year of considerable discourse about private health insurance and affordability, especially in Australia. Affordability is a real issue and we insurers need to work even harder at slowing the rate of premium inflation. But pointing the finger at insurers alone ignores the fact that premium inflation is pre-eminently a story of healthcare cost inflation driven by a combination of people having more treatment and medical fee increases. For example, in FY17 nib paid in excess of \$75 million in benefits for public hospital admission, up more than 40% over the past five years.

As such, affordability is an issue that demands a whole of system approach both in Australia and New Zealand. We have doctors and hospitals as good as anywhere in the world yet there remains too much evidence of over-servicing, fee variation and potentially avoidable hospital admissions. We're tackling these challenges on a number of fronts and increasingly looking towards consumer empowerment. While there will never be a role for insurers contesting the advice of a doctor, we do want to put into consumers hands information they need to make better decisions around staying healthy, treatment options and choice of clinician.

In November 2017 we will celebrate 10 years as an ASX listed company. We are very proud of our performance with Total Shareholder Return over the period of 1166% versus 32% for ASX200. It's a credit to all involved in the company, past and present.

“In November 2017 we will celebrate 10 years as an ASX listed company.”

Yet we remain ambitious and open-minded about the future. As in the past, communities are going to demand more and more healthcare and the digital age will transform what consumers buy and how they buy it. Beyond our nearer term goals for growth and building enterprise value, we’ll constantly examine new opportunities associated with this transformation.

As shareholders expect, succession planning and ensuring we have the right skills mix, diversity and experience on our Board and in our senior management ranks remains a priority for the Board. As part of nib’s succession planning Non-Executive Director Mr Harold Bentley announced he will retire from the Board in September 2017. Harold has been a Non-Executive Director with nib for ten years and on behalf of the Board I would like to thank him for his sound advice, commitment and dedication. He really has made a wonderful contribution especially in his role as Chairman of the Audit Committee.

Finally, I take this opportunity to thank my fellow nib Directors, senior management and all our people across the nib Group for another successful year. I especially welcome Anne Loveridge to the Board. Anne, who joined us in February following Harold’s announcement has impeccable credentials and is already making a significant contribution.

Steve Crane
Chairman



* Based on arhi customers.

MANAGING DIRECTOR'S REPORT

Chairman Steve has already touched upon some of the key highlights for FY17 and this annual report is replete with detail demonstrating what a terrific fiscal year we had.



I'm especially pleased about how much of the growth in all parts of the business (with the notable exception of nib Options) followed well-conceived and executed tactics. Our whitelabel partnerships with Qantas and Suncorp, building our international students services broker platform, cultivating international students to supply our international workers business and launching a direct to consumer channel in New Zealand are just a few examples.

Hard wired in our culture is a philosophy the "status quo is death" and a belief we must perpetually experiment and adapt to evolving market conditions.

Steve has already noted the high level of public, political and investor angst surrounding premium and cost inflation and its implications for private health insurance. To be sure, there is good cause for concern and I can't remember a stronger sense of urgency throughout the industry to rein in medical cost inflation. A good start would be to unwind some of the regulatory failures which force us to pay higher prices than we should for medical devices, place a floor price under hospital fees, prevent us from covering people for medical costs they incur outside a hospital and blunt sensible investment in better managing health outcomes and costs for customers.

I'm equally keen on finding ways to enhance the value proposition for consumers. Affordability is a relative concept influenced as much by consumers sense of utility as it is price. Giving consumers more reason to have private health insurance is crucial and drives our thinking around harnessing the digital age to deliver consumers, as Steve has already mentioned, information to help make better healthcare decisions.

At the same time, we must accept that increasingly the communities we serve are going to rely on private healthcare funding and delivery due to an ageing population and an escalating

dependency ratio of taxpayers to retired. Today about 10% of the entire Australian economy is devoted to healthcare¹ and Governments everywhere are simply running out of the fiscal capacity to pay for booming national healthcare spending (which for every OECD nation has for the past 50 years has in real terms grown at a rate of GDP plus 2%). It doesn't guarantee nib a future but for investors it certainly remains a powerful investment thesis. It also underscores the responsibility we in the private system have to make our spending all the more cost effective and sustainable.

As a company, we fully acknowledge the pursuit of our mission brings with it a range of community, social, workplace and environmental responsibilities which we've captured in this year's report (see our Year in Review – Sustainability).

Like Steve I'm looking forward to the future with great anticipation and expectation. We have many well developed plans either underway or in the pipeline and opportunities in healthcare are as plentiful as you'll find in the economy. As in the past, we'll be alert to new opportunities both within established business and beyond. And customers, investors and other key stakeholders can remain confident the pursuit of these will be customer centric, well researched and cognisant of reward versus to risk.

My thanks to the Board of Directors, executive team and the almost 1,200 people who are the business we call nib. We speak often at nib about the importance of having the "right people on the bus". As our FY17 results show, I'm extremely confident that's the case.

Mark Fitzgibbon
Managing Director

“Hard wired in our culture is a philosophy the ‘status quo is death’ and a belief we must perpetually experiment and adapt to evolving market conditions.”

1. Source: WHO Global Health Expenditure Database

AUSTRALIAN RESIDENTS HEALTH INSURANCE

nib's flagship Australian Residents Health Insurance business (arhi), has punched well above its weight for the 12 month period and was again an outstanding performer.

nib's policyholder base grew 3.8% for the year, almost four-times the industry rate and accounted for more than 30% of total industry growth for the year. arhi UOP rose 13.2% to \$107.0 million.

We have been able to consistently achieve above-industry policyholder growth for more than a decade. We've done so through a meaningful combination of deep consumer insight, product innovation, marketing and sales channel experimentation, world class customer service and a preparedness to invest in organic growth.

The recent addition of the Suncorp and AAMI brands to our existing whitelabel distribution partners Apia and Qantas is just one example of the way we continue to innovate and challenge the status quo.

Affordability and value are two of the major issues facing our customers when it comes to their private health insurance. That's why we worked hard to deliver an annual premium increase this year that is the lowest in 14 years, at 4.48% and under the industry average of 4.84%.

We continue to do everything we can to keep a lid on costs, from not paying more than we should when our customers are treated in hospital, to passing on savings we've made as a result of the reduction in prosthesis prices. These mean premium savings for our customers.

We are also investing in and piloting initiatives to better manage our chronically ill customers. For example, our Healthy Weight for Life service is an outpatient knee and hip osteoarthritis management program designed to help our customers reduce joint pain as well as improve their mobility. Helping our customers access high quality health care is at the core of our thinking.

We are taking a lead role within the industry to limit unnecessary expense and inefficiency as well as promote greater consumer transparency.

There has been plenty of reporting over the past 18 months on prostheses costs. We believe health insurers are being charged too much at rates significantly higher than what public hospitals pay. We think that more can be done to lower prices on prosthetic and medical devices. And as we have clearly stated, nib will pass on all savings to our customers through lower premiums as and when prosthetic prices come down.

Another major focus has been improving transparency and increasing the amount of information we can provide to our customers to help them make better, more informed decisions when it comes to their health care. Whitecoat, which can be best explained as the 'TripAdvisor' for health care, is a leading example.

We have big plans for deploying Whitecoat and other capabilities designed to help our customers. Over the next 12 months we will start publishing medical specialist costs and quality data that will make it easier for our customers to choose a specialist based on the fees they charge and the frequency they perform the procedure.

We continue to place a very high emphasis on providing our customers with exceptional service by putting the customer at the heart of everything we do. We want to make routine transactions as seamless and easy as possible and eliminate any potential customer pain points.

A key tool we use to gauge customer satisfaction is our Net Promoter Score (NPS), which measures customer support for nib after a recent enquiry. We take great pride in our efforts to improve our systems, and our investment in our people, which we know is paying off, our NPS for the year reached 23.2% up from 17.7% last year.



PREMIUM REVENUE UP 6.4%

UOP UP 13.2%

ACCOUNTED FOR TOTAL
INDUSTRY POLICYHOLDER
GROWTH OF

\$1.7b

\$107.0m

31.3%

nib NEW ZEALAND

When we acquired our New Zealand operations in 2012, we set some ambitious performance hurdles aimed at shaking up the health insurance industry, growing the market and nib's overall share.

We have had some strong gains since acquiring the business, a trend which continued this fiscal period. For FY17, premium revenue was \$199.3 million up 14.9% and UOP grew 35.8% to \$23.5 million, with this year's result also benefiting from the acquisition of OnePath NZ in FY16. While the result was impacted by the loss of a large corporate account in the second half of the year, we're not anticipating this will have a detrimental impact on future earnings and our long term prospects.

Our whitelabel channel capability and pipeline continues to grow with partners such as the Automobile Association of New Zealand, The Warehouse Group and a network of ANZ wealth specialists. We're committing additional effort and investment to expand these channels over the coming 12 months.

We have also enjoyed ongoing success with our approach to changing the way health insurance is traditionally purchased in New Zealand. Before we entered the market, most Kiwis with health insurance signed up through a financial advisor or were part of a group scheme with their employer.

Recognising an opportunity for disruption, we launched a direct-to-consumer health insurance offering in 2013. The results have been impressive with more than half of our sales for the year coming through this channel. In addition, consumers are embracing our online sales portal with 70% of these sales completed online.

Like many other countries, the New Zealand healthcare industry is subject to huge medical cost variation with no evidence of better quality care or outcomes. Cost variation is a huge driver of premium inflation, not to mention customer dissatisfaction and an area of opportunity for us to better manage claims costs. Our nib First Choice network is aimed at removing cost uncertainty by offering a network of medical professionals which provides customers with zero out-of-pocket costs.

Available to customers from September 2017, First Choice will be a truly national network featuring providers from across New Zealand. It will also make claiming easier and faster with specialists and hospitals able to submit pre-approvals and claims on behalf of customers.

Customer service is a high priority and we're making good progress. Our NPS, which asks customers whether they would recommend our services, rose to 12.2% in FY17. This compares very favourably to negative 33% back in 2013.



PREMIUM REVENUE UP 14.9%

UOP UP 35.8%

DIRECT-TO-CONSUMER
CHANNEL ACCOUNTED
FOR MORE THAN

\$199.3m

\$23.5m

50% SALES

INTERNATIONAL AND NEW BUSINESS

International (Inbound) Health Insurance

Australia's popularity as a destination for international students and workers shows no sign of abating with inbound travellers delivering a strong boost to our bottom line. Net policyholder sales for our international (inbound) health insurance business (iihi) were up an impressive 28.5% this year, which in turn lifted UOP by more than 47.7% to \$25.4 million. The UOP result also benefited from the decision to not renew a large but unprofitable business account in FY16.

In April, the federal Government announced changes to the 457 working visa scheme that are designed to restrict eligibility. While the changes are not helpful, we anticipate the impact on our iihi business will be minimal. Our efforts in recent years to expand into other visa classes has paid off and accounted for the majority of our sales in FY17.

Overall, the outlook for our iihi business remains positive. We have a very strong distribution structure and pipeline of sales in place, which combined with stable margins will see this business continue to grow earnings.

World Nomads Group

World Nomads Group (WNG), Australia's third largest travel insurer and global distributor has settled in well under our ownership, with a solid rise in gross written premiums for the year, up 17.5% to \$131.8 million¹.

Local and international policy sales exceeded 600,000 for the first time, rising 20.1% on last year to over 642,000. Over 40% of all sales came from international markets – the United States being the standout performer with policy sales up 35.0% to almost 100,000.

Within the domestic market, we won a new agreement with one of Australia's largest travel agencies, Helloworld Travel.

As we flagged to shareholders at the start of the year, there are very significant opportunities for us in the international travel insurance market. Capturing those opportunities requires investment which impacts short-term profitability. This explains UOP for the year falling to \$7.5 million down from \$9.7 million¹ last year.

We expect to continue to invest in WNG in pursuit of growth and value creation, with this ambition to soften earnings in FY18 but that the longer term outlook is highly attractive.

Adjacent insurance lines and new business

Our investment in adjacent business reflects a view that we have a brand, assets and capabilities that do well in other markets. It's also an important risk management strategy in as much as it reduces our dependency on the highly regulated arhi business.

Following several years of investment, nib made the commercial decision during the year to close the nib Options business. nib Options was launched in 2014 in response to the growing demand for safe, reliable and affordable overseas medical treatment. But the business has unfortunately been unable to capitalise on this trend within the expected timeframe.

1. World Nomads Group acquired 31 July 2015 with an 11 month result.



INTERNATIONAL (INBOUND)
HEALTH INSURANCE
UOP UP 47.7%

\$25.4m

WNG UOP DOWN 22.7%

\$7.5m

SECURED TRAVEL INSURANCE
DISTRIBUTION AGREEMENT
WITH HELLOWORLD TRAVEL



PROFITABILITY AND SHAREHOLDER RETURNS

November 2017 marks the tenth anniversary of nib's demutualisation and listing on the Australian Securities Exchange (ASX). A decade ago nib was predominantly a single-line, Australia-focused health insurance business with annual revenue of \$666.0 million¹ and a debut share price of 85 cents.

Today we are significantly more diverse with more than 30% of Group earnings coming from our non-Australian residents health insurance businesses, annual underlying revenue of more than \$2 billion and a share price which reached a high of \$6.48 during the year.

The journey has been a positive one for our shareholders who have seen their shares consistently outperform the S&P/ASX200 on a Total Shareholder Return basis. Anyone who invested \$1,000 in nib shares at the time of the ASX listing would now have a holding valued² at more than \$6,700.

We have also returned to shareholders more than \$160 million via a combination of special dividends and a Capital Return.

Building a business which delivers strong sustainable returns for shareholders is integral to our strategy and will continue to be our primary focus.

Turning to the 2017 full year results, our strategy of judicious growth and expansion along geographic and business lines proved highly successful. We also continue to benefit from a disciplined focus on operating efficiencies and customer service.

Group underlying revenue rose 7.0% to \$2.0 billion and UOP increased by an impressive 16.4% to \$153.7 million. Statutory operating profit³ was up 24.7% to \$150.6 million.

We also generated strong returns from our equities investment portfolio which led to higher investment income of \$28.6 million. This helped us report a record Net Profit After Tax (NPAT) of

\$120.2 million, up 30.9% on the previous year's result. Statutory earnings per share rose 28.3% to 27.2 cents per share.

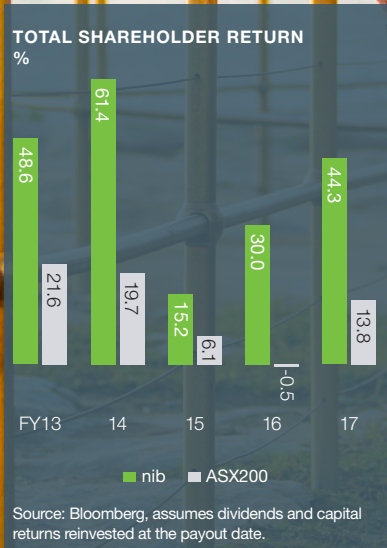
Our gearing ratio (debt to debt-plus-equity) stood at 26.3% at 30 June 2017 – below our target long term average gearing ratio of 30%, noting that for a significant transaction gearing may be above the 30% if necessary to affect the transaction. During the year current debt facilities were refinanced and covenants updated to be consistent with the market. The Group gearing ratio covenant increased to 45% from 35%.

This level of gearing gives us the flexibility to use additional debt to pursue potential acquisition opportunities which meet our strategic and investment criteria. As well as using debt to fund acquisitions, we may also look to raise equity if and when an investment opportunity arises.

Based upon our strong financial results, the Board declared a full year dividend of 19.0 cents per share fully franked (FY16: 14.75 cents per share). The full year dividend comprises an interim dividend of 8.5 cents per share (paid 3 April 2017) and a final dividend of 10.5 cents per share, payable to shareholders on 6 October 2017.

The full year dividend represents a payout ratio of 70% of full year NPAT and is consistent with our policy to pay ordinary fully franked dividends between 60%-70% of full year NPAT.

1. Premium revenue for 12 months to 30 June 2007
2. Share price as at 30 June 2017 of \$5.75
3. nib's statutory operating profit includes \$3.1m in amortisation of acquired intangibles, one-off transactions, merger, acquisition and new business implementation costs



NPAT UP 30.9%

FULL YEAR DIVIDEND (FULLY FRANKED)

VERSUS 13.8% FOR ASX200

\$120.2m

19.0cps

44.3% TSR

SUSTAINABILITY

nib's approach to sustainability is driven by our commitment to fostering healthy futures for our customers, employees, shareholders, and the communities in which we operate.

This year, nib concentrated on introducing a sustainability framework across the Group that was founded on research and engagement to make sure we focus on the issues relevant to our business and key stakeholders.

A healthy system

Health care spending accounts for approximately 10% of Gross Domestic Product (GDP)¹ in Australia and New Zealand. Private health insurance is a vital component in both markets. We take a keen interest in ensuring Government policy, industry practice and innovation adapts to the dynamic nature of healthcare systems. Strong, sustainable and equitable healthcare systems are good for the communities they serve and business.

Serving our customers

Private health insurance has its origins in financial protection in the event of illness or accident. For many, a serious illness or accident can be catastrophic both to their health and finances. In addition, we provide our customers with access to world class doctors, hospitals and other healthcare services without having to serve long waiting times typical of the public system.

More recently, we have sought to add value for customers by offering a range of integrated healthcare management and preventative health programs to help people make better healthcare decisions. nib's establishment of the health provider comparator website 'Whitecoat' is also a great example of empowering consumers in a health industry that is often confusing to navigate.

Across the nib Group we promote the philosophy that commercial return only follows how well we do in meeting the needs of our customers. Customer satisfaction and delivering a great customer experience are central to the way we measure how we are doing as a business.

Our customer satisfaction and advocacy 'Net Promoter Score' has increased from 17.7% to 23.2% for our arhi business this year.

Fostering a healthy, inclusive and supportive workplace

nib's employees are the key to our success and we want to provide a working environment that inspires them to do their very best now and in the future. This starts by attracting and recruiting great talent, helping people develop, engaging employees in our values and creating a culture of innovation.

nib's approach to health, safety and wellbeing includes Work, Health and Safety policies and procedures as well as a Group-wide 'nibWell' program facilitating access to preventative health services and interactive initiatives to support employees' positive wellness strategies.

We are committed to creating and ensuring an inclusive and diverse work environment in which everyone is treated fairly and with respect. We view our diversity as a strength that's consistent with our company mission and corporate responsibility. At nib, we have no room for arrogance, intemperance or bullying.

Governing grounds

nib's culture and values are sustained by ethical business practices, responsible decision making and good governance throughout the organisation. As detailed in nib's Corporate Governance Statement available at nib.com.au/ shareholders, nib's 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.

1. Source: WHO Global Health Expenditure Database

Creating a more sustainable supply chain

nib's supply chain includes business partners, vendors, contractors and importantly, the hospitals and healthcare providers that deliver services required by our customers. We're mindful of the downstream impacts of our procurement decisions, third-party labour conditions, as well as the need for our customers to have access to and choice for world class healthcare.

We work with our partners and suppliers to make sure our sustainability values are aligned including compliance with applicable laws and standards of business ethics, health and safety and environment protection.

Protecting our environment

nib cares for the environment and is committed to pursuing opportunities to improve the environmental impact of our operations. As a good corporate citizen mindful of future generations, especially given the potential health impacts to individuals and communities due to climate change, we have a role to play in supporting carbon reducing initiatives.

Our current activities are focused on improvements in energy efficiency and sustainable sourcing for our physical infrastructure. We partner with like-minded businesses and provide opportunities for our employees to participate in sustainable practices such as ongoing reduction in paper and waste, responsible recycling and facilitating transport programs such as carpooling.



Customers

1.39m
CUSTOMERS
COVERED

\$1.5b
PAID IN
CLAIMS²

23.2%
NET PROMOTER
SCORE³



Employees

1,184
EMPLOYEES ACROSS
8 COUNTRIES

76.8%
EMPLOYEE
ENGAGEMENT SCORE

94.2%
RETENTION OF HIGH
PERFORMING EMPLOYEES

2. Net claims incurred (excluding claims handling), underwriting segments only.
3. Based on Australian Residents Health Insurance customers.

SUSTAINABILITY continued

Connecting with our communities

We're sharing the power of our people, brands and resources to support healthy communities and fantastic causes. Our impact reaches the communities we operate in and beyond, ranging from grass roots level activities to international projects and partnerships.

nib foundation continues to improve community health and wellbeing by supporting Australian charities to deliver effective and innovative health promotion and prevention programs. Since its establishment in 2008, nib foundation has provided \$15.8 million in funding to 105 charity partners.

This year, the foundation's Community Grants program funded 10 new programs that focus on supporting vulnerable youth and carers. In addition, its Multi-Year Partnerships continued to tackle the health and wellbeing challenges facing Australians to help them live healthier lives. We've seen some great outcomes from our recently completed long-term partnerships including the:

- Gidget Foundation's development of a groundbreaking model of screening pregnant women for perinatal anxiety and depression in private hospitals;
- Delivery of Black Dog Institute's unique and engaging mental health awareness program, Headstrong 2.0, to almost 2,800 Australian secondary schools, helping to improve mental health literacy and reducing stigmatising attitudes among young participants;
- Pilot and expansion of CanTeen's new national counselling service, resulting in around 3,000 sessions each year that have supported young people affected by cancer; and

- Establishment by the Starlight Children's Foundation of the first of its kind in-hospital program, Livewire, that now delivers more than 30,000 creative sessions annually, providing invaluable social connections and positively impacting the wellbeing of hospitalised teens around Australia.

Further, the foundation's annual employee-nominated Good Cause Grants program provided \$5,000 funding boosts to five charities close to our employees' hearts, while the Flexible Grants program was created to allow the foundation to respond in an agile way to needs as they arise.

The Footprints Network was established by World Nomads Group (WNG) in 2006 to make a tangible difference to the lives of people living in impoverished communities. To date, the network funded by online customer transaction micro-donations, has enabled 1.34 million customers to raise more than \$3.4 million for 173 projects around the world.

nib's workplace fundraising program, Make A Difference (MAD) Committee, has continued to conduct a number of events and initiatives, with more than \$66,000 raised in addition to in-kind donations in support of 42 charities since 2008.

The Small Steps payroll giving program conducted by WNG, with 42% participation from WNG employees, has resulted in more than \$100,000 in donations to three charities since 2015 and includes 100% company matching for donations.

Further nib sustainability information and downloads are available at nib.com.au/ shareholders.



Community

\$15.8m

nib FOUNDATION FUNDING
TO 105 CHARITIES SINCE 2008

\$3.4m

WNG FOOTPRINTS NETWORK FUNDING
TO 173 PROJECTS SINCE 2006

\$66k

nib MAKE A DIFFERENCE COMMITTEE
DONATIONS TO 42 CHARITIES SINCE 2008

\$100k

WNG SMALL STEPS PAYROLL GIVING
TO 3 CHARITIES SINCE 2015

BOARD OF DIRECTORS

Succession planning and ensuring we have the right skills mix, diversity and experience on our Board and in our senior management ranks remains a priority for the Board.



From left to right: Steve Crane, Mark Fitzgibbon, Lee Ausburn, Harold Bentley, Philip Gardner, Anne Loveridge, Christine McLoughlin and Donal O'Dwyer.



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 World Nomads Group Pty Limited. He is currently a Director of Knights Rugby League Pty Limited.

Lee Ausburn

MPharm (University of Sydney), BPharm (University of Sydney), Dip Hosp Pharm (University of Sydney), FAICD
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 Chairman 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.

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.

Anne Loveridge

BA (Hons) (University of Reading), FCA, GAICD
Independent Non-Executive Director

Anne is a highly experienced Non-Executive Director with extensive knowledge of financial and regulatory reporting, risk management and compliance frameworks.

Anne is a member of the Audit Committee, Risk and Reputation Committee and Nomination Committee.

She is currently a Non-Executive Director of Platinum Asset Management, a Non-Executive Director of National Australia Bank Limited (Chairman – Remuneration Committee and immediate past Chairman – Audit Committee) and Chairman of Bell Shakespeare. She is also a Member of Nominations Committee for the International Federation of Accountants (IFAC).

Anne brings over 30 years' experience in financial services and regulatory reporting to the nib Board. She has held senior positions with PricewaterhouseCoopers (Australia) for almost two decades and was Deputy Chairman from 2012 to 2015. Anne is also a Fellow of the Chartered Accountants Australia and New Zealand (FCA).

Anne was appointed as an additional Director to the nib holdings limited Board in February 2017 and will stand for election at the 2017 Annual General Meeting.

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.

Christine is Chairman of the Risk and Reputation Committee and a member of the Audit and Nomination Committees. She was the former Chairman of the Remuneration Committee.

Christine is a professional Non-Executive Director. Prior to becoming a professional director she had a range of executive roles in the financial services, telecommunications and professional services sectors. Her work in leading companies with iconic brands included leadership roles spanning Australia, UK and South East Asia.

Christine is also a Non-Executive Director of Suncorp Group Limited, Whitehaven Coal Limited and Spark Infrastructure Group. She is also the Chairman of Venues NSW Ltd and a member of ASIC's Director Advisory Panel.

Donal O'Dwyer

MBA (Manchester Business School), BE (University College Dublin)
Independent Non-Executive Director

Donal was appointed to the Board of nib holdings limited in March 2016. He is also a Director of nib health funds limited. Donal is a member of the People and Remuneration Committee, Risk and Reputation Committee and Nomination Committee.

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.

BOARD AND EXECUTIVE REMUNERATION

Executive	Short-term employee benefits		
	Cash salary and fees ¹ \$	Cash bonus \$	Non-monetary benefits ³ \$
2017			
Mark Fitzgibbon	976,942	493,350	12,828
Rob Hennin	389,766	105,500	11,004
David Kan	518,790	135,000	3,846
Rhod McKensey	539,962	162,570	4,461
Michelle McPherson	577,865	161,245	4,576
Brendan Mills	334,604	95,589	2,746
Roslyn Toms ²	258,005	49,453	2,145
Justin Vaughan	319,372	100,919	2,692
	3,915,306	1,303,626	44,298
2016			
Mark Fitzgibbon	828,128	384,560	10,999
Rob Hennin	372,636	110,275	8,412
David Kan	442,561	89,544	3,098
Rhod McKensey	516,450	141,210	3,759
Michelle McPherson	524,774	143,170	3,871
Brendan Mills	302,839	67,743	2,230
Justin Vaughan	273,018	69,888	2,027
	3,260,406	1,006,390	34,396

Non-Executive Directors	Short-term employee benefits	
	Cash salary and fees ¹ \$	Non-monetary benefits ³ \$
2017		
Steve Crane	258,684	–
Lee Ausburn	144,521	–
Harold Bentley	186,874	–
Annette Carruthers (until 28/9/2016)	43,516	4,863
Philip Gardner	148,630	–
Anne Loveridge (from 20/2/2017)	48,251	–
Christine McLoughlin	141,796	–
Donal O'Dwyer	133,105	–
	1,105,377	4,863
2016		
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	–
	972,347	–

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

2. Roslyn Toms was appointed Group Executive Legal and Chief Risk Officer on 1 May 2017. Before this appointment she was the company's General Counsel/Company Secretary. Amounts shown above include all Ms Toms's remuneration during the reporting period, whether as an Executive Officer or General Counsel/Company Secretary. Amounts received in her position as Group Executive Legal and Chief Risk Officer amounted to \$92,994, made up of cash salary of \$56,871, cash bonus of \$16,203, non-monetary benefits of \$448, superannuation of \$3,269 and share based bonus of \$16,203.

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

Post-employment benefits		Long-term benefits	Termination benefits	Share-based payments		Total \$
Superannuation \$	Retirement benefits \$	Long service leave \$	Termination benefits \$	Bonus ⁴ \$	Performance rights \$	
35,000	–	16,857	–	493,350	1,291,530	3,319,857
30,844	–	–	–	107,350	115,789	760,253
19,616	–	–	–	135,000	86,118	898,370
30,000	–	9,656	–	162,570	324,327	1,233,546
33,154	–	9,911	–	161,245	421,957	1,369,953
19,616	–	5,947	–	95,589	169,253	723,344
19,616	–	–	–	16,203	–	345,422
30,000	–	–	–	100,919	77,629	631,531
217,846	–	42,371	–	1,272,226	2,486,603	9,282,276
35,000	–	14,699	–	384,560	660,706	2,318,652
27,370	–	–	–	117,098	62,067	697,858
19,308	–	–	–	89,544	45,885	689,940
25,631	–	9,015	–	141,210	179,472	1,016,747
24,847	–	9,287	–	143,170	263,960	1,113,079
19,308	–	5,350	–	67,743	52,420	517,633
19,308	–	–	–	69,888	43,579	477,708
170,772	–	38,351	–	1,013,213	1,308,089	6,831,617

Post-employment benefits		
Superannuation \$	Retirement benefits \$	Total \$
19,616	–	278,300
13,729	–	158,250
35,000	–	221,874
4,134	1,443	53,956
14,120	–	162,750
4,584	–	52,835
13,471	–	155,267
12,645	–	145,752
117,299	1,443	1,228,982
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
109,423	5,390	1,087,160

4. Includes bonus share rights.

CONSOLIDATED INCOME STATEMENT

\$m	2017	2016
Premium revenue	1,944.4	1,820.0
Outwards reinsurance premium expense	(1.3)	(1.3)
Net premium revenue	1,943.1	1,818.7
Claims expense	(1,344.5)	(1,288.7)
Reinsurance and other recoveries revenue	0.7	0.7
RESA levy	(176.3)	(179.4)
State levies	(30.0)	(29.4)
Decrease in premium payback liability	4.3	15.8
Claims handling expenses	(16.6)	(16.9)
Net claims incurred	(1,562.4)	(1,497.9)
Acquisition costs	(118.8)	(94.6)
Other underwriting expenses	(111.5)	(102.0)
Underwriting expenses	(230.3)	(196.6)
Underwriting result	150.4	124.2
Other income	67.0	55.8
Other expenses	(66.5)	(59.2)
Share of net profit / (loss) of associates and joint ventures	(0.3)	-
Operating profit	150.6	120.8
Finance costs	(4.8)	(5.3)
Investment income	30.5	18.5
Investment expenses	(1.9)	(1.6)
Profit before income tax	174.4	132.4
Income tax expense	(54.2)	(40.6)
Profit for the year	120.2	91.8
Profit for the year is attributable to:		
Owners of nib holdings limited	119.6	92.9
Non-controlling interests	0.6	(1.1)
	120.2	91.8

CONSOLIDATED BALANCE SHEET

\$m	2017	2016
Assets		
Cash and cash equivalents	119.0	89.4
Receivables	54.8	52.0
Financial assets at fair value through P&L	626.1	580.7
Deferred acquisition costs	101.6	83.2
Property, plant and equipment	11.8	15.5
Intangibles	218.6	224.0
Other assets	4.2	0.8
Total assets	1,136.1	1,045.6
Liabilities		
Payables	151.2	141.3
Borrowings	153.2	151.9
Outstanding claims liability	120.2	112.2
Unearned premium liability	203.6	176.2
Premium payback liability	23.0	27.4
Other liabilities	57.3	50.5
Total liabilities	708.5	659.5
Net assets	427.6	386.1

CONSOLIDATED STATEMENT OF CASH FLOWS

\$m	2017	2016
Cash flows from operating activities		
Receipts from policyholders and customers (inclusive of goods and services tax)	2,061.8	1,935.0
Payments to policyholders and customers	(1,558.0)	(1,503.1)
Payments to suppliers and employees (inclusive of goods and services tax)	(312.0)	(273.8)
	191.8	158.1
Interest received	7.1	7.4
Distributions received	24.7	19.1
Transaction costs relating to acquisition of business combination	(0.1)	(2.8)
Interest paid	(4.7)	(4.8)
Income taxes paid	(47.1)	(28.6)
Net cash inflow from operating activities	171.7	148.4
Cash flows from investing activities		
Proceeds from disposal of other financial assets at fair value through profit and loss	270.1	154.4
Payments for other financial assets at fair value through profit and loss	(318.6)	(281.8)
Proceeds from sale of assets classified as held for sale	–	46.3
Proceeds from sale of property, plant and equipment and intangibles	0.1	–
Payments for property, plant and equipment and intangibles	(15.8)	(16.2)
Proceeds from sale of business	4.7	–
Payment for acquisition of business combination, net of cash acquired	–	(114.5)
Loans provided	(1.5)	–
Net cash (outflow) from investing activities	(61.0)	(211.8)
Cash flows from financing activities		
Proceeds from borrowings	35.0	85.0
Repayment of borrowings	(35.0)	–
Shares acquired by the nib Holdings Ltd Share Ownership Plan Trust	(4.0)	(2.9)
Dividends paid to the company's shareholders	(76.8)	(51.6)
Net cash inflow (outflow) from financing activities	(80.8)	30.5
Net (decrease) in cash and cash equivalents	29.9	(32.9)
Cash and cash equivalents at beginning of the year	89.4	122.3
Effects of exchange rate changes on cash and cash equivalents	(1.8)	–
Cash and cash equivalents at the end of the year	117.5	89.4
Reconciliation to Consolidated Balance Sheet		
Cash and cash equivalents	119.0	89.4
Borrowings – overdraft	(1.5)	–
	117.5	89.4

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FIVE-YEAR PERFORMANCE SUMMARY

\$m		2017	2016	2015	2014	2013
Consolidated Income Statement						
	Net premium revenue	1,943.1	1,818.7	1,634.9	1,491.6	1,290.4
	Net claims incurred	(1,545.8)	(1,481.0)	(1,367.1)	(1,255.4)	(1,089.6)
	Gross margin	397.3	337.7	267.8	236.2	200.8
	Management expenses	(242.1)	(209.3)	(175.6)	(157.9)	(124.4)
	Underwriting result	155.2	128.4	92.2	78.4	76.4
	Other income	61.4	54.4	4.4	5.7	3.1
	Other expenses	(62.6)	(50.8)	(8.5)	(6.8)	(4.0)
	Share of net profit/(loss) of associates and joint ventures	(0.3)	–	–	–	–
	Underlying operating profit	153.7	132.0	88.0	77.3	75.5
	Amortisation of acquired intangibles	(7.6)	(7.8)	(3.5)	(4.2)	(2.6)
	One-off transactions, merger, acquisition and new business implementation costs	4.5	(3.4)	(2.8)	(0.8)	(3.6)
	Statutory operating profit	150.6	120.8	81.7	72.3	69.3
	Finance costs	(4.8)	(5.3)	(3.4)	(2.7)	(1.4)
	Net investment income	28.6	16.9	31.4	29.7	28.8
	Profit before tax	174.4	132.4	109.6	99.2	96.7
	Tax	(54.2)	(40.6)	(34.3)	(29.4)	(29.5)
	NPAT	120.2	91.8	75.3	69.8	67.2
Consolidated Balance Sheet						
	Total assets	1,136.1	1,045.6	837.1	798.1	712.3
	Equity	427.6	386.1	344.3	356.4	326.2
	Debt	153.2	151.9	63.9	66.8	62.4
Share Performance						
	Number of shares	m	439.0	439.0	439.0	439.0
	Weighted average number of shares – basic	m	439.0	439.0	439.0	439.0
	Weighted average number of shares – diluted	m	439.0	439.0	439.0	439.0
	Basic earnings per share	cps	27.2	21.2	17.3	15.9
	Diluted earnings per share	cps	27.2	21.2	17.3	15.9
	Underlying earnings per share	cps	27.7	22.9	18.3	16.8
	Share price at year end	\$	5.75	4.22	3.36	3.26
	Dividend per share – ordinary	cps	19.00	14.75	11.50	11.00
	Dividend per share – special	cps	0.00	0.00	0.00	9.00
	Dividend payout ratio – ordinary	%	70.0	70.0	66.6	69.2
	Dividend payout ratio – combined ordinary and special	%	70.0	70.0	66.6	125.8
Other financial data						
	Return on Invested Capital*	%	22.7	19.0	20.1	17.9
	Group underlying operating revenue	\$m	2,004.5	1,873.1	1,639.3	1,497.3
	Operating cash flow	\$m	171.7	148.4	114.2	93.7

*ROIC calculated using average shareholders' equity including non-controlling interests and average interest-bearing debt over a rolling 12 month period.

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INFORMATION FOR SHAREHOLDERS

2017 Annual General Meeting

The Annual General Meeting (AGM) of nib holdings limited will be held on Wednesday, 1 November 2017 at 11am (Australian Eastern Daylight Time) at The Westin, 1 Martin Place, Sydney NSW 2000.

A webcast of this meeting will be streamed live at 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.

Financial Calendar*

7 September 2017	Ex-dividend date for final dividend
8 September 2017	Record date for final dividend
6 October 2017	Payment date for final dividend
1 November 2017	2017 Annual General Meeting
February 2018**	FY18 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.

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 via Manage Your Shareholding or contact our share registry on the details below.

Shareholder Website

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

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