

26 October 2011

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

Subject: 2011 Annual General Meeting Presentation

Please find attached nib's 2011 Annual General Meeting presentation.

Please note the Net Profit After Tax (NPAT) graph on page 2 of nib's 2011 Annual Shareholder Review (lodged with ASX on 23 September 2011) contains a graphical error relating to the NPAT results for FY07, FY08 and FY09. The FY08 and FY09 NPAT results set out on page 22 of the Annual Shareholder Review (Four-Year Performance Summary) are correct.

The graphical error relating to the NPAT graph has been corrected and the corrected NPAT graph has been included on Slide 7 of the 2011 Annual General Meeting presentation (attached).

Yours sincerely



Michelle McPherson
Company Secretary/Chief Financial Officer



Wednesday 26 October 2011

 **Steve Crane**
Chairman

INTRODUCTION

nib's BOARD & EXECUTIVE

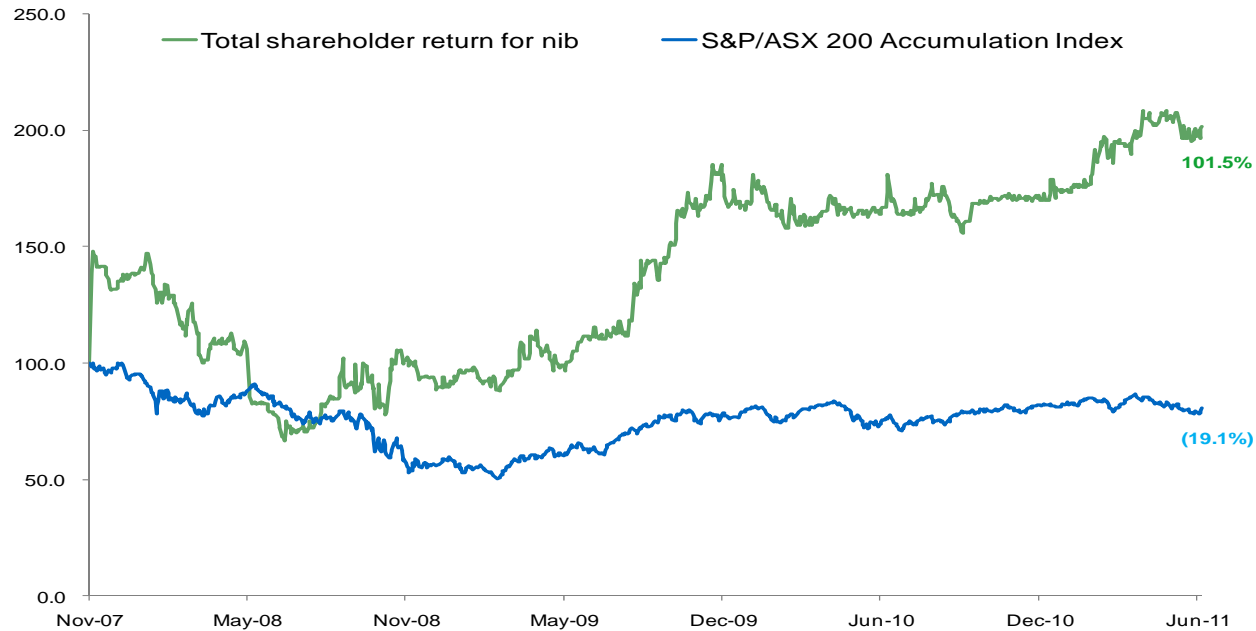
- HAROLD BENTLEY - Independent Non-Executive Director
- DR ANNETTE CARRUTHERS - Independent Non-Executive Director
- PHILIP GARDNER - Independent Non-Executive Director
- CHRISTINE MCLOUGHLIN - Independent Non-Executive Director
- MARK FITZGIBBON - Managing Director & Chief Executive Officer
- MICHELLE MCPHERSON - Chief Financial Officer & Company Secretary

MEETING SCHEDULE

- **Chairman's Address**
- **Managing Director's and Chief Executive Officer's Address**
- **Notice of Meeting**
 - Consideration of reports for the financial year ended 30 June 2011.
 - Consideration of the Remuneration Report.
 - Re-election of Independent Non-Executive Director, Mr Harold Bentley.
 - Election of new Independent Non-Executive Director, Ms Christine McLoughlin.
 - Consideration of resolution approving the termination benefits for Key Management Personnel.
- **Meeting closed**

 **Steve Crane**
Chairman

TOTAL SHAREHOLDER RETURN



Source: Iress, J.P. Morgan.
Share price appreciation plus reinvestment of dividends

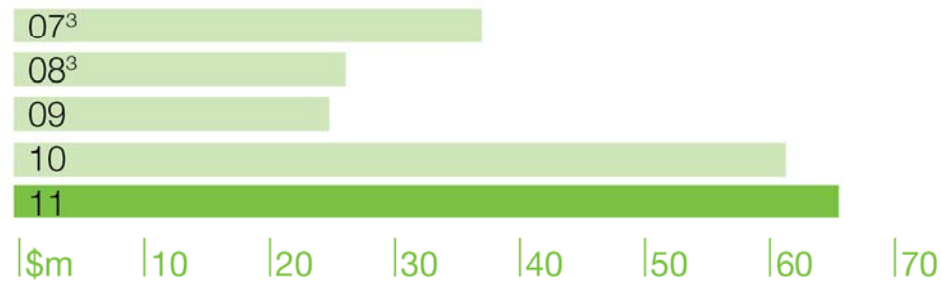
- FY11 again produced a strong financial performance with improved profitability and strong returns for shareholders.
- Key performance metrics showed improvement on the previous year's result.

NET PROFIT AFTER TAX

- \$65.5 million, up 6.4% on the previous year.

Net profit after tax **\$65.5m**

up from \$61.5m

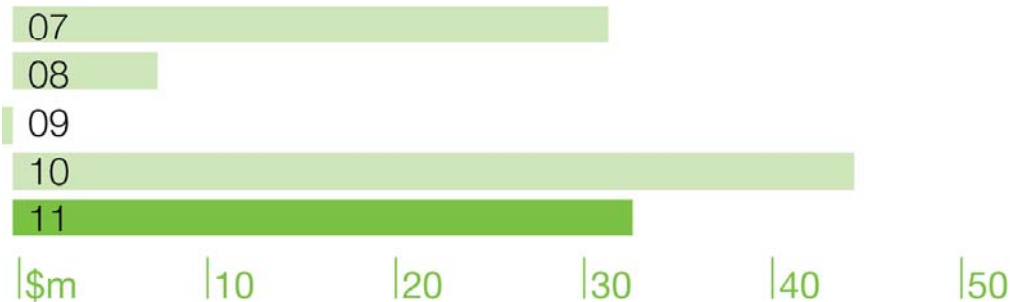


³ Result was normalised to remove the impact of costs associated with nib's demutualisation and listing, and 'notional' tax.

INVESTMENT RETURNS

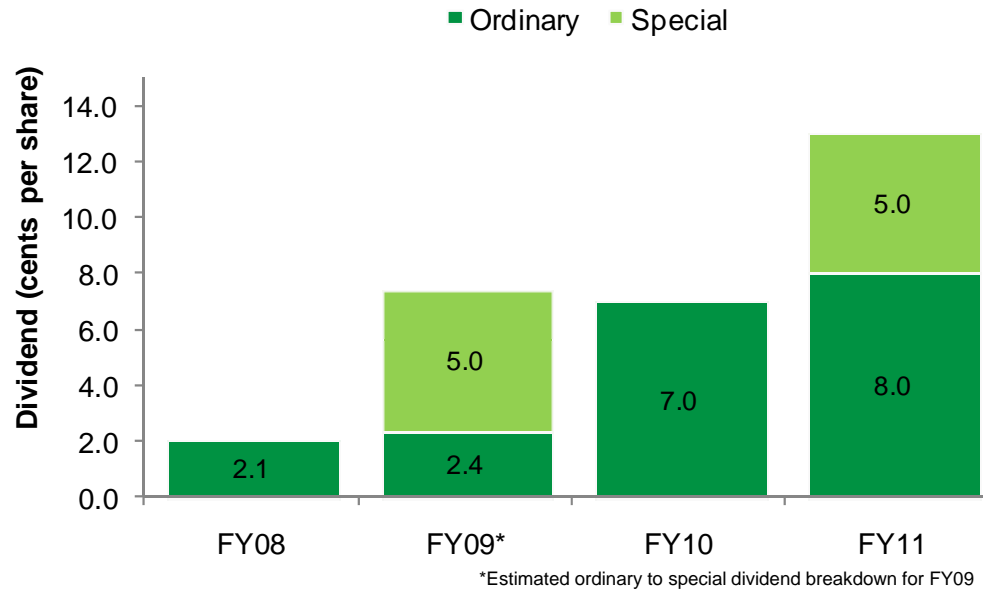
- Lower investment return primarily due to the transition of our investment portfolio to being more defensive, with less than 10% of the portfolio invested in shares.
- Actual return for the first three months of FY12 was 1.26%.

Net investment return² **\$32.1m**
down from \$44.5m



² Net of fees.

DIVIDENDS



- Full year dividend consistent with nib's dividend policy of paying fully franked ordinary dividends of between 50% and 60% of full year NPAT and returning capital by way of special dividends, subject to the availability of additional full franking credits.
- Shareholders would have received their final dividend of 9 cents per share on 30 September 2011.

CAPITAL RETURN

- Following shareholder approval at the general meeting held on 5 July 2011, a capital return of approximately \$75 million or just over 16 cents per ordinary share held by shareholders on the record date, was distributed on 21 July 2011.
- This highlights the Board's commitment to sound capital management and maximising shareholder returns.

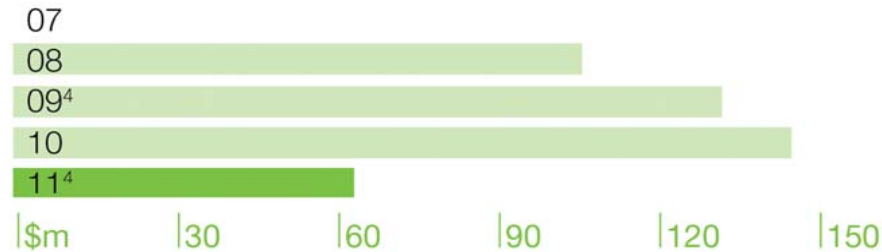
DIVIDEND REINVESTMENT PLAN (DRP)

- Allows shareholders to reinvest the whole or part of their dividend into shares in a company. It is generally used as a means of preserving capital in a business and typically involves issuing new shares.
- Due to nib's surplus capital we have no immediate need to retain capital within the business through a DRP and it may dilute shareholder returns.
- The Board will consider a DRP in the future, if such a plan would ultimately benefit the business' capital position and our shareholders.
- The Board will continue to keep shareholders informed of any future plans for such a program.
- If shareholders wish to invest their dividends in nib shares, nib has an arrangement with E-Trade to make trading nib shares easy. For more details visit **nib.com.au/shareholders**

CAPITAL POSITION AT 30 JUNE 2011

Surplus capital⁵ **\$63m**

down from \$144.5m



⁴ nib health's internal benchmark for capital adequacy was revised from 1.5x the minimum capital requirement in FY08 to 1.4x the minimum capital requirement in FY09. The internal benchmark was further revised to 1.3x the minimum capital requirement in FY11.

⁵ As at 30 June 2011, after allowing for the 2011 final dividend payment and capital return.

- As at 30 September 2011, after payment of the final dividend (\$42m) and capital return (\$75m), nib had surplus capital above its internal prudential target of \$75.5m with no debt.
- nib remains well placed to play a major role in any future industry consolidation.

nib foundation

- nib foundation remains one of the great legacies of demutualisation.
- Since 2008, the foundation has provided more than \$6 million in funding support to 26 community and charitable organisations that seek to improve the health and wellbeing of Australians.
- In FY11, announced \$650,000 in new funding to 10 community groups and maintains support of its major national partners including:
 - Canteen's *Offspring Support program*;
 - Hunter Institute of Mental Health's *Partners in Depression program*; and
 - Hunter Medical Research Institute's *Healthy Schools, Healthy Futures program*.

CHANGES TO THE nib BOARD

- **MS CHRISTINE McLOUGHLIN**

Appointed to nib Board in March 2011.

- **MR KEITH LYNCH**

Retired from nib Board in September 2011 after 30 years service and Chairman for 10 years.

LOOKING AHEAD

- Our FY11 result continues nib's track record of improvement across most key metrics.
- The outlook for FY12 remains positive despite uncertainty in the broader economy.
- nib is well positioned to continue to deliver strong shareholder returns.

 **Mark Fitzgibbon**
Managing Director

GROUP HIGHLIGHTS

	FY10	FY11	Change	
Net policyholder growth Health Insurance Business (HIB)	5.9%	6.0%	↑	0.1%
Consolidated Premium Revenue	\$901.4m	\$1,007.8m	↑	11.8%
Net underwriting profit ¹	\$47.1m	\$61.5m	↑	30.7%
Net Investment income	\$44.5m	\$32.1m	↓	(27.7)%
NPAT	\$61.5m	\$65.5m	↑	6.4%
ROE	16.3%	16.5%	↑	0.2%
EPS	12.4 cps	13.7 cps	↑	10.5%
Full dividend	7.0 cps	13.0 cps	↑	85.7%
Operating cash flow	\$66.2m	\$88.3m	↑	33.4%

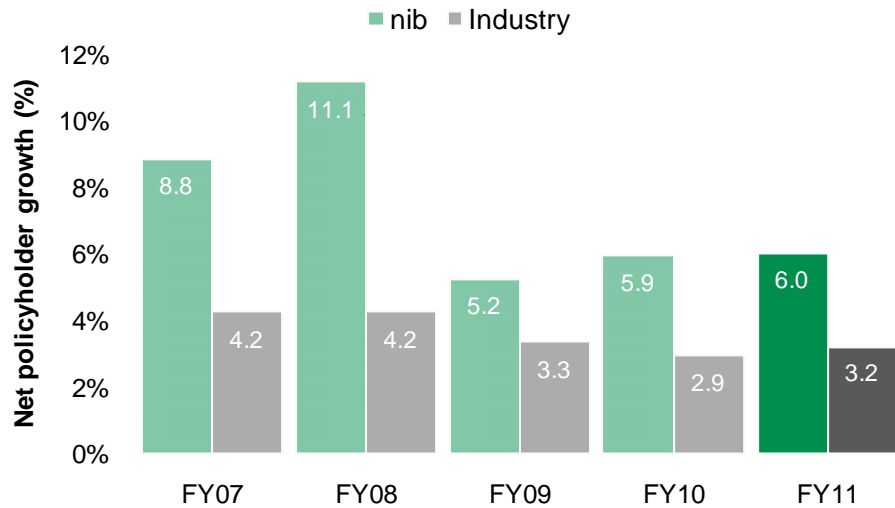
¹ FY11 includes favourable \$2.2m head office revaluation.

Some items in this presentation rounded up/down for presentation purposes

2011 Annual General Meeting

POLICYHOLDER GROWTH

HEALTH INSURANCE BUSINESS (HIB)



- nib CAGR (FY07-FY11) = 7.0% (Industry 3.4%)
- Net policyholder growth (HIB) for first three months of FY12 of 7,933 policies (same period FY11 – 8,563)

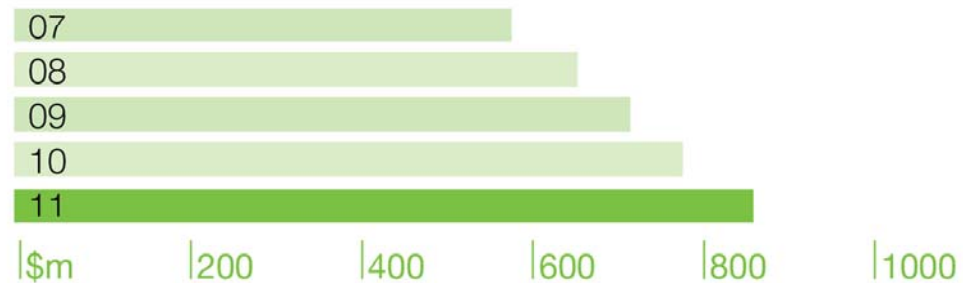
	NSW/ACT	VIC	QLD	WA	NT	TAS	SA	TOTAL
FY11								
Net new policyholders	10,178	7,484	3,619	2,463	71	118	311	24,244
Net policyholder growth	3.5%	12.2%	8.6%	42.6%	12.5%	10.5%	4.8%	6.0%

Source: nib/PHIAC data as at June 2011

CLAIMS EXPENSE

Net claims incurred **\$848.7m**

up 10.5%

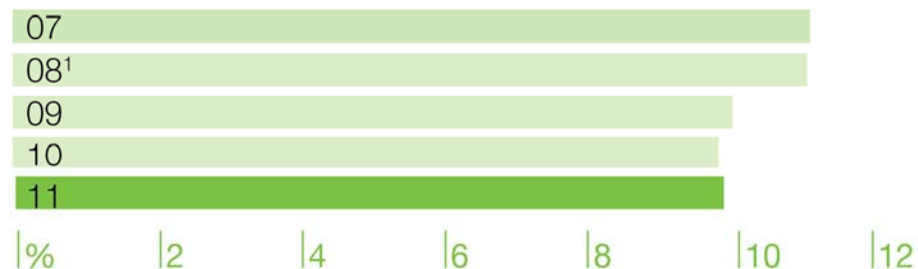


- In FY11, nib's net claims incurred (including risk equalisation and international business operations) totalled \$848.7m, an increase of 10.5% on FY10.
- Risk equalisation remains an ongoing concern – in FY11 nib's risk equalisation contribution was \$132.7m, up 20.8% on FY10.
- Managing claims inflation is critical to maintaining our price competitiveness and profit margins.

MANAGEMENT EXPENSES

Management expense ratio **9.7%**

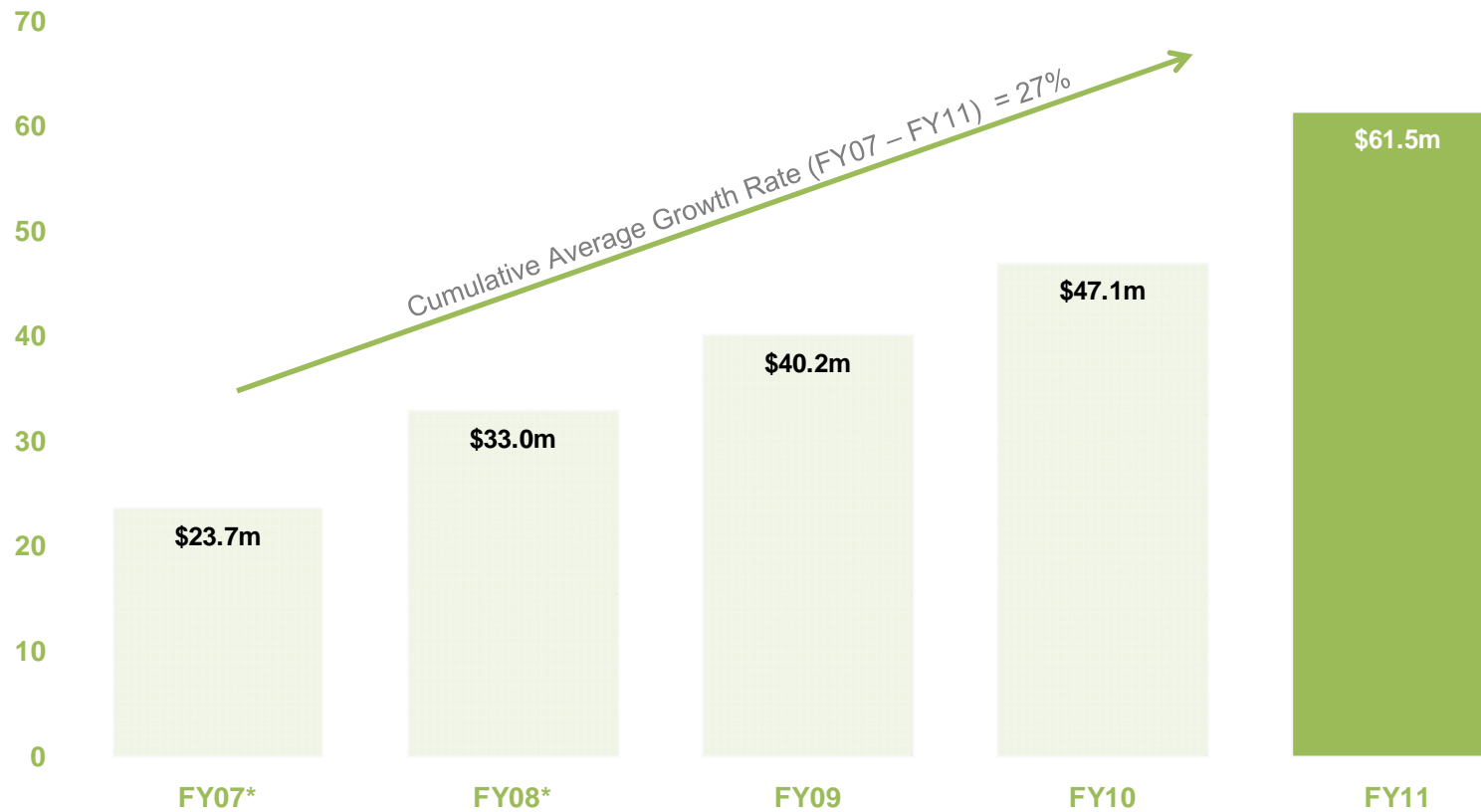
up from 9.6%



¹ FY08 result was normalised to remove the impact of costs associated with nib's demutualisation and listing.

- FY11 Management Expense Ratio (MER) of 9.7% includes HIB and International Business operations - was within our forecast target of 9.5% - 10%.
- HIB MER of 9.2% (FY10: 9.6%) lowest since listing on ASX.
- HIB MER result was achieved notwithstanding the forecast significant investment in business automation, IT and organic growth.

TRACK RECORD OF DOUBLE DIGIT UNDERLYING EARNINGS GROWTH



* Result was normalised to remove the impact of costs associated with nib's demutualisation and listing, and "notional" tax

MARKET OUTLOOK & ISSUES

- System growth (predicted at 3% in FY12)
- Means testing of 30% private health insurance rebate unlikely
- Claims utilisation and cost inflation, including Risk Equalisation
- National Health and Hospital “Reform”
- Industry consolidation/globalisation
- Possible sale of Medibank Private

BUSINESS STRATEGY

- Ongoing organic growth with focus on <40 years of age but with additional investment in:
 - Corporate market (in conjunction with International Workers Business)
 - Western Australia
 - Seniors segment
- International workers/students global cover
- Further operational and IT efficiencies, including additional automation and outsourcing
- Capital management including M&A*

** General disclosure on M&A - nib pursued a demutualisation and listing on ASX in 2007 to be better placed to participate in the consolidation and modernisation of the private health insurance industry. From time to time nib has discussions with domestic and international industry participants on a range of matters, including possible joint strategic initiatives. These discussions will continue to occur in order to grow shareholder value and the market will be informed of any material matters in accordance with our responsibilities with respect to continuous disclosure.*

FY12 BUSINESS OUTLOOK & GUIDANCE

- Net HIB policyholder growth of 5% - 6%
- Consolidated net pre-tax underwriting profit of \$65m - \$70m
- Investment return in line with
 - Regulatory capital (80/20 defensive/growth) - target for portfolio UBS bank bill index plus 1%
 - Surplus capital - UBS bank bill index
- Continued interest in M&A opportunities
- Prospects of further capital management initiatives



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