



2011 Notice of Meeting

nib holdings limited
abn 51 125 633 856

Contents

Items of Business	1
Explanatory Notes	2
Schedule	5

Notice is given that the Annual General Meeting (AGM) of nib holdings limited (Company or nib) will be held:

Date: 26 October 2011

Time: 1.00pm

Venue: Fort Scratchley Multipurpose Centre
1 Nobbys Road, Newcastle 2300

Items of Business

ORDINARY BUSINESS

1. Consideration of Reports

To receive and consider the Financial Report, the Directors' Report and the Independent Auditor's Report of the Company for the financial year ended 30 June 2011.

Shareholders will be given a reasonable opportunity to ask questions about, or comment on, the management and audit of the Company.

There is no vote on this item.

2. Remuneration Report

To consider and, if thought appropriate, pass the following Advisory Resolution:

"That the Remuneration Report of the Company for the financial year ended 30 June 2011 (set out in the Directors' Report) is adopted."

Under the Corporations Act, this resolution is advisory only and does not bind the Directors or the Company.

3. Re-election of Mr Harold Bentley

To consider and, if thought appropriate, pass the following Ordinary Resolution:

"That Mr Harold Bentley be re-elected as an independent non-executive Director of the Company."

4. Election of Ms Christine McLoughlin

To consider and, if thought appropriate, pass the following Ordinary Resolution:

"That Ms Christine McLoughlin be elected as an independent non-executive Director of the Company."

SPECIAL BUSINESS

5. Termination benefits for Key Management Personnel

To consider and, if thought appropriate, pass the following Ordinary Resolution:

"That approval is given for the purpose of section 200B of the Corporations Act for the giving of benefits under the nib group's employment agreements and incentive plans to any present or future member of the nib group's key management personnel in connection with such person ceasing to hold a managerial or executive office or position of employment in the nib group as described in the Explanatory Memorandum accompanying the Notice of Meeting convening this AGM."

Voting Exclusion Statement

A vote must not be cast (in any capacity) on Item 2 and/or Item 5 by or on behalf of the Company's key management personnel (including the Directors), details of whose remuneration are included in the Remuneration Report or their closely related parties, whether as a securityholder or as a proxy. However, a vote may be cast on Item 2 and/or Item 5 by a member of the key management personnel, or a closely related party of a member of the key management personnel, if the vote is cast as a proxy appointed in writing that specifies how the proxy is to vote on Item 2 and/or Item 5, and the vote is not cast on behalf of a member of the key management personnel or a closely related party of a member of the key management personnel.

If the Chairman of the AGM is your proxy or is appointed as your proxy by default, and you do not direct your proxy how to vote in respect of Item 2 and/or Item 5 on the proxy form, you are directing the Chairman of the AGM to vote in favour of Item 2 and/or Item 5 even if that item is connected directly or indirectly with the remuneration of members of the key management personnel of the nib group.

Dated: 15 September 2011

By Order of the Board



Michelle McPherson
Company Secretary

Notes:

1. There have been recent changes to the rules in the *Corporations Act 2001* (Cth) governing voting by proxies. As a result of these changes, if the appointment of a proxy specifies the way the proxy is to vote on a particular resolution:

- the proxy is not required to vote on a show of hands, but if the proxy does so, the proxy must vote as directed (subject to any applicable voting exclusions);
- if the proxy has two or more appointments that specify different ways to vote on the resolutions, the proxy must not vote on a show of hands;
- if the proxy is not the Chairman, the proxy need not vote on a poll but if the proxy does so, the proxy vote must vote as directed (subject to any applicable voting restrictions); and
- if the proxy is the Chairman, the proxy must vote on a poll and must vote as directed.

In addition, there are now some circumstances where the Chairman will be taken to have been appointed as a shareholder's proxy for the purposes of voting on a particular resolution even if the shareholder has not expressly appointed the Chairman as their proxy. This will be the case where:

- the appointment of proxy specifies the way the proxy is to vote on a particular resolution;
- the Chairman is not named as the proxy;
- a poll is called on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the AGM; or
 - the proxy attends the AGM but does not vote on the resolution.

Shareholders should consider directing their proxy as to how to vote on each resolution by crossing either a "For" or "Against" box when lodging their Proxy Form to ensure that their proxy is permitted to vote on their behalf in accordance with their instructions.

2. A shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Shareholders can appoint a body corporate as well as an individual as their proxy. A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at general meetings of nib or in the capacity of a shareholder's proxy at general meetings of nib. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a general meeting or in voting on a resolution.

3. A shareholder who appoints two proxies may state on the proxy form what proportion or number of the shareholder's votes each proxy is being appointed to exercise. If a shareholder

appoints two proxies and does not specify the proportion or number of votes each proxy may exercise, each of the proxies may exercise half the shareholder's votes.

4. If a shareholder has appointed two proxies, when a resolution is decided on a show of hands, only the first person named on the proxy form may vote. If two proxy forms have been completed, the person whose name is earlier in alphabetical sequence may vote.

5. A proxy need not be a shareholder of nib.

6. Either the original, facsimile or electronic transmission of the proxy form(s) and any Power of Attorney or authority under which they are signed must be received at least 48 hours prior to the AGM (i.e. by no later than 1.00pm on Monday, 24 October 2011) or any adjournment. Any proxy form received after this deadline, including at the AGM, will be invalid.

7. A proxy form accompanies this Notice of Meeting. Further information on proxy voting is contained in the proxy form.

8. Additional proxy forms will be supplied by the nib share registry on request.

9. An electronic proxy facility is also available to shareholders via the nib shareholders' website – nib.com.au/shareholders.

10. If a corporate representative is to attend the AGM on behalf of a corporation, a formal Notice of Appointment must be brought to the AGM.

11. In accordance with Regulation 7.11.37 of the Corporations Regulations and ASX Settlement Operating Rule 5.6.1, the Board has determined that a person's entitlement to vote at the AGM will be the entitlement of that person set out in the register of shareholders as at 7.00pm (Sydney time) on 24 October 2011. Accordingly, transactions registered after that time will be disregarded in determining shareholders entitled to attend and vote at the AGM.

12. If you wish a question to be put to the Chairman or Auditor and you are not able to attend the AGM, please complete the question form which is included with this Notice of Meeting.

13. Either the original or facsimile transmission of the question form must be received at least five business days prior to the AGM (i.e. by no later than 5.00pm on 19 October 2011 or any adjournment). This is to allow time to collate questions and to prepare answers.

14. Definitions – nib group: The nib group consists of nib holdings limited and each of its subsidiaries.

Explanatory Notes

on the business to be transacted at the nib holdings limited (Company or nib) Annual General Meeting (AGM)

ORDINARY BUSINESS

1. Consideration of Reports

Section 317(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**) requires a public company to lay before its AGM the Financial Report, the Directors' Report and the Auditor's Report for the Company for the financial year that ended before the AGM.

Shareholders will be given a reasonable opportunity to consider, comment on and ask questions of the Directors and the Auditor of the Company about the management of the Company, the conduct of the audit, and the preparation and contents of the financial statements and reports for the financial year ended 30 June 2011.

2. Remuneration Report

The Corporations Act requires listed companies to put a remuneration report relating to Director and executive remuneration for each financial year to a resolution of members at their annual general meeting. The Remuneration Report is set out on pages 6 to 17 of the Company's annual financial report.

Under section 250R(3) of the Corporations Act, the vote on this resolution is advisory only and does not bind the Directors or the Company. Shareholders will be given a reasonable opportunity to ask questions about, and make comments on, the Remuneration Report at the AGM.

The Directors unanimously recommend that shareholders vote in favour of adopting the Remuneration Report.

3. Re-election of Mr Harold Bentley

In accordance with Article 10.3(a) of the Constitution dealing with the rotation of Directors, Mr Harold Bentley retires from office at the AGM and, being eligible to do so, offers himself for re-election as an independent non-executive Director.

Mr Harold Bentley was first appointed as a Director of the Company in November 2007 and was most recently re-elected at the 28 October 2008 annual general meeting. He is also a Director of nib health funds limited.

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. Prior to joining the nib Board he was Chief Financial Officer of Promina Group and an Audit Manager of PricewaterhouseCoopers, specialising in finance and insurance companies.

Harold is the Chairman of the nib Audit Committee and a member of the Investment Committee.

The Directors (with Mr Bentley abstaining and not voting) recommend that you vote in favour of this Ordinary Resolution.

4. Election of Ms Christine McLoughlin

Ms Christine McLoughlin was appointed by the Directors as an Independent Non-Executive Director of nib in March 2011 pursuant to Article 10.7 of the Constitution, which allows the Board to appoint a Director to fill a casual vacancy.

Christine McLoughlin retires in accordance with Article 10.3(b) of the Constitution and, being eligible, offers herself for election as an independent non-executive Director.

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. Her educational qualifications are BA, LLB (Hons) Australian National University, FAICD.

Christine is a Director of Westpac's Life and General Insurance business, The Australian Nuclear Science & Technology Organisation (ANSTO), and the Transport Accident Commission (TAC) of Victoria. She is also a Director of nib health funds limited.

In the charitable sector Christine contributes as a Director of The St James Ethics Centre and The Smith Family, and was formerly a Director of the AMP Foundation.

SPECIAL BUSINESS

5. Termination Benefits

5.1 Background

The Company is seeking shareholder approval for the benefits that may be payable to key management personnel (**KMP**) employed by the nib group when they cease to hold an office or position of employment in the nib group.

The Company is seeking this approval so the nib group can meet its existing contractual obligations to KMP and ensure that KMP are remunerated fairly and responsibly. The termination benefits to which KMP are entitled to have been described in the nib Remuneration Report for FY2010/2011 (**Remuneration Report**) as well as in the remuneration reports in previous years.

The following information sets out:

- who this resolution applies to and background as to why it is being sought;
- the termination benefits that may be payable to KMP in the event they cease employment with the nib group;
- how the termination benefits will be paid; and
- the matters, events and circumstances that may affect the calculation of the value of the termination benefits.

5.2 Who this resolution affects

Approval is sought for the termination entitlements or benefits of persons who either now or in the future are employed as a member of the KMP of the nib group. KMP are people who have authority and responsibility for planning, directing and controlling the activities of the nib group, directly or indirectly, including any Director (whether executive or otherwise) of the nib group as named in the remuneration report from year to year. Details of the current members of the nib group's KMP are provided in the Remuneration Report.

Approval is only sought for KMP employed by the nib group (i.e. not non-executive Directors).

5.3 Remuneration framework

This section describes the key features of the nib group's annual remuneration framework to provide background for the retirement benefits which may be received by KMP. The remuneration framework for the KMP consists of:

- a fixed component (base pay and benefits, including superannuation);

Explanatory Notes continued

on the business to be transacted at the nib holdings limited (Company or nib) Annual General Meeting (AGM)

- a short-term incentive (STI). The payment of STIs have regard to competency in the position and predetermined key performance indicator targets (KPIs) established by the Board; and
- a long-term incentive (LTI) by way of participation in the nib Long Term Incentive Plan (LTIP) for nominated KMPs having regard to predetermined KPIs established by the Board.

Depending on the seniority of KMP, a combination of the above components is used to form KMPs' total annual remuneration. The current target proportion of each component (i.e. remuneration mix) is described at page 8 of the Remuneration Report.

The Board of the Company may change the proportion of the components from time to time to ensure that the nib group's remuneration framework involves an appropriate "at risk" component, is aligned with corporate objectives and reflects market standards in accordance with advice given approximately every two years from remuneration consultants.

Further details of the nib group's remuneration framework including the LTIP and STIs are provided in the Remuneration Report.

5.4 Termination benefit approval – Part 2D.2.2 of the Corporations Act

The *Corporations Amendment (Improving Accountability on Termination Payments) Act 2009* introduced significant changes to the Corporations Act with effect from 24 November 2009. Under Part 2D.2.2 of the Corporations Act, the Company, its associates and any prescribed superannuation fund in connection with the Company are prohibited from giving a person who holds a "managerial or executive office" a benefit in connection with their ceasing to hold an office or position of employment in the nib group unless shareholders approve the giving of the benefit or an exemption applies.

5.4.1 Benefits that require shareholder approval and benefits that are exempt

"Benefit" is defined broadly in the Corporations Act to include most forms of valuable consideration. Retirement benefits under the Corporations Act include a range of payments or benefits given in connection with a person ceasing to hold an office or position of employment including termination payments or other benefits such as an accelerated or automatic vesting of share-based payments due to a person ceasing to hold an office or position of employment.

There is an exception to the prohibition on the provision of benefits where the value of the benefits do not exceed one year's average base salary (as calculated in accordance with the Corporations Act).

5.4.2 Reasons why shareholder approval is being sought

Shareholder approval is sought for certain benefits under the nib group's remuneration framework which will be considered to be termination benefits for the purposes of the Corporations Act.

The shareholder approval sought will cover the following benefits which KMPs may potentially receive under their contracts of employment with companies in the nib group and the policies and incentive plans of the nib group:

- termination payments under individual executive service agreements;
- short-term incentive payments; and
- the automatic or accelerated vesting of performance rights or options issued to KMP under the nib group's LTIP.

Termination payments provided to KMP under their executive services agreements will not ordinarily exceed 12 months total fixed remuneration. However, when aggregated with other benefits a KMP may receive in respect of STI payments or under the LTIP, a KMP's total termination benefits may exceed the 12 month cap imposed by the Corporations Act.

5.4.3 Details of termination benefits

This section describes the manner in which the amount or value of the potential termination benefits of KMP of the nib group are to be calculated and any matter, event or circumstance that will, or is likely to, affect the calculation of that benefit, as detailed for each benefit below.

i. Termination payments under individual executive service agreements

Notice of termination is a contractual entitlement provided for in a KMP's executive service agreement. In all cases, the relevant nib group entity has the ability to terminate KMPs' employment without cause with immediate effect and by making a contractual termination payment. KMP can terminate their employment with the relevant nib group entity on three months notice.

The following termination payments may be payable under a KMP's executive service agreement depending on the circumstances of the termination:

- where a KMP provides three months notice of termination, the relevant nib group entity may make a payment in lieu of all or part of this notice period (calculated on the KMP's total fixed remuneration);
- where a KMP provides such notice following a material adverse change to the KMP's powers, duties, responsibilities or location which occurs without the KMP's consent, the KMP is entitled to receive an additional termination payment equal to 12 months total fixed remuneration; and
- where the relevant nib group entity terminates a KMP (other than for cause), the KMP is entitled to receive a termination payment equal to the lesser of 12 months total fixed remuneration or the balance of the term of their executive service agreement.

A KMP's total fixed remuneration consists of the following components:

- cash salary;
- superannuation contributions; and
- other non-cash benefits agreed between the KMP and the nib group entity from time to time.

By way of information, current total fixed remuneration for KMP is disclosed in the Remuneration Report.

The amount of any payment can only be determined once notice is given. Accordingly, the amount of any termination payment cannot be ascertained as at the date of the Notice of Meeting. However, in all cases the termination payments will not exceed the payments described above.

Key matters, events or circumstances which will, or are likely to affect the calculation of the payment in lieu of notice include:

- the KMP's total fixed annual remuneration at the time of termination which will be set on an annual basis following the KMP's remuneration review;
- in the case of termination by the relevant nib group entity, the remaining period of the term of the KMP's employment; and
- where notice is given by the KMP, the length of any period of notice the KMP is required to work by the relevant nib group entity for which payment is being made.

ii. Short-term incentive

KMPs are eligible to be considered for an annual STI payment. The STI payment is conditional on each KMP meeting their defined KPIs reflecting key financial, strategic, operational and personal targets each financial year.

Based upon an annual performance review and success in meeting or exceeding targets, the cash component of the STI is payable on or before 15 September each year in respect of the prior financial year.

The Board is responsible for assessing the performance of the Managing Director (**MD**)/Chief Executive Officer (**CEO**) and the MD/CEO is responsible for assessing the performance of the other KMPs (with approval by the Nominations and Remuneration Committee).

Each KMP has a target STI opportunity. For the MD/CEO the current maximum target bonus opportunity is 60% of total fixed remuneration with 30% of the calculated entitlement awarded as performance shares to be held in escrow for one year. For other KMPs the current maximum entitlement is 40%-60% of the remuneration package with 20% of the calculated entitlement awarded as performance shares to be held in escrow for one year. The maximum entitlement of KMPs may be amended from time to time by the Board in order to ensure that the nib group's remuneration framework involves an appropriate "at risk" component, is aligned with corporate objectives and reflects market standards.

One-third of the executives' STI entitlement is linked to an assessment of personal competency and two-thirds linked to specific pre-determined KPIs. The short term performance incentives may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the Board, through the Nomination and Remuneration Committee. The STI target annual amount is reviewed annually.

STI payments are normally only payable where KMP remain employed for the full financial year. However, in the event that:

- a KMP's employment is terminated by an entity within the nib group (unless summarily terminated for cause); or
- a KMP terminates their employment due to material adverse change in the KMP's powers, duties, responsibilities or location which occurs without the KMP's consent,

prior to the end of a full financial year during the term of the executive service agreement, the KMP will be entitled to receive a pro rata payment based on the period of the financial year during which the KMP worked and the Nominations and Remuneration Committee's assessment of the KMP's performance against the KPIs as at the date of termination in the Board's sole and absolute discretion. The payment of pro rata STI in these circumstance would constitute a termination benefit for the purposes of the Corporations Act.

The amount of any STI payment which may be made to a KMP in these circumstances cannot be ascertained as at the date of the Notice of Meeting. Key matters, events or circumstances which will, or are likely to affect the calculation of the STI payment include:

- the KMP's seniority level, role, responsibilities and performance;
- the circumstances in which the KMP ceases employment;
- the achievement by the KMP of their KPIs;
- the KMP's target STI opportunity and total fixed remuneration for the relevant year; and
- the proportion of the year served by the KMP.

iii. Long-term incentive plan – LTIP

The LTIP forms part of nib's remuneration strategy. The LTIP is designed to align the interests of KMP and shareholders and to assist nib in the attraction, motivation and retention of KMP. In particular, the LTIP provides KMP with an incentive for future performance, thereby encouraging those KMP 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, KMP are granted performance rights for nil consideration or options to acquire ordinary shares in nib which only vest if certain performance standards are met and the KMP are still employed by the nib group at the end of the vesting period.

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

A summary of the LTIP rules is set out in the Schedule to these Explanatory Notes.

The Board may, in its discretion, decide to accelerate the vesting of all or part of the options or performance rights held by an Executive in specified circumstances including the Executive's death or cessation of employment for other reasons (including total and permanent disablement, retirement in certain circumstances, or redundancy of that Executive).

The accelerated vesting of performance rights or options under the LTIP in connection with the cessation of employment will constitute a termination benefit under the Corporations Act.

The value of any such benefit cannot be ascertained as at the date of the Notice of Meeting. The value of the benefit will depend on:

- the number of rights or options granted and held by the participant in accordance with the LTIP;
- the number of performance rights or options held by the participant which the Board of the Company determine should vest; and
- the market price of shares at the time such performance rights or options are exercised and converted into shares.

Key matters, events or circumstances which will, or are likely to affect the calculation of the value of any accelerated or automatic vesting of performance rights or options include:

- the financial performance of the nib group and the business or support area in which the participant works;
- the personal performance of the relevant participant each year;
- the seniority level of the participant;
- the number of years of service with the nib group;
- the circumstances in which the participant leaves the nib group;
- the proportion of the performance period served by the participant as at the date their employment ceases; and
- performance against the performance conditions as at the date the participant's employment ceases.

Recommendation

The Directors (with Mr Fitzgibbon abstaining and not voting) recommend that shareholders vote in favour of the resolution in Item 5.

Explanatory Notes continued

on the business to be transacted at the nib holdings limited (Company or nib) Annual General Meeting (AGM)

SCHEDULE

Summary of the LTIP Rules

A grant of options and/or performance rights is subject to both the LTIP Rules and the terms of the specific grant as determined by the Board. The Board is responsible for administering the LTIP in accordance with the LTIP Rules and the terms and conditions of specific grants of options and/or performance rights to participants in the LTIP.

Eligibility and Participation

The Board may determine which persons will be eligible to participate in the LTIP from time to time. Eligible persons may be invited to apply to participate in the LTIP. The Board may, in its discretion, accept such applications.

Options and Performance Rights

A person participating in the LTIP (“**Executive**”) may be granted options and/or performance rights on terms and conditions, including tenure conditions and performance hurdles, determined by the Board. The Board will determine the exercise price payable on exercise of a vested option. The main difference between an option and a performance right is that an exercise price as determined by the Board is required to be paid to exercise a vested option. A performance right has a nil exercise price and, if the performance right was granted to an Executive prior to the 2011 financial year, will be exercised if the Executive lodges a completed notice of exercise with the Board prior to the expiry date of the exercise period for the performance right in accordance with the LTIP Rules. If the performance right was granted to the Executive during the 2011 financial year, then, in accordance with the LTIP Rules, the performance right is exercised automatically on vesting unless determined otherwise by the Board. The Board may also determine the exercise period of an option.

Consideration for Grant

The Board may determine the amount (if any) payable for the grant of an option or a performance right from time to time.

Vesting

Following the satisfaction of the performance hurdles applying to an option or a performance right, the option or performance right vests on, and, in the case of an option or a performance right granted prior to the 2011 financial year, becomes exercisable on or after, a date predetermined by the Board (“**Vesting Date**”), provided that the Executive remains employed by nib as at that date.

Accelerated Vesting

Unless the Board determines otherwise, early vesting (prior to the relevant Vesting Date) of an option or a performance right will automatically occur:

- a. in relation to options – if there is a winding up or delisting of the Company; or
- b. in relation to performance rights – if there is a winding up of the Company, a delisting of the Company, a change of control of the Company or a reconstruction or amalgamation of the Company.

The Board may, in its discretion, decide to accelerate the vesting of all or part of the options or performance rights held by an Executive in specified circumstances including the Executive’s

death or cessation of employment for other reasons (including total and permanent disablement, retirement in certain circumstances, or redundancy of that Executive).

Lapse

An unvested option or performance right will lapse on the earliest of:

- a. in relation to options and/or performance rights granted prior to the 2011 financial year, the expiry date of the exercise period applicable to that option or performance right;
- b. in relation to performance rights granted during the 2011 financial year, the expiry date applicable to that performance right;
- c. the Board determining that the vesting conditions and/or the exercise conditions in respect of the option or performance right are not satisfied and not capable of being satisfied on the relevant testing date and that the option or performance right has lapsed;
- d. 30 days after the Executive’s death or total and permanent disablement, if death or total and permanent disablement occurs, unless in relation to a performance right granted during the 2011 financial year, the Board makes a determination that the performance right has vested;
- e. 30 days after the Executive ceases to be employed by the Company (for retirement or redundancy) unless the Board makes a determination that the option or performance right has vested;
- f. 30 days after the Executive ceases to be employed by the Company for any other reason (other than referred to in paragraphs (c) or (d) above) unless the Board makes a determination that the option or performance right has vested; or
- g. the Board determining that the Executive has committed (or it is evident that the Executive intends to commit) any act (whether by omission or commission) of dishonesty, fraud, wilful misconduct, wilful breach of duty, serious and wilful negligence or incompetence in the performance of the Executive’s duties, or is convicted of a criminal offence (other than minor/trivial offences) or is guilty of wilful or recklessly indifferent conduct which may injure the reputation or business of a nib entity, and that the option or performance right has lapsed.

A vested option and, in the case of performance rights granted prior to the 2011 financial year, a vested performance right will lapse on the earliest of:

- a. 12 months after the Executive’s death or total and permanent disablement;
- b. six months after the Executive ceases to be employed by the Company by reason of retirement or redundancy and three months for any other reason (other than termination with cause);
- c. the date (excluding any notice period) on which the Executive’s employment with the Company is terminated with cause;
- d. 30 days after the Board determining that the Executive has committed (or it is evident that the Executive intends to commit) any act (whether by omission or commission) of dishonesty, fraud, wilful misconduct, wilful breach of duty, serious and wilful negligence or incompetence in the performance of the Executive’s duties, or is convicted of a criminal offence (other than minor/trivial offences) or is guilty of wilful or recklessly indifferent conduct which may injure the reputation or business of a nib entity, and that the option has lapsed; or

- e. if the Board extends the time during which the option or performance right may be exercised, the expiry of that time.

Subject to the Listing Rules, the Board may, in its discretion, extend a period during which an Executive may exercise an option or in the case of performance rights granted prior to the 2011 financial year, a performance right, provided that the Board may not extend the exercise period. If the Board exercises its discretion to extend the period during which an Executive may exercise an option or in the case of performance rights granted prior to the 2011 financial year, a performance right, the Board will give written notice of such extension to the Executive as soon as reasonably practicable.

Delivery of Shares on Exercise of Vested Options or Vesting of Performance Rights

Following the Vesting Date or the accelerated vesting of an option or a performance right granted prior to the 2011 financial year, the vested option or performance right may be exercised by the Executive subject to any exercise conditions and the payment of the exercise price (if any), and the Executive will then be allocated or issued the number of shares comprised in each option or performance right.

For performance rights granted during the 2011 financial year, following the Vesting Date or the accelerated vesting of a performance right, the Executive will be allocated or issued the number of shares comprised in each performance right.

The Board has the discretion to have shares issued or transferred to an Executive on the exercise of vested options, the exercise of vested performance rights or vesting of performance rights. Any shares issued or allotted under the LTIP will rank equally with those shares of the same class for the time being on issue except for any rights attaching to those shares by reference to a record date prior to the date of issue or allotment.

Adjustment

In the event of any capital reorganisation by the Company (including any bonus issues), an Executive's options or performance rights, and the shares allocated to the Executive on exercise of the Executive's options, on exercise of the Executive's performance rights or vesting of the Executive's performance rights, will be adjusted as set out in the LTIP Rules and otherwise in accordance with the Listing Rules. In general, it is intended that the Executive will not receive any advantage or disadvantage from such adjustment.

Restrictions on Disposal of Shares

An Executive may not dispose of, deal in, or grant a security interest over any interest in, a share allocated to the Executive on exercise of a vested option, on exercise of a vested performance right or vesting of a performance right for any relevant period determined by the Board. The Board may implement such arrangements (including a holding lock) as it determines are necessary to enforce this restriction. Once the restriction is removed, and subject to the Company's Trading Policy, shares acquired on exercise of vested options exercise of vested performance rights or vesting of performance rights may be dealt with freely.

ENCLOSURES

Enclosed with the Notice of Meeting are:

- i. a proxy form to be completed if you would like to be represented at the AGM by proxy. An electronic proxy facility is also available to shareholders via the nib shareholders' website (nib.com.au/shareholders);
- ii. an AGM question form to be completed if you would like a specific question to be addressed by the Chairman or Auditor at the AGM; and
- iii. a reply paid envelope for you to return either or both the proxy form and AGM question form.

nib.com.au