Disclosure Statement

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

Compagnie Française d'Assurance pour le Commerce Extérieur

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

Compagnie Française d'Assurance pour le Commerce Extérieur (Coface) offers trade credit insurance. The company operates its Hong Kong branch office at Unit A, 31/F, Lee & Man Commercial Center, 169 Electric Road, North Point, Hong Kong, which also serves as the regional headquarters for its Asia-Pacific operations.

(c) Description of corporate structure

Compagnie Française d'Assurance pour le Commerce Extérieur ("Coface") is a company incorporated in France and a wholly-owned subsidiary of Coface SA. As at 31 December 2025, Arch Capital Group held approximately 29.86% of the share capital of Coface SA. The remaining shares were principally held by public shareholders, employee shareholders and treasury shares.

2 Corporate governance framework

The Company is organized around the Group Management Board, which is Coface's decision-making body. It generally meets every week to review and validate the Company's main strategic orientations and to steer its management, in particular with regard to strategy and budget, major investments and projects, defining the organization and human resources, monitoring operational performance and results, as well as controlling and ensuring the compliance of activities.

The Group Management Board is complemented by the Executive Committee, composed of the Group Management Board, the regional director, and key internal stakeholders. It contributes to the development of the Group's strategy and the study of key operational issues or strategic initiatives.

3 Financial position

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

(Unit: in HKD thousands)	As at 31 December 2025	As at 31 December 2024
	Total	**Total**
Total assets	**1,212,526**	**1,328,724**
Cash and deposits	205,504	323,265
Debt securities	678,764	593,936
Equities (including portfolio investments)	-	-
Derivative financial instruments	-	-
Properties	-	-
Loans and advances	-	-
Reverse repurchase agreement	-	-
Other financial assets	212,187	267,448
Policyholder's account assets in respect of	-	-

(Unit: in HKD thousands)	As at 31 December 2025	As at 31 December 2024
	Total	**Total**
unit linked products or retirement scheme		
Reinsurance assets	82,268	138,075
Tax assets	8,781	1,765
Other assets	25,022	4,234
Total liabilities	**445,177**	**605,101**
Insurance liabilities	339,448	511,038
Reinsurance liabilities	2,131	7,684
Repurchase agreement	-	-
Derivative financial instruments	-	-
Other financial liabilities	74,586	67,924
Tax liabilities	-	9,865
Other liabilities	29,013	8,591
Net assets	**767,348**	**723,623**

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

Not Applicable

4 Investments

(a) Assumptions and methods used for valuation of investments

Valuation of investments is in accordance with IFRS 9 Financial Instruments. Investments designated as fair value through other comprehensive income (FVOCI) are measured at fair value, with changes in fair value recognised in other comprehensive income.

(b) Material change in assumptions and methods (if any)

Not Applicable

5 Insurance liabilities

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

Insurance Liabilities of General Business

	As at 31 December 2025		
	Direct insurance	Reinsurance	Total general business
	Pecuniary loss	Proportional	
Total general insurance liabilities (gross of reinsurance)	-	-	**339,448**
Total general insurance liabilities excluding other general insurance liabilities (gross of reinsurance)	**105,243**	**234,205**	**339,448**
Outstanding claims liabilities	82,282	155,099	237,380
Premium liabilities	11,510	50,788	62,298
Margin over current estimate for outstanding claims liabilities	8,689	16,129	24,818
Margin over current estimate for premium liabilities	2,762	12,189	14,952
Total general insurance liabilities excluding other general insurance liabilities (net of reinsurance)	**77,265**	**179,916**	**257,181**

	As at 31 December 2024		
	Direct insurance	Reinsurance	Total general business
	Pecuniary loss	Proportional	
Total general insurance liabilities (gross of reinsurance)	-	-	**511,038**
Total general insurance liabilities excluding other general insurance liabilities (gross of reinsurance)	**115,608**	**395,430**	**511,038**
Outstanding claims liabilities	94,418	309,161	403,579
Premium liabilities	9,202	43,199	52,402
Margin over current estimate for outstanding claims liabilities	9,779	32,701	42,481
Margin over current estimate for premium liabilities	2,209	10,368	12,576
Total general insurance liabilities excluding other general insurance liabilities (net of reinsurance)	**82,310**	**290,652**	**372,962**

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

An independent review of the Company's insurance liabilities was performed based on an analysis of the Company's historical claims, premium and expense experience as at the valuation date. Appropriate actuarial reserving techniques were applied to assess both claim liabilities and premium liabilities, with key assumptions selected having regard to observed experience, underlying business characteristics and professional actuarial judgement.

Methodology for Deriving Assumptions

The valuation assumptions were derived through a review of the Company's historical experience. Where appropriate, actuarial analyses and Actual versus Expected studies were performed to assess the reasonableness of the assumptions used in the valuation.

Generally accepted actuarial methods were applied in the selection of ultimate loss estimates, including the Chain Ladder, Bornhuetter-Ferguson and Expected Loss Ratio methods.

For the 2025 reporting year, the Margin over Current Estimate (MOCE) was independently reviewed and determined using a bootstrapping approach to reflect the uncertainty inherent in the insurance liabilities.

Premium Liabilities and Deferred Acquisition Costs

An independent assessment of premium liabilities and Deferred Acquisition Costs (DAC) was performed using financial and underwriting information provided by the Company. Future premium cash flows, including pipeline premium where relevant, were projected to support the assessment of premium liabilities.

Discount Rate

Insurance liabilities were discounted using the risk-free yield curve prescribed by the Insurance Authority for the quarter ended 31 December 2025. The use of the prescribed yield curve is consistent with the requirements of the Insurance (Valuation and Capital) Rules and reflects market conditions at the valuation date. For currencies for which a prescribed risk-free yield curve is not available, appropriate external market yield data was referenced to derive a suitable yield curve for valuation purposes.

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

Not Applicable

6 Financial performance

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

Performance Analysis on Premiums and Claims

(Unit: in HKD thousands)	For the financial year ended 31 December 2025	For the financial year ended 31 December 2024
	Total	**Total**
Gross premiums[2]	429,593	403,148
Regular premiums	Not applicable	Not applicable
Single premiums	Not applicable	Not applicable
Net premiums	276,980	253,473
Regular premiums	Not applicable	Not applicable
Single premiums	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.

(Unit: in HKD thousands)	For the financial year ended 31 December 2025	For the financial year ended 31 December 2024
	Total	**Total**
Gross claims paid	119,906	66,917
Net claims paid	76,151	41,356

Performance Analysis on investment returns

(Unit: in HKD thousands)	For the financial year ended 31 December 2025	For the financial year ended 31 December 2024
	Total	**Total**
Investment returns	27,107	27,660

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

Not Applicable

(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
	Pecuniary loss	Proportional	
Gross premium	104,512	325,081	429,593
Net premium	67,152	209,827	276,980
Net undiscounted best estimate combined business results, relating to current year	8,471	(32,496)	(24,024)
Net undiscounted best estimate combined business results, relating to prior year	22,466	132,651	155,117
Undiscounted underwriting results - profit / (loss)	32,028	116,728	148,756

(Unit: in HKD thousands)	For the financial year ended 31 December 2024		
	Direct insurance	Reinsurance	Total general business
	Pecuniary loss	Proportional	
Gross premium	75,727	327,421	403,148
Net premium	44,866	208,607	253,473
Net undiscounted best estimate combined business results, relating to current year	8,280	(68,419)	(60,139)
Net undiscounted best estimate combined business results, relating to prior year	(5,200)	66,297	61,096
Undiscounted underwriting results - profit / (loss)	(59)	(5,544)	(5,603)

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

Not Applicable

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)	**26,618**	**34,874**
Interest rate risk RCA	24,010	17,626
Credit spread risk RCA	-	-
Equity risk RCA	-	-
Property risk RCA	-	-
Currency risk RCA	6,961	26,006
Diversification benefits within market risk	(4,353)	(8,758)
Life Insurance Risk (diversified RCA)	-	-
Mortality risk RCA	-	-
Longevity risk RCA	-	-
Life catastrophe risk RCA	-	-
Morbidity risk RCA	-	-
Expense risk RCA	-	-
Lapse risk RCA	-	-
Diversification benefits within life insurance risk	-	-
General Insurance Risk (diversified RCA)	**71,439**	**80,400**
Reserve and premium risk RCA	32,597	37,039
Natural catastrophe risk RCA	-	-
Man-made non-systemic catastrophe risk RCA	-	-
Man-made systemic catastrophe risk RCA	55,939	62,699
Mortgage insurance risk RCA	-	-
Diversification benefits within general insurance risk	(17,098)	(19,338)
Counterparty default and other risk RCA	8,231	7,270
Diversification benefits among risk modules	(21,234)	(24,798)
Operational risk RCA	3,231	3,288
Adjustment for loss absorbing capacity cap	-	-
Adjustment for tax effect	(7,426)	(8,633)
Any other items which the IA may specify to adjust	-	-
Prescribed capital amount	80,858	92,401

(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	767,232	710,729
Limited Tier 1 capital	-	-
Tier 2 capital	117	1,765
Capital base	767,348	712,494

(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	949 %	771 %

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

Not Applicable

8 Risk Management

(a) Risk appetite and risk governance framework

The Company operates within the Coface Group’s regional governance structure and forms part of the Asia-Pacific Region. The Company maintains a risk governance framework that supports the identification, assessment, monitoring and management of risks arising from its business activities.

The Company’s risk appetite is aligned with the Coface Group’s objective of maintaining financial solidity while supporting sustainable and profitable growth. Risks are managed within approved limits and tolerances and are subject to ongoing monitoring to ensure that the Company maintains adequate capital strength and continues to meet its obligations to policyholders and applicable regulatory requirements.

Risk governance is based on the internal control system and is structured around three lines of defence: risk assessment and incident management by operational management (first line), independent oversight by the Risk Management and Compliance functions (second line), and independent assurance provided by the Internal Audit function (third line).

The Risk and Compliance Committee supports the Local Management in overseeing the effectiveness of the Company's risk management and internal control framework, including risk appetite, regulatory compliance, risk reporting and capital management matters.

Together, these frameworks support prudent risk-taking, effective oversight, regulatory compliance and long-term financial stability.

(b) Insurance risk management

The Company manages insurance risk within the framework of the Group’s risk appetite and underwriting policies. Risk is managed through rigorous underwriting and risk assessment processes, continuous monitoring of buyer, sector, and portfolio exposures, diversification across geographies and industries, and regular reviews of underwriting performance and claims experience. The Company also monitors the credit quality of policyholders and debtors on an ongoing basis, uses reinsurance arrangements and other appropriate risk mitigation measures, and conducts stress testing and scenario analyses as part of the ORSA process.

(c) Investment risk management

The Company manages investment risk in accordance with the Coface Group’s investment policies and governance framework.

The primary objectives of the investment portfolio are to preserve capital, maintain adequate liquidity and generate stable investment income while ensuring that assets remain available to meet policyholder obligations and regulatory requirements.

The Company adopts a prudent investment approach, with investments primarily allocated to high-quality fixed-income securities and deposits. Investment risks are regularly monitored through established governance and reporting processes and are assessed in conjunction with the Branch’s

capital and solvency position. Investment activities are conducted within approved risk appetite limits and are subject to oversight by the Group Investment function and local management, ensuring that investment decisions remain aligned with the Group's investment strategy, asset allocation principles and long-term financial strength.

(d) Other risk management (if any)

Not Applicable

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 Compagnie Française d'Assurance pour le Commerce Extérieur;

(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 Compagnie Française d'Assurance pour le Commerce Extérieur'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 Compagnie Française d'Assurance pour le Commerce Extérieur 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:	Christopher Piri Murphy
Position:	General Manager
Company Name:	Compagnie Française d'Assurance pour le Commerce Extérieur