

31 October 2018

Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

nib holdings limited 2018 Annual General Meeting (AGM) Chairman's Script

nib's 2018 AGM Chairman's script is attached.

Yours sincerely,



Roslyn Toms
Company Secretary

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nib holdings limited (ASX: nhf)
2018 Annual General Meeting – Chairman’s Address
Wednesday 31 October 2018

Ladies and Gentlemen, good morning, my name is Steve Crane, Chairman of nib holdings limited, and on behalf of the nib Board, I’m pleased to welcome you to The Westin here in Sydney for the 2018 Annual General Meeting.

As I indicated in my message to shareholders in this year’s annual report, I don’t recall a time in my corporate life when the demands for accountability have been so loud.

Over the past year, Boards and management across corporate Australia have faced intense pressure to show that they are doing the right thing by their customers, members and the communities they serve. They must be purpose driven, possess strong values and ethics, and be good corporate citizens ever mindful of the impact they have on communities in which they operate.

I can assure our shareholders that nib remains as purpose driven as ever. We won’t be losing sight of the crucial job we have in protecting our members against the financial risk of disease, sickness and injury and enabling them to quickly access world-class healthcare in Australia and New Zealand and indeed, where ever they may be in the world.

Importantly, this sense of purpose is propelling us into new opportunities and to be even more innovative especially around how we might help members better prevent, manage and treat illness. In fact, we’ve actually expanded whilst simplifying our mission statement this year. Today we talk about our purpose being “your better health”.

As I’m sure our shareholders know, our FY18 Group underlying revenue rose 11.5%, to more than \$2.2 billion while Group operating profit was up 20.2% on FY17 at \$184.8 million. Overall net profit after tax was \$133.5 million, a gain of 11.1% on FY17, whilst statutory earnings per share was up 8.0% on FY17 to 29.4 cents per share. These results speak for themselves and are a testament to the ongoing progress of our Group strategic plan.

I’m sure everyone is familiar with the fact that the Australian private health insurance industry has experienced its fair share of political and regulatory challenges. But pleasingly, we once again managed to outperform our competition through a combination of innovation, measured risk taking, hard work and listening to our members.

For FY18, the Board declared a fully franked financial year ordinary dividend of 20 cents per share, compared with 19 cents per share in the previous year. This return to shareholders reflects the ongoing success and growth of our business.

As a Board we’re also pleased to have offered our inaugural Dividend Reinvestment Plan for the FY18 final dividend payment. The option of offering a DRP is by far one of the most frequent requests from our shareholders. We have seen a positive response from shareholders, with almost 9% of shares on issue participating in the DRP for the FY18 final dividend. This resulted in nib retaining capital of \$4.2 million which will be put to good use. Thank you for your support.

Our Australian Residents Health Insurance business, or arhi, remains our core earnings driver, with the business growing underlying operating profit by more than 22% to \$130.7 million.

Overall arhi managed to grow its membership by 3% in a market that barely grew at all. The industry growth rate during the year was just 0.5%. arhi actually accounted for more than 45% of total industry policyholder growth for the year and for more than a decade we have outpaced annual industry policyholder growth rate. Membership growth is a direct function of delivering value and first class service to our members.

Yet profits are of course ultimately a function of how well we do in doing the job we're meant to be doing. During the year, we funded over 280,000 hospital admissions and almost 3.7 million ancillary and dental visits for arhi members.

Over the 12 months, approximately 77,000 of our arhi policyholders claimed more in healthcare costs and treatment than they paid in premiums. We helped fund over 4,000 knee and hip replacements and the arrival of over 4,000 babies. Healthcare can be very expensive. In fact, our highest single claim for a member was almost \$300,000. We believe we are helping members be better prepared for those expected and unexpected medical events.

We also continue to place a strong emphasis on improving our members' experience. This was reflected in our arhi Net Promoter Score, which improved to 28.7% for FY18 compared to 23.2% last year.

Our adjacent businesses, which include nib's New Zealand operations, international students and workers and our travel insurance business, apart from creating enterprise value, are helping us diversify our earnings and reduce concentration risk in arhi. Underlying operating earnings from these businesses today account for about 30% of total Group earnings and highlight our success in leveraging key capabilities and skills across the nib Group.

We actively plan for our adjacent businesses to account for as much as 50% of our Group earnings in the future and we're backing it with action and judicious investment. I certainly recall during my past eight years on the Board when we relied exclusively upon arhi to generate earnings. There's perhaps no better example of our determination to grow and diversify earnings than our new joint venture in China with the large and highly respected pharmaceutical company, Tasly.

You would be well aware of the loud calls for improved private health insurance affordability. Holding down premium inflation remains a top priority for us. Our 2018 premium increase was the lowest in 15 years and it's the fourth year running we have delivered an increase lower than the previous year.

Our genuine focus on improving the member experience and addressing frustration with growing out-of-pocket expenses is also showing results.

Our MediGap, or no gap arrangement, is designed to eliminate out-of-pocket expenses for our members when they seek medical treatment. Last calendar year, for 9 medical services out of 10, a nib member did not pay an out-of-pocket expense as the specialist accepted our no gap arrangement or did not charge a gap amount. Excluding pathology and radiology services, which are typically charged at the "bulk billing" MBS rate, more than three quarters of all services were billed at our Medigap

rate which was on average 38% higher than the prescribed Medicare Schedule of Benefits or MBS rate.

Our growing First Choice network is also providing value to our members through lower treatment costs when they visit an ancillary health provider, such as a dentist or optometrist. The First Choice network includes trusted ancillary health professionals who provide our members with peace of mind, lower costs and reduced out-of-pocket expenses.

Today we're seeing 25% of dental and more than 40% of optical services occurring within our arhi First Choice Network.

We're also pursuing multiple initiatives across the business to help our members better manage their health through information. A great example is our Going to Hospital tool, which we launched earlier this year, to help members work out whether they are covered for a specific hospital procedure, discover how much it might cost and find a specialist.

As a result, today about 1 in 4 arhi members are contacting us before they go to hospital, in order to check their cover or help choose a doctor. We estimate it was about 1 in 8 members less than 12 months ago. In time it will become the normal thing to do. I encourage all our members to use this service to ensure they get as much information as possible before seeking treatment in hospital.

In the year under review, we saw the Commonwealth Government implement or finalise a number of key policy reforms that have made a significant contribution towards improving affordability. A stand out was the price reductions on medical devices which the Department of Health estimates has saved members across the industry \$188 million for just the 2018 premium year.

And this year we'll see the introduction of discounts for attracting the younger people we need to relieve premium pressures for all members and a simple Gold, Silver, Bronze, Basic product classification which should make it easy for people to select cover.

Capturing more attention was the Federal Opposition, policy proposal to cap health insurance premiums at 2% for two years. Our view is and has always been that health insurance pricing and consumers' interests are best served by fierce and fair competition rather than more Government regulation.

We would like to see any future Government work with health insurers, and all stakeholders, including private hospitals, and doctors, to improve the efficiency of our world class, though not inexpensive, healthcare system. Regardless of what shifts we may see in future healthcare policy and regulation, nib, like it has in the past, will adapt to whatever conditions arrive.

This year marks a decade since nib established its charitable organisation, nib foundation, with \$25 million raised through the issue of new shares at the time of listing on the ASX.

The foundation makes a significant contribution to supporting the health and wellbeing of people right across Australia, and we take great pride in the support it provides.

Since 2008, the foundation has donated over \$17 million to organisations devoted to tackling health and wellbeing challenges and improving the health of Australians. I would like to recognise the great work of our foundation, the Chairman Keith Lynch, Executive Officer Amy Tribe and the volunteer Board of Trustees for their strong and unwavering sense of community.

As shareholders know and overwhelmingly supported, we made a number of changes to our Constitution at last year's AGM. One was to allow nib dividends to be transferred to nib foundation if those dividends were not claimed by shareholders after five and a half years, being six months prior to when they would fall due to be remitted to the Office of State Revenue.

As a result, just over \$1 million in unclaimed dividends was recently transferred to the foundation, meaning these funds will now be put to work to further support the healthcare needs of the communities we serve.

Importantly, succession planning and having the right mix on the Board and among our senior management regarding skills, diversity and experience, remains a priority for your Board.

In line with this, Non-Executive Director, Mr Philip Gardner recently retired from the Board after 11 years. Phil has been an exceptional director providing relevant and strategic insight.

We also welcome Jaqueline Chow to the Board who you will hear from later in the meeting. Jaqueline has more than 20 years' experience working globally particularly in consumer brands and is already making a valuable contribution.

Fundamentally, we believe the sustainability of our business depends upon the sustainability of the communities in which we operate. Sustainability, in terms of cost effective population healthcare, having natural environments conducive to good health and safety, providing meaningful employment for people, investment in our communities and nurturing conditions that support social cohesion.

It's a sustainability framework and agenda that's not something we do as an aside to our day-to-day business. Rather we're baking sustainability into our very purpose and business operation across the Group. We acknowledge there is still progress to be made on multiple fronts. But we're very clear and serious about how we might albeit in our own modest way, make the world in which we operate a better place even if it takes some time.

Mark will share further detail on our sustainability agenda during his presentation.

Finally, I thank my fellow nib Directors, senior management and all our people across the nib Group for another tremendous year.

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