nib

CLEAR VISION

nib holdings limited shareholder review 2009

CONTENTS

nib's vision is to be a leading financier of the nation's healthcare spending with a reputation for innovative products, value for money, outstanding customer service, corporate social responsibility and strong shareholder returns.

SOLID FOUNDATIONS

premium revenue
$829.5m up 9.4%

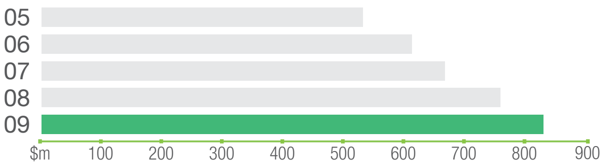
net policyholder growth
5.2% vs 3.3% for the industry

pre-tax underwriting profit
$40.2m up 21.8%

Image: nib's new National Headquarters in the Honeysuckle Precinct at Newcastle, NSW.

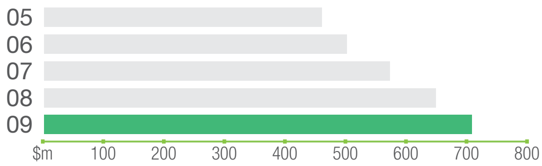
PERFORMANCE HIGHLIGHTS

premium revenue



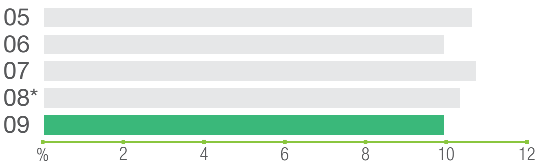
$829.5m up 9.4%

net claims incurred



$707.5m up 9.4%

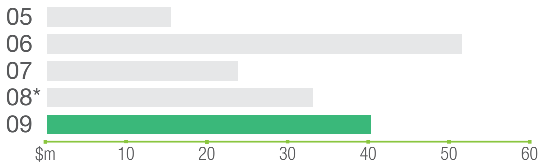
management expense ratio



9.9% down from 10.3%

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

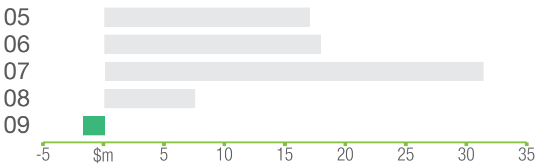
pre-tax underwriting result



$40.2m up from $33.0m

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

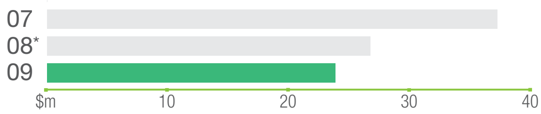
net investment return*



$(1.8)m down from $7.5m

* Net of fees.

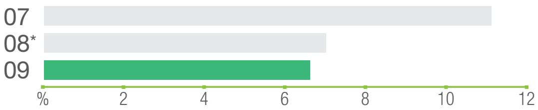
net profit after tax



$23.8m down from $26.7m

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

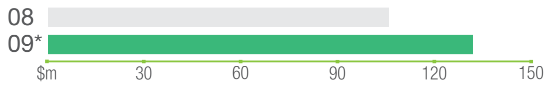
return on equity



6.6% down from 7.0%

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

surplus capital



$131.6m up from $105.6m

* 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.

SOLID FOUNDATIONS

Total policyholders	384,288
■ Policyholder growth	5.2%
■ Market share	7.1%
Persons covered	761,753
Average age of hospital persons covered (yrs)	36.1
Total policyholders "under 40"	179,019
■ Growth in "under 40" segment	7.2%

Employees (FTEs)	458
Total hospital persons "20-39"	231,136
■ Growth in hospital persons "20-39"	5.8%
■ Market share	9.8%
Retail and Sales Centres (across Australia)	21
Hospital benefits paid	$400.4m
Ancillary benefits paid	$204.0m

Source: nib / PHIAC data as at 30 June 2009.

FY09 financial snapshot

($m)	FY08*	FY09	Change	Change %
Premium revenue	758.2	829.5	71.3	9.4
Gross margin	111.2 *14.7%*	122.0 *14.7%*	10.8	9.7
Management expense	(78.2) *10.3%*	(81.8) *9.9%*	(3.6)	4.6
Net margin	33.0 *4.4%*	40.2 *4.8%*	7.2	21.8
Net investment return	7.5 *1.6%*	(1.8) *(0.4)%*	(9.3)	(124.0)
Other income	1.4	1.1	(0.3)	(21.4)
Other expenses	(4.3)	(7.9)	(3.6)	83.7
Profit before tax	37.6	31.6	(6.0)	(16.0)
Tax	(10.9)	(7.8)	3.1	(28.4)
NPAT	26.7	23.8	(2.9)	(10.9)
EPS (cps)	5.2	4.7	(0.5)	(9.6)
ROE (%)	7.0	6.6	(0.4)	(5.7)

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

CHAIRMAN'S REPORT

full year dividend of
7.4 CPS fully franked

capital management
remains a focus for FY10

maximisation of long term
shareholder returns our primary goal

On balance, nib and the entire industry is very much a net beneficiary of Government policy and any sovereign risk will be best mitigated through an open and rational dialogue. Both we and the Government of the day share the goal of increasing private health insurance participation given an ageing population, escalating healthcare costs and a burgeoning budget deficit.

As a business nib was not immune to the impact of the global financial crisis. The crisis has however, demonstrated nib's resilience and has not undermined the strong foundations we are building for future growth and value creation.

Although the global financial crisis inspired investment losses damaged our consolidated profit, the underlying performance of our business was very strong during FY09. Our pre-tax underwriting profit of $40.2 million was an increase of almost 22% on the previous year and once again we overshadowed private health insurance system growth. Most importantly, we remain well capitalised with no debt.

Earnings and our capital strength allowed the Board to declare dividends totalling 7.4 cents per share (fully franked) for the year. The Board's position is that in addition to a payout ratio of between 50-60%, we will continue to distribute surplus capital in the form of special dividends to the extent made possible by franking credits. Equally we are keen to retain sufficient capital strength to take advantage of any investment opportunities that are likely to arise.

Playing a role in the inevitable industry consolidation remains a priority for the company. While we haven't been able to complete a transaction since acquiring IOOF in 2003, we are still optimistic about our future prospects. We also remain open minded as to what role nib could best play in reshaping the industry landscape. In this respect, I should take the chance to mention here the Board's rejection of an unsolicited and incomplete proposal made during the year to acquire a controlling stake in nib. It was the Board's view that the proposal significantly undervalued nib and was opportunistic. I believe the company's subsequent performance has vindicated our position.

Government policy continues to play a significant role in industry dynamics. Amendments to the Medicare Levy Surcharge during the year and the proposed means testing of the 30% private health insurance rebate were unsettling but are unlikely to have a material impact on nib and need to be kept in some perspective. On balance, nib and the entire industry is very much a net beneficiary of Government policy and any sovereign risk will be best mitigated through an open and rational dialogue. Both we and the Government of the day share the goal of increasing private health insurance participation given an ageing population, escalating healthcare costs and a burgeoning budget deficit.

One of the great legacies of nib's demutualisation was the establishment of the *nib foundation*, made possible through a $25 million donation following our initial public offer. The *nib foundation* was officially launched in October 2008 by the Prime Minister, Kevin Rudd, and coincided with the announcement of the first benefactor, The Black Dog Institute. More recently the *nib foundation* announced its first National Partnership with the Hunter Institute of Mental Health to provide mental health support programs across Australia. We look forward to the ongoing contribution the *nib foundation* will make to support the health and wellbeing of many Australians.

Finally, I would like to acknowledge the fantastic efforts of nib's employees, management and my fellow Directors. This year has presented many challenges for the business, however as I wrote at the beginning of my report, the business became even better placed to grow its presence in the private health insurance market and create sustainable enterprise value. I am confident and anticipate powerful company performance in FY10 and beyond.

Keith Lynch
Chairman

MANAGING DIRECTOR'S REPORT

net underwriting margin
4.8% up from 4.4% in FY08*

net policyholder growth in Victoria beat NSW for the first time

FY10 promises to be another strong year for nib

We well understand that our sound start to life as a listed company does not guarantee ongoing success. Expect to see nib become even more tactical and creative in driving earnings across the business.

We made strong progress during the year towards the business and financial goals we set ourselves upon listing in November 2007.We continued to grow our customer base at better than system (and thereby our market share), and increased our operating margin and underlying profitability.

Although our net policyholder growth of 5.2% was less than previous years it was impressive against a backdrop of the global financial crisis and private health insurance system growth of just 3.3%. Significantly, given our stated strategy of extending our brand reach, net growth in Victoria was greater than NSW/ACT for the first time. Markets other than NSW/ACT now account for 27.1% of our total policyholder base compared to just half of that seven years ago.

nib is experiencing better than system growth because of our brand approachability, the targeting of the relatively latent pool of younger people, "fit for purpose" products and outstanding sales and service performance.

Our challenge is to maintain the momentum we have built in the business in the face of more aggressive competition from larger insurers. It's something that motivates us daily. We well understand that our sound start to life as a listed company does not guarantee ongoing success. Expect to see nib become even more tactical and creative in driving earnings growth across the business.

The only shine being taken from our success in attracting younger policyholders is the escalating impact of the industry's risk equalisation scheme. Our net contribution to the scheme increased by 19% to $87 million for FY09. We believe in community rating and the principle that people should not be disadvantaged because of their age, inherent disease and other factors over which they have no or limited control. But the current risk equalisation system offers little incentive for people and health insurers to better manage risk. It really is holding back improved healthcare management and adding to cost pressures and premiums. It desperately needs reform and we will continue to consult with Government and industry stakeholders for a better system.

Profit margins are quickly approaching the range we believe necessary to sustain the business and further strengthen nib as an attractive investment. Our net underwriting margin of 4.8% (FY08*: 4.4%) parlayed policyholder growth to produce a pre-tax underwriting profit of $40.2 million, almost 22% more than the previous year. Although our consolidated profit was somewhat spoilt by poor investment performance, it evinced the capacity nib has to grow underlying earnings and return on invested capital.

Capital management has and continues to be in focus given the level of financial assets we carry in excess of our prudential targets. During the year, we purchased and cancelled shares at prices we believe will prove accretive to long-term total shareholder returns. For FY09 we have calculated the on market share buy-back will be accretive to Earnings per Share (EPS) in the order of 4%. We have also paid dividends out of retained earnings as part of our capital management strategy.

Of course there is no clear answer to the ideal level of surplus capital, if any, nib should hold. On one hand, we well understand that this is capital shareholders could redeploy if it was returned, but on the other, there can be no doubt about investment opportunities given the inevitability of further industry consolidation. For the time being, our position is to strike a balance between effectively returning surplus capital while maintaining sufficient "firepower" for any acquisition opportunity. We have no desire at all to retain surplus capital purely for the sake of having it.

Beyond the financial metrics, nib made considerable progress on a number of fronts during FY09. We expanded our private health insurance product range with a new over 55 years cover, accelerated our life insurance offering in collaboration with Tower Australia, were selected by the National Australia Bank to deliver health insurance over their online customer platform and reengineered numerous work processes across the business to improve the customer experience and efficiency.

Less successful were our endeavours in respect of acquisitions, notwithstanding considerable effort and expense. But rest assured as we have shown over the past 18 months, we are disciplined enough to pay no more than we think reasonable. Investors can be certain we will only entertain acquisitions where we are convinced of enhancements and value creation for nib. Conversely, and as the Chairman has mentioned in his report, we are not averse to any external proposition that would in our view be aligned with shareholder interests.

FY10 promises to be another strong year for nib given a brighter economic outlook, our improving underwriting margin and hopefully better investment returns on our large portfolio. While shifting Government private health insurance policy is of some concern, a long-term perspective can only conclude the industry will have a more meaningful role in financing our burgeoning national healthcare spending given an increasing dependency ratio and the Commonwealth deficit.

I would like to reiterate the comments of the Chairman and acknowledge the outstanding efforts of all our people at nib. As a financial services company we have a very customer service centric view and our good results so far are the end result.

Mark Fitzgibbon
Managing Director

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

REVIEW OF OPERATIONS

management expense ratio
9.9% down from 10.3% in FY08*

strong underlying business
performance eroded by $1.8m investment loss

$131.6m in surplus capital at 30 June 2009

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

While nib's traditional heartland of NSW still accounts for the majority of our customer base, we are continuing to achieve solid growth in other states.

GROWTH, INNOVATION AND NEW PRODUCTS

Premium Revenue

Premium revenue is one of the key numbers highlighting the success of our business. For FY09, premium revenue was strong, up 9.4% to $829.5 million, reflecting our policyholder growth and 2009 Government approved premium increase.

Despite almost double digit premium revenue growth, our average annual premium revenue per policyholder of $2,100* was down from $2,159 the previous year. This reflects our ongoing success in targeting younger, lower risk policyholders with entry level products, which now accounts for 29.3% of our overall product portfolio. This result is up from 24% at 30 June 2008.

During the year, we experimented with a number of strategies and distribution channels to encourage policyholder buy-up, which yielded positive results. We will further expand and refine these efforts in FY10 to increase premium revenue through selling higher value products that are appropriate to policyholders' life stages. Pricing policy has, and will continue into the future, primarily reflect the need to cover growth in claims made by policyholders.

Policyholder Growth

Solid policyholder growth remains fundamental to the future of nib. In January 2007, we launched an aggressive organic growth strategy to increase market share, with a particular emphasis on the 20 to 39 years of age demographic. Due to its ongoing success, we have continued to invest in this strategy.

In FY09, our net policyholder growth rate was 5.2% or 18,899 net new policies. This result was again greater than the industry average growth rate of 3.3% – a trend that has been consistent since FY02. Since FY05 our cumulative average growth rate has been 6.6% versus the industry's 2.9%.

Growth across key target markets continues to be strong, including the 20 to 39 years demographic, which grew by 5.8% in FY09.

While nib's traditional heartland of NSW still accounts for the majority of our customer base, we are continuing to achieve solid growth in other states. In FY09, Victoria accounted for an impressive 37.7% of net growth (up from 25.6% the previous year), which was slightly better than the NSW growth rate of 35.0%. Growth in Queensland remained steady at 23.8%.

Changes to the Medicare Levy Surcharge during the period have been unhelpful to the overall growth of the industry, however the ultimate impact appears to have been minor.

As part of the 2009 Federal Budget, the Government proposed further industry changes by means testing the 30% private health insurance rebate. Any changes to Government policy with regards to the private health insurance industry have the potential to be unsettling. The proposed changes are not expected to come into effect until July 2010, however at this stage it is unlikely they will have a material impact on nib.

We saw a significant increase in marketing investment by the industry's larger private health insurance funds during the year, which appeared to be in response to nib's successful organic growth strategy and marketing efforts.

Price-point advertising, targeting a youth demographic as well as increasing the level of above and below the line marketing investment have been features of nib's strategy in recent years.

Refining marketing efforts and investment to become more tactical, while still strategic in our execution, will assist nib in achieving our above industry average policyholder growth ambitions on a continuing basis.

Policyholder lapse rates for the year remained steady and, given macroeconomic conditions, our lapse rate for the year was a positive result. Significant initiatives to try to deliver a noticeable improvement are currently underway.

Product Innovation and Development

The successful delivery of product innovation in FY09 has been a catalyst for delivering strong policyholder and premium revenue growth.

* Impact of premium increase excluded.

REVIEW OF OPERATIONS

The most significant product change was the introduction of higher annual limits for Extras services on selected products and the removal of the Loyalty Bonus program.

The change, effective from 1 June 2009, provided a more equitable and competitive product offering to current and new nib customers. As a result, around 70% of customers now receive higher annual limits of greater value than their previous annual Loyalty Bonus entitlement. It also makes nib's product portfolio more competitive in the marketplace.

Revenue diversification and the development of adjacent product offerings continued to be a focus for the business during the year with a number of initiatives deployed.

Recognising an opportunity in the over 55 years market, nib introduced a new product range, *Young at Heart*, that provides benefits specifically targeted at this older demographic.

Providing health insurance to overseas visitors and students has also been identified as a growing business opportunity. nib has established a strategic alliance with a leading provider of health plans for temporary residents working in Australia, which is providing mutual benefits.

The provision of *nib Value Life Insurance*, which is sold and administered through Tower Australia, continues to provide increased revenue opportunities for the business. Since its inception in February 2008, nib has worked with Tower to refine the product offering, as well as the referral and joining processes, which has resulted in increased sales to current nib customers. During FY09, nib received commission income of almost $45,000 from the sale of life insurance policies underwritten by Tower. While it is very early days, both companies believe that long term it will create significant value.

We are looking to further increase our travel insurance sales as well as investigating opportunities to provide an improved product offering for nib customers. During FY09, travel insurance produced commissions of approximately $250,000 for nib.

MARGINS AND EFFICIENCIES

The successful management of business costs and drive for increased efficiency have nib well placed to deliver and sustain net margins in our target range of 5-6%.

This approach delivered the business a solid net underwriting margin of 4.8% and a pre-tax underwriting result of $40.2 million for the year.

While the result was negatively impacted due to the deliberate one-off costs associated with the removal of Loyalty Bonus and replacement with higher annual limits, it demonstrates our ability to deliver our net underwriting margin targets in the short term.

Our management expense ratio of 9.9% for the year is down from 10.3% for FY08*. This result was achieved despite non-recurring costs of $4.3 million, while maintaining our significant ongoing investment in marketing and advertising to support our organic growth strategy. We did see a reduction in our marketing costs for FY09 to $17.2 million, from $18.9 million in FY08, which reflects a more optimal marketing mix and prudence given macroeconomic conditions.

Our employment costs for the year were lower due to efficiency improvements, with annualised savings of at least $2.2 million, offset by one-off restructuring costs of $1.5 million in FY09.

Holding company and other subsidiary expenses for the year were $7.9 million, up from $4.3 million normalised. The increase of $3.6 million largely reflects non-recurring costs of $3.2 million. Initiatives to reduce holding company costs are currently being undertaken.

Claims

During the year, nib incurred $707.5 million in claims, including risk equalisation and state levies, equating to a claims ratio of 85.3%.

Claims inflation for the year of $45.5 million included the impact of the removal of Loyalty Bonus and replacement with higher annual limits.

Of concern for the business is the 19% increase in risk equalisation to $87 million. This continues to demonstrate the burden the current arrangements have in discouraging risk management across the industry and undermines nib's efforts to attract better risk policyholders.

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

With claims costs the single biggest expense for nib, representing more than 85% of our costs in FY09, successfully managing the factors that contribute to claims inflation provides a significant opportunity to improve cost efficiencies.

Investigating claiming patterns and service utilisation has been the focus of a highly skilled team and an advisory panel of clinical specialists established by nib during the year. The analysis of cost drivers and identification of levers to minimise growth, such as provider education and improved contract negotiation, have saved nib more than $1.1 million in FY09.

This ongoing engagement, coupled with an analysis of internal operations, will assist in maintaining claims inflation at manageable and sustainable levels. This information is also being used to refine our product portfolio, claims processing and provider contracting.

Hospital claims are a significant cost and our ability to successfully negotiate the best price with the major hospital providers is crucial in delivering greater cost efficiencies and ultimately lower premiums.

Cost Controls

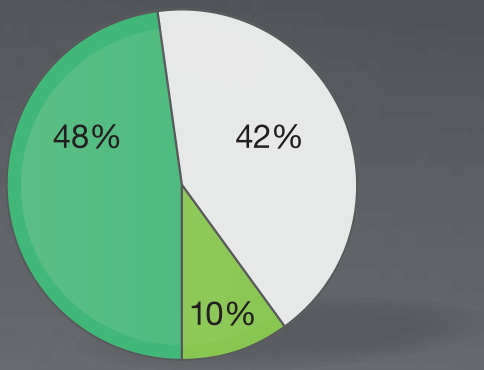
Delivering greater automation across administrative services and rationalisation across the organisation have delivered ongoing cost efficiencies during FY09.

We have targeted receiving 80% of all claims electronically within the next two years, which means that the continued automation of claims processing is a key business focus. Improved efficiency in this area not only provides a superior service for customers, but reduces the required level of claims provisioning. For example, efficiency initiatives which have resulted in faster processing of claims benefitted our policyholders as well as our financial performance.

During FY09, more than 58% of all claims were received electronically, which is an increase from 54% on the previous reporting period. The introduction of electronic hospital claiming in FY10 will result in a significant increase in this figure.

An ongoing review of all business areas will continue through FY10 to ensure greater efficiencies continue to be delivered.

nib customer satisfaction

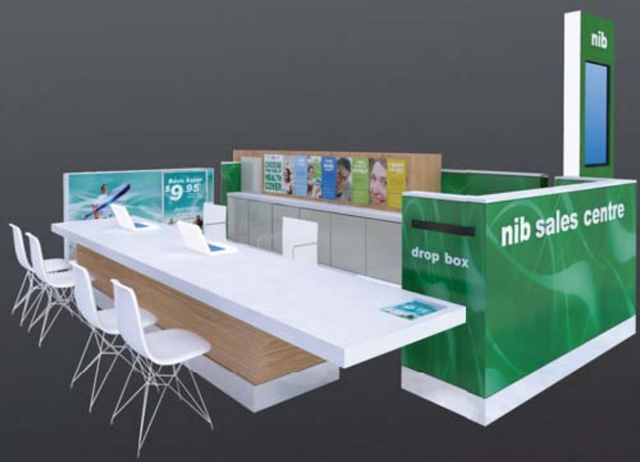


Very satisfied (rating of 8-10 out of 10)
Neutral (rating of 5-7 out of 10)
Unsatisfied (rating of 0-4 out of 10)

Customer service research undertaken by nib during FY09 revealed that 48% of our customers are very satisfied with nib as their private health insurer.

Other research findings indicated that our customers are particularly satisfied with the service they receive from nib's Retail, Sales and Customer Care Centres and nib's overall claiming process.

Source: nib Customer Satisfaction Research conducted by Sweeney Research August, 2009.



Kiosk-style nib Sales Centres were introduced to the nib retail network in FY09.

REVIEW OF OPERATIONS

Distribution Channels

nib has a distribution strategy aimed at improving cost efficiencies and providing customers with simpler ways to make claims, provide information and transact with the company.

Directing a larger proportion of customer enquiries and transactions through electronic channels, as well as delivering greater integration of the service channels, are integral to the strategy.

In FY09, 36.2% of our sales were generated through the nib website. In FY05, this channel delivered just 4.1% of all sales. Currently, 52% of nib customers are registered to use nib Online Services.

Retail Centres have long been a feature of the nib network and will continue to be critical for the business in delivering high end sales and services. However, due to the dramatic improvements and convenience in other electronic channels, the customer demand for providing claims processing through the retail network is diminishing.

During FY09, nib has focussed on removing claims processing from Retail Centres and simultaneously worked to deliver improved access and functionality of other claiming channels.

This shift has delivered positive results for the business across our refurbished Sales Centres. The first centre to undergo this transformation at Greenhills (East Maitland, NSW) generated just under three times more sales than nib's retail network national average during FY09.

nib entered a strategic alliance with one of Australia's largest financial institutions, National Australia Bank (NAB), to offer its 1.7 million credit and debit cardholders a full range of quality health insurance products. While the alliance with NAB has not yet yielded significant results, the partnership is still developing, with nib and NAB currently refining the product offer and distribution.

INVESTMENTS AND PROFITABILITY

The impact of the global financial crisis on financial markets soured an otherwise positive result for FY09. The strong underlying performance of the business was eroded by net investment losses of $1.8 million or (0.4)%.

As foreshadowed during FY09, we expected investments to be a drag on our full year earnings until global markets improved.

At 30 June 2009, we had $427.2 million invested, down from $453.0 million at 30 June 2008, due mainly to a combination of dividend payments and capital management during the year.

Our portfolio returns for the year are in line with relevant benchmarks, with the exception of our overseas fixed interest investment, which delivered a return of 1.2% versus a benchmark of 9.9%. The performance of this investment is being closely monitored and we saw better-than-benchmark performance towards the latter stages of FY09.

At 30 June 2009, the defensive/growth split of our portfolio was 83%/17% (FY08: 80%/20%). We do not envisage any additional exposure to growth assets in the short to medium term other than as a result of market movements in existing investments.

Due to the volatility of financial markets our investment performance flowed through to negatively impact Net Profit After Tax (NPAT) of $23.8 million. With normalised investment returns of 5.5%, NPAT would have been in the order of $42.5 million.

Our Return on Equity (ROE) was also below our 15% target at 6.6%, reflecting poor investment results and surplus capital held. Assuming normalised investment earnings, ROE for the year would have been 11.2%, which is still below our target due to level of surplus capital held, emphasising the importance of the company's focus on capital management.

CAPITAL MANAGEMENT AND DIVIDENDS

During the period, further work on capital management resulted in the revision of internal benchmark for capital adequacy target to 1.4 times prudential requirements. As a result, at 30 June 2009 nib had $131.6 million in capital surplus to this target, after allowing for the payment of a final FY09 dividend of 4.4 cents per share, totalling $21.8 million in October 2009.

nib is continuing to seek a balance between being able to readily finance value creating investments and not perpetuating a "lazy" balance sheet.

In the short term, nib intends to retain a large surplus capital position held in highly liquid defensive assets, 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 the commencement of the buy-back in August 2008, or 51,786,969 shares. During FY09, nib's on market share buy-back resulted in 21.8 million shares being purchased and subsequently cancelled (at a total cost of $17.8 million).

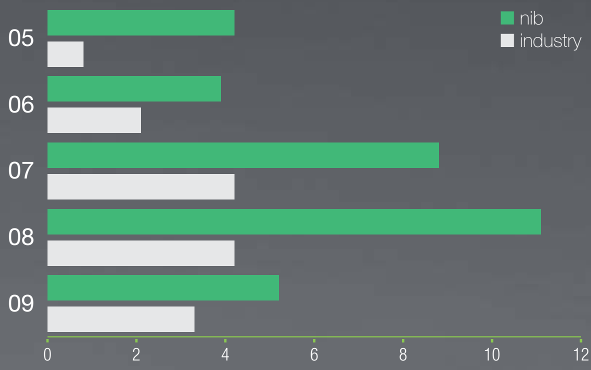
nib also offered an unmarketable parcel sale facility to shareholders who were registered holders of less than a marketable parcel of nib shares. In response, 21,978,234 shares (representing 57,791 shareholders) were offered for divestment in the sale facility. Under the terms and conditions for the facility, the maximum price nib could pay for the shares under a minimum holding buy-back would have been $1.04 per share. Instead, institutional investors, by way of an institutional bookbuild, were prepared to pay $1.06 per share. As a result, the unmarketable parcel shares were sold to institutions at $1.06 per share with the full proceeds being returned to unmarketable parcel shareholders.

Dividend payments to nib shareholders during the year totalled $36.8 million, which included an interim dividend of 3.0 cents per share (fully franked) and a final dividend of 4.4 cents per share (fully franked). The full year dividend of 7.4 cents per share reflects a combination of part FY09 earnings (2.4 cents per share) and capital management (5.0 cents per share).

nib's dividend policy will continue to reflect a payout ratio of between 50-60% of earnings in addition to returning surplus capital by way of dividends but subject to the availability of full franking credits.

nib versus the industry

net policyholder growth rate

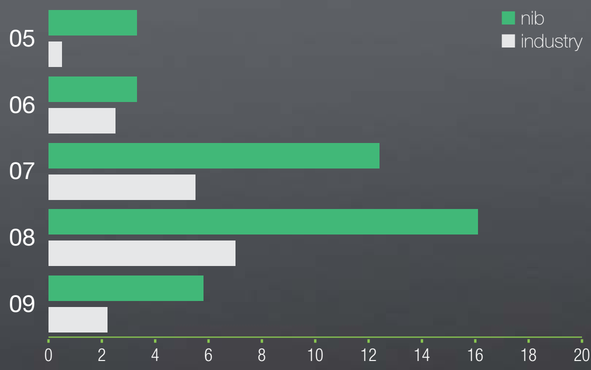


Over the past five years, nib has continued to deliver higher than industry average net policyholder growth.

nib finished FY09 with 18,899 net new policyholders, which was an increase of 5.2% on the previous year. This result is more than one-and-a-half times the industry average of 3.3%.

nib versus the industry

net growth in 20-39 year demographic
(hospital persons covered)



In January 2007, nib launched a national organic growth strategy which has driven strong growth over the last three years.

A particular focus of the strategy was the 20-39 years demographic.

Over the past three years the strategy has consistently delivered net growth results among this demographic higher than the industry average.

Source: nib / PHIAC data as at 30 June 2009.

BOARD OF DIRECTORS

HAROLD BENTLEY
DIRECTOR

MA Hons, FCA, FCIS
Independent Non-Executive Director

Harold has been a Director of nib holdings limited since its listing in November 2007. He has more than 20 years experience in the insurance sector 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.

PHILIP GARDNER
DIRECTOR

B.Comm, CPA, CCM, FAICD, JP
Independent Non-Executive Director

Philip was appointed as a Director of nib holdings limited in May 2007 and has been a Director of nib health funds limited since 2005. He is the current CEO of The West's Group Australia, a Director of Newcastle Airport Ltd and Treasurer of Western Suburbs Rugby League Football Club Inc. Philip is an adjunct lecturer in the Department of Commerce and Law at the University of Newcastle.

DR ANNETTE CARRUTHERS
DIRECTOR

MBBS (Hons), FRACGP, FAICD
Independent Non-Executive Director

Annette was appointed as a Director of nib holdings limited in September 2007 and has been a Director of nib health funds limited since 2003. She is also a Director of nib health services limited, nib health care services pty ltd and The Heights Private Hospital Pty Ltd. Annette is currently a general practitioner and a Director of the National Heart Foundation of Australia and the NSW Division. She is also employed as a Clinical Director at GP Access (formerly known as Hunter Urban Division of General Practice) and a member of Avant Mutual Group Limited NSW Medical Expert Committee. Annette was previously a Director of Hunter Area Health Service and Chair of the Australian General Practice Network National Aged Care Taskforce.

Left to right: Harold Bentley, Philip Gardner, Dr Annette Carruthers, Keith Lynch, Brian Keane and Mark Fitzgibbon.

KEITH LYNCH
CHAIRMAN

BSc (Tech), MAICD
Independent Non-Executive Director

Keith is currently Chairman of nib holdings limited and has been a Director of nib health funds limited since 1982. He is also Chairman of nib health funds limited, nib health services ltd, The Heights Private Hospital Pty Ltd and nib servicing facilities pty ltd.

Keith is a former Director of Kip McGrath Education Centres Ltd. He has also previously held senior executive positions with several Hunter-based engineering firms.

BRIAN KEANE
DIRECTOR

FAICD
Independent Non-Executive Director

Appointed a Director of nib holdings limited in November 2007, Brian has considerable executive experience in the development and management of large organisations, having been Chief Executive Officer of AAMI Ltd for 19 years to 2002.

He is currently a member of the Australian Competition Tribunal and a Director of Aurora Energy Pty Ltd and The Hollard Insurance Company Pty Ltd. Brian was formerly a Director of Medibank Private Ltd, CSIRO and Lawcover Pty Ltd.

MARK FITZGIBBON
CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

MBA, MA, ALCA, FAICD
Executive Director

Mark joined nib in October 2002 as Chief Executive Officer and was appointed Managing Director of nib holdings limited in May 2007. He was previously CEO of both the national and NSW peak industry bodies for licensed clubs and has held several CEO positions in local government, including General Manager of Bankstown Council between 1995 and 1999. Mark is also a Director of nib health care services, nib servicing facilities pty ltd, The Australian Health Insurance Association Ltd, the Newcastle Knights and Hunter Academy of Sport.

BOARD AND EXECUTIVE REMUNERATION

Details of the remuneration during FY09 of each Director of nib and other key management personnel are set out in the following table.

2009	Short-term employee benefits Cash salary and fees $	Cash bonus $	Non-monetary benefits $
Keith Lynch	47,280	–	886
Harold Bentley	5,463	–	–
Annette Carruthers	51,384	–	2,592
Janet Dore (1/7/2008–31/7/2008)	3,386	–	1,170
Philip Gardner	98,927	–	–
Brian Keane	48,755	–	–
Sub-total non-executive directors	255,195	–	4,648
Mark Fitzgibbon*	477,993	181,155	68,964
Jayne Drinkwater* (1/7/2008–10/10/2008)	54,335	(7,740)	7,240
Melanie Kneale*	313,112	84,658	13,956
David Lethbridge* (1/7/2008–10/10/2008)	45,620	(71,400)	5,212
Rhoderic McKensey**	225,972	59,221	8,523
Michelle McPherson*	346,017	87,136	21,702
Sub-total executives	1,463,049	333,030	125,597
Total key management personnel compensation	**1,718,244**	**333,030**	**130,245**

Negative amounts in cash bonuses result from the overaccrual of bonuses in 2008, and salary sacrifice of bonuses into superannuation.

* Denotes one of the five highest paid executives of the Group, as required to be disclosed under the *Corporations Act 2001*. The Parent does not pay executives, only non-executive directors are paid by the Parent from 1 October 2007.

** Rhoderic McKensey was appointed Chief Marketing and Business Development Officer on 1 September 2008. Before this appointment he was the company's INVENT manager. Amounts shown above include all Mr McKensey's remuneration during the reporting period, whether as an executive officer or as INVENT manager. Amounts received in his position as Chief Marketing and Business Development Officer amounted to $298,476, made up of cash salary of $199,785, cash bonus of $55,342, non-monetary benefits of $7,305, superannuation of $17,202 and performance rights of $18,842.

Includes bonus share rights. Refer to section E Share-based compensation of the Remuneration Report which is included in the 2009 Financial Report.

Post-employment benefits		Long-term benefits	Termination benefits	Share-based payments			
Superannuation $	Retirement benefits $	Long service leave $	Termination benefits $	Fees $	Bonus# $	Performance rights $	Total $
100,000	75,389	–	–	36,820	–	–	260,375
100,000	–	–	–	–	–	–	105,463
62,758	6,794	–	–	–	–	–	123,528
5,205	395	–	–	–	–	–	10,156
8,903	–	–	–	–	–	–	107,830
56,708	–	–	–	–	–	–	105,463
333,574	82,578	–	–	36,820	–	–	712,815
50,000	–	8,759	–	–	72,292	93,339	952,502
16,434	–	(885)	375,577	–	–	(4,898)	440,063
28,230	–	–	–	–	–	25,771	465,727
90,106	–	(1,106)	330,459	–	(2,166)	(4,519)	392,206
19,559	–	–	–	–	–	18,842	332,117
31,473	–	6,011	–	–	8,667	27,199	528,205
235,802	–	12,779	706,036	–	78,793	155,734	3,110,820
569,376	**82,578**	**12,779**	**706,036**	**36,820**	**78,793**	**155,734**	**3,823,635**

BUSINESS STRATEGY

OUR VISION

nib is a leading financier of the nation's healthcare spending with a reputation for innovative products, value for money, outstanding customer service, corporate social responsibility and strong shareholder returns.

OUR MISSION

To help people pay for their healthcare when and where needed.

BUSINESS STRATEGY

- Continue to grow organically through building brand presence and reach, targeting the new to category and under 40 demographic. Promote "fit for purpose", approachability and affordability as key value propositions.
- Protect and enhance our revenue base through improved retention and migrating customers into higher value products "buy-up", especially given the threat of the global financial crisis and increased competitor activity. Also leverage brand and distribution to offer complementary products and thereby supplement revenue and earnings.
- Reduce cost inflation through improved claims utilisation management, mitigating episode/service cost inflation and increased operational efficiency.
- Pursue merger and acquisition opportunities given the inevitability of industry consolidation but only where they are able to meet strategic and investment criteria.
- Accelerate efforts in respect of new product development, exploring new healthcare market opportunities and innovation in general.
- Further develop a high performance organisational culture and inspire our people.
- Achieve and sustain net underwriting margin of at least 5% and Return on Equity in the business of 15% with a more optimal capital structure.

KEY PERFORMANCE INDICATORS

Policyholder growth – Net underwriting margin – Net Profit After Tax
Earnings per Share – Return on Equity

INFORMATION FOR SHAREHOLDERS

2009 ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of nib will be held on Wednesday 28 October 2009 at 1.00pm (Australian Eastern Daylight Saving Time) at the Newcastle City Hall, 1st Floor Concert Hall, 290 King Street, Newcastle 2300.

If you are unable to attend the meeting, a webcast will be available from nib.com.au/shareholders. Proxy forms can be lodged by post or online.

Full details of the AGM, including Notice of Meeting are available at nib.com.au/shareholders.

FINANCIAL CALENDAR*

18 September 2009
Record date for final dividend

9 October 2009
Payment date for final dividend

28 October 2009
2009 Annual General Meeting

February 2010**
FY10 Half Year Results Announcement

* Dates are subject to change.
** Date to be confirmed.

CORPORATE GOVERNANCE

nib is committed to achieving and demonstrating the highest standards of corporate governance to our shareholders, customers, employees, our community and the environment.

The Board and management regularly review policies and practices to ensure that nib continues to maintain and improve its governance standards.

nib achieved a 4.5 star rating (out of 5) in the *2009 WHK Horwath Corporate Governance Report* among Australia's largest 250 companies based on market capitalisation. This places nib in the top 20% of the corporate governance structures and policies of Australian publicly listed companies.

For more information on nib's corporate governance practices, visit nib.com.au/shareholders.

SHAREHOLDER COMMUNICATIONS

Did you know you can choose to receive your nib shareholder communications electronically, including dividend statements, Shareholder Review, Notice of Meeting and Proxy Forms?

Simply visit our shareholder website at nib.com.au/shareholders and go to shareholder information.

You can change how you receive your shareholder communications, update your dividend payment instructions or address details as well as view holding statements. You can also see when dividends are being paid, view the nib share price, read the latest nib ASX Announcements and investor presentations or watch the webcast of nib's FY09 Full Year Results presentation.

INVESTOR RELATIONS

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Sydney NSW 2000

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Email – nibshareregistry@computershare.com.au


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