

30 October 2012

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

Subject: 2012 Annual General Meeting Chairman's script

Attached nib's 2012 Annual General Meeting Chairman's script.

Yours sincerely



Michelle McPherson
Company Secretary/Chief Financial Officer

**2012 nib holdings limited (nib)
Annual General Meeting - Chairman's Address
Tuesday 30 October 2012**

It is with much pleasure and some pride that I present my Chairman's Report for the year ending 30 June 2012.

This year marks a special milestone for the company, celebrating 60 years of operation.

We have come a long way since our formation as a sick and accident fund in 1952 by workers at Newcastle's BHP Steelworks to become one of Australia's leading private health insurers.

While a lot has changed over the past 60 years, the one constant throughout our history has been our service to customers.

The success of the business is intrinsically linked to the satisfaction of our customers, and as such, we have continually strived to provide a service that meets their needs and expectations.

As an ASX listed company we understand that strong returns for our shareholders is the financial outcome of fulfilling our mission of helping people access and afford quality healthcare.

Despite a challenging environment, our key performance highlights demonstrate the continued improvement of the business during the 2012 financial year.

Total Shareholder Return for the period was an impressive 27.6% versus minus 6.7% for the ASX 200 Index.

This strong performance has been maintained since listing in 2007, with our Total Shareholder Return over the period being 147.1%, compared to minus 24.5% for the ASX 200 Index. Clearly, it's a key performance result that we are proud to highlight.

Our net profit after tax continued to grow, up 3.3% on our FY11 result to \$67.6 million.

This result was affected by lower net investment income due to a lower asset base as a result of capital management initiatives we have undertaken throughout the year.

However our NPAT result did benefit by the deferral of acquisition costs associated with commissions paid to brokers for new policyholders. Mark Fitzgibbon will provide further detail on this in his presentation.

Earnings per share for the year was 14.8 cents, up from 13.7 cents last year reflecting continued strong underlying profitability, investment returns and capital management initiatives.

As previously mentioned, during the course of FY12 capital management was a priority, with nib returning almost \$140 million by way of:

- a \$75.4 million capital return;
- payment of \$23.3 million in special dividends; and
- the completion of an on-market share buy-back at a cost of \$41 million.

Our focus on capital management during the year makes good on our promise to shareholders that in the absence of significant merger and acquisition prospects we would return surplus capital.

As at 30 September 2012, following payment of the final dividend of \$22 million on 5 October 2012, nib had surplus capital of \$35.7 million above our internal prudential target and no debt.

Our reduced capital base as a result of these capital management initiatives resulted in a lower net investment income of \$25.6 million in FY12, down from \$32.1 million in FY11.

However, our investment return remains stable at 6% and was in line with targets for our regulatory capital and surplus capital.

Actual investment return for the three months to 30 September 2012 was 2.2%.

Our strong financial performance during the financial year has allowed the Board to declare a full year ordinary dividend of 9.25 cents per share fully franked, up 15.6% on the FY11 ordinary dividend of 8 cents per share.

Shareholders received their final dividend payment on 5 October 2012.

The Board contemplated an additional special dividend equivalent to our estimate of surplus capital, however we want to preserve some spare capital to fund possible near term investment opportunities.

The Board has also decided to increase guidance for future ordinary dividend payments from 50% to 60% of full year NPAT to reflect a payout ratio of fully-

franked ordinary dividends of 60% to 70% of full year NPAT. This will be effective from FY13.

It was also a landmark year for our charitable organisation, nib foundation, which marked a significant milestone in reaching \$10 million in committed funding since its establishment in 2008.

We take great pride in the partnerships the foundation has developed, including the 15 new partnerships established this year, all of which are helping to tackle various health issues we face as a nation.

As our key performance metrics have shown, we continue to deliver strong earnings growth, profitability and returns for our shareholders.

Despite some dire predictions surrounding the income testing of the Private Health Insurance Rebate and more recently the proposed changes by the Government to effectively freeze its total budget allocation for the rebate, we continue to believe the changes will have minimal impact and evidence so far supports this belief.

We still like the investment thesis for private health insurance which, in summary, is that the fiscal pressure on all levels of Government in Australia to fund healthcare at current levels is unsustainable. This, coupled with Australians' unwillingness to rely on the public health system means that there is little alternative other than for private health insurance to play a greater role.

nib is well placed to capitalise on these opportunities.

I would now like to introduce your Managing Director and Chief Executive Officer, Mark Fitzgibbon to report on our business activities for FY12 and to provide further commentary on the outlook for FY13.

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