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Half year results 2024

Investor presentation
22 February 2024

Important notice

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AASB 17 *Insurance Contracts*

Medibank adopted AASB 17 *Insurance Contracts* (AASB 17) from 1 July 2023 and has applied it retrospectively, resulting in the restatement of the financial results for comparative periods. Accordingly, FY23, 1H23, and 2H23 figures in these slides have been restated for the impact of AASB 17, where applicable. For further detail refer to Note 9 of the Financial Report for the half year ended 31 December 2023.

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Abbreviations and acronyms used throughout the presentation may be found in the glossary.

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

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Highlights

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Strong business with a constant focus on our customers

- Improved Service NPS, with increased value provided to customers
- Continued growth across the Health Insurance and Medibank Health segments, with standout growth in our non-resident business

Industry drivers support our long-term strategy

- Private health insurance industry fundamentals remain supportive of continued quality growth
- Challenges remain across the broader health sector, with our investments empowering customers and providers to drive positive change

Medibank remains disciplined in how we grow

- Targeting profitable growth in key private health insurance customer segments
- Aiming to achieve 1.2% – 1.5% resident policyholder growth in FY24, and a return to market share growth in 2H24

We continue to manage inflationary pressures

- Targeting $10m in productivity savings with MER expected to be modestly higher in FY24
- Continued softness in claims with FY24 expected claims per policy unit reduced to 2.2% - 2.4% among resident policyholders

We have made meaningful progress in our expansion in health

- Our c. $51m additional investment in Myhealth – positions us as one of Australia’s largest multi-disciplinary primary care networks
- Other elements are adding strong points of difference to our private health insurance proposition and strength to our core business

Our capital position remains strong

- Business remains well capitalised to fund future organic and inorganic growth

A strong business with a constant focus on our customers

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Value for our customers

Giving back to our customers

$215m

COVID-19 financial support[1]
$1.37b total support package[2]

Supporting affordability

Premiums

Keeping premium increases below the level of headline inflation

Reducing out-of-pockets

$12m+ saved through Members' Choice Advantage

c. **66%** of hospital admissions had **no out-of-pockets**

Health for our customers

Inspiring health every day

781k (+26.2%)

Live Better Rewards participants[3]

Improving healthcare access

136k (+56.0%)

Virtual health advice and navigation interactions through Amplar Health[4]

Expanding health services

+29%

Increase in health and wellbeing services delivered to corporates

Experience for our customers

Improving service

Service NPS[5]

46.4 (+5.5) Medibank

48.9 (+6.2) ahm

Simplifying customer experience

80%

Medibank policyholders registered on My Medibank

Enhancing customer interactions

Simplification of customer call navigation leading to

>50k reduction in call volumes

(1) Announced on 22 February 2024. (2) Total of committed COVID-19 financial support to 22 February 2024. (3) As at 14 February 2024 Medibank has reached 800k participants. (4) Medibank customer interactions with Health Concierge (phone and digital engagement), 24/7 nurse, mental health support, preventative program virtual consultations, health checks, Cardihab app interactions. (5) Change represents movement from 1H23. Reflects corrected 1H23 Service NPS from what was originally reported in the investor presentation issued on 23 February 2023.

Solid result demonstrates our disciplined approach to growth

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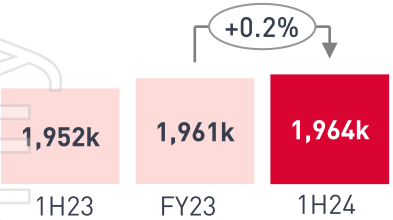
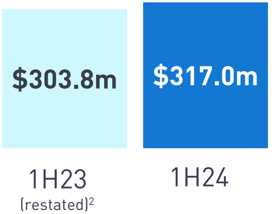
Net resident policyholder growth

+12.6k (+0.6%)



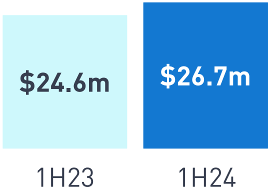
Health Insurance operating profit

$317.0m (+4.3%)



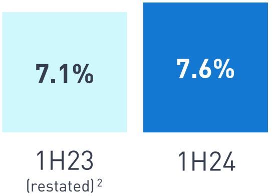
Medibank Health segment profit

$26.7m (+8.5%)



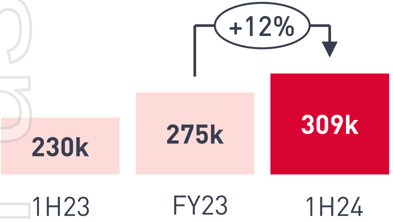
Health Insurance management expense ratio[1]

7.6% (+50bps)



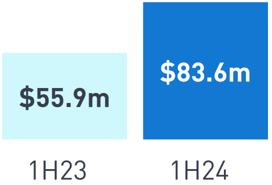
Net non-resident policy unit growth

+78.8k (+34.3%)



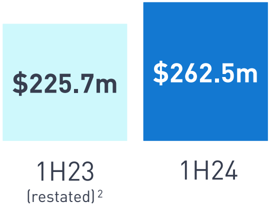
Net investment income

$83.6m (+49.6%)



Underlying net profit after tax

$262.5m (+16.3%)



Interim ordinary dividend fully franked

7.2cps (+14.3%)

(1) Health Insurance management expense ratio does not include non-recurring cybercrime costs of $17.6m in 1H24 (1H23: $26.2m) - refer to slide 20. (2) Where indicated, 1H23 figures have been restated for the impact of AASB17 *Insurance Contracts* which came into effect on 1 July 2023.

Our strategy delivers value for our customers and enables growth

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Our 2030 vision to create the best health and wellbeing for Australia

	1H24 achievements			
Deliver leading experiences	**Initiated local community service trials** to deliver a more connected and personalised customer experience	Empowered our people through workplace innovation with **250 employees** piloting a **4-day work week**	Advocated health and connection in the community with **parkrun participants reaching 1 million since launch**	**Proudly supported indigenous communities** procuring $2.6m in 1H24 – more than twice our FY25 target
Differentiate our insurance business	**Expanded no gap program** to include ACL procedures	**Launched no excess for no gap surgeries** on new silver and gold hospital products – saving our customers an average of $452 per procedure	**Almost 290k customer check in conversations** providing them with peace of mind about their appropriate level of cover	**Strengthened partnerships** with providers to jointly address rising costs and support affordable healthcare
Expand in health	Invested additional **c. $51m in Myhealth** as part of our ongoing commitment to primary care	**39k bed days saved** through preventative programs, an increase of 128% since 1H23	**Supported** over 64k[1] Medibank customers through **Amplar Health**	**12k[2] patients** have received care through **My Home Hospital**, delivering **56k+** hospital bed days since 2021 An SA Health service delivered by the Calvary Amplar Health JV

(1) Not unique customers – some members may be enrolled in more than one health program. (2) As at 31 January 2024.

Industry drivers support our long-term strategy

We remain disciplined in our approach to growth and our investments are enabling positive change

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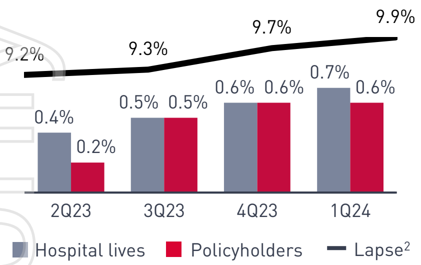
Industry drivers

Private health insurance industry remains buoyant

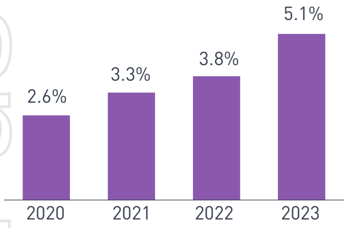
Industry resident growth continues despite modest increase in lapse[1]



- Strong employment, wage growth and low premium increases support growth
- People continue to prioritise health; but confidence in the public health system has declined
- Australia remains attractive to overseas students, workers and visitors
- Competitive environment has intensified

Challenges in the health sector are clear

Consumer health index continues to rise[3]

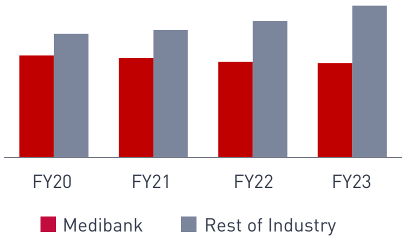


- Inflationary headwinds (including wage costs) and labour shortages
- Growing chronic disease and ageing population
- Fragmented health care delivery and growing inequity of access
- Change at scale is slow

Our response

We remain disciplined in our approach to sustainable growth

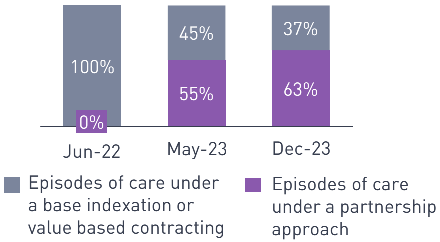
Medibank's resident MER remains well below industry average[4]



- Target profitable growth
- Investment in further differentiation
- Focus on growing segments (corporate, families, new to industry and non-resident)
- Ongoing productivity program

Our partnerships and investments are driving change

Evolution of Medibank's hospital contracting



- Improving healthcare choice, access and affordability
- Scaling of:
  - prevention programs
  - integrated health models
  - no gap network
  - short stay
- Leadership in hospital contracting driving system change

(1) Source: APRA quarterly reporting Sep 2023. (2) 12-month rolling average. (3) Source: Australian Bureau of Statistics. (4) Source: APRA Operations of the Private Health Insurers Report October 2023.

Medibank's differentiated insurance and health services strategy

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Delivers long-term benefits to our customers and core business

Insurance

medibank Live Better

ahm You're good.

Health and wellbeing, prevention

Amplar Health
- Preventative health

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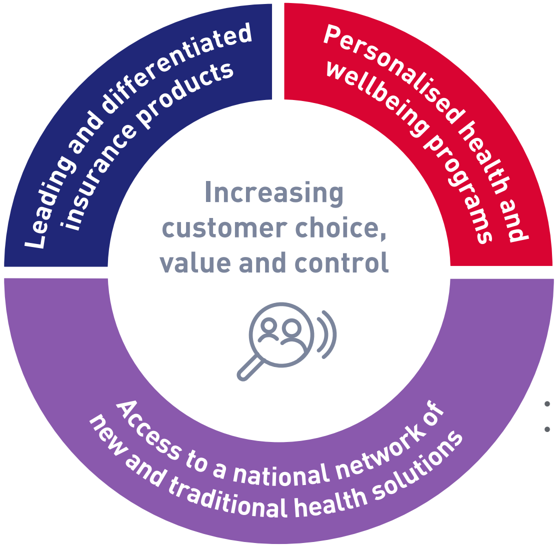

Amplar Health
- Home health
- Short stay investments

iMH Integrated Mental Healthcare

Amplar Health
- Allied health
- Virtual health
- Mental health
- Primary care

myhealth

No gap network

Hospital and ancillary provider network

Members' Choice Advantage network

Community care and short stay [1,2]

Primary and virtual care [1,2]

Investing in product and service differentiation to strengthen our core insurance offering

Empowering customer choice and better experiences in health to drive greater adoption

Broadening our health capabilities to accelerate innovation and transition

Driving long-term sustainable growth to our core business and customers

(1) Medibank has an investment in Integrated Mental Health (iMH) which is not a wholly owned entity – refer to slide 31. (2) Short stay investments which are not wholly owned include the Calvary Amplar Health JV, Adeney Private Hospital, East Sydney Private Hospital, SydOrtho Holdings Pty Ltd and Integrated Mental Health (iMH) – refer to slide 31.

Our health, wellbeing and prevention strategy

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Benefits our core insurance offering, supports better health and positions us for growth

Opportunity to grow in a market with significant potential

- $35b health & wellbeing and prevention industry, with expected growth by 2030 to $57b[1]
- c. 50% of Australians have ≥1 chronic condition[2] – over 1/3 of chronic disease is preventable[3]
- Estimated every $1 invested in preventative health saves $14.30 in healthcare and other costs[4]

Strengthens our core insurance offering while addressing the rising cost of health

- Through differentiation, partnering and engagement
- Greater focus on prevention reduces the incidence of disease and lowers the cost of health in Australia
- Long-term, positive impacts to customer health

Future growth will build on our strong foundations

- **Live Better:** deeper integration by connecting customers' health needs, further supporting customer growth and retention
- **Prevention programs:** scaling existing programs and new digital personalised programs, targeting specific health conditions
- **Reimagined corporate health and wellbeing:** new and differentiated services that enable our corporate customers to support the health and wellbeing of their employees

Established in 2019, **c. 40% of Medibank policyholders** are members of the Live Better community, skewed towards the youth segment

Over $10m of rewards redeemed through Live Better in 1H24 including PHI premium discounts

13% lower lapse among members who are engaged with Live Better

Close to **half of daily My Medibank app usage** is associated with Live Better

(1) Source: McKinsey Insights, IBISWorld. (2) Source: Australian Bureau of Statistics: Health Conditions Prevalence, Dec 2023. (3) Source: Australian Institute of Health and Welfare; Australian Burden of Disease Study 2018. (4) Source: Department of Health and Aged Care; Budget 2023-2024.

Created one of Australia's largest multi-disciplinary primary care networks

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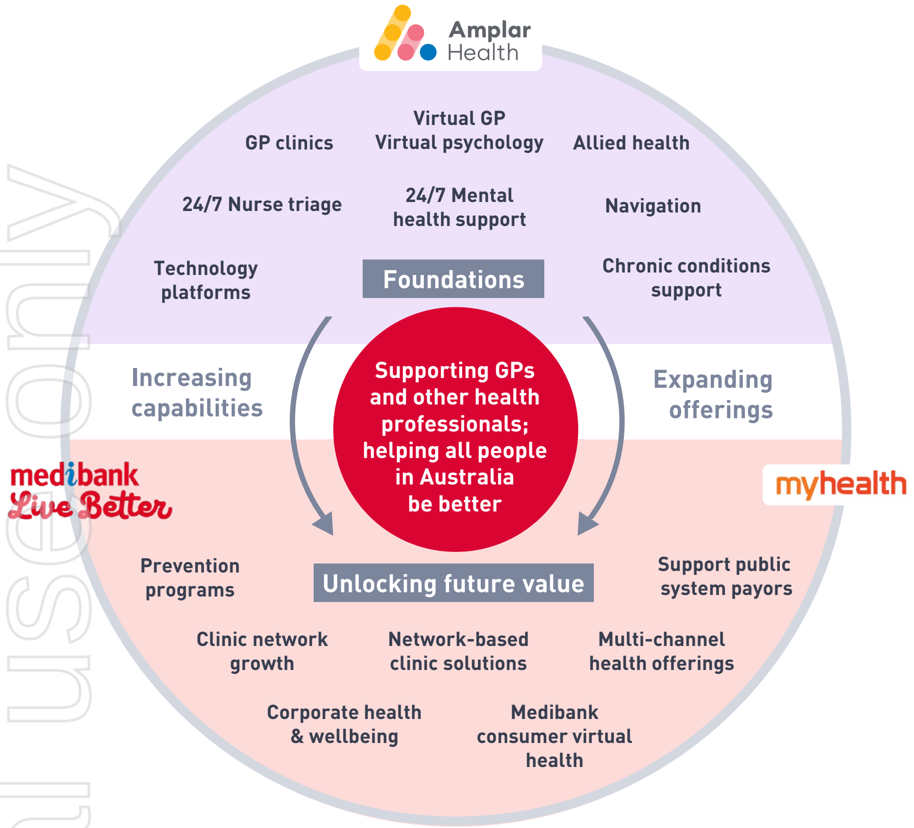
Myhealth investment unlocks opportunities to drive future growth



Primary care is the gateway to health in our community

- GPs and other primary care health professionals play a critical role in health
- Prevention, proactive and planned care is key to avoidable hospitalisation
- Government's Strengthening Medicare Taskforce calls for change

The needs of patients are growing and providers require more support

- Primary care needs are changing as a result of Australia's ageing population, incidence of chronic conditions and challenges with access
- Increasing appetite for customer centric primary care
- c. 1/3 of all health spending in Australia is in primary care[1]
- Additional 50m+ (37%) GP consults alone are expected in 2030 compared to 2019[2]

Medibank, Amplar Health and Myhealth together create a diverse offering

- **Myhealth:** 106 clinics with 1,200 health professionals delivering 3m+ patient consultations per year
- **Amplar Health:** 900 health professionals, providing health services across virtual health, prevention and health management and home care
- **Medibank:** 4.1m+ customers, deep relationships across the health spectrum, data and technology capabilities, provides financial strength and flexibility

We have a clear pathway for growth, expanding our offerings and increasing capabilities

- Creating an integrated virtual and face-to-face health offering across multiple modalities
- Expanding opportunities to support Medibank and ahm customers, private payors and the community
- Providing a world-class experience for health providers and connecting customer health journeys across primary care and virtual health

(1) Source: Australian Institute of Health and Welfare: General practice, allied health and other primary care services, updated April 2023. (2) Source: General Practitioner workforce report 2019; Deloitte, 2019.

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Financial results

Mark Rogers
Group Lead - Chief Financial Officer & Group Strategy

Group financial summary

Underlying EPS up 16.3% to 9.5 cps

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Six months ended 31 Dec ($m)	1H23 (restated) [1]	1H24	Change
Group revenue from external customers	3,897.1	4,024.0	3.3%
Health Insurance operating profit[2]	303.8	317.0	4.3%
Medibank Health segment profit	24.6	26.7	8.5%
Segment operating profit	**328.4**	**343.7**	**4.7%**
Corporate overheads	(22.0)	(24.3)	10.5%
Group operating profit	**306.4**	**319.4**	**4.2%**
Net investment income	55.9	83.6	49.6%
Other income/(expenses)	(5.4)	(8.8)	63.0%
Cybercrime costs	(26.2)	(17.6)	(32.8%)
Profit before tax, before movement in COVID-19 reserve	**330.7**	**376.6**	**13.9%**
Movement in COVID-19 reserve (excl. tax)	(90.5)	115.3	n.m.
Profit before tax	**240.2**	**491.9**	**104.8%**
Income tax expense	(71.3)	(148.7)	108.6%
NPAT	**168.9**	**343.2**	**103.2%**
Effective tax rate	29.7%	30.2%	50bps
EPS (cents)	6.1	12.5	103.2%
Normalisation for investment returns	(6.6)	-	n.m.
Normalisation for COVID-19 reserve movements	63.4	(80.7)	n.m.
Underlying NPAT[3]	**225.7**	**262.5**	**16.3%**
Underlying EPS[3] (cents)	8.2	9.5	16.3%
Dividend per share (cents)	**6.3**	**7.2**	**14.3%**
Dividend payout ratio[4]	76.9%	75.5%	(140bps)

Group operating profit up 4.2%

- Health Insurance resident business remained resilient, with continued momentum in non-resident
- Strong growth in Medibank Health
- Increase in corporate overheads reflects inflation and additional community and sustainability costs

Net investment income up 49.6%

- Benefit from higher RBA cash rate and higher asset balance
- Maintained fund asset allocation (20% Growth; 80% Defensive)

Other income/(expenses) include $3.0m of M&A expenses (1H23: $0.6m)

Non-recurring cybercrime costs of $17.6m

- Expect costs of $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 16.3% to 9.5c

- No net normalisation impact for investment returns
  - Growth returns $4.4m (1H23: -$3.9m)
  - Defensive returns -$4.4m (1H23: -$2.7m)
- -3.0c per share normalisation for COVID-19 reserve movements

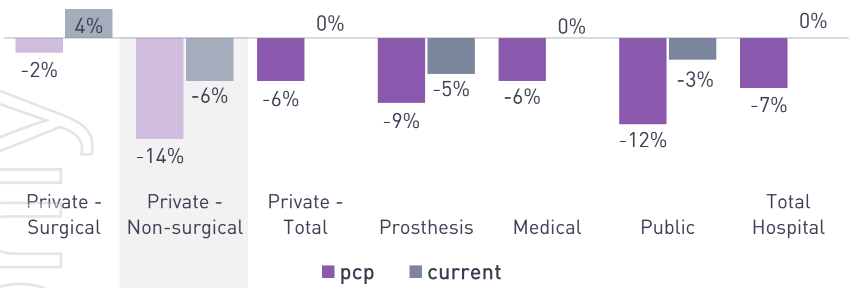
(1) 1H23, 2H23 and FY23 figures on this slide and, where referenced as restated, in other slides, have been restated for the impact of AASB 17 *Insurance Contracts* which came into effect on 1 July 2023. (2) Health Insurance operating profit excludes the impacts of COVID-19. (3) Underlying NPAT and Underlying EPS are adjusted for any movement in the COVID-19 equity reserve as well as the normalisation of investment returns. (4) Dividend payout ratio is based on Underlying NPAT.

Resident claims remain below expectations

Private rehab referral rates remain subdued

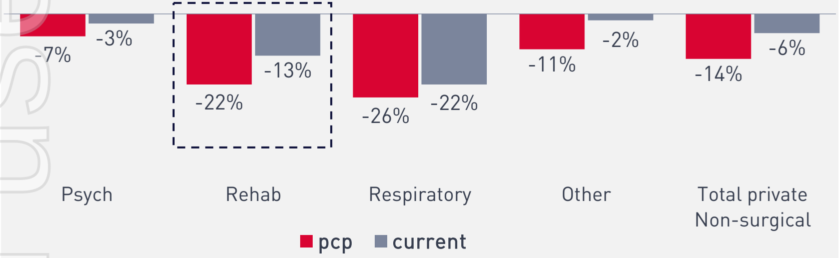
Hospital cash claims per policy unit

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



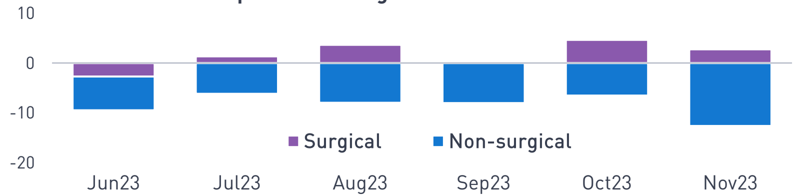
Private hospital non-surgical cash claims per policy unit

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



Variance to expected private hospital cash claims ($m/month)

2% below expected claims growth for the 6 months to Nov 23[3]



Total claims paid $74m (2%) below expectations for 6 months to Nov 23 (expected claims per policy unit of 2.0% for 1H24)

- Improved workforce capacity
- Less COVID related disruption to services

Hospital claims recovering, $54m (2%) below expectations (6 months to Nov 23)

- Private surgical admissions modestly above expectations – claims paid continue to be favourably impacted by a higher proportion of same day or short stay admissions
- Softness continues across all other hospital claims:
  - Particularly private non-surgical claims
  - Private rehab referral rates haven't increased in the last 6 months as expected
  - Prosthesis reform continues to favourably impact claims
  - Public hospital claims growth has increased but remains below private hospital growth

Extras claims $20m (2%) below expectations (6 months to Nov 23)

- Increasingly appearing to be linked to economic conditions impacting customer demand for services
- More evident in discretionary services

(1) Pre-COVID-19 period is the 6 month period from Jun 2019 to Nov 2019. Claims figures for this period have been adjusted for inflation. (2) pcp and current figures refer to 6 month period to Nov 22 and Nov 23 growth vs pre-COVID-19 period.
(3) Pre-COVID-19 private hospital claims comprised c. 57% surgical and c. 43% non-surgical.

Health Insurance result

Operating profit up 4.3% and operating margin up 10bps to 8.1%

Six months ended 31 Dec ($m)	1H23 (restated)	1H24	Change
Premium revenue[1]	3,789.5	3,925.3	3.6%
Claims expense[1]	(3,189.6)	(3,288.6)	3.1%
Risk equalisation	(26.5)	(20.8)	(21.5%)
Net claims expense	(3,216.1)	(3,309.4)	2.9%
Gross profit	**573.4**	**615.9**	**7.4%**
Management expenses	(269.6)	(298.9)	10.9%
Operating profit	**303.8**	**317.0**	**4.3%**
Gross margin	**15.1%**	**15.7%**	**60bps**
MER	7.1%	7.6%	50bps
Operating margin	**8.0%**	**8.1%**	**10bps**

Reconciliation of COVID-19 reserve

	1H23 (restated)	FY23 (restated)	1H24
Balance at beginning of period	**408.6**	**408.6**	**205.6**
Lower / (higher) than expected claims	230.5	256.9	141.9
Premium deferral cost	(114.5)	(209.4)	(26.6)
Cash give back cost	(207.0)	(337.9)	-
Net COVID-19 impact	0.5	0.3	-
Tax effect of movements	27.1	87.1	(34.6)
Balance at end of period	**345.2**	**205.6**	**286.3**

Revenue up 3.6% to $3,925.3m

- Total policy unit growth of 2.3%
- Downgrading improved by 20 basis points despite economic conditions

Gross profit up 7.4% to $615.9m

- Includes $5.7m benefit of improved risk equalisation outcome driven by:
  - Temporary impacts which are expected to unwind
  - Benefit of age claiming patterns which will be monitored in 2H24
- Gross margin up 60bps to 15.7%, includes 20bps benefit from strong growth in higher margin non-resident policies

Operating profit up 4.3% to $317.0m

- 50bps increase in MER
- Operating margin up 10bps to 8.1%

New insurance accounting standard AASB17 applied from 1 July 2023

- No change to the underlying economics or cash flows of the business
- 1H23 financials restated (1H23 operating profit impact: -$1.4m; FY23: $0.9m)
- COVID-19 impacts reported separately and reconciled against COVID-19 equity reserve
- Equity reserve replaces the Deferred Claims Liability (DCL)[2]
  - 31 December equity reserve (net of tax) of $286.3m (1 July: $205.6m)
  - Used for future customer give backs and deferred hospital procedures

(1) Premium revenue and Claims expense exclude COVID-19 customer give backs and variances to expected claims, including claims provision releases, that are now included in the COVID-19 equity reserve.
(2) Movement from COVID-19 reserve amounts to previously reported DCL reflects changes in timing of recognition under AASB17 (timing impact only).

Health Insurance – resident policyholders

Industry remains buoyant – ADR increasing hospital lives insured

Six months ended 31 Dec ($m)	1H23	1H24	Change
Policyholders (thousand):			
Opening balance	1,950.0	1,960.9	0.6%
Acquisitions	97.7	103.2	5.6%
Lapses	(96.0)	(99.8)	4.0%
Closing balance	**1,951.7**	**1,964.3**	**0.6%**
- Medibank	1,439.7	1,435.2	(0.3%)
- ahm	511.9	529.1	3.4%
Acquisition rate[1]	**5.0%**	**5.3%**	**30bps**
- Medibank	4.1%	4.3%	20bps
- ahm	8.0%	8.5%	50bps
Lapse rate[1]	**4.9%**	**5.1%**	**20bps**
- Medibank	4.5%	4.5%	-
- ahm	6.8%	7.3%	50bps
Policyholder growth	**0.1%**	**0.2%**	**10bps**
Total policy units[2] (thousand)			
Closing balance	4,766.9	4,804.6	0.8%
Average balance	4,782.9	4,795.4	0.3%
Hospital lives (thousand)			
Total	2,934.9	2,959.6	0.8%
Under 30	925.2	933.1	0.9%

Industry growth[3] for the 12 months to December 2023 expected to be similar to FY23 (1.9%) despite Adult Dependent Reform (ADR) impact

- Reform increasing the number of 25 – 30 year olds remaining on family policies
- Market remains competitive with cost-of-living pressures impacting industry:
  - Modest increase in the level of customers both switching funds and lapsing
  - Higher cost of acquisition

Policyholder growth up 0.6% (+12.6k) over 12 months

- Includes 3.4k increase in 1H24 (1H typically seasonally weaker period for industry growth)
- Medibank brand down 0.3%; ahm up 3.4%

Acquisition rate up 30bps to 5.3% with improvement across both brands

- Medibank back in line with pre-cyber levels
- ahm improving in line with increased aggregator sales (% of ahm sales: 1H24: 52%,1H23: 41%)

Lapse rate increased 20bps to 5.1% - indicative of higher industry switching levels

- Includes impact of timing of our premium increases relative to many of our competitors
- ahm customers are more price sensitive

Growth in hospital lives of 0.8% is 20bps above policyholder growth

- Further ADR benefits expected over next 4-5 years
- Increases the % of lives insured under 30 years (growth skewed to younger customers)

Focused on increasing policyholder growth for the remainder of FY24

- Improving retention rates for both brands
- Investing further in differentiating the Medibank brand
- Increasing focus on priority segments

(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 to Sep 23 with estimate for Dec 23 quarter.

Health Insurance – resident claims

FY24 expected claims growth per policy unit reduced to 2.2% - 2.4%

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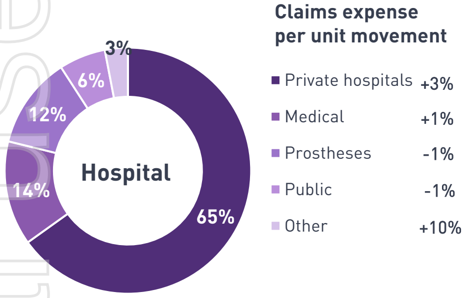
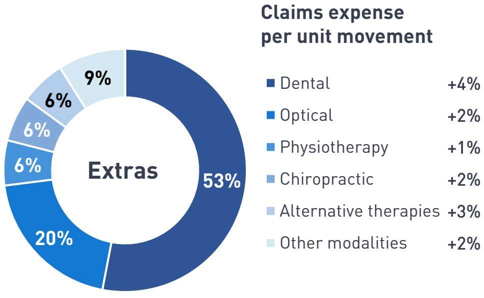
Six months ended 31 Dec ($m)	1H23 (restated)	1H24	Change
Claims expense[1]	(3,129.8)	(3,205.9)	2.4%
Risk equalisation	(26.5)	(20.8)	(21.5%)
Net resident claims expense	**(3,156.3)**	**(3,226.7)**	**2.2%**
- Hospital	(2,342.2)	(2,389.3)	2.0%
- Extras	(814.1)	(837.4)	2.9%
Annualised average claims expense per policy unit[2] ($)	**(1,319.8)**	**(1,345.7)**	**2.0%**
Hospital claims per policy unit growth	2.2%	2.0%	(20bps)
Extras claims per policy unit growth	3.3%	2.3%	(100bps)
Resident hospital utilisation growth	0.2%	0.1%	(10bps)
Resident extras utilisation growth	1.9%	1.5%	(40bps)

Indicative composition & movement in claims expense per policy unit[2] vs. 1H23





Resident gross claims up 2.4%
- Risk equalisation had 20bps benefit to net claims growth this period (20bps cost in 1H23)
- Net claims growth of 2.2%

Average claims growth per policy unit down 30bps to 2.0%
- Improved risk equalisation outcome
- Extras claims growth lower than prior corresponding period

Hospital claims growth per policy unit down 20bps to 2.0%
- Risk equalisation outcome
- Higher private hospital indexation largely offset by lower rehab claims
- Prosthesis reform benefits in line with last year and as expected

Extras claims per policy unit down 100bps to 2.3%
- Early signs of economic impact on customer demand for services, particularly in discretionary modalities
- Investment in additional product benefits in the prior period

FY24 expected claims growth per policy unit reduced to 2.2%-2.4% (previous expectation was 2.6%)
- Favourable risk equalisation outcome
- Continued low non-surgical claims growth and softness in extras claims

Continue to monitor key claims trends, including:
- Rehab referral rates
- Mix of hospital admissions (including same day versus overnight)
- Demand for extras services

(1) Claims expense excludes impact of claims provision releases which has been transferred to the COVID-19 reserve. (2) Based on an average of the month-end balances over the reporting period.

Health Insurance – portfolio performance

Strong non-resident performance continues – growth and gross margin benefit

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Six months ended 31 Dec ($m)	Resident			Non-resident			Total		
	1H23 (restated)	1H24	Change	1H23	1H24	Change	1H23 (restated)	1H24	Change
Premium revenue	3,698.7	3,799.5	2.7%	90.8	125.8	38.5%	3,789.5	3,925.3	3.6%
Net hospital claims	(2,342.2)	(2,389.3)	2.0%	(59.8)	(82.7)	38.3%	(2,402.0)	(2,472.0)	2.9%
Extras claims	(814.1)	(837.4)	2.9%	-	-	-	(814.1)	(837.4)	2.9%
Net claims expense	(3,156.3)	(3,226.7)	2.2%	(59.8)	(82.7)	38.3%	(3,216.1)	(3,309.4)	2.9%
Gross profit	542.4	572.8	5.6%	31.0	43.1	39.0%	573.4	615.9	7.4%
Gross margin	**14.7%**	**15.1%**	**40bps**	**34.1%**	**34.3%**	**20bps**	**15.1%**	**15.7%**	**60bps**
Resident premium increase	3.10%	2.96%	(14bps)						
Downgrading	(0.7%)	(0.5%)	20bps						
Revenue per policy unit growth rate	2.4%	2.5%	10bps	4.7%	1.0%	(370bps)	2.1%	1.7%	(40bps)
Claims per policy unit growth rate	2.3%	2.0%	(30bps)	(12.2%)	0.8%	1,300bps	1.6%	1.0%	(60bps)
Policy units (thousand)									
Closing balance	4,766.9	4,804.6	0.8%	229.9	308.7	34.3%	4,996.8	5,113.3	2.3%
Average balance	4,782.9	4,795.4	0.3%	217.5	298.5	37.2%	5,000.4	5,093.9	1.9%

Resident performance

Revenue growth per policy unit up 10bps to 2.5%
- Lower average premium increase more than offset by improved downgrading

Downgrading improved 20bps to 50bps
- Impact of economic conditions on downgrading more than offset by ADR benefit
- Expect downgrading of around 50bps in FY24 with any further economic impacts largely offset by portfolio management and sales mix activities

Gross margin up 40bps to 15.1%
- Revenue growth per policy unit above claims growth per policy unit

Non-resident performance

Continued strong revenue growth
- 34.3% policy unit growth
- Includes particularly strong growth in the overseas student segment

Gross profit up 39.0% to $43.1m
- Gross margin up 20bps to 34.3%
- Benefit of stable tenure and mix
- Policy unit growth has continued since December 2023 and we expect 2H24 gross profit to be higher than 1H24

Medium term growth opportunities
- Continue to invest in product value and expanding our health offering
- Increasing focus in the worker and visitor segments

Health Insurance – management expenses

Sales commissions and inflation impacting expense growth

Six months ended 31 Dec ($m)	1H23 (restated)	1H24	Change
Premium revenue	3,789.5	3,925.3	3.6%
Management expenses	**(269.6)**	**(298.9)**	**10.9%**
- Depreciation and amortisation	(20.7)	(20.8)	0.5%
- Resident sales commissions	(15.2)	(21.5)	41.4%
- Non-resident sales commissions	(11.4)	(16.7)	46.5%
- Operating expenses[1]	(222.3)	(239.9)	7.9%
MER	**7.1%**	**7.6%**	**50bps**

Management expenses up 10.9%
- Expected peak of the impact of inflation cycle
- Increase in non-resident sales commissions in line with policy unit growth
- 1H23 resident sales commission impacted by AASB17 restatement (-$4.3m)

Operating expenses increased 7.9%
- Cost inflation of approximately 5% partially offset by productivity savings
- Uplift in IT security ($2.5m) and Victorian payroll tax ($1.5m) costs
- Modest volume impacts – particularly in non-resident
- Investment in hospital contracting and partnering capability – benefiting claims

Total sales commissions increased $11.6m
- Non-resident sales commissions increased in line with policy unit growth
- Resident commissions increase in line with higher aggregator sales this period
- 2H24 total sales commissions growth not expected to be as material as 1H24

Productivity benefits of c. $3.5m delivered
- Targeting $10m productivity savings in FY24 from increasing the use of digital channels and from business and process improvements
- Targeting a further $10m of productivity savings in FY25 including benefit from relocation of Melbourne head office

Management Expense Ratio (MER) up 50bps to 7.6%
- AASB17 impact on resident commissions reduced 1H23 MER by 10bp
- Commission growth has added 4.3% to expense growth and 10bps to MER, impacts not expected to be as material in 2H24
- Impact of lower revenue growth

FY24 management expenses expected to be $610m - $615m
- Based on expectations for inflation in the second half
- Expect modestly higher MER for the full year (however increase not expected to be as significant as 1H24)

(1) Includes right-of-use depreciation of $11.6m (1H23: $11.4m).

Medibank Health result

Operating profit up 16.1% as business returns to more normal operating conditions

Six months ended 31 Dec ($m)	1H23	1H24	Change
Revenue	139.5	141.4	1.4%
Gross profit	62.4	73.1	17.1%
Management expenses	(38.8)	(45.7)	17.8%
Operating profit	23.6	27.4	16.1%
Share of profit/(loss) from Myhealth	1.0	1.2	20.0%
Share of profit/(loss) from other investments[1]	-	(1.9)	n.m.
Medibank Health segment profit	24.6	26.7	8.5%
Gross margin	44.7%	51.7%	700bps
MER	27.8%	32.3%	450bps
Operating margin	16.9%	19.4%	250bps

Myhealth acquisition

Transaction overview
- Shareholding increases from 49% to 90%, for $50.8m with potential $1.01m earnout
- Funded from existing cash resources
- Effective 5 January 2024
- 100% of Myhealth operating profit included in Medibank Health segment reporting

Myhealth FY23 reported financial performance
- EBIT of $16m
- NPAT of $6.1m
- Medibank's proforma share of this NPAT (excluding minority interests) of c. $3.9m

Operating profit up 16.1% to $27.4m
- Partly offset by lower contribution from healthcare investments due to initial losses in our growing portfolio of short stay hospitals
- Segment profit up 8.5%

Revenue increased 1.4% to $141.4m
- Strong growth in health and wellbeing and diversified insurances
- Homecare revenue improved in line with increased hospital admissions
- Partially offset by a reduction in telehealth as we progressively optimise this business

Gross margin up 700bps to 51.7%
- Business mix benefit – strong growth in higher margin businesses
- Improved efficiency offsetting inflationary pressures in homecare
- Higher telehealth margin

Operating margin up 250bps to 19.4% despite increasing MER
- Expense increase reflects business mix, inflation and investment for growth
- Key metric is operating margin given changing business mix

Targeting average organic profit growth ≥15% p.a between FY24 and FY26
- Further volume and performance uplift in healthcare services
- Broadening the scale and scope of our wellbeing and prevention programs
- Meeting the needs of more Medibank and ahm customers

Aim to invest between $150m to $250m through further healthcare M&A[2]
- Where this adds scale, capability and geographic coverage
- Recent shareholding increase in Myhealth provides opportunity to scale GP clinic footprint and expand virtual health capabilities

(1) Includes interest income from loan to associates 1H23: $0.1m, 1H24: $0.1m. (2) M&A target of $150m to $250m between FY24 and FY26.

Investment portfolio and investment income

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Underlying net investment income up $37.2m, includes $21.8m higher RBA cash rate benefit

Six months ended 31 Dec ($m)	Reported performance[2] 1H23	Reported 1H24	Reported Change	Underlying performance[2] 1H23	Underlying 1H24	Underlying Change
Net investment income:						
Growth portfolio income	21.4	16.2	(24.3%)	15.8	22.5	42.4%
Defensive portfolio income	24.1	52.2	116.6%	20.2	45.9	127.2%
Fund portfolio investment income/(expense)[1]	**45.5**	**68.4**	50.3%	**36.0**	**68.4**	**90.0%**
Net other investment income and expenses	10.4	15.2	46.2%	10.4	15.2	46.2%
Total net investment income	**55.9**	**83.6**	49.6%	**46.4**	**83.6**	**80.2%**
Investment returns on growth assets	4.37%	3.18%	(119bps)	3.21%	4.42%	121bps
Investment returns on defensive assets	1.21%	2.47%	126bps	1.02%	2.18%	116bps
Fund portfolio investment returns	1.84%	2.61%	77bps	1.45%	2.61%	116bps
RBA cash rate (average)				1.18%	2.09%	91bps
Underlying spread to RBA cash rate				0.27%	0.52%	25bps
Average monthly balance:						
Growth	489.3	509.3	4.1%			
Defensive	1,988.2	2,109.7	6.1%			
Total fund portfolio	**2,477.5**	**2,619.0**	**5.7%**			

Fund portfolio overview
- Maintained target fund asset allocation of 20% Growth, 80% Defensive
- Average monthly asset balance increased 5.7% to $2,619.0m

Growth portfolio income down $5.2m
- Lower return in all asset classes other than international equities

Defensive portfolio up $28.1m
- $17.9m benefit from higher RBA cash rate
- Improved but still below expected return in international fixed interest holdings
- $6.3m benefit from narrowing credit spreads (1H23: $3.9m)

Net other investment income and expenses up $4.8m
- $3.9m benefit from higher RBA cash rate on non-health fund investments

Underlying net investment income up $37.2m to $83.6m
- Normalises for an 8% return on growth assets and credit spread movements on defensive assets
- Portfolio investment return up by 116bps to 2.61%
- Improved manager performance in property
- Benefit from higher RBA cash rate ($21.8m) and higher asset balances
- Current RBA cash rate of 435bps versus 1H24 annualised average of 418bps ($6m annual interest income per 25bps RBA cash rate)

Underlying spread to average RBA cash rate of 52bps (annualised 104bps)
- 1H24 spread higher than 1H23 but below the target range of 150bps–200bps
- Achieving target range more difficult in a higher interest rate environment

(1) Excludes interest income from non-health fund investments, short-term operational cash sub portfolio and operational cash. (2) Reported and underlying returns are calculated using total average monthly balances.

Capital and dividend

Strong capital position – supports M&A aspirations

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Capital ($m)	Proforma[1] 1 July 2023	31 Dec 2023
Total equity	2,243.8	2,352.2
Less: intangible and other adjustments	(302.4)	(271.5)
Determined but unpaid ordinary dividend	(228.6)	(198.3)
COVID-19 equity reserve[2]	(177.7)	(277.0)
Eligible capital	**1,535.1**	**1,605.4**
Required capital		
– Health Insurance	1,168.0	1,131.0
– Other	191.7	248.9
Unallocated capital	175.4	225.5
Health Insurance capital (%)[3]	**14.6%**	**14.0%**
Fund PCA ($m)	**753.4**	**713.7**
Fund PCA coverage ratio[4]	**1.8x**	**1.9x**

Dividend	31 Dec 2022	31 Dec 2023
Interim ordinary dividend per share (cents)	6.3	7.2
Dividend payout ratio[5]	**76.9%**	**75.5%**

(1) Proforma 1 July 2023 figures are adjusted to apply new APRA capital standards and AASB17 *Insurance Contracts*, adopted 1 July 2023.

(2) COVID-19 equity reserve deducted from capital relates to permanent net claims savings and net premium deferral cost.

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

(4) Calculated as Required Health Insurance capital less APRA supervisory adjustment, divided by Fund PCA less APRA adjustment.

(5) Dividend payout ratio is based on Underlying NPAT and reflects restatement for 31 Dec 2022.

Strong capital position

- Presented on AASB17 basis and in line with new APRA capital standards
- $167m favourable impact on 1 July proforma capital position
- Unallocated capital of $225.5m at 31 Dec 2023

Health Insurance required capital ($1,131.0m) reduced by $37.0m

- PCA reduced by $39.7m to $713.7m due to lower insurance and asset risk charges
- Fund well capitalised with a 1.9x coverage of PCA[4]
- Capital ratio of 14.0% above 10% to 12% target range with additional capital held to offset temporary $250m APRA supervisory adjustment

Other required capital increased by $57.2m

- Increased investment in Myhealth Medical Group
- Expect to increase capital contribution to short stay strategy over next 12 months

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

- Targeting M&A of $150m-$250m between FY24 and FY26
- Ability to raise Tier 2 debt if further attractive investment opportunities become available
- Will consider capital management actions if suitable opportunities do not eventuate in a reasonable timeframe

Interim dividend of 7.2cps fully franked

- 75.5% payout ratio of Underlying NPAT
- No change to annual target payout range of 75%-85% of Underlying NPAT

Financial priorities for the remainder of FY24

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Continue revenue growth momentum in PHI

- Increase resident policyholder growth in a disciplined way
- Portfolio management actions to help manage downgrading
- Maintain strong growth in non-resident customers, with increasing focus in workers and visitor segments
- Increased focus on customer life cycle management

Mitigate inflationary pressure on claims

- Investment in hospital contracting and broadening partnership approach
  - Increased alignment of interests
  - Invest further in product benefits and capability where required
- Increasing focus on:
  - Prevention programs
  - Chronic condition management
  - Investing to support the shift to new care settings at scale
- Leverage technology to support payment integrity program
  - Preventive actions
  - Use of AI and other analytics

Deliver on Medibank Health's growth potential

- Attractive market fundamentals
- Meeting the needs of more Medibank and ahm customers
- Service broader set of customers through existing health programs (e.g. My Home Hospital)
- Address emerging customer needs in both corporate and virtual health
- Delivering synergies between our health businesses
- Balancing short-term aspirations with the need to invest for growth in the medium to longer term

Maintain operating efficiency

- Economies of scale
- Our direct distribution strength
- Ongoing productivity focus
- Well placed to continue targeting a stable to modestly improving management expense ratio
- Balancing with the need to invest for growth

Conclusion

A clear strategy to deliver sustainable growth

Strong foundations in place to build on our momentum

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We will always put our customers first

- **Continue to deliver value to our customers** through consistently enhancing our products and services
- **Personalise and integrate health experiences** through our digital and analytics capabilities
- **Continue to advocate for transformative change in health** to address system inefficiencies and promote innovative care models
- **Our people remain dedicated to supporting our customers** and realising our 2030 vision

We will continue to build momentum into FY25 from strong fundamentals

- **Build on our momentum** in our insurance businesses with a commitment to sustainable and disciplined growth
- **Sustain our growth trajectory** in our health markets, including our increased focus on connecting multi-disciplinary and multi-channel health services
- **Maintain long-term discipline** amidst competition and economic challenges, supported by a proven track record of navigating through cycles
- **Execute on our ongoing IT security uplift program**, to continue to strengthen our business for sustained success

We are well positioned to grow as a health company

- **Grow share in PHI** for both resident and non-resident through our two distinct brands, a focus on target markets, and investment in differentiation
- **Continue investing in health transition**, innovating for ongoing expansion in high growth markets and driving further sustainability in health
- **Elevate enterprise value** by increasingly supporting the needs of Medibank and ahm customers through Amplar Health
- **Preserve financial strength** through continued efficient and disciplined business management

FY24 outlook

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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
Growth	Targeted organic and inorganic growth for Medibank Health and Health Insurance remain areas of focus
Resident policyholder growth Updated	We anticipate moderation in resident industry growth in FY24 relative to FY23 Aiming to achieve 1.2% - 1.5% resident policyholder growth in FY24, and expect a return to market share growth in 2H24
Resident claims Updated	Expected claims per policy unit growth has reduced from 2.6% to 2.2% - 2.4% for FY24 among resident policyholders We continue to monitor trends in rehab, hospital admission mix and extras
PHI management expenses New	FY24 management expenses expected to be \$610m - \$615m Targeting \$20m of productivity savings across FY24 and FY25 including \$10m in FY24
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

Appendix

Milestones scorecard and update

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Deliver leading experiences

Customer advocacy: Service NPS (average)

	1H24	FY24 benchmark[1]
Medibank	46.4	> 35
ahm	48.9	> 35

Employee advocacy: eNPS (average)

	1H24	FY24 benchmark[2]
Place to work	20	≥ +24
Products and services	28	≥ +26

Differentiate our insurance business

Resident policyholder market share

FY23	1QFY24	FY26 aspiration
27.08%	26.94%[3]	up 25bps -75bps on FY23

Health Insurance productivity

1H24	FY24 – FY25 target
c. $3.5m	$20m productivity savings including $10m in FY24

Expand in health

Medibank Health

	1H24	FY24 - FY26 target
Organic profit	$27.4m	Targeting average organic profit growth ≥15% per annum (FY23:$44.2m)
Investment target	c. $51m[4]	Aim to invest $150m-$250m in total to grow Medibank Health inorganically as suitable opportunities arise

Health and wellbeing

	1H24	FY25 target
Live Better Rewards participants	781k	800k
Preventative program participants[5]	9.6k	>50k

(1) Benchmark reflects sustaining service levels while continuing to digitise the service delivery model. (2) FY24 benchmarks are based on the global average adjusted for Australian healthcare and financial insurance industry context. (3) Industry average, resident policyholders, APRA quarterly private health insurance statistics (Sep 23). (4) Increased investment in Myhealth Medical Group. Effective 5 January 2024. (5) Includes total customers who have engaged with nine preventative health programs (e.g. Better Knee, Better Me, Better Hip) and any new offerings developed.

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

medibank Live Better

ahm health insurance | You're good.

Amplar Health Making Health Personal

Our health investments

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Target markets	Investments	Ownership interest (%)	Description	Benefits to Medibank
Primary care	Myhealth Medical Holdings Pty Ltd	90%	• Medibank acquired a non-controlling interest in Myhealth Medical Group for c. $63m in 2021. Ownership interest increased to 90% for cash consideration of c. $51m in 2024, and contingent consideration of up to $1.0m	Support preventative health and GP-led proactive care management
	Medinet Australia Pty Ltd	3.82%	• Medibank invested $10m in health tech company Medinet in 2022 and has 28.34% of the voting rights • Medinet provides a platform helping GPs to connect with their patients	Continue to grow our virtual care capabilities
Homecare	Calvary Amplar Health JV Pty Ltd	50%	• Since 2020, the JV has been delivering My Home Hospital for SA Health	Continue to grow our homecare capabilities
Hospitals, including short stay	East Sydney Day Hospital Pty Ltd	49%	• Medibank's initial investment of $8.8m in 2020 to fund capital investment and operational costs required for the hospital to scale its short stay model of care	Expand our no gap network, including short stay
	Adeney Private Hospital Pty Ltd	49%	• The JV between a group of doctors and Medibank will establish a new short stay surgical facility in Kew Melbourne • Medibank's contribution to date is $6.2m, with a further commitment of $2.8m, totalling $9.0m • Expected to open in 1H25	
	SydOrtho Holdings Pty Ltd (holding company) supporting MQ Health	50%	• Medibank has invested $14.8m to form a JV with orthopaedic surgeons to support the establishment the Orthopaedic Institute at Macquarie University Hospital • MQ Health has contributed the floor space, with the centre operating as an integrated part of the hospital • Opened in January 2024	
	Integrated Mental Health Pty Ltd	50%	• 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	Provides an integrated mental health model through mental health facilities and out of hospital support

Group financial summary – half by half

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($m)	1H23 (restated)	2H23 (restated)	1H24	Change: 1H24 v 1H23 (restated)	Change: 1H24 v 2H23 (restated)
Group revenue from external customers	**3,897.1**	**3,909.9**	**4,024.0**	**3.3%**	**2.9%**
Health Insurance operating profit	303.8	347.5	317.0	4.3%	(8.8%)
Medibank Health segment profit	24.6	19.6	26.7	8.5%	36.2%
Segment operating profit	**328.4**	**367.1**	**343.7**	**4.7%**	**(6.4%)**
Corporate overheads	(22.0)	(25.1)	(24.3)	10.5%	(3.2%)
Group operating profit	**306.4**	**342.0**	**319.4**	**4.2%**	**(6.6%)**
Net investment income	55.9	82.7	83.6	49.6%	1.1%
Other income/(expenses)	(5.4)	(7.2)	(8.8)	63.0%	22.2%
Cybercrime costs	(26.2)	(20.2)	(17.6)	(32.8%)	(12.9%)
Profit before tax, before movement in COVID-19 reserve	**330.7**	**397.3**	**376.6**	**13.9%**	**(5.2%)**
Movement in COVID-19 reserve (excl. tax)	(90.5)	(199.6)	115.3	n.m.	n.m.
Profit before tax	**240.2**	**197.7**	**491.9**	**104.8%**	**148.8%**
Income tax expense	(71.3)	(58.0)	(148.7)	108.6%	156.4%
NPAT	**168.9**	**139.7**	**343.2**	**103.2%**	**145.7%**
EPS (cents)	6.1	5.1	12.5	103.2%	145.7%
Normalisation for investment returns	(6.6)	(4.9)	-	n.m.	n.m.
Normalisation for COVID-19 reserve movements	63.4	139.6	(80.7)	n.m.	n.m.
Underlying NPAT	**225.7**	**274.4**	**262.5**	**16.3%**	**(4.3%)**
Underlying EPS (cents)	8.2	10.0	9.5	16.3%	(4.3%)
Dividend payout ratio[1]	**76.9%**	**83.3%**	**75.5%**	**(140bps)**	**(780bps)**

(1) Dividend payout ratio based on Underlying NPAT.

Health Insurance resident policyholders – half by half

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	1H23	2H23	1H24	Change: 1H24 v 1H23	Change: 1H24 v 2H23
Policyholders[1] (thousand):					
Opening balance	1,950.0	1,951.7	1,960.9	0.6%	0.5%
Acquisitions	97.7	107.5	103.2	5.6%	(4.0%)
Lapses	(96.0)	(98.3)	(99.8)	4.0%	1.5%
Closing balance	1,951.7	1,960.9	1,964.3	0.6%	0.2%
- Medibank	1,439.7	1,438.2	1,435.2	(0.3%)	(0.2%)
- ahm	511.9	522.7	529.1	3.4%	1.2%
Acquisition rate[2]	**5.0%**	**5.5%**	**5.3%**	**30bps**	**(20bps)**
- Medibank	4.1%	4.4%	4.3%	20bps	(10bps)
- ahm	8.0%	9.1%	8.5%	50bps	(60bps)
Lapse rate[2]	**4.9%**	**5.0%**	**5.1%**	**20bps**	**10bps**
- Medibank	4.5%	4.5%	4.5%	-	-
- ahm	6.8%	7.0%	7.3%	50bps	30bps
Policyholder growth	**0.1%**	**0.5%**	**0.2%**	**10bps**	**(30bps)**
Total policy units (thousand):					
Closing balance	4,766.9	4,786.5	4,804.6	0.8%	0.4%
Average balance[3]	4,782.9	4,766.1	4,795.4	0.3%	0.6%

(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

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As at 31 December 2023	Target asset allocation	Portfolio composition	Spot balance ($m)	Average balance ($m) 1H24	Average balance ($m) 1H23
Australian equities	6.0%	5.2%	122.3	133.7	141.1
International equities	5.0%	4.1%	96.4	107.6	105.2
Property	7.0%	6.7%	158.5	172.4	184.4
Infrastructure	2.0%	4.0%	95.5	95.6	58.6
Growth	**20.0%**	**20.0%**	**472.7**	**509.3**	**489.3**
Fixed income[1,2]	60.0%	62.6%	1,486.7	1,528.7	1,429.3
Cash[3]	20.0%	17.4%	412.7	581.0	558.9
Defensive	**80.0%**	**80.0%**	**1,899.4**	**2,109.7**	**1,988.2**
Total fund (pre-STOC)	**100.0%**	**100.0%**	**2,372.1**	**2,619.0**	**2,477.5**
Short-term operational cash[4,5]			567.6	438.4	671.3
Total fund			**2,939.7**	**3,057.4**	**3,148.8**
Non-health fund investments[6]			180.0	195.3	174.9
Total investment portfolio			**3,119.7**	**3,252.7**	**3,323.7**

(1) Target asset allocation comprises floating rate notes and asset-backed investments 38.0% (2022: 33.0%) and other fixed income 22.0% (2022: 27.0%). The Fund's average credit duration is approximately 2.1 years, average interest rate duration is approximately 0.2 years, and the average credit rating is 'Single-A' (S&P equivalent).

(2) For investment portfolio purposes, fixed income comprises fixed income securities ($2,188.2m), less classified cash with maturities between 3-12 months ($337.1m), less non-health fund investments ($125.5m), less short-term operational fixed income securities ($242.0m), plus cash allocated to the fixed income portfolio ($3.1m).

(3) For investment portfolio purposes, cash comprises cash and cash equivalents ($485.1m), plus cash with maturities 3-12 months ($337.1m), less non-health fund investment ($54.5m), less short-term operational cash ($325.6m), less operational cash ($26.3m), less cash allocated to the fixed income portfolio ($3.1m).

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

(5) $167m to be allocated to the STOC portfolio to support the amount held for APRA supervisory adjustment. Given the short-term nature of this portfolio, it is not subject to the existing SAA / TAA framework.

(6) The fund's SAA does not apply to the non-health fund investment portfolio.

Glossary

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Term	Definition
1H	Six months ended/ending 31 December of the relevant financial year
2H	Six months ended/ending 30 June of the relevant financial year
ACL	Anterior cruciate ligament. ACL surgeries now part of Medibank's no gap program
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
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
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
IBNR	Incurred but not reported
Jaws	Income growth rate minus the expense growth rate on a PSEU basis
Live Better	A Medibank program to inspire people to lead a healthier and happier lifestyle, with tools and rewards (for eligible members) to motivate people
NPAT	Net profit after tax

Term	Definition
Members' Choice Advantage	An enhanced network of ancillary providers where customers can enjoy better value on eligible extras services. Includes dental and optical providers, physiotherapy, chiropractic, podiatry, acupuncture and remedial massage
MER	Management expense ratio. Calculated as management expenses divided by revenue
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 movement in COVID-19 reserve and one-off items, especially those that are non-cash, such as asset impairments. Underlying NPAT is not adjusted for outstanding claims provision movements


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