

17 September 2018

ASX release

2018 Notice of Annual General Meeting

Medibank Annual General Meeting will be held on Wednesday 14 November 2018 at 10.30am (Melbourne time) at the Clarendon Auditorium, Level 1, Melbourne Exhibition Centre, Melbourne Convention and Exhibition Centre, 2 Clarendon Street, South Wharf, Victoria 3006.

For further information please contact:

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**Notice of
Annual General
Meeting 2018**

About Medibank

Our purpose

Better Health for Better Lives

Ambition





To deliver Better Health for Better Lives we will:

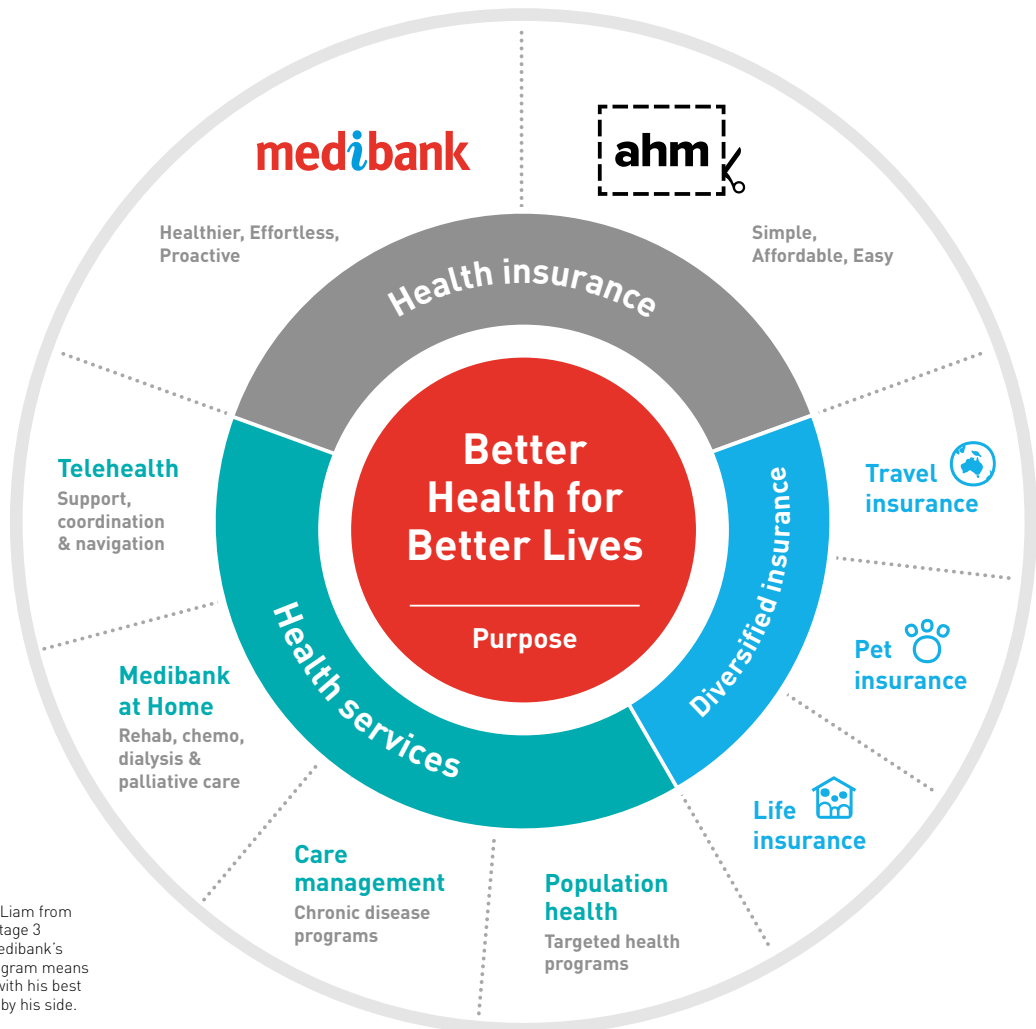
1. Broaden the offering of our Medibank and ahm brands to deliver the best combination of products, service and advice for our customers.
2. Build a market leading health services offering for our customers.

Our business

Medibank provides private health insurance through our Medibank and ahm brands. During the year we supported customers through more than 1.3 million hospital admissions, 500,000 surgical procedures and 23.8 million extras services. We also delivered a range of health services across Australia including telehealth, in home care and care management, and distributed travel, life and pet insurance.

Our values

 CUSTOMERS FIRST Our customers are at the centre of everything we do.	 SHOW HEART We show compassion. We care for each other, our customers and our community.
 OWN IT DO IT We are accountable. We deliver on our promises, even when it's hard. We make it happen.	 ONE TEAM We work better and smarter together. More we, less me.



Cover: Twenty-one year old Liam from Perth was diagnosed with stage 3 non-Hodgkin lymphoma. Medibank's Chemotherapy at Home program means he can be treated at home with his best mate Jack the kelpie-cross by his side.

Dear Shareholder

I am pleased to invite you to attend the annual general meeting (meeting) of Medibank Private Limited (Medibank) to be held on Wednesday 14 November 2018 at 10.30am (Melbourne time).

Meeting details

The annual general meeting will be held at the Clarendon Auditorium, Level 1, Melbourne Exhibition Centre, Melbourne Convention and Exhibition Centre, 2 Clarendon Street, South Wharf, Victoria 3006. A map with directions to the venue appears on page 14 of this notice.

If you attend the meeting, you will need to register at one of the registration desks on the day. Registration will commence at 9.30am (Melbourne time). You will find it easier to register if you bring with you a shareholder document showing your holder number (such as a holding statement or proxy form).

This notice sets out the details of the items of business of the meeting, as well as voting instructions and explanatory notes.

At the meeting, our Chief Executive Officer, Craig Drummond, and I will review the operations and performance of Medibank for the year ended 30 June 2018. There will be an opportunity for shareholders to ask questions of the Board and the external auditor. We encourage your participation at the meeting and look forward to providing an informative program.

If you are unable to attend the meeting in person, I encourage you to submit your voting instructions by:

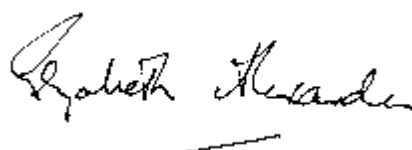
- following the instructions on the front of the proxy form to lodge your proxy electronically at www.investorvote.com.au; or
- completing the personalised proxy form and returning it to Medibank's share registry.

The completed proxy form must be lodged electronically or be received by no later than 10.30am (Melbourne time) on Monday 12 November 2018.

The meeting will be webcast live and may be viewed at www.medibank.com.au. The webcast will also be available on Medibank's website shortly after the conclusion of the meeting together with the presentations and voting results.

I look forward to seeing you at the meeting, and thank you for your support as a shareholder.

Yours sincerely



Elizabeth Alexander AM
Chairman

Financial summary

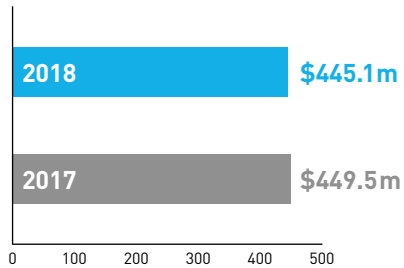
All data is presented on a statutory basis

Dividend

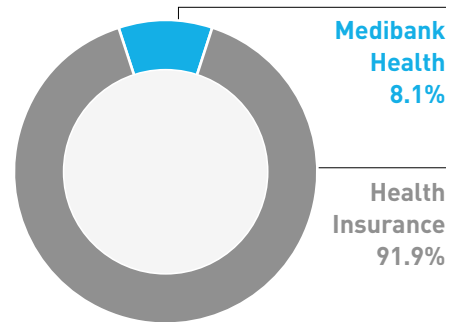
12.70
cents per share

Total dividend for 2018
(interim and final)
fully franked

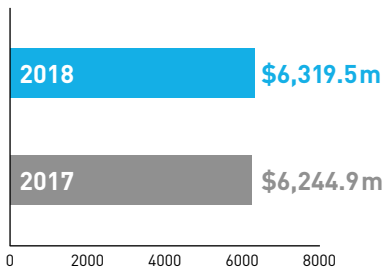
Group net profit after tax (\$m)



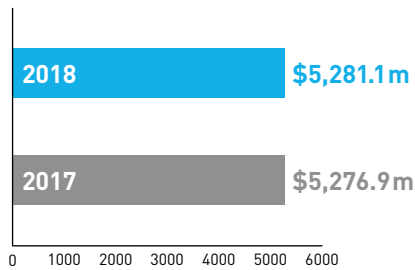
Composition of 2018 segment operating profit (%)



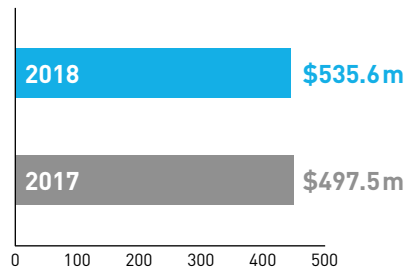
Health Insurance premium revenue (\$m)



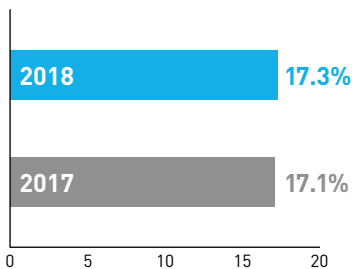
Health Insurance claims expense (excluding risk equalisation) (\$m)



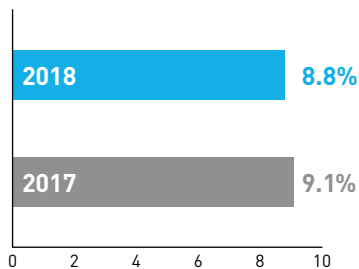
Health Insurance operating profit (\$m)



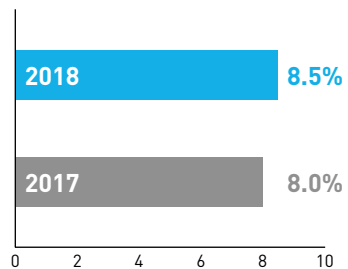
Health Insurance gross margin (%)



Health Insurance management expense ratio (%)



Health Insurance operating margin (%)



Business snapshot

3.7 million
customers



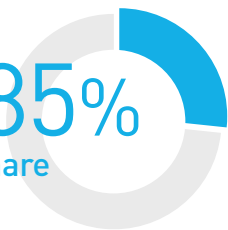
ADDITIONAL VALUE
committed to customers **\$35 million**

Includes one-off loyalty bonus, 100% dental give back, Medibank Health Concierge & Medibank at Home

26.85%

market share

at 30 June 2018



3.88%

lowest average premium increase
in 17 years & below industry
average for a second year running

\$5.3 billion

benefits paid to customers

(excluding risk equalisation)



**Medibank
Priority
Program**

launched to
recognise

10+ year
customers

Mental health support

Psychology waiting periods
removed to help customers
needing urgent support

On current extras products as at 1 April 2018

Medibank at Home

Expanded to give
customers choice over
how & where they
receive their care



SUPPORTED

1.3 million + hospital
admissions

23.8 million + extras
services

500,000 + surgical
procedures

13,000+

customers supported
through Health Concierge
during the year

21,000+

people living with chronic
conditions supported through
CareComplete to date

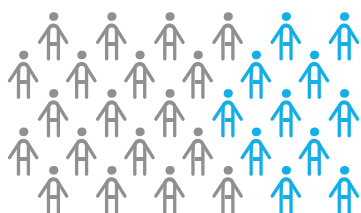
1.8 million



interactions with the community
via phone, chat & email through
our telehealth services

4,155
employees

*Headcount following
acquisition of Home
Support Services in
August 2018



including around

1,500

health
professionals

Community
investment

\$3.7 million



45% ♀

women senior leaders

85% ↑ up from
81%

employee engagement

84 retail stores

including 20 in regional areas



Chairman's message



12.70
cents per share

Total dividend for 2018
(interim and final)
fully franked

1.3 million+
hospital admissions supported

23.8 million+
extras services supported

500,000+
surgical procedures supported

Medibank worked hard during the year to deliver for our customers and progress our transformation into a broader health services company.

Our performance helped us to pay a dividend to shareholders totalling 12.70 cents per share fully franked.

Medibank and ahm supported more than 1.3 million hospital admissions, 500,000 surgical procedures and 23.8 million extras services. These numbers show how we are supporting our customers, and just how important private health insurance is.

Australia has one of the best health systems in the world due to the strength of both the public and private systems. It is for this reason that we must all continue to work hard to ensure it is sustainable for future generations.

Medibank has delivered a range of initiatives this year to improve affordability and transparency for our customers. Whether it is the introduction of new online customer tools, personalised programs to provide extra health support, or giving back additional value, we remain focused on addressing these important issues. Medibank also expanded the health services delivered to customers in their homes, which we see as critical to providing our customers with choice as well as alleviating financial pressure within the health system.

Equally important is the role of government reform, which is fundamental to driving real and substantive change. Prostheses reform allowed us to pass on \$50 million in savings to our customers through our lowest average premium increase in 17 years. Likewise, recent mental health reform, and the removal of waiting periods on psychology services which Medibank introduced on top of this, is making a real difference to customers' lives. We will continue to actively advocate for further reform, including through the two Federal Government committees reviewing out-of-pocket costs and low value care.

What is pleasing is that our focus on our customers is improving key customer metrics. Customer numbers have grown, complaints to the Ombudsman have decreased, and our Service net promoter score has improved. But of course, we are on a journey and there is always more to be done.

Management continues to be focused on improving the products and experience Medibank delivers to customers and the health services we offer. This focus is shared by the Board, whose diversity and range of expertise and experience continues to be important. I would like to take this opportunity to thank each of the directors for their continued commitment and support.

This year we have reported on environmental, social and governance issues in the annual report for the first time using Medibank's four sustainability pillars of Customers, Employees, Community and Environment. I am pleased to report that we moved our international equity investments to a low carbon portfolio in May 2018, and that we are on track to make a similar transition with our domestic equity investments within the 2019 financial year.

I wish to thank Craig Drummond and the Executive Leadership Team for their ongoing commitment to our customers and Medibank's Better Health for Better Lives purpose. A company is only as good as its people and I would like to take this opportunity to recognise and thank Medibank's employees, whose continued focus has delivered these results.

Elizabeth Alexander AM
Chairman

CEO's message



2018 has been an important year for our company. Medibank's continued focus on our customers has seen us make considerable progress, delivering a better customer experience, more value and recognising customer loyalty.

We paid \$5.3 billion in benefits to Medibank and ahm customers, delivered a premium increase that was below industry average, improved our net promoter score and reduced our customer complaints to the lowest levels since 2014. We have also committed to giving back around \$35 million in additional value to our customers.

This has resulted in a substantial turnaround in our customer advocacy and retention, helping us grow market share by five basis points in the last half of 2018, which is the first time in a decade that we have experienced growth in a six-month period.

Pleasingly, our Medibank at Home program is progressing well. Rehabilitation at Home is now operating nationally and delivered services to 850 customers this year at about one third the average cost of inpatient services. We have expanded our trials to include dialysis, in addition to chemotherapy and palliative care.

We have also recently announced the acquisition of Home Support Services (HSS), one of Australia's leading providers of in home care. HSS provides us the scale, clinical experience and capability to accelerate our strategy and offer our customers the choice of where and when they would like to access their healthcare.

Importantly we are working to make sure that our customers are matched to the right cover. In 2018, Medibank and ahm completed 390,000 check-ins and in 2019, we are aiming to reach another 500,000 customers.

We recognise of course, that affordability remains a concern and we are working hard to address this within our business, which is why we are committed to removing \$60 million worth of our own management costs over the next three years. Just as important, we have been working with the Federal Government on reform measures designed to reduce the cost of private healthcare in Australia.

Reform is one of the key things that can put downward pressure on premiums, and over the past 12 months, we have seen more reform than in the last 18 years. It is imperative that this work continues in order to maintain the quality healthcare system that we have in Australia, because each time a patient is seen in a private setting it reduces pressure within the public health system.

We have also stepped up our support for our customers most in need, and announced that we will be providing up to \$6 million in financial relief for the farming community, which will go towards covering the cost of their premiums for up to six months.

Our business is now stronger and more sustainable. There is a lot to be proud of and importantly, Medibank is back on track.

I would like to thank our people for their incredible work. We have a great mix of talent and experience at Medibank and the work they do each day is driving better outcomes for our customers, and in turn you, our shareholders.

Craig Drummond
Chief Executive Officer

\$5.3 billion

benefits paid to customers
(excluding risk equalisation)

\$445.1 million

Group net profit after tax

Down 1% principally due to lower market returns impacting investment income

\$535.6 million

Health Insurance operating profit
(up 7.7%)

\$47.3 million

Medibank Health operating profit
(up 32.5%)

Medibank Private Limited

Notice of Annual General Meeting 2018

Medibank's annual general meeting will be held at the Clarendon Auditorium, Level 1, Melbourne Exhibition Centre, Melbourne Convention and Exhibition Centre, 2 Clarendon Street, South Wharf, Victoria 3006 on Wednesday 14 November 2018 at 10.30am (Melbourne time).

Business

Resolution 1

Receipt of financial statements and reports

To consider the financial report for the year ended 30 June 2018, together with the directors' report and auditor's report as set out in the 2018 annual report.

Resolution 2

Re-election of Peter Hodgett as a director

Resolution 3

Re-election of Christine O'Reilly as a director

Resolution 4

Adoption of the remuneration report

To adopt the remuneration report (which forms part of the directors' report) for the year ended 30 June 2018.

Resolution 5

Non-executive director remuneration

To approve the increase in the maximum aggregate amount per annum available for payment as remuneration to the non-executive directors of Medibank by \$300,000, from \$2,000,000 to \$2,300,000 per annum, with effect from and including the financial year commenced on 1 July 2018.

Resolution 6

Grant of performance rights to the Chief Executive Officer

To approve the grant of performance rights to Craig Drummond (being Medibank's Chief Executive Officer) to be issued in accordance with Medibank's 2019 Long-Term Incentive Plan as described in the explanatory notes.

By order of the Board



Mei Ramsay

Company Secretary
14 September 2018

Attendance and voting

All shareholders may attend the annual general meeting. For the purpose of voting at the meeting, the directors have determined that shareholders will be taken to be those persons who are registered as holding shares in Medibank at 7.00pm (Melbourne time) on Monday 12 November 2018.

All resolutions at the meeting will be determined by way of a poll.

Shareholder questions

If you are entitled to vote at the meeting, you may submit written questions relevant to the business of the meeting in advance. Questions may also be submitted for the external auditor about the auditor's report or the conduct of the audit.

Questions may be lodged as part of the online proxy process. Alternatively you may send written questions to Medibank's share registry at the address set out on the proxy form or email your questions to company.secretary@medibank.com.au. Please ensure that your written questions are received no later than 5.00pm (Melbourne time) on Wednesday 7 November 2018.

How to vote

Voting in person

Shareholders may vote by attending the meeting and casting their votes in person.

Voting by proxy

A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy or attorney to attend and vote on their behalf. A proxy or attorney need not be a shareholder of Medibank and may be an individual or a body corporate (and any body corporate so appointed may then appoint an individual to exercise its powers at the meeting).

A shareholder who is entitled to cast two or more votes may appoint two proxies or attorneys and may specify the proportion or number of votes that each proxy or attorney may exercise. If no proportion or number is specified, each proxy or attorney may exercise half of the shareholder's votes. If you wish to appoint two proxies, please follow the instructions on the proxy form.

Shareholders can direct their proxy how to vote. If a shareholder appoints the Chairman of the meeting as proxy and does not direct the Chairman how to vote, then the Chairman (unless restricted from voting on the resolution) will vote FOR each resolution.

How to vote by proxy

Shareholders should consider directing their proxy as to how to vote on each resolution by marking either the "For", "Against" or "Abstain" box when completing their proxy form.

Under the Corporations Act, if the appointment of a proxy specifies the way the proxy is to vote on a particular resolution, and:

- if the proxy is not the Chairman of the meeting, the proxy need not vote on a poll but if the proxy does so, the proxy must vote as directed (subject to any applicable voting restrictions);
- if the proxy is the Chairman of the meeting, the proxy must vote on a poll and must vote as directed.

In addition, there are some circumstances where the Chairman of the meeting will be taken to have been appointed as a shareholder's proxy for the purposes of voting on a particular resolution even if the shareholder has not expressly appointed the Chairman of the meeting as their proxy.

This will be the case where:

- the appointment of the proxy specifies the way the proxy is to vote on a particular resolution; and
- the appointed proxy is not the Chairman of the meeting; and
- a poll is called on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the AGM; or
 - the proxy attends the AGM but does not vote on the resolution.

Lodging your proxy form

To be valid, proxy forms must be lodged electronically or be received by Medibank's share registry, Computershare Investor Services Pty Limited (Computershare), no later than 10.30am (Melbourne time) on Monday 12 November 2018 (Proxy Deadline).

Proxy forms may be submitted:

- online at www.investorvote.com.au. To use this facility, please follow the link in your email inviting you to the annual general meeting, or the instructions on your proxy form;
- by post to GPO Box 242, Melbourne Victoria 3001. Please allow sufficient time for the form to reach Computershare by the Proxy Deadline;
- by facsimile to Computershare on +61 (0)3 9473 2555; or
- by hand delivery to Computershare, Yarra Falls, 452 Johnston Street, Abbotsford, Victoria.

Corporate representatives

A corporate shareholder wishing to appoint a person to act as its representative at the meeting may do so by providing that person with:

- a properly executed letter, certificate, form, or other document, such as an "Appointment of Corporate Representative" confirming that they are authorised to act as the corporate shareholder's representative. A form may be obtained from www.investorcentre.com under the tab "Need a printable form?"; or
- a copy of the resolution appointing the representative, certified by a director or secretary of the corporate shareholder. A copy of the signed document must be produced prior to admission to the meeting.

Power of attorney

If a shareholder has appointed an attorney to attend and vote at the meeting, or if the proxy form is signed by an attorney, the power of attorney (or a certified copy) must be received by Computershare by the Proxy Deadline, unless the document has been previously lodged with Computershare. Powers of attorney may be submitted by post or by hand delivery to the addresses shown above.

Voting restrictions

Resolution 4 – Adoption of the remuneration report

A vote may not be cast (in any capacity) on resolution 4 by or on behalf of a member of Medibank's key management personnel (KMP), whose remuneration details are included in the remuneration report, or a KMP's closely related parties. A "closely related party" includes a spouse, dependant and certain other close family members of a KMP, as well as any companies controlled by a KMP.

However, a vote may be cast on resolution 4 (and that person is not prohibited from voting) if:

- it is cast by a KMP or a KMP's closely related party as proxy for a person entitled to vote and the vote is cast in accordance with the directions on the proxy form; or

- it is cast by the Chairman of the meeting, as proxy for a person entitled to vote, if:
 - the appointment does not specify the way the proxy is to vote on resolution 4; and
 - the appointment expressly authorises the Chairman of the meeting to exercise the proxy even if resolution 4 is connected directly or indirectly with the remuneration of a KMP.

The Chairman of the meeting intends to vote undirected proxies FOR resolution 4.

Resolution 5 – Increase in non-executive director fee cap

Medibank will disregard any votes on resolution 5:

- cast in favour by or on behalf of a director or any of their associates; or
- cast by a KMP, or a closely related party of a KMP acting as a proxy, if their appointment does not specify the way the proxy is to vote on the resolution.

However, Medibank will not disregard a vote on resolution 5 (and that person is not prohibited from voting) if:

- it is cast by a person identified above as a proxy for a person who is entitled to vote on the resolution and the vote is cast in accordance with the directions on the proxy form; or
- it is cast by the Chairman of the meeting (who is a KMP) as proxy for a person who is entitled to vote on the resolution and the proxy appointment expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a KMP.

The Chairman of the meeting intends to vote undirected proxies FOR resolution 5.

Resolution 6 – Grant of performance rights to the Chief Executive Officer

Medibank will disregard any votes on resolution 6:

- cast in favour by Craig Drummond or any of his associates; or
- cast by a KMP or a closely related party of a KMP, acting as a proxy, if their appointment does not specify the way the proxy is to vote on the resolution.

However, a vote may be cast on resolution 6 (and that person is not prohibited from voting) if:

- it is cast by a person identified above as a proxy for a person who is entitled to vote on the resolution and the vote is cast in accordance with the directions on the proxy form; or
- it is cast by the Chairman of the meeting, as proxy for a person who is entitled to vote on the resolution, and the proxy appointment expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a KMP.

The Chairman of the meeting intends to vote undirected proxies FOR resolution 6.

Note

The voting restrictions for resolutions 4, 5 and 6 mean that if you appoint a KMP (such as a director) as your proxy, it is important that you direct them on how to vote by ticking one of the “For”, “Against” or “Abstain” boxes on your proxy form in respect of each resolution. This is because, in certain circumstances, a KMP is prohibited from voting undirected proxies on resolutions 4, 5 and 6.

If the Chairman of the meeting is your proxy or is appointed as your proxy by default, and you do not direct your proxy to vote “For”, “Against” or “Abstain” on resolution 4, 5 or 6, you expressly authorise the Chairman to exercise the proxy even though those resolutions are connected directly or indirectly with the remuneration of a member of the KMP.

Explanatory notes

Resolution 1

Receipt of financial statements and reports

Medibank’s financial statements and reports for the year ended 30 June 2018 are set out in its 2018 annual report. The annual report is available at www.medibank.com.au.

The Corporations Act requires that the financial report, directors’ report, and auditor’s report of Medibank and the consolidated entity be placed before the meeting. There is no requirement for shareholders to vote on these reports.

Shareholders will be given a reasonable opportunity at the meeting to ask questions about and make comments on the financial statements and reports and on the management of Medibank. During discussion on this item, the external auditor will be present and will answer relevant questions.

Resolution 2

Re-election of Peter Hodgett as a director

Peter Hodgett retires in accordance with article 11.3(b)(iii) of the Medibank Constitution and, being eligible, offers himself for re-election.



Peter Hodgett
Independent Non-executive Director
FAICD

Peter was appointed a director in June 2013. He is Chairman of the Investment and Capital Committee, and a member of the Audit Committee and the Nomination Committee.

Peter worked for AMP for more than 20 years in a wide variety of business and functional roles, including Chief Actuary during its demutualisation, General Manager of Human Resources and Strategy, and as Global Director of Finance and Operations for Henderson Global Investors in the United Kingdom.

Peter is currently a director of Colonial First State Investments Limited, Colonial Mutual Superannuation and Avanteos Investments Limited.

Recommendation

The Board (other than Peter Hodgett) recommends that shareholders vote FOR this resolution.

Resolution 3

Re-election of Christine O'Reilly as a director

Christine O'Reilly retires in accordance with article 11.3(b)(iii) of the Medibank Constitution and, being eligible, offers herself for re-election.



Christine O'Reilly
Independent Non-executive Director
BBus

Christine was appointed a director in March 2014. She is Chairman of the Audit Committee and a member of the Risk Management Committee and the Nomination Committee.

Christine has more than 30 years of financial and infrastructure experience both in Australia and internationally, including as Co-head of Unlisted Infrastructure at Colonial First State Global Asset Management, and as Chief Executive and Managing Director of GasNet Australia Group.

Christine is currently a director of CSL Limited, Transurban Group, Stockland and Baker IDI.

Recommendation

The Board (other than Christine O'Reilly) recommends that shareholders vote FOR this resolution.

Resolution 4

Adoption of the remuneration report

Medibank's remuneration report for the year ended 30 June 2018 is set out on pages 47 to 71 of its 2018 annual report.

The remuneration report contains information about the remuneration policy of Medibank and the remuneration of non-executive directors, the Chief Executive Officer and other KMP for the financial year ended 30 June 2018.

At the meeting, the Chairman will give shareholders a reasonable opportunity to ask questions about and make comments on the remuneration report.

The vote on this resolution is advisory only and does not bind Medibank or its directors. However, the Board will actively consider the outcome of the vote and comments made by shareholders on the remuneration report at the meeting when reviewing Medibank's future remuneration policies and practices.

Recommendation

The Board recommends that shareholders vote FOR this resolution. Subject to voting restrictions set out on page 8, the Chairman of the meeting intends to vote undirected proxies FOR this resolution.

Resolution 5

Non-executive director remuneration

Shareholder approval is sought to increase the maximum aggregate annual amount available for payment as remuneration to the non-executive directors of Medibank by \$300,000, from \$2,000,000 to \$2,300,000 per annum, with effect from and including the financial year commenced on 1 July 2018.

In accordance with article 11.8 of Medibank's Constitution and for the purposes of Australian Securities Exchange (ASX) Listing Rule 10.17, the maximum aggregate amount payable as remuneration to all non-executive directors of Medibank in any year must not exceed an amount determined by shareholders at a general meeting (fee cap). The current fee cap of \$2,000,000 has not increased since being fixed during the initial public offering of Medibank in 2014.

Although an increase in the aggregate fee cap is being sought, Medibank does not intend to use the full amount of the fee cap in the current financial year or in the near future. The fee cap serves as a maximum annual limit and an increase in the fee cap does not mean that the remuneration of non-executive directors will be increased accordingly to reach that limit. An increase in the fee cap will, however, provide the Board with flexibility to adjust Board and remuneration arrangements where the Board considers it appropriate in the future.

The Board is seeking shareholder approval to increase the fee cap:

- to ensure the fee cap can accommodate current and future changes to the Board and committee structure; and
- to enable Medibank to maintain remuneration arrangements that are market-competitive, so it can attract and retain high calibre individuals with the appropriate skills, experience, expertise and diversity as non-executive directors.

At the 2016 AGM Medibank sought shareholder approval to increase the minimum number of directors on the Board from eight to nine, and as announced on 25 May 2017, Mike Wilkins was appointed as a non-executive director to fill that vacancy. In addition, as recommended by the Australian Prudential Regulatory Authority, Medibank separated the Audit and Risk Management Committee into two distinct and focused board committees. Both these events impact the fees payable to non-executive directors.

The fees payable to non-executive directors are reviewed annually by the People and Remuneration Committee. When reviewing non-executive directors' fees, the People and Remuneration Committee receives information from our independent remuneration consultants for the purpose of confirming that Medibank's approach is appropriate, having regard to market practice. Details of the remuneration arrangements for non-executive directors are set out in the remuneration report on pages 68 to 71 of the 2018 annual report.

In 2018, Medibank's independent remuneration consultant was engaged to benchmark Medibank's current Board and Committee fees, and the non-executive director fee pool against comparator companies. Based on the information provided, Medibank considers that the amount of the increase and the percentage of the increase to the fee cap will bring the fee cap in line with the market median, is not excessive and is consistent with previous shareholder approvals obtained by other companies in the comparator group.

The fee cap is inclusive of all Board and committee membership fees, any special responsibilities such as serving as Chairman, membership of other committees which may be required from time to time, and superannuation contributions. Medibank does not pay any retirement benefits to non-executive directors, other than superannuation.

Non-executive directors do not receive any performance or incentive payments and are not eligible to participate in any of Medibank's incentive plans. No securities have been issued to any non-executive director under ASX Listing Rules 10.11 or 10.14 with shareholder approval since Medibank was listed on the ASX in November 2014.

All non-executive directors have abstained from making a recommendation to shareholders in relation to resolution 5, given they have a personal interest in the subject of this resolution. Subject to voting restrictions set out on page 8, the Chairman of the meeting intends to vote undirected proxies FOR this resolution.

Resolution 6

Grant of performance rights to the Chief Executive Officer

Shareholder approval is being sought to grant performance rights to the Chief Executive Officer, Craig Drummond under Medibank's Long-Term Incentive (LTI) Plan. Details of Craig Drummond's remuneration arrangements are set out in Medibank's 2018 remuneration report.

Key terms

The key terms of the grant of performance rights proposed to be made to Craig Drummond are set out below.

Number allocated	Craig Drummond's proposed LTI award is 790,720 performance rights (LTI performance rights). These LTI performance rights have a face value of \$2,301,000 (being 150% of his total fixed remuneration for the 2019 financial year). The number of LTI performance rights proposed to be granted has been determined using the volume weighted average price of Medibank shares on the ASX during the 10 trading days up to and including 29 June 2018 (being \$2.91). No dividends are paid on LTI performance rights.
Date of grant	If shareholders approve the grant of LTI performance rights, those performance rights will be granted to Craig Drummond within 12 months of the annual general meeting at no cost to him.
Performance period and vesting	Each LTI performance right proposed to be granted to Craig Drummond will give him the right to receive one share in Medibank, subject to the LTI performance right vesting at the end of a three-year performance period beginning on 1 July 2018 and ending on 30 June 2021. No value will be received if the vesting conditions are not met or the LTI performance rights otherwise lapse.
No retesting	The LTI vesting conditions are only tested once following the end of the performance period. Any LTI performance rights that remain unvested following the end of the performance period will lapse immediately.
Vesting conditions	50% of the LTI performance rights proposed to be granted will be subject to a vesting condition based on Medibank's earnings per share compound annual growth rate (EPS CAGR) over the performance period (EPS performance rights), while the other 50% will be subject to a relative total shareholder return (TSR) vesting condition measured over the performance period (TSR performance rights).

Each year, the Board reviews the targets and vesting conditions in the context of the lower growth environment in which Medibank is operating. The Board is committed to setting targets that are appropriately challenging for management to meet while not being unattainable and which ultimately support the delivery of strong results for shareholders.

EPS performance rights

In this context, the Board approved a threshold EPS CAGR target of 3%. The number of EPS performance rights that vest on achievement of the threshold EPS CAGR target has been retained by the Board at 33.33% of the EPS performance rights. The EPS CAGR target that must be met for 100% of the EPS performance rights to vest has been retained by the Board at 9%. Details of the vesting schedule are set out below:

Medibank's EPS CAGR over the performance period	Percentage of EPS performance rights that vest
Less than 3% EPS CAGR	Nil
At 3% EPS CAGR	33.33%
Between 3 and 9% EPS and CAGR	Straight line pro-rata between 33.33% and 100%
9% EPS CAGR or greater	100%

Vesting conditions (continued)	<p>Relative TSR performance rights</p> <p>Medibank's TSR will be compared with a comparator group comprising companies with a market capitalisation positioned within the ASX 11–100, excluding mining and energy companies. The percentage of TSR performance rights that vest will be based on Medibank's TSR ranking over the performance period, as set out in the vesting schedule below:</p> <table border="1"> <thead> <tr> <th>Medibank's TSR rank in the comparator group</th><th>Percentage of TSR performance rights that vest</th></tr> </thead> <tbody> <tr> <td>Less than 50th percentile</td><td>Nil</td></tr> <tr> <td>Equal to 50th percentile</td><td>50%</td></tr> <tr> <td>Greater than 50th and up to 75th percentile</td><td>Straight line pro-rata between 50% and 100%</td></tr> <tr> <td>At or above 75th percentile</td><td>100%</td></tr> </tbody> </table> <p>The Board believes that the vesting conditions are robust targets which require strong performance. The Board reviews incentive targets and the broader executive remuneration framework on an ongoing basis to ensure they continue to align with Medibank's business strategy and shareholder experience.</p>	Medibank's TSR rank in the comparator group	Percentage of TSR performance rights that vest	Less than 50th percentile	Nil	Equal to 50th percentile	50%	Greater than 50th and up to 75th percentile	Straight line pro-rata between 50% and 100%	At or above 75th percentile	100%
Medibank's TSR rank in the comparator group	Percentage of TSR performance rights that vest										
Less than 50th percentile	Nil										
Equal to 50th percentile	50%										
Greater than 50th and up to 75th percentile	Straight line pro-rata between 50% and 100%										
At or above 75th percentile	100%										
Cessation of employment	<p>If Craig Drummond ceases employment with Medibank before his LTI performance rights have vested and is a 'good leaver', the LTI performance rights held by him on cessation of employment will be forfeited on a pro rata basis according to a formula that takes into account the length of time that he has held the LTI performance rights relative to the performance period for the grant. The remaining LTI performance rights will remain unvested and will be tested at the end of the performance period against the existing vesting conditions.</p> <p>If Craig Drummond's employment is terminated for other reasons (such as resignation, misconduct, fraud or unsatisfactory performance) then the unvested LTI performance rights held by him will lapse immediately on cessation of employment.</p>										
Clawback	<p>The Board has discretion to reduce, cancel or recover any performance-based awards (including performance rights) made to a senior executive employee in certain circumstances, including serious misconduct or fraud by the senior executive employee, if the senior executive employee engages in any action that impacts on Medibank's reputation or long-term financial soundness, unsatisfactory performance by the senior executive employee to the detriment of Medibank's strategic objectives, an error in the calculation of a performance measure related to performance-based remuneration, a misstatement of Medibank's financial statements, or if the Board becomes aware of any other action that it determines (acting in good faith) has resulted in the senior executive employee receiving an inappropriate benefit.</p>										

The Board has determined to purchase the shares required on market, and therefore is not required to seek shareholder approval for the proposed grant. However, in the interests of transparency and good governance, Medibank considers it is appropriate to do so.

If shareholder approval of the grant of performance rights to Craig Drummond under Medibank's LTI Plan is not obtained, he will receive a cash payment in lieu of those performance rights. The cash payment would be subject to the same vesting conditions outlined on page 12.

Other information required by the ASX Listing Rules

At Medibank's 2017 annual general meeting, shareholder approval was obtained for the grant of performance rights to Craig Drummond under the LTI Plan, and 830,684 performance rights were granted on 27 December 2017. No amount is payable by Craig Drummond for the LTI performance rights. Craig Drummond is the only director eligible to participate in Medibank's LTI Plan. No loan has been or will be made to Craig Drummond by Medibank in relation to the LTI performance rights.

Recommendation

The Board (other than Craig Drummond) recommends that shareholders vote FOR this resolution. Subject to voting restrictions set out on pages 8 to 9. The Chairman of the meeting intends to vote undirected proxies FOR this resolution.

Getting to the annual general meeting

Public transport

Tram: Catch any of the following trams and exit at the stop opposite the Clarendon Street entrance of the Melbourne Exhibition Centre: Route 96, 109 or 12.

Train: Take any train to Southern Cross Station. Exit at Southern Cross Station and catch tram number 96, 109 or 12 as above.

Taxi: Ask your driver to drop you off at the Clarendon Street entrance of the Melbourne Exhibition Centre.

Parking

Parking is available at the Melbourne Exhibition Centre and adjacent car parks. Please read the important car parking information at <http://mcec.com.au/your-visit/getting-there/>

