

30 October 2012

The Manager  
Company Announcements  
Australia Securities Exchange Limited  
Level 4, Bridge Street  
SYDNEY NSW 2000

**Subject: 2012 Annual General Meeting Presentation**

Attached nib's 2012 Annual General Meeting Presentation.

Yours sincerely



Michelle McPherson  
Company Secretary/Chief Financial Officer



# 2012 ANNUAL GENERAL MEETING

TUESDAY 30 OCTOBER



STEVE CRANE  
CHAIRMAN

# INTRODUCTION

## nib's BOARD & EXECUTIVE

- HAROLD BENTLEY – Independent Non-Executive Director
- DR ANNETTE CARRUTHERS – Independent Non-Executive Director
- PHILIP GARDNER – Independent Non-Executive Director
- CHRISTINE McLOUGHLIN – Independent Non-Executive Director
- MARK FITZGIBBON – Chief Executive Officer & Managing Director
- MICHELLE McPHERSON – Deputy Chief Executive Officer, Chief Financial Officer & Company Secretary

# MEETING SCHEDULE

- Chairman's address
- Managing Director's address
- Notice of Meeting
  - Consideration of Report for the financial year ended 30 June 2012
  - Remuneration Report
  - Re-election of Independent Non-Executive Director, Mr Philip Gardner
  - Consideration of the resolution approving Mr Fitzgibbon's participation in the Long-Term Incentive Plan
- Meeting closed

# WE'RE CELEBRATING BEING 60 YEARS YOUNG



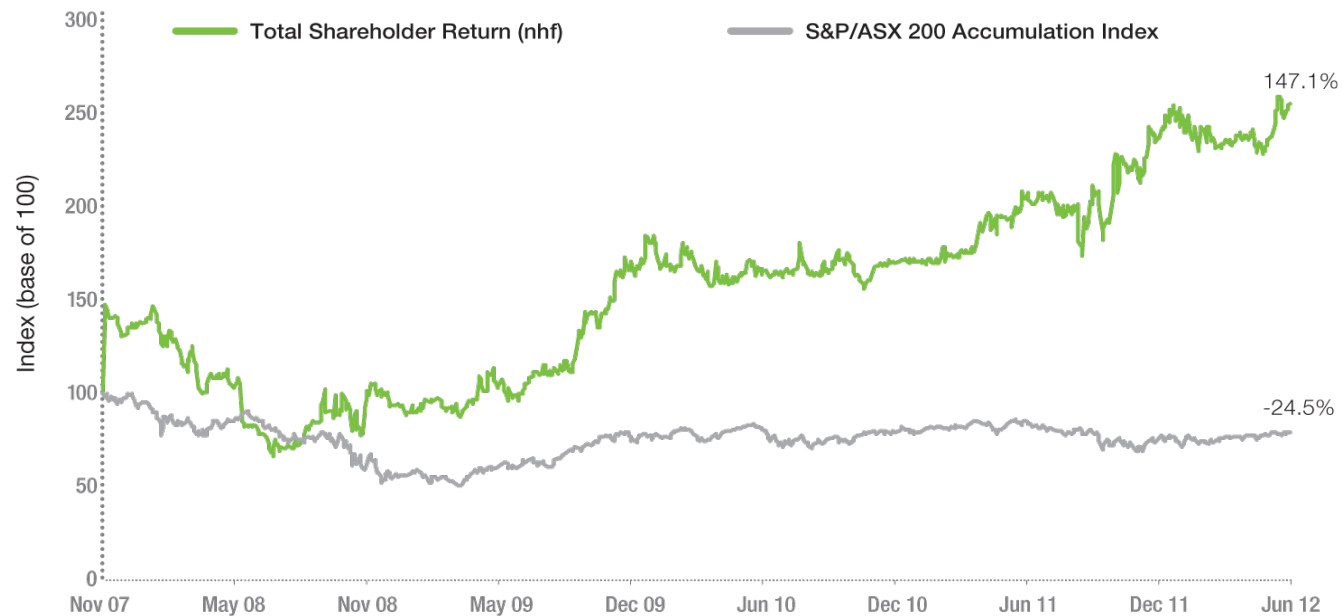
\*Historical images courtesy of The Newcastle Herald and Gail Noakes.



## 2012 ANNUAL GENERAL MEETING

# KEY PERFORMANCE METRICS

## TOTAL SHAREHOLDER RETURN



Source: IRESS (as at 29 June 2012) J.P. Morgan . Note: Assumes capital returns and dividends are reinvested at the payout date

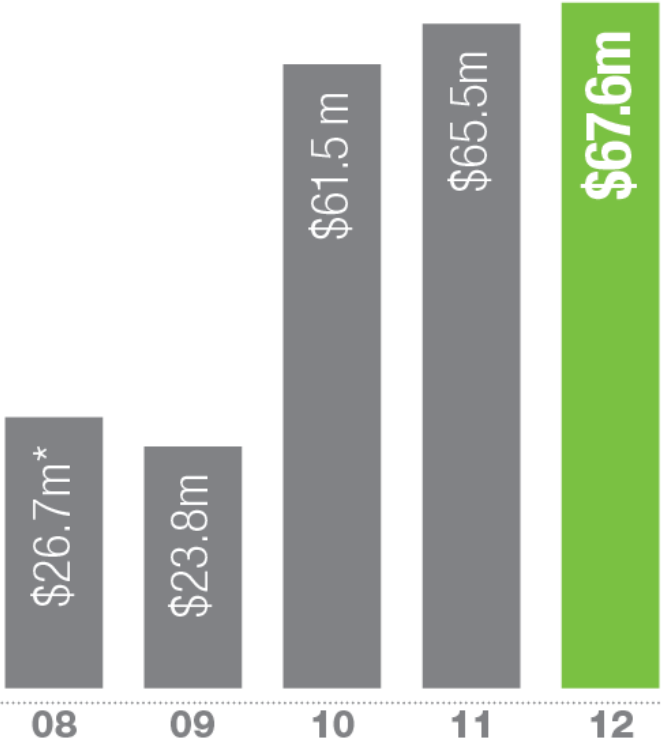
- nib's Total Shareholder Return (TSR) for FY12 was 27.6% versus -6.7% for ASX 200 Index.
- Since listing on ASX in November 2007 our TSR has been 147.1%, compared to -24.5% for the ASX 200 Index.

# KEY PERFORMANCE METRICS

## NET PROFIT AFTER TAX

Up 3.3%

- \$67.6 million, up 3.3% on FY11 result of \$65.5 million.
- Earnings per share of 14.8 cents, up from 13.7 cents in FY11.



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



# KEY PERFORMANCE METRICS

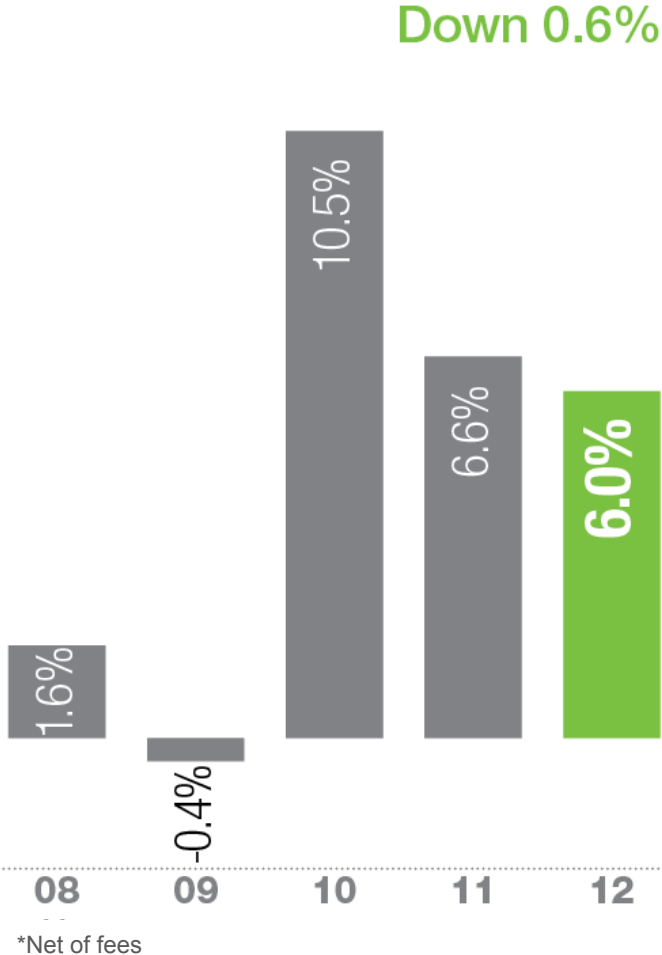
## CAPITAL MANAGEMENT AND CAPITAL POSITION

- **\$140 million was returned or used in FY12 through the following capital management initiatives:**
  - **\$75.4 million Capital Return in July 2011 (equating to 16.07 cents per share);**
  - **\$23.3 million in special dividends; and**
  - **Completion of on-market share buy-back at a cost of \$41.0 million.**
- **As at 30 September 2012, after payment of the final dividend (\$22 million on 5 October 2012), nib had surplus capital above its internal prudential target of \$35.7 million and no debt.**

# KEY PERFORMANCE METRICS

## INVESTMENT RETURNS

- Reduced capital base due to capital management initiatives, resulted in a lower investment income of \$25.6 million (FY11: \$32.1 million).
- Investment return remained stable at 6.0% (FY11: 6.6%) and was in line with targets for our regulatory capital and surplus capital.
- Actual investment return for the 3 months to 30 September 2012 was 2.2%.



# KEY PERFORMANCE METRICS

## DIVIDENDS

- Full year ordinary dividend of 9.25 cents per share was up 15.6% on the FY11 ordinary dividend of 8 cents per share. This was paid to shareholders on 5 October 2012.
- FY11 dividend of 13 cents per share included an 8 cents per share ordinary dividend and 5 cents per share special dividend. The Board contemplated an additional special dividend in FY12 equivalent to its estimate of surplus capital, however, we want to preserve some spare capital to fund possible near term investment opportunities.
- nib's dividend policy has been to pay fully franked ordinary dividends of between 50 and 60% of full year NPAT, to the extent made possible by franking credits.
- FY12 full year dividend equates to a payout ratio of 60% NPAT.
- Recently updated dividend payout ratio to between 60% and 70% of full year NPAT, effective from FY13.

# nib foundation

- FY12 was a landmark year for nib’s charitable organisation.
- nib foundation reached \$10 million in committed funding since its establishment in 2008.
- Partnerships established with 15 organisations in FY12. These include:
  - Starlight Children Foundation’s *Livewire* program
  - Blackdog Institute’s *Headstrong* program
  - Limbs 4 Life’s new *Carers, Children and Youth Program*
  - Spinal Injuries Association’s *Discovering the Power in Me* program



# FY13 & BEYOND

- nib continues to deliver underlying earnings growth, profitability and strong returns for our shareholders.
- Ongoing, we like the investment thesis for private health insurance:
  - Fiscal pressure on Government to continue to fund healthcare at current levels is unsustainable; and
  - Australians' unwillingness to rely on public health system;means there is little alternative other than private health insurance to play a greater role.
- nib is well placed to capitalise on these opportunities and continue our good track record.

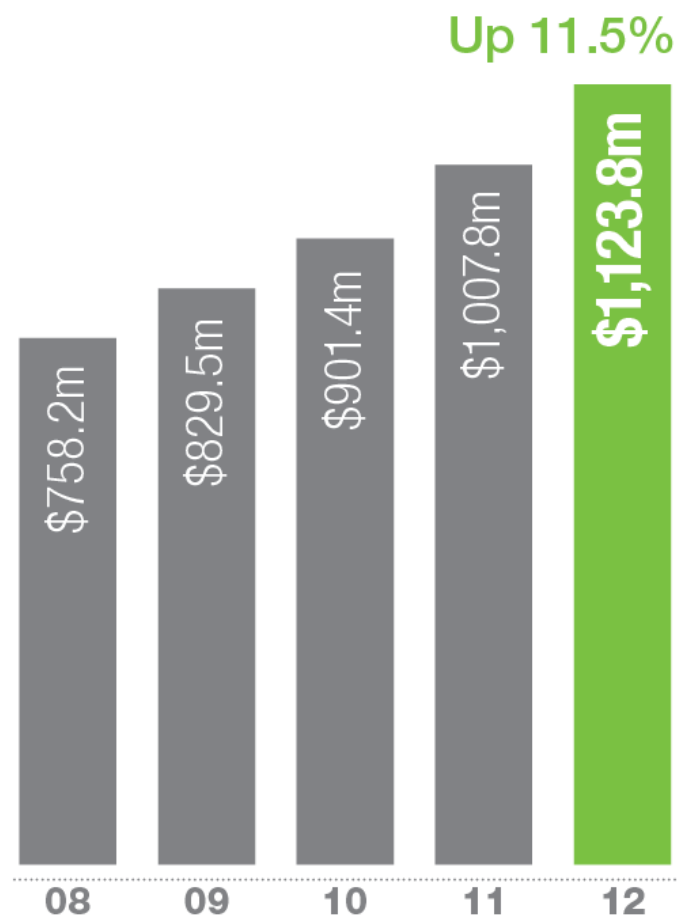


MARK FITZGIBBON  
MANAGING DIRECTOR

# GROUP HIGHLIGHTS

## PREMIUM REVENUE GROWTH

- Consolidated premium revenue increased 11.5% to \$1.1 billion in FY12.
- Health Insurance Business (HIB) premium revenue up 10.5%:
  - Net policyholder growth of 4.7% (20,474 net new policyholders) versus industry growth of 3.7%. We have exceeded annual industry policyholder growth for the 11th consecutive year.
  - Average premium per new policyholder was up 12.8% in FY12 to \$1,858.
- HIB net policyholder growth for the three months ended 30 September was 1.6% (7,184 net new policyholders).

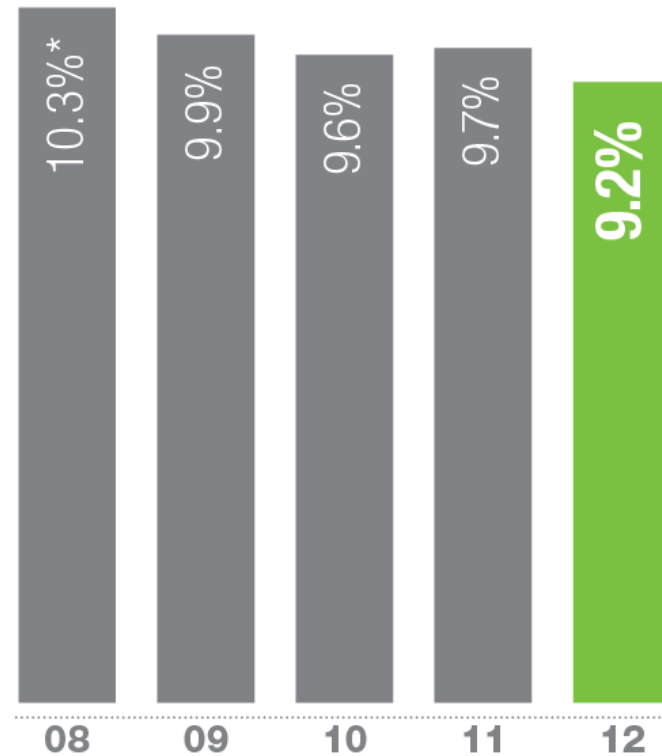


# GROUP HIGHLIGHTS

## MANAGEMENT EXPENSES

- Group Management Expenses of \$103.8m (\$24.1m in acquisition costs).
- Management Expense Ratio (MER) was down 0.5% to 9.2% reflecting our continued focus on operational efficiency.

MER  
Down 0.5%



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



# GROUP HIGHLIGHTS

## UNDERLYING EARNINGS GROWTH

- Pre-tax underwriting result up 15% to \$70.7 million.
- Significant growth in broker policyholder sales (22.2% of FY12 sales) has resulted in nib capitalising commissions we pay to brokers, such as iSelect.
- This increased our underwriting result by \$8.2m (FY12 net underwriting result otherwise: \$62.5m, increase of 1.6%).



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

# NEW BUSINESS VENTURES

## INTERNATIONAL WORKERS BUSINESS (IWB)

- Pre-tax IWB earnings increased 167.9% to \$7.5 million.
- Contributing 10.6% of Group pre-tax underwriting earnings.

## INTERNATIONAL STUDENTS BUSINESS (ISB)

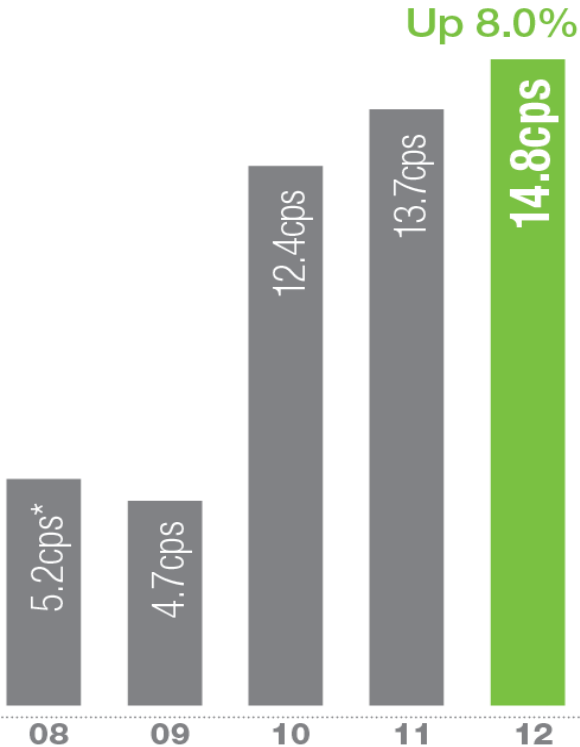
- Still in start-up but now provides cover to approximately 4,100 international students in Australia, up 132.4% on the previous year.
- Experienced an underwriting loss of \$1.4 million for FY12 due primarily to high claims and small scale.

## UNITEDHEALTH GROUP ALLIANCE

- Strategic alliance formed in July 2012 with US-based UnitedHealthcare International, which services more than 75 million people worldwide.
- nib to provide cover to UnitedHealthcare International's expatriate customers working in Australia.
- An important step in nib's ambitions to become an international business.

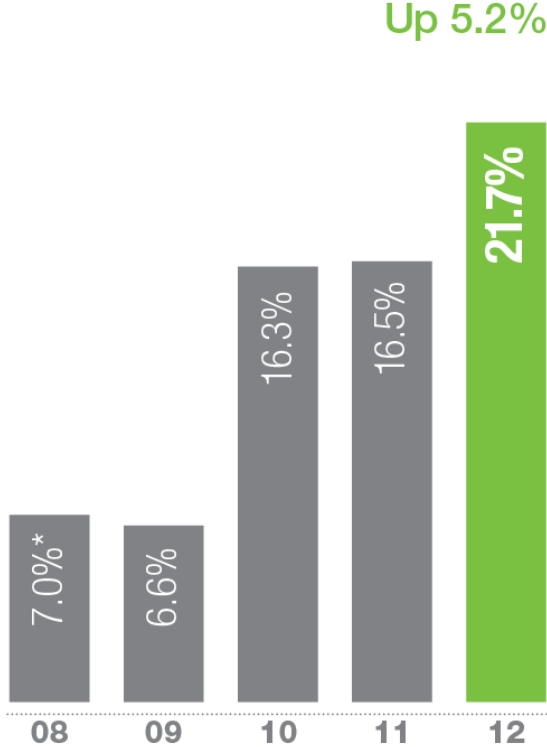
# GROUP HIGHLIGHTS

## EARNINGS PER SHARE



- Continued strong profitability, investment returns and capital management initiatives delivered earnings per share of 14.8 cents up from 13.7 cents FY11.

## RETURN ON EQUITY



- ROE of 21.7%

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



## OTHER FY12 HIGHLIGHTS

- 29% of all new HIB policyholder sales made online.
- 45% of HIB policyholder sales outside of NSW/ACT.
- HIB policyholder sales to over 55s increased 24.7%.
- HIB policyholder sales in Western Australia increased 18.9%.
- Corporate sales account gross written premium up 16.7%.
- Income testing of 30% Government Rebate resulted in premium prepayments of \$91.5m.

# MARKET CONDITIONS & OUTLOOK

- Ongoing annual industry growth predicted at 3%.
- Changes to Federal Government Rebate including income testing and proposed capping of Government allocation for the Rebate are not expected to have significant impact on future industry growth and profitability.
- Escalating competition.
- Premium pricing regime improved and potentially deregulated.
- Claims utilisation and cost inflation (including Risk Equalisation) to maintain 5%- 7% trajectory.
- Industry consolidation/globalisation remains possible.
- Sale of Medibank Private inevitable.

# BUSINESS STRATEGY

- Ongoing organic growth with focus on <40 years of age and with additional investment in Corporate market (in conjunction with IWB), Western Australia and over 55 years segment.
- Increased investment in online/mobile engagement and functionality.
- Focus upon international workers and students.
- Further back office automation and quality improvement.
- Leveraging brand and capability for adjacent business opportunities.
- Opportunistic HIB M&A/strategic international M&A\*



*\*From time to time nib has discussions with domestic and international industry participants on a range of matters, including possible joint strategic initiatives. These discussions will continue to occur in order to grow shareholder value and the market will be informed of any material matters in accordance with our responsibilities with respect to continuous disclosure.*

# nib OUTLOOK FY13 & BEYOND

- nib will continue to pursue above HIB system growth.
- Determination to build international businesses and earnings.
- Forecast FY13 consolidated net underwriting profit of \$70 million to \$75 million.
- Investment return in line with regulatory capital and surplus capital targets.





# 2012 ANNUAL GENERAL MEETING