



2020 full year results

Investor presentation

Craig Drummond – Chief Executive Officer | **Mark Rogers** – Chief Financial Officer

20 August 2020

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Highlights

Craig Drummond – Chief Executive Officer

Results summary

Sound result in controllable areas. Customer and employee engagement strong

Group operating profit¹ \$461.0m, -12.8%	Group NPAT¹ \$315.6m, -27.9%	Final ordinary dividend (fully franked) 6.3 cps, -14.9% FY20 ordinary dividend: 12.0 cps, -8.4%
Average Service NPS Medibank 31.8 +7.0 ahm 41.2 +2.7	Employee engagement April 2020 (COVID-19 pulse): 91% (2019: 85%)	

Health Insurance:

- \$5.5 billion in benefits payable to customers, up 2.5%
- Premium revenue of \$6.5 billion, up 1.3%
- Postponement of planned 3.27% premium increase from 1 April 2020 and utilisation of financial hardship options saved customers approximately \$80 million in FY20²
- Management expense ratio of 8.3%, down from 8.7%
- Operating margin of 7.2%, down from 8.4%
- Operating profit of \$470.6 million, down \$71.9 million or 13.3%
- Policyholder growth of 10,600 net resident policyholders in FY20. Market share growth of 4 basis points over the last 12 months. As at 8 August 2020, we have seen net resident policyholders grow by approximately 21,000 in FY21

Medibank Health¹:

- Operating profit of \$27.8 million, up 25.8%

Net investment income:

- Net investment income of \$2.4 million, down from \$102.8 million in FY19 and in line with the performance of benchmark indices

¹ Continuing operations

² Part of Medibank's previously announced \$185 million assistance package

COVID-19: our response

We continue to support our customers, people and the broader community throughout the ongoing pandemic

Customers	People	Community
We stick by our promise to return any permanent savings to customers - Customer support of more than \$185 million includes: Premium increase postponed: total customer savings of c. \$120 million from 6-month premium increase postponement Financial hardship options: Customers in financial distress may suspend their policy for up to 3 months or may obtain a 50% premium waiver for up to 6 months Ancillary limit extension: 12-month extension to most unused annual ancillary limits for ahm customers as at 30 June 2020 (c.\$10 million in value) - Eligible customers will be able to access additional discounts¹ - This support saved our customers \$80 million in FY20	We continue to be flexible with our operating rhythm - The majority of our people continue to work from home - All Victorian Medibank retail stores closed temporarily - Pulse surveys of our people continue to indicate very high levels of engagement - No employees have been stood down, temporarily or otherwise, due to COVID-19 - No taxpayer funded Government relief has been accessed (e.g. JobKeeper or aged care workforce retention bonus payments)	We want to provide certainty and security at a time when our community needs it most - Donated \$5 million to the new Beyond Blue Coronavirus Mental Wellbeing Support Service - Medibank's telehealth team support the public via a range of COVID-19 helplines including several outbound telehealth services in response to the COVID-19 situation in Victoria - Launched Live Better at Home, a free health and wellbeing online program for all Australians - Supporting the Victorian Government during stage 4 lockdown measures – facilitating in-home COVID testing, assisting with contact tracing and providing services to hundreds of residents in aged care homes

¹ Eligible customers experiencing financial stress will be able to access a 10% discount on their premiums from 1 October for 3 months, if they are living in an area with a declared state of disaster due to COVID-19 and not eligible for Government support

FY21 milestone scorecard

Objectives

1. Customer and employee advocacy Continue to achieve a high level of advocacy by delivering exceptional experiences for our customers and employees
2. Health and wellbeing differentiation Double the uptake of Medibank's Live Better and Health Assist programs by FY22 while ensuring every customer ¹ has at least one personalised health interaction through the year
3. Health insurance growth We aim to increase market share and achieve total policyholder growth ⁴ of >1% assuming a flat market, including an aspiration to grow the Medibank brand during FY21
4. In-home care Virtual hospital beds more than 300 by end of FY22
5. Medibank Health By FY22 organically replace the reported FY18 \$30m operating profit of Garrison
6. Productivity FY21 productivity target of \$20m and additional \$30m during FY22-FY23

Measures and targets

Customer advocacy (average Service NPS)

	FY19	FY20	FY21 target
Medibank	24.8	31.8	>30
ahm	38.5	41.2	>40

Employee advocacy

	FY19	FY20	Apr 20	FY21 target
Engagement	85%	84%	91%	≥85%
eNPS	+29	+19	N/A	≥+19

Education	FY20	FY22 target	Prevention	FY20	FY22 target	Support	FY20	FY22 target
Health engagement interactions	c. 2m	> 2m	Live Better engaged customers ²	c. 500k	>1m	Health Assist interactions ³	74k	>150k

Policyholder growth

1 July 19 – 30 June 20	By brand	Market share
+0.6% / +10.6k	Medibank -1.3% / -17.8k	1H20
FY21 target: >1% policyholder growth ⁴	ahm +7.3% / +28.4k	2H20
		up 8bps
		down 4bps

Total

30 June 19	30 June 20	30 June 22	Medibank customers
c.200 beds	259 beds	target >300 beds	30 June 2020
			5,854 Medibank customers serviced by 201 beds

Medibank Health segment operating profit

FY18 (baseline) ⁵	FY19	FY20
\$47.3m	\$22.1m	\$27.6m

Productivity delivered

FY18 – FY19	FY20	FY21	FY22 – FY23
c.\$40m	c. \$20m	Target \$20m	Target \$30m

¹ Based on number of policyholders that consent to contact for marketing purposes, some exclusions may apply. Excludes new joins and customer lapses over the period

² Includes the number of customers who have downloaded Live Better and enrolled for rewards plus Live Better at Home interactions

³ Includes Health Concierge, 24/7 Support, CareComplete, Medibank at Home, Better Knee, Better Me, Heart Health at Home and other new program interactions

⁴ Excluding the impact of policyholder suspensions due to COVID-19 financial hardship

⁵ Includes the \$30m operating profit of Garrison

Strategy and FY21 priorities

Our strategy to grow PHI by leveraging our dual brand strategy and transform into a broader healthcare company is unchanged

Better Health for Better Lives

Strategic pillar	Deliver differentiated products and services for customers	Continue to improve healthcare value for customers	Expand the offering for customers and grow the business
FY21 priorities	• Leverage our dual brand strategy to grow competitive advantage • Personalise and integrate more health and wellbeing into our customers' experience • Enhance and scale our loyalty offering to recognise and reward membership • Simplify and enhance our cover options	• Focus on promoting better value care and improving customer outcomes by providing greater choice and transparency • Work with stakeholders to reduce out of pocket costs and target lower premium increases • Facilitate a shift to alternative ways of delivering care to enhance patient experience and reduce costs • Refocus our payment integrity program towards prevention over recovery	• Strengthen and broaden our partnerships • Grow corporate and reposition our non-resident and diversified offerings for rebound and future growth • Build scale, co-design and grow our health services capability in conjunction with health providers and third-party payors • Targeted inorganic growth for Medibank Health and Health Insurance in a stressed operating environment
Enablers	People Data Insights Technology		

Creating a competitive advantage in health insurance

We continue to focus on differentiation, scaling the expanded offer and providing more value to customers

Enhancing value	Customer loyalty	Health & wellbeing	Dual brand growth
• Introduced additional benefits for COVID-19 related hospital admissions regardless of a customer's level of cover, including COVID-19 Health Assist • Coverage for telehealth ancillary services usually delivered face-to-face • Improved digital experience, with My Medibank registration at 72% and ahm at >90% • Continued focus on increasing customer value e.g. Members' Choice Advantage dental saving customers c.\$10m in out-of-pockets, ahm ancillary limit rollover	• Continued improvement in Priority program advocacy • Broadening health and wellbeing partnerships: ability to earn Live Better points with Specsavers, Amcal Pharmacy, HelloFresh, Fitbit, Brooks Running and Onsport • Highest level of Live Better engagement during COVID-19 - record number of customers participating in challenges and receiving rewards • Over \$1 million in rewards for members taking healthy actions during COVID-19 • Improved retention among customers engaged through Live Better rewards	• c.2 million personalised and proactive health promotions • 40% increase in the number of hospital admissions supported via Health Concierge, on track for a >80% increase in the year ahead • Expanded homecare services as an added choice for Medibank customers with 201 virtual hospital beds as at 30 June, and increased offering of no gap short stay services • >500k customers engaged in personalised health and wellbeing activities	• Breadth, flexibility and price of customer offerings unmatched in the market • Ongoing success in offering dual brand options to Australians, corporates and universities • Brand portfolio well positioned to cope with a diverse range of economic outcomes • Growth in sales of diversified products to group customers, maintaining strong retention benefits for the core business • Our strategy aims to increase market share while also growing policyholders in both brands to achieve overall policyholder growth¹ >1%

¹ Assumes a flat private health insurance market and excludes the impact of policyholder suspensions due to COVID-19 financial hardship

Transforming into a broader healthcare company

Good progress on our objective to deliver a broader range of choice and convenient health and wellbeing services at an affordable price

New healthcare programs and other initiatives	Alternative care settings	Telehealth
East Sydney Private Hospital investment - Investment provides clinicians the resources to offer their short stay model of care which is designed to deliver high quality, convenient and lower cost options to patients No gap joint replacement pilot - Trial extended from Melbourne to East Sydney Private Hospital and hospitals in Brisbane and Adelaide - Progressing additional sites and modalities Delivered new services for other payors - New palliative care pilot between Medibank Health and Bupa - Worksafe Victoria partnership for Rehab at Home	Continued to grow our in-home care offering 259 virtual hospital beds as at 30 June 2020 and we are on track to deliver our FY22 target of more than 300 beds 8,620 patients either used hospital in the home, Rehab at Home or other pilot programs in FY20, of which 5,854 were Medibank customers - Targeting growth across the eastern seaboard working with multiple providers and payors Consistent service delivery throughout COVID-19 - Ensured some of the most vulnerable people in our communities were not left without care during this time Heart Health at Home - Launched personalised, fully telehealth-delivered cardiac rehabilitation service trial	Rapid scaling-up of operations during COVID-19 - Worked alongside our clients to create and implement a range of targeted telehealth support services - This has involved the recruitment and onboarding of approximately 680 temporary frontline clinicians - Partnered with Beyond Blue to establish Coronavirus Mental Wellbeing Support Service, including \$5 million Medibank donation - Our telehealth business has handled more than 250,000 COVID-19 related interactions to date



Financial results

Mark Rogers – Chief Financial Officer



Group financial summary

Financial year ended 30 June (\$m)	2019	2020	Change
Group revenue from external customers ¹	6,655.8	6,769.6	1.7%
Health Insurance operating profit	542.5	470.6	(13.3%)
Medibank Health operating profit ¹	22.1	27.8	25.8%
Segment operating profit	564.6	498.4	(11.7%)
Corporate overheads	(36.1)	(37.4)	3.6%
Group operating profit – continuing operations	528.5	461.0	(12.8%)
Net investment income	102.8	2.4	(97.7%)
Amortisation of intangibles	(8.7)	(9.0)	3.4%
Other income/(expenses)	(6.3)	(4.2)	(33.3%)
Profit before tax	616.3	450.2	(27.0%)
Income tax expense	(178.6)	(134.6)	(24.6%)
NPAT - continuing operations	437.7	315.6	(27.9%)
NPAT - discontinued operations	21.0	(0.6)	(102.9%)
NPAT - total operations	458.7	315.0	(31.3%)
Effective tax rate ²	29.0%	29.9%	90bps
EPS (cents) ²	16.7	11.4	(31.3%)
Underlying NPAT³	447.9	366.7	(18.1%)
Underlying EPS (cents) ³	16.3	13.3	(18.1%)
Dividend per share (cents)	13.10	12.0	(8.4%)
Dividend payout ratio ³	80%	90%	12.5%

¹ Excludes discontinued operations

² Calculated on total operations

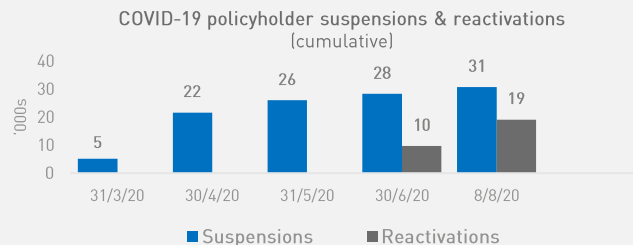
³ Underlying NPAT adjusted to normalise growth asset returns, including property from FY20, to historical long-term expectations and credit spread movements. Dividend payout ratio based on Underlying NPAT

COVID-19 impacts

\$297m balance sheet liability for deferred COVID-19 claims

Policyholders

- Total 28.1k policies suspended 23 March to 30 June 2020
 - 18.2k at 30 June
 - c.11k at 8 August
- Less than 3% of total suspended customers have lapsed at 8 August
- Despite the uncertain environment, impact to policyholder trajectory not expected to be material



Overseas PHI & Medibank Health

- No material impact in FY20
- Potential COVID-19 impacts in FY21, including restrictions on international travel and care delivery into community settings

PHI revenue

- Customer relief measures including \$80m impact in 4Q20
 - \$65m: Temporary waiver of the 1 April 2020 premium increase
 - \$15m: Customers able to suspend their cover
- Expect a modestly higher impact from customer relief measures in FY21

PHI claims

- Total claims in FY20 were \$364m lower than pre-COVID expectations
 - Liability of \$297m on the 30 June 2020 balance sheet based on actuarial and clinical advice for deferred claims
 - FY20 claims expense impact of \$67m, partially funding the \$80m customer support package (net PHI gross profit impact of \$13m)
 - Currently expect further permanent claims benefits to largely offset customer relief measures in FY21

Financial year ended 30 June 2020 (\$m)	Hospital	Ancillary	Total
Lower than expected claims	234	130	364
Balance sheet – COVID-19 claims liability	234	63	297
Claims expense impact	-	67	67
% Deferred	100%	48%	82%

Health Insurance result

Operating performance impacted by increase in claims expense

Financial year ended 30 June (\$m)	2019	2020	Change	COVID Adj. ²	Change vs 2019
Premium revenue	6,464.7	6,545.6	1.3%		
Claims expense	(5,404.6)	(5,539.5)	2.5%		
Risk equalisation	42.5	7.9	(81.4%)		
Net claims expenses (including risk equalisation)	(5,362.1)	(5,531.6)	3.2%		
Gross profit	1,102.6	1,014.0	(8.0%)	1,027.0	(6.9%)
Management expenses	(560.1)	(543.4)	(3.0%)	(543.4)	(3.0%)
Operating profit	542.5	470.6	(13.3%)	483.6	(10.9%)
Gross margin ¹	17.1%	15.5%	(160bps)	15.5%	(160bps)
MER ¹	8.7%	8.3%	(40bps)	8.2%	(50bps)
Operating margin ¹	8.4%	7.2%	(120bps)	7.3%	(110bps)

Adjusted for claims provision impacts

Financial year ended 30 June (\$m)	2019	2020	Change	COVID Adj. ²	Change vs 2019
Operating profit	542.5	470.6	(13.3%)	483.6	(10.9%)
FY20 under/(over) provided on central estimate	(18.3)	22.3	n.m.	22.3	n.m.
FY19 under/(over) provided on central estimate	(9.7)	-	n.m.	-	n.m.
Adjusted operating profit	514.5	492.9	(4.2%)	505.9	(1.7%)
Adjusted operating margin	8.0%	7.5%	(50bps)	7.6%	(40bps)

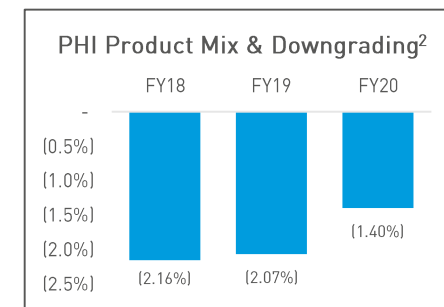
¹ Includes Australian residents, OSHC and OVHC. The gross margin for Australian residents only was 16.4% in FY19 and 14.3% in FY20, the MER for Australian residents only was 8.3% in FY19 and 8.0% in FY20, and the operating margin for Australian residents only was 8.1% in FY19 and 6.3% in FY20

² Adjusted for the impact of customer relief measures +\$80m and ancillary claims savings -\$67m as a result of COVID-19

Health Insurance – policyholders

Encouraging resident policyholder growth of 0.6% in the last 12 months, despite COVID-19 impacts

Financial year ended 30 June	2019	2020	Change	COVID Adj. ²	Change vs 2019
Policyholders¹ (thousand):					
Opening balance	1,780.9	1,796.0	0.8%		
Acquisitions	206.2	195.8	(5.0%)		
Lapses	(191.1)	(167.0)	(12.6%)		
Net suspensions/reactivations	-	(18.2)	n.m.		
Closing balance	1,796.0	1,806.6	0.6%	1,824.8	1.6%
- Medibank	1,406.0	1,388.2	(1.3%)	1,399.7	(0.4%)
- ahm	390.0	418.4	7.3%	425.1	9.0%
Acquisition rate³	11.5%	10.9%	(60bps)		
- Medibank	8.9%	8.0%	(90bps)		
- ahm	23.5%	23.1%	(40bps)		
Lapse rate³	10.7%	9.3%	(140bps)		
- Medibank	9.9%	8.4%	(150bps)		
- ahm	15.8%	14.4%	(140bps)		
Policyholder growth	0.8%	0.6%	(20bps)	1.6%	80bps
Total policy units^{1,4} (thousand)					
Closing balance	4,696.2	4,677.1	(0.4%)	4,719.7	0.5%
Average balance	4,683.3	4,697.6	0.3%	4,710.5	0.6%
Average revenue per policy unit^{1,4} (\$)	1,380.4	1,393.4	0.9%	1,406.6	1.9%



1 Consistent with reported industry data, policyholder numbers only include resident business whereas total policy units include both resident and non-resident policyholders (i.e. OSHC and OVHC)

2 Adjusted for suspensions and reactivations occurring as a result of COVID-19

3 Consolidated lapse and acquisition rates exclude transfers of policyholders between ahm and Medibank at a combined brand level. Figures at brand level include these transfers. Lapse and acquisition rates are based on the average of the opening and closing balances for the period

4 Refer to glossary for definition of policy units. Policy units include both resident and non-resident business (i.e. OSHC and OVHC). Based on an average of the month-end balances over the reporting period

Health Insurance – claims

Reported claims growth per policy unit of 2.8%

- 3.2% growth in net claims:
 - 2.5% increase in gross claims – includes \$67m of lower than expected ancillary claims due to COVID-19
 - Reduction in risk equalisation receipts reflects:
 - Strong growth in ahm policyholders
 - Lower than industry claims growth
- Underlying claims growth of 3.0% adjusted for:
 - Provisions impact
 - COVID-19 ancillary claims impacts of \$67m
- Underlying Hospital claims growth of 2.9%, up 80 bps vs FY19:
 - Continued benign hospital utilisation growth of 0.2%
 - Reflects higher prosthesis utilisation and increasing medical claims
 - Partially offset by modest prosthesis price cuts from 1 February 2020
- Underlying Extras claims growth of 3.8%, up 210 bps vs FY19:
 - Higher utilisation mainly driven by dental
 - Moderating growth in 2H20 dental claims as Members' Choice Advantage dental network matured
 - Alternative therapies claims impacted by regulatory reform

Financial year ended 30 June (\$m)	2019	2020	Change
Claims expense	(5,404.6)	(5,539.5)	2.5%
Risk equalisation	42.5	7.9	(81.4%)
Net claims expense (including risk equalisation)	(5,362.1)	(5,531.6)	3.2%
- Hospital	(4,036.6)	(4,208.8)	4.3%
- Extras	(1,325.5)	(1,322.8)	(0.2%)
Average net claims expense per policy unit¹ (\$)	(1,144.9)	(1,177.5)	2.8%
Resident hospital utilisation growth ²	0.1%	0.2%	10 bps
Resident extras utilisation growth ²	1.3%	(3.1%)	(440bps)

COVID Adj. ³	Change vs 2019
(5,606.5)	3.7%
7.9	(81.4%)
(5,598.6)	4.4%
(4,208.8)	4.3%
(1,389.8)	4.9%
(1,188.5)	3.8%
0.2%	10bps
1.8%	40bps

Change per PSEU adjusted for COVID-19 and provision impacts
2.9%
3.8%
3.0%

¹ Refer to glossary for definition of policy units. Policy units include both resident and non-resident business (i.e. OSHC and OVHC). Based on an average of the month-end balances over the reporting period

² Estimated hospital utilisation is defined as the number of hospital admissions per hospital policy unit and includes a provision for IBNR. Actual hospital utilisation for FY19 was 0.1% compared to the reported estimate of 0.9% as at 30 June 2019. Actual extras utilisation for FY19 was 1.3% compared to the reported estimate of 1.4% as at 30 June 2019. Estimated utilisation differs from actual utilisation largely as a result of the claims provision impacts

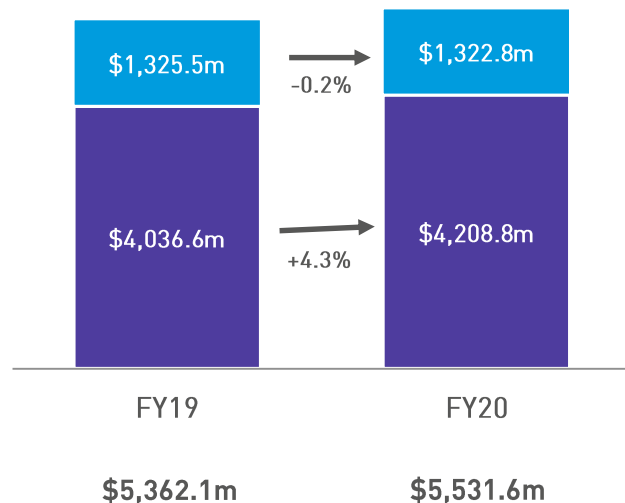
³ Adjusted for the impact of ancillary claims savings of \$67m as a result of COVID-19

Health Insurance – claims

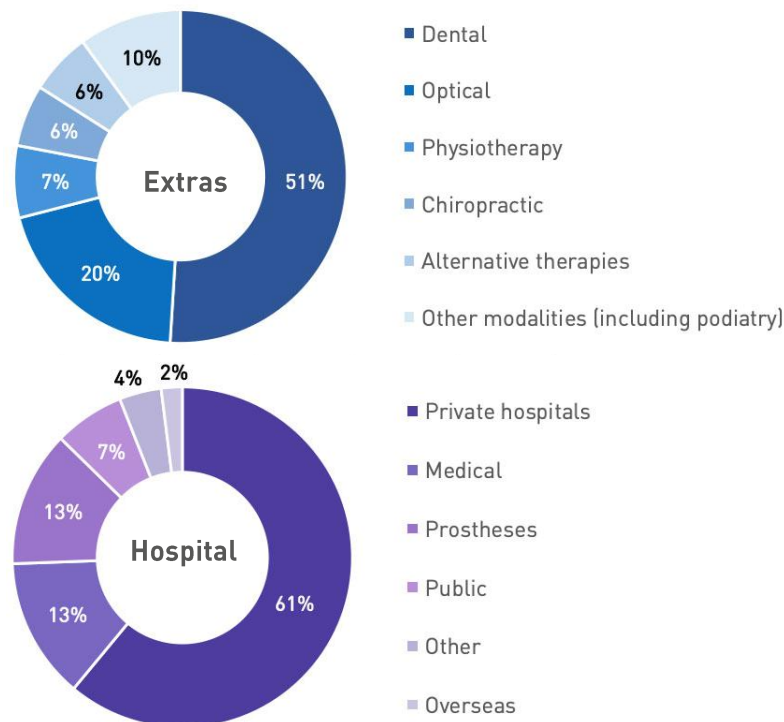
Private hospital claims up 3% - reflecting subdued utilisation growth

Net claims expense (including risk equalisation)

■ Hospital ■ Extras



Indicative composition & movement in dollar value vs. FY19



\$ value movement

Dental	+0%
Optical	-1%
Physiotherapy	-2%
Chiropractic	+5%
Alternative therapies	-9%
Other modalities (including podiatry)	+2%
Private hospitals	+3%
Medical	+2%
Prostheses	+4%
Public	-4%
Other	n.m.
Overseas	+12%

Health Insurance – management expenses

Continued discipline on costs resulted in a 3.0% decrease in management expenses

- Non cash costs decreased by 6.9%:
 - D&A charges down by \$4.3m due to extending useful life of key IT assets (as announced at FY19 results)
 - Deferred acquisition cost amortisation down \$1.9m reflecting tightly managed acquisition costs
- Operating expenses decreased by 2.2%:
 - Underlying cost inflation of c. 2.0%
 - Lower accrual for incentive payments offset by COVID-related costs – including \$5m donation to Beyond Blue
- Productivity agenda:
 - Approximately \$20m of productivity savings achieved in FY20
 - \$50m additional savings between FY21 and FY23, including \$20m in FY21
 - Savings from business simplification, technology modernisation and further process improvement

Financial year ended 30 June (\$m)	2019	2020	Change
Premium revenue	6,464.7	6,545.6	1.3%
Management expenses	(560.1)	(543.4)	(3.0%)
- Depreciation and amortisation	(50.0)	(45.7)	(8.6%)
- DAC amortisation	(40.0)	(38.1)	(4.8%)
- Operating expenses ¹	(470.1)	(459.6)	(2.2%)
MER	8.7%	8.3%	(40bps)

¹ Operating expenses for FY20 include right-of-use depreciation of \$21.4m

Medibank Health result



Result reflects period of transition and investment in the business for growth

- Strong revenue growth of 17.2% including:
 - Additional 2 month contribution from HSS of \$6.2m
 - \$5.8m revenue uplift from Live Better program partners
- \$5m uplift in management expenses reflects:
 - c. \$8m investment in future growth capacity
 - \$3m in-home care business
 - \$5m of additional Live Better running costs
 - Additional 2 month contribution from HSS of \$1.6m
 - c. \$7m cost savings from FY19 restructure
 - Cost inflation of 2.0%
- Operating margin up 70bps reflecting:
 - Changing business mix impacting gross margin
 - Improvement in management expense ratio
- Business is set up for growth in FY21 and beyond
 - Focus on realising benefits of scale
 - On track to deliver our \$30m operating profit growth milestone

Financial year ended 30 June (\$m)	Continuing businesses ¹		Change
	2019	2020	
Revenue	230.3	270.0	17.2%
Gross profit	100.5	111.2	10.6%
Management expenses	(78.4)	(83.4)	6.4%
Operating profit	22.1	27.8	25.8%
Gross margin	43.6%	41.2%	(240bps)
MER	34.0%	30.9%	(310bps)
Operating margin	9.6%	10.3%	70bps

¹ Includes telehealth, in-home care, CareComplete, Health Concierge and Diversified Insurance

Investment portfolio & investment income

Investment income down c.\$100m reflecting challenging market conditions for both growth and defensive assets

- Growth portfolio investment income decline driven by weaker returns in all asset classes, particularly retail property
- Defensive portfolio investment income lower with the impact of lower RBA cash rate and widening credit spreads

Financial year ended 30 June (\$m)	2019	2020	Change
Closing balance:			
Growth	514	467	(9.3%)
Defensive ¹	2,181	2,375	8.9%
Total balance¹	2,695	2,842	5.4%
Average monthly balance:			
Growth	498	464	(6.8%)
Defensive ¹	2,047	2,087	1.9%
Total average monthly balance	2,545	2,551	0.2%
Net investment income:			
Growth	37.1	(26.6)	n.m.
Defensive ¹	70.3	33.6	(52.2%)
Investment expenses	(4.6)	(4.6)	-
Total net investment income^{1,2}	102.8	2.4	(97.7%)
Total net investment income– underlying ³	87.5 ⁴	76.3	(12.8%)
RBA cash rate (average)			
Underlying premium over RBA cash rate			

- Asset allocation
 - Retained 20% growth 80% defensive allocation
 - No equity loss positions liquidated but progressively diversifying property exposure
- Underlying investment income down \$11.2m
 - Reflects impact of lower RBA cash rate
 - FY20: \$15m
 - FY21: c.\$8m
 - Underlying spread to benchmark of 2.34% is above target range of 1.50% - 2.00% due to historic low level for benchmark

Investment returns		
2019	2020	Change
7.45%	(5.74%)	n.m.
3.43%	1.61%	(182bps)
-	-	-
4.04%	0.09%	(395bps)
3.44% ⁵	2.99%	(45bps)
1.48%	0.65%	(83bps)
1.96%⁶	2.34%	38bps

1 Includes interest income and asset balances 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

3 Adjusted to normalise growth asset returns, including property from FY20 to historical long-term expectations and credit spread movements

4 FY19 total net investment income – underlying would have been \$96.7m under current normalisation process

5 FY19 investment return would have been 3.80% under current normalisation process

6 FY19 underlying premium over RBA cash rate would have been 2.32% under current normalisation process

Cash flow

Significant increase in cash flow from operations

- Change in other operating assets and liabilities driven by impact of COVID-19 deferred claims liability
- Capital expenditure fell following completion of regulatory reforms and significantly below D&A
- Income tax movements reflect the timing of tax instalments

Financial year ended 30 June (\$m)	2019	2020	Change
Profit before net investment income and income tax	543.7	447.0	(96.7)
Changes in working capital	20.4	(0.3)	(20.7)
Customer acquisition costs	5.3	1.5	(3.8)
Changes in other operating assets and liabilities	0.2	229.4	229.2
Depreciation and amortisation	64.3	88.8	24.5
Net cash flows from operations	633.9	766.3	132.4
Income tax	(217.8)	(194.0)	23.8
Capital expenditure	(49.5)	(29.3)	20.2
(Purchase) / sale of business	(70.1)	-	70.1
Lease principal and interest payments	-	(33.3)	(33.3)
Net cash flows before investment related items and dividends	296.5	509.8	213.3
Net realised investment income	38.3	23.2	(15.1)
(Purchase) / sale of investments	210.4	115.3	(95.1)
Purchase of shares to settle share-based payment	(3.5)	(3.8)	(0.3)
Net cash flows before dividends	541.7	644.5	102.8
Dividends paid	(355.3)	(429.6)	(74.3)
Net increase / (decrease) in cash and cash equivalents	186.4	214.9	28.5
Cash and cash equivalents at beginning of the period	470.1	656.5	186.4
Cash and cash equivalents at end of the period	656.5	871.4	214.9

Capital

Our capital position remains strong and balance sheet debt free

- Health insurance capital:
 - Above top end of 11% to 13% target range²
 - Increase in capital supports premium revenue growth
- Other required capital:
 - Reduced by \$39.5m
 - Reflects impact of Garrison contract exit
- Unallocated capital of \$188.4m
 - Will support organic and inorganic growth
 - Capacity for future capital management
- APRA's new capital standard:
 - Well placed to implement from 1 July 2023
 - Continue to investigate issuance of subordinated debt

Period ended (\$m)	30 Jun 2019 ³	31 Dec 2019	30 Jun 2020
Total equity	1,935.4	1,837.0	1,813.9
Less: Intangible and illiquid assets	(497.2)	(491.3)	(476.5)
Total tangible and liquid assets	1,438.2	1,345.7	1,337.4
Determined but unpaid ordinary dividend	(203.8)	(157.0)	(173.5)
Determined but unpaid special dividend	(68.9)	-	-
Cost of product bonus additions ¹	(15.8)	(24.2)	(10.5)
Total tangible eligible capital	1,149.7	1,164.5	1,153.4
Required capital			
- Health Insurance	861.3	872.8	873.2
- Other	131.3	89.5	91.8
Unallocated capital	157.1	202.2	188.4
Health insurance capital (%)²	13.0%	13.0%	13.2%

¹ Policies that include a product bonus receive an entitlement every 1 January to spend on otherwise uncovered expenses. The allowance is booked on 1 January each year

² Calculated as required Health Insurance related capital post dividends divided by the last 12 months' Health Insurance premium revenue inflated by the growth rate in Health Insurance premium revenue over the same 12 month period

³ In line with the pro-forma capital position provided at the FY19 result which reflected the change in target capital range from 12%-14% to 11%-13% of premium revenue

Dividend

Full year ordinary dividend of 12.0 cents per share

- Final ordinary dividend of 6.3 cents per share (fully franked) for the six month period ending 30 June 2020
- Full year ordinary dividend represents a payout ratio range of 90% of Underlying NPAT, normalising for investment market returns
- For FY21 we expect to pay towards the top end of our target payout ratio range of 75%–85% of Underlying NPAT, normalising for investment market returns
- Payment date for ordinary dividend: 24 September 2020 (Ex-dividend Date 2 September 2020, Record Date 3 September 2020)

Final ordinary dividend
6.3 cps

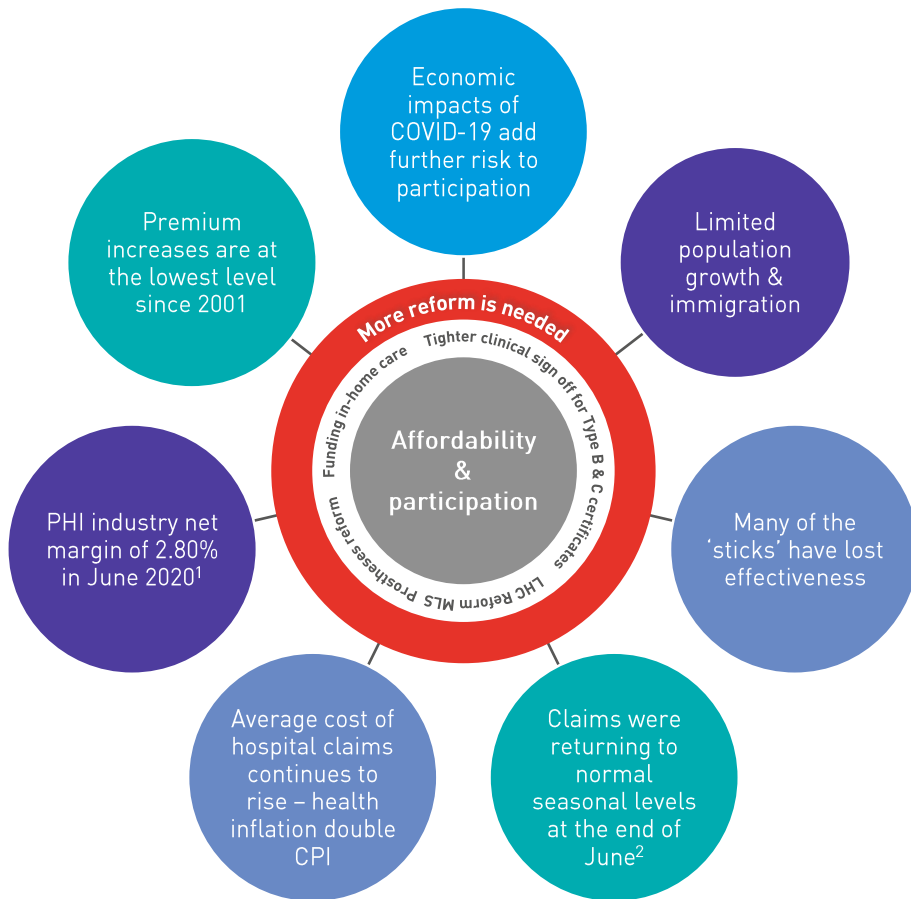
Full year ordinary dividend
12.0 cps

FY20 payout ratio
90%



Conclusion

Craig Drummond – Chief Executive Officer



COVID-19 does not slow down the need for industry change

- Affordability of private health insurance remains a challenge for many Australians
- Uncertainty over the speed at which the economy recovers will likely keep affordability at the forefront of issues we face as an industry
- More reform is still urgently required to improve affordability and participation within the private sector – this will likely become a priority post COVID. Without it, a large proportion of the industry will fail.

To address affordability:

- There is an expectation that **premium increases** will remain low in the foreseeable future, hence **cost drivers** in the health system must be flattened
- **Medibank** has a role to play through payment integrity, health and wellbeing initiatives (preventative) and other claims levers where we can directly influence costs in the system, but fundamental reform is a must, such as **IHPA management of prostheses pricing**

To address participation:

- An increase to the **Medicare Levy Surcharge (MLS)** continues to be under consideration by the Government. A further tightening of LHC would be sensible
- Recognition from the Government that participation among **young adults** needs to be stimulated (again)
- A possible increase in the age threshold for **family PHI policy eligibility** from 25 to 30 years of age would bolster participation

¹ 12 months to June 2020. Source: APRA Quarterly Private Health Insurance Statistics

² By the end of June, ancillary claims activity was modestly above last year, and hospital admissions were modestly below pre-COVID levels

Medibank's role in a broader health industry that is likely to be fiscally constrained post COVID-19

Long-term industry impacts of COVID-19

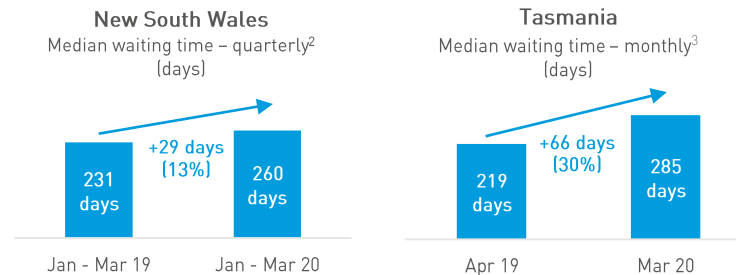
- Australia's mixed public/private health system is the right model to deliver flexible, high quality outcomes as shown through COVID-19
- Biggest single impact will be on public/private incomes, undermining the ability to fund additional healthcare and hence extending public waitlists
- Private health insurers changed business models in response to COVID-19
 - Establishing, funding and adapting to virtual services
 - Offered greater flexibility on customer pricing and hardship
 - More widely utilising alternative care settings
- Inevitable future funding opportunities will exist outside of hospital
- Opportunities for private providers to take some load from public system

Medibank will continue to advocate for change in care models and settings

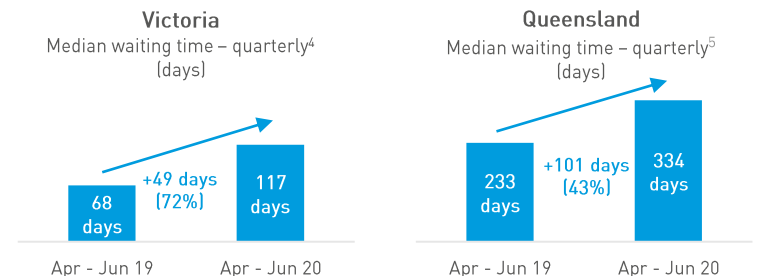
- More clinically appropriate elective surgery work done in **day and short stay hospitals** leaves capacity in acute hospitals for higher acuity work
- Acceleration in alternative care settings including **telehealth** and **in-home care** means better cost outcomes and experiences for customers
- Improving awareness and accessibility of community **mental health** support in response to increasing needs
- Medibank envisions **stronger partnership opportunities** with healthcare providers to ideate in and out of hospital solutions in a range of modalities

Private health insurance will continue to offer customers choice in who, how, when and where their healthcare is provided and greater peace of mind, with growing waitlists in the public system

Non-urgent public hospital elective surgery wait times – pre COVID-19¹ (latest data)



Non-urgent public hospital elective surgery wait times – during COVID-19¹ (latest data)



¹ Median wait time data relates to non-urgent elective procedures which have a recommended waiting time of up to 365 days. Elective surgery waiting time is defined as the number of days from a patient's placement on the elective surgery waiting list until they undergo surgery
² Sourced from Bureau of Health Information – Healthcare Quarterly: Activity and Performance (January to March 2020). Published 17 June 2020

³ Sourced from Tasmanian Government – Health system dashboard. Published 26 June 2020
⁴ Sourced from Victorian Agency for Health Information – Elective Surgery Information System. Accessed 17 August 2020
⁵ Sourced from Queensland Government – Queensland Hospitals Quarterly Performance Report 25 April – June 2020. Accessed 17 August 2020

Policyholder growth

We aim to increase market share and achieve total policyholder growth¹ of >1% assuming a flat market, including an aspiration to grow the Medibank brand during FY21

Underlying drawing rate

Our underlying drawing rate growth or increase in annualised average net claims expense per policy unit for FY21 is forecast to be broadly in line with FY20

Health insurance management expenses

FY21 productivity target of \$20m

Additional \$30m productivity planned during FY22-FY23

Capital

Dividend payout ratio expected to be towards the top end of our target range of 75%-85%

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

1. Excluding the impact of policyholder suspensions due to COVID-19 financial hardship



Appendix

Reconciliation of Group operating profit and underlying NPAT

Group operating profit – total operations

[\$m]	FY19	FY20	Change
Group operating profit – continuing operations	528.5	461.0	(12.8%)
Operating loss/profit – discontinued operations	30.2	(0.8)	(102.6%)
Group operating profit – total operations	558.7	460.2	(17.6%)

Underlying NPAT

[\$m]	1H19	2H19	FY19	1H20	2H20	FY20
NPAT – total operations	207.7	251.0	458.7	177.9	137.1	315.0
Normalisation for growth asset returns ¹	20.7	(28.6)	(7.9)	1.2	42.0	43.2
Normalisation for defensive asset returns – credit spread movement	4.4	(7.3)	(2.9)	(0.4)	8.9	8.5
Underlying NPAT	232.8	215.1	447.9	178.7	188.0	366.7
Dividend payout ratio	67%	95%	80%	88%	92%	90%

¹ Adjusted to normalise growth asset returns, including property from FY20, to historical long-term expectations and credit spread movements. Normalisation of equity returns effects under current normalisation process would have been (\$1.4m) FY19, (\$24.4m) 2H19, \$23.0m 1H19

Group financial summary – half by half

[\$m]	1H19	2H19	1H20	2H20	Change		
					2H20 vs 2H19	2H20 vs 1H20	1H20 vs 1H19
Group revenue from external customers ¹	3,330.8	3,325.0	3,421.5	3,348.1	0.7%	(2.1%)	2.7%
Health Insurance operating profit	281.5	261.0	224.2	246.4	(5.6%)	9.9%	(20.4%)
Medibank Health operating profit ¹	12.6	9.5	13.3	14.5	52.6%	9.0%	5.6%
Segment operating profit	294.1	270.5	237.5	260.9	(3.5%)	9.9%	(19.2%)
Corporate overheads	(17.4)	(18.7)	(18.7)	(18.7)	-	-	7.5%
Group operating profit – continuing operations	276.7	251.8	218.8	242.2	(3.8%)	10.7%	(20.9%)
Net investment income	4.1	98.7	38.5	(36.1)	n.m.	n.m.	n.m.
Amortisation of intangibles	(3.8)	(4.9)	(4.5)	(4.5)	(8.2%)	-	18.4%
Other income/(expenses)	(2.9)	(3.4)	1.8	(6.0)	n.m.	n.m.	n.m.
Profit before tax	274.1	342.2	254.6	195.6	(42.8%)	(23.2%)	(7.1%)
Income tax expense	(77.8)	(100.8)	(76.0)	(58.6)	(41.9%)	(22.9%)	(2.3%)
NPAT – continuing operations	196.3	241.4	178.6	137.0	(43.2%)	(23.3%)	(9.0%)
NPAT – discontinued operations	11.4	9.6	(0.7)	0.1	n.m.	n.m.	n.m.
NPAT – total operations	207.7	251.0	177.9	137.1	(45.4%)	(22.9%)	(14.3%)
EPS (cents) ²	7.5	9.1	6.5	5.0	(45.4%)	(22.9%)	(14.3%)
Underlying NPAT³	232.8	215.1	178.7	188.0	(12.6%)	5.2%	(23.2%)
Underlying EPS (cents) ³	8.5	7.8	6.5	6.8	(12.6%)	5.2%	(23.2%)
Dividend per share (cents)	5.70	7.40	5.70	6.30	(14.9%)	10.5%	-
Dividend payout ratio³	67%	95%	88%	92%	(3.2%)	4.5%	31.3%

¹ Excludes discontinued operations

² Calculated on total operations

³ Underlying NPAT adjusted to normalise growth asset returns, including property from FY20, to historical long-term expectations and credit spread movements. Dividend payout ratio based on Underlying NPAT

Health Insurance policyholders – half by half

	1H19	2H19	1H20	2H20	Change		
					2H20 vs 2H19	2H20 vs 1H20	1H20 vs 1H19
Premium revenue (\$m)	3,240.3	3,224.4	3,315.5	3,230.1	0.2%	(2.6%)	2.3%
Policyholders ¹ (thousand):							
Opening balance	1,780.9	1,787.3	1,796.0	1,807.7	1.1%	0.7%	0.8%
Acquisitions	94.9	111.3	98.3	97.5	(12.4%)	(0.8%)	3.6%
Lapses	(88.5)	(102.6)	(86.6)	(80.4)	(21.6%)	7.2%	(2.1%)
Net suspensions/reactivations	-	-	-	(18.2)	n.m.	n.m.	n.m.
Closing balance	1,787.3	1,796.0	1,807.7	1,806.6	0.6%	(0.1%)	1.1%
- Medibank	1,410.8	1,406.0	1,401.5	1,388.2	(1.3%)	(0.9%)	(0.7%)
- ahm	376.5	390.0	406.2	418.4	7.3%	3.0%	7.9%
Acquisition rate ²	5.3%	6.2%	5.5%	5.4%	(80bps)	(10bps)	20bps
- Medibank	4.1%	4.8%	4.1%	3.8%	(100bps)	(30bps)	-
- ahm	11.0%	12.4%	11.3%	11.8%	(60bps)	50bps	30bps
Lapse rate ²	5.0%	5.7%	4.8%	4.4%	(130bps)	(40bps)	(20bps)
- Medibank	4.8%	5.2%	4.5%	4.0%	(120bps)	(50bps)	(30bps)
- ahm	6.9%	8.9%	7.2%	7.2%	(170bps)	-	30bps
Policyholder growth	0.4%	0.5%	0.7%	(0.1%)	(60bps)	(80bps)	30bps
Total policy units ^{1,3} (thousand):							
Closing balance	4,678.4	4,696.2	4,709.1	4,677.1	(0.4%)	(0.7%)	0.7%
Average balance	4,680.0	4,685.8	4,711.1	4,684.0	0.0%	(0.6%)	0.7%
Annualised average revenue per policy unit ^{1,3} (\$)	1,384.8	1,376.2	1,407.5	1,379.2	0.2%	(2.0%)	1.6%

1 Consistent with reported industry data, policyholder numbers only include resident business whereas total policy units include both resident and non-resident business (i.e. OSHC and OVHC)

2 Consolidated lapse and acquisition rates exclude transfers of policyholders between ahm and Medibank at a combined brand level. Figures at brand level include these transfers. Lapse and acquisition rates are based on the average of the opening and closing balances for the period

3 Refer to glossary for definition of policy units. Policy units include both resident and non-resident business (i.e. OSHC and OVHC). Based on an average of the month-end balances over the reporting period

Balance sheet

[\$m]	30 June 2019	30 June 2020	Change
Cash and cash equivalents	656.5	871.4	32.7%
Financial assets at fair value through profit or loss	2,130.7	1,994.7	(6.4%)
Trade and other receivables	283.9	207.1	(27.1%)
Deferred acquisition costs	35.2	34.5	(2.0%)
Other	24.2	22.9	(5.4%)
Current assets	3,130.5	3,130.6	-
Property, plant and equipment	49.3	112.2	127.6%
Intangible assets	405.9	386.0	(4.9%)
Deferred acquisition costs	44.4	43.6	(1.8%)
Other ¹	0.7	91.4	n.m.
Non-current assets	500.3	633.2	26.6%
Total assets	3,630.8	3,763.8	3.7%
Trade and other payables	370.0	320.2	(13.5%)
Claims liability	364.2	628.3	72.5%
Unearned premium liability	682.8	671.1	(1.7%)
Other	100.5	131.3	30.6%
Current liabilities	1,517.5	1,750.9	15.4%
Trade and other payables	33.9	84.2	n.m.
Claims liability	13.4	10.9	(18.7%)
Unearned premium liability	87.8	75.0	(14.6%)
Other	42.8	28.9	(32.5%)
Non-current liabilities	177.9	199.0	11.9%
Total liabilities	1,695.4	1,949.9	15.0%
Net assets	1,935.4	1,813.9	(6.3%)

1 FY20 contains a Deferred Tax Asset primarily related to the COVID-19 Claims Liability

Investment portfolio

As at 30 June 2020	Balance (\$m)	Portfolio composition	Target asset allocation
Australian Equities	147	6.3%	5.0%
International Equities	152	6.5%	6.0%
Property	162	7.0%	7.0%
Infrastructure ¹	6	0.3%	2.0%
Growth	467	20.1%	20.0%
Fixed income ^{2,3}	1,235	53.0%	52.0%
Cash ⁴	625	26.9%	28.0%
Defensive	1,860	79.9%	80.0%
Total Fund (pre-STOC)	2,327	100.0%	100.0%
Short-term operational cash ⁵	297		
Total Fund	2,624	100.0%	100.0%
Non health fund investments ⁶	218		
Total Investment Portfolio	2,842		

1 Infrastructure allocation temporarily underweight due to fund manager transition

2 Target asset allocation comprises floating rate notes and asset-backed investments (32.0%) and other fixed income (20.0%). Average credit duration is approximately 2.6 years, average interest rate duration is approximately 1.0 year, and the average credit rating is 'A'.

3 For investment portfolio purposes, fixed income comprises fixed income securities (\$1,527.9m) less reclassified cash with maturities between 3-12 months (\$185.0m) less non health fund fixed income securities (\$47.2m) and short-term operational cash fixed income securities (\$60.6m)

4 For investment portfolio purposes, cash comprises cash and cash equivalents (\$871.4m), cash with maturities between 3-12 months (\$185.0m) less non health fund investments (\$170.5m), less short term operational cash (\$236.5) and operational cash (\$24.4m)

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

6 The fund's strategic asset allocation does not apply to the non health fund investment portfolio

FY20 milestone scorecard update

Objectives

FY20 update

1. Customer advocacy

Drive Service and Customer NPS for Medibank and ahm to be best in class¹

Customer NPS (gap to peers)

Modest gap persists

Average Service NPS

	FY19	FY20
Medibank	24.8	31.8
ahm	38.5	41.2

PHIO complaints

FY20: 21.6% share of market as at 31 Mar 20

Customer cover check-ins²

FY20: 542k (FY20 target: 500,000)

2. Health interactions

By 2020 every Medibank customer³ has at least one health interaction⁴ through the year with our company

FY17	FY18	FY19	FY20 ³
<100k	c.500k	c.1.57m	c. 2.6m

3. PHI growth

Medibank brand volumes to stabilise by end of FY20 and grow during FY21

Total policyholder growth

1 July 19 – 30 June 20
+0.6% / +10.6k

Including:

Medibank -1.3% / -17.8k
ahm +7.3% / +28.4k

Market share

1H20 2H20
up 8bps down 4bps

4. In-home care

Virtual hospital beds more than 300 by end of FY22⁵

Total

30 June 19	30 June 20	30 June 22
c.200 beds	259 beds	target >300 beds

Medibank customers

30 June 2020
5,854 Medibank customers serviced by 201 beds

5. Medibank Health

By FY22 organically replace the reported FY18 \$30m operating profit of Garrison

Medibank Health segment operating profit

FY18 (baseline) ⁶	FY19	FY20
\$47.3m	\$22.1m	\$27.6m

6. Productivity

FY20 productivity target of \$20m and additional \$30m during FY21-FY22

FY20

c. \$20m productivity delivered

¹ Against major private health insurance peers (Bupa, HCF, nib)

² Inbound or outbound conversations with customers about the appropriateness of their cover

³ Based on number of policyholders that consent to contact for marketing purposes, some exclusions may apply. Excludes new joins and customer lapses over the period. FY20 includes Live Better communications to customers

⁴ Includes CareComplete, Medibank at Home, Health Concierge, Health Advice Line, and personalised health communications

⁵ Virtual beds equals the number of people receiving hospital substitute treatments by Medibank Health which is calculated for a given period as total days of hospital substitute treatments service / number of days in the period

⁶ Includes the \$30m operating profit of Garrison

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
APRA	Australian Prudential Regulation Authority
bps	Basis points (1.0% = 100 bps)
cps	Cents per share
Customer NPS	A measure of the likelihood of an existing customer to recommend the brand
DAC	Deferred acquisition costs
Downgrading	The difference between the average premium rate rise and revenue growth per policy unit
eNPS	Employee Net Promoter Score. A measure of the likelihood of an employee to recommend the company's products and services
EPS	Earnings per share
FY	Financial year ended/ending 30 June
IBNR	Incurred but not reported
IHPA	Independent Hospital Pricing Authority
LHC	Lifetime Health Cover
MER	Management expense ratio
MLS	Medicare levy surcharge
n.m.	Not meaningful
NPAT	Net profit after tax
NPS	Net promoter score
OSHC	Overseas students hospital cover
OVHC	Overseas visitor hospital cover
PHI	Private Health Insurance

Term	Definition
PHIO	Private Health Insurance Ombudsman
Priority program	Medibank's priority program recognises customers who have held Medibank health insurance for 10 years or more. Priority customers have access to benefits such as a dedicated service line, health professionals to support them when they go to hospital and exclusive partner offers
Policyholder	The primary person who is insured under a private health insurance policy (other than in relation to overseas students or visitors), who is not a dependent child, and who is responsible for paying the premium
PSEUs or policy units	Policy Single Equivalent Units are used by Medibank as a standard measure of income units. They take into account the number of adults on a policy, and whether they have Hospital Cover or Extras Cover or both. For example, a household with two parents and three children, all of which had both Hospital and Extras Cover, would represent four policy units (2 adults x 2 types of Cover = 4; no premium payable in relation to children). This measure includes residents and non-resident policies and only adult insureds are typically counted in the calculation of PSEUs
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 – total operations adjusted for short-term outcomes that are expected to normalise over the medium to longer term, most notably in relation to the level of gains or losses from investments and movements in credit spreads, and for one-off items, especially those that are non-cash, such as asset impairments
Virtual Hospital Beds	The number of people receiving hospital substitute treatments by Medibank Health which is calculated for a given period as total days of hospital substitute treatments service / number of days in the period
Working capital	Working capital comprises trade and other receivables, other assets, trade and other payables other than balances relating to customer acquisition costs and operating assets and liabilities