ASX release

23 February 2023

Medibank Private Limited (MPL) – Financial results for half year ended 31 December 2022

In accordance with the Listing Rules, Medibank releases the following documents to the market:

(a) HY23 Results – Appendix 4D, Directors' Report and Financial Report;

(b) HY23 Results – Media Release; and

(c) HY23 Results – Investor Presentation.

These documents have been authorised for release by the Board.

APPENDIX 4D
Under Listing Rule 4.2A

MEDIBANK PRIVATE LIMITED
ABN 47 080 890 285
RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half-year ended			
	31 Dec 2022 $m	31 Dec 2021 $m	Movement $m	Movement %
Health Insurance premium revenue	3,536.6	3,461.4	75.2	2.2%
Medibank Health revenue	92.8	119.8	(27.0)	(22.5%)
Revenue (excluding net investment and other income) from ordinary activities	**3,629.4**	**3,581.2**	**48.2**	**1.3%**
Profit after tax from ordinary activities attributable to shareholders	**233.3**	**220.2**	**13.1**	**5.9%**
Net profit from ordinary activities attributable to shareholders	**233.3**	**220.2**	**13.1**	**5.9%**

For further information refer to the directors' report in the attached interim financial report of Medibank Private Limited for the half-year period ended 31 December 2022. The Medibank Private Limited Group comprises the consolidated entity, consisting of Medibank Private Limited and its subsidiaries for the half-year period ended 31 December 2022.

Dividend information
On 29 September 2022, a fully franked final ordinary dividend of 7.30 cents per ordinary share was paid to shareholders, in respect of the six months ended 30 June 2022.

A fully franked interim ordinary dividend of 6.30 cents per ordinary share was determined on 23 February 2023 in respect of the six months ended 31 December 2022. This dividend is payable on 22 March 2023 to shareholders on the register as at close of business on 3 March 2023.

Net tangible assets per ordinary share
Net tangible assets are defined as the net assets of the Medibank Private Limited Group less intangible assets (including right-of-use assets).

	31 Dec 2022 cents	31 Dec 2021 cents
Net tangible assets per ordinary share	58.3	56.0

Details of equity accounted investments

		Ownership interest %		
Name	**Type**	**31 Dec 2022**	**30 Jun 2022**	**31 Dec 2021**
East Sydney Day Hospital Pty Ltd	Associate	49.00%	49.00%	49.00%
Calvary Medibank JV Pty Ltd	Joint Venture	50.00%	50.00%	50.00%
Myhealth Medical Holdings Pty Ltd	Associate	49.00%	49.00%	49.00%
Adeney Private Hospital Pty Ltd	Associate	49.00%	49.00%	49.00%
Medinet Australia Pty Ltd	Associate	3.85%	3.85%	-
SydOrtho Holdings Pty Ltd	Joint Venture	50.00%	50.00%	-

This report should be read in conjunction with the Medibank Private Limited annual financial report for the year ended 30 June 2022, together with any public announcements made by Medibank Private Limited in accordance with its continuous disclosure obligations.

MEDIBANK PRIVATE LIMITED

ABN 47 080 890 259

INTERIM FINANCIAL REPORT
31 DECEMBER 2022

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The directors of Medibank Private Limited (Medibank) present their report on the consolidated entity consisting of Medibank and its subsidiaries (collectively referred to as the Group) for the half-year ended 31 December 2022.

Directors

The names of directors in office during the half-year and up to the date of this report, unless stated otherwise, are as follows:

Current:
- Mike Wilkins AO – Chair
- David Koczkar – Chief Executive Officer
- Dr Tracey Batten
- Anna Bligh AC
- Gerard Dalbosco
- Peter Everingham
- David Fagan
- Kathryn Fagg AO
- Linda Bardo Nicholls AO

Review of operations

Six months ended 31 December ($m)	2022	2021	Change
Group revenue from external customers	**3,629.4**	**3,581.2**	**1.3%**
Health Insurance operating profit	305.2	280.9	8.7%
Medibank Health segment profit	24.6	25.7	(4.3)%
Segment operating profit	**329.8**	**306.6**	**7.6%**
Corporate overheads	(22.0)	(20.1)	9.5%
Group operating profit	**307.8**	**286.5**	**7.4%**
Net investment income	55.9	30.9	80.9%
Other income/(expenses)	(5.4)	(4.2)	28.6%
Cybercrime costs	(26.2)	-	n.m.
Profit before tax	**332.1**	**313.2**	**6.0%**
Income tax expense	(98.8)	(93.0)	6.2%
Group net profit after tax (NPAT)	**233.3**	**220.2**	**5.9%**
Effective tax rate	29.8%	29.7%	10bps
Earnings per share (EPS) (cents)	8.5	8.0	5.9%
Normalisation of growth asset returns	(3.9)	(7.4)	(47.3%)
Normalisation for defensive asset returns	(2.7)	(0.4)	575.0%
Underlying NPAT[1]	**226.7**	**212.4**	**6.7%**
Underlying EPS (cents)[1]	8.2	7.7	6.7%
Dividend per share (cents)	**6.3**	**6.1**	**3.3%**
Dividend payout ratio[1]	76.5%	79.1%	(3.3%)

1. Underlying NPAT is statutory NPAT, normalised for growth asset returns to historical long-term expectations, credit spread movements and one-off items. Dividend payout ratio based on underlying NPAT.

Group

In October 2022, Medibank was subject to a cybercrime event whereby a criminal accessed Medibank systems using stolen credentials. This criminal removed data and released data on the dark web. Following the triage of a security alert on 11 October 2022, we took immediate steps to contain the incident and put in place additional security measures across the network. We engaged specialised security firms and worked with the Australian Government's lead cyber agency and the Australian Federal Police. We closed down the criminal's attack path and can confirm no further activity by the criminal since 12 October 2022 has been detected inside our systems.

Medibank established a Cyber Response Support Program to support its customers from the impact of the cybercrime which includes mental health and wellbeing support, identity protection and financial hardship measures. We have incurred non-recurring cybercrime costs of $26.2 million during 1H23 including in relation to an external review, incident experts, additional technology support and third-party customer protection and support services for impacted customers. For the full year we expect non-recurring cybercrime costs of between $40 and $45 million including additional non-recurring investment in IT security. This amount does not include further potential customer and other remediation, regulatory or litigation related costs.

As a result of this cybercrime event, litigation and regulatory investigations have commenced. Refer to Note 12 of the 2023 half year financial statements for further details.

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

The 1H23 results show continued momentum in the Health Insurance business, solid performance in Medibank Health despite the external environment, and a strong capital position.

Group operating profit was up 7.4% to $307.8 million with an increase of 8.7% in Health Insurance operating profit and a decline of 4.3% in Medibank Health segment profit. Medibank Health transitioned out of two telehealth contracts in 2H22 and excluding these contracts, segment profit increased 7.4%. Investment income increased $25.0 million, however this was offset by $26.2 million of non-recurring costs associated with the cybercrime event.

NPAT increased 5.9% to $233.3 million, and underlying NPAT, which adjusts for the normalisation of investment returns, increased 6.7% to $226.7 million.

The key reasons for the movements in the Health Insurance and Medibank Health results, as well as net investment income, are outlined in this report.

Health Insurance

Health Insurance performance reflects continued policyholder growth, subdued downgrading in the resident business, and following the reopening of borders, very strong policy unit growth and margin recovery in the non-resident business.

Reported health insurance revenue increased 2.0% to $3,521.8 million on a reported basis, and underlying revenue, which adjusts for $267.7 million COVID-19 support measures in 1H23 and $136.6 million in 1H22, increased 5.6% to $3,789.5 million.

The resident Health Insurance market remains buoyant and the trend of growth in new to industry and younger customers has continued, which positively impacts the quality of the insurance pool given these customers typically have lower claims than average.

Over the past 12 months our resident policyholder numbers increased by almost 35,000 or 1.8%, however with the loss of almost 13,000 policies since the end of September, growth in the last six months was 0.1% or 1,700 policyholders which is well below the 1.5% achieved in the prior period.

In the last six months customer lapse and acquisition deteriorated by 80 and 60 basis points respectively with customer retention impacted by the diversion of resources to support higher call volumes following the cybercrime event. Pleasingly, Medibank acquisition was only down 30 basis points which is indicative of the positioning and resilience of the brand, and although the ahm acquisition rate was down 160 basis points, this was largely due to lower aggregator sales.

Since 31 December 2022 and with the resumption of more normal business operations, we have seen policyholder trajectory improve with acquisition rates recovering and retention rates stabilising. In the second half, we will focus on the growing corporate market, allocating additional resources to improve retention, and increasing ahm aggregator sales.

In the non-resident business we saw continued momentum following the re-opening of borders with policy units increasing by 34.4%. Strong policy unit growth has continued in January 2023 and with the expectation of further growth in the worker and visitor market segments, gross profit in the second half is expected to be higher than the first half.

Health insurance gross claims increased 0.5% and net claims, which includes risk equalisation, increased 0.7%. Risk equalisation had a 20 basis point impact on claims growth this period, consistent with the growth in ahm policies which are skewed to younger and lower claiming customers, and our claims growth continuing to be lower than the industry.

Underlying resident claims per policy unit was up 40 basis points to 2.3%, with stable hospital claims growth of 2.2% and an 80 basis point increase in extras claims growth to 3.3%. The steady hospital claims growth reflects the higher risk equalisation charge offsetting savings from prostheses reform, and the increase in extras claims growth reflects investment in additional benefits and sales mix. Healthcare cost inflation had minimal impact on claims this period with the majority of private hospitals already contracted for FY23.

Gross profit increased 9.3% to $579.1 million. Permanent net claims savings due to COVID-19 of $267.2 million were returned to customers through $267.7 million of giveback initiatives resulting in COVID-19 having a modest $0.5 million negative impact on profit. Adjusting for this impact, underlying gross profit increased 8.8% to $579.6 million.

Gross margin increased 100 basis points to 16.4% and underlying gross margin increased 50 basis points to 15.3%. This was due to a 10 basis point increase in the resident business underlying gross margin, and in the non-resident business favourable tenure and mix impacts led to an underlying gross margin of 34.1% compared to 21.5% in 1H22.

The COVID-19 deferred claims liability, which is in recognition of claims that have likely been deferred since the commencement of COVID-19 restrictions has decreased $36.7 million to $411.6 million due to the impact of lapsed customers and the expiration of Medibank extras limits. Due to resident claims being below our expectations and the absence of Government restrictions on hospital admissions, claims deferral was ceased from 30 June 2022.

Management expenses increased 10.0% to $273.9 million largely driven by non-resident sales commissions which grew with policy unit acquisition. Commissions of $11.4 million were consistent with 2H22, however based on the current policyholder trajectory, we expect they will increase further in the second half.

Operating expenses increased 7.0% with cost inflation of approximately 4% and modest volume impacts, partially offset by approximately $4 million of productivity savings. We are targeting $30 million of productivity savings over FY23 to FY25 including $10 million in FY23.

The underlying management expense ratio increased 30 basis points to 7.2%, and we expect the ratio for the full year will not be above the FY22 ratio of 7.4% based on our expectation of management expenses of approximately $560 million. Going forward we will continue to leverage our productivity program and the benefits of scale to target further modest improvement in the management expense ratio while balancing the need to invest for growth.

Despite the increase in the management expense ratio, the operating margin increased 60 basis points to 8.7% and underlying operating margin increased 20 basis points to 8.1%.

Medibank Health

Despite reduced COVID-19 impacts on Medibank Health this period compared to prior periods, performance in the homecare business continued to be impacted by subdued private hospital admissions and higher labour costs, and by the transition out of the 1800RESPECT and Beyond Blue contracts in 2H22. Operating profit increased 0.9% and segment profit, which includes the contribution from our investment in Myhealth and other healthcare investments, decreased by 4.3% to $24.6 million. Excluding the impact of the contract transitions, operating profit increased 14.6% and segment profit increased 7.4%.

The following commentary will discuss the results of Medibank Health excluding the 1800RESPECT and Beyond Blue contracts.

Revenue increased 5.9% to $139.5 million, with recovery in travel insurance sales and strong growth in health and wellbeing, partially offset by lower telehealth and homecare revenue.

Gross margin was down 40 basis points to 44.7% due to higher labour costs in homecare and inflationary impacts, partially offset by business mix effects. Flat management expenses and a 170 basis point improvement in the management expenses ratio resulted in the operating margin increasing 130 basis points to 16.9%, and reinforces the importance of increasing scale in this business.

Key areas of focus for the second half include volume and performance uplift in homecare, continuing to reposition the business to support the emerging needs of Medibank customers and delivering synergies between our businesses. The business has good momentum and growth potential around the needs of the Medibank customer. We continue to target on average, at least 15% per annum organic growth over three years and aim to invest between $150 to $250 million over the next three years primarily in health and wellbeing, primary care and new care models (including additional short stay hospitals) where this adds scale, geographic coverage, or new capability.

Net investment income

Net investment income of $55.9 million was up $25.0 million or 80.9%, with the benefit of higher interest rates and narrowing credit spreads. The growth portfolio had an $8.6 million reduction in income due to softer returns in property and mixed performance in equities, with strong returns in domestic markets more than offset by weaker returns in international markets. In the defensive portfolio, there was a $20.9 million increase due to the higher RBA cash rate and benefit of narrowing credit spreads. These impacts were partially offset by the steepening yield curve resulting in a $8.6 million lower than expected yield on international fixed interest holdings.

Consistent with previous practice, in order to calculate underlying NPAT for the purposes of determining the dividend for the period, we have adjusted net investment income for the impact of short-term market returns that are expected to normalise over the medium to longer term. After normalisation, net investment income was $46.4 million, up from $19.8 million[1] in 1H22.

Capital management and dividend

Medibank's capital management objective is to maintain a strong financial risk profile and capacity to meet financial commitments. As at 31 December 2022:

- Our total Health Insurance business-related capital was $1,016.2 million; equivalent to 13.0% of premium revenue after the allowance for determined but unpaid dividends. This was at the top end of Medibank's target range of forecast premium revenue of 11%-13%.
- Non-fund required capital was $205.6 million.
- Unallocated capital surplus was $198.1 million.

In September 2022, the Australian Prudential Regulation Authority (APRA) finalised new capital standards for implementation on 1 July 2023. We are well placed to implement this framework and expect our target health insurance required capital ratio will reduce to 10% – 12% of forecast premium revenue from the current 11% – 13%.

[1] The adjustment normalises growth asset returns to long-term expectations and defensive asset returns for credit spread movements. Normalisation of returns for 1H23 benchmark performance decreased net investment income by $9.5 million (1H22: decreased $11.0 million).

The directors have determined a fully franked interim dividend of 6.3 cents per share up 3.3% from the prior period, representing a payout ratio of 76.5% of underlying NPAT, to be paid on Thursday 22 March 2023 to shareholders on the register as at close of business on 3 March 2023.

Rounding of amounts

The amounts contained in this directors' report and in the interim financial report have been rounded to the nearest hundred thousand dollars (where rounding is applicable) unless specifically stated otherwise under the relief available pursuant to *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Medibank is an entity to which that relief applies.

Auditor's independence declaration

A copy of the auditor's independence declaration as required by section 307C of the *Corporations Act 2001* is set out on page 6.

This report is made in accordance with a resolution of the directors.

Mike Wilkins AO
Chair

David Koczkar
Chief Executive Officer

23 February 2023
Melbourne

Auditor’s Independence Declaration

As lead auditor for the review of Medibank Private Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Medibank Private Limited and the entities it controlled during the period.

M. Laithwaite

Marcus Laithwaite
Partner
PricewaterhouseCoopers

Melbourne
23 February 2023

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Consolidated statement of comprehensive income

For the half-year ended 31 December 2022

	Note	31 Dec 2022 $m	31 Dec 2021 $m
Revenue			
Health Insurance premium revenue	2(b) 3(a)	3,536.6	3,461.4
Medibank Health revenue		92.8	119.8
		3,629.4	**3,581.2**
Other income		**0.5**	**0.5**
Expenses			
Claims expense	3(a)	(2,912.1)	(2,896.0)
Medical services expense		(13.7)	(17.0)
Employee benefits expense		(231.4)	(228.2)
Office and administration expense		(50.0)	(38.8)
Marketing expense		(42.8)	(25.1)
Information technology expense		(43.1)	(38.1)
Depreciation and amortisation expense		(59.3)	(57.1)
Finance expense		(1.0)	(1.3)
Share of net profit/(loss) from equity accounted investments		(0.3)	2.2
		(3,353.7)	**(3,299.4)**
Profit before net investment income and income tax		**276.2**	**282.3**
Net investment income	6(a)	55.9	30.9
Profit for the half-year before income tax		**332.1**	**313.2**
Income tax expense	11	(98.8)	(93.0)
Profit for the half-year		**233.3**	**220.2**
Total comprehensive income for the half-year		**233.3**	**220.2**
Earnings per share attributable to ordinary equity holders of the Parent - basic and diluted (cents)		**8.5**	**8.0**

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 31 December 2022

	Note	31 Dec 2022 $m	30 Jun 2022 $m
Current assets			
Cash and cash equivalents		406.7	596.7
Trade and other receivables		215.7	225.4
Financial assets at fair value	6(b)	2,733.6	2,854.5
Deferred acquisition costs		34.8	35.4
Tax receivable		25.9	-
Other assets		24.9	19.3
Total current assets		**3,441.6**	**3,731.3**
Non-current assets			
Property, plant and equipment	8	75.6	88.4
Intangible assets	9	325.4	332.3
Deferred acquisition costs		43.8	47.5
Deferred tax assets		208.4	243.6
Equity accounted investments		101.9	103.7
Other assets		4.9	6.0
Total non-current assets		**760.0**	**821.5**
Total assets		**4,201.6**	**4,552.8**
Current liabilities			
Trade and other payables	10	292.8	361.4
Claims liabilities	3(b)	839.4	860.9
Unearned premium liability	4	604.8	817.5
Tax liability		-	117.0
Customer give back provision	4	217.6	178.6
Provisions and employee entitlements		100.1	104.6
Total current liabilities		**2,054.7**	**2,440.0**
Non-current liabilities			
Trade and other payables	10	46.0	56.6
Claims liabilities	3(b)	7.0	10.2
Unearned premium liability	4	96.9	77.3
Provisions and employee entitlements		20.5	23.1
Total non-current liabilities		**170.4**	**167.2**
Total liabilities		**2,225.1**	**2,607.2**
Net assets		**1,976.5**	**1,945.6**
Equity			
Contributed equity		85.0	85.0
Reserves		24.3	25.7
Retained earnings		1,867.2	1,834.9
Total equity		**1,976.5**	**1,945.6**

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the half-year ended 31 December 2022

	Contributed equity $m	Reserves $m	Retained earnings $m	Total equity $m
Balance at 1 July 2021	**85.0**	**22.3**	**1,798.8**	**1,906.1**
Profit for the half-year	-	-	220.2	**220.2**
Total comprehensive income for the half-year	**-**	**-**	**220.2**	**220.2**
Dividends paid	-	-	(190.0)	**(190.0)**
Acquisition and settlement of share-based payment, net of tax	-	(2.6)	-	**(2.6)**
Share-based payment transactions	-	4.0	-	**4.0**
Balance at 31 December 2021	**85.0**	**23.7**	**1,829.0**	**1,937.7**
Balance at 1 July 2022	**85.0**	**25.7**	**1,834.9**	**1,945.6**
Profit for the half-year	-	-	233.3	**233.3**
Total comprehensive income for the half-year	**-**	**-**	**233.3**	**233.3**
Dividends paid	-	-	(201.0)	**(201.0)**
Acquisition and settlement of share-based payment, net of tax	-	(4.8)	-	**(4.8)**
Share-based payment transactions	-	3.4	-	**3.4**
Balance at 31 December 2022	**85.0**	**24.3**	**1,867.2**	**1,976.5**

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the half-year ended 31 December 2022

	Note	31 Dec 2022 $m	31 Dec 2021 $m
Cash flows from operating activities			
Premium receipts		3,386.2	3,322.0
Medibank Health receipts		104.4	124.8
Other receipts		3.6	1.6
Payments for claims and levies		(2,968.3)	(2,852.0)
Payments to suppliers and employees		(444.0)	(417.6)
Income taxes paid		(206.4)	(118.8)
Net cash inflow/(outflow) from operating activities	7	**(124.5)**	**60.0**
Cash flows from investing activities			
Interest received		27.2	5.8
Investment expenses		(2.5)	(2.4)
Proceeds from sale of financial assets		1,592.9	970.9
Purchase of financial assets		(1,440.7)	(875.9)
Purchase of equity accounted investments		-	(5.4)
Purchase of plant and equipment		(4.0)	(4.1)
Purchase of intangible assets		(12.9)	(12.6)
Net cash inflow from investing activities		**160.0**	**76.3**
Cash flows from financing activities			
Purchase of shares to settle share-based payment		(4.9)	(3.1)
Lease principal and interest payments		(19.6)	(19.4)
Dividends paid		(201.0)	(190.0)
Net cash outflow from financing activities		**(225.5)**	**(212.5)**
Net increase/(decrease) in cash and cash equivalents		**(190.0)**	**(76.2)**
Cash and cash equivalents at beginning of the half-year		596.7	671.7
Cash and cash equivalents at end of the half-year		**406.7**	**595.5**

The above statement should be read in conjunction with the accompanying notes.

Note 1: Summary of significant accounting policies

Medibank Private Limited ("Medibank") is a for-profit company whose shares are publicly traded on the Australian Securities Exchange (ASX).

a) Basis of preparation of consolidated interim financial report

The consolidated interim financial report for the half-year period ended 31 December 2022 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The principal accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year, as set out in the annual financial report for the year ended 30 June 2022. The financial statements are for the consolidated entity (the Group), consisting of Medibank and its subsidiaries.

The consolidated interim financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by Medibank during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and ASX Listing Rules. This report includes, where necessary, updates to prior period comparatives for changes in classification of amounts in the current reporting period.

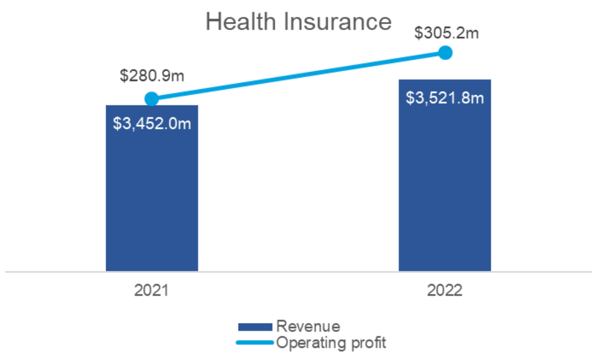
b) Critical accounting estimates and judgements

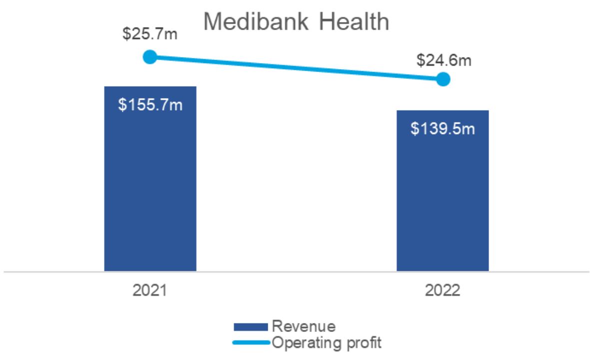
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are the same as those applied in the annual financial report for the year ended 30 June 2022.

Note 2: Segment information

a) Segment information provided to the Chief Executive Officer (CEO)

The CEO measures the performance of the Group's reportable segments based on the operating profit of the segments. The segment information provided to the CEO for the half-year ended 31 December 2022 is as follows.





Note 2: Segment information (continued)

a) Segment information provided to the Chief Executive Officer (CEO) (continued)

31 Dec 2022	Note	Health Insurance $m	Medibank Health $m	Total $m
Revenue				
Total segment revenue	2(b)(iii)	3,521.8	139.5	**3,661.3**
Inter-segment revenue		-	(31.9)	**(31.9)**
Revenue from external customers		**3,521.8**	**107.6**	**3,629.4**
Operating profit		**305.2**	**24.6**	**329.8**
Items included in segment operating profit:				
Depreciation and amortisation		(51.6)	(4.8)	**(56.4)**
Interest income from loans to associates		-	0.1	**0.1**
Share of profit/(loss) from equity accounted investments	2(b)(ii)	-	0.9	**0.9**

31 Dec 2021	Note	Health Insurance $m	Medibank Health $m	Total $m
Revenue				
Total segment revenue	2(b)(iii)	3,452.0	155.7	**3,607.7**
Inter-segment revenue		-	(26.5)	**(26.5)**
Revenue from external customers		**3,452.0**	**129.2**	**3,581.2**
Operating profit		**280.9**	**25.7**	**306.6**
Items included in segment operating profit:				
Depreciation and amortisation		(49.9)	(4.0)	**(53.9)**
Interest income from loans to associates		-	0.1	**0.1**
Share of profit/(loss) from equity accounted investments		-	2.2	**2.2**

b) Other segment information

(i) Segment operating profit or loss

A reconciliation of segment operating profit to the profit for the half-year before income tax of the Group is as follows:

	Note	31 Dec 2022 $m	31 Dec 2021 $m
Total segment operating profit		**329.8**	**306.6**
Unallocated to operating segments:			
Corporate operating expenses		(22.0)	(20.1)
Group operating profit		**307.8**	**286.5**
Net investment income	6(a)	55.9	30.9
Cybercrime expenses		(26.2)	-
Mergers and acquisitions expenses		(0.6)	(0.5)
Other income/(expenses)		(4.8)	(3.7)
Profit for the half-year before income tax		**332.1**	**313.2**

Note 2: Segment information (continued)

b) Other segment information (continued)

(ii) Other items

Segment operating profit excludes the following:

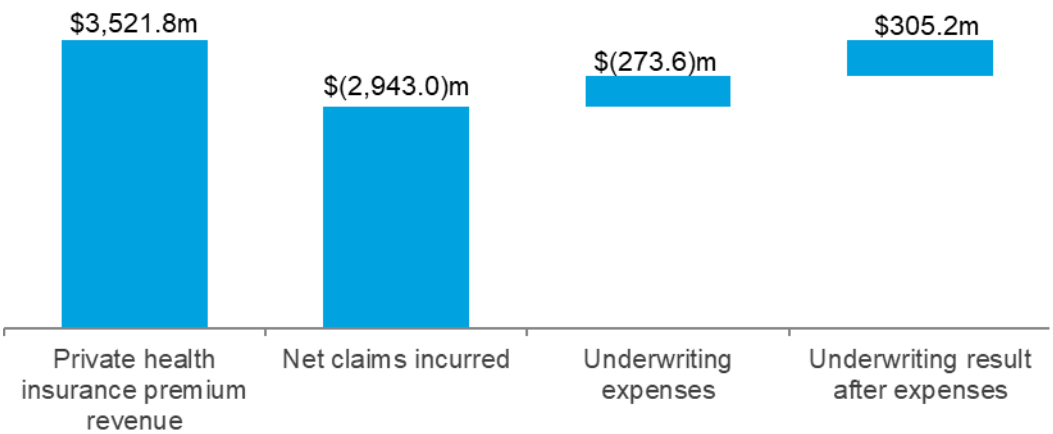
- Corporate operating expenses of $22.0 million (31 December 2021: $20.1 million) relating to the Group's corporate function.
- Net investment income, which comprises:
  - Interest and distribution income and related investment management expenses (refer to Note 6(a)), as this arises from investments which are managed by a central treasury function.
  - Net gains and losses on disposals of and fair value movements on financial assets and liabilities (refer to Note 6(a)), as they are not indicative of the Group's long-term performance.
- Expenses incurred in relation to the Group's cybercrime event of $26.2 million (31 December 2021: nil). These costs have been recognised within the relevant line items in the consolidated statement of comprehensive income, including office and administration expense of $11.2 million, employee benefits expense of $8.3 million, information technology expense of $6.0 million and marketing expense of $0.7 million. Refer to Note 12 for further information.
- Expenses in relation to mergers and acquisitions of $0.6 million (31 December 2021: $0.5 million) which are not allocated to the operating activities of the Group's segments.
- Other income/(expenses) of $4.8 million (31 December 2021: $3.7 million) which do not relate to the current period's trading activities of the Group's segments, comprising primarily net sublease rent, acquisition intangible amortisation and the Group's share of interest on lease liabilities in relation to its investment in East Sydney Day Hospital Pty Ltd.

(iii) Loyalty program

Segment private health insurance premium revenue is after $14.8 million (31 December 2021: $9.4 million) of transfers between the Group's other operating segments in relation to the loyalty program.

Note 3: Insurance underwriting result

31 December 2022 underwriting result after expenses



Note 3: Insurance underwriting result (continued)

a) Insurance underwriting result

	Note	31 Dec 2022 $m	31 Dec 2021 $m
Private health insurance premium revenue	(i)	3,521.8	3,452.0
Claims expense			
Claims incurred	(ii)	(2,917.4)	(2,768.6)
(Increase)/decrease in COVID-19 claims liability	3(b)	36.7	(104.9)
State levies		(35.5)	(27.7)
Net Risk Equalisation Special Account payments		(26.5)	(20.8)
Net claims incurred excluding claims handling costs		**(2,942.7)**	**(2,922.0)**
Movement in claims handling costs on outstanding claims liabilities		(0.3)	0.2
Net claims incurred		**(2,943.0)**	**(2,921.8)**
Underwriting expenses		(273.6)	(249.3)
Underwriting result after expenses		**305.2**	**280.9**

(i) Private health insurance premium revenue is after $14.8 million (31 December 2021: $9.4 million) of transfers between the Group's other operating segments in relation to the loyalty program and $267.7 million (31 December 2021: $136.6 million) in relation to the recognition of customer give backs publicly announced by the Group during the period to return permanent net COVID-19 savings to eligible policyholders (refer to Note 4 for further information).

(ii) Claims incurred are prior to elimination of transactions with the Group's other operating segments of $30.9 million (31 December 2021: $25.8 million).

b) Gross claims liabilities

	Note	31 Dec 2022 $m	30 Jun 2022 $m
Current			
Outstanding claims liability - central estimate	(i,ii)	376.2	359.3
COVID-19 claims liability	(vi)	411.6	448.3
Risk margin	(i,iii)	36.3	35.1
Claims handling costs	(iv)	9.2	8.9
		833.3	**851.6**
Claims liability - provision for bonus entitlements	(v)	6.1	9.3
Gross claims liabilities	(c)	**839.4**	**860.9**
Non-current			
Outstanding claims liability - central estimate	(i,ii)	2.5	3.1
Risk margin	(i,iii)	0.2	0.3
Claims handling costs	(iv)	0.1	0.1
		2.8	**3.5**
Claims liability - provision for bonus entitlements	(v)	4.2	6.7
Gross claims liabilities	(c)	**7.0**	**10.2**

Note 3: Insurance underwriting result (continued)

b) Gross claims liabilities (continued)

Key estimate:
The outstanding claims liability estimate is based on the hospital, ancillary and overseas claim categories.

Hospital and overseas	Calculated using statistical methods adopted for all service months but with service levels for the most recent service month (hospital) or two service months (overseas) being based on the latest forecast adjusted for any observed changes in payment patterns.
Ancillary	Calculated using statistical methods adopted for all service months.

The critical assumption in determining the outstanding claims liability is the extent to which claim incidence and development patterns are consistent with past experience. Adjustments are then applied to reflect any unusual or abnormal events that may affect the estimate of service levels such as major variability to claims processing volumes.

The process for establishing the outstanding claims liability involves consultation with internal actuaries (including the Chief Actuary), claims managers and other senior management. The process includes monthly internal claims review meetings attended by senior management.

(i) Outstanding claims liability - central estimate	The central estimate is an estimate of the level of claims liability. ***Key estimate*** The central estimate is based on statistical analysis of historical experience which assumes an underlying pattern of claims development and payment. The final selected central estimate is based on a judgemental consideration of this analysis and other qualitative information, such as claims processing delays and pre-admission hospital eligibility check volumes. The central estimate excludes the impact of the Risk Equalisation Special Account. A separate estimate is made of levies payable to and recoveries from the Risk Equalisation Special Account.
(ii) Discounting	The outstanding claims liability central estimate is discounted to present value using the three-month risk-free rate of 3.26% per annum which equates to a reduction in the central estimate of $1.4 million (30 June 2022: 1.81%, $0.9 million).
(iii) Risk margin	An overall risk margin considers the uncertainty surrounding the outstanding claims liability. The risk margin applied to the Group's outstanding claims central estimate (net of risk equalisation) is 9.4% (30 June 2022: 9.4%). ***Key estimate*** The risk margin is based on an analysis of past experience, including comparing the volatility of past payments to the adopted central estimate. The risk margin has been estimated to equate to the Group's objective of achieving a probability of adequacy of at least 95% (30 June 2022: 95%). This risk margin is only applied to the outstanding claims liability, however relevant risks and uncertainties have been taken into account in key assumptions used to estimate the COVID-19 claims liability.
(iv) Claims handling costs	The allowance for claims handling costs is 2.5% of the outstanding claims liability (30 June 2022: 2.5%).
(v) Claims liability – provision for bonus entitlements	Certain private health insurance products (Package Bonus, Ultra Bonus and Membership Bonus) include benefits that carry forward. Package Bonus carries forward unused benefit entitlements in a calendar year for five calendar years. Membership Bonus carries forward unused benefit entitlements in a calendar year for 10 calendar years. Ultra Bonus carries forward unused benefit entitlements without limit. The Group's claims liabilities include a provision to cover expected future utilisation of these benefit entitlements of the current membership.

Note 3: Insurance underwriting result (continued)

b) Gross claims liabilities (continued)

(vi) COVID-19 claims liability	The COVID-19 claims liability represents the claims deferred as a result of the impact of the COVID-19 pandemic on availability and accessibility to surgeries and other health services. The COVID-19 claims liability includes surgical and non-surgical hospital claims of $394.3 million (30 June 2022: $405.6 million) and ancillary claims of $17.3 million (30 June 2022: $42.6 million). ***Key estimate*** The liability is calculated by comparing the difference between the actual and expected volume of insured surgical, non-surgical and ancillary procedures since the commencement of COVID-19 restrictions in March 2020. Any shortfall in claims up to June 2022 is deferred into the liability at the applicable claims deferral rate. Claims deferral was ceased after June 2022 as despite the prolonged impact of COVID-19, there have been no formal restrictions and lockdowns during the period impeding availability and accessibility to surgeries and other health services. The Group will continue to reassess this position. Utilisation of the liability occurs where the actual claims exceed expected claims. The liability has been assessed by geography and modality (claim type) with the deferral of claims (and any subsequent utilisation) varying based on the extent of COVID-19 restrictions. The ancillary liability resets for ancillary claims with expired limits. Risks and uncertainties have been taken into account in the measurement of the liability and are reflected in the key inputs and judgements. The key judgements and inputs into this liability estimate include: • The expected claims level at the Single Equivalent Unit per policy (PSEU), which is based on statistical analysis of the estimated underlying claims growth per PSEU that would have occurred if the COVID-19 pandemic did not eventuate. It has then been applied to the average actual number of PSEUs. • The expected rate at which deferred insured surgical and non-surgical procedures will be caught up, which is based on the analysis and expert opinion of the Group's Chief Medical Officer and internal analysis. The expected claims deferral rate is analysed based on modality and is 85% (30 June 2022: 85%) for surgical claims, 40% (30 June 2022: 40%) for non-surgical claims and 50% (30 June 2022: 50%) for ancillary claims. • This liability only includes insured surgeries and other health services that will ultimately be performed for policyholders of the Group. Given the extended duration of the COVID-19 pandemic, a policyholder lapse rate has been applied to the surgical and non-surgical claims. This rate is based on the average lapse rate since the commencement of the COVID-19 pandemic. The ancillary liability does not include a lapse rate as it resets when limits expire.

Note 3: Insurance underwriting result (continued)

c) Reconciliation of movement in claims liabilities

	Note	31 Dec 2022 $m	30 Jun 2022 $m
Balance 1 July		**871.1**	**631.5**
Claims incurred during the period		2,894.9	5,369.8
Increase/(decrease) in COVID-19 claims liability	(i)	(36.7)	224.5
Claims paid during the period		(2,874.4)	(5,348.1)
Amount (over)/under provided on central estimate (1)		(9.5)	(8.2)
Risk margin		1.1	2.0
Claims handling costs		0.3	0.5
Movement in discount rate		(0.4)	(0.9)
Balance at end of period		**846.4**	**871.1**

Note: movement includes both current and non-current. Claims incurred and claims paid exclude levies and rebates.

(i) Reconciliation of movement in COVID-19 claims liability
The table below provides a reconciliation of the movement in the COVID-19 claims liability during the period.

	Hospital $m	Ancillary $m	Total $m
Balance at 1 July 2022	**405.6**	**42.7**	**448.3**
Change in respect of previous period (1)	(0.5)	0.1	**(0.4)**
Decrease during the period	(10.8)	(25.5)	**(36.3)**
Balance at 31 December 2022	**394.3**	**17.3**	**411.6**

(1) Includes amount over provided from central estimate and changes in other assumptions, including policyholder lapse rate.

(d) Impact of changes in key variables on the claims liabilities

Outstanding claims liability
The central estimate, discount rate, risk margin and weighted average term to settlement are the key outstanding claims variables. A 10% increase/decrease in the central estimate would result in a $26.5 million decrease/increase to profit after tax and equity (30 June 2022: $25.4 million). A 1% movement in other key outstanding claims variables, including discount rate and risk margin and a one-month movement in the weighted average term to settlement, would result in an insignificant decrease/increase to profit after tax and equity.

COVID-19 claims liability
The following describe the individual impacts of changes in the key estimate on the COVID-19 claims liability:
- A 4% increase/decrease in the expected claims level would result in a $112.0 million decrease and $114.1 million increase respectively to profit after tax and equity (30 June 2022: $117.9 million).
- An increase/decrease of 10 percentage points in the adopted deferral rate for COVID-19 hospital claims would result in a $54.9 million decrease/increase to profit after tax and equity (30 June 2022: $54.2 million). The reasonable possible range for the hospital deferral assumption is 75-100% for surgical claims (30 June 2022: 75-100%) and 30%-70% for non-surgical claims (30 June 2022: 30-70%).

Note 4: Unearned premium liability

	31 Dec 2022 $m	30 Jun 2022 $m
Balance at 1 July	**894.8**	**757.4**
Deferral of premium on contracts written during the year	492.5	700.9
Earnings of premiums deferred in prior years	(584.3)	(697.0)
Movement in provision for premium deferral	(101.3)	133.5
Balance at end of period	**701.7**	**894.8**

Note: Movement includes both current and non-current.

The unearned premium liability balance at 31 December 2022 includes a provision for premium deferral of $32.2 million (30 June 2022: 133.5 million). The provision for premium deferral represents amounts owed at balance date in relation to the announcements made by the Group to return permanent net COVID-19 savings to eligible policyholders via premium deferrals.

A separate provision for customer giveback of $217.6 million (30 June 2022: $178.6 million) has been recognised at 31 December 2022 in the consolidated statement of financial position for customer giveback obligations that will be returned to customers via one-time cash payments. The balance includes the recognition of the December 2022 announcement to return $207.0 million to eligible policyholders via a one-time cash payment as well as $10.6 million in relation to amounts owing to lapsed customers.

Note 5: Dividends

	Cents per fully paid share	$m	Payment date
31 Dec 2022			
2022 final fully franked dividend	7.30	201.0	29 September 2022
31 Dec 2021			
2021 final fully franked dividend	6.90	190.0	30 September 2021

(a) Dividends not recognised at the end of the reporting period
On 23 February 2023, the directors determined an interim fully franked ordinary dividend for the six months ended 31 December 2022 of 6.30 cents per share. The dividend is expected to be paid on 22 March 2023 and has not been provided for as at 31 December 2022.

(b) Calculation of dividend paid
Medibank's target dividend payout ratio for the 2023 financial year is 75-85% (2022: 75-85%) of full year normalised net profit after tax (underlying NPAT). Normalised net profit after tax is calculated based on statutory net profit after tax 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 impairments.

	31 Dec 2022 $m	31 Dec 2021 $m
Profit for the half-year after tax	**233.3**	**220.2**
Normalisation for growth asset returns	(3.9)	(7.4)
Normalisation for defensive asset returns – credit spread movement	(2.7)	(0.4)
Underlying NPAT	**226.7**	**212.4**

Note 6: Investment portfolio

This note provides information on the Group's net investment income and the carrying amounts of the Group's investments.

Portfolio composition 31 Dec 2022 ($m)

	Health Fund Investment Portfolio (1)	Short-term Operational Cash (STOC)	Non-Health Fund Investment Portfolio	Total
Cash portfolio				
Cash and cash equivalents (as reported in the statement of financial position) (2)	95.0	278.8	2.5	**376.3**
Cash investments with longer maturities	289.0	129.0	-	**418.0**
Less cash allocated to the Fixed income portfolio	(17.6)	-	-	**(17.6)**
Fixed income portfolio				
Fixed income (as reported in the statement of financial position)	1,674.6	382.5	161.8	**2,218.9**
Less cash investments with longer maturities	(289.0)	(129.0)	-	**(418.0)**
Cash allocated to the Fixed income portfolio	17.6	-	-	**17.6**
Growth portfolio				
Equities and investment trusts	514.7	-	-	**514.7**
Total investment portfolio	**2,284.3**	**661.3**	**164.3**	**3,109.9**

Portfolio composition 30 Jun 2022 ($m)

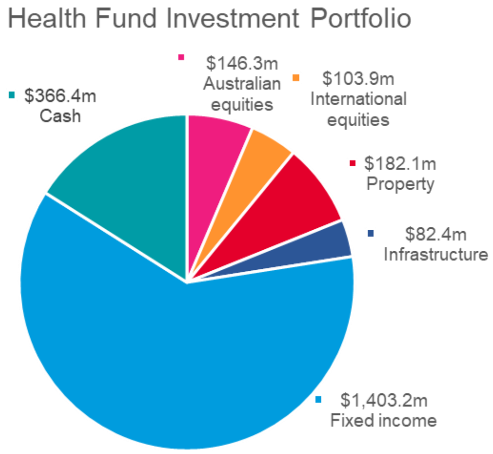
	Health Fund Investment Portfolio (1)	Short-term Operational Cash (STOC)	Non-Health Fund Investment Portfolio	Total
Cash portfolio				
Cash and cash equivalents (as reported in the statement of financial position) (2)	232.2	326.6	13.6	**572.4**
Cash investments with longer maturities	322.2	199.4	19.8	**541.4**
Less cash allocated to the Fixed income portfolio	(14.4)	-	-	**(14.4)**
Fixed income portfolio				
Fixed income (as reported in the statement of financial position)	1,769.8	433.8	176.2	**2,379.8**
Less cash investments with longer maturities	(322.2)	(199.4)	(19.8)	**(541.4)**
Cash allocated to the Fixed income portfolio	14.4	-	-	**14.4**
Growth portfolio				
Equities and investment trusts	474.7	-	-	**474.7**
Total investment portfolio	**2,476.7**	**760.4**	**189.8**	**3,426.9**

(1) The Health Fund Investment Portfolio excludes the Short-term Operational Cash (STOC) sub-portfolio, which is in place to fund the COVID-19 claims liability and the customer give backs.
(2) Cash and cash equivalents as reported in the statement of financial position also include operational cash of $30.4 million (30 June 2022: $24.3 million).

Note 6: Investment portfolio (continued)

The Health Fund Investment Portfolio comprises the following:

	Portfolio composition 31 Dec 2022	Portfolio composition 30 Jun 2022	Target asset allocation
Growth			
Australian equities	6.4%	5.4%	6.0%
International equities	4.5%	4.1%	5.0%
Property	8.0%	7.4%	7.0%
Infrastructure	3.6%	2.3%	2.0%
	22.5%	**19.2%**	**20.0%**
Defensive			
Fixed income	61.4%	59.0%	60.0%
Cash	16.1%	21.8%	20.0%
	77.5%	**80.8%**	**80.0%**
	100.0%	**100.0%**	**100.0%**



a) Net investment income

	31 Dec 2022 $m	31 Dec 2021 $m
Interest income (1)	37.0	8.1
Trust distributions	16.7	19.1
Investment management expenses	(2.5)	(2.4)
Net gain/(loss) on fair value movements on financial assets	11.4	(5.5)
Net gain/(loss) on disposal of financial assets	(6.7)	11.6
Net investment income	**55.9**	**30.9**

(1) Includes interest income of $2.6 million (31 December 2021: $0.6 million) relating to financial assets at fair value through other comprehensive income (Non-Health Fund Investments).

b) Fair value hierarchy

The Group's financial instruments are categorised according to the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted current bid price) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data.

The following tables present the Group's financial assets measured and recognised at fair value on a recurring basis.

31 Dec 2022	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets at fair value through profit or loss				
Australian equities (1)	-	146.3	-	**146.3**
International equities (1)	-	103.9	-	**103.9**
Property (1)	-	-	182.1	**182.1**
Infrastructure (1)	-	-	82.4	**82.4**
Fixed income	68.7	1,988.4	-	**2,057.1**
Financial assets at fair value through other comprehensive income - Fixed income	-	161.8	-	**161.8**
Balance at 31 December 2022	**68.7**	**2,400.4**	**264.5**	**2,733.6**

Note 6: Investment portfolio (continued)

b) Fair value hierarchy (continued)

30 Jun 2022	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets at fair value through profit or loss				
Australian equities [(1)]	-	133.9	-	**133.9**
International equities [(1)]	-	100.7	-	**100.7**
Property [(1)]	-	-	182.9	**182.9**
Infrastructure [(1)]	-	-	57.2	**57.2**
Fixed income	53.0	2,150.6	-	**2,203.6**
Financial assets at fair value through other comprehensive income - Fixed income	-	176.2	-	**176.2**
Balance at 30 June 2022	**53.0**	**2,561.4**	**240.1**	**2,854.5**

(1) Australian equities, international equities, property and infrastructure are indirectly held through unit trusts.

The Group's other financial instruments, being trade and other receivables and trade and other payables, are not measured at fair value. The fair value of these instruments has not been disclosed, as due to their short-term nature, their carrying amounts are assumed to approximate their fair values.

The Group recognises any transfers into and transfers out of fair value hierarchy levels from the date of effect of the transfer. There were no transfers between the fair value hierarchy levels during the period.

Fair value measurements using significant unobservable market data (level 3)
The Group's investments in infrastructure and property financial assets are classified within level 3 of the fair value hierarchy. These assets are held in unlisted unit trusts and are valued at the redemption value per unit as reported by the managers of such funds. They are classified within level 3 of the fair value hierarchy as their fair values are not based on observable market data due to the infrequent trading of these investments which results in limited price transparency.

The following table presents the changes in level 3 financial assets during the period.

	Infrastructure $m	Property $m	Total $m
Balance at 1 July 2022	**57.2**	**182.9**	**240.1**
Acquisitions	21.0	3.5	**24.5**
Net unrealised gain/(loss) on fair value movements	4.2	(4.3)	**(0.1)**
Balance at 31 December 2022	**82.4**	**182.1**	**264.5**

Note 7: Reconciliation of profit after income tax to net cash flow from operating activities

	31 Dec 2022 $m	31 Dec 2021 $m
Profit for the half-year	**233.3**	**220.2**
Non-cash items		
Depreciation and amortisation	59.3	57.1
Share-based payments expense	3.4	4.0
Share of loss/(profit) from equity accounted investments	0.3	(2.2)
Other non-cash items	-	1.6
Investing and financing items		
Net realised loss/(gain) on financial assets	6.7	(11.6)
Net unrealised loss/(gain) on financial assets	(11.4)	5.5
Interest income	(37.0)	(8.1)
Trust distributions	(16.7)	(19.1)
Investment management expenses	2.5	2.4
Interest paid - leases	1.0	1.3
(Increase)/decrease in operating assets		
Trade and other receivables	9.7	(0.5)
Deferred acquisition costs	(15.2)	(18.2)
Other assets	(3.0)	(0.8)
Net deferred tax assets	35.3	(1.4)
Increase/(decrease) in operating liabilities		
Trade and other payables	(63.9)	(77.3)
Unearned premium liability	(178.1)	(44.7)
Claims liabilities	(24.7)	84.9
Income tax liability	(142.9)	(24.6)
Provisions and employee entitlements	16.9	(108.5)
Net cash inflow from operating activities	**(124.5)**	**60.0**

Note 8: Property, plant and equipment

	31 Dec 2022 $m	30 Jun 2022 $m
Closing net carrying amount		
Plant and equipment	10.6	10.0
Leasehold improvements	13.3	16.8
Assets under construction	6.0	7.1
Right-of-use assets	45.7	54.5
Total property, plant and equipment	**75.6**	**88.4**

Note 9: Intangible assets

	Goodwill $m	Customer contracts and relationships $m	Software $m	Assets under construction $m	Total $m
Net carrying amount at 1 July 2022	**204.5**	**1.7**	**99.8**	**26.3**	**332.3**
Additions	-	-	0.6	12.8	**13.4**
Transfers in/(out)	-	-	22.2	(22.2)	**-**
Amortisation expense	-	(0.7)	(19.6)	-	**(20.3)**
Net carrying amount at 31 December 2022	**204.5**	**1.0**	**103.0**	**16.9**	**325.4**

Note 9: Intangible assets (continued)

a) Assessment of indicators of impairment

Key judgement and estimate:
Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Finite life intangible assets are assessed for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill was subject to full annual impairment testing prior to the 30 June 2022 reporting period. The recoverable amount of the cash-generating units (CGU) was determined based on a value-in-use calculation. The key assumptions used in testing the CGUs for impairment are outlined in the Group's annual financial report for the year ended 30 June 2022.

A review of indicators of impairment of the Group's intangible assets was performed as at 31 December 2022 and found that no impairment indicators existed.

Note 10: Trade and other payables

	31 Dec 2022 $m	30 Jun 2022 $m
Current		
Trade creditors	179.1	241.4
Other creditors and accrued expenses	54.3	66.2
Lease liabilities	30.0	30.2
Risk Equalisation Special Account	19.9	16.7
Other payables	9.5	6.9
Total current	**292.8**	**361.4**
Non-current		
Lease liabilities	33.4	46.7
Other payables	12.6	9.9
Total non-current	**46.0**	**56.6**

Note 11: Income tax expense

	31 Dec 2022 $m	31 Dec 2021 $m
Current tax	63.5	94.1
Deferred tax (1)	35.3	(1.1)
Income tax expense	**98.8**	**93.0**

(1) Current period includes deferred tax of $29.7 million in relation to the movements in the COVID-19 claims liability and provision for customer givebacks (including premium deferral). Refer to Note 3(b) and Note 4.

Note 12: Contingencies

(a) Cybercrime Event
The Group was subject to a cybercrime in October 2022 which resulted in a data breach. $26.2 million has been recognised in the current period for costs in relation to this matter, including an external review, incident experts, additional technology support and third-party customer protection and support services for impacted customers. Specific contingent liabilities in relation to the cybercrime that may impact the Group are set out below.

OAIC regulatory investigation
The Office of the Australian Information Commissioner (OAIC) informed Medibank on 1 December 2022 that they were commencing investigations into the cybercrime. The investigation will consider Medibank's conduct in relation to the unauthorised access that occurred in respect of the data breach, including whether Medibank took reasonable steps to protect personal information from unauthorised access and misuse, and to destroy or deidentify personal information that it is no longer required to retain.

Medibank has also been informed that Maurice Blackburn, in collaboration with Bannister Law and Centennial Lawyers, has lodged a representative complaint with the OAIC alleging the Group has breached its privacy obligations. Medibank continues to cooperate with the OAIC and its ongoing investigation, and have not received an indication from the OAIC of any specific allegations.

The OAIC regulatory investigation and the representative complaint may result in litigation, fines, penalties, compensation, enforceable undertakings or other regulatory enforcement action. No provision has been recognised in relation to this investigation, and as the OAIC is still investigating, the final outcome and total costs associated with this matter remain uncertain.

Class action
On 7 February 2023 Medibank received notice of a class action filed in the Federal Court of Australia by Baker & McKenzie in relation to the cybercrime. The class action is being brought on behalf of current and former customers of Medibank impacted by the cybercrime, and the statement of claim includes allegations of breach of contract, contraventions of the Australian Consumer Law, and breach of equitable obligations of confidence.

The amount of the claim is unspecified, however the remedies sought include damages, equitable compensation, declarations for contraventions of the Australian Consumer Law, an injunction requiring Medibank to deidentify or destroy personal information which Medibank no longer needs, interest and costs. A directions hearing took place on 16 February 2023 and the next hearing set for 12 May 2023.

Medibank is defending these allegations, however the ultimate outcome of this class action will be determined by the Federal Court. No provision has been recognised in relation to the class action, and as the proceedings are at an early stage, the potential outcome and total costs associated with this class action remain uncertain.

(b) Other contingency matters (excluding cybercrime event)
In addition to the items noted above in relation to the cybercrime event, the Group is exposed from time to time to contingent liabilities which arise from the ordinary course of business, including:
- Losses which might arise from litigation.
- Investigations from internal reviews and by regulatory bodies such as the ACCC, APRA, ATO, ASIC or other regulatory bodies into past conduct on either industry-wide or Medibank specific matters.

It is anticipated that the likelihood of any unprovided liabilities arising from these other contingency matters is not material or are not at a stage to support a reasonable evaluation of the likely outcome.

Note 13: Other

(a) New and amended standards adopted
The Group has not elected to apply any pronouncements before their operative date in the half-year reporting period ended 31 December 2022.

The amendments that became effective for the annual reporting period commencing on 1 July 2022 did not have a material impact on the Group's accounting policies or on the consolidated interim financial report.

(b) New accounting standards and interpretations not yet adopted
AASB 17 *Insurance Contracts* is effective for reporting periods beginning on or after 1 January 2023 and will replace AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. The Group will apply AASB 17 for the annual period beginning 1 July 2023.

The Group is continuing to evaluate the impacts on its consolidated financial statements and intends to disclose the financial impact of adopting AASB 17 once it is practical to provide a reasonable estimate.

The simplified premium allocation approach is expected to apply to all of the Group's insurance contracts. This approach is similar in nature to the Group's existing measurement basis under AASB 1023 and so with the exception of the below items, the measurement basis is not expected to significantly change.

Changes are expected to arise with regards to acquisition costs, with the Group planning to elect to recognise insurance acquisition cash flows as expenses when incurred rather than the current approach of deferring and amortising them over the average expected policyholder retention period. Therefore on transition, the Group expects the deferred acquisition cost balance at 1 July 2022 of $82.9 million will be derecognised against equity.

In addition, the COVID-19 deferred claims liability does not meet the AASB 17 definitions of an insurance liability in its current form, therefore on transition the Group expects the balance at 1 July 2022 of $448.3 million will be derecognised against equity. The Group continues to consider the recognition, measurement and classification of the deferred claims liability and customer give backs under the new standard.

All other key estimates and judgements in relation to the measurement of the Group's claim liabilities are expected to remain largely the same under the new standard. However, it is expected that under AASB 17 there will be substantial changes in presentation of the financial statements and disclosures.

Note 14: Events occurring after the reporting period

On 7 February 2023 Medibank received notice of a class action filed in the Federal Court of Australia by Baker & McKenzie in relation to the cybercrime. The class action is being brought on behalf of current and former customers of Medibank impacted by the cybercrime, and the statement of claim includes allegations of breach of contract, contraventions of the Australian Consumer Law, and breach of equitable obligations of confidence.

Other than the matter above, no other events have occurred after the reporting period which would have a material effect on the group's financial statements at 31 December 2022.

The directors declare that, in the opinion of the directors:

(a) the financial statements and notes set out on pages 7 to 25 are in accordance with *the Corporations Act 2001*, including:

   i. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and

   ii. complying with *Australian Accounting Standards,* the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

On behalf of the Board,

Mike Wilkins AO	David Koczkar
Chair	Chief Executive Officer

23 February 2023
Melbourne

Independent auditor's review report to the members of Medibank Private Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Medibank Private Limited ('the Company') and the entities it controlled during the half-year (together 'the Group'), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Medibank Private Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the

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half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

Marcus Laithwaite
Partner

Melbourne
23 February 2023