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20 August 2018

Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

2018 TAX TRANSPARENCY REPORT

nib holdings limited (nib) is pleased to present its first Tax Transparency Report for the financial year end 30 June 2018.

The Tax Transparency Report follows the guidelines set out in the Board of Taxation's Tax Transparency Code. A copy of the report is attached and can also be obtained from the shareholders page of the nib website nib.com.au/shareholders.

Yours sincerely,



Roslyn Toms
Company Secretary

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nib

2018 TAX TRANSPARENCY REPORT

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MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I am pleased to present nib's first tax transparency report, for the financial year ended 30 June 2018.

Our purpose is "A healthier you". We are a trusted partner in helping our members make more informed healthcare decisions, transact with healthcare systems and generally live healthier lives. Health insurance albeit vitally important, is just one component in our value proposition of financial protection, connectivity and empowerment.

We believe that the financial contribution we make to the community in paying claims, providing employment, buying products and services and paying taxes is aligned to our purpose as we contribute to the strength and resilience of the communities in which we operate.

We are supportive of transparency in the public reporting of tax information and demonstrate our commitment to ensuring we pay our fair share of tax. We are proud to present nib's tax contribution report which follows the guidelines set out in the Board of Taxation's Tax Transparency Code.

Michelle McPherson

Deputy Chief Executive Officer and Chief Financial Officer



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$192.3m **FY18 Group profit before income tax**	**$138.5m** **FY18 tax contribution (income and other taxes)**
28.7% **FY18 effective tax rate Australia**	**30.6%** **FY18 effective tax rate Group**

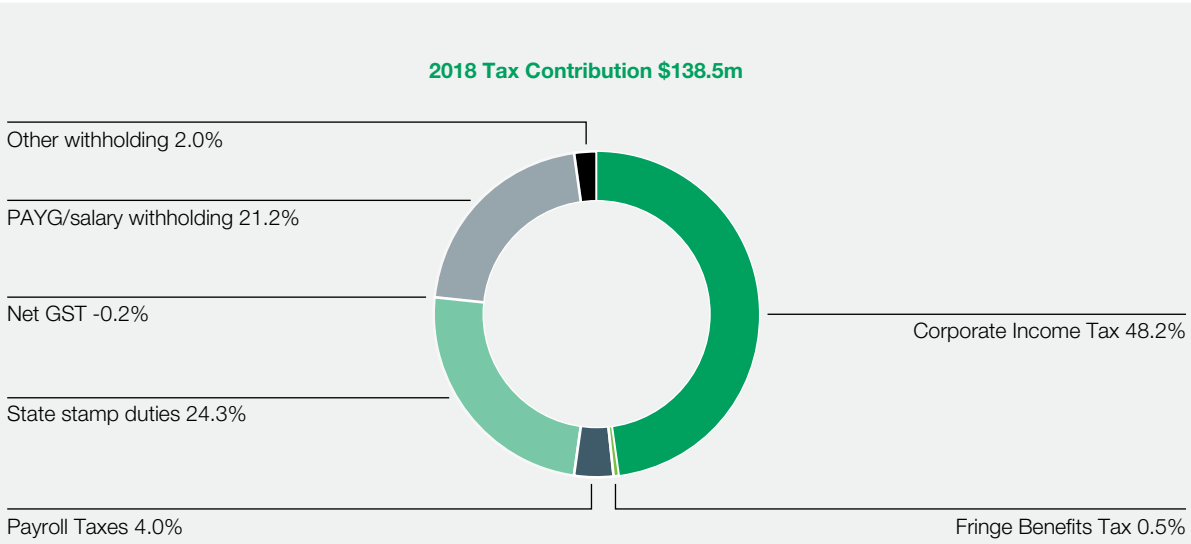
TAX POLICY, STRATEGY AND GOVERNANCE

nib has a strong commitment to complying with its taxation obligations in Australia and in the overseas countries in which it operates in. nib recognises tax governance and tax risk management plays a key role in good management and corporate governance. nib has a robust tax governance policy and framework and updates its processes to align with the current Australian Taxation Office (ATO)'s Tax Risk Management and Governance Guide, which the ATO continually reviews and updates. nib regularly reports its taxation affairs to the Audit Committee and Risk & Reputation Committee.

nib adopts a low appetite for tax compliance risk and for operational risk on tax matters. There is no tolerance for breaches that place our good standing with tax authorities in the countries in which we operate at risk. nib engages with tax authorities in a professional, cooperative and transparent manner. In the most recent ATO review, the ATO obtained assurance on the tax performance of nib.

TAX CONTRIBUTION

The Group's Australian and New Zealand tax payments during the 2018 year are illustrated below:



Note: Net GST is the GST collected on sales by the Group less GST paid on business purchases by the Group. The reason the net GST amount is a refund is that the main sales by the Group is Australian Resident Private Health Insurance which is a GST-free supply.

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INTERNATIONAL RELATED PARTY DEALINGS

nib Group's key operations are located in Australia and New Zealand. Each overseas entity of the nib Group are subject to the local tax regimes. The key categories of dealings between the nib Group Australian operations and overseas related parties relate to:

- Provision of funding to the New Zealand subsidiaries for working capital and other cash requirements.
- Provision of management and administration services to the New Zealand subsidiaries.

International related party dealings are conducted in accordance with Australian and overseas jurisdiction laws using the arm's length principles.

RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX PAYABLE

The effective tax rate is calculated as the company income tax expense divided by the accounting profit before tax for the year. This is summarised below:

	2018 ($M)		2017 ($M)	
	AUSTRALIA	GROUP	AUSTRALIA	GROUP
Company income tax expense	52.6	58.8	48.9	54.2
Accounting profit before tax	183.4	192.3	156.6	174.4
Effective Tax Rate (ETR)	**28.7%**	**30.6%**	**31.2%**	**31.1%**

For an income year, the difference between income tax expense calculated and total income tax payable during the same period is due to a number of factors, such as the timing of company tax instalment payments as well as permanent and/or timing differences (where income and expense timing recognition is different for accounting and tax purposes).

A key factor that would drive the Australian ETR below the statutory tax rate of 30% is the receipt of dividend income from the New Zealand subsidiary as such income is tax exempt under the Australian tax law.

Refer to the Appendix for the reconciliation of accounting profit to income tax expense and from income tax expense to income tax payable.

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APPENDIX

Reconciliation of accounting profit to income tax expense and income tax payable

	2018 ($M)		2017 ($M)	
	AUSTRALIA	GROUP	AUSTRALIA	GROUP
Reconciliation of accounting profit to income tax expense:				
Profit from continuing operations before income tax expense	183.4	192.3	156.6	174.4
Tax at the Australian tax rate of 30%	55.0	57.7	47.0	52.3
Non-temporary differences:				
Sundry items	(2.2)	1.0	1.8	1.9
Net assessable trust distributions	0.2	0.2	0.2	0.2
Imputation credits and foreign tax credits	(0.8)	(0.8)	(0.6)	(0.6)
Adjustment for current tax of prior periods	0.1	0.1	0.2	0.2
Current year – research and development tax credit	0.0	0.0	(0.3)	(0.3)
Adjustment for current tax of prior periods – research and development tax credit	0.2	0.2	(0.2)	(0.2)
Unrecognised tax losses and deferred tax assets	0.1	0.2	0.8	0.8
Differences in foreign tax rates	0.0	0.2	0.0	(0.1)
Income Tax Expense	52.6	58.8	48.9	54.2
Effective Tax Rate (ETR)	28.7%	30.6%	31.2%	31.1%
Timing differences:				
Deferred tax assets				
Deferred profit on sale and leaseback of head office building	(0.2)	(0.2)	(0.1)	(0.1)
Employee benefits	0.5	0.5	(0.1)	(0.1)
Premium payback liabilities	0.0	(1.1)	0.0	(1.2)
Unrealised losses on investments	(1.9)	(1.9)	2.2	2.2
Other	(1.1)	(1.2)	0.3	(0.2)
Deferred tax liabilities				
Brands and trademarks and customer contracts	0.9	1.9	(0.7)	0.3
Deferred acquisitions costs	(2.3)	(3.1)	(3.2)	(4.7)
Depreciation and amortisation	0.5	0.4	0.5	0.5
Unrealised foreign exchange gains	(0.1)	(0.1)	0.2	0.2
Other	0.6	0.1	(0.3)	(0.4)
Current year Income Tax Payable	49.5	54.1	47.7	50.7
Adjustments to provision in respect of prior years	(0.3)	(0.3)	(0.9)	(0.6)
Refund not yet received	(0.1)	(0.1)	(0.3)	(0.3)
Tax instalments/withholding tax paid	(44.6)	(48.0)	(29.4)	(31.2)
Income Tax Payable	4.5	5.7	17.1	18.6

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