

Your questions answered

Who can vote?

Generally, Policyholders who held an NIB policy on 20 March 2007 (the day prior to the announcement of the Proposal) and remain a Policyholder on the date of the Eligible Policyholders' scheme meeting, are entitled to vote in person or by proxy except for those under the age of 18 as at 19 July, 2007.

Why should I vote?

You are encouraged to vote because it will decide the future of NIB. Providing you meet the eligibility criteria set out in the Explanatory Statement, you will be entitled to shares regardless of whether or not you vote. If the Proposal is not implemented you will not receive any shares.

How do I vote?

You can vote by:

- ✓ Attending a meeting at the Newcastle Entertainment Centre on 19 July 2007
- ✓ Posting completed proxy forms in the reply paid envelope included in the Explanatory Statement pack by 10am on 17 July 2007
- ✓ Online at nib.com.au

How many shares will I be eligible for if the Proposal is approved?

You can find out how many shares it is anticipated you will be allocated by referring to the Share Allocation Form contained in the Explanatory Statement pack that has been mailed to all Eligible Policyholders.

What do I need to do in order to receive shares?

If the Proposal is implemented you must verify or have already verified your details as an Eligible Policyholder if you are to receive shares. How you do this is outlined in the Explanatory Statement.

When will the shares be issued?

The shares will be issued on the implementation date if the Proposal is approved. The implementation date is expected to be 1 October 2007.

HAVE A SAY IN THE FUTURE OF NIB

What you should do now

1. Read the Explanatory Statement (including Notice of Meeting) carefully
2. If you are unable to attend the meetings, please complete the Proxy Form(s) and return by 10.00am on 17 July 2007 in the reply paid envelope provided with the Explanatory Statement pack or vote online at nib.com.au
3. Complete the Verification of Details Form and return in the reply paid envelope provided with the Explanatory Statement pack or drop it into an NIB retail centre
4. If you are able to attend the meetings, please exercise your right to vote at the meetings to be held on 19 July 2007.

If you have any further questions call the NIB Information Line on 131 NIB (131 642).

Your Vote
is Important

NIB Health Funds Limited ABN 83 000 124 381. A not for profit registered health benefits organisation.

nib
Health Funds



IMPORTANT UPDATE CONCERNING
THE FUTURE OF NIB

Secure a healthy future

Barry
NIB Member since 1978

In March 2007, NIB announced its intention to become the first private health insurer in Australia to demutualise and list on the Australian Securities Exchange (ASX).

We have a vision for NIB to grow and become a national player in the health insurance sector. At the moment, we feel our mutual structure hinders us in achieving this goal.

By listing on the ASX we will have a corporate and capital structure which will give us the ability to raise funds and build the business.

But we can't do any of this without our Eligible Policyholders' approval and that means voting on the proposed demutualisation.

You can do this by:

- ✓ Attending a meeting at the Newcastle Entertainment Centre on 19 July 2007
- ✓ Posting completed proxy forms in the reply paid envelope included in the Explanatory Statement pack by 10am on 17 July 2007
- ✓ Online at nib.com.au

We strongly encourage Eligible Policyholders to vote as it will decide the future of NIB. **The Board of NIB unanimously recommends you vote "For" the Proposal.**

A document called an "Explanatory Statement" has been sent to all Eligible Policyholders and this gives all the detail on what we're proposing, what Eligible Policyholders need to consider before deciding which way they should vote and what they then need to do.

It is important you read the Explanatory Statement carefully before the vote takes place. The Proposal is also subject to approval by Company Members, the Court and the Private Health Insurance Administration Council (PHIAC).

What will Eligible Policyholders receive?

If the demutualisation is successful Eligible Policyholders will receive shares.

The number of shares you will receive is outlined in the Share Allocation Form that accompanies the Explanatory Statement.

The value of these shares will not be determined until listing on the ASX occurs later this year.

Once the company lists on the ASX you will be able to sell your shares or buy more if you wish.

If you choose to keep your shares in NIB you will benefit from any growth of NIB as well as any dividends or distributions that may be paid.

What are the advantages and disadvantages of the Proposal?

Advantages

The Board of NIB has unanimously recommended the Proposal to demutualise and list on the ASX, because it believes it is in the best interests of both Policyholders and Company Members:

- ✓ Eligible Policyholders can share in the value that is currently locked within NIB through the receipt of Shares
- ✓ Demutualisation and the intended Listing should enhance NIB's strategic and capital flexibility and improve the prospects of NIB participating in mergers, takeovers and other corporate transactions, which may deliver significant benefits to Policyholders, Shareholders and NIB
- ✓ More value will be delivered to Eligible Policyholders under the Proposal and NIB will be in a stronger capital position than under any of the alternatives considered, including returning NIB's surplus capital in the form of reduced premiums and/or increased benefits.

The Board believes that the advantages of the Proposal and intended Listing significantly outweigh any disadvantages.

Disadvantages

- ✓ NIB will no longer be an income tax exempt entity
- ✓ There are costs associated with the Proposal and becoming a listed public company
- ✓ Shareholders may have competing interests with those of Policyholders, particularly if the number of Shareholders who are not Policyholders increases over time.