

2011

GENERAL MEETING

TUESDAY 5 JULY 2011

THE WESTIN SYDNEY

nib

INTRODUCTION

nib's Board and Executive

- **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** - Independent Non-Executive Director;
- **Mark Fitzgibbon** - Managing Director and Chief Executive Officer; and
- **Michelle McPherson** - Chief Financial Officer and Company Secretary.

MEETING SCHEDULE

- **Resolution 1** - Approval of a capital return to shareholders (“Capital Return”); and
- **Resolution 2** - Approval of an adjustment to the Performance Rights issued under nib’s Long Term Incentive Plan (“Performance Rights Adjustment”).
 - 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.

BUSINESS OF THE MEETING

- Take the notice convening the Meeting as being read and dispense with the formality of moving or seconding resolutions as all matters are properly before the Meeting.
- Matters not pertaining to the Meeting, such as any questions or issues relating to your nib health insurance policy, will not be covered today.

YOUR ELECTRONIC VOTING HANDSET

- The handheld device will facilitate an electronic voting system and will also be used to ask questions of the Chairman.
- When registering, shareholders and their representatives were given a plastic smartcard and an electronic voting handset.



INSERTING SMARTCARD

- The smartcard should have been inserted into your handset when you registered for the Meeting.
- If the smartcard is not inserted into your handset please do so now.
- When looking at the handset, the arrows on the Smartcard should point down with the chip at the bottom facing you.



INSERTING SMARTCARD

- Insert the smartcard up to the red line.
- A welcome message will appear when the card is inserted correctly.



CASTING YOUR VOTE

- When the vote opens, the handset will display the voting options being:
 - 1 to vote **FOR** the resolution;
 - 2 to vote **AGAINST** the resolution;
and
 - 3 to **ABSTAIN** from voting



VOTE CONFIRMATION

- Your selection and the word “**RECEIVED**” will appear on your handset to indicate your vote has been received.
- If you wish to change your vote, simply enter your new choice by pressing the appropriate number.
- If you wish to withdraw your vote press the Cancel button.



DISLODGED CARD

- If your smartcard has not been inserted correctly or if your smartcard is accidentally dislodged, a prompt will appear on your screen and you may need to push the smartcard back into the handset.



CASTING YOUR VOTE

- If you have been appointed proxy, any directed votes will be cast automatically as instructed when you press 1, 2 or 3 to cast your open votes.
- If you hold wholly directed votes on a resolution, these will be submitted automatically as instructed by the holder when you press 1, 2 or 3.



CASTING YOUR VOTE

- Those shareholders and proxies who split their votes at registration need to press the blue button at the top of the keypad when the poll begins to submit these votes.
- If you wish to split your vote and you did not do so at registration, please see a Computershare representative at the side of the room.



CASTING YOUR VOTE

- The system will then calculate the result of the votes received, displaying them initially as a show of hands then if required as a poll including all proxy votes.



TEST RESOLUTION

- Please consider the following test resolution.
 - *Should nib hold its 2011 Annual General Meeting in Sydney?*

TEST RESOLUTION

- The vote is now open. Please enter your vote now.
 - ❑ To vote **FOR** the resolution, press **1** on your handset
 - ❑ To vote **AGAINST** the resolution , press **2** on your handset
 - ❑ To **ABSTAIN** from voting , press **3** your handset

TEST RESOLUTION

- Voting on the resolution is now closed.

INSERTING YOUR SMARTCARD

- Insert the smartcard up to the red line. A welcome message will appear when the card is inserted correctly.



JOINING THE QUESTION QUEUE

- When the floor is open to questions press the blue button on your keypad to join the list of those waiting to speak.
- Your screen will confirm that you are in the queue.
- If you no longer wish to speak please press the blue button again to leave the queue.



ASKING QUESTIONS

- All questions should be addressed to the Chairman.
- Only those registered with an electronic handheld device are entitled to ask questions.

(**NOTE:** shareholders who have voted before the meeting will be required to revoke their vote to receive a handset and ask a question at the meeting)

- Chairman reserves the right to rule out of order any questions considered to be outside the scope of the Meeting.

ITEM 1 SPECIAL BUSINESS CAPITAL RETURN

- nib proposes to reduce 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 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 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 GMHBA1, 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

- The Board also considered 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 proposed 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 proposed 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.
- 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 SPECIAL BUSINESS CAPITAL RETURN

RESOLUTION

- *Approval of a Capital Return to shareholders:*

“That, for the purposes of Part 2J.1 of the Corporations Act 2001 (Cth) and for all other purposes, approval is given for the Company to reduce its share capital by a total of approximately \$75 million by way of an equal capital reduction, subject to the Australian Taxation Office issuing a class ruling confirming that any such payment will not be treated as a dividend for Australian income tax purposes. The reduction of capital is to be effected by the Company paying to each registered holder of fully paid ordinary shares in the Company, as at a date and time to be specified by the board of the Company, the pro rata amount of the capital reduction per ordinary share.”

- Questions relating to this resolution.

ITEM 1 SPECIAL BUSINESS CAPITAL RETURN

- Proxies received in relation to this resolution.

FOR	AGAINST	OPEN (Chairman's discretion)	OPEN (Other)	ABSTAIN
131,118,436	831,117	3,022,721	178,500	207,770

ITEM 1 SPECIAL BUSINESS CAPITAL RETURN

- The resolution is now put to the vote. Please enter your vote now.
 - To vote **FOR** the resolution, press **1** on your handset;
 - To vote **AGAINST** the resolution , press **2** on your handset;
and
 - To **ABSTAIN** from voting , press **3** your handset.

ITEM 1 SPECIAL BUSINESS CAPITAL RETURN

- Voting on the resolution is now closed.

ITEM 1 SPECIAL BUSINESS CAPITAL RETURN

- Result of the resolution by show of hands.

ITEM 1 SPECIAL BUSINESS CAPITAL RETURN

- Result of the resolution by poll.

ITEM 2 SPECIAL BUSINESS PERFORMANCE RIGHTS ADJUSTMENT

- The **Long Term Incentive Plan (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 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** performance rights that have been issued to eligible executives and 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 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 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 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 it 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.
- Implementing the Performance Rights Adjustment 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 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.

ITEM 2 SPECIAL BUSINESS

PERFORMANCE RIGHTS ADJUSTMENT

RESOLUTION

- *Approval of an adjustment to the Performance Rights issued under nib's Long Term Incentive Plan:*

“That, for the purposes of ASX Listing Rule 6.23.3 and for all other purposes, approval is given for the Company to adjust the terms of all performance rights granted under the nib Long Term Incentive Plan in the manner set out in the Explanatory Notes accompanying this Notice of Meeting.”

- Questions relating to this resolution.

ITEM 2 SPECIAL BUSINESS

PERFORMANCE RIGHTS ADJUSTMENT

- Proxies received in relation to this resolution.

FOR	AGAINST	OPEN (Chairman's discretion)	OPEN (Other)	ABSTAIN
123,305,006	3,187,220	3,755,149	201,700	4,913,371

ITEM 2 SPECIAL BUSINESS

PERFORMANCE RIGHTS ADJUSTMENT

- The resolution is now put to the vote. Please enter your vote now.
 - To vote **FOR** the resolution, press **1** on your handset;
 - To vote **AGAINST** the resolution , press **2** on your handset;
and
 - To **ABSTAIN** from voting , press **3** your handset.

ITEM 2 SPECIAL BUSINESS PERFORMANCE RIGHTS ADJUSTMENT

- Voting on the resolution is now closed.

ITEM 2 SPECIAL BUSINESS PERFORMANCE RIGHTS ADJUSTMENT

- Result of the resolution by show of hands.

ITEM 2 SPECIAL BUSINESS PERFORMANCE RIGHTS ADJUSTMENT

- Result of the resolution by poll.

MEETING CLOSED

- Thank you for attending the General Meeting.