

2011 nib General Meeting Chairman's Script

WELCOME

Ladies and Gentlemen, good morning, my name is Keith Lynch, Chairman of nib holdings limited and on behalf of the nib Board, I welcome you to this nib 2011 General Meeting. This is the first meeting of this nature nib has held for shareholders in Sydney.

The time is now 10 am. The Company Secretary has advised me that a quorum is present, and as such, I formally declare the Meeting open.

Before we start our official proceedings I would ask that all mobile phones be turned off. Also, I ask you to please note the Emergency exits which are located at the behind me, to my left and at the back of the room.

[Keith to point to exit signs appropriately lit]

INTRODUCTION OF DIRECTORS AND EXECUTIVE

I would now like to introduce to you the nib representatives that are joining me on the stage here today:

- 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, Christine McLoughlin;
- Managing Director and Chief Executive Officer, Mark Fitzgibbon;
and
- Chief Financial Officer and Company Secretary, Michelle McPherson.

MEETING SCHEDULE

Very soon I will address the items of Business as they appear in the Notice of Meeting.

These are:

- **Resolution 1** - Approval of a capital return to shareholders; and
- **Resolution 2** - Approval of an adjustment to the Performance Rights issued under nib's Long Term Incentive Plan.

If Resolution 1 is approved, the Capital Return will be implemented regardless of whether Resolution 2 is approved. The Performance Rights Adjustment will only be implemented if Resolution 1 and Resolution 2 are both approved.

Shareholders will be given the opportunity to ask any questions relating to the Capital Return and/or the Performance Rights Adjustment.

I will only allow questions and comments that are specific to the Capital Return and/or the Performance Rights Adjustment.

We have received numerous questions in writing from shareholders prior to today's Meeting. From these we have produced a question and answer document that was placed on your chair.

I also note that nib will respond in writing to any shareholder who has submitted a written question.

We recognise that a significant number of our shareholders are also nib policyholders. If you have a question relating to your nib health cover policy, I ask that you speak to our customer service representatives located in the foyer. They will be available at the conclusion of today's Meeting to help answer any questions you may have about your nib health insurance.

Each registered shareholder should have received an electronic handheld device at the registration desk that will be used today for voting and also for asking questions. nib has utilised these devices on a number of occasions and I think you will find they are very user-friendly and assist with the efficient running of the Meeting.

In a few moments I will ask OLIVER from Computershare to demonstrate how to use the electronic handheld devices.

BUSINESS OF THE MEETING

We will now proceed with the formal business of the Meeting.

I propose to take the notice convening the Meeting as read, and to maintain the flow I will dispense with the formality of moving or seconding resolutions as all matters are properly before the Meeting.

Please note that matters not pertaining to the Meeting, such as any questions or issues you may have about your nib health insurance policy, will not be covered today.

I will now hand over to OLIVER from Computershare who will demonstrate how to use the electronic handheld devices that were provided to shareholders when registering today.

ASKING QUESTIONS

Thank you Oliver.

As a courtesy, just to clarify the process for asking questions, all questions should be addressed to the Chairman.

Only people who were registered with an electronic handheld device are entitled to ask questions at today's Meeting. I will endeavour to answer all relevant questions from shareholders during today's Meeting. I will only allow questions and comments that are specific to the Capital Return and/or the Performance Rights Adjustment.

As Chairman, I reserve the right to rule out of order any questions I consider to be outside the scope of the Meeting.

ITEM 1 SPECIAL BUSINESS: CAPITAL RETURN

Item 1 on the agenda is the approval of the Capital Return.

The Notice of Meeting provides detailed information on the impact of the Capital Return on nib, including pro-forma financial statements.

However, I think it is important that I summarise some of this information ahead of this resolution being put to shareholders today.

nib proposes to reduce its share capital by a total of approximately \$75 million by returning to shareholders the amount of approximately \$0.16 per ordinary share held as at the Record Date. The money that will be used to make the payments to relevant shareholders in respect of the Capital Return will be sourced from nib's existing cash reserves.

If the Capital Return is approved, the amount of approximately \$0.16 per ordinary share will be returned to relevant shareholders by way of an equal reduction of capital under Chapter 2J.1 of the Corporations Act. The date and time for determining which shareholders will participate in the Capital Return is the Record Date. The Record Date is expected to be 7pm on 13 July 2011.

ITEM 1 SPECIAL BUSINESS: CAPITAL RETURN

nib has previously advised the market that, in the absence of potential strategic investment opportunities, the Board would consider capital management initiatives at the time that nib's half year results for the 2011 financial year were announced.

Following an unsuccessful proposal to merge with GMHBA, the Board undertook a detailed review as to how it should manage the nib group's capital position going forward. The financial advice that was received by the Board as part of this review, together with the absence of clear and present strategic investment opportunities available to nib, has led to the Board's decision to propose the Capital Return.

ITEM 1 SPECIAL BUSINESS: CAPITAL RETURN

Another key factor considered by the Board was nib's regulatory capital requirements and how to best balance those requirements with other key financial indicators. Whilst the nib group must maintain adequate capital to satisfy relevant regulatory requirements, it is also important, on the basis that nib is a publicly listed entity, that the Board have regard to key indicators such as "return on equity".

The decision to propose the Capital Return also reflects that the Board considers that the nib group has surplus capital above its internal prudential requirement at this point in time.

The Board considers that the Capital Return will not adversely affect nib's capacity to fund or pursue existing business and growth opportunities.

No adverse tax consequences are expected to arise for nib as a result of the Capital Return. You should note that nib has received a Class Ruling from the ATO in relation to the tax treatment of the Capital Return for certain shareholders.

ITEM 1 SPECIAL BUSINESS: CAPITAL RETURN

The Capital Return will also have no impact on nib's on-market buy back announced on 29 August 2008 and continued on each of 31 August 2009 and 31 August 2010.

The number of issued shares in nib will not change as a result of the Capital Return.

The Directors unanimously recommend that shareholders vote in favour of Resolution 1 to approve the Capital Return.

We would be pleased to hear your comments or to take your questions shortly.

ITEM 1 OF SPECIAL BUSINESS: CAPITAL RETURN

The resolution relating to Item 1 of the Notice of Meeting is the Approval of a Capital Return to shareholders.

Are there any questions or comments which relate to this resolution?

Discussion

**SLIDE 25 ITEM 1 OF SPECIAL BUSINESS:
CAPITAL RETURN**

There being no [further] discussion, before I put the resolution to the vote, we will now display on the screen the proxies received in relation to this resolution.

Details of proxy votes lodged are:

For	Against	Open at Chairman's Discretion	Open – Other	Abstain
131,118,436	831,117	3,022,721	178,500	207,770

If we go to a poll, I intend to vote all undirected proxies in favour of the resolution.

Please note that as this resolution is an ordinary resolution, 50.1% of votes cast by shareholders are required to be in favour of the resolution for the resolution to pass.

I now put the resolution to the vote.

**ITEM 1 OF SPECIAL BUSINESS:
CAPITAL RETURN**

Please enter your vote now.

- Those in favour of the resolution please press "1" on the handset.
- Those against the resolution please press "2" on the handset.
- Those who wish to abstain from voting please press "3" on the handset.

Thank you.

**ITEM 1 OF SPECIAL BUSINESS:
CAPITAL RETURN**

I now declare the vote closed.

**ITEM 1 OF SPECIAL BUSINESS:
CAPITAL RETURN**

Resolution passed on show of hands	Resolution lost on show of hands
<p>I declare the resolution passed.</p> <p>As mentioned earlier, for the information of our shareholders, the results of the resolution voted on by a show of hands are now shown on the screen.</p>	<p>I declare that the resolution is lost on a show of hands and in accordance with the Corporations Act I exercise my right as Chairman to declare that a poll be conducted.</p> <p>As previously explained to you by Oliver from Computershare, attendees entitled to vote were issued an electronic handheld device at registration.</p> <p>The electronic handheld devices</p>

	<p>when submitting your vote by show of hands, have also registered your vote by poll.</p> <p>As all votes have been cast, I now declare the poll closed.</p> <p>The result of the poll is as follows (refer screen):</p> <p>For</p> <p>Against</p> <p>Open (at Chairman's discretion)</p> <p>Open(other)</p> <p>Abstain</p> <p>As a result, the resolution is [passed or lost] by way of poll.</p>
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ITEM 2 OF SPECIAL BUSINESS: PERFORMANCE RIGHTS ADJUSTMENT

Item No. 2 on the agenda is approval of the Performance Rights Adjustment.

Again, whilst the Notice of Meeting provides detailed information on the impact of the Performance Rights Adjustment I think it is important that I summarise some of this information ahead of this resolution being put to shareholders today.

The Long Term Incentive Plan or LTIP forms part of nib's remuneration strategy. The LTIP is designed to align the interests of executives and shareholders and to assist nib in the attraction, motivation and retention of executives. In particular the LTIP provides executives with an incentive for future performance, thereby encouraging those executives to remain with nib and contribute to the future performance of nib. The LTIP has been in place since the financial year commencing 1 July 2007.

Under the LTIP, executives are granted performance rights for nil consideration to acquire ordinary shares in nib which only vest if certain

performance standards are met and the executives are still employed by the nib group at the end of the vesting period.

ITEM 2 OF SPECIAL BUSINESS: PERFORMANCE RIGHTS ADJUSTMENT

Each performance right entitles the holder, on satisfaction of the relevant performance hurdles and therefore vesting of the performance right, to one ordinary share in nib, subject to the holder being employed by nib at the end of the performance periods applicable to that participant and to the other LTIP Rules.

Currently there is a total of 1,694,295 (**one million, six hundred and ninety four thousand, two hundred and ninety five**) performance rights that have been issued to eligible executives and which have not vested.

On vesting of a performance right, nib may elect whether to allocate shares by way of an issue of shares or by procuring the on-market purchase and transfer of shares.

ITEM 2 OF SPECIAL BUSINESS: PERFORMANCE RIGHTS ADJUSTMENT

nib currently proposes that it will satisfy its obligations to allocate shares for the purposes of the LTIP by arranging for the on-market purchase and transfer of shares to relevant participants after those participants have satisfied the relevant performance hurdles and their performance rights have vested.

Clause 8.2 of Schedule 2 of nib's LTIP Rules provides that *"if there is any reorganisation, including any subdivision, consolidation, reduction or return of the issued capital of the Company, the number of Performance Rights to which each participant is entitled will be adjusted in the way specified by the Listing Rules from time to time"*.

ITEM 2 OF SPECIAL BUSINESS: PERFORMANCE RIGHTS ADJUSTMENT

To compensate for the diminution in the value of the performance rights that have been issued but will not have vested before the "ex" date of the Capital Return, it is proposed that the number of shares that will be

allocated on the vesting of each performance right will be adjusted in accordance with the formula which is detailed on page 9 of the Notice of Meeting.

The intention of the Performance Rights Adjustment is for the value of the performance rights to be the same before and after the implementation of the Capital Return – it is intended that holders of performance rights will not receive any advantage or disadvantage from the Performance Rights Adjustment, rather it is to maintain the balance of rights between shareholders and holders of performance rights.

The Performance Rights Adjustment will not apply to performance rights which are issued under the LTIP on or after the “ex” date for the Capital Return.

ITEM 2 OF SPECIAL BUSINESS: PERFORMANCE RIGHTS ADJUSTMENT

Performance rights do not give holders any entitlement to participate in the Capital Return as only ordinary shareholders are eligible to participate. Further, no shares will be allocated in respect of any performance rights that do not vest, and no additional shares will be allocated as a result of the Performance Rights Adjustment to any performance rights that do not vest in accordance with the LTIP Rules.

The Board believes that the Performance Rights Adjustment is in nib’s best interests because the Performance Rights Adjustment is an equitable way to counter the diminution in values, as a result of the Capital Return, of the shares that will be allocated if the performance rights vest. By implementing the Performance Rights Adjustment, the Board believes that it will maintain the underlying principles of the LTIP, namely the alignment of the interests of executives and shareholders and assisting nib in the attraction, motivation and retention of executives.

ITEM 2 OF SPECIAL BUSINESS: PERFORMANCE RIGHTS ADJUSTMENT

Mr Mark Fitzgibbon is the only director of nib who has been issued performance rights under the LTIP. The number of performance rights issued to Mr Fitzgibbon under the LTIP is detailed on page 8 of the Notice of Meeting.

The Directors, with Mr Fitzgibbon abstaining and not voting, unanimously recommend that shareholders vote in favour of Resolution 2 to approve the Performance Rights Adjustment.

We would be pleased to hear your comments or to take your questions shortly.

Discussion

ITEM 1 OF SPECIAL BUSINESS: CAPITAL RETURN

The resolution relating to Item 2 of the Notice of Meeting is the Approval of an adjustment to the Performance Rights issued under nib's Long Term Incentive Plan.

Are there any questions or comments which relate to this resolution?

Discussion

ITEM 2 OF SPECIAL BUSINESS: PERFORMANCE RIGHTS ADJUSTMENT

There being no [further] discussion, before I put the resolution to the vote, we will now display on the screen the proxies received in relation to this resolution.

Details of proxy votes lodged are:

For	Against	Open at Chairman's Discretion	Open – Other	Abstain
123,305,006	3,187,220	3,755,149	201,700	4,913,371

If we go to a poll, I intend to vote all undirected proxies in favour of the resolution.

Please note that as this resolution is an ordinary resolution, 50.1% of votes cast by shareholders are required to be in favour of the resolution for the resolution to pass.

nib will disregard any votes cast on this resolution by a person who holds a performance right that is the subject of the approval and any of their associates. However, nib need not disregard a vote if it is cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form (or provided electronically); or
- the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form (or provided electronically) to vote as the proxy decides.

In addition to this, the members of nib's executive management team have determined to abstain from voting on this resolution.

I now put the resolution to the vote.

**ITEM 2 OF SPECIAL BUSINESS:
PERFORMANCE RIGHTS ADJUSTMENT**

Please enter your vote now.

- Those in favour of the resolution please press "1" on the handset.
- Those against the resolution please press "2" on the handset.
- Those who wish to abstain from voting please press "3" on the handset.

Thank you.

**ITEM 2 OF SPECIAL BUSINESS:
PERFORMANCE RIGHTS ADJUSTMENT**

I now declare the vote closed.

ITEM 2 OF SPECIAL BUSINESS: PERFORMANCE RIGHTS ADJUSTMENT

Resolution passed on show of hands	Resolution lost on show of hands
<p>I declare the resolution passed.</p> <p>As mentioned earlier, for the information of our shareholders, the results of the resolution voted on by a show of hands are now shown on the screen.</p>	<p>I declare that the resolution is lost on a show of hands and in accordance with the Corporations Act I exercise my right as Chairman to declare that a poll be conducted .</p> <p>As previously explained to you by Oliver from Computershare, attendees entitled to vote were issued an electronic handheld device at registration.</p> <p>The electronic handheld devices when submitting your vote by show of hands, have also registered your vote by poll.</p> <p>As all votes have been cast, I now declare the poll closed.</p> <p>The result of the poll is as follows (refer screen):</p> <p style="margin-left: 40px;">For</p> <p style="margin-left: 40px;">Against</p> <p style="margin-left: 40px;">Open (at Chairman's discretion)</p> <p style="margin-left: 40px;">Open(other)</p> <p style="margin-left: 40px;">Abstain</p> <p>As a result, the resolution is [passed or lost] by way of poll.</p>

CLOSE OF MEETING

The formal results from today's Meeting will be released to the ASX later today and will be posted on nib's website.

Ladies and gentlemen, that being the end of all business, I would like to declare the Meeting closed and thank you for your attendance at the Meeting.

I would like to invite you to stay for refreshments which are being served in the foyer.

Thank you.