Financial Condition Report

AXA China Region Insurance Company (Bermuda) Limited – FY2024

Public

Version 1.0
July 2025

Sign-off

We certify that to the best of our knowledge and belief, this Financial Condition Report of AXA China Region Insurance Company (Bermuda) Limited fairly represents the financial condition of the company in all material respects.

Signed by the Chief Executive Officer:

....	Wan Yuen Wai	23-7-2025
Signature	*Name*	*Date*

Signed by the Chief Actuary:

....	Iris Lau	17-7-2025
Signature	*Name*	*Date*

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1. Business and Performance

1.1 Name of the insurer

AXA China Region Insurance Company (Bermuda) Limited (the "Company")

1.2 Insurance Supervisor

The principal regulatory supervisors of the company are the Bermuda Monetary Authority and the Insurance Authority of Hong Kong.

Insurance Authority
19/F, 41 Heung Yip Road, Wong Chuk Hang, Hong Kong

Bermuda Monetary Authority
BMA House, 43 Victoria Street, Hamilton, Bermuda

1.3 Approved Auditor

KPMG
8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong

1.4 Description of the Ownership Details

The Company is 100% owned by AXA China Region Limited, a company incorporated in Bermuda, which is 100% owned by AXA ASIA SAS, a company incorporated in France, which in turn is 100% owned by AXA SA, a company incorporated in France and is the Company's ultimate holding company.

1.5 Structure in AXA Group

1.5.1 Changes of Corporate Structure of the Company

On 1 April 2024, the Company completed acquisition of 51% of the equity interest of XL Reinsurance (China) Company Limited ("XL Re China") from XL Reinsurance America Inc. and 49% of the equity interest of XL Re China from XL Insurance Company SE. After completion of the acquisition, XL Re China was renamed to AXA International Reinsurance (Shanghai) Company Limited effective 16 October 2024.

On 24 June 2024, AXA China Region Insurance Company Limited, a wholly-owned subsidiary of the Company, completed acquisition of 100% of the issued share capital of AXA Wealth Management (HK) Limited from AXA China Region Limited.

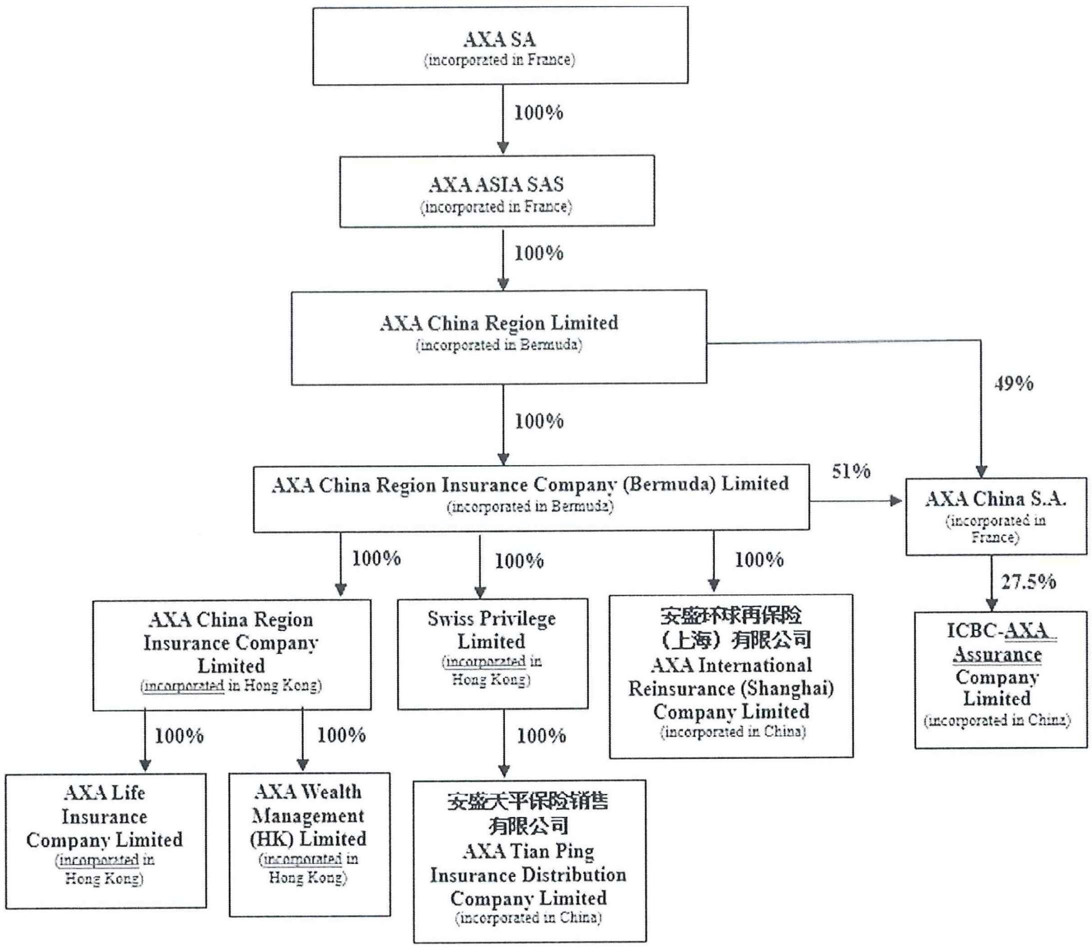
On 2 July 2024, AXA China Region Insurance Company Limited completed acquisition of 100% of the issued share capital of AXA Life Insurance Company Limited from AXA ASIA SAS.

On 4 October 2024, the Company completed acquisition of 51% of the issued share capital of AXA China SA from AXA SA.

The above changes have been reflected in the next section of "1.5.2 Structure in AXA Group".

1.5.2 Structure in AXA Group

Corporate Structure of the Company
(as at 31 December 2024)



1.6 Insurance Business Written by Business Segments and by Geographical Region

AXA China Region Insurance Company (Bermuda) Limited writes long term business (traditional life and unit linked). In addition, the Company write a block of general business which is not considered material in the context of the Company's business position.

	2024 Gross Written Premium			2023 Gross Written Premium		
	Long Term Business	General Business	Total	Long Term Business	General Business	Total
	in USD'm	in USD'm	in USD'm	in USD'm	in USD'm	in USD'm
Hong Kong	3,282	118	3,400	3,198	72	3,270
Macau	263	48	311	256	42	298
Total	3,545	166	3,711	3,454	114	3,568

1.7 PERFORMANCE OF INVESTMENTS

The policyholder and shareholder investment assets (include unit linked assets) at 31 December 2024 are as below.

	Dec-24	%
Fixed income	13 720 916	56%
Equities	3 552 470	15%
PE and Unit Trusts	6 891 715	28%
Private companies	124 118	1%
Total investment in securities	24 289 219	

The fixed income portfolio is around 97% rated as investment grade at 31 December 2024. Investment in fixed income is generally under the consideration of asset and liability matching, constrained by factors such as concentration risks, rating and market availability.

The equity portfolio is mostly held under participating funds.

The return on investments for the reporting period are as below.

	2024 US$ Total	2023 US$ Total
Interest revenue on financial assets	609 983 158	511 256 622
Other investment return	126 250 357	442 031 250
Net impairment loss on financial assets	2 113 539	(1 476 651)
Amount recognised in profit and loss	738 347 054	951 811 221
Amount recongnised in OCI	130 805 683	508 854 945
	869 152 737	1 460 666 166

1.8 ANY OTHER MATERIAL INFORMATION

The Risk-based Capital (RBC) regime, introduced by the Hong Kong Insurance Authority, came into effect in the Hong Kong insurance industry on 1 July 2024.

The RBC regime in Hong Kong adopts a market-consistent, economic valuation approach for measuring the value of assets and liabilities, which is much more aligned with the Bermuda's BSCR framework. Capital requirements are determined using a modular, stress-based approach that covers various key risk categories, including life insurance risk, market risk, general insurance risk, counterparty default risk and operational risk. Diversification benefits across risk modules are also considered in the aggregation of capital requirements.

With the induction of the HKRBC regime, the Company had applied and was approved by the Bermuda Monetary Authority to utilise the regulatory filing option to submit the modified filing for a Hong Kong Life Insurer (referred to as the "Hong Kong Modified Filing") in satisfaction of its insurance business regulatory requirements in Bermuda for the financial year ending 31 December 2024.

2. Governance Structure

2.1 Board and Senior Executive

2.1.1 Structure of the Board and Senior Executives, Roles, Responsibilities and Segregation of Responsibilities

The Board of Directors (the "Board") oversees the management of the business of the Company and has the overall responsibility for the governance and strategic direction of the Company and establishment and monitoring of internal control framework. The Board is assisted by the Board Audit Committee and the Board Risk Committee and the roles and responsibilites of the Committees are set out in their own terms of reference. The Committees report regularly to the Board.

The Chief Executive Officer ("CEO"), who is also a Board member, is responsible for the conduct of the whole of the business of the Company. The Executive Committee is to assist the CEO in the operational management of the Company. Under the guidance and oversight of the Board, the CEO stratgically aligns resources to achieve the company strategic plans and objectives. The Executive Committee members are responsible for leading the respective functions and ensuring effective execution of the roles and responsibilities, systems and controls of those functions.

The Board consists of six directors including two independent non-executive directors and a resident director in Bermuda, and their roles and reponsiblities are outlined in the Company's Bye-Laws and Board Charter.

2.1.2 Remuneration Policy

The objective of the Remuneration Policy is to set the remuneration framework and guideline for the Company and to align with the AXA Group Remuneration Policy which is designed to support the AXA Group's long-term business strategy and to align the interests of its employees and other stakeholders by:

- establishing a clear link between performance and remuneration over the short, medium and long term,
- ensuring that the Company can offer competitive compensation arrangements across the multiple markets in which it operates while avoiding potential conflicts of interest that may lead to undue risk taking for short-term gain, and
- ensuring compliance with Solvency II regulations and any other applicable regulatory requirements.

The Company ensures an appropriate balance between fixed and variable components of remuneration where the fixed component represents a sufficiently high proportion of the total remuneration to avoid employees being overly dependent on the variable components and to allow the operation of a flexible policy on variable pay components, including the possibility not to award variable remuneration. AXA adheres to a clear distinction between the criteria used for setting fixed and variable remuneration.

- Fixed remuneration primarily reflects the relevant organisational responsibility, professional experience, technical and leadership skills required of the role, criticality or scarcity of skills as well as the individual's capability to sustainably perform the duties of the role.
- Variable remuneration primarily reflects the business and individual performance, including performance in excess of that required to fulfil the role description. It comprises an upfront cash element and may be supplemented by a deferred element recognising the importance of aligning remuneration over long-term value creation.

To avoid any potential conflict of interest, employees are subject to a systematic and globally consistent individual performance management process. Following this process, individual performance achievements are reviewed each year, based on both quantitative and qualitative assessment reflecting annual individual objectives and business goals. In addition to the individual performance assessment, final pay-outs are also dependent on the overall financial achievements and funding capacity of the entity which aligns individual interest with company profitable success.

The fees for the independent non-executive directors are on a fixed fee basis with no variable component or financial incentive to promote assumption of inappropriate levels of risk. None of them are involved in deciding their own fees.

2.1.3 Pension or Early Retirement Schemes for Members, Board and Senior Executives

The Company operates a number of defined contribution pension plans whereby employees and employer make monthly contributions equal to 5 per cent to 15 per cent of the employees' monthly basic remuneration. Supplementary Pension or Early Retirement Schemes are not provided to non-executive directors.

2.1.4 Material Transactions with Shareholder Controllers, Persons who exercise significant influence, the Board and Senior Executives

No contracts of significance to which the Company, its subsidiaries, its holding companies or any of its fellow subsidiaries was a party and in which a director or a controller of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

No properties were transferred, loans advanced to or obligations assumed by or for a director or a controller of the Company, his nominees or associates (within the meaning of section 9 of the Insurance Ordinance) during the year. The directors received unapportioned remuneration of US$2,217,163 from the Company's holding companies, fellow subsidiaries, associates or any other company for the directors' services to certain companies in the AXA China Region Group.

Dividends US$287,700,000 were paid to the ordinary shareholder during the year.

2.2 Fitness and Propriety Requirements

2.2.1 Fit and Proper Process

As set out in AXA Group Standards and Fit & Proper Policy, the Company ensures an appropriate and demonstrable process is in place to establish (i) the skills, experience, qualifications and propriety of key function holders and (ii) compliance with relevant integrity requirements of the members of the Board. Such assessment process for fitness and/or proprietary of key function holders and Board members is performed prior to their appointments and on an annual basis. Directors and certain regulated positions must also be approved by local regulators.

2.2.2 Board and Senior Executives' Professional Qualifications, Skills, and Expertise

Details of skills, experience and qualifications of the current Board of Directors are set out as below:

Mr. Gordon Timmins Watson (appointed on 21 February 2018) is the Senior Advisor and a director of the various AXA operating entities in Asia (including Hong Kong, Japan, Thailand, Philippines and Korea). He has more than 35 years of experience in the insurance industry. Before joining AXA, he was the Regional Chief Executive responsible for AIA Group's operations in Asia, as well as the Corporate Solutions, Healthcare, Partnership and AIA Vitality businesses. He held a number of key senior roles at AIG/AIA Group spanning multiple continents and cities, including New York, London, Nairobi, Dubai, Tokyo, Seoul and Hong Kong. He was the Regional President for AIG Life Companies in Japan & Korea and then Global Executive Vice Chairman for American Life Insurance Company responsible for the Japan business and also overseeing the remaining 50 countries for strategy, distribution, corporate solutions, product and marketing. He holds a Master of Business Administration degree from University of Hull, United Kingdom. He is a Fellow of the Chartered Insurance Institute (FCII) and has a master's degree in Global Mental Health from the University of Glasgow.

Ms. Wan Yuen Wai (appointed on 1 September 2019) is the Chief Executive Officer, AXA Greater China. She is responsible for the management and operations of AXA Hong Kong & Macau and AXA Tian Ping. She also has oversight of the ICBC-AXA business and AXA Asian

Markets Services which specialises in information technology services in Asia. She has extensive management and business development experience in insurance companies covering Asia Pacific Region. She has held a number of senior positions in major insurance companies in Asia, including Hong Kong and Japan. Prior to joining AXA Hong Kong and Macau in 2018, Sally was with AIA Group for more than 11 years in various senior positions including Regional Director in Financial Planning and Management and Regional Business Development Director. She spent 7 years in Tokyo with Allianz Fire and Marine Japan Ltd as Chief Financial Officer and other senior positions. She started her career in KPMG Hong Kong in 1996. Sally serves as the Deputy Chairman of the HKFI Governing Committee, a Councillor of the General Insurance Council (GIC), and a Councillor of the Life Insurance Council (LIC). She is a qualified accountant with CPA Australia and holds a Bachelor's degree in Commerce from The University of New South Wales, Australia.

Ms. Tong Sen Hang Cindy (appointed on 13 September 2023) is the General Manager of AXA Asia as well as the General Counsel & Chief of Compliance of Asia. As General Manager, Ms. Tong has overall responsibility of the Asia regional hub in Hong Kong. In her capacity as General Counsel and Chief of Compliance, Ms. Tong oversees the legal and compliance activities of AXA's south-east Asian operations, notably in Indonesia (Life & GI), Thailand (Life & GI) and the Philippines (Life & GI), as well as operations in Hong Kong, China, Japan and Korea. Her team is primarily responsible for all shareholder matters, including mergers & acquisitions, restructuring and shareholders governance. Ms. Tong started at AXA in 2009 and has been with AXA for almost 16 years. She is a direct report to the AXA Group Deputy CEO and General Secretary, a member of the AXA Group Leadership Network and also sits on the boards of AXA's operating entities in Thailand, China and Hong Kong. Before joining AXA, Ms. Tong was in private practice with international law firms in Hong Kong, specializing in cross-border M&A and China investment work. She is a qualified solicitor of the Hong Kong Law Society for over 24 years. She holds a Bachelor of Laws degree (LLB) from Osgood Hall Law School, York University, Canada and a Post-graduate Certificate in Laws (P.C.L.L.) from the University of Hong Kong.

Mr. Christopher John Ryan (appointed 1 October 2017) is an independent non-executive director of the Company. He is also an independent non-executive director of various insurers within AXA Hong Kong. He has lived in Hong Kong over 25 years and brings 35 years of leadership experience in asset management, in Australia and in Asia Pacific. He has run sizable regional businesses and held various senior management positions including Chief Executive Officer at ING Investment Management Asia Pacific Limited, Managing Director, Asia at Fidelity International Limited and Managing Director, Head of Asia Pacific at MSCI Inc., and other senior management positions with HSBC Asset Management, Citibank and Perpetual. Since retiring from MSCI Inc. in February 2017, he has been spending time on his own asset management consulting company. He holds a Bachelor of Business degree from Monash University, Australia.

Mr. Peter James Fishwick (appointed on 1 May 2021) is an independent non-executive director of the Company. He is also an independent non-executive director of various insurers within AXA Hong Kong. He has over 30 years of experience in Asia Pacific business. He has worked in several multinational technology companies, i.e. IBM, Hewlett-Packard and BT and his last engagement with KPMG where he advised them on their technology business ended in December 2020. He has a deep understanding of financial service companies' operations, compliance requirements and has also worked on financial restructuring and digitalization projects for financial institutions. His experience covers a wide spectrum over major account management, sales management, strategic business planning, sales/marketing, distribution/channel strategy, outsourcing, shared services and cybersecurity, etc. His last engagement was a consultant to Ernst & Young to assist the consulting division with Managed Services opportunities. He holds a Bachelor of Science (Hons) degree in Theoretical Chemistry from Southampton University.

Ms. Crystal Carvette D Worrell (appointed on 11 June 2025) is a Bermuda resident director of the Company. She is an Associate Director of Ocorian Management (Bermuda) Limited leading a team of insurance management professionals servicing a range of captives, commercial/long-term and ILS clients. She is a FCCA qualified accountant and a reinsurance professional. She joined Ocorian since October 2020 and has over 10 years of experience focused on external audit, insurance accounting, insurance management, statutory reporting and capital requirements (Solvency II), treasury and operations, business development and stock exchange listing services. She holds a Bachelor of Science degree in Accounting (Special) from University of the West Indies, CaveHill Campus.

Mr. George Nicholas Jones resigned as a Bermuda resident director of the Company on 24 April 2025.

2.3 Risk Management and Solvency Self-Assessment

Risks are the raw material of an insurance company. The Company's business is to relieve its clients from some of their risks, to mutualise these risks, to manage them, and reach profitability objectives. The purpose of both risk and capital management is to protect policyholders and capital providers from adverse events.

In order to manage these risks, the Company has put in place a comprehensive system of internal control and risk management designed to ensure that executives are informed of significant risks on a timely and continuing basis and have the necessary information and tools to appropriately analyse and manage these risks, and that the Consolidated Financial Statements and other market disclosures are timely and accurate. An effective system of governance is in place to provide sound and prudent risk management. This governance system must be based on a clear separation of responsibilities and must be proportionate to the nature, extent and complexity of the Company's operations.

In this context, the Company has put in place a control framework with three lines of defense with boundaries between each of them clearly defined.

	Responsiblities	Owners				
1st line of defense	responsible for day-to-day risk and control management and decision-making	Management and staff				
2nd line of defense (independent from the Group's business operations)	responsible for developing, facilitating and monitoring an effective risk and control framework	Risk Management	Legal & Compliance	Internal Control	Human Resources	Security Department
3rd line of defense	responsible for providing independent assurance on the effectiveness of the internal control system	Internal Audit				

An annual risk assessment must be conducted to enable a full refresh of each functional unit's risk profile. Management, assisted by risk function, is responsible for planning and facilitating the process. The risk profile is documented in each functional unit's risk register.

To proactively manage risk, it is important that there is a consistent and structured approach to identifying, analysing, evaluating and managing risks. This approach is described below.

- ***Establish the context***: requires an examination of AXA Hong Kong's external and internal environment, risk appetite, key strategic objectives and stakeholders' expectations.
- ***Identify risks***: ask what, why and how risks can arise within the business – i.e. "what are the uncertainties and their effects?"
- ***Analyze risks***: assess identified risks in terms of impact and likelihood in the context of the existing control environment. This requires the identification of controls that are in place to manage the risk, and an assessment of the adequacy and effectiveness of these controls. The impact and likelihood of risks are then combined to form a residual risk rating (i.e. the risk rating after taking into account the existing controls in place).
- ***Evaluate and Manage risks***: based on the residual risk rating, the risk owner will identify the actions required. This risk owner is also to inform the Risk management Function of the risk rating for their valuation and update the relevant risk register for the risk.

On top of the above risk assessment, the Company considers impact of capital and solvency, in its operations, strategic planning and decision-making process. Risk reporting is provided to the Board, Audit, Risk and Compliance Committees and other executive committees to inform key decision making, such as via the Own Risk and Solvency Assessment (ORSA) and Commercial Insurer's Solvency Self-Assessment (CISSA) report.

The Company's solvency is assessed and monitored regularly by the Actuarial function. The solvency position is reviewed by the Audit, Risk and Compliance Committee and ultimately approved by Board Risk Committee.

Stress testing is conducted to assess the solvency under specified stress events according to the Company's Risk Tolerance. Management information arising from the solvency assessment and stress testing is used to complete Solvency Self-assessments of the capital required to support the Company's business objectives given the amount of risk the Company has taken on (or plans to take on) and environment factors. The result is reviewed by executive committee, the Audit, Risk and Compliance Committee and Board Risk Committee to ensure that the Company operates within its risk appetite.

2.4 Internal Controls

Compliance function is responsible for advising on compliance with the laws, regulations and administrative provisions regarding insurance and reinsurance activities as well as ensuring that compliance is effective. The compliance function holder of the Company is the Chief Compliance Officer.

The Board of Directors is responsible for overseeing the Company's **internal control system**. On an ongoing basis, the Board of Directors, through the Management Level Audit, Risk and Compliance Committee and Board level Risk Committee, reviews the adequacy and effectiveness of the Company's internal control system to ensure that the management has established and maintained an effective internal control system.

2.5 Internal Audit

AXA Hong Kong Internal Audit provides the Board and Executive Management with independent and objective assurance on the effectiveness of the overall control environment to help protect the assets and reputation of the organisation and help improve its operations.

AXA Hong Kong Internal Audit sets an annual plan of work, approved and monitored by the Audit Committee, based on an assessment of both the inherent risk and the adequacy of controls as well as consideration of cyclical coverage. A report is issued at the conclusion of each audit assignment to relevant senior management, with the results and resolution status of internal audit issues presented regularly to the Audit Committee and management.

The AXA Hong Kong internal audit function has an audit charter to document its purpose, independence, scope, accountabilities, responsibilities, authorities and standards. The charter is approved by the Audit Committee each year.

The head of the AXA Hong Kong internal audit function has a direct and unfettered reporting line directly to his/her respective Audit Committee Chairman and reports functionally through to the Group Head of Internal Audit.

2.6 Actuarial Function

The Actuarial Function is responsible for the valuation and monitoring of the Technical Provisions. Key objectives of the Actuarial Function are to:

- Develop and maintain appropriate methodology for valuation of the Technical Provisions, in compliance with regulatory requirements outlined by the Authority.
- Monitor the Company's actual experience and set the best estimate assumptions on a regular basis.
- Perform the valuation of the Technical Provisions and ensure its reasonableness with consideration of the nature, scale, and complexity of the Company's business.

2.7 Outsourcing

The Company's Outsourcing Policy (the "Policy") set out the governance in approving and managing outsourcing activities that complies with AXA Group Standards – Outsourcing Policy, the Regulatory Requirements, Personal Data Privacy Ordinance ("PDPO"), Insurance Authority ("IA")'s Guideline on Outsourcing ("GL14"), the European Insurance and Occupational Pensions Authority ("EIOPA")'s Guideline on Cloud Outsourcing.

AXA Group has developed standard procedures covering all aspects of outsourcing, from the initial decision to outsource to the termination of the agreement. The Company's Outsourcing Policy adopts the AXA Group procedures as applicable. For the avoidance of doubt, all AXA Group entities that are managed or controlled by AXA Group shall follow AXA Group Standards. For details of the AXA Group Standards please refer to page 37 of the Solvency and Financial Condition Report of 2024 of AXA Group.

https://www-axa-com.cdn.axa-contento-118412.eu/www-axa-com/d0e0fd68-68a1-463f-af3e-d32e3d7cbde9_axa_sa_solvency_and_financial_condition_report_2024.pdf

In compliance with the Bermuda Insurance regulations, the Company has outsourced to Ocorian Services (Bermuda) Limited to provide Corporate Administration services (registered office and Company Secretary) and Ocorian Management (Bermuda) Limited to provide Insurance Manager and Principal Representative services (including services of a Director resident in Bermuda) for the Company in Bermuda.

Material outsourcing activities refer to the following:
- AXA Group Operations Asia (IT services)
- AXA Investment Managers Asia Limited (Investment Management)
- Genpact (UK) Limited (Policy administration, underwriting, finance, claim)
- Salesforce.com Singapore Pte. Ltd. (AXA iPro, Marketing Cloud Asset and license)

2.8 Any Other Material Information

Nil in 2024.

3. Risk Profiles

3.1 Material Risks

Risk is defined as the effect of uncertainty on AXA Hong Kong business objectives. Hence, risk is seen as an event that will have associated consequences, either positive or negative, for AXA Hong Kong's financial position, performance and/or reputation. Events with a positive impact represent opportunities, while events with a negative impact can erode value or prevent value creation.

To manage risk, the Company recognizes different classes of risks according to the AXA Group Risk Grid, which consists of 5 risk chapters, 16 risk categories and 60 sub-risks. As future revision is made to this AXA Group Risk Grid, the Company will assess the relevance of the change and adopt accordingly if deemed appropriate. Please refer to the below table for the material risks for the Company.

Risks	Definition
Financial Risks	This includes market risk, credit risk and liquidity risk: ***Market risk*** reflects the exposure of the business to the performance of the financial markets. Market movements impact the level of fees on unit-linked business, returns earned by policyholders and investment earnings on shareholder capital Market risk includes: 1. Interest rate risk

	2. Equity / property risk 3. Asset / Liability mismatch risk 4. Currency risk ***Credit risk*** is the risk that the value of a debt security, or a commitment provided by a reinsurer or derivative counterparty, may change due to the counterparty defaulting, or a change in the likelihood of a future default ***Liquidity risk*** includes both the risk that assets may not be realized at their fair value in a short period of time, and the risk that the company may not have access to enough liquid assets to meet its cash outgo obligations.
Life & Savings Insurance Risks	***Insurance risk*** relates to: • The uncertainty regarding the level and timing of claims (i.e. claims experience) and the associated expenses • The main risks relate to mortality, longevity, morbidity, expenses and the level of persistency • The risk of products being inappropriately or mis-sold to customers, and • The risk of the company not being adequately reinsured
Property & Casualty Insurance Risks	P&C insurance risk can be split into three categories: ***Premium risk*** is the risk that the claims cost for future claims exceeds the expected level. This could be due to e.g. inadequate pricing, risk concentration, improper reinsurance coverage or due to unexpected deviations in the frequency of claims (i.e. the number of claims incurred during the period being higher than expected) and / or in the size of claims (i.e. claims when they occur being larger than anticipated). ***Reserve risk*** is the risk that technical provisions are not sufficient to cover the cost for already incurred claims and results from fluctuations in the timing and amount of claim settlements. ***Catastrophe risk*** is the risk of low frequency, high severity events, such as natural catastrophes, that are not captured adequately by the premium risk or reserve risk.
Operational Risks	***Operational risk*** refers to the risk of loss arising from inadequate or failed internal processes, personnel or systems or from external events.
Other Risks	This includes strategic & regulatory risk, as well as reputation risk. ***Strategic & regulatory risk*** arises from an inability to adapt to changes in the business environment, such as economic changes, changes in competition, social and regulatory changes. ***Reputation risk*** relates to uncertainties in regard to events that will have an impact, either positive or negative, on AXA Hong Kong's reputation. ***Emerging Risks*** are risks which may develop or which already exist and are continuously evolving in next 10 years. They are characterized by a high degree of uncertainty in terms of impacts and likelihood, and have a substantial potential impact on Insurance business lines. ***Climate (change) risks*** are usually understood to comprise two main risk drivers impacting corporations' valuation and profitability, including: • ***Physical risks*** refer to the financial impact caused by the physical effects of climate change. • ***Transition risks*** refer to the risks that can result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy driven by changes in public policies

	and regulation, changes in technological progress and changes in market behaviours.

3.2 Risk Mitigation

A control framework with three lines of defense is in place to mitigate risks in the Company. The first line is responsible for day-to-day risk and control management and decision making.

In an insurance company, risk management is not about avoiding risks, it is about selecting and managing risks. The role of risk management is not to prevent the first line (e.g. underwriters or investment officers) from taking risks, it is to promote a culture of selective risk taking and to provide tools and metrics to help consciously mitigate risk and choose the risks the Company wants to retain ensuring that:

- These risks are adequately priced and contribute positively to the Company's profitability and value creation;
- The Company has the competencies and know-how to manage these risks until the fulfilment of all guarantees;
- The risks diversify well with other risks and add an affordable marginal capital strain;
- Their accumulation does not hit a limit threshold where consequences of an adverse event would be unbearable for the Company;
- They are consistent with the Company's values and comply with internal rules.

The risk mitigation and monitoring tools employed by the Company includes but not limited to:

- Annual Risk Assessment
- Risk and Control Self Assessments (RCSA).
- Key Risk Reporting and Monitoring
- Operational Loss Incident Collection
- Financial risks and insurance risks specific – Strategic Asset Allocation (SAA), Risk Appetite Framework (RAF), hedging, reinsurance, assumption review, product design and repricing.

3.3 Material Risk Concentrations

The Company has underwriting, investment and risk policies in place to set limits regarding material risk concentration around single counterparty, industry and geographic exposures. Any potential activity that might breach the concentration limit has to be reviewed by the Risk Management function and approved by the designated executives and committee.

3.4 Investment in Assets in accordance with the Prudent Person Principles of the Code of Conduct

Investment Approval Process is in place to ensure that significant non-routine investments (complex and/or risky investments, private and illiquid assets, new asset types or strategies) are thoroughly analyzed through adequate studies and controls enabling management to build an informed opinion before the investment is made. The Investment Approval Process contributes to ensure that investments are made in accordance with the prudent person principle.

On an annual basis, this Investment Approval Process policy is (i) re-examined and updated by HK Investment Team, (ii) validated by the Company's CIO.

3.5 Stress Testing and Sensitivities Analysis to Assess Material Risks

Stress Testing and Sensitivities Analysis provide assurance that the Company and the business units are adequately capitalised to maintain regulatory solvency and be able to withstand adverse financial risk events. The Company performs stress testing to monitor the potential impact of the changing investment and economic environment on the regulatory capital and liquidity adequacy of the Company and each of the business units. These tests show the financial impact the risks identified above are likely to have when considered individually and collectively. The stress test results are documented in ORSA and CISSA report, which are also reviewed regularly by Audit, Risk and Compliance Committee, Board Risk Committees.

3.6 Any Other Material Information

Nil in 2024.

4. Solvency Valuation

Pursuant to the approval for modified filing from the Bermuda Monetary Authority for the financial year ending 31 December 2024, the solvency valuation in this section and capital management in the next section will be based on the HKRBC reporting basis.

4.1 Valuation Basis, Assumptions and Methodology for Assets

The Company has considered the valuation principles outlined by the Insurance (Valuation and Capital) Rules for the year's statutory filing. The economic valuation principles outlined in this document are to measure assets and liabilities on a fair value basis (which is the quote price in active market if available or measured at fair value using valuation models or other pricing techniques with assumptions that are mainly based on market conditions existing at the end of each reporting period). The fair value principles used for the assets are as follows:

- Investment in regulated financial entities is stated at cost less impairment.
- Investment in subsidiaries other than regulated financial entities (the entities over which the Company has control) are valued in accordance with IFRS/HKFRS 10. The Company consolidate each balance sheet item (after consolidation eliminations) of the subsidiaries.
- Equity method according to IAS/HKAS 28 is applied to investment in affiliates (the entities over which the Company has significant influence). The investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Company's share of net assets of the affiliates. This approximates the fair value.
- Plant and equipment are stated at historical cost less depreciation and the subsequent costs are included in the asset's carrying amount or recognised as a separate asset. This approximates the fair value.
- Financial assets that are not categorised as fair value through profit or loss, the changes in the fair value of securities classified as FVOCI, except for impairment losses and relevant foreign exchange gains and losses, are recognised in other comprehensive income and accumulated in a separate fair value reserve within equity.
- Financial assets at fair value through profit or loss are based on transaction price initially and subsequently on current bid prices where available. Unlisted unit trust is based on latest available bid price or net asset value per unit. For those which are not actively traded, the Company establish fair value by using valuation techniques like recent arm's length transactions, discounted cash flow analysis and option pricing models.
- Hedge fund and private equity funds are initially based on transaction price and subsequently based on net asset value provided by the general partner, manager of each investment or reported by administrators for private companies.
- Loans and receivables are carried at amortised cost using the effective interest method less impairment loss. This approximates the fair value.
- Derivatives are valued as fair value obtained from quoted market prices and valuation techniques.
- Cash and cash equivalent includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

4.2 Valuation Basis, Assumptions and Methodology for Technical Provisions

Insurance contracts are valued using the best estimate probability weighted cash flows – i.e. current estimate ("CE"), with an additional risk margin ("MOCE"). The cash flow projection includes policyholders' benefit payments, expenses, taxes, premiums related to existing insurance contracts taking into account the time value of money (using the rates of interest supplied by the Hong Kong Insurance Authority, with a Matching adjustment added on for certain participating businesses). The calculation of BEL is based upon up-to-date reliable information and realistic assumptions. The cash flow projection used in the calculation includes all the cash in- and out-flows required to settle the insurance obligations within the contract boundary, and with the associated reinsurance arrangements presented separately.

Assumptions regarding future experience are intended to be reasonable, and, to the extent possible, take into account the historical and current experience of the Company, adjusted to reflect known changes in the environment and identifiable trends.

Key non-market assumptions include but not limited to loss ratio, mortality, morbidity, expenses, persistency and policyholder behaviours. They are best estimate assumptions based on historical data and expert judgement.

Key economic assumptions include but not limited to discount rates and stochastic economic scenarios. These assumptions are internally consistent and updated for each reporting period.

In addition, there is a risk margin to reflect the uncertainty contained inherent in the underlying cash flows. The risk margin is determined at a level such that the total of CE and MOCE would be sufficient to cover the 75th percentile of potential adverse outcome. It is calculated by scaling down the capital requirement (which is calculated to cover 99.5th percentile of potential adverse outcome) from 99.5th percentile to 75th percentile, by assuming a normal distribution.

At 31 December 2024, the total Technical Provisions in the Economic Balance Sheet amounted to USD 17,446 million comprising the following:

	At 31 Dec 2024 in USD million
Total Gross Long-Term Business Insurance Provisions (A)	21,375
Reinsurance Recoverable (B)	4,341
Risk Margin (C)	413
Total Technical Provisions (A) – (B) + (C)	17, 446

4.3 Recoverables from Reinsurance Contracts

The best estimate of reinsurance recoverables consist of amounts due from reinsurers and the expected claims and benefits arising under the related reinsured insurance contracts, which are consistent with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. The best estimate has been adjusted to reflect the expected loss due to default of the reinsurance counterparty.

4.4 Valuation Basis, Assumptions and Methodology for Other Liabilities

Other Liabilities mainly include financial liabilities for investment contracts, repurchase obligations and debt instruments liabilities, derivatives with negative fair value and accounts payable. Similar to the valuation principles for assets, the Company's liabilities follow the valuation principles outlined by Authority's "Guidance Note for Statutory Reporting Regime" which values liabilities on a fair value basis. The balance is valued at quoted market prices, observable market inputs or on an IFRS basis where appropriate.

- Financial liabilities are valued as fair value through profit and loss, or fair value net of transaction cost incurred.
- Derivatives with negative fair value are valued as fair value obtained from quoted market prices and valuation techniques.
- Provisions for present legal or constructive obligation as a result of past events are measured at the present value of the expenditure expected to be required to settle the obligation discounting at a pre-tax rate that reflect the current market and risk specific to the obligation.

5. Capital Management

5.1 Eligible Capital

Capital management policy and process to determine capital needs for business planning, how capital is managed and any material changes during the reporting period

The Company's objectives when managing capital are to safeguard the ability to continue as a going concern and to comply with capital requirements specified by the regulators, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or return capital to shareholders.

There were no material changes to the capital management policy of the Company during the year.

Eligible capital categorised by tiers in accordance with the Insurance (Valuation and Capital) Rule of the Hong Kong Insurance Ordinance

Tier 1 and 2 capitals are held by the Company at the end of the reporting year. Tier 2 capital is the excess of encumbered assets over the corresponding liabilities on the economic balance sheet.

5.2 Regulatory Capital Requirements

Eligible Capital and Prescribed Capital requirements at the end of the reporting period

At the end of the reporting year, the regulatory capital requirements were assessed as follows:

Prescribed Capital Requirement	USD 2,146m
Eligible Capital	USD 5,127m

Identification of any non-compliance with the Prescribed Capital Requirement

The Eligible Capital is above the Prescribed Capital Requirement. The Company was compliant with the Prescribed Capital Requirement at the end of the year.

5.3 Approved Internal Capital Model

The Company has not applied an internal capital model to determine regulatory capital requirement.

6. Subsequent Event

No subsequent events after 31 December 2024 and up to the Financial Statement's signing date on 28 April 2025.