

Demutualisation Implementation Deed

Dated 31 May 2007

NIB Holdings Limited (ACN 125 633 856) (“NIB Holdings”)
NIB Health Funds Limited (ACN 000 124 381) (“NIB Health Funds”)
Keith Lynch, Philip Gardner and Mark Fitzgibbon (“Initial Directors”)

Mallesons Stephen Jaques

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Demutualisation Implementation Deed

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Details

Parties	NIB Holdings Limited, NIB Health Funds Limited and the Initial Directors	
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NIB Holdings	Name	NIB Holdings Limited
	ACN	125 633 856
	Address	380-384 Hunter Street Newcastle NSW 2300
	Attention	Company Secretary

NIB Health Funds	Name	NIB Health Funds Limited
	ACN	000 124 381
	Address	380-384 Hunter Street Newcastle NSW 2300
	Attention	Company Secretary

Initial Directors	Name	Keith Lynch, Philip Gardner and Mark Fitzgibbon
	Address	C/- 380-384 Hunter Street Newcastle NSW 2300
	Attention	Keith Lynch, Philip Gardner and Mark Fitzgibbon

Recitals	A	The directors of NIB Health Funds have proposed the Eligible Policyholders' Scheme and the Company Members' Scheme.
	B	The directors of NIB Holdings consider the transaction contemplated to be in the best interest of NIB Holdings.
	C	NIB Holdings, NIB Health Funds and the Initial Directors agree by executing this deed to carry into effect the Eligible Policyholders' Scheme and the Company Members' Scheme.

D The Initial Directors comprise all of the directors of NIB Holdings at the date of this deed.

Governing law New South Wales

Date of agreement See Signing page

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General terms

1 Definitions and interpretation

1.1 Definitions

ASIC means the Australian Securities and Investments Commission.

ASX means Australian Securities Exchange Limited.

Board means the board of directors of NIB Health Funds from time to time.

Business Day means a weekday on which banks are open in Newcastle, Australia.

Capital Reduction means the selective capital reduction to be made pursuant to the Capital Reduction Resolution.

Capital Reduction Meeting means the extraordinary general meeting of NIB Health Funds to consider the Capital Reduction Resolution.

Capital Reduction Resolution means the resolution of NIB Health Funds to selectively reduce its capital as set out in schedule 7 of the Demutualisation Implementation Deed.

Company Member means a member of NIB Health Funds.

Company Members' General Meeting means the general meeting of NIB Health Funds to consider the resolution to convert to a company limited by shares and to adopt a new constitution.

Company Members' Scheme means the proposed scheme of arrangement between NIB Health Funds and the Company Members, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act.

Company Members' Scheme Meeting means the meeting of Company Members to consider, and if thought fit, approve the Company Members' Scheme.

Conditions Precedent mean the conditions precedent set out in clause 2.1.

Conversion means the change of the company type of NIB Health Funds pursuant to the resolution at the Company Member's General Meeting.

Conversion Date means the date NIB Health Funds changes type from a company limited by guarantee to a company limited by shares in accordance with section 164(5) of the Corporations Act.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia.

Demutualisation Date means 1 October 2007 or such later date as determined by the Board that is at least 14 days after the Capital Reduction Resolution has been passed.

Demutualisation Meetings means:

- (a) the Eligible Policyholders' Scheme Meeting;
- (b) the Company Members' Scheme Meeting;
- (c) the Company Members' General Meeting; and
- (d) the Capital Reduction Meeting.

Demutualisation Schemes means the Eligible Policyholders' Scheme and the Company Members' Scheme.

Directors means the directors of NIB Health Funds.

Eligible Policyholder means:

- (a) a person who was a Policyholder on 20 March 2007 and remains a Policyholder on the date of the Eligible Policyholders' Scheme Meeting; or
- (b) a person who became a Policyholder in respect of an existing Policy, in substitution for the previous Policyholder, between 20 March 2007 and the date of the Eligible Policyholders' Scheme Meeting, if:
 - (i) the previous Policyholder was a Policyholder on 20 March 2007; and
 - (ii) the new Policyholder remains a Policyholder on the date of the Eligible Policyholders' Scheme Meeting.

Eligible Policyholders' Scheme means the proposed scheme of arrangement between NIB Health Funds and the Eligible Policyholders, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act.

Eligible Policyholders' Scheme Meeting means the meeting of Eligible Policyholders to consider, and if thought fit, approve the Eligible Policyholders' Scheme.

End Date means 1 December 2007 or such later date as determined by the Board prior to 1 December 2007.

Explanatory Statement means the booklet of materials to be sent to Eligible Policyholders and Company Members in relation to the Demutualisation Schemes which accompanies the notices convening the Eligible Policyholders' Scheme Meeting, the Company Members' Scheme Meeting and the Company Members' General Meeting.

Final NIB Holdings Constitution means the proposed constitution of NIB Holdings applicable after Listing, in the form, or substantially in the form, set out in schedule 5.

First Court Hearing means the hearing by the Court at which NIB Health Funds will seek orders under section 411(1) of the Corporations Act convening the Scheme Meetings.

Government Agency means any government or governmental, semi-governmental, administrative or judicial entity or authority, it also includes any self-regulatory organisation established under statute.

Initial NIB Holdings Constitution means the proposed constitution of NIB Holdings applicable during the period between the Demutualisation Date and Listing, in the form, or substantially in the form, set out in schedule 4.

New Interim NIB Health Constitution means the proposed new constitution of NIB Health Funds from the Conversion Date to the Demutualisation Date, in the form, or substantially in the form, set out in schedule 3.

NIB Holdings Deed Poll means the deed poll dated 31 May 2007 entered into by NIB Holdings in favour of NIB Health Funds, the Company Members and the Eligible Policyholders with respect to the Demutualisation Schemes.

PHIAC means the Private Health Insurance Administration Council.

Private Health Insurance Act means the *Private Health Insurance Act 2007* (Cth).

Policy means a policy of health insurance issued by NIB Health Funds.

Policyholder means a person who is insured under a Policy and is recorded by NIB as the person in whose name the Policy is held.

Regulatory Approvals means such consents, approvals or other acts by a Government Agency necessary or desirable to implement the Eligible Policyholders' Scheme.

Scheme Meetings means the Eligible Policyholders' Scheme Meeting and the Company Members' Scheme Meeting.

Second Court Date means the date on which NIB Health Funds will approach the Court following the Demutualisation Meetings to seek approval of the Demutualisation Schemes.

1.2 Interpretation

Headings are for convenience only and do not affect interpretation in this deed, unless the context requires otherwise.

- (a) where relevant, words and phrases have the same meaning as in the Corporations Act;
- (b) the singular includes the plural and conversely;

- (c) a gender includes all genders;
- (d) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (e) a reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them;
- (f) a reference to a clause/recital/annexure is a reference to a clause or recital of, or an annexure to, the deed;
- (g) a reference to an agreement or document (including a reference to the deed) is to the agreement or document as amended, varied, supplemented, novated or replaced, except to the extent prohibited by the deed or that other agreement or document;
- (h) a reference to a party to the deed or another agreement or document includes the party's successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives);
- (i) a reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it; and
- (j) the meaning of general words is not limited by specific examples introduced by including, or for example, or similar expressions.

2 Conditions Precedent

2.1 Conditions Precedent

The Eligible Policyholders' Scheme is conditional upon the satisfaction of the following Conditions Precedent:

- (a) the Company Members approving all resolutions at the Company Members' General Meeting;
- (b) the Court approving the Eligible Policyholders' Scheme under section 411(4)(b) of the Corporations Act;
- (c) the Court approving the Company Members' Scheme under section 411(4)(b) of the Corporations Act;
- (d) approval by PHIAC of the conversion of NIB Health Funds to a "for profit" company pursuant to section 126-42 of the Private Health Insurance Act;
- (e) all necessary Regulatory Approvals being obtained;
- (f) the lodgement with ASIC of an office copy of the Court order approving the Company Members' Scheme under section 411(10) of the Corporations Act; and

- (g) the lodgement with ASIC of an office copy of the Court order approving the Eligible Policyholders' Scheme under section 411(10) of the Corporations Act.

2.2 Regulatory Approval

For the purposes of clause 2.1(d) and clause 2.1(e) ("Conditions Precedent"), a Regulatory Approval will be regarded as having been obtained even though a condition has been attached to that Regulatory Approval, if the Directors reasonably consider the condition acceptable and determine to treat the approval as having been obtained.

2.3 End Date

The Eligible Policyholders' Scheme and the Company Members' Scheme will lapse and be of no further force or effect if the conditions precedent set out in clause 2.1 ("Conditions Precedent") have not been fulfilled on or before the End Date.

2.4 Satisfaction of Conditions Precedent

The Parties must use their best endeavours to ensure that each of the Conditions Precedent is satisfied.

3 Implementation

3.1 General

Subject to the satisfaction of the Conditions Precedent and this deed, and the Demutualisation Schemes not otherwise being terminated:

- (a) the Parties must implement the Eligible Policyholders' Scheme; and
- (b) the Parties must implement the Company Members' Scheme.

3.2 Required actions to implement the Demutualisation Schemes

Without limiting clause 3.1 ("General") or 3.6 ("Agreement to implement"), the relevant Parties must perform the following actions:

- (a) NIB Health Funds must prepare, lodge and use its reasonable endeavours to have registered with ASIC the Explanatory Statement under section 411(3) of the Corporations Act, for the purposes of obtaining Court approval to convene the Scheme Meetings, at least 14 days prior to the First Court Hearing (or such lesser time as ASIC may permit);
- (b) NIB Health Funds must apply to the Court for orders under section 411(1) of the Corporations Act convening the Scheme Meetings;
- (c) NIB Holdings must execute the NIB Holdings Deed Poll before the dispatch of the Explanatory Statement to Company Members and Eligible Policyholders;

- (d) NIB Health Funds must dispatch the Explanatory Statement to Company Members and Eligible Policyholders;
- (e) subject to the Court making the necessary orders at the First Court Hearing, NIB Health Funds must:
 - (i) convene the Scheme Meetings; and
 - (ii) hold the Scheme Meetings;
- (f) NIB Health Funds must apply to ASIC for a statement under section 411(17)(b) of the Corporations Act that ASIC has no objection to the Demutualisation Schemes;
- (g) if the resolutions required to implement the Demutualisation Schemes are passed at the Company Members' General Meeting and the Scheme Meetings (or at any adjournment of those Meetings), NIB Health Funds must apply to the Court for the orders approving the Demutualisation Schemes; and
- (h) subject to the Court approving the Demutualisation Schemes under section 411(4)(b) of the Corporations Act, NIB Health Funds must lodge with ASIC an office copy of each of the Court orders as soon as practicable after the making of that Court order.

3.3 Required actions to implement the Conversion

Without limiting clause 3.1 ("General") or clause 3.6 ("Agreement to implement"), the relevant Parties must perform the following actions:

- (a) NIB Health Funds must convene and hold the Company Members' General Meeting on the same day as the Scheme Meetings;
- (b) as soon as practicable after the resolutions to be put to the Company Members' General Meeting are passed, and only if they are passed NIB Health Funds must:
 - (i) lodge an application under section 163(1) of the Corporations Act to change its company type; and
 - (ii) lodge a copy of the resolution to adopt the New Interim NIB Health Constitution with ASIC pursuant to section 136(5) of the Corporations Act;
- (c) NIB Health Funds, as attorney and agent of the Eligible Policyholders, must consent (or procure that its relevant director or secretary consent) in writing for the purpose of section 163(3) of the Corporations Act as provided for in clause 3.3(b) of the Eligible Policyholders' Scheme;
- (d) as part of the application under section 163(1) of the Corporations Act, NIB Health Funds and NIB Holdings must make available all information required under sections 163(2)(b) and 163(3) of the Corporations Act;

- (e) NIB Health Funds and NIB Holdings must facilitate the publication by ASIC of notice of the change of company type in the Gazette under section 164(3) of the Corporations Act; and
- (f) NIB Health Funds and NIB Holdings must facilitate the alteration by ASIC to the details of NIB Health Funds' registration under section 164(4) of the Corporations Act.

3.4 Required actions to implement the Capital Reduction

Without limiting clause 3.1 ("General") or clause 3.6 ("Agreement to implement"), the relevant Parties must perform the following actions:

- (a) NIB Health Funds must or must procure that its relevant director or secretary must:
 - (i) nominate for the purposes of section 249J(3)(b) of the Corporations Act the address of NIB Health Funds as the alternative address of each Eligible Policyholder for receipt of notice of the Capital Reduction Meeting;
 - (ii) for all purposes including for the purpose of section 249H(2) of the Corporations Act, consent to short notice of the Capital Reduction Meeting on behalf of each Eligible Policyholder to allow that meeting to occur on the day following the Conversion Date;
 - (iii) empower the NIB Health Funds Secretary to receive each Eligible Policyholder's notice of the Capital Reduction Meeting with no obligation to pass that notice on to the Eligible Policyholder; and
 - (iv) appoint the NIB Health Funds Secretary as the proxy of each Eligible Policyholder to attend and vote on behalf of each Eligible Policyholder in favour of the Capital Reduction Resolutions at the Capital Reduction Meeting in respect of all the NIB Health Funds' Shares held by that Eligible Policyholder,

provided that the Eligible Policyholder has not revoked the appointment of NIB Health Funds or its directors or secretaries pursuant to clause 4.3 of the Eligible Policyholders' Scheme;

- (b) NIB Health Funds must convene and hold the Capital Reduction Meeting on the day following the Conversion Date;
- (c) as soon as practicable after the Capital Reduction Resolution is passed, NIB Health Funds must lodge a copy of the Capital Reduction Resolution with ASIC under section 256C(3) of the Corporations Act;
- (d) no less than 14 days after the lodgement of the Capital Reduction Resolution with ASIC, NIB Health Funds must do all things necessary to give effect to the Capital Reduction Resolution; and

- (e) as soon as practicable after the Capital Reduction Resolution takes effect, NIB Health Funds must lodge a notice with ASIC to advise of the cancellation of NIB Health Funds Shares in accordance with the Capital Reduction Resolution under section 254Y of the Corporations Act.

3.5 Conduct of Court proceedings

- (a) Each Party agrees to give all undertakings to the Court in all Court proceedings which it is reasonably required to give (on an individual basis) to obtain Court approval and confirmation of the Demutualisation Schemes as contemplated by this deed.
- (b) Nothing in this deed gives either Party any right or power to make undertakings to the Court for or on behalf of another Party without that Party's consent.

3.6 Agreement to implement

Each Party must do all things necessary to implement the Demutualisation Schemes as soon as reasonably practicable, upon and subject to the terms of this deed.

4 Representations, warranties, indemnities and liability

4.1 Representations and warranties by all Parties

Each Party represents and warrants to each other Party that:

- (a) it has the power to enter into and perform its obligations under this deed and (subject to obtaining the approvals contemplated by this deed) has obtained all necessary approvals and consents to enable it to do so;
- (b) this deed is valid and binding upon it; and
- (c) all information provided by it to any other Party which is included in a form and context approved by it in writing in the Explanatory Statement will be true and correct in all material respects.

4.2 Indemnity by all Parties

Each Party indemnifies each other Party against all liability or loss arising directly or indirectly from, and any costs, charges and expenses incurred in connection with, any inaccuracy in or breach of representations and warranties made by it in clause 4.1 ("Representations and Warranties by all Parties").

5 Regulatory authorities

- (a) Each party will respectively use their best endeavours to obtain all approvals, consents, modifications, waivers or decisions from regulatory authorities (including ASIC and ASX) as may be

necessary or desirable for any step required of each Party under this deed including obtaining all approvals, consents, modifications, waivers or decisions necessary to give effect to the Demutualisation Schemes, the Conversion and the Capital Reduction.

- (b) Each party must take all reasonable steps applicable to it to meet any requirements of the Corporations Act, or any direction by ASIC which relate directly or indirectly to the Demutualisation Schemes, the Conversion, or the Capital Reduction.

6 Notices

6.1 Form

Unless expressly stated otherwise in this deed and except for a consent referred to in clause 3.5(b) (“Conduct of Court proceedings”), all notices, certificates, consents, approvals, waivers and other communications in connection with this deed must be in writing, signed by the person making the communication or by a person duly authorised by that person and marked for the attention of the person notified in the Details, or if the recipient has notified otherwise, then marked for attention in the way last notified.

6.2 Delivery

They must be:

- (a) left at the address set out or referred to in the Details;
- (b) sent by prepaid ordinary post (airmail if overseas) to the address set out or referred to in the Details;
- (c) sent by fax to the fax number set out or referred to in the Details.

6.3 When effective

They take effect from the time they are received unless a later time is specified.

6.4 Receipt - post

If sent by post, they are taken to be received seven days after posting unless the contrary is proved.

6.5 Receipt - fax

If sent by fax, they are taken to be received at the time shown in the transmission report as the time that the whole fax was sent.

6.6 Receipt - general

Despite clauses 6.4 (“Receipt - post”) and 6.5 (“Receipt - fax”), if they are received after 5.00pm in the place of receipt or on a non-Business Day, they are to be taken to be received at 9.00am on the next Business Day.

7 General

7.1 Waiver

A failure to exercise a right or remedy arising under this deed fully or at a given time does not result in a waiver of that right or remedy. This clause 7.1 (“Waiver”) may not be waived except in writing.

7.2 Variation

A provision of this deed may not be varied unless the variation is agreed to in writing and signed by the Parties.

7.3 Cumulative rights

The rights and remedies of the Parties under this deed are in addition to other rights and remedies given by law independently of this deed.

7.4 Assignment

The rights and obligations of the Parties under this deed are personal and must not be assigned or otherwise dealt with.

7.5 Further steps

Each party must do all things and execute all further documents necessary to give effect to this deed.

7.6 Counterparts

This deed may be executed in any number of counterparts. All counterparts, taken together, constitute one instrument.

7.7 Governing law and jurisdiction

This deed is governed by the laws of New South Wales, Australia. The Parties irrevocably submit to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

EXECUTED as a deed

Demutualisation Implementation Deed

Schedule 1 - Eligible Policyholders' Scheme

Demutualisation Implementation Deed

Schedule 2 - Company Members' Scheme

Schedule 3 - New Interim NIB Health Funds Limited Constitution

Schedule 4 - Initial NIB Holdings Limited Constitution

Schedule 5 - Final NIB Holdings Limited Constitution

Schedule 6 - Capital Reduction Resolution

The Capital Reduction Resolution is:

“That the issued ordinary share capital of NIB Health Funds Limited be reduced by cancelling all of the ordinary shares held by shareholders, other than the 5 ordinary shares registered in the name of NIB Holdings Limited, in consideration for the issue of an identical number of ordinary shares in the capital of NIB Holdings Limited on a one for one basis, on the terms and subject to the conditions set out in the Eligible Policyholders’ Scheme with effect on the Demutualisation Date.”

Demutualisation Implementation Deed

Signing page

DATED: 31 May 2007

EXECUTED by **NIB HEALTH FUNDS LIMITED** in accordance with section 127(1) of the Corporations Act 2001 (Cwlth) by authority of its directors:

.....
Signature of director

.....
Name of director (block letters)

.....
Signature of director/company secretary*

*delete whichever is not applicable

.....
Name of director/company secretary* (block letters)

*delete whichever is not applicable

EXECUTED by **NIB HOLDINGS LIMITED** in accordance with section 127(1) of the Corporations Act 2001 (Cwlth) by authority of its directors:

.....
Signature of director

.....
Name of director (block letters)

.....
Signature of director/company secretary*

*delete whichever is not applicable

.....
Name of director/company secretary* (block letters)

*delete whichever is not applicable

SIGNED, SEALED AND DELIVERED by **KEITH LYNCH** in the presence of:

.....
Signature of witness

.....
Name of witness (block letters)

.....
Signature of KEITH LYNCH

**SIGNED, SEALED AND
DELIVERED by PHILIP
GARDNER** in the presence of:

.....
Signature of witness

.....
Name of witness (block letters)

.....
Signature of PHILIP GARDNER

**SIGNED, SEALED AND
DELIVERED by MARK
FITZGIBBON** in the presence of:

.....
Signature of witness

.....
Name of witness (block letters)

.....
Signature of MARK FITZGIBBON