

NIB Holdings Limited Management Presentation ASX Listing

October 2007

Disclaimer

This presentation was prepared by NIB Holdings Limited ("NIB") and contains information regarding NIB's business and proposed ASX Listing ("Proposal").

This presentation is being provided to you as, and by receiving this document you will be deemed to have represented and warranted that you are:

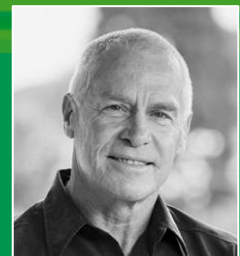
- if you are in Australia, a professional investor or sophisticated investor (as those terms are defined in s708 of the Corporations Act 2001 (Cwlth) (the "Corporations Act")) or other person specified in s708 of the Corporations Act who does not need to be given a prospectus or other disclosure document under Chapter 6D of the Corporations Act to lawfully receive an offer or recommendation to acquire shares in NIB; or
- if you are outside Australia, (i) you are not in the United States nor are you a "U.S Person" (as defined in Rule 902(k) under the Securities Act of 1933, as amended (the "Securities Act") ("U.S. Person") or acting for the account or benefit of a U.S. Person; and (ii) you are a person to whom an invitation or offer to subscribe for shares in NIB and any issue of such shares is permitted by the laws of the jurisdiction in which you are situated without the need for any registration, lodgment or other formality.

This document is not a product disclosure statement or prospectus for the purposes of the Corporations Act and does not constitute an offer, invitation, solicitation or recommendation in relation to the subscription, purchase or sale of shares or other securities in any jurisdiction and neither this document nor anything in it shall form the basis of any contract or commitment. No responsibility is accepted by NIB or J.P. Morgan Australia Limited ("JPMorgan") or any of their respective directors, officers, employees, agents or affiliates, nor any other person, for any of the information contained in this presentation or for any action taken by you on the basis of the information or opinions expressed in the course of this presentation. This presentation does not constitute investment, legal, taxation or other advice and the presentation does not take into account your investment objectives, financial situation nor particular needs. You are responsible for forming your own opinions and conclusions on such matters and should make your own independent assessment of the Proposal and seek independent professional advice in relation to this presentation and any action taken on the basis of this presentation.

NIB has prepared this presentation based on information available to it. None of JPMorgan or any of its directors, agents, officers, employees or affiliates have authorised this presentation or are responsible for the issue or making of any statement or contents of this presentation. Except as required by law, no representation or warranty, express or implied, is made by NIB or JPMorgan as to the fairness, accuracy, completeness or correctness of this presentation, opinions and conclusions, or as to the reasonableness of any assumption contained in this presentation. By receiving this presentation and to the extent permitted by law, you release NIB and JPMorgan and their respective directors, officers, employees, agents and affiliates from any liability (including, without limitation, in respect of direct, indirect or consequential loss or damage or loss or damage arising by negligence) arising as a result of the reliance by you or any other person on anything contained in or omitted from this presentation. The forward looking statements included in this presentation involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, NIB and its respective directors officers, employees, agents or affiliates. Actual future events may vary materially from the forward looking statements and the assumptions on which those statements are based. Given these uncertainties, you are cautioned to not place undue reliance on such forward looking statements.

No action has been taken to register securities of NIB or otherwise permit a public offering of the securities in any jurisdiction. The securities of NIB have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act") and may only be offered and sold outside the United States, to non-U.S. Persons in offshore transactions in compliance with Regulation S under the Securities Act.

The distribution of this document outside Australia may be restricted by law. In particular, this document or any copy of it must not be taken into or distributed or released in the United States or distributed or released to any U.S. Person as defined in the Securities Act. Persons who come into possession of this document should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.



- 1. NIB overview**
2. Business highlights and key risks
3. Financial overview
4. Details of the Institutional Offer
5. Appendix

Presenters

Mark Fitzgibbon — Managing Director and CEO



- Mark joined NIB in October 2002 as CEO. Mark was previously CEO of both the national and NSW peak industry bodies for licensed clubs. Prior to this, Mark held several CEO positions in local government, including General Manager of Bankstown Council between 1995 and 1999. Mark has a Masters in Business Administration (UTS) and Masters of Arts (MGSM). He is a director of The Australian Health Insurance Association Limited, a Fellow of the Australian Institute of Company Directors and a Director of the Newcastle Knights

Michelle McPherson — CFO and Deputy CEO



- Michelle joined NIB in March 2003 as CFO. She was previously at Caltex Australia for 10 years in a range of financial positions. Prior to Caltex Australia, Michelle spent eight years in chartered accounting. Michelle is a Chartered Accountant and has a Bachelor of Business (Accounting) from UTS and is a Graduate of the Australian Institute of Company Directors

NIB business snapshot

- Australia's 6th largest health insurer
- Incorporated in 1953 by workers at Newcastle's BHP Steelworks
- Head office in Newcastle, NSW
- 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 (avoiding public hospital waiting times), choice of specialist and provides cover for ancillary services, e.g. dental and optical
- 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 12 million Australians do not have hospital cover
 - 6.5 million Australians in NIB's target under 40 market do not have hospital cover
 - 3.5 million 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



NIB financial snapshot

Summary normalised income statement

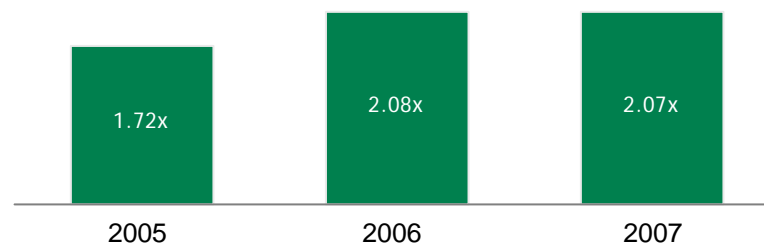
| June year end (A\$m) | 2005 | 2006 | 2007 | 2008F | 05-08 CAGR |
|------------------------------------|---------|---------|---------|---------|------------|
| Premium revenue | 530.7 | 611.9 | 666.0 | 750.7 | 12.3% |
| Net claims incurred (incl. levies) | (459.0) | (500.1) | (571.1) | (648.7) | 12.2% |
| 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

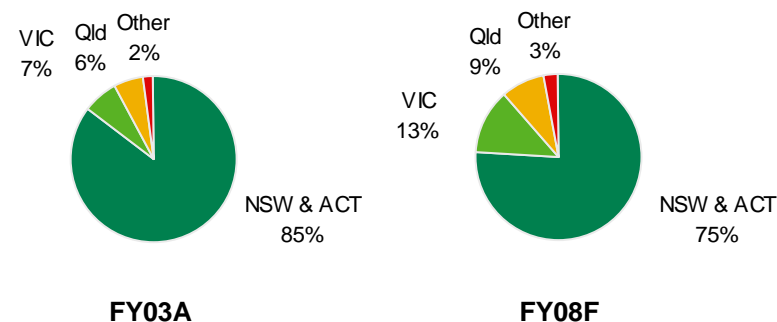
| June year end | 2005 | 2006 | 2007 | 2008F |
|--|---------|---------|---------|---------|
| Policyholders | 290,940 | 302,299 | 328,784 | 360,700 |
| Av. hospital policyholder age – NIB | 35.8 | 36.2 | 36.1 | n/a |
| Av. hospital policyholder age - Industry | 39.5 | 39.8 | 39.9 | n/a |
| Premium growth | 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% |

Very strong capital position and ungeared balance sheet

NIB Solvency Multiple

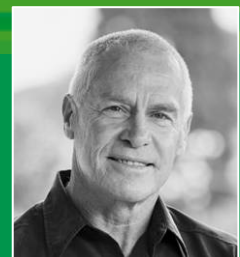


Geographic breakdown premium revenue



ASX Listing overview

- Indicative market cap A\$371m - \$463m post A\$50m raising
- Institutional placement of A\$50m of new capital (A\$25m to fund listing/demutualisation costs and initial working capital for NIB Holdings and A\$25m for a donation to establish the NIB Foundation)
- Additional shares to be sold to institutional investors via Sale Facility being offered to all existing NIB shareholders
- 2008F normalised NPAT of A\$32.1m and normalised underwriting result of A\$18.7m
- Significant investment in growth and customer retention (which is being fully expensed and not capitalised) will adversely impact FY08F earnings
- Pro-forma net assets of A\$340m at 30 June 2007
- Approx A\$75m of capital above targeted requirements at 30 June 2007 and no gearing
- Key metrics based on indicative bookbuild range of \$0.70 - \$0.90
 - Price/pro-forma FY07A book value: 1.09x – 1.36x
 - FY08F P/E ratio: 11.5x – 14.4x



1. NIB overview
- 2. Business highlights and key risks**
3. Financial overview
4. Details of the Institutional Offer
5. Appendix

Key business highlights

Clear and successful strategy to capture significant latent demand especially in the under 40 segment

Strong focus on customer acquisition and retention - product innovation, competitive pricing, contemporary distribution and brand positioning

Strong track record of growth since 2002 driven by NIB's management team and Board

Potential for capital and operating efficiencies as a listed company

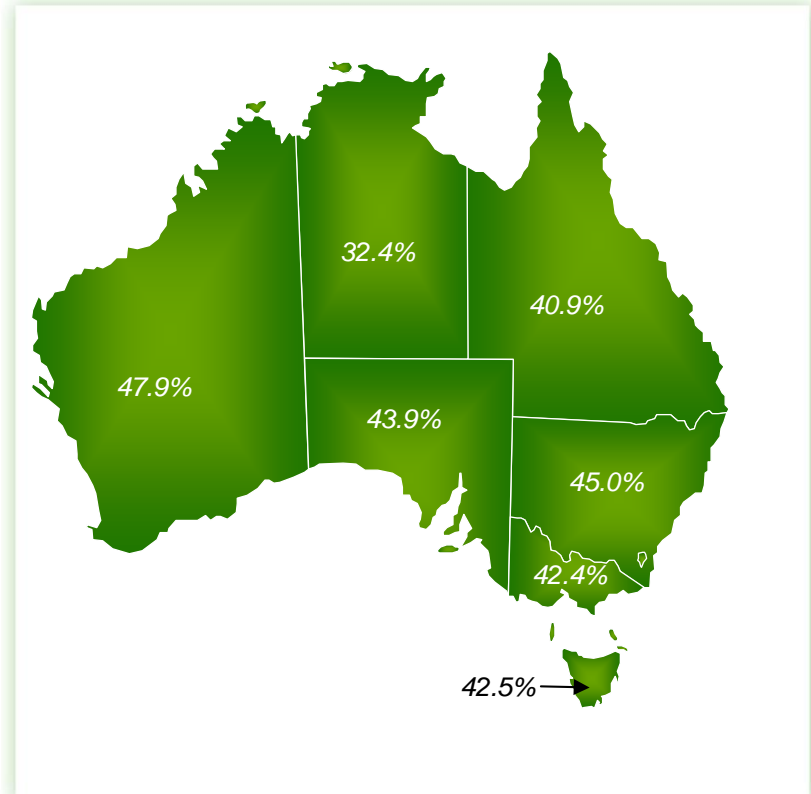
Platform for industry consolidation

Significant latent demand exists for PHI especially in the under 40 target market

PHI market penetration is less than 50%

- Approximately 44% of Australians have private hospital cover
 - Potential organic growth opportunity of nearly 12 million people
 - Potential new market of more than 3.5 million people in NSW alone, which represents NIB's strongest market
- 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

Hospital cover by state – 30 June 2007



Source: PHIAC Coverage of Hospital Treatment 30 June 2007

NIB has a focused strategy to capture this demand

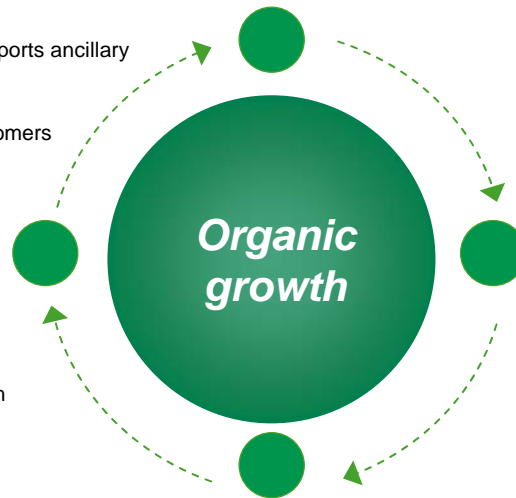
NIB's organic growth strategy is centred on profitable expansion in the medium term

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 key metrics of NIB's organic growth strategy

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

Product design

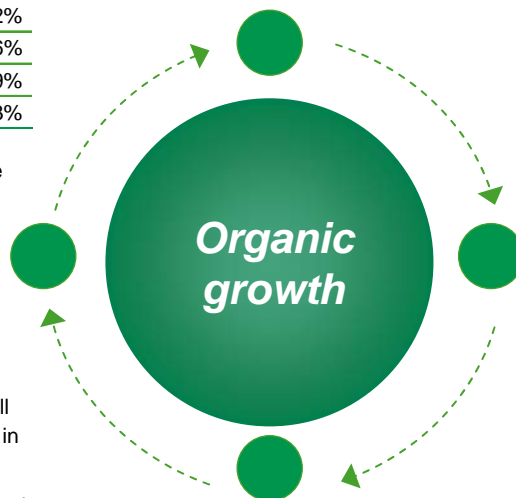
- Strong focus on ancillary benefits:

| Ancillary as % of claims | 2005 | 2006 | 2007 |
|--------------------------|--------------|--------------|--------------|
| NIB | 30.5% | 31.1% | 33.5% |
| Medibank | 24.6% | 25.4% | 25.2% |
| MBF | 26.1% | 25.9% | 24.6% |
| BUPA | 20.7% | 20.3% | 20.9% |
| Industry | 26.6% | 26.6% | 26.3% |

- ~77% of NIB's hospital product policyholders have policies with front end deductibles compared with the industry average of ~68%

Realignment and expansion of distribution

- Significant move towards lower cost online and call centre distribution (represented 77% of new sales in 2007 c.f. 57% in 2005)
- Majority of the increased marketing spend is focused on non-NSW growth
- 84% of customers surveyed rated NIB 7 or more out of 10 in customer satisfaction (Sweeney Research – Feb 10)



Product pricing

- NIB's product pricing is consistent with its target market and brand positioning as offering affordable health insurance
- From 2001-2007 NIB's premiums have grown below the industry at a CAGR of 6.3% compared to 6.7% for the industry

| Annual premiums per person covered | 2004 | 2005 | 2006 |
|------------------------------------|--------------|--------------|--------------|
| NIB | \$781 | \$868 | \$969 |
| Medibank | \$863 | \$937 | \$1,003 |
| MBF | \$917 | \$981 | \$1,054 |
| BUPA | \$953 | \$1,036 | \$1,120 |
| Industry | \$873 | \$942 | \$1,016 |

Brand positioning

- Investing ~A\$18m in advertising and promotion in FY08 c.f. A\$14m in 07 and A\$7m in 06
- Strong brand awareness across Australia (69%) and NSW (87%)

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 also strengthened its focus on customer retention

Key retention initiatives

NIB Loyalty Bonus

- Introduced in June 2006, the NIB Loyalty Bonus allows NIB customers to accrue loyalty dollars based on continuous time as an NIB customer
- NIB customers can use loyalty dollars to increase their annual claim limits on certain ancillary services

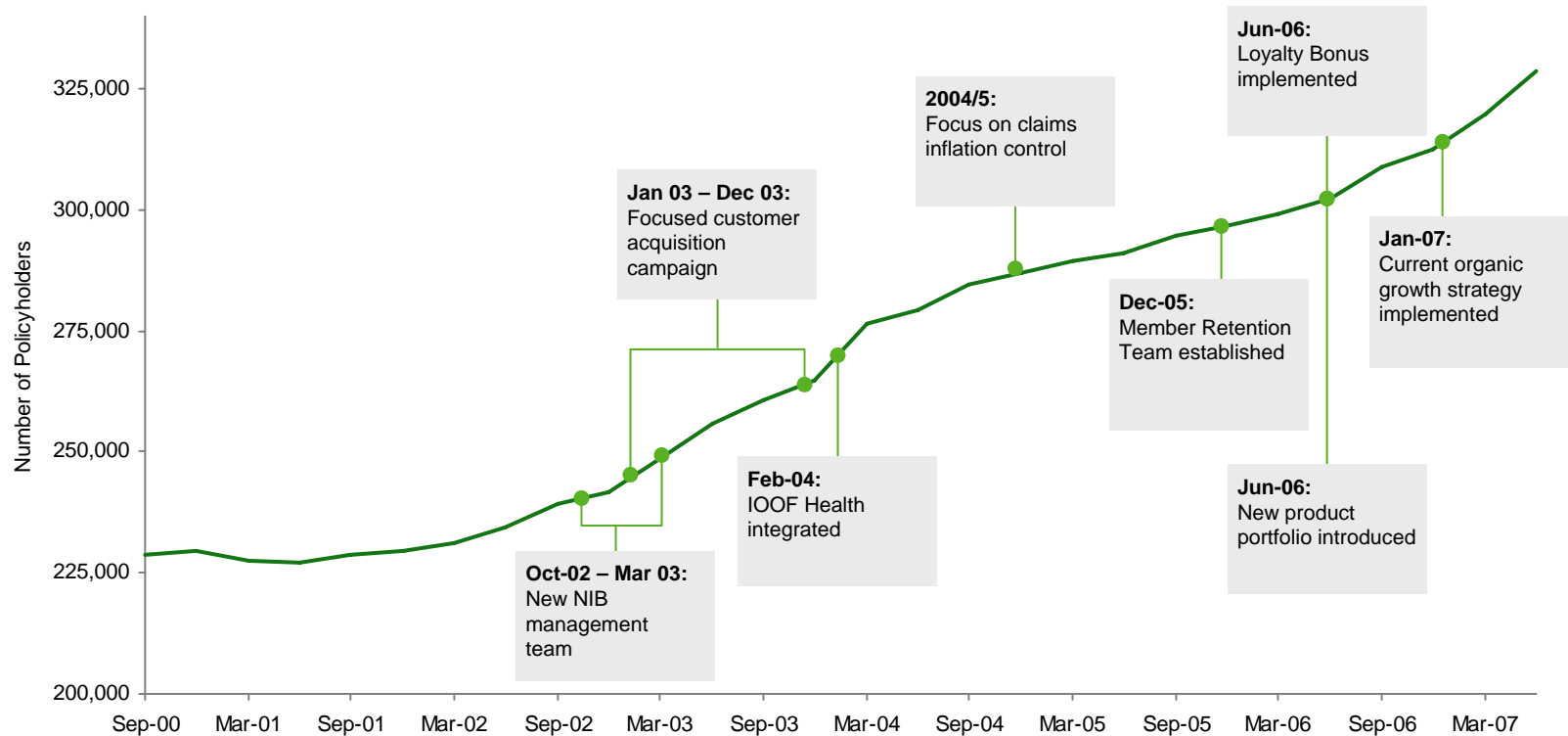
Customer Retention Team

- Introduced in December 2006, key initiatives include:
 - WinBack Team: Focused on retaining customers at their 'moment of truth' when contemplating changing funds or leaving health insurance altogether
 - Proactive service calls to welcome customers and service calls to customers with overdue payments
 - Tailored communications to customers to promote the value of their cover

- These retention initiatives have proved successful with the lapse rate falling from 8.9% in FY06 to 7.7% in FY07 and is expected to be slightly higher for FY08F (based on NIB internal measurement of lapse rates which are generally higher than PHIAC reported lapse rates)
- NIB expects the cost of the loyalty programme to be fully priced in by the beginning of April 2008

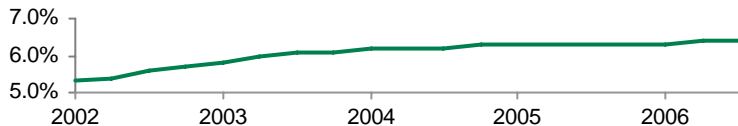
NIB's management team have grown policyholder numbers significantly since arriving ...

NIB policyholder growth since September 2000

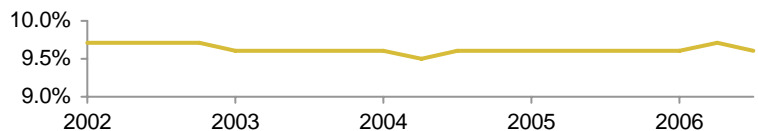


... resulting in growth well above the industry and NIB's main competitors since Dec 2002

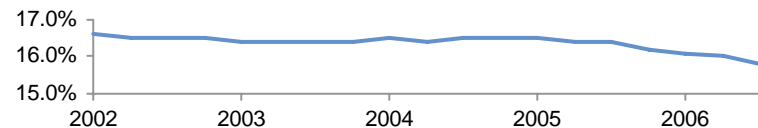
NIB's market share has grown steadily since 2002



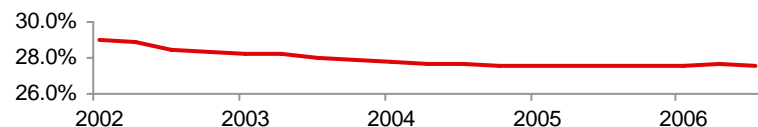
BUPA has maintained market share since 2002



MBF's market share has declined since 2002

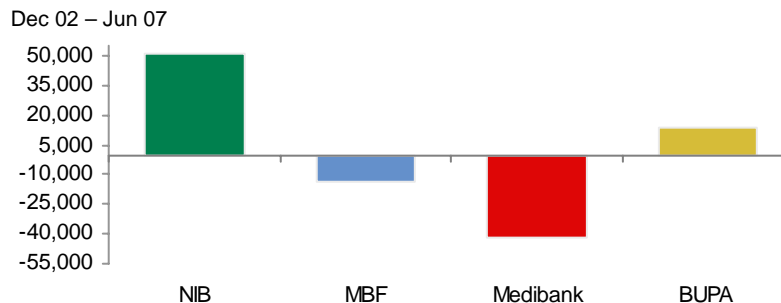


Medibank's market share has declined since 2002

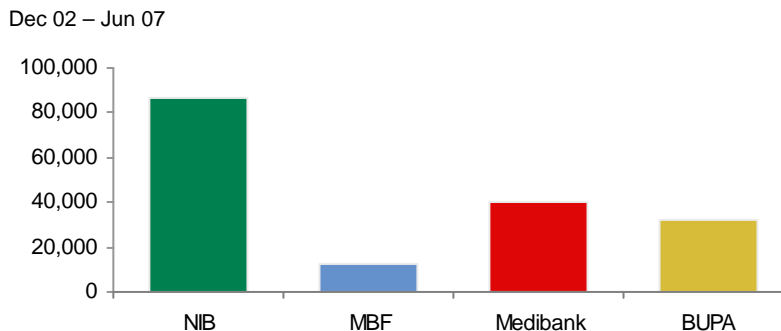


Market share by total persons covered to June 2007

Increase in persons between 20-39 with hospital coverage



Increase in total hospital persons covered of all ages



NIB's management team has driven the robust growth since 2002...

Senior Management

Mark Fitzgibbon
Managing Director & CEO

- Mark commenced with NIB in October 2002 as CEO
- Prior to joining NIB, Mark was CEO of both the national and NSW peak industry bodies for licensed clubs
- Prior to that, Mark held several CEO positions in local government, including General Manager of Bankstown Council between 1995 and 1999. Mark has a Masters in Business Administration (UTS) and Masters of Arts (MGSM)
- Mark is a director of The Australian Health Insurance Association and the Newcastle Knights and is a Fellow of the Australian Institute of Company Directors

Michelle McPherson
CFO & Deputy CEO

- Michelle joined NIB in March 2003 as CFO
- Prior to joining NIB, Michelle was at Caltex Australia for 10 years in a range of financial positions
- Prior to Caltex Australia, Michelle spent eight years in chartered accounting
- Michelle is a Chartered Accountant and has a Bachelor of Business (Accounting) from UTS and is a Graduate of the Australian Institute of Company Directors

David Lethbridge
General Manager –
Corporate Office

- David joined NIB in March 2002 as Company Secretary
- David was previously Board Secretary/Senior Legal Advisor at the New Zealand Apple and Pear Marketing Board and prior to that was the Legal Advisor at the New Zealand Dairy Board
- David is Company Secretary for the NIB Group

Jayne Drinkwater
Chief Marketing Officer

- Jayne Drinkwater has been with NIB since February 2003 firstly in the role of Chief Operating Officer and more recently as Chief Marketing Officer
- Jayne has worked for organisations such as Westpac, Commonwealth Bank, the ASX and Citibank

Dr Ian Boyd
Medical Director

- Ian Boyd joined the NIB executive team in February 2005 as medical director
- Prior to joining NIB, Ian was in full time general practice since 1992 and has practised in a part time capacity since 2005

Mark Bishop
Appointed Actuary

- Mark joined NIB in 2003 as an actuary and became the Appointed Actuary in 2004
- Mark has over 22 years experience in actuarial and management roles in the life insurance industry
- Mark is a Fellow of the Institute of Actuaries of Australia

... and is overseen by a Board with a balance of health insurance and medical experience

Board of Directors

Keith Lynch

BSc (Tech), MAICD
Chairman, Independent
Non-Executive Director

- Keith has been a Director of NIB health since 1982 and was appointed Chairman of NIB Health in November 2001
- Keith is currently Chairman of ASX-listed Kip McGrath Education Centres Limited and previously held senior executive positions with Hunter-based engineering firms and is a former director of Newcastle Grammar School and CW Pope & Associates Pty Limited
- Keith's NIB responsibilities are as Chairman of NIB Health Services Limited, The Heights Private Hospital Pty Limited, 063 465 949 Pty Ltd and NIB Servicing Facilities Pty Limited

Mark Fitzgibbon

MBA, MA, DLGA, Fellow
AICD
Managing Director and
CEO

- See previous

Dr Annette Carruthers

MBBS (Hons), FRACGP,
FAICD
Independent Non-
Executive Director

- Annette has been a Director of NIB Health since 2003
- Annette is currently a general practitioner and a director of the National Heart Foundation of Australia (NSW Division). Dr Carruthers is also employed as a Clinical Director at Hunter Urban Division of General Practice and is a former director of Hunter Area Health Service and Hunter Urban Division of General Practice
- Annette's NIB responsibilities are as a director of NIB Health Services Limited, NIB Health Care Services Limited and The Heights Private Hospital Pty Limited

Janet Dore

B.App.Sc (Planning),
MBA, FAICD, FAIM, FAPI,
FIMM
Independent Non-
Executive Director

- Janet has been an NIB Health Director since 2002
- Janet is currently the General Manager of Newcastle City Council and a former Chief Executive Officer City of Ballarat. Janet is also a current director of Newcastle Airport Limited, Newcastle Alliance, Hunter Councils Inc, Hunter Integrated Resources and Life Activities Incorporated
- Janet's NIB responsibilities are as Chair of NIB Health Care Services Pty Limited, a director of NIB Health Services Limited and The Heights Private Hospital Pty Limited

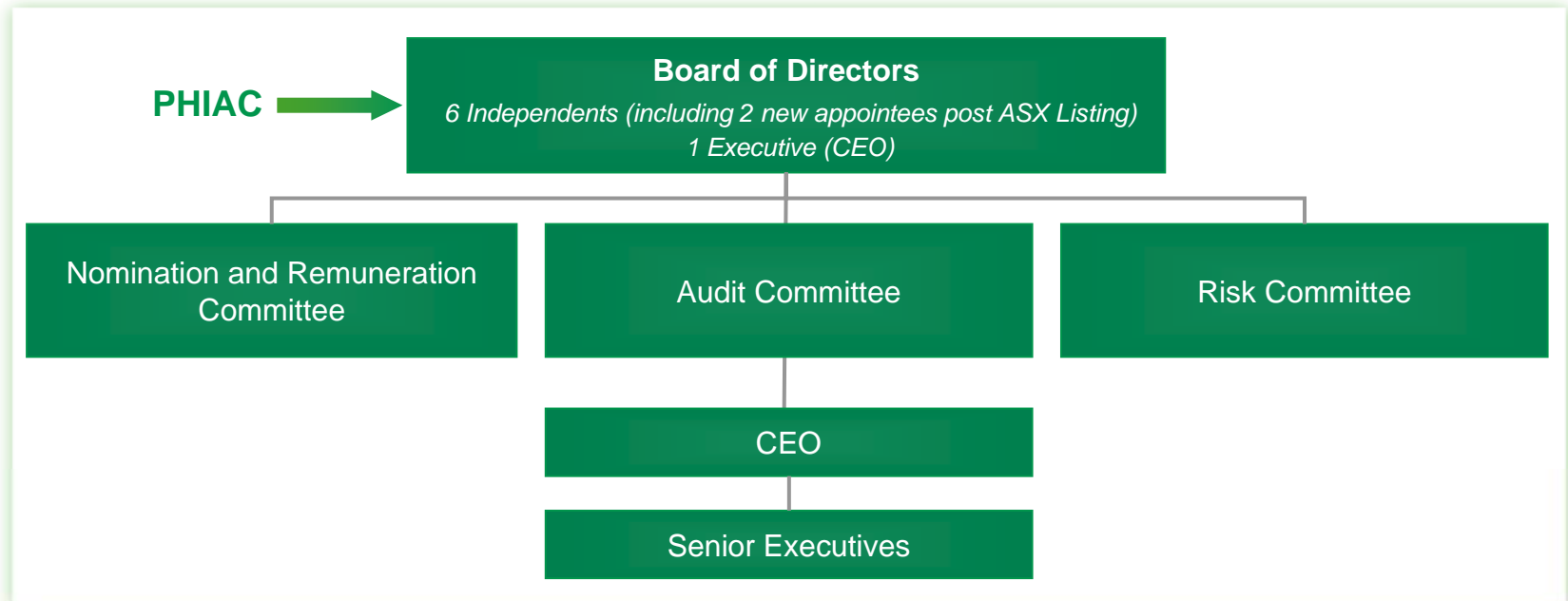
Philip Gardner

B.Comm, CPA, CCM,
FAICD, JP
Independent Non-
Executive Director

- Philip has been an NIB Health Director since 2005
- Philip is currently Chief Executive Officer of West's Hospitality Group, a director of Newcastle Airport Limited, Treasurer of Western Suburbs Rugby League Football Club, and a member of the Gaming Advisory Committee for Clubs NSW
- Philip was appointed by the State Government to the Club Industry Working Group and is an adjunct lecturer in the Department of Commerce and Law at University of Newcastle

NIB expects to appoint 2 new Independent Non-Executive Directors shortly after the ASX Listing

Regulated by PHIAC and supported by a stringent ASX Corporate Governance compliance regime



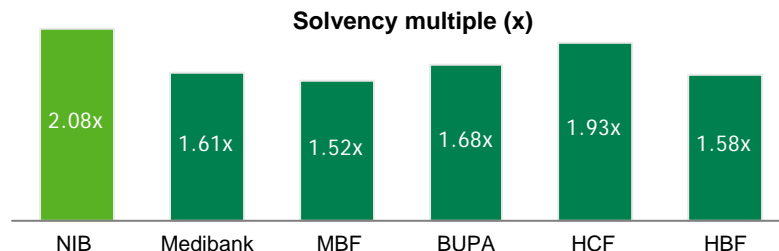
- Whilst not required to, NIB has complied with the ASX Corporate Governance framework since 2003/4 and will be fully compliant with all ASX policies regarding continuous disclosure, trading and code of conduct upon ASX Listing
- NIB is regulated by PHIAC

Significant potential for operating and capital efficiencies as a listed company

NIB expects improved cost performance as a “for-profit” company

- Profit motive to drive improved operating performance
- Improved capability to align management incentives now that NIB can issue shares to key employees
- Several cost reduction and rationalisation programmes are underway
 - Front and back office automation
 - Ongoing retail network rationalisation
 - Streamline back office
 - Ongoing strategic procurement initiatives

NIB remains well capitalised and debt free post-demutualisation . . .



Note: Solvency multiple are for FY06A as FY07A is not available for funds other than NIB, NIB had a Solvency Multiple of 2.07x at FY07A

. . . leaving room to improve balance sheet efficiency over time

- NIB has ~ A\$75m of capital in excess of its target at 30 June 2007, is debt free and has a robust organic capital generation profile
- Opportunity to improve balance sheet efficiency over time through the introduction of debt or through capital management initiatives
- In the absence of any strategic initiatives, the Board intends reviewing NIB’s capital position and gearing with a view to returning capital to shareholders (subject to ATO, shareholder and PHIAC approval) at or around the time of release of the FY08 results

ASX Listing will provide NIB with a platform to drive industry consolidation

Key points

- The Australian private health insurance industry is highly fragmented, with 39 registered health funds, 25 of which have less than 1% market share
- NIB believes that with almost 40 registered health funds, the upcoming MBF float and the potential Medibank float, consolidation is imminent in the PHI industry
- ASX Listing will allow NIB to directly offer share and/or cash based consideration to policyholders of other Australian health insurers
- NIB has significant capacity to fund acquisitions given strong regulatory capital position and ungeared balance sheet
- Any potential acquisitions will be measured against several financial return metrics including impact on ROE and EPS

Desirable acquisition criteria

| | |
|---|---|
| Policyholder age | <ul style="list-style-type: none"> ■ Ideally any potential opportunity will have a young risk pool similar to NIB's ■ However, with the risk equalisation levy older policyholders remain profitable and are generally more loyal |
| Product and pricing mix | <ul style="list-style-type: none"> ■ Similar products and pricing will ensure a smoother transition and integration within NIB systems |
| Geographic presence | <ul style="list-style-type: none"> ■ Focus on funds within the faster growing States ■ Allow additional distribution presence for NIB's current expansion into non-NSW markets |
| Similar margins to NIB | <ul style="list-style-type: none"> ■ Any acquisition target will need to be generating similar margins to NIB's medium term targets |
| Positive financial impact on NIB shareholders | <ul style="list-style-type: none"> ■ Any acquisition will need to be beneficial for long term shareholder value on an EPS, ROE and TSR basis |

NIB has experience in acquiring and integrating health funds having acquired IOOF Health in 2003

Key transaction metrics

Key acquisition metrics

| | |
|---------------------|---------------|
| Date of acquisition | 30 April 2003 |
| Price | A\$14.5m |
| Net Assets | \$6.5m |
| Policyholders | 10,736 |
| Price/member | \$1,350 |
| Goodwill/member | \$745 |
| Price/Net Assets | 2.23x |

Acquisition achievements

- The cost synergies estimated at the time of the acquisition were met within the budgeted timeframe and exceeded original forecasts
- The attrition rate was lower than anticipated with no shock loss occurring – NIB offered one month free if customers stayed for at least 12 months after the transaction
- IOOF has provided the platform for the current Victorian expansion

Lessons learned

- To minimise attrition the transfer of policyholders from IOOF systems was staggered. NIB would likely transition policyholders immediately onto the existing NIB product platform in future acquisitions
- Notwithstanding the risk equalisation arrangements, NIB experienced an up-tick in drawing rate inflation given IOOF's older policyholder base. As a result NIB is more likely to target funds with relatively low average policyholder age

Key risks

- Change in the regulatory environment
- Investment market performance
- Economic slowdown
- Pricing risk
- Operation of the new Risk Equalisation Trust arrangements
- Increased competition from current competitors and potential new entrants
- Failure to recover investment in organic growth strategy



1. NIB overview
2. Business highlights and key risks
- 3. Financial overview**
4. Details of the Institutional Offer
5. Appendix



Financial snapshot

Summary normalised financials

| June year end (A\$m) | 2005 | 2006 | 2007 | 2008E | 05-08 CAGR |
|-----------------------------|-------------|-------------|-------------|-------------|------------|
| Premium revenue | 530.7 | 611.9 | 666.0 | 750.7 | 12.3% |
| Claims expense | (406.5) | (441.2) | (505.3) | (558.3) | 11.2% |
| Risk equalisation levy | (37.2) | (42.8) | (48.1) | (70.9) | 24.0% |
| State levies | (15.3) | (16.1) | (17.6) | (19.5) | 8.5% |
| Management expenses | (56.3) | (60.4) | (71.2) | (83.3) | 14.0% |
| Underwriting result | 15.4 | 51.4 | 23.7 | 18.7 | 6.7% |
| Investment and other income | 11.4 | 18.1 | 29.2 | 27.2 | 33.4% |
| Profit before tax | 26.8 | 69.5 | 52.9 | 45.9 | 19.5% |
| Tax expense | | | (15.7) | (13.7) | n/a |
| NPAT | | | 37.2 | 32.1 | n/a |

Key Performance indicators:

| | | | | | |
|-----------------------|---------|---------|---------|---------|------|
| Policyholders | 290,940 | 302,299 | 328,784 | 360,700 | 7.4% |
| % increase | | 3.9% | 8.8% | 9.7% | |
| Average rate increase | 13.86% | 4.85% | 4.65% | n/a | |
| Claims ratio | 86.5% | 81.7% | 85.7% | 86.4% | |
| MER | 10.6% | 9.9% | 10.7% | 11.1% | |
| Underwriting margin | 2.9% | 8.4% | 3.6% | 2.5% | |
| Lapse rate | 8.2% | 8.9% | 7.7% | n/a | |

Commentary

- Premium revenue is forecast to grow at a CAGR of 12.3% 05-08 driven by a 7.4% CAGR in policyholders, and contribution rate increases
 - Forecast a net increase of 32,000 policyholders in FY08. In the first 2 months of FY08, NIB had a net increase of 11,681 (36.5% of forecast FY08 increase)
- Claims expenses have grown faster than contributions from 06-08 reflecting, The introduction of the Loyalty Bonus in June 06 at a cost of A\$19m p.a. This will be fully reflected in pricing by April 2008 in line with the investment in growth
- Increase in MER is driven mainly by business reinvestment from 1 January 07 with the commencement of the 3-year organic growth strategy resulting in a step-up in management expenses from 06 to 07 (A\$7m increase) and 07 to 08 (A\$5m increase)
- Investment returns forecast to be 7.0% in FY08 compared to 8.7% for FY07
- Medium term target margins:
 - Gross margin: 15%
 - Net margin: 5%

NIB has grown premium revenue at a CAGR well above the industry and its major competitors

| Premium revenue growth | | | | |
|------------------------|--------------|--------------|-------------|--------------|
| | FY05 | FY06 | FY07 | CAGR 05-07 |
| NIB | 15.4% | 15.3% | 8.8% | 12.0% |
| Medibank | 7.6% | 7.7% | n/a | n/a |
| MBF | 7.9% | 8.6% | n/a | n/a |
| BUPA | 8.5% | 9.4% | n/a | n/a |
| Industry | 8.7% | 9.3% | n/a | n/a |

Commentary

- Three key drivers of premiums:
 - Policyholder growth
 - Product mix change
 - Premium increases
- Strong policyholder growth well above industry and key competitors (CAGR 05-07 of 6.3%)
- Brand positioning and product design support strong policyholder growth, with the Basic Saver product providing a strong price point advertising platform
- Strategy to drive growth in premium revenue
 - continued strong policyholder growth
 - life stage migration from lower value products to higher value products
 - premium increases that at least cover claims inflation

Premium revenue – pricing regime

Historical premium rate increases

| Average annual premium rate increases | 1-Apr-03 | 1-Apr-04 | 1-Apr-05 | 1-Apr-06 | 1-Apr-07 |
|---------------------------------------|----------|----------|----------|----------|----------|
| NIB | 3.20% | 9.10% | 13.86% | 4.85% | 4.65% |
| Medibank | 4.90% | 8.95% | 7.94% | 5.88% | 4.94% |
| MBF | 7.40% | 5.79% | 7.74% | 5.77% | 4.39% |
| BUPA | 6.30% | 5.92% | 7.40% | 4.90% | 4.50% |
| Industry | 8.64% | 7.58% | 7.96% | 5.68% | 4.52% |

Commentary

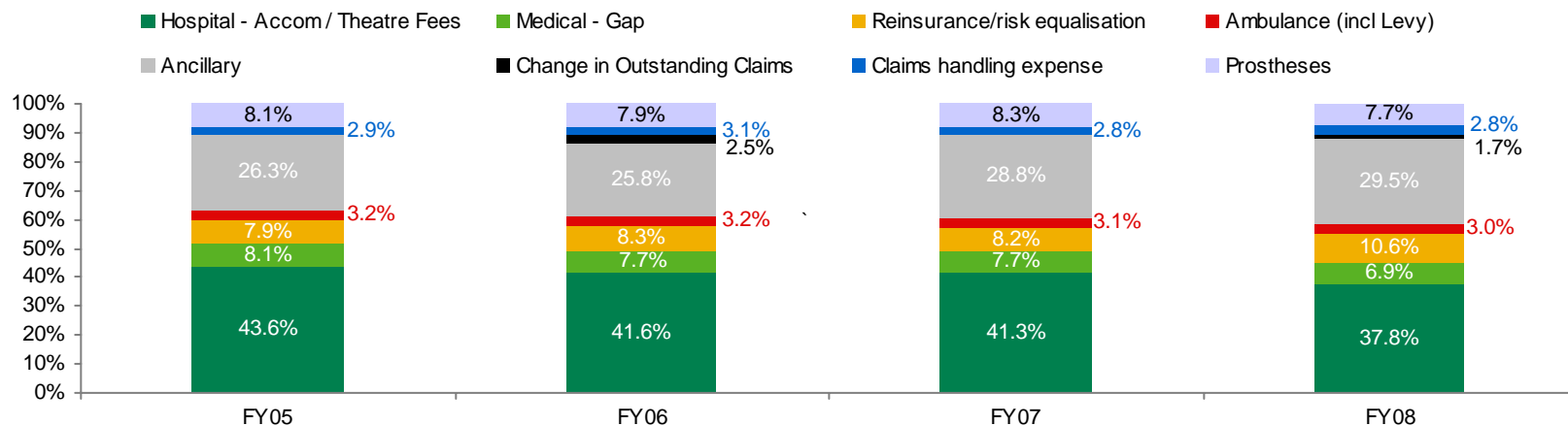
- Under Division 66 of the Private Health Insurance Act 2007 (Cth) changes in premiums require the approval of the Minister for Health and Ageing
- Whilst not specifically legislated, there is an annual process by which health insurers make pricing submissions based on the following broad timetable:
 - October: Notification from Department of Health & Ageing of the timing for submissions
 - December: Health insurers pricing submissions due
 - February: Approval typically received
 - April: Premium increases typically become effective

NIB's claims expenses (including risk equalisation) are lower than its key competitors and the industry

Claims ratio (including risk equalisation levy)

| Claims ratio | 2005A | 2006A | 2007A |
|--------------|--------------|--------------|--------------|
| NIB | 86.5% | 81.7% | 85.7% |
| Medibank | 88.4% | 86.4% | n/a |
| MBF | 87.9% | 86.3% | n/a |
| BUPA | 86.5% | 83.2% | n/a |
| Industry av. | 87.8% | 85.3% | n/a |

Claims expense components



Claims expenses – key drivers and levers

| | |
|-------------------------------------|--|
| Utilisation | <ul style="list-style-type: none"> ■ Attracting new low risk policy holders lowers relative utilisation ■ Wellness and disease management programs can mitigate illness ■ Co-pays create a price signal and discourage over utilisation |
| Hospital expenses | <ul style="list-style-type: none"> ■ Bulk purchasing through Australian Health Industry Alliance creates strong bargaining power ■ Prosthesis reforms have reduced inflationary pressure ■ New laws (Broader Health Cover) allow treatment in less expensive settings to be covered by PHI |
| Doctor expenses | <ul style="list-style-type: none"> ■ Medigap supplementary payments to Doctors carefully controlled |
| Adverse selection | <ul style="list-style-type: none"> ■ Waiting periods prevent immediate claiming for pre-existing conditions ■ Benefit limitation periods discourage adverse selection |
| Ancillary expenses | <ul style="list-style-type: none"> ■ Co-pays create a price signal and discourage over utilisation ■ Annual benefit limits control total exposure |
| Fraud prevention and claims leakage | <ul style="list-style-type: none"> ■ In terms of claims leakage management NIB has improved its recoveries by 100% in the last financial year ■ Increasing member surveys of providers, as well as 'phantom shopping' investigations using internal and external sources to expose fraudulent providers and de-recognise them ■ Achieving greater co-operation with other funds in fraud investigations and working closely with various Government departments ■ Recovery of third party liability for claims is being aggressively pursued |

Risk Equalisation levy and State levies

Risk Equalisation levy

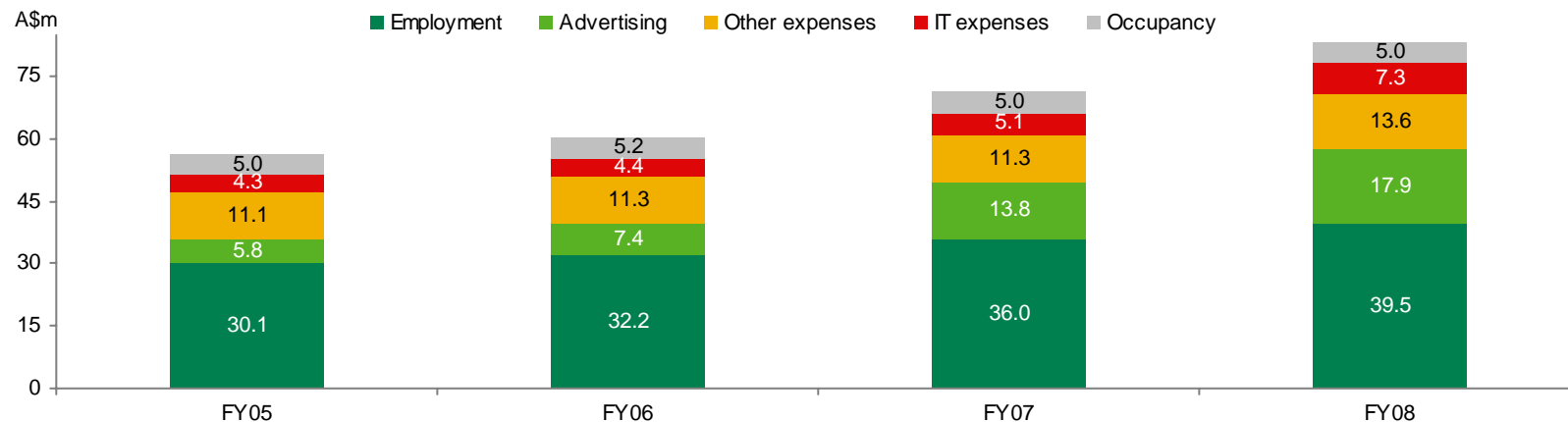
- Risk Equalisation averages out the cost of hospital treatment across the PHI industry. The scheme transfers money from those organisations that are demographically younger and healthier, with lower claims payments, to those with an older and less healthy demographic distribution and which have higher claims payments. Through this method of shared costs, no funds or their members are disadvantaged by having an older risk pool
- The risk equalisation model includes hospital, hospital substitute, and chronic disease management program benefits paid in two pools:
 - Age Based Pool - benefits for persons aged 55 and over at an increasing rate, from 15% for 55 to 59 year old up to 82% for persons aged 85 and over, and
 - High Cost Claimants Pool - benefits paid for very high cost claims, being claims exceeding \$50,000 after the age based benefits are taken into account
- Given NIB's size and lower average policyholder age it is the largest net contributor to the Risk Equalisation pool having paid over A\$42m in FY06A whilst MBF, BUPA and Medibank received payments of approximately A\$81.5m, A\$31.7m and A\$11.9m respectively
- Even with the operation of the risk equalisation levy, policyholders under 40 generally have lower claims drawing rates
- NIB's position as the largest contributor to the Risk Equalisation pool highlights it's success in attracting younger healthier Australians

State levies

- NSW and ACT governments charge a levy on non-concession card holding residents holding health insurance policies with hospital cover
- As NIB increases its penetration of markets outside of NSW/ACT this expense will fall as a proportion of premium revenue

Management expenses

NIB Health Fund normalised management expense components



Given the investment in growth, NIB's MER remains slightly above the industry and its peers

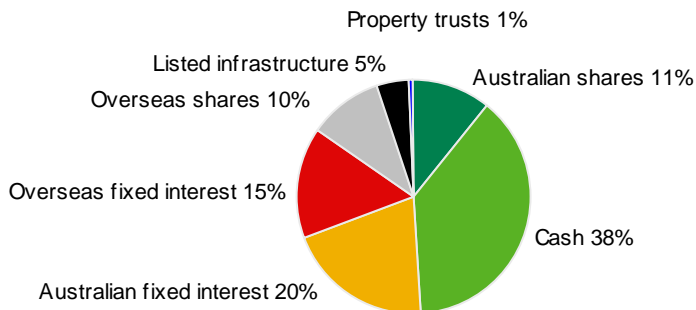
| MER | 2005A | 2006A | 2007A |
|--------------|--------------|-------------|--------------|
| NIB | 10.6% | 9.9% | 10.7% |
| Medibank | 9.2% | 10.2% | n/a |
| MBF | 9.8% | 9.2% | n/a |
| BUPA | 7.7% | 8.3% | n/a |
| Industry av. | 9.5% | 9.4% | n/a |

Management expenses – key drivers and levers

| | |
|---|---|
| Labour costs | <p>Process improvement and automation</p> <ul style="list-style-type: none">■ Ongoing work process reengineering■ Electronic automation of manual processes (e.g. imaging and workflow management)■ Business unit rationalisation (e.g. merger of claims and contributions) <p>Rationalisation and automation of customer interface and distribution</p> <ul style="list-style-type: none">■ Retail centre rationalisation■ Online service and straight through processing■ Electronic claims payments <p>B2B</p> <ul style="list-style-type: none">■ Electronic provider data interchange and payments (e.g. Eclipse) |
| Brand building, marketing and promotion | <ul style="list-style-type: none">■ Continuously measuring return on investment through management reporting and analysis■ Disintermediation of sales■ Retail centre rationalisation |
| Information technology | <ul style="list-style-type: none">■ Possible outsourcing |
| Merger & Acquisitions | <ul style="list-style-type: none">■ Improve scale■ Cost synergy benefits |
| Running costs | <ul style="list-style-type: none">■ Strategic procurement |

Investment portfolio and income

NIB has a diversified investment portfolio



As at 31 August 2007 (excluding direct property)

Comments

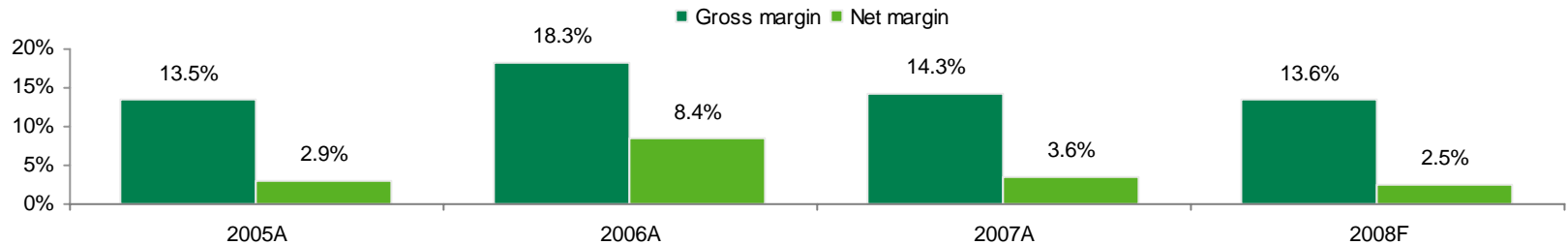
- NIB has ~A\$400m of investment assets (excluding direct property of A\$31.3m) as at 31 August 2007
- No direct exposure to sub-prime investments
- Portfolio is externally managed to a target split of 65% defensive assets and 35% growth assets to reflect the short tail nature of NIB's insurance liabilities
- All currency exposure is hedged
- Forecasting a 7.0% return on investment assets for 2008F, compared with 8.7% in 2007

Historical investment returns and balances (excluding direct property investments and returns)

| | 2005A | 2006A | 2007A | 2008F |
|---------------------------------|---------|---------|---------|---------|
| Opening balance | 197,689 | 231,733 | 319,995 | 393,361 |
| Investment income (net of fees) | 16,538 | 17,360 | 29,211 | 26,520 |
| Yearly return | 8.2% | 6.5% | 8.7% | 7.0% |
| Transfers | 17,507 | 70,902 | 44,154 | 6,975 |
| Closing balance | 231,733 | 319,995 | 393,361 | 426,855 |

Underwriting margins

Underwriting margins



Commentary

- Gross underwriting margin and net underwriting margins for FY06 were above targeted levels due to high claims inflation leading to higher price setting for the 12 months from 1 April 2005
- Normalised FY2007 and forecast FY08 gross margins are below the medium term target of 15% due in part to the pricing in of the Loyalty Bonus over time. For normalised FY08 the shortfall of 1.4% (\$10.4m) will be bridged in the medium term through various initiatives to mitigate claims inflation, including:
 - innovative product design
 - the Australian Health Services Alliance
 - ongoing fraud prevention and reduction of claims leakage initiatives
- Normalised FY07 and forecast FY08 net margin is below the medium term target of 5% partly due to the gross margin impact discussed above and the decision to invest significantly in the organic growth strategy from 1 January 2007. For normalised FY08, the shortfall after taking into consideration the gross margin shortfall is 1.1% or approximately \$8.3 million. This shortfall will be overcome in the medium term through the impact of the organic growth strategy combined with various cost improvement initiatives

Capital management and dividends

Capital management

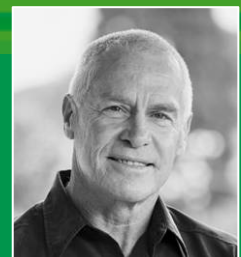
- Strong balance sheet with no gearing, positions NIB for potential acquisitions
- In the absence of any strategic initiatives, the Board intends reviewing NIB's capital position and gearing at or around the time of release of the June 2008 results with the view to returning capital to shareholders (subject 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

Drivers of future earnings growth

- Volume
 - Organic (focus on the <40 market given low penetration and interstate growth)
 - M&A (listed platform provides an opportunity to participate in any industry consolidation)
- Product value “buy-up”
 - Life stage migration
- Efficiency, lower running costs and increased net margins
 - Automation (both front and back end processes are increasing their use of technology, e.g. significant new customer growth coming from the web)
 - Electronic Data Interchange (e.g. electronic claims lodgement and payment)
 - Ongoing retail network rationalisation
 - Expected move from investment in the NIB brand to maintenance of the NIB brand from 1 January 2010
 - M&A



1. NIB overview
2. Business highlights and key risks
3. Financial overview
4. Details of the Institutional Offer
5. Appendix

Key Institutional Offer information

| Key offer statistics | |
|--|-----------------|
| Indicative offer price range | \$0.70 - \$0.90 |
| Total number of Shares outstanding pre ASX Listing/Institutional Offer | 459.0m |
| Shares to be issued under the Institutional Offer | 55.6m-71.4m |
| Cash proceeds – Institutional Offer | A\$50m |
| Total number of Shares on issue following the Institutional Offer | 514.6m-530.4m |
| Market capitalisation at the Offer Price | A\$371m-A\$463m |

Additional shares arising from the Share Sale Facility being offered to all existing NIB shareholders, will be offered under the Institutional Offer

| 2008 Directors' Forecasts | |
|---|-------------------|
| NPAT | A\$32.1m |
| Underwriting result | A\$18.7m |
| EPS | 6.06 – 6.25 cents |
| Net Assets (pro-forma post Listing) | A\$339.7m |
| Price/earnings ratio | 11.5x – 14.4x |
| Price/Net Assets (pro-forma post Listing) | 1.09x – 1.36x |

Indicative sources and uses – Institutional Offer

| Sources | A\$m | Uses | A\$m |
|---|-------------|---|-------------|
| Proceeds from Institutional Offer of new shares | 50.0 | Donation to the NIB Foundation | 25.0 |
| | | Estimated fees and costs associated with the Offer and initial working capital for NIB Holdings | 25.0 |
| Total Sources | 50.0 | Total Uses | 50.0 |

Indicative timetable

| Indicative key dates (subject to change) | |
|--|-----------------|
| Last date for receipt of existing NIB shareholders Sale Facility Election Form | 19 October 2007 |
| Institutional Bookbuild opens | 25 October 2007 |
| Institutional Bookbuild closes | 26 October 2007 |
| Facility Price confirmed | 26 October 2007 |
| Institutional allocations notified | 26 October 2007 |
| Expected settlement date | 31 October 2007 |
| Expected allotment date | 1 November 2007 |
| Deferred Settlement trading on ASX expected to commence | 1 November 2007 |
| Expected dispatch of shareholder statements | 1 November 2007 |
| Normal trading on ASX expected to commence | 6 November 2007 |

JPMorgan Sole Lead Manager



1. NIB overview
2. Business highlights and key risks
3. Financial overview
4. Details of the Institutional Offer
- 5. Appendix**



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

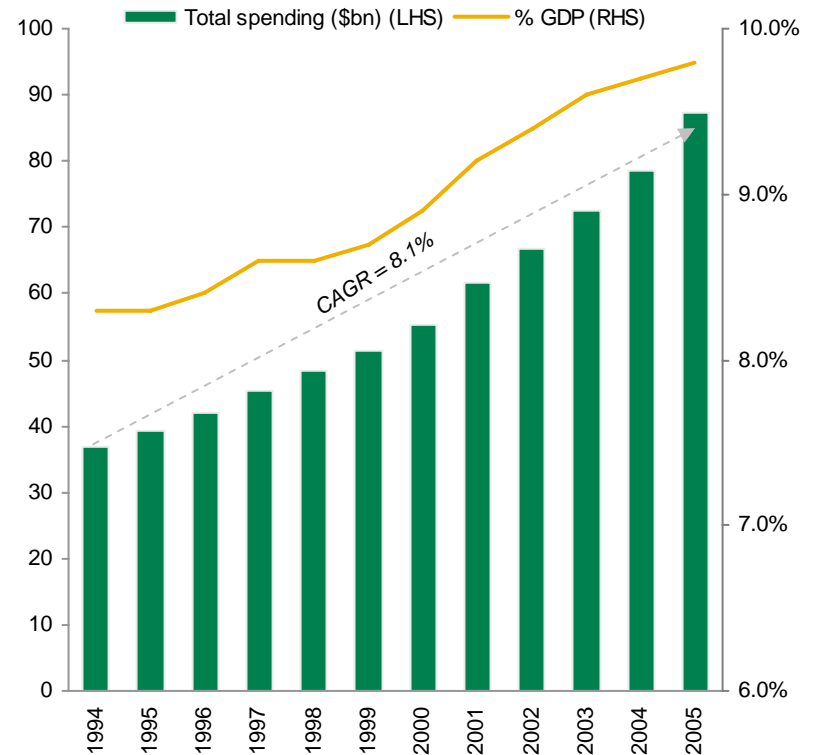
Industry snapshot

- During 2005, Australians spent approx. A\$87bn on healthcare through public and private systems
- Spending now represents approx. 10% of GDP; US healthcare spending is approx. 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 trying to cure death
 - Increasing cost of treatment, driven by technological advances
 - Limited price signals

Source: Australian Institute of Health and Welfare (AIHW)

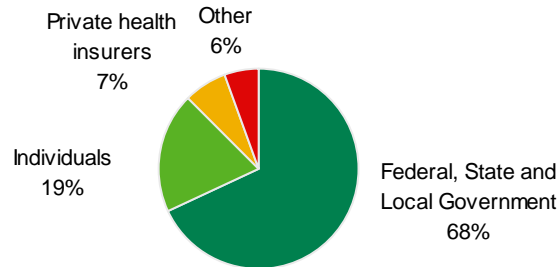
¹ Includes services provided by private medical practitioners operating on a fee-for-service basis

Total Australian healthcare expenditure



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

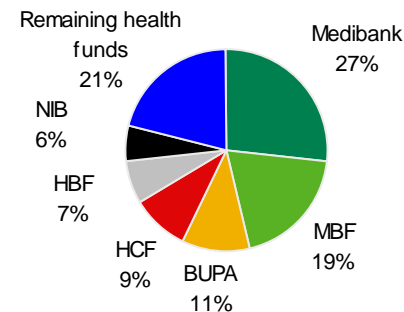
PHI coverage

- 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 (runners, gym etc))
- Currently PHI does not cover:
 - GP fees
 - Out of hospital pharmaceuticals
 - Out of hospital specialists
 - Residential care

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



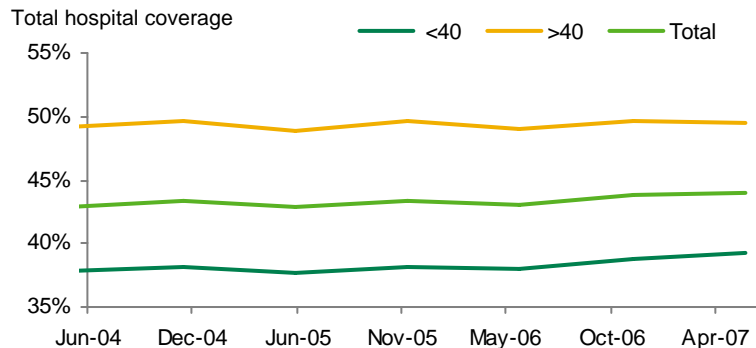
Source: PHIAC, 12mths ended 30 June 2006 premium revenue

The potential for growth in PHI is significant

Key points

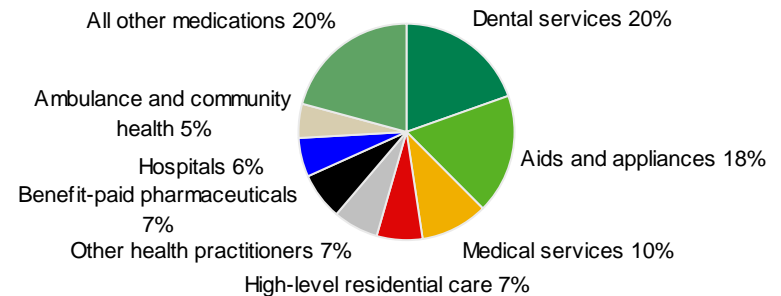
- PHI represents only 7% of the health economy
- Almost 12 million Australians do not have hospital cover
- Under 40s which are a better risk age group, remain underinsured relative to the rest of the population, with only 39% having cover vs. 44% of the total population
- Continued frustrations with the public health system and lengthening of waiting times for elective surgery
- Broader cover initiatives

Under 40s are relatively underinsured



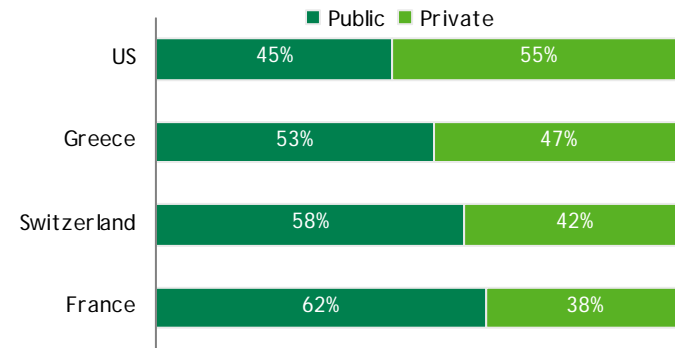
Source: PHIAIC

Individual out-of-pocket spending is a significant opportunity



Source: AIHW

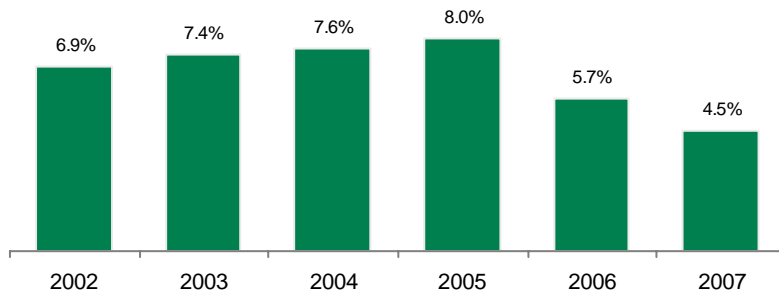
International comparisons of healthcare spending



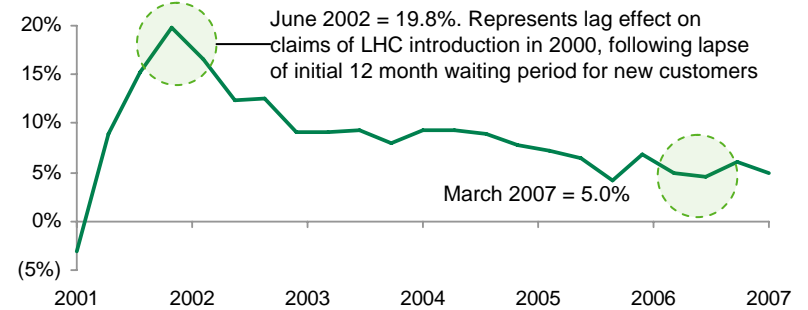
Source: McKinsey & Company Health International Number 9

Importantly, PHI profitability has stabilised and is now growing

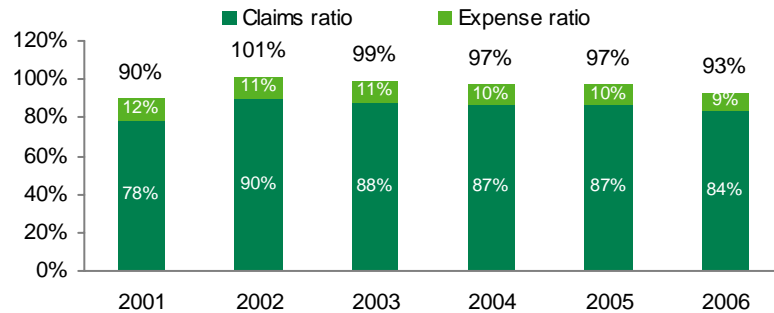
Premium growth has been consistently above GDP



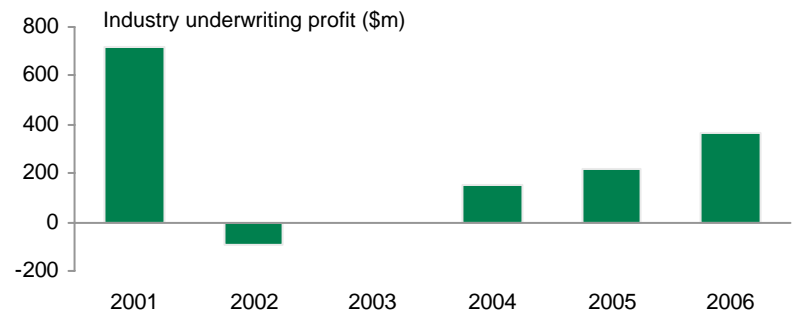
Claims inflation has subsided



PHI combined operating ratios have declined . . .



. . . leading to improved and growing industry profitability



Source: PHIAC, excludes state levies

Government policy is very supportive

Key PHI regulations

| | |
|------------------------|---|
| Community rating | <ul style="list-style-type: none"> PHIs must charge all policyholders the same price for a policy regardless of risk Designed to prevent price discrimination on the grounds of age, sex, health status or claims history |
| Risk equalisation levy | <ul style="list-style-type: none"> PHI funds that have lower claims vulnerability based on the risk profile of their customers have to subsidise those that insure customers who have a higher risk in terms of claims vulnerability |
| Price regulation | <ul style="list-style-type: none"> A private health insurer must apply to the Minister of Health and Ageing for approval of any increase in premium rates |

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 |

Support for PHI is bipartisan

Both sides of federal politics have expressed unequivocal support for the Government Rebate

"I think it's a good thing we are starting to see these old mutuals contemplating floating and subjecting themselves to the discipline of the free enterprise system"

"There are rebates and a tax deduction available for a whole range of things without it being described as a subsidy to particular industries."

**- Nick Minchin (Minister for Finance)
11 July 2007,
National Press Club**

"It is frightening that health costs have to compete with grocery costs, mortgage costs, petrol costs, child care costs, not to mention the interest rates that have just risen again. This is one of the reasons Labor remains firmly committed to the private health insurance rebates, recognising that many working families have come to rely on them and could not afford insurance without them."

**- Nicola Roxon (Shadow Health Minister)
29 August 2007,
Catholic Health Australia's Annual Conference**

nib
holdings