Sun Life Hong Kong Limited

Disclosure Statement

31 December 2025

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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

Sun Life Hong Kong Limited

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

Sun Life Hong Kong Limited ("SLHK" or the "Company") primarily underwrites long-term insurance business and retirement business in Hong Kong.

(c) Description of corporate structure

SLHK is incorporated in Bermuda with limited liability having a Class E insurer license pursuant to the Insurance Act 1978 of Bermuda and operates as a licensed life insurer in Hong Kong under the regulatory frameworks of the Insurance Authority ("IA").

SLHK is a wholly owned subsidiary of Sun Life Assurance Company of Canada and its ultimate controlling company is Sun Life Financial Inc., a company incorporated in Canada and listed on the Toronto Stock Exchange (TSX), New York Stock Exchange (NYSE), and Philippine Stock Exchange (PSE), providing a wide range of insurance, wealth, and asset management solutions to clients across Canada, the United States, and Asia.

The Controllers of SLHK, within the meaning of Section 9(1) of the Insurance Ordinance, during the year and up to the date of this report were:

- Sun Life Financial Inc.
- Sun Life Assurance Company of Canada
- Lam Ka Yin
- Kevin David Strain

Key operating subsidiaries of SLHK include:

Trustee

- Sun Life Trustee Company Limited is incorporated in Hong Kong with limited liability, provides trustee services to registered mandatory provident fund schemes and occupational retirement schemes and is regulated by the Mandatory Provident Fund Schemes Authority.

Asset Management

- Sun Life Asset Management (HK) Limited is incorporated in Hong Kong with limited liability and licensed under the Hong Kong Securities and Futures Ordinance to carry on Type 9 (Asset Management) and Type 4 (Advising on Securities) regulated activities and is subject to the specified licensing condition of not holding client assets.

Insurance

- Bowtie Life Insurance Company Limited ("Bowtie") is incorporated in Hong Kong with limited liability, a Hong Kong insurer authorized by the IA, underwrites life and health insurance business in Hong Kong. Bowtie was an associate of SLHK until an additional capital injection in July 2025, following which it became a subsidiary of SLHK.

2 Corporate governance framework

The Company maintains a robust corporate governance framework designed to support sound risk management, effective internal control, and prudent business operations. The framework is aligned with the broader governance practices of the Sun Life group and complies with all applicable regulatory requirements.

The Board of Directors (the "Board") has ultimate responsibility for the governance of the Company, including setting strategic objectives, overseeing management performance, and ensuring that appropriate risk management and internal control systems are in place. The Board operates independently and is supported by Board-level committees, including the Audit Committee and the Risk Committee, which oversee financial reporting, internal controls, risk management, and compliance matters.

The Company adopts a structured governance model supported by management-level committees and a clearly defined delegation of authority. Senior management is responsible for the day-to-day implementation of the Company's strategy, risk management framework, and internal control systems, under the oversight of the Board.

The Company regularly reviews and enhances its governance framework to ensure that it remains effective, proportionate to the nature and complexity of its business, and responsive to evolving regulatory expectations and external developments.

At the Board level, the Audit Committee and the Risk Committee assist the Board in discharging its oversight responsibilities.

- The Audit Committee is responsible for overseeing the integrity of the Company's financial reporting, the effectiveness of internal control systems, and the performance and independence of the internal and external audit functions. The committee also reviews significant financial and audit matters and monitors compliance with applicable regulatory and accounting requirements.
- The Risk Committee supports the Board in overseeing the Company's risk management framework, risk appetite, and key risk exposures. It ensures that appropriate systems and processes are in place to identify, measure, monitor, and manage risks, and operates within its defined risk appetite.

The Board, the Audit Committee and the Risk Committee meet regularly, with at least 4 physical board meetings and committee meetings every year.

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[1]	Shareholders' fund	**Total**	Long term business	Of which belongs to: long term business – participating business	Shareholders' fund
Total assets	150,474,873	141,110,232	89,435,533	11,503,179	113,657,129	106,373,808	65,665,702	8,594,326
Cash and deposits	2,360,868	1,175,067	920,470	1,185,801	2,289,902	846,581	608,253	1,443,321
Debt securities	93,821,734	90,843,973	55,128,272	2,977,761	71,920,435	66,441,624	41,824,782	5,478,811
Equities (including portfolio investments)	32,946,285	30,728,979	29,672,461	2,217,306	19,834,279	19,565,263	18,450,685	269,016
Derivative financial instruments	1,347,909	1,284,475	1,061,726	63,434	708,376	698,452	452,106	9,924
Properties	-	-	-	-	-	-	-	-
Loans and advances	1,103,656	803,540	721,592	300,116	1,147,041	1,147,041	1,065,414	-
Reverse repurchase agreement	-	-	-	-	-	-	-	-
Other financial assets	1,160,403	1,112,695	796,488	47,708	952,394	950,240	760,712	2,154
Policyholder's account assets in respect of unit linked products or retirement scheme	13,814,466	13,814,466	-	-	13,764,634	13,764,634	-	-
Reinsurance assets	954,649	954,649	954,711	-	712,186	712,186	655,139	-
Tax assets	46,539	-	-	46,539	96,177	-	-	96,177
Other assets	2,918,364	392,388	179,813	4,664,514	2,231,705	2,247,787	1,848,611	1,294,923
Total liabilities	122,521,567	120,437,692	75,103,682	4,222,413	92,044,849	90,188,834	55,108,484	3,167,020
Insurance liabilities	113,824,197	113,824,197	71,407,427	-	84,304,263	84,304,263	51,319,464	-
Reinsurance liabilities	990,943	990,943	889,646	-	884,328	884,328	723,078	-
Repurchase agreement	-	-	-	-	-	-	-	-
Derivative financial instruments	470,997	468,059	463,823	2,938	117,272	110,983	110,726	6,289
Other financial liabilities	1,057,930	712,903	397,038	345,027	617,959	538,992	405,724	78,967
Tax liabilities	122,907	507	507	122,400	25,792	506	506	25,286
Other liabilities	6,054,593	4,441,083	1,945,241	3,752,048	6,095,235	4,349,762	2,548,986	3,056,478
Net assets	27,953,306	20,672,540	14,331,851	7,280,766	21,612,280	16,184,974	10,557,218	5,427,306

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

The notable movements in the balance sheet reflect strong organic growth driven by new business sales and continued in-force growth. This growth has led to an increase in investments in debt and equity securities on the asset side, aided by favorable market conditions. Concurrently, insurance liabilities and other liabilities (mainly reinsurance payables) on the liability side have risen in

[1] This column represents all participating businesses within the entity in the case of HK insurers or designated insurers.

alignment with business expansion. In 2025, the Company further invested in Bowtie, a regulated subsidiary with its own insurance license, which is treated as a non-consolidating entity under the Hong Kong Risk-Based Capital ("HKRBC") framework. This investment is recorded within other assets on the balance sheet.

4 Investments

(a) Assumptions and methods used for valuation of investments

SLHK measures investments at fair value in accordance with Hong Kong Financial Reporting Standards - Fair Value Measurement ("HKFRS 13"). Fair value is defined as "the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date". In accordance with HKFRS 13, SLHK classifies fair value measurements using a three-level fair value hierarchy based on the observability of inputs:

Level 1: Fair value is based on the unadjusted quoted prices for identical assets or liabilities in an active market. The types of assets classified as Level 1 generally include listed equities, listed unit trusts and certain listed debt securities. Fair value of unlisted unit trusts is determined with reference to the prices quoted by respective fund administrators.

Level 2: Fair value is based on quoted prices for similar assets or liabilities in active markets, valuation that is based on significant observable inputs, or inputs that are derived principally from or corroborated with observable market data. The types of assets and liabilities classified as Level 2 generally include certain listed and unlisted debt securities, unlisted unit trust investments, derivative instruments and mortgage loan investments.

Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs, such as expected future economic benefits of an investment, or based on broker quotes that cannot be corroborated with observable market transactions. The types of assets classified as Level 3 generally include certain listed and unlisted debt securities and limited partnership investments.

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

There were no material changes in assumptions and methodology in the investment valuation as of the year 2025.

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						
	HK insurers or designated insurers: all long term business					Applicable to Hong Kong branches of non-HK insurers: reinsurance business with offshore risk if fund of insurance 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)	71,407,427	9,617,791	2,211,622	514,504	30,072,853	-	113,824,197
Of which: long term insurance liabilities	71,407,427	9,617,791	2,211,622	514,504	30,072,853	-	113,824,197
Outstanding claims	342,467	7,709	-	-	108,516	-	458,692
Current estimate[1]	70,640,625	9,535,707	2,206,268	514,504	11,476,073	-	94,373,177
Margin over current estimate	415,824	74,219	5,354	-	958,407	-	1,453,804
Prepaid premiums	8,511	156	-	-	17,529,857	-	17,538,524
Other long term insurance liabilities	-	-	-	-	-	-	-
Of which: general insurance liabilities	-	-	-	-	-	-	-
Reinsurance assets	954,711	-	-	-	(62)	-	954,649
Reinsurance liabilities	889,646	10,562	-	-	90,735	-	990,943

[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						
	HK insurers or designated insurers: all long term business					Applicable to Hong Kong branches of non-HK insurers: reinsurance business with offshore risk if fund of insurance 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)	51,319,464	9,425,722	2,380,631	503,020	20,675,426	-	84,304,263
Of which: long term insurance liabilities	51,319,464	9,425,722	2,380,631	503,020	20,675,426	-	84,304,263
Outstanding claims	142,335	8,368	-	-	118,272	-	268,975
Current estimate[1]	50,887,056	9,341,017	2,378,945	503,020	11,255,320	-	74,365,358
Margin over current estimate	285,295	76,240	1,686	-	789,457	-	1,152,678
Prepaid premiums	4,778	97	-	-	8,512,377	-	8,517,252
Other long term insurance liabilities	-	-	-	-	-	-	-
Of which: general insurance liabilities	-	-	-	-	-	-	-
Reinsurance assets	655,139	(8,646)	-	-	65,693	-	712,186
Reinsurance liabilities	723,078	41	-	-	161,209	-	884,328

[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

Section 5(a) provides details on the Company's insurance liabilities (gross of reinsurance), reinsurance assets and reinsurance liabilities shown in Section 3.

The Company's insurance liabilities (gross of reinsurance) mainly comprise the current estimate ("CE"), margin over current estimate ("MOCE") and prepaid premiums. CE is the probability-weighted average of the present values of future cash flows required to settle the obligations, before reinsurance. These cash flows include policyholders' benefit payments, expenses, premiums and premium-based taxes, which are projected with best estimate assumptions and discounted to reflect the time value of money based on the market-consistent economic assumptions. MOCE is the valuation of margin for uncertainty in future liability cash flows related to life insurance risk. Prepaid premiums represent the sum of premiums paid before the dates on which they are contractually due. The amount is determined as the account balance plus a provision for any shortfall arising from future guaranteed interest.

Reinsurance assets (or liabilities) represent the portion of insurance liabilities that the Company expects to recover from (or pay to) reinsurers under reinsurance arrangements. They are measured on a basis consistent with the approach used for the CE.

The valuation of insurance liabilities requires assumptions about future experience. Key non-economic assumptions include but not limited to mortality, morbidity, lapse and other policyholder behavior ("policyholder behavior"), expense and other factors over the life of the policies. It also requires economic assumptions to reflect the time value of money and the cost of financial risk of the products. These assumptions affect the projection of cash flow, including discretionary benefits, which are determined in line with the Company's policies.

The non-economic assumptions are intended to be current, neutral estimates of the expected outcome, as guided by accepted actuarial practice. The choice of assumptions takes into account current circumstances, past experience data from the Company's own experience or from the industry, the relationship of past to expected future experience, and other relevant factors. Many of these assumptions relate to events that are anticipated to occur many years in the future. Assumptions require significant judgment and regular review and, where appropriate, revision.

Economic assumptions are set in accordance with the requirements prescribed by IA. The principal component is the IA-prescribed risk-free yield curve for each reporting period, calibrated to prevailing market data. For the Company, the majority of policies are denominated in USD and therefore USD curve is the most material assumption, followed by HKD curve. Portfolio-specific matching adjustment ("MA"), which is a parallel addition to the IA-specified risk-free yield curve where applicable, is updated each reporting period in line with IA requirements. MA reflects additional spread expected from assets backing long-term liabilities, where appropriate asset and liability management practices support long-term holding of assets, including credit spread of fixed-income assets and spread on eligible equity or property assets, subject to detailed requirements prescribed by the IA. The Company has set up distinct MA portfolios for its participating business and other long-term business. With the risk-free yield curve, MA and other market data (for example, market volatility), market-consistent economic scenarios representing a range of possible future economic outcomes for the calculation of CE are calibrated and updated for each reporting period.

The cash flow projections also reflect the management actions that are reasonably expected to be taken, consistent with the Company's corporate policies and relevant guidelines set out by IA. Examples include:

- Adjustment to future discretionary benefits (for example, policyholder dividends/bonuses and crediting interest rates);
- Changes in strategic asset allocation;
- Product re-pricing for renewable products

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

The risk-free yield curves are prescribed by the IA and updated based on market data for each reporting period. The table below shows selected points on the IA-specified USD and HKD risk-free spot yield curves as at 31 December 2025 and prior year-end.

Currency	Tenor	Spot Yield (percentage points)		
		As of 31 December 2025	As of 31 December 2024	Change
USD	10-year	4.20%	4.55%	-0.35%
	20-year	4.97%	4.90%	+0.07%
	30-year	4.97%	4.71%	+0.26%
HKD	10-year	3.10%	3.65%	-0.55%
	20-year	3.45%	3.75%	-0.30%
	30-year	3.57%	3.78%	-0.21%

In addition to the risk-free yield curves, the MA for each MA portfolio is determined using market data at each valuation date in accordance with IA requirements. In 2025, MA levels decreased, consistent with the reduction in market spread on relevant assets. Overall, changes in economic assumption led to higher insurance liabilities.

There were no material changes to non-economic assumptions in 2025 that materially affected insurance liabilities.

6 Financial performance

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

Performance Analysis on Premiums and Claims

(Unit: in HKD thousands)	For the financial year ended 31 December 2025		
	Total	Long term business	Of which belongs to: long term business – participating business[3]
Gross premiums[4]	35,663,303	35,663,303	32,967,056
Regular premiums	25,567,732	25,567,732	23,610,419
Single premiums	10,095,571	10,095,571	9,356,637
Net premiums	34,279,911	34,279,911	31,863,885
Regular premiums	24,184,528	24,184,528	22,507,436
Single premiums	10,095,383	10,095,383	9,356,449
Gross claims paid	6,163,267	6,163,267	2,053,788
Net claims paid	4,602,534	4,602,534	749,738

Performance Analysis on Investment Returns

(Unit: in HKD thousands)	For the financial year ended 31 December 2025			
	Total	Long term business	Of which belongs to: long term business – participating business	Shareholders' fund
Investment returns	13,011,180	12,285,210	8,335,412	725,970

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

Comparative information is not included because this is the first year for disclosing the "Financial performance" section in accordance with the Insurance (Public Disclosure) Rules.

[3] This column represents all participating businesses within the entity in the case of HK insurers or designated insurers.
[4] For long term business, it refers to premiums received and receivable during the financial year.

7 Capital adequacy

(a) 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	26,999,861	20,257,623
Limited Tier 1 capital	-	-
Tier 2 capital	46,539	723,462
Capital base	27,046,400	20,981,085

(b) 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)	8,871,405	4,756,795
Interest rate risk RCA	4,527,934	2,335,960
Credit spread risk RCA	1,763,786	1,341,049
Equity risk RCA	3,989,359	1,786,708
Property risk RCA	7,390	21,248
Currency risk RCA	448,774	380,278
Diversification benefits within market risk	(1,865,837)	(1,108,448)
Life Insurance Risk (diversified RCA)	6,926,968	5,411,809
Mortality risk RCA	381,018	237,755
Longevity risk RCA	72,416	72,744
Life catastrophe risk RCA	107,898	89,012
Morbidity risk RCA	2,199,346	1,660,736
Expense risk RCA	990,743	847,136
Lapse risk RCA	5,727,944	4,446,003
Diversification benefits within life insurance risk	(2,552,397)	(1,941,577)
General Insurance Risk (diversified RCA)	-	-
Reserve and premium risk RCA	-	-
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	285,508	258,344
Diversification benefits among risk modules	(3,444,757)	(2,292,672)
Operational risk RCA	1,891,474	1,031,237
Adjustment for loss absorbing capacity cap	-	-
Adjustment for tax effect	-	-
Any other items which the IA may specify to adjust	-	-
Prescribed capital amount	14,530,600	9,165,514

(c) Ratio of capital base to prescribed capital amount and Capital base in excess of prescribed capital amount

	As at 31 December 2025	As at 31 December 2024
Ratio of capital base to prescribed capital amount	**186%**	**229%**
Capital base in excess of prescribed capital amount	12,515,800	11,815,571

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

This section summarizes the Company's capital adequacy under the HKRBC framework.

The Company's ratio of capital base to prescribed capital amount, which decreased from 229% as at 31 December 2024, to 186% as at 31 December 2025, was driven by the key factors below:

(i) Strong new business growth, with continued support from contributions generated by existing business; and

(ii) Strategic initiatives to enhance our capital efficiency, including the repatriation of excess capital to the parent company, as well as continued investments in Bowtie, which became a subsidiary in 2025, to support strategic growth, alongside organic expansion.

The HKRBC ratio movement underscores disciplined capital management, anchored by a robust capital position with a substantial buffer above both internal target and regulatory requirements, and a strong momentum in deploying capital to drive business growth and strategic value creation.

<u>Capital Base</u>

The capital base represents the Company's eligible capital, which is broadly aligned with net assets presented in Section 3, with adjustments prescribed by the regulations, including the exclusion of strategic holding in Bowtie as non-consolidated subsidiary of the Company. In 2025, the capital base grew by HKD 6,065 million (+29%), driven by strong new business generation, in force contribution and favorable economic conditions. The increase was partially offset by the capital repatriation to the parent company and strategic investment in Bowtie.

<u>Prescribed Capital Amount</u>

The Prescribed Capital Amount ("PCA") represents the level of capital buffer required to withstand losses under a 99.5th (1-in-200 event) confidence interval over a one-year period, as defined and calibrated by the regulations. It is determined by aggregating Risk Capital Amounts ("RCA") across key risk categories with adjustments for diversification benefits. In 2025, the PCA increased to HKD 14,531 million, up 59% from HKD 9,166 million at the prior year-end, reflecting growth in the scale and complexity of the Company's business. Elaboration of RCA for each risk category is provided as follows.

Market risk reflects how adverse movements in the level and value of various market instruments and market conditions can impact the Company's net asset value. It increased compared with the prior year-end. The Company's market risk comprises:

- **Interest rate risk**, which is the risk of loss from unexpected interest rate movement. The Company is exposed to interest rate downward risk, mainly driven by policies with guaranteed benefits valuable to the policyholders. Interest rate downward risk increased compared with prior year-end, mainly due to strong growth in the participating business, partially offset by favorable market condition in 2025 which reduced the likelihood and thus the cost of guarantees.

- **Equity risk**, which is the risk of loss from large depreciation in equity prices for equity-based investment and associated liabilities. The Company's main equity exposure arises from participating business. Equity risk increased compared with prior year-end, reflecting a more sizable equity portfolio as the Company grew, together with the strong equity performance in 2025 which further increased the Company's equity exposure and the prescribed equity stress factor. As prescribed by the regulations, the equity price depreciation stress factor for equity risk calculation varies with the market conditions, with a decrease in stress factor at market crisis and an increase at buoyant market which was the case for 2025.

- **Other market risks,** which are the risk of loss due to widening of credit spreads, depreciation on market value of property-based investment and fluctuations in the exchange rates**.** These risks are not material to the Company.

Life insurance risk reflects the risk that the Company's policyholder obligations are greater than expected. It increased compared with prior year-end. The Company's life insurance risk comprises:

- **Lapse risk**, which is the risk of loss from products resulting from changes in the expected exercise rates of policyholder options (for example, lapse). The Company's exposure is primarily on the mass lapse risk scenario under which significant portion of policies are assumed to lapse within a single year. Under such scenario, the insurance policies, which are profitable, discontinue and lead to a loss by the Company. It increased compared with prior year, reflecting strong new business growth.

- **Morbidity risk**, which is the risk of loss from products due to a decrease in net asset value resulting from an increase in morbidity claim. The Company's exposure is mainly driven by yearly renewable medical and critical illness products. It increased compared with prior year-end, primarily driven by the new business of medical and critical illness products, strengthening in morbidity assumption and changes in reinsurance arrangements. Additional management actions relating to adjustment of future premiums commensurate with the increase in morbidity claim are not assumed in the determination of morbidity risk RCA as prescribed by the regulations.

- **Other life insurance risks,** which are the risk of loss from adverse change in mortality assumption, a sudden increase in mortality stemming from catastrophic events (for example, a pandemic event) or adverse change in expense assumption. These risks are not material for the Company.

Counterparty default and other risk reflects the risk of loss due to the potential default of counterparty on current or future obligations. This risk is not material to the Company.

Operational risk reflects the risk of loss due to failures in internal operations leading to financial loss. The determination comprises: (i) a premium-based component, calculated as a percentage of gross premiums written for the financial year; and (ii) a liability-based component, calculated as a percentage of the CE. It increased compared with prior year-end, reflecting strong business growth which drives the increase in premium-based component of the operational risk RCA.

8 Risk Management

(a) Risk appetite and risk governance framework

As a financial services organization operating in a complex industry, SLHK encounters a variety of risks. We face risks in formulating our business strategies and business objectives, in carrying on our business activities in the pursuit of our strategies and objectives, and from external factors.

SLHK maintains a clearly articulated risk appetite, with reference to our risk universe, that defines the level and types of risk it is willing to accept in the pursuit of our strategic objectives, while ensuring protection of policyholders and financial resilience. The risks that arise when providing products and services to clients, which are in line with our purpose to help our clients achieve lifetime financial security and live healthier lives, are managed with reference to the risk appetite.

The risk appetite, supporting the objectives of maintaining adequate capital, managing earnings volatility and ensuring liquidity, covers all material risks within our risk universe and remains broadly unchanged during the year. Our Risk Appetite Policy establishes a set of constraints defining the aggregate level of risk that the Company is willing to accept. Our risk profile is regularly measured, managed and monitored to ensure that we operate within our risk appetite. Within this framework, asset and liability management is performed at both the Company level and, where relevant, line-of-business levels, taking into account underlying product characteristics and duration matching considerations.

Risk governance is underpinned by robust Board oversight, with the Board-level Risk Committee responsible for oversight of risk appetite, capital adequacy and key risk exposures. Senior management provides further oversight, including through the management-level Risk Management Committee, which is supported by relevant sub-committees such as the Asset Liability Management Committee and the Investment Management Committee, within a Three Lines of Defense framework.

(b) Insurance risk management

SLHK actively manages insurance risks across our portfolios. Material insurance risks are assessed at the total company level and, where relevant, by major product group or line of business, reflecting differences in underlying risk characteristics. Segmentation is considered where exposures are material.

The insurance risks are monitored, against constraints aligned with our risk appetite, and the adverse effects are mitigated through strategies including product design, underwriting standards and practices and utilization of reinsurance. In addition, per-life limits for mortality and morbidity exposures to large single losses are defined and monitored to manage concentration risks.

The insurance risks are overseen through established governance processes, including the Board-level Risk Committee and the management-level Risk Management Committee, ensuring alignment with our risk appetite. Insurance risk management is integrated with the Company's risk management process to assess resilience under normal and stressed conditions.

(c) Investment risk management

SLHK's investment management objectives include supporting policyholder obligations, maintaining capital strength and achieving appropriate risk-adjusted returns, within the risk appetite and approved investment strategy. Within our risk universe, in relation to investment risks, the Company would take market risks and credit risks into consideration.

Concentration risks are monitored through limits with considerations on asset class, issuer and geography. Risk controls include asset-liability matching, diversification, product design, stress testing and the use of hedging strategies. Any portfolio adjustments are undertaken within approved investment categories and within the established risk appetite. In addition, the introduction of new types of investment instruments shall be approved by the Investment Management Committee.

Investment risk governance is supported by management-level committees, including the Asset Liability Management Committee, which is formed to provide oversight and direction for the effective measurement, control, and management of the asset liability management risks arising from the management of the asset and liability portfolios of the Company, and the Investment Management Committee, which is established to manage, maintain and monitor the assets of the Company's general fund, as well as monitoring against relevant risk limits derived from our risk appetite. Key issues are reported, where appropriate, to the Board-level Risk Committee and the management-level Risk Management Committee.

(d) Other risk management (if any)

In addition to the aforementioned risks, according to our risk appetite, SLHK also considers a broad range of other risks within our risk universe. These risks, including but not limited to operational risks from outsourcing, third-party risk management, cybersecurity and market conduct, business and strategic risks, and liquidity risks, are assessed through structured processes such as risk and control self-assessments, key risk indicators and thematic reviews. Risk mitigation measures include robust internal controls and business continuity management practices. Emerging risks are also considered within our risk universe. Governance of these risks is embedded within our risk management framework, with clear accountability across management and oversight by the Board and its committees.

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 Sun Life Hong Kong Limited;

(ii) I am satisfied that the information in this disclosure statement is prepared in accordance with the Insurance (Valuation and Capital) Rules and Insurance (Public Disclosure) Rules (subject to any applicable variation or relaxation);

(iii) The information disclosed in this disclosure statement can be reconciled with the audited specified annual forms of Sun Life Hong Kong Limited's annual returns for the financial year to which this disclosure statement relates, as submitted under rule 4 of the Insurance (Submission of Statements, Reports and Information) Rules; and

(iv) I am satisfied that Sun Life Hong Kong Limited has complied with all capital requirements that apply to it under the Insurance (Valuation and Capital) Rules, during the financial year to which this disclosure statement relates.

Name:	**Lam Ka Yin**
Position:	**Chief Executive Officer**
Company Name:	**Sun Life Hong Kong Limited**