

Disclosures required under Prudential Standard HPS 110 Capital Adequacy

Defence Health must comply with the prudential capital requirements prescribed under Prudential Standards HPS 110 Capital Adequacy, to maintain adequate capital against the risks associated with its activities.

As required by HPS 110, Defence Health has a Board-approved Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP involves an integrated approach to risk management and capital management, based around assessing the level of, and appetite for, risk in the regulated institution and ensuring that the level and quality of capital is appropriate to that risk profile.

Defence Health's ICAAP sets out the target capital level, together with triggers and actions to be taken in the event of an adverse stress. Defence Health's capital management objectives are to maintain adequate capital over time to ensure the timely payment of all eligible customer benefits, invest in initiatives that enhance member value, support the long-term sustainability of the business and enable the successful delivery of its strategic objectives.

The table below sets out Defence Health's annual disclosure of its APRA regulatory capital position at 30 June 2025 as submitted to APRA. Defence Health operates a Health Benefits Fund (HBF) and a General Fund (GF) within the Insurer entity and is required to disclose capital information for both funds, and the total Insurer as outlined below.

30 June 2025	HBF \$'000	GF \$'000	Insurer \$'000
Capital Base			
Net Assets	599,646	22,595	622,241
Regulatory Adjustments	7,621	-	7,621
Common Equity Tier 1 Capital	607,267	22,595	629,862
Additional Tier 1 and 2 Capital	-	-	-
Total Capital Base	607,267	22,595	629,862
Prescribed Capital Amount			
Insurance Risk Charge	93,780	-	93,780
Asset Risk Charge	89,783	258	90,040
Operational Risk Charge	13,872	-	13,872
Less: Aggregation Benefit	41,353	-	41,353
Total Prescribed Capital Amount	156,082	258	156,340
<i>Capital Adequacy Multiple (Total Capital Base divided by Total Prescribed Capital Amount)</i>	3.89	87.71	4.03