

26 September 2014

The Manager
Company Announcements
ASX Limited
Level 4, Bridge Street
Sydney NSW 2000

2014 Shareholder Review – nib holdings limited

Please find attached nib's 2014 Shareholder Review which was distributed to nib shareholders today.

The Shareholder Review can also be viewed online at nib.com.au/shareholders.

Yours sincerely,



Michelle McPherson
Chief Financial Officer & Company Secretary

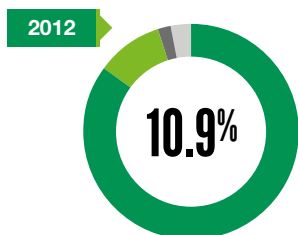
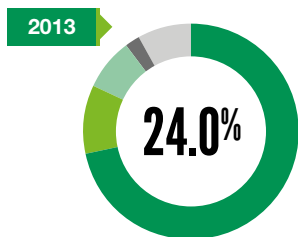
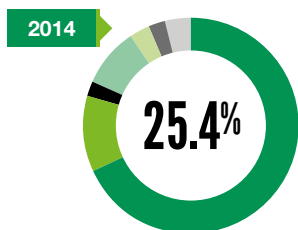
nib

SHAREHOLDER
REVIEW 2014

AT A GLANCE...

The 2014 financial year produced a number of highlights across the Group that continue to position nib as a leading financier and facilitator of healthcare spending.

Adjacent non-arhi businesses accounted for more than 25% of Group operating profit

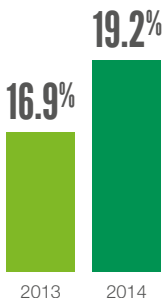


- Australian Residents Health Insurance
- International Workers Health Insurance
- International Students Health Insurance
- nib New Zealand
- nib Options
- Life and travel insurance
- Other

Apia partnership launched in May 2014 to target over 50s



NET PROMOTER SCORE



nib foundation

13 new community partners funded in 2014



Full year ordinary dividend of 11.0 cps (fully franked), representing a payout ratio of

69.2% NPAT



Table of contents

At a Glance **i** | Group Performance Highlights **2** | Chairman's Report **4** | Managing Director's Report **6** | Year in Review Australian Residents Health Insurance **8** | nib New Zealand **10** | International and New Business **12** | Profitability and Shareholder Returns **14** |

INTERNATIONAL STUDENTS

business grew its policyholders by more than

185%

with the business profitable for the first time in FY14

Group operating profit of

\$72.3m

up 4.3%

More than 95,000 users have visited whitecoat.com.au since its launch in FY14



Special dividend of

9.0cps

(fully franked) reflecting capital management initiative

New Sydney Office

opened in January 2014



Premium revenue up 15.6% to

↑ \$1.5 billion

nib's share price increased 53.1% during FY14



nib has achieved arhi policyholder growth above the industry average for 13 consecutive years



nib options

launched March 2014

nib NEW ZEALAND

- ✓ Separation and integration
- ✓ Rebranding
- ✓ Launched direct-to-consumer product range
- ✓ Launched new range of advisor-only products

Community [16](#) | Board of Directors [18](#) | Board and Executive Remuneration [20](#) |

Financial Summary Consolidated Income Statement [22](#) | Consolidated Balance Sheet [22](#) |

Consolidated Statement of Cash Flows [23](#) | Five-Year Performance Summary [24](#) |

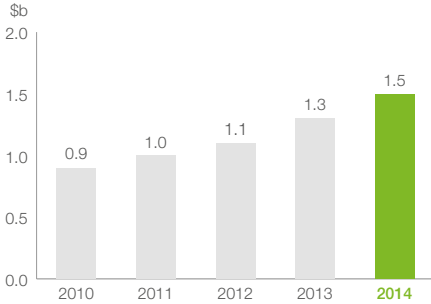
Information for Shareholders [25](#) |



Group Performance Highlights

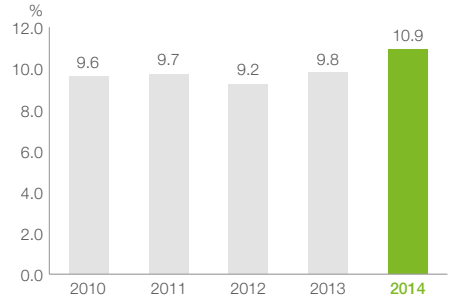
NET PREMIUM REVENUE

▲ 15.6%



MANAGEMENT EXPENSE RATIO

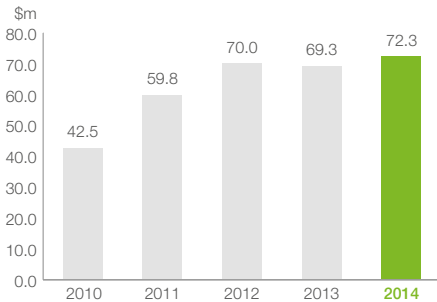
▲ 1.1%#



FY14 to FY13, where results are a percentage, the change shown is the difference between the two results.

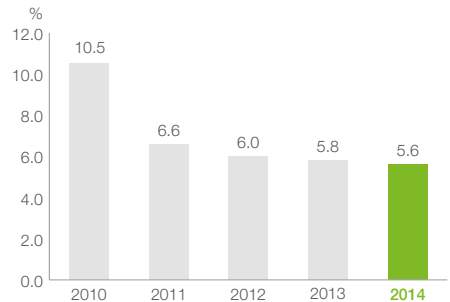
OPERATING PROFIT

▲ 4.3%



NET INVESTMENT RETURN*

▼ 0.2%#

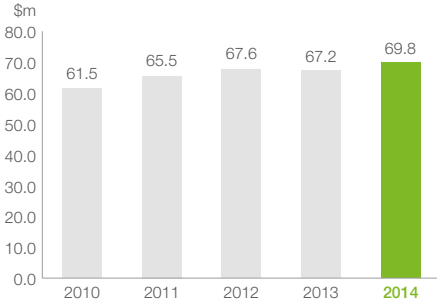


* Net of fees.

FY14 to FY13, where results are a percentage, the change shown is the difference between the two results.

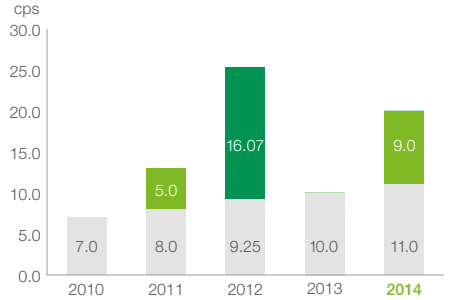
NET PROFIT AFTER TAX

▲ 3.9%



DIVIDENDS AND CAPITAL MANAGEMENT*

▲ 100%

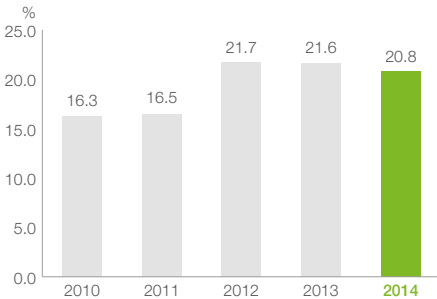


* Other capital management initiatives included an on-market share buy-back of 10% of issued capital

■ Ordinary Dividend ■ Special Dividend ■ Capital Return

RETURN ON EQUITY

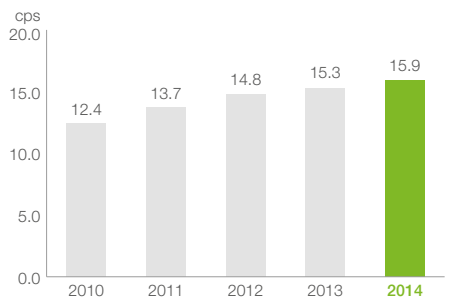
▼ 0.8%#



FY14 to FY13, where results are a percentage, the change shown is the difference between the two results.

EARNINGS PER SHARE

▲ 3.9%





Chairman's Report



Full year ordinary dividend
(fully franked)

11.0cps

Special dividend
(fully franked)

9.0cps

Net profit after tax

\$69.8m

Despite a challenging year for our core health insurance business, strong performances by our adjacent businesses provided positive results for the Group in the 2014 financial year.

Financial year 2014 was another year of strong top line premium growth and improved profitability for the Group, albeit below our original expectations. 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 impressive at 20.8%.

As will be evident from this report, it wasn't entirely smooth sailing for our core Australian Residents Health Insurance (arhi) business during the 2014 financial year. High claims experience, in particular on a new extras only product which saw a gross margin loss of \$8.8 million during the 2014 financial year, as well as growing policyholder lapse, were notable headwinds. Our arhi 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 profit

margin (including a 7.99% average premium increase from 1 April 2014, however our products still remain price competitive) and we are confident about arhi's future earnings growth prospects. Rising healthcare spending and claims experience however, leave no room for complacency.

Pleasingly, our established adjacent businesses all performed well in the 2014 financial year. International workers (iwhi) grew earnings by 12.1% to \$9.4 million. International students (ishi) 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 lines \$2.2 million.

Collectively, our non-arhi businesses contributed 25.4% of our Group operating profit, compared to 24.0% in financial year 2013. The performance of these businesses reflects a real determination by the company to diversify and create enterprise value by leveraging existing assets, infrastructure and capability. We continue to explore additional adjacent business diversification opportunities.

Investment performance was also strong. We achieved a total return of \$29.7 million, which represented a yield of approximately 5.6%.

The Board has declared ordinary dividends totalling 11.0 cents per share (fully franked) for the year. This represents a payout ratio of 69.2% of consolidated 2014 financial year after tax earnings. The final fully franked ordinary dividend of 5.75 cents per share will be paid to shareholders on 3 October 2014.

During the year the new Australian capital standards were announced by our industry regulator (PHIAC). As we have previously indicated to shareholders, this resulted in a new capital target for our Australian health insurance businesses and an increase in our Group available capital position. As at 30 June 2014, nib'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. The Board has decided \$39.5 million of this will be returned to shareholders by a 2014 financial year fully franked special dividend of 9.0 cents per share. The remaining available capital of approximately \$18.7 million will be reserved for potential investments that form part of our strategic planning.

In May this year, the Federal Government released the report of its National Commission of Audit. The report was welcomed by nib as it clearly supported an enhanced future role for private health insurance in our healthcare system. How we actually pursue and commercialise the opportunity is not without its challenges, notwithstanding Government policy and regulatory change. But we are undoubtedly moving down a path of greater private health insurance involvement and funding responsibility.

I'd like to thank our leadership team and all employees for their efforts during the year and commend them on another solid result. Since listing on the ASX in 2007, nib has delivered cumulative average EPS growth of 20.5%, which actually understates performance given the significant release of capital by way of special dividends. Total shareholder return* since listing up until the end of the 2014 financial year was more than 475%, compared to approximately 9% for the S&P/ASX200.

I'd also like to thank and acknowledge the contribution our Board of Directors are making in guiding and overseeing the company's performance. The Board has an excellent working relationship with our executive management team and engagement with business fundamentals. We're as excited about the future prospects of the company as ever.

Steve Crane
Chairman

* TSR rebased to 100 (assumes capital returns and dividends re-invested at the payout date).



Managing Director's Report



Operating profit

\$72.3m

Earnings per share

15.9cps

With healthcare spending continuing to rise, we have an opportunity to play an important role in helping people manage their healthcare needs. This, coupled with our appetite for expansion into adjacent businesses, provides us with a platform for continued growth and future financial success.

The Australian private health insurance market remains robust with around 13 million people covered at the end of the 2014 financial year, up more than 15% from five years ago. The ongoing growth defies recent predictions that various policy changes to the Australian Government Rebate and Medicare Levy Surcharge would see private health insurance participation decline and damage the sector. While the support of Government is welcome and much appreciated, it cannot be the very basis of a prosperous and sustainable industry. Rather, the industry should expect and pursue growth based upon the proposition that it delivers superior choice, access and quality compared to the public system. The fact that this takes pressure off an already stressed public system is an important by-product.

Against that backdrop and our own above-system policyholder growth, the 2014 financial year was still a little disappointing for us. While operating profit grew slightly to \$72.3 million (up 4.3%) and EPS to 15.9cps (up 3.9%), our Australian Residents Health Insurance (arhi) operating profit was \$57.0 million, compared to \$59.0 million the previous year. This reflects a net underwriting margin of 4.2% in the 2014 financial year, which is below nib's target range of 5.0% to 5.5%. It's a position explained by higher than expected claims experience. Claims costs grew 11.5% to \$961.7 million, compared to 10.7% growth in premium income. Once again, one of our primary exposures was risk equalisation, which grew 13.8% to \$190.6 million. It is effectively a nib subsidy to all other health insurers and is much less about protecting community rating than it is other insurers. But it is what it is.

We've already taken a number of measures in arhi designed to move us back towards our target margin range of 5.0% to 5.5% such as our average premium increase in April of 7.99%. Yet, we well understand profitability can't just be about passing on inflation to policyholders without a more concerted effort to reduce unwarranted or inefficient spending across the spectrum of healthcare treatments. It is estimated that Australia-wide, about 700,000 hospital admissions each year are potentially avoidable. And the likelihood of us having surgery for a hip replacement can vary five-fold depending upon where we live. nib, other insurers and indeed the public system need to get much more interventional about tackling inappropriate and unnecessary care and spending.

The challenges in arhi didn't prevent some very solid performance in other parts of the Group. The Chairman has already described improvement in iwhi, ishi and nib nz, which I won't repeat here. I will observe, however, that each have in common strong potential to grow market share and we're still in the early stages of business building.

Business diversification is not without some risk, but we have a rational and disciplined approach to assessing new business possibilities and healthcare is a sector so rich in opportunities. All initiatives to date and those in planning rely upon us being able to demonstrate there is sufficient market potential, whether we can use our existing brand, distribution or some other key competency to create value and, on a risk adjusted basis, cover our cost of capital. nib Options, launched in March 2014, is a terrific example. Demand for medical treatment across international borders is growing exponentially. Our brand brings a level of trust not common in the market and we have significant expertise in partnering with doctors, dentists and hospitals.

The 2014 financial year was another year of building. Disappointingly, the double-digit top line growth we saw in arhi didn't translate into a more meaningful Group bottom line but we're correcting that and all of our businesses are performing well. arhi will remain our primary economic engine for some time to come and can be expected to grow earnings after a sluggish 12 months. Mooted Government policy changes around private health insurance having an expanded role in our healthcare system is a very positive thematic.

Mark Fitzgibbon

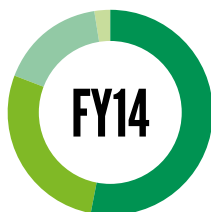
Managing Director



Australian Residents Health Insurance

While policyholder and revenue growth remain positive, there is a need to focus on further managing claims costs. This will play a significant role in improving our future underwriting result.

Claims Expenses & Levies



- Hospital benefits
\$609.5 million (up 8.6% on FY13)
- Ancillary benefits
\$314.7 million (up 14.6% on FY13)
- Risk equalisation levy
\$190.6 million (up 13.8% on FY13)
- State levies
\$28.2 million (down 2.3% on FY13)

arhi had a mixed year with strong sales and top line performance hampered by higher than expected claims experience, including on a new extras only product as well as policyholder lapse. For the full year we generated more than 71,000 policyholder sales and posted annual policyholder growth of 3.1%. This compares favourably to the overall industry average of 2.7% and is the 13th consecutive year nib has achieved above-industry net policyholder growth. More than 50% of our policyholder sales for the 2014 financial year were to customers aged 40 years and under, which continues to reflect our level of marketing investment towards this demographic and the success of those campaigns.

Highlights from the arhi business include:

- Annual net policyholder growth of 3.1% (industry growth: 2.7%).
- Premium revenue up 10.7% to \$1.3 billion.
- Claims expenses (excluding risk equalisation) up 11.5% to \$961.7 million.
- Management expenses up 8.3%, equating to a management expense ratio of 8.1% which is down from 8.3% in FY13.
- Operating profit of \$57.0 million, down 3.5% on the 2013 financial year result on the back of high claims inflation.

Claims inflation remains easily the most significant challenge confronting arhi. Claims costs grew 11.5% (excluding risk equalisation expense), while our risk equalisation expense grew 13.8% to \$190.6 million. Controlling claims inflation within an overall macro-environment of rising healthcare spending is problematic. Nevertheless, there is a wide range of efforts underway to ensure utilisation of healthcare services are appropriate and the costs of services no more than they should be.

Despite increasing investment in customer acquisition, our management expense ratio of 8.1% is comparable to the 2013 financial year's result of 8.3%. Monitoring and managing costs, as well as continually improving operational efficiencies, remain priorities for us in order to maintain our price competitiveness.

While we remain appreciative of the Commonwealth Government's support for private health insurance, a number of regulatory and policy changes have not assisted the arhi performance. In particular, the income testing of the Australian Government Rebate and lifting of the Medicare Levy Surplus income thresholds have contributed towards slower system growth and higher customer lapse.

In June 2014 we announced a new distribution alliance with leading over-50s insurance brand, Apia. As a result, Apia now offers its own branded private health insurance products designed and tailored specifically for its over-50s target market.

We also launched an innovative website, Whitecoat, to help consumers make more informed choices about purchasing decisions. Developed over three years, the website contains the contact details of approximately 30,000 ancillary providers with information and comments from nib customers about their service experience. Almost 100,000 users have visited the site – whitecoat.com.au – since its launch in November 2013.

**arhi premium revenue
up 10.7% to**

\$1.3b

**arhi management
expense ratio of**

8.1%

is the lowest since listing

arhi operating profit

\$57.0m



nib New Zealand delivered a strong inaugural full year contribution to the Group result despite the significant investment undertaken during the 2014 financial year to successfully transition and rebrand the business.

Rebrand complete in October 2013



nib acquired TOWER Medical in November 2012 and therefore the 2014 financial year results are not directly comparable to the 2013 financial year, which was only a seven month result. Nevertheless, we were pleased with the \$7.4 million in operating profit nib New Zealand contributed to the Group, especially given the large investment being made in modernising and growing the business. The 2014 financial year operating profit benefited from a lower than forecast claims experience.

The focus for the year was upon transitioning, integration and business building.

nib New Zealand operates as a wholly owned subsidiary of nib holdings with its own Board of Directors and executive team. Progress during the year was prodigious and included:

- The recruitment of a new executive management team.
- The migration of all IT and operational systems such as claims processing, call centre and HR systems from TOWER.
- Total business rebranding to nib New Zealand.
- The development and market launch of a suite of direct-to-consumer (DTC) products. This is now our biggest sales channel (in terms of policies), accounting for 40.6% of all sales in the reporting period (FY14 policyholder sales of 10,513).
- A new distribution partnership with Fidelity Life, New Zealand's third-largest life insurer, to sell a bundled health and life insurance product.

While launching our DTC strategy has been a key priority for the business, enhancing the relationship we have with financial advisors and further growing the advisor channel has also been a strong focus. In February, nib launched a new range of advisor-only products, which were the first of their type ever offered in New Zealand. The product range has received a top “5-star” rating from an independent insurance rating house.

Lapse, both at an industry level and for nib New Zealand, remains problematic. Prior to acquiring the business in 2012, nib New Zealand’s lapse rate was double the industry average at more than 10%.

nib is attempting to play a role in growing market participation and its share of the market, especially by positioning itself as a “challenger” brand and investing in growth. While the New Zealand economy is robust, there are concerns about the current heavy reliance on the public healthcare system and we are excited about our sales prospects across all distribution channels.

**nib New Zealand
premium revenue**

\$139.2m

**nib New Zealand
operating profit**

\$7.4m

**nib New Zealand
direct-to-consumer policy
sales accounted for**

40.6%
of total sales



International and New Business

The continued diversification of nib and growth of adjacent non-arhi businesses accounted for more than 25% of the Group's operating profit. The performance of these businesses reflects our aim of creating enterprise value by leveraging existing assets, infrastructure and capability.

Adjacent non-arhi
businesses
accounted for

25.4%

of Group operating profit

ishu premium revenue

\$9.2m

iwhi premium revenue

\$28.7m

International Students Health Insurance

nib entered the market for international students more than four years ago keen to take advantage of growing student numbers and the compulsory requirement for them to have health insurance.

The 2014 financial year was significant for the business, making our first operating profit. This was on the back of increased scale and a business strategy that is separating us from our competitors. Our operating profit of \$1.9 million compared favourably with a loss of around \$0.1 million in the 2013 financial year.

It is evident that profitability reflects strong policyholder growth with more than 26,000 international students now covered, compared to just over 9,000 at the end of financial year 2013. Premium revenue grew more than 110% to \$9.2 million during the 2014 financial year.

We expect the market for international students to remain strong and nib to grow our share. With increasing scale and a more focused business strategy we also expect to improve margins.

International Workers Health Insurance

Despite a softening Australian labour market, our international workers health insurance (iwhi) continued to grow. As at 30 June 2014, nib provided health cover to more than 19,000 migrant workers in Australia, compared to just over 18,000 at the beginning of the year. Premium revenue was up 4.0% to \$28.7 million.

Profit margins within the business remain strong, with iwhi's 2014 financial year net margin of 32.9% (FY13: 30.5%). iwhi's operating profit for the period of \$9.4 million (FY13: \$8.4 million) accounted for 13.1% of our Group operating profit.

The 2015 financial year will see increased investment in marketing and distribution to further grow our share of the skilled migrant worker market and, as a result, further grow Group earnings.

nib Options

After more than two years in development, nib Options was launched in March 2014.

nib Options facilitates customers receiving cosmetic surgery and major dental treatment by highly reputable clinical specialists and facilities, both in Australia and overseas. It is a fee-for-service product that provides safe, simple and reliable choices for consumers wishing to undertake cosmetic and major dental procedures in Australia or overseas. It is not a health insurance offering.

nib Options is only in its infancy and made a \$2.5 million loss in the 2014 financial year as we invested in creating the business. Efforts to date have largely focused upon developing marketing plans, systems, resources and hospital networks. The 2015 financial year will also see investment in further building the business, including significant marketing investment and acceleration of business activity.



was launched March 2014



Profitability and Shareholder Returns

Diversifying our business and revenue streams, as well as maintaining disciplined cost control, will continue to be critical in driving future revenue growth and greater value for our shareholders.

Net investment income

\$29.7m

For the nib Group, financial year 2014 saw strong top line growth, continued disciplined cost control and solid performance of our adjacent non-arhi business.

As previously explained, our Group results did however reflect a weak underwriting performance in our Australian Residents Health Insurance (arhi) measured against recent historical standards. Reduced profitability in our arhi business was more than offset by improved performance in other established business segments.

Net investment return

5.6%

arhi remains at the core of our business and we expect future growth and improved profitability. We believe the private health insurance market as a whole will continue to grow at a rate ahead of GDP and that nib will grow above system as it has consistently in the past. Anticipating the weaker arhi profitability, in April 2014 we increased premiums on average by 7.99% and are undertaking a wide range of initiatives throughout the business designed to better control claims costs inflation. It is arguably our biggest challenge.

Return on equity

20.8%

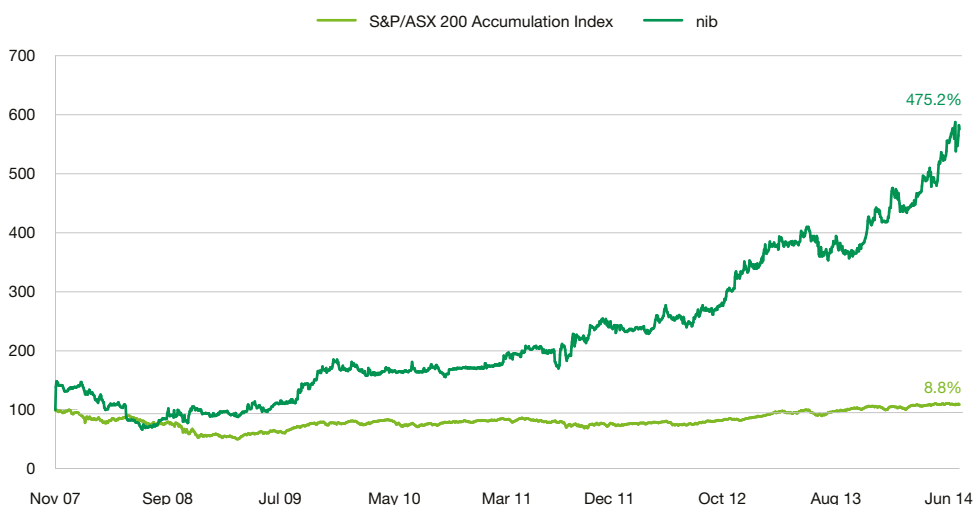
We are looking to grow future revenue and earnings across all business segments and actively exploring new opportunities that allow us to leverage our brand, distribution and other capabilities.

During the course of the 2014 financial year we launched nib Options, a business that facilitates customers receiving major dental and cosmetic surgery treatment in Australia and overseas. nib Options is seeking to ride the global trend of people crossing international borders for healthcare services and treatment. It is not an insurance or underwriting product, rather a single fee for bundled services. There is a heavy emphasis on quality, reliability and safety.

Other non-underwritten business lines, including life and travel insurance, continue to be popular with our customers, with commissions up 14.1% to \$2.2 million.

During the reporting period our investment portfolio delivered returns above our annual internal benchmarks, 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 \$29.7 million or 5.6%. As at 30 June 2014, our total investment assets were \$581.7 million (including our head office building).

Total shareholder return (rebased to 100)*



Group net profit after tax (NPAT) was \$69.8 million, compared to \$67.2 million last year, with earnings per share of 15.9 cents and return on equity of 20.8%.

* TSR rebased to 100 (assumes capital returns and dividends re-invested at the payout date).

Source: IRESS

This strong financial performance has allowed the Board to declare full year ordinary dividends for the 2014 financial year of 11.0 cents per share, fully franked (FY13: 10.0 cents per share). This represents a payout ratio of 69.2% of full year net profit after tax. This is consistent with our dividend policy of paying fully franked dividends representing 60% to 70% of full year net profit after tax. nib also declared a special dividend reflecting a \$39.5 million capital management initiative of 9.0 cents per share (fully franked).

nib continues to deliver strong returns for shareholders. Since listing in 2007, nib's Total Shareholder Return (TSR)* has been more than 475%, having substantially outperformed other accumulation indices, including S&P/ASX200 with a TSR for the same period of approximately 9%.



We remain dedicated to helping Australians across the nation enjoy healthy lives by supporting innovative programs that challenge the way we currently tackle health and wellbeing issues.

FY14 new nib foundation community partnerships

13

FY14 new MAD Committee fundraisers

8

nib foundation community grant applications

↑ 150%

nib foundation

Our charitable foundation is the cornerstone of our philanthropic commitment. Since its inception more than \$12 million in funding has been provided to aid the development and delivery of unique and practical health and wellbeing initiatives.

To date, the foundation has already made a positive difference to the lives of over 45,000 Australians through its partnerships with 60 Australian charities at both a local and national level.

During the 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. Programs supported include the:

- Crohn's and Colitis Australia's inflammatory bowel disease forums across New South Wales, including the Hunter, to address a growing demand for support and information for patients and their families;
- inaugural Brisbane *Amazing Magic Club* run by the Arts Health Institute that combines magic with occupational therapy to aid young people with cerebral palsy build strength and dexterity in their limbs;
- expansion of ARAFMI Hunter's mental health carers program across the Hunter New England to meet the need for Borderline Personality Disorder support services, information and education; and
- development and implementation of an innovative pilot program by Quest for Life aimed at addressing the gap in holistic treatment programs available for young Australians with eating disorders.

The period also saw the foundation reaffirm its support for two of its national partners, CanTeen and the Gidget Foundation, to build upon the success already experienced to date with these programs.

More than 2,500 counselling sessions have been provided to young people affected by parental cancer over the course of the pilot of CanTeen's *Counselling Service*. With the foundation's support, the program will continue in all eastern states, as well as expand to Western Australia. In addition, the program will be made available to young cancer patients, as well as offspring and siblings.

The Gidget Foundation's *Emotional Wellbeing Pilot Program* was introduced in the private hospital system in 2011 at North Shore Private Hospital to provide antenatal mental health screening. Our support will continue for another two years helping to screen an additional 2,000 families and improve understanding about perinatal mental health.

One of the foundation's early partners, the Hunter Medical Research Institute, completed its four-year *Healthy Schools, Healthy Futures* research project during the year. Preliminary results indicate that resilience-focused intervention is successful in reducing the early up-take of risk-taking behaviours such as smoking, drinking and drug use among young people. The final results of the study will be released later this year.

There is a growing demand for funding support across Australia, which was demonstrated through the nearly 500 applications received for the foundation's 2014 Community Grant funding round, up 150% on last year. The foundation 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.

MAD Committee

Our workplace fundraising program, the MAD Committee, brings together our employees, our business and charities to create a positive social impact.

Through the generosity of our employees, the committee has raised more than \$50,000 and overwhelming in-kind support for 40 local and national charities since 2008.

This dedication to the community continued in the 2014 financial year with fundraisers held to assist charities including SIDS and Kids' Red Nose Day, the Salvation Army's Red Shield Appeal and OzHarvest.

Areas of nib foundation project funding

 **12**
CARERS

 **20**
COMMUNITY

 **31**
YOUTH



Board of Directors



L–R: Steve Crane, Dr Annette Carruthers, Christine McLoughlin, Harold Bentley, Lee Ausburn, Philip Gardner, Mark Fitzgibbon

STEVE CRANE

BCommerce (University of Newcastle), FAICD, SF Fin

Chairman

Independent

Non-Executive Director

Steve is the current Chairman of nib holdings limited and has been a Director since September 2010. He is also Chairman of nib health funds limited and IMAN Australian Health Plans Pty Limited.

Steve has more than 40 years' of financial market experience, as well as an extensive background in publicly-listed companies.

Steve was previously the Chief Executive of BZW Australia and ABN AMRO and was a Non-Executive Director of a number of listed companies including Investa Property Group (Chairman), Foodland Associates, Adelaide Bank Limited and Adelaide Managed Funds.

He was also the Chairman of the Investment Banking and Securities Association and a Trustee of Australian Reward Investment Alliance.

Currently, Steve is a Non-Executive Director of Australian Pipeline Limited (APA Group), Transfield Services Limited and the Bank of Queensland Limited. He is also Chairman of Global Valve Technology Limited, Deputy Chairman of the Taronga Conservation Society Australia and a member of the CIMB Advisory Council.

MARK FITZGIBBON

MBA (UTS), MA (MGSM),
ALCA (Charles Sturt University),
FAICD

Chief Executive Officer and Managing Director

Executive Director

Mark joined nib health funds limited in October 2002 as Chief Executive Officer and was appointed Managing Director of nib holdings limited in May 2007.

He is also a Director of a number of nib subsidiary companies including nib health funds limited, nib nz holdings limited, nib nz limited and IMAN Australian Health Plans Pty Ltd and nib Options Pty Ltd.

Mark was previously CEO of both the national and NSW peak industry bodies for licensed clubs and has held several CEO positions in local government, including General Manager of Bankstown Council between 1995 and 1999.

Mark is a Fellow of the Australian Institute of Company Directors and a former Director of the Newcastle Knights and the Australian Health Services Alliance.

LEE AUSBURN

MPharm (University of Sydney),
BPharm (University of Sydney),
Dip Hosp Pharm (University
of Sydney), GAICD

Director

Independent

Non-Executive Director

Lee was appointed to the Board of nib holdings limited in November 2013. She is also a Director of nib health funds limited and IMAN Australian Health Plans Pty Ltd.

Lee is a member of the People and Remuneration Committee and the Risk and Reputation Committee.

With more than 30 years' experience in pharmaceuticals, Lee is an experienced Non-Executive Director with a wealth of knowledge in the global health industry. She is currently a Director of Australian Pharmaceutical Industries Ltd, a pharmaceutical wholesaling and retail business and SomnoMed Ltd, a medical device company.

Lee is also Vice President of the Pharmacy Foundation at the University of Sydney.

HAROLD BENTLEY

MA (Hons), FCA, FCSA, FGA

Director

Independent

Non-Executive Director

Harold has been a Director of nib holdings limited since November 2007.

He is also a Director of nib health funds limited, nib nz holdings limited, nib nz limited and IMAN Australian Health Plans Pty Ltd.

Harold is the Chairman of the Audit Committee and a member of the Risk and Reputation and Investment Committees. He also serves on the Committees of nib's New Zealand subsidiaries.

Harold has more than 20 years' experience in the insurance and financial services industry with particular expertise in the transition of private companies to a listed environment.

He was formerly the Chief Financial Officer of Promina Group and an Audit Manager of PricewaterhouseCoopers, specialising in finance and insurance companies.

DR ANNETTE CARRUTHERS

MBBS (Hons) (University of Sydney), FRACGP, FAICD, GradDipAppFinn

Director

Independent

Non-Executive Director

Annette was appointed as a Director of nib holdings limited in September 2007.

She is also a Director of nib health funds limited, nib health care services pty ltd, nib nz holdings limited, nib nz limited, IMAN Australian Health Plans Pty Ltd and The Heights Private Hospital Pty Ltd.

Annette is the Chairman of the Risk and Reputation Committee and a member of the Audit Committee. She also serves on the Committees of nib's New Zealand subsidiaries.

Medically trained as a general practitioner, Annette has extensive experience in the health industry.

Her current directorships include the NSW Board of the Medical Board of Australia, the Hunter Infrastructure and Investment Advisory Board, and Hunter Primary Care Ltd.

Annette is also a member of the NSW Medical Experts Committee of Avant Insurance Ltd and conjoint senior lecturer in the School of Medicine and Public Health at the University of Newcastle.

She is a former Director of the Heart Foundation (National and NSW Division) and the Hunter Area Health Service, and a founding Director of Hunter Urban Division of General Practice (now Hunter Medicare Local).

PHILIP GARDNER

BComm (University of Newcastle), CPA, CCM, FAICD, JP

Director

Independent

Non-Executive Director

Philip was appointed as a Director of nib holdings limited in May 2007.

He is also a Director of nib health funds and IMAN Australian Health Plans Pty Ltd.

Philip is the Chairman of the Investment Committee and a member of the Audit and People and Remuneration Committees.

Philip is the current CEO of The West's Group Australia and a Director of Hunter Funds Management Limited.

CHRISTINE MCLOUGHLIN

BA, LLB (Hons) (Australian National University), FAICD

Director

Independent

Non-Executive Director

Christine was appointed to the Board of nib holdings limited in March 2011.

She is also a Director of nib holdings limited, nib health funds limited, and IMAN Australian Health Plans Pty Ltd.

Christine is Chairman of the People and Remuneration Committee and a member of the Risk and Reputation Committee.

She is also a Director of Whitehaven Coal Limited and Chairman of the Australian Payments Council. Christine's term as a Director of Westpac's insurance businesses will end in September 2014.

Christine has more than 25 years of experience in leading Australian businesses with a background in strategy, communications, commercial law, government and regulatory affairs, and human resources.

In the charitable sector Christine contributes as a Director of The St James Ethics Centre, Deputy Chairman of The Smith Family, and was formerly a Director of the AMP Foundation. Christine is also a member of the Minter Ellison Advisory Board.



Board and Executive Remuneration

	Short-term employee benefits		
	Cash salary and fees ¹ \$	Cash bonus \$	Non-monetary benefits ³ \$
Non-Executive Directors			
2014			
Steve Crane	206,225	–	–
Lee Ausburn (from 13/11/2013)	70,030	–	–
Harold Bentley	150,211	–	–
Annette Carruthers	157,208	–	–
Philip Gardner	124,943	–	–
Christine McLoughlin	144,165	–	–
	852,782	–	–
2013			
Steve Crane	197,248	–	–
Harold Bentley ¹	134,309	–	–
Annette Carruthers ¹	143,597	–	11,529
Philip Gardner	119,725	–	2,979
Christine McLoughlin ²	128,547	–	–
	723,426	–	14,508

1. Appointed as Director of New Zealand subsidiary boards from 30 November 2012. Refer to table on page 37 of the Annual Report detailing Board and committee fees.
2. Appointed as Director of New Zealand subsidiary boards from 31 January 2013. Refer to table on page 37 of the Annual Report detailing Board and committee fees.

	Short-term employee benefits		
	Cash salary and fees ¹ \$	Cash bonus \$	Non-monetary benefits ³ \$
Executives			
2014			
Mark Fitzgibbon	680,325	198,061	10,779
Michelle McPherson	450,502	132,821	3,469
Rhod McKensey	388,652	75,149	3,094
Rob Hennin	318,730	79,908	–
Brendan Mills	257,548	61,152	2,058
Justin Vaughan (from 1/8/2013) ²	235,500	47,349	8,624
Marc Nourse (from 6/1/2014 to 11/4/2014) ³	100,035	–	803
	2,431,292	594,440	28,827
2013			
Mark Fitzgibbon	641,494	117,076	105,483
Michelle McPherson	359,351	76,134	14,436
Rhod McKensey	386,969	77,112	12,530
Rob Hennin (from 6/5/2013) ⁴	46,302	12,180	–
Brendan Mills	217,845	35,670	3,115
Matthew Henderson (to 8/2/2013)	180,047	35,114	15,028
	1,832,008	353,286	150,592

1. Includes cash salary and fees and short-term compensated absences, such as annual leave entitlements accrued but not taken during the year.
2. Justin Vaughan was appointed Group Manager Benefits & Provider Relations on 1 August 2013.
3. Marc Nourse was Group Manager – International and New Business from 6 January 2014 to 11 April 2014 and the amounts reflect all remuneration arrangements for that period.
4. Rob Hennin was appointed CEO New Zealand on 6 May 2013.

Post-employment benefits		Long-term benefits	Termination benefits	Share-based payments		Total \$
Superannuation \$	Retirement benefits \$	Long service leave \$	Termination benefits \$	Bonus \$	Performance rights \$	
17,775	–	–	–	–	–	224,000
6,478	–	–	–	–	–	76,508
33,789	–	–	–	–	–	184,000
14,542	9,688	–	–	–	–	181,438
11,557	–	–	–	–	–	136,500
13,335	–	–	–	–	–	157,500
97,476	9,688	–	–	–	–	959,946
17,752	–	–	–	–	–	215,000
25,000	–	–	–	–	–	159,309
12,924	2,490	–	–	–	–	170,540
10,775	–	–	–	–	–	133,479
11,569	–	–	–	–	–	140,116
78,020	2,490	–	–	–	–	818,444

3. In FY13 non-monetary benefits included the cost of corporate entertainment attended by Directors on behalf of the Group to represent and promote nib to key stakeholders, with no personal benefit being received.

Post-employment benefits		Long-term benefits	Termination benefits	Share-based payments		Total \$
Superannuation \$	Retirement benefits \$	Long service leave \$	Termination benefits \$	Bonus ⁶ \$	Performance rights ⁷ \$	
22,852	–	11,639	–	84,884	170,496	1,179,036
23,314	–	7,862	–	56,923	59,507	734,398
17,775	–	7,013	–	32,207	45,358	569,248
18,261	–	–	–	34,246	18,879	470,024
17,775	–	5,055	–	26,208	17,587	387,383
17,775	–	–	–	20,293	8,132	337,673
9,253	–	–	–	–	–	110,091
127,005	–	31,569	–	254,761	319,959	3,787,853
25,000	–	11,188	–	50,176	275,118	1,225,535
22,009	–	7,275	–	32,629	91,096	602,930
25,000	–	6,746	–	33,048	61,781	603,186
2,617	–	–	–	5,220	–	66,319
16,470	–	4,520	–	12,825	7,261	297,706
16,470	–	–	323,551	–	(8,230)	561,980
107,566	–	29,729	323,551	133,898	427,026	3,357,656

5. Non-monetary benefits includes insurance cover and cost of benefits and associated Fringe Benefits Tax. In FY13 non-monetary benefits also included the cost of corporate entertainment attended by executives on behalf of the Group to represent and promote nib to key stakeholders, with no personal benefit being received.

6. Includes bonus share rights. Refer to Share-based compensation.

7. Performance rights in FY14 has reduced from FY13 as no LTI performance rights vested in FY14 due to the performance period for the rights granted in FY11 being extended to four years.



Consolidated Income Statement

(\$000)	2014	2013*
Premium revenue[#]	1,491,648	1,290,403
Claims expense [#]	(1,039,969)	(896,652)
Risk equalisation levy	(190,604)	(167,430)
State levies	(28,161)	(28,811)
Decrease in premium payback liability	3,291	3,266
Net claims incurred (excluding claims handling expenses)	(1,255,443)	(1,089,627)
Gross margin	236,205	200,776
	15.8%	15.6%
Acquisition costs	(67,878)	(52,237)
Claims handling and other underwriting expenses	(94,206)	(74,764)
Underwriting result	74,121	73,775
	5.0%	5.7%
Other income	5,664	3,098
Other expenses	(7,523)	(7,615)
Operating profit	72,262	69,258
Finance costs	(2,744)	(1,382)
Net investment income	29,651	28,784
Profit before income tax	99,169	96,660
Income tax expense	(29,393)	(29,503)
Profit for the year	69,776	67,157
Profit is attributable to:		
Owners of nib holdings limited	69,911	67,157
Non-controlling interests	(135)	-
	69,776	67,157

[#] Net of Reinsurance

* FY13 was only a seven month result for nib New Zealand with business acquired November 2012.



Consolidated Balance Sheet

(\$000)	2014	2013
Assets		
Cash and cash equivalents	148,722	143,056
Receivables	44,903	51,912
Financial assets at fair value through profit or loss	410,779	351,786
Deferred acquisition costs	40,028	27,226
Property, plant and equipment	47,967	41,722
Intangibles	95,178	91,270
Other assets	10,527	5,345
Total assets	798,104	712,317
Liabilities		
Payables	111,392	99,193
Borrowings	66,849	62,449
Outstanding claims liability	93,652	81,406
Unearned premium liability	114,202	93,425
Premium payback liability	40,750	40,214
Other liabilities	14,891	9,477
Total liabilities	441,736	386,164
Net assets	356,368	326,153
Total equity	356,368	326,153



Consolidated Statement of Cash Flows

(\$000)	2014	2013
Cash flows from operating activities		
Receipts from policyholders and customers (inclusive of goods and services tax)	1,541,868	1,271,741
Payments to policyholders and customers	(1,242,468)	(1,040,724)
Payments to suppliers and employees (inclusive of goods and services tax)	(191,807)	(199,110)
	107,593	31,907
Dividends received	556	79
Interest received	9,366	11,597
Distributions received	9,314	9,789
Transaction costs relating to acquisition of subsidiary	(104)	(3,422)
Interest paid	(2,688)	(1,481)
Income taxes paid	(30,341)	(28,433)
Net cash inflow from operating activities	93,696	20,036
Cash flows from investing activities		
Proceeds from disposal of other financial assets at fair value through profit and loss	180,500	229,963
Payments for other financial assets at fair value through profit and loss	(221,180)	(171,741)
Proceeds from sale of investment properties	10,000	10,000
Proceeds from sale of property, plant and equipment and intangibles	5	-
Payments for property, plant and equipment and intangibles	(11,241)	(8,946)
Payment for acquisition of subsidiary, net of cash acquired	(84)	(35,293)
Net cash inflow (outflow) from investing activities	(42,000)	23,983
Cash flows from financing activities		
Proceeds from borrowings	-	55,013
Repayment of borrowings	(550)	-
Shares acquired by the nib Holdings Ltd Share Ownership Plan Trust	(837)	(628)
Transactions with non-controlling interests	81	-
Dividends paid to the company's shareholders	(44,991)	(43,899)
Net cash inflow (outflow) from financing activities	(46,297)	10,486
Net increase in cash and cash equivalents	5,399	54,505
Cash and cash equivalents at beginning of the year	139,756	84,079
Effects of exchange rate changes on cash and cash equivalents	1,799	1,172
Cash and cash equivalents at the end of the year	146,954	139,756

DISCLAIMER: These financial summaries are an edited extract from the nib 2014 Annual Report and are provided for illustrative purposes only. Complete audited financial statements, including all explanatory notes, are contained in the nib 2014 Annual Report, available at nib.com.au/shareholders/2014annualreport



Five-Year Performance Summary

(\$m)		2014	2013	2012	2011	2010
Consolidated income statement						
Net premium revenue		1,491.6	1,290.4	1,123.8	1,007.8	901.4
Net claims incurred		(1,255.4)	(1,089.6)	(949.2)	(848.7)	(767.9)
Gross margin		236.2	200.8	174.6	159.1	133.5
Management expenses		(162.1)	(127.0)	(103.8)	(97.6)	(86.4)
Underwriting result		74.1	73.8	70.7	61.5	47.1
Other income		5.7	3.1	3.6	5.8	1.3
Other expenses		(7.5)	(7.6)	(4.3)	(7.5)	(5.8)
Operating profit		72.3	69.3	70.0	59.8	42.5
Net investment return		29.7	28.8	25.6	32.1	44.5
Finance costs		(2.7)	(1.4)	0.0	0.0	0.0
Profit before tax		99.2	96.7	95.7	91.9	87.0
Tax		(29.4)	(29.5)	(28.0)	(26.5)	(25.4)
NPAT		69.8	67.2	67.6	65.5	61.5
Consolidated balance sheet						
Total assets		798.1	712.3	617.8	639.3	588.0
Equity		356.4	326.2	301.6	411.8	391.4
Debt		66.8	62.4	0.0	0.0	0.0
Share performance						
Number of shares	m	439.0	439.0	439.0	466.7	495.4
Weighted average number of shares – basic	m	439.0	439.0	458.3	478.5	495.8
Weighted average number of shares – diluted	m	439.0	439.0	458.3	478.5	495.8
Basic earnings per share	cps	15.9	15.3	14.8	13.7	12.4
Diluted earnings per share	cps	15.9	15.3	14.8	13.7	12.4
Share price at year end	\$	3.26	2.13	1.50	1.45	1.25
Dividend per share – ordinary	cps	11.0	10.0	9.25	8.0	7.0
Dividend per share – special	cps	9.0	0.0	0.0	5.0	0.0
Dividend payout ratio – ordinary	%	69.2	65.0	60.0	57.0	56.4
Dividend payout ratio – combined ordinary and special	%	125.8	65.0	60.0	92.7	56.4
Other financial data						
ROE	%	20.8	21.6	21.7	16.5	16.3
Operating cash flow		93.7	20.0	134.6	88.3	66.3

DISCLAIMER: These financial summaries are an edited extract from the nib 2014 Annual Report and are provided for illustrative purposes only. Complete audited financial statements, including all explanatory notes, are contained in the nib 2014 Annual Report, available at nib.com.au/shareholders/2014annualreport



Information for Shareholders

2014 Annual General Meeting

The Annual General Meeting (AGM) of nib holdings limited will be held on Wednesday, 29 October 2014 at 11am (Australian Eastern Daylight Time) at The Heritage Ballroom, The Westin, 1 Martin Place, Sydney NSW 2000.

A webcast of this meeting will be streamed live at nib.com.au/shareholders

Proxy forms can be lodged by post or online.

Full details of the AGM, including the Notice of Meeting, are available at nib.com.au/shareholders

Financial Calendar*

10 September 2014	Ex-dividend date for final dividend
12 September 2014	Record date for final dividend
3 October 2014	Payment date for final dividend
29 October 2014	2014 Annual General Meeting
February 2015**	FY15 Half Year Results Announcement

* Dates are subject to change

** Date to be confirmed

Corporate Governance

The nib Board and management are committed to achieving and demonstrating the highest standards of corporate governance and ensuring compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

As part of this process, the Group's policies and practices are regularly reviewed to ensure that nib continues to comply with legal requirements, meet the expectations of our shareholders and other stakeholders, and best address the needs of the business. In the past 12 months, the Board has reviewed and updated the Code of Conduct and the Whistleblower Policy. In line with the ASX Corporate Governance Council's Principles and Recommendations, the Board has further reviewed and updated its Policies, Board and Committee Charters, effective 1 July 2014.

Further information about nib's Governance, copies of these Policies, Board and Committee Charters and practices are available from the Corporate Governance section of the nib shareholder website at nib.com.au/shareholders

Shareholder Communications

e-Comms

nib shareholders can receive the following shareholder communications electronically:

- Dividend Statements.
- Shareholder Review.
- Annual Financial Report.
- Notice of Meeting.
- Proxy Forms.

Switching to e-comms is easy. Register at nib.com.au/shareholders via Manage Your Shareholding or contact our share registry on the details below.

Shareholder Website

A range of information about nib's financial performance and shares is available on our shareholder website – nib.com.au/shareholders – including:

- Dividend payments.
- Share price.
- ASX announcements.
- Investor presentations.
- Webcasts of our results presentations.
- Event calendar.

nib shareholders can also use the site to manage their shareholding, including updating dividend payment instructions or address details, and viewing holding statements.

Investor Relations

nib holdings limited
22 Honeysuckle Drive
Newcastle NSW 2300

Locked Bag 2010
Newcastle NSW 2300

Telephone – (02) 4914 1777

Email – corporate.affairs@nib.com.au

Web – nib.com.au/shareholders

Share Register

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

Telephone – 1300 664 316

Fax – (02) 8235 8150

Email – nibshareregistry@computershare.com.au

nib.com.au