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2022 full year results

Investor presentation

18 August 2022

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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.

Highlights

David Koczkar
Chief Executive Officer

FY22 highlights

We continue to deliver for our customers

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Experience

Maintaining high levels of **customer advocacy**[1]

45.3 (+8.2) Medibank

42.4 (-0.6) ahm

c. 1.4m (+12%) customers registered for **My Medibank app,** with c. 23% growth in claims made through the app

c. 504k **health cover check ins**

Value

c. $682m **total COVID-19 financial support package** to date

Lowest average premium increase in 21 years

c. $31.2m out-of-pocket savings through **Members' Choice Advantage** network

Health

c. 568k (+55%) customers engaged with **Live Better** and **preventative programs**[2]

c. 27% of Medibank customers admitted to hospital were **supported by Health Concierge program** (FY21 c. 20%)

c. 3.5m **virtual health interactions**

1 Average service NPS

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

FY22 financial results summary

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Strong result reflects growth across our business alongside ongoing cost discipline

Customer outcomes

+60.9k (+3.2%)
reported net resident policyholder growth

+5.8k
reported net resident policyholder growth
in July 2022

$5.7b (+1.9%)
customer claims[1]

Key financial metrics

7.4% (-30bps)
Health Insurance underlying management expense ratio
(reported MER 7.8%)

$592.6m (+10.0%)
Health Insurance operating profit

$45.5m (+44.9%)
Medibank Health segment profit

-$24.8m
down from $120m in FY21
net investment income / loss

$393.9m (-10.7%)
NPAT

7.3cps (+5.8%)
Final ordinary dividend fully franked

13.4cps (+5.5%)
FY22 ordinary dividend fully franked

1 Claims expense

Sentiment towards health will support industry growth

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Participation remains strong as affordability and value become increasingly important to Australians

Industry participation remains strong

- Seven consecutive quarters of growth[1]
  - o Driven by younger and new to industry joins – positive signs for industry sustainability
- Consumer trends support continued growth, albeit at a slower rate
  - o Sentiment towards health
  - o Increasing net migration

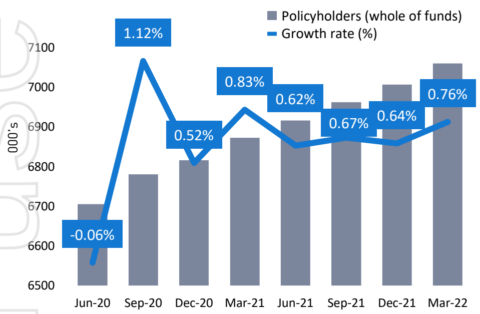
Consumers seeing more value in PHI

- Highest level of industry retention in 10 years[1,5]
- Access to healthcare remains a priority for consumers, especially with public system under considerable strain[2]
- Focus on affordability is key
  - o Household savings generated during COVID can offset near term financial headwinds[3]
  - o Premium increases relative to wage growth and strong employment support retention
  - o Low premium increases and COVID givebacks support affordability

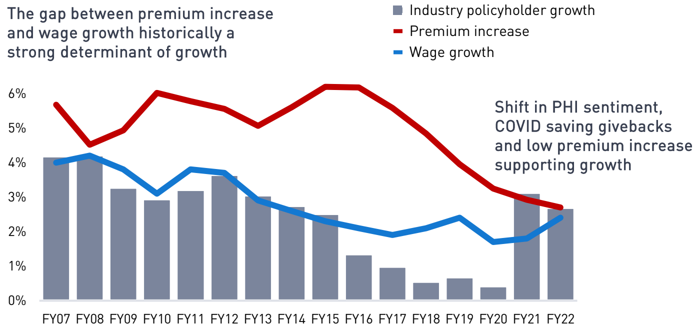
Health spending is less discretionary

- Consumers are spending more on their health than pre-pandemic and this trend is expected to continue[4,6]
- Customers are more likely to hold onto their insurance and reduce spend in other areas[7]
- The proportion of customers intending to drop PHI declining to the lowest level in 5 years[8]

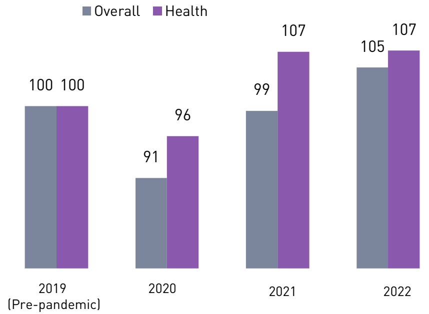
Quarterly industry policyholder growth[1]



Premium increase, wage growth and industry growth[1,5]



Average household spending index[6]



1 APRA quarterly private health insurance statistics. Updated May 2022
2 Medibank research – Brand Survey Tracker on attitude to PHI
3 Speech by RBA Deputy Governor. How Are Households Placed for Interest Rate Increases? Updated July 2022
4 Mc Kinsey & Company. Emerging cautiously: Australian consumers in 2022. Updated July 2022
5 FY22 policyholder growth and wage growth are to March 2022. Policyholder growth data from APRA and PHIAAC. Average annual price changes in private health insurance premiums from the Department of Health. Wage price index from ABS
6 ABS. Monthly household spending, current price. Updated May 2022. Annual numbers are average of monthly figures and indexed to 2019. 2022 is May 2022 YTD
7 Medibank research – consumer tracking, generation and population weighted, n = 727. Updated July 2022
8 Medibank research – monthly brand survey. Updated June 2022

There are challenges in the delivery of healthcare

The industry needs to act to create a health system fit for the future

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Immediate challenges accelerate the need for our industry to act

- Costs are rising through inflationary pressure
- Australia's health system is under stress
  - Elective surgery backlog continues to escalate and unlikely to reduce soon
  - Workforce challenges affecting the entire health system

Opportunities exist to increase affordability and efficiency

- Low current uptake of prevention and new care settings (e.g. homecare or short stay)
  - $38b+ spent on care for people with chronic health conditions per year[1]
  - Australia is behind OECD peers[2] in adoption of new care settings
- Healthcare lagging other industries in productivity[3]
  - Industry collaboration is needed to drive productivity to achieve benefits for consumers
  - Medibank's strength – delivering c. $100m productivity over 5 years and achieving industry leading MER
- The need to progress the reform agenda
  - Prostheses reforms (c. $900m cumulative savings over 4 years[4]) – an encouraging start

Median waiting time for elective surgery and % admitted within recommended time for public hospitals[5]

	Total procedures p.a.	Cost per procedure (traditional setting)[7]	Short stay model: % performed as day cases[2] – Australia	Short stay model: % performed as day cases[2] – International example	Short stay model: Potential length of stay reduction
Laparoscopic cholecystectomy (Gall bladder surgery)	c. 50k[6]	$7.4k	4% Australia	c. 57% Canada	50%[8]
Hernia procedures	c. 40k[9]	c. $5.4k	c. 27% Australia	c. 85% Denmark	50%[10]

1 Productivity Commission - Targeted texts and peer support: how smarter health care can cut costs and help Australians with chronic conditions. Updated April 2021
2 OECD statistics across inguinal hernia, cholecystectomy, tonsils and adenoids, septoplasty. Updated July 2022
3 Mc Kinsey & Company analysis. Labour productivity growth was approximated as the industry gross value added CAGR minus the employment by industry CAGR
4 The Hon Greg Hunt, Minister for Health and Aged Care, 17 March 2022. Reforms to deliver lower prices for medical devices and lower private health insurance premiums (Media release)
5 AMA analysis of Australian Institute of Health and Welfare (AIHW) data. Updated May 2022
6 Australian Commission on safety and quality in healthcare. Laparoscopic cholecystectomy hospitalisations in 2014-15
7 How much will my procedure cost? by Medibank Hospital Assist. Updated July 2022
8 Wichmann et al. Laparoscopic cholecystectomy - comparison of early postoperative results in an Australian rural centre and a German university hospital. 2010. Median length of stay in Australia is 1 day
9 Department of Health – Victoria State Government. Better Health Channel – hernias. Updated August 2022
10 Overnight discharge to same day discharge. Mills J. et al. Same-day inguinal hernia repair in Australia, 2000–19

Megatrends in health will drive sustainable patient-centric outcomes

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Industry fundamentals are changing

	Consumerisation of health	The shift to prevention	The rise of new care settings	Outcome-based care
Historic state	Passive approach to receiving care	Treating preventable disease	Standard care pathways that do not consider patients' individual needs	Disconnected and transaction-based models of care
Future state	A shift in focus on individual health and personal needs	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
Opportunities	Embedding technology solutions to personalise health experiences and improve choice and navigation e.g. digital concierge Rapid adoption of virtual care options e.g. Better Minds hub and app	Preventative health spend expected to increase from <2% of Australia's total health expenditure to 5% by 2030[1]	Greater adoption of Medibank's short stay, no gap program could save 217k bed days and $102m in out-of-pocket costs in 2030[2] Emerging trend in rehab with a shift from acute settings to rehab at home	Working with hospitals on a broader set of outcomes, including customer experience KPIs Incentives for better care, e.g. the Practice Incentives Program for GPs by the Federal Government

1 Australian Institute of Health and Welfare - Disparities in potentially preventable hospitalisations across Australia, 2012-13 to 2017-18. Updated 2020
2 KPMG. Medibank facilitates a sustainable healthcare system. July 2022

Our strategy

Growing as a health company

Deliver leading experiences

- Create personalised and connected customer experiences
- Empower our people
- Collaborate with our communities to make a difference

Differentiate our insurance business

- Deliver more value, choice and control for customers
- Offer products and services to meet all customer needs
- Leverage our dual brands and provider networks

Expand in health

- Focus growth on prevention and integrated care models
- Scale and connect our health businesses
- Bring benefits back to our core

Better Health for Better Lives

Deliver leading experiences

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FY22 key achievements

Personalised and connected customer experiences

- Created a digital health ecosystem with the integration of Live Better and My Medibank
- Greater data insights enabled better conversations with customers on their cover and health needs
- Simplified service experience – c. 42% of Medibank customer service interactions were through self-serve channels (FY21: c. 38%)

Our people

- Maintained an engaged workforce, supported by the successful launch of our 2030 Vision and refreshed values
- Embedded Future Fit way of flexible working model

Our community

- Continued to progress ESG strategy, including setting robust short, medium and long-term Net Zero targets[1]
- Launched We Are Lonely Podcast as part of our 10-year commitment to loneliness – reaching c. 55k listeners

FY23 focus

- Create a personalised digital gateway between our customers and health services
- Enhance the breadth and depth of My Medibank to deliver seamless PHI and health experience
- Improve ahm customer experience through expansion of digital and self-guided service tools

- Further embed 2030 Vision and refreshed employee values to drive employee engagement and advocacy
- Design unique employee value proposition to further strengthen talent attraction and retention
- Achieve milestones set out in our 5th Reconciliation Action Plan and 2nd Accessibility and Inclusion Plan

- Continue with Net Zero targets and pathway
- Progress 10-year Loneliness strategy, including We Are Lonely podcast, external partnerships and research

Milestones

Customer advocacy: Service NPS (average)

	FY22	FY23 benchmark[2]
Medibank	45.3	>35
ahm	42.4	>35

Employee advocacy: eNPS

	FY22	FY23 benchmark[3]
Place to work	+27	≥+26
Products and services	+29	≥+19

1 See slide 33 - Summary of sustainability achievements and progress. Updates on Net Zero targets and further details on ESG strategy and targets are included in 2022 Sustainability Report to be published in September 2022
2 Benchmark reflects sustaining service levels while continuing to digitise the service delivery model
3 FY23 benchmark for Place to Work eNPS based on global average benchmark, Products and Services eNPS target based on historical trend

Differentiate our insurance business

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FY22 key achievements

High quality growth in both brands

- New to industry and young cohorts c. 70% of new joins
- Growth in corporate and non-resident markets supported by competitive and targeted offerings
- Maintained industry leading MER - 10bps MER improvement to 7.8% (industry average: 9.6%)[1]

Improved engagement with customers

- Downgrading of 60bps in the resident book – the lowest in 10 years
- Improved lapse performance compared to 2H21
- Increased loyalty among customers engaging with Live Better and holding multiple products

Expanded products and network

- Medibank My Choice extras and ahm choosable extras well-received by customers
- Expanded Members' Choice Advantage to 5 additional modalities[2]
  - Nearly doubling our network to c. 2.6k locations
  - Covering more service types than other PHIs
  - Customers can experience lower or no out-of-pocket costs

FY23 focus

- Our customer first approach continues to be the foundation for differentiation and growth
- Continue to target growth in corporate, overseas and regional markets
- Enhance our relationship review program
- Use Live Better Rewards to drive acquisition, engagement and value
- Further personalise customer experiences - connecting them with relevant products and services in health
- Deepen provider relationships to provide more value to customers

Milestones

Market share[1] – Updated for FY23

Q3FY22	FY25 aspiration
27.35% (+4bps since FY21)	up 25-75bps on FY22

Health Insurance productivity delivered

FY22	FY22 – FY24 target
c. $15m	$40m including c. $15m delivered in FY22

1 APRA PHI quarterly data to March-22. Industry MER is 12-month to March 22
2 From July 2022, Members' Choice Advantage network will expand to include physio, chiro, podiatry, acupuncture and remedial massage

Expand in health

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FY22 key achievements

Prevention and integrated care models

- Strong uptake in prevention and health and wellbeing
  - 10k+ customers enrolled in preventative programs (+40%)
  - Scaled Live Better Rewards (+73% in size) with high engagement
- Progress in mental health solutions
  - Better Minds attracted c. 79k users and app downloads
  - Piloted telepsych clinic, partnering with Myhealth and Medinet
  - Partnered to deliver out-of-hospital care for mental health

Our health businesses and investments

- Myhealth expanded to 106 clinics, with a strong expansion pipeline in FY23
- $10m investment in health tech company Medinet
- Restructured our telehealth business to align with our strategy
- COVID Care at Home by Calvary-Medibank JV supported c. 165k patients in 4 states

Bring benefits back to our core

- Amplar's prioritising services directly to Medibank
  - 87.3k interactions with Medibank customers
  - 1 in 4 Medibank patients undergoing joint replacements have rehab at home
- More than doubled no gap network (including short stay) across 7 states and territories - accessible to nearly 64% of Medibank customers by October 2022[1]

FY23 focus

- Scale preventative programs and Live Better
- Develop virtual primary allied health services including physiotherapy and dietetics
- Expand health concierge, including support for acute mental health admission
- Support Myhealth's growth with analytics and participation in prevention programs
- Grow homecare with the recovery of hospital admission volumes
- Expand out-of-hospital models of care for mental health
- Scale no gap program to grow a national network for joint replacement, endoscopy, and some general surgery procedures
- Deliver new public system digital triage services in two regions

Milestones

Medibank Health segment profit

FY22	FY23-FY25 target
$45.5m	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

	FY22	FY25 target
Live Better Rewards participants	522k	800k
Preventative program participants[2]	c.10k	> 50k

1 Medibank customers live within 25km of a no gap site
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

Medibank Health has made a significant contribution to Group operating profit growth

Financial year ended 30 June ($m)	2021	2022	Change
Group revenue from external customers	**6,910.4**	**7,128.5**	**3.2%**
Health Insurance operating profit	538.6	592.6	10.0%
Medibank Health segment profit	31.4	45.5	44.9%
Segment operating profit	**570.0**	**638.1**	**11.9%**
Corporate overheads	(41.7)	(44.0)	5.5%
Group operating profit	**528.3**	**594.1**	**12.5%**
Net investment income/(expense)	120.0	(24.8)	n.m.
Amortisation of intangibles	(4.6)	(2.0)	(56.5%)
Other income/(expenses)	(11.4)	(7.3)	(36.0%)
Profit before tax	**632.3**	**560.0**	**(11.4%)**
Income tax expense	(191.1)	(166.1)	(13.1%)
NPAT	**441.2**	**393.9**	**(10.7%)**
Effective tax rate	30.2%	29.7%	(50bps)
EPS (cents)	16.0	14.3	(10.7%)
Normalisation for growth asset returns	(31.2)	22.7	n.m.
Normalisation for defensive asset returns	(11.3)	18.5	n.m.
Underlying NPAT	**398.7**	**435.1**	**9.1%**
Underlying EPS (cents)	14.5	15.8	9.1%
Dividend per share (cents)	**12.7**	**13.4**	**5.5%**
Dividend payout ratio[1]	87.7%	84.8%	(3.3%)

- Group operating profit up 12.5%
  - Meaningful growth contribution from Medibank Health
  - Net investment income loss of $24.8m compared to a gain of $120.0m in FY21
  - NPAT down 10.7%
- Net investment income loss of $24.8m reflecting volatile Australian and global equities performance
- Amortisation charge continues to decline with intangibles balances largely amortised
- Improvement in other income / (expenses) reflects lower M&A spend
- Effective tax rate 29.7%
  - Non-deductible expenses in FY21
  - Expect similar rate in FY23
- Underlying EPS up 9.1% to 15.8c
  - Adjusted for normalisation of investment returns (1.5c per share)
  - Reported EPS down 10.7% to 14.3c per share

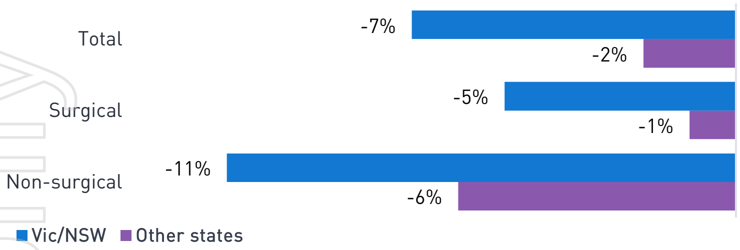
1 Dividend payout ratio based on Underlying NPAT

COVID-19 impacts – claims recovery

Claims remain below underlying expectations, deferred claims liability continues to increase

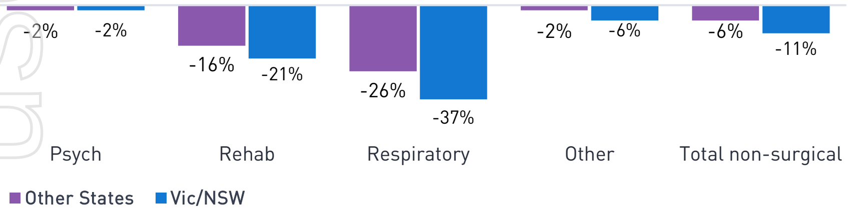
Private hospital claims[1]

12-month rolling to May 22 $ growth vs pre-COVID-19 period[2]



Private hospital non-surgical claims

12-month rolling to May 22 $ growth vs pre-COVID-19 period[2]



1 Private hospital services incurred by Medibank Group excluding prostheses and medical
2 Pre COVID-19 period is the 12-month period from March 2019 to February 2020. Claims figures for this period have been adjusted for inflation
3 1H22 figures refer to 12-month rolling period to Nov 21 $ growth vs pre-COVID-19 period as reported at 1H22

Total[3]

- Vic/NSW down 7% (1H22: 0%), other states down 2% (1H22: +4%)
- Staff shortages and restrictions have impacted claims recovery

Surgical

- Vic/NSW down 5% (1H22: +3%), other states down 1% (1H22: +6%)
- Stronger rebound in same day claims, with restrictions biased towards overnight procedures

Non-surgical

- Vic/NSW down 11% (1H22: -5%), other states down 6% (1H22: -2%)
- Notable declines across rehab and respiratory (c.29% of non-surgical benefits)
- Rehab annual spend c. 22% of non-surgical claims nationally and down on average c. 15% relative to surgical claims volumes
- Increasing likelihood softness in rehab will become a permanent trend

Updates to assumptions

- Average Hospital deferral assumption of 55% (1H22: 61%)
  - Surgical claims deferral assumptions unchanged at 85%
  - Non-surgical reduced from 50% to 40% during 2H22
- Deferred claims liability increased $224.5m to $448.3m (1H22: $328.7m)
- Pre-COVID-19 private hospital claims comprised
  - 59% in Victoria/NSW and 41% in other states
  - c. 57% surgical and c. 43% non-surgical
- Expect it will take c. 24 months for deferred procedures to be completed

Health Insurance result

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Continued strength in the resident business partially offset by closed borders impacting the non-resident business

Financial year ended 30 June ($m)	2021	2022	Change	COVID-19 impact[1]	COVID-19 Adj.
Premium revenue	6,680.3	6,859.8	2.7%	369.4	7,229.2
Claims expense	(5,586.2)	(5,695.0)	1.9%		
Risk equalisation	(24.6)	(36.1)	46.7%		
Net claims expense	(5,610.8)	(5,731.1)	2.1%	(368.8)	(6,099.9)
Gross profit	1,069.5	1,128.7	5.5%		
Management expenses	(530.9)	(536.1)	1.0%		
Operating profit	538.6	592.6	10.0%	0.6	593.2
Gross margin	16.0%	16.5%	50bps		
MER	7.9%	7.8%	(10bps)		
Operating margin	8.1%	8.6%	50bps		

Underlying performance

Financial year ended 30 June ($m)	2021	2022	Change
Underlying revenue	6,906.3	7,229.2	4.7%
Reported gross profit	1,069.5	1,128.7	5.5%
COVID-19 impact	3.0	0.6	(80.0%)
Underlying gross profit	1,072.5	1,129.3	5.3%
Management expenses	(530.9)	(536.1)	1.0%
Underlying operating profit	541.6	593.2	9.5%
Underlying gross margin	15.5%	15.6%	10bps
MER	7.7%	7.4%	(30bps)
Underlying operating margin	7.8%	8.2%	40bps

Major drivers of performance

- Strong resident policyholder growth
- Better then expected downgrading
- Continued cost discipline
- Benefits of increasing scale

Risk equalisation payment increased $11.5m

- ahm policyholder growth
- Lower than industry claims growth

Modest COVID-19 impact on reported results of $0.6m (FY21: $3.0m)

- $369.4m of customer support measures
- $368.8m permanent claim savings

Underlying gross profit up 5.3%

- Underlying revenue growth of 4.7%
- Continued subdued downgrading in 2H22
- Underlying gross margin up 10bps
- Achieved despite closed borders impacting non-resident profitability

Underlying operating margin up 40bps to 8.2%

- Cost discipline
- Benefit of increasing scale
- Underlying MER improvement of 30bps

1 FY22 COVID-19 adjustment of $369.4m (FY21: $226.0m) 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 $368.8m (FY21: $223.0m) as a result of COVID-19

Health Insurance – policyholders

Strong resident policyholder growth of 3.2%

Financial year ended 30 June ($m)	2021	2022	Change
Policyholders[1] (thousand):			
Opening balance	1,806.6	1,889.1	4.6%
Acquisitions	221.2	223.0	0.8%
Lapses	(147.4)	(162.1)	10.0%
Net (suspensions)/reactivations	8.7	-	n.m.
Closing balance	**1,889.1**	**1,950.0**	**3.2%**
- Medibank	1,417.8	1,444.4	1.9%
- ahm	471.3	505.6	7.3%
Acquisition rate[2]	**12.0%**	**11.6%**	**(40bps)**
- Medibank	9.0%	9.3%	30bps
- ahm	23.0%	19.7%	(330bps)
Lapse rate[2]	**8.0%**	**8.4%**	**40bps**
- Medibank	7.3%	7.4%	10bps
- ahm	12.0%	12.7%	70bps
Policyholder growth	**4.6%**	**3.2%**	**(140bps)**
Total policy units[1,3] (thousand)			
Closing balance	4,811.5	4,955.4	3.0%
Average balance	4,763.1	4,867.1	2.2%

1 Consistent with reported industry data, policyholder numbers only include the resident portfolio whereas total policy units include both resident and non-resident portfolios
2 Transfers of policyholders between ahm and Medibank are excluded in consolidated lapse and acquisition rates but included at brand levels. Lapse and acquisition rates are based on the average of the opening and closing balances for the period
3 Refer to glossary for definition of policy units. Based on an average of the month-end balances over the reporting period

PHI market industry remains buoyant

- Estimated 2.7% growth during FY22 including strong June quarter
- High quality growth including in new to industry and younger cohorts

Policyholder numbers increased 3.2%

- Modest deterioration in acquisition and lapse rates largely reflecting favourable COVID-19 impacts in the prior period
- No notable change in suspension levels
- 2H22 lapse improvement vs pcp for both brands despite deteriorating economic conditions

Medibank brand up 1.9%

- Acquisition rate up 30bps reflecting strong growth in corporate and digital
- 76% new to industry joins (FY21: 75%)
- Stable retention rate

ahm brand up 7.3%

- Softer switching market continues
- 66% new to industry joins (FY21: 61%)
- Lower acquisition rate reflects lower sales through aggregators and increasing number of policyholders (>500k)
- More profitable direct sales which were more than 50% of total sales this period
- Limit roll over positively impacted retention in FY21
- Improved retention targeted through greater use of data insights and an improved experience for new customers

Health Insurance – underlying resident claims

medibank

Underlying resident claims growth per policy unit declined 20bps to 2.3%

Financial year ended 30 June ($m)[1]	2021	2022	Change
Claims expense	(5,706.2)	(5,954.4)	4.3%
Risk equalisation	(24.6)	(36.1)	46.7%
Net resident claims expense	(5,730.8)	(5,990.5)	4.5%
- Hospital	(4,247.2)	(4,428.5)	4.3%
- Extras	(1,483.6)	(1,562.0)	5.3%
Average claims expense per policy unit[2] ($)	(1,249.3)	(1,278.1)	2.3%
Hospital claims per policy unit growth	2.5%	2.7%	20bps
Extras claims per policy unit growth	3.9%	2.5%	(140bps)
Resident hospital utilisation growth[3]	(0.1%)	0.4%	50bps
Resident extras utilisation growth[3]	2.2%	1.8%	(40bps)

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

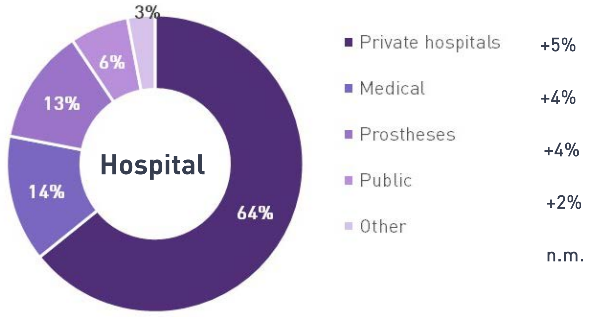
- Lower extras claims growth following investment in additional product benefits in 1H21
- Modest increase in hospital claims growth due to a number of claims reduction initiatives in the prior period and mix impacts
- Public hospital claims more heavily impacted than private hospital claims due to more significant COVID-19 impacts on admissions
- Overall claims growth lower than individual hospital and extras growth due to relative costs, volume and growth

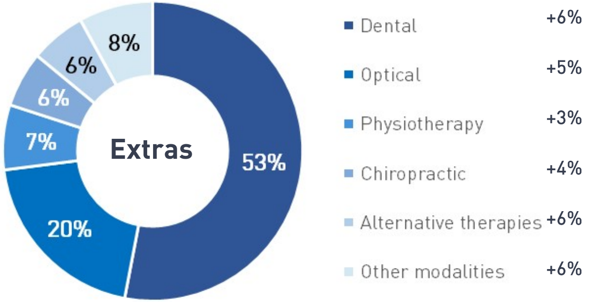
Expect underlying claims per policy unit growth of 2.3% in FY23

- Given RE volatility, we expect underlying claims growth across the last 12 months of 2.3% to be the best indicator of growth in FY23
- Subject to prostheses reform savings
- Will continue to closely monitor rehab trends, emerging signs this could be a more permanent trend which could favourably impact future underlying claims growth

Indicative composition & movement in dollar value[1] vs. FY21

$ value movement





1 All numbers are in respect of the resident portfolio and on an underlying basis. See slide 35 for reconciliation of reported to underlying claims and COVID-19 impacts
2 Based on an average of the month-end balances over the reporting period
3 Actual hospital utilisation for FY21 was slightly below the reported estimate of (0.2%) as at 30 June 2021. Actual extras utilisation for FY21 was in line with the 2.2% reported estimate as at 30 June 2021. Estimated utilisation differs from actual utilisation largely as a result of the claims provision impacts

Health Insurance – underlying portfolio performance

medibank

Well positioned for growth in FY23 with improved second half trajectory in non-resident business

	Resident			Non-resident			Total		
Financial year ended 30 June ($m)[1]	**2021**	**2022**	**Change**	**2021**	**2022**	**Change**	**2021**	**2022**	**Change**
Premium revenue	6,754.8	7,082.3	4.8%	151.5	146.9	(3.0%)	6,906.3	7,229.2	4.7%
Net hospital claims	(4,247.2)	(4,428.5)	4.3%	(103.0)	(109.4)	6.2%	(4,350.2)	(4,537.9)	4.3%
Extras claims	(1,483.6)	(1,562.0)	5.3%				(1,483.6)	(1,562.0)	5.3%
Net claims expense	(5,730.8)	(5,990.5)	4.5%	(103.0)	(109.4)	6.2%	(5,833.8)	(6,099.9)	4.6%
Gross profit – underlying	1,024.0	1,091.8	6.6%	48.5	37.5	(22.7%)	1,072.5	1,129.3	5.3%
Gross margin - underlying	**15.2%**	**15.4%**	**20bps**	**32.0%**	**25.5%**	**(650bps)**	**15.5%**	**15.6%**	**10bps**
Gross profit – reported	1,034.0	1,091.2	5.5%	35.5	37.5	5.6%	1,069.5	1,128.7	5.5%
Resident premium increase	3.27%	3.22%	(5bps)	-	-	-	3.27%	3.22%	(5bps)
Downgrading	(0.9%)	(0.6%)	30bps	-	-	-	(0.6%)	(0.3%)	30bps
Revenue per policy unit growth rate	2.4%	2.6%	20bps	1.5%	6.1%	460bps	2.6%	2.9%	30bps
Claims per policy unit growth rate	2.5%	2.3%	(20bps)	11.6%	16.2%	460bps	3.1%	2.8%	(30bps)
Policy units (thousand)									
Closing balance	4,630.9	4,758.9	2.8%	180.6	196.5	8.8%	4,811.5	4,955.4	3.0%
Average balance	4,587.3	4,687.1	2.2%	196.8	179.9	(8.6%)	4,784.1	4,867.1	1.7%

Underlying resident performance

Strong policy unit growth
- Spot growth 60bps higher than growth in average balance

Gross margin expansion of 20bps
- Improved revenue per policy unit
- Lower claims per policy unit

Continued subdued downgrading of 60bps, down 30bps
- Benefit of Medibank policyholder trajectory, portfolio management initiatives and sales mix
- Current economic conditions, expect downgrading of 80bps in FY23

Expect growth in underlying claims per policy unit to be 2.3% in FY23

Underlying non-resident performance

Spot policy units increased 8.8%
- Strong growth late in 2H22
- Average balance down 8.6%

Underlying gross profit down $11.0m
- Reported gross profit up $2.0m
- Increased student intake resulted in material improvement in 2H22 gross profit to $22.5m (1H22: $15.0m) as prior periods' tenure and mix impacts start to unwind

Good momentum leading into FY23
- Improved 2H22 underlying gross margin of 29.2% (1H22: 21.5%)
- FY23 gross profit to be higher than FY21 with potential upside from worker and visitor market segments

1 All numbers are on underlying basis. See slide 35 for reconciliation of reported to underlying claims and COVID-19 impacts

Health Insurance – management expenses

Benefits of scale and productivity agenda delivered a 30bps reduction in underlying MER to 7.4%

Financial year ended 30 June ($m)	2021	2022	Change
Premium revenue	6,680.3	6,859.8	2.7%
Management expenses	(530.9)	(536.1)	1.0%
- Depreciation and amortisation	(43.7)	(40.4)	(7.6%)
- DAC amortisation	(39.3)	(37.8)	(3.8%)
- Non-resident sales commissions	(7.7)	(13.9)	80.5%
- Operating expenses[1]	(440.2)	(444.0)	0.9%
MER	7.9%	7.8%	(10bps)
Underlying MER	7.7%	7.4%	(30bps)

Management expenses increased 1.0%
- Productivity savings and lower non-cash costs
- Largely offset cost inflation and non-resident commissions

Non-cash costs reduced by $4.8m
- Lower D&A
- DAC decrease with progressive shifting of ahm to direct sales channels

Non-resident sales commissions increased $6.2m
- $11.0m of sales commissions in 2H22 (1H22:$2.9m)
- Expect a similar $ increase in FY23 compared to FY22

Delivered c. $15m in productivity savings
- Savings from process improvement, increasing use of digital channels and flexible working
- On track to deliver $40m between FY22 – FY24

Operating expenses increased 0.9%
- Underlying cost inflation of c. 2.5%
- Additional statutory costs of c. $2.0m
- Volume-related increases due to higher policyholders
- Largely offset by productivity

Underlying MER declined 30 bps to 7.4%
- Increasing revenue
- Benefit of growth and scale

FY23 operating expenses
- Expect cost inflation of 3.5% – 4.0%
- Inflation expected to be largely offset by productivity
- Leverage strong revenue growth and increasing scale to improve MER while balancing medium-term growth aspirations

1 Includes right-of-use depreciation of $23.4m (FY21: $21.8m)

Navigating the current macroeconomic environment

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Well placed to manage a period of expected higher inflation

Policyholder growth

Industry growth expected to soften

- Expected to remain well above pre-pandemic levels
- Supported by continued community focus on health and wellbeing and public system challenges

Factors expected to offset

- Continuation of low premium increases
- Implementation of Adult Dependent Reform
- Potential for further customer give backs
- Increased number of no gap services for customers

FY25 market share growth aspiration: +25-75bps from FY22

Claims

Importance of hospital contracting conversations

- Broadening set of outcomes
- Customer experience KPIs

Factors expected to offset

- Next phase of prosthesis reform
- Monitor for permanent shift away from acute rehab
- Monitor spend in discretionary ancillary modalities which could be impacted by economic conditions

Amplar providing more services to Medibank customers

- Increasing focus on prevention programs supported by Live Better and primary care
- Greater adoption of in home care
- Delivering integrated care models at scale

Downgrading

Modest deterioration in downgrading expected off a low base

- FY22: 60bps, FY23 outlook: 80bps

Factors expected to offset

- Seven-month premium increase deferral
- Low premium increases thereafter
- Continued portfolio management initiatives

Proactive approach to customers needs

- Enhance coverage of Right Cover program
- Continuation of hardship options

Costs

Increasing scale and industry leading MER

- Provides flexibility for organic growth
- Well–placed versus competitors

Factors expected to offset

- PHI productivity program $40m over FY22-FY24
- Continued cost discipline

Opportunities to manage non-cash costs

- Increasing direct ahm sales
- Considered investments to manage D&A

Medibank Health result

44.9% growth in segment profit including a meaningful uplift in the contribution from healthcare investments

Financial year ended 30 June ($m)	2021	2022	Change
Revenue	283.8	321.8	13.4%
Gross profit	117.0	129.2	10.4%
Management expenses	(84.8)	(88.4)	4.2%
Operating profit	**32.2**	**40.8**	**26.7%**
Share of profit/(loss) from Myhealth	0.7	2.9	n.m.
Share of profit/(loss) from other investments[1]	(1.5)	1.8	n.m.
Medibank Health segment profit	31.4	45.5	44.9%
Gross margin	41.2%	40.1%	(110bps)
MER	29.9%	27.5%	(240bps)
Operating margin	11.3%	12.7%	140bps

Largely offsetting COVID-19 impacts
- Travel insurance impacted by closed borders
- Lockdowns impacted homecare patient numbers
- Largely offset by COVID-19 related services

Segment profit increased by 44.9% to $45.5m
- Operating profit up 26.7%
- $4.7m contribution from healthcare investments (including a 12-month contribution from the Myhealth GP business)

Revenue growth of 13.4%
- Strong growth in telehealth and health and wellbeing
- Recovery in travel insurance in 2H22
- Modest reduction in homecare due to seasonality and elective surgery restrictions

Gross margin down 110bps to 40.1%
- Nurse wage inflation in homecare - expected to continue in FY23
- Transition out of 1800RESPECT and Beyond Blue contracts

Management expenses up $3.6m
- Includes $2m of contract exit costs
- MER improved due to strong revenue growth – reinforces opportunity to create scale

FY23 revenue and cost decline due to exit of 1800RESPECT and Beyond Blue in telehealth – immaterial impact on operating profit

Expect ≥15% average organic segment profit growth p.a. over 3 years
- Strong momentum in remainder of Medibank Health
- Growth opportunity around the needs of Medibank customers
- Potential for further growth from M&A
- Prepared to invest for the long term

1 Includes interest income from loan to associates FY21: $0.2m, FY22: $0.2m

Investment portfolio and investment income

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Investment income impacted by volatile markets but FY23 will benefit from increasing RBA cash rate

	Reported performance[2]			Underlying performance[2]		
Financial year ended 30 June ($m)	**2021**	**2022**	**Change**	**2021**	**2022**	**Change**
Net investment income:						
Growth portfolio income	85.9	2.9	(96.6%)	41.3	35.3	(14.5%)
Defensive portfolio income/(expense)	38.4	(23.5)	(161.1%)	22.3	3.0	(86.5%)
Fund portfolio investment income/(expense)[1]	124.3	(20.6)	(116.6%)	63.6	38.3	(39.8%)
Net other investment income and expenses	(4.3)	(4.2)	(2.3%)	(4.3)	(4.2)	(2.3%)
Total net investment income/(expense)	120.0	(24.8)	(120.7%)	59.3	34.1	(42.5%)
Investment returns on growth assets	18.46%	0.61%	(1,785bps)	8.87%	7.37%	(150bps)
Investment returns on defensive assets	2.06%	(1.22%)	(328bps)	1.20%	0.16%	(104bps)
Fund Portfolio investment returns	5.34%	(0.85%)	(619bps)	2.73%	1.59%	(114bps)
RBA cash rate (average)				0.15%	0.18%	
Underlying spread to RBA cash rate				2.58%	1.41%	(117bps)
Average monthly balance:						
Growth	465.4	479.0	2.9%			
Defensive	1,864.7	1,929.5	3.5%			
Total Fund Portfolio	2,330.1	2,408.5	3.4%			

Volatile markets significantly impacted returns this period with a $24.8m loss
- Growth portfolio down $83m with a correction in domestic and global equity markets
- Defensive portfolio loss includes credit spread impact (FY22: $26.5m cost, FY21: $16.1m benefit)

Retained 20% growth and 80% defensive asset allocation

Underlying investment income adjusts for returns on growth assets relative to our long-term market return expectation of 8% and for credit spread movements

Underlying investment income down $25.2m to $34.1m
- $19.3m reduction in defensive portfolio, impacted by market liquidity and steepening interest rate curve
- Underlying spread to RBA cash rate of 141bps modestly below target range of 150 – 200bps per annum

Underlying FY23 defensive portfolio income impacts
- RBA cash rate increases - each 25bps will increase investment income by c. $5m
- Expect liquidity and steepening interest rate curve impacts will not be as significant as in FY22

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

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Total dividend increased 5.5% and payout at the top end of our target range

Financial year ended 30 June ($m)	2021	2022
Total equity	1,906.1	1,945.6
Less: Intangible and illiquid assets	(445.3)	(415.7)
Total tangible and liquid assets	1,460.8	1,529.9
Determined but unpaid ordinary dividend	(190.0)	(201.0)
Cost of product bonus additions[1]	(10.5)	(10.0)
Total tangible eligible capital	1,260.3	1,318.9
Required capital		
- Health Insurance	942.0	983.7
- Other	147.6	187.2
Unallocated capital	170.7	148.0
Health Insurance capital (%)[2]	13.0%	13.0%

Dividend	2021	2022
Final ordinary dividend per share (cents)	6.9	7.3
Full year ordinary dividend per share (cents)	12.7	13.4
Dividend payout ratio[3]	87.7%	84.8%

Health Insurance capital up $41.7m
- Ratio at the top end of 11% to 13% target range[2]
- Increased due to premium revenue growth

Other required capital increased by $39.6m
- Investment in new hospital joint ventures
- $10m investment in Medinet

Unallocated capital down $22.7m
- Reduction due to cost of investments
- Partially offset by disciplined capital management resulting in $29.6m reduction in intangible and inadmissible assets

New PHI capital standard to apply from 1 July 2023
- Not expected to negatively impact capital position
- Allows for issuance of Tier 2 debt
- Expect to provide update on capital settings at 1H23 result

Strong capital position provides flexibility for further inorganic growth
- If suitable opportunities do not arise we will consider further capital management

FY22 dividend of 13.4cps
- 84.8% payout ratio of Underlying NPAT (target range 75% - 85%)
- Final fully franked dividend of 7.3cps, up 5.8%

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
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

Key areas of growth for FY23 and beyond

A number of avenues for growth which further diversify earnings

Maintain momentum in resident PHI

- Maintain policyholder growth and focus on increasing market share
- Target growth in priority segments including corporate and regional customers
- Manage operating margins
- Leverage cost benefits of scale

Growth in non-resident PHI

- Leverage partnerships and capabilities to support growth
- Increase share among visitor and working visa health cover with borders reopening
- Consider other investment opportunities and avenues for growth

Scale and expand Medibank Health

- Expect continued organic earnings growth - ≥15% average growth p.a. over 3 years
- Increase penetration of preventative programs including Live Better
- Deliver integrated care models at scale

Inorganic growth

- Aim to invest $150m to $250m in total over the next 3 years, primarily in health and wellbeing, primary care and new care models (including additional short stay hospitals)
- Will review Health Insurance opportunities where targets are distressed

Deliver synergies

- Provide more health services to Medibank members
- Support improved health experiences and retention

Conclusion

David Koczkar
Chief Executive Officer

Supporting customers with their mental health journey

An example of our broad and unique capabilities

Everyday wellbeing

Live Better

- Access mental wellbeing through digital content, events, rewards and partnerships
- Live Better Reward members can redeem points with our health and wellbeing partners
- Deeply integrated into Medibank covers, with enhanced product benefits

Smiling Mind app[1]

- Develop wellbeing skills

Looking to take care of yourself

Better Minds Hub

- Information and education

Medibank Better Minds App

- Learn evidence-based cognitive behaviour therapy skills
- Book one-on-one coaching
- Integrated into Medibank hospital covers

Looking for support

24/7 Medibank Mental Health Line

- Get support from qualified mental health professionals
- Offered to ahm customers as part of COVID support
- Services provided by **Amplar**

Find a Provider

Search for details of Members' Choice providers, Members' Choice hospitals and GapCover specialists

Enhanced benefits for mental health support

Available in eligible extra products (e.g. virtual psychology or counselling consultations)[2]

Committing to professional support towards recovery

Medibank Health Concierge

- Pre hospital support to help eligible customers prepare for a hospital stay or treatment
- Post hospital support for mental health in development
- Services provided by **Amplar**

Telepsych clinic trial

- Aimed to provide greater access to primary mental health service
- Delivered by **Amplar (including Medinet** and **Myhealth GPs)**

Community model of care

- Piloting new model of care for mental health in partnership with hospitals

Better value cover

1 Medibank is the Official Health Partner of Smiling Mind
2 Benefits payable towards Medibank recognised Counsellors only

We have multiple avenues for growth

Through sustaining competitive advantages in PHI and opportunities in health

medibank

We will continue to do the right thing by our customers

- We have a dedicated and passionate team, and we are progressing our vision of the best health and wellbeing for Australia
- We are well-positioned to continue to deliver a differentiated offering for our customers in health
- We will continue to advocate for changes to create a more sustainable and affordable health system

We have good momentum leading into FY23

- Consumer sentiment supports continued industry growth, albeit at a slower rate
- We have seen strong adoption by customers of our broader offerings in health
- We have a track record of managing our business well in challenging circumstances

We remain focused on growing as a health company

- **Insurance:** through our dual brands which deliver more value, choice and control for customers
- **Health:** by scaling and connecting our health businesses
- **Delivering synergies:** by prioritising services directly to Medibank customers
- **Flexibility:** our strong balance sheet and capital position provide flexibility to invest and partner in target markets

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
Policyholder growth	• c. 2.7% assuming a modest decline in industry participation growth in FY23 relative to FY22
Claims	• Given risk equalisation volatility, we expect underlying net claims expense per policy unit growth in FY22 of 2.3% to be the best indicator of growth in FY23 among resident policyholders
Management expense in PHI	• Productivity $40m in FY22-FY24 (including c. $15m delivered in FY22) • Inflation expected to be largely offset by productivity
Growth	• Targeted organic and inorganic growth for Medibank Health and Health Insurance remain areas of focus, supported by a strong capital position


11:33
4G
Explore
View all
Challenges
Medibank Live Better challenge
4-week Book your health check
Earn 750 Live Better Points by booking a health check
+ 750 Live Better Points
View all
Communities
Home
Explore
Notifications
Me

Appendix

FY22 milestone scorecard

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Milestones[1]	FY22 outcomes

Delivering leading experience

Customer advocacy: Service NPS (average)

	FY21	FY22	FY22 benchmark[2]
Medibank	37.1	45.3	>35
ahm	43.0	42.4	>35

Employee advocacy: eNPS

	FY21	FY22	FY22 benchmark[3]
Place to work	+30	+27	≥+24
Products and services	+26	+29	≥+19

Differentiate our insurance business

Net policyholder growth

FY21[4]	FY22
+3.5% /+64.3k	+3.2%/+60.9k
Medibank brand[4] +1.3%/+18.1k	Medibank brand +1.9%/+26.6k

FY22 target (updated February 2022)[5]
3.1-3.3%, including continued growth in the Medibank brand

Market share

FY21	Q3FY22	FY24 aspiration
27.31%	27.35% (+4bps since FY21)	up 25-75bps on FY21

Health Insurance productivity delivered

FY21	FY22	FY22 – FY24 target
c. $20m	c. $15m	$40m including $15m in FY22

Expand in health

Medibank Health[6]

FY18	FY22	FY22 target
$47.3m	$45.5m	Replace the reported FY18 $30m operating profit of Garrison by FY22

Health and wellbeing

	FY18	FY22	FY22 target
Customers engaged with Live Better[7]	c. 366k	c. 568k	c. 480k

1 Milestones as presented in FY22. All new and continuing milestones are detailed throughout the remainder of the presentation
2 Benchmark reflects sustaining service levels while continuing to digitise the service delivery model
3 FY22 benchmarks are based on the global average adjusted for Australian healthcare and financial insurance industry context
4 Adjusted for suspensions and reactivations occurring as the result of COVID-19
5 Assumes slowing industry participation growth in FY22 relative to FY21
6 Milestone updated to align with Medibank Health segment profit and to reflect FY21 statements that the temporary travel insurance earnings impact is expected to be largely offset by the contribution from investments in FY22
7 Includes total customers who have engaged with our preventative health offering, including Live Better Rewards, Live Better Activities, preventative health programs and any new offerings developed during the reporting period

Summary of FY22 ESG achievements and progress

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

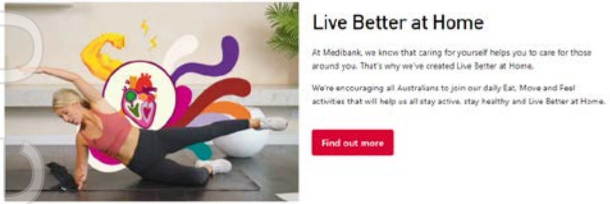
	FY22 key achievements[1]	Future focus
Customer health	• 55% growth in customers engaged with Live Better and preventative programs • Better Minds, our information hub and app supporting mental health, attracted c. 79k users and app downloads	• Grow Live Better and preventative programs • Expand out-of-hospital models of care for mental health
Employee health	• Female representation of 44% Board members and 44% Group and Senior Executives • Embedded Future Fit way of flexible working model- c. 85% of employees working flexibly • Piloted a carers support program for employees caring for ageing parents or a loved one with a disability or chronic illness - overwhelming positive feedback	• Develop tailored employee value propositions to drive employee advocacy, attraction and retention • Increase representation and engagement of Aboriginal and Torres Strait Islander employees and employees with disability
Community health	• Progressed the 10-year commitment to loneliness with the launch of We Are Lonely Podcast, reaching c. 55k listeners • Launched 5th Reconciliation Action Plan and 2nd Accessibility and Inclusion Plan • $971k allocated to health research across Medibank	• Progress strategic roadmap for 10-year loneliness impact, including key community partnerships • Build on our partnership with Parkrun and help them towards their goal of 900k annual participants by the end of 2025
Environmental health	• Set robust short, medium and long-term Net Zero targets – details to be announced in our 2022 Sustainability Report in September 2022 • New Melbourne head office from late 2024 to be a 6 Star Green Star Design building with environmental sustainability embedded throughout the building process	• Progress Net Zero pathway activities • Look for opportunities to collaborate with our health partners to address climate change across the broader health system
Governance	• Published our 1st Group Human Rights Policy, strengthening our commitment to upholding human rights across our business • Collaborated with a group of hospital providers to run a pilot assessment to better understand the risk of modern slavery in their supply chains • Refreshed ESG materiality assessment and undertook first external assurance of key ESG metrics	• Introduce human rights provisions into existing procurement contracts • Target $1 million per annum in Aboriginal and Torres Strait Islander business procurement spend each year by FY25

1 For more details, refer to our 2022 Sustainability Report to be published in September 2022

Live Better – everyday wellbeing proposition

Activities and inspiration

- Free activities offered to broader public e.g. Smiling mind meditation, free fitness classes, Park Run sponsor
- Curated content to inspire e.g. articles, podcasts, healthy recipes
- 1.5m people participated in free Live Better community activities



Eat Move Feel

Live Better Rewards

- c. 522k Live Better Rewards participants
- The program is deeply integrated into Medibank extras and hospital covers
- Eligible customers rewarded by
  - Tracking healthy actions via Live Better and My Medibank app, or
  - Utilising Members' Choice Advantage network that is expanding to c. 2.6k locations in Q1FY23
- Retention benefits, e.g. c. 140 bps lapse improvement between Live Better Rewards users vs. non-Live Better members in the 25-45yo cohort

Track

Track everyday healthy actions

- Eat Better
- Move Better
- Feel Better

Earn

Earn enough credits to progress to the next level, or complete goals and challenges to earn Live Better points

Members can also earn Live Better points through our health & wellbeing partner network

Redeem

Liver Better Reward members can use points earned to redeem rewards, including

Save on their PHI covers
- $200 premium reduction
- Increase extras limit up to $200
- Reduce hospital excess by $250

Save on products and services or get gift cards from health and wellbeing partners

Reconciliation of reported to underlying claims and COVID-19 impacts

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COVID-19 impacts – Health Insurance

Financial year ended 30 June ($m)	2021	2022
Deferral of April 2020 premium increase[2]	96.0	-
Customer suspensions	27.0	-
Giveback	103.0	194.6
Deferral of April 2022 premium increase	-	174.8
Total customer relief impact	**226.0**	**369.4**
Resident hospital claims	(170.1)	(251.8)
Non-resident claims	13.1	-
Resident ancillary claims	(66.0)	(117.0)
COVID-19 claims expense impacts	**(223.0)**	**(368.8)**
Net COVID-19 impacts	**3.0**	**0.6**

COVID-19 claims liability impacts

Financial year ended 30 June 2022 ($m)	Hospital[1]	Ancillary	Total
30 June 2021 – COVID-19 claims liability	220.2	3.6	223.8
Hindsight provision movement	(8.5)	(0.2)	(8.7)
Net (utilisation) / deferral during the period	193.9	39.3	233.2
30 June 2022 – COVID-19 claims liability	**405.6**	**42.7**	**448.3**
(Lower) / higher than expected claims	(437.2)	(156.1)	(593.3)
Change to liability increase / (decrease)	185.4	39.1	224.5
COVID-19 claims expense impacts	**(251.8)**	**(117.0)**	**(368.8)**

Reconciliation of reported to underlying claims

Financial year ended 30 June ($m)	2021	2022
Total reported claims	(5,610.8)	(5,731.1)
COVID-19 claims expense impacts	(223.0)	(368.8)
Total underlying claims	**(5,833.8)**	**(6,099.9)**
Underlying claims per policy unit growth	**3.1%**	**2.8%**
Reported resident claims	(5,494.8)	(5,621.7)
COVID-19 claims expense impacts	(236.0)	(368.8)
Underlying resident claims	**(5,730.8)**	**(5,990.5)**
Underlying claims per policy unit growth		
Total resident	2.5%	2.3%
Hospital	2.5%	2.7%
Extras	3.9%	2.5%
Reported non-resident claims	(116.0)	(109.4)
COVID-19 claims expense impacts	13.0	-
Underlying non-resident claims	**(103.0)**	**(109.4)**
Underlying claims per policy unit growth	**11.6%**	**16.2%**

1 Hospital includes non-resident
2 April 2020 premium deferral accounted for over FY20 ($65m) and FY21

Group financial summary – half by half

($m)	1H21	2H21	1H22	2H22	Change: 2H22 v 2H21	Change: 2H22 v 1H22	Change: 1H22 v 1H21
Group revenue from external customers	**3,442.2**	**3,468.2**	**3,581.2**	**3,547.3**	**2.3%**	**(0.9%)**	**4.0%**
Health Insurance operating profit	254.6	284.0	280.9	311.7	9.8%	11.0%	10.3%
Medibank Health segment profit	18.8	12.6	25.7	19.8	57.1%	(23.0%)	36.7%
Segment operating profit	**273.4**	**296.6**	**306.6**	**331.5**	**11.8%**	**8.1%**	**12.1%**
Corporate overheads	(18.2)	(23.5)	(20.1)	(23.9)	1.7%	18.9%	10.4%
Group operating profit	**255.2**	**273.1**	**286.5**	**307.6**	**12.6%**	**7.4%**	**12.3%**
Net investment income/(expense)	71.8	48.2	30.9	(55.7)	n.m.	n.m.	(57.0%)
Amortisation of intangibles	(3.4)	(1.2)	(1.0)	(1.0)	(16.7%)	-	(70.6%)
Other income/(expenses)	(1.7)	(9.7)	(3.2)	(4.1)	(57.7%)	28.1%	88.2%
Profit before tax	**321.9**	**310.4**	**313.2**	**246.8**	**(20.5%)**	**(21.2%)**	**(2.7%)**
Income tax expense	(95.5)	(95.6)	(93.0)	(73.1)	(23.5%)	(21.4%)	(2.6%)
NPAT	**226.4**	**214.8**	**220.2**	**173.7**	**(19.1%)**	**(21.1%)**	**(2.7%)**
EPS (cents)	8.2	7.8	8.0	6.3	(19.1%)	(21.1%)	(2.7%)
Normalisation for growth asset returns	(13.2)	(18.0)	(7.4)	30.1	n.m.	n.m.	(43.9%)
Normalisation for defensive asset returns	(9.8)	(1.5)	(0.4)	18.9	n.m.	n.m.	(95.9%)
Underlying NPAT	**203.4**	**195.3**	**212.4**	**222.7**	**14.0%**	**4.8%**	**4.4%**
Underlying EPS (cents)	7.4	7.1	7.7	8.1	14.0%	4.8%	4.4%
Dividend per share (cents)	**5.80**	**6.90**	**6.10**	**7.30**	**5.8%**	**19.7%**	**5.2%**
Dividend payout ratio[1]	78.5%	97.3%	79.1%	90.3%	(7.2%)	14.2%	0.8%

1 Dividend payout ratio based on Underlying NPAT

Health Insurance policyholders – half by half

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	1H21	2H21	1H22	2H22	Change		
					2H22 v 2H21	2H22 v 1H22	1H22 v 1H21
Premium revenue ($m)	**3,324.5**	**3,355.8**	**3,452.0**	**3,407.8**	**1.5%**	**(1.3%)**	**3.8%**
Policyholders[1] (thousand):							
Opening balance	1,806.6	1,855.6	1,889.1	1,917.2	3.3%	1.5%	4.6%
Acquisitions	102.6	118.6	106.2	116.8	(1.5%)	10.0%	3.5%
Lapses	(62.8)	(84.6)	(78.1)	(84.0)	(0.7%)	7.6%	24.4%
Net (suspensions)/reactivations	9.2	(0.5)	-	-	n.m.	n.m.	n.m.
Closing balance	1,855.6	1,889.1	1,917.2	1,950.0	3.2%	1.7%	3.3%
- Medibank	1,405.8	1,417.8	1,429.9	1,444.4	1.9%	1.0%	1.7%
- ahm	449.8	471.3	487.3	505.6	7.3%	3.8%	8.3%
Acquisition rate[2]	**5.6%**	**6.3%**	**5.6%**	**6.0%**	**(30bps)**	**40bps**	**-**
- Medibank	4.1%	4.9%	4.4%	4.8%	(10bps)	40bps	30bps
- ahm	11.3%	11.6%	9.6%	10.1%	(150bps)	50bps	(170bps)
Lapse rate[2]	**3.4%**	**4.5%**	**4.1%**	**4.3%**	**(20bps)**	**20bps**	**70bps**
- Medibank	3.3%	4.0%	3.6%	3.8%	(20bps)	20bps	30bps
- ahm	5.0%	6.9%	6.2%	6.5%	(40bps)	30bps	120bps
Policyholder growth	**2.7%**	**1.8%**	**1.5%**	**1.7%**	**(10bps)**	**20bps**	**(120bps)**
Total policy units[1,3] (thousand):							
Closing balance	4,761.6	4,811.5	4,858.7	4,955.4	3.0%	2.0%	2.0%
Average balance	4,736.5	4,789.7	4,835.5	4,898.6	2.3%	1.3%	2.1%

1 Consistent with reported industry data, policyholder numbers only include the resident portfolio whereas total policy units include both resident and non-resident portfolios
2 Consolidated lapse and acquisition rates exclude transfers of policyholders between ahm and Medibank at a combined brand level. Figures at brand level include these transfers. Lapse and acquisition rates are based on the average of the opening and closing balances for the period
3 Based on an average of the month-end balances over the reporting period

Investment portfolio

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As at 30 June 2022	Spot Balance ($m)	Portfolio composition	Average Balance ($m)	Average Balance Portfolio composition	Target asset allocation
Australian equities	133.9	5.4%	130.2	5.4%	5.0%
International equities	100.7	4.1%	118.6	4.9%	6.0%
Property	182.9	7.4%	175.8	7.3%	7.0%
Infrastructure	57.2	2.3%	54.4	2.3%	2.0%
Growth	**474.7**	**19.2%**	**479.0**	**19.9%**	**20.0%**
Fixed income[1,2]	1,462.0	59.0%	1,408.5	58.5%	60.0%
Cash[3]	540.0	21.8%	521.0	21.6%	20.0%
Defensive	**2,002.0**	**80.8%**	**1,929.5**	**80.1%**	**80.0%**
Total Fund (pre-STOC)	**2,476.7**	**100.0%**	**2,408.5**	**100.0%**	**100.0%**
Short-term operational cash[4,6]	760.4		468.1		
Total Fund	**3,237.1**		**2,876.6**		
Non health fund investments[5,6]	189.8		174.3		
Total investment portfolio	**3,426.9**		**3,050.9**		

1 Target asset allocation comprises floating rate notes and asset-backed investments (33.0% vs 33.0% in FY21) and other fixed income (27.0% vs 27.0% in FY21). The Fund's average credit duration is approximately 1.9 years, average interest rate duration is approximately 0.4 years, and the average credit rating is 'A'

2 For investment portfolio purposes, fixed income comprises fixed income securities ($2,379.8 m), less reclassified cash with maturities between 3-12 months ($541.4m), less non health fund fixed income securities ($156.4m), less short-term operational cash fixed income securities ($234.4m), plus cash allocated to the Fixed income portfolio ($14.4m)

3 For investment portfolio purposes, cash comprises cash and cash equivalents ($596.7m) plus cash with maturities between 3-12 months ($541.4m), less non health fund investments ($33.4m), less short-term operational cash ($526.0m), less operational cash ($24.3m) less cash allocated to the Fixed income portfolio ($14.4m)

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

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

6 Prior Comparative average balances for Short-term operational cash ($468.1m) and Non health fund investments ($174.3m)

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
AMA	Australian Medical Association
APRA	Australian Prudential Regulation Authority
bps	Basis points (1.0% = 100 bps)
CAGR	Compound annual growth rate
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
ESG	Environmental, Social and Governance
Extras utilisation	The number of services provided by ancillary providers per ancillary policy unit and includes a provision for IBNR and COVID-19
FY	Financial year ended/ending 30 June
FYTD	Financial year to date
Health Insurance	Includes both resident and 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
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, and from 1 July 2022, physiotherapy, chiropracty, podiatry, acupuncture and remedial massage
MER	Management expense ratio
n.m.	Not meaningful
pcp	Prior corresponding period
PHI	Private Health Insurance
Non-resident	Overseas students health cover (OSHC) and Overseas visitors cover (OVC)
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	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 performance and income) are reported figures adjusted for outstanding claims provision movements and COVID-19 impacts