

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

XL Insurance Company SE

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

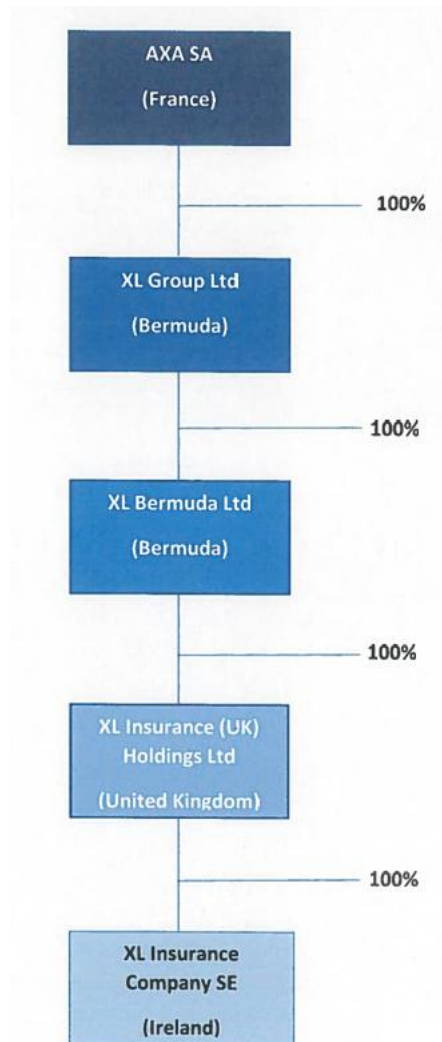
The principal activity of XL Insurance Company SE ("XLICSE") is the transaction of general (re)insurance business ("the business"). The business conducted is primarily commercial insurance, providing property, casualty, financial lines and specialty products to industrial, commercial and professional firms across its network of branches and through fronting partners.
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XLICSE issues policies globally through its network of branches (or through the use of fronting partners) in the major locations of its (re)insurance clients and their respective (re)insurance risks. Its branches are in Europe and the Asia Pacific region. This allows XLICSE to service brokers and clients efficiently providing both local service and global expertise, ensuring that it is able to deliver solutions to the often complex risks of multinational companies. As XLICSE's clients expand into new and emerging markets, XLICSE seeks to ensure that it can support that international expansion with the capability to provide local (re)insurance solutions and local service.
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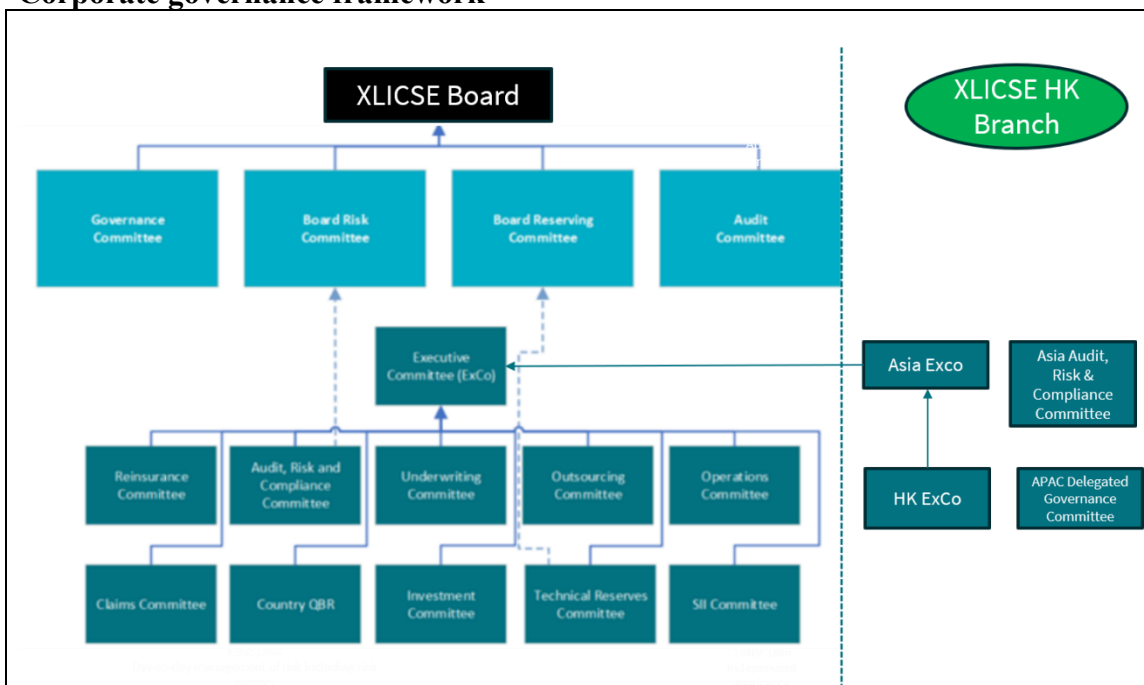
(c) Description of corporate structure

The Hong Kong Branch (“the Branch”) is a segment of XLICSE which is domiciled in Ireland. XLICSE’s immediate holding corporation is XL Insurance (UK) Holdings Limited, a company incorporated in England & Wales. XLICSE’s ultimate parent undertaking is AXA S.A, a company incorporated in France.

XLICSE position within the legal structure of the Group can be seen from the simplified structure chart below:



2 Corporate governance framework



XLICSE is committed to maintaining effective corporate governance and has established a governance framework appropriate to the nature, scale, and complexity of its operations. The Board of Directors of XLICSE has ultimate responsibility for overseeing the implementation and maintenance of this framework and discharges its legal and fiduciary responsibilities directly and through its Board and management committees.

The Board is supported by four Board committees:

- the Governance Committee, whose responsibilities include nominations;
- the Board Risk Committee;
- the Board Reserving Committee; and
- the Audit Committee.

At management level, the Executive Committee (“ExCo”) supports the Board in implementing XLICSE’s strategy and overseeing XLICSE’s operations. The ExCo is in turn supported by a number of management committees, each operating under its respective terms of reference and delegated authority. These include the Audit, Risk and Compliance Committee (“ARCC”), Underwriting Committee, Investment Committee, Reinsurance Committee, Operations Committee, Outsourcing Committee, Country QBR Committee, Claims Committee, Solvency II Committee, and Technical Reserves/Valuation Committee.

These management committees report or escalate matters through the governance structure established in their respective terms of reference. In addition to its reporting to the ExCo, the ARCC supports the Board Risk Committee, while the Technical Reserves/Valuation Committee supports the Board Reserving Committee.

The Branch forms part of the XLICSE's operation in the Asia region. At regional level, the Asia Executive Committee provides oversight and coordination of the execution of the XLICSE's strategy across the Asia region, in line with approved business and strategic plans, the XLICSE's risk appetite, and applicable legal and regulatory requirements.

The Hong Kong Executive Committee ("Hong Kong ExCo") is responsible for implementing the XLICSE's strategy in Hong Kong and overseeing the Branch's day-to-day operations, in each case within its delegated authority. The Hong Kong ExCo is supported by regional governance bodies, including:

- the Asia Audit, Risk and Compliance Committee ("Asia ARCC"), which provides quarterly oversight of the risk management framework as applied to the relevant Asia legal entities; and
- the APAC Delegated Governance Committee, which reviews, approves, and oversees delegated arrangements in the APAC region, including arrangements with managing general agents and third-party claims administrators.

The Hong Kong ExCo and Regional management support XLICSE's ExCo in maintaining an effective governance structure. XLICSE periodically reviews Board effectiveness, committee arrangements, terms of reference, and other governance documents to assess whether the governance framework remains effective and appropriate.

Internal controls

XLICSE applies a Three Lines of Defence approach to support effective governance, risk management, and internal control.

The first line comprises operational management and employees who are responsible for identifying, assessing, managing, and reporting the risks arising from their activities, and for operating the associated controls.

The second line comprises oversight functions, including Risk Management, Internal Control, Internal Financial Control, and Compliance. These functions establish or support the relevant risk and control frameworks and provide oversight, advice, monitoring, and challenge in relation to the management and reporting of risk. They operate independently from the business activities and first-line personnel responsible for originating or managing risk exposures. At a branch level, risk and compliance personnels are independent from the first line and reports directly to the XLICSE's Chief Risk Officer ("CRO") and Head of Compliance respectively. The Local Hong Kong ORSA process follows the Head Office's objective and approach, and a local ORSA report is produced, detailing the ORSA process, governance and local results.

The third line is the Internal Audit Function, which provides independent assurance on the adequacy and effectiveness of the XLICSE's governance, risk management, and

internal-control arrangements and reports to the Audit Committee.

XLICSE also participates in the AXA XL Internal Control Programme, which addresses internal controls across the principal processes, functions, and departments within AXA XL. This is complemented by the Internal Financial Control Framework, which addresses key controls relating to financial reporting.

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	Total
Total assets	4,274,280	5,701,233
Cash and deposits	1,123,462	1,055,597
Debt securities	960,201	2,077,240
Equities (including portfolio investments)	-	-
Derivative financial instruments	-	-
Properties	-	-
Loans and advances	-	-
Reverse repurchase agreement	-	-
Other financial assets	1,011,845	1,149,017
Policyholder's account assets in respect of unit linked products or retirement scheme	-	-
Reinsurance assets	1,169,822	1,404,151
Tax assets	-	-
Other assets	8,950	15,228
Total liabilities	2,814,970	3,629,948
Insurance liabilities	1,714,402	1,908,252
Reinsurance liabilities	-	-
Repurchase agreement	-	-
Derivative financial instruments	-	-
Other financial liabilities	1,085,643	1,702,355
Tax liabilities	-	-
Other liabilities	14,925	19,341
Net assets	1,459,310	2,071,285

(b) Material change or other commentary on balance sheet items (if any)

The reduction in Debt securities and Other financial liabilities pertains to the capital repatriation of HKD 622 million to Head Office during 2025. The arrangement had been approved by the Insurance Authority.

4 Investments

- (a) Assumptions and methods used for valuation of investments

Financial assets carried at fair value through profit or loss are initially recognised at fair value.

- (b) Material change in assumptions and methods, or other commentary on investments (if any)

No material changes in assumptions and methods.

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 December 2025									
	Direct insurance							Reinsurance		Total general business
	Accident and health	Motor vehicle	Marine, aviation, and transport	Property damage	Employees' compensation	General liability	Pecuniary loss	Proportional	Non-proportional	
Total general insurance liabilities (<u>gross of reinsurance</u>)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	1,714,402
Total general insurance liabilities excluding other general insurance liabilities (<u>gross of reinsurance</u>)	339	-	58,337	263,827	-	186,980	2,359	997,443	205,117	1,714,402
Outstanding claims liabilities	133	-	51,527	202,993	-	142,144	637	797,803	183,214	1,378,451
Premium liabilities	50	-	3,946	53,670	-	38,008	1,450	161,858	14,620	273,602
Margin over current estimate for outstanding claims liabilities	150	-	2,519	4,450	-	5,025	85	27,638	6,328	46,195
Margin over current estimate for premium liabilities	6	-	345	2,714	-	1,803	187	10,144	955	16,154
Total general insurance liabilities excluding other general insurance liabilities (<u>net of reinsurance</u>)	1,120	-	24,583	65,876	-	64,305	1,825	320,597	66,274	544,580

(Unit: in HKD thousands)	As at 31 December 2024									
	Direct insurance							Reinsurance		Total general business
	Accident and health	Motor vehicle	Marine, aviation, and transport	Property damage	Employees' compensation	General liability	Pecuniary loss	Proportional	Non-proportional	
Total general insurance liabilities (<u>gross</u> of reinsurance)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	1,908,252
Total general insurance liabilities excluding other general insurance liabilities (<u>gross</u> of reinsurance)	596	-	102,358	146,318	-	68,264	5,414	1,461,500	123,802	1,908,252
Outstanding claims liabilities	449	-	83,939	77,201	-	34,163	3,032	1,256,719	111,054	1,566,557
Premium liabilities	126	-	14,755	62,983	-	32,381	1,890	163,788	9,509	285,432
Margin over current estimate for outstanding claims liabilities	19	-	2,728	1,807	-	871	268	32,717	2,821	41,231
Margin over current estimate for premium liabilities	2	-	936	4,327	-	849	224	8,276	418	15,032
Total general insurance liabilities excluding other general insurance liabilities (<u>net</u> of reinsurance)	162	-	32,707	45,790	-	20,149	3,260	372,966	29,067	504,101

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

General insurance liabilities incurred include all losses occurring during the year, whether reported or not, related handling costs, a reduction in the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

- (c) Material change in assumptions and methods used to derive the assumptions, or other commentary on insurance liabilities (if any)

No material changes in assumptions and methods.

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 December 2025	For the financial year ended 31 December 2024
	Total	Total
Gross premiums	908,706	1,596,154
Net premiums	306,854	311,030
Gross claims paid	558,669	606,874
Net claims paid	89,900	102,780

Performance Analysis on Investment Returns

(Unit: in HKD thousands)	For the financial year ended 31 December 2025	For the financial year ended 31 December 2024
	Total	Total
Investment returns	107,240	150,751

- (b) Material change or other commentary on financial performance (if any)

In 2025, the branch delivered HKD 908 million on Gross written premium and showcased over 40% decline compared to 2024 which was mainly due to the business portfolio transfer of global incoming programs from the branch back to Head Office. That said, the net premium remains solid with a significant growth on the producing business during the year.

In addition, with the funds being repatriated to Head Office, there is less investment return generated upon the investment portfolio downsized by 50%.

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

Underwriting Results of General Business

(Unit: in HKD thousands)	For the financial year ended 31 December 2025									
	Direct insurance							Reinsurance		Total general business
	Accident and health	Motor vehicle	Marine, aviation, and transport	Property damage	Employees' compensation	General liability	Pecuniary loss	Proportional	Non-proportional	
Gross premium	(1,224)	-	57,967	199,529	-	121,001	8,681	454,959	67,793	908,706
Net premium	(531)	-	25,807	71,534	-	32,565	4,485	150,634	22,360	306,854
Net undiscounted best estimate combined business results, relating to current year	252	-	(5,599)	5,828	-	(12,782)	1,513	(33,105)	13,259	(30,634)
Net undiscounted best estimate combined business results, relating to prior year	(193)	-	10,259	5,351	-	(14,970)	1,305	45,096	(29,355)	17,493
Undiscounted underwriting results - profit / (loss)	(73)	-	4,869	8,536	-	(31,906)	3,001	16,664	(19,607)	(18,516)

(Unit: in HKD thousands)	For the financial year ended 31 December 2024									
	Direct insurance							Reinsurance		Total general Business
	Accident and health	Motor vehicle	Marine, aviation, and transport	Property damage	Employees' compensation	General liability	Pecuniary loss	Proportional	Non-proportional	
Gross premium	2,199	-	77,053	205,653	-	119,014	6,299	1,104,218	81,718	1,596,154
Net premium	702	-	18,869	52,941	-	25,543	1,871	197,973	13,131	311,030
Net undiscounted best estimate combined business results, relating to current year	292	-	(3,329)	6,325	-	13,510	(3,246)	11,869	5,943	31,364
Net undiscounted best estimate combined business results, relating to prior year	1,325	-	86,024	(5,649)	-	47,734	(3,322)	(14,881)	23,560	134,791
Undiscounted underwriting results - profit / (loss)	1,770	-	84,578	779	-	63,795	(6,836)	2,323	29,457	175,866

(d) Material change or other commentary on underwriting results (if any)

No material changes in underwriting results.

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 December 2025	As at 31 December 2024
Market risk (diversified RCA)	51,173	154,779
Interest rate risk RCA	16,163	45,248
Credit spread risk RCA	710	1,457
Equity risk RCA	-	-
Property risk RCA	-	-
Currency risk RCA	44,513	136,794
Diversification benefits within market risk	(10,213)	(28,720)
General Insurance Risk (diversified RCA)	416,359	434,713
Reserve and premium risk RCA	145,737	120,962
Natural catastrophe risk RCA	133,882	200,067
Man-made non-systemic catastrophe risk RCA	329,093	332,906
Man-made systemic catastrophe risk RCA	153	270
Mortgage insurance risk RCA	-	-
Diversification benefits within general insurance risk	(192,506)	(219,492)
Counterparty default and other risk RCA	75,406	56,115
Diversification benefits among risk modules	(84,745)	(129,600)
Operational risk RCA	52,519	57,604
Adjustment for loss absorbing capacity cap	-	-
Adjustment for tax effect	-	-
Any other items which the IA may specify to adjust	-	-
Prescribed capital amount	510,712	573,611

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

Capital Base

(Unit: in HKD thousands)	As at 31 December 2025	As at 31 December 2024
Unlimited Tier 1 capital	1,422,654	2,034,349
Limited Tier 1 capital	-	-
Tier 2 capital	-	-
Capital base	1,422,654	2,034,349

(c) Ratio of capital base to prescribed capital amount

	As at 31 December 2025	As at 31 December 2024
Ratio of capital base to prescribed capital amount	278.563%	354.657%

(d) Material change or other commentary on prescribed capital amount, capital base, and ratio of capital base to prescribed capital amount (if any)

The Branch Solvency ratio declined from 355% to 278% mainly due to the capital repatriation.

8 Risk Management

(a) Risk appetite and risk governance framework

The XLICSE risk function have developed an Enterprise Risk Management Framework (“the Framework”) which sets out the firm’s approach to Enterprise Risk Management (“ERM”) and is applicable to both XLICSE Head Office and all Branch locations across Asia Pacific and Europe. The Framework is applied on an enterprise wide basis and broadly defines the processes, tools and activities which represent the minimum standards that must be implemented for all risk categories in the management of enterprise risks. This allows for risk management to have a consistent and harmonised methodology across all aspects of the business.

The Framework is reviewed, challenged and approved by the Board on at least an annual basis or in response to a material change of the business, on the recommendation of the CRO. XLICSE ensures that as part of the annual review the adequacy and effectiveness of measures taken to address any deficiencies in the Framework are monitored, with remediation action taken as appropriate. It is the responsibility of all XLICSE employees to ensure adherence with the Framework.

The purpose of the Branch ERM Framework document, prepared in accordance with the Insurance Authority requirements, is to set out how enterprise risk management processes apply to the Branch and interact with those of XLICSE.

The Branch ERM Framework is mainly adopted from XLICSE’s ERM Framework and has been reviewed and recommended for approval and sign off by the Hong Kong ExCo and the Asia ARCC. As per XLICSE ERM Framework, the Branch ERM Framework is reviewed and approved periodically or when there is a major strategic or organisational change within the Branch.

The Asia ARCC meets quarterly to oversee the effective implementation and embedding of the ERM Framework and the monitoring of Branch performance against risk appetite. It also has responsibility for capital monitoring and makes recommendations and escalates any issues to the Board on risk and capital management. The Asia ARCC ensures that material and emerging risks are identified and reported and that appropriate arrangements are in place to manage and mitigate those risks effectively. The Branch stress testing framework and outputs are reviewed by the Hong Kong ExCo and Asia ARCC to support understanding of the Branch risk profile.

(b) Insurance risk management

Insurance risk arises from the Branch general insurance business and refers to the risk of loss or adverse change in the value of insurance liabilities due to inadequate pricing and reserving assumptions. Such risks include unexpected losses arising from fluctuations in the timing, frequency and severity of claims compared to expectations and inadequate reinsurance protection. The Branch underwriting and reinsurance strategies are set within the context of the overall AXA XL strategies and communicated clearly throughout the business through statements and guidelines.

(a) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant factor is the increase in the number of cases coming to court that has been inactive or latent for a long period of time. Estimated inflation is also a significant factor due to the long period typically required to settle these cases. The Branch manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce risk selection criteria.

(b) Concentrations of insurance risk

The concentration of insurance risks are monitored by territory in relation to the type of insurance risk accepted.

(c) Future Claims uncertainty

There are several variables that affect the amount and timing of cash flows from these contracts. They mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the applicable deductibles and other recoveries. The Branch takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR and for reported claims not yet paid and a provision for unexpired risks at the date of statement of financial position. The amount of liability claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling the claims already notified to the Branch, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims happened. In estimating the liability for the cost of reported claims not yet paid, the Branch considers any information available from loss

adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims may be assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

(d) Reinsurance Arrangements

The Branch mitigates its insurance risk through various types of reinsurance arrangements. Outward reinsurance treaty arrangements are placed and reviewed at Divisional level by Ceded Re team for the company covering its branches. External quotas share or excess of loss treaty agreements for various lines of business have been entered for both affiliated and non-affiliated reinsurance companies, such as AXA SA and National Indemnity Company.

In addition, the branch's business net of the above excess of loss or quota share treaties are further protected by an internal quota share treaty to XL Bermuda Ltd .

(c) Investment risk management

The Branch is exposed to financial risk through its financial assets and insurance liabilities. The key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. For the branch, the most dominant financial risk factors are currency risk and interest rate risk.

To align with the branch's investment strategy, the branch holds more than 90% of its investments in government bonds. The Branch manages the financial risk using the capital management plan and an Asset and Liability Management ("ALM") framework that has been developed to achieve investment returns in excess of its obligations under insurance contracts. The capital management plan is reviewed on a periodic basis where a recovery plan is embedded to ensure the Branch has sufficient capital at all times.

Within the ALM framework, the Branch produces reports at asset and liability class level that are circulated to the Branch's key management personnel. The principle technique of the Branch's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. The Branch has not changed the processes used to match its risks from previous periods.

The Branch's ALM is integrated with the management of the financial risks associated with the Branch's other classes of financial assets not directly associated with insurance liabilities. The notes below explain how financial risks are managed using the categories utilized in the Branch's ALM framework. In particular, the ALM framework requires the management of interest rate risk and foreign currency risk at the portfolio level. Credit and liquidity risk are managed on a Branch-wide basis. To reflect the Branch risk management approach, the required disclosures for liquidity, interest rate, price and foreign currency risks are given separately for each portfolio of the ALM framework.

For short-term insurance contracts, the Branch funds the insurance liabilities with assets arising from reinsurance contracts held and cash and cash equivalents.

Interest Rate Risk

The Branch's main interest rate risk arises from with the majority of its assets in bonds. The financial assets and liabilities under short-term insurance contracts are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest-bearing. The Branch manages the risk by minimizing the bank overdraft.

Volatility risk

The branch is exposed to debt securities volatility risk because the investments held are classified on the statement of financial position as financial assets at fair value through profit or loss. To manage the asset volatility risk, the Branch hires an investment manager to monitor the portfolio.

Currency Risk

The Branch manages its foreign exchange risk through the active matching of assets and liabilities within the major currencies held by the business. The Branch is primarily exposed to currency risk in respect of insurance balances denominated in currencies other than Hong Kong Dollar. The Branch operates internationally and issues and assumes mainly Hong Kong dollar, Chinese Yuan, United States dollar, Euro and Japanese Yen denominated insurance policies. The Branch's policy is to reinsure policies denominated in the same currencies as its insurance liabilities and to hold certain amount of cash equivalents denominated in foreign currencies, which mitigates the Branch's foreign currency exchange rate risk.

Credit risk

The Branch has exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Branch's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Branch remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

The central reinsurance department of the Company, which directs the Company reinsurance placement policy that is communicated to all branch operations, assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information.

(d) Other risk management (if any)

Liquidity Risk

Liquidity risk is the risk that the Branch will not have access to sufficient funds to meet its liabilities as they become due. The Branch is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. The Branch maintains balances of cash equivalents which are expected to be sufficient to cover claims at any time.

Based on the assets and liabilities portfolio of the Branch as of 31 December 2025, liquidity risk is considered immaterial because (i) the financial instruments (with 96% of the investment portfolio being held in Hong Kong Government Bonds) are easy to be sold and converted into cash; and (ii) Both the insurance and reinsurance receivables, and cash and cash equivalents are within the 1-year category which are easy to be converted into cash.

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 XL Insurance Company SE;
- (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 XL Insurance Company SE'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 XL Insurance Company SE 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:	James William Baxter Chambers
Position:	Chief Executive
Company Name:	XL Insurance Company SE