

UBS Australian Healthcare Conference

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November 2010

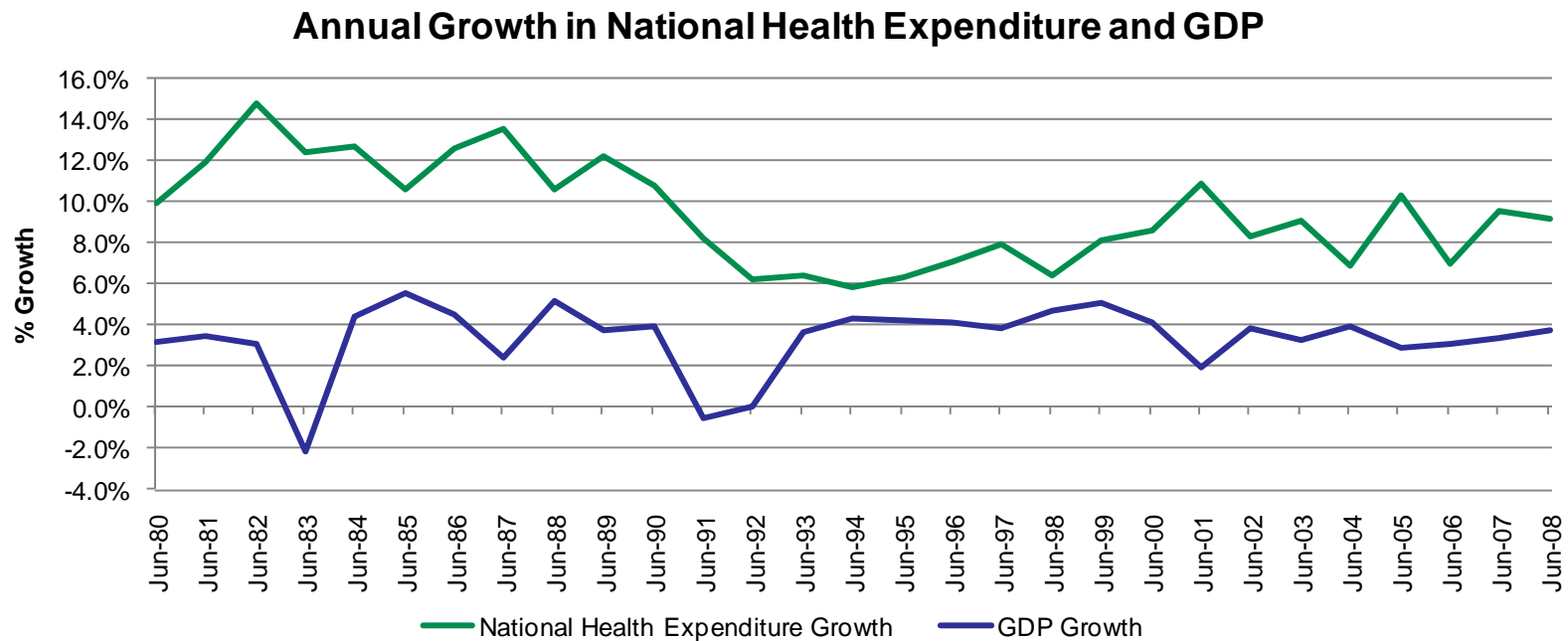
nib

Investment thesis

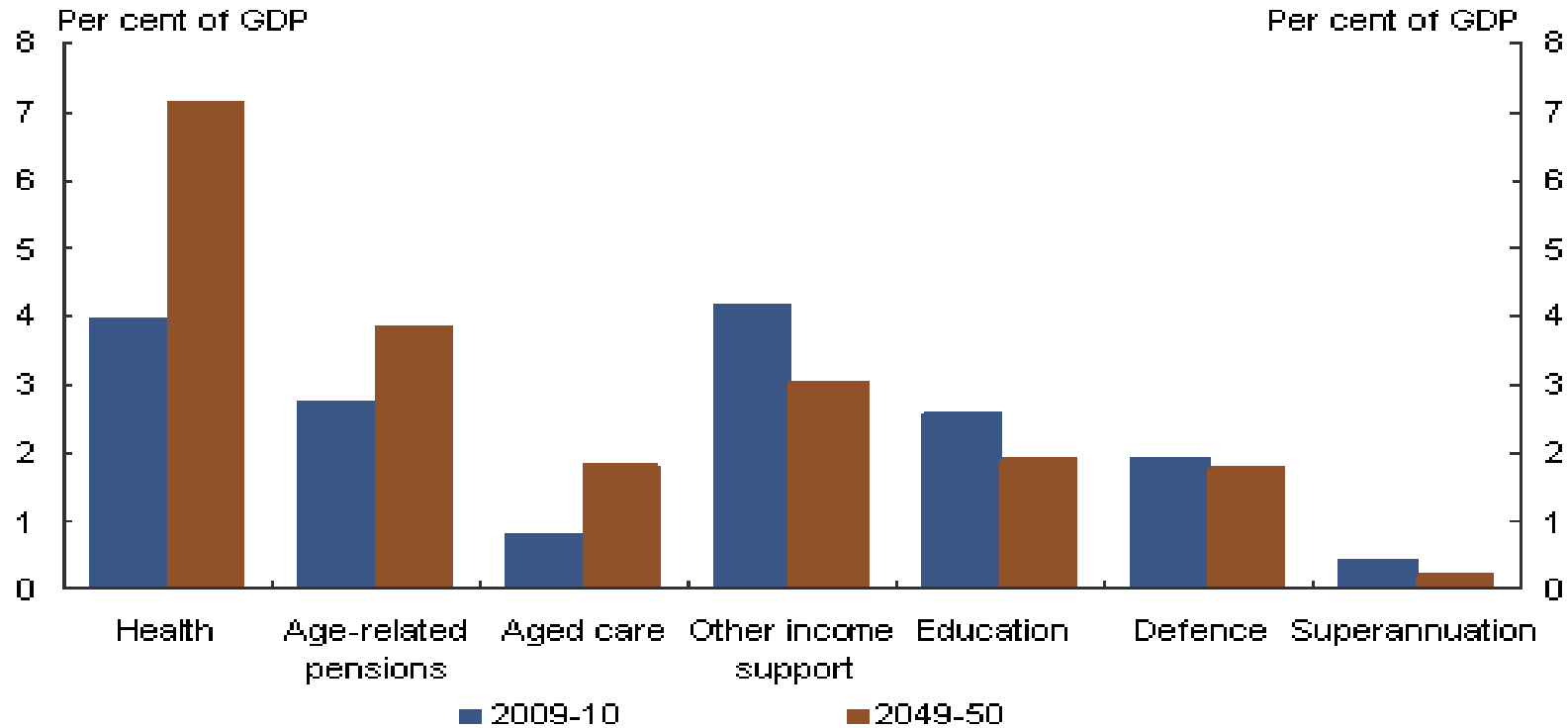
- Growth in Australia's health expenditure (currently circa A\$100 billion) has out paced GDP growth over the last decade and is expected to continue
- Government outlays account for almost 70% of healthcare expenditure. An ageing population and increasing dependency ratio means that this relative level of Government funding is not sustainable
- The private health insurance (PHI) sector is growing and will inevitably play an increased role in funding the nation's healthcare.
- 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. Underlying earnings in FY10 were 98.7% higher than in FY07.
- The PHI industry is certain to consolidate creating additional opportunities for nib. There are currently 37 health insurers and nib has since listing retained a “war chest” to fund such investments. Capital management opportunities exist.

Growth in Australian healthcare spending continues to outpace GDP, driven by:

- Ageing population and increased longevity
- Medical inflation
- Increasing affluence and incomes



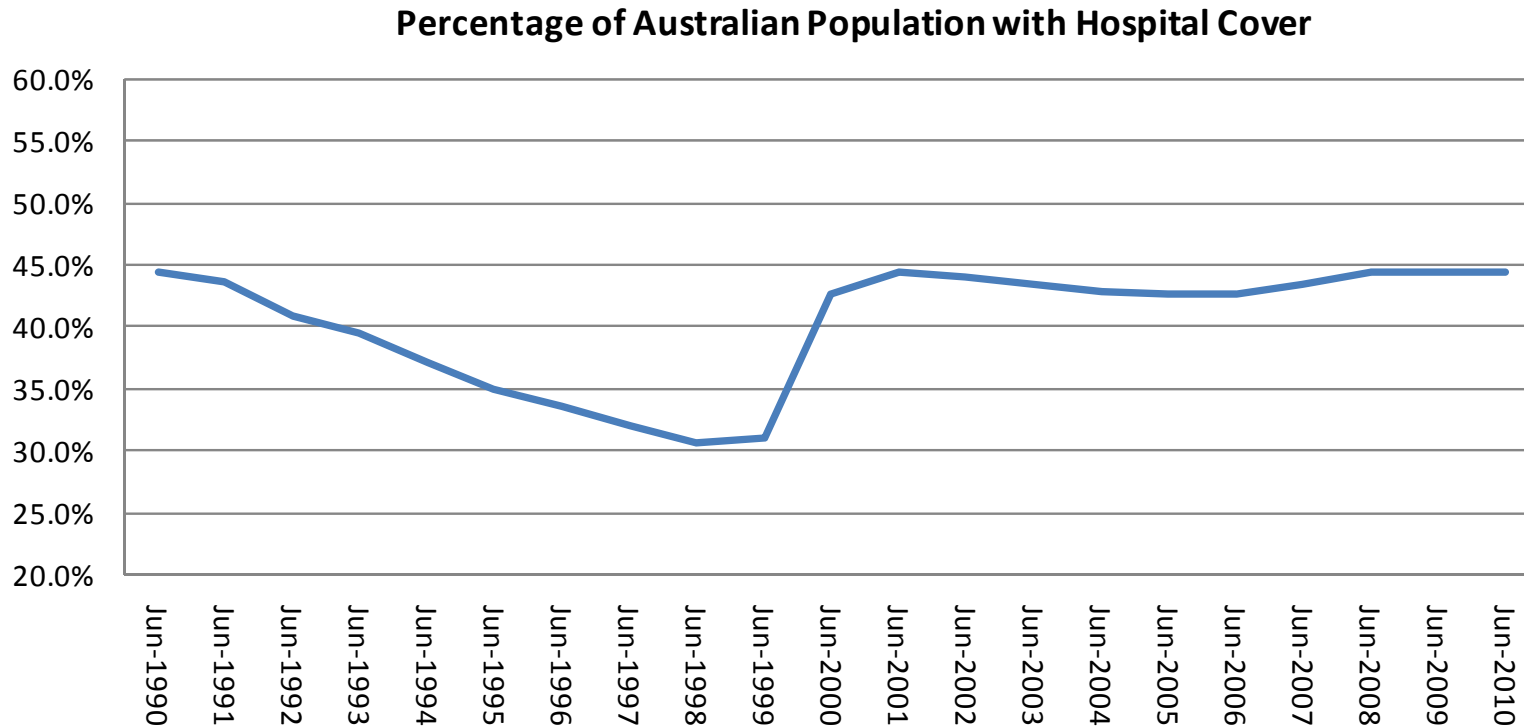
Inevitably, PHI must play a greater role in the future funding of Australian healthcare as current Government relative funding is not sustainable



Source: The 2010 Intergenerational Report

PHI accounts for a relatively small part of spending (13%) but is growing as the value proposition becomes more apparent

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



Private hospital role is escalating

Separations ('000), public and private hospitals, 2004-05 to 2008-09

	2004-05	2005-06	2006-07	2007-08	2008-09	Change (per cent)	
						Ave since 2004-05	Since 2007-08
Public hospitals							
Public acute hospitals	4,261	4,451	4,646	4,729	4,880	3.5	3.2
Public psychiatric hospitals	16	16	15	15	11	-8.5	-24.6
<i>Total</i>	<i>4,276</i>	<i>4,466</i>	<i>4,661</i>	<i>4,744</i>	<i>4,891</i>	<i>3.4</i>	<i>3.1</i>
Private hospitals							
Private free-standing day hospital facilities	520	547	570	668	729	8.8	9.2
Other private hospitals	2,222	2,298	2,371	2,462	2,528	3.3	2.7
<i>Total</i>	<i>2,742</i>	<i>2,846</i>	<i>2,942</i>	<i>3,130</i>	<i>3,257</i>	<i>4.4</i>	<i>4.1</i>
All hospitals	7,019	7,312	7,603	7,874	8,148	3.8	3.5

Source: Australian Hospital Statistics 2008-2009 – Australian Institute of Health & Welfare

Especially in respect of elective surgery

Separations for public and other elective surgery, 2004-05 to 2008-09

	2004-05	2005-06	2006-07	2007-08	2008-09	Change (per cent)	
						Ave since 2004-05	Since 2007-08
Public elective surgery							
Separations	596,849	608,267	617,170	619,522	638,898	1.7	3.1
Separations per 1,000 population ^(a)	29.1	29.2	29.1	28.6	28.9	-0.2	1.1
Other elective surgery							
Separations	983,234	1,016,851	1,051,556	1,120,506	1,152,628	4.1	2.9
Separations per 1,000 population ^(a)	47.6	48.3	49.0	51.1	51.5	2.0	0.8
Total							
Separations	1,580,083	1,625,118	1,668,726	1,740,028	1,791,526	3.2	3.0
Separations per 1,000 population	76.8	77.5	78.1	79.7	80.5	1.2	0.9

Source: National Hospital Morbidity Database

Government policy reflects recognition of the importance of PHI to long term sustainability

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 to 1.5%

Federal government rebate

- Government subsidises the cost of PHI by providing a rebate on premiums
- Depending on the age 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

nib is Australia's only listed health insurer

- Market capitalisation ~A\$620m*
- Australia's fifth largest health fund (only listed Australian private health insurer) based in Newcastle
- Approximately 415,000 policyholders, providing cover for over 800,000 people (NSW/ACT 70%, Victoria 14%, QLD 10%)
- Employees (FTEs) 470 (as at 30 June 2010)
- Primary distribution channels:
 - Customer Care Centre
 - Online
 - Retail and Corporate Sales
- Recently entered market for temporary migrant workers and international students health insurance
- Key financial targets
 - ROE 15% (minimum)
 - Underlying earnings accretion of 10% pa (minimum)
 - Normal Dividend payout ratio 50-60% of earnings

* based on a share price of \$1.26 (4 November 2010 closing share price) and 495,431,427 shares on issue

Our business strategy

- Invest in organic growth (Virgin Green) with emphasis upon:
 - Younger better risk policyholders/new to category
 - Interstate expansion
 - Online engagement
- Improve policyholder retention and “buy-up”
- Increase claims and operating efficiencies
- Develop new earnings streams
- Actively pursue merger and acquisitions
- Optimised capital structure

Our results so far are impressive

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

- CAGR since FY05 of 6.5% (industry 2.9%), since FY05 nib has represented 13.8% of total industry growth
- nib with 7.3% market share, accounted for 14.3% of national growth in FY10 (FY09: 11.0%)
- nib with 10.2% market share (FY09: 9.8%) in 20-39 age group accounted for 31.1% of total industry growth (FY09: 25.5%)
- Net policyholder growth (excluding overseas students and temporary migrant workers) for three months ending 30 September 2010 was 8,563 policies (same period last year: 6,923)

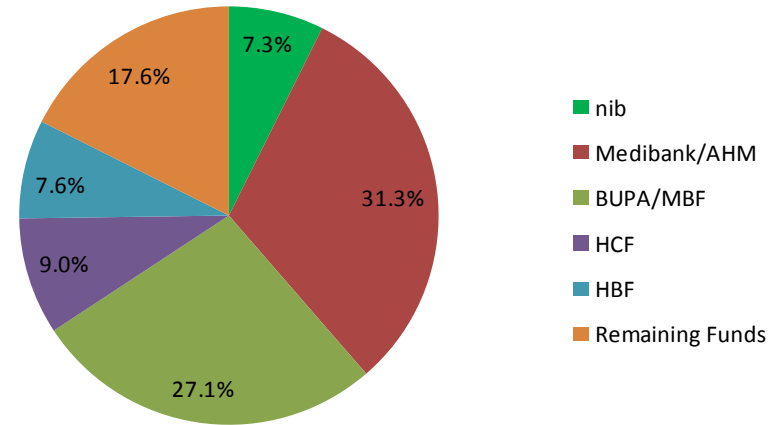
Key financial metrics

(\$m)	FY07*	FY08*	FY09	FY10
Premium revenue	666.0	758.2	829.5	901.4
Gross Margin	94.9	111.2	122.0	133.5
Management expenses	(71.2)	(78.2)	(81.8)	(86.4)
Net margin	23.7	33.0	40.2	47.1
Net investment return	31.3	7.5	(1.8)	44.5
Other income	1.2	1.4	1.1	1.3
Other expenses	(3.3)	(4.3)	(7.9)	(5.9)
Profit before tax	52.9	37.6	31.6	87.0
Tax	(15.7)	(10.9)	(7.8)	(25.5)
NPAT	37.2	26.7	23.8	61.5
Gross margin (%)	14.3	14.7	14.7	14.8
Management expenses (%)	10.7	10.3	9.9	9.6
Net margin (%)	3.6	4.4	4.8	5.2
Investment return (%)	8.8	1.6	(0.4)	10.5
ROE (%)	11.1	7.0	6.6	16.3

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

The PHI sector is fragmented and expected to further consolidate

- At 30 June 2009 there were 37 private health insurers operating in Australia
- Of these, 13 were restricted access and 24 insurers were open membership organisations
- Top six PHI players account for ~85% of the market by policyholders
- More than 70% of the industry is now “for profit” and tax paying (approximately 8% just three years ago)
- nib continues to talk to a number of health insurers



The PHI market has seen significant recent corporate activity

HCF acquisition of Manchester Unity	<ul style="list-style-type: none"> ■ HCF acquired Manchester Unity in August 2008 for A\$257m
Medibank acquisition of AHM	<ul style="list-style-type: none"> ■ Medibank acquired AHM for A\$367m in July 2008, with the combined business holding more than 31% of the market by policyholders
BUPA Australia/MBF merger	<ul style="list-style-type: none"> ■ 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	<ul style="list-style-type: none"> ■ 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

Key enterprise risks

Market

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

Sovereign

- Premium pricing

Investment

- Market volatility
- Surplus capital and sub-optimal returns

Capital Management

- As at 30 September 2010 and following the acquisition of IMAN, nib had capital of \$120.8 million above its current internal prudential target (1.4X) and no debt. nib intends to retain capital above its prudential target in the near term to fund potential M&A investment opportunities.
- The Board has previously indicated to the market that it would consider a debt-to-capital ratio of 20-30% as part of any funding requirement. There is potential to optimise capital structure through debt.
- In the absence of M&A opportunities coming to fruition, the Board will consider more significant capital management in the 2011 calendar year.
- Dividend policy will continue to be heavily influenced by franking credit availability. To the extent made possible by franking credits, the Board will release capital above internal target by way of special dividends.
- We have bought back 22,575,369 million shares since August 2008. We intend to continue the on-market share buy back of up to 10% of our issued capital (calculated at the time of commencing the buy back in August 2008)
- Cancellation of approximately 27 million shares (5.5% of issued capital) following expiry of Unverified Policyholders and Overseas Policyholders Trust. We expect the shares will be cancelled by the end of November 2010

Summing up

- nib is a “challenger brand” already making significant progress in increasing market share through focused organic growth strategy. Expect FY11 net policyholder growth of 5-6%
- Strong underlying earnings accretion can be expected to continue, driven by organic growth. Expect pre-tax net underwriting result for FY11 of \$50- \$55 million (net underwriting margin of 4.9% - 5.4%)
- Hopefully value enhancing M&A opportunities remain
- nib will reassess capital position at FY11 half year results
- The long-term outlook for PHI in Australia is positive given increasing health care demand and the un-sustainability of current levels of Government healthcare funding

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