PICC HK's RBC Disclosure Statement at 31 December 2025

This disclosure statement is prepared in accordance with the requirements under the Insurance (Valuation and Capital) Rules and the Insurance (Public Disclosure) Rules.

1. Company profile

(a) Authorized insurer's name

The People's Insurance Company of China (Hong Kong), Limited

(b) Nature of the business, and places of business operations

The People's Insurance Company of China (Hong Kong), Limited (hereinafter referred to as "PICC HK" or the "Company") is an insurer holding all 17 general insurance licenses for property-insurance business available in Hong Kong's general insurance market. The Company's business scope covers general insurance lines including property, marine hull, cargo, motor vehicle, credit and surety, aerospace, accident and health, and general liability insurance, featuring a professional product portfolio with comprehensive protection coverage.

PICC HK conducts business across the Chinese Mainland, Hong Kong SAR, Macao SAR, Chinese Taiwan, Southeast Asia, and other countries and regions along the Belt and Road, with extensive global reach..

In July 2026, PICC HK was consecutively recognized by A.M. Best, a renowned international rating agency, and assigned an "A" in Financial Strength Rating and Long-Term Issuer Credit Rating, and a "Stable" outlook for the Credit Ratings. In recent years, actively responding to China's Belt and Road Initiative, the Company has underwritten landmark projects including the Qasim Coal-Fired Power Plant in Pakistan, Nam Ou River Hydropower Station in Laos, Kamchay Hydropower Station in Cambodia, and Mombasa-Nairobi Railway in Kenya. Its clients include well-known enterprises such as China Communications Construction Group, COSCO Shipping Group, China Power Construction Group, Sinopec Group and CGN Group. PICC HK serves as a key platform for PICC Group to advance its "First-Class Strategy" and pursue international development.

(c) Description of corporate structure

PICC HK is registered in the Hong Kong Special Administrative Region, has a registered capital of HK$1.61 billion. PICC Group holds 89.363% of its shares; Asia Insurance Company Limited holds 7.393%; Bangkok Insurance Public Company Limited holds 2.074%; and Asia Insurance Company (Hong Kong) Limited holds 1.170%.

Major Branches and Subsidiaries are set out below:
- The People's Insurance Company of China (Hong Kong) Limited Macau Branch, registered in the Macao Special Administrative Region in February 2022, engages in non-life insurance and reinsurance-related businesses.
- PICC HK Risk Management and Insurance Consultant Limited, registered in the Hong Kong

Special Administrative Region in May 2022, carries on reinsurance brokerage business.

2. Corporate governance framework

The Board of Directors is the highest-level decision-making body for PICC HK's enterprise-wide risk management and is accountable for the effectiveness of enterprise-wide risk management. During the reporting period (2025), PICC HK had the following Board committees: Risk Committee, Audit Committee, Nomination Committee and Remuneration Committee.

The principal responsibilities of the **Risk Committee** are set out below: to obtain a comprehensive understanding of various risks faced by the Company and their management status, and oversee the effective operation of the risk management system; to review the overall objectives, fundamental policies, working rules and risk management strategies for the Company's enterprise-wide risk management; to review the establishment and authorities of the Company's risk-management function; to review risk assessments for major corporate decisions and disposition plans for material risks; to review the Company's risk appetite and risk limits; to review the Company's annual risk management report and other special-purpose reports; to review the Company's annual compliance report; to review the Company's risk-management work plan; to review the Company's solvency report annually; and to handle other relevant matters.

The principal responsibilities of the **Audit Committee** are set out below: to conduct an independent review of the effectiveness of the Company's financial reporting procedures and internal control systems to ensure compliance with legal requirements; to safeguard shareholders' interests from being prejudiced by deficiencies in the Company's financial reporting procedures and internal control systems.

The principal responsibilities of the **Nomination Committee** are set out below: to ensure that nominees satisfy the qualification requirements under relevant legislation and that nomination procedures comply with the relevant provisions of the Board of Directors.

The principal responsibilities of the **Remuneration Committee** are set out below: to ensure full implementation of the Company's remuneration policies and that remuneration arrangements follow the cost-effectiveness principle.

3. Financial position

(a) Balance sheet determined under the Insurance (Valuation and Capital) Rules

(Unit: in HKD thousands)	*As at 31 December 2025*	*As at 31 December 2024*
Total assets	**6,908,962.23**	**6,469,724.82**
Cash and deposits	1,086,532.12	1,047,363.52
Debt securities	2,213,152.75	1,763,866.60
Equitie	129,706.07	246,655.81
Properties	75,765.12	88,839.50
Other financial assets	1,845,104.54	1,574,592.36
Reinsurance assets	1,452,046.39	1,684,275.71
Tax assets	851.72	13,231.88
Other assets	105,803.52	50,899.44
Total liabilities	**5,024,559.41**	**4,614,734.28**
Insurance liabilities	3,198,299.12	3,064,450.38
Reinsurance liabilities	0	0
Other financial liabilities	1,542,991.82	1,396,465.94
Tax liabilities	9,000.00	0
Other liabilities	274,268.47	153,817.96
Net assets	**1,884,402.82**	**1,854,990.54**

4. Investments

(a) Assumptions and methods used for valuation of investments

The Company adopts the **Direct Comparison Method** for investment valuation. The key assumption is that assets are sold in their existing condition, without taking into account any potential impact on asset value arising from sale-and-leaseback under deferred-term contracts, joint ventures, management agreements or any similar arrangements.

In addition, no options or pre-emptive rights related to or affecting the sale of assets have been considered, nor have adjustments been made for bulk asset sales or sales to a single purchaser. Comparable sales transactions available in the relevant market are referenced, with due and prudent weighing of relative merits and demerits to achieve a fair comparison of values.

5. **Insurance liabilities**

(a) Total insurance liabilities determined under the Insurance (Valuation and Capital) Rules

Insurance Liabilities of General Business

(Unit: in HKD thousands)	As at 31 Dec 2025									
	Direct insurance							Reinsurance		
	Accident and health	Motor vehicle	Marine, aviation, and transport	Property damage	Employees' compensation	General liability	Pecuniary loss	Proportional	Non-proportional	Total general business
Total general insurance liabilities gross of reinsurance	**26,457.30**	**43,220.90**	**34,640.55**	**205,659.18**	**318,220.03**	**46,003.85**	**2,249.12**	**2,426,834.50**	**95,013.68**	**3,198,299.12**
Outstanding claims liabilities	25,330.13	31,171.94	28,222.64	191,246.14	263,237.57	40,465.68	1,976.32	1,927,181.24	88,764.67	2,597,596.34
Premium liabilities	1,083.20	9,504.13	6,273.08	13,369.09	38,229.57	3,314.08	186.95	415,860.24	2,523.04	490,343.38
Margin over current estimate for outstanding claims liabilities	21.38	1,663.52	118.98	807.04	12,760.16	1,782.22	73.26	69,621.41	3,667.78	90,515.75
Margin over current estimate for premium liabilities	22.59	881.32	25.85	236.91	3,992.73	441.87	12.60	14,171.61	58.19	19,843.65
Total general insurance liabilities net of reinsurance	**865.15**	**35,329.14**	**2,458.35**	**18,113.56**	**245,345.87**	**33,079.88**	**1,323.73**	**1,350,100.67**	**59,636.37**	**1,746,252.72**

(Unit: in HKD thousands)

As at 31 Dec 2024

	Direct insurance							Reinsurance		
(Unit: in HKD thousands)	Accident and health	Motor vehicle	Marine, aviation, and transport	Property damage	Employees' compensation	General liability	Pecuniary loss	Proportional	Non-proportional	Total general business
Total general insurance liabilities gross of reinsurance	**37,983.69**	**30,388.37**	**21,651.37**	**126,333.90**	**313,535.61**	**36,805.95**	**1,922.79**	**2,399,445.09**	**96,383.62**	**3,064,450.38**
Outstanding claims liabilities	36,598.47	20,455.78	18,620.80	103,668.26	271,455.09	29,452.76	1,529.92	2,002,803.06	91,590.31	2,576,174.46
Premium liabilities	1,270.08	8,807.82	2,681.37	19,518.44	29,547.54	5,527.64	359.42	327,945.32	2,070.98	397,728.62
Margin over current estimate for outstanding claims liabilities	15.65	651.75	179.85	2,564.06	9,236.12	1,588.72	2.18	54,121.84	2,657.43	71,017.61
Margin over current estimate for premium liabilities	99.50	473.02	169.34	583.13	3,296.86	236.82	31.28	14,574.86	64.89	19,529.69
Total general insurance liabilities net of reinsurance	**1,005.69**	**28,438.52**	**3,775.65**	**18,452.67**	**216,987.43**	**23,284.67**	**1,096.11**	**1,138,785.54**	**52,727.93**	**1,484,554.20**

(b) Assumptions and method used to derive the assumptions for determining insurance liabilities

The approach to estimate claims and premiums liabilities was relied on the paid and incurred loss development methods, supplemented by the Bornhuetter Ferguson ("BF") method. In applying these methodologies, we also relied upon our knowledge of the general insurance markets in Hong Kong. The knowledge includes industry-wide trends in the claims costs, direct and reinsurance premium rates, and underwriting profitability of the classes of insurance business. We have computed the ultimate loss ratios (the estimated undiscounted ultimate losses divided by earned premium), and reviewed these ratios for reasonableness based on our knowledge of the Company's general insurance business and the trends in this class of business in Hong Kong.

In our estimation of the URR, we made reference to the projected ultimate loss ratios mentioned above, actual XOL reinsurance premium rate and actual company management expenses incurred during the year. Commission expenses excluded, except for the sliding commission, in the premiums liabilities since they are already deducted in the Company's Profit and Loss account. The maintenance expenses are estimated by applying a discount factor to the company management expenses, to eliminate operational expenses which are not needed to manage the run-off of UPR.

We rely on paid loss development pattern to project future cash flows per 12 months for each line of business grouping, on gross and net bases respectively. To calculate the present values of future cash flows, we assume future cash flows are settled evenly during each of the 12 months period and apply discount rate derived from specified risk-free yield curve published by Insurance Authority.

We estimated risk margins for the general insurance portfolio by applying two bootstrapping techniques to the Company's historical loss development statistics. The bootstrapping techniques simulate the outstanding claims liabilities. The input to the simulation model was the net paid and incurred loss development triangles. The risk margin factor selected is defined to be at a 75% confidence level.

In our determination of the risk margin for claims liabilities (case reserves plus best estimate IBNR reserves), we have applied a risk margin factor to the claim liabilities. The risk margin factor is selected from the results of the bootstrapping techniques as described above.

For the risk margin for URR, we have judgmentally selected it to be higher than the factor adopted for the claims liabilities, by adding a loading to the claims liabilities. This is because theoretically, the volatility of the URR is higher than that of claims liabilities.

We derived the adjustment for risk diversification using two methods: The "square root rule" and the diversification table provided by the IA.

We adopted the Kittel Method, which assumes that half of the total indirect expenses are incurred when the outstanding case reserves are provided and no indirect expenses are incurred for IBNR reserves arising from outstanding claims which are not fully reserved and incurred-but-not-yet reported claims.

The ICE reserves are estimated by applying a selected indirect claims expense ("ICE") factor to the best estimate net outstanding case and IBNR reserves.

We did not estimate the ICE reserves for the URR, as they are already included in the expected maintenance expenses.

6. Financial performance

(a) Financial performance in total and at a segmented level, including premiums, investment returns and claims

Performance Analysis on Premiums and Claims

(Unit: in HKD thousands)	**For the financial year ended 31 Dec 2025**	**For the financial year ended 31 Dec 2024**
Gross premiums	3,021,514.37	2,328,181.14
Net premiums	1,500,240.18	1,420,481.73
Gross claims paid	968,375.98	936,600.87
Net claims paid	732,771.79	583,432.51

Performance Analysis on investment returns

(Unit: in HKD thousands)	**For the financial year ended 31 Dec 2025**	**For the financial year ended 31 Dec 2024**
Investment returns	128,571.69	Not applicable

(b) Underwriting Results for general business (for pricing adequacy disclosure purposes)

Underwriting Results of General Business

For the financial year ended 31 Dec 2025

(Unit: in HKD thousands)	Direct insurance							Reinsurance		
	Accident and health	Motor vehicle	Marine, aviation, and transport	Property damage	Employees' compensation	General liability	Pecuniary loss	Proportional	Non-proportional	Total general business
Gross premium	5,896.92	37,656.03	61,232.94	101,980.27	117,432.66	23,582.68	1,476.10	2,632,846.45	39,410.31	3,021,514.37
Net premium	144.06	27,463.45	2,264.80	20,359.22	104,258.13	15,561.40	1,059.64	1,312,532.69	16,596.80	1,500,240.18
Net undiscounted BE combined business results, relating to current year	-239.83	-6,294.49	2,484.25	14,032.48	-29,469.43	4,703.22	229.60	-18,384.33	1,291.13	-31,647.40
Net undiscounted BE combined business results, relating to prior year	292.30	4,089.99	921.47	1,919.28	24,102.33	1,846.66	255.24	73,027.74	-21,415.06	85,039.96
Undiscounted underwriting results	**68.38**	**-3,024.60**	**3,395.22**	**15,617.92**	**-7,498.43**	**5,485.18**	**458.56**	**40,834.65**	**-20,918.61**	**34,418.27**

For the financial year ended 31 Dec 2024

(Unit: in HKD thousands)	Direct insurance							Reinsurance		
	Accident and health	Motor vehicle	Marine, aviation, and transport	Property damage	Employees' compensation	General liability	Pecuniary loss	Proportional	Non-proportional	Total general Business
Gross premium	1,001.29	29,403.14	44,813.35	90,204.26	100,651.62	16,740.03	1,707.42	1,993,771.25	49,888.80	2,328,181.14
Net premium	82.61	24,063.93	2,066.64	20,267.04	88,189.12	12,312.37	760.86	1,248,195.80	24,543.35	1,420,481.73
Net undiscounted BE combined business results, relating to current year	-206.26	-5,903.76	1,775.84	8,340.21	-18,040.30	3,431.05	445.46	-56,256.22	2,748.98	-63,665.01
Net undiscounted BE combined business results, relating to prior year	284.59	1,502.33	1,599.30	2,733.15	26,876.80	3,627.53	5.91	84,752.33	-10,068.60	111,313.34
Undiscounted underwriting results	**78.33**	**-4,401.44**	**3,375.14**	**11,073.36**	**8,836.50**	**7,058.58**	**451.36**	**28,496.11**	**-7,319.62**	**47,648.33**

7. **Capital adequacy**

(a) Prescribed capital amount at total level and risk capital amount ("RCA") by sub-risk, determined in accordance with the Insurance (Valuation and Capital) Rules (without applying the transitional arrangement under Part 7 of the Insurance (Valuation and Capital) Rules)

Prescribed Capital Amount

(Unit: in HKD thousands)	**As at 31 Dec 2025**	**As at 31 Dec 2024**
Market risk (diversified RCA)	**271,496.32**	**275,408.34**
Interest rate risk RCA	88,275.82	59,761.51
Credit spread risk RCA	123,925.71	98,444.78
Equity risk RCA	62,485.54	106,763.21
Property risk RCA	18,941.28	22,209.87
Currency risk RCA	117,745.25	116,690.46
Diversification benefits within market risk	-139,877.29	-128,461.50
General Insurance Risk (diversified RCA)	**698,984.34**	**562,603.75**
Reserve and premium risk RCA	427,671.23	375,839.13
Natural catastrophe risk RCA	401,590.04	262,635.36
Man-made non-systemic catastrophe risk RCA	215,947.05	208,100.99
Man-made systemic catastrophe risk RCA	14,688.64	3,440.00
Diversification benefits within general insurance risk	-360,912.62	-287,411.73
Counterparty default and other risk RCA	**176,421.73**	**140,077.07**
Diversification benefits among risk modules	-267,182.68	-237,710.65
Operational risk RCA	**90,313.59**	**77,937.53**
Adjustment for tax effect	-89,922.09	-54,745.34
Prescribed capital amount	**880,111.20**	**763,570.70**

(b) Composition of capital base determined in accordance with the Insurance (Valuation and Capital) Rules

Capital Base

(Unit: in HKD thousands)	**As at 31 Dec 2025**	**As at 31 Dec 2024**
Unlimited Tier 1 capital	1,862,926.92	1,819,806.07
Limited Tier 1 capital	0	0
Tier 2 capital	12,509.14	26,797.81
Capital base	**1,875,436.06**	**1,846,603.88**

(c) Ratio of capital base to prescribed capital amount

	As at 31 Dec 2025	**As at 31 Dec 2024**
Ratio of capital base to prescribed capital amount	**213.09%**	**241.84%**

8. **Risk Management**

(a) **Risk appetite and risk governance framework**

- Formulation of Risk Appetite

The formulation takes into account the expectations and requirements of PICC Group for PICC HK, reflects PICC HK's strategic positioning and development vision, and considers external factors including the insurance market environment and macroeconomic conditions.

By establishing its risk appetite, PICC HK balances the relationship among risk, capital and return to ensure the smooth achievement of corporate strategic objectives. Based on the risk appetite, the Company sets risk management objectives to orchestrate the operation of the overall risk-management system.

The Company adopts a sound and prudent risk-appetite policy. The risk-appetite statement mainly covers six dimensions: capital, profits, value, liquidity, operations and reputation. The risk-management objectives are to uphold the bottom-line principle against systemic risks, implement the sound and prudent risk-appetite policy, continuously strengthen the foundation of enterprise-wide risk management, preserve the Company's financial strength and credit ratings, and strive to deliver enhanced value for shareholders.

- Asset-Liability Management Principles
The Company's insurance-business liabilities mainly comprise claims provisions and UPR arising from property insurance and statutory liability insurance. Most liabilities have a duration of approximately one year, while certain liabilities from statutory liability insurance businesses have a duration of 3-5 years or even longer. Given the multi-currency nature of insurance operations, relevant business liabilities are denominated in multiple currencies.

In light of the foregoing characteristics of insurance liabilities, the Company strictly adheres to the three core principles of safety, liquidity and profitability for investment assets. All bonds, preferred shares and ordinary shares held by the Company are listed on stock exchanges. Bonds are all investment-grade with reasonably matched durations. Ordinary share investments are limited to instruments with a Hong Kong-dollar market capitalization of over HK$10 billion and active market trading. Meanwhile, the Company maintains sufficient multi-currency liquid assets placed in demand deposits and time deposits, with a maximum maturity of one year for time deposits.

- Risk Governance Framework
Reporting to the Board of Directors is the Risk Committee, which is responsible for gaining a comprehensive understanding of the Company's risk profile and risk-management effectiveness. It reviews the overall objectives, fundamental policies, operating rules, risk strategies, organizational structure and authority for enterprise-wide risk management; reviews risk assessments for major decisions and disposal plans for material risks; reviews the Company's risk appetite and risk limits; and reviews the annual risk-management report and various ad-hoc risk reports.

General Manager's Office: In accordance with the enterprise-wide risk-management rules of PICC Group, operational risk-management functions of PICC HK are coordinated by the responsible officer under the General Manager's Office, whose role corresponds to that of the Chief Risk Officer as stipulated by the IA.

Risk and Compliance Committee: Subordinate to the General Manager's Office, it serves as the central coordinating body for the Company's enterprise-wide risk management.

Risk & Compliance Department: Responsible for day-to-day operational matters related to risk management.

(b) **Insurance risk management**

- Premium Risk Management
For direct insurance business in Hong Kong and Macau, the Underwriting Department/Actuarial Department conducts risk assessments on proposed underwriting subjects, completes the division of risk units and accumulates risk statistics. Combined with reinsurance treaty limits

and internal risk-control standards, the maximum underwriting capacity for individual businesses is calculated to determine reinsurance requirements. The Company has catastrophe-XOL reinsurance treaties in place to mitigate catastrophe accumulation risks arising from property and engineering insurance businesses. For marine hull insurance and aviation insurance, management is implemented via maximum retention limits per risk unit, and risks exceeding retention limits are diversified through reinsurance.

- Reserve Risk Management
The actuarial team within the Underwriting Department/Actuarial Department provides product-pricing support and professional advice on underwriting policies, develops professional pricing models, enhances risk measurement and assessment, and performs actuarial functions including product pricing and internal self-assessment of reserves. The Company appoints external actuarial consultants to conduct independent reserve assessments for its overall business, serving as independent verification of internal assessment outcomes and providing professional reference for management to determine the booked amount of reserves. The Company makes corresponding financial adjustments based on both internal and external assessment conclusions to ensure adequate reserve provisions. The Claims Department completes initial loss estimates for claims in a timely manner and dynamically updates case-level loss estimates in response to case developments, ensuring sufficient loss estimates for incurred-and-reported claims and furnishing fundamental data for actuaries to calculate outstanding claim reserves. Through these control measures, the Company keeps reserve risk at a low level on an ongoing basis.

- Concentration Risk Assessment
The Company allocates risks and conducts ongoing monitoring based on the solvency status and credit ratings of reinsurance counterparties to avoid excessive risk concentration. At the current stage, the Company's reinsurance concentration risk remains low.

- Risk Management and Risk Transfer Strategies for Material Insurance Risks
The Company has established comprehensive reinsurance management systems. Clear operating procedures are set jointly with the Underwriting Department, Claims Department, Finance Department and all business units covering counterparty selection, treaty execution, accounting settlement, claims handling and credit control for reinsurance-related activities.

- Insurance Risk Governance and Risk Management
As at end-December 2025, the vast majority of the Company's reinsurance counterparties are (re-)insurance companies with a credit rating of no lower than "A-", or domestic and overseas insurance institutions with strong shareholder strength. Reinsurance counterparties maintain sound credit quality. Overall, the Company's reinsurance risk management is well-implemented, supporting sound and healthy business operations.

(c) Investment risk management

The Company's investment management objective is to priorities fixed-income assets and achieve sustainable long-term returns through sound risk-management strategies. The Company adopts a conservative risk-management approach for its investments and implements a series of risk-managements measures, including requirements governing risk management in respect of asset allocation, geographical allocation, currency allocation, counterparty concentration, sector concentration and duration.

Within the scope of authority delegated by the Board of Directors, the Company's Investment Committee is responsible for formulating the overall investment policy and relevant risk-management guidelines.

As at 31 December 2025, bonds constituted the vast majority of the investment portfolio, all of which carry investment-grade ratings, reflecting the sustained low-risk appetite of the Company. The Company's investment strategy remains focused on its existing asset classes. Any consideration of new investment products would be subject to Board approval and prior risk assessment.

9. Statement of Compliance

(i) I am satisfied with the completeness, accuracy and consistency of the information disclosed in this disclosure statement in respect of **the People's Insurance Company of China (Hong Kong), Limited**;

(ii) I am satisfied that the information in this disclosure statement is prepared in accordance with the Insurance (Public Disclosure) Rules and the Insurance (Valuation and Capital) Rules (subject to any variation or relaxation applied thereto);

(iii) I am satisfied that the information in this disclosure statement can be reconciled with the relevant specified annual forms, on each of which an auditor's report is provided, of **the People's Insurance Company of China (Hong Kong), Limited**'s annual returns for the financial year to which this disclosure statement relates, as submitted under rule 4(1) of the Insurance (Submission of Statements, Reports and Information) Rules; and

(iv) I am satisfied that **the People's Insurance Company of China (Hong Kong), Limited** has complied with all capital requirements that apply to it under the Insurance (Valuation and Capital) Rules (as relaxed or varied, if applicable), during the financial year to which this disclosure statement relates.

Name:	**Fang Fang**
Position:	**Executive Director & CEO**
Company Name:	**The People's Insurance Company of China (Hong Kong), Limited**