

**BBY 2007 Healthcare & Life Sciences Conference
nib holdings limited**

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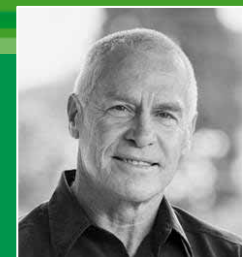
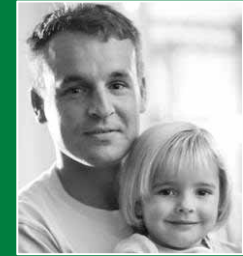
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Healthcare market and private health insurance

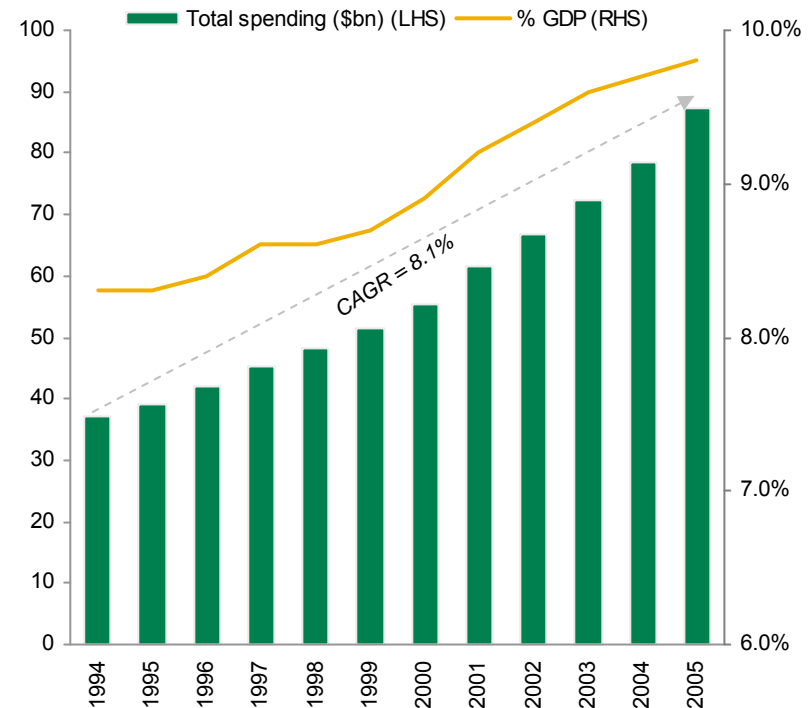


The healthcare market is big, and getting bigger, growing at more than twice the rate of GDP

Industry snapshot

- During 2005, Australians spent ~ \$87bn on healthcare (public and private)
- Spending represents ~10% of GDP; US healthcare spending is ~16% of GDP
- Hospital services (35%) represent the largest single component of healthcare spending, followed by medical services¹ (17%) and pharmaceuticals (14%)
- Healthcare expenditure is expected to rise significantly due to:
 - increasing affluence,
 - ageing population, and
 - increasing cost of treatment driven by technological advances

Total Aust. healthcare expenditure

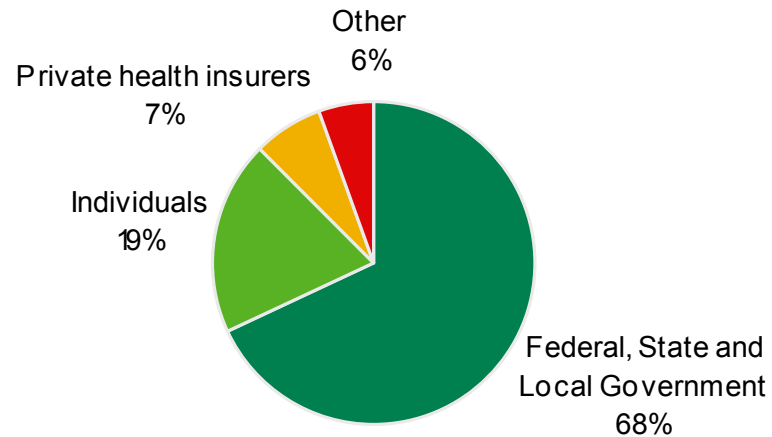


Source: Australian Institute of Health and Welfare (AIHW)

¹ Includes services provided by private medical practitioners operating on a fee-for-service basis

PHI plays a relatively small but important role in the healthcare economy

PHI represents only 7% of healthcare spending



Source: AIHW, 12mths ended 30 June 2005

PHI coverage

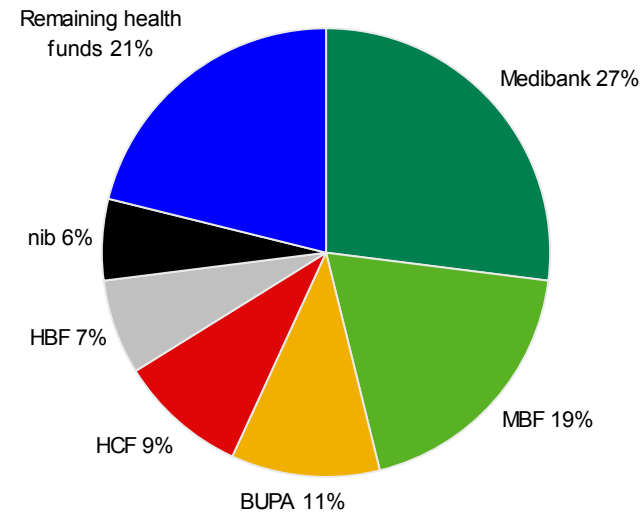
- Total Australian PHI contributions of \$10.3bn for 12mths to 30 June 2006
- The PHI industry's value proposition is:
 - access to private hospital and avoid waiting times
 - choice of specialist
 - provide cover for ancillary services (physio, chiro, dental, lifestyle goods)
- Currently PHI does not cover:
 - GP fees
 - out of hospital pharmaceuticals
 - out of hospital specialists
 - residential care

The PHI industry is dominated by the top 6 players

Industry landscape

- At 30 June 2006 there were 39 registered health insurers, 37 of which conducted a health benefits fund, 23 of which were open membership organisations
- Medibank Private is the only true 'national' fund – each State has three or four funds with dominant market shares
- Top six PHI players account for ~80% of the market by premium revenue
- nib is Australia's sixth largest health insurer

The top 6 PHI players account for ~80% of the PHI market



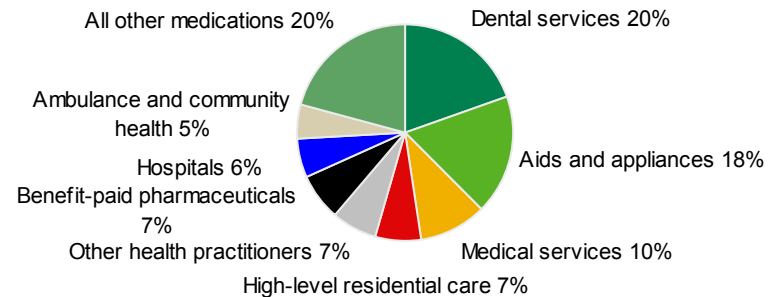
Source: PHIAC, 12mths ended 30 June 2006 premium revenue

The potential for growth in PHI is significant...

Key points

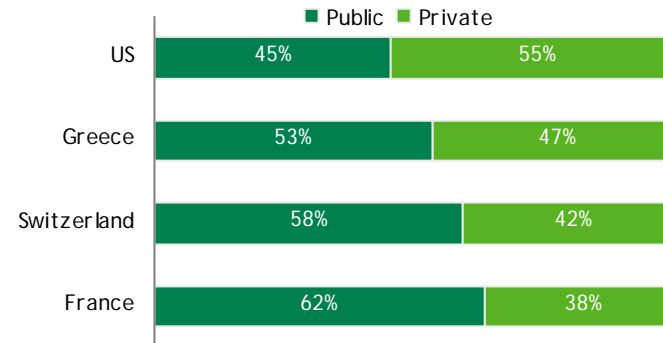
- PHI represents only 7% of the growing health economy
- Exposure to significant growth potential
 - almost 12 million Australians do not have hospital cover
 - 3.5 million people in NSW do not have hospital cover
- Continued frustrations with the public health system and lengthening of waiting times for elective surgery
- Broader cover initiatives

Individual out-of-pocket spending is a significant opportunity



Source: AIHW

International comparisons of healthcare spending



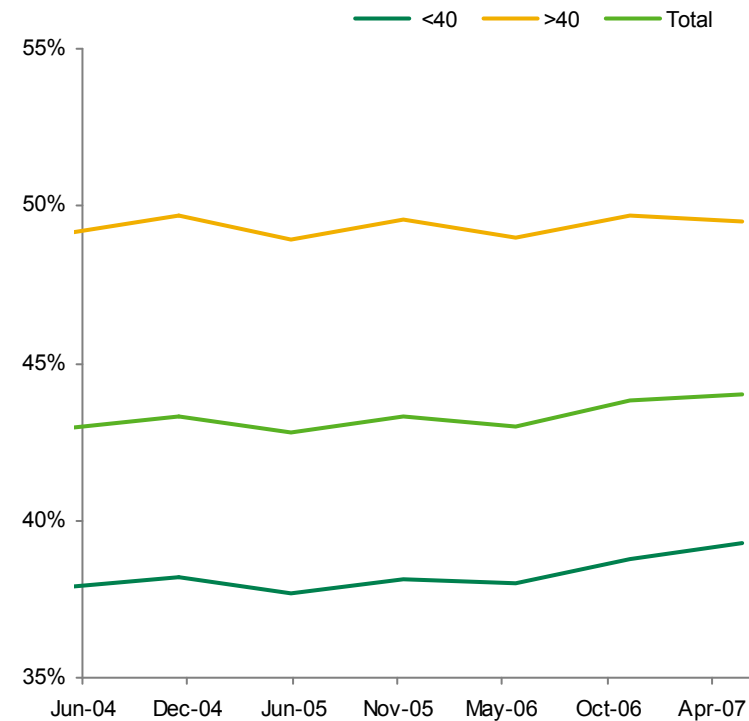
Source: McKinsey & Company Health International Number 9

...particularly in the under 40s segment

PHI market penetration is less than 40% in <40 segment

- Only 39% of under 40s have private hospital cover
 - Potential organic growth opportunity of more than 6.5 million people
- NIB expects continued take up of private health insurance due to
 - favourable economic conditions
 - decline in public hospital system confidence
 - the ongoing impact of government incentives such as the 30% rebate, Medicare Levy Surcharge and LHC
- NIB is ideally positioned to capture the uninsured market, particularly those in the under 40s segment

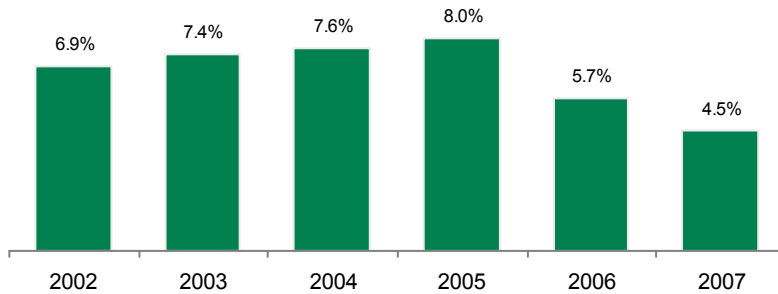
Under 40s are relatively underinsured



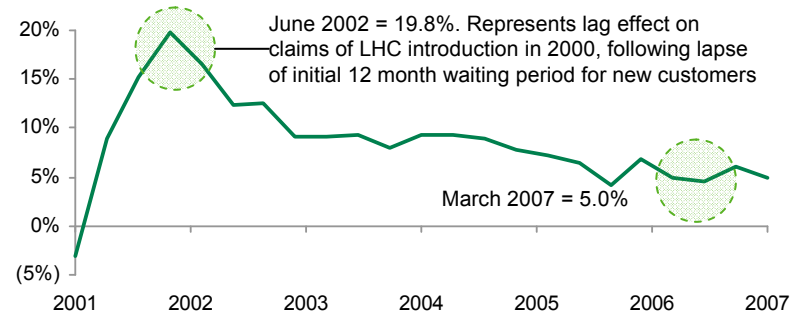
Source: PHIAC

Importantly, PHI profitability has stabilised and is now growing

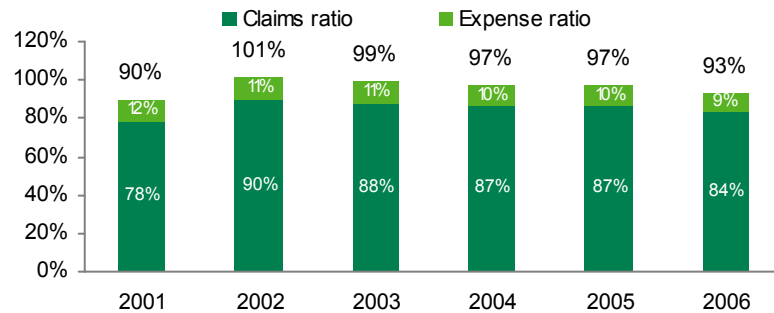
Premium growth has been consistently above GDP



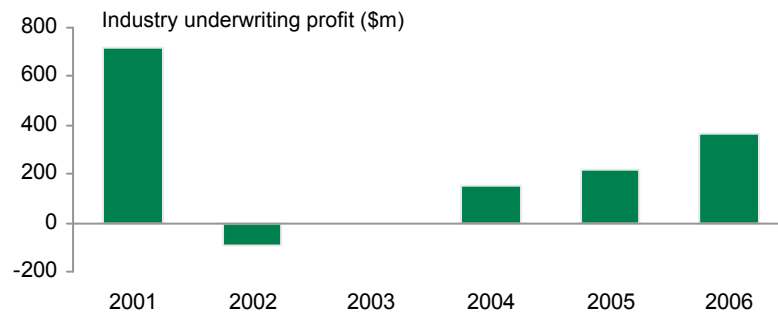
Claims inflation has subsided



PHI combined operating ratios have declined . . .



. . . leading to improved and growing industry profitability



Source: PHIAC, excludes state levies

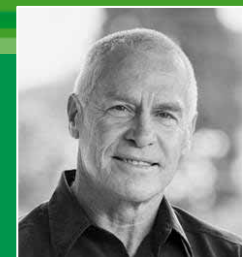
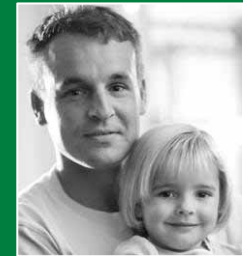
Government policy is very supportive

Legislated initiatives to increase PHI take-up	
Medicare Levy Surcharge	<ul style="list-style-type: none">■ A surcharge of 1% of taxable income is levied on those income earners (single and earning more than \$50,000 p.a. or a couple/family earning more than \$100,000 p.a.) who do not have PHI with a low front end deductible or a low excess
Federal Government Rebate	<ul style="list-style-type: none">■ Government subsidises the cost of private health insurance by providing a rebate on premiums■ Depending on the age of the oldest person on the policy, the level of rebate ranges between 30% (64 years or younger), 35% (65 to 69 years) and 40% (70 years or older)
Lifetime Health Cover (LHC)	<ul style="list-style-type: none">■ People are encouraged to take out health insurance before they turn 31 years of age■ People who join after 30 pay a 2% loading on top of their health insurance premium for every year they are aged over 30, however, loading is removed after 10 continuous years of PHI coverage
Current Government advertising campaign	<ul style="list-style-type: none">■ Federal Government is spending \$17.5m in 2007 on advertising to encourage PHI take-up and to promote the rebate■ Recent changes make it easier for individuals to compare health funds

- nib does not anticipate any material changes to the current PHI arrangements under the new Federal Government



nib overview



nib snapshot

- Australia's 6th largest health insurer headquartered in Newcastle, NSW
- Only ASX listed pure health insurer with a market capitalisation of ~A\$580mm (as at 30 Nov 2007)
- Approximately 340,000 policyholders, providing cover for approximately 700,000 people (as at 30 August 2007)
- 6.6% national market share by number of policyholders (as at 30 June 2007)
- Expanding national footprint with approximately 21% of policyholders outside NSW/ACT (12% in Vic and 7% in Qld) - as at 30 June 2007
- Primary distribution channels:
 - Customer Care Centre (44% of new sales in FY07)
 - Online (33% of new sales in FY07)
 - 32 retail centres across NSW, ACT, QLD, VIC and SA (20% of new sales in FY07)
 - Corporate sales team (3% of new sales in FY07)
- 498 FTEs as at 30 June 2007

The nib proposition

- nib provides value for money and easy to understand private health insurance (PHI)
- PHI allows access to private hospitals, choice of specialist and provides ancillary cover
- nib's product design, pricing, brand positioning and distribution is designed to attract the under 40 market
- Focused on growing outside NSW and via online and telephone distribution
- Exposure to significant growth potential
 - almost 12m Australians do not have hospital cover
 - 6.5m Australians in nib's target under 40 market do not have hospital cover
 - 3.5m people in NSW do not have hospital cover



More young Australians are joining nib

-  *just for you*
health cover for singles
-  *for both of you*
health cover for couples
-  *for all of you*
health cover for families

BASIC SAVER
\$9.95*
per week for singles

A man in a grey t-shirt is smiling and holding a large white sign with green text. The sign says 'BASIC SAVER \$9.95* per week for singles'. In the background, there are other people, including a woman and a child, also smiling.

nib financial snapshot

Summary normalised income statement

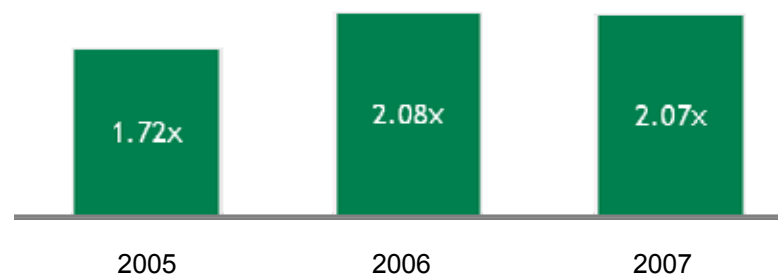
June year end (A\$m)	2005	2006	2007	2008F	05-08 CAGR
Premium revenue	530.7	611.9	666.0	750.7	12.3%
Net claims incurred (incl. levies)	(459.0)	(500.1)	(571.1)	(648.7)	12.2%
Underwriting expenses	(56.3)	(60.4)	(71.2)	(83.3)	13.9%
Underwriting result	15.4	51.4	23.7	18.7	6.7%
Investment and other income	11.4	18.1	29.2	27.2	33.6%
Profit before tax	26.8	69.5	52.9	45.9	19.5%
Tax			(15.7)	(13.7)	
NPAT			37.2	32.1	

Key normalised metrics

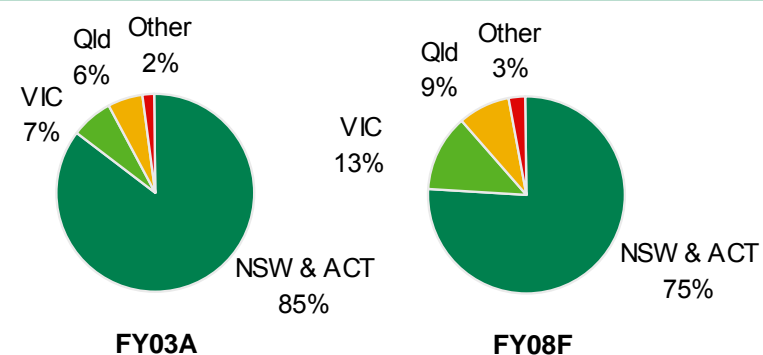
June year end	2005	2006	2007	2008F
Policyholders	290,940	302,299	328,784	360,700
Av. hospital policyholder age – NIB	35.8	36.2	36.1	n/a
Av. hospital policyholder age - Industry	39.5	39.8	39.9	n/a
Premium growth	15.4%	15.3%	8.8%	12.7%
Claims ratio (excl Equalisation)	79.5%	74.7%	78.5%	77.0%
Claims ratio (incl Equalisation)	86.5%	81.7%	85.7%	86.4%
Management expense ratio (MER)	10.6%	9.9%	10.7%	11.1%
Gross margin	13.5%	18.3%	14.3%	13.6%
Net margin	2.9%	8.4%	3.6%	2.5%

Strong capital position, ungeared balance sheet

nib Solvency Multiple



Geographic breakdown premium revenue



nib has a focused strategy to capture the significant latent demand in PHI and particularly the <40 segment

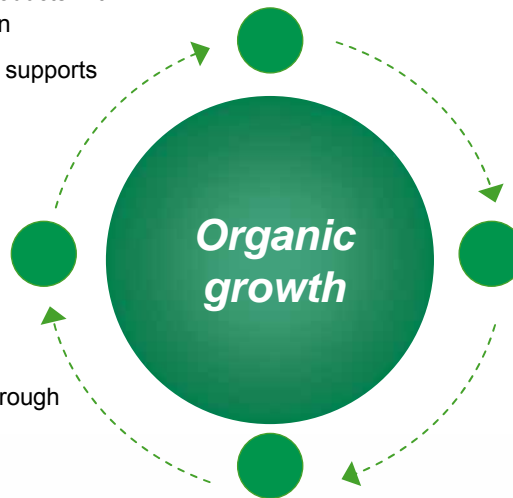
nib's organic growth strategy is centred on profitable expansion in the medium term

Product design

- nib carves out benefits that younger people are not likely to need (e.g. hip replacement)
- For other than the top cover, nib only sells products with deductibles enhancing good risk self selection
- Loyalty rewards program (nib Loyalty Bonus) supports ancillary benefits
- nib's high ancillary benefits attracts younger customers and provides a strong value proposition

Realignment and expansion of distribution

- Interstate brand and marketing investment through sponsorship and marketing
- Online presence and service
- Continuing rationalisation of retail network
- Strong service culture



Product pricing


- Carve outs and deductibles keep premiums lower attracting better risks which in turn keeps premium increases down (virtuous cycle)
- nib's \$9.95 Basic Saver provides price point advertising and opportunity for migration to higher margin products

Brand positioning

- Brand identity – value for money, easy to understand affordable and designed for younger people
- Heavy investment in marketing and brand building

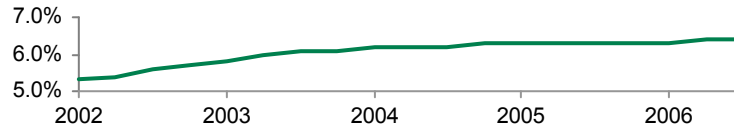
The initial results are very promising

Key metrics	2005A	2006A	1H07A	2H07A	YTD to 30/9	2008 Target
Annualised growth in net membership	4.2%	3.9%	6.6%	10.5%	18.2%	9.7%
% of new sales new to PHI	68.7%	70.8%	75.9%	74.4%	81.7%	n/a
% of new sales <40	71.7%	73.6%	78.1%	78.8%	78.4%	n/a
% of new sales online	4.2%	13.6%	29.3%	35.1%	38.6%	35.8%
% of new sales outside of NSW	19.1%	23.4%	25.6%	37.5%	43.2%	41.1%
Average age of hospital persons covered (yrs) - nib	35.8	36.2	36.2	36.1	n/a	n/a
Average age of hospital persons covered (yrs) – industry	39.5	39.8	n/a	39.9	n/a	n/a

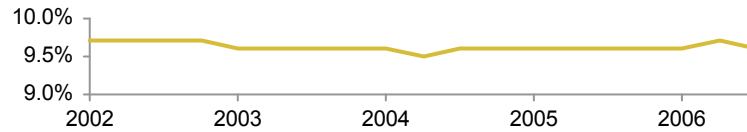
 Note: Organic growth strategy began on 1 January 2007

nib has delivered growth well above the industry and our main competitors since Dec 2002

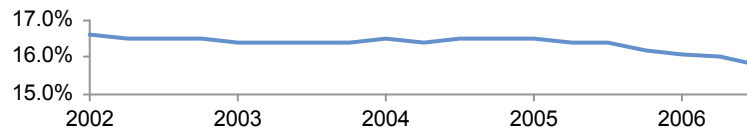
nib's market share has grown steadily since 2002



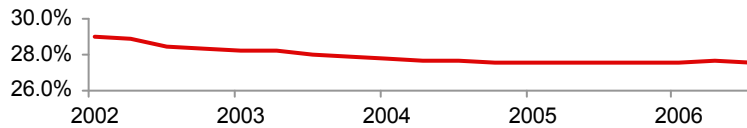
BUPA has maintained market share since 2002



MBF's market share has declined since 2002

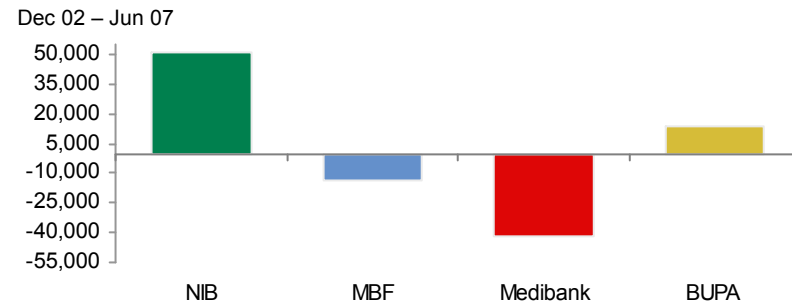


Medibank's market share has declined since 2002

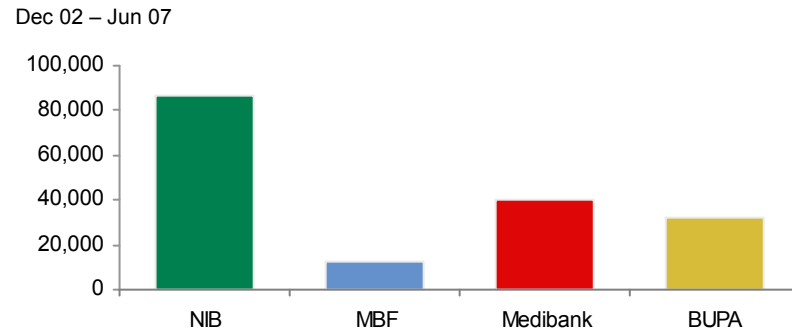


Market share by total persons covered to June 2007

Increase in persons between 20-39 with hospital coverage



Increase in total policyholders of all ages



Capital management and dividends

Capital management

- Strong balance sheet with no gearing, positions nib for potential acquisitions
- In the absence of any strategic initiatives, the Board intends reviewing nib's capital position and gearing at or around the time of release of the June 2008 results with the view to returning capital to shareholders (subject to PHIAC, shareholder and ATO approval)
- nib had ~A\$75m of capital above its targeted requirements as at 30 June 2007

Dividends

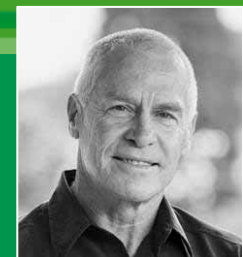
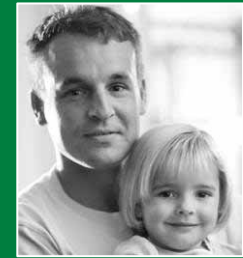
- As a result of the operation of accounting standards (AASB 2 and UIG 8) relating to the demutualisation, nib Health Fund has negative retained earnings and will report an accounting loss for 2008. This has no impact on the underlying performance or profitability of nib
- Accordingly, nib cannot pay a dividend for the 2008 year. The operation of these accounting standards will not impact on nib's ability to undertake alternative capital management initiatives
- Post FY08 nib expects to have accounting profits from which to pay dividends. The Board expects a dividend payout ratio of 40-60% of normalised profits post 2008
- Dividends are expected to be fully franked

Summary

- The Australian healthcare economy is forecast to continue to grow faster than GDP
- There is significant potential to grow the PHI category
 - latent demand and rising incomes
 - retreating Government funding and bipartisan support for PHI
 - stabilising claims inflation and premiums
 - frustrations with public healthcare
 - more aggressive industry competition and marketing
- nib is in a strong position to provide attractive returns to shareholders
 - PHI has attractive underlying fundamentals
 - clear and successful strategy to capture significant latent demand especially in the under 40 segment
 - currently making a very significant investment in the business to drive future earnings growth
 - provides a platform for future industry consolidation
 - potential for capital and operating efficiencies as a listed company



Q&A





nib
holdings