

29 October 2013

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

**Subject: 2013 Annual General Meeting Chairman's script**

Attached nib's 2013 Annual General Meeting Chairman's script.

Yours sincerely



Michelle McPherson  
Company Secretary/Chief Financial Officer

**nib holdings limited (ASX: nhf)  
2013 Annual General Meeting - Chairman's Address  
Tuesday 29 October 2013**

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I will now present my report on the 2013 financial year, which produced another solid result for the nib Group.

It was a year that featured strong top line growth, disciplined cost control, improved earnings per share, stable return on equity and success in broadening our business operations into new markets through our acquisition of TOWER Medical in New Zealand.

While Mark will provide more detail regarding our Australian residents health insurance business, I feel it's important for me to highlight this business' results as it remains our primary economic driver.

Policyholder growth was again strong at 4.6%, and for the 12th consecutive year we grew faster than the industry growth rate, which was 3.1%. On the back of this, Group premium revenue growth was up 8.4%. These results were off-set by high claims inflation and a lower than required 2012 premium increase, which saw our net profit margin decline to 5.0% from 5.9% in the 2012 financial year or FY12, however it was within our target net margin range of 5 to 5.5%.

Coupled with a series of unhelpful policy and regulatory changes, such as income testing of the Australian Government Rebate, it was generally a much tougher year within arhi.

Whilst we don't expect to see the stellar growth and margin accretion we have driven since listing in 2007, given the external dynamics and regulatory changes I previously mentioned, our arhi business will continue to grow premium revenue and underwriting earnings.

A significant focus for the Board and Management team in FY13 has been the continued diversification of our earnings through leveraging nib Group's core capabilities and through our robust systems, brand, and talent of our people.

So, in addition to providing health insurance to more than 900,000 Australians, nib is today the health insurer of choice for more than 10,000 international students, almost 20,000 skilled migrant workers and around 160,000 New Zealanders. It's fair to say that nib has many touch points around the world. You can see on the display, the growing reach of nib in terms of the country of origin of our policyholder base.

It is also pleasing to report that this strategy has yielded positive financial results. For FY13 underwriting earnings from our non-arhi businesses, like those that provide health insurance to international students and workers, as well as nib in New Zealand, accounted for an impressive 20% of our total net underwriting profit. Three years ago this was zero. And we are not stopping there as we have good growth and earnings expectations for these new businesses over the coming years.

One of the most significant developments for nib during FY13 was our acquisition of Tower Medical Insurance Limited in November. Tower Medical is New Zealand's second largest health insurance business, has approximately 13% market share and provides health and medical insurance to around 160,000 New Zealand residents.

The acquisition of Tower Medical, which we recently rebranded as nib in New Zealand, represents an opportunity for nib to emulate the success we have achieved in Australia since listing in 2007 through brand building, product design, distribution and outstanding customer service.

I am pleased to report that the integration and transition of the Tower Medical business has gone to plan and most importantly, budget. I would like to recognise the hard work, dedication and innovation of our employees, both in Australia and New Zealand for making this happen.

Recognising the successful integration of the business, FY14 will be a year of investing for growth.

Our investment portfolio delivered returns above our internal benchmarks for FY13, primarily on the back of strong equity market performance.

Despite our exposure to equities being only approximately 7% of our entire portfolio, net investment return for the 12 months was \$28.8 million or 5.8%.

As at 30 June 2013, our total net investment assets equated to \$529.6 million.

The combination of the solid performance of our arhi business, and the contribution of our newer business ventures and strong investment earnings delivered Net Profit After Tax or NPAT, of \$67.2 million. This resulted in earnings per share of 15.3 cents up 3.4% from FY12 and return on equity of 21.6%. Our NPAT result was negatively impacted by one off pre-tax costs associated with the Tower Medical acquisition of \$3.4 million.

Pleasing for our shareholders and your Board, is that Total Shareholder Return for FY13 was 49.8%, which compares favourably against the ASX 200 result of 22.8% for the same period.

This strong performance is something we have continued to maintain since listing in 2007, with our Total Shareholder Return for this period being 275.3%. This compares to the ASX 200 Index of minus 2.4%. We are proud of this key performance highlight and continue to work hard to deliver strong ongoing value for our shareholders.

This strong financial performance allowed the Board to declare a FY13 full year dividend of 10.0 cents per share, fully franked. This compared with 9.25 cents per share fully franked for FY12. Our FY13 final dividend of 5 cents per share fully franked was paid to shareholders on 5 October 2013.

The FY13 full year dividend represents a payout ratio of 65% of full year NPAT, and is consistent with our dividend policy of paying fully franked dividends representing 60% to 70% of full year NPAT.

Since listing in 2007, our full year dividend has risen by an average of 36.6% per annum.

One of the great legacies of nib's history and in particular our demutualisation in 2007 has been our charitable foundation. This year the nib foundation celebrates its fifth anniversary of grant making. It has been a remarkable journey with more than \$10 million committed in funding that has helped establish 50 unique partnerships with Australian charities.

In FY13, the foundation announced 11 new community partnerships that are already bringing about real change at a local level.

We have watched with a great sense of satisfaction as the foundation's partnerships have helped improve the lives of more than 26,000 Australian carers and young people through their practical and engaging approach to tackling health outcomes.

Strong and profitable growth remains a key focus for the board and management team.

As part of this determination to diversify our business and leverage our core strengths, we are now investigating opportunities associated with medical travel and outbound international medical insurance. Mark will provide further details regarding this however, we remain confident our strategy to diversify our earnings will continue to grow enterprise value and strong shareholder returns.

We also look forward to working with the recently elected Federal Government to become part of the solution towards redressing the funding challenges our nation faces regarding our healthcare system. With Commonwealth health costs forecast to increase four-or-five-fold by mid this

century, we need private financing to play a much more significant role in helping Australians access and afford healthcare.

Providing this funding solution is core to nib's strategy and as such, we are well placed to meet these needs.

I would now like to introduce your Managing Director and Chief Executive Officer, Mark Fitzgibbon to report on our business activities for FY13 and to provide further commentary on the outlook for FY14 and beyond.

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