Acquisition of TOWER Medical Insurance (NZ)

2 November 2012

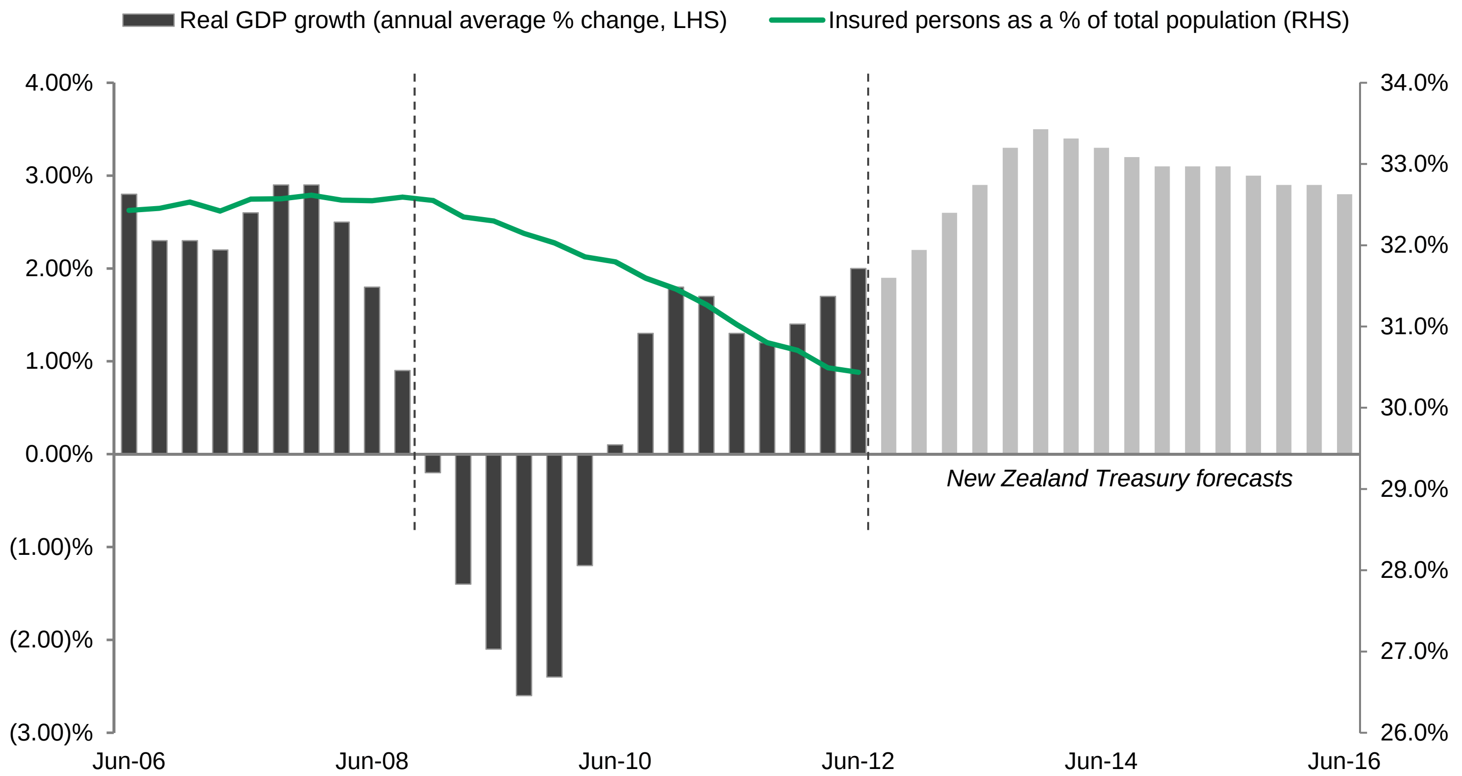
Transaction highlights

Transaction overview	▪ nib holdings has agreed to acquire 100% of TOWER Medical Insurance Limited for approximately NZ$102 million (A$80 million) subject to completed accounts ▪ Net assets of approximately NZ$64 million ▪ Surplus capital of approximately NZ$10 million ▪ Transaction funded through excess capital and NZ$70 million senior debt facility ▪ Post transaction gearing (debt / debt + equity) of 16% well within target gearing of 20-30% ▪ Transaction subject to New Zealand regulatory approvals
Business description	▪ Second largest private health insurer in New Zealand with ~13% market share ▪ Headquartered in Auckland ▪ Products primarily distributed through independent financial advisers
Strategic rationale	▪ Consistent with nib's previously articulated international strategy ▪ Opportunity for nib to leverage experience in Australian market as a challenger brand ▪ Diversification of revenues away from regulated HIB environment ▪ Business turn around required
Attractive valuation	▪ Substantial EPS and ROE accretion ▪ Meets nib's strict return on investment criteria ▪ TOWER Medical made NZ$6.8 million NPAT for 1H12 ▪ Price to embedded value of 0.85x[1]

[1] Based on 31 March 2012 embedded value of NZ$119.4 million

New Zealand economy is showing signs of recovery

Real GDP growth and PHI penetration



Source: Health Funds Association of New Zealand ("HFANZ"), Reserve Bank of New Zealand, Statistics New Zealand, New Zealand Treasury

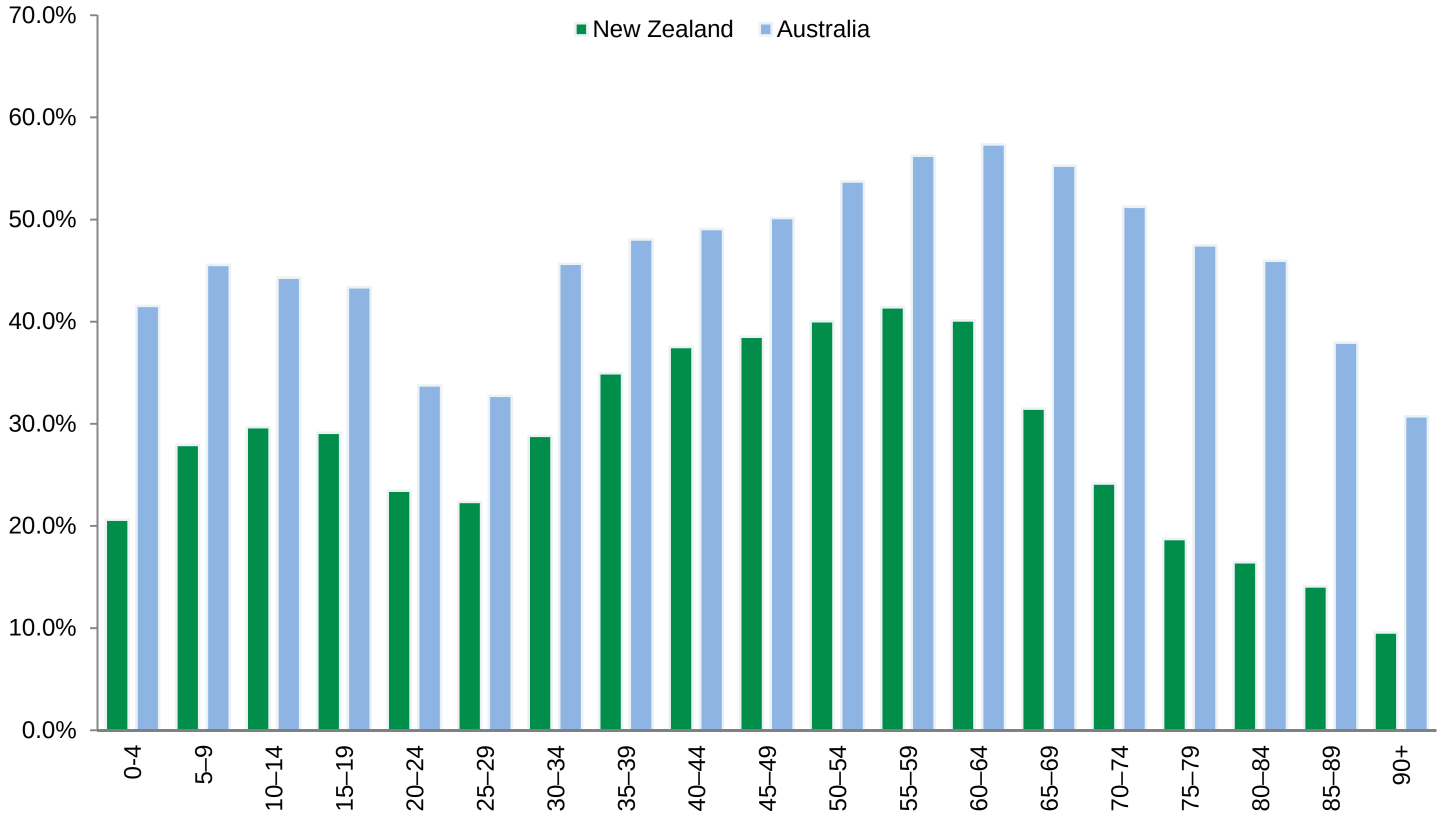
New Zealand private health insurance snapshot

	New Zealand	Australia
Premium revenue	■ NZ$1.1 billion / A$0.8 billion	■ NZ$21.1 billion / A$16.7 billion
Lives covered & penetration	■ 1,349,305 lives covered ■ ~30% of population (declining)	■ 10,587,828 lives covered ■ ~47% of population (growing)
Pricing of insurance premiums	■ Full risk rating	■ Community rating ■ Risk equalisation levy
Group vs. individual	■ ~50% group / 50% individual	■ ~90 – 95% individual
Portability	■ Not portable	■ Portable
Affordability	■ ~2.4% of average weekly household income	■ ~4.0% of average weekly household income (inc. 30% rebate)
Distribution	■ Predominantly intermediated and group	■ Predominantly direct and individual
Government intervention	■ None ■ Accident Compensation Corporation provides accident insurance for work and non-work injuries (does not cover illness or injuries mainly related to ageing)	■ Strong government intervention ■ Government intervention includes Medicare Levy Surcharge, PHI rebate, Lifetime Health Cover
Regulation	■ Regulated by RBNZ	■ Regulated by PHIAC
Market landscape	■ 13 licensed private health insurers ■ No government owned or managed providers	■ 34 licensed private health insurers ■ Large government owned and managed insurer

Source: HFANZ, Statistics New Zealand, PHIAC, Australian Bureau of Statistics, Reserve Bank of Australia, J.P. Morgan estimates

New Zealand private health insurance snapshot

PHI penetration by age segment



Source: HFANZ, Statistics New Zealand, PHIAC, Australian Bureau of Statistics

TOWER Medical Insurance snapshot

- New Zealand's 2nd largest health insurer
- More than 169,000[1] lives covered
- Headquartered in Auckland
- Hospital Cover products launched in 1992; acquired AXA Health in 2000
- Multi channel distribution through independent financial advisers, direct sales, group sales and tied sales force
  - nib and TOWER to enter into 10 year exclusive white label distribution agreement supporting sale of bundled life and health products
- A wide range of insurance products
  - Comprehensive to major medical policies
  - Group and individual structures
  - Product suite highly rated relative to peers
- 1H12 net earnings of NZ$6.8 million

Key financials

NZ$ million	2008	2009	2010	2011
Net premiums	126.2	131.7	135.9	140.6
% growth	*7.7%*	*4.3%*	*3.2%*	*3.4%*
Net underwriting profit	(0.5)	7.0	0.8	7.9
% margin	*(0.4%)*	*5.3%*	*0.6%*	*5.6%*
NPAT	5.9	10.9	7.5	9.6
Market share	*14.2%*	*13.5%*	*13.1%*	*12.7%*

Source: HFANZ, TOWER
[1] As at June 2012

Why New Zealand health insurance?

Minimal government regulation	▪ Almost no government regulation in the market ▪ Absence of community rating and risk equalisation
Market structure	▪ Large incumbent in Southern Cross, 60% market share ▪ With its capabilities and experience, nib can emerge as a challenger brand
Lack of marketing and consumer awareness	▪ Minimal direct marketing of health insurance in New Zealand ▪ Virtually no brand recognition outside of Southern Cross ▪ No significant effort by insurers to encourage younger, healthier individuals into PHI

Similarity to Australian market in the past	▪ New Zealand PHI market exhibits similarities to Australian market dynamics / features of early 2000
	  ▪ Declining PHI penetration (improvement in Australia tied to marketing surge)
	  ▪ No government sticks and carrots
	  ▪ Private system ineffective in supporting financing of healthcare for individuals

Unsustainable government funding	▪ Heavy and unsustainable reliance on public funding of healthcare (83% New Zealand vs. 69% Australia) ▪ Budgetary constraints will inevitably force New Zealand government to re-think current healthcare funding model over longer term

Why TOWER Medical Insurance?

Provides immediate scale	▪ New Zealand's 2nd largest health insurer ▪ ~13% market share, down from ~15% in 2007 ▪ More than 169,000 lives covered
Significant efficiency opportunities	▪ Smallest business segment within TOWER Group; has not been a core area of focus ▪ Opportunity for nib to improve operational efficiency and customer satisfaction through its expertise and singular focus ▪ Reinvigorated sales force for group business ▪ Reinvigorated relationship with intermediaries
"Kiwi Green" proposition	▪ TOWER Medical Insurance current distribution mix predominantly intermediated ▪ Opportunity for nib to emulate the success of Virgin Green in the 20-39 age category
Strong and capable team	▪ Experienced and well-credentialed management team supported by Jayne Drinkwater as interim CEO and Glenn Treadwell as interim CFO to assist transition

Integration and branding approach

- Jayne Drinkwater (former nib Chief Operating Officer and Chief Marketing Officer) to be appointed interim CEO New Zealand
- Glenn Treadwell (current nib Group Financial Controller) to be appointed interim CFO New Zealand
- Both to be based in Auckland
- nib to emerge as a challenger brand, leveraging its expertise and experience in the Australian market
- nib and TOWER to enter into exclusive 10 year distribution agreement supporting sale of white labelled bundled health and life product
- 12 month transitional services agreement with TOWER

Summary

- TOWER Medical Insurance is a sensible acquisition that represents good value
  - 2nd largest private health insurer with ~13% market share
  - More than 169,000 lives covered
  - Leverage nib's expertise and reinvigorate the business
  - Emulate the success of Virgin Green in the 20-39 age category
- Exposure to the New Zealand PHI market delivers nib clear benefits
  - Consistent with nib's articulated international strategy
  - Ability to fully risk rate
  - Current extent of public funding of healthcare likely unsustainable
  - Economy is recovering and should support / stabilise PHI uptake
- Purchase price underpins attractive valuation metrics with immediate and substantial EPS and ROE accretion

QUESTIONS

Acquisition of TOWER Medical Insurance (NZ)

2 November 2012