

Disclosures required under Prudential Standard HPS 110

Capital Adequacy

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

Consistent with HPS 110, Defence Health maintains a Board-approved Internal Capital Adequacy Assessment Process (ICAAP) which provides an integrated framework for risk and capital management. Through the ICAAP, Defence Health assesses its capital requirements relative to its risk profile, risk appetite, strategic objectives and operating environment, and ensures that the level and quality of capital remain appropriate to support all these factors.

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 member 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.

As at 30 June 2026, Defence Health's capital position remained well above APRA's prescribed capital requirements, providing a strong capital buffer to support its risk profile and strategic objectives.

The table below sets out Defence Health's annual disclosure of its APRA regulatory capital position at 30 June 2026 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 for the insurer as a whole, as outlined below.

30 June 2026	HBF \$'000	GF \$'000	Insurer \$'000
Capital Base			
Net Assets	628,728	25,611	654,339
Regulatory Adjustments	15,355	-	15,355
Common Equity Tier 1 Capital	644,083	25,611	669,694
Additional Tier 1 and 2 Capital	-	-	-
Total Capital Base	644,083	25,611	669,694
Prescribed Capital Amount			
Insurance Risk Charge	112,855	-	112,855
Asset Risk Charge	106,132	214	106,346
Operational Risk Charge	14,164	-	14,164
Less: Aggregation Benefit	49,307	-	49,307
Total Prescribed Capital Amount	183,844	214	184,058
<i>Capital Adequacy Multiple</i> <i>(Total Capital Base divided by Total Prescribed Capital Amount)</i>	3.50	119.52	3.64