CLEAR VISION

SOLID FOUNDATIONS

Annual General Meeting 2009

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Keith Lynch – Chairman

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INTRODUCTION

DIRECTORS & EXECUTIVE

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

MEETING SCHEDULE

- Chairman’s Address
- CEO’s Address
- Notice of Meeting
  - Table the Financial Report for the financial year ended 30 June 2009
  - Reports of the Directors and the Auditor of the Company
  - Re-election of Directors
  - Proposed change to the nib Constitution
- Close of Meeting

CHAIRMAN'S YEAR IN REVIEW

- nib has not been immune the global financial crisis
  - Greatest impact on nib, like many other businesses, has been on investment returns.
  - Overall our portfolio returns were in line with relevant benchmarks, with the exception of our Overseas Fixed Interest portfolio. Last six months however, we have seen an improved performance in this portfolio.
  - Negative investment return was reflected in our disappointing consolidated profit of $23.8m for FY09.
  - Underlying performance of nib for FY09 was very strong:
    - Pre-tax underwriting profit of $40.2m (up almost 22% on FY08).
    - Policyholder base grew by 5.2% compared to 3.3% industry growth.
  - FY09 results were very positive and we continued to build a strong foundation for nib as a listed public company.

CHAIRMAN'S YEAR IN REVIEW

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- Shareholder dividends
  - Earnings and capital strength have allowed for dividend payments totalling 7.4 cents per share, fully franked.
  - Shareholders received final dividend of 4.4 cents per share, fully franked, on 9 October 2009.
  - In addition to earnings payout ratio of 50-60%, nib will continue to distribute surplus capital in the form of special dividends, to the extent made possible by franking credits.
  - This is reflected in our FY09 Full Year dividend of 7.4 cents per share, of which 2.4 cents per share was effectively a normal dividend with 5.0 cents per share a capital management initiative.
  - We are keen to retain sufficient capital strength to take advantage of investment opportunities that may arise in the short to medium term.

CHAIRMAN'S YEAR IN REVIEW

- Industry consolidation
  - Playing a key role in further industry consolidation remains a priority. Having the capital structure to allow nib to participate in industry consolidation was one of the key motives for listing on ASX.
  - Since then three major health funds in MBF, AHM and Manchester Unity have been acquired.
  - nib remains committed to exploring M&A opportunities and is open minded as to what role nib could best play in reshaping the industry landscape.
- Unsolicited offer for a controlling stake in nib in October 2008
  - The proposal was unsolicited, non-binding, incomplete and opportunistic. The offer of $1.15 - $1.20 per share significantly undervalued nib.
  - Board believes nib's subsequent performance has vindicated this position.
  - The Board's primary motive is doing the best thing by shareholders and maximising shareholder return.

CHAIRMAN'S YEAR IN REVIEW

- Capital Management was a key focus in FY09
- On market share buy-back
  - Purchased and cancelled approximately 21.8 million shares at a total cost of $17.8 million.(Average cost of $0.82 per share).
  - We have calculated the on market share buy-back will be accretive to earnings per share of 4%.
  - nib intends to buy-back up to 10% of issued shares at the time of the commencement of the buyback in October 2008, subject to market price.

CHAIRMAN'S YEAR IN REVIEW

- Unmarketable parcel sale facility
  - nib offered a sale facility to registered holders of less than a marketable parcel of nib shares (parcel valued at $500 or less under the ASX Listing Rules).
  - nib values all of its shareholders, however administrative costs of maintaining many small shareholder accounts is exceedingly high.
  - nib recognises that small shareholders may find it difficult or expensive to dispose of their shares.
  - Almost 22 million shares, representing nearly 58,000 shareholders, were offered for divestment in the sale facility.
  - Maximum price nib could pay for the shares under a minimum holding buy-back was $1.04 per share. Instead, institutional investors, by way of an institutional bookbuild, were prepared to pay $1.06 per share.
  - Process and price achieved for the sale of shares was considered fair for all shareholders.

CHAIRMAN'S YEAR IN REVIEW

- Government policy continues to play an enormous role in industry dynamics
  - Changes to the Medicare Levy Surcharge were distracting, though appeared to have minimal impact on nib.
  - Means testing of 30% rebate was defeated in the Senate. Any future plans to reintroduce will similarly have little material impact on nib.
  - NHHRC Report highlights the need for Government to investigate further health system reform, particularly more private funding and service delivery.

CHAIRMAN'S YEAR IN REVIEW

- nib foundation
  - nib donated $25 million to establish nib foundation in June 2008 as part of demutualisation.
  - Primary goal of foundation to fund programs that redress health issues of regional or national relevance.
  - Since October last year the nib foundation has allocated $1.3m million in funding of health and wellbeing initiates:
    - $100,000 to the Black Dog Institute for research into Bipolar.
    - $50,000 to the Red Cross Victorian Bushfire Relief Fund.
    - $1million to the Hunter Institute of Mental Health to provide programs to support carers right across Australia over the next three years.
  - nib foundation will soon announce more than $500,000 in various Community Grants.

CHAIRMAN'S YEAR IN REVIEW

- Focus for the business moving forward
  - Grow premium and policyholder base above expected private health insurance system growth. Continue to explore M&A opportunities.
  - Move into our long-term underwriting profit margin range of 5-6% and seek to stabilise this position through managing costs and as far as possible, ensuring premiums keep up with claims inflation.
  - Drive towards return on equity invested in nib of at least 15% and examine possibilities to more optimally capitalise the business.
- Delivering strong shareholder returns remains a fundamental goal

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Mark Fitzgibbon – Managing Director

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TODAY'S AGENDA
MANAGING DIRECTOR
MARK FITZGIBBON

- Headlines & financial snapshot
- Business fundamentals
- Market outlook, business strategy and key enterprise risks
- Capital management
- Summary

FY09 HEADLINES

- Net policyholder growth of 18,899 (5.2%) in difficult economic conditions.
- Premium revenue of $829.5 million up 9.4% on previous year.
- Pre-tax underwriting profit of $40.2 million up 21.8% on previous year .
- Consolidated profit of $23.8 million impacted by poor investment losses.
- Operating cash in-flow of $44.2 million.
- Capital management:
  - On market share buy-back EPS accretive circa 4%.
  - Full year dividend of 7.4 cps, of which 2.4 cps a normal dividend (50% payout ratio) and 5.0 cps a capital management initiative.
- Return on Equity (ROE) 6.6% unsatisfactory but 11.2% if investment earnings normalised (5.5%).
- Total Shareholder Return (TSR) for year of 58.2% (ASX300: (20.3)%).

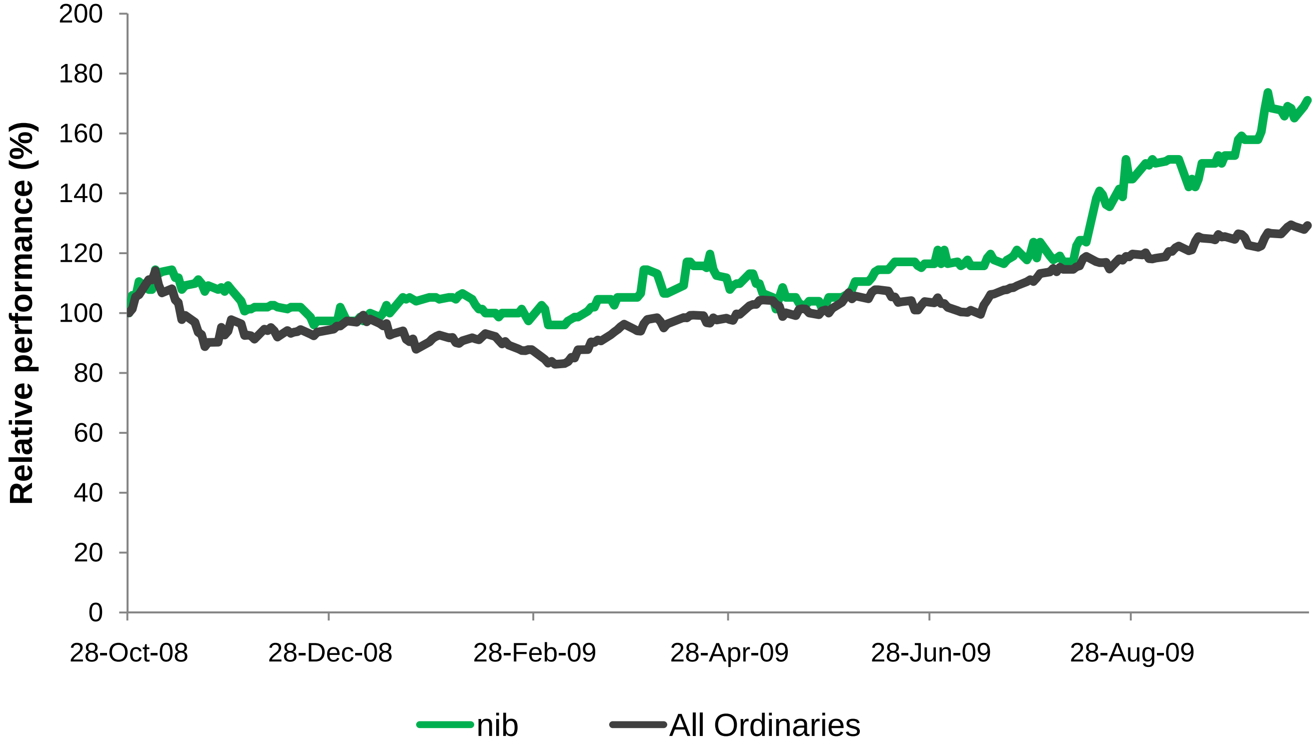
FINANCIAL SNAPSHOT

($m)	FY08*	FY09	Change
Premium revenue	758.2	829.5	71.3
Gross margin	111.2 *14.7%*	122.0 *14.7%*	10.8
Management expenses	(78.2) *10.3%*	(81.8) *9.9%*	(3.6)
Net Margin	33.0 *4.4%*	40.2 *4.8%*	7.2
Net investment return	7.5 *1.6%*	(1.8) *(0.4)%*	(9.3)
Other income	1.4	1.1	(0.3)
Other Expenses	(4.3)	(7.9)	(3.6)
Profit before tax	37.6	31.6	(6.0)
Tax	(10.9)	(7.8)	3.1
NPAT	26.7	23.8	(2.9)
EPS (cps)	5.2	4.7	(0.5)
ROE (%)	7.0	6.6	(0.4)

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

SHARE PRICE

WE HAVE OUTPERFORMED THE MARKET



- *Note: Share priced performance rebased to 100% to provide comparison on performance between nib and All Ordinaries Index from 28 October 2009 to 20 October 2009.*

GROWTH
WAS STRONG IN DIFFICULT CONDITIONS

(%)	FY07	FY08	FY09
Net policyholder growth (nib)	8.8	11.1	5.2
Net policyholder growth rate (industry)	4.2	4.2	3.3
% of new sales new to category (nib)	74.4	78.2	67.4
% of new sales “under 40” (nib)	78.5	79.2	78.7
% of new sales online (nib)	32.5	38.8	36.2
% of new sales outside NSW/ACT (nib)	32.3	44.0	42.6

- CAGR since FY05 = 6.6% (Industry 2.9%).
- nib with 7.1% market share, accounted for 11.0% of national growth in FY09.
- Victoria accounted for 38% of net growth in FY09, followed by NSW with 35% and Queensland 24%.
- nib with 9.8% market share in 20-39 age group accounted for 25.5% of national growth.
- Net policyholder growth for the first three months of FY10 of 6,923 policies (same period FY09 = 6,549).
- Confirm FY10 net policyholder growth guidance of between 4-6%.

CLAIMS EXPERIENCE
IS STABLE

(%)	FY07	FY08	FY09
Premium revenue	666.0	758.2	829.5
Claims expense	(505.4)	(554.0)	(599.3)
HBRTF/RETF Levy*	(48.1)	(73.1)	(87.0)
State levies	(17.6)	(19.9)	(21.2)
Net claims incurred	(571.1)	(647.0)	(707.5)
Gross underwriting result	**94.9**	**111.2**	**122.0**
Gross underwriting margin (%)	**14.3**	**14.7**	**14.7**

* On 1 April 2007 the current risk equalisation scheme came into effect, with FY07 figure reflecting assumed full 12 month impact of risk equalisation in line with previous normalised financials provided.

- Removal of Loyalty Bonus estimated to have increased claims inflation by $4.9m for FY09 but is estimated to reduce FY10 claims expense by $11.7m.
- Risk equalisation arrangements are discouraging risk management across PHI and effectively undermining efforts to attract younger, better risk policyholders and lower premiums.

MANAGEMENT EXPENSE RATIO
IS REDUCING

($m)	FY07	FY08*	FY09
Employment	37.1	36.2	35.7
Marketing	13.8	18.9	17.2
IT	5.1	5.6	5.7
Occupancy	4.9	4.6	8.7
Other	10.3	12.9	14.5
TOTAL	71.2	78.2	81.8*
TOTAL MER (%)	**10.7**	**10.3**	**9.9**

* FY08 result was normalised to remove the impact of costs associated with nib's demutualisation and listing, and "notional" tax .
+ includes one-offs detailed below

- Lower marketing costs reflect more optimal marketing mix and prudence given macro economic conditions.
- Occupancy includes one off costs of $2.8m: new head office building impairment $1.7m, P&E write-off – former head office building $0.8m Disposal of property $0.3m.
- Employment costs lower due to efficiency improvements.

UNDERLYING EARNINGS
ARE INCREASING

($m)	FY07	FY08*	FY09
Pre-tax underwriting results ($m)	23.7	33.0	40.2
Net underwriting margin (%)	3.6	4.4	4.8

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

- Net underwriting margin increased 21.8% in FY09 over FY08.
- Approved average premium increase of 5.18% in March 2009.
- Actual net underwriting margin of 4.8%, even with the one-off impact of the removal of the Loyalty Bonus, demonstrates ability to deliver on 5.0% threshold target in near term.
- Confirm FY10 net underwriting margin guidance of 5-5.5%.

OVERALL FY09 INVESTMENT PERFORMANCE
WAS VERY DISAPPOINTING

($m)	FY07	FY08	FY09
Net investment return ($m)	31.3	7.5	(1.8)
Net percentage return (%)	8.8	1.6	(0.4)

- Investment expenses for the period of $0.7m.
- Portfolio returns in line with relevant benchmarks with exception of OS fixed interest 1.2%, versus benchmark of 9.9%.
- Defensive/growth split of 83%/17% (FY08*: 80%/20%) noting direct property being investment in Newcastle Private Hospital (NPH) now classified as defensive.
- Actual return for first 3 months of FY10 was 5.3%.
- No additional exposure to growth assets in short/medium term other than as a result of market movements in existing investments.

* Adjusted to move NPH to defensive

INITIATIVES UNDERWAY
TO REDUCE HOLDING COMPANY COSTS

($m)	FY08*	FY09
Share registry costs - ongoing	1.1	2.2
Share registry costs – one off	0.0	1.3
Due diligence	1.4	1.3
Bid response	0.0	0.6
Other	1.9	2.6
TOTAL	4.3	7.9

* FY08 costs for November-June 08 only.

- Increase in holding company and other subsidiary expenses $3.6m largely reflecting one-off costs:
  - Share registry costs - $1.3m
  - Due diligence - $1.3m
  - Bid response - $0.6m
- Other expenses of $2.6m include consulting, postage and other holding company costs.
- Initiatives to reduce share registry costs underway, including Unmarketable Parcel Sale Facility which resulted in a 21% reduction in the number of shareholders, delivering pre-tax savings of approximately $500,000 pa.

KEY PROFITABILITY & PERFORMANCE METRICS

($m)	FY05	FY06	FY07	FY08*	FY09
Profit before tax ($m)	26.8	69.5	52.9	37.6	31.6
NPAT ($m)			37.2	26.7	23.8
EPS (cps)				5.2	4.7
ROE (%)				7.0	6.6
TSR (%)[1]				(38.0)	58.2

* FY08 result was normalised to remove the impact of costs associated with nib's demutualisation and listing, and "notional" tax. [1] TSR based on dividends reinvested

- With normalised investment returns NPAT would have been in the order of $42.5m.
- ROE well below 15% target at 6.6%, reflecting poor investment results and surplus capital held – FY09 ROE of 11.2% if investment earnings normalised.

CAPITAL MANAGMENT
MOVEMENT IN SURPLUS CAPITAL

Surplus capital at 30 June 2008:	($m) 105.6
Board's revision to capital adequacy of 1.4x (31 Dec 2008) (1.5x 30 June 2008)	28.5
On-market share buy-back	(17.8)
2009 Full Year dividend – normal (50% payout ratio)	(11.9)
2009 Full Year dividend – capital management initiative	(24.9)
Decrease in capital required	28.3
FY09 Profit after tax	23.8
Surplus capital at 30 June 2009:	**131.6**

- On market share buy-back (21.8m shares at a total cost $17.8m and an average price of $0.82).
- Unmarketable Parcel Share Sale Facility – 22.0m shares (57,791 shareholders) subsequently sold to institutional shareholders.
- Fully franked dividends seen as effective way to return surplus capital to shareholders (franking credits current limiting factor).
- Surplus capital as at 30 September 2009 of approximately $150 million.

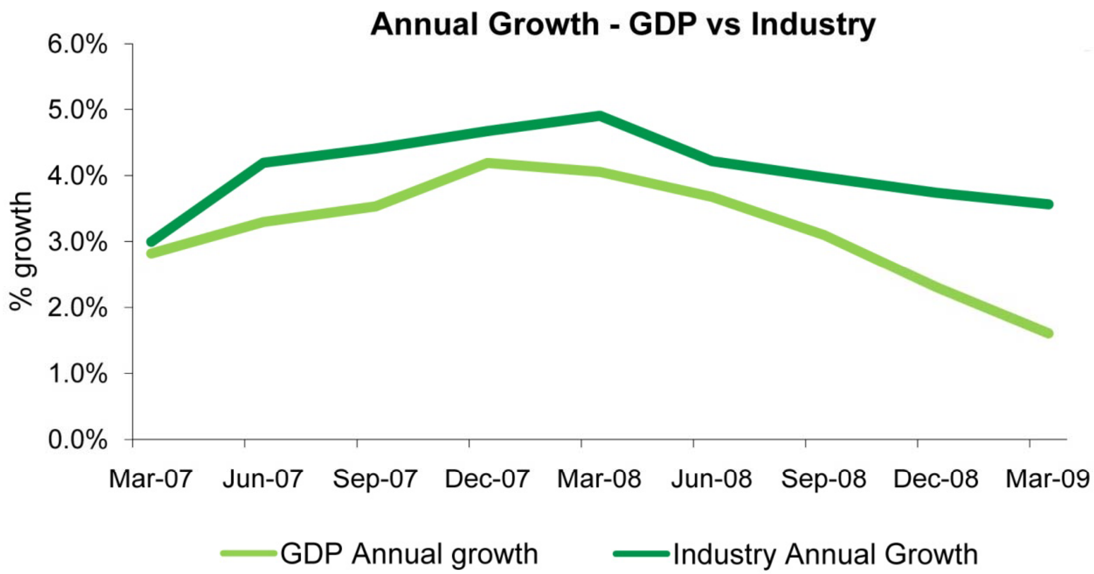
BALANCE SHEET
REMAINS STRONG WITH NO DEBT

($m)	FY07	FY08*	FY09
Health fund operating assets			
Current assets	26.6	32.1	30.5
Non-current assets	40.0	71.6	62.0
Health fund operating liabilities			
Outstanding claims liabilities (OSC)	(54.0)	(62.3)	(56.2)
Unearned premium liabilities (UPL)	(51.6)	(47.0)	(49.9)
Other	(50.6)	(57.4)	(61.0)
Investment assets			
Cash & cash equivalents	17.6	179.2	167.1
Available for sale financial assets	0.0	1.6	1.5
Financial assets at fair value	376.4	242.8	230.3
Direct property	31.3	30.0	30.0
Borrowings (unpresented cheques)	(1.4)	(2.1)	(0.4)
Net other assets / liabilities	1.9	(3.7)	8.0
Net assets	**336.2**	**384.8**	**361.9**

- Reduction in net assets from FY08 due to dividend ($25.9 million) and on market share buy-back($17.8 million), reflecting capital management initiatives, more than offsetting profit and revaluation adjustments for the year.

MARKET OUTLOOK

INDUSTRY & MARKET FUNDAMENTALS SOUND



- System growth of GDP +1-2%.
- Growing competition for PHI market share and revenue diversification in adjacent markets.
- On balance, supportive government policy given national dependency ratio and budget deficit.
- National Health and Hospital Reform Commission will invigorate policy debate towards need for more private funding.
- Pressure for demutualisation and consolidation likely to continue - possible further overseas interest in PHI market.

HEALTH FUND MEMBERS PREFER DEMUTUALISATION

	nib	MBF	AHM	Manchester Unity
Members who voted	31%	40%	58%	78%
Votes in support of the scheme	95%	98%	95%	99%

SOURCE: Company announcements

BUSINESS STRATEGY

- Target <40s market segment, extend brand reach and improve retention to achieve above system organic growth.
- Maintain net underwriting margin in range of 5-6% with emphasis on reducing claims inflation.
- Increase ‘share of wallet’ from customer base through policy ‘buy up’ and adjacent product offerings.
- Continue to explore M&A opportunities consistent with strategic and investment criteria.
- Accelerate new product concepts and innovation throughout business.
- Further develop high performance organisational capability and culture.
- Pursue ROE of at least 15% through ongoing profitability, sound investment and capital management.

KEY ENTERPRISE RISKS

- MARKET
  - Macro-economic environment
  - Competitor activity
  - Claims inflation
- SOVEREIGN
  - Premium pricing
  - 30% Private Health Insurance Rebate
  - Medicare Levy Surcharge
  - National Health and Hospital Reform Commission
- INVESTMENT
  - Market volatility
  - Surplus capital

CAPITAL MANAGEMENT

- nib's new prudential target (capital adequacy) is 1.4x.
- As at 30 September 2009, nib had approximately $150 million in capital surplus to its target (post final dividend).
- Continuing to seek a balance between being able to readily finance value creating investment and not perpetuating a 'lazy' balance sheet.
- nib for the time being intends to retain a large surplus capital position having regard for potential strategic investments but subject to the completion of its share buy-back of up to 10% of issued shares at the time of commencement of buy-back in 2008, or 51,786,969 shares.
- Dividend policy will continue to reflect the objective of efficiently and tax effectively returning surplus capital by way of special dividends (to extent made possible by franking credits) in addition to normal dividends at 50-60% payout ratio. Normal payout ratio based upon forecast sustainable growth rate.
- nib will further review its position on the surplus capital and its capital structure prior to FY10 half year reporting in light of market developments.
- Overseas and unverified policyholder trust due to expire in October 2010. Currently 10.1% (30/9/09) of issued capital remains with the trust. On expiry, Board can either cancel or dispose of the remaining unclaimed shares.

SUMMARY

- Underlying earnings are growing powerfully.
- Better than system growth expected to continue.
- Net margin to improve in FY10 and then stabilise within target 5-6% range. Ongoing pressure on margins expected from claims inflation and pricing regulation.
- Surplus capital and no debt with strategic investment and/or capital management opportunities.

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