ANNUAL GENERAL MEETING 2010

Tuesday 26 October 2010

INTRODUCTION

nib's Board and Executive

- Keith Lynch, Chairman
- Brian Keane, Independent Non-Executive Director
- Philip Gardner, Independent Non-Executive Director
- Steve Crane, Independent Non-Executive Director
- Dr Annette Carruthers, Independent Non-Executive Director
- Harold Bentley, Independent Non-Executive Director
- Mark Fitzgibbon, Managing Director and Chief Executive Officer
- Michelle McPherson, Chief Financial Officer and Company Secretary

MEETING SCHEDULE

- **Chairman's Address**
- **Managing Director's Address**
- **Notice of Meeting**
  - Consideration of Reports
  - Remuneration Report
  - Re-election of Dr Annette Carruthers
  - Election of Mr Steve Crane
  - Approval of participation in the Long Term Incentive Plan
  - Cancellation of shares held by the Overseas Policyholders and Unverified Policyholders Trust
- **Close of meeting**

KEITH LYNCH
CHAIRMAN

CHAIRMAN'S YEAR IN REVIEW

- **FY10 was highlighted by delivery of strong results across our key financial indicators and greater shareholder value.**
- **Key Performance Metrics:**
  - Strong policyholder growth rate of 5.9% more than double the industry average.
  - Underwriting performance was up more than 17% to $47.1 million.
  - Net profit after tax for the year was $61.5 million up 158%.
  - Return on equity of 16.3%.

CHAIRMAN’S YEAR IN REVIEW

- **Shareholder returns**
  - Strong FY10 performance and capital position has allowed the Board to declare dividends totalling 7.0 cents per share fully franked for the year which totalled $34.7 million or a payout ratio of 56.4% (reflects an interim dividend of 2.0 cents per share and a final dividend of 5.0 cents per share).
  - Final dividend of 5.0 cents per share was distributed to shareholders on 27 September 2010.
  - nib’s dividend policy will continue to reflect a 50-60% payout ratio of earnings and where possible distribution of surplus capital via special dividends subject to the availability of franking credits.

CHAIRMAN'S YEAR IN REVIEW

- **Capital Position and Investment Opportunities**
  - As at 30 September 2010 and following the acquisition of IMAN, nib had capital of $120.8 million above its current internal prudential target (1.4X).
  - Our solid capital position and debt free balance sheet continues to allow nib to actively pursue merger and acquisition opportunities.
  - We believe industry consolidation is inevitable and there is clear evidence of this in the acquisitions of MBF, AHM, Druids Victoria and Manchester Unity by other health insurers.
  - As such we continue to believe there are value enhancing opportunities for nib such as IMAN and GMHBA.
  - In the absence of investment opportunities nib will reassess our surplus capital position in early calendar year 2011.

CHAIRMAN'S YEAR IN REVIEW

- **GMHBA Proposal**
  - nib has submitted a merger proposal to GMHBA. The proposal includes a number of undertakings including maintaining GMHBA's branch network, products and applying nib's no forced redundancy policy.
  - The benefits of a merger centre upon the ability of a stronger health insurer to improve service, drive down costs and thereby reduce the pressure on any future premium increases. It would also "unlock" the considerable implicit value GMHBA members have in the health fund.
  - We expect that the proposed transaction would be earnings per share accretive (excluding integration and transaction costs) in the first full year.

CHAIRMAN'S YEAR IN REVIEW

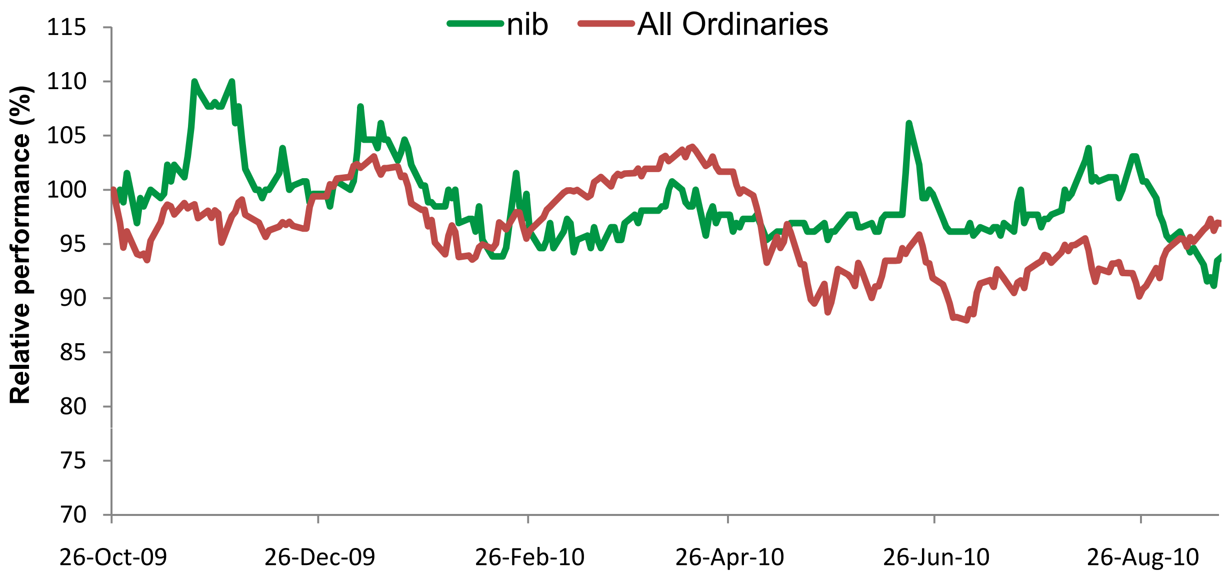
- **Cancellation of shares held by the Overseas Policyholders & Unverified Policyholders Trust**
  - Through the demutualisation of nib and listing on the ASX in 2007, more than 320,000 eligible nib policyholders were offered between 300 and 6,000 shares in nib.
  - We have undertaken significant efforts over the past three years to contact all eligible policyholders. However more than 36,000 eligible policyholders representing approximately 27 million shares did not verify their details before the 1 October 2010 deadline (3 years since demutualisation.
  - The Trustee must now dispose of all Trust property in a manner directed by the nib Board. The Board has recommended that shareholders approve the cancellation of the shares for nil cash consideration.

CHAIRMAN'S YEAR IN REVIEW

- **nib foundation**
  - nib foundation remains a great legacy of nib's demutualisation.
  - This year, the foundation announced $4.8 million in National Partnership funding for three programs.
    - Hunter Institute of Mental Health's: *Partners In Depression* program
    - Hunter Medical Research Institute: *Healthy Schools, Healthy Futures* research project
    - CanTeen: Offspring Support Program.
  - In addition, $580,000 was committed to 9 charity organisations through the foundation's community grants program.

CHAIRMAN'S YEAR IN REVIEW

- Over the past 12 months our share price has performed broadly in line with the market



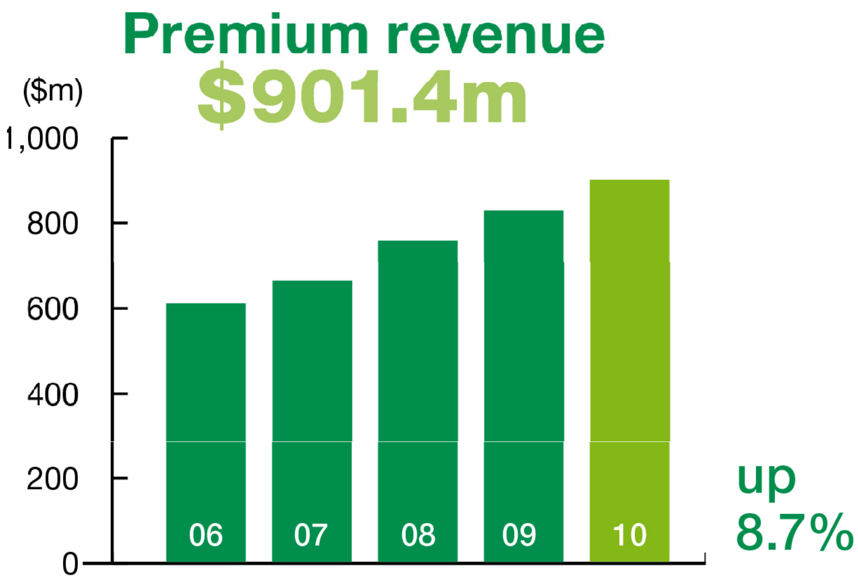
- Focus for FY11 and beyond will be to continue to continue to build the business and deliver strong shareholder returns

MARK FITZGIBBON
MANAGING DIRECTOR

FY10 HEADLINES

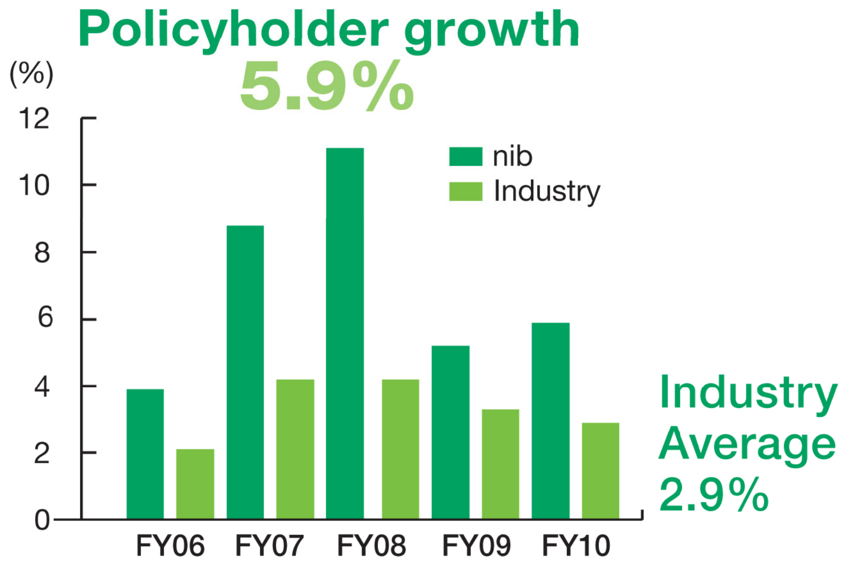
- Net underwriting result (pre-tax) of $47.1 million (net margin 5.2%) – up 17.2%.
- Net investment return of $44.5 million (10.5% return pa).
- Net consolidated profit after tax of $61.5 million - up 158%.
- Cash inflow from operating activities of $66.3m (FY09: $44.2m).
- Earnings per share of 12.4 cents - up 164%.
- Return on equity of 16.3% exceeding 15% target for first time.
- Full year dividend of 7.0 cps fully franked ($34.7 million).

PREMIUM REVENUE



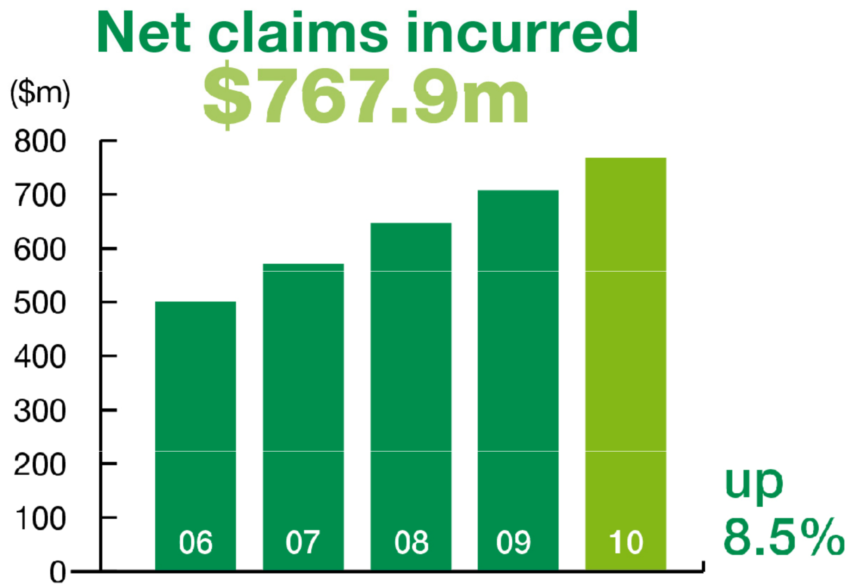
- Premium revenue up 8.7% to $901.4m reflecting continued organic growth, product buy-up and premium increases.
- Net policyholder growth of 5.9%.
- Product buy-up estimated to have had a $7.7m premium revenue impact.
- nib's 2010 premium increase (effective 1 April 2010) of 5.95% across all products (industry average 5.78%) reflected forecast claims inflation and a number of product/benefit improvements across portfolio.

POLICYHOLDER GROWTH



- With 7.3% market share, nib accounted for 14.3% of national growth in FY10 (FY09: 11.0%).
- With 10.2% market share in the 20-39 age group, nib accounted for 31.1% of total industry growth (FY09: 25.5%).
- FY10 growth continues to reflect business strategy:
  - 77.4% of new sales in under 40s segment
  - 62.2% of new sales new to category
  - 42.7% of new sales interstate (outside NSW/ACT)
  - 33.1% of new sales online
- Net policyholder growth (excluding overseas students and temporary migrant workers) for three months ending 30 September 2010 was 8,563 policies (same period last year: 6,923)

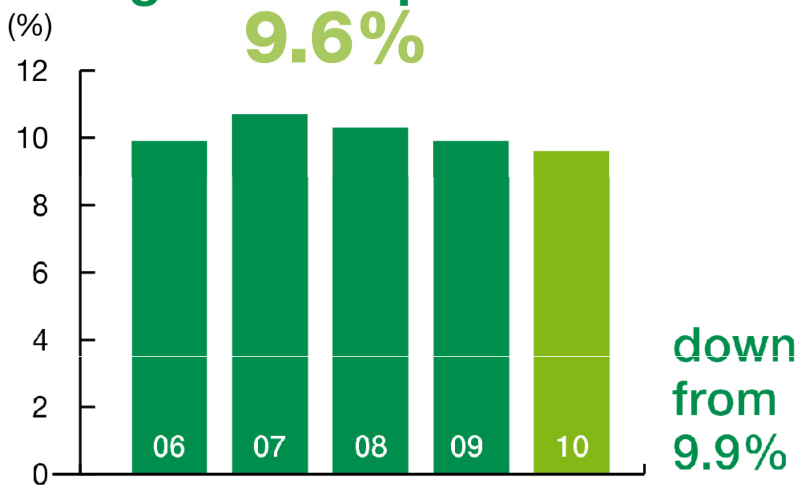
CLAIMS EXPENSE



- In FY10, nib incurred $767.9m in claims, state levies and risk equalisation producing a claims ratio of 85.2%.
- Risk equalisation remains an ongoing concern – in FY10 nib's risk equalisation contribution was $109.9m, up 27.2% on FY09.
- Managing claims inflation is critical to maintaining our price competiveness and profit margins.

MANAGEMENT EXPENSE RATIO (MER)

Management expense ratio

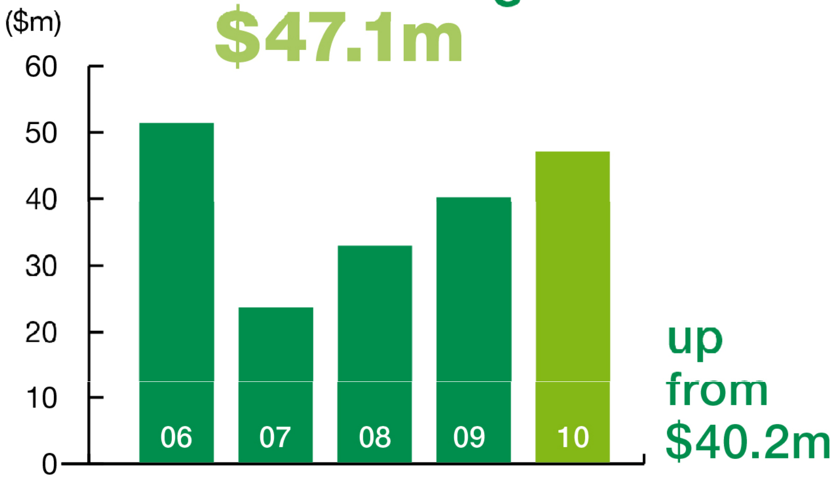


*FY08 result was normalised to remove the impact of costs associated with nib's demutulisation and listing.

- FY10 MER of 9.6% was within our forecast target of 9.5% - 10%.
- Lowest MER result achieved since nib demutualised in 2007.
- MER result was achieved notwithstanding the forecast significant investment in business automation, IT and organic growth.
- Employment costs of $37m were 3.6% higher than FY09 and in line with wages inflation and an increase in FTEs to support business growth.

UNDERWRITING RESULT

Pre-tax underwriting result



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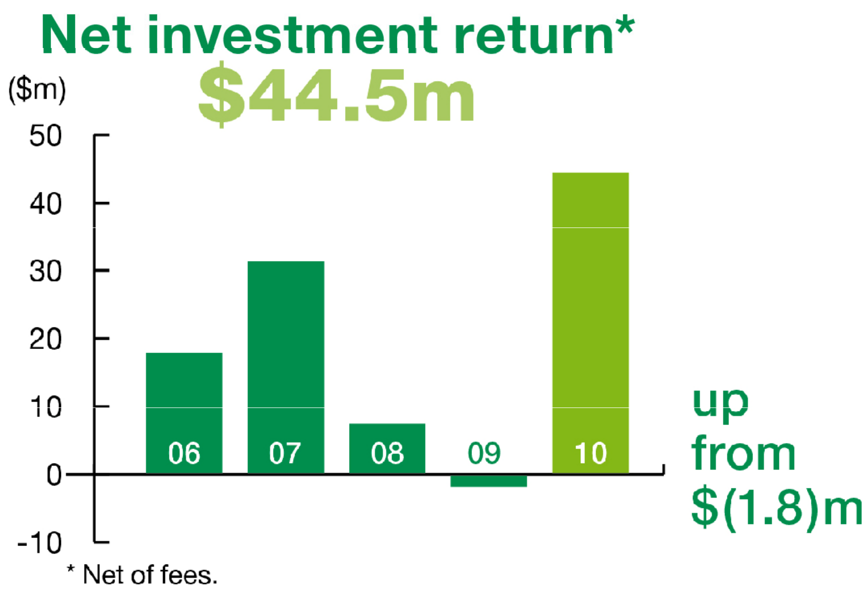
- Net underwriting result up 17.2% to $47.1m in FY10, producing net underwriting margin of 5.2%.
- Since the end of FY07, have increased pre-tax underwriting margin by 98.7% from $23.7m (normalised) to $47.1m.
- Business goal is to increase underlying earnings by at least 10% pa in order to achieve minimum15% ROE.
- As forecast, beyond FY10 margins would tighten and growing underlying earnings would be tougher.

NEW REVENUE AND EARNINGS

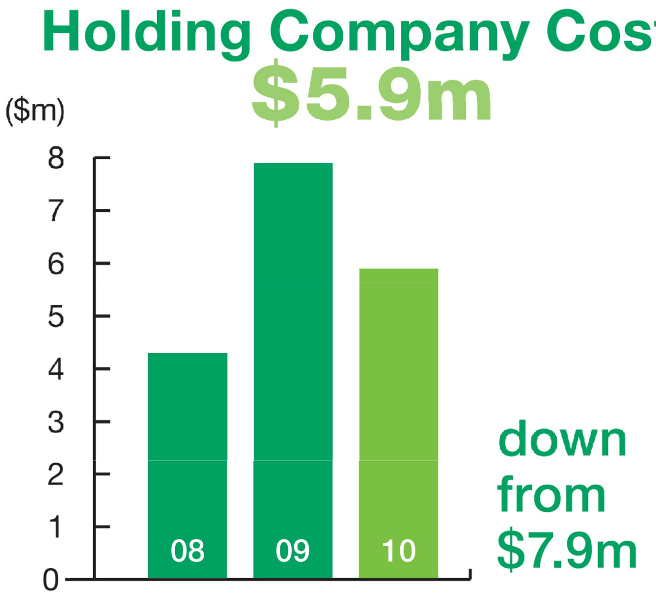
- Acquisition of IMAN International (completed on 30 September 2010), a specialist provider of health cover for temporary migrant workers. Market is estimated to have written $180m in premiums during FY10.
- Launch of an overseas product for overseas students studying in Australia. Market is estimated to have written $120m in premiums during FY10.
- nib's pre-tax revenue from life insurance of approximately $190,000 and travel insurance of approximately $290,000 in FY10.

INVESTMENT RETURNS



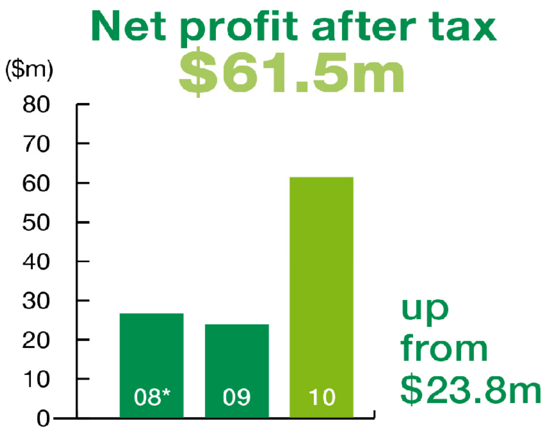
- Significantly improved investment returns for FY10 due to broader global economic recovery.
- Net investment returns of $44.5m or 10.5% for FY10 are in stark contrast to net investment losses of $1.8m or (0.4)% in FY09.
- Overall, portfolio returns for FY10 were above or in line with relevant benchmark performances.
- As at 30 September 2010 defensive/ growth split of consolidated investment portfolio was 84%/16%.
- Actual investment return for first three months of FY10 was 2.6% (net of fees).

HOLDING COMPANY COSTS

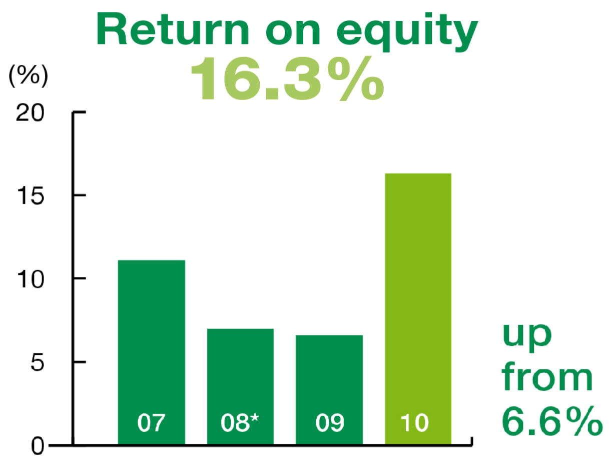


- Decrease in share registry costs largely due to reduction in number of shareholders as a result of UMP Sale Facility in August 2009 (annualised savings of approximately $0.5m) and new share registry agreement.
- Further reduction in share registry expenses to occur during FY11 due to expiry of Trust.
- Due diligence costs of $0.6m due to acquisition of IMAN.
- Other costs of $2.5m have remained flat.

KEY PROFITABILITY & PERFORMANCE METRICS



*FY08 result was normalised to remove the impact of costs associated with nib's demutulisation and listing, and "notional" tax.



*FY08 result was normalised to remove the impact of costs associated with nib's demutulisation and listing, and "notional" tax.

- Earnings per share 164% higher in FY10 to 12.4 cents (FY09: 4.7c).
- Return on equity (ROE) of 16.3%, above our target of 15%.
- Full year dividend of 7.0 cps (2.0 cps interim, 5.0 cps final), reflecting payout ratio of 56.4% of FY10 NPAT.

CAPITAL MANAGEMENT

- As at 30 September 2010, nib had capital of $120.8 million above its current internal prudential target (1.4X). nib intends to retain capital above its prudential target in the near term to fund potential M&A investment opportunities.
- The Board has previously indicated to the market that it would consider a debt-to-capital ratio of 20-30% as part of any funding requirement. There is potential to optimise capital structure through debt.
- In the absence of M&A opportunities coming to fruition, the Board will consider more significant capital management in the 2011 calendar year.
- Dividend policy will continue to be heavily influenced by franking credit availability.
  To the extent made possible by franking credits, the Board will release capital above internal target by way of special dividends.
- We have bought back 22,575,369 million shares since August 2008. We intend to continue the on-market share buy back of up to 10% of our issued capital (calculated at the time of commencing the buy back in August 2008) and in accordance with relevant laws and Listing Rules
- Cancellation of shares held by the Overseas Policyholders & Unverified Policyholders Trust, representing approximately 5.5% of nib's issued capital, subject to shareholder approval at today's AGM.

SERVICE AND INNOVATION

- nib customer satisfaction remains high
  - Since February 2010, nib has conducted more than 14,000 customer surveys using a Net Promoter Score (NPS) methodology.
  - Average satisfaction is 8.24 out of a possible 10.
- During FY10 our website attracted approximately 1.6 million visitors, an increase of around 65% on FY09. This is being driven by:
  - Online services: around 52% of all nib policyholders are registered for online services.
  - 33% of all our sales are through nib.com.au (FY05:~4%).
  - Online claiming: During FY10 more than 40,000 claims were received online.
  - iPhone app: launched in June 2010, customers can manage their nib health cover and make a claim directly from their smartphone.
  - Online videos launched in 2010 to educate and empower consumers.
  - Click to call: customers can “click through” to the nib Call Centre (approximately 6,000 customers have clicked through since being launched in December last year).

SERVICE AND INNOVATION

- Call centre volume has increased by almost 25% since FY07, while average speed of answer has improved by more than 40%.

	FY07	FY10	% Change
Number of calls to nib call centre	673,701	836,476	162,775
Average speed of answer (seconds)	64	37	- 27

- Approximately 40% of all nib policyholders have now registered their preference for email or mail correspondence, with 72% having chosen email.
- Claims processing and payments: During FY10 93% of ancillary claims were processed within 24 hours, with 83% of all claims (Ancillary and Hospital) processed within 48 hours.
- During FY11 nib will open two additional Retail Centres in Tuggerah (NSW Central Coast) and Perth (Western Australia) to service customer demand.
- whitecoat.com.au: will provide customers with online search and performance assessment capability for clinical providers.

KEY ENTERPRISE RISKS

- Economic growth and competitor activity
- Sovereign especially pricing
- Claims inflation especially risk equalisation
- IMAN and overseas student’s business

BUSINESS STRATEGY

- Continue to invest in organic growth (Virgin Green) with emphasis upon:
  - Younger better risk policyholders
  - Interstate expansion
  - Online engagement
- Improve policyholder "buy-up" and retention
- Continue to actively pursue merger and acquisitions
- Further develop new earnings streams
- Increased claims and operating efficiencies
- Optimised capital structure

FY11 OUTLOOK & GUIDANCE

- Australia's future health care will inevitably require greater private funding and there remains latent demand for PHI - FY11 net policyholder growth of 5% – 6% (FY10: 5.9%).
- Margins under pressure but manageable, FY11 net underwriting margin of 4.9% – 5.4% with a pre-tax underwriting result of $50m - $55m (FY10: $47.1m) - includes temporary migrant workers and overseas students.
- Attractive M&A opportunities remain even if "social issues" cause inertia.
- Expect further guidance at end of 1H11 regarding surplus capital.

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