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2023 half year results

Investor presentation

23 February 2023

David Koczkar – Chief Executive Officer

Mark Rogers – Group Executive
Chief Financial Officer & Group Strategy

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Acknowledgment of Country

Medibank acknowledges Aboriginal and Torres Strait Islander peoples as the First Peoples of this nation.

We proudly recognise Elders past, present and emerging as the Traditional Owners and Custodians of the lands on which we work and live.

We're committed to supporting self-determination and envision a future where all Australians embrace Aboriginal and Torres Strait Islander histories, cultures and rights as a central part of our national identity.

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Highlights

David Koczkar
Chief Executive Officer

Focusing on customers is our top priority

Doing the right things by our customers

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Support

60k
calls assisted through the **cybercrime response hotlines** to date

c. 13k
customer interactions with our **Cyber Response Support Program**[1]

c. $1.01b
total COVID-19 financial support package to date

Value

Lowest average premium increase in 22 years

300% volume growth
through our **no gap** network including short stay[2]

c. $12m
out-of-pocket savings through **Members' Choice Advantage** network

Health and wellbeing

52% growth
Live Better Rewards number of participants

25%
of Medibank customers admitted to hospital were **supported by Health Concierge program** (1H22: 24%)

c. 1.3m
virtual health interactions

1 The Cyber Response Support Program includes mental health and wellbeing support, identity protection and financial hardship measures
2 See also slide 14

1H23 financial results summary

Solid financial performance despite recent disruption

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Customer growth

+1.7k (+0.1%)
net resident policyholder growth
(6 months)

-0.9k
net resident policyholder growth
from 31 Dec 2022 to 18 Feb 2023

+33.4k (+17.0%)
net non-resident policy unit growth
(6 months)

Key financial metrics

$305.2m (+8.7%)
Health Insurance operating profit

$24.6m (+7.4%)
Medibank Health segment profit – continuing basis[1]

$55.9m
(up from $30.9m in 1H22)
net investment income/(loss)

$26.2m
non-recurring
cybercrime costs

$233.3m (+5.9%)
NPAT

6.3cps (+3.3%)
interim ordinary dividend
fully franked

1 Excluding the impacts of Beyond Blue and 1800 Respect contracts which ceased during February and June 2022 respectively
Total Medibank Health segment profit for 1H23 is $24.6m (-4.3%)

Cybercrime event impacts

Our focus remains on our customers

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Outline of what happened

- The criminal accessed our systems using a stolen Medibank username and password used by a third party IT service provider
- The criminal used the stolen credentials to access Medibank's network through a misconfigured firewall which did not require an additional digital security certificate
- The criminal was able to obtain further usernames and passwords to gain access to a number of Medibank's systems and their access was not contained
- Following the triage of a security alert on 11 October we closed down the criminal's attack path and can reconfirm no further activity by the criminal since 12 October 2022 has been detected inside our systems

What we have done in response

Our customers

- Continued to support customers through our Cyber Response Support Program
- Continue to maintain additional resources in our phone and messaging channels to continue to support customers through 2H23
- Launched additional security measures for customers who call us

Our technology

- Implemented further controls around our technical perimeter, including ensuring that the firewall authentication was fully configured across the whole network
- Bolstered existing monitoring and added further detection and forensics capability
- Successfully completed Operation Safeguard

External Review / OAIC investigation

- Deloitte conducting an external review, and that review is ongoing
- Co-operating with the Office of the Australian Information Commissioner in its formal investigation

Key focus areas going forward

- Prioritise the support for our customers and ensure they have confidence in the protection of their data
- Continue to strengthen our security environment, which currently defends around 18m perimeter attacks a day
- Reinforce with our people that security is everyone's business, and uplift the security literacy of all our users
- Continue to evolve our approach to data management, particularly in light of impending reform to the Privacy Act and changing community expectations

Initial cybercrime impacts on business have started to subside

We expect to emerge at the end of FY23 with restored momentum in the core business

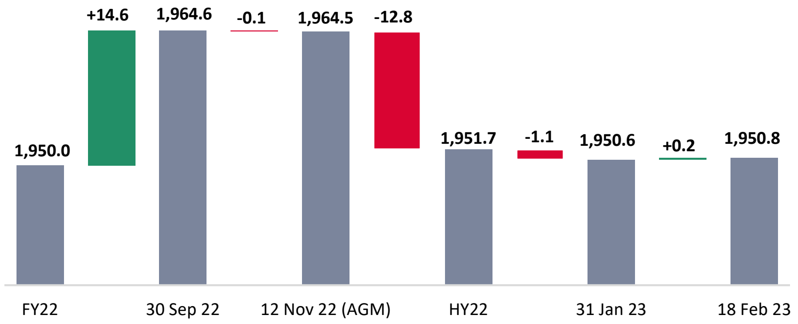
Impacts on policyholder growth

- Q2FY23 policyholder volume impacted after a strong Q1FY23
- Growth continued in the adoption of our diversified and health and wellbeing offerings
- Growth has started to stabilise with the resumption of normal operations
  - Early recovery in acquisition
  - 'Cybercrime' no longer the top reason for lapse
  - Marketing and retention activities being reinstated

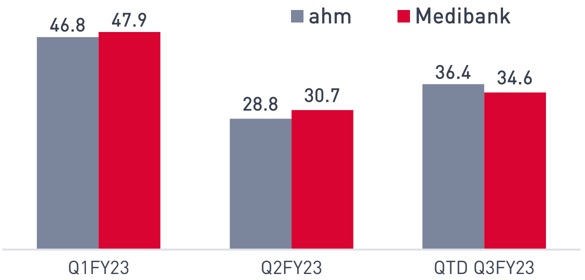
Positive signs of growth recovery

- Our people feel informed and well supported
- Significant reduction in calls to cybercrime support hotline
- Service NPS recovering strongly in Q3FY23 to date
- Switching intent has returned to pre-cyber level

Policyholder volumes ('000) have started to stabilise



Service NPS approaching benchmark levels



Continuation of trends supporting industry growth

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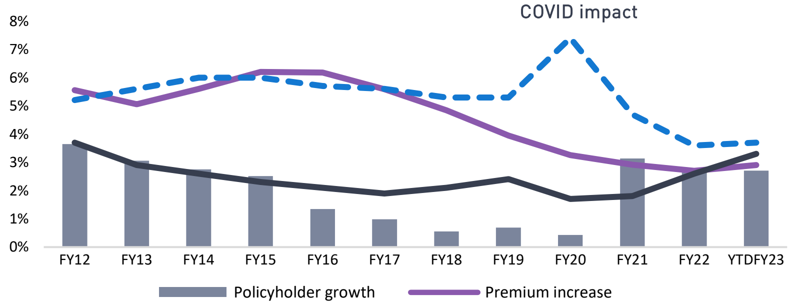
Resident PHI

Nine consecutive quarters of industry growth to September 2022[1]
- Continued growth among younger customers and new to industry segment
- Lapse rate has been relatively stable

Future policyholder growth expected to continue albeit at a slower rate
- Rising cost-of-living pressures highlight the importance of keeping premium increases low relative to wage growth
- Adult Dependent Reform should encourage young customers to stay in PHI

Drivers of growth
- Ongoing positive sentiment towards health and wellbeing
- Access to healthcare is front of mind with challenges in the public system
- Unemployment is still relatively low
- Increasing net migration

Strong employment, high wage growth and low premium increase supporting growth[1,2]



1 APRA quarterly private health insurance statistics. Updated November 2022

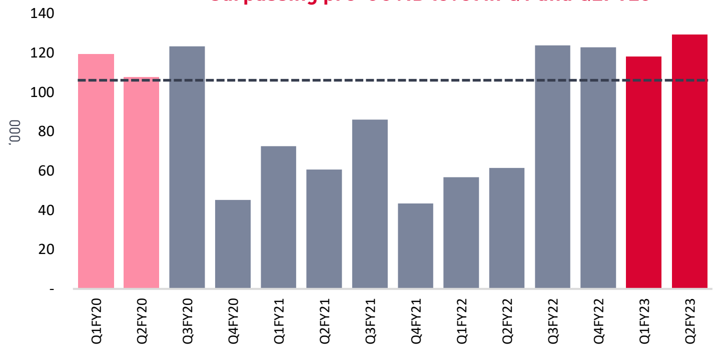
2 YTDFY23 policyholder growth is to September 2022, wage growth to December 2022 and unemployment rate to January 2023. Policyholder growth data from APRA and PHIAC. Average annual price changes in private health insurance premiums from the Department of Health. Wage price index and unemployment rate from ABS

Non-resident PHI

Strong signs of post-COVID market recovery
- International student arrivals rebounding strongly
- Student visa lodgement 9% higher than pre-COVID level in Q1 and Q2FY23[3]

Drivers of growth
- Continued recovery in international students, especially from China
- Government policy to increase migration to address skill shortage
- Visitor arrivals expected to surpass pre-COVID levels by 2025[4]
- More certainty that borders will remain open

Visa lodgement is a good indicator of future student numbers – surpassing pre-COVID level in Q1 and Q2FY23[3]



3 Student visas lodged. Department of Home Affairs. www.data.gov.au Updated January 2023

4 Tourism forecasts for Australia 2022-2027. Australian Trade and Investment Commission. Updated December 2022

Megatrends in health continue to accelerate

We are uniquely positioned to grow and play our role to sustain the health system

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	Consumerisation of health	The shift to prevention	The rise of new care settings	Outcome-based care
What's happening	A shift to personalised and connected experiences, with consumers taking greater responsibility for their health, and technology playing a critical role	Focus on better managing and preventing diseases through health engagement and prevention programs	New care settings that deliver quality care at lower costs, giving patients and providers more choice and value	A connected system for patients, providers and our communities where incentives are aligned to health outcomes
Emerging trends and opportunities	Consumer push for greater control[1] Better health service integration, e.g., ePharmacy, teleGP	Preventative health spend expected to increase from <2% of Australia's total health expenditure to 5% by 2030[2]	Low current uptake of new care settings in Australia compared to OECD countries[3]	Medicare Taskforce recommendation to improve coordination and prevention with better use of data and incentives
Our foundations	Customer relationship beyond PHI, e.g., 1.9m+ app users with emerging, connected health proposition Connect people within their communities through health and wellbeing activities	Live Better's health and wellbeing content, activities and reward program A suite of preventative programs developed in partnership with health professionals, supporting customers to stay healthy and avoid unnecessary treatments Myhealth's further focus on GP-led proactive care management	Our capabilities in virtual care and home care and progress in short stay adoption Medinet investment accelerating the virtual care experience	Connected experience across triage, primary care and acute care Value based contracting and strategic partnerships with providers
Our aspiration	Empower all customers to manage their health and wellbeing needs across multiple channels, centred around a single digital platform	Live Better to be a part of our customers' everyday life, and with relevant prevention programs accessible to all A broader role for Live Better among Australian communities, supporting better health	Increase accessibility of new care settings, providing Australians with choice, value and control of their health Adoption rate of new care settings to be closer to OECD countries where clinically appropriate	Increase the prevalence of partnership driven, integrated care solutions with a holistic focus on patient outcomes, experiences and value

1 E.g., 32% Australians currently own a smartwatch or fitness tracker. Nielsen media release. Updated September 2021
2 National Preventive Health Strategy 2021–2030. Updated December 2021
3 OECD statistics across inguinal hernia, cholecystectomy, tonsils and adenoids, septoplasty. Updated July 2022

Our strategy and longer-term growth remain the focus

We have reprioritised some activities in the short term to regain momentum in the core

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

medibank Live Better

ahm health insurance | You're good.

Amplar Health Making Health Personal

Deliver leading experiences

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1H23 progress	Immediate focus	Longer-term focus
Personalised and connected customer experiences • Simplify experience o All claim types now available in My Medibank app – digital claims up 29% o ahm's digital join passed 40% of all joins (1H22: 32%) • Connect health – My Medibank app as Home for Health o Further integrated Live Better experience – 65% of new members now joining through the app o Launched the Care tab	• Maintain customer support and transparent communication • Continue to evolve our approach to data management for all our customers, implementing lessons from the cybercrime event	• More self-service digital tools and increasingly leverage AI technology to make it easy for customers to manage their membership • Continue to build out the Home for Health in My Medibank, providing seamless access and control to customers
Our people • Maintained level of employee advocacy above target despite the disruption caused by the cybercrime event	• Inspired by our people, progress the evolution of our new way of working *work. reinvented*	• Progress with our 2030 Vision of being the healthiest workplace in Australia, further strengthening advocacy and engagement
Our community • Completed the third tranche of research in our 10-year Loneliness strategy • $731k (+275%) in procuring goods and services from Aboriginal and Torres Strait Islander businesses – on track to achieve our FY25 target ($1m spend p.a.) ahead of time	• Develop the second instalment of We Are Lonely podcast • Launch national parkrun campaign to encourage more Australians to get active and connect with their local communities	• Continue our Net Zero pathway actions, focusing on renewable energy transition • Seek opportunities for collaboration with the wider industry on climate and health initiatives

Milestones

Customer advocacy: Service NPS (average)

	1H22	1H23	FY23 benchmark[1]
Medibank	46.0	42.7	>35
ahm	45.2	40.9	>35

Employee advocacy: eNPS

	1H22	1H23	FY23 benchmark[2]
Place to work	+28	+26	≥+24
Products and services	+29	+29	≥+26

1 Benchmark reflects sustaining service levels while continuing to digitise the service delivery model
2 FY23 benchmark has been corrected from originally reported in the investor presentation issued on 18 August 2022 and includes the global average benchmark for Place to Work eNPS and the historical trend for Products and Services eNPS as at June 2022

Differentiate our insurance business

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1H23 progress

Resident business

- Lowest premium increase in 22 years, supporting customers with affordability and rising costs of living
- High proportion of new to industry (69%) and young cohort (72%) joins
- Both brands impacted by the cybercrime event, including growth momentum, retention activities and product launch pipeline
- c. 130 corporate accounts won and renewed - potentially delivering additional 4k joins p.a.
- Significant growth (+63%) in the proportion of customers holding diversified insurance products who have 35% lower lapse rate

Non-resident business

- Strong growth in overseas student segment
  - Contribution from new university partnerships won during COVID
  - OSHC Online Doctor services and student reward program address specific needs of this segment
- Highest joins in visitors and working visa segments in five years

Immediate focus

- Reinstate normal marketing and retention activities
- Re-establish growth and market share momentum in the resident business
- Pursue opportunities in growing segments - corporate and non-resident
- Continue to invest in our dual brand proposition to address rising cost of living concerns and health needs
- Strengthen the value for our customers through new products and provider networks

Longer-term focus

- Customer first approach continues to be the foundation for differentiation and growth with our unique dual brand offering
- Outperform market growth in both resident and non-resident segments
- Expand and enhance the adoption of Live Better, our prevention programs and our health capabilities in Amplar to increase customer value and to support acquisition, engagement and retention
- Deepen provider relationships and strategic partnerships to provide more value to customers, e.g. Members' Choice Advantage, no gap network

Milestones

Updated

Resident PHI market share (updated)[1]

Q1FY23	FY26 aspiration (updated)
27.48% (+3bps since FY22)	up 25-75bps on FY23

We expect to emerge at the end of FY23 in a strong position with similar momentum we saw in 1QFY23. From this position, we will aim to achieve 3-year market share growth of 25-75bps

Health Insurance productivity delivered (updated)

1H23	FY23 – FY25 target
c. $4m	Targeting $30m productivity savings in FY23-FY25, including $10m in FY23

1 APRA PHI quarterly data to September 2022. Next APRA report will be available on 1 March 2023

Expand in health

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1H23 progress

Prevention and integrated care models

- Growth momentum in prevention (+6%) and Live Better Rewards (+52%) participants
- Integrated care enrolments gaining traction[1] (+39%)
- 93.6k (+6%) virtual health advice and navigation interactions

Our health businesses and investments

- Myhealth has 107 clinics, continuing network expansion and optimisation
- Progress in our hospital investments, including short stay
  - Invest $14.8m in a JV with orthopaedic surgeons to support establishment of a surgical centre at Macquarie University Hospital
  - Adeney construction is underway, expected to open in mid 2024
- Increased scale in My Home Hospital, +76% in virtual bed capacity

Bring benefits back to our core

- Amplar's service to Medibank customers:
  - 31% of Medibank patients undergoing joint replacements had rehab at home (FY22: 25%)
- Significant expansion of our no gap network (including short stay)
  - More than doubled number of sites to 27 as at mid February 2023
  - 300% growth in volume albeit off a small base

Immediate focus

- Further scale and increase adoption of prevention programs and Live Better
- Support Myhealth's growth and GP-led care with an emphasis on prevention
- Improve homecare volume aligned to an increase in hospital admission volumes
- Continue to scale no gap to grow a national network for joint replacement, endoscopy, and some general surgery procedures
- Growing virtual and telehealth to improve access to primary care, taking strain out of emergency departments

Longer-term focus

- Scale our health and wellbeing and healthcare offerings in target high growth markets
- Expand virtual health offerings in key markets - including mental health, virtual consults and prevention
- Accelerate the repositioning of Medibank Health offering to
  - Support the needs of Medibank customers
  - Expand our support to the public system and other funders
- Inorganic growth aspirations
  - Aim to invest $150m - $250m to grow Medibank Health over the next 3 years
  - In health and wellbeing, primary care, virtual care and in community care settings (including additional short stay hospitals)

Milestones

Medibank Health segment profit

FY22	1H23	FY23-FY25 target
$45.5m	$24.6m	Average at least 15% p.a. organic segment profit growth Aim to invest $150m -$250m in total to grow Medibank Health inorganically as suitable opportunities arise over the next 3 years

Health and wellbeing

	1H23	FY25 target
Live Better Rewards participants	c. 619k	800k
Preventative program participants[2]	6.4k	> 50k

1 Includes enrolments in Hospital in the Home, Rehab at home, Chemo at Home, Infusions at Home, Palliative Care at Home, Dialysis at Home, no gap for total joint replacements and endoscopies
2 Includes total customers who have engaged with 8 preventative health programs (e.g. Better knee, better me, Better Hip) and any new offerings developed

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Financial results

Mark Rogers – Group Executive Chief Financial Officer & Group Strategy

Group financial summary

Strong underlying EPS growth of 6.7%

Six months ended 31 Dec ($m)	1H22	1H23	Change
Group revenue from external customers	**3,581.2**	**3,629.4**	**1.3%**
Health Insurance operating profit	280.9	305.2	8.7%
Medibank Health segment profit	25.7	24.6	(4.3%)
Segment operating profit	**306.6**	**329.8**	**7.6%**
Corporate overheads	(20.1)	(22.0)	9.5%
Group operating profit	**286.5**	**307.8**	**7.4%**
Net investment income	30.9	55.9	80.9%
Other income/(expenses)	(4.2)	(5.4)	28.6%
Cybercrime costs	-	(26.2)	n.m.
Profit before tax	**313.2**	**332.1**	**6.0%**
Income tax expense	(93.0)	(98.8)	6.2%
NPAT	**220.2**	**233.3**	**5.9%**
Effective tax rate	29.7%	29.8%	10bps
EPS (cents)	8.0	8.5	5.9%
Normalisation for growth asset returns	(7.4)	(3.9)	(47.3%)
Normalisation for defensive asset returns	(0.4)	(2.7)	n.m.
Underlying NPAT	**212.4**	**226.7**	**6.7%**
Underlying EPS (cents)	7.7	8.2	6.7%
Dividend per share (cents)	**6.1**	**6.3**	**3.3%**
Dividend payout ratio[1]	79.1%	76.5%	(3.3%)

1 Dividend payout ratio based on Underlying NPAT

Group operating profit up 7.4%

- Continued momentum in Health Insurance
- Solid Medibank Health performance despite external environment and recent contract transitions
- Corporate overheads increased but in line with 2H22

Net investment income increased by $25.0m

- Increase in interest income due to higher RBA cash rate
- Benefit from narrowing credit spreads

Non-recurring cybercrime costs of $26.2m (Expected $25m-$35m in 1H23)

- Expect FY23 costs between $40m - $45m
  - Includes non-recurring investment in IT security
  - Excludes further potential customer and other remediation, regulatory or litigation related costs

Reported EPS up 5.9% to 8.5c

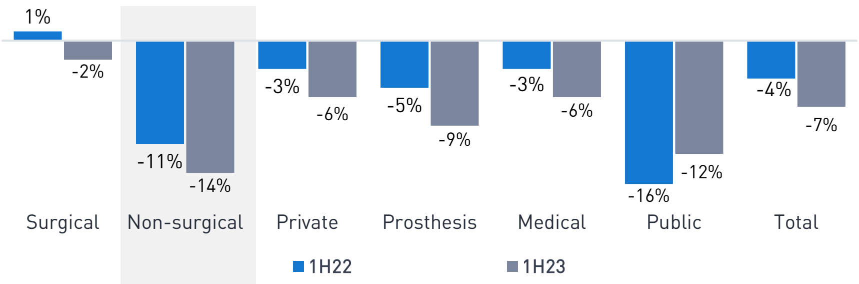
- 0.3c per share normalisation for investment returns
- Underlying EPS up 6.7% to 8.2c per share

COVID-19 impacts – claims recovery

Claims remain below underlying expectations with positive trends emerging in prosthesis

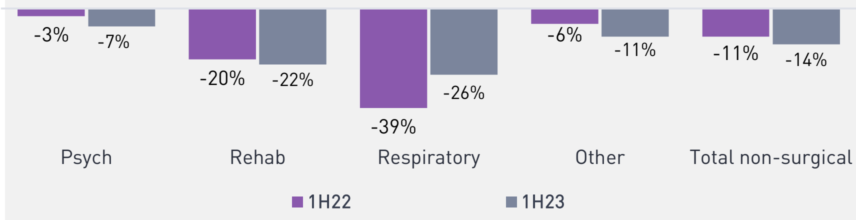
Hospital cash claims per policy unit

6 months to November claims per policy unit vs pre-COVID-19 period[1,2]



Private hospital non-surgical cash claims per policy unit

6 months to November claims per policy unit vs pre-COVID-19 period[1,2]



Total
- Hospital payments significantly below expectations for underlying claims growth (-7% vs +2.3%)
- Very limited COVID restrictions remained in place during the half
- Reflects changing customer preferences, staff shortages and other hospital operational impacts
- Emerging trend of prosthesis claims growth 7% below surgical claims growth – reflecting positive impact of reform

Surgical[3]
- Claims down 2% (1H22: +1%)
- Same day procedures continue to grow at a faster rate than overnight

Non-surgical
- Claims down 14% (1H22: -11%)
- Continue to recover slower than surgical claims, with particular softness across rehab and respiratory (c. 30% of non-surgical benefits)
- Private hospital rehab payments (c. 23% of non-surgical claims) down on average 20% relative to surgical claims volumes, accounting for c. $25m of permanent claims savings over the period
- No increase in mental health claims

Deferred claims provision
- Absence of government restrictions on admissions and claims remaining below our expectations has resulted in no addition to the provision this period
- Decreased $36.7m to $411.6m due to the impact of lapsed customers and release of Medibank extras provision following expiration of limits on 31 December 2022
- Average hospital deferral assumption unchanged at 55% (surgical 85% and non-surgical 40%)

1 Pre COVID-19 period is the 6 month period from June 2019 to November 2019. Claims figures for this period have been adjusted for inflation
2 1H22 and1H23 figures refer to 6 month period to November 21 and November 22 growth vs pre-COVID-19 period
3 Pre-COVID-19 private hospital claims comprised c. 57% surgical and c. 43% non-surgical

Health Insurance result

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Strong underlying operating margin up 20bps to 8.1%

Six months ended 31 Dec ($m)	1H22	1H23	Change	COVID-19 impact[1]	COVID-19 Adj.
Premium revenue	3,452.0	3,521.8	2.0%	267.7	3,789.5
Claims expense	(2,901.2)	(2,916.2)	0.5%		
Risk equalisation	(20.8)	(26.5)	27.4%		
Net claims expense	(2,922.0)	(2,942.7)	0.7%	(267.2)	(3,209.9)
Gross profit	530.0	579.1	9.3%		
Management expenses	(249.1)	(273.9)	10.0%		
Operating profit	280.9	305.2	8.7%	0.5	305.7
Gross margin	15.4%	16.4%	100bps		
MER	7.2%	7.8%	60bps		
Operating margin	8.1%	8.7%	60bps		

Underlying performance

Six months ended 31 Dec ($m)	1H22	1H23	Change
Underlying revenue	3,588.6	3,789.5	5.6%
Reported gross profit	530.0	579.1	9.3%
COVID-19 impact	2.9	0.5	n.m.
Underlying gross profit	532.9	579.6	8.8%
Management expenses	(249.1)	(273.9)	10.0%
Underlying operating profit	283.8	305.7	7.7%
Underlying gross margin	14.8%	15.3%	50bps
Underlying MER	6.9%	7.2%	30bps
Underlying operating margin	7.9%	8.1%	20bps

Major drivers of performance
- Resident policyholder growth (1.8% growth since 1H22)
- Continued subdued resident downgrading
- Strong double-digit non-resident policyholder growth
- Non-resident margin recovery resulting from tenure and mix impacts

Risk equalisation payment increased $5.7m
- Aligned to growth in ahm policies which are skewed to younger and lower claiming customers
- Claims growth continues to be lower than industry

Modest COVID impact on reported results of $0.5m (1H22: $2.9m)
- $267.7m returned to customers through giveback initiatives
- $267.2m permanent claim savings

Underlying gross profit up 8.8%
- Underlying revenue growth of 5.6%
- Underlying gross margin up 50bps
- Non-resident contributed approximately 40bps of gross margin increase – expect positive contribution for FY23

Underlying operating margin up 20bps to 8.1%
- Underlying operating profit up 7.7%
- Underlying MER increase of 30bps but full year MER not expected to be above FY22

1 1H23 COVID-19 adjustment of $267.7m (1H22: $136.6m) to revenue includes deferral of the 1 April 2022 premium increase and cash give back relating to Australian resident portfolio only. Permanent claims savings of $267.2m (1H22: $133.7m) as a result of COVID-19

Health Insurance – resident policyholders

Signs of recovery in acquisition and lapse since 31 December

Six months ended 31 Dec ($m)	1H22	1H23	Change
Policyholders (thousand):			
Opening balance	1,889.1	1,950.0	3.2%
Acquisitions	106.2	97.7	(8.0%)
Lapses	(78.1)	(96.0)	22.9%
Closing balance	**1,917.2**	**1,951.7**	**1.8%**
- Medibank	1,429.9	1,439.7	0.7%
- ahm	487.3	511.9	5.0%
Acquisition rate[1]	**5.6%**	**5.0%**	**(60bps)**
- Medibank	4.4%	4.1%	(30bps)
- ahm	9.6%	8.0%	(160bps)
Lapse rate[1]	**4.1%**	**4.9%**	**80bps**
- Medibank	3.6%	4.5%	90bps
- ahm	6.2%	6.8%	60bps
Policyholder growth	**1.5%**	**0.1%**	**(140bps)**
Total policy units[2] (thousand)			
Closing balance	4,687.7	4,766.9	1.7%
Average balance	4,660.2	4,782.9	2.6%

1 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
2 Based on an average of the month-end balances over the reporting period

PHI market industry remains buoyant
- Estimated 12 month rolling growth of 2.5% slightly below FY22 but impacted by Medibank growth in 2Q23
- Continued trend of high quality growth including in new to industry and younger cohorts

Policyholder numbers increased 1.8% over 12 months
- Loss of c. 13k policies since the end of September resulting in 0.1% growth in the last six months (1H22: 1.5%)
- Policyholder trajectory has improved since 31 December
- Resumption of normal business operations has seen acquisition rates recovering and retention stabilise

Acquisition and lapse impacted by cybercrime response
- Customer retention impacted by the diversion of resources to support higher call volumes
- Majority of above the line marketing and proactive acquisition activity paused

Medibank brand up 0.7%
- Resilient acquisition rate despite cybercrime impacts, down only 30bps
- Indicative of positioning and resilience of brand
- 72.3% new to industry joins (1H22: 76.5%)

ahm brand up 5.0%
- Acquisition rate down 160 bps largely driven by lower aggregator sales
- Direct sales accounted for 58.6% of sales
- 65.6% new to industry joins (1H22: 64.7%)

2H23 focus as we return to growth
- Opportunities in the growing corporate market
- Allocating additional resources to improve retention
- Increasing ahm aggregator sales

Health Insurance – underlying resident claims

medibank

Underlying claims growth in line with expectation of 2.3% per policy unit

Six months ended 31 Dec ($m)[1]	1H22	1H23	Change
Claims expense	(2,980.0)	(3,123.6)	4.8%
Risk equalisation	(20.8)	(26.5)	27.4%
Net resident claims expense	**(3,000.8)**	**(3,150.1)**	**5.0%**
- Hospital	(2,240.1)	(2,341.7)	4.5%
- Extras	(760.7)	(808.4)	6.3%
Annualised average claims expense per policy unit[2] ($)	(1,287.8)	(1,317.2)	2.3%
Hospital claims per policy unit growth	2.2%	2.2%	-
Extras claims per policy unit growth	2.5%	3.3%	80bps
Resident hospital utilisation growth	0.2%	0.2%	-
Resident extras utilisation growth	1.7%	1.9%	20bps

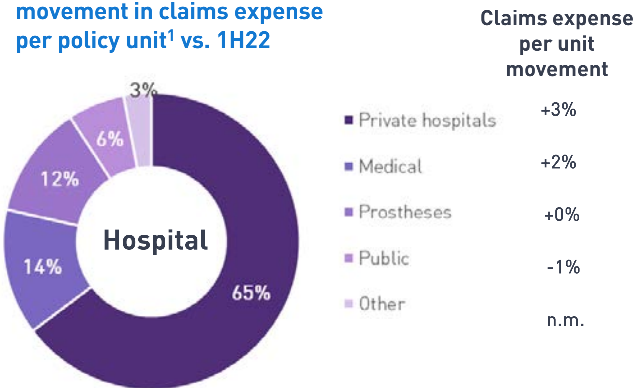
Average underlying claims growth per policy unit of 2.3% in line with expectation

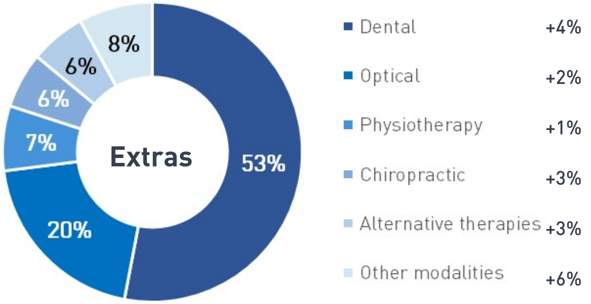
Hospital claims growth per policy unit unchanged at 2.2%
- Risk equalisation impact of 20bps – an increase on 1H22, but consistent with the return to more normal age claiming patterns
- Offset by savings from prosthesis reform
- Public hospital admissions continue to be more heavily impacted than private hospital admissions
- Health care cost inflation had minimal impact on claims with the majority of private hospitals already contracted for FY23

Extras claims growth up 80bps to 3.3%
- Reflects investment in additional product benefits
- Utilisation growth of 1.9% higher than 1H22 due to sales mix

Expect underlying claims per policy unit growth of 2.3% for FY23 (unchanged)
- Assumes prosthesis savings seen this period are maintained and rehab referral trends at pre-COVID levels
- Given the current economic environment, will closely monitor spend in more discretionary extras modalities for further softness

Indicative composition & movement in claims expense per policy unit[1] vs. 1H22





1 All numbers are in respect of the resident portfolio and on an underlying basis. See slide 32 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

Health Insurance – underlying portfolio performance

medibank

Strong growth in both resident and non-resident PHI businesses

Six months ended 31 Dec ($m)[1]	Resident			Non-resident			Total		
	1H22	1H23	Change	1H22	1H23	Change	1H22	1H23	Change
Premium revenue	3,518.7	3,698.7	5.1%	69.9	90.8	29.9%	3,588.6	3,789.5	5.6%
Net hospital claims	(2,240.1)	(2,341.7)	4.5%	(54.9)	(59.8)	8.9%	(2,295.0)	(2,401.5)	4.6%
Extras claims	(760.7)	(808.4)	6.3%				(760.7)	(808.4)	6.3%
Net claims expense	(3,000.8)	(3,150.1)	5.0%	(54.9)	(59.8)	8.9%	(3,055.7)	(3,209.9)	5.0%
Gross profit – underlying	517.9	548.6	5.9%	15.0	31.0	106.7%	532.9	579.6	8.8%
Gross margin - underlying	**14.7%**	**14.8%**	**10bps**	**21.5%**	**34.1%**	**n.m.**	**14.8%**	**15.3%**	**50bps**
Gross profit – reported	515.0	548.1	6.4%	15.0	31.0	106.7%	530.0	579.1	9.3%
Resident premium increase	3.25%	3.10%	(15bps)						
Downgrading	(0.6%)	(0.7%)	(10bps)				(0.3%)	(1.0%)	(70bps)
Revenue per policy unit growth rate	2.6%	2.4%	(20bps)	3.9%	4.7%	80bps	2.9%	2.1%	(80bps)
Claims per policy unit growth rate[2]	1.9%	2.3%	40bps	19.6%	(12.2%)	n.m.	2.6%	1.6%	(100bps)
Policy units (thousand)									
Closing balance	4,687.7	4,766.9	1.7%	171.0	229.9	34.4%	4,858.7	4,996.8	2.8%
Average balance	4,660.2	4,782.9	2.6%	175.3	217.5	24.1%	4,835.5	5,000.4	3.4%

Underlying resident performance

Gross margin expansion of 10bps
- Revenue growth per policy unit remains stronger than claims growth per policy unit
- Decline in revenue growth per policy unit reflects lower premium increase

Continued subdued downgrading of 70bps, 10bps higher than prior period
- Higher investment in Live Better and offers in response to the cybercrime event
- Despite the economic conditions, expect downgrading of 70bps over the full year
- Increasing product value, portfolio management and sales mix activities to help negate downgrading pressure

Expect modestly positive jaws for FY23
- Average premium increase of 2.96% from 1 April 2023
- Expectation of 2.3% underlying claims growth per policy unit

Underlying non-resident performance

Continued strong growth with gross profit up 106.7%
- Policy units increased 34.4%, average balance up 24.1%
- Contribution from new university partnerships won during COVID
- Strong customer growth has continued in January

Gross margin growth to 34.1%
- Continued favourable tenure and mix impacts - particularly for students
- Compares to 21.5% and 29.2% in 1H22 and 2H22 respectively

Will continue to look for further opportunities for growth in this attractive market
- Further growth in visitor and worker market segments expected
- Medium term growth opportunities exist through utilising our unique integrated health offering, improving product value proposition and further investment

Gross profit in 2H23 expected to be higher than 1H23

1 All numbers are on underlying basis. See slide 32 for reconciliation of reported to underlying claims and COVID-19 impacts
2 Adult Dependent Reform may increase future claims per policy unit growth, but will be offset by lower downgrading

Health Insurance – management expenses

Full year management expenses expected to be approximately $560 million

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Six months ended 31 Dec ($m)	1H22	1H23	Change
Premium revenue	3,452.0	3,521.8	2.0%
Management expenses	(249.1)	(273.9)	10.0%
- Depreciation and amortisation	(19.8)	(20.7)	4.5%
- DAC amortisation	(18.6)	(19.5)	4.8%
- Non-resident sales commissions	(2.9)	(11.4)	293.1%
- Operating expenses[1]	(207.8)	(222.3)	7.0%
MER	**7.2%**	**7.8%**	**60bps**
Underlying MER	**6.9%**	**7.2%**	**30bps**

Non-resident sales commissions increased $8.5m in line with policyholder acquisition

- $11.4m of sales commissions in line with 2H22
- Based on current policyholder trajectory, expect a further increase in 2H23

Non-cash costs increased by $1.8m

- Increased D&A due to increasing spend on digital assets
- DAC increased and remains above the level of new acquisition costs
- All acquisition costs will be expensed from 1 July 2023 in line with the new insurance standard AASB17

Operating expenses increased 7.0%

- Underlying cost inflation of c. 4.0% and modest volume impacts
- Partially offset by productivity
- Higher proportion of investment and other spend than normal which is expected to unwind in 2H23

Delivered productivity savings of c. $4m despite cybercrime impact

- Savings from increasing level of customer interactions through digital channels, straight through processing and flexible working
- Targeting $30m productivity savings in FY23-FY25, including $10m in FY23

FY23 underlying MER not expected to be above FY22 despite 30bps increase in H1

- FY23 management expenses expected to be approximately $560m
- Will target further modest improvement in MER through productivity and benefits of scale, while balancing investment in growth

1 Includes right-of-use depreciation of $11.4m (1H22: $11.5m)

Medibank Health result

Solid performance with operating profit from continuing businesses up 14.6%

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	Continuing business[1]			Beyond Blue/1800 Respect[3]			Total		
Six months ended 31 Dec ($m)	**1H22**	**1H23**	**Change**	**1H22**	**1H23**	**Change**	**1H22**	**1H23**	**Change**
Revenue	131.7	139.5	5.9%	24.0	-	n.m.	155.7	139.5	(10.4%)
Gross profit	59.4	62.4	5.1%	5.8	-	n.m.	65.2	62.4	(4.3%)
Management expenses	(38.8)	(38.8)	-	(3.0)	-	n.m.	(41.8)	(38.8)	(7.2%)
Operating profit	**20.6**	**23.6**	**14.6%**	**2.8**	**-**	**n.m.**	**23.4**	**23.6**	**0.9%**
Share of profit/(loss) from Myhealth	1.8	1.0	(44.4%)				1.8	1.0	(44.4%)
Share of profit/(loss) from other investments[2]	0.5	-	n.m.				0.5	-	n.m.
Medibank Health segment profit	22.9	24.6	7.4%	2.8	-	n.m.	25.7	24.6	(4.3%)
Gross margin	45.1%	44.7%	(40bps)				41.9%	44.7%	280bps
MER	29.5%	27.8%	(170bps)				26.8%	27.8%	100bps
Operating margin	15.6%	16.9%	130bps				15.0%	16.9%	190bps

Transition out of Beyond Blue and 1800 Respect contracts in 2H22

- 1H22 Operating profit $2.8m (FY22 $3.1m)
- Consistent with Amplar's strategy to continue to support the needs of our Medibank and ahm customers

Continuing business

Segment profit up 7.4% to $24.6m
- Operating profit up 14.6%
- Lower contribution from MyHome Hospital and Myhealth included non-recurring COVID income in the prior period

Revenue growth of 5.9%
- Strong health and wellbeing and recovery in travel insurance sales
- Partially offset by lower telehealth and a modest reduction in homecare aligned to subdued hospital admissions

Gross margin down 40bps to 44.7%
- Higher labour costs in homecare and inflationary impacts
- Partially offset by favourable business mix impacts

Operating margin up 130bps
- Flat management expenses despite inflationary pressures
- MER improvement of 170bps - reinforces importance of increasing scale

Key areas of focus for 2H23
- Volume and performance uplift in homecare
- Continued reposition of business to support the needs of Medibank customers
- Delivering synergies between the businesses

Positioned for growth
- Solid 1H23 despite external environment and contract transitions
- Business has good momentum with growth potential including around the needs of Medibank customers
- Expect ≥15% average organic segment profit growth p.a. over 3 years

1 Includes telehealth, in-home care, CareComplete, Diversified Insurance, health and wellbeing, and equity accounted investments
2 Includes interest income from loan to associates 1H22: $0.1m, 1H23: $0.1m
3 Beyond Blue and 1800 Respect ceased during February and June 2022 respectively

Investment portfolio and investment income

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Investment income up 80.9% to $55.9m with the benefit of higher interest rates and narrowing credit spreads

	Reported performance[2]			Underlying performance[2]		
Six months ended 31 Dec ($m)	**1H22**	**1H23**	**Change**	**1H22**	**1H23**	**Change**
Net investment income:						
Growth portfolio income	30.0	21.4	(28.7%)	19.4	15.8	(18.6%)
Defensive portfolio income	3.2	24.1	n.m.	2.7	20.2	n.m.
Fund portfolio investment income/(expense)[1]	**33.2**	**45.5**	**37.0%**	22.1	36.0	62.9%
Net other investment income and expenses	(2.3)	10.4	n.m.	(2.3)	10.4	n.m.
Total net investment income	**30.9**	**55.9**	**80.9%**	19.8	46.4	134.3%
Investment returns on growth assets	6.33%	4.37%	(196bps)	4.09%	3.21%	(88bps)
Investment returns on defensive assets	0.17%	1.21%	104bps	0.14%	1.02%	88bps
Fund Portfolio investment returns	**1.40%**	**1.84%**	**44bps**	0.93%	1.45%	52bps
RBA cash rate (average)				0.05%	1.18%	
Underlying spread to RBA cash rate				0.88%	0.27%	(61bps)
Average monthly balance:						
Growth	474.0	489.3	3.2%			
Defensive	1,898.8	1,988.2	4.7%			
Total Fund Portfolio	**2,372.8**	**2,477.5**	**4.4%**			

Growth portfolio down $8.6m
- Lower returns in property due to manager under-performance
- Mixed performance in equities with strong returns in domestic market more than offset by weaker international market returns

Defensive portfolio up $20.9m
- $22.5m increase in interest income due to higher RBA cash rate
- $3.9m benefit from narrowing credit spreads (1H22: $0.4m)
- Steepening yield curve resulted in a $8.6 million lower than expected income on international fixed interest holdings

Other income and expenses
- Flat expenses
- Benefit of higher RBA cash rate of $9.7m

RBA cash rate impacts
- Investment income increases by c. $5m for each 25bps move
- Based on the current RBA cash rate of 335 bps, we expect an additional $10.0m of interest income in the defensive portfolio in 2H23

Underlying investment income up $26.6m to $46.4m
- Underlying spread to RBA cash rate of 27bps below annualised target of 150 – 200bps per annum largely due to losses on international holdings

Based on current shape of the yield curve, expect spread to improve in 2H23

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

Capital and dividend

Strong capital position with upside from final PHI capital standards

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Six months ended 31 Dec ($m)	Dec 2021	Dec 2022
Total equity	1,937.7	1,976.5
Less: Intangible and illiquid assets	(429.1)	(383.1)
Total tangible and liquid assets	1,508.6	1,593.4
Determined but unpaid ordinary dividend	(168.0)	(173.5)
Cost of product bonus additions[1]	(21.4)	0.0
Total tangible eligible capital	1,319.2	1,419.9
Eligible capital		
- Health Insurance	960.8	1,016.2
- Other	163.2	205.6
Unallocated capital	195.2	198.1
Health Insurance capital (%)[2]	13.0%	13.0%

Dividend	31 Dec 2021	31 Dec 2022
Dividend per share (cents)	6.1	6.3
Dividend payout ratio[3]	79.1%	76.5

Health Insurance required capital up $55.4m
- Ratio at the top end of 11% to 13% target range[2]
- Increased due to premium revenue growth

Other required capital increased by $42.4m
- Investment to support a new surgical centre at Macquarie University Hospital
- $10m investment in Medinet in 2H22

Unallocated capital up $2.9m
- Strong capital generation offsetting cost of investments
- Capital generation and level of unallocated capital provides flexibility for further inorganic growth
- If suitable opportunities do not eventuate we will consider further capital management

Final PHI capital standards (from 1 July 2023) – favourable to draft
- Expected to reduce target health insurance required capital ratio to 10%-12% of forecast revenue (from 11%-13%)
- Based on a 12% ratio, the health insurance capital level would have been 2.0x the Fund PCA at 31 December
- Our PCA as a proportion of premium revenue is significantly lower than industry average due to scale and operating margin
- Standards allow for the issue of Tier 2 debt

Interim dividend of 6.3cps, fully franked
- 76.5% payout ratio of Underlying NPAT

1 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. This is a discretionary adjustment and has been removed as at 31 December 22
2 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
3 Dividend payout ratio is based on Underlying NPAT

Positioned for growth as we manage inflation

Key areas of focus and priorities for 2H23

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Maintain PHI revenue momentum

Re-establish resident policyholder growth
- Industry growth to soften but remain well above pre-pandemic levels
- Maintain low premium increases and continued customer give-backs
- Focus on growing corporate market, improving retention and ahm acquisition

Continue to manage downgrading
- Increasing product value, portfolio management and sales mix activities to help negate further downgrading pressure
- Despite economic conditions, expect downgrading of 70bps over FY23

Continue strong growth trajectory in the non-resident business
- Attractive and growing market segment
- Uniquely positioned for growth through our integrated health offerings, improving product value and further investment

Offset inflationary pressures in claims

Initial promising signs in prosthesis reform
- Critical prosthesis reform continues to deliver benefits
- Including through changes to the way the highly inflationary general and miscellaneous items are funded

Potential demand offsets
- Increasing likelihood current low rehab levels will at least in part be permanent
- Same day procedures continue to grow at a faster rate than overnight
- Benefits of continued participation growth among younger customers

Provide more services to Medibank customers through Amplar Health
- Increasing focus on prevention
- Support the shift to new care settings
- Deliver integrated models of care at scale

Scale Medibank Health through organic and inorganic growth

Megatrends in health continue to accelerate
- Consumers wanting more value, choice and control of their health
- Attractive and growing markets where we have strong foundations
- Utilise our unique integrated health offering

Expect ≥15% average organic segment profit growth p.a. over 3 years
- Growing participation in our leading health propositions
- Increasing scale to create operational efficiencies
- Delivering synergies with our businesses

Aiming to invest \$150m - \$250m inorganically over the next 3 years
- Primarily in health and wellbeing, primary care and new care models (including additional short stay hospitals)
- To increase scale, expand geographic coverage, add new capability

Continued cost discipline across our business

Continuation of our productivity program
- Targeting \$30m productivity savings in FY23-FY25, including \$10m in FY23
- Savings from increasing level of customer interactions through digital channels, straight through processing and flexible working
- Property savings of \$5m from head office relocation in 2025

Opportunities to manage non-cash costs
- Reduce acquisition costs by increasing direct ahm sales
- Closely manage D&A aided by major IT assets becoming fully depreciated with remaining useful life

Benefits of economies of scale

Conclusion

David Koczkar
Chief Executive Officer

Immediate priorities: be there for our customers, regaining resident policyholder momentum and continue to pursue growth

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We will always put our customers first

- The cybercrime has impacted our customers in different ways – we will continue to support our customers as we remain open and transparent, understanding what is important to them
- We will demonstrate our enhanced approach to protect and store customer data
- Our team remains dedicated to progress Medibank's vision of the best health and wellbeing for Australia

We are focused on regaining resident policyholder growth momentum

- The initial impacts of the cybercrime event on our business have started to subside, with promising early signs of recovery in acquisition and lapse in 2H23 and encouraging leading indicators
- Despite increasing cost of living pressures among many Australians, industry growth remains strong and we are well positioned to regain our policyholder momentum with our dual brands and differentiated products and services
- We have a track record of managing our business well in challenging circumstances

We are uniquely positioned to grow in multiple markets from strong foundations

- **Resident PHI:** by focusing on growth and retention activities and delivering on our dual brand proposition and value to customers
- **Non-resident PHI:** by expanding partnerships and our differentiated offerings as we look to increase share in a growing market
- **Medibank Health:**
  - By scaling and connecting our health businesses in high growth markets
  - By accelerating the repositioning of Amplar Health in the post COVID environment
- **Delivering synergies:** continuing to prioritise growth in Medibank Health including directly supporting Medibank customers
- **Inorganic growth**: by aiming to invest $150m -$250m in total to grow Medibank Health inorganically as suitable opportunities arise over the next 3 years

FY23 outlook

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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
Resident policyholder growth	New	We expect resident policyholder growth of approximately 0.5%-0.75% assuming recent trends continue and a modest decline in industry growth rate in FY23 relative to FY22
Claims		Underlying claims per policy unit growth of 2.3% for FY23 among resident policyholders (unchanged)
PHI management expenses	Updated	FY23 management expenses expected to be c. $560m • FY23 underlying MER not expected to be above FY22 • Target $30m productivity savings in FY23-FY25, including $10m in FY23
Cybercrime costs	New	Non-recurring FY23 cybercrime costs expected to be $40m-$45m • Includes non-recurring investment in IT security • Excludes further potential customer and other remediation, regulatory or litigation related costs
Growth		Targeted organic and inorganic growth for Medibank Health and Health Insurance remain areas of focus, supported by a strong capital position


11:30
Back
Make a claim
What would you like to claim?
Extras
Claim for dental, physio, chiro and most other extras.
Pharmacy
Claim for eligible prescription medication purchases.
Health appliance & service
Claim for blood pressure monitors, hearing aids and more
Medical
Claim for eligible medical procedures performed in or out of hospital by specialists/doctors.
Hospital
Treatment as a private patient in a hospital for things like theatre and accommodation changes.
Ambulance

Appendix

Our health investments

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Target markets	Investments	Ownership interest (%)	Description	Benefits to Medibank
Primary care	Myhealth Medical Holdings Pty Ltd	49%	• Medibank acquired a non-controlling interest in Myhealth Medical Group for c. $63m in 2021	Support preventative health and GP-led proactive care management
	Medinet Australia Pty Ltd	3.85%	• Medibank invested $10m in health tech company Medinet in 2022 and has 28.5% of the voting right • Medinet provides platform helping GPs to connect with their patients	Continue to grow our virtual care capabilities
Homecare	Calvary Medibank JV Pty Ltd	50%	• Since 2020, the JV has been providing My Home Hospital program for Wellbeing SA and COVID Care At Home in a number of states	Continue to grow our homecare capabilities
Hospitals, including short stay	East Sydney Day Hospital Pty Ltd	49%	• Medibank's initial investment of $8.8m in 2020 to fund capital investment and operational costs required for the hospital to scale its short stay model of care	Expand our no gap network , including short stay
	Adeney Private Hospital Pty Ltd	49%	• The JV between a group of doctors and Medibank will establish a new short stay surgical facility in Kew Melbourne • Medibank's contribution to date is $6.2m, with a further commitment of $2.8m, totalling $9m • Expected to open in mid 2024	
	SydOrtho Holdings Pty Ltd (holding company) supporting MQ Health to establish a surgical facility	50%	• Medibank invested $1.5m (with a total commitment of $14.8m) in 2022 to establish a JV with orthopaedic surgeons to support the establishment an orthopaedic surgical centre at Macquarie University Hospital • MQ Health is contributing the floor space, with the centre to operate as an integrated part of the hospital	

Reconciliation of reported to underlying claims and COVID-19 impacts

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COVID-19 impacts – Health Insurance

Six months ended 31 Dec ($m)	1H22	1H23
Deferral of April 2022 premium increase[2]	136.6	60.7
Cash give back announced December 2022		207.0
Total customer relief impact	**136.6**	**267.7**
Resident hospital claims	(66.6)	(212.8)
Resident ancillary claims	(67.1)	(54.4)
COVID-19 claims expense impacts	**(133.7)**	**(267.2)**
Net COVID-19 impacts	**2.9**	**0.5**

COVID-19 claims liability impacts

Six months ended 31 Dec 2022 ($m)	Hospital[1]	Ancillary	Total
30 June 2022 – COVID-19 claims liability	405.6	42.7	448.3
Hindsight provision movement	(0.5)	0.1	(0.4)
Decrease during the period	(10.8)	(25.5)	(36.3)
31 Dec 2022 – COVID-19 claims liability	**394.3**	**17.3**	**411.6**
(Lower) / higher than expected claims	(201.5)	(29.0)	(230.5)
Change to liability increase / (decrease)	(11.3)	(25.4)	(36.7)
COVID-19 claims expense impacts	**(212.8)**	**(54.4)**	**(267.2)**

Reconciliation of reported to underlying claims

Six months ended 31 Dec ($m)	1H22	1H23
Total reported claims	(2,922.0)	(2,942.7)
COVID-19 claims expense impacts	(133.7)	(267.2)
Total underlying claims	**(3,055.7)**	**(3,209.9)**
Underlying claims per policy unit growth	**2.6%**	**1.6%**
Reported resident claims	(2,867.1)	(2,882.9)
COVID-19 claims expense impacts	(133.7)	(267.2)
Underlying resident claims	**(3,000.8)**	**(3,150.1)**
Underlying claims per policy unit growth		
Total resident	1.9%	2.3%
Hospital	2.2%	2.2%
Extras	2.5%	3.3%

1 Hospital includes non-resident
2 5 month deferral of April 2022 premium increase announced and recognised in 1H22. 2.5 month deferral announced and recognised in 1H23

Group financial summary – half by half

medibank

($m)	1H22	2H22	1H23	Change 1H23 v 1H22	Change 1H23 v 2H22
Group revenue from external customers	3,581.2	3,547.3	3,629.4	1.3%	2.3%
Health Insurance operating profit	280.9	311.7	305.2	8.7%	(2.1%)
Medibank Health segment profit	25.7	19.8	24.6	(4.3%)	24.2%
Segment operating profit	**306.6**	**331.5**	**329.8**	**7.6%**	**(0.5%)**
Corporate overheads	(20.1)	(23.9)	(22.0)	9.5%	(7.9%)
Group operating profit	**286.5**	**307.6**	**307.8**	**7.4%**	**0.1%**
Net investment income/(expense)	30.9	(55.7)	55.9	80.9%	(200.4%)
Other income/(expenses)	(4.2)	(5.1)	(5.4)	28.6%	5.9%
Cybercrime costs	-	-	(26.2)	n.m.	n.m.
Profit before tax	**313.2**	**246.8**	**332.1**	**6.0%**	**34.6%**
Income tax expense	(93.0)	(73.1)	(98.8)	6.2%	35.2%
NPAT	**220.2**	**173.7**	**233.3**	**5.9%**	**34.3%**
EPS (cents)	8.0	6.3	8.5	5.9%	34.3%
Normalisation for growth asset returns	(7.4)	30.1	(3.9)	(47.3%)	n.m.
Normalisation for defensive asset returns	(0.4)	18.9	(2.7)	n.m.	n.m.
Underlying NPAT	**212.4**	**222.7**	**226.7**	**6.7%**	**1.8%**
Underlying EPS (cents)	7.7	8.1	8.2	6.7%	1.8%
Dividend per share (cents)	**6.10**	**7.30**	6.3	**3.3%**	(13.7%)
Dividend payout ratio[1]	79.1%	90.3%	76.5%	(3.3%)	(15.3%)

1 Dividend payout ratio based on Underlying NPAT

Health Insurance resident policyholders – half by half

medibank

	1H22	2H22	1H23	Change: 1H23 v 1H22	Change: 1H23 v 2H22
Premium revenue ($m)	**3,452.0**	**3,407.8**	**3,521.8**	**2.0%**	**3.3%**
Policyholders[1] (thousand):					
Opening balance	1,889.1	1,917.2	1,950.0	3.2%	1.7%
Acquisitions	106.2	116.8	97.7	(8.0%)	(16.4%)
Lapses	(78.1)	(84.0)	(96.0)	22.9%	14.3%
Closing balance	1,917.2	1,950.0	1,951.7	1.8%	0.1%
- Medibank	1,429.9	1,444.4	1,439.7	0.7%	(0.3%)
- ahm	487.3	505.6	511.9	5.0%	1.2%
Acquisition rate[2]	**5.6%**	**6.0%**	**5.0%**	**(60bps)**	**(100bps)**
- Medibank	4.4%	4.8%	4.1%	(30bps)	(70bps)
- ahm	9.6%	10.1%	8.0%	(160bps)	(210bps)
Lapse rate[2]	**4.1%**	**4.3%**	**4.9%**	**80bps**	**60bps**
- Medibank	3.6%	3.8%	4.5%	90bps	70bps
- ahm	6.2%	6.5%	6.8%	60bps	30bps
Policyholder growth	**1.5%**	**1.7%**	**0.1%**	**(140bps)**	**(160bps)**
Total policy units[1] (thousand):					
Closing balance	4,687.7	4,758.9	4,766.9	1.7%	0.2%
Average balance	4,660.2	4,714.0	4,782.9	2.6%	1.5%

1 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
2 Based on an average of the month-end balances over the reporting period

Investment portfolio

medibank

As at 31 December 2022	Spot Balance ($m)	Portfolio composition	Average Balance ($m)	Average Balance Portfolio composition	Target asset allocation
Australian equities	146.3	6.4%	141.1	5.7%	6.0%
International equities	103.9	4.5%	105.2	4.2%	5.0%
Property	182.1	8.0%	184.4	7.4%	7.0%
Infrastructure	82.4	3.6%	58.6	2.4%	2.0%
Growth	**514.7**	**22.5%**	**489.3**	**19.7%**	**20.0%**
Fixed income[1,2]	1,403.2	61.4%	1,429.3	57.7%	60.0%
Cash[3]	366.4	16.1%	558.9	22.6%	20.0%
Defensive	**1,769.6**	**77.5%**	**1,988.2**	**80.3%**	**80.0%**
Total Fund (pre-STOC)	**2,284.3**	**100.0%**	**2,477.5**	**100.0%**	**100.0%**
Short-term operational cash[4]	661.3		671.3		
Total Fund	**2,945.6**		**3,148.8**		
Non health fund investments[5]	164.3		174.9		
Total investment portfolio	**3,109.9**		**3,323.7**		

1 Target asset allocation comprises floating rate notes and asset-backed investments (33.0%) and other fixed income (27.0%). The Fund's average credit duration is approximately 2.4 years, average interest rate duration is approximately 0.7 years, and the average credit rating is 'A'

2 For investment portfolio purposes, fixed income comprises fixed income securities ($2,218.9 m), less reclassified cash with maturities between 3-12 months ($418.0m), less non health fund fixed income securities ($161.8m), less short-term operational cash fixed income securities ($253.5m), plus cash allocated to the Fixed income portfolio ($17.6m)

3 For investment portfolio purposes, cash comprises cash and cash equivalents ($406.7m) plus cash with maturities between 3-12 months ($418.0m), less non health fund investments ($2.5m), less short-term operational cash ($407.8m), less operational cash ($30.4m) less cash allocated to the Fixed income portfolio ($17.6m)

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

Glossary

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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
ABS	Australian Bureau of Statistics
Adult Dependent Reform	Reform that allows adult dependents to remain on their parents private health insurance policies until they turn 31
APRA	Australian Prudential Regulation Authority
bps	Basis points (1.0% = 100 bps)
cps	Cents per share
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
Health Insurance	Includes both resident and non-resident
Hospital utilisation	The number of hospital admissions per hospital policy unit and includes a provision for IBNR and COVID-19
IBNR	Incurred but not reported
Jaws	Income growth rate minus the expense growth rate on a PSEU basis
Live Better	A Medibank program to inspire people to lead a healthier and happier lifestyle, with tools and rewards (for eligible members) to motivate people
NPAT	Net profit after tax

Term	Definition
Members Choice Advantage	An enhanced network of ancillary providers where customers can enjoy better value on eligible extras services. Includes dental and optical providers, physiotherapy, chiropractic, podiatry, acupuncture and remedial massage
MER	Management expense ratio
n.m.	Not meaningful
PHI	Private Health Insurance
Non-resident PHI	Overseas visitor, working visa and student health covers
PHIAC	Private Health Insurance Administrative Council
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 non-resident policies and only adult insureds are typically counted in the calculation of PSEUs
Resident PHI	Hospital and/or extras cover for a compliant 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
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