

12 November 2020

Chairman and Chief Executive Officer AGM presentations

In accordance with the ASX Listing Rules, Medibank releases to the market the addresses to security holders to be delivered by the Chairman, Mike Wilkins AO and the Chief Executive Officer, Craig Drummond, to be delivered at Medibank's 2020 Annual General Meeting to be held at 10.30am today, along with an update to its FY21 outlook.

This document has been authorised for release by Mei Ramsay, Company Secretary.

For further information please contact:

For media

Emily Ritchie
Senior Executive, External Affairs
M: +61 429 642 418
Email: Emily.Ritchie@medibank.com.au

For investors/analysts

Colette Campbell
Senior Executive, Investor Relations
T: +61 475 975 770
Email: investor.relations@medibank.com.au

CHAIRMAN

Good morning and welcome to Medibank's Annual General Meeting for 2020.

I'm Mike Wilkins, and I'm honoured to be with you today as your new chairman. Ideally, we would be meeting in person, but today we are gathering together virtually, to protect your health and wellbeing.

On behalf of the Board I would like to acknowledge the Traditional Owners of the lands we are meeting on today. I'm joining you from Gadigal land and thanks to technology, we have people joining us from many different locations today. So, I would like to acknowledge the Traditional Owners of these many Lands, and pay my respects to all Elders past, present and emerging.

We recognise the health gap between Indigenous and other Australians and acknowledge the ongoing commitment of those working within their communities to close this gap.

As we have a quorum, I now formally declare the meeting open.

With me today via video link from Melbourne is our CEO Craig Drummond. Joining us by phone is the Medibank Board of Directors – non-executive directors Tracey Batten, Anna Bligh, David Fagan, Peter Hodgett, Linda Nicholls and Christine O'Reilly – and our company secretary, Mei Ramsay. We also have the Executive Leadership team on the phone.

Tracey, Anna and I are all standing for re-election today.

I will now give a summary of our performance and then hand over to Craig for his comments, including an update to our FY21 outlook.

2020 has been an extraordinary year of change and I would like to thank you for your ongoing support and the trust you have shown in the Board and the Executive Leadership Team this year.

Just nine months ago, at the time of our half year results announcement in February, 15 people in Australia had been diagnosed with COVID and we had brought together a team from across the business to monitor and respond to what has become one of the most significant health and economic events in our lifetime.

Within three weeks, the Prime Minister had activated an emergency response plan and unveiled a \$17.6 billion stimulus package to combat what was later deemed a global pandemic.

We focused on protecting the health and wellbeing of our customers and our people. We acted quickly, transitioning to a virtual business model with Medibank employees moving to work from home and announcing the first of our support measures to help our customers through the crisis.

To support our people, we introduced paid COVID leave and launched a 24/7 Employee Mental Health Support line.

In all, our financial support to date has totalled more than \$185 million to help our customers, our people and our community through the health and financial impacts of COVID.

Medibank has played a key role in the public health response too. Working to support a range of COVID helplines our telehealth teams have taken more than 320,000 calls to date – and we employed around 680 temporary nurses to help manage the early demand.

The Victorian Government asked for our support during stage 4 lockdown, and our teams have been helping with in-home COVID testing, assisting with contact tracing and providing services to hundreds of residents in aged care homes.

We also provided funding for research projects addressing the impact of the pandemic, including an analysis of the effectiveness of screening tools - such as questionnaires and temperature checks - to identify COVID positive patients before surgery.

As well, Medibank supported research by the Royal Australasian College of Surgeons that developed recommendations for a staged return of elective surgery in a safe and monitored manner. These recommendations were subsequently adopted by the Australian Government.

And we continue to support our customers through the ongoing challenges.

Throughout this crisis, the Board's focus has been to ensure the health and wellbeing of our customers, our people and the community, while overseeing Medibank's response to the impact COVID has had on our business. And while today is an opportunity to talk with you about that response, it is also a time to reflect upon our results from the 2020 full financial year.

Medibank has proven resilient – able to draw upon its increased healthcare capabilities to better respond to the needs of our customers and adapt to the rapidly changing environment.

As a result, we saw our customer and employee advocacy increase and we delivered a net profit after tax of \$315 million for the financial year of 2020. This result reflects the decline in Health Insurance operating profit and a significant fall in investment income – due to the heightened market volatility related to COVID.

Our full year ordinary dividend of 12 cents per share fully franked represents a 90% payout ratio of our underlying NPAT. This is above our 75% to 85% payout range and reflects our strong capital position, our confidence in the sustainability of future earnings, and recognises the importance of dividends to our shareholders.

FY20 has been challenging due to the need to strengthen the claims provision as a result of expected claims deferrals due to COVID and a lower cash rate.

Throughout we have maintained a prudent approach to our capital management. We are conscious of the importance of dividends to our shareholders and continue to regularly review our capital buffers and targets, and undertake ongoing stress testing to forecast and plan capital levels, in line with APRA guidance.

The Board has not changed the target payout ratio range for FY21 which will remain at 75% to 85%.

And in a market in which industry growth has declined, we grew market share modestly over the year to 26.9%. Medibank is well positioned to respond to the current environment, and we will continue to target increased market share and customer growth.

We are very proud of the exceptional performance of all our people during these unrepresented times and the focus on customers and our communities that they have displayed. In this regard, I particularly want to acknowledge the outstanding role that Craig and the Executive Leadership Team have played in responding to the pandemic and the care they have shown for our customers, our people, our shareholders and the wider community.

No employee has had to be stood down as a result of COVID and Medibank has not received any COVID-related government subsidies.

But COVID has impacted our financial outcomes and required some difficult remuneration decisions – with the Board choosing not to award short-term incentives to the Executive Leadership Team, despite the impact of the many external factors being outside of management's control.

In coming to this decision, the Board acknowledged the performance of the Executive Leadership team in steering Medibank through the unprecedented challenges of 2020 to deliver a sound financial and operational performance, as highlighted by the final ordinary dividend we delivered to shareholders.

The Board also considered the current economic conditions and social environment created by COVID, and the expectations of our customers, our shareholders and the community – to whom we are ultimately accountable.

Our people take real pride in our purpose of Better Health for Better Lives and believe we have an important role to play in supporting Australians to live their best quality of life.

This is at the heart of our approach to sustainability. It is by working to improve the health and wellbeing of our customers and our community that we can build a stronger, more sustainable business - one that can deliver longer-term value.

This year the Board endorsed a new sustainability strategy that further strengthens our environmental, social and governance initiatives, focusing on the issues that our customers, shareholder and community representatives, and employees identified as most important to our business.

It should be no surprise that affordable healthcare is top of the list.

Our work to deliver quality healthcare that is more affordable and offers more choice, underpins our transition to becoming a broader healthcare company.

Craig will speak to the inroads we have made this year, but we continue to focus on preventative health and care outside of the traditional hospital setting, and work with the Government to deliver ongoing industry reform.

Mental health support remains a priority for us and we have broadened our range of services to cater for a wider spectrum of mental health concerns.

At the beginning of the pandemic, we donated \$5 million to Beyond Blue to establish a dedicated Coronavirus Mental Health and Wellbeing Support Service. Many Australians' mental health has suffered as a result of COVID - especially Victorians, whose use of Beyond Blue support was 77% higher than the rest of the country between September and October.

We are now looking to help address the growing issue of loneliness, estimated to affect as many as 5.6 million Australians. After surveying more than 2,000 people to better understand the impact chronic loneliness can have on mental health, we are working with experts to develop a long-term support program.

Our funding for Beyond Blue was part of the \$9.5 million we contributed to the community this year, through health and medical research, community partnerships, employee volunteering and workplace giving.

Our community approach is focused on building strong partnerships to help us deliver Better Health for Better Lives. This year we also celebrated our ninth year working with the Wadeye Indigenous community by joining with community elders and Red Dust to co-design a cultural health camp attended by 100 young Aboriginal women.

We are also applying our purpose and values to the companies we work with. We will soon publish our first Modern Slavery Statement, detailing the steps we have taken to help prevent modern slavery and human trafficking within our supply chain and operations. We've also embedded principles into our procurement policies to build a supply chain that helps drive better health outcomes, supports social enterprises and Indigenous businesses and is more environmentally sustainable.

Environmental health is a key pillar of our sustainability approach and we continue to work to reduce our impact, this year launching our new Environmental Policy which elevates the environment in our decision making.

We have integrated climate change risk into our organisational risk management approach and remain committed to carbon neutrality and playing our part in the transition to a low-carbon economy, through our responsible investment approach and our choice of suppliers.

Earlier this year we commissioned an independent review of our practices and climate disclosures to support our first report against the Task Force on Climate-related Financial Disclosures and are now working through the recommendations.

We also continue to encourage our employees to reduce their environmental impact at work and at home.

These are just some of the many initiatives we are pursuing to build stronger environmental, social and governance accountability and contribute to a more sustainable future for all.

Our progress is detailed in our first Sustainability Report, available on our website.

When the Board and I look at the work our people are doing every day to support Australians dealing with the many challenges COVID has presented, and the pride they feel in the contribution we are making, we are proud to be part of Medibank and we are confident of our future.

Medibank's strong purpose-led culture and commitment to stakeholders is what has enabled our business to better connect with the needs of our customers and changing societal demands.

I'd like to pay tribute to former chairman and Board member Elizabeth Alexander, who was a driving force in building that sense of purpose and guiding Medibank's transformation over the past 12 years.

I'd also like to thank Craig and the Medibank team for their hard work this year. Our lives have been changed by COVID and the impact of the virus will continue to be felt for the foreseeable future – especially in regard to our health system.

This presents Medibank with both opportunity and challenge, which our business is well positioned to meet.

And finally, I want to thank you, our shareholders, for your continuing support of Medibank and the purpose that we are pursuing as an organisation. We still have much to do but I am heartened by our progress to date and the opportunities that remain before us.

I'll now ask Craig to give his presentation and to discuss our progress and outlook for 2021.

CHIEF EXECUTIVE OFFICER

Thank you Mike and good morning everyone.

I'm joining you today from Wurundjeri country and respectfully acknowledge the Traditional Owners, and any Aboriginal and Torres Strait Islander people joining us today.

In a year that started with one of the worst bushfire seasons in history, and then seemingly flowed straight into the global COVID pandemic, 2020 has been challenging for every Australian.

For Medibank, the focus has been on managing the issues within our control, but also taking this opportunity to demonstrate how we work to our Better Health for Better Lives purpose.

Our strong purpose and values were behind the important decision to postpone customers' premium increases for 6 months. It's why we added temporary heart, lung and kidney coverage to the policies of more than 1 million hospital customers. It's why we reached out to thousands of our most vulnerable members to offer additional support through our COVID-19 Health Assist program. And it's why we've recently uplifted our mental health support by giving around 2.1 million customers access to counselling in their extras cover.

It's also what has driven our hardship package for customers doing it tough during these extraordinary times.

Support ranges from the option for members in financial stress to suspend their cover, access a 50% premium waiver for up to 6 months, or a 10% discount for 3 months for those living in an area declared a state of disaster due to COVID and not eligible for government support.

While a small number of insurers postponed premium increases for some or all of their customers for a further 6 months, we've opted to be more targeted in our approach. This enables us to give the most meaningful relief to customers who need it the most. For example, our 50% premium waiver for customers on government support payments like JobKeeper or JobSeeker saves an average of \$800 per policy. This has a much greater impact than extending the premium freeze for all customers, saving an average of \$70 per policy regardless of their individual circumstances.

In all, our financial support for customers has exceeded \$185 million since March.

I would also reiterate the Chairman's comments that Medibank itself did not access any taxpayer-funded government relief through this time.

We also made the decision to temporarily close our retail store network during the national shutdown and diverted these teams to online customer support channels. I am however pleased to say that all of our stores across Australia are now open, including those in Victoria. These decisions were made with the health and wellbeing of our people and our customers in mind, but also to support the work of Australia's frontline healthcare workers.

I want to take this opportunity to acknowledge the monumental effort of frontline healthcare workers and all who have and continue to support the national health response.

I also want to thank our team here at Medibank, who have stepped up to meet the unique challenges of the past year and who have worked incredibly hard to support and provide some certainty to our customers.

Our people have not been immune to the consequences of the pandemic either and yet they have continued to support our customers and each other magnificently.

Of all the years we've measured employee engagement and customer advocacy, 2020 is the one we have seen our highest ever results. These outcomes have been driven by how our senior leaders have supported and galvanised their teams and how our people have embraced new ways of working – with both flowing through to an empathetic and enhanced experience for our customers.

Our strategy – to differentiate and grow our private health insurance business through our dual brands, and to transform into a broader healthcare company – has guided us well.

This past year we focused on enhancing customer value and recognising and rewarding customer loyalty. We also made personalised health and wellbeing an increasing part of each members' experience with us – delivering around 2 million personalised and proactive health promotions in FY20. This is an area that sets Medibank apart, and will become truly differentiating as the broader community more highly values their own health and wellbeing as a result of the pandemic.

Looking forward prevention and support are a priority as we look to double the uptake of our Live Better and Health Assist programs by June 2022, while ensuring that every customer has at least one personalised health interaction with us each year.

In FY20 our dual brand strategy continued to provide flexibility and broad coverage across the market, helping us to achieve net resident policyholder growth of 10,600 and increase market share modestly.

Our digital channels contributed significantly to this result, with both acquisition and retention benefiting substantially from the focus on uplifting our digital capability in recent years.

We also looked at how to give customers a better experience and more choice, while facilitating change in the health system to make healthcare more affordable, to reduce customer out-of-pocket costs and to create value.

One significant shift has been an increase in the use of telehealth services across the country. We saw this demand firsthand early on in the pandemic when our telehealth nurses joined the public health response.

This growth in telehealth was inevitable, with COVID simply speeding up the process through sheer necessity. The Federal Health Minister has reflected on this too, saying how the pandemic brought forward a 10-year plan on telehealth within 10 days.

This year many Australians used telehealth for the first time, and it has demonstrated the benefits of providing care and support in a very flexible and affordable way. I am hopeful that telehealth's expanded role is here to stay, given the choice and convenience it offers and its ability to remove geographic barriers for those in regional and remote areas.

To support this change, earlier this year we gave customers greater access to telehealth, by paying benefits for a range of consultations delivered by phone and video. These include services such as psychology, physiotherapy, podiatry and speech therapy. We will continue to fund telehealth for the current range of extras services on an ongoing basis.

This year also demonstrated our ongoing strong support for a short stay care setting, which minimises the time a patient spends in hospital, where clinically appropriate, by giving them the option to recover and rehabilitate in the comfort of their own home.

Building on our existing partnership with Nexus Hospitals in Melbourne, in August we invested in East Sydney Private Hospital to help the hospital and its doctors scale this model.

The traditional approach in Australia for customers having a hip replacement for example, can see them spending 5 days in an acute hospital ward, with around half then going on to spend another 9 days or so in rehab. Out-of-pocket costs can also range between \$2,000 to \$3,000, and likely more in cities such as Melbourne, Sydney or Canberra.

For customers taking part in our no gap joint replacement pilot program, they can be home within a couple of days with no medical out-of-pocket costs, with full in-home support by nurses, allied health practitioners and personal carers.

This program gives customers more choice in how their care is delivered, with the care always led by the patient's doctor. This model of care is widespread, if not routine, in many other countries.

The program is also in place at hospitals in Brisbane, Adelaide, and shortly in Perth and Canberra. Moreover, we are being approached by hospitals and doctors wanting to take part, and seeing interest from hundreds of customers, including those from areas where the program is not yet available.

Furthermore, we continue to work with healthcare providers to review other partnerships in additional short stay specialities, with the focus on doctor-led high-quality patient outcomes, at an affordable rate.

We are also a champion of clinical in-home care as a substitute for going to hospital for many patients.

COVID has fast-tracked our Medibank at Home program in areas such as rehab, heart health, chemotherapy and dialysis. In fact, we saw an almost 200% increase in the number of Medibank customers taking up these programs and pilots in FY20, with further meaningful growth post 30 June. The majority of these services have been delivered by our Home Support Services team.

One customer that stands out for me is Yvonne who featured in the clip at the beginning of the meeting. With her husband, Yvonne had been making a 6-hour round trip 3 times a week to hospital for dialysis. That was until last year when she joined our Dialysis at Home program and we started coming to her instead. Hearing about her experience and the impact on her quality of life, reinforces the practical and emotional benefits of this program.

Last month a joint venture between Medibank and Calvary Health Care was chosen to deliver what is projected to be one of Australia's largest hospital in the home programs on behalf of the South Australian Government.

My Home Hospital will deliver acute medical care for a range of treatments to public patients across Adelaide in their own home instead of a physical hospital, where clinically appropriate. These patients will have a care coordinator working alongside a clinical team and their My Home Hospital doctor to support them through the development of a treatment plan and their ongoing care.

We also have the technology capabilities to conduct virtual consultations directly with patients in their home, and to remotely monitor vital signs and observations such as their pulse, temperature, blood oxygen and blood pressure.

We're confident that the combination of service and technological innovation behind My Home Hospital will inform an expanded virtual hospital model across Australia. There is significant scope for this service to be offered to public and private patients, as is the case in international markets.

Short stay and My Home Hospital signal our willingness to work in partnership with providers who have the same end goal in mind – that is, to deliver doctor-led, high quality, affordable healthcare. You should expect to see us strike more provider partnerships like these.

While the health system has responded incredibly well to the pandemic and demonstrated the strength of Australia's world-class dual public/private system, there has been some disruption.

Back in April, all private hospitals and their 100,000-strong workforce were made available to the Federal and State governments to support Australia's COVID preparation and response.

And as part of a national shutdown, the government paused many elective surgeries and restricted access to allied health providers.

On one hand, this ability to mobilise Australia's health services was an example of why our system is the envy of most countries around the world.

On the other hand, it meant that many patients across both the private and public systems had their care delayed. At Medibank, we saw claims at around 50% of normal levels over this 6-week period.

But claims have since bounced back in the majority of states and territories, to be in line with our expectations.

This rebound was always our expectation, just as it was our regulator APRA's, which outlined to insurers guidance on accounting for deferred claims. And this is why we have accrued a \$297 million balance sheet liability in FY20, so we are in a position to fund those future claims that were deferred. We believe our provisioning remains prudent, but it remains too early to determine if all of these deferred claims will ultimately materialise.

While some commentary has suggested insurers are profiting from the pandemic, this has not been the case as demonstrated by all of the recent Private Health Insurance statistics published by APRA.

The government's focus on COVID this year has meant progress on private healthcare reform has slowed. While we worked hard to deliver our lowest average premium increase in 19 years, which we then postponed for 6 months, the pressure on premiums brought about by rising health costs remains. And it will stay that way until systemic changes are made, given Australia's ageing population.

Lowering prostheses prices continues to be at the top of this list. This reform, which would bring prices in the private sector down into line with what the public system pays, and what is charged overseas, would give up to \$400 million in value back annually to customers.

Because of this, we welcome the statement in the October Budget that the government will remain focused on prostheses list reform. It's also promising that the government is working with the industry to make home and community-based care more accessible through private health insurance, while continuing to consider possible supportive changes to the means tested private health insurance rebate and the Medicare levy surcharge.

In the meantime, we will continue to be disciplined on our own costs. Having delivered \$20 million of productivity savings in FY20, we have committed to another \$50 million of cost reduction over the next 3 years.

This will position Medibank as the most efficient large provider of private health insurance in Australia, an imperative given the likely ongoing challenging environment.

Turning now to an update on the Outlook we provided to the market at our financial results in August.

In the first 4 months of this financial year we've made very good progress on policyholder numbers, with total growth of approximately 41,100, or 2.27%. This includes 33,100 new policyholders and 8,000 policyholders who recommenced their coverage after suspending their policy under our financial hardship program.

Pleasingly approximately one third of new policyholders were in the Medibank brand, in line with our aspiration to grow in FY21.

Our expectation, yet to be confirmed, is that we did grow market share in Q1 FY21.

Our customers continue to utilise our financial hardship options. While a number of customers have resumed coverage, at the end of October, approximately 10,200 policyholders remain suspended as a result of COVID.

Given the strong growth we have seen thus far in FY21, we are raising the bar in our aspiration to grow policyholders in FY21. We now aim to increase market share and achieve total policyholder growth of approximately 2% in a flat market.

While this is a pleasing result, there still remains a level of uncertainty in the economy post COVID.

There are no other changes to the outlook provided at our FY20 financial results – including that we expect our underlying drawing rate growth or increase in annualised average net claims expense per policy unit for FY21 to be broadly in line with FY20.

Given our strong capital position, we will continue to target modest-sized inorganic growth opportunities for Medibank Health to build further healthcare capability and we will review Health Insurance opportunities in a distressed operating environment as they present.

Finally, I want to echo Mike's remarks on Elizabeth Alexander, who as both a director and Chairman of Medibank made an enormous contribution to our company. I want to thank Elizabeth for her expertise and counsel, and for the way she guided Medibank to be the company it is today.

And having worked alongside Mike in his role on the Board for the past 3 years, the Executive leadership Team very much looks forward to working even closer with Mike in his new capacity as Medibank Chairman.

The challenges in 2020 have been significant, and it is likely that the health and financial impacts of COVID will remain for some time.

Despite this uncertainty, I am confident that our strategy, our commitment to customers, and our sound financial position will continue to help us successfully navigate the ongoing COVID challenges.

Furthermore, this environment will reinforce our important role in the health system and the increasingly important role we have in improving the health and wellbeing of our customers.

There remains considerable opportunity sitting in front of us that we are well placed to deliver on. This includes continuing to deliver differentiated products and services for our customers and hence growing our Health Insurance business at a faster rate, driving health system change to ensure private healthcare sustainability and building a more meaningful healthcare business.

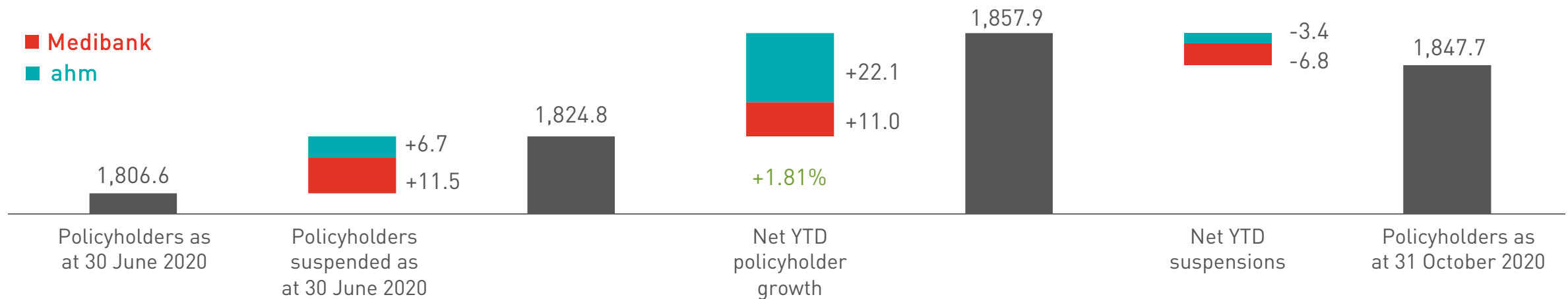
Once again, I'd like to thank our people – I couldn't be more proud of them.

And finally, to you our shareholders, thank you for your ongoing support of Medibank now and into the future.

Outlook – update to FY21

Policyholder growth	Underlying drawing rate	Health insurance management expenses	Capital
Given YTD performance, we now aim to increase market share and achieve total policyholder growth ¹ of approximately 2% assuming a flat market, including an aspiration to grow the Medibank brand during FY21	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	FY21 productivity target of \$20m Additional \$30m productivity planned during FY22-FY23	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
No change			

YTD Resident Policyholder growth ('000, as at 31 October 2020)



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