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

Prudential Hong Kong Limited

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

The principal activity of the Company is transacting long-term insurance business in Hong Kong and Macau. The Company's long-term products consist of life, health, savings, retirement and investment-linked insurances.

(c) Description of corporate structure

The Company is a limited liability company incorporated and registered in Hong Kong, and has its registered office in Hong Kong. The Company's immediate holding company is Prudential Corporation Asia Limited which is incorporated and registered in Hong Kong. The ultimate holding company is Prudential plc, incorporated and registered in England and Wales.

The Company established a branch in Macau to carry on life insurance business in Macau.

The Company holds a fully owned subsidiary, Prudential Myanmar Life Insurance Limited. It is incorporated in Myanmar, and its principal activity is underwriting of life insurance business.

2 Corporate governance framework

The Board is ultimately responsible for the overall management of the business and affairs of the Company, including but not limited to setting the strategic plan and policies of the Company, promoting the long-term sustainable performance and success of the Company, and generating value for stakeholders.

To support the effective discharge of its responsibilities, the Board has established various committees, including but not limited to the Audit Committee (AC), the Board Risk Committee (BRC) and the Nomination and Remuneration Committee (NRC) (the AC, BRC and NRC are collectively referred to as the Board Committees). Each Board Committee operates under clearly defined terms of reference and is chaired by an independent non-executive director. The AC is primarily responsible for overseeing the integrity of the Company's financial reporting and reviewing the effectiveness of its internal control system. The BRC primarily provides direction and oversight over the Company's risk management and compliance framework. The NRC primarily oversees the nomination and remuneration of the Board, senior management, key persons in control functions and material risk-taking employees. The independent non-executive directors of the Company make up a majority of the members of each Board Committee with the aim of providing independent and objective opinion to support sound decision-making by the Board and to maintain appropriate checks and balances over the influence of management and controllers.

The Board has delegated authority to the Chief Executive Officer (CEO) for the day-to-day management of the Company's business. An Executive Committee, comprising business and function heads, has been established to support the CEO in the execution of the Company's business strategies and operations.

The Company's governance framework is underpinned by the principles of the 'three lines model', which promotes clear segregation of responsibilities and effective risk ownership, oversight and assurance.

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	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)
Total assets	**719,500,918**	**730,110,760**	**632,290,860**	**-**	**7,453,230**	**617,240,011**	**623,754,150**	**535,131,904**	**-**	**14,411,424**
Cash and deposits	4,943,733	4,926,403	1,051,576	-	17,330	4,056,573	4,046,600	1,129,171	-	9,973
Debt securities	334,601,242	334,601,242	287,297,898	-	-	247,117,012	247,117,012	207,562,978	-	-
Equities (including portfolio investments)	315,183,098	314,902,393	304,015,825	-	280,705	306,240,753	305,969,301	292,506,806	-	271,452
Derivative financial instruments	1,387,428	1,387,428	1,383,161	-	-	291,542	291,542	273,546	-	-
Properties	-	-	-	-	-	-	-	-	-	-
Loans and advances	11,926,746	11,921,308	11,919,692	-	5,438	11,868,862	11,863,964	11,859,916	-	4,898
Reverse repurchase agreement	-	-	-	-	-	-	-	-	-	-
Other financial assets	5,197,054	5,197,054	382,794	-	-	5,329,648	5,329,648	393,427	-	-
Policyholder's account assets in respect of unit linked products or retirement scheme	26,775,547	26,775,547	-	-	-	21,966,698	21,966,698	-	-	-
Reinsurance assets	8,740,760	8,740,760	6,694,699	-	-	10,219,902	10,219,902	5,888,782	-	-
Tax assets	69,843	69,843	30,151	-	-	36,686	36,686	36,654	-	-
Other assets	10,675,467	21,588,782	19,515,064	-	7,149,757	10,112,335	16,912,797	15,480,624	-	14,125,101
Total liabilities	**588,793,971**	**606,849,128**	**535,547,780**	**-**	**7,915**	**502,984,501**	**523,896,807**	**460,355,155**	**-**	**13,257**
Insurance liabilities	559,079,734	559,079,734	510,430,236	-	-	477,301,160	477,301,160	440,699,951	-	-
Reinsurance liabilities	124,427	124,427	-234	-	-	493,044	493,044	417,166	-	-
Repurchase agreement	5,574,418	5,574,418	5,574,418	-	-	1,836,951	1,836,951	1,836,951	-	-
Derivative financial instruments	8,404,884	8,404,884	8,397,932	-	-	8,189,369	8,189,369	8,168,020	-	-
Other financial liabilities	5,121,828	5,121,760	1,829,026	-	68	6,161,673	6,161,604	1,920,897	-	69
Tax liabilities	29,338	23,731	-	-	5,607	395,754	383,580	-	-	12,174
Other liabilities	10,459,342	28,520,174	9,316,402	-	2,240	8,606,550	29,531,099	7,312,170	-	1,014
Net assets	**130,706,947**	**123,261,632**	**96,743,080**	**-**	**7,445,315**	**114,255,510**	**99,857,343**	**74,776,749**	**-**	**14,398,167**

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

In general, the increases in total assets and liabilities during the year were driven by portfolio and business growth, including renewal premiums from in-force policies, new business written, and favourable investment performance.

The following were notable movements in the balance sheet assets over the year:

- **Debt securities** consist mainly of investment-grade direct holdings of a mix of sovereign debt and corporate debt investments which are well diversified in relation to individual sectors and issuers. The increase compared to prior year-end was mainly driven by the natural business growth, coupled with a portfolio transfer from holding debt securities through portfolio investments to holding them directly.
- **Equities (including portfolio investments)**, including direct equity investments and portfolio investments across fixed income and equities. The modest increase compared to the prior year-end was mainly driven by the natural business growth and favourable equity return, partially offset by the transfer described above.
- **Derivative financial instruments** are used to reduce or manage investment, interest rate and currency exposures to facilitate efficient portfolio management and portfolio hedging. The change was primarily due to market movements.
- **Policyholder's account assets in respect of unit linked products or retirement scheme** reflect the accumulation of premiums or contributions and the interest credited if any. The increase was mainly driven by favourable investment performance.

The following were notable movements in the balance sheet liabilities over the year:

- **Insurance liabilities** represent the provisions for the company's policy obligations. Details of the valuation methodologies and key assumptions, including material changes during the year, are set out in Section 5 below.
- **Repurchase agreements** represent obligations to repay cash, under which securities are loaned to third parties on a short-term basis. The increase reflected the liquidity management for operating activities.

Note that the total company assets and liabilities are not equal to the sum of long term business and shareholders' fund. There are interfund balances between these funds that are eliminated at the company level to ensure assets and liabilities are not inflated on the balance sheet.

4 Investments

(a) Assumptions and methods used for valuation of investments

All investments were recognized at fair value. Unless specified otherwise, they were recognized and measured in accordance with the applicable accounting standards.

The methods used for valuation of each class of investments are set out as follows:

- Interest-bearing securities are measured at unadjusted quoted prices when available. For those which are not actively traded in the market, these assets, in line with market practice, are valued using independent pricing services or third-party broker quotes. These valuations are determined using independent external quotations from multiple sources and are subject to a number of monitoring controls.
- Equities and portfolio investments are measured based on quoted market prices or if unquoted, estimated based on quoted prices for comparable securities. Private equity and infrastructure investments are measured based on the net asset values of the invested entities.
- Derivative financial instruments are valued using quoted prices if exchange listed or quotations from independent third parties.
- Policy loans are measured by discounting the expected future cash flows at the interest rate charged on similar policy loans by market participants.

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

There was no material change in valuation methods compared to those adopted in the prior year.

5 Insurance liabilities

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

Insurance Liabilities of Long Term Business

(Unit: in HKD thousands)	As at 31 December 2025						
	All long term business					Applicable to Hong Kong branches of non-HK insurers: reinsurance business with offshore risk if fund of reinsurance business with offshore risk is established	**Total long term business**
	Participating business	Linked long term (Class C)	Retirement scheme category I (Class G)	Retirement scheme category II (Class H)	Other long term business		
Total insurance liabilities (gross of reinsurance)	**510,430,236**	**22,585,061**	**2,059,888**	**3,736,838**	**20,267,711**	**-**	**559,079,734**
Of which: long term insurance liabilities	510,430,236	22,634,415	2,059,888	3,736,838	20,552,546	-	559,413,923
Outstanding claims	1,403,229	117,857	-	-	1,231,937	-	2,753,023
Current estimate[1]	504,547,842	22,154,056	2,051,365	3,736,838	-16,695,448	-	515,794,653
Margin over current estimate	3,904,185	345,283	8,523	-	2,145,225	-	6,403,216
Prepaid premiums	574,980	17,219	-	-	33,870,832	-	34,463,031
Other long term insurance liabilities	-	-	-	-	-	-	-
Of which: general insurance liabilities	-	-49,354	-	-	-284,835	-	-334,189
Reinsurance assets	**6,694,699**	**-141**	**-**	**-**	**2,046,202**	**-**	**8,740,760**
Reinsurance liabilities	**-234**	**-**	**-**	**-**	**124,661**	**-**	**124,427**

[1] Excludes outstanding claims, prepaid premiums and other long term insurance liabilities which are disclosed separately.

(Unit: in HKD thousands)	As at 31 December 2024						
	All long term business					Applicable to Hong Kong branches of non-HK insurers: reinsurance business with offshore risk if fund of reinsurance business with offshore risk is established	**Total long term business**
	Participating business	Linked long term (Class C)	Retirement scheme category I (Class G)	Retirement scheme category II (Class H)	Other long term business		
Total insurance liabilities (gross of reinsurance)	**440,699,951**	**18,825,422**	**1,988,862**	**2,798,524**	**12,988,401**	**-**	**477,301,160**
Of which: long term insurance liabilities	440,699,951	18,875,821	1,988,862	2,798,524	13,278,777	-	477,641,935
Outstanding claims	1,320,901	123,957	-	-	848,584	-	2,293,442
Current estimate[1]	435,068,017	18,398,369	1,981,364	2,798,524	-12,515,962	-	445,730,312
Margin over current estimate	3,569,868	336,026	7,498	-	1,943,397	-	5,856,789
Prepaid premiums	741,165	17,469	-	-	23,002,758	-	23,761,392
Other long term insurance liabilities	-	-	-	-	-	-	-
Of which: general insurance liabilities	-	-50,399	-	-	-290,376	-	-340,775
Reinsurance assets	**5,888,782**	**-**	**-**	**-**	**4,331,120**	**-**	**10,219,902**
Reinsurance liabilities	**417,166**	**441**	**-**	**-**	**75,437**	**-**	**493,044**

[1] Excludes outstanding claims, prepaid premiums and other long term insurance liabilities which are disclosed separately.

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

Insurance liabilities calculation involves projecting future cash flows of insurance policies, including premiums to be received and benefits to be paid to policyholders over time. These assumptions are mainly classified into **(i) economic assumptions**, **(ii) operating assumptions** and **(iii) company's asset and liability management**. They are documented, regularly reviewed and approved through established governance processes.

Economic assumptions

The key assumption is the Hong Kong Risk Based Capital (HKRBC) yield curve, which is used to project and discount future cash flows and constructed based on:

- Risk-free interest rate, which is generally published by the Insurance Authority and applied consistently across the industry; and
- Matching adjustment, which is an adjustment applied in addition to the specified risk-free yield curve, reflects the company-specific risk-adjusted spread of asset portfolio and asset and liability management practice.

Other market-related assumptions, including but not limited to exchange rates and market volatility, are mainly based on market observable data as of the valuation date.

Operating assumptions

These assumptions reflect the expected policyholder behaviour, claims, and operating expenses associated with insurance contracts. Key assumptions include:

- Persistency, reflecting how long policyholders are expected to keep their policies in force. It mainly covers assumptions on policy surrenders, paid-ups and non-forfeiture, and other policy discontinuances and policy alterations. Higher persistency generally means policies stay active longer; lower persistency means more policies terminate early.
- Mortality and morbidity, reflecting expected future claim experience from insured risks. Mortality relates to death claims, while morbidity relates to non-death health-related claims, such as critical illness, medical, disability or accident claims. These assumptions estimate how often claims occur and, where relevant, how severe they may be.
- Expense, reflecting the expected future costs of running and servicing the insurance business. It usually includes acquisition expenses such as distribution or underwriting-related costs, and maintenance expenses such as policy administration, claims handling and ongoing servicing costs.

All these assumptions are determined using a combination of internal experience analysis, relevant external data and expert judgement where appropriate.

Company's asset and liability management

These assumptions reflect the Company's approach to managing its business, particularly for participating business. Key aspects include investment strategy, approach to determining future bonuses and discretionary benefits, and charges for guarantee. All these assumptions are objective, realistic and verifiable, with their modelling being clearly documented with proper governance in place to ensure suitability.

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

The increase in insurance liabilities was primarily driven by portfolio and business growth, including renewal premiums from in-force policies, new business written and investment performance, slightly offset by the assumption changes over the year. The key assumption changes that resulted in a reduction in insurance liabilities were (i) periodic updates to asset duration within the participating business investment strategy, to keep aligned with liability profiles and manage interest rate exposure, (ii) reduction in market volatility, partly offset by the drop in risk-free rates with matching adjustment (where applicable), (iii) weakening on persistency and claims assumptions to reflect the emerging experience.

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			
	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 premiums[2]	**80,889,532**	**80,889,532**	**71,405,771**	-	*Not Applicable*	*Not Applicable*	*Not Applicable*	*Not Applicable*
Regular premiums		74,584,940	66,940,979			*Not Applicable*	*Not Applicable*	
Single premiums		6,304,593	4,464,792			*Not Applicable*	*Not Applicable*	
Net premiums	**73,208,119**	**73,208,119**	**64,525,133**	-	*Not Applicable*	*Not Applicable*	*Not Applicable*	*Not Applicable*
Regular premiums		66,914,203	60,066,161			*Not Applicable*	*Not Applicable*	
Single premiums		6,293,916	4,458,972			*Not Applicable*	*Not Applicable*	
Gross claims paid	**21,703,072**	**21,703,072**	**12,060,304**	-	*Not Applicable*	*Not Applicable*	*Not Applicable*	*Not Applicable*
Net claims paid	**16,117,642**	**16,117,642**	**9,512,583**	-	*Not Applicable*	*Not Applicable*	*Not Applicable*	*Not Applicable*

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				
	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	**71,830,721**	**71,813,291**	**62,932,945**	**-**	**17,430**	*Not Applicable*	*Not Applicable*	*Not Applicable*	*Not Applicable*	*Not Applicable*

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

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

The increases in gross premiums received and claims paid over the year were primarily contributed by portfolio and business growth, including the renewal premiums from in-force policies and the new business written during the year. Investment returns represent the total returns on both shareholders' assets and policyholders' assets and amounted to c.HKD 72 billion. The positive return was mainly driven by favourable investment performance over the year.

Please note that financial performance for the year ended 31 December 2024 was not presented, since this section is a new requirement from the current financial year.

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)	**38,271,378**	**29,796,420**
Interest rate risk RCA	24,481,190	20,560,641
Credit spread risk RCA	7,024,161	7,388,326
Equity risk RCA	19,996,909	12,586,817
Property risk RCA	1,111,173	1,180,808
Currency risk RCA	4,096,334	2,907,284
Diversification benefits within market risk	-18,438,387	-14,827,455
Life Insurance Risk (diversified RCA)	**29,681,348**	**25,574,972**
Mortality risk RCA	3,524,619	2,360,419
Longevity risk RCA	119,622	87,065
Life catastrophe risk RCA	1,257,724	944,200
Morbidity risk RCA	7,083,485	6,456,280
Expense risk RCA	3,068,857	2,973,499
Lapse risk RCA	25,604,863	21,825,085
Diversification benefits within life insurance risk	-10,977,820	-9,071,576
General Insurance Risk (diversified RCA)	**56,949**	**58,223**
Reserve and premium risk RCA	56,949	58,223
Natural catastrophe risk RCA	-	-
Man-made non-systemic catastrophe risk RCA	-	-
Man-made systemic catastrophe risk RCA	-	-
Mortgage insurance risk RCA	-	-
Diversification benefits within general insurance risk	-	-
Counterparty default and other risk RCA	**471,183**	**494,143**
Diversification benefits among risk modules	-13,293,335	-10,947,488
Operational risk RCA	**3,186,929**	**2,713,555**
Adjustment for loss absorbing capacity cap	-	-
Adjustment for tax effect	-18,756	-25,322
Any other items which the IA may specify to adjust	-	-
Prescribed capital amount	**58,355,697**	**47,664,502**

(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	114,402,927	103,128,364
Limited Tier 1 capital	-	-
Tier 2 capital	15,890,777	10,717,076
Capital base	**130,293,704**	**113,845,439**

(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	**223%**	**239%**

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

Prescribed Capital Amount

Under the HKRBC regime, the Prescribed Capital Amount (PCA) represents the capital requirements to cover the potential loss under 99.5th percentile (1-in-200) scenario within one year arising from the risks faced by the Company. The PCA is derived by aggregating the Risk Capital Amounts (RCA) across different risk types, with diversification benefit recognized to reflect the different degrees of correlation among the underlying risks.

The Company's capital requirements are largely contributed by lapse risk, interest rate and equity risk. Diversification effects are recognized across these risks, resulting in a lower overall capital requirement than the sum of individual risk components.

- Lapse risk reflects the sensitivity of long-term insurance contracts to changes in policyholder behaviour. The Company may not fully realize the expected future cash flows associated with those policies if discontinuation is higher than expected.
- Interest rate and equity risk arise from the differences in exposure to movements in financial markets between investments and liabilities.

In general, capital requirements are expected to increase over time, reflecting the new business sales and growing exposure of in-force portfolio. Equity risk increased more notably over the year, mainly due to favourable equity performance, shift in business mix towards participating saving products with higher equity backing ratios, and more onerous equity risk charge as a result of the higher countercyclical adjustment factor.

Capital Base

The capital base represents the Company’s available capital to support its business. It is broadly aligned with the net assets presented in Section 3, subject to regulatory adjustments. Compared with the prior financial year, the capital base increased mainly due to portfolio and business growth from both in-force and new business, and favourable investment performance over the year, partly offset by dividend remittances from accumulated shareholder surplus to the parent company.

Capital base is further classified into Tier 1 and Tier 2 capital in accordance with HKRBC rules, distinguishing the extent to which capital can absorb losses on a going-concern basis and upon winding-up. Tier 2 capital is mainly comprised of the Inherited Estate of the With-Profits Funds. This is ring-fenced and dedicated to protecting With-Profits policyholders, reflecting prudent and disciplined capital allocation. As of year-end 2025, the increase in Tier 2 capital was primarily driven by favourable investment performance and improved financial position of the With-Profits business.

Ratio of capital base to prescribed capital amount

The ratio of the capital base to the prescribed capital amount (the solvency ratio) reflects the company's ability to meet its obligations under a 1-in-200 adverse scenario. At year-end 2025, PHKL's solvency ratio was 223%, remaining significantly above the regulatory requirement of 100%. Compared with the prior financial year, the solvency ratio decreased over the year, mainly due to dividend remittances from accumulated shareholder surplus to the parent company and the capital required to support new business sales, partly offset by favourable investment performance.

8 Risk Management

(a) Risk appetite and risk governance framework

The Company has in place a system of governance that seeks to embed clear ownership of risk, together with risk policies and standards to enable risks to be identified, measured and assessed, managed and controlled, and monitored and reported. This is set out in a Risk Framework that is owned by the Board and details the Company's risk governance, risk management processes and risk appetite, operated under a 'three lines' model. The Company's Board Risk Committee is constituted by the Board with the purpose of assisting the Board in providing direction and oversight of the Company's overall risk appetite, risk tolerance and strategy, overseeing and advising the Board on the current and potential future risk exposures of the Company, reviewing and approving the Company's risk framework, and monitoring its effectiveness and adherence to the various risk policies.

The Company's risk appetite is defined and monitored in aggregate by the setting of objectives for its capital requirements, liquidity and non-financial risk exposure.

The Company's assets and liabilities management (ALM) considers the liability profile and related assumptions of in-force business and new products to appropriately manage investment risk within ALM risk appetite, under different scenarios in accordance with policyholders' reasonable expectations, and economic and local regulatory requirements. For example, the ALM approach for interest rate risk requires that assets and liabilities should be tightly matched. Interest rate risk is accepted where this cannot be hedged, provided that this arises from profitable products and to the extent that such interest rate risk exposure remains part of a balanced exposure to risks and is compatible with a robust solvency position.

(b) Insurance risk management

The Company has appetite for retaining insurance risks in the areas where it believes it has expertise and operational controls to manage the risk and where it judges to be more value-creating to do so than to transfer the risk, but only to the extent that these risks remain part of a balanced portfolio of sources of income for shareholders and are compatible with a robust solvency position. Insurance risk exposures are regularly monitored, reviewed and overseen by relevant management committees.

- Mortality risk arises from deviations in the future frequency and severity of insured deaths relative to initial assumptions. The Company manages mortality risk through prudent underwriting and pricing, use of reinsurance, oversight and escalation of experience as it emerges.
- Medical claims inflation risk arises from the more-than-expected increase of the cost of medical treatment, resulting in higher than anticipated medical claims cost passed on to the Company. The Company's primary management of this risk is by retaining the right to reprice products and appropriate overall claims limits within policies.
- Morbidity risk is the risk of deviations in the future frequency and magnitude of non-fatal accident and sickness claims relative to initial assumptions that are adverse to shareholder value. The Company manages morbidity risk through prudent underwriting and claims management, use of reinsurance, oversight and escalation of experience as it emerges and, for certain products, the right to reprice where appropriate.
- Persistency risk results from adverse changes in policy surrenders, paid-ups and non-forfeiture, and other policy discontinuances and policy alterations. The Company manages persistency risk by appropriate controls across the product life cycle.

(c) Investment risk management

The Company has appetite for market risk where it arises from profit-generating insurance activities to the extent that the risk remains part of a balanced portfolio of sources of income for shareholders and is compatible with a robust solvency position. The Investment Committee (IC), a sub-committee of the Asset and Liability Committee (ALCO), establishes investment guidelines and limits, provides recommendations to the ALCO on the investment strategy.

- Interest rate risk is driven by the valuation of the Company's assets (particularly debt securities) and liabilities. The objective of the Company's ALM process is to meet policyholder liabilities with the returns generated from the investment assets held, while maintaining the financial strength of capital and solvency positions.
- Equity risk is driven by the material exposures in the Company's businesses arises from equity assets backing participating products. The Company has limited acceptance for equity risk from non-participating products if it is not rewarded for taking the risk. The Company accepts equity exposure that arises from future fees but limits its exposure to policyholder guarantees by hedging against equity movements and guarantees where economically optimal.
- Liquidity risk arises from the need to have sufficient liquid assets to meet policyholder and third-party payments as they fall due, considered under both business-as-usual and stressed conditions. The Company has no appetite to have insufficient resources to cover its outgoing cash flows, or cash flow requirements from its debt obligations under any plausible scenario.
- Invested credit risk is the potential for loss resulting from a borrower's failure to meet contractual debt obligation(s) and arises from investments in debt instruments. The Company's holdings are mainly high-quality USD-denominated investments and well diversified across issuers and companies. Acknowledging that downgrade or default risks can never be eliminated, the Company has appetite to accept credit risk as part of a balanced portfolio of income sources for shareholders and compatible with a robust solvency position.

(d) Other risk management (if any)

The complexity of the Company's activities and transformation efforts creates a challenging operating environment and exposure to a variety of non-financial risks. The Company does not actively seek to take non-financial risks. Instead, it operates a control environment and framework for good governance intended to prevent material losses or other negative impacts. Non-financial risks capture a number of dimensions, including but not limited to, (i) operational processes risk, (ii) change delivery risk, (iii) third party management risk, (iv) technology and cybersecurity risk, and (v) regulatory compliance and conduct risk.

The Company has a Non-Financial Risk Appetite Framework in place to identify, measure and assess, manage and control, monitor and report effectively on material non-financial risks across the business. The non-financial risk appetite is framed around the perspectives of its varied stakeholders, accounts for current and expected changes in the external environment, and provides limit and trigger appetite thresholds for non-financial risk categories. The Company accepts a degree of non-financial risk exposure as an outcome of its business activities and strategy, and aims to manage these risks effectively to maintain operational resilience, and commitments to customers and stakeholders, and to avoid material adverse financial loss or impact to its reputation.

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 Prudential 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 Prudential 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 Prudential 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:	**Lawrence Chi Kong Lam**
Position:	**Chief Executive Officer**
Company Name:	**Prudential Hong Kong Limited**