

2 November 2016

Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

nib holdings limited 2016 Annual General Meeting (AGM) Chairman's Script

nib's 2016 AGM Chairman's script is attached.

Clarification regarding Executive claw-back arrangements

nib has claw-back arrangements in place for the portion of the short-term incentive which is satisfied by the allocation of nib shares and for the long-term incentive as those incentives relate to the Managing Director/Chief Executive Officer and Chief Financial Officer/Deputy CEO. These arrangements remain unchanged. Claw-back arrangements are not in place for all nib Executives. No changes have been made to the claw-back arrangements from previous years. Please see the 2016 Annual Report for further information.

nib will continue assess the appropriateness of our Executive remuneration framework and consult with shareholders and other shareholder representative groups regarding any future amendments to ensure they are aligned to shareholder interests.

Yours sincerely,



Michelle McPherson
**Chief Financial Officer &
Company Secretary**

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nib holdings limited (ASX: nhf)
2016 Annual General Meeting - Chairman's Address
Wednesday 2 November 2016

Ladies and Gentlemen, good morning, my name is Steve Crane, Chairman of nib holdings limited, and on behalf of the nib Board, I welcome you here in Sydney for the 2016 Annual General Meeting.

The results for the 2016 financial year or FY16 have been very pleasing.

Total Group revenue was up 14.3% in FY16 to \$1.9 billion, with our underlying financial performance delivering dividends of 14.75 cents per share fully franked. This represents a payout ratio of 70% of after tax earnings in keeping with our stated policy range of a payout ratio of after tax earnings of 60% to 70%.

We believe our profitability is a result of the successful balance we've found between building upon nib's traditional capabilities and strengths in the private health insurance market, and leveraging these to expand into new business ventures and markets.

In our Australian Residents Health Insurance business, or arhi, we've consistently grown organically at a rate well above the industry average and with that we have also grown profitability. In FY16, arhi contributed \$94.5 million or 72% to Group Underlying Operating Profit. We've also complemented this core business with success in a number of other adjacent businesses such as international workers and nib New Zealand. Last fiscal year these adjacent businesses accounted for 28% of total earnings.

In the coming years we see the arhi business continuing to grow ahead of "system" with fairly stable profit margins. Our goal is to grow policyholder volumes by 4-5% per annum and we have set ourselves a net underwriting margin target range of 5.0-6.0%. This range is slightly higher than what we have previously aspired to deliver, however we think it's a prudent long-term target which, if consistently achieved, will deliver an attractive return on shareholder equity and good customer outcomes.

Like all health funds, nib will soon be lodging our submission to the Federal Minister for Health to adjust premiums next April. As the health fund for over 1 million Australians we appreciate price increases are never welcomed by our customers. However, it is pleasing that across the industry we are seeing moderate claims inflation compared to recent years when per capita growth has been running at 6 to 7%. As Mark will touch on later in his address to shareholders, the Minister's announcement a few weeks ago to adjust pricing for prosthetic and medical devices also helps relieve pressure on future premium prices. Although we welcome the announcement by the Minister, we believe there is much still more that can be done to lower prices on prosthetic and medical devices. And as we have stated in our representations to the Minister, nib will pass on all savings through lower premiums as a result of the changes to prosthetic prices.

Overall the market for health insurance is challenging and highly competitive, so as a result, growth isn't easy. However, as we've done in the past, we'll continue to invest in the nib brand and look for additional sales channels to maintain our momentum. We're well aware that you don't beat the "system" by simply doing the same as the "system" or even the same as you did the year before.

The acquisition during FY16 of specialist travel insurance provider, World Nomads Group, and the medical insurance book of New Zealand insurer, OnePath Life, provide examples of how we are working to differentiate ourselves and remain competitive in the current market climate. Both ventures align with our Group strategy and investment framework, and are performing well against expectations.

We believe World Nomads Group has strong growth potential, particularly in overseas markets. To capitalise on this will require investment resulting in softer earnings for the World Nomads business next year. However, similar to the success we have had in New Zealand, this investment will reflect a disciplined approach about creating enterprise value.

We remain very positive about the long-term outlook for arhi and private health insurance in general. As a nation, Australia will keep spending more on healthcare and increasingly the ability of taxation to pay for it will diminish. Inevitably, Australia will turn more to private funding mechanisms and public policy will encourage as much. This favourable shift doesn't guarantee nib a future. However, we have a considered view about multiple future scenarios and how we actively plan to adapt and prosper within each. We see our own need for ingenuity and energy as much more of a factor in our future success than Government policy per se.

As already mentioned, our move into new markets is now a significant contributor to Group earnings and you can expect that we will seek to expand each business within the portfolio.

Our criteria for assessing any new business opportunity is now well developed. We like markets that are growing and allow us to leverage our brand, distribution and specialist healthcare capabilities such as contracting with doctors and hospitals. Most importantly, we always do our homework, set an appropriate risk adjusted "hurdle rate" and will never risk everything in terms of investment on a new business. This discipline should be very apparent from past initiatives and investments.

You would expect us to provide commentary regarding an ongoing preoccupation with customer service and continuous improvement being crucial to our future success. We can promise you that this is the case. However, we see this simply as the cost of market participation. You can expect from us an ongoing search for how we might enhance the value proposition of nib for consumers and operating efficiency, which in turn grows enterprise and shareholder value.

Delivering strong financial results and returns to our shareholders is imperative for nib, but so too is operating as a quality corporate citizen. nib foundation plays a key role in the delivery of our corporate social responsibilities and we are exceptionally proud of its achievements and unwavering sense of community.

nib foundation has now committed approximately \$15 million in grant funding to more than 95 charities since its establishment in 2008. The focus of the foundation is to improve community health and wellbeing by funding Australian charities to deliver innovative programs that meet the needs of young people and carers in a practical and engaging way.

As I mentioned, we are exceptionally proud of the achievements of our foundation, which is headed by Chairman, Keith Lynch, its Board of Trustees, and Executive Officer, Amy Tribe, and I congratulate them on their achievements over the past year.

Succession planning for both Executives and Non-Executive Directors is a priority for the Board. While we have great confidence in the calibre of our current leadership, naturally we must prepare for a range of future circumstances and market conditions.

We continue to be mindful of ensuring we meet our own tests for Non-Executive Directors' independence and maintaining an appropriate skills mix.

During the year we appointed Mr Donal O'Dwyer as a Non-Executive Director after conducting an extensive search through an independent recruitment firm. Donal is a highly-experienced company director with extensive executive-level experience in the global sales and marketing of healthcare products and services. Donal has only been an nib Director for a few months and already he has proven to be a valuable

addition to our Board and nib is very fortunate to have a director of his calibre and experience.

The appointment of Donal follows the announcement by Dr Annette Carruthers in November last year that she would not seek re-election. Annette officially retired from the Board in September, which brought to a close her 13-year tenure with nib.

I would like to take this opportunity to once again thank and congratulate Annette on her wonderful contribution to the overall vision and strategy of the business during her time on the Board.

It's fair to say that it is a very different looking nib to the one she joined back in 2003, and as a Director Annette has been at the forefront of the evolution of the company.

Annette has overseen the transition of the business from a mutual to an ASX-listed entity, the significant growth across Australia and expansion into new markets both domestic and international. I'm certain she still has much more to contribute to the Australian corporate world.

For the past 50 years, across the entire OECD, healthcare spending has increased by about GDP plus 2%. It's an extraordinary statistic and obviously a powerful tailwind for businesses that operate in the healthcare sector, especially with the shift towards private delivery and funding mechanisms. As a shareholder we believe you can be optimistic about nib's future and confident that we'll continue to be cognisant of value creation and your expectations about returns on the money you have entrusted us with.

Finally, I would like to thank everyone at nib for their efforts this year, including my fellow Directors and the Executive team. The success of our business is reflected in the dedication, professionalism and quality of our people and their commitment to delivering service excellence.

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