

29 October 2014

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

**Subject: 2014 Annual General Meeting Chairman's script**

Attached nib's 2014 Annual General Meeting Chairman's script.

Yours sincerely



Michelle McPherson  
Company Secretary/Chief Financial Officer

**nib holdings limited (ASX: nhf)  
2014 Annual General Meeting - Chairman's Address  
Wednesday 29 October 2014**

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I will now present my report on the 2014 financial year, which produced another solid result for the nib Group.

Financial year 2014 was another year of strong top line consolidated premium growth at 15.6% to \$1.5 billion.

Operating profit grew 4.3% to \$72.3 million and earnings per share by 3.9% to 15.9 cents, compared with 15.3 cents the previous fiscal year. Return on equity remained very strong at 20.8%.

Mark will provide more detail regarding our Australian Residents Health Insurance business during his presentation, however, given its importance as our core business and economic driver I will provide a brief overview.

Overall, 2014 wasn't entirely smooth sailing for our core Australian Residents Health Insurance business or what we call our arhi business.

High claims experience, in particular on a new extras only product dampened our gross margin profitability. That is, the difference between what we collect in premiums and what we pay in claims. This, combined with growing policyholder lapse were notable headwinds. Our arhi business operating profit of \$57.0 million was down 3.5% on the previous year and saw our net margin decline to just 4.2%, which is outside our target range of 5.0% to 5.5%.

We've moved quickly to redress our arhi business profit margin, largely through a premium increase which was effective 1 April 2014. It's important to note that despite this increase, our products still remain price competitive. Overall, we are confident about the future earnings growth prospects of the arhi business. Rising claims experience and lapse however, leave no room for complacency.

Pleasingly, our established non-arhi businesses all performed well in the 2014 financial year. International workers grew earnings by 12.1% to \$9.4 million. International students grew revenue by more than 110% and made a profit for the first time since its inception four years ago of \$1.9 million. nib New Zealand contributed \$7.4 million in earnings and our life and travel insurance contributed \$2.2 million in earnings.

Collectively, these businesses contributed 25.4% of the nib Group operating profit, compared to 24.0% in FY13, and just 10.9% in FY12.

The performance of these businesses reflects a real determination to diversify and create enterprise value by leveraging our nib brand and existing infrastructure and expertise.

We continue to explore additional business diversification opportunities to take advantage of new market opportunities and bolster future earnings.

Our investment portfolio delivered strong returns in FY14, which were above our own internal benchmarks. This was primarily on the back of strong equity market performance.

While our portfolio's exposure to equities is only 9.7%, net investment return for the 12-month period was \$29.7million or 5.6%.

As at 30 June 2014, our total investment assets were \$581.7 million.

The strong contribution of our non-arhi businesses and strong investment earnings delivered Net Profit After Tax or NPAT, of \$69.8 million, up from \$67.2 million last financial year. This resulted in earnings per share of 15.9 cents and return on equity of 20.8%.

An important measure I know for all our shareholders is our Total Shareholder Return. nib continues to deliver strong returns for shareholders. Since listing in 2007, our Total Shareholder Return has been more than 475%, compared to approximately 9% for the S&P/ASX200 for the same period. This is a key metric that we are very proud of and will remain a focus for the nib Group as we aim to deliver strong ongoing value for our shareholders.

On the back of this solid financial performance, the Board declared ordinary dividends totalling 11.0 cents per share fully franked for the year. This is compared to the FY13 full year ordinary dividend of 10.0 cents per share, fully franked.

The full year dividend represents a payout ratio of 69.2% of consolidated 2014 financial year after tax earnings. This is consistent with our dividend policy of paying fully franked dividends representing 60% to 70% of full year NPAT.

The final fully franked ordinary dividend of 5.75 cents per share was paid to shareholders on 3 October 2014. This is in addition to the payment of a special dividend of 9 cents per share, reflecting a capital management initiative.

During the year our industry regulator, PHIAC, announced new Australian capital standards. As we have previously indicated to shareholders, this resulted in a new capital target for our Australian health insurance businesses and an increase in the nib Group's available capital position.

As at 30 June 2014, the nib Group's available capital position, after allowing for the 2014 financial year final fully franked ordinary dividend payment of \$25.2 million, was \$58.2 million.

Against this backdrop, the Board decided \$39.5 million of this would be returned to shareholders by a 2014 financial year fully franked special dividend of 9.0 cents per share. Consistent with the final dividend of 5.75 cents per share, the special dividend of 9.0 cents per share was paid to shareholders on 3 October, equating to a total payment of 14.75 cents per share.

Our current intention is that the remaining available capital of approximately \$18.7 million will be reserved for potential strategic investment opportunities, such as business acquisitions, if they arise.

In the event that a strategic investment opportunity does not eventuate, the Board will consider a range of capital management initiatives in the second half of FY15. The fact that our debt to total capitalisation is low at 15.8% at 30 June 2014 also gives us some additional flexibility if required.

nib foundation was established in 2007 following the demutualisation and listing of nib health funds. Each year we take great pride in the positive contribution the foundation makes in supporting the health and wellbeing of people right across Australia.

The foundation has now contributed \$12 million in funding to aid the development and delivery of unique and practical initiatives. To date, the foundation has already made a positive difference to the lives of more than 45,000 Australians through its partnerships with 60 Australian charities at both a local and national level.

During the 2014 financial year, the foundation formed 13 new community partnerships that are already bringing positive health benefits in areas including youth mental health, family and youth disadvantage, chronic and rare disease, disability and food security.

We continue to see growing demand and need for funding support across Australia. This was demonstrated through the nearly 500 applications received for the nib foundation's 2014 Community Grant funding round, up 150% on last year.

The nib foundation corpus remains at \$22.5 million, meaning it will continue to play an important role in helping to meet the health and wellbeing funding needs of charities across the country and in turn, delivering ongoing health benefits to the Australian community for many years to come.

The CEO will touch on the outlook for our business during his presentation. However, strong and profitable growth remains a key focus for the Board and management team. Our results to date reflect this determination and focus.

The investment thesis for private health insurance, both in Australia and New Zealand are very positive. The combination of ever increasing healthcare spending and growing fiscal pressure on Federal and State governments to support their relative funding contribution is a strong industry tailwind.

We are undoubtedly moving down a path of greater private health insurance involvement and funding responsibility and nib is well placed to capitalise on these opportunities.

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