

Date Wednesday 27 February 2008

Subject nib announces 2008 half year results

- **Premium revenue of \$370.9 million**
- **Policyholder growth of 6.5%, well above industry average**
- **Net underwriting margin of 3.7%, ahead of 2008 full year Prospectus forecast of 2.5%**
- **Normalised net profit after tax of \$17.7 million**

nib holdings limited (nib) today announced a normalised net profit after tax (NPAT) of \$17.7 million for the six months ended 31 December 2007.

While the company reported a statutory net loss after tax of \$7.6 million, this was associated with the significant one-off costs from nib's demutualisation and listing.

Australia's only ASX-listed health fund reported strong policyholder growth and premium revenue of \$370.9 million for the six month period, as well as a net underwriting margin of 3.7%, which was ahead of its 2008 full year Prospectus forecast of 2.5%.

nib's Managing Director, Mr Mark Fitzgibbon, said that the overall half yearly result coincides with the successful transformation of nib from a mutual to a publicly-listed entity.

"We indicated to potential investors prior to listing last November that our earnings would grow with improved underwriting margins and policyholder growth," Mr Fitzgibbon said.

"Our net underwriting margin for the six months to 31 December means we are tracking to do better than our 2008 full year Prospectus forecast, and reflects the business's focus on growth, risk management and operating efficiently," Mr Fitzgibbon added.

"Our investment in organic growth and building a national brand is proving to be a winner. For the six months to 31 December nib achieved net growth of 21,464 policyholders and for the first six weeks of calendar year 2008 we grew by a further 4,780 policyholders. This accounts for 82% of our 2008 Prospectus forecast of approximately 32,000 net new policyholders.

"What is even more impressive is that we accounted for more than 20% of the entire national industry growth for the six months to 31 December."

nib confirmed its better than expected underwriting performance had however been partly offset by the volatility of global and local financial markets and low investment returns.

"Being an insurer we hold a significant amount of capital in the business for prudential reasons as well as excess capital. The income we received on these funds has been affected by the recent decline in market values.

"However, we expect the second half of the Financial Year to continue to deliver strong underwriting performance."

nib said that its first half year results indicate a strong capital and financial position with \$376.7 million in net assets.

New Products and Industry Recognition

nib recently launched a life insurance pilot in partnership with TOWER Australia, targeting 10,000 nib customers nationwide.

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“The launch of our life insurance product is an exciting opportunity for nib as we strive to leverage our brand and customer loyalty.

“Market research of our customer base indicates they want to see other insurance products aligned to our traditional private health insurance offer. We regard a life insurance product offering as a natural extension of our current health insurance portfolio.”

nib was also awarded Best Health Insurer in the annual Australian Financial Review’s Smart Investor Awards.

“As a company we recognise that our ability to grow enterprise value is heavily reliant upon the fund continuing to provide policyholders with affordable and competitively priced products coupled with outstanding customer service.

“The Smart Investor Award is recognition of nib’s commitment to maintaining high levels of customer satisfaction.”

Looking Forward

nib has forecast strong policyholder growth for the remainder of the 2008 Financial Year, driven by sound economic conditions, low community confidence in public hospitals and ongoing Federal Government policy..

“Government support is not only vital to our business, but also vital for the community. Due largely to private health insurance, private hospitals now perform 56% of all hospital surgery in Australia, taking enormous pressure off the public system and waiting times,” Mr Fitzgibbon said.

nib anticipates strong organic growth and improved underwriting margins. However, investment income uncertainty given volatile investment markets makes it difficult to forecast normalised 2008 NPAT.

“Based upon performance we anticipate organic growth in excess of 35,000 net new policyholders for the full Financial Year, which would be fantastic and 10% ahead of our 2008 Prospectus forecast. And combined with our improved underwriting margins we remain comfortable with our underlying business performance.”

FOR FURTHER INFORMATION:

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Financial performance – normalised results

(\$m)	1H08	FY08 Prospectus Forecast	% achieved
Premium revenue	370.9	750.7	49.4%
Claims expense	(274.7)	(558.3)	49.2%
HBRTF/RETF Levy	(34.8)	(70.9)	49.1%
State levies	(9.6)	(19.5)	49.2%
Net claims incurred	(319.1)	(667.3)	47.8%
Gross underwriting result	51.8	102.0	50.8%
Management expenses	(38.0)	(83.3)	45.6%
Net underwriting result	13.9	18.7	74.3%
Investment income	12.6	30.1	41.9%
Other expenses	(1.3)	(2.9)	44.8%
Profit before tax	25.1	45.9	54.7%
Tax	(7.4)	(13.8)	49.3%
Profit after tax	17.7	32.1	55.1%
Performance indicators			
Gross margin	13.9%	13.6%	
Management expense ratio	10.2%	11.1%	
Net margin	3.7%	2.5%	
Investment return	5.7%	7.0%	

Data sheet

	FY06 / at 30 Jun 06	1H07 / at 31 Dec 06	FY07 / at 30 Jun 07	1H08 / at 31 Dec 07
nib				
Total policyholders	302,299	312,315	328,784	350,248
<i>Policyholder growth</i>	3.9%	3.3%	8.8%	6.5%
<i>Market share</i>	6.3%	6.4%	6.6%	6.9%
Persons covered	640,178	656,867	681,013	716,656
Avg age of hospital persons covered (yrs)	36.2	36.1	36.1	36.0
Total policyholders "under 40"	122,494	128,741	140,085	155,014
<i>Growth in "under 40" segment</i>	4.5%	5.1%	14.4%	10.7%
Total hospital persons "20-39"	167,372	175,762	188,155	207,703
<i>Growth in hospital persons "20-39"</i>	3.3%	5.0%	12.4%	10.4%
Retail centres (across Australia)	34	32	32	30
Hospital benefits paid	\$295.2m	\$170.7m	\$336.7m	\$176.9m
Ancillary benefits paid	\$133.2m	\$82.3m	\$169.9m	\$90.8m
Outstanding Claims Liability (movement)	\$12.7m	\$(3.3)m	\$(1.3)m	\$6.9m
Employees (FTEs)	481	483	506	484

Source: nib / PHIAC data