nib holdings limited

Results for the 12 months ended 30 June 2008

nib holdings

29 August 2008

Today's agenda

▪ Overview	Mark Fitzgibbon
▪ Year in review	Mark Fitzgibbon
▪ Financial performance	Michelle McPherson
▪ Outlook & strategy	Mark Fitzgibbon
▪ Q&A	

Overview

Mark Fitzgibbon, MD & CEO

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Overview

- Very strong FY08 operating result
  - normalised net underwriting profit up 39.2% to $33.0m (FY07 - $23.7m)
  - normalised net underwriting margin of 4.4% (FY07 – 3.6%)
- Normalised FY08 net profit after tax of $26.7m
  - small FY08 statutory accounting profit of $0.4m due to one-off costs associated with demutualisation and listing
- Net policyholder growth of 36,605 (11.1%) vs industry growth of 4.2%
- On market buy-back of up to 10% of issued shares
- Final dividend of 2.1cps fully franked (40.7% payout ratio)

Year in review

Mark Fitzgibbon, MD & CEO

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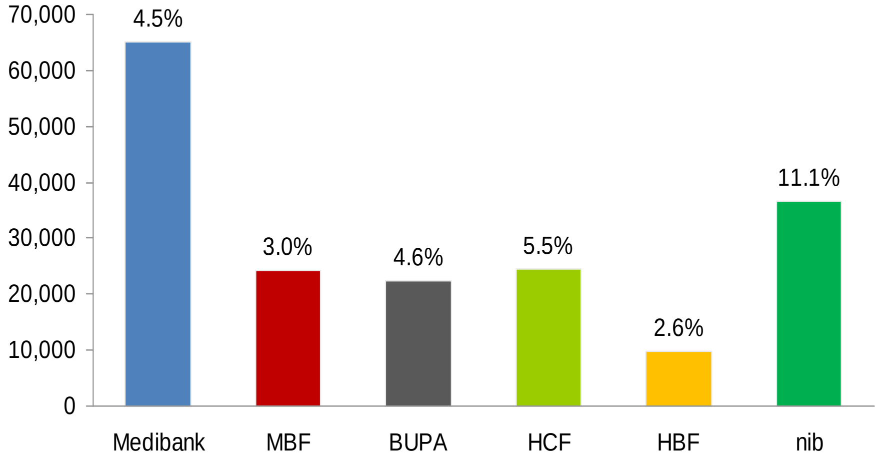
We are pleased about…

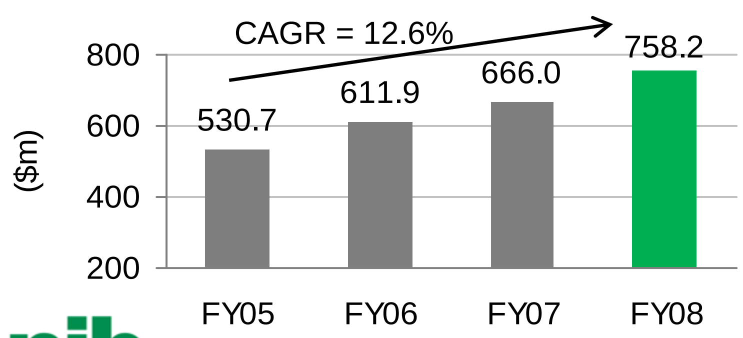
Strong policyholder and premium growth

nib continues to grow faster than its competitors



Source: PHIAC

Revenue continuing to grow strongly



- Strong policyholder growth due to continued success of organic growth strategy
  - nib growing faster than industry, up 11.1% vs 4.2% for industry
  - 36,605 net new policyholders – 114.7% of FY08 Prospectus forecast, and consistent with revised forecast of “in excess of 35,000”
  - targeting young policyholders without PHI and building a national footprint
- nib with 7.0% market share, accounted for 17.3% of national growth in FY08 (22.3% in NSW)
- nib with 9.5% market share in 20-39 age group accounted for 20.1% of national growth

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We are pleased about…

The efficacy of our business strategy

	FY05	FY06	FY07	FY08	FY08 Prospectus Forecast
Annualised growth in net membership	4.2%	3.9%	8.8%	**11.1%**	9.7%
% of new sales new to category	68.7%	70.8%	74.4%	**73.2%**	n/a
% of new sales "under 40"	71.7%	73.6%	78.5%	**78.8%**	n/a
% of new sales online	4.2%	13.6%	32.5%	**35.1%**	35.8%
% of new sales outside NSW/ACT	19.1%	23.4%	32.3%	**37.5%**	41.1%

- Since the launch of our new product portfolio in June 2006, we have added 63,090 net new policyholders, accounting for about 15.3% of industry growth

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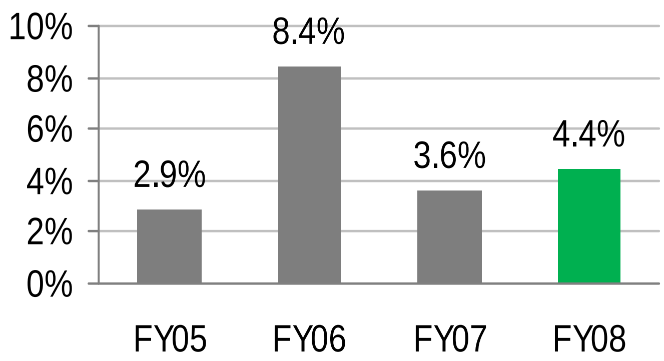
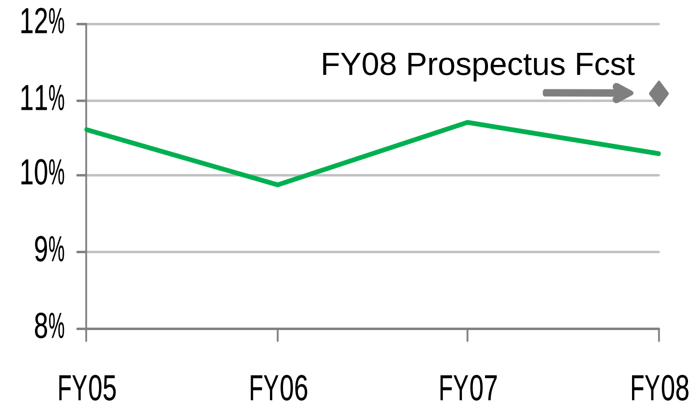
We are pleased about…

Strong operating performance – net margin up from 3.6% in FY07 to 4.4% in FY08

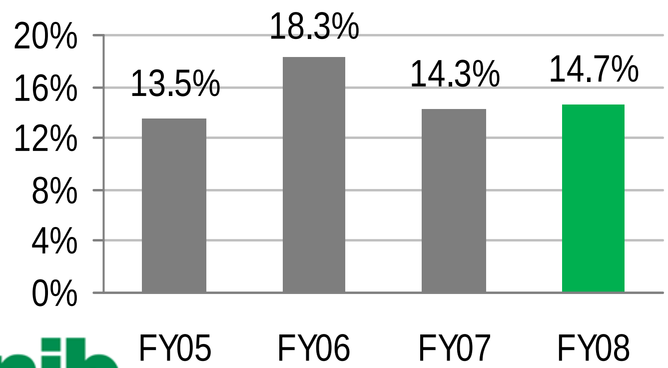
Strong normalised net underwriting margin



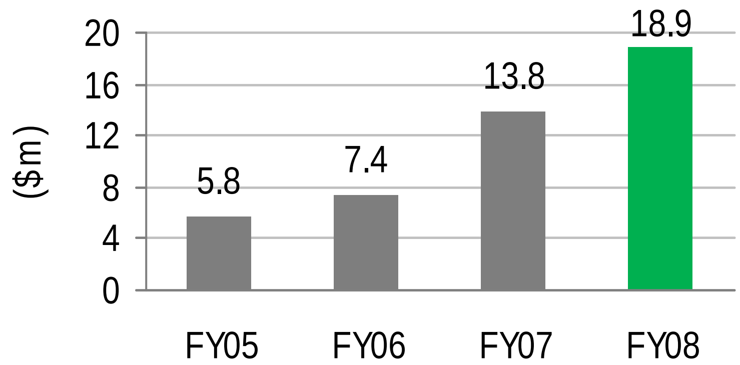
Lower normalised Management Expense Ratio (MER)...



Solid gross underwriting margin



... whilst reinvesting in the business through increased marketing spend



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We are not so pleased about…

- Low investment earnings given volatile investment markets
  - → we are carefully managing our investment portfolio with the aim to reduce volatility of investment earnings and release or deploy excess capital
- Government's proposed increase to the Medicare Levy Surcharge (MLS) threshold
  - → we are actively engaging Government to reconsider extent of MLS threshold uplift as well as its approach to premium pricing
  - → we are monitoring customer reaction, and have a number of plans in place to address the potential impact
- Government increasing its "footprint" in PHI through Medibank Private's proposed purchase of AHM
- The new risk equalisation scheme which provides little incentive for other funds to manage risk
  - → we are actively engaging Government to consider a new approach that rewards sound risk management

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Financial performance

Michelle McPherson, Deputy CEO & CFO

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Financial results

Net underwriting result of $33.0m, up $9.3m or 39.2% on FY07

	FY08			FY07			% change
($m)	Statutory	Adjust	Normalised	Statutory	Adjust	Normalised	FY08 vs FY07
Profit after tax	0.4	26.3	26.7	52.5	(15.3)	37.2	(28.2)%

- Significant one-off costs in FY08 re demutualisation and listing resulted in $0.4m statutory profit
- Normalised profit of $26.7m calculated after adjusting for demutualisation and listing costs, and "notional" tax (refer to Appendix slide 32 for reconciliation)

Normalised earnings ($m)	FY08	FY07	Change
Premium revenue	758.2	666.0	13.8%
Claims expense	(554.0)	(505.4)	(9.6)%
HBRTF/RETF Levy	(73.1)	(48.1)	(52.0)%
State levies	(19.9)	(17.6)	(13.1)%
Net claims incurred	(647.0)	(571.1)	(13.3)%
Gross underwriting result	111.2	94.9	17.2%
Management expenses	(78.2)	(71.2)	(9.8)%
Net underwriting result	33.0	23.7	39.2%
Investment income	7.5	31.3	(76.0)%
Other	(2.9)	(2.1)	(38.1)%
Profit before tax	37.6	52.9	(28.9)%
Tax	(10.9)	(15.7)	30.6%
Net profit after tax	26.7	37.2	(28.2)%

Note: Underlying normalised NPAT (ie before investment experience) was up 29.4% to $43.6m (FY07 - $33.7m), see Appendix

Performance indicators (normalised)	FY08	FY07	Change
Gross margin	14.7%	14.3%	+0.4%
Management expense ratio	10.3%	10.7%	-0.4%
Net margin	4.4%	3.6%	+0.8%
Investment return	1.6%	8.8%	-7.2%
EPS (cps)	5.2		
ROE	7.0%		

- FY08 normalised result reflects:
  - strong policyholder growth
  - stabilised claims inflation
  - operating cost management
  - volatile investment returns
- FY08 normalised result favourable compared to FY08 Prospectus forecast with the exception of Investment income

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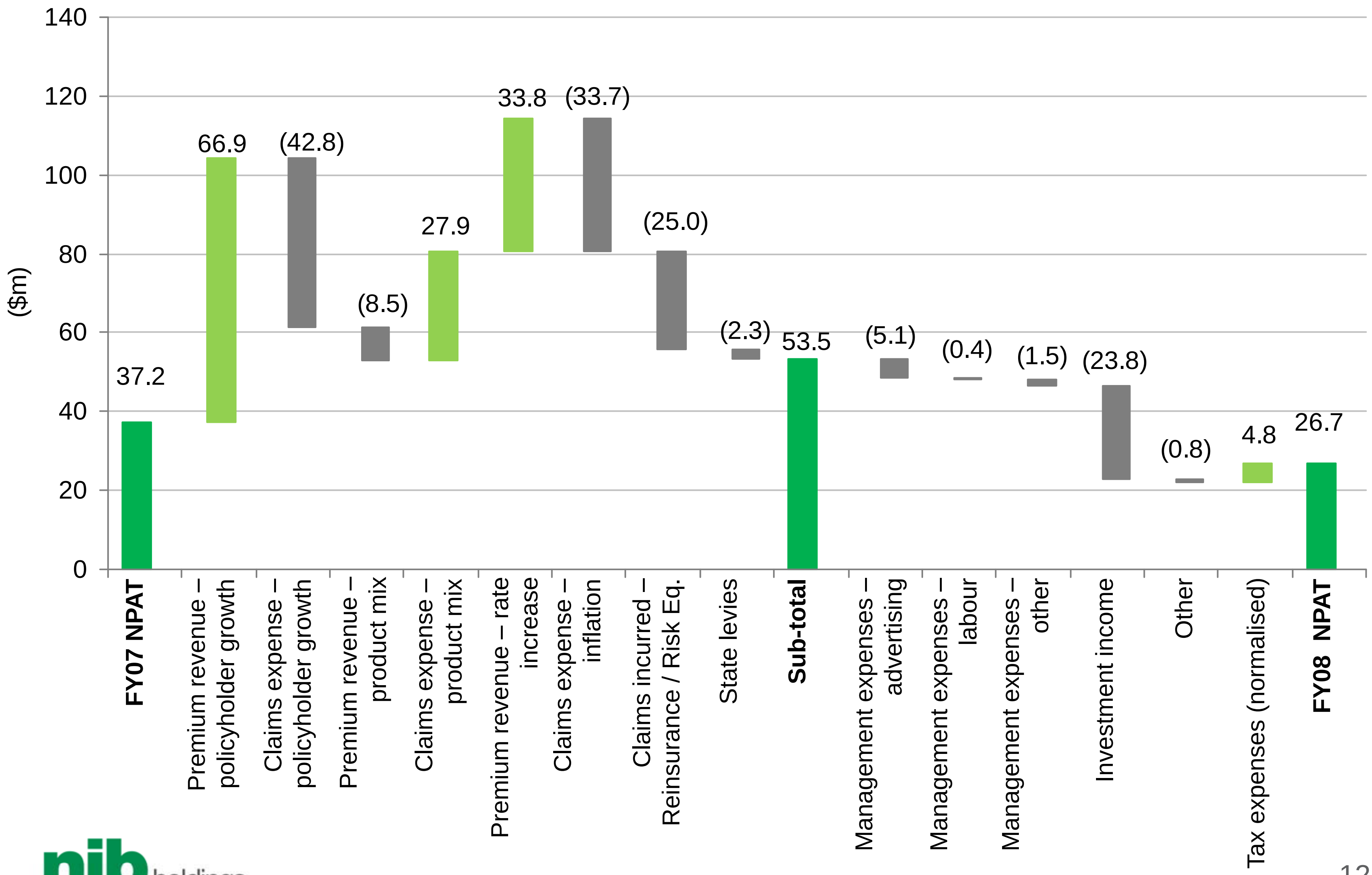
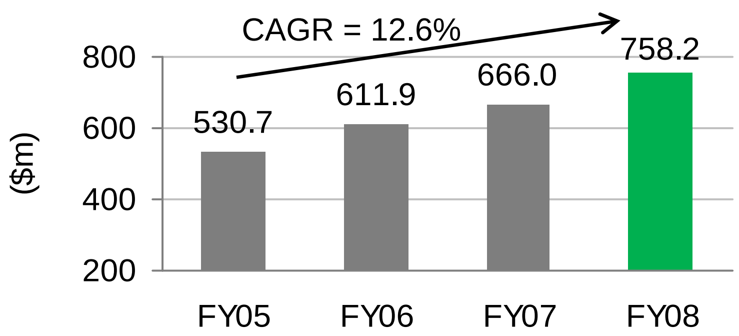
Financial results – normalised – key drivers



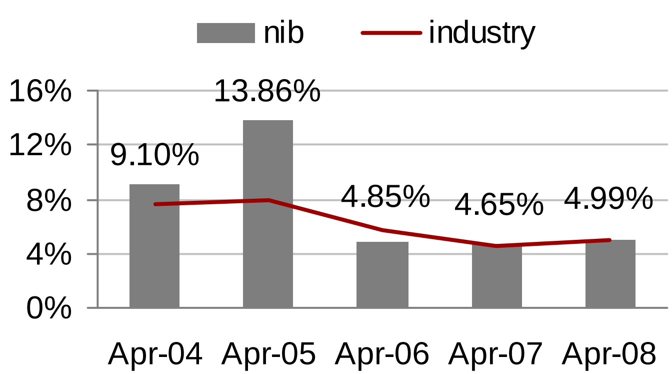
Premium revenue

Strong growth in premium revenue – up 13.8% to $758.2m

Premium revenues continued to grow strongly



Average premium rate increase in line with market

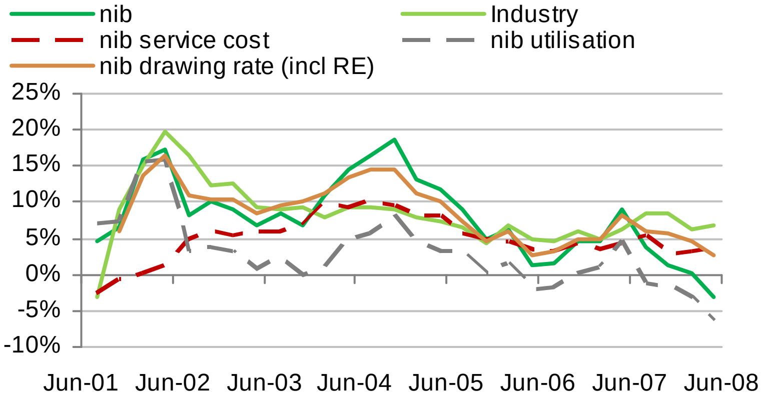


- $92.2m increase in premium revenue:
  - policyholder growth – $66.9m
  - premium rate increases – $33.8m
  - net product mix changes – $(8.5)m
- Premiums from strong new policyholder growth partially offset by targeted lapse of high premium (but low profitability) corporate policyholders
- Within net product mix change we have had some success with product buy-up during FY08, estimated at $7.5m premium revenue impact
- April 2008 price increases were in line with market average

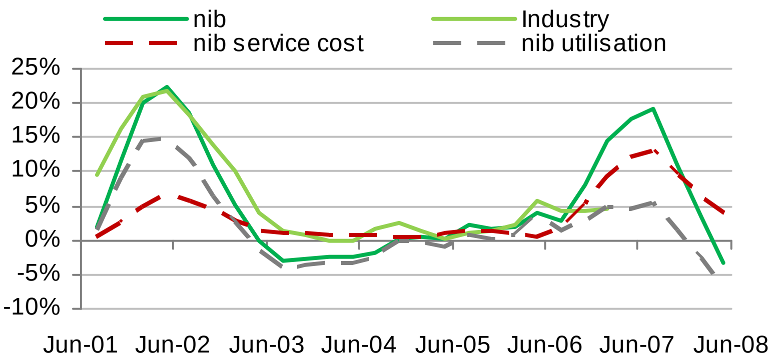
Claims expense and levies

Claims expense up 13.3%, but underlying inflation trends stable

Hospital claims inflation stabilised



Ancillary claims inflation reflects introduction of Loyalty Bonus



Note: industry data from 1 April 2007 is not comparable due to change in the way ancillary products are determined by PHIAC

Source: PHIAC

Claims expenses

Normalised ($m)	FY05	FY06	FY07	FY08
Claims expense	406.5	441.2	505.4	554.0
Risk Eq Levy	37.2	42.8	48.1	73.1
State Levies	15.3	16.1	17.6	19.9
Total	459.0	500.1	571.1	647.0

- $75.9m increase in claims expense:
  - policyholder growth – $42.8m
  - claims inflation – $33.7m
  - product mix – $(27.9)m
- Total drawing rate inflation (ex risk equalisation) has stabilised
- Risk equalisation continues to reduce the benefit of our successful acquisition of younger, better risk policyholders

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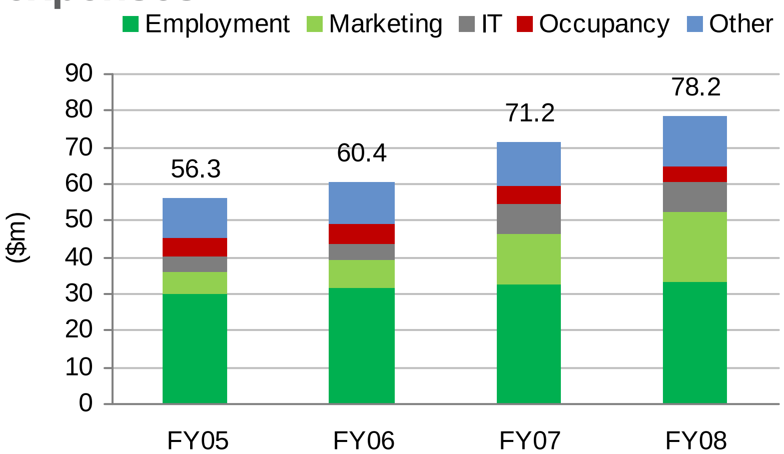
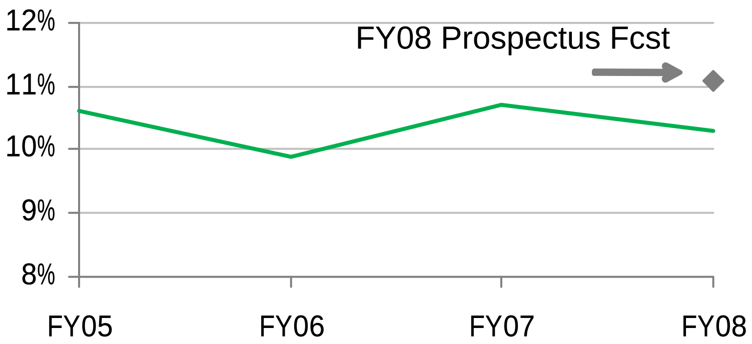
Management expenses

Management expense ratio down to 10.3%

Controlled growth in management expenses



Normalised MER below FY08 Prospectus forecast

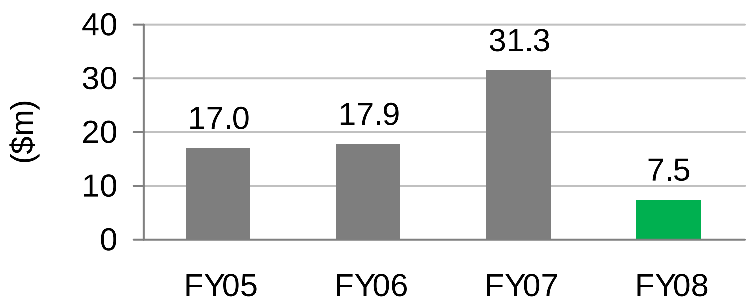


- Increase in management expenses to $78.2m largely reflects significant investment in growth
  - spend on organic growth strategy of $18.9m (FY07 - $13.8m)
- MER down to 10.3% (FY07 – 10.7%) and below FY08 Prospectus Forecast of 11.1% due to:
  - increased automation of claims & admin
  - outsourcing of some administrative processes
  - rationalising distribution and service channels (closed 7 retail centres in FY08 and further 4 in July 08)
  - increased efficiency levels from existing staff (improved customer to staff ratio)
  - expected annualised savings from above of $3.4m, with some of the savings reinvested into the business

Investment income

FY08 investment income affected by market volatility

Investment income inherently volatile



- Return on investment assets of 1.6% (FY07 – 8.8%)
  - FY08 Prospectus forecast assumed 7.0%[1] (6.8% including direct property)
  - Return for the first six weeks of FY09 was 0.8%

Investment return

Annualised return	FY08	FY07
Cash	6.1%	6.4%
Australian shares	(11.7)%	26.7%
Australian fixed interest	4.3%	3.5%
O/s shares	(15.3)%	21.1%
O/s fixed interest	8.0%	3.9%
Listed infrastructure[1]	(14.8)%	(3.8)%
Property trusts	11.8%	19.6%
Unlisted security[2]	5.9%	-
Return (ex direct property)	1.3%	8.7%
Direct property	7.2%	10.5%
Total return	1.6%	8.8%

(1) Inception date was April 2007; the FY07 return relates to Q4 FY07

(2) Inception date was May 2008; FY08 return relates to the monthly return for May-June 2008

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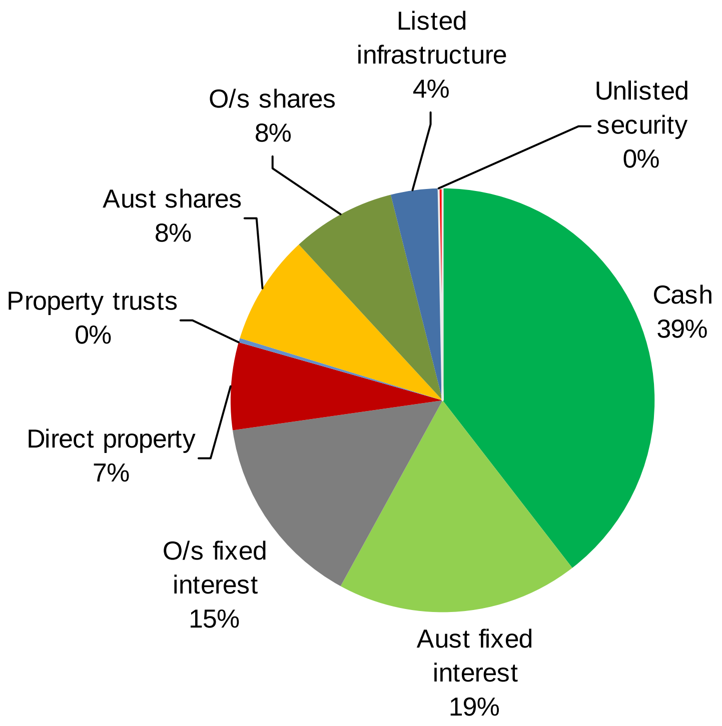
(1) Excludes direct property

Investment assets

Target split – over time moving to less volatile investment earnings

Investment assets – $453.0m (at 30 Jun 08)

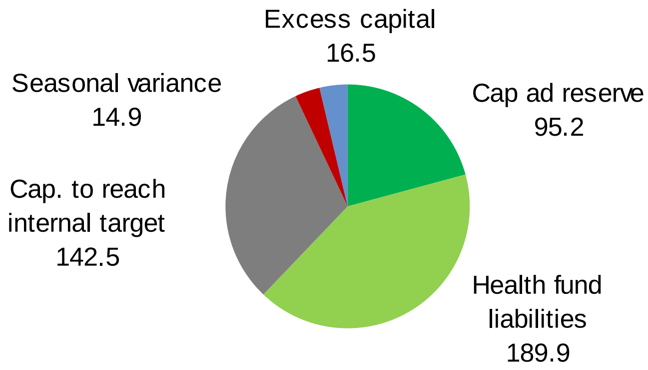


- Externally managed portfolio – mix at 30 Jun 08 was 73%/27%
- As announced on 19 May 2008, we are carefully moving the target split to reduce investment earnings volatility
- Total investment assets of $453.0m at 30 Jun 08 (30 Jun 07 - $424.7m):
  - $25m donated to nib Foundation as per Prospectus
  - all currency exposure is hedged
  - no direct exposure to US sub-prime

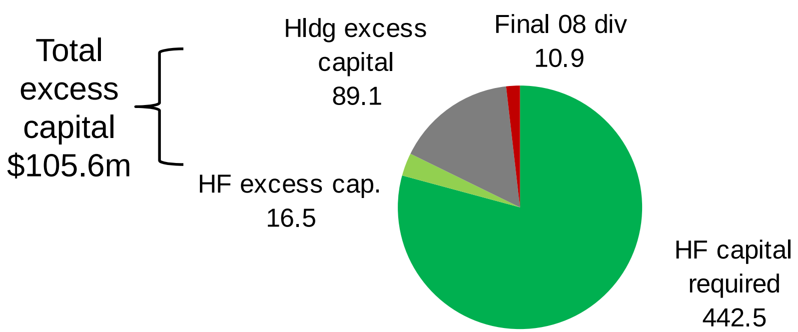
Regulatory capital requirements

$105.6m of excess capital above internal target

Health fund capital (at 30 Jun 08)

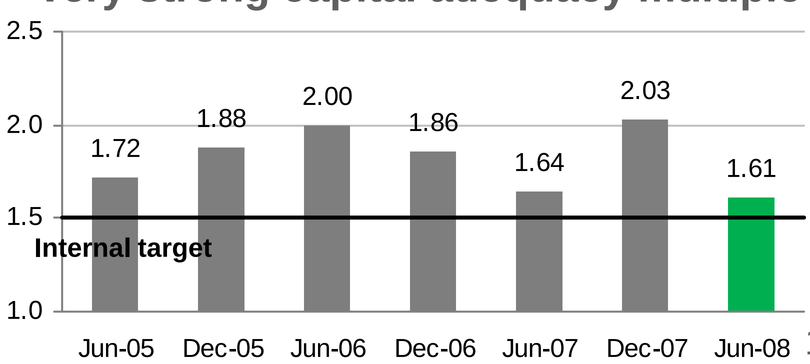


Group capital allocation (at 30 Jun 08)



- During June 2008 excess capital of $95.5m was transferred from nib health to nib holdings
- nib health fund total assets at 30 Jun 08 of $459.0m (30 June 2007 - $508.5m)
- Capital position of the health fund remains strong with capital adequacy at 1.61x
  - move of surplus capital to nib holdings – took into account expected capital generation over next 12 months and target of 1.5x
  - including $95.5m internal transfer, capital adequacy multiple would have been 1.83x
- Solvency reserve of $74.1m
- Robust balance sheet remains ungeared

Very strong capital adequacy multiple



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Capital management

- We have a strong capital position
  - $105.6m excess capital above internal target
  - ungeared balance sheet
- Our strong balance sheet and capital position enables us to pursue attractive acquisition opportunities as they arise and/or undertake capital management initiatives
- In the absence of an acquisition, we envisage a return of capital in the near term
- Given recent corporate activity, we are currently reviewing our Group capital management plan with a view to determining the most optimal capital structure
- On-market buy-back of up to 10% of issued shares
- Dividend of 2.1cps (40.7% payout ratio)

Outlook & strategy
Mark Fitzgibbon, MD & CEO

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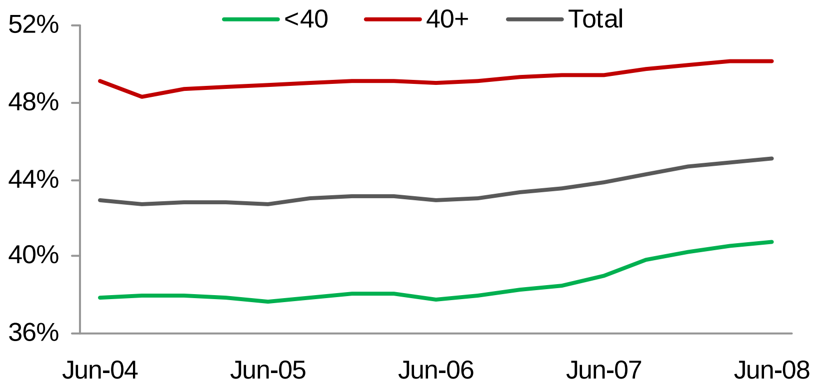
Market outlook

The potential for PHI growth is still significant

Penetration[1] has been increasing



Penetration[1] by State is also increasing

	Penetration		Growth
	Jun 07	Jun 08	FY08
NSW / ACT	45.0%	45.9%	3.2%
Victoria	42.4%	43.4%	3.9%
Queensland	40.9%	42.3%	6.1%
WA	47.9%	49.9%	6.8%
SA	43.9%	44.6%	2.6%
Tas	42.5%	42.9%	2.1%
NT	32.4%	33.5%	6.6%

- Even after the Government's proposed changes to MLS, the potential for PHI growth is still significant:
  - considerable latent demand
  - inevitable decline in Government financing because of increasing dependency ratio
  - sound long term economic context
  - low confidence in public hospitals
  - ongoing Government support
  - competition between insurers

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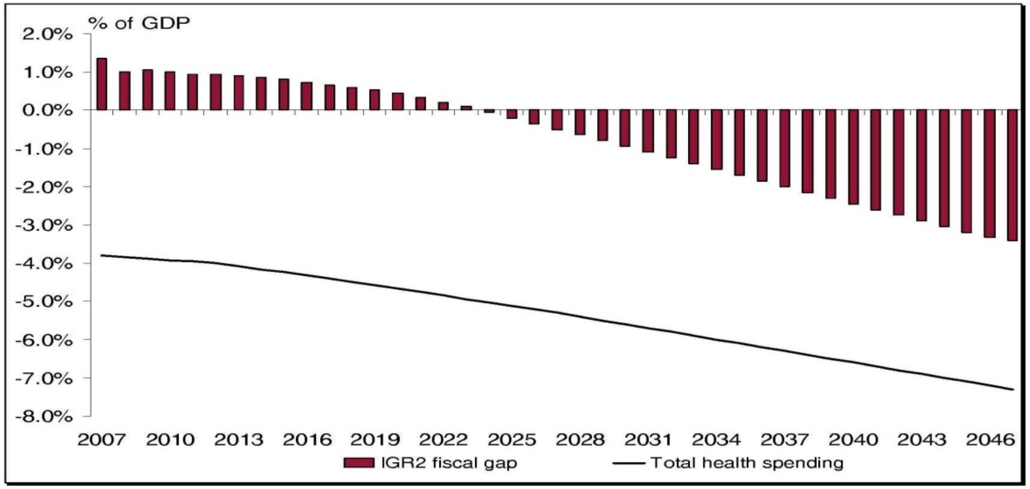
Source: PHIAC
(1) Hospital persons covered

Market outlook

Market fundamentals are sound

- Government will remain supportive of PHI given increasing dependency ratio



Source: Australian Government (2007)

- Claims inflation will be between 5%-10% (subject to MLS impact)
- More rational and certain premium setting policy likely to emerge
- Industry growth post MLS could initially slow to 1%-3% given economic conditions, but supported by marketing and low confidence in public system
- Further industry consolidation inevitable
- Potential to increase share of healthcare spending wallet with product innovation – interest will build in next generation private healthcare funding products

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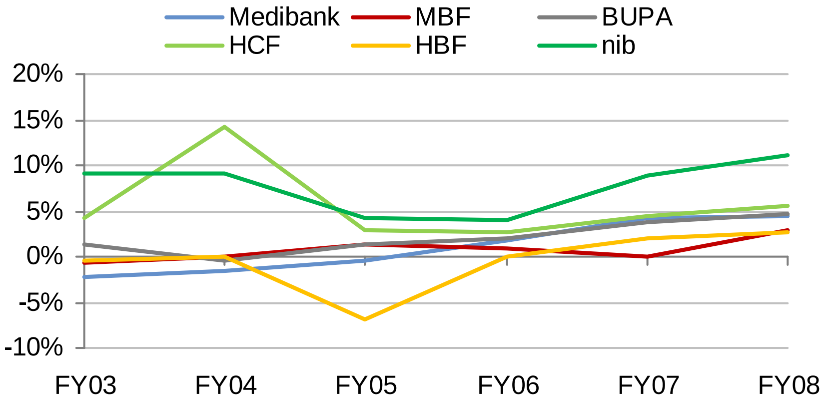
Business outlook

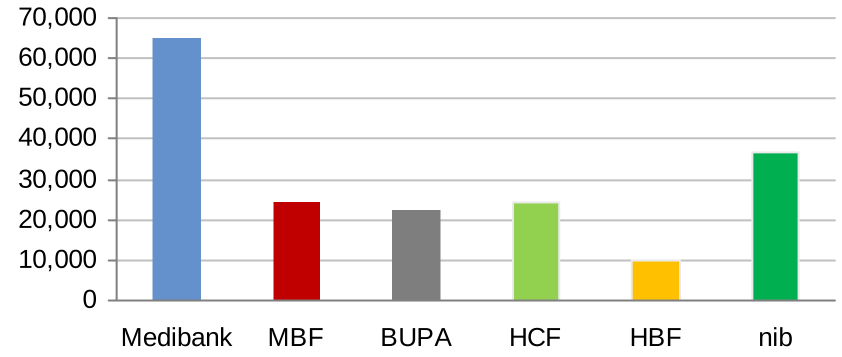
nib continues to capture a large component of market growth

nib policyholder numbers consistently growing faster than top 5 funds

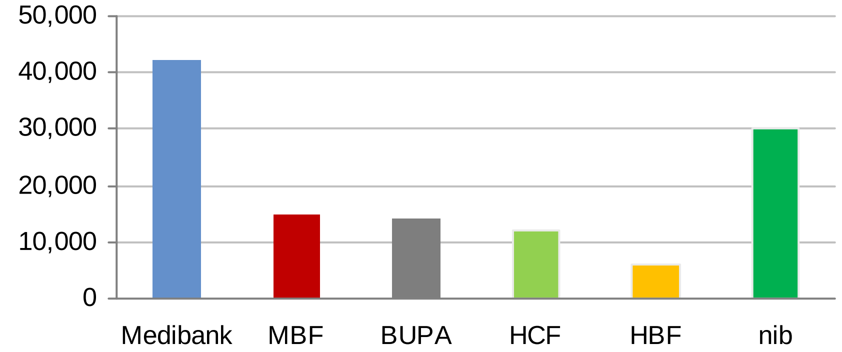


- Our fundamental business strategy is concentrated on growing the existing market for PHI and our share
- Our strong growth continues
  - 2,955 net new policyholders in first six weeks of FY09

Second largest growth in number of total policyholders over FY08...



...as well as in "20-39" age group[1]



Source: PHIAC
(1) Hospital persons covered

Proposed changes to MLS

- Proposed MLS changes are yet to be enacted, and may fail to become law or may be amended
- FY09 policyholder growth forecast to be 2%-5% (subject to MLS impact)
- If passed as currently proposed, MLS changes will put increased pressure on claims inflation and margins
- Normalised FY09 net underwriting margin of at least 2.5% (subject to MLS)
- Policyholder reaction to proposed MLS changes has not yet been significant
  - whilst still early, our lapse for the first six weeks of FY09 was 4,052 (FY08 – 2,422)
  - potential “lapsers” may be awaiting passage of the legislation in the Senate
  - our gross new policyholders for the first six weeks of FY09 was 7,007 (FY08 – 10,456)
- It is too early to consider a change in direction for our organic growth strategy and marketing spend, but we will continue to closely monitor the position

We have a clear view of what will drive earnings

We continue to target a net underwriting margin of 5% and ROE of at least 15% and expect to reach these targets in the near term

Business strategy

- Organic growth with <40 skew
- Continue to improve claims and operating cost efficiency
  - further automation of claims & admin
  - implementation of more effective and integrated distribution model to increase conversion rates & productivity
  - implementation of productivity tools in the call centre
  - new performance management and labour models to take advantage of pay for performance and output
  - reduced labour costs
- Pursue M&A opportunities
- Explore new products and markets

Earnings and ROE

- Continue to target 5% net underwriting margin
- Increase volume
- Improve policy "buy up"
- Create new revenue streams
- Capital management

Summary

- The Australian healthcare economy is forecast to continue to grow at >GDP
- Even after the Government's proposed changes to MLS, there is significant potential to grow the PHI category
- Our organic growth strategy has been very successful in growing market share, and we continue to exceed all our key tactical measures
- Very strong growth in net underwriting margin reflects the success of our organic growth strategy and a disciplined approach to managing the business
- We have a strong capital and financial position
  - ability to pursue attractive acquisition opportunities that will grow shareholder value; or
  - undertake capital management initiatives
- We are focused on growing earnings and ROE

Q&A

Appendix

Data sheet – nib

	FY03 / at 30 Jun 03	FY04 / at 30 Jun 04	FY05 / at 30 Jun 05	FY06 / at 30 Jun 06	FY07 / at 30 Jun 07	FY08 / at 30 Jun 08
nib						
Total policyholders	255,812	279,272	290,940	302,299	328,784	365,389
Policyholder growth	*9.2%*	*9.2%*	*4.2%*	*3.9%*	*8.8%*	*11.1%*
Market share	*5.5%*	*6.0%*	*6.2%*	*6.3%*	*6.6%*	*7.0%*
Persons covered	552,380	600,154	622,298	640,178	681,013	732,930
Avg age of hospital persons covered (yrs)	35.0	35.6	35.8	36.2	36.1	36.0
Total policyholders “under 40”	105,393	112,651	117,206	122,494	140,085	166,892
Growth in “under 40” segment	*13.0%*	*6.9%*	*4.0%*	*4.5%*	*14.4%*	*19.1%*
Total hospital persons “20-39”	146,592	156,891	162,009	167,372	188,155	218,445
Growth in hospital persons “20-39”	*10.9%*	*7.0%*	*3.3%*	*3.3%*	*12.4%*	*16.1%*
Market share	*7.3%*	*7.9%*	*8.1%*	*8.2%*	*8.7%*	*9.5%*
Retail centres (across Australia)	41	37	37	34	32	25
Hospital benefits paid	$118.7m	$235.5m	$282.7m	$295.2m	$336.7m	$357.7m
Ancillary benefits paid	$103.0m	$113.8m	$124.6m	$133.2m	$169.9m	$187.2m
Outstanding claims provision movement	$(1.5)m	$3.5m	$(0.8)m	$12.7m	$(1.3)m	$8.2m
Employees (FTEs)	470	443	472	481	506	478

Source: nib / PHIAC data as at 30 June 2008

Data sheet – PHI industry

	FY03 / at 30 Jun 03	FY04 / at 30 Jun 04	FY05 / at 30 Jun 05	FY06 / at 30 Jun 06	FY07 / at 30 Jun 07	FY08 / at 30 Jun 08
PHI industry						
Total policyholders	4,649,268	4,671,430	4,708,420	4,806,754	5,008,329	5,219,567
Policyholder growth	*1.2%*	*0.5%*	*0.8%*	*2.1%*	*4.2%*	*4.2%*
Persons covered	9,878,620	9,916,328	9,999,253	10,189,552	10,561,848	10,942,616
Avg age of hosp. persons covered (yrs)	38.8	39.2	39.5	39.8	39.9	39.8
Total hospital persons “20-39”	2,008,263	1,986,756	1,996,345	2,047,020	2,159,587	2,309,302
Growth in hospital persons “20-39”	*(1.9)%*	*(1.1)%*	*0.5%*	*2.5%*	*5.5%*	*7.0%*

Source: PHIAC data as at 30 June 2008

Data sheet – nib normalised financials

($m)	FY05	FY06	FY07	FY08 Prospectus forecast	FY08
PROFIT & LOSS					
Premium revenue	530.7	611.9	666.0	750.7	758.2
Gross underwriting result	71.7	111.8	94.9	102.0	111.2
Net underwriting result	15.4	51.4	23.7	18.7	33.0
Investment & other income	11.4	18.1	29.2	27.2	4.6
Profit before tax	26.8	69.5	52.9	45.9	37.6
Profit after tax			37.2	32.1	26.7
Earnings per share (cps)				6.2	5.2
Return on equity					7.0%
Dividends per share (cps)				0.0	2.1
Performance indicators					
Gross margin	13.5%	18.3%	14.3%	13.6%	14.7%
Management expense ratio	10.6%	9.9%	10.7%	11.1%	10.3%
Net margin	2.9%	8.4%	3.6%	2.5%	4.4%
Investment return	8.2%	6.5%	8.8%	7.0%	1.6%

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Normalised profit & loss reconciliation

- Significant one-off costs in FY08 re demutualisation/listing result in $0.4m statutory profit

	FY08			FY07			% change
($m)	Statutory	Adjust	Pro forma	Statutory	Adjust	Pro forma	FY08 vs FY07
Premium revenue	758.2	-	758.2	666.0	-	666.0	13.8%
Net claims incurred	(647.0)	-	(647.0)	(569.9)	(1.2)	(571.1)	(13.3)%
Gross underwriting result	111.2	-	111.2	96.1	(1.2)	94.9	17.2%
Management expenses	(89.1)	10.9	(78.2)	(76.9)	5.7	(71.2)	(9.8)%
Net underwriting result	22.1	10.9	33.0	19.2	4.5	23.7	39.2%
Investment income	7.5	-	7.5	31.3	-	31.3	(76.0)%
Other	(34.7)	31.8	(2.9)	0.3	(2.4)	(2.1)	(38.1)%
Profit before tax	(5.1)	42.7	37.6	50.8	2.1	52.9	(28.9)%
Tax	5.4	(16.3)	(10.9)	-	(15.7)	(15.7)	(30.6)%
Profit from continuing ops	0.3	26.4	26.7	50.8	(13.6)	37.2	(28.2)%
Discontinued ops	0.1	(0.1)	-	1.7	(1.7)	-	-
Profit after tax	0.4	26.3	26.7	52.5	(15.3)	37.2	(28.2)%

- Pro forma results calculated after adjusting for demutualisation and listing costs, and "notional" tax, which are in line with overall expectations. FY08 pro forma result reflects:
  - strong premium revenue growth due to significant business reinvestment
  - lower investment returns reflecting external market conditions

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Financial results – underlying results

Net underwriting result up $9.3m or 39.2% on FY07

- Underlying results split out Investment income between:
  - Normalised investment income – calculated on the basis of a 7% assumed return over average investment assets for the period
  - Investment experience – difference between actual and underlying Investment income

Normalised earnings ($m)	FY08	FY07	Change
Premium revenue	758.2	666.0	13.8%
Claims expense	(554.0)	(505.4)	(9.6)%
HBRTF/RETF Levy	(73.1)	(48.1)	(52.0)%
State levies	(19.9)	(17.6)	(13.1)%
Net claims incurred	(647.0)	(571.1)	(13.3)%
Gross underwriting result	111.2	94.9	17.2%
Management expenses	(78.2)	(71.2)	(9.8)%
Net underwriting result	33.0	23.7	39.2%
Normalised Investment income	31.6	26.2	20.6%
Other	(2.9)	(2.0)	(45.0)%
Underlying profit before tax	61.7	47.9	28.8%
Tax	(18.1)	(14.2)	27.5%
Underlying profit after tax	43.6	33.7	29.4%
Inv experience (after tax)	(16.9)	3.5	
Profit after tax	26.7	37.2	(28.2)%

Performance indicators (normalised)	FY08	FY07	Change
Gross margin	14.7%	14.3%	+0.4%
Management expense ratio	10.3%	10.7%	-0.4%
Net margin	4.4%	3.6%	+0.8%
Underlying investment return	7.0%	7.0%	
EPS (cps)	5.2		
EPS – underlying (cps)	8.4		
ROE	7.0%		
ROE – underlying	11.3%		

Balance sheet

Robust balance sheet remains ungeared

Balance sheet

($m) At	Jun 08	Jun 07
Health fund operating assets		
Current assets	32.1	26.6
Non-current assets	71.6	40.0
Health fund operating liabilities		
Outstanding claims liability (OSC)	(62.3)	(54.0)
Unearned premium liabilities (UPL)	(47.0)	(51.6)
Other	(57.4)	(50.6)
Investment assets		
Cash & cash equivalents	179.2	17.6
Available for sale financial assets	1.6	0.0
Financial assets at fair value	242.8	376.4
Direct property	30.0	31.3
Borrowings (unpresented cheques)	(2.1)	(1.4)
Net other assets / liabilities	(3.7)	1.9
Net assets	384.8	336.2

Source: nib. Note: The table above provides a notional split of the balance sheet. Investment assets are also used to back health fund liabilities

- OSC is 9.6% of claims expenses for FY08 (FY07 – 9.5%)
  - 87% of benefits are paid within two months (FY07 – 84%)
- UPL is 6.0% of premium revenue for FY08 (FY07 – 7.5%)

Normalised cash flow reconciliation

	FY08			FY07		
($m)	Statutory	Adjust	Pro forma	Statutory	Adjust	Pro forma
Receipts from policyholders & customers	766.0	-	766.0	719.4	(47.9)	671.5
Payments to customers, suppliers, emp'ees	(764.9)	45.2	(719.7)	(673.8)	51.3	(622.5)
Sub-total	1.1	45.2	46.3	45.6	3.4	49.0
Net interested and distributions received	52.1	-	52.1	22.2	-	22.2
Income taxes paid	-	(16.3)	(16.3)	-	(15.7)	(15.7)
Net cash provided by operating activities	53.2	28.9	82.1	67.8	(12.3)	55.5
Proceeds from sale of investment properties	1.7	-	1.7	0.5	-	0.5
Proceeds from disposal of financial assets	142.2	-	142.2	105.7	-	105.7
Payments for financial assets	(55.5)	-	(55.5)	(164.6)	-	(164.6)
Payments for PP&E and intangibles	(23.6)	-	(23.6)	(11.7)	0.4	(11.3)
Proceeds from sale of PP&E and intangibles	0.2	-	0.2	0.1	-	0.1
Proceeds from sale of subs. (net of cash)	0.8	(0.8)	-	9.0	(9.0)	-
Proceeds from sale of Eye & Dental centres	0.3	(0.3)	-	0.3	(0.3)	-
Net cash (used in) investing activities	66.1	(1.1)	65.0	(60.7)	(8.9)	(69.6)
Proceeds from issue of shares, net of costs	41.6	(41.6)	-	-	-	-
Proceeds from finance lease	0.1	-	0.1	0.2	-	0.2
Net cash inflow from financing activities	41.7	(41.6)	0.1	0.2	-	0.2
Net increase (decrease) in cash	161.0	(13.8)	147.2	7.3	(21.2)	(13.9)

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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 $73.3m in FY08 whilst MBF, BUPA and Medibank received payments of approximately $102.6m, $37.0m and $34.9m 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

Disclaimer

The material in this presentation is a summary of the results of nib holdings limited (nib) for the 12 months ended 30 June 2008 and an update on nib's activities and is current at the date of preparation, 29 August 2008. Further details are provided in the Company's full year accounts and results announcement released on 29 August 2008.

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nib holdings limited

Results for the 12 months ended 30 June 2008

29 August 2008