



medibank

2022 half year results

Investor presentation

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Highlights

David Koczkar
Chief Executive Officer

1H22 highlights

Our focus on our customers and our strategy to grow as a health company is working

Experience



46.0 (+8.9) Medibank
45.2 (+2.2) ahm
high levels of **customer advocacy**
{6 months}¹

c. 1.33m (+12.5%)
customers registered for
My Medibank app,
with c. **31%** growth in claims
made through the app

c. 170k
proactive **health cover check ins**

Value



c. \$463m
**total COVID-19 financial
support package** to date

Lowest premium increase
 in **21 years**

c. 592k 
customers using
Members' Choice Advantage
c. \$17m out-of-pocket savings

Health



c. 340k (+91%)
customers engaged
with **Live Better**²

24% 
of Medibank customers admitted
to hospital were **supported by**
Health Concierge program

Worked with **5** state and
territory governments to deliver
COVID-19 support and care
at home programs³

¹ Average service NPS compared to 30 June 2021

² Includes total customers who have engaged with our preventative health offering, including Live Better Rewards, Live Better Activities, preventative health programs and any new offerings developed

³ Medibank provided contact tracing services for 4 states and territories (NSW, VIC, SA and NT) and the COVID-19 Community Helpline in NSW.

Medibank also provided COVID-19 services via the Calvary-Medibank joint venture in QLD, NSW, VIC and WA (from January 2022)

1H22 financial results summary

Our financial performance reflects customer growth momentum and ongoing discipline

Customer outcomes



+28.1k (+1.5%)

reported net resident
policyholder growth
(6 months)

+4.5k

reported net resident
policyholder growth
in January 2022

\$2.9b (+3.6%)

customer claims¹

Key financial metrics



7.2% (-30bps)

Health Insurance
management expense ratio

\$280.9m (+10.3%)

Health Insurance
operating profit

\$25.7m (+36.7%)

Medibank Health
segment profit

\$30.9m

(down from \$71.8m in 1H21)
net investment income

\$220.2m (-2.7%)

NPAT

6.1cps (+5.2%)

interim ordinary dividend
fully franked

Supporting our customers, people and community through COVID



Customers

- c. \$105m returned to customers during 1H22
- A further c. \$163m to be returned to customers via a 6-month premium increase deferral commencing in April 2022



People

- Sustained employee engagement through dedicated health and wellbeing support
- Delivered 24/7 employee health support service, including mental health and COVID lines
- Introduced employee COVID leave, vaccination support and additional Good Health Days



Community

- Worked with state governments and the broader health system on Australia's COVID response
- c. 58k customers rewarded for COVID vaccinations through Live Better to date



Financial impact

- A modest \$2.9m negative impact on PHI financial performance in 1H22 with the cost of customer give back largely offset by permanent claims savings (1H21: \$5.1m net benefit)
- A total of \$18.9m negative impact on PHI performance since FY20¹

¹ Net negative impact due to COVID-19 of \$13m in FY20, \$3m in FY21 and \$2.9m in 1H22

Australia's health needs are evolving



Healthcare is the top and increasing **concern** for most Australians¹



Missed and delayed health screenings and diagnostic procedures



Increasing demand for **mental health** support, especially in younger Australians with **1 in 5** experiencing psychological distress in 2021²

Continued acceleration of consumer health trends



1 in 3 consumers willing to spend more on **exercise** and **health and wellbeing** products³



Rapid adoption of **telehealth** and **virtual** care



4 in 5 people considering receiving **care at home** instead of in hospital since the onset of COVID⁴

Private health playing a greater role



Significant **improvement** in customer **attitudes towards PHI** – seen as more affordable and better value¹



Industry **growth driven by younger people** – c .40% of growth in hospital membership came from under 50s⁵



Increase in **public hospital wait times** and constrained government budget

1 IPSOS – Healthcare & insurance Australia 2021. December 2021

2 Younger Australians aged between 16 and 34. Australian Bureau of Statistics, National Study of Mental Health and Wellbeing. Updated December 2021

3 Boston Consulting Group, Australian Consumer Sentiment Snapshot #5. November 2021

4 Data from Medibank survey of 1,353 Australians (April 2020 – January 2021) conducted by Pureprofile

5 Growth in the 12 months to September 2021. APRA quarterly private health insurance statistics

Our strategy – growing as a health company

Deliver leading experiences



Create personalised and connected customer experiences

Empower our people

Collaborate with our communities to make a difference

Differentiate our insurance business



Deliver more value, choice and control for customers

Offer products and services to meet all customer needs

Leverage our dual brands and provider networks

Expand in health



Focus growth on prevention and integrated care models

Scale and connect our health businesses

Bring benefits back to our core

Better Health for Better Lives

1H22 achievements

- Enhanced customer digital health experiences:
 - Launched online doctor service for overseas students – OSHC Online Doctor
 - Integration of Live Better experience – c. 40% of users engaging through My Medibank app
 - c. 42% of Medibank customer service interactions were through self-serve channels in December 2021 (June 2021: c. 38%)
- Cross skilled our workforce to enable deeper, more meaningful health conversations with our customers
- Further progress on our sustainability strategy¹

2H22 focus

- Further digitisation of health offerings and personalisation with a focus on mental health and wellbeing
- Further advance data and analytics to better support our customers' health needs
- Launch of Medibank's 2030 vision, including a refresh of our employee value proposition to continue to attract and retain talent
- Embed our market leading future of work to empower and engage our people
- Continue improvement in our sustainability performance and ratings in key global indices

Milestones

Customer advocacy: Service NPS (average)

| | 1H21 | 1H22 | FY22 benchmark ² |
|----------|------|------|-----------------------------|
| Medibank | 37.9 | 46.0 | >35 |
| ahm | 46.8 | 45.2 | >35 |

Employee advocacy: eNPS

| | 1H21 | 1H22 | FY22 benchmark ³ |
|-----------------------|------|------|-----------------------------|
| Place to work | +33 | +28 | ≥+24 |
| Products and services | +29 | +29 | ≥+19 |



¹ See slide 29 - Summary of sustainability achievements and progress

² Benchmark reflects sustaining service levels while continuing to digitise the service delivery model

³ FY22 benchmarks are based on the global average adjusted for Australian healthcare and financial insurance industry context

1H22 achievements

- Continued momentum in policyholder growth for both brands, maintaining our disciplined approach:
 - The new to industry segment and younger cohorts being the main contributors of growth
 - Continued growth in corporate segment due to our broader health and wellbeing offering
 - +4.5k net resident policyholder growth in January 2022
- New ancillary products further differentiate our brands and offer customers more choice (Medibank My Choice extras and ahm choosable extras)
- Overseas PHI well-positioned to achieve accelerated growth
- Stronger customer relationships supporting 6-month 40bps improvement in retention:
 - Increased loyalty among customers with multiple products
- Further expanded our short-stay, no-gap network:
 - Joint replacement program is now accessible to c. 730k customers (+29% in 6 months) across Australia
 - Program has expanded to endoscopy and general surgery

2H22 focus

- Our differentiated customer offerings will support acquisition and retention, specifically:
 - Further leverage our dual brand strategy to offer more choice and value across the full customer lifecycle
 - Accelerate growth in corporate, overseas and regional markets
 - Deepen customer relationships through our health offerings, diversified products and Live Better program
 - Continue to proactively engage with customers by expanding retention programs
 - Further enhance our leading partner network to drive more value

Milestones

FY22 policyholder growth target updated

Net policyholder growth

| 1H21 ¹ | 1H22 | FY22 target (updated) ² |
|-------------------|--------------|--|
| +2.2% /+39.8k | +1.5%/+28.1k | 3.1-3.3%, including continued growth in the Medibank brand |

Market share³

| FY21 | Q1FY22 | FY24 aspiration |
|--------|--------|---------------------|
| 27.31% | 27.34% | up 25-75bps on FY21 |

Health Insurance productivity delivered

| 1H22 | FY22 – FY24 target |
|----------|-------------------------------|
| On track | \$40m including \$15m in FY22 |

¹ Adjusted for suspensions and reactivations occurring as the result of COVID-19

² Assumes slowing industry participation growth in FY22 relative to FY21

³ APRA quarterly private health insurance statistics

1H22 achievements

- c. 64k actions rewarded for participation in Live Better health campaigns – COVID vaccination, blood pressure and skin checks
- Launched Better Minds app and online hub, with over 60k downloads and visits to date
- Doubled number of preventative program enrolments
- Virtual and primary care:
 - Myhealth added 8 clinics to reach 103
 - Calvary-Medibank JV launched new COVID services leveraging our virtual capabilities – 130k+ people supported in NSW, VIC, QLD and WA to date
- Short-stay and community care:
 - Short-stay program expanded to other highly utilised modalities, with endoscopy and general surgery underway
 - My Home Hospital expanded to new clinical services and broader SA non-metro areas
 - Homecare volumes down in line with admission volumes

2H22 focus

- Further personalisation of Live Better to support customers health and wellbeing
- Expand and digitise preventative programs including connection with Myhealth capabilities
- Invest to expand our virtual health offering, including in primary and allied health
- Support continued expansion of Myhealth clinics
- Mature and expand the virtual care centre platform (e.g. My Home Hospital) and explore growth in other markets
- Strong investment pipeline exists to expand short-stay through additional sites and modalities
- Medibank Health Solutions rebranded to Amplar Health:
 - Reposition the business for growth by prioritising services directly to Medibank
 - Leverage group capabilities to deliver to other private and public patients
 - Patient-centric approach while enhancing the health system

Milestones

Medibank Health¹

| FY18 | 1H22 | FY22 target |
|---------|---------|--|
| \$47.3m | \$25.7m | Replace the reported FY18 \$30m operating profit of Garrison by FY22 |

Health and wellbeing

| | 1H22 | FY22 target |
|---|---------|-------------|
| Customers engaged with Live Better ² | c. 340k | c. 480k |

¹ Milestone updated to align with Medibank Health segment profit and to reflect FY21 statements that the temporary travel insurance earnings impact is expected to be largely offset by the contribution from investments in FY22
² Includes total customers who have engaged with our preventative health offering, including Live Better Rewards, Live Better Activities, preventative health programs and any new offerings developed during the reporting period



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Financial results

Mark Rogers
Group Executive – CFO
& Group Strategy

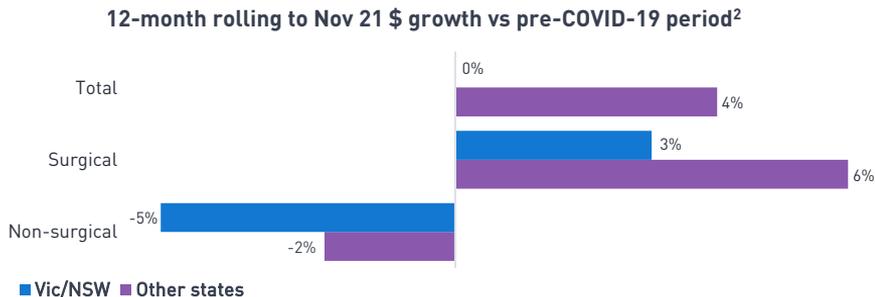
Group financial summary

| Six months ended 31 Dec (\$m) | 1H21 | 1H22 | Change |
|--|----------------|----------------|---------------|
| Group revenue from external customers | 3,442.2 | 3,581.2 | 4.0% |
| Health Insurance operating profit | 254.6 | 280.9 | 10.3% |
| Medibank Health segment profit | 18.8 | 25.7 | 36.7% |
| Segment operating profit | 273.4 | 306.6 | 12.1% |
| Corporate overheads | (18.2) | (20.1) | 10.4% |
| Group operating profit | 255.2 | 286.5 | 12.3% |
| Net investment income | 71.8 | 30.9 | (57.0%) |
| Amortisation of intangibles | (3.4) | (1.0) | (70.6%) |
| Other income/(expenses) | (1.7) | (3.2) | 88.2% |
| Profit before tax | 321.9 | 313.2 | (2.7%) |
| Income tax expense | (95.5) | (93.0) | (2.6%) |
| NPAT | 226.4 | 220.2 | (2.7%) |
| Effective tax rate | 29.7% | 29.7% | - |
| EPS (cents) | 8.2 | 8.0 | (2.7%) |
| Normalisation of growth asset returns | (13.2) | (7.4) | (43.9%) |
| Normalisation for defensive asset returns | (9.8) | (0.4) | (95.9%) |
| Underlying NPAT | 203.4 | 212.4 | 4.4% |
| Underlying EPS (cents) | 7.4 | 7.7 | 4.4% |
| Dividend per share (cents) | 5.80 | 6.10 | 5.2% |
| Dividend payout ratio ¹ | 78.5% | 79.1% | 0.8% |

- Profit before tax down 2.7%:
 - Group operating profit up 12.3%
 - Net investment income down 57.0%
- Corporate overheads increased \$1.9m:
 - Timing impacts in 1H21
 - FY22 expense in line with FY21
- Net investment income down \$40.9m to \$30.9m reflecting the strong equity market recovery in 1H21
- Amortisation charge reduced as some intangibles balances fully amortised
- Reduction in other income / (expenses) reflects lower property sub-lease income
- Effective tax rate 29.7% in line with 1H21:
 - Marginally below corporate tax rate due to non-taxable investment income
 - Expect similar rate for FY22

¹ Dividend payout ratio based on Underlying NPAT

Private hospital claims¹



Total:

- Victoria & NSW claims flat due to lockdowns (pcp: -9%)
- Other states claims +4% (pcp: -4%)
- Gap between non-surgical and surgical claims growth remains

Surgical:

- Victoria & NSW claims +3% (pcp: -7%)
- Other states claims +6% (pcp: -3%) reflecting recovery of deferred surgical activity and less impacted by lockdowns

Non-surgical:

- Victoria & NSW non-surgical claims -5% (pcp: -10%) and other states -2% (pcp: -6%)
- Rehab annual spend c. 23% of non-surgical claims nationally and down on average 14% relative to surgical claims volumes
- As anticipated, psych claims growing at a higher rate than other non-surgical claims

Private hospital non-surgical claims



COVID-19 impacts

Pre-COVID-19² composition:

- Private hospital claims comprised:
 - c. 59% in Victoria & NSW and c. 41% in other states
 - c. 58% surgical and c. 42% non-surgical

- Total Hospital deferral assumption of 61%:
 - Surgical and non-surgical claims deferral assumptions unchanged at 85% and 50% respectively
 - Reassess at 30 June
- Deferred claims liability increased \$104.9m to \$328.7m:
 - Impact of lockdowns during the period
- Net 1H22 cost of \$2.9m (1H21 net benefit of \$5.1m):
 - \$136.6m of customer support measures
 - \$133.7m permanent claim savings

¹ Private hospital services incurred by Medibank Group excluding prostheses and medical
² Pre-COVID-19 period is the 12-month period from March 2019 to February 2020. Claims figures for this period have been adjusted for inflation

Health Insurance result

Operating performance reflects continued strength in the resident portfolio partially offset by overseas decline

| Six months ended 31 Dec (\$m) | 1H21 | 1H22 | Change |
|-------------------------------|--------------|--------------|--------------|
| Premium revenue | 3,324.5 | 3,452.0 | 3.8% |
| Claims expense | (2,801.3) | (2,901.2) | 3.6% |
| Risk equalisation | (17.8) | (20.8) | 16.9% |
| Net claims expense | (2,819.1) | (2,922.0) | 3.7% |
| Gross profit | 505.4 | 530.0 | 4.9% |
| Management expenses | (250.8) | (249.1) | (0.7%) |
| Operating profit | 254.6 | 280.9 | 10.3% |
| Gross margin | 15.2% | 15.4% | 20bps |
| MER | 7.5% | 7.2% | (30bps) |
| Operating margin | 7.7% | 8.1% | 40bps |

| COVID-19 impact | COVID-19 Adj. ¹ |
|-----------------|----------------------------|
| 136.6 | 3,588.6 |
| (133.7) | (3,055.7) |
| 2.9 | 283.8 |

- Major drivers of performance:
 - Strong resident policyholder growth
 - Continued benign claims environment
 - Benefits of increasing scale
 - Overseas portfolio profitability continues to be impacted by closed borders
- Strong growth in operating profit:
 - Reported operating profit up 10.3%
 - Reported result includes net COVID-19 cost of \$2.9m (1H21 \$5.1m benefit)
- Reported and underlying gross margin up 20bps:
 - Better than expected risk equalisation outcome
 - Resident margin expansion of 50bps
 - Overseas margin impacted by tenure and increased service use during COVID
- Underlying operating margin up 60bps to 7.9%:
 - Gross margin improvement
 - Benefits of lower MER

Underlying performance

| Six months ended 31 Dec (\$m) | 1H21 | 1H22 | Change |
|------------------------------------|----------------|----------------|--------------|
| Underlying revenue | 3,433.9 | 3,588.6 | 4.5% |
| Reported gross profit | 505.4 | 530.0 | 4.9% |
| COVID-19 impact | (5.1) | 2.9 | n.m. |
| Underlying gross profit | 500.3 | 532.9 | 6.5% |
| Management expenses | (250.8) | (249.1) | (0.7%) |
| Underlying operating profit | 249.5 | 283.8 | 13.7% |
| Underlying gross margin | 14.6% | 14.8% | 20bps |
| Underlying operating margin | 7.3% | 7.9% | 60bps |

1 1H22 COVID-19 adjustment of \$136.6m (1H21: \$109.4m) to revenue includes 5-month deferral of the 1 April 2022 premium increase relating to Australian resident portfolio. 1H21 adjustment includes deferral of the 1 April 2020 premium increase and customer suspensions relating to Australian resident portfolio only. Permanent claims savings of -\$133.7m (1H21: -\$114.5m) as a result of COVID-19

Health Insurance – policyholders

Strong resident policyholder growth of 3.3% in the last 12 months

| Six months ended 31 Dec (\$m) | 1H21 | 1H22 | Change |
|--|----------------|----------------|-----------------|
| Policyholders¹ (thousand): | | | |
| Opening balance | 1,806.6 | 1,889.1 | 4.6% |
| Acquisitions | 102.6 | 106.2 | 3.5% |
| Lapses | (62.8) | (78.1) | 24.4% |
| Net suspensions/reactivations | 9.2 | - | n.m. |
| Closing balance | 1,855.6 | 1,917.2 | 3.3% |
| - Medibank | 1,405.8 | 1,429.9 | 1.7% |
| - ahm | 449.8 | 487.3 | 8.3% |
| Acquisition rate² | | | |
| | 5.6% | 5.6% | - |
| - Medibank | 4.1% | 4.4% | 30bps |
| - ahm | 11.3% | 9.6% | (170bps) |
| Lapse rate² | | | |
| | 3.4% | 4.1% | 70bps |
| - Medibank | 3.3% | 3.6% | 30bps |
| - ahm | 5.0% | 6.2% | 120bps |
| Policyholder growth | | | |
| | 2.7% | 1.5% | (120bps) |
| Total policy units^{1,3} (thousand) | | | |
| Closing balance | 4,761.6 | 4,858.7 | 2.0% |
| Average balance | 4,736.5 | 4,835.5 | 2.1% |
| Annualised average revenue per policy unit^{1,3} (\$) | | | |
| | 1,403.8 | 1,427.8 | 1.7% |

- PHI market remains buoyant:
 - Strong growth in new to industry and younger cohorts
 - Industry expected to grow by c. 1.3% during the period
- Policyholder growth of 3.3% over 12 months:
 - Acquisition rate of 5.6% in line with 1H21
 - Lapse rate up to 4.1% reflecting stronger retention in the prior period due to the premium increase deferral
- Medibank brand up 1.7%:
 - Growth despite intermittent store closures
 - Strong growth from corporate and digital segments
 - Retention benefit of product value and differentiation
- ahm brand up 8.3% (> 60% growth in last 5 years):
 - Lower acquisition reflects capping of aggregator sales
 - Retention benefit of the extras limit rollover in 1H21
 - Expect continued strong growth in 2H22:
 - Higher direct sales of choosable extras products
 - Additional customer retention activities
- Expect benefit from 6-month premium increase deferral in 2H21

1 Consistent with reported industry data, policyholder numbers only include the resident portfolio whereas total policy units include both resident and overseas portfolios

2 Transfers of policyholders between ahm and Medibank are excluded in consolidated lapse and acquisition rates but included at brand levels.

Lapse and acquisition rates are based on the average of the opening and closing balances for the period

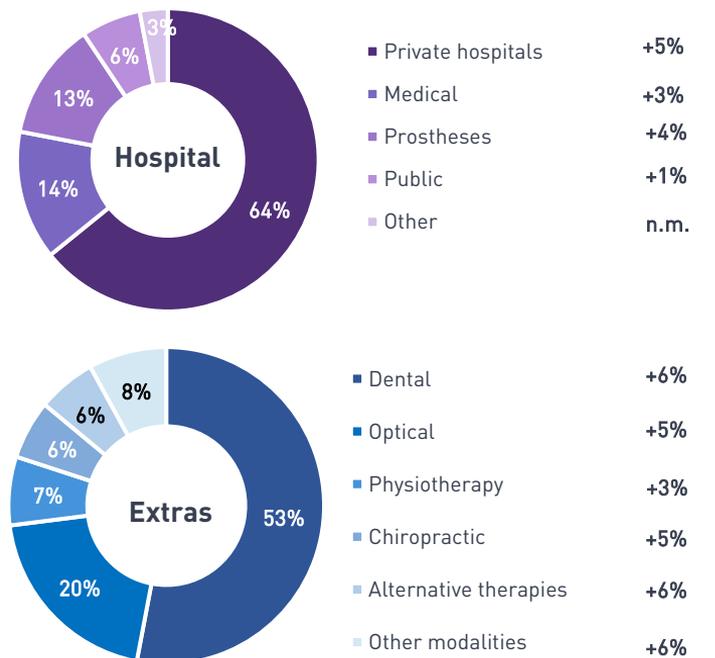
3 Based on an average of the month-end balances over the reporting period

Health Insurance – underlying resident claims

Underlying resident claims growth per policy unit declined to 1.9%

| Six months ended 31 Dec (\$m) ¹ | 1H21 | 1H22 | Change |
|--|------------------|------------------|-------------|
| Claims expense | (2,862.3) | (2,980.0) | 4.1% |
| Risk equalisation | (17.8) | (20.8) | 16.9% |
| Net resident claims expense | (2,880.1) | (3,000.8) | 4.2% |
| - Hospital | (2,158.8) | (2,240.1) | 3.8% |
| - Extras | (721.3) | (760.7) | 5.5% |
| Average claims expense per policy unit² (\$) | (1,263.5) | (1,287.8) | 1.9% |
| Hospital claims per policy unit growth | 2.5% | 2.2% | (30bps) |
| Extras claims per policy unit growth | 3.8% | 2.5% | (130bps) |
| Resident hospital utilisation growth ³ | (0.1%) | 0.2% | 30bps |
| Resident extras utilisation growth ³ | 1.3% | 1.7% | 40bps |

Indicative composition & movement in dollar value¹ vs. 1H21



- Total underlying claims per policy unit growth of 1.9%, down 70bps
- Underlying hospital claims growth of 2.2%, down 30bps:
 - Continuation of trend seen in 2H21
 - Better than expected risk equalisation outcome but expect higher payment in 2H22
 - Softer growth in medical claims
 - Public hospital claims impact with admission restrictions
- Underlying ancillary claims growth of 2.5%, down 130bps:
 - Following investment in our extras products in 1H21 growth has returned to normal levels
 - Softer physiotherapy claims with prior period less impacted by COVID

¹ All numbers are in respect of the resident portfolio and on an underlying basis. See slide 31 for reconciliation of reported to underlying claims and COVID-19 impacts

² Based on an average of the month-end balances over the reporting period

³ Actual hospital utilisation for 1H21 was in line with the reported estimate of (0.1%) as at 31 December 2021. Actual extras utilisation for 1H21 was 1.3% compared to the reported estimate of 0.7% as at 31 December 2021. Estimated utilisation differs from actual utilisation largely as a result of the claims provision impacts

Health Insurance – underlying portfolio performance

Strong gross margin performance driven by resident portfolio

| Six months ended 31 Dec (\$m) ¹ | Resident | | | Overseas | | | Total | | |
|--|--------------|--------------|--------------|--------------|--------------|-------------------|-------------------|--------------|--------------|
| | 1H21 | 1H22 | Change | 1H21 | 1H22 | Change | 1H21 | 1H22 | Change |
| Premium revenue | 3,355.5 | 3,518.7 | 4.9% | 78.4 | 69.9 | (10.8%) | 3,433.9 | 3,588.6 | 4.5% |
| Net hospital claims | (2,158.8) | (2,240.1) | 3.8% | (53.5) | (54.9) | 2.6% | (2,212.3) | (2,295.0) | 3.7% |
| Extras claims | (721.3) | (760.7) | 5.5% | - | - | - | (721.3) | (760.7) | 5.5% |
| Net claims expense | (2,880.1) | (3,000.8) | 4.2% | (53.5) | (54.9) | 2.6% | (2,933.6) | (3,055.7) | 4.2% |
| Gross profit – underlying | 475.4 | 517.9 | 8.9% | 24.9 | 15.0 | (39.8%) | 500.3 | 532.9 | 6.5% |
| Gross margin - underlying | 14.2% | 14.7% | 50bps | 31.8% | 21.5% | (1,030bps) | 14.6% | 14.8% | 20bps |
| Gross profit – reported | 484.9 | 515.0 | 6.2% | 20.5 | 15.0 | (26.8%) | 505.4 | 530.0 | 4.9% |
| Resident premium increase | 3.27% | 3.25% | (2bps) | | | | | | |
| Downgrading | (1.0%) | (0.6%) | 40bps | | | | (0.8%) | (0.3%) | 50bps |
| Revenue per policy unit growth rate | 2.3% | 2.6% | 30bps | 1.3% | 3.9% | 260bps | 2.4% | 2.9% | 50bps |
| Claims per policy unit growth rate | 2.6% | 1.9% | (70bps) | 10.6% | 19.6% | 900bps | 3.0% ² | 2.6% | (40bps) |
| Policy units (thousand) | | | | | | | | | |
| Closing balance | 4,587.6 | 4,687.7 | 2.2% | 194.1 | 171.0 | (11.9%) | 4,781.7 | 4,858.7 | 1.6% |
| Average balance | 4,558.8 | 4,660.2 | 2.2% | 204.3 | 175.3 | (14.2%) | 4,763.1 | 4,835.5 | 1.5% |

Underlying resident performance

- Downgrading down 40bps to 60bps:
 - Benefit of improving Medibank policyholder trajectory, portfolio management initiatives and sales mix
 - Expect downgrading of c. 70bps in FY22
- Underlying claims growth per policy unit down 70bps:
 - Risk equalisation benefit expected to unwind in 2H22
 - FY22 underlying claims growth per policy unit expected to be c. 2.3%
 - Continue to monitor rehab referral trends for signs of permanent change

Underlying overseas performance

- Reported gross profit down \$5.5m:
 - No adjustment for underlying claims this half (1H21: \$4.4m)
- Underlying gross profit down \$9.9m with continued impact of border closures:
 - Policy unit decline significantly slower versus prior period
 - Revenue down 10.8% and average policy units down 14.2%
 - Underlying claims per policy unit up 19.6% due to tenure and mix impacts, and increased service use in line with 2H22 trends
- Promising early signs of increased student enrolments in CY 2023:
 - Expect 2H22 performance to stabilise
 - Progressive improvement over the next 12-24 months with borders reopening

¹ All numbers are on an underlying basis. See slide 31 for reconciliation of reported to underlying claims and COVID-19 impacts

² The total underlying claims per policy unit growth rate in 1H21 was reported to be 2.6%. This has been restated to reflect hindsight claims movements and an adjustment for suspended policies

Health Insurance – management expenses

Benefits of our productivity agenda and scale delivered a 40bps reduction in underlying MER to 6.9%

| Six months ended 31 Dec (\$m) | 1H21 | 1H22 | Change |
|-----------------------------------|----------------|----------------|----------------|
| Premium revenue | 3,324.5 | 3,452.0 | 3.8% |
| Management expenses | (250.8) | (249.1) | (0.7%) |
| - Depreciation and amortisation | (21.2) | (19.8) | (6.6%) |
| - DAC amortisation | (19.5) | (18.6) | (4.6%) |
| - Overseas sales commissions | (2.5) | (2.9) | 16.0% |
| - Operating expenses ¹ | (207.6) | (207.8) | 0.1% |
| MER | 7.5% | 7.2% | (30bps) |
| Underlying MER | 7.3% | 6.9% | (40bps) |

- Management expenses down 0.7% to \$249.1m
- Non-cash costs reduced by \$2.3m:
 - Lower D&A
 - DAC reduced in line with progressive shift of ahm sales to direct channels
- Operating expenses broadly flat:
 - Underlying cost inflation of c. 2.0%
 - Modest volume impacts
 - Offset by c. \$7m of productivity savings
- Productivity agenda on track:
 - c. \$7m savings in 1H22 from process improvement, increasing use of digital channels and flexible working
 - On track to deliver \$15m in FY22
- Expect FY22 management expenses of c. \$530m:
 - Increased statutory charges of c. \$2.0m
 - Seasonality of management expenses towards H2
 - Scale benefits to support MER improvement
- Focus on balancing productivity and investment in growth

¹ Includes right-of-use depreciation of \$11.5m (1H21: \$10.7m)

Medibank Health result

Strong earnings growth despite continued COVID-19 impacts

| Six months ended 31 Dec (\$m) | 1H21 | 1H22 | Change |
|--|--------------|--------------|----------------|
| Revenue | 145.6 | 155.7 | 6.9% |
| Gross profit | 62.0 | 65.2 | 5.2% |
| Management expenses | (42.7) | (41.8) | (2.1%) |
| Operating profit | 19.3 | 23.4 | 21.2% |
| Share of profit/(loss) from Myhealth | - | 1.8 | n.m. |
| Share of profit/(loss) from other investments ¹ | (0.5) | 0.5 | n.m. |
| Medibank Health segment profit | 18.8 | 25.7 | 36.7% |
| Gross margin | 42.6% | 41.9% | (70bps) |
| MER | 29.3% | 26.8% | (250bps) |
| Operating margin | 13.3% | 15.0% | 170bps |

- Modest COVID impact in this period:
 - Travel business affected by closed borders
 - Strong demand for community-based healthcare and COVID related services
- Segment profit up by 36.7% to \$25.7m:
 - Operating profit up 21.2% to \$23.4m
 - \$2.3m contribution from healthcare investments reflecting growth in investments and Myhealth patient and clinic numbers
- Revenue growth of 6.9%:
 - Strong growth in health and wellbeing and early signs of recovery in travel insurance
 - Partially offset by reduction in homecare revenue due to elective surgery restrictions
- Operating margin up 170bps:
 - Business mix impacts across gross margin and MER
 - Reduction in gross margin due to increased labour costs
 - Offset by lower MER
- Strong growth prospects:
 - Performance tracking broadly in line with FY22 milestone
 - FY23 growth trajectory not expected to be significantly impacted by ceasing to service the 1800RESPECT contract
 - Immediate growth opportunity is around prioritising the needs of Medibank customers in addition to supporting other health funders

¹ Includes interest income from loan to associates of \$0.1m

Investment portfolio and investment income

Lower investment income following strong market and manager performance during 1H21

| Six months ended 31 Dec (\$m) | Reported Performance ² | | |
|---|-----------------------------------|----------------|----------------|
| | 1H21 | 1H22 | Change |
| Net investment income: | | | |
| Growth portfolio income | 44.8 | 30.0 | (33.0%) |
| Defensive portfolio income | 27.8 | 3.2 | (88.5%) |
| Fund portfolio investment income¹ | 72.6 | 33.2 | (54.3%) |
| Net Other Investment Income and Expenses | (0.8) | (2.3) | n.m. |
| Total net investment income² | 71.8 | 30.9 | (57.0%) |
| Investment returns on growth assets | 9.64% | 6.33% | (331bp) |
| Investment returns on defensive assets | 1.53% | 0.17% | (136bp) |
| Fund Portfolio investment returns | 3.18% | 1.40% | (178bp) |
| RBA cash rate (average) | | | |
| Underlying spread to RBA cash rate | | | |
| Average monthly balance: | | | |
| Growth | 464.7 | 474.0 | 2.0% |
| Defensive | 1,819.7 | 1,898.8 | 4.3% |
| Total Fund Portfolio | 2,284.4 | 2,372.8 | 3.9% |

| Underlying Performance ^{2,3} | | |
|---------------------------------------|--------------|----------------|
| 1H21 | 1H22 | Change |
| 25.9 | 19.4 | (25.1%) |
| 13.8 | 2.7 | (80.4%) |
| 39.7 | 22.1 | (44.3%) |
| (0.8) | (2.3) | n.m. |
| 38.9 | 19.8 | (49.1%) |
| 5.57% | 4.09% | (148bp) |
| 0.76% | 0.14% | (62bp) |
| 1.74% | 0.93% | (81bp) |
| 0.10% | 0.05% | |
| 1.64% | 0.88% | (76bp) |

- Growth portfolio performance driven by continued strong equity market returns
- Materially lower income for defensive portfolio:
 - Non-recurrence of credit spread benefit in 1H21
 - Lower RBA cash rate impact of \$1m
 - Lower liquidity premiums paid
 - Steepening yield curve impacting overseas holdings (unwinding prior period benefit)

- Retained 20% growth and 80% defensive asset allocation (excl. \$326.8m to meet deferred claims and customer give back)
- Underlying investment income down \$19.1m to \$19.8m:
 - Prior period includes growth manager outperformance versus market returns
 - Underlying spread to RBA cash rate of 88bps materially down on prior period but within the target range of 150 – 200bps per annum
- RBA cash rate increase of 25bps will increase investment income by \$5m

¹ Excludes interest income from non health fund investments, short-term operational cash sub portfolio and operational cash

² Reported and underlying returns are calculated using total average monthly balances

³ Adjusted to normalise all growth asset returns to long-term expectations and defensive asset returns for credit spread movements

Capital and dividend

Our strong capital position reflects capital generation and disciplined capital management

| Period ended (\$m) | Dec 2020 | Dec 2021 |
|---|--------------------|--------------------|
| Total equity¹ | 1,848.5 | 1,937.7 |
| Less: Intangible and illiquid assets ¹ | (451.8) | (429.1) |
| Total tangible and liquid assets | 1,396.7 | 1,508.6 |
| Determined but unpaid ordinary dividend | (159.7) | (168.0) |
| Cost of product bonus additions ² | (22.7) | (21.4) |
| Total tangible eligible capital | 1,214.3 | 1,319.2 |
| Required capital | | |
| - Health Insurance | 908.6 | 960.8 |
| - Other | 100.5 | 163.2 |
| Unallocated capital | 205.2 | 195.2 |
| Health Insurance capital (%)³ | 13.0% | 13.0% |
| Dividend | 31 Dec 2020 | 31 Dec 2021 |
| Dividend per share (cents) | 5.8 | 6.1 |
| Dividend payout ratio⁴ | 78.5% | 79.1% |

- Health Insurance capital:
 - Ratio at the top end of 11% to 13% target range³
 - Increase supports premium revenue growth
- Other required capital:
 - Increased reflecting \$63m investment in Myhealth
 - Reflects disciplined capital management
- Unallocated capital of \$195.2m:
 - Ability to fund inorganic growth and consider capital management
- New PHI capital standard to apply from 1 July 2023:
 - Not expected to negatively impact capital position
 - Allows for issuance of Tier 2 debt
 - Expect to provide update on capital settings at 1H23 result
- Interim dividend of 6.1 cps, fully franked:
 - 79.1% payout ratio of Underlying NPAT (target range 75% - 85%)
 - Full year dividend expected to be towards the top end of the 75% - 85% target range
 - Payment date for interim ordinary dividend: 24 March 2022

¹ 2020 updated to reflect change in accounting policy for software intangible assets. Refer Note 20(a) of the FY21 consolidated financial statements

² Policies that include a product bonus receive an entitlement every 1 January to spend on otherwise uncovered expenses. The allowance is booked on 1 January each year

³ Calculated as required Health Insurance related capital post dividends divided by the last 12 months' Health Insurance premium revenue inflated by the growth rate in Health Insurance premium revenue over the same 12-month period

⁴ Dividend payout ratio is based on Underlying NPAT



Resident PHI:

- Continued top line revenue growth
- Focus on ahm retention, corporate market, customer lifecycle management
- Increasing customer uptake of preventative health programs and integrated care models
- Benefit of prostheses reform



Increasing scale, productivity and financial discipline will support further improvement of MER and provide capacity to invest in growth



Non-resident PHI:

- Well placed for reopening of borders
- Benefit from new university partnerships
- Recent investment in digital and product propositions
- Leverage uplift in claims management capabilities



- Investment in core enablers – (technology, digitisation, analytics)
- Connect our businesses to drive synergies across the group



Medibank Health:

- Maintain strong organic growth focus
- Recover and grow travel insurance business
- Leverage experience gained during pandemic into further organic growth
- Leverage strong balance sheet for inorganic growth opportunities



Leverage our strong balance sheet and capital generation



medibank

Conclusion

David Koczkar
Chief Executive Officer

The best health and wellbeing for Australia

Putting customers at the centre of health

Action is required to address long-term issues in health

- Almost 1 in 2 Australians live with a chronic condition,¹ with over 1/3 of the disease burden potentially preventable²
- Australia is behind in adoption of community care, virtual health and short-stay³ relative to advanced OECD peers
- Opportunity remains to reduce unnecessary costs – E.g. Australians pay 40-110% more for equivalent prostheses than in other countries⁴
- Real health spending per person projected to be more than double, with health to be the largest component of government spending in 2060-61⁵

We will increase customer choice, value and control

- Offer a distinct set of products, services and network of partners to connect them and deliver value for our customers
- Grow by investing in innovative solutions that put our customers at the centre of their health:
 - **Be better:** Health and wellbeing, prevention programs, virtual and primary care
 - **Get better:** Short-stay, community care, virtual and primary care
- Invest in target markets, building on our foundations to grow and catalyse change

Working with others is a priority to drive the change needed

- Government reform is critical to reduce waste, improve efficiency and healthcare value
- Work with health professionals to help address their concerns and challenges
- Collaborate with our partners to maintain quality health outcomes and strengthen the system



1 Australian Institute of Health and Welfare - Chronic disease. Updated May 2021

2 Australian Institute of Health and Welfare - Australian Burden of Disease Study 2018 – Key findings. Updated August 2021

3 OECD statistics across inguinal hernia, cholecystectomy, tonsils and adenoids, septoplasty. Updated February 2022

4 Private Healthcare Australia. Surgically replacing the list: a roadmap for prostheses list reform. December 2020

5 The Commonwealth of Australia. 2021 Intergenerational Report



Health is a key issue that concerns people in Australia



Providing **leading experiences** to customers, our people and the community is fundamental to how we measure our success



Growth in our core business remains a priority and we are well-positioned through our differentiated products, offering more value, choice and control for customers



We will continue to invest and partner to meet the changing needs of customers with a focus on **prevention** and **integrated care models** as we expand in health



By putting customers at the centre of health, we will achieve our vision of **the best health and wellbeing for Australia**



Customer relief

We continue to assess claims activity and any permanent net claims savings due to COVID-19 will be given back to customers through additional support in the future



Policyholder growth

Updated

Aiming to achieve 3.1-3.3% policyholder growth¹ in FY22, including continued growth in the Medibank brand



Claims

Updated

Underlying average net claims expense per policy unit is forecast to be c. 2.3% among resident policyholders



Management expense

Updated

FY22 Health Insurance management expenses are expected to be c. \$530m
FY22 productivity target of \$15m in Health Insurance management expenses



Growth

Targeted inorganic growth for Medibank Health and Health Insurance remain areas of focus

Appendix

Enabling the best health and wellbeing through embedding sustainability in our business

Better Health for Better Lives

It is through our continued social focus to improve diversity and inclusion and health and wellbeing that we can drive the most change



- Doubled the number of preventative health enrolments
- 0% gender pay gap compared to market median, again reaching <1% target in FY21
- 49% Group and senior executives, 43% Board members are women as at 31 December 2021
- Reached target of 1% Aboriginal and/or Torres Strait Islander employees in FY21
- 1.5m people participated in free Live Better health and wellbeing community activities
- Invested \$1.1m in health research
- Launched We Are Lonely podcast

Next – Investing in preventative health + launching 2nd Accessibility & Inclusion Plan and 5th Reconciliation Action Plan + ongoing 10-year focus on loneliness

We're reducing our impact on the environment



- Committed to Net Zero by 2050
- 1st Climate Scenario Analysis aligned to the TCFD

Next – Setting science-based targets and pathway to achieve Net Zero + working to collaborate with health industry on climate change impact and resilience

Embedding ethical and responsible business practices



- Working with suppliers to increase use of Indigenous businesses c. \$270k in 1H22 (1H21: \$147k)

Next – Refreshing our materiality assessment and undertake external assurance of sustainability metrics + strengthening position on human rights and work with suppliers to address potential risks of modern slavery



What customers want



How we respond



Benefits



Future opportunities



“I want to be better”

Live Better

- A program to motivate and support health and wellbeing through resources and apps to track and get reward for healthy activities across more than 2000 locations nationwide, including c. 1300 Members' Choice Advantage network providers
- Integrated into our extras covers rewarding customers for using their cover with our leading allied health network
- c. 340k customers engaged with Live Better¹

Customers

- Eligible customers can earn rewards by tracking healthy actions via Live Better / My Medibank apps
- Free activities offered to broader public, e.g. Smiling mind meditation, free fitness classes

Medibank

- Improvement in retention among engaged users
- Appeals to new customers and corporate clients
- Increase brand reach and recognition

Health system

- Healthy behaviours over time could improve health, quality of life and reduce admissions

- Preventative health currently <2% of Australian total health expenditure, low compared to OECD peers. Aiming to increase to 5% by 2030 in the National Preventative Health Strategy²
- High-growing health and wellbeing market with potential to reach customers beyond PHI

“I want to get better”

Short-stay, no-gap programs

- Partnership with specialists and hospitals to provide a no-gap patient experience
- Integrated into a wide range of hospital covers
- Joint replacement program is locally available to more than 730k customers, and the program has expanded to endoscopy and general surgery

Customers

- Choice and value when clinically appropriate
- Better customer experience

Medibank

- Shorter length of stay – halved the number of bed days per episode
- Provide choice and value to customers

Health system

- Free up resources for more acute needs – increasing efficiency

- Australia lags behind the international shift towards short and day stay procedures – opportunity to partner with specialists and hospitals to drive changes

Reconciliation of reported to underlying claims and COVID-19 impacts

COVID-19 impacts – Health Insurance

| Six months ended 31 Dec (\$m) | 1H21 | 1H22 |
|--|----------------|----------------|
| 6mth deferral of April 2020 premium increase | 91.9 | - |
| Customer suspensions | 17.5 | - |
| 5mth deferral of April 2022 premium increase | - | 136.6 |
| Total customer relief impact | 109.4 | 136.6 |
| Resident Hospital claims | (71.5) | (66.6) |
| Overseas claims | 4.4 | - |
| Resident ancillary claims | (47.4) | (67.1) |
| COVID-19 claims expense impacts | (114.5) | (133.7) |
| Net COVID-19 Impacts | (5.1) | 2.9 |

COVID-19 claims liability impacts

| Six months ended 31 Dec 2021 (\$m) | Hospital ¹ | Ancillary | Total |
|--|-----------------------|---------------|----------------|
| 30 June 2021 – COVID-19 claims liability | 220.2 | 3.6 | 223.8 |
| Hindsight provision movement | (4.2) | (0.2) | (4.4) |
| Net (utilisation) / deferral during the period | 101.2 | 8.1 | 109.3 |
| 31 Dec 2021 – COVID-19 claims liability | 317.2 | 11.5 | 328.7 |
| (Lower) / Higher than expected claims | (163.6) | (75.0) | (238.6) |
| Change to liability increase / (decrease) | 97.0 | 7.9 | 104.9 |
| COVID-19 claims expense impacts | (66.6) | (67.1) | (133.7) |

¹ Hospital includes Overseas

Reconciliation of reported to underlying claims

| Six months ended 31 Dec (\$m) | 1H21 | 1H22 |
|---|------------------|------------------|
| Total Reported Claims | (2,819.1) | (2,922.0) |
| COVID-19 claims expense impacts | (114.5) | (133.7) |
| Total Underlying claims | (2,933.6) | (3,055.7) |
| Underlying claims per policy unit growth | 3.0% | 2.6% |
| Reported Resident Claims | (2,761.2) | (2,867.1) |
| COVID-19 claims expense impacts | (118.9) | (133.7) |
| Underlying Resident claims | (2,880.1) | (3,000.8) |
| Underlying Claims per policy unit growth | | |
| Total Resident | 2.6% | 1.9% |
| Hospital | 2.5% | 2.2% |
| Extras | 3.8% | 2.5% |

| | | |
|---|---------------|---------------|
| Reported Overseas Claims | (57.9) | (54.9) |
| COVID-19 claims expense impacts | 4.4 | - |
| Underlying Overseas claims | (53.5) | (54.9) |
| Underlying claims per policy unit growth | 10.6% | 19.6% |

Group financial summary – half by half

| (\$m) | 1H21 | 2H21 | 1H22 | Change | |
|---|----------------|----------------|----------------|---------------|----------------|
| | | | | 1H22 v 1H21 | 1H22 v 2H21 |
| Group revenue from external customers | 3,442.2 | 3,468.2 | 3,581.2 | 4.0% | 3.3% |
| Health Insurance operating profit | 254.6 | 284.0 | 280.9 | 10.3% | (1.1%) |
| Medibank Health segment profit | 18.8 | 12.6 | 25.7 | 36.7% | 104.0% |
| Segment operating profit | 273.4 | 296.6 | 306.6 | 12.1% | 3.4% |
| Corporate overheads | (18.2) | (23.5) | (20.1) | 10.4% | (14.5%) |
| Group operating profit – continuing operations | 255.2 | 273.1 | 286.5 | 12.3% | 4.9% |
| Net investment income | 71.8 | 48.2 | 30.9 | (57.0%) | 35.9% |
| Amortisation of intangibles | (3.4) | (1.2) | (1.0) | (70.6%) | (16.7%) |
| Other income/(expenses) | (1.7) | (9.7) | (3.2) | 88.2% | (67.0%) |
| Profit before tax | 321.9 | 310.4 | 313.2 | (2.7%) | 0.9% |
| Income tax expense | (95.5) | (95.6) | (93.0) | (2.6%) | (2.7%) |
| NPAT – continuing operations | 226.4 | 214.8 | 220.2 | (2.7%) | 2.5% |
| EPS (cents) | 8.2 | 7.8 | 8.0 | (2.7%) | 2.5% |
| Normalisation of growth asset returns | (13.2) | (18.0) | (7.4) | (43.9%) | (58.9%) |
| Normalisation for defensive asset returns | (9.8) | (1.5) | (0.4) | (95.9%) | (73.3%) |
| Underlying NPAT | 203.4 | 195.3 | 212.4 | 4.4% | 8.8% |
| Underlying EPS (cents) | 7.4 | 7.1 | 7.7 | 4.4% | 8.8% |
| Dividend per share (cents) | 5.80 | 6.90 | 6.10 | 5.2% | (11.6%) |
| Dividend payout ratio ¹ | 78.5% | 97.3% | 79.1% | 0.8% | (18.7%) |

¹ Dividend payout ratio based on Underlying NPAT

Health Insurance policyholders – half by half

| | 1H21 | 2H21 | 1H22 | Change | |
|--|----------------|----------------|----------------|-----------------|----------------|
| | | | | 1H22 v 1H21 | 1H22 v 2H21 |
| Premium revenue (\$m) | 3,324.5 | 3,355.8 | 3,452.0 | 3.8% | 2.9% |
| Policyholders¹ (thousand): | | | | | |
| Opening balance | 1,806.6 | 1,855.6 | 1,889.1 | 4.6% | 1.8% |
| Acquisitions | 102.6 | 118.6 | 106.2 | 3.5% | (10.5%) |
| Lapses | (62.8) | (84.6) | (78.1) | 24.4% | (7.7%) |
| Net suspensions/reactivations | 9.2 | (0.5) | - | n.m. | n.m. |
| Closing balance | 1,855.6 | 1,889.1 | 1,917.2 | 3.3% | 1.5% |
| - Medibank | 1,405.8 | 1,417.8 | 1,429.9 | 1.7% | 0.9% |
| - ahm | 449.8 | 471.3 | 487.3 | 8.3% | 3.4% |
| Acquisition rate² | 5.6% | 6.3% | 5.6% | - | (70bps) |
| - Medibank | 4.1% | 4.9% | 4.4% | 30bps | (50bps) |
| - ahm | 11.3% | 11.6% | 9.6% | (170bps) | (200bps) |
| Lapse rate² | 3.4% | 4.5% | 4.1% | 70bps | (40bps) |
| - Medibank | 3.3% | 4.0% | 3.6% | 30bps | (40bps) |
| - ahm | 5.0% | 6.9% | 6.2% | 120bps | (70bps) |
| Policyholder growth | 2.7% | 1.8% | 1.5% | (120bps) | (30bps) |
| Total policy units^{1,3} (thousand): | | | | | |
| Closing balance | 4,761.6 | 4,811.5 | 4,858.7 | 2.0% | 1.0% |
| Average balance | 4,736.5 | 4,789.7 | 4,835.5 | 2.1% | 1.0% |
| Annualised average revenue per policy unit^{1,3} (\$) | 1,403.8 | 1,401.3 | 1,427.8 | 1.7% | 1.9% |

1 Consistent with reported industry data, policyholder numbers only include the resident portfolio whereas total policy units include both resident and overseas portfolios

2 Consolidated lapse and acquisition rates exclude transfers of policyholders between ahm and Medibank at a combined brand level. Figures at brand level include these transfers.

Lapse and acquisition rates are based on the average of the opening and closing balances for the period

3 Based on an average of the month-end balances over the reporting period

Investment portfolio

| As at 31 December 2021 | Spot Balance (\$m) | Portfolio composition | Average Balance (\$m) | Average Balance Portfolio composition | Target asset allocation |
|--|--------------------|-----------------------|-----------------------|---------------------------------------|-------------------------|
| Australian equities | 123.9 | 5.7% | 121.5 | 5.1% | 5.0% |
| International equities | 111.2 | 5.1% | 127.2 | 5.4% | 6.0% |
| Property | 177.8 | 8.1% | 171.9 | 7.2% | 7.0% |
| Infrastructure | 54.8 | 2.5% | 53.4 | 2.3% | 2.0% |
| Growth | 467.7 | 21.4% | 474.0 | 20.0% | 20.0% |
| Fixed income ^{1,2} | 1,328.3 | 60.8% | 1,390.3 | 58.6% | 60.0% |
| Cash ³ | 388.2 | 17.8% | 508.5 | 21.4% | 20.0% |
| Defensive | 1,716.5 | 78.6% | 1,898.8 | 80.0% | 80.0% |
| Total Fund (pre-STOC) | 2,184.2 | 100.0% | 2,372.8 | 100.0% | 100.0% |
| Short-term operational cash ^{4,6} | 463.7 | | 356.1 | | |
| Total Fund | 2,647.9 | | 2,728.9 | | |
| Non health fund investments ^{5,6} | 160.4 | | 169.6 | | |
| Total investment portfolio | 2,808.3 | | 2,898.5 | | |

1 Target asset allocation comprises floating rate notes and asset-backed investments (33.0% vs 32.0% in 1H21) and other fixed income (27.0% vs 20.0% in 1H21). The Group's average credit duration is approximately 1.5 years, average interest rate duration is approximately 0.4 years, and the average credit rating is 'A'

2 For investment portfolio purposes, fixed income comprises fixed income securities (\$1,776.7m), less reclassified cash with maturities between 3-12 months (\$202.7m), less non health fund fixed income securities (\$121.8m), less short-term operational cash fixed income securities (\$125.7m), plus cash allocated to the fixed income portfolio (\$1.8m)

3 For investment portfolio purposes, cash comprises cash and cash equivalents (\$595.5m) plus cash with maturities between 3-12 months (\$202.7m), less non health fund investments (\$38.6m), less short-term operational cash (\$338.0m), less operational cash (\$31.6m) less cash allocated to the fixed income portfolio (\$1.8m)

4 Short-term operational cash ("STOC") sub-portfolio of the fund's investment portfolio consists of short dated defensive assets with the purpose of funding the COVID-19 claims liability and customer giveback. Given the short-term nature of this portfolio, it is not subject to the existing SAA, TAA framework

5 The fund's SAA does not apply to the non health fund investment portfolio

6 Prior comparative average balances for short-term operational cash (\$282.3m) and non health fund investments (\$209.0m)

| Term | Definition |
|---------------------------|---|
| 1H | Six months ended/ending 31 December of the relevant financial year |
| 2H | Six months ended/ending 30 June of the relevant financial year |
| APRA | Australian Prudential Regulation Authority |
| bps | Basis points (1.0% = 100 bps) |
| cps | Cents per share |
| CY | Calendar year |
| DAC | Deferred acquisition costs |
| Downgrading | The difference between the average premium rate rise and revenue growth per policy unit |
| eNPS | Employee Net Promoter Score. A measure of the likelihood of an employee to recommend the company's products and services and the company as a place to work |
| EPS | Earnings per share |
| Extras utilisation | The number of services provided by ancillary providers per ancillary policy unit and includes a provision for IBNR and COVID-19 |
| FY | Financial year ended/ending 30 June |
| FYTD | Financial year to date |
| Health Insurance | Includes both resident and overseas |
| Hospital insurance | The number of hospital admissions per hospital policy unit and includes a provision for IBNR and COVID-19 services provided by ancillary |
| IBNR | Incurred but not reported |
| MER | Management expense ratio |
| n.m. | Not meaningful |
| NPAT | Net profit after tax |
| pcp | Prior corresponding period |
| PHI | Private Health Insurance |

| Term | Definition |
|------------------------------|---|
| Overseas | Overseas students health cover (OSHC) and Overseas visitors cover (OVC) |
| OECD | Organisation for Economic Co-operation and Development |
| Policyholder | The primary person who is insured under a private health insurance policy (other than in relation to overseas students or visitors), who is not a dependent child, and who is responsible for paying the premium |
| PSEUs or policy units | Policy Single Equivalent Units are used by Medibank as a standard measure of income units. They take into account the number of adults on a policy, and whether they have hospital cover or extras cover or both. For example, a household with two parents and three children, all of which had both hospital and extras cover, would represent four policy units (2 adults x 2 types of Cover = 4). This measure includes residents and overseas policies and only adult insureds are typically counted in the calculation of PSEUs |
| Resident | Hospital and/or extras cover for a complying health insurance product |
| SAA | Strategic Asset Allocation. The long-term portfolio asset allocation that meets the expected risk and return objectives of the fund |
| Service NPS | A measure of the likelihood of an existing customer to recommend the brand immediately following a service interaction |
| TAA | Tactical Asset Allocation. The medium-term portfolio asset allocation that varies to the strategic asset allocation in order to help optimise risk-adjusted investment returns in light of the prevailing relative market pricing |
| TCFD | Task Force on Climate-Related Financial Disclosures |
| Underlying NPAT | Underlying NPAT is calculated based on statutory NPAT adjusted for short-term outcomes that are expected to normalise over the medium to longer term, most notably in relation to the level of gains or losses from investments and movements in credit spreads, and for one-off items, especially those that are non-cash, such as asset impairments. Underlying NPAT is not adjusted for outstanding claims provision movements or COVID-19 impacts |
| Underlying | Underlying figures (excluding Underlying NPAT, Underlying EPS and Underlying investment income) are reported figures adjusted for outstanding claims provision movements and COVID-19 impacts |