

17 May 2011

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

Subject: Goldman Sachs Emerging Companies Conference – May 2011

Attached presentation by nib's Chief Financial Officer and Deputy CEO, Ms Michelle McPherson at the Goldman Sachs Emerging Companies Conference on 18 May 2011.

Yours sincerely



Michelle McPherson
Company Secretary/Chief Financial Officer



Executive summary

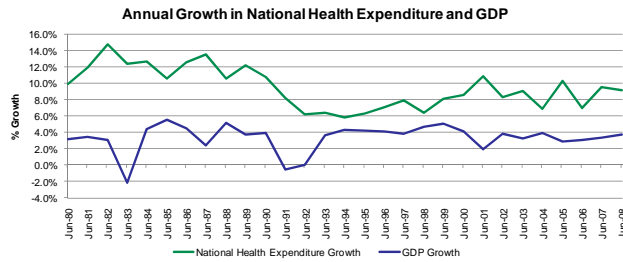
- Growth in Australia's health expenditure (currently circa A\$100 billion) has out paced GDP growth over the last decade and this is expected to continue due to:
 - Ageing population and increased longevity
 - Medical inflation
 - Increasing affluence and incomes
- Government outlays account for almost 70% of healthcare expenditure. An ageing population and increasing ratio of retired to working people means that this relative level of Government funding is not sustainable
- The private health insurance (PHI) sector in Australia is growing and will inevitably play an increased role in funding the nation's healthcare
- The PHI industry has undergone significant rationalisation with BUPA's acquisition of MBF in 2007, nib's demutualisation and listing on the ASX in 2007, Medibank Private's acquisition of ahm in 2008 and HCF's acquisition of Manchester Unity in 2008. The largest insurer Medibank Private is Government owned and it is likely it will be privatised within the next three years
- nib is a "challenger brand" and the only publicly listed insurer in Australia. It has the fastest growth rate of the major insurers, both in terms of policyholder numbers and premium revenue
- nib's market share as at 31 December 2011 was 7.4% (FY10: 7.3%) but accounted for 13.7% of net system growth in 1H11 (FY10: 14.3%). Growth has been underpinned by its focus upon the youth market segment as well as brand, product and distribution alignment
- In the 20-39 age group, nib accounted for 21.3% of national growth in 1H11 (FY10: 31.1%)
- nib continues to pursue merger and acquisition opportunities, reflected by the acquisition of IMAN in September 2010
- Capital Management includes proposed \$75 million capital return June/July 2011



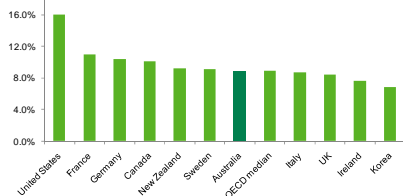
Industry Overview

nib sponsored Newcastle Knights (National Rugby League Team)

Growth in Australian healthcare spending continues to outpace GDP

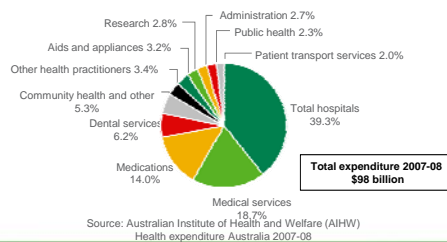


International comparisons of healthcare spending as a % of GDP



Source: Australian Institute of Health and Welfare (AIHW) Health expenditure Australia 2007-08

Components of recurrent healthcare expenditure



Source: Australian Institute of Health and Welfare (AIHW) Health expenditure Australia 2007-08

Government outlays account for almost 70% of spending, part of which supports PHI

Government PHI policies

Medicare Levy Surcharge

- A surcharge on taxable income levied on middle and high income earners without PHI
- The surcharge is currently 1% of taxable income with a proposal to increase levy up to 1.5% in conjunction with proposed means testing of the rebate.

Federal government rebate

- Government subsidises the cost of PHI by providing a rebate on premiums
- Depending on the age and income of the oldest person on the policy, the level of rebate is up to 30% (64 years or younger), 35% (65 to 69 years) and 40% (70 years or older)
- There is a proposal to means test the rebate

Lifetime Health Cover (LHC)

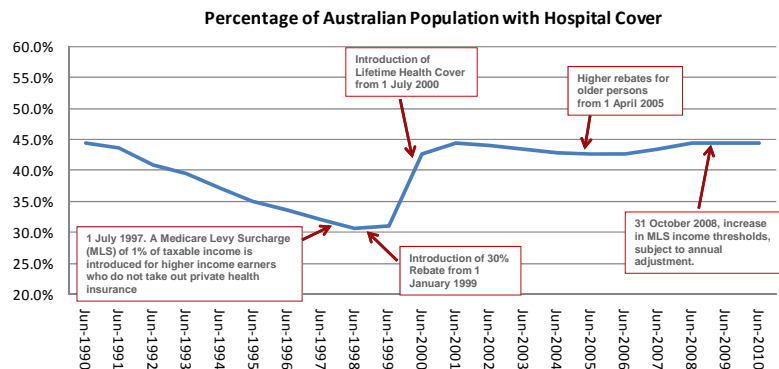
- People are encouraged to take out PHI before they turn 31 years of age
- People who join after 30 pay a 2% loading on top of their health insurance premium for every year they are aged over 30

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PHI accounts for a relatively small part of spending (13%) but is growing

Health insurance penetration rates - hospital treatment coverage (insured persons as a percentage of population 1990 to 2009)

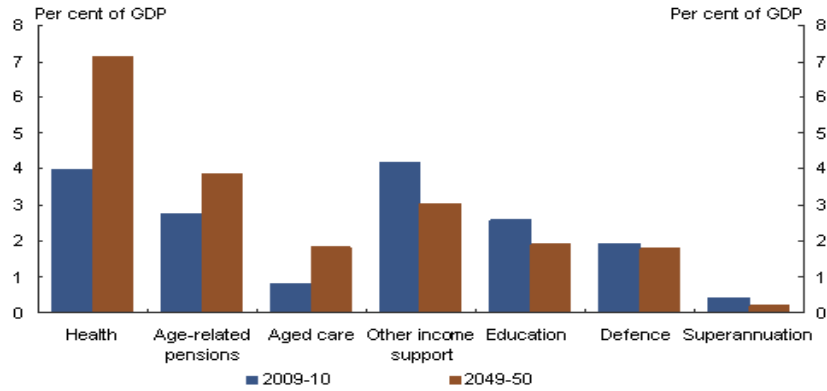


Source: PHIAC Operations of the Private Health Insurers Annual Report 2009-10

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Inevitably, PHI must play a greater role in the future funding of Australian healthcare as current Government relative funding not sustainable

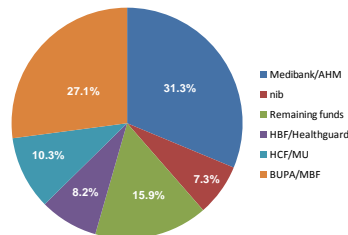


Source: The 2010 Intergenerational Report



Although there is market concentration at the top end, the PHI market is fragmented and is expected to further consolidate

- At 30 June 2010 there were 37 private health insurers operating in Australia (35 from 1 July 2010 with BUPA/MBF funds merging from 3 to 1)
- Of these, 13 were restricted access and 24 insurers were open membership organisations
- Top five PHI players account for 84.1% of the market by premium revenue
- More than 70% of the industry is now "for profit" and tax paying (compared to 12.5% in 2000)



Source: PHIAAC at 30 June 2010

The PHI market has seen significant recent corporate activity

HCF acquisition of Manchester Unity	HCF acquired Manchester Unity in August 2008 for A\$257m
Medibank acquisition of AHM	Medibank acquired AHM for A\$367m in July 2008, with the combined business holding 31.3% of the market by policyholders
BUPA Australia/MBF merger	In December 2007 the Board of MBF recommended a merger of the two private health insurers following a A\$2.41bn offer to MBF contributors from BUPA
nib demutualisation and listing	In July 2007, Company Members and Eligible Policyholders of nib voted overwhelmingly in favour of a proposal to demutualise nib subsequently listed on the ASX in November 2007



Industry profitability and premium increases

- Industry net margin for FY10 of 4.5% (nib 5.2%)
- FY11 industry average weighted premium increase on 1 April of 5.56% (nib 6.19%)

Industry Profitability								
Year	Average weighted premium increase on 1 April	Premium Revenue \$ mill	Benefits Payments \$ mill	Management Expenses \$ mill	Gross Margin	Net Margin	Profit before Tax \$ mill	Profit Margin
2009-10	5.78%	14,170	12,227	1,300	13.7%	4.5%	1,175	8.3%
2008-09	6.02%	13,078	11,349	1,311	13.2%	3.2%	405	3.1%
2007-08	4.99%	12,189	10,385	1,282	14.8%	4.3%	562	4.6%
2006-07	4.52%	11,127	9,432	1,068	15.2%	5.6%	1,288	11.6%
2005-06	5.68%	10,261	8,753	962	14.7%	5.3%	984	9.6%

Source: PHIAAC

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About nib



nib sponsored Geelong Cats (Australian Football League Team and 2009 Premiers)

nib is Australia's only listed health insurer

- ASX ticker - nhf
- Shares on issue – 466,765,752 (13 May 2011)
- Share price (13 May 2011) - A\$1.49
- Market capitalisation ~A\$695m
- Australia's fifth largest health fund (only listed Australian private health insurer)
- Approximately 418,000 policyholders, providing cover for over 815,000 people
- Recently entered market for temporary migrant workers and international students health insurance
- Primary distribution channels:
 - Customer Care Centre
 - Online
 - Retail and Corporate Sales
- Forecast FY11 net underwriting profit A\$55-A\$58m (net underwriting margin of 5.4% - 5.7%)
- Forecast ongoing pre-tax net margin of 5%-6% with annual policyholder growth of 5%-6%
- Net tangible assets (31 December 2010) A\$364.2m or 78 cents per share

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Performance since listing has been strong

	FY08*	FY09	FY10	1H11
Pre-tax underwriting result (A\$m)	33.0	40.2	47.1	40.9
Net underwriting margin (%)	4.4	4.8	5.2	8.3
Profit before tax (A\$m)	37.6	31.6	87.0	56.4
NPAT (A\$m)	26.7	23.8	61.5	39.0
EPS (Acps)	5.2	4.7	12.4	8.0
ROE (%)	7.0	6.6	16.3	14.8
Dividend (Acps)	2.1	7.4	7.0	4.0

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

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nib's strategy is focused and clear

- 1 Continue to grow organically through building national brand presence, targeting new to category under 40 segment and higher policyholder retention.
- 2 Look to emulate the success of under 40 segment in other targeted segments.
- 3 Build an international business around temporary migrant workers, overseas students and other opportunities that arise.
- 4 Further develop a high performance organisational culture and inspire our people.
- 5 Mitigate claims inflation with an emphasis on protecting against unwarranted variation and empowering policyholders to make more informed choices.
- 6 Leverage our fixed costs base to support and fund business growth and generally improve productivity through investment in technology.
- 7 Deploy and manage capital towards optimising shareholder returns including mergers and acquisitions.

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And results so far impressive

(%)	FY06	FY07	FY08	FY09	FY10	1H11
Net policyholder growth (nib)	3.9	8.8	11.1	5.2	5.9	2.7
Net policyholder growth (industry)	2.1	4.2	4.2	3.3	2.9	1.4
% of new sales new to category	70.8	74.4	78.2	67.4	62.2	67.5
% of new sales "under 40" target segment	73.6	78.5	79.2	78.7	77.4	76.8
% of new sales online	13.5	32.5	38.8	36.2	33.1	35.5
% of new sales outside core state of NSW/ACT	23.4	32.3	44.0	42.6	42.7	43.0

- CAGR since FY05 of 6.4% (industry 2.9%), since FY05 nib has represented 14.5% of total industry growth
- nib with 7.4% market share, accounted for 13.7% of national growth in 1H11 (FY10: 14.3%)
- nib with 10.4% market share (FY10: 10.2%) in 20-39 age group accounted for 21.3% of total industry growth (FY10: 31.1%)
- Net policyholder growth (excluding overseas students and temporary migrant workers) for 1H11 was 10,847 policies (same period last year: 9,236)

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Key metrics

(A\$m)	FY07*	FY08*	FY09	FY10	1H11
Premium revenue	666.0	758.2	829.5	901.4	495.0
Management expenses	(71.2)	(78.2)	(81.8)	(86.4)	(42.2)
Net underwriting profit	23.7	33.0	40.2	47.1	40.9
Net underwriting profit (HIB**)	23.7	33.0	40.2	47.1	40.4
Net underwriting loss (OSHC**)	-	-	-	-	(0.3)
Net underwriting profit (OVC**)	-	-	-	-	0.8
Net investment return	31.3	7.5	(1.8)	44.5	18.6
Other income	1.2	1.4	1.1	1.3	0.9
Other expenses	(3.3)	(4.3)	(7.9)	(5.9)	(4.0)
Profit before tax	52.9	37.6	31.6	87.0	56.4
Tax	(15.7)	(10.9)	(7.8)	(25.5)	(17.4)
NPAT	37.2	26.7	23.8	61.5	39.0
Gross margin (%)	14.3	14.7	14.7	14.8	16.8
Management expenses (%)	10.7	10.3	9.9	9.6	8.5
Net margin (%)	3.6	4.4	4.8	5.2	8.3
Investment return (%)	8.8	1.6	(0.4)	10.5	9.0#

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

** HIB = Health Insurance Business, OSHC = Overseas Students Health Cover, OVC = Overseas Visitors Cover

Annualised.

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Balance Sheet

nib has a strong capital base and no debt

(\$m)	31 Dec 09	30 June 10	31 Dec 10
Current assets			
Cash and cash equivalents	161.5	197.4	171.6
Financial assets at fair value through p&l	259.2	264.4	274.1
Other current assets	35.4	61.8	48.6
Total current assets	456.1	523.6	494.3
Non-current assets			
Available for sale financial assets	1.5	1.5	1.5
Investment properties	30.0	0.0	-
Property, plant and equipment and intangibles	55.0	53.5	81.8
Other non-current assets	11.5	9.4	24.2
Total non-current assets	97.0	64.4	107.5
Total assets	553.1	588.0	601.8
Current Liabilities			
Outstanding claims liability	56.5	62.1	60.2
Unearned premium liability	46.4	54.4	53.7
Other current liabilities	66.0	79.2	83.6
Total current liabilities	168.9	195.7	197.5
Non-current liabilities			
Total liabilities	169.8	196.6	198.4
Net Assets	383.3	391.4	403.4

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Investments

TOTAL INVESTMENT PORTFOLIO		
	Net return (\$m) Six months to 31 December 2010	Allocation (%) At 31 December 2010
Cash	5.1	36
All maturity debt	0.4	3
Short maturity debt	4.0	45
O/S fixed interest	1.9	-
Defensive	11.4	84
Australian shares	3.0	5
Global shares – hedged	2.4	2
Global shares – unhedged	0.1	2
Listed infrastructure	1.2	-
Direct property	0.5	7
Property trusts	-	-
Unlisted security	-	-
Growth	7.2	16
Total	18.6	16

Capital management

- As part of the regular review of capital management the Board has determined that the internal capital adequacy target be revised from a capital adequacy ratio of 1.4x (or a Capital/Risk Multiple of 2.35x) to a capital adequacy ratio of 1.3x (or a Capital/Risk Multiple of 2.00x)
- The Board of nib has approved a proposed capital return by way of an equal reduction of capital in accordance with Section 256B of the Corporations Act of \$75 million (approximately \$0.16 per share)
- The capital return is subject to obtaining the appropriate ruling from the Australian Tax Office and approval from shareholders
- Continuation of on market share buy-back and special dividends where possible
- Potential for second capital return in 2012 - amount will be dependent on extent of surplus capital and investment prospects such as M&A
- Indicative 2011 capital return timing:

Capital return announcement	21 February 2011
Distribution of Notice of Meeting for EGM	May 2011
EGM	June/July 2011
Capital Return	June/July 2011

Key enterprise risks

Market

- Macro-economic environment
- Heightened competitor activity
- Claims inflation

Sovereign

- Premium pricing
- Significant changes to government PHI policies
- National Health and Hospital Reform Commission

Investment

- Market volatility
- Surplus capital and sub-optimal returns

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Summing up

- nib is a “challenger brand” already making significant progress in increasing market share through focused organic growth strategy
- Strong earnings accretion can be expected to continue, driven by organic growth and hopefully further M&A
- The long-term outlook for PHI in Australia is positive given the unsustainability of current levels of Government healthcare funding

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