

# CBHS Group Capital Management Statement

The CBHS Group consists of two entities, namely CBHS Health Fund Limited (“CBHS Health”) and CBHS Corporate Health Pty Ltd (“CBHS Corporate”). CBHS Corporate is a 100% owned subsidiary of CBHS Health. The Group’s primary source of capital is past and future annual operating surpluses. These surpluses comprise both underwriting returns and investment returns.

CBHS Health focuses on delivering value to its member community by addressing affordability and minimising out-of-pocket expenses, and providing the best service it can to build advocacy within its member community to drive membership growth and retention.

CBHS Corporate provides health insurance to members in line with its values of putting customers first.

The capital management of CBHS Health and CBHS Corporate are governed under Board-approved Internal Capital Adequacy Assessment Process (ICAAP) Summary Statements.

The Group manages its capital to ensure ongoing commercial sustainability of CBHS Health and CBHS Corporate by:

- providing sufficient liquidity to meet operational requirements and manage unforeseen events;
- funding ongoing returns to members via growth in health benefits and moderating the volatility in the required premium increases;
- providing capital to accommodate membership growth, to sustain increases in claim costs or expenses and to withstand significant changes in operations or investments;
- earning competitive investment returns within the boundaries of Board-agreed risk tolerances and avoiding sustained erosion of capital due to loss of market value and inflation; and
- maintaining capital levels at a prudent margin above the capital adequacy requirements set by APRA.

The CBHS entities’ ICAAPs operate in conjunction with the entities’ Investment Policies (which include liquidity management), risk appetites, strategies and business plans. The integration of these policies helps the entities to maintain adequate levels of capital to support their strategic objectives while managing risks in a prudent and disciplined manner.

The main measures to be monitored are the capital ratios, which are the funds’ capital bases (as defined in the capital standards HPS110), compared to the minimum APRA requirements. The surplus over prescribed capital amount for CBHS Health and CBHS Corporate based on the APRA capital standards at 30 June 2024 are as follows:

<b>Capital Base</b>	<b>CBHS Health \$'000</b>	<b>CBHS Corporate \$'000</b>
Accounting Net Assets	362,861	22,945
Regulatory adjustments applied in the calculation of Common Equity Tier 1 Capital	(12,365)	(1,278)
<b>Common Equity Tier 1 Capital</b>	<b>350,495</b>	<b>21,667</b>
Additional Tier 1 Capital	-	-
Regulatory Adjustments to Additional Tier 1 Capital	-	-
Tier 2 Capital	-	-
Regulatory adjustments applied in the calculation of Common Equity Tier 2 Capital	-	-
<b>Total Capital Base</b>	<b>350,495</b>	<b>21,667</b>
<b>Prescribed Capital Amount</b>		
Insurance Risk Charge	55,030	6,717
Asset Risk Charge	90,453	677
Asset Concentration Risk Charge	-	-
Operational Risk Charge	11,100	601
Less: Aggregation Benefit	(30,587)	(509)
Tax Benefits	-	-
<b>Total Prescribed Capital Amount</b>	<b>125,996</b>	<b>7,485</b>
<b>Capital Surplus</b>	<b>224,499</b>	<b>14,181</b>
<b>Capital Adequacy Multiple (Total Capital Base divided by Total Prescribed Capital Amount)</b>	<b>2.78</b>	<b>2.89</b>