

A large group of runners, including men, women, and children, are participating in a parkrun event. They are running on a paved path through a park with many trees. Most runners are wearing red tank tops with the 'medibank parkrun' logo. In the foreground, a young boy in a green tank top is running towards the camera. In the background, there are red arches and banners with the event's name and logo. The overall atmosphere is energetic and community-oriented.

medibank

# Full year results

## 2023

Investor presentation  
24 August 2023

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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.



# Highlights

**David Koczkar**  
Chief Executive Officer

**Teeth.**  
We'd literally  
suck without them.  
So help look after them with Medibank.

**medibank**



medibank

medibank

# Delivering for customers remains our focus

## Value for our customers



### Supporting affordability

lowest average resident premium increase in **22 years**

**\$469m**

COVID-19 financial support<sup>1</sup>

### Reducing out-of-pockets

**\$25m+ saved**

Members' Choice Advantage

**\$1,600 (average saving)**

no gap joint replacement program

### Prioritising the right cover

**586k**

health cover check in conversations

## Health for our customers



### Focusing on prevention

**697k (+34%)**

Live Better Rewards participants

### Improving healthcare access

**226k (+30%)**

virtual health advice and navigation interactions<sup>2</sup>

### Growing homecare services

**30% (FY22: 24%)**

customers had rehab at home following a joint replacement

## Health for our community



### Investing in integrated care

**iMH joint venture**

extending mental health care beyond the hospital to the home and community

### Supporting primary care

almost **3m** patient consults

across **108** Myhealth GP clinics

### Leading health system change

**19k+**

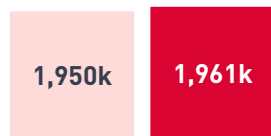
hospital bed days saved through My Home Hospital, an SA Health service

[1] Includes \$451.7 million for deferral of the 1 April 2023 premium increase and cash give backs, and for ahm extras rollover valued at \$17.0m. [2] Medibank customer interactions with Health Concierge [phone and digital engagement] and via 24/7 nurse and mental health support.

# Solid result delivered during challenging business conditions

## Net resident policyholder growth

**+10.9k** (+0.6%)

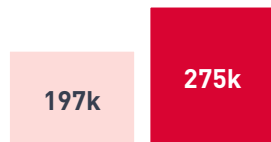


FY22

FY23

## Net non-resident policy unit growth

**+78.4k** (+39.9%)

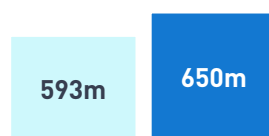


FY22

FY23

## Health Insurance operating profit

**\$650.4m** (+9.8%)

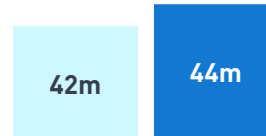


FY22

FY23

## Medibank Health segment profit – continuing basis<sup>1</sup>

**\$44.2m** (+4.2%)

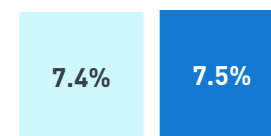


FY22

FY23

## Health Insurance underlying management expense ratio<sup>2</sup>

**7.5%** (+10bps)

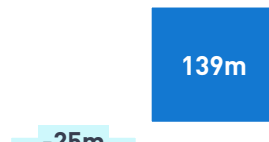


FY22

FY23

## Net investment income

**\$138.6m** (+n.m.)

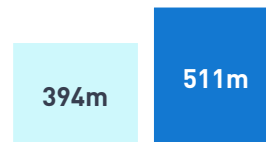


FY22

FY23

## Net profit after tax

**\$511.1m** (+29.8%)

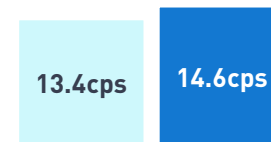


FY22

FY23

## FY23 ordinary dividend fully franked

**14.6cps** (+9.0%)



FY22

FY23

[1] Based on continuing business - excluding the impacts of Beyond Blue and 1800RESPECT contracts which ceased during February and June 2022 respectively. [2] Health Insurance underlying management expense ratio does not include non-recurring cybercrime costs of \$46.4m of in FY23 - refer to slide 13.

# Momentum has returned

## Strong foundations underpin further growth and greater impact

### Our strategy

#### Deliver leading experiences



#### Differentiate our insurance business



#### Expand in health



### Key achievements

#### Regaining customer trust in H2

#### Retained strong employee engagement

#### Supported our communities

#### Improved customer value

#### Served evolving customer needs

#### Benefited from dual brand expertise

#### Scaling our health businesses

#### Grew customer synergies

#### Led healthcare innovation in Australia

### Key highlights

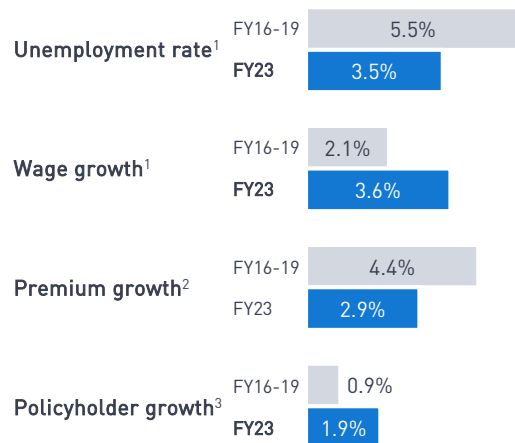
- Customer advocacy above benchmark, improving retention momentum
- Sustained level of employee advocacy throughout FY23
- Progressing well on our ESG commitments including investing in health research. Support of parkrun Australia on track to reach 1m participant milestone
- Expanded no gap network to 34 hospitals nationally
- Increased digital adoption – My Medibank registrations up 7% to c.1.5m. Direct sales represented 79% of resident joins – half were through digital channels
- Exceeded 4m customers – c.40% policy growth in non-resident and continued quality growth in ahm<sup>4</sup>. Medibank brand resilient – returned to growth in Q4<sup>4</sup>
- Saved 115k hospital bed days through Medibank at Home, up 22% in FY23
- Supported c. 90k<sup>3</sup> Medibank customers through Amplar Health
- Calvary Medibank joint venture<sup>1</sup> – one of the first standalone virtual hospitals delivering hospital-level care to be nationally accredited<sup>2</sup>

# Market fundamentals continue to support quality growth

## PHI industry settings remain resilient despite economic conditions

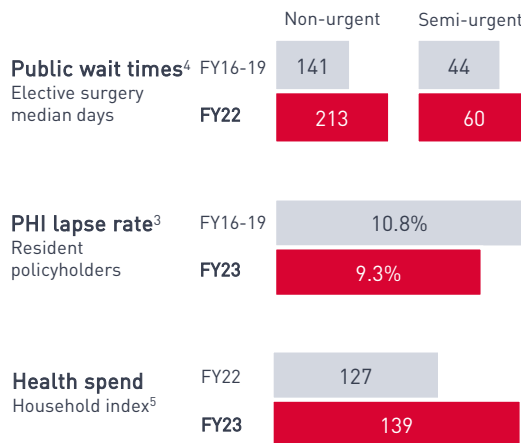
### Market dynamics

**Strong employment, premium increases below headline inflation and wage growth**



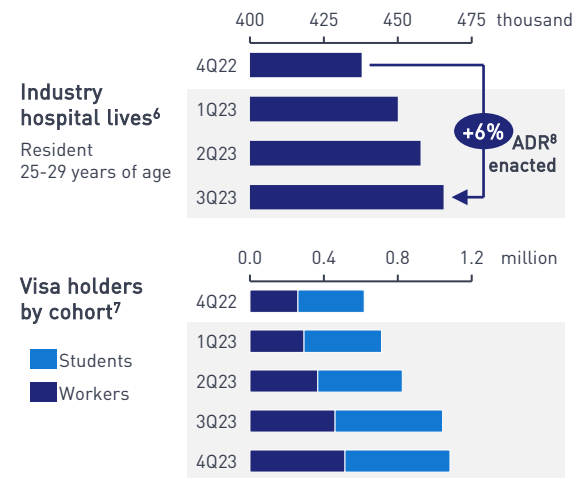
### Consumer attitudes

**Consumer sentiment towards PHI resilient – emphasis on value increasing**



### Participation trends

**New-to-industry growth led by younger cohorts and aided by increasing migration**



**Policy growth moderation but remaining above historical trends – hospital lives growth >2%**

**Medibank's dual brands well positioned to support value with rising cost-of-living**

**Adult Dependent Reform benefiting Medibank**  
**Ongoing growth potential in non-resident**

[1] Labour Force, Australia (Jun-23) and Wage Price Index (Jun-23), ABS. [2] Industry average, resident premiums, Australian Department of Health and Aged Care. [3] Industry average, resident policyholders, APRA quarterly private health insurance statistics (Jun-23). [4] Elective surgery waiting times by urgency category, Australian Institute of Health and Welfare (published Jul-23). [5] Annual figures based on monthly averages. Monthly Household Spending Indicator, ABS (Jun-23). [6] Industry, resident lives, APRA quarterly private health insurance statistics (Mar-23). [7] Australian Department of Home Affairs – temporary entrants visa holder statistics (as at 30 Jun-23). Workers segment includes key contestable visa categories eligible for Medibank's Overseas Workers Health Covers. Bridging visa holders in Australia excluded from all segments. [8] Adult Dependent Reform (ADR) - reform that allows adult dependents to remain on their parents private health insurance policy until they turn 31.



# We are providing solutions to challenges in Australian healthcare

## Our investments are enabling more consumer choice to unlock system change

### Challenges



#### Outcomes

Growing prevalence of chronic disease with an ageing population



#### Shifting focus from treatment to prevention

- Live Better programs are supporting people to eat, move and feel better
- Growing suite of preventative health programs with adoption rapidly rising

#### Live Better Rewards participants



#### Experiences

Fragmented health delivery and growing inequity of access



#### Increasing consumer choice and access with new care settings

- Our virtual health options increase access to care and service efficiency
- Integrated care better supporting treatment – right care, right place

#### Medibank virtual health advice and navigation interactions



#### Value

Rising health costs placing pressure on out-of-pockets and long-term consumer affordability



#### Innovating in health to benefit the consumer and improve system efficiency

- Improving access to care options through no gap programs – increasing scale and introducing more modalities
- Growing short stay care models which can reduce length of hospital stay by 50%<sup>1</sup>

#### Medibank customers undergoing no gap surgeries<sup>2</sup>

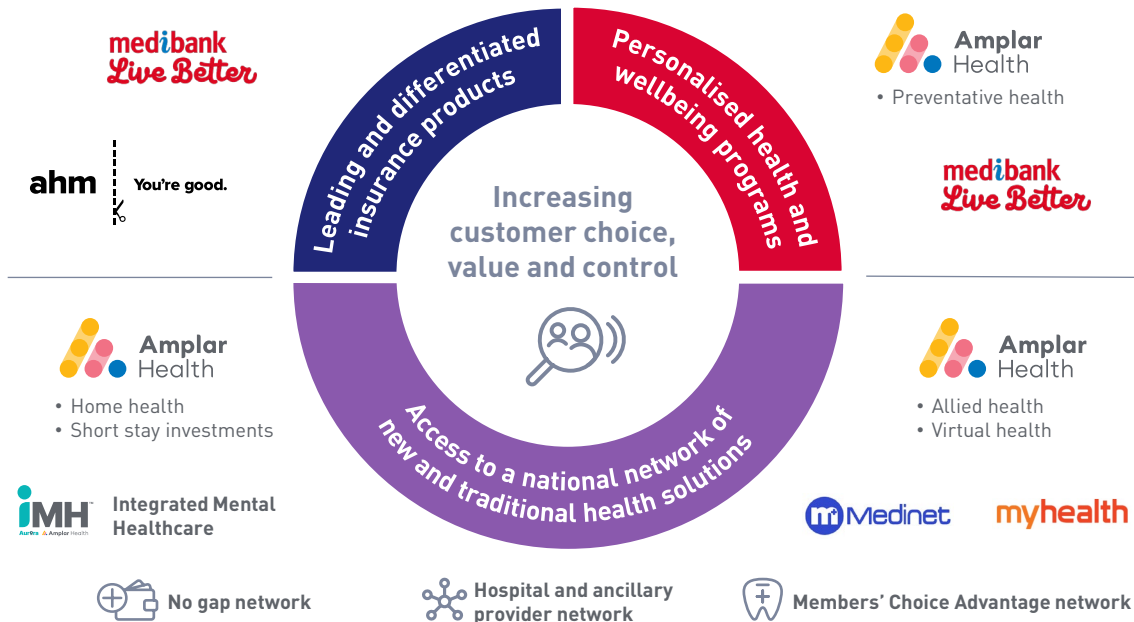


# Customers remain at the centre of our strategy

## Medibank has a platform for growth across health

### Insurance

### Health and wellbeing, prevention



Combination of leading capabilities for our customers

Strong foundations in large and growing health markets

Proven partnering ability across healthcare

Increasing focus to connect our offerings

Multiple growth avenues with established investment pipeline

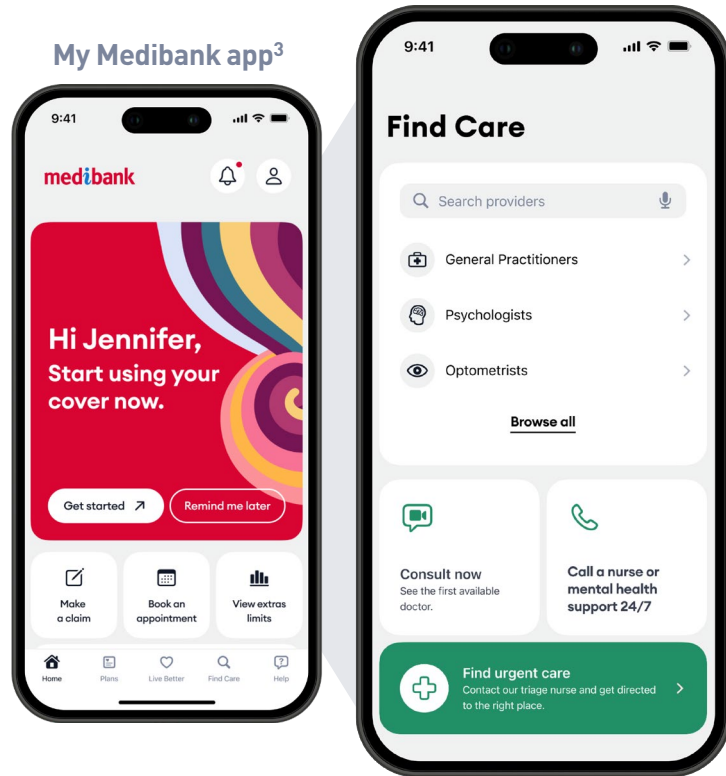
### Community care and short stay <sup>1,2</sup>

### Primary and virtual care <sup>1,2</sup>

[1] Medibank has an investment in Myhealth, Medinet and Integrated Mental Health (iMH) and they are not wholly owned entities – refer to slide 33. [2] Short stay investments which are not wholly owned include the Calvary Medibank JV, Adeney Private Hospital, East Sydney Private Hospital, SydOrtho Holdings Pty Ltd and Integrated Mental Health (iMH) – refer to slide 33.

# Our investments in digital underpin our growth in health

## How we are bringing this to life for the Medibank customer



### Our digital experience is making it easier for customers

- Increased access and ease of navigation when using our services
- Providing customers more proactive and personalised care
- Significant uptake of Home for Health features<sup>1</sup> – 650k+ users up 6% in FY23

### We are innovating with data-led, connected experiences

- A seamless experience spanning triage, consults and condition management
- Integrated back to a customer's policy and Live Better program membership
- Virtual consults for non-resident and corporate customers up 163% in FY23<sup>2</sup>

### Unlocking future value through Amplar Health and Medibank

- New, scalable digital health programs delivered through Amplar Health
- Tailored health solutions for our corporate customer base
- Reimagining primary care through a multi-channel model

# Financial results

**Mark Rogers**

**Group Lead – Chief Financial Officer & Group Strategy**



# Group financial summary

## Underlying EPS up 14.8%

Financial year ended 30 June (\$m)	2022	2023	Change
<b>Group revenue from external customers</b>	<b>7,128.5</b>	<b>7,355.3</b>	<b>3.2%</b>
Health Insurance operating profit	592.6	650.4	9.8%
Medibank Health segment profit	45.5	44.2	(2.9%)
<b>Segment operating profit</b>	<b>638.1</b>	<b>694.6</b>	<b>8.9%</b>
Corporate overheads	(44.0)	(47.1)	7.0%
<b>Group operating profit</b>	<b>594.1</b>	<b>647.5</b>	<b>9.0%</b>
Net investment income/(expense)	(24.8)	138.6	n.m.
Other income/(expenses)	(9.3)	(12.6)	35.5%
Cybercrime costs	-	(46.4)	n.m.
<b>Profit before tax</b>	<b>560.0</b>	<b>727.1</b>	<b>29.8%</b>
Income tax expense	(166.1)	(216.0)	30.0%
<b>NPAT</b>	<b>393.9</b>	<b>511.1</b>	<b>29.8%</b>
Effective tax rate	29.7%	29.7%	-
EPS (cents)	14.3	18.6	29.8%
Normalisation for growth asset returns	22.7	(4.7)	n.m.
Normalisation for defensive asset returns	18.5	(6.8)	n.m.
<b>Underlying NPAT</b>	<b>435.1</b>	<b>499.6</b>	<b>14.8%</b>
Underlying EPS (cents)	15.8	18.1	14.8%
<b>Dividend per share (cents)</b>	<b>13.4</b>	<b>14.6</b>	<b>9.0%</b>
Dividend payout ratio <sup>1</sup>	84.8%	80.5%	(430bps)

### Group operating profit up 9.0%

- Health Insurance business remains resilient
- Strong underlying profit growth in Medibank Health
- Uplift in corporate overheads largely due to inflation

### Net investment income up \$163.4m

- Stronger equity markets
- Benefit of higher RBA cash rate

### Other income / (expenses)

- Includes \$1.4m of M&A expenses (FY22: \$1.7m)
- Lower income due to subtenant voluntary administration

### Non-recurring cybercrime costs of \$46.4m

- Expect costs of between \$30m – \$35m in FY24
  - For further IT security uplift and legal and other costs related to regulatory investigations and litigation
  - Excludes the impacts of any potential findings or outcomes from regulatory investigations or litigation

### Underlying EPS up 14.8% to 18.1c

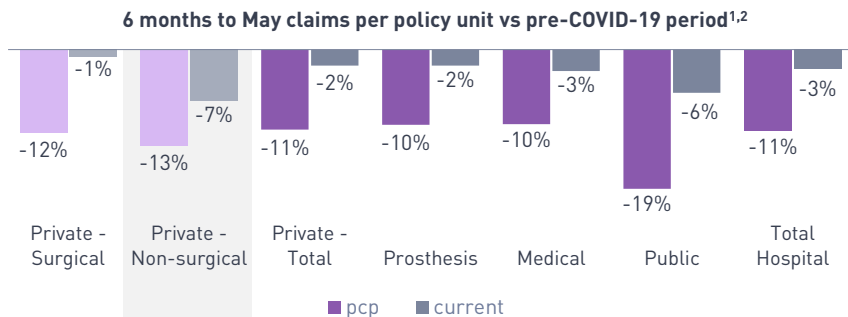
- (0.5)c per share normalisation for investment returns
- Reported EPS up 29.8% to 18.6c

[1] Dividend payout ratio based on Underlying NPAT.

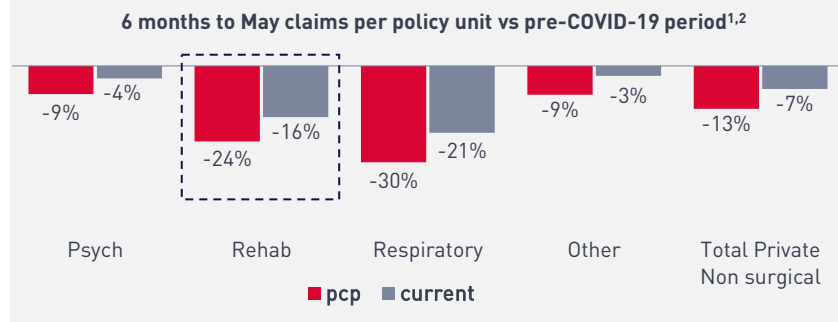
# Claims recovery post COVID-19

Claims growth continues to be below expectations – slower recovery in non-surgical

## Hospital cash claims per policy unit

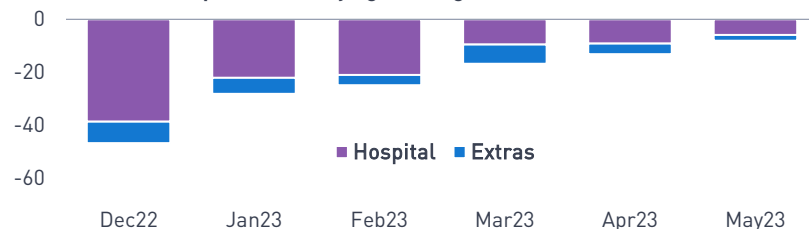


## Private hospital non-surgical cash claims per policy unit



## Variance to expected underlying hospital & extras cash claims (\$m/month)

\$138m or 5% below expected underlying claims growth of 2.4% for the 6 months to May 23



### Hospital claims 5% below underlying expectations (6 months to May 23)

- Recovery in non-surgical claims continues to lag surgical claims
- Expect favourable permanent shift in rehab claims relative to pre-COVID expectation
- Prosthesis reform continues to favourably impact hospital claims growth
- Public hospital claims increased in line with improved bed availability, but growth remains below private hospital claims growth

### Extras claims 4% below underlying expectations (6 months to May 23)

- Dental claims increased during 2H23 however claims trend continues to be variable particularly in more discretionary modalities

### Continue to monitor claims for further signs of other permanent shifts

- Further rehab savings
- Ongoing softness in psychiatric and respiratory claims
- Proportion of surgical procedures occurring on same day or short stay basis

# Health Insurance result

## Underlying operating margin up 40bps to 8.6%

Financial year ended 30 June (\$m)	2022	2023	Change	COVID-19 impact <sup>1</sup>	COVID-19 Adj.
Premium revenue	6,859.8	7,148.7	4.2%	451.7	7,600.4
Claims expense	(5,695.0)	(5,889.1)	3.4%		
Risk equalisation	(36.1)	(36.8)	1.9%		
Net claims expense	(5,731.1)	(5,925.9)	3.4%	(451.4)	(6,377.3)
<b>Gross profit</b>	<b>1,128.7</b>	<b>1,222.8</b>	<b>8.3%</b>		
Management expenses	(536.1)	(572.4)	6.8%		
<b>Operating profit</b>	<b>592.6</b>	<b>650.4</b>	<b>9.8%</b>	<b>0.3</b>	<b>650.7</b>
<b>Gross margin</b>	<b>16.5%</b>	<b>17.1%</b>	<b>60bps</b>		
MER	7.8%	8.0%	20bps		
<b>Operating margin</b>	<b>8.6%</b>	<b>9.1%</b>	<b>50bps</b>		

### Underlying performance

Financial year ended 30 June (\$m)	2022	2023	Change
<b>Underlying revenue</b>	<b>7,229.2</b>	<b>7,600.4</b>	<b>5.1%</b>
<b>Reported gross profit</b>	<b>1,128.7</b>	<b>1,222.8</b>	<b>8.3%</b>
COVID -19 impact	0.6	0.3	n.m.
<b>Underlying gross profit</b>	<b>1,129.3</b>	<b>1,223.1</b>	<b>8.3%</b>
Management expenses	(536.1)	(572.4)	6.8%
<b>Underlying operating profit</b>	<b>593.2</b>	<b>650.7</b>	<b>9.7%</b>
<b>Underlying gross margin</b>	<b>15.6%</b>	<b>16.1%</b>	<b>50bps</b>
Underlying MER	7.4%	7.5%	10bps
<b>Underlying operating margin</b>	<b>8.2%</b>	<b>8.6%</b>	<b>40bps</b>

### Modest COVID impact of \$0.3m (FY22: \$0.6m)

- \$451.7m returned to customers through give back initiatives
- \$451.4m permanent claims savings
  - Claims \$256.9m below underlying expectation
  - Reduction in DCL of \$194.5m (30 June balance of \$253.8m)

### Underlying revenue up 5.1%

- 0.6% resident policyholder growth
- 39.9% increase in non-resident policy units
- Improved downgrading outcome despite economic conditions

### Underlying gross profit up 8.3%

- Underlying gross margin up 50bps
- Non-resident gross margin recovered to pre-COVID levels

### Underlying operating profit up 9.7% to \$650.7m

- Underlying operating margin up 40bps to 8.6%
- Nominal increase in MER despite higher inflation

### New insurance accounting standard AASB17 applies 1 July 2023

- Immaterial impact expected on underlying operating profit
- DCL balance of \$253.8m at 30 June 2023 will be transferred net of tax to an equity reserve (\$177.7m)
- Reserve used to offset future customer give backs, recovery of deferred hospital procedures or other temporary claims effects (see slide 28)

(1) FY23 COVID-19 adjustment of \$451.7m (FY22: \$369.4m) to revenue includes deferral of the 1 April 2023 premium increase and cash give backs, but does not include the ahm extras rollover valued at \$17.0m. Permanent claims savings of \$451.4m (FY22: \$368.8m) as a result of COVID-19.

# Health Insurance – resident policyholders

## Returned to policyholder growth in Q4

Financial year ended 30 June	2022	2023	Change
<b>Policyholders (thousand):</b>			
Opening balance	1,889.1	1,950.0	3.2%
Acquisitions	223.0	205.2	(8.0%)
Lapses	(162.1)	(194.3)	19.9%
<b>Closing balance</b>	<b>1,950.0</b>	<b>1,960.9</b>	<b>0.6%</b>
– Medibank	1,444.4	1,438.2	(0.4%)
– ahm	505.6	522.7	3.4%
<b>Acquisition rate<sup>1</sup></b>	<b>11.6%</b>	<b>10.5%</b>	<b>(110bps)</b>
– Medibank	9.3%	8.5%	(80bps)
– ahm	19.7%	17.1%	(260bps)
<b>Lapse rate<sup>1</sup></b>	<b>8.4%</b>	<b>9.9%</b>	<b>150bps</b>
– Medibank	7.4%	9.0%	160bps
– ahm	12.7%	13.8%	110bps
<b>Policyholder growth</b>	<b>3.2%</b>	<b>0.6%</b>	<b>(260bps)</b>
<b>Total policy units<sup>2</sup> (thousand)</b>			
Closing balance	4,758.9	4,786.5	0.6%
Average balance	4,687.1	4,774.5	1.9%
<b>Hospital lives (thousand)</b>			
Total	2,921.0	2,947.8	0.9%
Under 30	920.1	931.8	1.3%

Industry growth remained buoyant at 1.9% for 12 months to June 23 (FY22: 2.7%)<sup>3</sup>

**Adult Dependant Reform (ADR) increasing the number of 25 – 30 year olds remaining on family policies**

- Reduces policyholders but increases hospital lives insured
- Increases revenue and claims per policy unit – however largely offsetting
- Growing % of insured lives ≤ 30 years of age which improves quality of insurance pool

**Policyholder growth up 0.6% (+10.9k) – Medibank brand down 0.4%; ahm up 3.4%**

- Improved performance as business operations normalised in Q3 (post cybercrime event) with growth in the seasonally stronger Q4
- Improved retention rates despite premium increase during 2H23 (whereas many competitors have deferred into 1H24)
- Acquisition improved with the recommencement of marketing activity
- ahm aggregator sales improved however we continue to target more profitable direct sales channels which accounted for 55% of total ahm sales

**Growth in hospital lives of 0.9% is 30bps above policyholder growth**

- Further benefits from ADR expected over next 5 years
- Strong position in family segment expected to increase the % of lives insured under 30 years
- Younger cohort mix likely to positively impact the quality of insurance pool

**Focused on growing market share as we progress in FY24**

- Further capitalise on our dual brand strategy
- Increase focus on growing corporate market
- Invest further where this makes commercial sense

(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. (3) Industry average, resident policyholders, APRA quarterly private health insurance statistics (Jun-23)



# Health Insurance – underlying resident claims

Underlying claims growth of 2.4% per policy unit - includes impact of ADR

Financial year ended 30 June (\$m) <sup>1</sup>	2022	2023	Change
Claims expense	(5,954.4)	(6,209.4)	4.3%
Risk equalisation	(36.1)	(36.8)	1.9%
<b>Net resident claims expense</b>	<b>(5,990.5)</b>	<b>(6,246.2)</b>	<b>4.3%</b>
- Hospital	(4,428.5)	(4,603.0)	3.9%
- Extras	(1,562.0)	(1,643.2)	5.2%
<b>Average claims expense per policy unit<sup>2</sup> (\$)</b>	<b>(1,278.1)</b>	<b>(1,308.2)</b>	<b>2.4%</b>
Hospital claims per policy unit growth	2.7%	2.3%	(40bps)
Extras claims per policy unit growth	2.5%	3.1%	60bps
Resident hospital utilisation growth	0.4%	0.5%	10bps
Resident extras utilisation growth	1.8%	2.2%	40bps

## Underlying resident gross claims up 4.3%

- Risk equalisation had no impact on net claims growth with the return to more normal age claiming patterns

## Average underlying claims growth per policy unit up 10bps to 2.4%

- Increase largely reflects the impact from adopting ADR
- Healthcare cost inflation had modest impact on claims this period

## Hospital claims growth per policy unit down to 2.3%

- Savings from prosthesis reform
- Improved risk equalisation outcome
- Modest cost inflation impact

## Extras claims per policy unit up 60bps to 3.1%

- Investment in additional product benefits
- Utilisation growth 40bps higher than FY22 due to sales mix

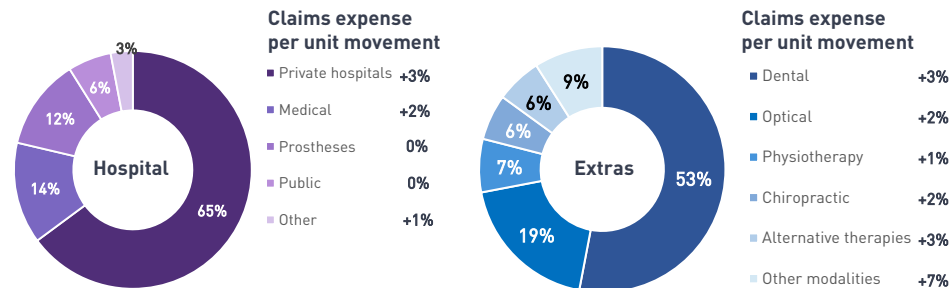
## Expect FY24 underlying claims per policy unit growth of 2.6%

- ADR to have further impact on claims per policy unit
- Major headwind is higher public and private hospital claims inflation
- Major tailwinds are lower rehab claims (relative to pre-COVID expectation), benefit from claims management initiatives and lower extras claims growth

## Closely monitoring whether the economic environment is impacting demand for services

- Mix of hospital admissions (including same day versus overnight)
- Spend in more discretionary extras modalities

## Indicative composition & movement in underlying claims expense per policy unit<sup>1</sup> vs. FY22



[1] All numbers are in respect of the resident portfolio on an underlying basis. See slide 29 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

## Continued growth in both resident and non-resident PHI businesses

Financial year ended 30 June (\$m) <sup>1</sup>	Resident			Non-resident			Total		
	2022	2023	Change	2022	2023	Change	2022	2023	Change
Premium revenue	7,082.3	7,402.9	4.5%	146.9	197.5	34.4%	7,229.2	7,600.4	5.1%
Net hospital claims	(4,428.5)	(4,603.0)	3.9%	(109.4)	(131.1)	19.8%	(4,537.9)	(4,734.1)	4.3%
Extras claims	(1,562.0)	(1,643.2)	5.2%	-	-	-	(1,562.0)	(1,643.2)	5.2%
Net claims expense	(5,990.5)	(6,246.2)	4.3%	(109.4)	(131.1)	19.8%	(6,099.9)	(6,377.3)	4.5%
Gross profit – underlying	1,091.8	1,156.7	5.9%	37.5	66.4	77.1%	1,129.3	1,223.1	8.3%
<b>Gross margin – underlying</b>	<b>15.4%</b>	<b>15.6%</b>	<b>20bps</b>	<b>25.5%</b>	<b>33.6%</b>	<b>810bps</b>	<b>15.6%</b>	<b>16.1%</b>	<b>50bps</b>
Gross profit – reported	1,091.2	1,156.4	6.0%	37.5	66.4	77.1%	1,128.7	1,222.8	8.3%
Resident premium increase	3.22%	3.07%	(15bps)						
Downgrading	(0.6%)	(0.5%)	10bps				(0.3%)	(1.0%)	(70bps)
Revenue per policy unit growth rate	2.6%	2.6%	-	6.1%	2.1%	(400bps)	2.9%	2.1%	(80bps)
Claims per policy unit growth rate	2.3%	2.4%	10bps	16.2%	(9.0%)	n.m.	2.8%	1.5%	(130bps)
Policy units (thousand)									
Closing balance	4,758.9	4,786.5	0.6%	196.5	274.9	39.9%	4,955.4	5,061.4	2.1%
Average balance	4,687.1	4,774.5	1.9%	179.9	236.8	31.6%	4,867.1	5,011.3	3.0%

### Underlying resident performance

#### Stable revenue growth per policy unit of 2.6%

- Lower premium increase offset by improved downgrading
- Average premium increase of 2.96% from 1 April 2023

#### Downgrading improved 10bps to 50bps despite economic conditions

- Includes benefit of Adult Dependent Reform
- Expect downgrading of around 40bps in FY24
- Further favourable impact of ADR and benefit of increased product value, portfolio management and sales mix activities

#### Gross profit (underlying) up 5.9% to \$1,156.7m

- Revenue growth per policy unit remains above claims growth per policy unit
- Gross margin expansion of 20bps

### Underlying non-resident performance

#### Continued strong revenue growth

- Closing and average policy units increased 39.9% and 31.6% respectively
- Strong customer growth has continued since 30 June 2023

#### Gross profit up 77.1% to \$66.4m (1H23: \$31.0m)

- Gross margin up 810bps to 33.6% (1H23: 34.1%)
- Benefit of favourable tenure and mix impacts since borders have reopened
- Expect continued solid gross profit growth in FY24

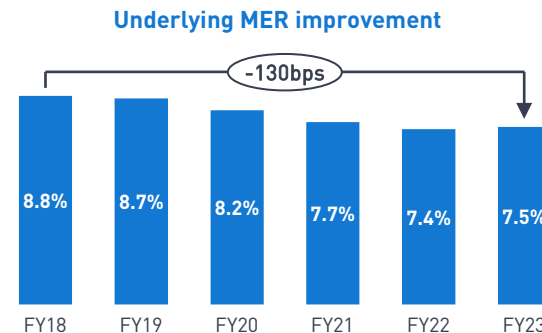
#### Strong medium term growth opportunities

- Continued growth in visitor and worker market segments expected
- Market share growth opportunities through increasing product value and expanding our health offering

# Health Insurance – management expenses

## Benefits of scale and productivity continue to mitigate inflation

Financial year ended 30 June (\$m)	2022	2023	Change
Premium revenue	6,859.8	7,148.7	4.2%
Management expenses	<b>(536.1)</b>	<b>(572.4)</b>	<b>6.8%</b>
- Depreciation and amortisation	(40.4)	(41.5)	2.7%
- DAC amortisation	(37.8)	(38.9)	2.9%
- Non-resident sales commissions	(13.9)	(32.7)	135.3%
- Operating expenses <sup>1</sup>	(444.0)	(459.3)	3.4%
<b>MER</b>	<b>7.8%</b>	<b>8.0%</b>	<b>20bps</b>
<b>Underlying MER</b>	<b>7.4%</b>	<b>7.5%</b>	<b>10bps</b>



### Non-resident sales commissions increased \$18.8m

- Very strong policy unit growth
- 2H23 sales commissions almost doubled versus 1H23

### Non-cash costs increased by \$2.2m

- Modest growth in D&A reflecting higher spend on digital assets
- DAC increased but remains below the level of new acquisition costs
- Under AASB17 all acquisition costs will be expensed from 1 July 2023

### Operating expenses increased 3.4%

- Continued cost discipline
- Underlying cost inflation of approximately 4.0%
- Modest volume impacts and \$0.9m increase in statutory charges
- Partially offset by productivity savings

### c.\$7m of further productivity benefits delivered

- Cybercrime event impacted the delivery of FY23 productivity initiatives
- Savings from increasing the number of customer interactions through digital channels, process improvements and business efficiency
- Targeting \$20m productivity savings over next two years
- Increasing focus on property savings with Melbourne office relocation in early FY25

### Underlying Management Expense Ratio (MER) up 10bps to 7.5%

- Largely the result of growth in non-resident sales commissions
- Continue our productivity program and gain further benefits of scale
- Target a stable to modestly improving ratio whilst balancing the need to invest for growth

### Major FY24 cost drivers

- Expect cost inflation modestly higher at 4.5%
- \$3m increase in statutory charges (including Victorian payroll tax)
- Additional \$5m IT security investment
- Expect non-resident sales commission to be broadly in line with FY23

[1] Includes right-of-use depreciation of \$22.9m (FY22: \$23.4m).

## Operating profit from continuing businesses up 17.2% – positioned for further growth

Financial year ended 30 June (\$m)	Continuing business <sup>1</sup>			Beyond Blue/1800RESPECT <sup>3</sup>			Total		
	2022	2023	Change	2022	2023	Change	2022	2023	Change
Revenue	279.9	277.1	(1.0%)	41.9	-	n.m.	321.8	277.1	(13.9%)
Gross profit	120.7	131.8	9.2%	8.5	-	n.m.	129.2	131.8	2.0%
Management expenses	(83.0)	(87.6)	5.5%	(5.4)	-	n.m.	(88.4)	(87.6)	(0.9%)
<b>Operating profit</b>	<b>37.7</b>	<b>44.2</b>	<b>17.2%</b>	<b>3.1</b>	<b>-</b>	<b>n.m.</b>	<b>40.8</b>	<b>44.2</b>	<b>8.3%</b>
Share of profit/(loss) from Myhealth	2.9	2.1	(27.6%)				2.9	2.1	(27.6%)
Share of profit/(loss) from other investments <sup>2</sup>	1.8	(2.1)	n.m.				1.8	(2.1)	n.m.
<b>Medibank Health segment profit</b>	<b>42.4</b>	<b>44.2</b>	<b>4.2%</b>	<b>3.1</b>	<b>-</b>	<b>n.m.</b>	<b>45.5</b>	<b>44.2</b>	<b>(2.9%)</b>
<b>Gross margin</b>	<b>43.1%</b>	<b>47.6%</b>	<b>450bps</b>				<b>40.1%</b>	<b>47.6%</b>	<b>750bps</b>
MER	29.7%	31.6%	190bps				27.5%	31.6%	410bps
<b>Operating margin</b>	<b>13.5%</b>	<b>16.0%</b>	<b>250bps</b>				<b>12.7%</b>	<b>16.0%</b>	<b>330bps</b>

Transitioned out of Beyond Blue and 1800RESPECT contracts in 2H22

**Segment profit from continuing business up 4.2% to \$44.2m**

- Majority of COVID impacts have unwound
- Operating profit up 17.2%
- Lower contribution from JVs including non-recurring COVID income in FY22 and costs associated with new hospitals this period

**Business is positioned for further growth in FY24 and beyond**

- Targeting on average organic profit growth ≥15% per annum over the next three years
  - Further volume and performance uplift in health services
  - Continue to reposition business to meet the emerging needs of Medibank customers
  - Deliver synergies between our health businesses
- Potential further growth from M&A

**Continuing business revenue decline of 1.0%**

- Strong growth in health and wellbeing and diversified insurances (particularly in travel insurance sales following borders re-opening)
- Lower telehealth revenue due to COVID related services in prior year
- Subdued hospital volumes in 1H23 impacting homecare revenue growth

**Continuing business gross margin up 450bps to 47.6%**

- Business mix benefit with growth biased towards higher gross margin businesses
- Improved utilisation and business efficiency partially offset by higher labour costs and other inflation

**Continuing business MER increased 190bps to 31.6%**

- Expenses increased due to inflation and future growth investment
- High fixed cost nature of expense base means business is highly scalable

(1) Includes telehealth, in-home care, preventative health, diversified insurance, health and wellbeing, and equity accounted investments. (2) Includes interest income from loan to associates FY23: \$0.2m (FY22: \$0.2m). (3) Beyond Blue and 1800RESPECT ceased during February and June 2022 respectively.



# Investment portfolio and investment income

## Stronger equity markets, higher RBA cash rate and narrowing credit spreads

Financial year ended 30 Jun (\$m)	Reported performance <sup>2</sup>			Underlying performance <sup>2</sup>		
	2022	2023	Change	2022	2023	Change
<b>Net investment income:</b>						
Growth portfolio income	2.9	43.2	n.m.	35.3	36.5	3.4%
Defensive portfolio income	(23.5)	69.4	n.m.	3.0	59.7	n.m.
<b>Fund portfolio investment income/(expense)<sup>1</sup></b>	<b>(20.6)</b>	<b>112.6</b>	<b>n.m.</b>	<b>38.3</b>	<b>96.2</b>	<b>n.m.</b>
Net other investment income and expenses	(4.2)	26.0	n.m.	(4.2)	26.0	n.m.
<b>Total net investment income</b>	<b>(24.8)</b>	<b>138.6</b>	<b>n.m.</b>	<b>34.1</b>	<b>122.2</b>	<b>n.m.</b>
Investment returns on growth assets	0.61%	8.46%	785bps	7.37%	7.15%	(22bps)
Investment returns on defensive assets	(1.22%)	3.53%	475bps	0.16%	3.04%	288bps
<b>Fund portfolio investment returns</b>	<b>(0.85%)</b>	<b>4.55%</b>	<b>540bps</b>	<b>1.59%</b>	<b>3.89%</b>	<b>230bps</b>
RBA cash rate (average)				0.18%	2.98%	280bps
<b>Underlying spread to RBA cash rate</b>				<b>1.41%</b>	<b>0.91%</b>	<b>(50bps)</b>
<b>Average monthly balance:</b>						
Growth	479.0	510.7	6.6%			
Defensive	1,929.5	1,964.8	1.8%			
<b>Total Fund Portfolio</b>	<b>2,408.5</b>	<b>2,475.5</b>	<b>2.8%</b>			

### Growth portfolio up \$40.3m

- Significantly improved performance in domestic and international equities
- Partially offset by a lower return in property investments

### Defensive portfolio up \$92.9m

- \$55.0m benefit from higher RBA cash rate
- Narrowing credit spread benefit of \$9.7m (FY22: \$26.5m cost)
- Improvement in international fixed interest holdings but still below expectations

### Net other investment income and expenses up \$30.2m

- \$23.6m benefit from higher RBA cash rate
- Increase from additional allocation to higher yielding fixed income investments

### \$88.1m increase in underlying net investment income

- Includes \$78.6m benefit from the higher RBA cash rate
- Based on current RBA rate of 410bps, expect further \$20.0m benefit in FY24

### Underlying spread to RBA cash rate of 91bps (target of 150 – 200bps)

- Property fund manager performance below benchmark
- International fixed interest performance c.\$10m below expectations

### Asset allocation

- Maintain fund portfolio allocation – 20% Growth, 80% Defensive target
- \$167m benefit from new APRA capital and AASB17 standards will be excluded from the asset allocation and invested in cash and fixed interest (refer to slide 28)

# Capital and dividend

## Strong capital position – sufficient headroom for temporary \$250m supervisory adjustment

Financial year ended 30 June (\$m)	2022	Proforma <sup>1</sup> 2023
<b>Total equity</b>	<b>1,945.6</b>	<b>2,243.8</b>
Less: Intangible and other adjustments	(425.7)	(302.4)
Determined but unpaid ordinary dividend	(201.0)	(228.6)
COVID-19 Equity Reserve	-	(177.7)
<b>Eligible capital</b>	<b>1,318.9</b>	<b>1,535.1</b>
Required capital		
– Health Insurance	983.7	1,168.0
– Other	187.2	191.7
Unallocated capital	148.0	175.4
<b>Health insurance capital (%)<sup>2</sup></b>	<b>13.0%</b>	<b>14.6%</b>
<b>Fund PCA coverage ratio<sup>3</sup></b>	<b>n/a</b>	<b>1.8x</b>
<b>Dividend</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>
Final ordinary dividend per share (cents)	7.3	8.3
Full year ordinary dividend per share (cents)	13.4	14.6
<b>Dividend payout ratio<sup>4</sup></b>	<b>84.8%</b>	<b>80.5%</b>

1) Proforma 2023 figures are adjusted to apply APRA capital standards and AASB17 accounting standard effective 1 July 2023. The Proforma 2023 figures have not been audited. Refer to slide 28 for reconciliation of Proforma figures.

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) Calculated as Required health insurance capital less APRA supervisory adjustment, divided by Fund PCA less APRA adjustment.

4) Dividend payout ratio is based on Underlying NPAT.

**Proforma capital position includes a \$167.0m benefit from new APRA capital and AASB17 standards (refer to slide 28)**

- Eligible capital benefit of \$87.0m<sup>1</sup>
- Reduction of target health insurance required capital ratio to 10%-12%<sup>2</sup> (2022: 11%-13%)
- Under new AASB17 standard:
  - DCL net of tax of \$177.7m will transfer to COVID-19 equity reserve, but will be excluded from Eligible Capital
  - Removal of DAC will impact total equity, but have no capital impact

**Health Insurance required capital increased by \$184.3m**

- Increase to support revenue growth
- Additional capital to offset temporary \$250m APRA supervisory adjustment
- Fund remains well capitalised with a 1.8x coverage of PCA<sup>3</sup>

**Other required capital increased by \$4.5m**

- Investment in Integrated Mental Health (iMH) hospital JV with Aurora
- Expect to increase contribution of capital to this JV over next 12 months

**Well placed to fund further growth and support M&A aspirations**

- Strong capital generation
- Unallocated capital of \$175.4m<sup>1</sup>
- Ability to raise Tier 2 debt

**Final dividend of 8.3cps, fully franked**

- FY23 dividend of 14.6cps, up 9.0%
- 80.5% payout ratio of Underlying NPAT

# Financial priorities for FY24

Well positioned to navigate the changing economic environment



## Maintain Health Insurance revenue growth

- Focus on increasing resident market share in a sustainable way
- Manage downgrading
- Maintain strong growth in non-resident policyholders, particularly in the worker and visitors segments
- Increased focus on customer life cycle management



## Mitigate inflationary claims pressure

- Maintain focus on prosthesis reform and expand payment integrity activities
- Broaden our partnership approach to hospital contracting
- Provide more Amplar Health services to Medibank customers through:
  - prevention management
  - chronic condition management
  - supporting the shift to new care settings at scale
- Seek to maintain low premium increases for customers while balancing any change in the claims environment



## Deliver on Medibank Health's growth potential

- Strong growth prospects in target health markets
- Targeting on average organic profit growth of  $\geq 15\%$  per annum over the next 3 years
- Providing more services to our customers and delivering synergies between our health businesses
- Supplement organic growth through M&A to add scale, capability and expand geographic coverage. Target a further \$150m–\$250m over the next 3 years



## Maintain our sources of difference

- Economies of scale
- Capital advantage from new insurance accounting and capital standards
- Our two brands and direct distribution strength
- Aim to increasingly leverage these benefits

# Conclusion

# We enter FY24 with good momentum

## Medibank remains well positioned to grow in health



### We will always put our customers first

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- **Strengthen customer trust** and execute on our IT security uplift program
  - **Digitise and integrate our health experiences** to improve customer value
  - **Continue to advocate** for changes to support a more sustainable and affordable health system
  - **Our people remain dedicated to progressing our vision** of the best health and wellbeing for Australia
- 



### We have good momentum leading into FY24

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- **Fundamentals of the PHI business have recovered** with a return to resident policyholder growth in Q4
  - **We remain well placed to support cost of living pressures** by delivering increased value to customers – including growing adoption of our health offerings
  - **We are a resilient business**, and our people have a track record of managing our business well in challenging circumstances
- 



### We remain focused on growing as a health company

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- **Insurance:** Focus on growing market share in our PHI business supported by our unique dual brand proposition
  - **Medibank Health:** Scale and connect our health businesses, with an increasing focus on virtual health
  - **Delivering synergies:** Continuing to prioritise growth in Medibank Health including directly supporting Medibank customers
  - **Financial strength:** Our strong capital position provides flexibility to invest and partner in our target markets
-

# FY24 outlook

## Customer relief



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

## Resident policyholder growth



We anticipate further moderation in resident industry growth in FY24 relative to FY23. Aiming to achieve 1.5% - 2.0% resident policyholder growth in FY24.

## Resident claims



Underlying claims per policy unit growth of 2.6% for FY24 among resident policyholders.

## PHI management expenses



Targeting \$20m of productivity savings across FY24 and FY25.

## Cybercrime costs



Expect costs of between \$30m – \$35m in FY24 for further IT security uplift and legal and other costs related to regulatory investigations and litigation.

- Excludes the impacts of any potential findings or outcomes from regulatory investigations or litigation

## Growth



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



1:01

## Find a provider and health support

We have a range of services, programs, tools and information to help you protect your incredible body and mind every step of the way.



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Locate a Members' Choice Provider near you: dental, optical, physio and more.

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#### 24/7 Nurse and mental health phone support

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Support before and after your hospital stay.



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Covers



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# Appendix

# No impact on underlying business or dividend approach under new standards

## Outcomes under AASB17<sup>1</sup>

- **Medibank will report under AASB17** from 1 July 2023
- **Measurement:** All insurance contracts will be measured using the Premium Allocation Approach which is similar in nature to AASB 1023 approach
- **Premium Recognition:** Straight line basis over the contract boundary of 1 April to 31 March (being the date which approved price increases traditionally come into effect)
- **Resident acquisition costs:** Will be expensed when incurred with 30 June DAC balance of \$55.4m<sup>4</sup> removed from the balance sheet
- **Statutory Income Statement and Balance Sheet disclosures** will change
- **Underlying economics of business unchanged:** Immaterial impact to underlying profit
- **No change to investor presentation disclosures:** Our core metrics remain unchanged and we will continue to report statutory and underlying profit

## Equity Reserve

- Total Equity Reserve of \$205.6m<sup>2</sup> created on AASB17 transition (refer table below) for two amounts:
  - DCL of \$177.7m (\$253.8m pre tax)
  - Unearned premium liability (UPL) of \$27.9m (\$39.9m pre tax)
- Equity reserve will continue to provide transparency on our commitment to return any permanent net claims savings due to COVID to customers
- Movements in this equity reserve will reconcile differences between statutory and underlying operating profit:
  - FY24 Statutory Operating Profit will be reduced by \$39.9m due to timing of Premium Recognition under AASB17 for UPL but added back for calculating underlying profit
  - Future actual claims above (or below) expected claims of up to \$253.8m, or any future customer givebacks will similarly impact statutory profit but not underlying profit
  - No impact on dividend determination expected

## Net Asset and Eligible Capital Reconciliation

- Proforma capital position at 1 July 2023 reflects a net \$87.0m eligible capital benefit due to AASB17 and APRA capital standard changes (refer table below)
- Deferred Acquisition Costs (DAC) removal reduces equity, but no impact on capital as currently treated as an inadmissible asset
- Provision for product bonus entitlements removal improves equity and capital positions, with product bonuses expensed as incurred from 1 July 2023
- The DCL equity reserve of \$177.7m will be excluded from eligible capital given this reflects a customer commitment
- Residual Deferred Tax Assets (DTA) of \$54.7m<sup>5</sup> excluded from Eligible Capital inline with requirements of the new standard
- Insurance Liability Regulatory Adjustments relate to a required APRA adjustment to value the insurance liabilities at a 75% level of sufficiency (Medibank's capital framework previously took a more conservative approach)

## Net Assets & Eligible Capital Reconciliation<sup>3</sup>

(\$m)	AASB 1023			AASB 17 changes				APRA standard required adjustments		Proforma 1 Jul 2023	Variance to AASB 1023
	30 Jun 2022	Movement	30 Jun 2023	Deferred acquisition costs <sup>4</sup>	Provision for product bonus entitlements	Equity reserve <sup>2</sup>		Deferred tax assets <sup>5</sup>	Insurance liability regulatory adjustments		
						Deferred claims liability (DCL)	Unearned premium liability (UPL)				
Total Equity	1,945.6	138.8	2,084.4	(55.4)	9.2	177.7	27.9	-	-	2,243.8	159.4
Intangibles and other adjustments	(425.7)	18.0	(407.7)	55.4	3.9	-	12.0	(54.7)	88.7	(302.4)	105.3
Dividend accrued	(201.0)	(27.6)	(228.6)	-	-	-	-	-	-	(228.6)	-
COVID-19 Equity Reserve	-	-	-	-	-	(177.7)	-	-	-	(177.7)	(177.7)
Eligible Capital	1,318.9	129.2	1,448.1	-	13.1	-	39.9	(54.7)	88.7	1,535.1	87.0

(1) Refer to Note 20(b) of the Medibank consolidated financial statements for the year ending 30 June 2023. (2) The unaudited estimate for transition of balances at 30 June 2023 are the DCL of \$177.7m and UPL (two month premium deferral in February of \$27.9m). (3) The figures provided in the table are unaudited and on a Proforma basis. (4) Represents the DAC balance of \$79.1m at 30 June 2023 less associated deferred tax balance of \$23.7m. (5) This includes an amount of \$37.5m DTA which will unwind in FY24 relating to \$125m cashback to be paid by October 2023.

# Reconciliation of reported to underlying claims and COVID-19 impacts

## COVID-19 impacts – Health Insurance

Financial year ended 30 June (\$m)	2022	2023
Cash give backs announced	194.6	332.0
Premium increase deferrals	174.8	119.7
<b>Total customer relief impact</b>	<b>369.4</b>	<b>451.7</b>
Resident hospital claims	(251.8)	(349.5)
Resident ancillary claims	(117.0)	(101.9)
<b>COVID-19 claims expense impacts</b>	<b>(368.8)</b>	<b>(451.4)</b>
<b>Net COVID-19 impacts</b>	<b>0.6</b>	<b>0.3</b>

## COVID-19 claims liability impacts

Financial year ended 30 June 2023 (\$m)	Hospital	Ancillary	Total
30 June 2022 – COVID-19 claims liability	405.6	42.7	448.3
Hindsight provision movement	(80.8)	-	(80.8)
Decrease during the period	(71.0)	(42.7)	(113.7)
<b>30 June 2023 – COVID -19 claims liability</b>	<b>253.8</b>	<b>-</b>	<b>253.8</b>
(Lower) / higher than expected claims	(197.7)	(59.2)	(256.9)
Change to liability increase / (decrease)	(151.8)	(42.7)	(194.5)
<b>COVID-19 claims expense impacts</b>	<b>(349.5)</b>	<b>(101.9)</b>	<b>(451.4)</b>

## Reconciliation of reported to underlying claims

Financial year ended 30 June (\$m)	Resident		Total	
	2022	2023	2022	2023
<b>Total reported claims</b>	<b>(5,621.7)</b>	<b>(5,794.8)</b>	<b>(5,731.1)</b>	<b>(5,925.9)</b>
COVID-19 claims expense impacts	(368.8)	(451.4)	(368.8)	(451.4)
<b>Total underlying claims</b>	<b>(5,990.5)</b>	<b>(6,246.2)</b>	<b>(6,099.9)</b>	<b>(6,377.3)</b>
<b>Underlying claims per policy unit growth</b>				
Total	2.3%	2.4%	2.8%	1.5%
Hospital	2.7%	2.3%		
Extras	2.5%	3.1%		

## Deferred claims provision

- Average hospital deferral assumption 52% (FY22: 55%):
  - Surgical maintained at 85%; and
  - Non-surgical reduced from 40% to 20%
- \$194.5m release from COVID-19 claims liability largely due to the change in deferral assumption, surgical claims run-off, impact of lapsed customers, and release of extras provision upon expiration of limits
- Remaining liability transferred to COVID-19 equity reserve from 1 July 2023 under AASB17

# Milestones scorecard and update



## Deliver leading experiences

### Customer advocacy: Service NPS (average)

	FY23	FY23 benchmark <sup>1</sup>	FY24 benchmark <sup>1</sup>
Medibank	40.1	> 35	> 35
ahm	42.7	> 35	> 35

### Employee advocacy: eNPS (average)

	FY23	FY23 benchmark <sup>2</sup>	FY24 benchmark <sup>2</sup>
Place to work	23	≥ +24	≥ +24
Products and services	24	≥ +26	≥ +26



## Differentiate our insurance business

### Resident policyholder market share

FY23	FY26 aspiration
27.08% <sup>5</sup>	up 25 -75bps on FY23

### Health Insurance productivity

FY23	FY23 – FY25 target
c. \$7m	\$30m productivity savings including \$10m in FY23



## Expand in health

### Medibank Health

Updated	FY23	FY24 - FY26 target
Organic profit	\$44.2m continuing basis <sup>3</sup>	Targeting on average organic profit growth ≥15% per annum over the next 3 years
Investment target		Aim to invest \$150m-\$250m in total to grow Medibank Health inorganically as suitable opportunities arise over the next 3 years

### Health and wellbeing

	FY23	FY25 target
Live Better Rewards participants	697k	800k
Preventative program participants <sup>4</sup>	16.5k	>50k

[1] Benchmark reflects sustaining service levels while continuing to digitise the service delivery model. [2] FY23 benchmarks are based on the global average adjusted for Australian healthcare and financial insurance industry context. [3] Based on continuing business - excluding the impacts of Beyond Blue and 1800RESPECT contracts which ceased during February and June 2022 respectively. [4] Includes total customers who have engaged with 9 preventative health programs (e.g. Better Knee, Better Me, Better Hip) and any new offerings developed. [5] Industry average, resident policyholders, APRA quarterly private health insurance statistics (Jun-23)

# Our strategy – growing as a health company

## Deliver leading experiences



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Create personalised and connected customer experiences

Empower our people

Collaborate with our communities to make a difference

## Differentiate our insurance business



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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



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Focus growth on prevention and integrated care models

Scale and connect our health businesses

Bring benefits back to our core

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## Better Health for Better Lives

**medibank**  
*Live Better*

**ahm**  
health insurance

You're good.



**Amplar Health**  
Making Health Personal

# Summary of ESG achievements and progress

Our sustainability strategy is anchored by our vision of Better Health for Better Lives

## FY23 key achievements

## Future focus

### Customer health



- 34% growth in Live Better Rewards participants and 64% growth in preventative program enrolments
- 34 hospitals across the country participating in our no gap network
- Provided customers support for navigating the healthcare system e.g. Health Concierge

- 800k Live Better Rewards participants and more than 50k preventative program participants targeted by FY25
- Continue expanding no gap to new surgery types and more locations
- Expand virtual consults to other allied health services and expand out-of-hospital models of care for mental health

### Employee health



- Female representation of 44% Board members and 48% Group and Senior Executives
- Introduced work.reinvented program to enable more creativity, collaboration and experimentation and drive greater employee advocacy, attraction and retention

- Introduce new health and wellbeing options for employees
- Increase representation and engagement of Aboriginal and Torres Strait Islander employees and employees with disability
- Progress work.reinvented transformation program including challenging the traditional work week and self-managing teams

### Community health



- Developed 2<sup>nd</sup> series of We Are Lonely podcast and 3<sup>rd</sup> phase of loneliness population research
- \$940k invested in health research including partnering with the RACGP to launch \$250k research grant into digital health in primary care
- Helped to better address mental health in the community through iMH, Better Minds and Virtual Psychology

- Progress strategic roadmap for 10-year loneliness impact, including key community partnerships
- Build on our partnership with parkrun Australia and help them towards their goal of 1m annual participants by the end of 2025

### Environmental



- Accelerated our pathway to achieve Net Zero by 2040<sup>1</sup>
- Building new Melbourne head office which will be a 6-star Green Star (to be certified by the Green Building Council of Australia) building with 5.5 NABERS rating (to be administered by NSW Office of Environment and Heritage)

- Progress Net Zero pathway milestones
- Collaborate on climate and health initiatives
- Introduce technology enablement that will help to mature our third party emissions awareness

### Governance



- \$1.4m in Aboriginal and Torres Strait Islander business procurement
- Refreshed our External Partners and Suppliers' Code of Conduct to include human rights and environment provisions - expanded to apply to all third parties.

- Target \$1m per annum in Aboriginal and Torres Strait Islander business procurement spend each year by FY25
- Progressing our IT security uplift program and continue to evolve our approach to data management, particularly in light of impending reform to the Privacy Act and changing community expectations

[1] For further details on our pathway to achieve Net Zero by 2040, please see our 2023 Sustainability Report to be published in September 2023.



# Our health investments

Target markets	Investments	Ownership interest (%)	Description	Benefits to Medibank
Primary care	Myhealth Medical Holdings Pty Ltd	49%	<ul style="list-style-type: none"> <li>Medibank acquired a non-controlling interest in Myhealth Medical Group for c. \$63m in 2021</li> </ul>	Support preventative health and GP-led proactive care management
	Medinet Australia Pty Ltd	3.82%	<ul style="list-style-type: none"> <li>Medibank invested \$10m in health tech company Medinet in 2022 and has 28.34% of the voting rights</li> <li>Medinet provides platform helping GPs to connect with their patients</li> </ul>	Continue to grow our virtual care capabilities
Homecare	Calvary Medibank JV Pty Ltd	50%	<ul style="list-style-type: none"> <li>Since 2020, the JV has been delivering My Home Hospital for SA Health and COVID Care At Home in a number of states</li> </ul>	Continue to grow our homecare capabilities
Hospitals, including short stay	East Sydney Day Hospital Pty Ltd	49%	<ul style="list-style-type: none"> <li>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</li> </ul>	Expand our no gap network, including short stay
	Adeney Private Hospital Pty Ltd	49%	<ul style="list-style-type: none"> <li>The JV between a group of doctors and Medibank will establish a new short stay surgical facility in Kew Melbourne</li> <li>Medibank's contribution to date is \$6.2m, with a further commitment of \$2.8m, totalling \$9m</li> <li>Expected to open in mid 2024</li> </ul>	
	SydOrtho Holdings Pty Ltd (holding company) supporting MQ Health to establish a surgical facility	50%	<ul style="list-style-type: none"> <li>Medibank invested \$1.5m in 2022, with contribution to date of \$6.4m (and a total commitment of \$14.8m) to form a JV with orthopaedic surgeons to support the establishment of an orthopaedic surgical centre at Macquarie University Hospital</li> <li>MQ Health is contributing the floor space, with the centre to operate as an integrated part of the hospital</li> </ul>	
	Integrated Mental Health Pty Ltd	50%	<ul style="list-style-type: none"> <li>Medibank invested \$15.5m in March 2023, to acquire 50% shareholding in Integrated Mental Health Pty Ltd (iMH) to offer an innovative integrated mental health model</li> </ul>	

# Group financial summary – half by half

(\$m)	1H22	2H22	1H23	2H23	Change		
					2H23 v 2H22	2H23 v 1H23	1H23 v 1H22
<b>Group revenue from external customers</b>	<b>3,581.2</b>	<b>3,547.3</b>	<b>3,629.4</b>	<b>3,725.9</b>	<b>5.0%</b>	<b>2.7%</b>	<b>1.3%</b>
Health Insurance operating profit	280.9	311.7	305.2	345.2	10.7%	13.1%	8.7%
Medibank Health segment profit	25.7	19.8	24.6	19.6	(1.0%)	(20.3%)	(4.3%)
<b>Segment operating profit</b>	<b>306.6</b>	<b>331.5</b>	<b>329.8</b>	<b>364.8</b>	<b>10.0%</b>	<b>10.6%</b>	<b>7.6%</b>
Corporate overheads	(20.1)	(23.9)	(22.0)	(25.1)	5.0%	14.1%	9.5%
<b>Group operating profit</b>	<b>286.5</b>	<b>307.6</b>	<b>307.8</b>	<b>339.7</b>	<b>10.4%</b>	<b>10.4%</b>	<b>7.4%</b>
Net investment income/(expense)	30.9	(55.7)	55.9	82.7	n.m.	47.9%	80.9%
Other income/(expenses)	(4.2)	(5.1)	(5.4)	(7.2)	41.2%	33.3%	28.6%
Cybercrime costs	-	-	(26.2)	(20.2)	n.m.	(22.9%)	n.m.
<b>Profit before tax</b>	<b>313.2</b>	<b>246.8</b>	<b>332.1</b>	<b>395.0</b>	<b>60.0%</b>	<b>18.9%</b>	<b>6.0%</b>
Income tax expense	(93.0)	(73.1)	(98.8)	(117.2)	60.3%	18.6%	6.2%
<b>NPAT</b>	<b>220.2</b>	<b>173.7</b>	<b>233.3</b>	<b>277.8</b>	<b>59.9%</b>	<b>19.1%</b>	<b>5.9%</b>
EPS (cents)	8.0	6.3	8.5	10.1	59.9%	19.1%	5.9%
Normalisation for growth asset returns	(7.4)	30.1	(3.9)	(0.8)	n.m.	(79.5%)	(47.3%)
Normalisation for defensive asset returns	(0.4)	18.9	(2.7)	(4.1)	n.m.	51.9%	n.m.
<b>Underlying NPAT</b>	<b>212.4</b>	<b>222.7</b>	<b>226.7</b>	<b>272.9</b>	<b>22.5%</b>	<b>20.4%</b>	<b>6.7%</b>
Underlying EPS (cents)	7.7	8.1	8.2	9.9	22.5%	20.4%	6.7%
<b>Dividend per share (cents)</b>	<b>6.10</b>	<b>7.30</b>	<b>6.30</b>	<b>8.30</b>	<b>13.7%</b>	<b>31.7%</b>	<b>3.3%</b>
Dividend payout ratio <sup>1</sup>	79.1%	90.3%	76.5%	83.8%	(7.1%)	9.5%	(3.3%)

(1) Dividend payout ratio based on Underlying NPAT.

# Health Insurance resident policyholders – half by half

	1H22	2H22	1H23	2H23	Change		
					2H23 v 2H22	2H23 v 1H23	1H23 v 1H22
<b>Policyholders<sup>1</sup> (thousand):</b>							
Opening balance	1,889.1	1,917.2	1,950.0	1,951.7	1.8%	0.1%	3.2%
Acquisitions	106.2	116.8	97.7	107.5	(8.0%)	10.0%	(8.0%)
Lapses	(78.1)	(84.0)	(96.0)	(98.3)	17.0%	2.4%	22.9%
Closing balance	1,917.2	1,950.0	1,951.7	1,960.9	0.6%	0.5%	1.8%
- Medibank	1,429.9	1,444.4	1,439.7	1,438.2	(0.4%)	(0.1%)	0.7%
- ahm	487.3	505.6	511.9	522.7	3.4%	2.1%	5.0%
<b>Acquisition rate<sup>2</sup></b>	<b>5.6%</b>	<b>6.0%</b>	<b>5.0%</b>	<b>5.5%</b>	<b>(50bps)</b>	<b>50bps</b>	<b>(60bps)</b>
- Medibank	4.4%	4.8%	4.1%	4.4%	(40bps)	30bps	(30bps)
- Ahm	9.6%	10.1%	8.0%	9.1%	(100bps)	110bps	(160bps)
<b>Lapse rate<sup>2</sup></b>	<b>4.1%</b>	<b>4.3%</b>	<b>4.9%</b>	<b>5.0%</b>	<b>70bps</b>	<b>10bps</b>	<b>80bps</b>
- Medibank	3.6%	3.8%	4.5%	4.5%	70bps	-	90bps
- ahm	6.2%	6.5%	6.8%	7.0%	50bps	20bps	60bps
<b>Policyholder growth</b>	<b>1.5%</b>	<b>1.7%</b>	<b>0.1%</b>	<b>0.5%</b>	<b>(120bps)</b>	<b>40bps</b>	<b>(140bps)</b>
<b>Total policy units (thousand):</b>							
Closing balance	4,687.7	4,758.9	4,766.9	4,786.5	0.6%	0.4%	1.7%
Average balance <sup>3</sup>	4,660.2	4,714.0	4,782.9	4,766.1	1.1%	(0.4%)	2.6%

(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. (2) 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 30 June 2023	Spot balance (\$m)	Portfolio composition	Average balance (\$m) FY23	Average balance portfolio composition	Target asset allocation	Average balance (\$m) FY22
Australian equities	153.2	5.7%	146.6	5.9%	6.0%	130.2
International equities	121.3	4.5%	108.3	4.4%	5.0%	118.6
Property	174.4	6.6%	183.4	7.4%	7.0%	175.8
Infrastructure	94.7	3.5%	72.4	2.9%	2.0%	54.4
<b>Growth</b>	<b>543.6</b>	<b>20.3%</b>	<b>510.7</b>	<b>20.6%</b>	<b>20.0%</b>	<b>479.0</b>
Fixed income <sup>1,2</sup>	1,542.1	57.7%	1,433.7	57.9%	60.0%	1,408.5
Cash <sup>3</sup>	587.1	22.0%	531.1	21.5%	20.0%	521.0
<b>Defensive</b>	<b>2,129.2</b>	<b>79.7%</b>	<b>1,964.8</b>	<b>79.4%</b>	<b>80.0%</b>	<b>1,929.5</b>
<b>Total Fund (pre-STOC)</b>	<b>2,672.8</b>	<b>100.0%</b>	<b>2,475.5</b>	<b>100.0%</b>	<b>100.0%</b>	<b>2,408.5</b>
Short-term operational cash <sup>4,6</sup>	393.8		648.3			468.1
<b>Total Fund</b>	<b>3,066.6</b>		<b>3,123.8</b>			<b>2,876.6</b>
Non health fund investments <sup>5</sup>	211.1		185.5			174.3
<b>Total investment portfolio</b>	<b>3,277.7</b>		<b>3,309.3</b>			<b>3,050.9</b>

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 0.8 years, and the average credit rating is 'A'.

2) For investment portfolio purposes, fixed income comprises fixed income securities (\$2,323.2 m), less reclassified cash with maturities between 3-12 months (\$342.0m), less non health fund fixed income securities (\$209.7m), less short-term operational cash fixed income securities (\$234.2m), plus cash allocated to the Fixed income portfolio (\$4.8m).

3) For investment portfolio purposes, cash comprises cash and cash equivalents (\$420.6m) plus cash with maturities between 3-12 months (\$342.0m), less non health fund investments (\$1.5m), less short-term operational cash (\$159.6m), less operational cash (\$9.6m) less cash allocated to the Fixed income portfolio (\$4.8m).

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 givebacks. 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) \$167m to be allocated to into the STOC portfolio to support the amount held for APRA supervisory adjustment. Given the short-term nature of this portfolio, it will not be subject to the existing SAA, TAA framework.

# Glossary

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 (ADR)	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
DCL	Deferred claims liability. Represents claims that have been deferred as a result of COVID-19
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 bed days saved	Equates to the number of days a patient would be in hospital if they were admitted for an episode of care
Hospital lives	Number of lives that are covered by private hospital insurance
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
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
Medibank at Home	A range of programs and trials that gives eligible members the choice of whether they receive care in a hospital or in their own homes
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
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 x2 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