Capital Adequacy Disclosure

Regulatory capital position for MLC Limited ABN 90 000 000 402

Keeping our promise for life.
At Acenda, we make a promise for life to our customers. We'll be there to help you through unforeseen events and to get your life back on track. To do this, we make sure we're financially strong, so we can pay your claims when you need us.

We have the funds to keep paying claims.

The Australian Prudential Regulation Authority (APRA), which regulates the Australian financial services industry, requires us to make sure we have enough funds to pay claims to our customers, even in extreme and unexpected financial circumstances. This is called the prescribed capital amount (PCA).

At Acenda, we hold more than double the prescribed capital amount APRA needs us to, so you can be confident we'll keep our promise to be there when life throws you a curveball. (You can find out more in the '**What makes up the PCA?**' section)

To further understand what capital adequacy is, let's break down the term into its components:

- **Capital**: the net assets[1] of the company, adjusted as required by our regulator, APRA, plus any other additional capital as stipulated under the prudential standards.
- **Adequacy**: the capital adequacy multiple is a measurement of an insurer's available capital expressed as a percentage of the PCA.

Why is this important to you?

Acenda's capital allows us to settle our obligations to our customers, shareholders and our people. Having adequate capital means we can pay claims, even in unexpected or unprecedented situations, no matter what happens.

Our capital position at 31 December 2024

The total amount of capital we hold is called our capital base.

Our Regulatory Capital Position on 31 December 2024	
Our capital base	**$1,611 million**
APRA Prescribed capital amount (PCA)	$663 million
Capital adequacy multiple	243%

Our capital is divided into three types:

- **Common Equity Tier 1** – this is the highest quality capital and includes ordinary shares, retained earnings and reserves (less regulatory adjustments). It provides permanent, unrestricted commitment of funds that are available to freely absorb losses.
- **Additional Tier 1** – high-quality capital that provides permanent, unrestricted commitment of funds which are available to freely absorb losses, but do not meet the definition of Common Equity Tier 1.
- **Tier 2** – other components of capital of less quality than Tier 1 but which provide additional capacity to absorb losses. These components may attract an unavoidable service charge, such as interest.

How our business is structured

The Life Insurance Act 1995 requires us to structure our insurance business across 'statutory funds'. Acenda currently has six statutory funds and one shareholder fund.

The premiums we receive and the claims we pay affect the assets and liabilities of the statutory fund(s). If you would like to know which fund your policy falls under, refer to your Product Disclosure Statement (PDS).

What makes up the PCA?

There are six components which, when added together, comprise the total PCA:

- **Insurance risk charge:** Allows for possible losses due to higher claims.
- **Asset risk charge:** Allows for possible losses relating to the investment portfolio.
- **Asset concentration risk charge:** Allows for the risk of a large exposure to a single asset or counterparty.
- **Operational risk charge:** Allows for any unforeseen events encountered in operating the business.
- **Aggregation benefit:** Allows for the diversification of risk across different products (typically a negative number).
- **Combined stress scenario adjustment:** Allows for the impact of multiple losses occurring in a single event.

[1] Being the total assets less the total liabilities

31 December 2024 ($m)	Statutory Funds: Statutory Fund 1	Statutory Fund 2	Statutory Fund 3	Statutory Fund 4	Statutory Fund 5	Statutory Fund 6	Share- holders' Fund	Total Company
Net Assets	1,377.5	7.2	8.4	5.2	55.7	16.8	33.5	1,504.3
Tier 1 regulatory adjustments	(24.6)	-	-	-	25.6	-	(14.4)	(13.4)
Tier 2 regulatory adjustments	120.0	-	-	-	-	-	-	120.0
Total capital base [A]	**1,472.9**	**7.2**	**8.4**	**5.2**	**81.3**	**16.8**	**19.1**	**1,610.9**
consisting of:								
Common Equity Tier 1 Capital	1,352.9	7.2	8.4	5.2	81.3	16.8	19.1	1,490.9
Additional Tier 1 Capital	-	-	-	-	-	-	-	-
Tier 2 Capital	120.0	-	-	-	-	-	-	120.0
Prescribed capital amount [B]	**633.7**	**0.6**	**0.9**	**0.1**	**23.1**	**2.3**	**2.0**	**662.7**
consisting of:								
Insurance Risk Charge	418.0	-	-	-	4.4	-	-	422.4
Asset Risk Charge	116.9	0.1	0.3	0.1	18.2	2.3	1.4	139.3
Asset Concentration Risk Charge	-	-	-	-	-	-	2.4	2.4
Operational Risk Charge	81.5	0.5	0.6	-	2.7	-	-	85.3
Aggregation benefit	(79.0)	-	-	-	(3.0)	-	-	(82.0)
Combined stress scenario adjustment	96.2	-	-	-	0.9	-	0.6	97.7
Capital Adequacy Multiple* ([A]/[B])	**232%**	**1,220%**	**962%**	**5,269%**	**351%**	**743%**	**969%**	**243%**

* Capital adequacy multiples are calculated based on unrounded values.

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