

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

BC Reinsurance Limited

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

BC Reinsurance Limited ("BC Re") is an authorised non-life reinsurance company by the Hong Kong Insurance Authority ("IA") to underwrite all classes of general reinsurance business. Its core ceding markets are Hong Kong, Macau, South Korea, Japan and others.

- (c) Description of corporate structure

BC Re has been established since January 2001 by a consortium of Hong Kong-based financial institutions; major shareholders of the Company comprising:

- Asia Insurance Co. Ltd.
- CMB Wing Lung Agency Ltd.
- Shanghai Commercial Bank Ltd.
- Chong Hing Insurance Company Ltd.
- AR Consultant Services (HK) Ltd.

BC Re operates with a paid-up capital of HKD 200 million and holds a full licence to transact non-life reinsurance.

2 Corporate governance framework

BC Re's governance framework and organisational structure clearly set out the responsibilities and authority of the Board and its Committees.

Key Board Committees:

- **Risk Committee:** Its main responsibilities include regularly assessing the adequacy and effectiveness of the risk management policies and advising the Board on the risk appetite.
- **Audit Committee:** Its main responsibilities include monitoring and reviewing the effectiveness of financial reporting, internal control system, internal audit function and external audit function.
- **Executive Committee:** Its main responsibilities include formulating and reviewing the general operation of the Company, underwriting, reinsurance, claims and investment policies.

- **Remuneration Committee:** Its main responsibilities include establishing and maintaining an effective remuneration policy.
- **Nomination Committee:** Its main responsibilities include nominating suitable candidates for appointment as directors, chief executive officer and senior management.
- **Investment Sub-Committee:** Its main responsibilities include regularly reviewing the appropriateness of the investment strategy and policy and monitoring the investment performance.
- **Underwriting, Reinsurance & Claims Sub-Committee:** Its main responsibilities include regularly reviewing the effectiveness of underwriting, reinsurance and claims policies and its performance.

Committee membership comprises Independent Non-Executive Directors (“INEDs”), Directors, and senior management. All Directors and INEDs possess vast industry and professional experience and are subject to formal approval by the IA.

BC Re operates a robust Enterprise Risk Management (“ERM”) framework, which management actively applies to determine risk appetite. The Risk Committee conducts an annual assessment of the governance system against relevant best-practice standards. Following the 2025 review, the Board concluded that the existing governance arrangements remain adequate for the nature, scale, and complexity of BC Re’s risk profile. The primary objective of the governance structure is to ensure a prudent integrated risk culture across the organisation and to support alignment of the risk profile with business strategy.

The Board retains overall responsibility for establishing and overseeing an effective ERM Framework, in line with Insurance Authority Guideline GL-21 (Clause 4.1). Ultimate oversight rests with the Board and Risk Committee, particularly on significant matters, while management is responsible for day-to-day compliance with Risk-Based Capital requirements. Board members are collectively responsible for directing BC Re in its best interests through prudent management, robust checks and balances, and full accountability for meeting all regulatory obligations.

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
	General business	General business
Total assets	1,229,079	1,048,575
Cash and deposits	269,192	268,596
Debt securities	0	0
Equities (including portfolio investments)	914,125	725,843
Derivative financial instruments	0	0
Properties	0	0
Loans and advances	0	0
Reverse repurchase agreement	0	0
Other financial assets	26,587	32,059
Reinsurance assets	18,025	19,991

(Unit: in HKD thousands)		
	As at 31 December 2025	As at 31 December 2024
	General business	General business
Tax assets	0	0
Other assets	1,150	2,086
Total liabilities	308,895	304,715
Insurance liabilities	268,626	271,440
Reinsurance liabilities	0	0
Repurchase agreement	0	0
Derivative financial instruments	0	0
Other financial liabilities	9,601	12,676
Tax liabilities	26,888	16,256
Other liabilities	3,780	4,343
Net assets	920,184	743,860

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

The Balance Sheet remained stable Year-over-Year, supported by continued capital resilience. As of 31 December 2025, Eligible Capital under Risk-Based Capital regime stood at HKD 848 million (Net assets HKD 920 million), compared to HKD 670 million in 2024. Over a multi-year horizon, BC Re has delivered consistent capital accumulation, with Eligible Capital rising from HKD 559 million in 2020, a 51% increase over the period. This expansion demonstrates sound execution of strategic initiatives amid challenging market conditions. BC Re maintains a disciplined growth strategy supported by a resilient business model. This includes front-loaded investments that have captured attractive early-cycle yields, combined with strict underwriting discipline and strong reserve adequacy. By deliberately separating investment decisions from underwriting execution, BC Re applies rigorous fundamental analysis and selective risk assumption. This approach effectively limits exposure to systemic tail risks and supports a tightly controlled net loss ratio. The recent underwriting loss was primarily driven by a decline in market demand, alongside changes in accounting presentation.

4 Investments

(a) Assumptions and methods used for valuation of investments

BC Re's capital management / investment objective is to safeguard its ability to maintain strong capital ratios, support business operations, and maximise shareholder value. BC Re prudently manages its investment portfolio and maintains full compliance with the regulatory capital requirements set by the IA under the RBC framework.

The investment approach comprises four core strategies / sectors:

- **Listed Equity Investments (Buy and Hold):** Focused on fundamentally strong equity stocks listed on the Hong Kong Exchange ("HKEX"). The strategy seeks to benefit from high dividend yield and capital appreciation from long-term market growth while minimizing transaction costs through limited trading. The value eligible to be counted towards satisfying accounting standard and regulatory capital requirements is market value, i.e. closing market price marked by the HKEX;
- **Listed Equity Investments (Trading):** Comprising equity stocks listed on the HKEX, actively managed to capitalize on short-term market movements, volatility, and pricing opportunities. The value eligible to be counted towards

satisfying accounting standard and regulatory capital requirements is market value, i.e. closing market price marked by the HKEX;

- **Portfolio Investments:** Comprising private unlisted funds which provide exposure to investments not readily available in public markets. A no look-through approach is applied and the value eligible to be counted towards satisfying accounting standard and regulatory capital requirements is market value, i.e. closing market price marked by the custodians of the funds;
- **Strategic Investments:** Comprising private unlisted equities issued by the related companies. BC Re engaged an independent professional valuer to do the valuations of these private companies based on market-based approach every year and the value eligible to be counted towards satisfying accounting standard and regulatory capital requirements is fair value. i.e. net asset value performed by the independent valuer.

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

There is no material change 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</u> of reinsurance)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	268,626
Total general insurance liabilities excluding other general insurance liabilities (<u>gross</u> of reinsurance)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	193,471	75,155	268,626
Outstanding claims liabilities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	149,512	67,682	217,194
Premium liabilities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	26,616	935	27,551
Margin over current estimate for outstanding claims liabilities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	14,343	6,428	20,771
Margin over current estimate for premium liabilities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3,000	110	3,110
Total general insurance liabilities excluding other general insurance liabilities (<u>net</u> of reinsurance)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	181,120	69,480	250,600

(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 (gross of reinsurance)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	271,440
Total general insurance liabilities excluding other general insurance liabilities (gross of reinsurance)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	189,816	81,624	271,440
Outstanding claims liabilities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	147,976	73,470	221,446
Premium liabilities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	25,173	911	26,084
Margin over current estimate for outstanding claims liabilities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	13,829	7,134	20,963
Margin over current estimate for premium liabilities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,838	109	2,947
Total general insurance liabilities excluding other general insurance liabilities (net of reinsurance)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	174,211	77,238	251,449

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

The valuation of insurance liabilities is mainly based on loss development method, expected loss ratio method and Bornhuetter-Ferguson (BF) method. The corresponding principal assumptions are described below:

- a) Loss development method assumes past claims development experiences provide a reasonable guide to future claims development. Future claims development is estimated by loss development factors, which are based on historical patterns of claim emergence of losses, supplemented with industry benchmarks of similar risk profile.
- b) Expected loss ratio method assumes a priori estimate is better than claims experience observed to date. Expected loss ratios are estimated based on historical loss ratio experiences of own insurance portfolios, supplemented with industry benchmarks of similar risk profile.
- c) Bornhuetter-Ferguson (BF) method assumes unreported losses will develop based on expected losses. Unreported proportion and expected losses are determined based on loss development factors and expected loss ratios described above, respectively.
- d) Expected losses related to future claim events are assumed to be similar to recent claim experiences. Expected loss ratios for premium liabilities are estimated based on loss ratio in current year or weighted average of loss ratios in recent years.
- e) The present value of insurance liabilities is calculated by applying discounting factors to expected future cash flows. Expected future cash flows are derived by applying payment pattern assumptions from loss development factors. Discounting factors are derived from specified risk-free yield curves published by IA, with assumption of evenly settlement of future cash flows during each 12 months period.
- f) Margin over current estimate is assessed by applying bootstrapping method to historical claim data such that the margin provides for a 75% probability of adequacy. Industry benchmarks of similar risk profiles are supplemented if their own statistics are not fully credible.

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

There is no material change in the assumptions utilized in estimating the claims and premiums liabilities.

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	Long term business	Of which belongs to: long term business – participating business	General business	Total	Long term business	Of which belongs to: long term business – participating business	General business
Gross premiums¹	86,769	N/A	N/A	86,769	100,369	N/A	N/A	100,369
Regular premiums	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Single premiums	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net premiums	77,427	N/A	N/A	77,427	89,207	N/A	N/A	89,207
Regular premiums	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Single premiums	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gross claims paid	47,178	N/A	N/A	47,187	56,891	N/A	N/A	56,891
Net claims paid	43,692	N/A	N/A	43,692	53,606	N/A	N/A	53,606

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	Long term business	Of which belongs to: long term business – participating business	General business	Shareholders' fund (if applicable)	Total	Long term business	Of which belongs to: long term business – participating business	General business	Shareholders' fund (if applicable)
Investment returns	262,569	N/A	N/A	262,569	N/A	136,725	N/A	N/A	136,725	N/A

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

Explanation on material change of financial performance against prior financial year:

For Gross / Net premiums, the decrease in premiums in 2025 was mainly due to reduction of premiums income from proportional reinsurance facultative and proportional reinsurance treaty business.

For Gross / Net claims paid, the decrease in claims paid in 2025 was mainly due to the decrease in claims paid from proportional reinsurance treaty.

For Investment returns, the significant increase in investment income in 2025 was mainly due to the increase in equity return.

¹ For long term business, it refers to premiums received and receivable during the financial year. For general business, it refers to written premiums.

(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	N/A	N/A	N/A	N/A	N/A	N/A	N/A	63,798	22,971	86,769
Net premium	N/A	N/A	N/A	N/A	N/A	N/A	N/A	57,599	19,828	77,427
Net undiscounted best estimate combined business results, relating to current year	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(14,078)	(1,606)	(15,684)
Net undiscounted best estimate combined business results, relating to prior year	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4,895	13,829	18,724
Undiscounted underwriting results – profit / (loss)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(9,860)	12,928	3,068

(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	N/A	N/A	N/A	N/A	N/A	N/A	N/A	77,364	23,005	100,369
Net premium	N/A	N/A	N/A	N/A	N/A	N/A	N/A	71,014	18,193	89,207
Net undiscounted best estimate combined business results, relating to current year	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(7,131)	(930)	(8,061)
Net undiscounted best estimate combined business results, relating to prior year	N/A	N/A	N/A	N/A	N/A	N/A	N/A	17,580	8,765	26,345
Undiscounted underwriting results – profit / (loss)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	12,064	8,295	20,359

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

Explanation on material change of underwriting results by line of business, against prior financial year:

The portfolio remained stable with variation for each line of business. This reflects the market judgement on premium adequacy. The Company has put up major claim reserves under Employees' Compensation and General Liability business.

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)	415,207	273,502
Interest rate risk RCA	8,454	9,477
Credit spread risk RCA	0	0
Equity risk RCA	409,081	266,304
Property risk RCA	0	0
Currency risk RCA	7,041	8,677
Diversification benefits within market risk	(9,369)	(10,956)
Life Insurance Risk (diversified RCA)	0	0
Mortality risk RCA	0	0
Longevity risk RCA	0	0
Life catastrophe risk RCA	0	0
Morbidity risk RCA	0	0
Expense risk RCA	0	0
Lapse risk RCA	0	0
Diversification benefits within life insurance risk	0	0
General Insurance Risk (diversified RCA)	102,886	110,759
Reserve and premium risk RCA	60,559	61,653
Natural catastrophe risk RCA	67,482	75,864
Man-made non-systemic catastrophe risk RCA	0	0
Man-made systemic catastrophe risk RCA	0	0
Mortgage insurance risk RCA	5,694	6,139
Diversification benefits within general insurance risk	(30,849)	(32,898)
Counterparty default and other risk RCA	5,627	5,829
Diversification benefits among risk modules	(70,034)	(68,576)
Operational risk RCA	6,782	6,807
Adjustment for loss absorbing capacity cap	0	0
Adjustment for tax effect	(15,104)	(16,640)
Any other items which the IA may specify to adjust	0	0
Prescribed capital amount	445,364	311,681

- (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	847,644	670,060
Limited Tier 1 capital	0	0
Tier 2 capital	0	0
Capital base	847,644	670,060

(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	190.326%	214.982%

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

In 2025, Eligible Capital showed a strong recovery, supported by robust investment returns, reaching HKD 847 million by the end of 2025. This performance reflects the effectiveness of BC Re's strategic investment approach and continued financial discipline. Hence, BC Re's Market Risk (Diversified RCA) surged accordingly, driven primarily by higher equity risk and the Counter-cyclical adjustment factor; in addition, the capital base also rose due to the same factor.

8 Risk Management

(a) Risk appetite and risk governance framework

There have been no material changes to BC Re's risk appetite or risk management framework during the financial year.

The Risk Appetite Statement serves as the primary tool to assess shareholder value and overall financial performance. It is supported by a comprehensive self-assessment process that identifies all reasonably foreseeable and material risks across BC Re's risk taxonomy. A risk register is maintained to identify and record potential risk events that may affect BC Re.

The Risk Committee regularly reviews and scrutinises the risk appetite and risk register, including individual risk events, target risk ranges, and tolerance levels. This process identifies which risk categories have the greatest potential impact on BC Re, aligned with the Company's current business strategy and strategic priorities. Management, together with the Responsible Officer, reports to the Risk Committee, which escalates matters to the Executive Committee and the Board according to the severity of the issue or event.

(b) Insurance risk management

Risk assessment for material insurance risks:

The Company, at an aggregate level, assessed material risks that could impact profitability, solvency or capital adequacy based on the following main risk factors:

Underwriting risk:

- a) potential losses from pricing
- b) claims reserving errors

Market risk:

- a) exposure to changes in interest rates

- b) equity prices
- c) foreign exchange

Credit risk:

- a) counterparty default risk from ceding insurers
- b) reinsurers
- c) investments

Operational risk:

- a) unable to access office due to fire / riots and other natural catastrophes
- b) power supply problem
- c) failure of computer systems due to hackers or hardware issues
- d) human error in software programs

Liquidity risk:

- a) inability to meet obligations when due

Emerging risks:

- a) climate change (including global warming)
- b) cyber threats
- c) changes in law

The Company engaged an external and independent actuary to advise / provide a report detailing adequacy on:

- a) claim reserves adequacy, including Incurred But Not Reported claims; and
- b) premium adequacy reserves

This actuarial report was tabled on Executive Committee and Board of Directors meetings.

For geographical segmentation, the Company underwrites risks mainly in the Asia-Pacific region where we have acquired experience and understands local economic, regulatory and natural catastrophe factors over the years.

For line of business segmentation, the Company underwrites general insurance only with main exposure assessment covering major lines of business:

Property & Casualty

Main Exposures on Property Line: Catastrophe Event on property risks accumulation

Main Exposures on Casualty: Claims inflation and changes in law

Specialized Casualty

Main Exposures: Claims inflation and changes in law

Accident & Health

Estimated Premium Income is insignificant as the Company does not favor this portfolio due to market competitiveness as well as medical cost inflation.

Risk assessment of any concentration risks:

That being said, the Company pays particular attention on natural catastrophic accumulations from various facultative and treaty reinsurance contracts that come from

different ceding companies of different countries. To mitigate this potential accumulative exposure, in-house actuary uses catastrophic modeling to assess the maximum loss for a 1-in-100-year event on a windstorm and 1-in-400-year event on earthquake. The Company commitment is strictly based on maximum exposures on a per country / CRESTA basis but has in mind our maximum exposures on an event.

Risk control and transfer strategy for material insurance risks:

Based on risk assessment of any concentration of risks, a Retro Program is in place to mitigate the risk exposure and optimise the capital requirements.

Governance and risk management on insurance risks:

Committees and the Board of Directors are responsible for overseeing the operation of the Company.

(c) **Investment risk management**

The majority of BC Re's investments are traded on the HKEX (buy and hold, trading portfolio). The Investment Sub-Committee provides oversight and approves the overall direction for stocks and securities trading. All trades executed by the in-house trader require formal sign-off by the Chief Executive Officer, ensuring effective checks and balances. In addition, daily monitoring by core members of the Investment Sub-Committee gauges the performance of individual securities compared to the recognised market index, as well as BC Re's liquidity needs. To mitigate concentration risk, the investment portfolio operates with defined limits on individual stock holdings. Where an individual position approaches or exceeds the established guideline, management may seek an exception or amendment from the Investment Sub-Committee, with the Risk Committee duly informed. Performance is assessed against relevant market indices, industry benchmarks, and the BC Re's liquidity requirements.

BC Re has allocated a portion of the portfolio to Equity-Linked Notes. These instruments offer enhanced returns and diversification benefits while providing exposure to the upside potential of underlying equities. As with other equity-linked assets, they entail exposure to equity market volatility.

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 BC Reinsurance 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 BC

- Reinsurance 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 BC Reinsurance 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:	Leung Bing Kuen
Position:	Chief Executive Officer
Company Name:	BC Reinsurance Limited