



George Savvides – Managing Director
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INTRODUCTION TO MEDIBANK

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1

PRIVATE HEALTH INSURANCE AT THE CORE, BUT A DIFFERENTIATED APPROACH

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Health Insurance

Complementary Services

Two brands

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ahm
by Medibank

Active health provider
relationship management

Population health
management

Provider Networks and
Integrated Care (PNIC)

Consumer

Corporate

Government

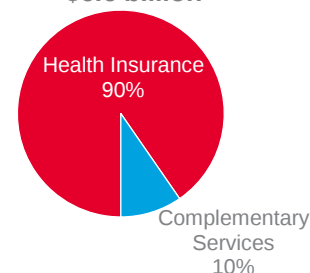
Australian retail

Overseas
students
and visitors

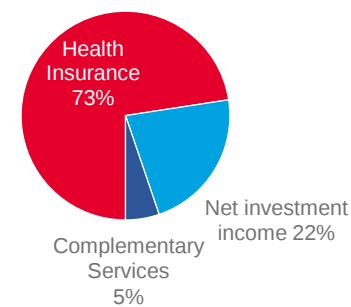
e.g. Employer-
funded health
services

Government
health service
contracts

**Pro forma forecast
FY15 revenue¹**
\$6.6 billion



**Pro forma forecast FY15
PBT (before unallocated
expenses)²**
\$363 million

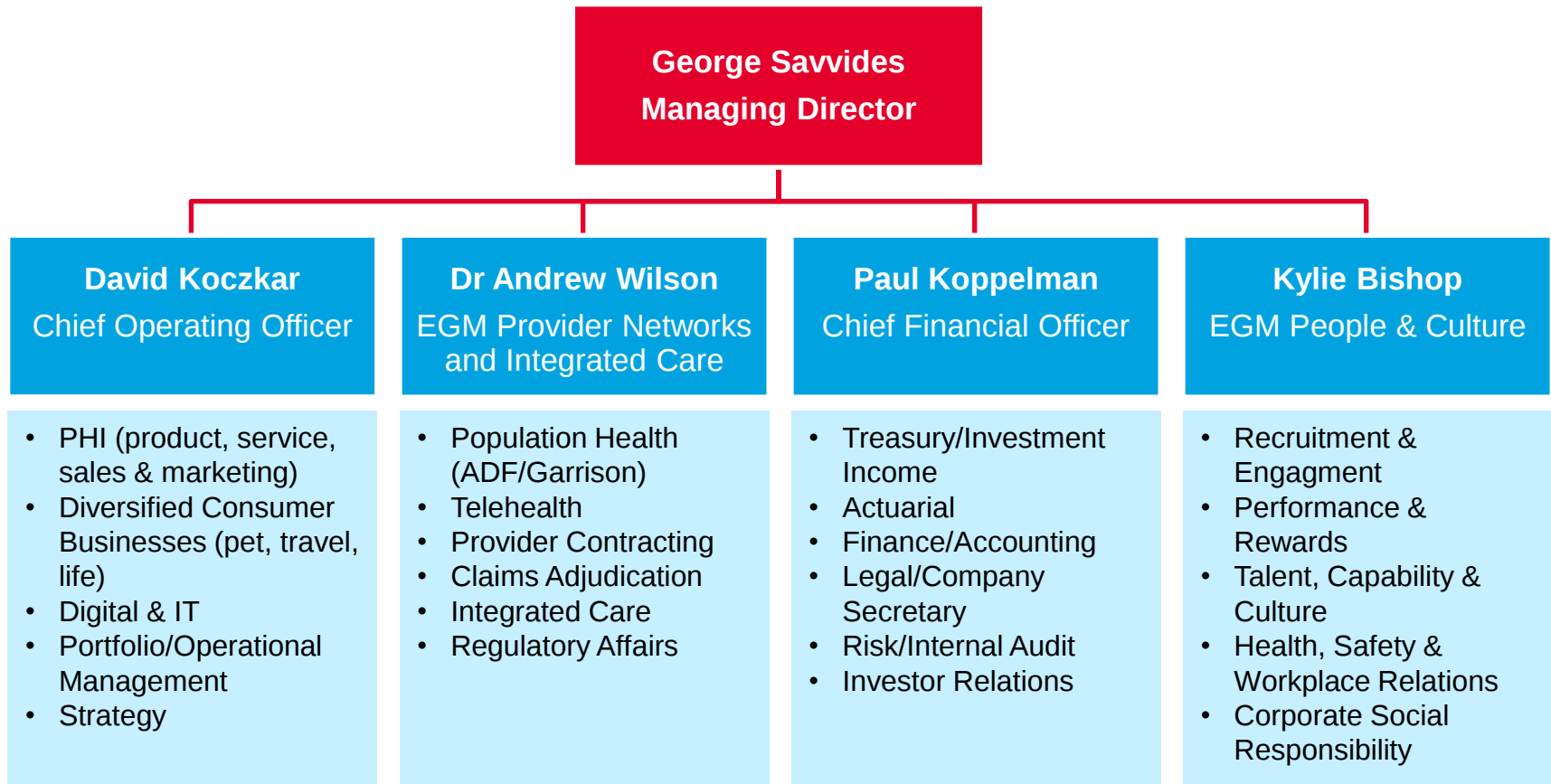


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Source: Medibank Private

1. In accordance with accounting standards, investment income is not treated as revenue.
2. This allocation is calculated based on \$293.3 million of Health Insurance operating profit, \$89.7 million of net investment income, and \$21.1 million of Complementary Services operating profit respectively as a percentage of the sum of \$362.9 million of profit before tax plus corporate overhead costs of \$32.4 million plus other expenses of \$8.9 million. Corporate overhead costs and other expenses have not been allocated to a segment and have therefore not been taken into account when calculating the percentages by segment shown.

ORGANISATION STRUCTURE: ALIGNED WITH STRATEGY, CLEAR ACCOUNTABILITIES





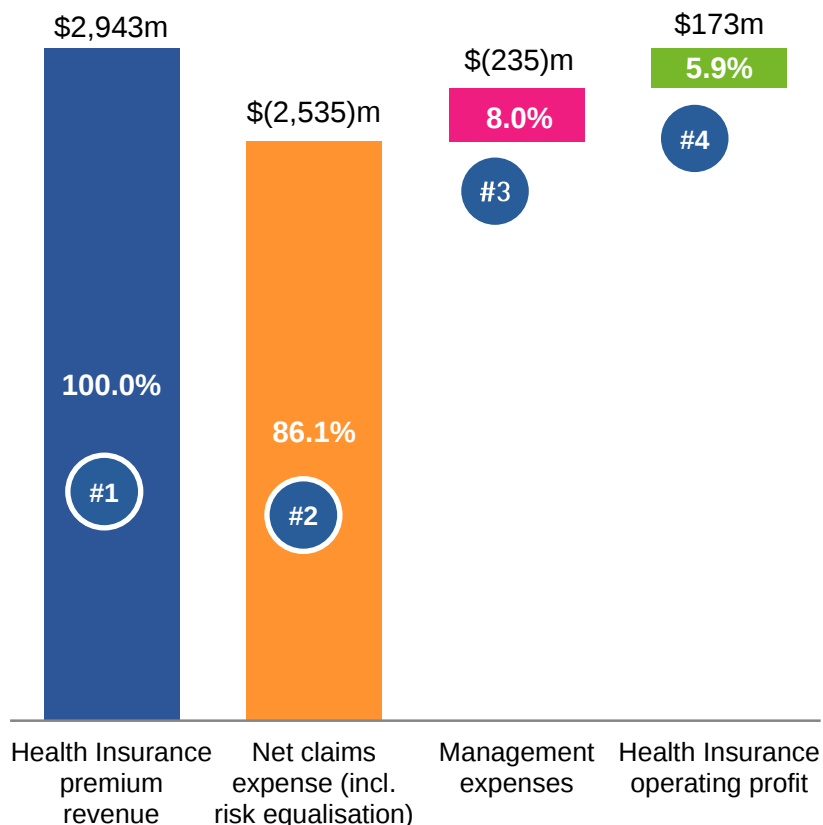
RECENT FINANCIAL PERFORMANCE

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CLEAR FOCUS ON PROFITABLE GROWTH

1H15 Pro forma Health Insurance operating profit



Drivers of Health Insurance result

- #1 Premium revenue**
 - Population growth
 - Policyholder retention and growth
 - Premium rate rises
 - Downgrading / rebate erosion
- #2 Claims management**
 - Product design
 - Contract negotiation / procurement
 - Benefit utilisation
 - Cost inflation
- #3 Management expenses**
 - Operational efficiencies
 - Cost reductions
- #4 Operating profit**

1H15 Pro forma Health Insurance metrics

Premium revenue growth of 5.2%

Gross margin of 13.9%¹

MER down to 8.0%²

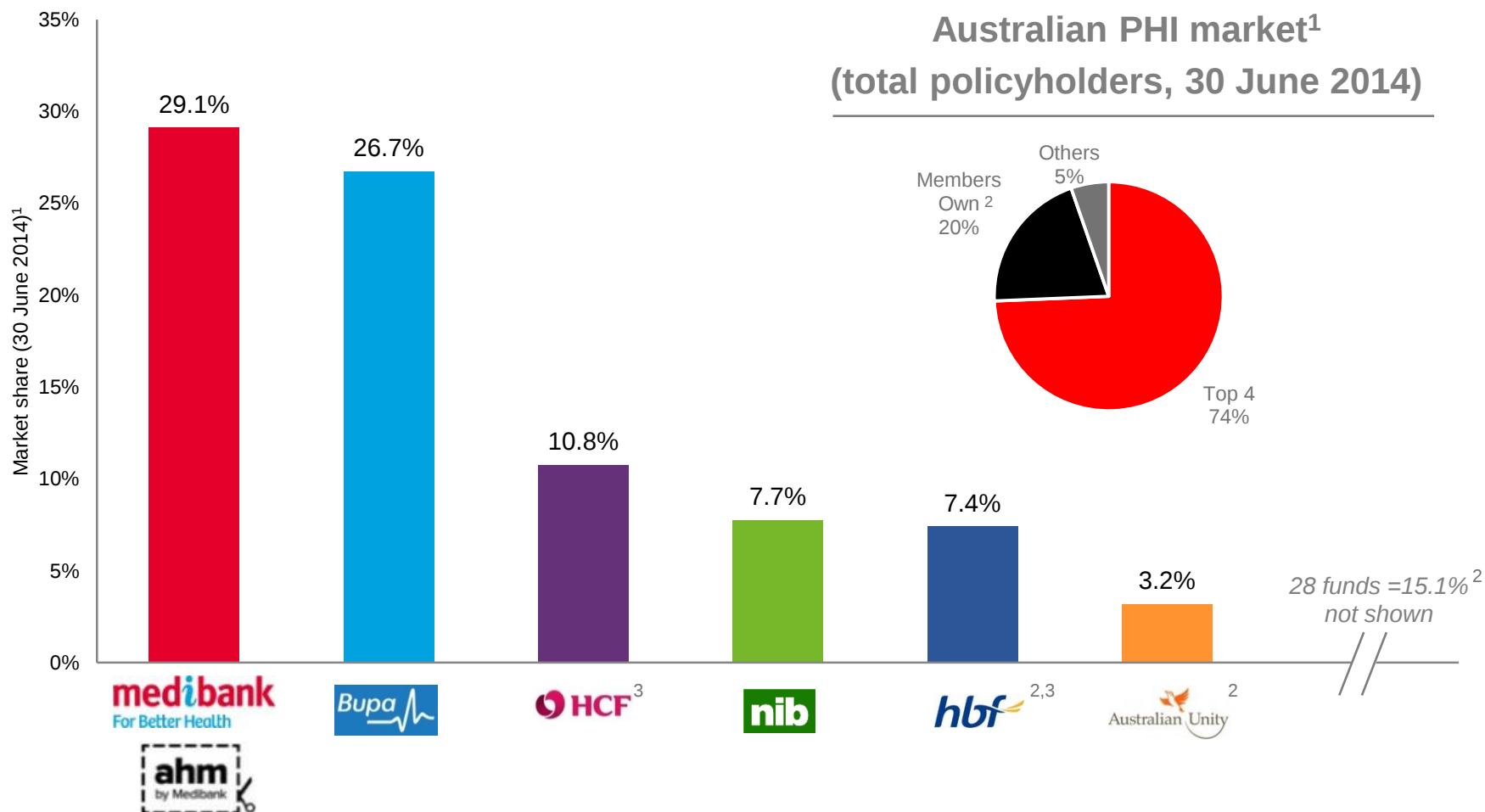
Operating profit up 37.1%^{1,2}

Operating margin up to 5.9%^{1,2}

- Excluding impact of provision release and accounting adjustments, gross margin slightly down from 13.6% (1H14) to 13.4% (1H15): 1H14 gross profit adjusted downwards by a net \$3m to reflect the impact of outstanding claims releases, changes in accounting for the bonus provision and the increase in the risk margin on outstanding claims from 5.0% to 7.7%. 1H15 gross profit adjusted downwards by a net \$14m to reflect the impact of outstanding claims release.
- Management expense reduction assisted by planned timing differences in phasing of marketing and project spend skewed to second half

LARGEST PLAYER IN AN ATTRACTIVE MARKET

Australian PHI market¹
(total policyholders, 30 June 2014)

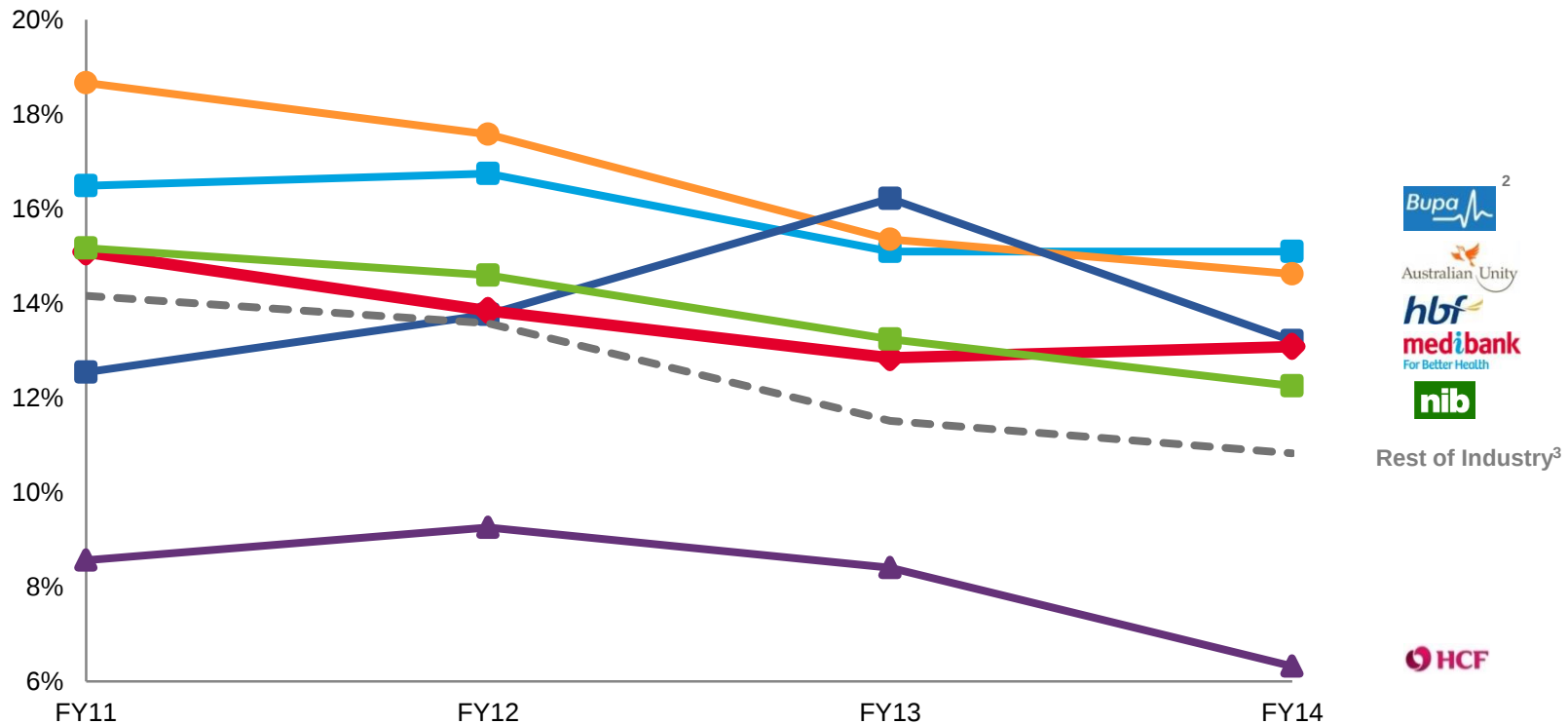


Source: PHIAC, Operations of Private Health Insurers Annual Report 2013-2014.

1. By Principal Policyholders as at 30 June 2014.
2. Part of Members Own Health Funds. A marketing alliance including HBF, Australian Unity and 13 other not-for-profit and mutual health funds, collectively holding 20.3% market share
3. Fund is operated not-for-profit.

STEADY GROSS MARGIN AGAINST DOWNWARD INDUSTRY TREND

Health Insurance gross margin: Top 6 vs. rest of industry¹

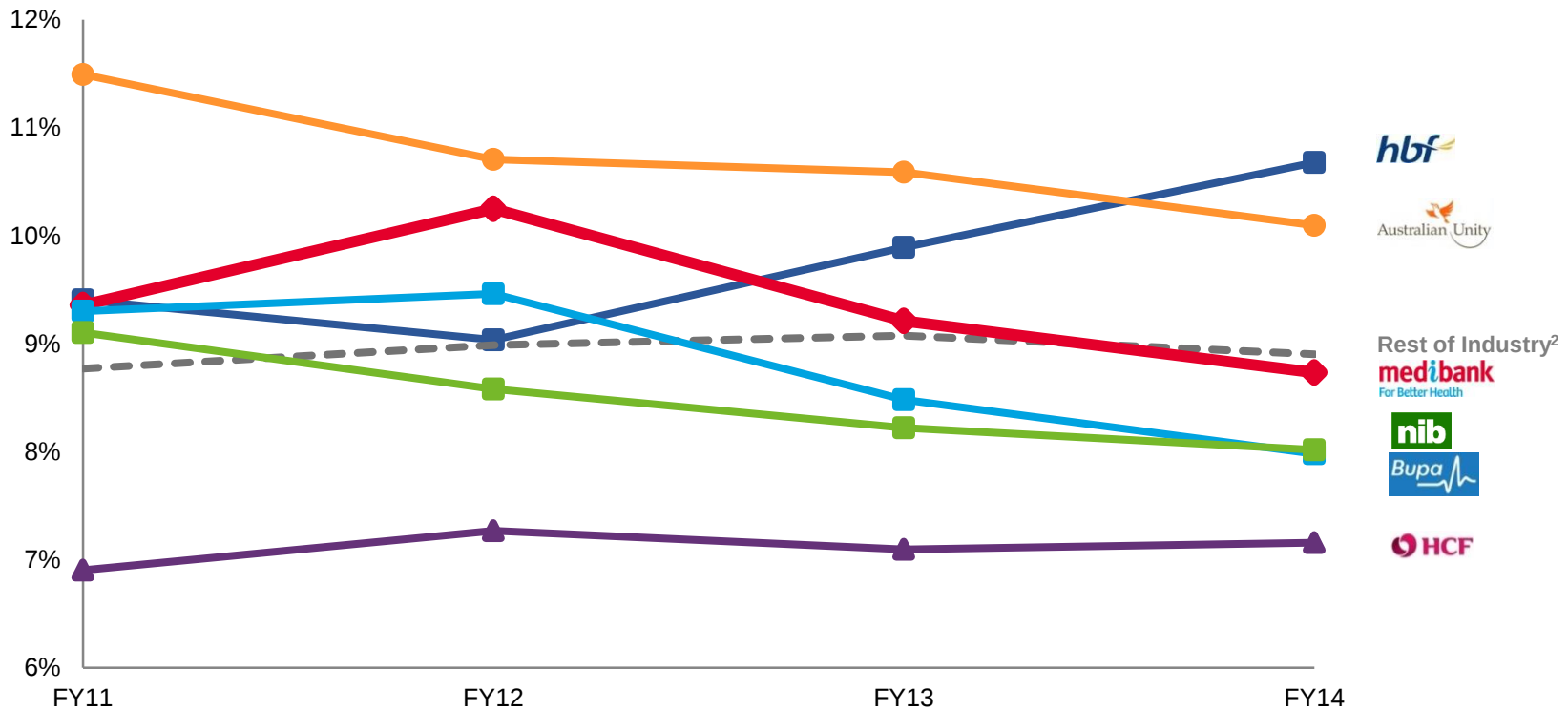


Source: PHIAC

1. The gross margin includes Australian residents only.
2. Bupa FY14 margin has been adjusted to reflect the estimated impact of the release resulting from the reduction in its risk margin.
3. Rest of industry represents the aggregate of all private health insurers in Australia excluding the Top 6.

STRONG REDUCTION IN MER, BUT DIFFERENTIATE GOOD AND BAD COSTS

Health Insurance management expense ratio: Top 6 vs. rest of industry¹

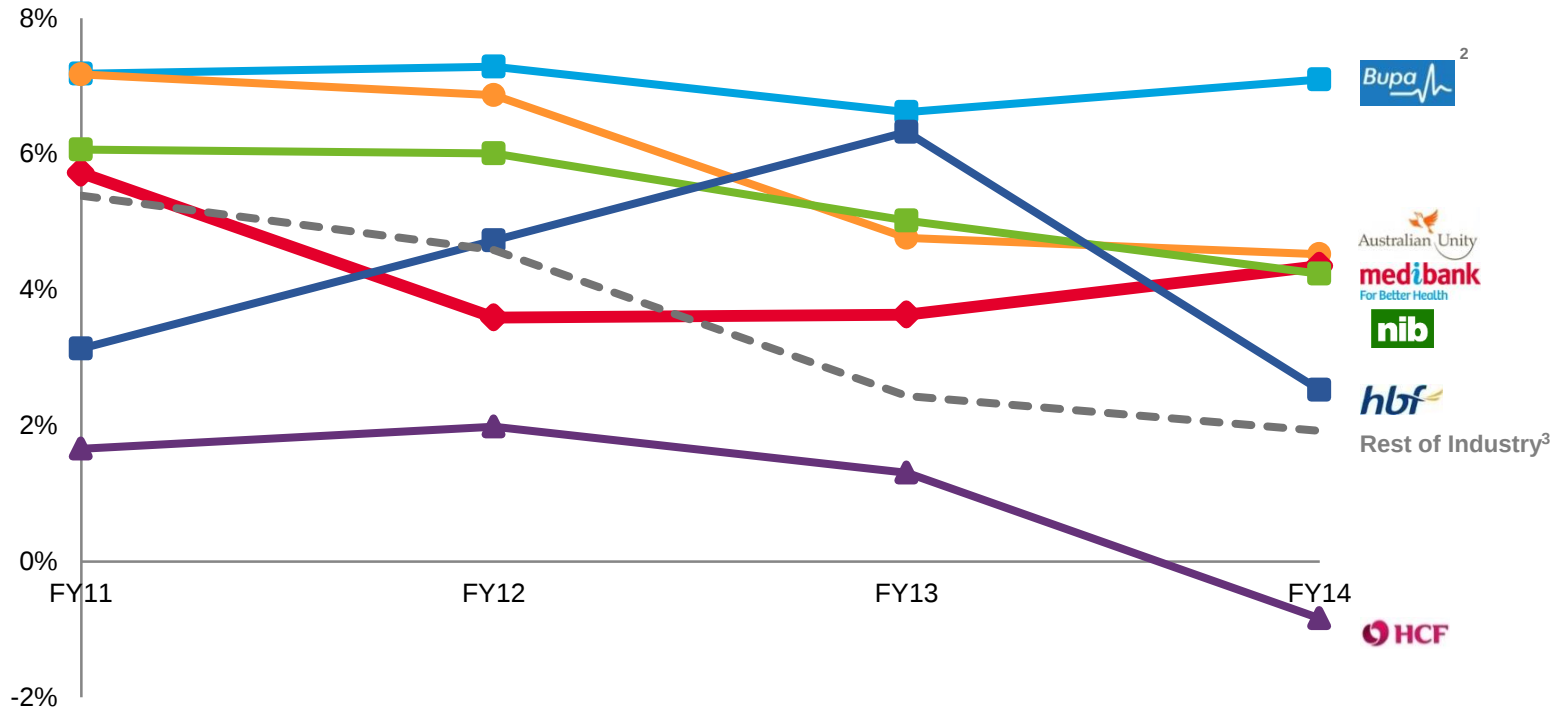


Source: PHIAC

1. The management expense ratio includes Australian residents only.
2. Rest of industry represents the aggregate of all private health insurers in Australia excluding the Top 6.

OPERATING PROFIT MARGIN EXPANSION; TOP TIER IS OUR BENCHMARK

Health Insurance operating profit margin: Top 6 vs. rest of industry¹

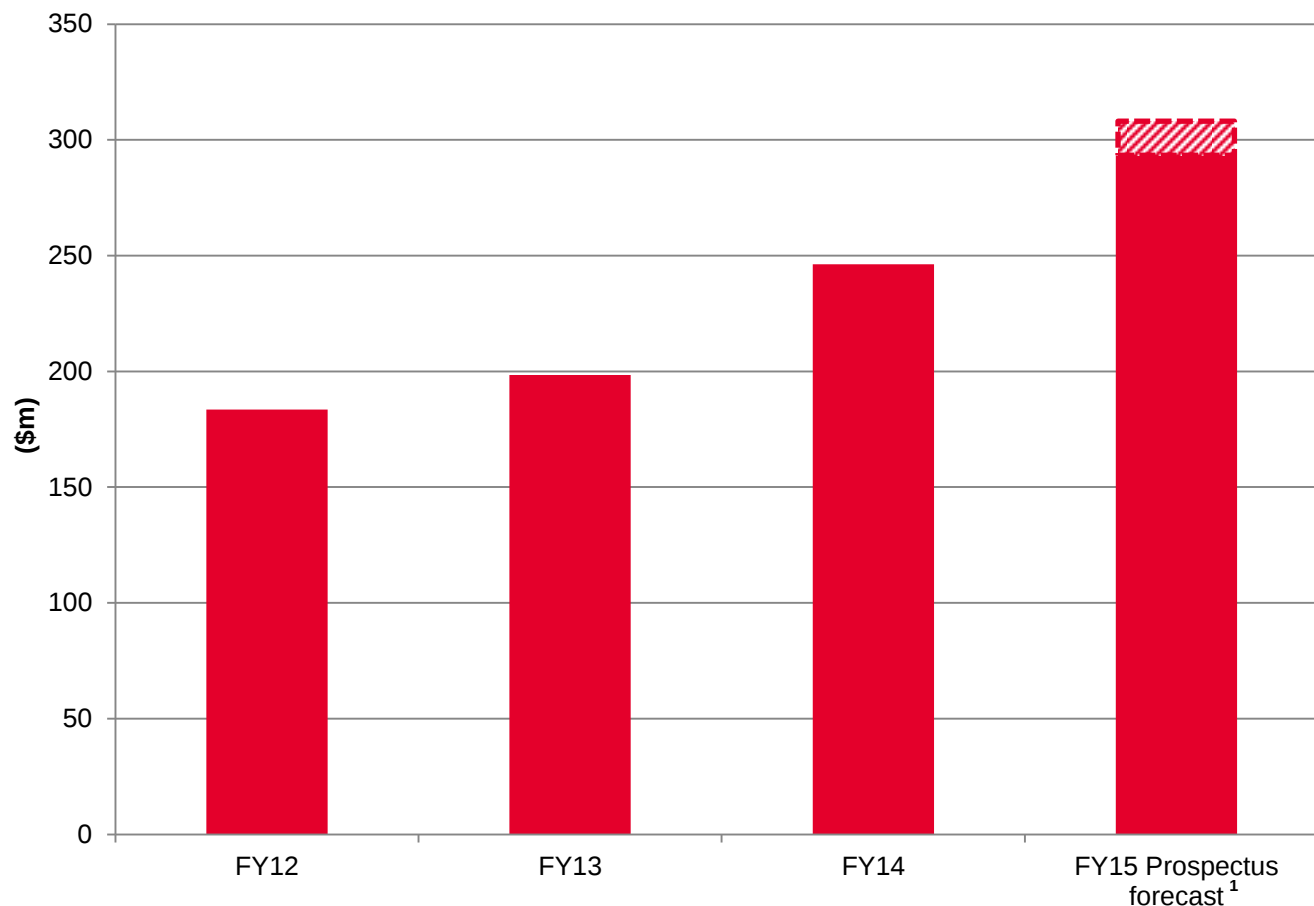


Source: PHIAC, Medibank

1. The operating profit margin includes Australian residents only.
2. Bupa FY14 margin has been adjusted to reflect the estimated impact of the release resulting from the reduction in its risk margin.
3. Rest of industry represents the aggregate of all private health insurers in Australia excluding the Top 6.

CLEAR TRACK RECORD OF DELIVERING OPERATING PROFIT GROWTH

Pro forma Health Insurance operating profit



1. FY15 Prospectus forecast operating profit adjusted to include \$14m for release of 30 June 2014 provision net of risk equalisation



Hospital & Extras Package
Victoria



Hospital & Extras Package
Queensland



Health Insurance
2008 - 2014



Health Insurance - Extras
Victoria



Health Insurance - Extras
Northern Territory



Hospital & Extras Package
Northern Territory



Hospital & Extras Package
Tasmania



Health Insurance - Extras
South Australia



Health Insurance - Extras
Tasmania

STRATEGY

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3

THE CHANGING INDUSTRY LANDSCAPE

A combination of factors are putting some pressures on the private health insurance industry

Healthcare **costs are escalating**, faster than CPI or increases in PHI premiums

Consumers and their behaviour are changing: increasingly value seeking

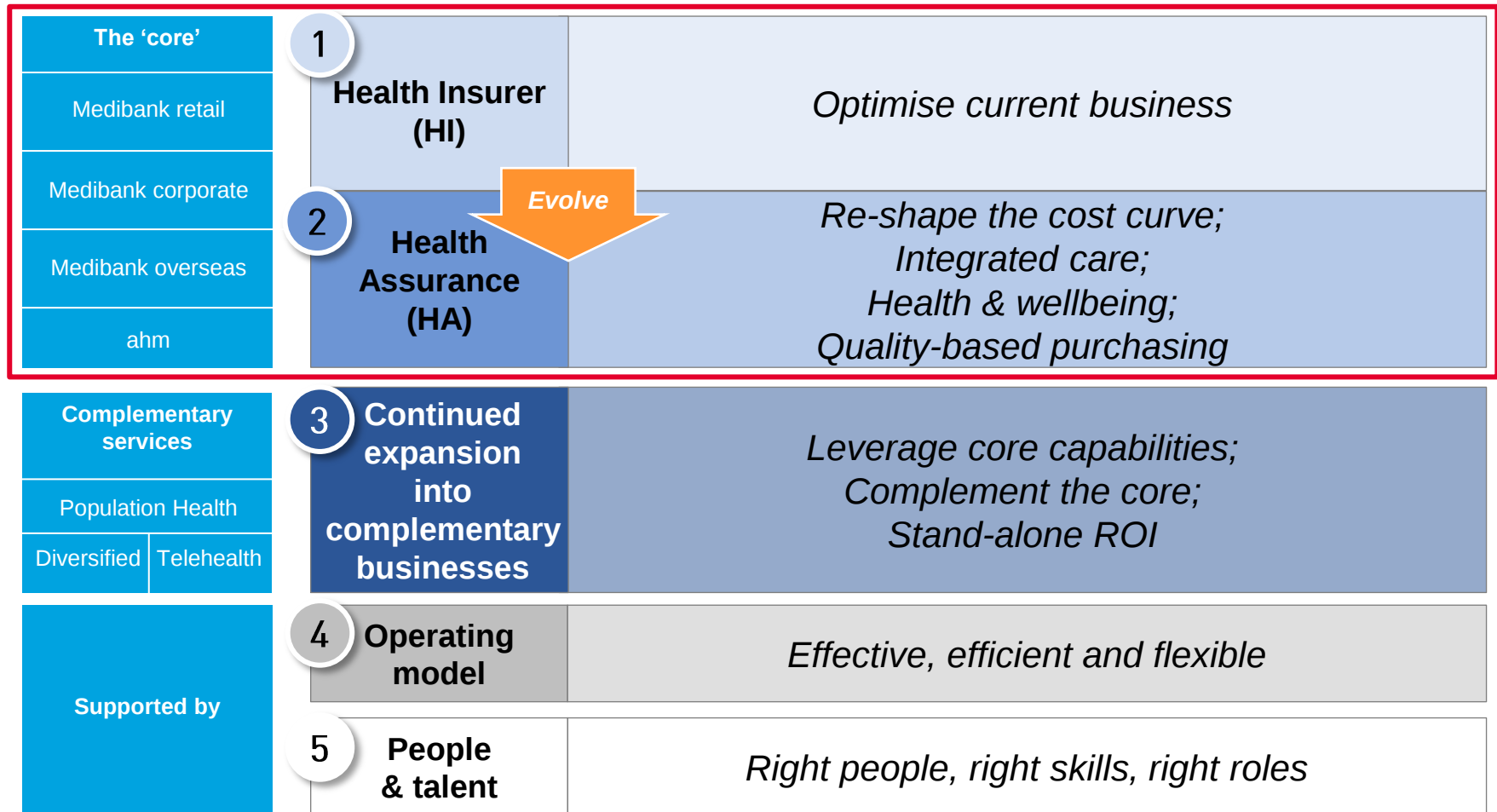
Aggregators continue to take a significant share of new to industry

Consumers are rationally choosing to **spend more on health and wellness**

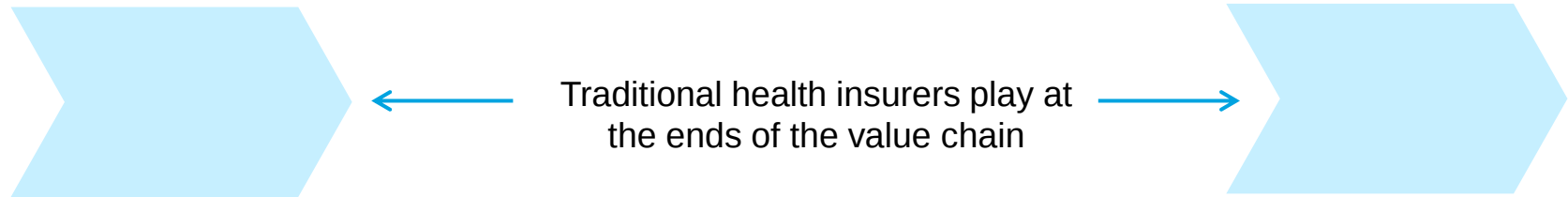
Significant up or downside for PHI hinges on **Government actions**

A changing **competitive landscape**

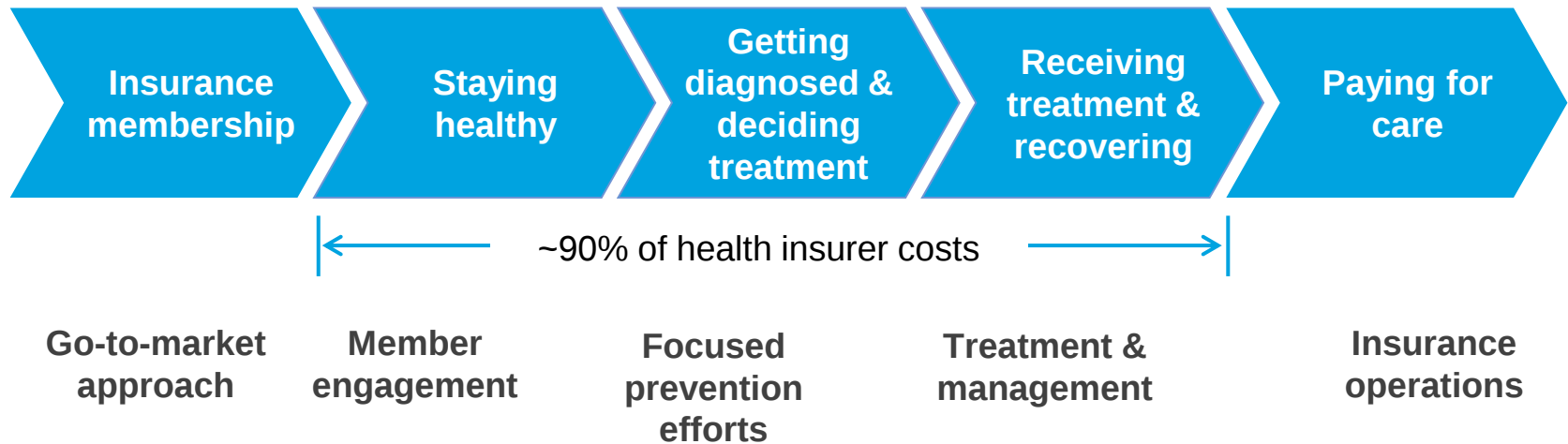
MEDIBANK'S APPROACH TO SUSTAINING PROFITABLE GROWTH



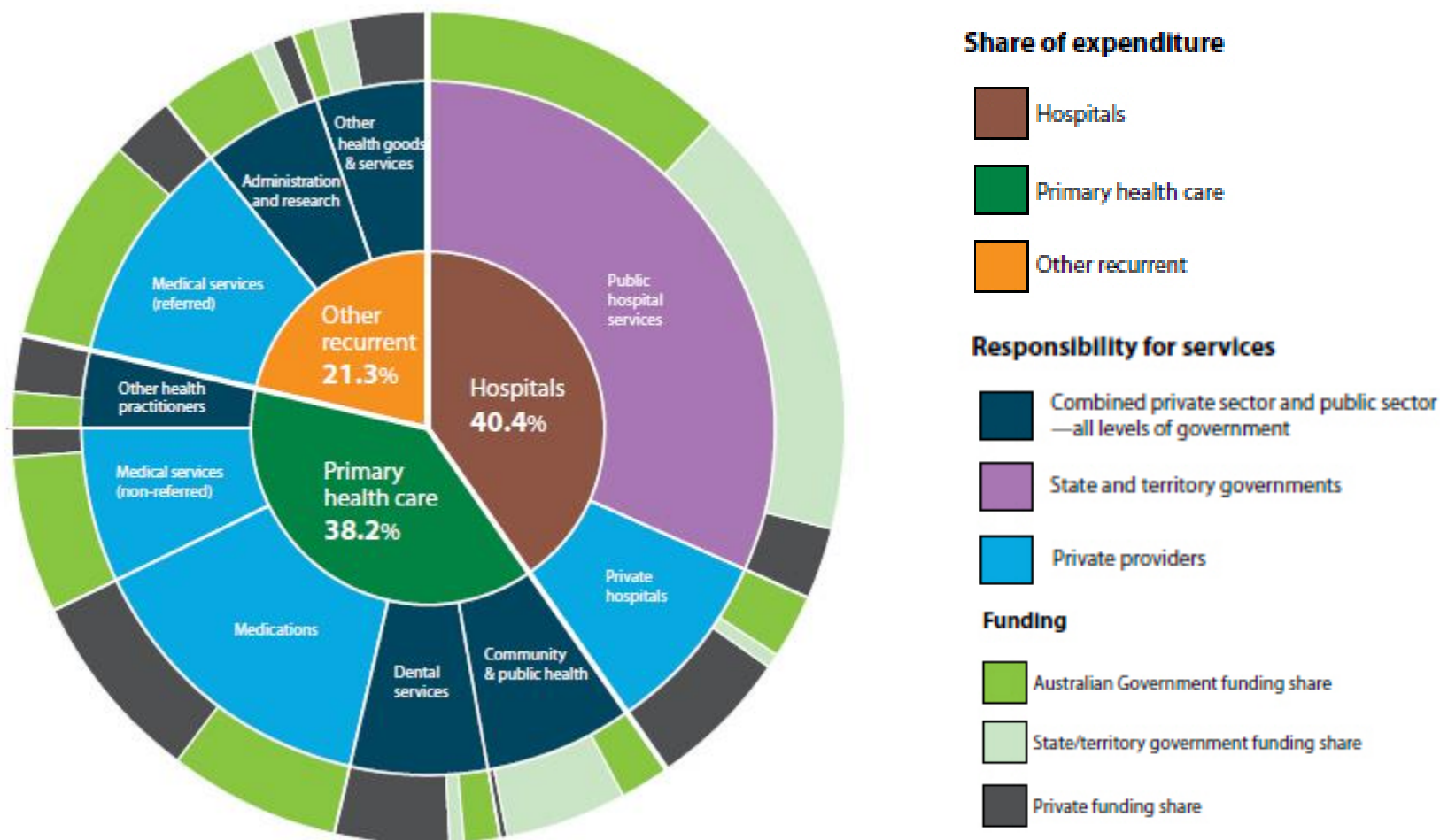
HEALTH ASSURANCE: IMPACTING THE ENTIRE CUSTOMER VALUE CHAIN



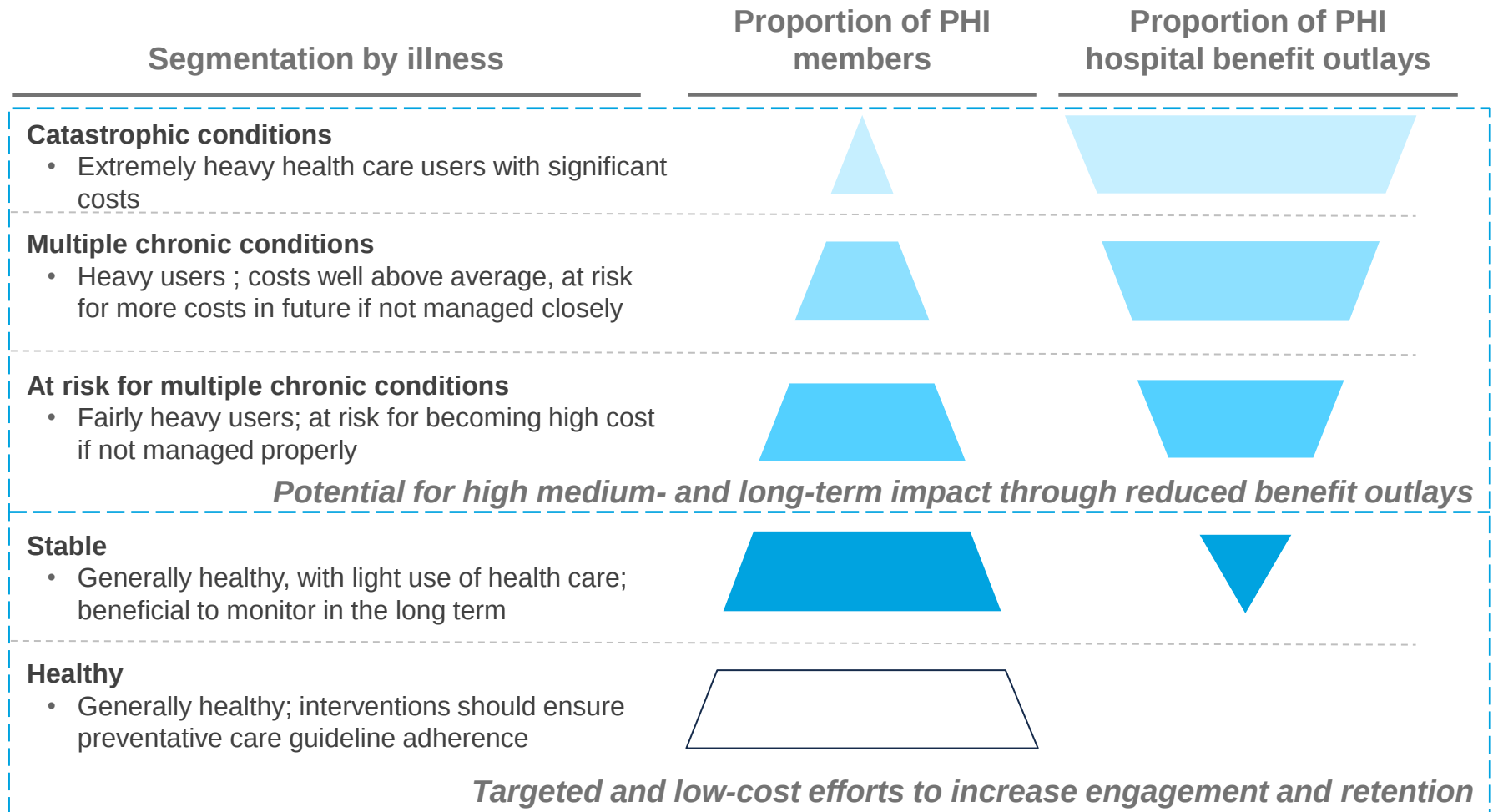
Health assurers play across the entire value chain:
have ability to influence **different parts of the care chain** to meet the needs of their customers



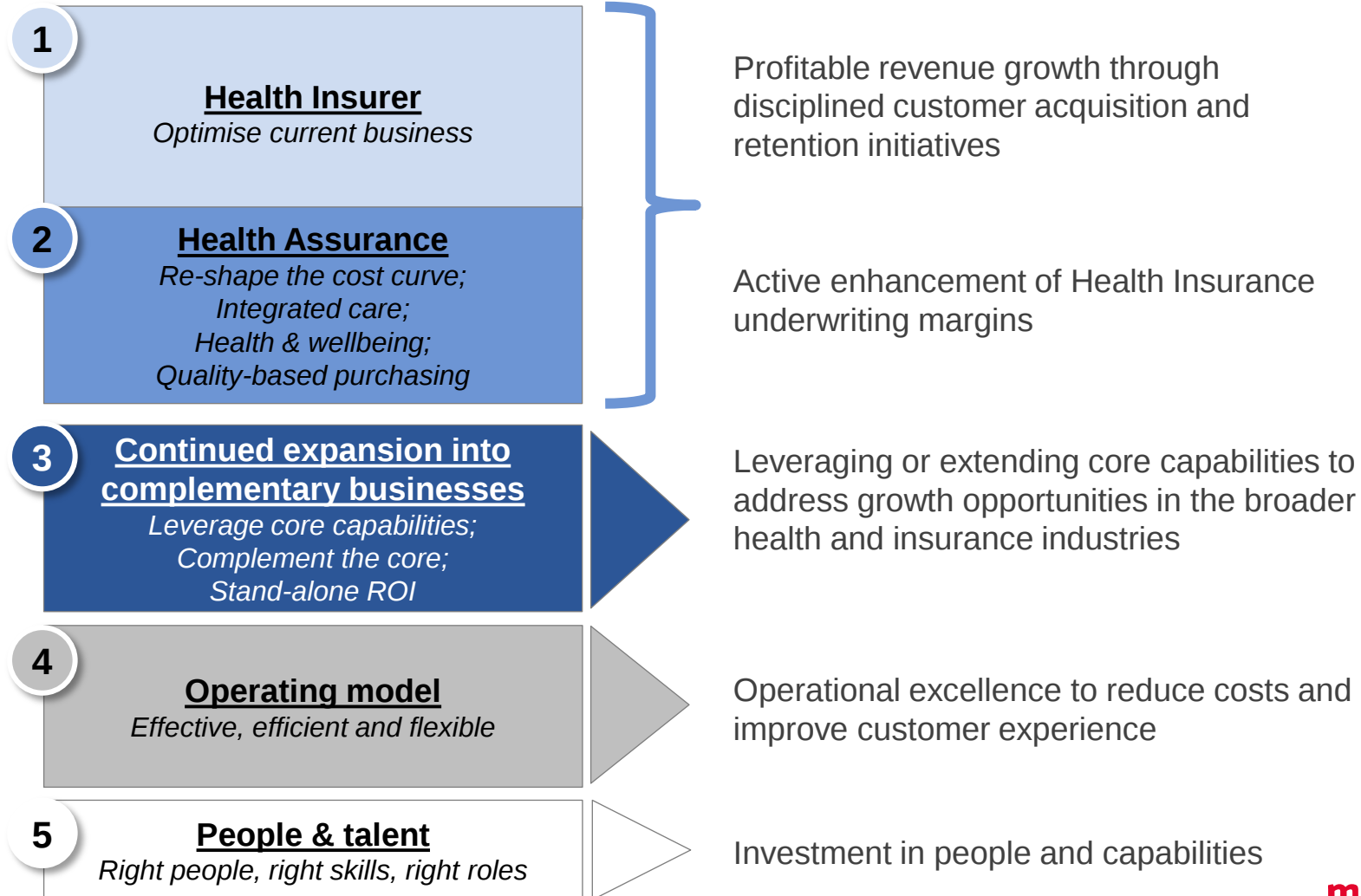
FRAGMENTED HEALTH SYSTEM OFFERS SIGNIFICANT OPPORTUNITIES TO SAVE COSTS



DIFFERENT SEGMENTS NEED TAILORED SOLUTIONS



STRATEGY FOR SUSTAINABLE GROWTH AND SHAREHOLDER VALUE CREATION



SUMMARY

- Changing industry landscape: past is not the future
- Nearer term focus on high performance PHI
- Medium to longer term focus on evolution to health assurer enables us to
 - impact the entire customer value chain
 - bend the cost curve
 - drive better health outcomes for members

Medibank has the strategy, scale and capabilities to deliver

Q&A

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