

**2010 nib holdings limited (nib)
Annual General Meeting - Chairman's Address
Tuesday 26 October 2010**

Financial Year 2010 was another positive one for nib, highlighted by the delivery of strong results across our key financial indicators.

When reviewing our key metrics, as you can see, our strong policyholder growth rate of 5.9%, was more than double the industry average. For several years now nib has stood out from the pack in terms of our success in growing organically. Since listing three years ago we have increased our membership base by 17.1% compared to the industry's 9.5%.

The underwriting performance of the business was up more than 17% from the previous year to \$47.1 million, with our net profit after tax up 158% on FY09 to \$61.5 million. This result benefited from both an improved underwriting performance and a much improved net investment performance of \$44.5 million.

And for the first time we exceeded our 15% return on equity target, achieving a return of 16.3%.

Mark Fitzgibbon will soon provide you with further analysis of our results, key performance metrics and outlook for the year.

Our strong FY10 performance and capital position has allowed the Board to declare dividends totalling 7.0 cents per share fully franked for the year, which totalled \$34.7 million or a payout ratio of 56.4%. This reflects an interim dividend of 2 cents per share in February and a final dividend of 5 cents per share, both fully franked.

Shareholders would have received their final dividend of 5.0 cents per share on 27 September 2010.

Our dividend policy is to pay fully franked dividends at a ratio of 50-60% of earnings. In addition, we seek to return some of our surplus capital by way of dividends, subject to the availability of franking credits.

The availability of franking credits remains the limiting factor in our ability to pay fully franked dividends and return capital by way of special dividends.

As at 30 September 2010, nib had capital of \$120.8 million above its current internal prudential target of 1.4 times, following the completion of the acquisition of IMAN in September 2010, which cost in the range of \$23 million to \$25 million subject to final completion accounts confirming the amount of the liabilities assumed.

Our solid capital position continues to allow nib to generally pursue merger and acquisition opportunities.

As such we continue to believe there are value enhancing opportunities such as our acquisition of IMAN International, a specialist provider of health cover for temporary migrant workers in Australia which we completed on 30 September 2010, and other health funds such as our proposed merger with GMHBA.

We believe industry consolidation is inevitable and we have already seen signs of this occur with the acquisitions of MBF, AHM, Druids Victoria and Manchester Unity by other health funds.

As we have previously indicated, in the absence of the GMHBA transaction occurring or the arrival of other investment opportunities, the nib Board will reassess our surplus capital position in early calendar year 2011 and consider more significant capital management initiatives.

With regards to GMHBA on 6 October 2010, we announced to the market that nib had submitted a merger proposal to the Board of GMHBA.

Our proposal for the Geelong-based health fund also includes a number of undertakings including maintaining GHMHBA's branch network, products and applying nib's no forced redundancy policy to GMHBA employees.

The benefits of a merger are many but all centre upon the ability of a stronger health fund to improve service, drive down costs and thereby reduce the pressure on any future premium increases.

The GMHBA Board has formally rejected our proposal. As such, we felt it was necessary to make our proposal public to ensure their members have an understanding of the value of their interest in GMHBA and the opportunity.

In examining and pursuing this, or any other merger and acquisition opportunities, we have always taken a disciplined approach in striking the balance between value for nib shareholders and value to the members of these target health funds.

Consistent with this approach, we expect that the proposed GMHBA transaction would be earnings per share accretive, excluding integration and transaction costs, in the first full year.

Through the demutualisation of nib and listing on the ASX in 2007, more than 320,000 eligible nib policyholders were offered between 300 and 6,000 shares.

Under the terms of the demutualisation, shares were placed in the nib Overseas Policyholders and Unverified Policyholders Trust until eligible policyholders verified their details. It was a very simple process that the majority of our shareholders here today would have undertaken.

We have tried very hard over the past three years to contact all eligible policyholders. We have written to these people, placed advertisements in major newspapers, encouraged press coverage and reminded eligible policyholders when they contact our Customer Care Centre.

Despite our efforts there are more than 36,000 eligible policyholders, representing approximately 27 million shares, who did not verify their details before the 1 October 2010 deadline.

Under the terms of the Trust deed that holds the shares, on the third anniversary of the company's listing, which was 1 October 2010, or as soon as reasonably practical, the Trustee must dispose of all Trust property in such manner as directed by the nib Board.

At today's Annual General Meeting, the Board has recommended that shareholders approve the cancellation of the shares held by the Trustee for no cash consideration. I will provide you with more details regarding the proposed share cancellation when we get to Item six on the agenda.

Personally, one of nib's greatest achievements while I have been Chairman has been the establishment of nib foundation. It remains a great legacy of nib's demutualisation and reaffirms our commitment to support the communities we serve.

This year, the foundation announced \$4.8 million in National partnership funding for three outstanding programs:

- Hunter Institute of Mental Health's Partners In Depression program that aims to address the information and support needs of families and friends of people experiencing depression;

- Hunter Medical Research Institute to assist the Healthy Schools, Healthy Futures research project that aims to prevent the take-up of behaviours among teenagers that can lead to life-long health problems and anti-social actions; and
- Canteen's Offspring Support Program that provides mental health support to young people living with the diagnosis of a parent with cancer or who are dealing with the loss of a parent to the disease.

In addition, \$580,000 was committed to nine charity organisations through the foundation's community grants program.

I continue to take great pride in seeing the wonderful contribution the foundation makes towards improving the health and wellbeing of people across Australia.

Following today's meeting, Anne Long, the Executive Officer of nib foundation will be in the foyer and be more than happy to explain more about the foundation and some of the wonderful work that has been achieved by our funding partners.

nib's result for the financial year ended 2010 continues the pattern we have established since listing in 2007 of above system policyholder growth, improved margins and earnings.

Very significantly, we have attracted policyholders while still growing our profitability, putting "paid" to any suggestion that the goals of being good for policyholders and good for shareholders are in conflict.

nib today is more focussed and efficient than I believe ever before, and the discipline and accountability associated with being a large public company has made a major contribution.

I expect this same discipline and accountability will see us continue to grow our market share and earnings at or above our target return on equity of 15%.

And with a little bit of good fortune, perhaps the efforts we are making in respect of orderly industry consolidation will further enhance value in the company.

I will now hand over to Mark Fitzgibbon who will give his year in review and also provide some insights to the outlook for nib and the private health insurance industry for FY11.

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