

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "**Offering Circular**"). You are therefore advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Issuer, the Guarantor (each as defined in the attached Offering Circular) or from Citigroup Global Markets Singapore Pte. Ltd., Goldman Sachs (Singapore) Pte., The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch, BNP PARIBAS, acting through its Singapore Branch, and UBS AG Singapore Branch (together, the "**Managers**") as a result of such access. In order to review the attached Offering Circular or make an investment decision with respect to the securities, you must be located outside the United States.

Confirmation of Your Representation: The attached Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to the Issuer, the Guarantor and the Managers that (1) you are not in the United States and, to the extent you purchase the securities described in the attached Offering Circular, you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"); (2) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions; and (3) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

By accepting this document, if you are an investor in Singapore, you (A) represent and warrant that you are either (i) an institutional investor as defined under Section 4A(1) of the Securities and Futures Act 2001 of Singapore (as amended or modified from time to time, the "**SFA**") or (ii) an accredited investor as defined under Section 4A(1) of the SFA, and (B) agree to be bound by the limitations and restrictions described herein.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, the Managers, the Trustee (as defined in the attached Offering Circular) and the Agents (as defined in the attached Offering Circular) or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. The Managers will provide a hard copy version to you upon request.

Restrictions: The attached Offering Circular is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

THE SECURITIES AND THE GUARANTEE OF THE SECURITIES DESCRIBED IN THE ATTACHED OFFERING CIRCULAR HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES AND THE GUARANTEE OF THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY TO INVESTORS WHO ARE PURCHASING THE SECURITIES OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS PURSUANT TO THE SECURITIES ACT.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

Except with respect to eligible investors in jurisdictions where such offer or invitation is permitted by law, nothing in this electronic transmission constitutes, nor may be used in connection with, an offer or an invitation by or on behalf of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Manager or any affiliate of the Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Manager or such affiliate on behalf of the Issuer in such jurisdiction.

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession the attached Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver or forward the attached Offering Circular, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached Offering Circular.

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this electronic transmission, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

YOU ACKNOWLEDGE THAT THE ATTACHED OFFERING CIRCULAR AND THE INFORMATION CONTAINED THEREIN ARE STRICTLY CONFIDENTIAL AND INTENDED FOR YOU ONLY. YOU ARE NOT AUTHORISED TO AND YOU MAY NOT DELIVER, DISTRIBUTE OR FORWARD THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE THE ATTACHED OFFERING CIRCULAR IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



NANSHAN LIFE PTE. LTD.
(incorporated in Singapore with limited liability)
(Company registration number: 202430489R)

U.S.\$395,000,000

Tier 2 Subordinated Dated Capital Bonds due 2041
irrevocably and unconditionally guaranteed by

NAN SHAN LIFE INSURANCE CO., LTD.
(incorporated in Taiwan, the Republic of China with limited liability)
(as Guarantor)

Issue Price: 99.721 per cent.

U.S.\$395,000,000 5.875 per cent. in an initial aggregate principal amount of Tier 2 subordinated dated capital bonds due 2041 (the "**Bonds**") will be issued by Nanshan Life Pte. Ltd. (the "**Issuer**") and will be irrevocably and unconditionally guaranteed on a subordinated basis (the "**Guarantee of the Bonds**") by Nan Shan Life Insurance Co., Ltd. (the "**Guarantor**" or "**Company**"). The Issuer is a wholly-owned subsidiary of the Guarantor.

The Bonds will be constituted by and have the benefit of a trust deed (as amended and/or supplemented from time to time, the "**Trust Deed**") dated 17 September 2025 (the "**Issue Date**") between the Issuer, the Guarantor and The Hongkong and Shanghai Banking Corporation Limited (the "**Trustee**").

The Bonds will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer which rank *pari passu* in right of payment and without any preference among themselves. Subject to and to the extent permitted by the insolvency laws of Singapore and any other applicable laws, in the event of the Winding-Up of the Issuer, the rights and claims of the holders of the Bonds (the "**Bondholders**", or "**Holders**", and each, a "**Bondholder**" or a "**Holder**") in respect of payment of principal and interest on the Bonds will be expressly subordinated in right of payment to the prior payments in full of all present and future claims of all Senior Creditors (as defined in the terms and conditions of the Bonds (the "**Terms and Conditions of the Bonds**")), but shall rank *pari passu* in right of payment with each other and to the present and future claims of the holders of any other Parity Obligations (as defined in Terms and Conditions of the Bonds) of the Issuer and in priority in right of payment to the present and future claims of the holders of any share capital of the Issuer (including Ordinary Shares (as defined in Terms and Conditions of the Bonds) and Preferred Shares (as defined in Terms and Conditions of the Bonds)) and any other Junior Obligations of the Issuer. See "**Terms and Conditions of the Bonds – Status**".

The Guarantee of the Bonds will constitute a direct, unconditional, unsecured and subordinated obligation of the Guarantor. Subject to the insolvency laws of the ROC, in the event of the Winding-Up of the Guarantor, the rights and claims of the Bondholders in respect of the Guarantee of the Bonds will be subordinated in right of payment to the present and future claims of all Senior Creditors, but shall rank *pari passu* in right of payment to the present and future claims of the holders of any Parity Obligations of the Guarantor and in priority in right of payment to the present and future claims of the holders of any share capital of the Guarantor (including Ordinary Shares and Preferred Shares of the Guarantor) and any other Junior Obligations of the Guarantor. See "**Terms and Conditions of the Bonds – Status**".

The Bonds confer a right to receive interest from the Issue Date at the applicable Rate of Interest (as defined below and further described in Terms and Conditions of the Bonds) payable semi-annually in equal instalments in arrear on 17 March and 17 September of each year (each, an "**Interest Payment Date**"), with the first Interest Payment Date falling on 17 March 2026. The rate of interest (the "**Rate of Interest**") applicable to the Bonds shall be (i) from, and including, the Issue Date to, but excluding, 17 March 2036 (the "**Reset Date**"), 5.875 per cent. per annum; and (ii) from, and including, the Reset Date to, but excluding, the Maturity Date, the Reset Rate of Interest (as defined in Terms and Conditions of the Bonds).

The Bonds, unless previously redeemed, purchased and cancelled as provided in Condition 5 of the Terms and Conditions of the Bonds, shall be finally redeemed on 17 March 2041 (the "**Maturity Date**") in whole, but not in part, at their outstanding principal amount together with interest accrued to (but not including) the Maturity Date.

Subject to satisfaction of the Redemption Conditions (as defined in the Terms and Conditions of the Bonds), the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Bondholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to (but not including) the date fixed for redemption) (i) upon the occurrence of Tax Withholding Event, as described under "**Terms and Conditions of the Bonds – Redemption, Purchase and Options – Redemption for Taxation Reasons**", (ii) upon the occurrence of a Tax Deduction Event, as described under "**Terms and Conditions of the Bonds – Redemption, Purchase and Options – Redemption for Tax Deduction Reasons**", (iii) on any date falling in the period from (and including) 17 December 2035 to (and including) the Reset Date, as described under "**Terms and Conditions of the Bonds – Redemption, Purchase and Options – Issuer's Call Option**", (iv) upon the occurrence of a Minimal Outstanding Amount Redemption Event, as described under "**Terms and Conditions of the Bonds – Redemption, Purchase and Options – Minimal Outstanding Amount Redemption**" or (v) upon the occurrence of a Regulatory Capital Event, as described under "**Terms and Conditions of the Bonds – Redemption, Purchase and Options – Regulatory Event Redemption**".

Investing in the Bonds involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and the merits and risks of investing in the Bonds in the context of their financial condition and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in the Bonds. Investors should not purchase the Bonds unless they understand and are able to bear risks associated with the Bonds. See "**Risk Factors**" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds will be issued in registered form and in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

The Bonds and the Guarantee of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds and the Guarantee of the Bonds are being offered in offshore transactions outside the United States in reliance on Regulation S of the Securities Act ("**Regulation S**"). For a description of these and certain further restrictions on offers and sales of the Bonds and the Guarantee of the Bonds and distribution of this Offering Circular, see "**Subscription and Sale**".

The Bonds are expected to be rated of "BBB+" and "BBB" by Standard & Poor's Ratings Services ("**S&P**") and Fitch Ratings Ltd. ("**Fitch**"), respectively. The Guarantor is rated "A-" with a stable outlook by S&P for international credit rating and "A-" with a Rating Watch Negative outlook by Fitch for insurer financial strength. Such ratings do not constitute a recommendation to buy, sell or hold the Bonds and may be subject to revision, qualification, suspension or withdrawal at any time by the assigning rating organisation. A revision, qualification, suspension or withdrawal of any rating assigned to the Bonds may adversely affect the market price of the Bonds. Each such rating should be evaluated independently of any other rating of the Bonds, the Issuer's or the Guarantor's other securities or of the Issuer or the Guarantor.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing of and quotation for the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made or opinions expressed or reports contained in this Offering Circular. Approval in-principle for the listing and quotation of the Bonds is not to be taken as an indication of the merits of the Issuer, the Guarantor, any of their subsidiaries, their associated companies or the Bonds.

The Bonds will initially be represented by beneficial interests in a global certificate (the "**Global Certificate**") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for the Bonds will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Citigroup

Goldman Sachs (Singapore) Pte.

HSBC

BNP PARIBAS

UBS

Offering Circular dated 10 September 2025

NOTICE TO INVESTORS

Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult their advisers.

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION.

Each of the Issuer and the Guarantor is responsible for the accuracy and completeness of the information in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all material information with respect to the Issuer, the Guarantor, any of their respective subsidiaries (together, the "**Group**") as a whole and the Bonds (including all information which, according to the particular nature of the Issuer, the Guarantor, the Group as a whole and of the Bonds and the Guarantee of the Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor, the Group as a whole and of the rights attaching to the Bonds; (ii) this Offering Circular does not, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; (iii) the statements relating to the Issuer, the Guarantor, the Group and to the Bonds and the Guarantee are in every material particular true and accurate and not misleading, and that there are no other facts in relation to the Issuer, the Guarantor, the Group as a whole and the Bonds and the Guarantee the omission of which would in the context of the offering and the issue of the Bonds make any statement and/or any other material misleading in any material respect; (iv) the statements of intention, opinion, belief or expectation expressed in this Offering Circular with regard to the Issuer, the Guarantor, and the Group are honestly held and reasonably made or held and (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements.

Each of the Issuer and the Guarantor has prepared this Offering Circular solely for use in connection with the proposed offering of the Bonds and giving of the Guarantee of the Bonds described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, Citigroup Global Markets Singapore Pte. Ltd., Goldman Sachs (Singapore) Pte., The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch, BNP PARIBAS, acting through its Singapore Branch, and UBS AG Singapore Branch (together, the "**Managers**", and each, a "**Manager**") to subscribe for or purchase any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Guarantee of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Bonds and distribution of this Offering Circular, see "*Subscription and Sale*".

By purchasing the Bonds, investors are deemed to have represented and agreed to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Bonds. Distribution of this Offering Circular to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, is deemed to have agreed to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Guarantor, the Group, the Bonds or the Guarantee of the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Managers, the Trustee or the Agents (as defined in the Terms and Conditions of the Bonds) or their respective directors, officers, employees, agents, representatives, affiliates or advisers or any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that

there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor or the Group since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them to subscribe for or purchase the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular is being furnished by the Issuer and the Guarantor in connection with the offering of the Bonds and is exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Bonds. Investors must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person. The information contained in this Offering Circular has been provided by the Issuer and the Guarantor and other sources identified in this Offering Circular. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than the consideration of an investment in the Bonds offered by this Offering Circular is prohibited. By accepting delivery of this Offering Circular, each investor is deemed to have agreed to these restrictions.

None of the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisers or any person who controls any of them has independently verified the information contained in this Offering Circular. Nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Managers, the Trustee, the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them.

This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them that any recipient of this Offering Circular should purchase the Bonds.

Each person receiving this Offering Circular acknowledges that (i) such person has been afforded an opportunity to request from the Issuer and the Guarantor and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein, (ii) such person has not relied on the Managers or any person affiliated with them in connection with any investigation of the accuracy of such information or its investment decision, and (iii) no person has been authorised to give any information or to make any representation concerning the Issuer, the Guarantor or the Bonds (other than as contained herein and information given by duly authorised officers and employees of the Issuer and the Guarantor in connection with investors' examination of the Issuer and the Guarantor and the terms of the offering of the Bonds) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them.

Each person receiving this Offering Circular acknowledges that it has not relied on the Managers, the Trustee, the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer, the Guarantor and the Group, and the merits and risks involved in investing in the Bonds. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them accepts any responsibility for the contents of this Offering Circular and assumes any responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them or on their behalf in connection with the Issuer, the Guarantor, the Group or the issue and offering of the Bonds or the giving of the Guarantee of the Bonds. Each of the Managers, the Trustee and the Agents and each of their respective affiliates, officers, employees, agents, representatives, directors and advisers or any person who controls any of them

accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them undertakes to review the results of operations, financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or prospective investor in the Bonds of any information coming to the attention of the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER (THE "STABILISATION MANAGER(S)") OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER(S) MAY, SUBJECT TO ALL APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT THE BONDS AND EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

In connection with the offering of the Bonds, the Managers and/or their respective affiliates may act as investors and place orders, receive allocations and trade the Bonds for their own account and such orders, allocations or trading of the Bonds may be material. These entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer and the Guarantor and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the offering of the Bonds should be read as including any offering of the Bonds to the Managers and/or their respective affiliates as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Bonds may be impacted.

Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able to purchase the Bonds under applicable laws or regulations.

The contents of this Offering Circular have not been reviewed by any regulatory authority in the ROC, Hong Kong, Singapore or elsewhere. Investors are advised to exercise caution in relation to the offer. If any investor is in any doubt about any of the contents of this document, that investor should obtain independent professional advice.

The Bonds are expected to be assigned a rating of "BBB+" and "BBB" by S&P and Fitch, respectively. The Guarantor is rated "A-" with a stable outlook by S&P for international credit rating and "A-" with a Rating Watch Negative outlook by Fitch for insurer financial strength. Such ratings do not constitute a recommendation to buy, sell or hold the Bonds may be subject to revision, qualification, suspension or withdrawal at any time by the assigning rating organisation. A revision, qualification, suspension or withdrawal of any rating assigned to the Bonds may adversely affect the market price of the Bonds. Each such rating should be evaluated independently of any other rating of the Bonds, the Issuer's or the Guarantor's other securities or of the Issuer or the Guarantor.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors: Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including certain Managers, are "capital market intermediaries" (together, the "CMI") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "SFC Code"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors.

Certain CMIs may also be acting as "overall coordinators" (together, the "OCs") for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an association (an "**Association**") with the Issuer, the Guarantor, the CMI or the relevant group company. Prospective investors associated with the Issuer, the Guarantor or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Manager or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any Manager, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Managers and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

Industry and Market Data

Market data and certain information and statistics included in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although each of the Issuer and the Guarantor believes the information to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them and none of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them makes any representation as to the accuracy or completeness of such information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. In making an investment decision, each investor must rely on its own examination of the Issuer, the Guarantor, the Group and the terms of the offering and the Bonds, including the merits and risks involved.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes "forward-looking statements". Certain statements in this Offering Circular constitute "forward-looking statements". These statements can be identified by forward-looking terms, such as "anticipate", "target", "believe", "can", "would", "could", "estimate", "expect", "aim", "intend", "may", "plan", "will", "would" or similar words or expressions or their negative forms. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition, results of operations, business plans and prospects are forward-looking statements, including but are not limited to, statements as to the business strategy, revenue, profitability, planned projects and other matters relating to the Issuer, the Guarantor and/or the Group discussed in this Offering Circular regarding matters that are not historical facts. These forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group expects to operate in the future.

These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Issuer's, Guarantor's and/or the Group's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements.

Important factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in "*Risk Factors*" below and elsewhere in this Offering Circular. Each of the Issuer and the Guarantor cautions investors not to place undue reliance on these forward-looking statements which reflect their managements' view only as at the date of this Offering Circular. None of the Issuer or the Guarantor undertakes any obligation to update or revise any forward-looking statements, whether as a result of any change in the Issuer's, the Guarantor's or the Group's expectations with regard thereto or any new information, change of events, conditions or circumstances or otherwise on which any such statements were based. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur.

PRESENTATION OF FINANCIAL INFORMATION

The Group's consolidated financial information as at and for the financial years ended 31 December 2022, 2023 and 2024 included in this Offering Circular has been extracted from the Group's audited consolidated financial statements as at and for the financial years ended 31 December 2023 and 2024, including the notes thereto, included elsewhere in this Offering Circular. The Group's consolidated financial information as at and for the financial years ended 31 December 2022, 2023 and 2024 included herein have been prepared and presented in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the International Financial Reporting Standards, International Accounting Standards ("**IAS**"), International Financial Reporting Interpretations Committee Interpretations ("**IFRIC Interpretations**") and Standing Interpretations Committee Interpretations ("**SIC Interpretations**") that came into effect as endorsed by the Financial Supervisory Commission ("**FSC**") (together, "**Taiwan-IFRS**"). The Group's consolidated financial statements as at and for the financial years ended 31 December 2023 and 2024 have been audited by PricewaterhouseCoopers, Taiwan, the independent auditor of the Group, in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China.

The Group's consolidated financial information as at and for the six months ended 30 June 2024 and 2025 included in this Offering Circular has been extracted from the Group's audited consolidated financial statements as at and for the six months ended 30 June 2025, including the notes thereto, included elsewhere in this Offering Circular. The Group's consolidated financial information as at and for the six months ended 30 June 2024 and 2025 included herein have been prepared and presented in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IAS 34 "Interim Financial Reporting" ("**IAS 34**") that came into effect as endorsed by the FSC. The Group's consolidated financial statements as at and for the six months ended 30 June 2025 have been audited by PricewaterhouseCoopers, Taiwan, the independent auditor of the Group, in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. The Group's audited consolidated financial statements as at and for the six months ended 30 June 2025 should not be taken as an indication of the expected consolidated financial position and performance of the Group for the full financial year ending 31 December 2025.

The Taiwan-IFRS differs from the International Financial Reporting Standards (the "**IFRS Accounting Standards**") as issued by the International Accounting Standards Board ("**IASB**") or generally accepted accounting principles of certain other countries. See "*Summary of Certain Material Differences Between Taiwan-IFRS and IFRS Accounting Standards*". Potential investors should seek professional advice with respect to such differences from generally accepted accounting principles. All such financial data should be read in conjunction with, and are qualified in their entirety by reference to, the financial statements included elsewhere in this Offering Circular.

The Group's historical financial information should not be taken as an indication of its future financial performance.

CERTAIN DEFINED TERMS AND CONVENTIONS

Unless otherwise stated in this Offering Circular, all translations from New Taiwan dollar into U.S. dollar were made at the rate of NT\$29.18 to U.S.\$1.00, the noon buying rate in the City of New York for cable transfers payable in New Taiwan dollar as certified for customs purposes by the Federal Reserve Bank of New York on or nearest to 30 June 2025. All such translations in this Offering Circular are provided solely for reference and no representation is made that the New Taiwan dollar amounts referred to herein have been, could have been or could be converted into U.S. dollars at any particular rate or at all. See "*Exchange Rates*".

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

The glossary below contains explanations of certain terms and definitions used in the Offering Circular in connection with the Group and the Group's business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms. Unless the context otherwise requires, the following terms shall have the meanings set out below.

Board	the board of directors of the Guarantor
EUR or Euro	the lawful currency of the European Union
Executive Yuan	the executive branch of the ROC Government
Fitch	Fitch Ratings Ltd.
FSC	the Financial Supervisory Commission of the ROC
FVOCI	the financial assets at fair value through other comprehensive income investments
FYP	first year premiums, premiums received in the first year of a policy
FVTPL	the financial assets at fair value through profit or loss
GBP	the lawful currency of the United Kingdom
GDP	gross domestic product
Guarantor or Company	Nan Shan Life Insurance Co., Ltd.
Hong Kong	the Hong Kong Special Administrative Region of the PRC
IAS	the International Accounting Standards
IASB	the International Accounting Standards Board
ICS	the Insurance Capital Standard, a consolidated group-wide capital standard for International Association of Insurance Supervisors
IFRS Accounting Standards	the International Financial Reporting Standards as issued by the IASB
Issuer	Nanshan Life Pte. Ltd.
Macau	the Macao Special Administrative Region of the PRC
Mainland China or the PRC	the People's Republic of China and for geographical reference only (unless otherwise stated) excludes Taiwan, Macau and Hong Kong
Nan Shan General Insurance	Nan Shan General Insurance Company, Ltd.

NDF	the non-deliverable forward
New Taiwan dollar, NTD or NT\$	the lawful currency of the ROC
RMB, Renminbi, CNH or CNY	the lawful currency of the PRC
S\$, SGD or Singapore dollars	the lawful currency of the Republic of Singapore
Singapore	the Republic of Singapore
spillover-effect insurance policies	the insurance policies with spillover effects, which, in addition to having insurance functions, also include features that raise awareness of independent health management and improve the wellness of such policyholders
Standard & Poor's or S&P	Standard & Poor's Ratings Services
Taiwan or the ROC	Taiwan, the Republic of China
Taiwan-IFRS	Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the International Financial Reporting Standards, IAS, IFRIC Interpretations and SIC Interpretations that came into effect as endorsed by FSC
United States, US or U.S.	the United States of America
U.S.\$ or U.S. dollars	the lawful currency of the United States of America

TABLE OF CONTENTS

	Page
SUMMARY	1
THE OFFERING	3
SELECTED FINANCIAL INFORMATION	14
RISK FACTORS	18
TERMS AND CONDITIONS OF THE BONDS.....	41
THE GLOBAL CERTIFICATE	59
EXCHANGE RATES.....	61
DESCRIPTION OF THE ISSUER	62
CAPITALISATION AND INDEBTEDNESS.....	63
DESCRIPTION OF THE GROUP.....	64
INDUSTRY OVERVIEW	85
DIRECTORS AND SENIOR MANAGEMENT	86
USE OF PROCEEDS.....	91
REGULATION AND SUPERVISION OF THE TAIWAN LIFE INSURANCE INDUSTRY	92
TAXATION.....	107
SUBSCRIPTION AND SALE	112
SUMMARY OF CERTAIN MATERIAL DIFFERENCES BETWEEN TAIWAN-IFRS AND IFRS ACCOUNTING STANDARDS	117
GENERAL INFORMATION.....	119
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS.....	121

SUMMARY

OVERVIEW

The Company was founded in July 1963 as the Taiwan subsidiary of American International Group, Inc. ("AIG") as one of the first insurers in Taiwan. In August 2011, Ruen Chen Investment Holdings Co., Ltd. ("**Ruen Chen**") acquired the Company's shares held by AIG and American General Life Insurance Company, making Ruen Chen become one of the Company's major shareholders and converting the Company into a local enterprise. The Group is currently the largest non-financial holding life insurance company in Taiwan in terms of gross written premiums. The Company is rated "A-" with a stable outlook by S&P for international credit rating and "A-" with a Rating Watch Negative outlook by Fitch for insurer financial strength.

With a focus on high-margin products, the Group offers a full range of insurance products, including life insurance, health insurance, accident insurance, annuity insurance, investment-linked insurance, group insurance, online insurance and general insurance. The full range of products and services allows the Group to cater to different customers' needs. The Company has developed a comprehensive service network with 25 branches and 291 offices across Taiwan as at 31 July 2025. Committed to people and the well-being of society, the Company provides insurance services to more than a quarter of Taiwan's population with approximately 6.7 million policyholders, 12 million valid policies and 40,000 corporate enterprises clients as at 31 December 2024.

In 2024, the Company recorded NT\$290 billion in gross written premiums and the Group generated a net income of NT\$42.5 billion. As at 31 December 2022, 2023, 2024 and 30 June 2025, the Group's total assets were NT\$5,276 billion, NT\$5,386 billion, NT\$5,624 billion and NT\$5,418 billion, respectively, and the Group's total liabilities were NT\$4,994 billion, NT\$5,043 billion, NT\$5,267 billion and NT\$5,120 billion, respectively.

The Group is committed to the well-being of the Taiwanese people. The Group upholds its core value of being "people-oriented" and lives up to its social responsibility by providing microinsurance to help the disadvantaged obtain basic accident insurance protection. By establishing Health Guardian Circle in 2020, the Group also safeguards Taiwanese people's health needs via innovative spillover-effect insurance policies that promotes a healthier lifestyle by building in wellness reward mechanisms exclusive for different groups. In 2024, the Company won the Finalist of Life Insurance Company of the Year by "Asia Insurance Industry Awards". As at 31 December 2024, the Company ranked first in terms of the number of spillover-effect insurance policies sold for the sixth consecutive year. In recognition of the services it delivers, the Company was also awarded in 2024 "Taiwan's Best Life Insurance Company" for 11 consecutive years by Global Banking & Finance Review, a British professional financial website. The Company was also named in 2024 as one of the top 100 most valuable insurance brands by Brand Finance, a world leading brand valuation consultancy. In 2024, the Company received 67 awards in Taiwan and globally, marking a record number of awards it received in a year.

In addition to its main insurance business, the Group is also an industry leader of sustainable insurance. In response to the government's net-zero emission by 2050, the Group has conducted carbon footprint inventories in line with international ISO standards. Through a complete inventory process and scientific and systematic data integration and calculations, the Group has passed the verification by an international third party institution and completed the transparency and disclosure of carbon information, being the first insurance company in Taiwan to have obtained the Property Insurance Service Carbon Label and the Electronic Policy Carbon Label.

COMPETITIVE STRENGTHS

The Group has been the leading life insurer in Taiwan's insurance market. Its principal strengths include:

- household brand with leading market position in the industry;
- comprehensive and innovative products to meet different customer needs;
- leading health business empowered by value-add services;
- stable agency and bancassurance distribution channels;
- high quality and well-diversified investment portfolio with superior credit; and
- strong capital position and proven business sustainability.

STRATEGIES

The Group's main strategies are set out below:

- enhanced focus on high margin protection products;
- continuing to provide better health insurance and long-term care products for customers;
- improving customer experience through digital innovation and personalisation; and
- further diversifying its distribution channels.

THE OFFERING

The following is a brief summary of the terms of the offering of the Bonds. For a more complete description of the terms of the Bonds, see "Terms and Conditions of the Bonds" in this Offering Circular. Capitalised terms used in this summary and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Bonds".

Issuer	Nanshan Life Pte. Ltd.
Guarantor	Nan Shan Life Insurance Co., Ltd.
The Bonds	U.S.\$395,000,000 5.875 per cent. Tier 2 subordinated dated capital bonds due 2041.
Guarantee of the Bonds	The Guarantor has unconditionally and irrevocably guaranteed on a subordinated basis the due and punctual payment of all sums payable by the Issuer in respect of the Bonds. The obligations of the Guarantor under the guarantee (the " Guarantee of the Bonds ") are contained in the Trust Deed.
Status and Ranking of the Bonds	The Bonds will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer which rank <i>pari passu</i> in right of payment and without any preference among themselves. Subject to and to the extent permitted by the insolvency laws of Singapore and other applicable laws, in the event of the Winding-Up of the Issuer, the rights and claims of the Bondholders in respect of payment of principal and interest on the Bonds will be expressly subordinated in right of payment to the prior payments in full of all present and future claims of all Senior Creditors, but shall rank <i>pari passu</i> in right of payment with each other and to the present and future claims of the holders of any other Parity Obligations of the Issuer and in priority in right of payment to the present and future claims of the holders of any share capital of the Issuer (including Ordinary Shares and Preferred Shares of the Issuer) and any other Junior Obligations of the Issuer. "Applicable Supervisory Rules" means such insurance supervisory laws, rules, regulations, guidelines and official interpretation which are applicable to the Guarantor and, as the case may be, the Issuer from time to time. "Junior Obligations" means: (i) in respect of the Issuer, (a) any share capital of the Issuer (including Ordinary Shares and Preferred Shares of the Issuer), (b) any other instruments or securities issued, entered into or guaranteed by the Issuer that constitutes or qualifies as Tier 1 Capital Instruments of the Guarantor and (c) any instruments or securities issued, entered into or guaranteed by the Issuer or other obligations of the Issuer ranking, or expressed to rank, junior in right of payment to the Bonds by operation of law or contract; and (ii) in respect of the Guarantor, (a) any share capital of the Guarantor (including Ordinary Shares and Preferred Shares of the Guarantor), (b) any other instruments or securities issued, entered into or guaranteed by the Guarantor that constitutes or qualifies as Tier 1 Capital Instruments of the Guarantor and (c) any instruments or securities issued, entered into or guaranteed by the

Guarantor or other obligations of the Guarantor ranking, or expressed to rank, junior to the Guarantor's obligations under the Guarantee of the Bonds by operation of law or contract.

"Ordinary Shares" means the ordinary share capital (普通股) of the Issuer or the Guarantor, as the case may be.

"Parity Obligations" means:

- (i) in respect of the Issuer, any instruments or securities issued, entered into or guaranteed by the Issuer that constitutes or qualifies as Tier 2 Capital Instruments of the Guarantor (but excluding any Preferred Shares that might also constitute or qualify as Tier 2 Capital Instruments of the Guarantor) or any other obligations of the Issuer, the claims of the holders of which rank, or are expressed to rank, *pari passu* in right of payment with the Bonds by operation of law or contract; and
- (ii) in respect of the Guarantor, any instruments or securities issued, entered into or guaranteed by the Guarantor that constitutes or qualifies as Tier 2 Capital Instruments of the Guarantor (but excluding any Preferred Shares that might also constitute or qualify as Tier 2 Capital Instruments of the Guarantor) or any other obligations of the Guarantor, the claims of the holders of which rank, or are expressed to rank, *pari passu* in right of payment with the Guarantee of the Bonds by operation of law or contract.

"Preferred Shares" means any preferred shares (特別股) of the Issuer or the Guarantor, as the case may be.

"Senior Creditors" means:

- (i) in respect of the Issuer, any unsubordinated creditors of the Issuer or other creditors whose claims are not ranked or not expressed to rank *pari passu* or junior to the claims of the Bondholders; and
- (ii) in respect of the Guarantor, all policyholders (including all obligations to such policyholders under policies and contracts of insurance) and other unsubordinated creditors of the Guarantor.

"Tier 1 Capital Instruments" means any instrument or other obligation issued, entered into or guaranteed by the Issuer or the Guarantor, as the case may be, that constitutes Tier 1 unlimited capital (第一類非限制性資本) or Tier 1 limited capital (第一類限制性資本) of the Guarantor pursuant to the Applicable Supervisory Rules;

"Tier 2 Capital Instruments" means any instrument or other obligation issued, entered into or guaranteed by the Issuer or the Guarantor, as the case may be, that constitutes Tier 2 capital (第二類資本) of the Guarantor pursuant to the Applicable Supervisory Rules.

Status and Ranking of the Guarantee of the Bonds

The obligations of the Guarantor under the Guarantee of the Bonds will constitute a direct, unconditional, unsecured and subordinated obligation of the Guarantor. Subject to the

	insolvency laws of the ROC, in the event of the Winding-Up of the Guarantor, the rights and claims of the Bondholders in respect of the Guarantee of the Bonds will be subordinated in right of payment to the present and future claims of all Senior Creditors, but shall rank <i>pari passu</i> in right of payment to the present and future claims of the holders of any Parity Obligations of the Guarantor and in priority in right of payment to the present and future claims of the holders of any share capital of the Guarantor (including Ordinary Shares and Preferred Shares of the Guarantor) and any other Junior Obligations of the Guarantor. <i>The status and ranking of the Bonds and the Guarantee of the Bonds will not be affected by the Tier 1 Capital Instruments or Tier 2 Capital Instruments issued or guaranteed by the Issuer or the Guarantor.</i>
Issue Price	99.721 per cent. of the principal amount of the Bonds.
Form, Denomination and Title	The Bonds will be registered and issued in the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
Issue Date	17 September 2025.
Maturity Date	17 March 2041.
Set-off	Subject to applicable law, no holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer or the Guarantor in respect of, or arising under or in connection with the Bonds or the Guarantee of the Bonds, as the case may be, and each holder shall, by virtue of his holding of any Bonds, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer or the Guarantor. Notwithstanding the preceding sentence, if any of the amounts owing to any holder by the Issuer or the Guarantor in respect of, or arising under or in connection with the Bonds or the Guarantee of the Bonds, as the case may be, is discharged by set-off, such holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer or the Guarantor (or, in the event of Winding-Up of the Issuer or the Guarantor, as the case may be, the liquidator of the Issuer or the Guarantor, as the case may be) and, until such time as payment is made, shall hold such amount in trust for the Issuer or the Guarantor, as the case may be (or the relevant liquidator) and accordingly any such discharge shall be deemed not to have taken place.
Interest	The Bonds confer a right to receive interest from the Issue Date at the applicable Rate of Interest (as defined below and further described in the Terms and Conditions of the Bonds) payable semi-annually in equal instalments in arrear on 17 March and 17 September of each year (each, an "Interest Payment Date"), with the first Interest Payment Date falling on 17 March 2026. The rate of interest (the "Rate of Interest") applicable to the Bonds shall be:

- (i) from, and including, the Issue Date to, but excluding, 17 March 2036 (the "**Reset Date**"), 5.875 per cent. per annum; and
- (ii) from, and including, the Reset Date to, but excluding, the Maturity Date, the Reset Rate of Interest.

The Reset Rate of Interest shall be the interest rate per annum equal to the sum of the Benchmark Rate (as defined in the Terms and Conditions of the Bonds) with respect to the Reset Date plus the Spread (as defined in the Terms and Conditions of the Bonds).

Unless otherwise provided for in the Terms and Conditions of the Bonds, each Bond will cease to confer the right to receive any interest from the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused.

In such latter event, interest will continue to accrue at the applicable Rate of Interest (after as well as before any judgment) up to but excluding whichever is the earlier of:

- (i) the date on which all sums due in respect of the Bonds are received by or on behalf of the relevant Bondholder; and
- (ii) the day which is seven days after the Agent (as defined in the Terms and Conditions of the Bonds) has notified the Bondholders that it has received all sums due in respect of the Bonds up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Bondholders under the Terms and Conditions of the Bonds).

The Bonds are not subject to any interest rate step-up or any other incentive to redeem. The interest is not linked to any credit quality or the financial condition of the Issuer or the Guarantor and will not be adjusted according to changes in the credit quality or the financial condition of the Issuer or the Guarantor, as the case may be, in the future.

Redemption of Bonds at Maturity

The Bonds, unless previously redeemed, purchased and cancelled as provided in Condition 5 of the Terms and Conditions of the Bonds, shall be finally redeemed on the Maturity Date in whole, but not in part, at their principal amount together with interest accrued and unpaid to such date.

Issuer's Call Option

Subject to the satisfaction of Condition 5(g), the Bonds may be redeemed at the option of the Issuer in whole, but not in part, on any date falling in the period from (and including) 17 December 2035 to (and including) the Reset Date on giving not less than 15 nor more than 60 days' notice to the Trustee and the Bondholders (which notice shall be irrevocable) at their principal amount (together with interest accrued to (but not including) the date fixed for redemption).

See "Terms and Conditions of the Bonds – Redemption, Purchase and Options – Issuer's Call Option".

Redemption for Taxation Reasons

Subject to the satisfaction of Condition 5(g) of the Terms and Conditions of the Bonds, the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Bondholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to (but not including) the date fixed for redemption), if the Issuer (or the Guarantor, as the case may be) satisfies the Trustee immediately prior to the giving of such notice that:

- (a) (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 of the Terms and Conditions of the Bonds as a result of any change in, or amendment to, the laws or regulations of Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) 10 September 2025, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (b) (i) the Guarantor has or (if a demand was made under the Guarantee of the Bonds) will become obliged to pay additional amounts as provided or referred to in Condition 7 of the Terms and Conditions of the Bonds or the Guarantee of the Bonds, as the case may be, as a result of any change in, or amendment to, the laws or regulations of the ROC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) 10 September 2025, and (ii) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided, in each case, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Bonds then due or (as the case may be) a demand under the Guarantee of the Bonds then made (a "**Tax Withholding Event**").

See "*Terms and Conditions of the Bonds – Redemption, Purchase and Options – Redemption for Taxation Reasons*".

Redemption for Tax Deduction Reasons

Subject to the satisfaction of Condition 5(g) of the Terms and Conditions of the Bonds, the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Bondholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to (but not including) the date fixed for redemption), if the Issuer (or the Guarantor, as the case may be)

satisfies the Trustee immediately prior to the giving of such notice that:

- (a) (i) in respect of the interest payable on the Bonds, the Issuer is no longer, or will no longer be, entitled to claim a full deduction in respect of computing its taxation liabilities in Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) 10 September 2025 and (ii) such non tax deductibility cannot be avoided by the Issuer taking reasonable measures available to it; or
- (b) (i) in respect of any amounts payable under the Guarantee of the Bonds, the Guarantor is no longer, or will no longer be, entitled to claim a deduction in respect of computing its taxation liabilities in the ROC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) 10 September 2025 and (ii) such non tax deductibility cannot be avoided by the Guarantor taking reasonable measures available to it;

provided, in each case, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor is or would be no longer entitled to claim a deduction for any payments in respect of the Bonds or (as the case may be) the Guarantee of the Bonds in computing its Singapore or the ROC (or any authority therein or thereof having power to tax) taxation liabilities or the amount of such deduction is materially reduced (a "**Tax Deduction Event**")

See "*Terms and Conditions of the Bonds – Redemption, Purchase and Options – Redemption for Tax Deduction Reasons*".

Minimal Outstanding Amount Redemption

Subject to the satisfaction of Condition 5(g) of the Terms and Conditions of the Bonds, the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Bondholders (which notice shall be irrevocable) at their principal amount (together with interest accrued to (but not including) the date fixed for redemption) if prior to the date of such notice at least 90 per cent. in principal amount of the Bonds originally issued (including any further Bonds issued pursuant to Condition 14 of the Terms and Conditions of the Bonds and consolidated and forming a single series with the Bonds) has already been redeemed or purchased and cancelled (a "**Minimal Outstanding Amount Redemption Event**").

See *"Terms and Conditions of the Bonds – Redemption, Purchase and Options – Minimal Outstanding Amount Redemption"*.

Regulatory Event Redemption

Subject to the satisfaction of Condition 5(g) of the Terms and Conditions of the Bonds, the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Bondholders (which notice shall be irrevocable) at their principal amount (together with interest accrued to (but not including) the date fixed for redemption) if, immediately before giving such notice, the Bonds or the Guarantee of the Bonds, which having originally qualified as Tier 2 capital of the Issuer or the Guarantor, as the case may be, until the Maturity Date under the Applicable Supervisory Rules in effect as of the Issue Date (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules), as a result of a change in the Applicable Supervisory Rules are deemed to no longer fully qualify as Tier 2 capital of the Issuer or the Guarantor, as the case may be, until the Maturity Date under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules) (each, a **"Regulatory Capital Event"**).

See *"Terms and Conditions of the Bonds – Redemption, Purchase and Options – Regulatory Event Redemption"*.

Redemption Conditions

Notwithstanding anything to the contrary set out in the Terms and Conditions of the Bonds, any redemption or purchase of the Bonds pursuant to Condition 5 of the Terms and Conditions of the Bonds (other than a redemption on the Maturity Date) shall be subject to the following conditions under Condition 5(g) of the Terms and Conditions of the Bonds (the **"Redemption Conditions"**) to the extent the Bonds qualify as at least Tier 2 capital of the Issuer or the Guarantor, as the case may be, under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules) and such Redemption Conditions are required by the Applicable Supervisory Rules:

- (A) the Bonds may not be redeemed or purchased pursuant to Condition 5 of the Terms and Conditions of the Bonds (other than a redemption on the Maturity Date) unless the Relevant Regulatory Approval has been obtained; and
- (B) the Bonds may only be redeemed or purchased pursuant to Condition 5 of the Terms and Conditions of the Bonds (other than a redemption on the Maturity Date) if, immediately after giving effect to such redemption or purchase, the Capital Requirements are satisfied.

See *"Terms and Conditions of the Bonds – Redemption, Purchase and Options – Redemption Conditions"*.

"Capital Requirements" means any minimum prescribed solvency capital ratios to which the Guarantor is subject from time to time pursuant to the Applicable Supervisory Rules, which as of the Issue Date comprise of the capital adequacy ratio

(資本適足率) as calculated according to the Applicable Supervisory Rules.

The minimum prescribed solvency capital ratios and other capital requirements which apply to the Guarantor may change from time to time. See "Risk Factors – Risk Factors Relating to the Insurance Industry – the Group is required to comply with minimum solvency requirements and may be required to raise additional capital or change its business strategy if the Guarantor's risk-based capital adequacy ratio deteriorates or the applicable capital requirements change in the future" in this Offering Circular for further details.

"Relevant Regulator" means the regulator which is considered the primary supervisor of the Guarantor from time to time under the Applicable Supervisory Rules. The Relevant Regulator as of the Issue Date is the Insurance Bureau of the FSC.

"Relevant Regulatory Approval" means the Relevant Regulator has given, and not withdrawn by the relevant date, its prior consent to the redemption, purchase or substitution or variation (in accordance with Condition 12 of the Terms and Conditions of the Bonds), as the case may be, of such Bonds.

Limited rights to institute proceedings

The right to institute Winding-Up of the Issuer or the Guarantor is limited to circumstances where payment in respect of the Bonds has become due and is unpaid.

Proceedings for Winding-Up

Upon:

- (i) an order being made or an effective resolution being passed for the Winding-Up of the Issuer or the Guarantor, as the case may be; or
- (ii) the Issuer or the Guarantor failing to make payment in respect of the Bonds or the Guarantee of the Bonds, as the case may be, for a period of ten days or more after the date on which such payment is due, the Issuer or, as the case may be, the Guarantor shall be deemed to be in default under the Bonds (in the case of the Issuer) and the Guarantee of the Bonds (in the case of the Guarantor), and the Trustee at its sole discretion may, and if so requested in writing by Bondholders holding not less than 25 per cent. of the aggregate principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution shall (subject in any such case to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction), institute proceedings for the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) and/or prove and/or claim in the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) for the principal amount of the Bonds together with interest accrued to the day prior to the commencement of the Winding-Up. The right to proving and/or claiming in Winding-Up in respect of any of the Issuer's payment obligations arising from the Bonds or the Guarantor's payment obligations arising from the Guarantee of the Bonds is limited to circumstances provided by applicable law.

The Bondholders do not have the right to require the Issuer or the Guarantor to repay any principal or interest under the Bonds before it has become due and payable, unless such payment is made under circumstances provided by applicable law in the event of a Winding-Up of the Issuer or the Guarantor.

Substitution or Variation

If a Special Event has occurred and is continuing, then the Issuer may, (without any requirement for the consent or approval of the Bondholders or the Trustee) subject to its having satisfied the requirements set out under the definition of "Qualifying Bonds" immediately prior to the giving of any notice referred to herein that the provisions of Condition 12 of the Terms and Conditions of the Bonds have been complied with, and having given not less than 15 nor more than 60 days' notice to the Trustee and, in accordance with Condition 15 of the Terms and Conditions of the Bonds, the Bondholders (which notice shall be irrevocable), at any time either:

- (i) substitute all, but not some only, of the Bonds for; or
- (ii) vary the terms of the Bonds with the effect that they remain or become (as the case may be), Qualifying Bonds,

provided that Relevant Regulatory Approval has been obtained for such substitution or variation, to the extent required by the Applicable Supervisory Rules.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Bonds in accordance with Condition 12 of the Terms and Conditions of the Bonds.

In connection with any substitution or variation in accordance with Condition 12 of the Terms and Conditions of the Bonds, the Issuer shall comply with the rules of any stock exchange on which the Bonds are for the time being listed or admitted to trading.

Any such substitution or variation in accordance with the foregoing provisions shall not be permitted if any such substitution or variation would give rise to a Special Event with respect to the Bonds or the Qualifying Bonds.

"Special Event" means a Tax Withholding Event, Tax Deduction Event or Regulatory Capital Event or any combination of the foregoing.

"Qualifying Bonds" means bonds that:

- (a) have terms not materially less favourable to an investor (including, without limitation, terms allowing for the reduction, conversion or write-down of their principal amount in certain circumstances) than the terms of the Bonds (as reasonably determined by the Issuer, and provided that a certification to such effect (and confirming that the conditions set out in (i) and (ii) below have been satisfied) of one authorised signatory of the Issuer or the Guarantor shall have been delivered to the Trustee and the Bondholders prior to the substitution or variation of the Bonds), provided that:

	(i) they are issued by the Issuer or any wholly-owned direct or indirect subsidiary of the Issuer with a guarantee of the Guarantor; and (ii) they (or, as appropriate, the guarantee as aforesaid) shall rank senior to or <i>pari passu</i> with the Bonds on a Winding-Up of the issuer or guarantor thereof, shall preserve the Bondholders' rights to any other payment that has accrued with respect to the Bonds, and shall contain terms which provide for the same Rate of Interest, Interest Payment Dates and redemption events, from time to time applying to the Bonds; and other terms of such bonds are substantially identical (as reasonably determined by the Issuer) to the Bonds, save for the modifications or amendments to such terms that are required to be made in order to avoid or resolve the applicable Special Event; (b) have been, or will on issue be, assigned at least the same rating (if any) as that assigned by the relevant rating agencies to the Bonds (if any such rating was assigned on or prior to the Issue Date of the Bonds) immediately prior to such substitution or variation; and (c) are listed on the SGX-ST or another securities exchange of international standing regularly used for the listing and quotation of debt securities offered and traded in the international markets.
Further Issues	The Issuer (with the prior written consent of the Guarantor) may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds (except in respect of the first payment of interest and their issue price, and so that, for the avoidance of doubt, references in the Terms and Conditions of the Bonds to "Issue Date" shall be to the first issue date of the Bonds) and so that the same shall be consolidated and form a single series with such Bonds, and references in the Terms and Conditions of the Bonds to "Bonds" and "Bondholders" shall be construed accordingly.
Governing Law and Jurisdiction	The Bonds and the Trust Deed and any non-contractual obligations arising out of or in connection with the Bonds and the Trust Deed will be governed by, and shall be construed in accordance with, English law, except that the subordination provisions set out in (i) Conditions 3(a) and (b) of the Terms and Conditions of the Bonds and (ii) the Trust Deed are governed by, and shall be construed in accordance with, Singapore law and ROC law, respectively. The courts of Hong Kong are to have jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, and any Proceedings may be brought in such courts.
Trustee	The Hongkong and Shanghai Banking Corporation Limited
Registrar	The Hongkong and Shanghai Banking Corporation Limited
Principal Paying Agent and Transfer Agent	The Hongkong and Shanghai Banking Corporation Limited

Clearing System	Upon issue, the Bonds will be represented by a Global Certificate deposited with and registered in the name of a nominee of a common depositary for Euroclear and Clearstream. The Terms and Conditions of the Bonds are modified by certain provisions contained in the Global Certificate. See <i>"The Global Certificate"</i>.
Clearance and Settlement	The Bonds have been accepted for clearance through Euroclear and Clearstream under the following codes: ISIN: XS3046322593 Common Code: 304632259
Listing	Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made or opinions expressed or reports contained in this Offering Circular. Approval in-principle for the listing and quotation of the Bonds is not to be taken as an indication of the merits of the Issuer, the Guarantor, any of their subsidiaries, their associated companies or the Bonds. The Bonds will be traded on the SGX-ST in a minimum trading board lot size of U.S. \$200,000, for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.
Ratings	The Bonds are expected to be rated of "BBB+" and "BBB" by S&P and Fitch, respectively. A rating is not a recommendation to buy, sell or hold any Bonds and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.
Notices	Notices to the holders of the Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. The Issuer and the Guarantor shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above. <i>So long as the Global Certificate is held in its entirety on behalf of Euroclear and Clearstream any notice to the Holders shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.</i>
Use of Proceeds	See <i>"Use of Proceeds"</i>

SELECTED FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information of the Group as at and for the periods indicated which are qualified by reference to, and should be read in conjunction with, the Group's consolidated financial statements included elsewhere in this Offering Circular.

The summary consolidated historical financial information as at and for the years ended 31 December 2022, 2023 and 2024 are derived from the Group's audited consolidated financial statements as at and for the years ended 31 December 2023 and 2024 including the notes thereto, respectively, except for the Earnings Per Share for the year ended 31 December 2022, which was retrospectively adjusted based on the proposal with regard to capitalisation of retained earnings by share issuance as resolved at the Company's shareholders' meeting in 2024. The Group's audited consolidated financial statements as at and for the years ended 31 December 2023 and 2024 are prepared and presented in accordance with Taiwan-IFRS.

The summary consolidated historical financial information as at and for the six months ended 30 June 2024 and 2025 are derived from the Group's audited consolidated financial statements as at and for the six months ended 30 June 2025. The Group's audited consolidated financial statements as at and for the six months ended 30 June 2025 are prepared and presented in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IAS 34 that came into effect as endorsed by the FSC.

The consolidated financial statements of the Group as at and for the financial years ended 31 December 2023 and 2024, and as at and for the six months ended 30 June 2024 and 2025 have been audited by PricewaterhouseCoopers, Taiwan, the independent auditor of the Group, in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China.

Taiwan-IFRS differs from IFRS Accounting Standards or the generally accepted accounting principles of certain other countries in certain respects, including, but not limited to, the extent that any new or amended standards or interpretations applicable under IFRS Accounting Standards may not be timely endorsed by the FSC. See *"Summary of Certain Material Differences Between Taiwan-IFRS and IFRS Accounting Standards"*.

The Group's historical financial information should not be taken as an indication of its future financial performance.

CONSOLIDATED BALANCE SHEETS

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	(audited)	(audited)	(audited)	(audited)
	(NT\$ thousands)			
ASSETS				
Cash and cash equivalents.....	98,163,350	71,836,768	96,121,054	176,552,249
Receivables	56,384,806	45,444,582	43,700,329	46,376,245
Current tax assets	1,042,474	4,116,889	5,948,301	5,793,587
Financial assets at fair value through profit or loss.....	931,841,974	1,008,081,692	1,005,321,996	1,033,434,712
Financial assets at fair value through other comprehensive income.....	235,055,420	269,736,858	256,205,859	250,731,395
Financial assets at amortised cost.....	3,311,180,763	3,325,116,318	3,478,427,586	3,212,100,712
Investments accounted for using the equity method	5,591	2,816,281	3,072,425	2,749,043
Investment property	198,615,377	218,889,784	213,702,898	215,419,606
Loans	113,923,449	110,143,889	110,183,510	108,818,286
Reinsurance contract assets	4,410,141	4,012,032	3,391,495	3,530,405
Property and equipment	16,809,216	16,850,912	18,288,829	19,662,183
Right-of-use assets	908,186	827,036	1,507,446	1,501,414
Intangible assets	14,521,664	13,713,264	12,536,504	11,803,792
Deferred tax assets	63,128,990	62,221,574	90,612,695	81,363,042
Other assets	36,898,743	24,426,969	60,248,952	27,138,637
Assets on insurance products-separate account	193,020,883	208,211,792	224,320,516	221,224,099
TOTAL ASSETS.....	5,275,911,027	5,386,446,640	5,623,590,395	5,418,199,407
LIABILITIES AND EQUITY				
Short-term debts.....	12,992,000	5,738,950	2,822,375	6,893,476
Payables	25,072,333	14,256,570	15,582,275	18,036,027
Current tax liabilities.....	892,165	3,048,691	925,404	920,570
Financial liabilities at fair value through profit or loss	16,085,125	5,287,505	61,317,453	11,391,329
Bonds payable.....	42,000,000	53,500,000	87,278,676	100,286,692
Insurance contract liabilities.....	4,585,938,400	4,627,810,413	4,734,577,912	4,579,631,468
Reserve for insurance with nature of financial instruments	642,763	956,348	1,273,246	1,263,251
Reserve for foreign exchange valuation	42,592,110	8,675,002	23,273,154	25,118,848
Provisions.....	3,315,273	3,840,130	3,735,838	3,688,077
Lease liabilities	19,498,235	32,921,416	29,642,528	26,343,726

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	(audited)	(audited)	(audited)	(audited)
		(NT\$ thousands)		
Deferred tax liabilities.....	23,886,131	29,104,400	52,533,164	28,243,394
Other liabilities.....	28,399,360	49,217,261	30,049,068	97,277,233
Liabilities on insurance products-separate account.....	193,020,883	208,211,792	224,320,516	221,224,099
Total Liabilities	4,994,334,778	5,042,568,478	5,267,331,609	5,120,318,190
Capital				
Common stock.....	138,219,000	138,219,000	146,992,460	146,992,460
Capital surplus	9,187,500	9,187,500	9,187,500	9,187,500
Retained earnings				
Legal reserve.....	38,585,413	45,092,928	49,419,333	57,920,797
Special reserve.....	180,792,687	210,506,837	219,496,781	252,542,829
Undistributed earnings.....	35,719,640	21,130,000	41,547,513	14,391,467
Other equity interest.....	(120,927,991)	(80,258,103)	(110,384,801)	(183,153,836)
Total Equity	281,576,249	343,878,162	356,258,786	297,881,217
TOTAL LIABILITIES AND EQUITY	5,275,911,027	5,386,446,640	5,623,590,395	5,418,199,407

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
	(audited)	(audited)	(audited)	(audited)	(audited)
		(NT\$ thousands except for earnings per share)			
Operating Revenues					
Premium income from written policy..	282,939,746	263,161,200	261,077,535	135,183,754	132,458,189
Reinsurance premium income	293,935	288,779	305,575	150,962	159,822
Premium income	283,233,681	263,449,979	261,383,110	135,334,716	132,618,011
Less: Reinsurance premium ceded	(6,504,266)	(6,581,703)	(6,308,030)	(3,045,237)	(3,417,465)
Net change in unearned premium reserve.....	(1,082,191)	(1,320,407)	(1,779,085)	(1,495,460)	(1,083,629)
Retention Earned Premium Income.....	275,647,224	255,547,869	253,295,995	130,794,019	128,116,917
Reinsurance commission income	2,060,868	2,084,578	2,033,989	1,089,396	951,393
Fee income	2,036,003	2,125,828	2,367,593	1,131,811	1,230,609
Net Investment Incomes (Loss)					
Interest income	127,827,387	139,153,720	141,704,893	70,496,004	70,070,186
(Loss) gain on financial assets and liabilities at fair value through profit or loss.....	(319,735,977)	50,947,911	(99,092,938)	(67,097,121)	82,916,776
Realised gain (loss) on financial assets at fair value through other comprehensive income	1,162,220	(407,851)	1,570,260	909,724	249,798
Gain (loss) from derecognition of financial assets at amortised cost .	1,624,785	506,501	(758,767)	(574,684)	201,895
Share of gain of associates and joint ventures accounted for using the equity method	2,215	268,093	525,835	268,833	240,067
Foreign exchange gain.....	230,985,353	1,765,362	157,553,230	132,186,939	(223,492,800)
Net change in reserve for foreign exchange valuation	(35,199,424)	33,917,108	(14,598,152)	(13,792,534)	38,575,457
Gain on investment property.....	2,082,280	1,755,524	1,484,845	948,710	1,058,576
Expected credit (loss) reversal on investment	(6,637,129)	(1,361,599)	2,167,328	(478,278)	(680,942)
Gain (loss) on reclassification using overlay approach	193,621,762	(44,834,450)	14,585,281	(15,742,672)	92,250,912
Subtotal	195,733,472	181,710,319	205,141,815	107,124,921	61,389,925
Other operating revenues	146,494	242,724	218,329	155,175	40,551
Revenue on insurance products-separate account.....	3,136,553	25,913,951	28,327,607	18,220,611	7,584,897
Total Operating Revenue.....	478,760,614	467,625,269	491,385,328	258,515,933	199,314,292
Operating Costs					
Claims and policy benefits payments ..	(330,553,698)	(344,392,412)	(347,031,524)	(176,161,424)	(173,921,304)
Less: Claims recovered from reinsurers	2,998,741	3,250,927	2,925,831	1,488,214	1,325,136
Retention Claims and Policy Benefits Payments.....	(327,554,957)	(341,141,485)	(344,105,693)	(174,673,210)	(172,596,168)
Net change in other insurance contract liabilities	(66,905,641)	(34,952,318)	(31,078,784)	(16,959,299)	19,891,744
Net change in reserve for insurance with nature of financial instruments	(134,195)	(313,845)	(308,777)	(223,179)	(1,513)
Underwriting expenses.....	(14,482)	(25,270)	(31,438)	(15,689)	(14,556)
Commission expenses	(17,510,903)	(16,144,374)	(17,251,554)	(8,609,394)	(9,737,098)
Other operating costs	(552,163)	(343,034)	(272,711)	(145,583)	(479,445)

	Year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
	(audited)	(audited)	(audited)	(audited)	(audited)
	(NT\$ thousands except for earnings per share)				
Finance costs.....	(1,529,752)	(1,915,674)	(3,051,778)	(1,281,105)	(2,407,740)
Expenses on insurance products-separate account.....	(3,136,553)	(25,913,951)	(28,327,607)	(18,220,611)	(7,584,897)
Total Operating Costs.....	(417,338,646)	(420,749,951)	(424,428,342)	(220,128,070)	(172,929,673)
Operating Expenses					
General expenses	(10,111,573)	(10,534,100)	(10,739,084)	(5,304,868)	(5,584,319)
Administrative expenses	(11,422,035)	(11,984,316)	(13,100,613)	(5,932,401)	(6,218,526)
Employee training expenses.....	(17,294)	(22,934)	(25,798)	(6,769)	(7,889)
Expected credit (loss) reversal on non-investments	(5,846)	(17,496)	6,689	9,744	4,485
Total Operating Expenses.....	(21,556,748)	(22,558,846)	(23,858,806)	(11,234,294)	(11,806,249)
Operating Income	39,865,220	24,316,472	43,098,180	27,153,569	14,578,370
Non-Operating Income and Expenses.....	(2,892)	83,832	7,560	(10,998)	20,356
Profit from Continuing Operations before Income Taxes.....	39,862,328	24,400,304	43,105,740	27,142,571	14,598,726
Income Tax Expense	(8,308,691)	(2,290,680)	(649,795)	(1,554,416)	(207,533)
Net Income	31,553,637	22,109,624	42,455,945	25,588,155	14,391,193
Other Comprehensive Income					
Components of other comprehensive income that will not be reclassified to profit or loss					
Remeasurements of defined benefit plans	1,278,466	(594,934)	60,505	-	-
Unrealised revaluation increments	-	80,453	28,175	28,175	25,829
Unrealised (loss) gain on equity instruments at fair value through other comprehensive income	(692,496)	542,270	422,431	609,288	(160,539)
Share of other comprehensive income of associates and joint ventures accounted for using equity method – items that may not be reclassified to profit or loss	-	(1,000)	1,705	234	573
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss.....	(180,510)	51,156	(59,042)	(71,236)	13,864
Components of other comprehensive income that will be reclassified to profit or loss					
Exchange differences on translation of foreign financial statements.....	13,700	1,040	5,692	4,411	(65,763)
(Loss) gain on debt instruments measured at fair value through other comprehensive income	(110,151,637)	1,140,302	(20,905,583)	(10,538,394)	6,846,017
Other comprehensive (loss) gain on reclassification using overlay approach	(193,621,762)	44,834,450	(14,585,281)	15,742,672	(92,250,912)
Share of other comprehensive income of associates and joint ventures accounted for using equity method – items that may be reclassified to profit or loss.....	-	860	6,788	5,578	(11,252)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	48,001,836	(5,862,308)	4,949,289	(1,014,262)	12,833,421
Other Comprehensive (Loss) Income, Net of Income Tax	(255,352,403)	40,192,289	(30,075,321)	4,766,466	(72,768,762)
Total Comprehensive Income (Loss).....	(223,798,766)	62,301,913	12,380,624	30,354,621	(58,377,569)
Earnings Per Share ⁽¹⁾					
Basic and Diluted.....	NT\$2.15	NT\$1.50	NT\$2.89	NT\$1.74	NT\$0.98

Note:

- (1) For the year ended 31 December 2022, the number of outstanding weighted average shares when calculating the earnings per share was retrospectively adjusted based on the proposal with regard to capitalisation of retained earnings by share issuance as resolved at the Company's shareholders' meeting in 2024.

KEY PERFORMANCE INDICATORS

The Company uses key performance indicators, including ratio of long-term and protection-oriented products, recurring investment yield before hedge and foreign exchange, investment yield after hedge and foreign exchange, return on average equity, first year premiums equivalent, policy persistency ratio (13 months) and policy persistency ratio (25 months) to measure the scale and profitability of the Company's business. For a discussion of these metrics, see "*Description of the Group – Overview*". See "*Risk Factors - Risk Factors Relating to The Business of The Group - A number of the Company's key performance indicators are calculated based on a number of assumptions used in the calculations and may vary significantly as those assumptions are changed*" for a discussion of the relevant risks in relation to the above key performance indicators.

	As at and for the Years ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
	(in NT\$ Billions, except ratios)				
Ratio of Long-Term and Protection-Oriented Products ⁽¹⁾	44%	54%	36%	35%	34%
Recurring Investment Yield before Hedge and Foreign Exchange ⁽²⁾	3.21%	3.34%	3.32%	3.17% ⁽⁸⁾	3.11%
Investment Yield after Hedge and Foreign Exchange ⁽³⁾	3.83%	3.47%	3.83%	2.87% ⁽⁹⁾	2.06%
Return On Average Equity ⁽⁴⁾	8.0%	7.1%	12.1%	14.3% ⁽¹⁰⁾	8.8%
First Year Premiums Equivalent ⁽⁵⁾	28.2	25.6	26.1	13.0	16.3
Persistency Ratio (13 months) ⁽⁶⁾	98.1%	97.4%	97.3%	97.1%	97.2%
Persistency Ratio (25 months) ⁽⁷⁾	96.5%	96.2%	94.7%	95.4%	94.1%

Notes:

- (1) Ratio of Long-Term and Protection-Oriented Products is the total FYP contributed by the sales of traditional life products and accident/health products divided by the total FYP contributed by the sales of all products.
- (2) Recurring Investment Yield before Hedge and Foreign Exchange is calculated by dividing (A) the accumulated recurring investment income for the period by (B) average total investment for the period deducting the accumulated recurring investment income for the period.
- (3) Investment Yield after Hedge and Foreign Exchange is calculated by dividing (A) the investment income for the period which is the sum of accumulated net investment for the period, realised capital gains (losses) and net exchange (losses) by (B) average total investment for the period deducting investment income for the period.
- (4) Return On Average Equity is calculated by dividing net income for the year or reporting period by weighted average balance of total shareholders' equity during the year or reporting period (on an annualised basis).
- (5) First Year Premiums Equivalent is calculated by multiplying FYP with the payment period coefficient. The payment period coefficient for payment periods of six years or longer (inclusive) is calculated at 100 per cent. For payment periods shorter than six years, 50 per cent. discount is applied for a five-year payment, with a 10 per cent. discount for each payment period that is shorter by one year.
- (6) Persistency Ratio (13 months) is the annualised premium of policies (including main or supplementary policies) that have completed their 13th monthly premium payment and are in force at the end of the 15th month, divided by the initial annualised premium of policies (including main or supplementary policies) at the beginning of the period.
- (7) Persistency Ratio (25 months) is the annualised premium of policies (including main or supplementary policies) that have completed their 25th monthly premium payment and are in force at the end of the 27th month, divided by the initial annualised premium of policies (including main or supplementary policies) at the beginning of the period.
- (8) 30 June 2024 and 30 June 2025 investment yields are annualised except that the components of realised capital gains / losses and foreign exchange gains / losses are not annualised.
- (9) 30 June 2025 investment yield is annualised except that the components of realised capital gains / losses and foreign exchange gains / losses are not annualised.
- (10) Annualised ROAE is based on half-year net income.

RISK FACTORS

Any investment in the Bonds is subject to a number of risks. Prior to investing in the Bonds, prospective investors should carefully consider risk factors associated with any investment in the Bonds, the business of the Issuer, the Guarantor and their subsidiaries and the industry in which the Group operates together with all other information contained in this Offering Circular, including, in particular, the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Bonds" in this Offering Circular have the same meanings in this section.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Bonds and should be used as guidance only. Additional risks and uncertainties relating to the Issuer, the Guarantor or their subsidiaries that are not currently known to the Issuer, the Guarantor or their subsidiaries or that the Issuer, the Guarantor or their subsidiaries currently deem immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer, the Guarantor or their subsidiaries and, if any such risk should occur, the price of the Bonds may decline and investors may lose all or part of their investment. Investors should consider carefully whether an investment in the Bonds is suitable for them in light of the information in this Offering Circular and their personal circumstances.

RISK FACTORS RELATING TO THE BUSINESS OF THE GROUP

The Group's business is inherently subject to market fluctuations, general economic conditions and geopolitical events globally.

The Group's business is inherently subject to global capital market fluctuations, general economic conditions and geopolitical events. The global economy has experienced uncertainty brought on by geopolitical events such as the trade negotiations between the PRC and the United States, political instability in the Middle East, Europe and various parts of the Asia-Pacific region, and the ongoing conflict in Russia and Ukraine and the conflict in Israel and Gaza as well as the Middle East. These events have affected the monetary and fiscal policies of governments globally, and may result in substantial volatility of equity and bond markets, fluctuations in interest rates, commodities prices, currency exchange rates, capital flows and credit spreads, export controls, tariffs and higher inflation, as well as reducing market liquidity and global economic activity. Global market factors, including inflation, deflation, interest rates, credit spreads, equity prices, real estate markets, energy prices, foreign currency exchange rates, consumer spending, business investment, government spending, the volatility and strength of the capital markets, government actions taken in response, and regional and geopolitical instability and conflicts, the application of protectionist or restrictive economic and trade policies with specific markets, regulations and executive powers, which increase trade barriers with specific markets or restrictive trade practices, financial transactions, transfer of capital and/or investment with specific territories, companies or individuals, all affect the business and economic environment and, ultimately, the amount and profitability of the Group's business.

Interest rates are expected to fluctuate for the foreseeable future. The United States Federal Reserve had raised interest rates several times in 2022 and 2023. Although interest rate cut was announced by the United States Federal Reserve in September 2024, there can be no assurance that there will not be further interest rate fluctuations. The United States Federal Reserve's interest rate has a significant influence on central banks globally. If market interest rates increase, surrenders and withdrawals of insurance policies and contracts may increase as policyholders seek other investments with higher perceived returns. This was the case in Taiwan in 2022 and 2023 where FYP decreased across the life insurance industry in Taiwan. This process may result in cash outflows and may require the Group to sell investment assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, which may result in realised capital losses. Furthermore, any material fluctuations in interest rates may also increase the Group's interest burden on its future indebtedness and could have an adverse impact on the Group's ability to service its debt obligations. The interest rate environment and bank reserve ratio requirements in particular are likely to have an impact on the level of premiums written through the bancassurance channel. Bank customers may be less inclined to purchase insurance products if a high interest rate environment results in competing investment products offering higher yields, which was the case in 2023 where FYP in the Company's bancassurance channel decreased from NT\$26.0 billion in 2022 to NT\$17.1 billion, NT\$14.0 billion in the years ended 31 December 2023 and 2024. With the United States Federal Reserve signaling rate cuts in 2025, the FYP in the Company's bancassurance channel increased from NT\$7.0 billion for the six months ended 30 June 2024 to NT\$12.9 billion for the six months ended 2025. Tighter liquidity conditions may also lead to a poorer circumstance for bank distribution sales of insurance products.

In addition, upheavals in the financial markets can also affect the Group's business through their effects on general levels of economic activity, employment and customer behaviour. In an economic downturn characterised by higher unemployment, lower family income, lower corporate earnings, lower business investment, increased corporate defaults, increased foreclosure on real estate companies, and lower consumer spending, the demand for the Group's insurance and annuity products could be materially and adversely affected by lower levels of disposable income. The Group may experience an elevated incidence of claims and lapses or surrenders of policies. The Group's policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. In addition, such downturns generally result in lower interest yields and declines in stock prices and dividends from stocks, which negatively affect the Group's investment income. Accordingly, adverse or worsening economic conditions in the global economy could adversely affect the Group's business, financial condition and results of operations.

The Group expects competition in the insurance industry in Taiwan to increase, which may materially and adversely affect the growth of the Group's business.

The insurance business is highly competitive in Taiwan, which may drive the Group's pricing lower and profit margins lower. Competition with respect to the types of insurance in which the Group is engaged is based on many factors, such as underwriting expertise, reputation, market knowledge and experience in insurance products, premiums charged, as well as other terms and conditions of the insurer or reinsurance offered, services offered and speed of claims payment and perceived overall financial strength of the insurer or reinsurer. In Taiwan, the Group competes with a number of major players which may have greater financial resources than us. With increased competition, even if premium levels of the Group's businesses are not adversely affected, the underlying profit margins of the business sold may still be materially and adversely impacted, which may in turn materially affect the Group's business, financial condition and results of operations.

As an insurance company, the Group may need additional capital in the future, and there is no assurance that the Group would be able to obtain such capital in time or on acceptable terms.

In order for the Group to grow, remain competitive, enter new businesses, expand the Group's scale of operations or meet regulatory capital adequacy or solvency margin ratio requirements, the Group may need new capital in the future.

As the only subsidiary of Ruen Chen, the Company has also benefited from the financial support from its shareholders and employees with two rounds of capital raising being conducted in 2012 and 2019 (based on the registration approval date), raising NT\$13.7 billion and NT\$24.5 billion, respectively. However, there is no guarantee that the Group's shareholders and employees would provide it with capital in the future in which case the Group's business, financial conditions and results of operations could be materially and adversely affected.

In addition, the Group's ability to obtain additional capital in the future is subject to a variety of uncertainties, including:

- the Group's future financial condition, results of operations and cash flows;
- the ability to obtain the necessary regulatory approvals on a timely basis;
- the Group's shareholders' ability to make continuous contributions;
- general market conditions for capital raising activities; and
- economic, political and other conditions in Taiwan and elsewhere.

The Group may need to raise additional funds through financings or curtail its growth and reduce its assets. Any equity or debt financing, if available at all, may only be on terms that are not favourable to the Group. Disruption in the financial markets may limit the Group's ability to access capital required to operate its business, and the Group may be forced to delay raising capital or bear a higher cost of capital, which could decrease its profitability and significantly reduce its financial flexibility. In addition, if the Group experiences a credit rating downgrade, withdrawal or negative watch/outlook in the future, the Group could incur higher borrowing costs and may have more limited access to raising capital. Any difficulties in raising additional capital could materially and adversely affect the Group's business, financial conditions and results of operations.

Changes in accounting standards may adversely affect the Group's financial condition.

The consolidated financial statements of the Group are prepared and presented in accordance with the Taiwan-IFRS. Taiwan-IFRS differs from IFRS Accounting Standards in certain significant respects, including, but not limited to, the extent that any new or amended standards or interpretations applicable under IFRS Accounting Standards may not be timely endorsed by the FSC. See "*Summary of Certain Material Differences Between Taiwan-IFRS and IFRS Accounting Standards*". From time to time, the Group is also required to adopt new or revised accounting standards as accounting standard setters issue new guidance intended to interpret or revise accounting pronouncements and expand or amend disclosure requirements.

In particular, two key accounting standard changes have been adopted with effect from 1 January 2023 – IFRS 17, Insurance Contracts and IFRS 9, Financial Instruments. The adoption of IFRS 9 became compulsory in Taiwan in 2018 and IFRS 17 is scheduled for adoption in 2026.

IFRS 9 addresses several aspects of accounting for financial instruments, including the classification, recognition and measurement of financial assets and financial liabilities.

IFRS 17 introduces a fundamentally different approach to previous accounting policies under IFRS 4 in terms of both liability measurement and profit recognition. Under IFRS 17, insurance contract liabilities will no longer be calculated based on historical or past assumptions but based on the present value of future insurance cash flows using a discount rate reflecting current interest rates and the characteristics of the insurance contracts, with a risk adjustment and deferral of unearned profits. In addition, under IFRS 17, certain parts of premium income from insurance contracts will be recognised over the coverage period in proportion to the value of expected coverage and other services that the insurer will provide over such period, rather than recognised at the time of receipt of premium payments, and the investment component of an insurance contract (which refers to amounts to be repaid to policyholders even if the insured event does not occur) will be disaggregated and excluded from premium income. Such changes to revenue recognition methodology will likely have the effect of, among other things, reducing the reported revenue from the Group's insurance operations.

IFRS 17 is a complex accounting standard that requires considerable judgment, complex modelling, assumptions and interpretation in its implementation. As such, the required quantitative disclosures are subject to significant estimation uncertainty and the associated inherent risk is significant. The Group is currently preparing for the IFRS 17 adoption for the fiscal year starting from 1 January 2026 in accordance with the requirement of the FSC and is assessing the potential impact of the adoption of IFRS 17 on the Group.

It is also possible that accounting standards could change further in future, which could have a material adverse effect on the Group's financial condition and/or impact the reporting of its results of operations. Furthermore, the implementation of such changes could result in significant implementation costs and operational difficulties and affect the comparability of the Group's results of operations and financial condition before and after the implementation of such changes.

Volatility in interest rates, and the current interest rates in certain markets, could have an adverse effect on the Group's business, financial condition, liquidity and results of operations.

The profitability of some of the Group's products and the Group's investment returns are highly sensitive to interest rate levels and fluctuations, and changes in interest rates could adversely affect the Group's investment returns and results of operations. In periods of rising interest rates, increased investment yields will increase the returns on newly added assets in the Group's investment portfolios, but surrenders and withdrawals of existing insurance policies may also increase as policyholders seek to buy products with perceived higher returns. These surrenders and withdrawals may result in cash payments requiring the sale of invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, potentially resulting in realised investment losses. These cash payments to policyholders would result in a decrease in total invested assets and a potential decrease in net income. In addition, the demand for the Group's life insurance products, in particular the traditional savings insurance policies, may decrease as investors seek more profitable alternatives. Moreover, a rise in interest rates would adversely affect the Group's shareholders' equity in the immediate fiscal year due to a decrease in the fair value of the Group's fixed income investments. Such adverse effects would directly and adversely impact the regulatory solvency margin ratios of the Group's insurance operations.

Conversely, as interest rates decrease or remain at low levels, the Group may be forced to divest the newly added assets in its investment portfolio and reinvest proceeds from investments that have matured or have been prepaid or sold at lower yields, reducing the Group's investment margin and adversely affecting the Group's profitability.

Moreover, borrowers may prepay or redeem fixed income securities or other loans in the Group's investment portfolio with greater frequency in order to borrow at lower market rates, which exacerbates the risk exposure of the Group. In addition, in a low interest rate environment, the Group's saving insurance policies, fixed annuities and other insurance products offered with a higher guaranteed rate of return at a time of prevailing high market interest rates may result in the actual rates of return on the Group's life insurance operations' investments intended to support its obligations with respect to such products declining below the assumed rates of return used in pricing such insurance products. The difference between the guaranteed return rates on such products and market interest rates may result in a negative spread on such products, which would adversely affect the Group's overall profitability. Accordingly, low or declining interest rates may materially affect the Group's financial position, results of operations and cash flows and significantly reduce the Group's profitability.

The Group also seeks to manage interest rate risk by matching, to the extent possible, the duration of its interest-bearing liabilities, such as its life insurance policy liabilities, and its interest-earning assets supporting such liabilities. Matching the duration of its assets to their related liabilities reduces the Group's exposure to changes in interest rates, because the effect of such changes on its interest-earning assets and interest-bearing liabilities will be offset against each other to a certain degree. Historically, the availability of long-term fixed income securities in the Taiwan's financial markets has been limited, which has generally resulted in the average duration of interest-earning assets being shorter than that of interest-bearing liabilities of Taiwan's life insurance companies. In addition, while investing in interest-earning assets outside of Taiwan may enhance the Group's ability to match the duration of its assets to their related liabilities, the resulting mismatch in currencies may increase the Group's exposure to changes in exchange rates.

The Group's business and performance are dependent on the effectiveness of its distribution and marketing channels.

The Group's distribution channel adopts the twofold agency and bancassurance model for the distribution and marketing of its insurance products. There is no assurance that the efforts of the Group's agency force or of its bancassurance or other intermediated channels will be successful.

The Group faces competition to attract and retain agency leaders and individual agents. It competes with other companies for the services of agents on the basis of its reputation, product range, compensation, training and support services. If the Group is unable to retain, motivate and manage its core group of highly productive agents, or if it is unable to recruit and train productive new agents, its business, financial condition and results of operations could be materially and adversely affected. Competition for agents from other life insurance companies, large-sized independent insurance sales agencies and other institutions may also require the Group to enhance the compensation of its agents, which would increase its operating costs and reduce its profitability. The Group also faces channel concentration risk in its bancassurance model. The Company's top five bancassurance partners contributed to 89%, 83% and 83% of the Company's FYP generated by all bancassurance partners as at 31 December 2023, 2024 and 30 June 2025, respectively. Although the Group is diversifying its bancassurance distribution channels, there is no guarantee that it will be able to do successfully.

To the extent the Group is not able to maintain its existing distribution relationships or diversify or secure new distribution relationships, it may not be able to maintain or grow its premiums, which may materially and adversely affect its business, financial condition and results of operations.

Concentration of the Group's investment portfolio in any particular asset class, market or segment of the economy may increase the Group's risk of suffering investment losses.

The Group's investment portfolio comprises of primarily equity securities and beneficiary certificates, and the Group holds significant amounts of overseas fixed income securities. As at 31 December 2022, 2023 and 2024 and 30 June 2025, the Company's overseas fixed income investment comprises 64.3%, 64.4%, 65.3% and 61.1%, respectively of total financial assets. Among total financial assets, financial assets at fair value through other comprehensive income investments ("FVOCI") and financial assets measured at amortised cost are measured at amortised cost and financial assets at fair value through profit or loss ("FVTPL") are measured at fair value. The Group's principal investment targets include long-term sovereign bonds and investment-grade corporate/financial bonds of European and American countries and selected emerging market countries. Events or developments that have a negative effect on any particular industry, asset class, group of related industries, country or geographic region may have a negative effect on the Group's investment portfolio to the extent that the Group's portfolio is overly concentrated in the particularly affected industry or industries, asset class or geographic region. With the world's economies and financial markets becoming increasingly interconnected and interdependent, crises in one geography or one area could now easily negatively impact other geographies or areas, in which the Group may

have investment exposure. Any adverse impact may increase the risk of negative mark to market movements of the Group's investments held for sale. These types of concentrations in the Group's investment portfolio increase the risk that, in the event the Group experiences a significant loss in any of these investments, the Group's financial condition and results of operations would be materially and adversely affected.

The Group's investment counterparties, including issuers of the overseas fixed income securities it holds, may be unable to perform their obligations to the Group due to bankruptcy, lack of liquidity, economic downturns, operational failure, fraud or other reasons. The Group is also exposed to the risk that it may not be able to enforce its rights against its counterparties in all circumstances. The Group may not have adequate risk control capabilities to effectively identify and control potential credit risks. This could lead to a decrease in the fair value of the Group's overseas fixed income securities, as well as its other investment assets, thereby resulting in impairment losses. Although the Group attempts to minimise these risks by diversifying its investments, improving its credit analysis skills and staying informed on the changes of interest rates, the Group may not be able to identify and mitigate credit risks successfully and the potential fair value losses or realised losses on its investment and any significant downgrading of the securities the Group holds could have a material adverse effect on its business, financial condition, results of operations and prospects.

In addition, there may not be a liquid trading market for certain of the Group's investments, which is in turn affected by numerous factors, including the existence of suitable buyers and market makers, market sentiment and volatility, the availability and cost of credit and general economic, political and social conditions. If the Group were required to dispose of these or other potentially illiquid assets on short notice, the Group could be forced to sell such assets at prices significantly lower than the prices the Group has recorded in its consolidated financial information.

Investing and trading in overseas fixed income securities expose the Group to additional risks, including risks related to global financial markets and fluctuations in foreign exchange rates.

The Group's investment portfolio consists primarily of overseas fixed income securities, which are predominantly denominated in U.S. dollars. Although the Group has experienced strong performance in securities investment, investing and trading in overseas fixed income securities require more specialised investment and risk management expertise, which the Group may not be able to develop and maintain. Furthermore, the market value of the overseas fixed income securities in which it decides to invest could decrease significantly due to various factors, including declines in foreign stock markets, increases in global interest rates, a lack of liquidity, a deterioration in the operating performance or financial condition of particular issuers or of the overseas local or global economy in general. Accordingly, the Group's investments in overseas fixed income securities may lead to trading and valuation losses, which could adversely affect its results of operations and financial condition.

Furthermore, the Group may incur foreign exchange losses on its investments denominated in U.S. dollar. Appreciation of the NTD reduces the NTD value of the Group's overseas fixed income securities. As the Group's profit and loss may fluctuate significantly due to exchange rate fluctuations, currency hedging has been implemented by the Group to address such fluctuations. However, due to the negative NTD/ U.S. dollar interest rate spread, currency hedging will incur additional hedging cost as well as fluctuations in gain or loss from measurement of hedging tools. Accordingly, it is necessary to dynamically adjust hedging ratios according to the NTD movements, by raising such ratio when NTD strengthens to reduce its negative impact on gain or loss or maintaining a relatively low ratio when the NTD weakens to save hedging costs.

To align closely with the NTD movements, the Group's Foreign Exchange Management Department is responsible for analysing macroeconomic trends, such as the global economic climate and monetary policies published by Federal Reserve Bank of New York, aiming to manage the Group's foreign exchange risks effectively based on the exchange rate trends. Adjustments to the Group's reserve for foreign exchange price fluctuations are also made from time to time in accordance with the Group's policy – Precautions on the Reserve for Foreign Exchange Price Fluctuations.

Although the Group generally seeks to hedge the exchange rate risk arising from its investments in overseas fixed income securities through derivative financial instruments, its hedging activities relating to its investments denominated in foreign currencies may not be fully effective, and its investment results may be subject to exchange rate risk, as well as other risks and volatility affecting overseas capital markets. Future movements in the exchange rate of the NTD against the U.S. dollar may result in foreign exchange losses or losses on its hedging instruments, which may adversely affect its results of operations and financial condition.

In May 2025, Fitch placed several major Taiwanese life insurers, including the Group, on Rating Watch Negative, citing increased risks to capital and earnings following a sharp appreciation of the NTD against the U.S. dollar, significantly increasing foreign exchange hedging costs and exposing insurers with large U.S. dollar-denominated asset holdings to further currency risk. Fitch noted that foreign exchange valuation reserves had been depleted for most insurers, limiting their ability to absorb further foreign exchange losses without impacting capital levels. The broader industry landscape highlights the increasing vulnerability of Taiwanese insurers to currency mismatch risks. Similar to its peers in Taiwan, the Group continues to face significant challenges in managing both the cost and effectiveness of its hedging strategies amid persistent exchange rate volatility. The Group's ability to maintain capital adequacy and earnings stability may be adversely affected if the NTD continues to appreciate or if hedging instruments underperform.

Differences between actual claims experience and the assumptions used in pricing and setting reserves for the Group's insurance products may materially and adversely affect the Group's financial condition and results of operations.

The Group's earnings depend significantly on the extent to which the Group's expected payout of benefits and claims results are consistent with the assumptions and estimates the Group uses, such as expected investment return, loss ratio, expense ratio, mortality, morbidity and lapse and surrender rates, among other assumptions, in setting the prices of and establishing the reserves for the Group's products. If the Group's actual experience differs unfavourably from the estimates and assumptions used in the Group's pricing and reserving, the profitability of the Group's insurance products may be materially and adversely affected.

The Group prices its products based on a number of assumptions and estimates that the Group derives from the Group's experience data, industry data, past and then current market conditions and relevant regulations, among others. If the actual market conditions following the launch of the Group's products are significantly less favourable than the Group's assumptions and estimates used in pricing, the distribution and the profitability of the Group's products may be materially and adversely affected, which may, in turn, materially and adversely affect the Group's financial condition and results of operations. The Group's assumptions and estimates may also deviate from its actual experience due to various factors that are beyond its control, including as a result of unexpected changes in the scope of coverage by the Taiwanese national health insurance program or unfavourable re-interpretations of its life insurance policy terms by Taiwanese courts or regulators, as well as advancements in health care that result in increased life expectancy and early detection of diseases. In addition, the occurrence of unexpected catastrophic mortality events in Taiwan, including pandemics, natural or man-made disasters or terrorist attacks, may result in claims that significantly exceed the Group's expectations. As a result, the Group cannot determine with precision the ultimate amounts that it will pay for, or the timing of payment of, actual benefits and claims or whether the assets supporting the life insurance policy liabilities will grow to the level it assumes prior to payment of benefits or claims.

The Group establishes reserves for its products based on relevant regulatory requirements and experience data of the insurance industry and the Group itself. However, estimation of reserves is a complex process, involving many variables and subjective judgments, due to the nature of the underlying risks and the high degree of uncertainty associated with the determination of liabilities for unpaid policy benefits and claims. The estimated amounts of benefits to be paid to policyholders may deviate significantly from the actual claims results. If the reserves originally established prove to be inadequate, the Group must incur additional expenses in the form of claims and payments, to the extent the actual amounts exceed the estimated amounts, or the Group may be required to increase its reserves for future policy benefits, resulting in additional expenses in the period during which the reserves are established or re-estimated, which may have a material adverse effect on the Group's financial condition and results of operations.

Reinsurance may not be available, affordable or adequate to protect the Group against losses.

As part of the Group's overall risk management strategy, the Group purchases reinsurance for certain risks underwritten by the Group's businesses. While reinsurance agreements generally bind the reinsurer for the life of the business reinsured at generally fixed pricing, market conditions beyond the Group's control determine the availability and cost of the reinsurance protection for new business. In certain circumstances, the price of reinsurance for business already reinsured may also fluctuate. Any decrease in the cost of reinsurance, due to for example a decrease in the coverage of reinsurance, may increase the Group's risk of loss and any increase in the cost of reinsurance will reduce the Group's earnings. Accordingly, the Group may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect the Group's ability to write future business or result in the assumption of more risk with respect to those policies the Group issues.

Reinsurance does not relieve the Group of its direct liability to its policyholders, even when the reinsurer is liable to it. Accordingly, the Group bears credit risk with respect to its reinsurers. Although the Group endeavours to choose reinsurers with good credit rating, there is no guarantee that such reinsurers will not suffer significant losses or other events rendering them unable to fully meet their obligations to the Group. Although a reinsurer is liable to the Group to the extent of the risks reinsured, the Group remains liable for those transferred risks if the reinsurer is unable to perform its contractual obligations. The Group's reinsurers may default on their obligations to the Group due to various reasons such as bankruptcy, lack of liquidity, downturns in the economy, operational failure, or fraud. The Group is also subject to the risk that its rights against the reinsurers may not be enforceable in all circumstances. As a result, although the Group seeks reinsurance arrangements only with reputable and creditworthy reinsurers, a default by a reinsurer who assumes significant underwriting risks from the Group could expose it to significant losses and could therefore materially and adversely affect its business, financial condition and results of operations.

The Group's risk management and internal control systems may be inadequate or ineffective in identifying or mitigating risks that it is exposed to.

The Group has established comprehensive risk management and internal control systems. The Group has also adopted policies, procedures and risk management methods, which are believed to be appropriate for the Group's business operations, and the Group further seeks to continue to improve these systems. However, due to the inherent limitations in the design and implementation of risk management and internal control systems, including identification and evaluation of risks, internal control variables and the communication of information, there is no assurance that such systems will be able to identify, mitigate and manage the Group's exposures to risks. Given the state of constant, rapid change in the economy, insurance industry and financial markets in Taiwan, and the rapid change and growth in the Group's operations, assets and investment portfolio, the Group may not be able to fully evaluate and assess the adequacy and effectiveness of its risk management and internal control systems. As a result, the Group may need to establish and implement additional risk management and internal control policies and procedures to further improve the Group's systems from time to time.

The Group implements its risk management and internal controls by using a series of risk management methods to monitor financial markets, credit, liquidity, operational and asset liability matching risks. These methods suffer from inherent limitations as they are generally based on statistical analysis of historical data as well as the assumption that future risks will share similar characteristics with past risks. There is no assurance that such assumption is accurate. The Group's information technology system may not be adequate in collecting, analysing and processing data, and it may not have enough capacity to handle the rapid growth of the Group's businesses. In addition, the Group's historical data and risk management experience may not be able to adequately reflect risks that may emerge from time to time in the future. As a result, the Group's risk management methods and techniques may not be effective in directing the Group to take timely and appropriate measures in risk management and internal controls.

The Group's risk management and internal controls also depend on the effective implementation by the Group's employees. Due to the scale of the Group's operations, the Group's large number of agents, professional personnel and the number of the Group's branch entities in different locations, there is no assurance that such implementation will not involve any human errors or mistakes, which may materially and adversely affect the Group's business and results of operations.

The diversification of the Group's insurance product offerings and investments will also require the Group to continue to enhance its risk management capabilities. If the Group fails to implement timely adaptations to its risk management policies and procedures in response to the Group's changing business and investment initiatives, the Group's business, financial condition and results of operations could be materially and adversely affected.

Derivative transactions may expose the Group to unexpected risk and potential losses.

The Group engages in derivative transactions such as foreign exchange swap contracts, cross currency swaps, non-delivery forwards, delivery forwards and interest rate swaps for the purpose of hedging its exposures to exchange rate risk from investments. Derivative contracts create exposure to the instruments or measures underlying such contracts and may lead to unexpected losses. Accordingly, in the event that market measures such as exchange rates move in directions that the Group does not anticipate, it may experience losses on such contracts.

Derivative transactions also expose the Group to the credit risk of transaction counterparties. Derivative contracts and other transactions entered into with third parties are not always confirmed by the counterparties on a timely

basis. While the transaction remains unconfirmed, the Group is subject to heightened credit and operational risk and in the event of a default may find it more difficult to enforce the contract.

The Group may not be able to detect or prevent fraud or other misconduct by the Group's directors, senior management, officers, employees, agents, customers or other third parties in a timely manner, or at all.

The Group may be subject to fraud and other misconduct committed by the Group's directors, senior management, officers, employees, agents, customers or other third parties, including insurance policy fraud (where fraudulent misstatements or omissions of fact are made in applications for insurance products by customers), insurance claims fraud (where fraudulent misstatements or omissions of fact are made in an effort to make or exaggerate claims under existing policies) and the intentional staging of accidents or other covered events in an effort to collect insurance payments, as well as the fraudulent execution of insurance contracts by the Group's agents to collect sales commissions. While the Group has implemented, and continues to implement measures aimed at detecting and preventing employees' and outside parties' fraud and other misconduct, the Group may not be able to detect or prevent such fraud or misconduct in a timely fashion or in all of the Group's subsidiary and branch entities, which may harm the Group's reputation and adversely affect the Group's business, results of operations and financial condition. Moreover, given the size of the Group's operations and the number of agents and employees, the Group's existing measures and systems may not be able to adequately detect and monitor such potential fraud and misconduct. Any fraud or other misconduct committed by or relevant investigations of former directors, senior management, officers, agents or employees previously associated with the Group, may also adversely affect the Group's reputation, business, result of operations and financial condition, even if the actions are unrelated to the Group or the investigation is unfounded.

Agents' misconducts are difficult to deter and could harm the Group's business and performance.

The misconduct by the Group's agents could result in its violations of law, regulatory sanctions or legal claims against the Group and reputational or financial harm to the Group. Misconduct could include:

- engaging in misrepresentation or fraudulent activities when marketing or selling life insurance or investment products to customers;
- defective sales of life insurance or investment products due to failure to adequately explain product information and related risks to customers, including omission of information deemed material to making a purchasing decision;
- encouraging or advising customers to omit or misrepresent material information or developments, which could undermine the Group's insurance underwriting procedures and practices;
- hiding unauthorised activities, resulting in unknown and unmanaged risks or losses; or
- otherwise not complying with applicable laws, regulatory guidance or policies, or the Group's internal policies or procedures.

The Group has the third largest agency force among all life insurers in Taiwan. As at 30 June 2025, the Company had around 36,000 agents in Taiwan. While the Group closely monitors its agents' activities to detect any such unauthorised activities, the Group cannot always manage their behaviours or deter their misconducts given its large amount of agents, and the precautions it takes to prevent and detect these activities may not be effective in all cases. The Group has experienced agent misconduct that has resulted in internal disciplinary action against, or termination of, agents in question. There is no assurance that agent misconduct or the Group's failure to detect and address such misconduct will not harm its reputation or lead to a material adverse effect on its business, results of operations and financial condition.

The growth of electronic transactions and the introduction of new technologies may result in increased competition.

The growth of electronic commerce and the introduction of new technologies are changing the Taiwanese life insurance industry and presenting the Group with new competitive challenges. For example, an increasing number of life insurance policies are being sold directly online by small- and mid-sized insurance companies without the use of more traditional distribution channels such as financial planners or general agencies and at a lower cost to customers.

The Group expects the trend towards growth of electronic transactions will continue, and it had invested significant resources into the development of online and mobile business platforms in the past. Since the launch of the Company's online insurance business in 2015, its number of registered online members exceeded 1.6 million as at 31 December 2024. The Group continuously seeks to expand and upgrade its mobile insurance and websites, however, there is no assurance that the Group's online and mobile business platforms will remain competitive or that they will yield an adequate return on the Group's investments.

The Group's expansion into new areas of business and new distribution channels may subject the Group to additional risks and uncertainties.

From time to time, the Group may enter into new areas of business or explore new distribution channels. The Group may invest significant capital, time and resources in such efforts. The introduction and development of new areas of business and/or new products or services may not be completed in accordance with the expected timetables, and the pricing and profitability targets may not prove accurate and feasible. The Group in fact may incur operating losses in these new areas which may materially and adversely affect the Group's business, financial condition and results of operations. Furthermore, expansion into any new areas of business and/or any new distribution channel could have a material adverse effect on the effectiveness of the Group's internal control system to the extent the Group fails to effectively adapt its internal controls to such new businesses or distribution channels.

In addition, to be more competitive in Taiwan's insurance market, the Group intends to promote cross-selling opportunities by leveraging its diverse product offerings and its distribution channels. However, there is no assurance that cross-selling will attract more customer demand, and the failure to attract more customer demand may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's business generates and processes a large amount of data, and any improper use or disclosure of such data could subject it to significant reputational, financial, legal, and operational consequences.

The Group's business generates and processes a large quantity of transaction data. The Group faces risks inherent in handling large volumes of data and in protecting the security of such data. In particular, the Group faces a number of challenges relating to data from transactions and other activities on the Group's platforms, including:

- protecting the data in and hosted on the Group's system, including against attacks on the Group's system by outside parties or fraudulent behaviour by the Group's employees;
- addressing concerns related to privacy and sharing, safety, security, and other factors; and
- complying with applicable laws, rules, and regulations relating to the collection, use, retention, disclosure, or security of personal information, including any requests from regulatory and government authorities relating to such data.

If the Group is hacked or is under a network attack or a denial-of-service attack or suffers from any other security breaches or system failure, personal, confidential or proprietary information being sent to or received from a client or counterparty may be intercepted, which could result in legal liability, regulatory action and reputational harm. Any failure, or perceived failure, by the Group to comply with its privacy policies or with any regulatory requirements or privacy protection-related laws, rules, and regulations could result in proceedings or actions against it by governmental entities or others. These proceedings or actions may subject the Group to significant penalties and negative publicity, require the Group to change its business practices, increase its costs, and severely disrupt its business.

Current or future litigation and regulatory procedures could result in reputational harm, financial losses or harm the Group's businesses.

The Group is involved from time to time as part of its ordinary course of business in litigation involving the Group's insurance operations. In addition, the ROC governmental agencies, including the insurance, tax, commerce and industrial administration and audit bureaus, has from time to time made inquiries and conducted examinations or investigations concerning the Group's compliance with relevant local laws and regulations. Further, certain of the Company's insurance agents have asserted the existence of an employment relationship and demanded payment of pension. On 21 October 2016, the Constitutional Court (formerly known as Grand Justices Council) of the Republic of China issued its interpretation on the matter, stating the key criteria to decide the existence of an employment relationship is whether the insurance agents are free to decide on the method of

payment of the services provided and will bear business risks. Since the Company's insurance agents fulfil such key criteria, the Company has determined that no employment relationship exists with its insurance agents. However, a small number of the Company's insurance agents have continued to assert the existence of an employment relationship. As a result, the Company may continue to be involved in litigation or administrative proceedings with its insurance agents. If the Company is not able to defend such proceedings or to effectively resolve such difference with its insurance agents, the Company's business, financial condition and results of operations may be adversely affected.

The litigation and administrative proceedings have in the past resulted in payments of insurance benefits, damage awards, settlements or administrative sanctions, including fines, which have not been material to the Group. In response to the past litigation and administrative proceedings that were resolved, the Group has implemented specific policies, training and report mechanisms targeting to strength internal controls. Additionally, the Group currently has control procedures in place to monitor the Group's litigation and regulatory exposure, and to take appropriate actions. While the Group cannot predict the outcome of any pending or future litigation, examination or investigation, the Group does not believe that any pending legal matter will have a material adverse effect on the Group's business, financial condition or results of operations. However, there is no assurance that any future litigation or regulatory proceeding will not have a material adverse outcome, which could have a material adverse effect on the Group's reputation, business, financial condition, results of operations or cash flows.

Catastrophes could result in significant losses and disruptions to the Group's business operations.

The Group is exposed to the risk of unpredictable liabilities for insurance claim payments in the event of unpredictable catastrophic events in Taiwan, such as the COVID-19 pandemic, earthquakes, typhoons, fires and explosions, wars, foreign attacks, terror attacks or man-made disasters.

Such catastrophes could result in significant disruptions to the Group's business operations. Although the Group carries some catastrophe contracts and engages in reinsurance to reduce its catastrophe loss exposure, there is no guarantee that such exposure could be effectively reduced. Due to limitations in the underwriting capacity and terms and conditions of the reinsurance market as well as difficulties in assessing its exposure to catastrophes, if such catastrophic event were to occur, the Group's business, financial condition and results of operations may be materially and adversely affected.

Work stoppages and other labour-related issues may adversely affect the Group's operations.

The Group's performance depends to a large extent on favourable labour relations with its employees and agents. Although the Group has built up a harmonious labour-management relationship, there can be no assurance that new collective bargaining and wage agreements will be negotiated or consultations will take place without discord with its labour unions or on terms satisfactory to the Group. If the Group is unable to negotiate successfully with its labour unions, it may become subject to union-initiated work stoppages, including strikes.

From time to time the Group may also become subject to demands, claims or legal actions brought by its employees, agents or the Group's labour unions acting on their behalf. In the past, the Company was involved in litigation or administrative proceedings with its insurance agents. See "*Current or future litigation and regulatory procedures could result in reputational harm, financial losses or harm the Group's businesses*" for further information. Any significant increase in labour and labour-related legal costs, deterioration of employee relations, slowdowns or work stoppages, as well as the Group's failure to attract and retain qualified employees, whether due to union activities, employee turnover or otherwise, could have a material adverse effect on its business, reputation, results of operations and financial condition.

The Group depends on its board of directors, senior executives and other key employees for its operations and the growth potential of the Group's business.

The Group's success is, to a significant extent, attributable to the Group's directors, who have an in-depth knowledge and understanding of the insurance business as well as the markets in which the Group operates. The Group is also dependent on the sound underwriting, product development, risk control, business development, investments and actuarial expertise of the Group's senior executives and other key employees. The competition for qualified technical, investments, sales and managerial personnel in the insurance sector in Taiwan is intense. The Group's continuing success will depend on the Group's ability to retain and hire suitably qualified and experienced management and key employees and the loss of their service could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may be unable to successfully manage its growth.

The Group's future growth may place significant demands on the Group's managerial, operational and capital resources. The expansion of the Group's business activities exposes the Group to various challenges, including, but not limited to:

- continuing to expand, train and retain actuarial staff and to enhance actuarial capabilities;
- continuing to expand, train and retain the agency force, while maintaining costs and productivity at optimal levels;
- continuing to expand, train and retain investment professionals who have the expertise and experience to invest in existing and new asset areas, as the regulatorily permissible asset classes for investments broadens and the scale of the asset management operations increases;
- continuing to develop adequate underwriting and claims settlement capabilities and skills;
- recruiting, training and retaining personnel with proper experience and knowledge;
- meeting higher requirements for cost controls, meeting the demand for a broader capital base and satisfying an on-going need to meet the minimum capital adequacy requirements; and
- strengthening and expanding the Group's risk management and information technology systems to effectively manage the risks associated with existing and new lines of insurance products and services and increased marketing and sales activities, as well as risks associated with the investment portfolio.

There is no assurance that the Group will manage its growth successfully. In particular, the Group may not be able to rapidly recruit and effectively train and retain a sufficient number of qualified personnel to keep pace with the growth of the Group's business. In addition, the Group may not be able to exercise effective centralised management and supervision over the Group's subsidiary and branch entities if the Group's internal control and information technology systems are not developed quickly enough to accommodate the Group's growing business needs.

In addition, to the extent the Group pursues its growth strategy through acquisitions, there is no assurance that the Group will be able to identify and secure suitable acquisition opportunities or that the Group will be able to implement its strategies and policies in respect of acquired entities in a timely fashion. Furthermore, any particular acquisition may not produce the intended benefits. For example, the Group may not be successful in integrating any future acquisition with the Group's existing operations and personnel, and the process of integration may cause unforeseen operating difficulties and expenditures and may require significant attention from the Group's management that would otherwise be available for the on-going development of the Group's business. If the Group encounters difficulty in integrating an acquisition, the Group's business, financial condition and results of operations may be materially and adversely affected.

The valuation attached to the Company's investment properties contains assumptions that may or may not materialise and the value of the Company's holding of investment properties may fluctuate.

As at 31 December 2022, 2023 and 2024 and 30 June 2025, the Group's investment properties were stated at fair value of NT\$192,827 million, NT\$213,136 million, NT\$205,195 million and NT\$205,212 million, respectively. The Company reassesses the fair value of the Company's investment properties at every reported statement of financial position date by using valuation techniques, including income approach, comparison approach and cost approach. The valuations are based on certain assumptions which, by their nature, are subjective and uncertain and may differ materially from actual results. Accordingly, the valuations are not a prediction of the actual value the Company can realise from these investment properties. Unanticipated results or changes in particular property developments, or changes in general or local economic conditions or other relevant factors, including changes in government regulations, could affect such values. In addition, the Company's consolidated statement of comprehensive income includes fair value adjustment of investment properties. A decrease in the value of the investment properties could reduce the Company's net income. An upward change in the fair value, which reflects unrealised capital gains at the relevant statement of financial position dates, does not generate cash inflow to the Company until such investment properties are disposed of. Any further adverse development in the condition of the market may have an adverse impact on the selling prices of and the time it will take to sell the Company's investment properties.

A downgrade in the ratings assigned to the Group could adversely affect the Group's ability to write new business, raise funds and may adversely impact the Group's existing business.

The Company is rated "A-" with a stable outlook by S&P for international credit rating and "A-" with a Rating Watch Negative outlook by Fitch for insurer financial strength. These ratings are important factors in establishing a competitive position in the insurance industry. Insurer financial strength ratings measure a company's ability to meet its insurance obligations. Credit ratings measure a company's ability to repay its debt obligations and directly affect the cost and availability of unsecured financing. Ratings are subject to periodic review at the discretion of the rating agencies and may be revised downward or revoked at their sole discretion.

The Group's ratings could be downgraded at any time and without notice. There is no assurance that members of the Group will improve or maintain their ratings, and any potential downgrade in the ratings assigned to the Group companies by rating agencies could adversely affect the Group's business.

The Group is exposed to the risk of failures in its information technology systems.

The operation of the Group's business depends on the efficient and uninterrupted operation of its information technology systems. The Group's information technology systems are vulnerable to damage or disruption from various factors, including but not limited to, power loss, telecommunications failures, computer denial of service attacks, data corruption, network failure, computer viruses, security breaches, natural disasters, theft, vandalism, fraud or other acts not within its control. Inadequacies or failures of the Group's information technology systems could impair its collection, processing or storage of data and the day-to-day management of its business, which could have a material adverse effect on the Group's business, financial condition and results of operations. In addition, given the size of the Group's operations, the Group's information technology systems may not have enough capacity and capability to handle the information technology needs of a larger entity.

Misinformation (inaccurate information) and disinformation (information deliberately created for the purpose of harming individuals, social groups, organisations, or countries) are widely disseminated through media networks. The misinformation and disinformation will significantly influence public opinion and lead to customer distrust of companies. Furthermore, with the rapid development of generative AI technology, it may be abused to create misinformation or disinformation and for unfair competition, affecting the Group's reputation, operations, or policyholders' rights. Spreading misinformation or disinformation about a company may cause customers to lose trust in the company, resulting in contract termination or a decline in sales and premium income, and damage to the Group's goodwill. If it cannot be handled timely and effectively, it may cause significant financial losses or affect the Group's normal operations.

A number of the Company's key performance indicators are calculated based on a number of assumptions used in the calculations and may vary significantly as those assumptions are changed.

The key performance indicators set out in "*Selected Financial Information*", including ratio of long-term and protection-oriented products, recurring investment yield before hedge and foreign exchange, investment yield after hedge and foreign exchange, return on average equity, first year premiums equivalent and the persistency ratio, are used to measure the scale and profitability of the Company's business. The calculation of such key performance indicators involves some assumptions including interest rate, investment yield, mortality, morbidity, lapse and surrender, expense ratio, commissions and policyholder dividends, among other things. As a result, actual future experience may differ from those assumed in the calculations, and these differences may be material.

Since the Group's actual market value is determined by investors based on a variety of information available to them, these values should not be construed to be a direct reflection of the Group's actual market value and performance. For these reasons, prospective investors should only consider these values after carefully evaluating all of the risks described in the Offering Circular, including the risks described in this section. The inclusion of these values in the Offering Circular should not be regarded as a representation by the Group, the Managers, or any other person of the Group's future profitability and financial condition. None of the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisers or any person who controls any of them has independently verified value of key performance indicators or their calculation methodologies.

Potential investors should not place reliance on the monthly operating data published by the Group that is not audited or reviewed.

This Offering Circular contains consolidated financial statements of the Group as at and for the financial years ended 31 December 2023 and 2024 and the audited consolidated financial statements of the Group as at and for the six months ended 30 June 2025. Please see "*Presentation of Financial Information*" for more details. These financial statements have been audited by PricewaterhouseCoopers, Taiwan, the independent auditor of the Group, in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China.

Additionally, the Group also publishes monthly operational data which are not audited or reviewed by the Group's independent auditor and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review and should not be taken as an indication of the Group's expected business, financial condition and results of operations. Accordingly, such monthly operational data has not been incorporated into this Offering Circular and should not be relied on by the investors in making their investment decision.

None of the Managers, the Trustee or the Agents or affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them makes any representation or warranty, express or implied, regarding the accuracy, completeness and sufficiency of such monthly operational data of the Group.

An actual or perceived reduction in the Group's financial strength could increase policy surrenders and withdrawals, damage the Group's business relationships and negatively impact new sales of the Group's products.

Policyholders' confidence in the financial strength of an insurance company, as well as in the financial services industry generally, is an important factor affecting the Group's business. Any actual or perceived reduction in the Group's financial strength could materially and adversely affect the Group's business because any such development may, among other things:

- increase the number of policy surrenders and withdrawals;
- damage the Group's relationship with its creditors, customers and the agents of the Group's products;
- negatively impact sales of the Group's products;
- require the Group to reduce prices for many of the Group's products and services to remain competitive;
- adversely impact the Group's ability to obtain reinsurance on acceptable terms; and
- increase the Group's borrowing costs as well as affect the Group's ability to obtain financing on a timely basis.

There is no assurance that the Group will not experience any reductions in its financial strength, actual or perceived, in the future.

The failure to identify and adequately address risks associated with ESG factors could adversely affect the achievement of the Group's long-term strategy and affect its business.

The Group aspires to harness the power of corporate citizenship, working together with its employees, policyholders, and the general public to protect the well-being of Taiwan. The Group integrates ESG factors into the decisions that it makes and actions it takes in order to achieve the Group's sustainability value. The Group is committed to reducing its carbon footprint and championing financial inclusivity as part of supporting the transition to a lower-carbon economy.

The Group's ESG strategy helps it to assess its impact on the economy, the environment and society, and to consider the significance of various ESG factors for the Group's stakeholders, as well as their importance and impact to its business. Given the continuously evolving global and local business environment and in light of its stakeholders' shifting priorities and expectations, the Group may fail to identify material ESG factors, adequately address pertinent ESG-related risks and expectations and requirements of its investors, regulators and others. This may include any failure to effectively capture ESG-related opportunities to drive meaningful positive impact.

If the Group is unable to effectively implement its ESG strategy and address ESG risks and expectations and requirements of its stakeholders or meet stated ESG targets or goals, this could adversely affect the achievement of the Group's long-term strategy and could have a material and adverse effect on its reputation, business, financial condition or results of operations.

The Group's strategic initiatives at its businesses may not be successful.

The Group provides a full range of life insurance products and related services, including individual traditional life insurance, individual injury insurance, individual health insurance, group insurance, annuity insurance, and investment-linked insurance. Each of the Group's businesses has ongoing and future strategic and operating initiatives to further develop and grow their operations. There is no assurance that the Group will be able to successfully achieve any of its strategic and operating initiatives, whether at the operating business level, or at the overall Group level.

The Group may be subject to OFAC or other penalties if the Group is determined to have violated any OFAC regulations or similar sanctions.

The United States imposes a range of economic sanctions against certain foreign countries, terrorists, international narcotics traffickers and those engaged in activities related to the proliferation of weapons of mass destruction. The U.S. sanctions are intended to advance certain U.S. foreign policy and national interests, such as discouraging certain countries from acquiring weapons of mass destruction or engaging in human rights abuses. Office of Foreign Assets Control ("OFAC") is the principal government agency charged with administering and enforcing U.S. economic sanctions programmes. These economic sanctions, as administered by OFAC, generally apply to U.S. entities and, in certain cases, to foreign affiliates of U.S. entities, or to transactions that involve, in some manner, U.S. products or otherwise come within the jurisdiction of the United States. The United Nations Security Council, the European Union, the United Kingdom, the PRC and other governments and international or regional organisations also administer similar economic sanctions. In addition, the Group may from time to time engage in business activities in countries or with entities that are the subject of certain sanctions. Notwithstanding that such business activities may not themselves be subject to sanctions, the Group may face secondary sanctions if it is determined that the Group has provided material support to countries or entities or involving specific sectors of certain countries that are the subject of sanctions. If the Group engages in any prohibited transactions by any means, or if it is otherwise determined that any of the Group's transactions violated OFAC-administered or other sanctions regulations, the Group could be subject to penalties, and the Group's reputation and ability to conduct future business in the United States or with U.S. entities, or in other affected jurisdictions, could be affected, which may materially and adversely affect the Group's reputation, business, financial condition or results of operations.

RISK FACTORS RELATING TO THE INSURANCE INDUSTRY

The Group's businesses are heavily regulated, and changes in regulation may reduce the Group's profitability and limit the Group's growth.

The Group is subject to extensive regulation and supervision in Taiwan where it conducts its business, which is supervised by the FSC, and it must comply with the Insurance Act, the Regulations for Establishment and Administration of Insurance Enterprises and related regulations.

The Group's businesses in Taiwan are extensively regulated by the FSC, which has been given wide discretion in its administration of these laws, rules and regulations as well as the authority to impose regulatory sanctions on the Group. On 1 July 2004, the FSC was established as the competent authority responsible for development, supervision, regulation, and examination of financial markets and financial service enterprises in Taiwan. There are four bureaus under the FSC, including Securities and Futures Bureau, Banking Bureau, Insurance Bureau, and Financial Examination Bureau. On 1 July 2012, the Insurance Bureau was restructured with functions of its four divisions being transformed to General Supervision, Life Insurance Supervision, Non-Life Insurance Supervision, and Financial Supervision.

According to the Insurance Act, an insurance company must obtain the FSC's approval before commencing business in Taiwan. To obtain the approval of the FSC, an insurance company must meet and maintain certain requirements, including maintaining its corporate status as a company limited by shares or as a cooperative, minimum paid-in capital, capital adequacy requirement, deposit of security bond, etc. An insurance company must accurately create and provide documents detailing its financial and business matters and make such documents publicly available for inspection in compliance with the applicable regulations.

Furthermore, regulatory authorities may review the existing laws and regulations applicable to insurance companies and their products and services from time to time. The FSC has been actively reviewing existing laws and regulations applicable to insurance companies in Taiwan and has announced a number of amendments in 2024. Recent development in the ROC's regulations in relation to the insurance industry includes without limitation (i) Regulations Governing Foreign Investments by Insurance Companies amended on 17 May 2024; (ii) Directions for Issuance of Bonds with Capital Characteristics by Insurance Companies amended on 1 October 2024; (iii) Directions for Operation Outsourcing by Insurance Enterprises amended on 6 November 2024 and (iv) Directions for Application of Discount Rate under IFRS 17 by Insurance Enterprises dated 18 March 2025. Changes to the interpretation or scope of application of such laws and regulations may also substantially increase the Group's compliance costs and other expenses, which may materially and adversely affect the Group's business, results of operations and financial condition.

The rate formulas, terms and conditions of insurance policies, and design for each kind of insurance product shall be subject to the Insurance Bureau's review process through the prior-approval procedure or the use-and-file procedure pursuant to the Insurance Act, the Regulations Governing Pre-sale Procedures for Insurance Products and the relevant regulations. An insurance company must provide the potential insurance applicant with the information required by the relevant applicable regulations before entry into an insurance contract. After receiving the insurance application or proposal form submitted by the applicant, the insurance company may review such application and decide to underwrite the policy at its discretion. Changes in these regulations may affect the Group's profitability on the products the Group sells and may have a material adverse effect on the Group's profitability.

Moreover, the marketing, distribution, sale and solicitation of insurance products are heavily regulated under the Insurance Act and related regulations. The offshore investment by an insurance company is also closely monitored by the FSC under the Regulations Governing Insurance Company's Foreign Investment.

Failure to comply with any of the laws, rules and regulations to which the Group is subject could result in fines, restrictions on business expansion or, in extreme cases, revocation of business licences, which could materially and adversely affect the Group. As some of the laws, rules and regulations that the Group is subject to are relatively new, there is uncertainty regarding their interpretation and application.

In addition, the laws, rules and regulations under which the Group is regulated may change from time to time. For example, the Group's Taiwan operations are affected by the ROC's tax laws and regulations. The ROC tax authorities may undertake reforms of the tax system, which may result in changes to the tax laws and regulations that the Group is currently subject to. There is no assurance that this reform will not have a material adverse effect on the Group's business, results of operations or financial condition. There is no assurance that future legislative or regulatory changes, including deregulation, would not have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is required to comply with minimum solvency requirements and may be required to raise additional capital or change its business strategy if the RBC adequacy ratio deteriorates or the applicable capital requirements change in the future.

Insurance companies are generally required by applicable law to maintain their solvency at a level in excess of statutory minimum standards. The solvency of the Company and Nan Shan General Insurance, respectively is affected primarily by the solvency margins that are required to be maintained, which are in turn affected by the volume and type of new insurance policies the Group sells, the composition of the Group's in-force insurance policies and by regulations on the determination of statutory reserves.

The RBC system has been implemented in Taiwan since 9 July 2003, which provides for the early detection of the soundness of insurance enterprises' financial conditions, hence enabling insurance enterprises to enhance their capital structure. The RBC refers to capital calculated on the basis of the risks that an insurance company may incur from its actual business operations. Depending on the type of the insurance company, such risks include without limitation asset risks, insurance risks, interest risks, credit risks, underwriting risks and asset-liability matching risks. According to the "Regulations Governing Capital Adequacy of Insurance Companies", which was announced on 20 December 2001 and amended on 4 August 2023, insurance enterprises must file RBC ratio report twice a year to the FSC. The RBC ratio of an insurance company is considered adequate if it equals to or exceeds 200% and the net worth ratio is more than 3% in one of the most recent two periods. See "*Regulation and Supervision of the Taiwan Life Insurance Industry*" for further discussion.

While the Company's and Nan Shan General Insurance's respective RBC ratios are both currently significantly above the required level, if the Group grows rapidly or if its asset quality deteriorates in the future, it may need to raise additional capital to meet capital adequacy requirements. If the Group is not able to raise any additional required capital, it may be forced to reduce the growth or scale of its business and to make provision for additional reserves and incur charges to earnings, which could have a material adverse effect on the Group's financial condition and results of operations, and could materially and adversely affect the growth rate of the Group's business. Any material deterioration in the Company's and Nan Shan General Insurance's respective RBC ratios could change the customers' or its business counterparties' perception of its financial health, which in turn could adversely affect its business, financial condition and results of operations. If the RBC ratio of the Company or Nan Shan General Insurance does not satisfy the relevant requirements, the relevant authorities may impose a range of regulatory sanctions depending on the degree of deficiency in its RBC ratio.

There is also no guarantee that the Company and Nan Shan General Insurance will not be required to raise additional capital to sustain its RBC adequacy ratio above the required level in connection with the future implementation of the Taiwan International Insurance Capital Standard ("TW-ICS") or any other solvency regime. For increased alignment with international regulatory supervision standards, the Taiwan Insurance Bureau has announced a plan to adopt a new generation solvency regime, the TW-ICS, in 2026, which will be based upon the ICS. Under the new regime:

- solvency measurement will move away from a historical-value balance sheet approach to an economic balance sheet approach, providing a current view of the solvency position of an insurer. Asset and liabilities are measured at fair value;
- the calculation of required capital will move away from a factor-based approach to a stress-based approach to better capture the "tail-risk" as broader risks will be included; and
- requirements on assets qualifying as admissible capital for solvency purposes will be stricter than the current requirement and the capital will be classified into Tier 1 and Tier 2 based on quality considerations.

With the proposed implementation of the TW-ICS, it is unclear how the Group's business, financial condition and results of operations will be impacted, and uncertainty remains as the FSC continues to propose further guidelines and updates.

Concentrated surrenders may materially and adversely affect the Group's cash flows, results of operations and financial condition.

Under normal circumstances, it is possible, to a certain extent, for insurance companies to estimate the overall amount of surrenders in a given period. However, the occurrence of emergency or macroeconomic events that have significant impact, such as sharp declines in customer income due to a severe deterioration in economic conditions, radical changes in relevant government policies, loss of customer confidence in the insurance industry due to the weakening of the financial strength of one or more insurance companies, a general loss of confidence in banks and the financial sector in general, or the severe weakening of the Group's financial strength, may trigger massive surrenders of insurance policies. If this were to occur, the Group would have to dispose of the Group's investment assets, possibly at unfavourable prices, in order to make a significant amount of surrender payments. This could materially and adversely affect the Group's cash flows, financial condition and results of operations.

Customer preferences for insurance, investments and pension products as well as wealth management solutions may change and the Group may not respond appropriately or in time to sustain the Group's business or its market share in the geographical markets in which the Group operates.

The insurance, investment, pension, banking and wealth management markets as well as the preferences of the Group's customers are constantly evolving. As a result, the Group must continually respond to changes in these markets and customer preferences to remain competitive, grow the Group's business and maintain market share. The Group faces many risks when introducing new products. The Group's new products may fail to achieve market acceptance, which may materially and adversely affect the Group's business, results of operations and financial condition.

The Group's new products may also be rendered obsolete or uneconomical by competition or developments in the insurance, investment, pension, banking and wealth management industries. Furthermore, even if the Group's current and anticipated product offerings are responsive to changing market demand, the Group may be unable to commercialise them. Moreover, potential products may fail to receive the necessary regulatory approvals, be

difficult to market on a large scale, be uneconomical to introduce, fail to achieve market acceptance, or be precluded from commercialisation by proprietary rights of third parties. Any inability to commercialise the Group's products would materially impair the viability of the Group's business. Accordingly, the Group's future success will depend on the Group's ability to adapt to changing customer preferences, industry standards and new product offerings and services. Any of these changes may require the Group to re-evaluate the Group's business model and adopt significant changes to the Group's strategies and business plan. Any inability to adapt to these changes would have a material adverse effect on the Group's business, financial condition and results of operations.

The rate of growth of Taiwan's insurance market may not be as high or as sustainable as the Group anticipates.

The Group expects Taiwan's insurance market to maintain steady expansion, underpinned by moderate economic growth, rising household wealth, ongoing social welfare reforms, and the advancement of digital innovation. Given the already high penetration of life insurance products, future growth is anticipated to stem primarily from protection-oriented and health-related, which will contribute to the stable operation of the life insurance industry. The Group's judgments regarding the anticipated drivers of such growth and their impact on Taiwan's insurance industry are prospective. There is no assurance that such prospective judgments will be consistent with actual developments. Moreover, Taiwan's insurance industry may not be free from systemic risks, including risks related to macroeconomic conditions and financial system stability. Thus, the growth and development of Taiwan's insurance industry may not be sustainable and may not be in line with the Group's expectations, which could have a material adverse effect on the Group's business, financial condition and results of operations.

RISK FACTORS RELATING TO THE ROC

The Group's business prospects, financial condition and results of operations could be adversely affected by political considerations relating to the ROC.

The Group actively conducts its business and generates most of its revenues in Taiwan. Accordingly, the business, results of operations and financial condition of the Group may be affected by changes in the ROC governmental policies, law, taxation, inflation, deflation, interest rates, social instability and other political, economic, diplomatic or social developments in or affecting the ROC which are outside the Group's control. Taiwan has a unique international political status. Since 1949, Taiwan and the PRC have been separately governed. The PRC government regards the ROC as a province of the PRC and does not recognise the legitimacy of the ROC. Although significant economic and cultural relations have been established in the past decades between the ROC and the PRC, the PRC has refused to renounce the possibility that it may use military force to gain control over the ROC, particularly under what it considers as highly provocative circumstances, such as a declaration of independence by the ROC. Furthermore, the PRC government passed the Anti-Secession Law in March 2005, which authorised non-peaceful means and other necessary measures should the ROC move to gain independence from the PRC.

Relations between the PRC and the ROC have at times been strained. Strained relations could result in future military actions or economic sanctions or other disruptive activities undertaken by either government. Tension between the ROC and the PRC and other factors affecting political or economic conditions in the ROC could have a material adverse effect on the results of operations and financial condition of the Group.

The Group's operations in the ROC are subject to risks associated with the ROC legal system.

The Group's business and operations in the ROC are governed by the ROC legal system, which is a codified system with written laws, regulations, circulars, administrative directives and internal guidelines. In the event that the Group's breach any of the foregoing due to an act or omission, it will be subject to penalties prescribed thereunder. Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are uncertain, and are subject to policy changes. There can be no assurance that the Group will be able to remain in compliance with all applicable laws and regulations in the ROC.

Holders of the Bonds may not be able to enforce a judgment of a foreign court in the ROC.

The Guarantor's business and operations are mainly in the ROC. Most of the Guarantor's directors and senior management are residents of the ROC, and certain portion of the Guarantor's assets and the assets of such persons are located in the ROC. As a result, it may be difficult for holders of the Bonds to enforce judgments obtained outside the ROC against the Guarantor or such persons in the ROC, including those predicated upon the civil

liability provisions of English law. Further, while it is expected that the courts of the ROC will recognise and enforce a judgment given by the courts of Hong Kong on matters governed by English law, there is no guarantee that the ROC courts will do the same for all such judgments.

RISKS RELATING TO THE BONDS AND THE GUARANTEE OF THE BONDS

The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal, interest or distribution payments is different from the potential investor's currency;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds are complex investment securities and such Bonds may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the investors' overall portfolios. A potential investor should not invest in the Bonds which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of some investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Bonds are legal investments for it, (b) the Bonds can be used as collateral for various types of borrowing or (c) any other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable RBC or similar rules.

An active trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. Approval in-principle has been received from the SGX-ST for the listing of the Bonds on the SGX-ST. However, no assurances can be given as to whether the Bonds will be, or will remain, listed on the SGX-ST or whether a trading market for the Bonds will develop or as to the liquidity of any such trading market. If the Bonds fail to or cease to be listed on the SGX-ST, certain investors may not invest in, or continue to hold or invest in, the Bonds. In addition, no assurance can be given as to the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds or that a liquid market will develop. If any of the Bonds are traded after their initial issue, they may trade at a discount or premium from their initial offering price, depending on prevailing interest rates, the market for similar securities and the market for the Bonds and other factors, including general economic conditions and the Group's financial condition, performance and prospects. The liquidity of the Bonds will be adversely affected if the Bonds are held or allocated to limited investors. Bondholders should note that they may need to hold their Bonds until maturity as there may not be an active secondary market for the Bonds. None of the Managers is obligated to make a market in the Bonds, and if the Managers do so, they may discontinue such market making activity at any time at their sole discretion. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Bonds in transactions that have

been registered under the Securities Act or in transactions not subject to, or exempt from, registration under the Securities Act.

Insolvency laws of Singapore and the ROC may differ from the bankruptcy laws of other jurisdictions with which holders of the Bonds are familiar.

The insolvency laws of Singapore and the ROC and other local insolvency laws may differ from the bankruptcy laws of other jurisdictions with which the holders of the Bonds are familiar. Since the Issuer and the Guarantor are incorporated under the laws of Singapore and the ROC, respectively, any insolvency proceedings relating to the Issuer or the Guarantor, regardless of where they were brought, would likely involve Singapore or ROC insolvency laws, respectively, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy laws in other jurisdictions with which the holders of the Bonds are familiar.

The Issuer's ability to make payments under the Bonds is dependent on the business and financial condition of the Guarantor and its subsidiaries.

The Issuer, a single purpose vehicle incorporated for the purpose of issuing bonds with capital characteristics pursuant to its constitution, including the Bonds, and any other activities in connection thereto, is a direct wholly-owned subsidiary of the Guarantor. The other subsidiary of the Guarantor is neither the issuer nor the guarantor in respect of the Bonds. Holders have no recourse against such subsidiary (other than the Issuer or the Guarantor, as the case may be) with respect to the payment of amounts due under the Bonds. The Issuer's ability to make payments under the Bonds depends on its investment performance and the availability of funds from the Guarantor and the Guarantor's financial condition and results of operations. In the event that the Group does not make such payments or funding due to limitation in such loans or other agreements, lack of available cash flow or other factors, the Issuer's ability to make payments under the Bonds could be adversely affected.

The Bonds and the Guarantee of the Bonds are subordinated obligations.

The obligations of the Issuer under the Bonds and of the Guarantor under the Guarantee of the Bonds will constitute unsecured and subordinated obligations of the Issuer and the Guarantor. Subject to and to the extent permitted by the insolvency laws of Singapore and other applicable laws, in the event of the Winding-Up (as defined in the Terms and Conditions of the Bonds) of the Issuer, the rights and claims of the Bondholders in respect of payments of principal and interest on the Bonds will be expressly subordinated in right of payment to the prior payment in full of all present and future claims of Senior Creditors (as defined in the Terms and Conditions of the Bonds), but shall rank *pari passu* in right of payment with each other and to the present and future claims of the holders of any other Parity Obligations (as defined in the Terms and Conditions of the Bonds) of the Issuer and in priority in right of payment to the present and future claims of the holders of any share capital of the Issuer (including Ordinary Shares (as defined in the Terms and Conditions of the Bonds) and Preferred Shares (as defined in the Terms and Conditions of the Bonds) of the Issuer) and any other outstanding Junior Obligations (as defined in the Terms and Condition of the Bonds) of the Issuer. Upon the Winding-Up of the Issuer, holders of the Bonds can enforce the obligations of the Guarantor under the Guarantee of the Bonds, but, subject to the insolvency laws of the ROC and other applicable laws, in the event of the Winding-Up of the Guarantor, the rights and claims of holders of the Guarantee of the Bonds will rank senior to any present and future claims of the holders of any share capital of the Guarantor (including Ordinary Shares and Preferred Shares of the Guarantor) and any other outstanding Junior Obligations of the Guarantor, equally with the holders of all Parity Obligations of the Guarantor, but junior in right of payment to the present and future claims of all Senior Creditors by operation of law or contract.

In the event of a shortfall of funds or a Winding-Up, there is a real risk that an investor in the Bonds will lose all or some of its investment and will not receive a full return of the principal amount or any unpaid amounts due under the Bonds.

The Issuer and the Guarantor may raise or redeem other capital which affects the price of the Bonds.

The Issuer and the Guarantor may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount or type of securities or other liabilities which the Issuer and the Guarantor may issue or incur and which rank senior to, or *pari passu* with, the Bonds. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Bondholders on a Winding-Up of the Issuer and/or the Guarantor, and may increase the likelihood of a cancellation of interest under the Bonds. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Bonds and/or the ability of Bondholders to sell their Bonds.

The Bonds are redeemable on the Maturity Date or the Reset Date (as defined in the Terms and Conditions of the Bonds) or upon the occurrence of certain events. The Bonds are redeemable on the Maturity Date, in whole, but not in part, at their principal amount together with interest accrued and unpaid to such date.

In addition, subject to the satisfaction of Condition 5(g) of the Terms and Conditions of the Bonds, the Issuer also has the right to redeem the Bonds in whole, but not in part, at their principal amount (together with interest accrued to (but not including) the date fixed for redemption) at any time on giving not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Bondholders (which notice shall be irrevocable):

- (i) upon the occurrence of a Tax Withholding Event (as defined in the Terms and Conditions of the Bonds);
- (ii) upon the occurrence of a Tax Deduction Event (as defined in the Terms and Conditions of the Bonds);
- (iii) on any date falling in the period from (and including) 17 December 2035 to (and including) the Reset Date;
- (iv) upon the occurrence of a Minimal Outstanding Amount Redemption Event (as defined in the Terms and Conditions of the Bonds); or
- (v) upon the occurrence of a Regulatory Capital Event (as defined in the Terms and Conditions of the Bonds).

The date on which the Issuer elects to redeem the Bonds may not accord with the preference of individual Holders. This may be disadvantageous to the Holders in light of market conditions or the individual circumstances of the Holders. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Bonds.

An early redemption of the Bonds is subject to Redemption Conditions.

Any redemption or purchase of the Bonds (other than a redemption on the Maturity Date) shall be subject to the Redemption Conditions (as defined in the Terms and Conditions of the Bonds) to the extent the Bonds qualify as at least Tier 2 capital of the Issuer or the Guarantor, as the case may be, under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules) and such Redemption Conditions are required by the Applicable Supervisory Rules:

- (A) the Bonds may not be redeemed or purchased pursuant to Condition 5 of the Terms and Conditions of the Bonds (other than a redemption on the Maturity Date) unless the Relevant Regulatory Approval has been obtained; and
- (B) the Bonds may only be redeemed or purchased pursuant to Condition 5 of the Terms and Conditions of the Bonds (other than a redemption on the Maturity Date) if, immediately after giving effect to such redemption or purchase, the Capital Requirements are satisfied.

In addition, if a Special Event (as defined in the Terms and Conditions of the Bonds) has occurred and is continuing, then the Issuer may, subject to satisfaction of Condition 12 of the Terms and Conditions of the Bonds, but without any requirement for the consent or approval of Bondholders, substitute all, but not some only, of the Bonds for, or vary the terms of such Bonds with the effect that they remain or become, "Qualifying Bonds" as defined in the Terms and Conditions of the Bonds, provided that Relevant Regulatory Approval has been obtained for such substitution or variation, to the extent required by the Applicable Supervisory Rules.

Differences between Taiwan-IFRS and generally accepted accounting principles may impact the assessment of the Guarantor's financial condition or the characterisation of the Bonds.

The Group's financial statements are prepared using accounting principles, procedures and reporting practices generally accepted in the ROC, or Taiwan-IFRS, and are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other jurisdictions, including the United States and Europe. See "*Summary of Certain Material Differences Between Taiwan-IFRS and IFRS Accounting Standards*". No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements or notes thereto. Potential investors should consult their own professional advisors for an understanding of the differences between Taiwan-IFRS and the generally accepted accounting principles in other jurisdictions.

Further, no attempt has been made to identify future differences between Taiwan-IFRS and the generally accepted accounting principles in other jurisdictions as a result of the prescribed changes in accounting standards. See *"Changes in accounting standards may adversely affect the Group's financial condition"*. There can be no assurance that such changes will not have a significant impact on the Group's financial condition and results of operations.

There are limited remedies for non-payment under the Bonds and the Guarantee of the Bonds.

The right to institute Winding-Up proceedings is limited to circumstances where payment under the Bonds has become due and is unpaid. The only remedy against the Issuer available to the Trustee or (where the Trustee has failed to proceed against the Issuer as provided in the Terms and Conditions of the Bonds) any Holder for recovery of amounts in respect of the Bonds following the occurrence of a non-payment after any sum becomes due in respect of the Bonds will be proving in such Winding-Up and/or claiming in the liquidation of the Issuer in respect of any of the Issuer's payment obligations arising from the Bonds and the Trust Deed. Holders can look to the Guarantor only upon the Winding-Up of the Issuer, and the right to institute Winding-Up proceedings and/or proving and/or claiming in Winding-Up in respect of any of the Issuer's payment obligations arising from the Bonds and the Trust Deed is limited to circumstances provided by applicable law.

The Trustee may request that Holders provide an indemnity and/or security and/or prefunding to its satisfaction.

Where the Trustee is under the provisions of the Trust Deed bound to act at the request or direction or on the instructions of the Bondholders, the Trustee shall nevertheless not be so bound unless first indemnified and/or provided with security and/or pre-funded to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages, expenses and liabilities which it may incur by so doing. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when actions can be taken by the Trustee on behalf of the Bondholders. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding, in breach of the terms of the Trust Deed or the Terms and Conditions and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions directly.

Investors in the Bonds may be subject to foreign exchange risks.

The Bonds are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than U.S. dollars would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which the Group has no control. Depreciation of the U.S. dollars against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Changes in market interest rates may adversely affect the value of the Bonds.

The Bondholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Bonds, resulting in a capital loss for the Bondholders. However, the Bondholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Bonds may rise. The Bondholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

Other than periodic resets as provided in Condition 4 of the Terms and Conditions of the Bonds, the Bonds will carry a fixed interest rate. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. If Bondholders sell the Bonds they hold before the maturity of such Bonds, they may receive an offer less than their investment.

The Rate of Interest on the Bonds will be reset on the Reset Date, which may affect the market value of the Bonds.

The Bonds will initially confer a right to receive interest at the fixed rate of 5.875 per cent. per annum from, and including, the Issue Date to, but excluding, the Reset Date. However, from, and including, the Reset Date to, but excluding, the Maturity Date, the Rate of Interest applicable to the Bonds will be reset to the Reset Rate of Interest.

The Reset Rate of Interest could be less than the initial fixed rate and could affect the market value of an investment in the Bonds.

The liquidity and price of the Bonds following the offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Guarantor's and the Group's revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There is no assurance that these developments will not occur in the future.

Credit ratings assigned to the Bonds may not reflect the potential impact on the Bonds.

The Bonds are expected to be assigned a rating of "BBB+" and "BBB" by S&P and Fitch, respectively. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Bonds and the credit risks in determining the likelihood that payments will be made when due under the Bonds. Such ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. There can be no assurance that the ratings assigned to the Bonds will remain in effect for any given period or that the ratings will not be lowered, suspended or withdrawn by the relevant rating agencies in the future if, in their judgment, the circumstances so warrant. None of the Issuer nor the Guarantor is obligated to inform holders of the Bonds of any such suspension, revision, downgrade or withdrawal. A suspension, downgrade or withdrawal of the ratings of any Bonds at any time may materially and adversely affect the market price of the Bonds and the Issuer's ability to access the debt capital markets.

The Terms and Conditions of the Bonds contain provisions which may permit their modification without the consent of all investors. Decisions may be made on behalf of all holders of the Bonds and may be adverse to the interests of individual Holders of the Bonds.

The Terms and Conditions of the Bonds contain provisions for calling meetings of holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Bonds, including holders of the Bonds who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of Holders of the Bonds may be adverse to the interests of individual Holders of the Bonds. See *"Terms and Conditions of the Bonds – Meetings of Bondholders and Modifications – Meetings of Bondholders"*.

The Terms and Conditions of the Bonds also provide that the Trustee may, without the consent of Bondholders, agree to (i) any modification of the Terms and Conditions of the Bonds, the Bonds, the Trust Deed or the Agency Agreement (as defined in the Terms and Conditions of the Bonds) (other than in respect of a Reserved Matter (as defined in the Terms and Conditions of the Bonds)) which, in the opinion of the Trustee, will not be materially prejudicial to the interests of Bondholders and (ii) any modification of the Terms and Conditions of the Bonds, the Bonds, the Trust Deed or the Agency Agreement which, in the opinion of the Trustee, is of a formal, minor or technical nature or is to correct a manifest error or to comply with mandatory provisions of any applicable law.

In addition, the Trustee may, without the consent of the Bondholders, authorise or waive any proposed breach or breach of the Terms and Conditions of the Bonds, the Bonds, the Trust Deed or the Agency Agreement (other than a proposed breach or a breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby. See *"Terms and Conditions of the Bonds – Meetings of Bondholders and Modifications – Modification and waiver"*.

A change in English, Singapore and ROC law which governs the Bonds may adversely affect the Bondholders.

The Terms and Conditions of the Bonds are governed by English law in effect as of the date of issue of the Bonds, except in relation to subordination provisions set out in Conditions 3(a) and (b) of the Terms and Conditions of the Bonds, which are governed by Singapore law and ROC law, respectively. No assurance can be given as to the impact of any possible judicial decision or change to English, Singapore or ROC law or administrative practice after the date of issue of the Bonds.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts.

The Terms and Conditions of the Bonds, the Trust Deed and the Agency Agreement are governed by English law (except that the subordination provisions set out in (i) Conditions 3(a) and (b) of the Terms and Conditions of the Bonds and (ii) the Trust Deed are governed by, and shall be construed in accordance with, Singapore law and ROC law, respectively), whereby the courts of Hong Kong shall have jurisdiction to settle any disputes arising out of or in connection with the Bonds. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. This may differ from similar debt securities issuances in the international capital markets which are governed by English law where the courts of England are to have jurisdiction. In addition, while it is expected that the courts of Singapore and/or the ROC will recognise and enforce a judgment given by the courts of Hong Kong governed by English law, there can be no assurance that the courts of Singapore and/or the ROC will do so for all such judgments. See *"Risk Factors – Risk Factors relating to the ROC - Holders of the Bonds may not be able to enforce a judgment of a foreign court in the ROC"* for further details.

The Bonds will initially be represented by a Global Certificate, and holders of a beneficial interest in a Global Certificate must rely on the procedures of the Clearing Systems.

The Bonds will initially be represented by beneficial interests in a Global Certificate, which will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream (the "**Clearing Systems**"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive certificates. The Clearing Systems will maintain records of the beneficial interests in the Global Certificate.

While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems and the Issuer, failing which the Guarantor will discharge its payment obligations under the Bonds by making payments to the common depositary for Clearing Systems for distribution to their account holders. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the Clearing Systems to receive payments under the Bonds. None of the Issuer, the Guarantor, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the Clearing Systems to appoint appropriate proxies.

Integral multiples of less than the specified denomination.

The denominations of the Bonds are U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Therefore, it is possible that the Bonds may be traded in amounts in excess of U.S.\$200,000 that are not integral multiples of U.S.\$200,000. In such a case, a holder of Bonds who, as a result of trading such amounts, holds a principal amount of less than U.S.\$200,000 will not receive a definitive certificate in respect of such holding of Bonds (should definitive certificates be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more denominations. If definitive certificates are issued, holders of the Bonds should be aware that Bonds with aggregate principal amounts that are not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade.

The Bonds are subject to Singapore taxation risks.

The Bonds are intended to be "qualifying debt securities" for the purposes of the Income Tax Act 1947 of Singapore ("**Income Tax Act**"), subject to the fulfilment of certain conditions more particularly described in *"Taxation – Singapore"*. However, there can be no assurance that the Bonds will continue to enjoy the tax concessions in connection therewith should the relevant tax laws be amended or revoked at any time.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to amendment and save for the paragraphs in italics, are the Terms and Conditions of the Bonds, substantially as they will appear on the reverse of each of the definitive certificates evidencing the Bonds.

Each Bondholder that is a Financial Institution shall be deemed to agree, be bound by and acknowledge that it shall not subscribe for, purchase or hold any Bonds if doing so would result in a reciprocal cross-holding arrangement of subordinated bonds with a maturity of 10 years or more with the Guarantor, in breach of the Applicable Supervisory Rules. For the purposes of this paragraph, “Financial Institution” shall have the meaning as set out in the Financial Institutions Merger Act of the ROC.

The U.S.\$395,000,000 5.875 per cent. Tier 2 Subordinated Dated Capital Bonds due 2041 (the “**Bonds**”, which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 14 of these terms and conditions of the Bonds (the “**Conditions**” and each a “**Condition**”) and consolidated and forming a single series with the Bonds) of Nanshan Life Pte. Ltd. (the “**Issuer**”) are constituted by a trust deed dated 17 September 2025 (as amended and/or supplemented from time to time, the “**Trust Deed**”) entered into by the Issuer, Nan Shan Life Insurance Co., Ltd. (the “**Guarantor**”) and The Hongkong and Shanghai Banking Corporation Limited (the “**Trustee**”) and are the subject of an agency agreement dated 17 September 2025 (as amended and/or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, the Guarantor, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as registrar (the “**Registrar**”, which expression shall include any successor thereto), as principal paying agent (the “**Principal Paying Agent**”, which expression shall include any successor thereto) and as transfer agent (the “**Transfer Agent**”, which expression shall include any successor and additional transfer agent thereto) and any other agents named therein. References to the “**Paying Agents**” include the Principal Paying Agent and references to the “**Transfer Agents**” include the Transfer Agent. References to the “**Principal Paying Agent**”, the “**Registrar**”, the “**Transfer Agent**”, the “**Calculation Agent**” and the “**Agents**” below are to the principal paying agent, the registrar, the transfer agent and the agents for the time being for the Bonds. Certain provisions of these Conditions are summaries of the Trust Deed and subject to their detailed provisions. The Bondholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of all of the provisions of the Trust Deed and are deemed to have notice of the provisions of the Agency Agreement applicable to them.

Copies of the Trust Deed and Agency Agreement are available (i) for inspection at all reasonable times during usual business hours (being between 9.00 a.m. and 3.00 p.m., Monday to Friday other than public holidays) at the specified office of the Principal Paying Agent (being, at the date of issue of the Bonds, at Level 26, HSBC Main Building, 1 Queen's Road Central, Hong Kong) following prior written request and proof of holding and identity satisfactory to the Principal Paying Agent and (ii) electronically from the Principal Paying Agent, following prior written request and proof of holding and identity satisfactory to the Principal Paying Agent.

1. **FORM, DENOMINATION AND TITLE**

The Bonds are issued in registered form in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (the “**Specified Denomination**”).

The Bonds are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar outside of the United Kingdom and the Republic of China (“**ROC**”) in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, “**Bondholder**” and “**holder**” mean the person in whose name any Bond is registered.

*Upon issue, the Bonds will be represented by a global certificate (“**Global Certificate**”) deposited with, and registered in the name of a nominee of, a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”). These Conditions are modified by certain provisions contained in the Global Certificate. See “The Global Certificate” in the offering circular.*

2. TRANSFERS OF THE BONDS

- (a) **Transfer of the Bonds:** A Bond may, subject to the terms of the Agency Agreement and Condition 2(d), be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Bond to be transferred, together with the form of transfer endorsed on such Certificate duly completed and executed and any other evidence as the Registrar or Transfer Agent may require. In the case of a transfer of part only of a holding of the Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of the Bonds and entries on the Register will be made subject to the detailed regulations concerning transfers and registrations of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Bondholder upon prior written request and the proof of holding and identity to the satisfaction of the Registrar.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules and procedures of the relevant clearing systems.

- (b) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within seven business days of receipt of the form of transfer and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Transfer Agent or the Registrar the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Transfer Agent or the Registrar (as the case may be).
- (c) **Transfers Free of Charge:** Transfers of the Bonds and Certificates on registration or transfer shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon (i) payment by the applicant of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Issuer, the Registrar or the Transfer Agent may require in respect of tax or charges); (ii) the relevant Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the relevant Agent being satisfied that the regulations concerning transfers and registration of Bonds have been complied with.
- (d) **Closed Periods:** No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on the due date for redemption of the Bonds (ii) after the Bonds have been called for redemption or (iii) during the period of seven days ending on (and including) any Record Date (as defined below).

3. STATUS

- (a) **Status and ranking of the Bonds:** The Bonds constitute direct, unconditional, unsecured and subordinated obligations of the Issuer which rank *pari passu* in right of payment and without any preference among themselves. Subject to and to the extent permitted by the insolvency laws of Singapore and other applicable laws, in the event of the Winding-Up of the Issuer, the rights and claims of the Bondholders in respect of payment of principal and interest on the Bonds will be expressly subordinated in right of payment to the prior payments in full of all present and future claims of all Senior Creditors, but shall rank *pari passu* in right of payment with each other and to the present and future claims of the holders of any other Parity Obligations of the Issuer and in priority in right of payment to the present and future claims of the holders of any share capital of the Issuer (including Ordinary Shares and Preferred Shares of the Issuer) and any other Junior Obligations of the Issuer.

- (b) **Status and ranking of the Guarantee:** The Guarantor has, in the Trust Deed, unconditionally and irrevocably guaranteed the due and punctual payment of all sums payable by the Issuer in respect of the Bonds. This guarantee (the “**Guarantee of the Bonds**”) constitutes a direct, unconditional, unsecured and subordinated obligation of the Guarantor. Subject to the insolvency laws of the ROC, in the event of the Winding-Up of the Guarantor, the rights and claims of the Bondholders in respect of the Guarantee of the Bonds will be subordinated in right of payment to the present and future claims of all Senior Creditors, but shall rank *pari passu* in right of payment to the present and future claims of the holders of any Parity Obligations of the Guarantor and in priority in right of payment to the present and future claims of the holders of any share capital of the Guarantor (including Ordinary Shares and Preferred Shares of the Guarantor) and any other Junior Obligations of the Guarantor.

The status and ranking of the Bonds and the Guarantee of the Bonds will not be affected by the Tier 1 Capital Instruments or Tier 2 Capital Instruments issued or guaranteed by the Issuer or the Guarantor.

- (c) **Set-off:** Subject to applicable law, no holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer or the Guarantor in respect of, or arising under or in connection with the Bonds or the Guarantee of the Bonds, as the case may be, and each holder shall, by virtue of his holding of any Bonds, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer or the Guarantor. Notwithstanding the preceding sentence, if any of the amounts owing to any holder by the Issuer or the Guarantor in respect of, or arising under or in connection with the Bonds or the Guarantee of the Bonds, as the case may be, is discharged by set-off, such holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer or the Guarantor (or, in the event of Winding-Up of the Issuer or the Guarantor, as the case may be, the liquidator of the Issuer or the Guarantor, as the case may be) and, until such time as payment is made, shall hold such amount in trust for the Issuer or the Guarantor, as the case may be (or the relevant liquidator) and accordingly any such discharge shall be deemed not to have taken place.
- (d) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Applicable Supervisory Rules**” means such insurance supervisory laws, rules, regulations, guidelines and official interpretation which are applicable to the Guarantor and, as the case may be, the Issuer from time to time;

“**Junior Obligations**” means:

- (i) in respect of the Issuer, (a) any share capital of the Issuer (including Ordinary Shares and Preferred Shares of the Issuer), (b) any other instruments or securities issued, entered into or guaranteed by the Issuer that constitutes or qualifies as Tier 1 Capital Instruments of the Guarantor and (c) any instruments or securities issued, entered into or guaranteed by the Issuer or other obligations of the Issuer ranking, or expressed to rank, junior in right of payment to the Bonds by operation of law or contract; and
- (ii) in respect of the Guarantor, (a) any share capital of the Guarantor (including Ordinary Shares and Preferred Shares of the Guarantor), (b) any other instruments or securities issued, entered into or guaranteed by the Guarantor that constitutes or qualifies as Tier 1 Capital Instruments of the Guarantor and (c) any instruments or securities issued, entered into or guaranteed by the Guarantor or other obligations of the Guarantor ranking, or expressed to rank, junior to the Guarantor's obligations under the Guarantee of the Bonds by operation of law or contract;

“**Ordinary Shares**” means the ordinary share capital (普通股) of the Issuer or the Guarantor, as the case may be;

“**Parity Obligations**” means:

- (i) in respect of the Issuer, any instruments or securities issued, entered into or guaranteed by the Issuer that constitutes or qualifies as Tier 2 Capital Instruments of the Guarantor (but excluding any Preferred Shares that might also constitute or qualify as Tier 2 Capital Instruments of the Guarantor) or any other obligations of the Issuer, the claims of the holders of which rank, or are expressed to rank, *pari passu* in right of payment with the Bonds by operation of law or contract; and
- (ii) in respect of the Guarantor, any instruments or securities issued, entered into or guaranteed by the Guarantor that constitutes or qualifies as Tier 2 Capital Instruments of the Guarantor (but excluding any Preferred Shares that might also constitute or qualify as Tier 2 Capital Instruments of the Guarantor) or any other obligations of the Guarantor, the claims of the holders of which rank, or are expressed to rank, *pari passu* in right of payment with the Guarantee of the Bonds by operation of law or contract;

“**Preferred Shares**” means any preferred shares (特別股) of the Issuer or the Guarantor, as the case may be;

“**Senior Creditors**” means:

- (i) in respect of the Issuer, any unsubordinated creditors of the Issuer or other creditors whose claims are not ranked or not expressed to rank *pari passu* or junior to the claims of the Bondholders; and
- (ii) in respect of the Guarantor, all policyholders (including all obligations to such policyholders under policies and contracts of insurance) and other unsubordinated creditors of the Guarantor;

“**Tier 1 Capital Instruments**” means any instrument or other obligation issued, entered into or guaranteed by the Issuer or the Guarantor, as the case may be, that constitutes Tier 1 unlimited capital (第一類非限制性資本) or Tier 1 limited capital (第一類限制性資本) of the Guarantor pursuant to the Applicable Supervisory Rules; and

“**Tier 2 Capital Instruments**” means any instrument or other obligation issued, entered into or guaranteed by the Issuer or the Guarantor, as the case may be, that constitutes Tier 2 capital (第二類資本) of the Guarantor pursuant to the Applicable Supervisory Rules.

4. INTEREST AND OTHER CALCULATIONS

- (a) **Accrual of Interest:** The Bonds confer a right to receive interest from 17 September 2025 (the “**Issue Date**”) at the applicable Rate of Interest (as defined in Condition 4(b)) payable semi-annually in equal instalments in arrear on 17 March and 17 September of each year (each, an “**Interest Payment Date**”), with the first Interest Payment Date falling on 17 March 2026.

Unless otherwise provided for in these Conditions, each Bond will cease to confer the right to receive any interest from the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused. In such latter event, interest will continue to accrue at the applicable Rate of Interest (after as well as before any judgment) up to but excluding whichever is the earlier of (i) the date on which all sums due in respect of the Bonds are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Agent has notified the Bondholders that it has received all sums due in respect of the Bonds up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Bondholders under these Conditions).

The Bonds are not subject to any interest rate step-up or any other incentive to redeem. The applicable rate of interest is not linked to any credit quality or the financial condition of the Issuer or the Guarantor and will not be adjusted according to changes in the credit quality or the financial condition of the Issuer or the Guarantor, as the case may be, in the future.

- (b) **Interest Rate:** The rate of interest (the “**Rate of Interest**”) applicable to the Bonds shall be:

- (i) from, and including, the Issue Date to, but excluding, 17 March 2036 (the "**Reset Date**"), 5.875 per cent. per annum; and
 - (ii) from, and including, the Reset Date to, but excluding, the Maturity Date, the Reset Rate of Interest.
- (c) **Calculation of Interest Amount:** The amount of interest payable in respect of each Bond for any period (save for a complete Interest Period) shall be calculated by applying the applicable Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Bond divided by the Calculation Amount, where "**Calculation Amount**" means U.S.\$1,000 and "**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months).
- The calculation of any Interest Amount in respect of any Bond which is represented by a Global Certificate will be calculated on the aggregate outstanding principal amount of the Bonds represented by such Global Certificate, as the case may be, and not by reference to the Calculation Amount. See "The Global Certificate" in the offering circular.*
- (d) **Calculation of Reset Rate of Interest:** The Calculation Agent shall, on the Calculation Date, determine the Reset Rate of Interest in respect of the Bonds. The Issuer or the Guarantor will procure the Reset Rate of Interest determined by the Calculation Agent to be notified to the Trustee, the Agents and the holders as soon as possible after their determination but in no event later than the fourth Payment Business Day (as defined in Condition 6(d)) thereafter. If the Bonds become due and payable under Condition 9, the Reset Rate of Interest and interest accrued per Calculation Amount shall nevertheless continue to be determined by the Calculation Agent in accordance with this Condition 4 but no publication of the Reset Rate of Interest so calculated need be made unless the Trustee otherwise requires. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Trustee, the Agents and the Bondholders and (subject as aforesaid) no liability will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purpose. For the avoidance of doubt, the Calculation Agent shall not be responsible for calculating any yield to maturity or have any duty to obtain or verify any Reference U.S. Treasury Dealer Quotations, and it shall not be liable to the Bondholders, the Issuer, the Guarantor or any other person for not doing so.
- (e) **The Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents for so long as any Bond is outstanding (as defined in the Trust Deed). If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to calculate any Reset Rate of Interest or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.
- (f) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Benchmark Rate" means the rate per annum (expressed as a percentage) as determined by the Calculation Agent that is equal to the yield (that represents the average of the daily yields for the week immediately prior to the Calculation Date) derived from the most recently published statistical release designated "H.15" or any successor publication that is published by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity corresponding to the Comparable U.S. Treasury Issue. If there is no Comparable U.S. Treasury Issue with a maturity within three months before or after the Maturity Date, yields for the two published maturities most closely corresponding to the Comparable U.S.

Treasury Issue will be determined and the Benchmark Rate will be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month. If such release (or any successor release) is not published during the week preceding the Calculation Date or does not contain such yields, **"Benchmark Rate"** shall mean the rate per annum (expressed as a percentage) equal to the yield to maturity of the Comparable U.S. Treasury Issue, calculated using a price for the Comparable U.S. Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable U.S. Treasury Price for the Calculation Date. If there is no Comparable U.S. Treasury Price for the Calculation Date, **"Benchmark Rate"** means the rate in per cent. per annum notified by the Calculation Agent to the Issuer and the Bondholders equal to the yield, that represents the average of the daily yields for the week that was last available prior to the Calculation Date, derived from the most recently published statistical release designated "H.15" or any successor publication that is published by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity corresponding to the Comparable U.S. Treasury Issue;

"Calculation Business Day" means a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks in New York City, Singapore, Hong Kong and Taipei are open for business;

"Calculation Date" means, for the purpose of calculating the Reset Rate of Interest, the third Calculation Business Day prior to the Reset Date;

"Comparable U.S. Treasury Issue" means the U.S. Treasury security selected by the Issuer as having a maturity of five years that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of five years;

"Comparable U.S. Treasury Price" means, with respect to the Calculation Date, the average of three Reference U.S. Treasury Dealer Quotations for the Calculation Date;

"Interest Amount" means, in relation to an Interest Period, the amount of interest payable for that Interest Period;

"Interest Period" means the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date;

"Reference U.S. Treasury Dealer" means each of the three nationally recognised investment banking firms selected by the Issuer or the Guarantor and promptly notified to the Calculation Agent that are primary U.S. Government securities dealers and notified in writing to the Trustee and the Calculation Agent;

"Reference U.S. Treasury Dealer Quotations" means, with respect to each Reference U.S. Treasury Dealer and the Calculation Date, the average, as determined by the Issuer or the Guarantor and promptly notified to the Calculation Agent, of the bid and asked prices for the Comparable U.S. Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Issuer by such Reference Treasury Dealer at or around 5.00 p.m. (New York City time) on the Calculation Date;

"Reset Rate of Interest" means the interest rate per annum equal to the sum of the Benchmark Rate with respect to the Reset Date plus the Spread; and

"Spread" means 1.85 per cent.

5. REDEMPTION, PURCHASE AND OPTIONS

(a) Redemption of Bonds at Maturity

The Bonds, unless previously redeemed, purchased and cancelled as provided below, shall be finally redeemed on 17 March 2041 (the **"Maturity Date"**) in whole, but not in part, at their

outstanding principal amount together with interest accrued to (but not including) the Maturity Date.

(b) **Redemption for Taxation Reasons**

(i) Subject to the satisfaction of Condition 5(g), the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Bondholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to (but not including) the date fixed for redemption), if the Issuer (or the Guarantor, as the case may be) satisfies the Trustee immediately prior to the giving of such notice that:

(A) (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) 10 September 2025, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(B) (i) the Guarantor has or (if a demand was made under the Guarantee of the Bonds) will become obliged to pay additional amounts as provided or referred to in Condition 7 or the Guarantee of the Bonds, as the case may be, as a result of any change in, or amendment to, the laws or regulations of the ROC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) 10 September 2025, and (ii) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided, in each case, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Bonds then due or (as the case may be) a demand under the Guarantee of the Bonds then made (a “**Tax Withholding Event**”).

(ii) Prior to the publication of any notice of redemption pursuant to this Condition 5(b), the Issuer shall deliver to the Trustee a certificate in English signed by one Authorised Signatory of the Issuer or the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the right of the Issuer so to redeem has occurred, and an opinion, addressed to and in form and substance satisfactory to the Trustee, of independent legal or tax advisers of recognised standing to the effect that the Issuer or the Guarantor, as the case may be, has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion (without further investigation or enquiry) as sufficient evidence of the satisfaction of the conditions precedent set out in Conditions 5(b)(i)(A) and (B), in which event they shall be conclusive and binding on the Bondholders.

(c) **Redemption for Tax Deduction Reasons**

(i) Subject to the satisfaction of Condition 5(g), the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Bondholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to (but not including) the date fixed for redemption), if the Issuer (or the

Guarantor, as the case may be) satisfies the Trustee immediately prior to the giving of such notice that:

- (A) (i) in respect of the interest payable on the Bonds, the Issuer is no longer, or will no longer be, entitled to claim a full deduction in respect of computing its taxation liabilities in Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) 10 September 2025 and (ii) such non tax deductibility cannot be avoided by the Issuer taking reasonable measures available to it; or
- (B) (i) in respect of any amounts payable under the Guarantee of the Bonds, the Guarantor is no longer, or will no longer be, entitled to claim a full deduction in respect of computing its taxation liabilities in the ROC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) 10 September 2025 and (ii) such non tax deductibility cannot be avoided by the Guarantor taking reasonable measures available to it;

provided, in each case, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor is or would be no longer entitled to claim a deduction for any payments in respect of the Bonds or (as the case may be) the Guarantee of the Bonds in computing its Singapore or the ROC (or any authority therein or thereof having power to tax) taxation liabilities or the amount of such deduction is materially reduced (a “**Tax Deduction Event**”).

- (ii) Prior to the publication of any notice of redemption pursuant to this Condition 5(c), the Issuer shall deliver to the Trustee a certificate in English signed by one Authorised Signatory of the Issuer or the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the right of the Issuer so to redeem has occurred, and an opinion, addressed to and in form and substance satisfactory to the Trustee, of independent legal or tax advisers of recognised standing to the effect that such non tax deductibility cannot be avoided by the Issuer or the Guarantor taking reasonable measures available to it. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion (without further investigation or enquiry) as sufficient evidence of the satisfaction of the conditions precedent set out in Condition 5(c)(i)(A) and (B), in which event they shall be conclusive and binding on the Bondholders.

(d) **Issuer's Call Option**

- (i) Subject to the satisfaction of Condition 5(g), the Bonds may be redeemed at the option of the Issuer in whole, but not in part, on any date falling in the period from (and including) 17 December 2035 to (and including) the Reset Date on giving not less than 15 nor more than 60 days' notice to the Trustee and the Bondholders (which notice shall be irrevocable) at their principal amount (together with interest accrued to (but not including) the date fixed for redemption).
- (ii) All Bonds in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 5(d).

(e) **Minimal Outstanding Amount Redemption**

- (i) Subject to the satisfaction of Condition 5(g), the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Bondholders

(which notice shall be irrevocable) at their principal amount (together with interest accrued to (but not including) the date fixed for redemption) if prior to the date of such notice at least 90 per cent. in principal amount of the Bonds originally issued (including any further Bonds issued pursuant to Condition 14 and consolidated and forming a single series with the Bonds) has already been redeemed or purchased and cancelled (a “**Minimal Outstanding Amount Redemption Event**”).

- (ii) Upon expiry of any such notice as is referred to in this Condition 5(e), the Issuer shall be bound to redeem the Bonds in accordance with this Condition 5(e).

(f) **Regulatory Event Redemption**

- (i) Subject to the satisfaction of Condition 5(g), the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Bondholders (which notice shall be irrevocable) at their principal amount (together with interest accrued to (but not including) the date fixed for redemption) if, immediately before giving such notice, the Bonds or the Guarantee of the Bonds, which having originally qualified as Tier 2 capital of the Issuer or the Guarantor, as the case may be, under the Applicable Supervisory Rules in effect as of the Issue Date (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules), as a result of a change in the Applicable Supervisory Rules are deemed to no longer qualify (in whole or in part) as at least Tier 2 capital of the Issuer or the Guarantor, as the case may be, under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules) (each, a “**Regulatory Capital Event**”).
- (ii) Prior to the publication of any notice of redemption pursuant to this Condition 5(f), the Issuer shall deliver or procure that there is delivered to the Trustee a certificate in English signed by one Authorised Signatory of the Issuer or the Guarantor stating that the circumstances referred to above prevail and setting out the details of such circumstances. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate (without further investigation or enquiry) as sufficient evidence of the satisfaction of the conditions precedent set out in Condition 5(f)(i), in which event they shall be conclusive and binding on the Bondholders.
- (iii) Upon expiry of any such notice as is referred to in this Condition 5(f), the Issuer shall be bound to redeem the Bonds in accordance with this Condition 5(f).

(g) **Redemption Conditions**

- (i) Notwithstanding anything to the contrary set forth herein, any redemption or purchase of the Bonds pursuant to this Condition 5 (other than a redemption on the Maturity Date) shall be subject to the following conditions (such conditions being referred to herein as the “**Redemption Conditions**”) to the extent the Bonds qualify as at least Tier 2 capital of the Issuer or the Guarantor, as the case may be, under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules) and such Redemption Conditions are required by the Applicable Supervisory Rules:
 - (A) the Bonds may not be redeemed or purchased pursuant to this Condition 5 (other than a redemption on the Maturity Date) unless the Relevant Regulatory Approval has been obtained; and
 - (B) the Bonds may only be redeemed or purchased pursuant to this Condition 5 (other than a redemption on the Maturity Date) if, immediately after giving effect to such redemption or purchase, the Capital Requirements are satisfied.
- (ii) The determination by the Issuer in connection with any redemption that the applicable Redemption Conditions set forth in this Condition 5(g) have or have not been met or that no such Redemption Conditions apply shall, in the absence of manifest error, be treated and accepted by the Bondholders and all other interested parties as correct and

sufficient evidence thereof and shall be final and binding on such parties, and the Trustee shall be entitled to rely conclusively on such determination without liability to any person.

- (iii) In the event that the option of the Issuer (i) to redeem the Bonds following the occurrence of any Special Event, (ii) to substitute the Bonds, or vary the terms of the Bonds, following the occurrence of any Special Event, or (iii) to conduct a Minimal Outstanding Amount Redemption pursuant to Condition 5(e), would at any time prevent the Bonds from being treated under the then Applicable Supervisory Rules as at least Tier 2 capital of the Issuer or the Guarantor, as the case may be (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules), then, at the option of the Issuer, the terms of the Bonds and the Guarantee of the Bonds shall automatically be deemed to be modified, without the consent of the Bondholders or the Trustee, so as to exclude any feature relating to such option that is preventing the Bonds or the Guarantee of the Bonds from being treated under the then Applicable Supervisory Rules as at least Tier 2 capital (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules). Should such automatic deemed modification occurs, notice of such fact shall be given promptly by the Issuer to the Trustee and the Bondholders.

(h) **Purchases**

Neither the Issuer, the Guarantor, any of its respective subsidiaries nor any of the related parties of the Issuer or the Guarantor shall subscribe for any Bonds or purchase any Bonds in the open market or otherwise and at any price, unless such subscription and/or purchase, as the case may be, is effected with Relevant Regulatory Approval, to the extent required by the Applicable Supervisory Rules.

For the purposes of this Condition 5(h), “**related parties**” shall have the meaning as set out in IAS (International Accounting Standard) 24.

(i) **Cancellation**

Any Bonds redeemed by the Issuer, the Guarantor or any of their subsidiaries shall be cancelled forthwith. Any Bonds so cancelled may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Bonds shall be discharged.

(j) **Definitions**

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Capital Requirements**” means any minimum prescribed solvency capital ratios to which the Guarantor is subject from time to time pursuant to the Applicable Supervisory Rules, which as of the Issue Date comprise of the capital adequacy ratio (資本適足率) as calculated according to the Applicable Supervisory Rules;

The minimum prescribed solvency capital ratios and other capital requirements which apply to the Guarantor may change from time to time. See “Risk Factors – Risk Factors Relating to the Insurance Industry – The Group is required to comply with minimum solvency requirements and may be required to raise additional capital or change its business strategy if the RBC adequacy ratio deteriorates or the applicable capital requirements change in the future” in the offering circular for further details.

“**Relevant Regulator**” means the regulator which is considered the primary supervisor of the Guarantor from time to time under the Applicable Supervisory Rules. The Relevant Regulator as of the Issue Date is the Insurance Bureau of the Financial Supervisory Commission, ROC;

“**Relevant Regulatory Approval**” means the Relevant Regulator has given, and not withdrawn by the relevant date, its prior consent to the redemption, purchase or substitution or variation (in accordance with Condition 12), as the case may be, of such Bonds; and

“Special Event” means a Tax Withholding Event, Tax Deduction Event or Regulatory Capital Event or any combination of the foregoing.

6. PAYMENTS

(a) **Principal and Interest:**

- (i) Payments of principal in respect of the Bonds shall be made against presentation and surrender of the Certificate at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 6(a)(ii).
- (ii) Interest on the Bonds shall be paid to the person shown on the Register at the close of business on the Payment Business Day before the due date for payment thereof (the **“Record Date”**). Payments of interest on the Bonds shall be made in U.S. dollars by transfer to a registered U.S. dollar account of the Bondholder appearing in the Register.
- (iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar shall annotate the Register with the amount of principal so paid and shall (if so requested by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar shall annotate the Register with the amount of interest so paid.
- (iv) Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).

(b) **Payments Subject to Fiscal Laws:** All payments are subject in all cases to any applicable laws, regulations and directives, but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) **Appointment of Agents:** The Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer and the Guarantor shall at all times maintain (i) a Principal Paying Agent, (ii) a Paying Agent; (iii) a Registrar, (iv) a Transfer Agent, and (v) such other agents as may be required by any other stock exchange on which the Bonds may be listed.

Notice of any such change or any change of any specified office shall promptly be given by the Issuer to the Bondholders.

(d) **Non-Business Days:** If any date for payment in respect of the Bonds is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 6, **“Payment Business Day”** means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are open for business in New York City, Singapore, Hong Kong and Taipei and the city in which the specified office of the Principal Paying Agent is located.

7. TAXATION

All payments of principal and interest by the Issuer or the Guarantor or any of its agents making a payment on its behalf in respect of the Bonds shall be made without withholding or deduction for any taxes, duties, assessments or governmental charges imposed, levied, collected, withheld or assessed by Singapore, the ROC or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law or regulation. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as shall result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Bond:

- (a) **Other connection:** for such taxes, duties, assessments or governmental charges imposed, levied, collected, withheld or assessed by reason of such Bondholder (or fiduciary, beneficial owner, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Bondholder, if the relevant Bondholder is an estate, nominee, trust, partnership, company or corporation) having a present or former connection with the jurisdiction by which such taxes, duties, assessments or governmental charges have been imposed, levied, collected, withheld or assessed, other than the mere holding of the Bond;
- (b) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the Bondholder would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day;
- (c) **Estate, inheritance, etc.:** for any estate, inheritance, gift, sale, transfer, personal property or similar tax, duty, assessment or other governmental charge;
- (d) **Failure to provide information:** where such withholding or deduction could have been lawfully avoided if the Bondholder or beneficial owner (or a third party on behalf of the Bondholder or beneficial owner) had complied with a request addressed to such Bondholder to provide certification, identification or information reporting concerning the nationality, residence, identity or connection with the taxing jurisdiction of such Bondholder or beneficial owner (or third party); provided that the Issuer or the Guarantor, as the case may be, shall be deemed to have given adequate notice if it complies with the general notice provision provided in Condition 15;
- (e) **Presentation in the ROC:** presented (or in respect of which the Certificate representing it is presented) for payment in the ROC, unless such Bond could not have been presented for payment elsewhere; or
- (f) for any combination of the foregoing.

As used in these Conditions, “**Relevant Date**” in respect of the Bonds means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made. References in these Conditions to (i) “**principal**” shall be deemed to include all amounts in the nature of principal payable pursuant to Condition 5 or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition 7.

The Issuer or (as the case may be) the Guarantor or any of their agents making a payment on their behalf shall be permitted to withhold or deduct any amounts pursuant to or in connection with Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, any current or future regulations or official interpretations thereof, any agreements (including any intergovernmental agreements) thereunder or any law, regulation, or official interpretation implementing any of the foregoing (in each case “**FATCA Withholding**”). The Issuer, the Guarantor and their agents will have no liability for or have any obligation to pay additional amounts in respect of any such FATCA Withholding.

Neither the Trustee nor the Agents shall be responsible for paying any tax, duty, charge, withholding or other payment referred to in this Condition 7 or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Guarantor, the Bondholders or any other person to pay such tax, duty, charge, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

8. **PRESCRIPTION**

Claims against the Issuer or the Guarantor for payment in respect of the Bonds or the Guarantee of the Bonds (as the case may be) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

9. **NON-PAYMENT**

- (a) **Limited rights to institute proceedings:** Notwithstanding any of the provisions below in this Condition 9, the right to institute Winding-Up of the Issuer or the Guarantor is limited to circumstances where payment in respect of the Bonds has become due and is unpaid.
- (b) **Proceedings for Winding-Up:** Upon (i) an order being made or an effective resolution being passed for the Winding-Up of the Issuer or the Guarantor, as the case may be or (ii) the Issuer or the Guarantor failing to make payment in respect of the Bonds or the Guarantee of the Bonds, as the case may be, for a period of ten days or more after the date on which such payment is due, the Issuer or, as the case may be, the Guarantor shall be deemed to be in default under the Bonds (in the case of the Issuer) and the Guarantee of the Bonds (in the case of the Guarantor), and the Trustee at its sole discretion may, and if so requested in writing by Bondholders holding not less than 25 per cent. of the aggregate principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution shall (subject in any such case to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction), institute proceedings for the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) and/or prove and/or claim in the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) for the principal amount of the Bonds together with interest accrued to the day prior to the commencement of the Winding-Up. The right to proving and/or claiming in Winding-Up in respect of any of the Issuer's payment obligations arising from the Bonds or the Guarantor's payment obligations arising from the Guarantee of the Bonds is limited to circumstances provided by applicable law.
- (c) **Enforcement:** Without prejudice to Condition 9(b), the Trustee at its sole discretion may, and if so requested in writing by Bondholders holding not less than 25 per cent. of the aggregate principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution shall (subject in any such case to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction), without further notice to the Issuer and/or the Guarantor take any such steps and/or actions and/or institute such proceedings against the Issuer, the Guarantor or both of them (as applicable) as it may think fit to enforce any term or condition binding on the Issuer and/or the Guarantor under the Bonds or the Guarantee of the Bonds (other than any payment obligation of the Issuer or the Guarantor under or arising from the Bonds or the Guarantee of the Bonds including, without limitation, payment of any principal or satisfaction of any interest in respect of the Bonds or the Guarantee of the Bonds) including any damages awarded for breach of any obligations, provided that in no event shall the Issuer or the Guarantor, by virtue of such steps and/or actions and/or the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.
- (d) **Trustee not bound to take action:** The Trustee shall not be bound to take action as referred to in Conditions 9(b) and (c) or any other action under these Conditions or the Trust Deed unless (i) it shall have been so requested in writing by Bondholders holding at least 25 per cent. in aggregate principal amount of the outstanding Bonds or so directed by an Extraordinary Resolution of the Bondholders and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.
- (e) **Bondholder not entitled to proceed directly**
 - (i) No Bondholder shall be entitled to proceed directly against the Issuer and/or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing.
 - (ii) No Bondholder shall be entitled either to institute proceedings for the Winding-Up of the Issuer and/or the Guarantor or to submit a claim in such Winding-Up, except that if

the Trustee, having become bound to institute such proceedings as aforesaid, fails to do so, or, being able and bound to submit a claim in such Winding-Up, fails to do so, in each case within a reasonable period and such failure is continuing, then any such Bondholder may, on giving an indemnity and/or security and/or pre-funding satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute proceedings for the Winding-Up of the Issuer and/or the Guarantor and/or submit a claim in the Winding-Up of the Issuer and/or the Guarantor to the same extent (but not further or otherwise) that the Trustee would have been entitled to do.

- (f) **Extent of Trustee's or Bondholders' remedy:** No remedy against the Issuer or the Guarantor, other than as referred to in this Condition 9, shall be available to the Trustee or the Bondholders, whether for the recovery of amounts owing in respect of the Bonds or the Guarantee of the Bonds or in respect of any breach by the Issuer or the Guarantor of any of its other obligations under or in respect of the Bonds or the Guarantee of the Bonds, as the case may be.

The Bondholders do not have the right to require the Issuer or the Guarantor to repay any principal or interest under the Bonds before it has become due and payable, unless such payment is made under circumstances provided by applicable law in the event of a Winding-Up of the Issuer or the Guarantor.

- (g) **Definitions:** In these Conditions, “**Winding-Up**” means a final and effective order by a competent authority or effective resolution passed for the liquidation, winding-up, bankruptcy or similar proceedings in respect of the Issuer or the Guarantor, as the case may be (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction, merger or amalgamation, the terms of which reorganisation, reconstruction, merger or amalgamation have previously been approved by an Extraordinary Resolution).

10. MEETINGS OF BONDHOLDERS AND MODIFICATIONS

- (a) **Meetings of Bondholders:** The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by the Issuer, the Guarantor or by the Trustee and shall be convened by the Trustee upon the request in writing of Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding (provided in any such case that the Trustee shall first have been indemnified and/or secured and/or pre-funded to its satisfaction). The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the aggregate principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of maturity of the Bonds or redemption of the Bonds, any date for payment of interest or Interest Amounts on the Bonds, (ii) to reduce the rate or rates of interest in respect of the Bonds or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Bonds, (iii) to vary any method of, or basis for, calculating any redemption amount, (iv) to vary the currency or currencies of payment or denomination of the Bonds, (v) to amend the terms of the Guarantee of the Bonds (other than as provided in Condition 10(b)), (vi) to amend the subordination provisions in the Trust Deed or (vii) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution (each, a “**Reserved Matter**”), in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than 33 1/3 per cent. in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

“**Extraordinary Resolution**” means a resolution passed (a) at a meeting of Bondholders duly convened and held in accordance with the Trust Deed by a majority of at least three-quarters of the votes cast; (b) by Written Resolution (as defined in the Trust Deed) or (c) by an Electronic Consent (as defined in the Trust Deed).

Any such meeting of the Bondholders may be convened at a physical location, or such other method (which may include, without limitation, a conference call or video conference) as the Trustee may determine in accordance with the provisions of the Trust Deed.

The Trust Deed provides that a resolution (i) in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Bonds outstanding or (ii) passed by way of Electronic Consent (as defined in the Trust Deed) shall, in each case, for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

- (b) **Modification and waiver:** The Trustee may, without the consent of the Bondholders, agree to (i) any modification of these Conditions, the Bonds, the Trust Deed or the Agency Agreement (other than in respect of a Reserved Matter) which, in the opinion of the Trustee, will not be materially prejudicial to the interests of Bondholders and (ii) any modification of these Conditions, the Bonds, the Trust Deed or the Agency Agreement which, in the opinion of the Trustee, is of a formal, minor or technical nature or is to correct a manifest error or to comply with mandatory provisions of any applicable law.

In addition, the Trustee may, without the consent of the Bondholders, authorise or waive any proposed breach or breach of these Conditions, the Bonds, the Trust Deed or the Agency Agreement (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

11. **REPLACEMENT OF CERTIFICATES**

If a Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Registrar or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Bondholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Certificate is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Certificates) and otherwise as the Issuer or the Registrar may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. **SUBSTITUTION OR VARIATION**

- (a) If a Special Event has occurred and is continuing, then the Issuer may (without any requirement for the consent or approval of the Bondholders or the Trustee), subject to its having satisfied the requirements set out under the definition of “Qualifying Bonds” immediately prior to the giving of any notice referred to herein that the provisions of this Condition 12 have been complied with, and having given not less than 15 nor more than 60 days' notice to the Trustee and, in accordance with Condition 15, the Bondholders (which notice shall be irrevocable), at any time either (i) substitute all, but not some only, of the Bonds for, or (ii) vary the terms of the Bonds with the effect that they remain or become (as the case may be), Qualifying Bonds, provided that Relevant Regulatory Approval has been obtained for such substitution or variation, to the extent required by the Applicable Supervisory Rules.
- (b) Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Bonds in accordance with this Condition 12, as the case may be.
- (c) In connection with any substitution or variation in accordance with this Condition 12, the Issuer shall comply with the rules of any stock exchange on which the Bonds are for the time being listed or admitted to trading.
- (d) Any such substitution or variation in accordance with the foregoing provisions shall not be permitted if any such substitution or variation would give rise to a Special Event with respect to the Bonds or the Qualifying Bonds.

In this Condition 12, “**Qualifying Bonds**” means bonds that:

- (i) have terms not materially less favourable to an investor (including, without limitation, terms allowing for the reduction, conversion or write-down of their principal amount in certain circumstances) than the terms of the Bonds (as reasonably determined by the Issuer, and provided that a certification in English to such effect (and confirming that the conditions set out in Conditions 12(i)(A) and (B) have been satisfied) of one Authorised Signatory of the Issuer or the Guarantor shall have been delivered to the Trustee (on which the Trustee may rely conclusively without any further investigation or enquiry) and the Bondholders prior to the substitution or variation of the Bonds), provided that:
 - (A) they are issued by the Issuer or any wholly-owned direct or indirect subsidiary of the Issuer with a guarantee of the Guarantor, or issued directly by the Guarantor in its capacity as an issuer; and
 - (B) they (or, as appropriate, the guarantee as aforesaid) shall rank senior to or *pari passu* with the Bonds on a Winding-Up of the issuer or guarantor thereof, shall preserve the Bondholders' rights to any other payment that has accrued with respect to the Bonds, and shall contain terms which provide for the same Rate of Interest, Interest Payment Dates and redemption events, from time to time applying to the Bonds; and other terms of such bonds are substantially identical (as reasonably determined by the Issuer) to the Bonds, save for the modifications or amendments to such terms that are required to be made in order to avoid or resolve the applicable Special Event;
- (ii) have been, or will on issue be, assigned at least the same rating (if any) as that assigned by the relevant rating agencies to the Bonds (if any such rating was assigned on or prior to the Issue Date of the Bonds) immediately prior to such substitution or variation; and
- (iii) are listed on the Singapore Exchange Securities Trading Limited or another securities exchange of international standing regularly used for the listing and quotation of debt securities offered and traded in the international markets.

13. **INDEMNIFICATION OF THE TRUSTEE AND AGENTS**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. Under the Trust Deed, the Trustee is entitled to be indemnified and/or secured and/or pre-funded to its satisfaction and to be relieved from responsibility in certain circumstances including, without limitation, provisions relieving it from taking any step and/or action and/or instituting any proceeding to enforce its rights under the Bonds, the Trust Deed, the Agency Agreement and/or these Conditions and in respect of the Bonds and payment or taking other steps and/or actions and/or instituting other proceedings unless first indemnified and/or secured and/or pre-funded to its satisfaction and entitling the Trustee to be paid or reimbursed for any fees, costs, expenses, indemnity payments and for liabilities incurred by it, in priority to the claims of the Bondholders. In addition, the Trustee and its affiliates are entitled to (i) enter into business transactions with the Issuer, the Guarantor and/or any entity related (directly or indirectly) to the Issuer or the Guarantor without accounting for any profit and to act as trustee for the Bondholders of any other securities issued by or relating to, the Issuer, the Guarantor and any entity related to the Issuer or the Guarantor, (ii) exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders, and (iii) retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee and the Agents may accept and rely conclusively, and may act or refrain from acting, in each case, without liability to the Issuer, the Guarantor, the Bondholders, or any other person on any report, confirmation, information or certificate from or any opinion or advice of any lawyers, accountants, auditors, valuers, auctioneers, surveyors, brokers, financial advisers, financial institutions or any other experts or professional advisers, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or

otherwise. The Trustee may accept and shall be entitled to rely conclusively on any such report, confirmation, information, certificate, opinion or advice and, in such event, such report, confirmation, information, certificate, opinion or advice shall be binding on the Issuer, the Guarantor and the Bondholders. The Trustee shall not be responsible or liable to the Issuer, the Guarantor, the Bondholders or any other person for any loss occasioned by acting on or refraining from acting on such report, information, confirmation, certificate, opinion or advice.

None of the Trustee or the Agents shall have any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions, or ascertain whether an Enforcement Event (as defined in the Trust Deed), a Potential Enforcement Event (as defined in the Trust Deed) or a Special Event has occurred, and they shall not be liable to the Bondholders or any other person for not doing so.

None of the Trustee or any of the Agents shall be responsible or liable for the performance (financial or otherwise) by the Issuer, the Guarantor and/or any other person appointed by the Issuer or the Guarantor in relation to the Bonds or the Guarantee of the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer (or the Guarantor, as the case may be) to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take or refrain from taking any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking or refraining from taking any such action, making any such decision, or giving any such direction, or clarification of any directions, to seek directions from the Bondholders by way of an Extraordinary Resolution or given as otherwise contemplated or permitted by the Trust Deed and/or the Bonds, and shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including but not limited to legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee shall not be responsible or liable for any loss or liability incurred by the Issuer, the Guarantor, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking or refraining from such action, making such decision, or giving such direction as a result of seeking such direction where the Trustee is seeking such directions from Bondholders or in the event that no such directions are received by the Trustee, or as a result of any action taken by it in accordance with the approval, directions or instructions of the Bondholders.

None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the instructions, directions, request or resolution of the Bondholders. The Trustee shall be entitled to conclusively rely on any direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal of, and investigation into, the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, the Guarantor and their respective Subsidiaries, and the Trustee shall not at any time have any responsibility or liability for the same and each Bondholder shall not rely on the Trustee in respect thereof.

14. **FURTHER ISSUES**

The Issuer (with the prior written consent of the Guarantor) may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds (or having the same terms and conditions except in respect of the first payment of interest and their issue price, and so that, for the avoidance of doubt, references in these Conditions to “**Issue Date**” shall be to the first issue date of the Bonds) and so that the same shall be consolidated and form a single series with such Bonds, and references in these Conditions to “**Bonds**” and “**Bondholders**” shall be construed accordingly.

15. **NOTICES**

Notices to the holders of the Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. The Issuer and the Guarantor shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

So long as the Global Certificate is held in its entirety on behalf of Euroclear and Clearstream any notice to the Holders shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by these Conditions and shall be deemed to have been given on the date of delivery to such clearing system. For the avoidance of doubt, no Agent shall be required to publish any notice otherwise than through Euroclear and Clearstream.

16. **RIGHTS OF THIRD PARTIES**

Without prejudice to Condition 9(e), no person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

17. **GOVERNING LAW AND JURISDICTION**

- (a) **Governing Law:** The Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law except that the subordination provisions set out in Conditions 3(a) and (b) are governed by, and shall be construed in accordance with, Singapore law and ROC law, respectively.
- (b) **Jurisdiction:** The courts of Hong Kong are to have jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, and accordingly any legal action or proceedings arising out of or in connection with the Bonds ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Guarantor irrevocably submits to the jurisdiction of the courts of Hong Kong and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of each of the holders of the Bonds and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).
- (c) **Service of Process:** Each of the Issuer and the Guarantor irrevocably appoints Cogency Global (HK) Limited at Room 2303, 23/F, The Sun's Group Centre, 200 Gloucester Road, Wan Chai, Hong Kong as its agent in Hong Kong to receive, for it and on its behalf, service of process in any Proceedings in Hong Kong. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer or the Guarantor, as the case may be). If for any reason such process agent ceases to be able to act as such or no longer has an address in Hong Kong, each of the Issuer and the Guarantor irrevocably agrees to appoint a substitute process agent and shall immediately notify Bondholders of such appointment in accordance with Condition 15. Nothing shall affect the right to serve process in any manner permitted by law.

THE GLOBAL CERTIFICATE

The Global Certificate will contain provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Circular. Terms defined in the Terms and Conditions of the Bonds have the same meaning in the paragraphs below. The following is a summary of certain of those provisions.

The Bonds will be represented by a Global Certificate in registered form, which will be registered in the name of a nominee of, and deposited with, a common depository for Euroclear and Clearstream.

The Issuer will, for value received, promise to pay to the Holder of the Bonds represented by the Global Certificate the amount payable upon redemption under the Terms and Conditions of the Bonds in respect of the Bonds and to pay interest in respect of such Bonds from and including the Issue Date in arrear at the rates, on the dates for payment, in accordance with the method of calculation provided for in the Terms and Conditions of the Bonds, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by the Global Certificate together with such other sums and additional amounts (if any) as may be payable under the Terms and Conditions of the Bonds, all subject to and in accordance with the Conditions.

PAYMENT

Each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive, except 25 December and 1 January.

EXCHANGE

Owners of interests in the Bonds in respect of which the Global Certificate will be issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if Euroclear or Clearstream or any other clearing system through which the Bonds are held (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Holders of the Bonds. A person with interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Registrar may require to complete, execute and deliver such individual definitive Certificates.

MEETINGS

For the purposes of any meeting of Holders of the Bonds, the Holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Holders of the Bonds and as being entitled to one vote in respect of each U.S.\$1,000 of the Bonds.

NOTICES

Notices required to be given in respect of the Bonds represented by the Global Certificate may be given by their being delivered (so long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear, Clearstream or such Alternative Clearing System) to Euroclear, Clearstream or any Alternative Clearing System for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Terms and Conditions of the Bonds.

TRANSFERS

Transfers of beneficial interests in the Bonds represented by the Global Certificate will be effected through records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

TRUSTEE'S POWERS

In considering the interests of Holders of Bonds while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the Holders of the Bonds in respect of which the Global Certificate is issued.

CANCELLATION

Cancellation of any Bond represented by the Global Certificate which is required by the Conditions to be cancelled will be effected by reduction in the principal amount of the Bonds in the register of Holders and the Global Certificate on its presentation to or to the order of the Registrar for annotation (for information only) in the relevant schedule of the Global Certificate.

EXCHANGE RATES

The following table sets forth the average, high, low and period-end exchange rates between the New Taiwan dollar and the U.S. dollar (in NT\$ per U.S.\$1.00) at the noon buying rate in New York City for cable transfers in foreign currencies for the periods indicated (the Noon Buying Rate).

	Years Ended 31 December			
	New Taiwan Dollars/U.S. Dollars Noon Buying Rate			
	Low	Average ⁽¹⁾	High	Period End
2016	31.05	32.23	33.74	32.40
2017	29.64	30.40	32.37	29.64
2018	29.03	30.13	31.00	30.61
2019	29.91	30.90	31.63	29.91
2020	28.08	29.46	30.45	28.08
2021	27.56	27.94	28.59	27.74
2022	27.52	29.80	32.37	30.73
2023	29.70	31.15	32.47	30.62
2024	30.81	32.11	32.88	32.79
2025				
January	32.67	32.88	33.11	32.85
February	32.70	32.81	33.06	32.89
March	32.79	32.98	33.19	33.19
April	31.96	32.64	33.21	31.96
May	29.72	30.22	32.07	29.87
June	29.03	29.62	30.00	29.18
July	28.88	29.34	29.91	29.91
Aug	29.76	30.15	30.59	30.59

Source: www.federalreserve.gov

Note:

- (1) Determined by averaging the rates on each business day during the relevant period.

The Group's publish its financial statements in New Taiwan dollars and in accordance with Taiwan-IFRS. This Offering Circular contains translation of New Taiwan dollar amounts into U.S. dollars at specific rates solely for your convenience. Unless otherwise noted, all translations from New Taiwan dollars to U.S. dollars and from U.S. dollars to New Taiwan dollars in this Offering Circular were made at a rate of NT\$29.18 to U.S.\$1.00, the noon buying rate in the City of New York for cable transfers payable in New Taiwan dollar as certified for customs purposes by the Federal Reserve Bank of New York on or nearest to 30 June 2025. No representation is made that the New Taiwan dollar or U.S. dollar amount referred to in this Offering Circular could have been or could be converted into U.S. dollars or New Taiwan dollars, as the case may be, at any particular rate or at all.

DESCRIPTION OF THE ISSUER

INCORPORATION

The Issuer is a directly wholly-owned subsidiary of the Guarantor and was incorporated on 26 July 2024 as a private company limited by shares (UEN: 202430489R) under the Companies Act 1967 of Singapore. The registered office of the Issuer is located at 1 Marina Boulevard, #28-00, One Marina Boulevard, Singapore 018989.

BUSINESS ACTIVITIES

The Issuer was established with full capacity to carry on or undertake any business or activity, do any act or enter into any transaction and has full rights, powers and privileges for the above purposes pursuant to its constitution. The Issuer's main business activities include entering into arrangements for the issue of bonds with capital characteristics pursuant to its constitution, including the Bonds, and any other activities in connection thereto. As at the date of this Offering Circular, there are no material assets held by the Issuer and the Issuer has not, since its incorporation, engaged in any material activities other than the issue of the U.S.\$700,000,000 5.45 per cent. Tier 2 Subordinated Dated Capital Bonds due 2034 and those relating or incidental to its registration and the authorisation of documents and agreements as may be referred to in this Offering Circular.

DIRECTORS

As at the date of this Offering Circular, the directors of the Issuer are Tsai, Sheng-Feng and Low Shih Nin.

SHARE CAPITAL

The issued share capital of the Issuer is U.S.\$20,000,000 and is fully paid-up. As at the date of this Offering Circular, no part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. As at the date of this Offering Circular, the Issuer has no subsidiaries.

LEGAL PROCEEDINGS

As at the date of this Offering Circular, the Issuer is not involved in any litigation or arbitration proceedings, and it is not aware of any pending or threatened actions against it.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth (i) the Group's audited consolidated capitalisation as at 30 June 2025 on an actual basis; and (ii) the Group's consolidated capitalisation as at 30 June 2025, as adjusted for the issuance of the Bonds before deducting the underwriting commissions and other estimated expenses payable by the Group in connection with the offering of the Bonds. The following table should be read in conjunction with the Group's financial statements and the notes thereto included elsewhere herein.

	As at 30 June 2025			
	(Actual) (Audited for NT\$)		(As adjusted) (Unaudited)	
	(NT\$ in thousands)	(U.S.\$ in thousands ⁽¹⁾)	(NT\$ in thousands)	(U.S.\$ in thousands ⁽¹⁾)
Borrowings:				
Short-term debt.....	6,893,476	236,240	6,893,476	236,240
Bonds payable	100,286,692	3,436,830	100,286,692	3,436,830
Bonds to be issued	-	-	11,526,100	395,000
Total borrowings	107,180,168	3,673,070	118,706,268	4,068,070
Equity:				
Common stock.....	146,992,460	5,037,439	146,992,460	5,037,439
Capital surplus	9,187,500	314,856	9,187,500	314,856
Legal reserve	57,920,797	1,984,948	57,920,797	1,984,948
Special reserve.....	252,542,829	8,654,655	252,542,829	8,654,655
Undistributed earnings.....	14,391,467	493,196	14,391,467	493,196
Other equity interest	(183,153,836)	(6,276,691)	(183,153,836)	(6,276,691)
Total equity	297,881,217	10,208,403	297,881,217	10,208,403
Total capitalisation and indebtedness⁽²⁾	405,061,385	13,881,473	416,587,485	14,276,473

⁽¹⁾ The translation of New Taiwan dollars into U.S. dollar amounts has been made at the rate of NT\$29.18 to U.S.\$1.00, the noon buying rate as set forth in the H.10 Statistical release of the Federal Reserve Bank of New York on or nearest to 30 June 2025.

⁽²⁾ Total capitalisation and indebtedness equal total borrowings plus total equity.

Save as disclosed in this Offering Circular, there has been no material adverse change in the consolidated capitalisation and indebtedness of the Guarantor since 30 June 2025.

DESCRIPTION OF THE GROUP

OVERVIEW

The Company was founded in July 1963 as the Taiwan subsidiary of AIG as one of the first insurers in Taiwan. In August 2011, Ruen Chen acquired the Company's shares held by AIG and American General Life Insurance Company, making Ruen Chen become one of the Company's major shareholders and converting the Company into a local enterprise. The Group is currently the largest non-financial holding life insurance company in Taiwan in terms of gross written premiums. The Company is rated "A-" with a stable outlook by S&P for international credit rating and "A-" with a Rating Watch Negative outlook by Fitch for insurer financial strength.

With a focus on high-margin products, the Group offers a full range of insurance products, including life insurance, health insurance, accident insurance, annuity insurance, investment-linked insurance, group insurance, online insurance and general insurance. The full range of products and services allows the Group to cater to different customers' needs. The Company has developed a comprehensive service network with 25 branches and 291 offices across Taiwan as at 31 July 2025. Committed to people and the well-being of society, the Company provides insurance services to more than a quarter of Taiwan's population with approximately 6.7 million policyholders, 12 million valid policies and 40,000 corporate enterprises clients as at 31 December 2024.

In 2024, the Company recorded NT\$290 billion in gross written premiums and the Group generated a net income of NT\$42.5 billion. As at 31 December 2022, 2023, 2024 and 30 June 2025, the Group's total assets were NT\$5,276 billion, NT\$5,386 billion, NT\$5,624 billion and NT\$5,418 billion, respectively, and the Group's total liabilities were NT\$4,994 billion, NT\$5,043 billion, NT\$5,267 billion and NT\$5,120 billion, respectively.

Aside from the above financial and operational results, the Company also measures the scale and profitability of its business using various key performance indicators as set out in the *"Selected Financial Information"* section, including:

- The ratio of long-term and protection-oriented products: the ratio measures the first year premiums from long-term and protection-oriented products to the total first year premiums.
- Recurring Investment Yield before Hedge and Foreign Exchange and Investment Yield After Hedge and Foreign Exchange ("**Investment Yields**"): the Investment Yields measure the return of the Group's total investment asset.
- Return On Average Equity ("**ROAE**"): the ROAE is calculated by dividing net income for the year or reporting period by weighted average balance of total shareholders' equity during the year or reporting period (on an annualised basis).
- First Year Premiums Equivalent ("**FYPE**"): the FYPE is calculated by multiplying FYP with the payment period coefficient. The payment period coefficient for payment periods of six years or longer (inclusive) is calculated at 100 per cent. For payment periods shorter than six years, 50 per cent. discount is applied for a five-year payment, with a 10 per cent. discount for each payment period that is shorter by one year. FYPE measures the business sales in the life insurance industry and is used to compute life insurance industry's new business value more accurately when the sales contain both lump-sum premium payments and recurring premium payments.
- Persistency Ratio (13 months and 25 months): persistency ratio is the ratio of life insurance policies receiving timely premiums in the year and the number of net active policies. The ratio indicates how many policyholders are paying the due premiums regularly on the policies with the insurer.

See *"Risk Factors – Risk Factors Relating to The Business of The Group - A number of the Company's key performance indicators are calculated based on a number of assumptions used in the calculations and may vary significantly as those assumptions are changed"* for a discussion of the relevant risks in relation to the above key performance indicators.

The Group is committed to the well-being of the Taiwanese people. The Group upholds its core value of being "people-oriented" and lives up to its social responsibility by providing microinsurance to help the disadvantaged obtain basic accident insurance protection. By establishing Health Guardian Circle in 2020, the Group also safeguards Taiwanese people's health needs via innovative spillover-effect insurance policies that promotes a healthier lifestyle by building in wellness reward mechanisms exclusive for different groups. In 2024, the

Company won the Finalist of Life Insurance Company of the Year by "Asia Insurance Industry Awards". As at 31 December 2024, the Company ranked first in terms of the number of spillover-effect insurance policies sold for the sixth consecutive year. In recognition of the services it delivers, the Company was also awarded in 2024 "Taiwan's Best Life Insurance Company" for 11 consecutive years by Global Banking & Finance Review, a British professional financial website. The Company was also named in 2024 as one of the top 100 most valuable insurance brands by Brand Finance, a world leading brand valuation consultancy. In 2024, the Company received 67 awards in Taiwan and globally, marking a record number of awards it received in a year.

In addition to its main insurance business, the Group is also an industry leader of sustainable insurance. In response to the government's net-zero emission by 2050, the Group has conducted carbon footprint inventories in line with international ISO standards. Through a complete inventory process and scientific and systematic data integration and calculations, the Group has passed the verification by an international third party institution and completed the transparency and disclosure of carbon information, being the first insurance company in Taiwan to have obtained the Property Insurance Service Carbon Label and the Electronic Policy Carbon Label.

HISTORY

As one of the first insurers in Taiwan, the Company was founded in July 1963 as the Taiwan subsidiary of AIG, inheriting a sound corporate and operational culture, a prudent risk management system and deep-rooted knowhow in insurance, actuarial and investment products from its former shareholder. In 1972, the Company introduced the first group insurance policy in Taiwan and began to focus on selling such policies to small and medium-sized enterprises in Taiwan. In August 2011, Ruen Chen acquired 97.5% of the Company's shares held by AIG and American General Life Insurance Company, making Ruen Chen become one of the Company's major shareholders and converting the Company into a local enterprise. Ruen Chen is a Taiwanese-funded company jointly established by Ruentex Group and Pou Chen Group, both of which are longstanding companies with successful operations and outstanding reputations in Taiwan, enabling the Group to leverage on their local expertise and household branding. In July 2016, the Company acquired 100% of equity in AIG Taiwan Insurance Co., Ltd. ("AIG Taiwan"), which became a wholly-owned subsidiary of the Company renamed as Nan Shan General Insurance Company, Ltd., marking the beginning of the Group's two-pronged era of property insurance and life insurance business, providing a one-stop shop for products and services to help individual and corporate clients customise personal life and health insurance, group insurance, group annuity, and property insurance, among other insurance products. As part of its growth, the Company has also benefited from the financial support from its shareholders and employees with two rounds of capital raising being conducted in 2012 and 2019 (based on the registration approval date), raising NT\$13.7 billion and NT\$24.5 billion, respectively. Over the journey of more than 60 years, the Group has achieved significant growth and is today a top life insurance franchise in Taiwan, being consistently a top three life insurer in terms of total assets and gross written premiums and recording a steady growth of total assets with a compound annual growth rate of around 9% since 2011.

RECENT DEVELOPMENT

AWARDS

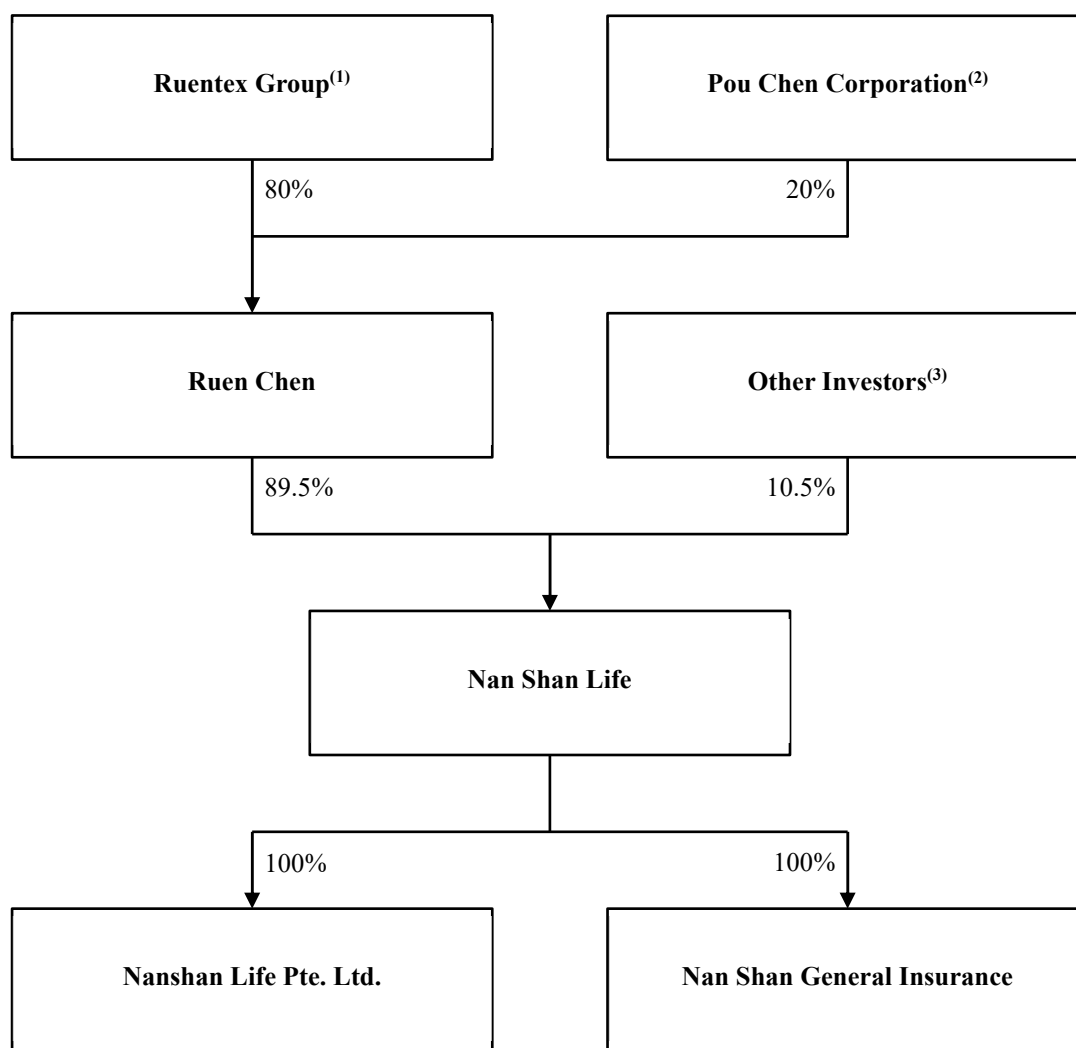
The Company has been an award-winning and favoured insurance brand. Building on its achievement in 2022, when it was named "Health Insurance Company of the Year" by Asia Insurance Review, the Company went on to win "Life Insurance Company of the Year" in 2024 and ranked among the top 20% of insurance companies in the first "Sustainable Finance Assessment" and placed in the top 25% in the FSC's assessment on the implementation of Treating Customers Fairly principles. The Company has also received numerous awards, including the following:

<u>Areas of recognition</u>	<u>Year</u>	<u>Awards</u>
Fintech	2025	• Digital Transformation of the Year 2025 by Asia Trusted Life Agents & Advisers Awards
		• Model Insurer Award - Innovation Execution & Model Risk Manager -AI and Gen AI by Celent Model Awards
Brand Reputation	2024	• "Asia Insurance Industry Awards"-Life Insurance Company of the Year
		• Brand Finance Insurance 100 2024 by "Brand Finance"
	2023	• The Gold Medal Winner Of Trusted Brand 2023 in the Life Insurance Sector by "Reader's Digest"

<u>Areas of recognition</u>	<u>Year</u>	<u>Awards</u>
Product Innovation & Development	2022	• "Asia Insurance Industry Awards" -Health Insurance Company of the Year
	2025	• Health Insurance Innovator of the Year by S&Z Group IIC Asia Award
	2024	• "National Brand Yushan Award" Best Popularity Brand Category – Yushan Award • The International Business Awards-Silver Winner-MOMMY CARE
	2023	• "National Brand Yushan Award" – Best Product Category – First Prize / Yushan Award • "Taiwan Insurance Excellent Performance" – Excellence in Product Innovation - Silver Award
	2024	• "The Best Claim Service" by "The Best insurer survey" • Digital Service Excellent Award by "Commercial Times Digital Financial Service Award" • "The International Business Awards" Gold Winner-White paper on super-aged society and health care services • Elder-friendly Award by "China Times Financial Service Evaluation Awards"
Customer Service	2023	• Innovation in Health & Wellness – Remote Health Management Bronze Award by "Asia Pacific Stevie Awards" • "Wealth Magazine Taiwan Financial Award" Best Life Insurance Customer Recommendation – Excellent Award • "Taiwan Insurance Excellent Performance" – Excellence in Customer Service- Silver Award
ESG	2025	• Investment in People and Corporate Sustainability Report Award by "Asia Responsible Enterprise Awards" • Taiwan Sustainable Architecture Awards- Architecture Category - Gold Award by Taiwan Institute for Sustainable Energy (TAISE) • First Prize of Distinguished Program-Public Welfare Promotion category by Global Views Monthly Magazine's ESG Awards
	2024	• Scoring in the top 25% - 2024 Assessment of the Implementation of Treating Customers Fairly Principles by Financial Institutions (FSC) • Top 20% of the insurance industry in the first "Sustainable Finance Assessment" • Elder Friendly Excellence Award by "Global Views Monthly Magazine's ESG Awards" • Health Promotion and Corporate Sustainability Report Award by "Asia Responsible Enterprise Awards" • "Wealth Magazine Taiwan Financial Award" Sustainable Financial Award (Non-Financial Holdings Category) Excellence • Taiwan's Top 100 Sustainable Companies Award by "Taiwan Corporate Sustainability Awards"
	2023	• Human Investment and Corporate Sustainability Report Award by "Asia Responsible Enterprise Awards" • Taiwan Sustainable Enterprise Excellence Award by "Taiwan Corporate Sustainability Awards" • Corporate Sustainability Report-Finance and Insurance- Golden Award by "Taiwan Corporate Sustainability Awards"

CORPORATE STRUCTURE

The following is a simplified corporate structure of the Group as at the date of this Offering Circular:



Notes:

- (1) Ruentex Group holds Ruen Chen, via Ruentex Development Co., Ltd. (25%), Ruentex Industries Limited (23%), Huei Hong Investment Co., Ltd. (18%), Changchun Investment Co., Ltd. (10%) and Yitai Investment Co., Ltd. (4%). Ruentex Group engages in textiles, construction, financial, healthcare and retail businesses. It is the fifth largest company in Taiwan by total assets with more than NT\$5.6 trillion as at 31 December 2024.
- (2) Pou Chen Corporation is one of the largest sports clothing and footwear manufacturers in Greater China.
- (3) Mainly includes other Ruentex-related companies, the Group's management team and employees.

COMPETITIVE STRENGTHS

The Group has been the leading life insurer in Taiwan's insurance market. Its principal strengths include:

Household brand with leading market position in the industry

The Group has been established for over 60 years and is widely recognised as a prestigious household brand with a rich history and affluent associations and roots in Taiwan. The Group's history can be traced to 1963 when it was formed as the Taiwan subsidiary of AIG, who later sold its shares in the Company to Ruen Chen in 2011, enabling the Company to leverage on its shareholder's local expertise and household branding in Taiwan.

Over the journey of more than 60 years, the Group has achieved significant growth and holds one of the leading positions in the life insurance market in Taiwan. The Group is currently the largest non-financial holding life insurance company in Taiwan in terms of gross written premiums and net income. In 2024, the Company recorded NT\$290 billion in gross written premiums, ranking first amongst non-financial holding life insurance companies and third amongst life insurance companies in Taiwan with 11.9% market share. In terms of first year premiums,

the Company ranked first for protection and elderly products and second for accident and health products amongst life insurance companies in Taiwan in 2024. In terms of renewal premiums, the Company recorded 75%, 77%, 74% and 70% of renewal premium out of its gross written premiums for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025 respectively and ranked third amongst life insurance companies in Taiwan as at 30 June 2025. Driven by the strong momentum of sales of its regular-paid traditional life products, the Group recorded NT\$16.3 billion in FYPE for the six months ended 30 June 2025, which represented a 25.6% year-on-year growth that significantly outperformed the industry. For the year ended 31 December 2024, the Company recorded NT\$42.5 billion in net income, ranking third amongst life insurance companies in Taiwan with 14% market share and representing a more than 90.0% year-on-year growth that was propelled by growth in insurance premium and investment income amid a favourable market environment. Despite foreign exchange related headwinds for the six months ended 30 June 2025, the Company recorded a stable net income of NT\$14.4 billion as a result of its overall resilience business operations and effective uses of foreign exchange reserve and hedging tools. As at 30 June 2025, the Group's total assets reached NT\$5,418 billion, ranking third amongst life insurance companies in Taiwan.

Comprehensive and innovative products to meet different customer needs

The Group offers a one-stop shop with products and services to meet individual and corporate clients' insurance needs, covering a comprehensive range of insurance products, including life insurance, health insurance, accident insurance, annuity insurance, investment-linked insurance, group insurance, online insurance and general insurance, which provide protection against a policyholder's death, disability, illness, accident or other events, as well as meeting their saving needs.

The Group has also offered various health insurance products to its customers that are the first of its kind, targeting different groups of customers and keeping pace with evolving health needs. For example, to address the risk of childbirth at an advanced maternal age, as people generally marry and have children at an older age, the Group launched Nan Shan Life Mommy Care Term Insurance, the first product in the industry in Taiwan that offers infertility specific in vitro fertilisation ("IVF") insurance benefits that encourage childbirth by reducing the cost burden of IVF for those who suffer from infertility. To reduce out-of-pocket healthcare expenses for cancer treatments with the advent of precision medicine and advanced treatment methods, the Group is the first in the industry to include heavy particle on therapy for cancer treatment in its coverage, allowing policyholders to receive high-quality, advanced therapies and to provide security to themselves and their families. In recognition of its innovative insurance products offered, the Company won the "Best Product Innovation Award" at the 26th Insurance Faith, Hope & Love Awards 2024 and the "Best Product Category" at the 21st National Brand Yushan Award 2024.

In preparation of the adoption of IFRS 17 and ICS for Taiwan's life insurance companies, the Group has increasingly enhanced its focus on offering regularly paid protection-oriented life insurance products, which has a higher contractual service margin ("CSM") with long-term regular payments from policyholders.

Leading health business empowered by value-add services

To realise the goal of supporting the health of the Taiwanese people, the Group established the Health Guardian Circle in 2020, a one-stop life map that focuses on the four important health stages of life being health, sub-health, illness, and disabilities, marking a shift from the Group being a mere provider of insurance to becoming a collaborative partner in customers' health management. As at 30 June 2025, the Company has offered more than 150 value-added services in a holistic and complete system, targeting healthy and sub-healthy users, with the primary goal of maintaining the health of Taiwanese people, helping to create healthy lifestyles and delaying the occurrence of diseases, as well as diseased and disabled users by providing care solutions for Taiwanese people to get well again.

By combining insurance and health concepts via spillover-effect health insurance policies, the Company encourages policyholders to prevent health risks by building in wellness reward mechanisms. Through the sales of spillover-effect insurance policies, the Company has created a win-win situation for itself and policyholders by reducing the probability of claims from policyholders who are incentivised to develop healthier lifestyles. As an example, to encourage policyholders to receive their dental health check-ups regularly, the Company, as the first of its kind in the industry, has introduced a dental insurance policy incorporating a spillover mechanism, which offers dental health care rewards to policyholders who furnish medical receipts for dental cleaning. For the sake of protection enhancement, the Company has also introduced an innovative concept to protection-based products, allowing "one-year term life products" to be purchased using value-added bonus. The Company's health promotion products in terms of number of new contracts ranked first in the industry for six consecutive years and have been

well recognised by the market. In 2024, the Company won the Finalist of Life Insurance Company of the Year by "Asia Insurance Industry Awards". As at 31 December 2024, the Company sold approximately 590,000 spillover-effect insurance policies, ranking first in terms of the number of such policies sold amongst life insurers in Taiwan for the sixth consecutive year.

In addition to being committed to meet customers' diverse health needs, the Company has invested considerable resources in its customer care services, which contributed to its leading persistency ratio. To allow policyholders to enjoy its service anywhere, the Company has created a platform that allows customers to enjoy a seamless online insurance application and purchase experience. In the event of a major accident, policyholders are able to immediately initiate a claim online with assistance provided. To facilitate policyholders' payment of hospital bills, the Company launched a receipt-free claims service that enables the deduction of medical expenses from benefit(s) to be paid. Other convenient services provided by the Company include features such as QR Codes to access audio services, Braille books, mobile hearing aids, special hotlines and home consultation for senior citizens.

Stable agency and bancassurance distribution channels

One of the Group's core competitive strengths lies in its effective and multiple distribution channels. The Group's distribution channel adopts the twofold agency and bancassurance model, which are instrumental to increasing the sales of its insurance products.

As at 30 June 2025, the Company has a nationwide distribution channel of around 36,000 agents, ranking third in the industry, which target the mass market with the Group's protection-oriented products, including health insurance and accident insurance. The Group provides a comprehensive and structured training program to its agents through its College Programs. As a result of the comprehensive training and the clear career progress path offered, the number of the Company's insurance agents meeting the elite Million Dollar Round Table ("MDRT") standard reached 1,159, ranking third in Taiwan and 14 globally within the industry as at 30 June 2025. The Company is the only life insurer in Taiwan awarded "Best Insurance Agency Business" for 28 consecutive years by RMIM Inc..

The Company's distribution channels also include bancassurance arrangements featuring an open architecture structure with a wide range of partners including 40 leading financial institutions and more than 20 bank partners, such as E. Sun Bank, Bank of Taiwan, Shanghai Commercial & Savings Bank, DBS and Union Bank of Taiwan, which grant it access to approximately 3,500 sales outlets across Taiwan, access to affluent bank customers and a pool of customer deposits that is approximately NT\$53 trillion. For the year ended 31 December 2024, among the top five bancassurance partners that generate the most FYP for the Company, the Company is the top insurance partner for three of such five bancassurance partners. The Company's bancassurance arrangements target the affluent customer segment and distribute products, such as whole life insurance, term life insurance, health insurance and accident insurance. The stable distribution channels that are within the Company's control underpin the Company's business resilience.

High Quality and Well-diversified Investment Portfolio with Superior Credit

The Group invests the premiums and other income generated from its insurance business. The Group's success in investment management contributes to the competitiveness of its products, its financial strength and its business reputation. The Group's investment philosophy is to establish a high quality and well-diversified investment portfolio with stable and long-term growth in order to increase return while at the same time safeguarding the assets entrusted to it by its customers by supporting benefit payments of long-term insurance contracts. As at 30 June 2025, the Company's total investment portfolio reached NT\$5,366 billion.

To meet its investment needs to strength its asset and liability management, the Company has in recent years started to pursue a strategic investment allocation plan with an emphasis on overseas fixed income investment. As a result, the Company's overseas fixed income investment increased as a percentage of the Company's investment portfolio from 64.3% as at 31 December 2022 to 64.4%, 65.3% and 61.1% as at 31 December 2023 and 2024, and 30 June 2025, respectively. As at 30 June 2025, the Company's investment on overseas fixed income reached NT\$3,278 billion.

The Company's overseas fixed income allocation, totalling at NT\$3,278 billion as at 30 June 2025, reflects a broad diversification of investment across asset type, ratings, region and sector, which enables the Company to diversify risk while benefiting from investment opportunities. The Company's overseas fixed income investment is divided amongst a mixture of asset types, including financial bond, corporate bond, government bond and other products, comprising 36%, 32%, 27% and 5%, respectively, of the Company's overseas fixed income as at 30 June 2025.

The Company's overseas fixed income investment achieves a stable recurring income as a result of its strong credit quality, which are mostly rated A or above by rating agencies, with 37% being rated A, 35% being rated AA, 3% being rated AAA, 21% being rated BBB and 4% or being rated BB or below. In terms of geographical distribution, the Company invests in overseas fixed income products in North America, Europe, Asia and other parts of the world, comprising 53%, 20%, 20% and 7%, respectively, of the Company's overseas fixed income as at 30 June 2025. The majority of such overseas fixed income investment is denominated in U.S. dollar, which comprises 99.8% of the Company's overseas fixed income investment, spreading across principal investment targets such as long-term sovereign bonds and investment-grade corporate/financial bonds of European and American countries and selected emerging market countries. The Company's bond positions have a diversified duration profile, with an average duration of 13-17 years.

Strong Capital Position and Proven Business Sustainability

The Company maintains a strong RBC ratio¹ and equity to asset ratio², which are both significantly above the regulatory requirement. As at 31 December 2022, 2023, 2024 and 30 June 2025, the RBC ratio of the Company was 292.42%, 280.30%, 299.05% and 276.22%, respectively, which was well in excess of the regulatory requirement of 200%. As at 31 December 2022, 2023, 2024 and 30 June 2025, the equity to asset ratio of the Company was 5.55%, 6.66%, 6.64% and 5.77%, respectively, surpassing the regulatory requirement of 3.00%.

STRATEGIES

The Group's main strategies are set out below:

Enhanced focus on high margin protection products

In preparation of the adoption of IFRS 17 and ICS for Taiwan's life insurance companies, the Group has increasingly enhanced its focus on offering regularly paid protection-oriented life insurance products, which has a higher CSM with long-term regular payments from policyholders. As IFRS 17 is based on a discounted cash flow model with risk adjustment and deferral of unearned profits, profits earned under an insurance contract would be released over its duration as insurance revenue, which is released in each reporting period in an amount that reflects the insurance contract services provided under the relevant period. As such, products with higher CSM and long-term regular payments help secure a more stable growth. Contributions to FYP from regular-paid insurance products has significantly increased from 34% in 2022 to 41% in 2023. Contributions to FYP from regular-paid insurance products was 25% and 22% in 2024 and the six months ended 30 June 2025, which was due to the distortion effect of the increase in sales of investment-linked products as a result of resumption of such services in March 2024. If such distortion effect is disregarded, contributions to FYP from regular-paid insurance products continued to increase in 2024 and the six months ended 30 June 2025. In addition, the Company is ranked second in terms of FYP for protection and elderly products in 2024 amongst life insurers in Taiwan. Contributions to FYP from accident and health insurance products also gradually increased from 10% in 2022 to 13% and 11% for the years ended 31 December 2023 and 2024, respectively, and from 10% to 12% for the six months ended 30 June 2024 and 2025, respectively. Contributions to gross written premiums from long-term life insurance products with a payment term of six years or more increased from 34% in 2022 and 2023 to 42% in 2024 and from 36% for the six months ended 30 June 2024 to 48% for the six months ended 30 June 2025.

Continuing to provide better health insurance and long-term care products for customers

The increased life expectancy, early retirement, high-saving rates and the relative low public health expenditure in Taiwan offer significant opportunities for the insurance sector in the areas of health insurance and long-term care products. The needs for elderly care in Taiwan have surged and products for the elderly have become an essential retirement protection for the Taiwanese people.

Facing the rapid changes in Taiwan's demographic structure, the Group has been working on the creation of a cross-sector ecosystem to improve service empowerment in order to further increase customer loyalty. To do so, the Group will continue to work with its partners in the big-health industry to develop its Health Guardian Circle to extend people's healthy life expectancy through value-added services featuring wellness and healthcare throughout the entire health process to help customers improve their health. The Group has recently deployed the

¹ The RBC ratio is the total adjusted net capital of the Guarantor divided by its risk-based capital, as regulated under the Insurance Act and the Regulations Governing Capital Adequacy of Insurance Companies in the ROC.

² The equity to asset ratio is the Guarantor's equity divided by the total assets excluding assets on insurance products-separate account.

BAM App, a health management application that estimates users' biological age (an assessment of a user's physiological age, as opposed to their chronological age) and combines digital health with insurance products. The Group will continue to promote personal health management by developing innovative digital health products with exclusive cross-sector partners to provide a seamless digital experience in order to meet customer expectations.

By adopting a "product value enhancement + spillover mechanism", the Group will continue to combine health benefits and health spillovers to create insurance value for its customers through thoughtful and customised products and services to help customers prevent health risks and to develop a healthier quality of life in the four important health stages of life (health, subhealth, illness, and disabilities), realising the Group's goal of maintaining the health of Taiwanese people through insurance products that have a high CSM.

Improving customer experience through digital innovation and personalisation

In response to the general trend towards digitalisation, the Group aims to pursue digital transformation focusing on data empowerment, digital ecosystem and technological innovation in order to strengthen digital competitiveness and transform value creation.

The Group seeks to utilise data as the key drive to achieve its marketing goals. Adopting data for segment marketing based on its customers' perspective, the Group will aim to establish a matchmaking platform to create a 360° profile of its customers to identify potential sales opportunities. Through the collection of data, modelling, labelling and conducting analysis using artificial intelligence, the Group develops customised profiles and precise prediction of potentials for each customer. Once high-potential customers are identified, the salesperson could efficiently prepare individual sales strategies to optimise its sales. As the Group continues to enhance and perfect such digital tools, it will be able to better understand customers' needs and potentials, provide more personalised insurance plans and optimise its marketing strategies.

Utilising its digital capabilities, the Group also uses digital marketing on different platforms to exhibit protection related topics and raise awareness for insurance needs. In 2023, Nan Shan General Insurance launched its LINE official account, shifting communication channels from phone calls, text messages and emails to a mobile customer service platform. In 2024, Nan Shan General Insurance provided more real-time functions, allowing policyholders to immediately grasp their own policy information and improve convenience, including providing policy expiration and renewal notices, etc., to remind customers and to avoid interruption of protection. To simplify the promotion of insurance knowledge and make it more accessible to the public, Nan Shan General Insurance revamped its official website to allow customers to more quickly understand the features and advantages of various types of insurance products. The Group will continue to utilise digital technologies to improve customer contacts and communications to meet the evolving needs of its customers.

Further diversifying its distribution channels

The Group's distribution channel adopts the twofold agency and bancassurance model. Due to the continuous interest rate fluctuations, banks prioritised wealth management products other than life insurance products, impacting sales through the Group's bancassurance channel. Despite that, the Group will continue to follow its value-driven strategy and improve the resilience of its bancassurance channel. The Group will strike a balance between agent and bancassurance channels, to reduce the reliance on any specific channel and mitigate the impact of any single channel on the Group's business. The Group will also boost sales performance through both channels in order to reduce the channel concentration risk and support the overall business growth. In 2023, to support the bancassurance channel in distributing health insurance products, the Group added single disease-specific health benefits to general life products and simplified product designs to help its wealth advisors to easily understand product features. By introducing its competitive products portfolio to its distribution channels, the Group strives for its leading products to be promoted or carried by such agents and banks.

The Group will also continue to optimise training mechanisms to guide its agents towards long-term protection-oriented life insurance products with a higher CSM and enhance their market competitiveness through innovative service and digital empowerment to accelerate the pace of sales transformation. The Group will provide its agents with efficient mobile digital tools to help agents access information seamlessly, simplify insurance process, increase paperless applications and to provide instant and convenient mobile services.

As the FSC has been gradually relaxing relevant regulations and encouraging industry players to accelerate technology adoption, the Group will focus on improving customer experience throughout the sale cycles, creating digital experience for customer acquisition, retention and conversion. The Group seeks to explore more digital

insurance business opportunities and increase online to offline sales ratio. It will further upgrade its insurance mobile application to provide sleeker and more secure customer service experience.

PRODUCTS

The Group offers a full range of insurance products, including life insurance, health insurance, accident insurance, annuity insurance, investment-linked insurance, group insurance, online insurance and general insurance. As at 30 June 2025, the Company offers, 53, 58, 24, 4, 15, 90 and 18 products for life insurance, health insurance, accident insurance, annuity insurance, investment-linked insurance, group insurance and online insurance, respectively.

In preparation of the adoption of IFRS 17 and ICS for Taiwan's life insurance companies, the Group has increasingly enhanced its focus on offering regularly paid protection-oriented life insurance products, which has a higher CSM with long-term regular payment from policyholders. As a result, contributions to FYP from regular-paid insurance products has significantly increased from 34% in 2022 to 41% in 2023. Contributions to FYP from regular-paid insurance products was 25% in 2024, which was due to the distortion effect of the increase in sales of investment-linked products as a result of resumption of such services in March 2024. If such distortion effect is disregarded, contributions to FYP from regular-paid insurance products continued to increase in 2024. For the years ended 31 December 2022, 2023, 2024 and the six months ended 30 June 2024 and 2025, traditional life insurance policies with payment terms of six years or more accounted for 34%, 34%, 42%, 36% and 48% of the Company's premium income. Contributions to FYP from accident and health insurance products also gradually increased from 10% in 2022 to 13% and 11% for the years ended 31 December 2023 and 2024, respectively, and from 10% to 12% for the six months ended 30 June 2024 and 2025, respectively. For the six months ended 30 June 2025, the FYP of health and accident insurance products were larger than the six months ended 30 June 2024 in terms of actual sales amount. As a matter of product strategy, the Group is focusing on protection-oriented products and aims to gradually replace most saving-type products with low-capital consuming investment-linked products, but the Group will continue to offer certain basic saving-type products such as annuity insurance products to satisfy customers who have a lower risk tolerance level. In March 2024, the Company resumed the sales of investment-linked products. To reduce foreign exchange risk and currency mismatch risk, the Group will optimise U.S. dollar denominated vs NTD denominated policy mix to improve asset-liability management. As for NTD denominated products, the Group mainly offers health and accident insurance products to provide a more comprehensive insurance protection to customers.

The following table sets out the first year premium received by the Company from each product category for the financial years indicated:

	Years ended 31 December						For the six months ended 30 June			
	2022		2023		2024		2024		2025	
	(NT\$ billion)	(% of Total)	(NT\$ billion)	(% of Total)	(NT\$ billion)	(% of Total)	(NT\$ billion)	(% of Total)	(NT\$ billion)	(% of Total)
First Year Premiums										
Traditional life insurance (single paid).....	24.3	33	18.5	30	15.9	21	10.9	28	7.4	16
Traditional life insurance (regular paid).....	24.4	34	25.3	41	19.0	25	9.6	25	10.1	22
Annuity insurance	7.5	10	4.1	7	2.3	3	1.4	4	0.9	2
Investment-linked insurance	9.2	13	5.6	9	29.8	40	12.5	33	21.6	48
Health, accidents and other insurance	7.5	10	8.3	13	7.7	11	3.9	10	5.5	12
Total	72.9	100	61.8	100	74.7	100	38.3	100	45.5	100

The Company's insurance products have generated a high persistency ratio. As at 31 December 2022 and 2023, the Company recorded a 13-month persistency ratio of 98.1% and 97.4%, respectively, and a 25-month persistency ratio of 96.5% and 96.2%, respectively. As at 31 December 2024, the Company generated a 13-month persistency ratio of 97.3%, and a 25-month persistency ratio of 94.7%. As at 30 June 2024 and 2025, the Company had the highest persistency ratio amongst life insurance companies in Taiwan, recording a 13-month persistency ratio of 97.1% and 97.2%, respectively, and a 25-month persistency ratio of 95.4% and 94.1%, respectively.

A description of each of the Company's product categories is set out below.

Traditional Life Insurance

The Company's traditional life insurance mainly includes whole life insurance and term life insurance.

Whole Life Insurance. The Company's whole life insurance products provide a guaranteed benefit to the beneficiary upon the death and total permanent disability of the insured person, or a cash surrender value upon the early termination of the policy by the policyholder, in each case as predetermined by the contract, in return for periodic payment of fixed premiums over a predetermined period. Premium payments may be required up to a specified age or for a specified period, and are typically level throughout the period. One of the Company's key whole life insurance products is interest sensitive whole life insurance, which offers the potential for cash value growth tied to prevailing interest rates.

Term Life Insurance. Term life insurance products provide a guaranteed benefit to the beneficiary upon the death and total permanent disability of the insured person within a specified time period in return for periodic payment of fixed premiums. Specified coverage periods are generally for 1, 6, 10, 20 and 30 years or for specified ages. Premiums are typically set as a fixed sum for the coverage period and are generally lower than premiums for whole life insurance products. In their basic form, term life insurance policies function as pure protection products, in that they normally have little or no savings or investment elements and typically expire without value at the end of the coverage period if the insured person is still alive. The Company is actively developing its term-life products offering to gradually shorten the guaranteed period.

The Company offers life insurance on both an individual and a group basis. The Company's individual life insurance offering includes endowment, term life and whole life insurance, which provides coverage for survival benefit, death or disability benefit during the policy period. The Company's group insurance plan provides one year term-life insurance for the employees of enterprises or members of association.

The Company also offers savings insurance products that provide the policyholder with a guaranteed maturity benefit if the insured person survives a specified maturity or period stated in the policy, and provide to a beneficiary designated by the policyholder a guaranteed death benefit upon the death and total permanent disability of the insured person within the coverage period, in return for periodic payment of premiums. The coverage period would usually be the insured's whole life. Premiums are typically set as a fixed sum and are usually required to be paid in a lump sum payment or over a predetermined payment period.

Annuity Insurance

The Company offers annuities that are used by its customers to accumulate assets over an accumulation period and then to receive annuity payments in later years. As at 30 June 2025, the Company offered four annuity insurance products. Holders of its annuities pay premiums either in a lump sum payment or on a periodic basis over a predetermined period and receive periodic annuity payments during the payoff period specified in the contract. Typically, the policyholder receives periodic annuity payments if the insured person survives during the payoff period, and the beneficiary designated by the policyholder receives a death benefit if the insured person dies prior to the start of the payoff period.

Investment-linked Insurance

The Company has returned to the investment-linked product market in 2024. As at 30 June 2025, the Company offered 15 investment-linked insurance products. The Company's investment-linked insurance plan combines investment and protection, with part of the premiums invested in a wide range of investment choices. Unlike traditional products however, the benefits vary based on the performance of the related investment.

The Company expects to gradually replace part of traditional savings products with investment-linked products because they do not incur interest rate risk and require low capital charge. The Company aims to increase long tenure policyholders thereby contributing to higher asset-under-management and more stable expense gain.

Investment-linked products generally provide a return linked to an underlying investment portfolio designed by the policyholder. Investment-linked products provide the flexibility to adjust the balance between protection cover and wealth accumulation over the policyholder's lifetime. The Company aims to continue the development of diversified investment products.

Health, Accidents and Other Insurances

The Company's health and accident policies are its key protection-oriented products. As at 30 June 2025, the Company offered 82 health and accident insurance products. For the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025, the Company received premiums from its health and accident insurance products in the amounts of NT\$7.5 billion, NT\$8.3 billion, NT\$7.7 billion, NT\$3.9 billion, and NT\$5.5 billion, respectively, representing 10%, 13%, 11%, 10% and 12%, respectively, of its first year

premium. In 2022, the Company earned a premium of NT\$7.5 billion from its health and accident insurance products, which represent 10% of its first year premium, while in 2024, the amount of premium earned from such products grew to NT\$7.7 billion, representing 11% of its first year premium.

Health Insurance

The Company offers an individual health insurance plan that provides compensation for medical and surgical expenses from illness or accidents. The Company also offers a group insurance plan that provides health insurance for the employees of enterprises or members of association.

The Company offers defined health benefit insurance products and medical expense reimbursement insurance products to individuals. The Company's defined health benefit insurance products mainly include hospitalisation indemnity, surgery indemnity, dread diseases, cancer and long-term care products. The Company also continuously develops health insurance products to meet its customers' evolving health needs. For instance, the Company has included an innovative transcatheter aortic valve implantation into the scope of its dread disease products. The Company also offers comprehensive defined health benefit insurance products, which the Company believes are particularly attractive to customers who are comparatively price-sensitive and are seeking to protect against specific combinations of health events. The Company's medical expense reimbursement insurance products provide for the reimbursement of a portion of the insured person's outpatient or hospitalisation treatment fees and expenses.

To realise the goal of supporting the health of the Taiwanese people, the Company established the Health Guardian Circle in 2020, a one-stop life map that focuses on the four important health stages of life being health, sub-health, illness, and disabilities, marking a shift from the Company being a mere provider of insurance to becoming a collaborative partner in customers' health management. As at 31 December 2024, the Company has offered more than 150 value-added services in a holistic and complete system, targeting healthy and sub-healthy users, with the primary goal of maintaining the health of Taiwanese people, helping to create healthy lifestyles and delaying the occurrence of diseases, as well as diseased and disabled users by providing care solutions for Taiwanese people to get well again. By way of example, the Company has deployed the BAM App, a health management application that estimates users' biological age (an assessment of a user's physiological age, as opposed to their chronological age) and combines digital health with insurance products. To help sub-healthy users to become healthy again, the Company offers a remote health management service, which provides users with an easy-to-use physiological measurement and offers one-on-one sessions with a professional health management team. To assist cancer patients, the Company offers various value-added services during the treatment and recovery stage, as well as services that aim to help users to prevent cancer by developing healthy habits and regularly conducting bodychecks. To help elderly users, the Company launched a comprehensive LOHAS service map to raise their health awareness, to meet their wellness needs and to provide them with healthcare services for various stages of health, subhealth, illness and disability.

By combining insurance and health concepts via spillover-effect health insurance policies, the Company encourages policyholders to prevent health risks by building in wellness reward mechanisms. Through the sales of spillover-effect insurance policies, the Company has created a win-win situation for itself and policyholders by reducing the probability of claims from policyholders who are incentivised to develop healthier lifestyles. As an example, to encourage policyholders to receive their dental health check-ups regularly, the Company has introduced a first of its kind dental insurance policy incorporating a spillover mechanism, which offers dental health care rewards to policyholders who furnish medical receipts for dental cleaning. As at 31 December 2024, the Company sold approximately 590,000 spillover-effect insurance policies, ranking first in terms of the number of such policies sold amongst life insurers in Taiwan for the sixth consecutive year.

Accident Insurance

The Company offers personal accident insurance products that provide the coverage for injury, disability or death in accidents. The Company also offers a group insurance plan that provides accident insurance for the employees of enterprises or members of association.

The Company's accident insurance products provide death, disability and medical expense benefits in the event that the insured person is involved in an accident, in return for periodic payment of fixed premiums over a predetermined period. Typically, a death benefit is paid if the insured person dies as a result of an accident and a disability benefit is paid if the insured person becomes disabled, with the benefit depending on the extent of the disability. If the insured person receives medical treatment as a result of an accident, individual accident insurance policies may also provide for reimbursement of a portion of the medical treatment expenses or a fixed benefit.

The Company also offers microinsurance to help the disadvantaged obtain basic accident insurance protection. Since 2014, the Company has worked with ten city and county governments through microinsurance, including Pingtung, Taitung, Taichung, Keelung, Tainan, Changhua, New Taipei, and all outlying islands: Kinmen, Matsu, and Penghu, as the only company that has provided microinsurance to those living in the outlying islands. As at 31 December 2024, the Company's cumulative donation of microinsurance premiums has exceeded NT\$118 million, helping more than 770,000 disadvantaged people.

DISTRIBUTION AND MARKETING

The Group's distribution channel adopts the twofold agency and bancassurance model. As at 30 June 2025, the Company has a nationwide distribution channel of around 36,000 agents, ranking third in Taiwan in the industry, which target the mass market with the Group's protection-oriented products, including health insurance and accident insurance. As at 30 June 2025, the Group's agency distribution model contributed to 72% of the Company's FYP. The Group provides a comprehensive and structured training program to its agents through its College Programs. As a result of the comprehensive training and the clear career progress path offered, the number of the Company's insurance agents meeting the elite MDRT standard reached 1,159, ranking third in Taiwan and 14 globally within the industry as at 30 June 2025. The Company's distribution channels also include bancassurance arrangements featuring an open architecture structure with a wide range of partners including 40 leading financial institutions and more than 20 bank partners, such as E. Sun Bank, Bank of Taiwan, Shanghai Commercial & Savings Bank, DBS and Union Bank of Taiwan, which grant it access to approximately 3,500 sales outlets across Taiwan, access to affluent bank customers and a pool of customer deposits that is approximately NT\$53 trillion. As at 30 June 2025, the Group's bancassurance distribution model contributed to 28% of the Company's FYP. For the same period among the top five bancassurance partners that generate the most FYP for the Company, the Company is the top insurance partner for three of such five bancassurance partners. The Group's bancassurance arrangements target high net worth elderly customers and distribute protection-oriented products, including whole life insurance, term life insurance, health insurance and accident insurance. By pursuing a comprehensive distribution and marketing strategy, the Group is able to optimise its distribution and marketing efforts based on customer segmentation and targeted product offerings. In recognition of the Group's effective and multiple distribution channels, the Company is the only life insurer in Taiwan awarded "Best Insurance Agency Business" for 28 consecutive years by RMIM Inc..

The table below sets out the Company's FYP breakdown by distribution channel:

	Years ended 31 December						For the six months ended 30 June			
	2022		2023		2024		2024		2025	
	FYP (NT\$ billion)	(% of Total)	FYP (NT\$ billion)	(% of Total)	FYP (NT\$ billion)	(% of Total)	FYP (NT\$ billion)	(% of Total)	FYP (NT\$ billion)	(% of Total)
Agency.....	46.8	64	44.7	72	60.8	81	31.3	82	32.6	72
Bancassurance ⁽¹⁾	26.0	36	17.1	28	14.0	19	7.0	18	12.9	28
Total.....	72.9	100	61.8	100	74.7	100	38.3	100	45.5	100

Note:

(1) It includes the FYP from insurance brokers and online insurance.

The Group's experienced and seasoned agency force has been the key to driving high-margin product sales. The Group's agents operate out of its branch network and sell products exclusively for the Group. To maintain the effectiveness of its agent distribution model, the Group has focused on recruiting and training quality agents with an emphasis on academic qualifications and experience. When new agents join the Group, the Group onboards them and provides training on basic insurance knowledge, practice and regulation. Once onboarded, the new agents (more than 9,200 as at 31 December 2024) are enrolled into the College of New Agents for 3-12 months, which develops the agents' sales and communication skills as well as their ability to effectively utilise various sales tools. After 12 months, the new agents are promoted as team managers (more than 5,700 as at 31 December 2024) and enrolled into the College of the Elite, whose training programme covers areas such as agent recruitment, event planning, customer demand analysis and social and networking skills. The team managers are then promoted as assistant district managers (more than 2,500 as at 31 December 2024), continuing their training under the College of the Elite, which focuses on team management, multi-asset management, community development and business opportunity management. Furthermore, to provide a clear career progression path, after 15 months, the assistant district managers are promoted as district managers (more than 3,100 as at 31 December 2024) and enrolled into the College of Career Advancement, which focuses on areas such as team management and expansion, performance review, advanced business skills such as risk management and tax. Throughout the

journey from a team manager to a district manager, the agent is also enrolled into the College of Management, which further provides various training. After 48 months of being enrolled in the College of Career Advancement, the district managers are then promoted to district directors and enrolled into the College of Leadership, which focuses on team culture cultivation and talent retention, leadership and coaching skills and advanced financial planning, such as trusts. As a result of the comprehensive training and the clear career progress path offered, the Company operates a well-qualified agency team with 1,159 MDRT agents, ranking third in Taiwan and 14 globally within the industry in 2024.

INVESTMENT

Investment Objectives

When formulating its investment policies and portfolios, the Group takes into consideration factors including asset/liability management, its risk tolerance levels, its long-term risk premium requirement, its liquidity and solvency, and responsible investing principles including risk management, funds allocation management and other matters. The Group targets to hold long-term investments to support claim payments of long-term insurance contracts. The Group's investment allocation focuses on fixed income assets with good credit, supplemented by other asset classes such as stocks, loans, real estate, beneficiary certificates from, including but not limited to, private funds, infrastructure funds and exchange traded funds. The Company generally maintains a low-risk investment portfolio with 74% of its investment being allocated in fixed income investment, which was the largest allocation amongst the top three life insurance companies in Taiwan as at 30 June 2025. The Company also has a low real estate and equity exposure with 4.3% and 8.7% of its investments being allocated to real estate and equity, respectively, which was the lowest allocation amongst the top three life insurance companies in Taiwan as at 30 June 2025. Additionally, the Company maintains a RBC ratio of 276.22% as at 30 June 2025, which is well above the regulatory requirement of 200%.

Management Structure for Investment

The Group manages its investment by establishing and approving risk management policies and guidance. The Group's risk management committee (the "**Risk Management Committee**") oversees all investment related risks, and the Nan Shan Investment Commission reviews and approves the Group's investment activities. The Risk Management Committee and Nan Shan Investment Commission are supported by the investment department, which conducts investment analysis, internal control, and compliance review, execution and tracking, and the accounting and finance department, which is responsible to monitor investment-related accounting. The Group manages its investment risks by relying on its risk management department to evaluate, supervise, control and report investment risks, its legal department to manage legal workstreams relating to investment and use of funds and its internal audit's internal control in relation to investment.

Investment Income

As a result of the Company's high quality and well-diversified investment portfolio, the Company recorded investment income of NT\$194.5 billion, NT\$180.2 billion, NT\$202.5 billion, NT\$106.1 billion and NT\$59 billion for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025, respectively. A large proportion of the Company's investment income is recurring in nature, comprising 84.3%, 96.3%, 86.9%, 80.8% and 145.7% of the Company's investment income for the same period, which helps secure stable return over the mid to long term. The yield on the Company's investment portfolio, after exchange rate hedging, was 3.83%, 3.47%, 3.83%, 2.87% and 2.06% for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025, respectively. The lower investment yield for the six months ended 30 June 2025 was due to the sharp appreciation of the NTD against the U.S. dollar. To achieve better currency matching, the Group aims to shift more investments related to its NTD-denominated policies to NTD-denominated investment assets. The yield on the Company's recurring investment portfolio, on a pre-exchange rate hedging basis, was 3.21%, 3.34%, 3.32%, 3.17% and 3.11% for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025, respectively. The breakeven point of the Company's investment portfolio was 3.08%, 3.01%, 3.02%, 2.99% and 1.73% for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025, respectively. The lower breakeven point for the six months ended 30 June 2025 was due to a one-time release of NT\$32 billion excess liability reserves in June 2025 per the FSC's latest easing measure.

Investment Portfolios and Performance

The Company's investment portfolio has been growing at a steady pace of 3.83% compound annual growth rate over the last three years. The Company recorded total investment assets of NT\$5.2 trillion, NT\$5.3 trillion, NT\$5.5 trillion and NT\$5.4 trillion for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025, respectively. The majority of the Company's investment has been in overseas fixed income investment over the last three years. As at 30 June 2025, the Company's investment on overseas fixed income reached NT\$3,278 billion, representing 61.1% of its total investments.

Overseas focused

Due to the combined impacts of high insurance penetration in Taiwan and the inadequate market capacity and depth of the domestic NTD-denominated bonds market, the Company maintains a significant proportion of overseas investment. As at 30 June 2025, the Company invested NT\$3,278 billion overseas (consisting of both overseas fixed income and overseas equity investments), accounting for 61.1% of the Company's total investments. Similar to most of the other life insurers in Taiwan, the Company has maintained a high exposure to overseas investment. Considering comparative benefits, risk appetite and diversification, the Group has gradually established a diversified overseas portfolio, including various overseas high-rated bonds, stocks, private funds, infrastructure funds. Meanwhile, by adopting flexible foreign exchange hedging strategies, the Group seeks to manage exchange risks and effectively improves return within the risk limit.

The Group's investment strategy for overseas bonds mainly focuses on asset allocations according to the cost and tenor of the liabilities, diversifying allocations by region, country, and industry to reduce concentration risk, and focusing on investment grade bonds with higher credit ratings to maintain a higher credit quality of the portfolio.

Debt portfolios

The Group's current debt positions are mainly in NTD and U.S. dollar bonds. Given smaller market size and lower yield of the Taiwanese bond market, the Group's debt investment has relied on overseas investment to achieve optimal asset portfolio in order to effectively improve return and asset credit quality of its portfolios. The Group's overseas fixed income allocation reflects a broad diversification of investment across asset type, ratings, region and sector, which enables the Group to diversify risk while benefiting from investment opportunities. The Company's overseas fixed income investment is divided amongst a mixture of asset types, including financial bond, corporate bond, government bond and other products, comprising 36%, 32%, 27% and 5%, respectively, of the Company's overseas fixed income as at 30 June 2025. The Company's overseas fixed income investment achieves a stable recurring income as a result of its strong credit quality, which are mostly rated A or above by rating agencies, with 37% being rated A, 35% being rated AA, 3% being rated AAA, 21% being rated BBB and 4% or being rated BB or below. In terms of geographical distribution, the Company invests in overseas fixed income products in North America, Europe, Asia and other parts of the world, comprising 53%, 20%, 20% and 7%, respectively, of the Company's overseas fixed income as at 30 June 2025. The majority of such overseas fixed income investment is denominated in U.S. dollar, which comprises 99.8% of the Company's overseas fixed income investment, spreading across principal investment targets such as long-term sovereign bonds and investment-grade corporate/financial bonds of European and American countries and selected emerging market countries.

Equity portfolios

In terms of geographical distributions, the Company's equity investment is focused on Taiwan stocks, which accounts for around 50% of the Company's total equity portfolios, followed by US, Hong Kong and Chinese stocks, and a limited portion of European stocks, covering sectors such as technology, financial services and consumer goods with a primary focus on the industry leaders. In constructing the equity portfolio, the Company relies on fundamental research on companies and industrial sectors, while combining top-down research on external business cycle to examine whether its overall equity positions are overweight or underweight in order to identify investment targets with strong fundamentals and high growth potential. The Company dynamically adjusts the equity portfolios according to the overall asset allocation plan, following internal and external rules to rebalance the targets. The following table sets out the Company's investment portfolio for the financial periods indicated:

	Years ended 31 December						For the six months ended 30 June	
	2022		2023		2024		2025	
	(NT\$ billion)	(% of Total)	(NT\$ billion)	(% of Total)	(NT\$ billion)	(% of Total)	(NT\$ billion)	(% of Total)
Fixed Income								
Overseas fixed income	3,350.0	64.3	3,380.2	64.4	3,581.6	65.3	3,278.1	61.1
Domestic fixed income	677.6	13.0	694.2	13.2	673.6	12.3	681.1	12.7
Equity Investments								
Domestic equity	191.4	3.7	185.9	3.5	231.1	4.2	254.1	4.7
Overseas equity	205.2	3.9	205.1	3.9	210.6	3.8	214.2	4.0
Deposit and cash equivalent	116.5	2.3	103.5	2.0	115.8	2.1	209.0	3.9
Real estate	212.8	4.1	232.9	4.4	229.1	4.2	232.3	4.3
Others	453.8	8.7	449.5	8.6	440.0	8.1	497.6	9.3
Total Investments	5,207.3	100.0	5,251.3	100.0	5,481.8	100.0	5,366.4	100.0

Hedging Strategy

In order to manage the foreign exchange risks in its investments, the Group adopts two key hedging strategies: traditional hedging and basket hedging. The Group regularly reviews changes in the position to manage foreign exchange risks and hedging costs according to market conditions, by adjusting the duration and unhedged ratios.

Traditional hedging strategies are divided into domestic hedging and overseas hedging. Domestic hedging instruments are mainly currency swaps. As the cost of currency swaps is affected by the interest rate spread between Taiwan and the US, the Group analyses monetary policies of Taiwan and the US to predict the movement of spread between Taiwan and the US's interest rate in order to adjust the contract term to reduce long-term amortisation costs and optimise hedging positions. Overseas hedging instruments are mainly non-deliverable forward ("NDF"), which is mainly used to adjust the ratio of the Group's unhedged position. The Group determines the NDF hedging position and contract duration based on its view of the NTD and the cost of NDF. In addition, in order to manage long-term NDF hedging costs in NTD, the Group also uses a diversified basket of currency hedging strategies as an alternative to NDF hedging in NTD to mitigate overall hedging cost in the periods of elevated offshore NDF hedging cost. The Group's currency hedging basket mainly selects non-US dollars currencies whose price fluctuation direction is similar to that of NTD.

As at 30 June 2025, the Company had NT\$3.7 trillion foreign exchange assets, of which 27.5% is reserved for its U.S. dollar-denominated policies and 72.5% for foreign exchange risk exposures related to its foreign investments backed by its NTD-denominated policies, the latter of which is well hedged by currency swap & NDF, proxy, open and FVOCI & FVTPL, which accounted for 59.4%, 8.2%, 19.7% and 12.7%, respectively.

To address the recent appreciation of NTD against the U.S. dollar, the Company applied to the FSC in May 2025 to release NT\$40 billion foreign exchange reserve to counteract foreign currency losses. After the FSC's approval on 10 July 2025, NT\$32 billion was released from the Group's liability reserve to profit, and NT\$16 billion provision for foreign exchange reserves was recognised. These adjustments have been reflected in the Group's audited consolidated financial statements as at and for the six months ended 30 June 2025.

DEBT PROFILE

The Company has a debt profile with a diversified maturity duration that has an average duration of 13-17 years. The following table sets out the Company's bond positions.

	Bonds Structure	Issuance Date	Currency	Principal Amount (billion)	Coupon Rate	First Call Date	Right of Early Redemption ⁽¹⁾
1.	Perpetual Cumulative Subordinated Corporate Bonds	June 2016	NTD	25.00	3.50%	June 2026	✓

2.	Perpetual Cumulative Subordinated Corporate Bonds	June 2017	NTD	7.00	3.45%	June 2027	✓
3.	Perpetual Cumulative Subordinated Corporate Bonds	June 2018	NTD	10.00	3.30%	June 2028	✓
4.	10-year Cumulative Subordinated Corporate Bonds	October 2023	NTD	7.21	3.75%	October 2033	✗
5.	15-year Cumulative Subordinated Corporate Bonds		NTD	4.29	3.88%	October 2038	✓
6.	10-year Cumulative Subordinated Corporate Bonds	January 2024	NTD	1.90	3.75%	January 2034	✗
7.	15-year Cumulative Subordinated Corporate Bonds		NTD	1.60	3.88%	January 2039	✓
8.	10-year Cumulative Subordinated Corporate Bonds	June 2024	NTD	2.38	3.75%	June 2034	✗
9.	15-year Cumulative Subordinated Corporate Bonds		NTD	1.66	3.88%	June 2039	✓
10.	10-year Tier 2 Subordinated Dated Capital Bonds	September 2024	USD	0.70	5.45%	N/A	✗
11.	10-year Cumulative Subordinated Corporate Bonds	December 2024	NTD	1.88	3.75%	December 2034	✗
12.	15-year Cumulative Subordinated Corporate Bonds		NTD	1.60	3.88%	December 2039	✓
13.	10-year Cumulative Subordinated Corporate Bonds	April 2025	TWD	2.9	3.75%	April 2035	✗
14.	15-year Cumulative Subordinated Corporate Bonds		TWD	2.1	3.88%	April 2040	✓

15.	10-year Cumulative Subordinated Corporate Bonds	Jun 2025	TWD	6.1	3.75%	Jun 2035	✕
16.	15-year Cumulative Subordinated Corporate Bonds		TWD	3.9	3.88%	Jun 2040	✓

Notes:

- (1) Redemption amount is the full amount of the Company's debt, including accrued interest.

RISK MANAGEMENT

Risk management is fundamental to the Group's operations and its long-term growth. The Group has devoted substantial resources to enhancing its risk management over the years, and it has created risk management policies with the aim to promote operational efficiency, ensure asset safety, increase shareholders' value, and comply with applicable domestic and overseas laws and regulations for the purpose of steady growth and sustainable management.

Risk Management Framework and Structure

The Group's risk management policies have designated different responsibilities and roles to the various levels within the Group:

The Board of Directors

The Board of Directors is the highest authority ultimately responsible for the Group's risk management. Taking into account the Group's business strategy and other economic factors, the Board of Directors approves the risk management policy and risk limits, reviews risk appetite annually and supervises the effectiveness of its risk management mechanism in order to make necessary adjustments. To facilitate effective risk management, the Board of Directors authorises its risk management department (the "**Risk Management Department**") to handle violations of risk limits.

Risk Management Committee

The Risk Management Committee is chaired by an independent board director to coordinate the risk management affairs of the Group. The Risk Management Committee regularly reviews the implementation of the risk management policies and risk measurement standards.

Risk Management Department

The Risk Management Department assists in drafting and carrying out the risk management policy risk appetite and risk limits approved by the Board of Directors. In addition, the Risk Management Department is also responsible for coordinating and monitoring risk management practices and executing risk management policy and risk limits through information provided by business units.

Business Units

Each business unit of the Group is also deeply involved in risk management. The duties of the business unit heads include without limitation (i) managing and reporting risks as well as taking remedial actions when necessary and (ii) supervising its unit to provide risk management related information to the Risk Management Department periodically. Under the supervision of the unit heads, the business units (i) identify risks and report risk exposures, (ii) measure risk impacts (quantitatively or qualitatively) and communicate with the unit heads in a timely and proper manner, (iii) review and ensure operations are within risk limits, (iv) monitor and report breaches of risk limits (including the mitigations taken), (v) facilitate risk management model development to ensure the related measures, models, and assumptions are applied on a reasonable and consistent basis, (vi) effectively implement internal controls to comply with regulations and the relevant risk management policies; and (vii) assist in collecting operational risk information to be channeled through via the Risk Management Department and the Risk Management Committee to the Board of Directors.

Internal Audit Department

The department audits each business unit's implementation status of risk management practices pursuant to the applicable laws and regulations and related rules and guidance of the Group.

Risk Management Procedures

The Group's risk management strategy focuses on (i) risk appetite and risk limit, (ii) market risk, (iii) credit risk, (iv) liquidity risk, (v) insurance risk, (vi) operational risk and (vii) assets liability matching risk.

Risks Appetite and Risk Limit

Considering business strategies, business objectives, business growth, risks and returns, the Group adopts capital adequacy and credit ranking as the basis of its risk appetite, which requires the RBC ratio to be maintained above 250% for the Company, 270% for early warning threshold and 300% for Nan Shan General Insurance. The net worth ratio of the Company shall be maintained above 4% with 4.5% as an early warning threshold. The Company aims to maintain its international credit rating at or above BBB+ (or its equivalent). Risk limits are set up with reference to the characteristics of the Group's risk and the risk appetite.

Market Risk

Market risk is the risk of losses in value of the Group's financial assets arising from the changes in market prices of financial instruments. The market risk management mechanism of the Group includes major asset control regulation, risk measurement method, risk limit and authorisation, and a procedure to handle risk limit breach.

Credit Risk

Credit risk refers to the risk that the debtor's credit will be downgraded, the relevant debtor defaults on payment to the Group or the counterparty becoming unable or refusing to perform its obligations. In relation to such credit risks, the Group has implemented pre- and post-transaction credit risk management, as well as credit rating limit management. In addition, the Group manages its reinsurance risk (as part of the credit risk) by considering the ability of the Group to bear retained risks and setting the cumulative limits. The Group will transfer risks exceeding its risk limits through reinsurance and focus on the diversification of reinsurers for effective management. The Group will further review the credit rating of the reinsurers regularly in accordance with its reinsurance risk management plan.

Liquidity Risk

Liquidity risk is comprised of funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the Group is not capable of performing matured commitment because it fails to realise assets or obtain sufficient funds. Market liquidity risk is the risk of significant changes in fair values when the Group sells or offsets its positions during a market disorder or a lack of sufficient market depth.

The Group's funding liquidity risk management mechanism is as follows: (i) business units are required to follow the liquidity risk management policy to incorporate or modify liquidity risk management mechanism in its internal control procedure to maintain the safety of fund usage; (ii) funding units are required to be independent from trading units, perform daily cash management and continuous cash flow management and monitor the cash flow of each business unit; (iii) to ensure fund liquidity, consideration should be given to both domestic short-term liquidity and cross country or cross market funding liquidity; and (iv) applying a cash flow model to evaluate and monitor the change in mid-term and long-term liability cash flows.

The Group's market liquidity risk management mechanism cautiously considers the fitness of market trading volume and holding positions and the significant impact to market price caused by block trade.

Insurance Risk

Insurance risks refer to the probability of occurrence of insured events, and the uncertainty of the Group possessing adequate assets to meet future obligations prescribed in the insurance contract.

Product Design and Pricing Risk. This risk is caused by data inappropriateness, inconsistency or unexpected changes in product design, policy clauses, and pricing.

Reinsurance Risk. This is a risk that a company is unable to cede those risks in excess of their proposed retention or unable to recover ceded risks from reinsurers such as unearned reinsurance premium and claim recovery.

Underwriting Risk. Underwriting risk refers to unexpected losses incurred from soliciting and underwriting processes.

Catastrophic Risk. This is a risk that a catastrophe event will result in a severe aggregate damage amount that may result in a downgrade or even insolvency of a company.

Reserve Related Risk. This risk refers to insufficient reserves to honour future insurance obligation due to underestimating insurance contract liabilities.

Addressing each of the insurance risks as set out above, the Group has designed underwriting policies to ensure adequate risk classification and premium level. The Group's underwriters review each insurance cases based on underwriting policies and procedures with fair and objective standards. In addition, during underwriting, to protect interests of the Group's clients and the safety of its operation, information of policyholder and the insured such as basic information, insurance interests, financial and health condition, occupation will be thoroughly reviewed, while concurrently considering the insurance purposes, coverage, and premium reasonableness. Underwriting staff of the Group are properly trained and supervised in accordance with Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises and related regulations. Related approval authority is granted according to the underwriting staff's experiences, capability, professional levels to ensure the underwriting quality and efficiency. The Group has also set up guidance for controversial cases and task forces for large coverage cases and adopts a timely risk control approach.

Operational Risk

Operational risk includes the risk of direct or indirect loss caused by external events or internal process, human and system failures. It includes legal risk, money laundering and financing terrorism risk and continuous operation management, but it excludes strategic and reputation risk. Through risk identification, assessment, response, monitoring, information communication and documentation, the Group allocates resources effectively to enhance its operational risk management.

Asset Liability Matching Risk

This risk results from the inconsistencies between the values of assets and those of liabilities. The Group periodically monitors the expected cash flow of assets and liabilities in order to effectively manage the asset liability matching risk.

INFORMATION TECHNOLOGY

The Group regularly conducts core information systems disaster recovery exercises and distributed denial of service exercises, assesses computer system information security, performs penetration tests for external websites, and holds company-wide social engineering exercises to ensure the security of the Group's information infrastructure and network information security protection, while protecting the Company's sensitive or confidential data and personal data.

To reinforce information resilience and to provide secure, convenient, and uninterrupted services, the Company has passed the renewal certification of ISO 22301:2019 Business Continuity Management System and ISO 27001:2013 Information Security Management System certifications in 2024.

EMPLOYEES

As at 30 June 2025, the Company has a total number of 4,180 employees, over 98.2% of whom possess bachelor or higher degrees and Nan Shan General Insurance has a total of 818 employees, over 97.9% of which possess bachelor or higher degrees. The average years of service of the Company's employees are 13.7 years and Nan Shan General Insurance's employees are 7.8 years.

The Group has provided various business-related training for its employees. The Group is committed to creating a continuous and diverse learning environment and attaches great importance to talent training to reinforce the Company's competitiveness and facilitate long-term development.

ENVIRONMENTAL PROTECTION, SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE ("ESG")

To uphold its social responsibility and to fulfil its mission of public service in the insurance industry, the Company has adopted "H.E.A.R.T." (Health, Earth, Action for Good, Reliability, Talent) as its sustainability strategy while pursuing the vision of "making earnest commitment and taking protective actions".

The five main sustainability strategies include the below:

- Health – to promote new service-empowerment concepts for insurance, fulfil the wellness and healthcare needs of customers and to become the guardian of public health;
- Earth – to reduce carbon footprint and greenhouse gas emission and to implement energy-saving and carbon reducing measures, such as digitalisation and mobile insurance services;
- Action for Good – to develop inclusive finance through microinsurance products to safeguard the welfare and to provide protection for vulnerable groups, to promote community medical care for disadvantaged groups and to provide local care for the underprivileged as three pillars for social engagement;
- Reliability – to cultivate a business ethos that treat customers as family, to treat customers fairly and to strengthen corporate governance and integrity; and
- Talent – to establish a comprehensive career and business development system, to create a healthy, safe and growth-oriented work culture and environment and to construct a robust training and development system for employees to enhance industrial competitiveness and productivity.

In recognition of the Company's sustainability efforts, the Company was ranked top 20% in the insurance industry in Taiwan in the first sustainable finance assessment conducted in 2024. The Company also received the Taiwan Sustainable Enterprise Excellence Award at the Taiwan Corporate Sustainability Awards and the Human Investment and Corporate Sustainability Report Award at the Asia Responsible Enterprise Awards.

In relation to environmental protection, the Company has comprehensively introduced three major environmental sustainability management systems: ISO 14064-1, ISO 14001 and ISO 50001. The Company has completed greenhouse gas inventories for all business locations in Taiwan, achieving a 100% coverage rate. In 2022, the Group launched a green power system at Nan Shan Education & Training Centre to generate electricity, which resulted in a carbon reduction equivalent to 106 metric tons. In 2023, by adopting a low-carbon business model that significantly reduces the output of printed literature and promotes the usage of electronic documents and electronic insurance policies, the Company had reduced its carbon footprint by 3% or more within five years and obtained from Environmental Protection Administration ("EPA") a Carbon Footprint Label for life insurance services, which could be used again if the same goal is reached five years. In 2023, Nan Shan General Insurance, a subsidiary of the Company, became the first financial company in Taiwan to obtain from the EPA both the Carbon Footprint Label for property insurance and the Carbon Footprint Label for electronic insurance policy.

In relation to social responsibility, the Group has developed a talent retention system that enhances the recognition of the Nan Shan brand in the workplace. As at 31 December 2024, the Group's key talent retention remained high at 99%. Various benefits are offered to the Group's employees, such as the industry leading group employee insurance and fully subsidised vaccination insurance. As at 31 December 2024, over 120,000 volunteers (in cumulative number) from the Group actively participated in volunteer services, demonstrating the Group's commitment to community engagement. The Group also undertakes the social responsibility of looking after the health and wellbeing of the Taiwanese population. In 2024, the Nan Shan Charity Fund Medical Care Program served over 360,000 people through microinsurance. Additionally, the Group's Health Guardian Circle had 58 partners and offered over 120,000 policyholders heart-warming services. As at 31 December 2024, the Company ranked first in terms of the number of spillover-effect insurance policies and the number of long-term care insurance policies sold.

In relation to corporate governance, the Group achieved an annual performance appraisal score of 98 with an excellent rating from its board of directors. To reinforce information resilience and to provide secure, convenient, and uninterrupted services, the Group has passed the renewal certification of ISO 22301:2019 Business Continuity Management System and ISO 27001:2013 Information Security Management System certifications in 2024. The Group's policyholders have an average satisfaction rate of 99.6%. Furthermore, the Group has achieved a 100% implementation rate in evaluating ESG as a factor when considering equity investment targets and increasing

fixed income holdings. The Group has achieved a 100% attendance rate and voting rate in all shareholder meetings of invested domestic companies.

See "*Risk Factors - Risk Factors Relating to The Business of The Group - The failure to identify and adequately address risks associated with ESG factors could adversely affect the achievement of the Group's long-term strategy and affect its business*" for a discussion of the relevant risks of ESG.

LEGAL AND REGULATORY

As at the date of the Offering Circular, except as otherwise disclosed in this Offering Circular, the Group is not involved in, or aware of, any litigation, arbitration or administrative proceedings, actual or threatened, that would, individually or in the aggregate, have a material adverse effect on its business, financial condition or results of operations.

RELATED PARTY TRANSACTIONS

The Group engages from time to time in various transactions with related parties. Terms and conditions of related party transactions are made on arm's length basis. There is no difference in terms and conditions between related parties and non-related parties transactions. For details, please see note 7 to the Group's consolidated financial statements as at and for the year ended 31 December 2024.

INDUSTRY OVERVIEW

The following overview of the insurance industry in Taiwan has been provided for background purposes only. The information presented in this section is derived from various government and private publications. Such information is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any market study and statistical survey. None of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them or any other party involved in the offering has independently verified such information. Accordingly, such information should not be unduly relied upon.

TAIWAN LIFE INSURANCE INDUSTRY

Industry Overview

Amongst the developed Asia Pacific markets in 2023, Taiwan is the fourth largest life insurance market in terms of life premium volume, following Japan, South Korea, and Hong Kong, and ranked third in terms of life insurance policy penetration rate. In 2023, the total life premium income amounted to U.S.\$54 billion and Taiwan also recorded the second highest savings rate behind Singapore.

Over the past decade, Taiwan life insurers' total assets have been growing steadily at a compound annual growth rate of 6.9%. In 2024, the total assets of Taiwan life insurance companies were 32.9% of overall Taiwan financial institutions, compared to 7.1% and 7.2% in the U.S. and China, respectively during the same period. The sector is highly regulated by the Insurance Bureau of FSC. There is also the Taiwan Insurance Guaranty Fund which was established in 2009 to provide support to Taiwanese insurers where needed to ensure the financial stability of the insurance industry in Taiwan.

In 2023, there were a total of 21 registered life insurance companies in Taiwan, of which 16 were domestic and 5 were foreign players. In 2024, the top three players' gross written premiums jointly accounted for 46.8% of the Taiwan market, and the number for the six months ended 30 June 2025 was 45.6% according to the FSC. The top three players are also the only three life insurers in the market to achieve double-digit market share by gross written premiums. In terms of net income, the top three players collectively accounted for 70.9% of the industry in 2024.

Industry Trends

Going forward, Taiwan's life insurance market could continue to grow steadily in light of rapidly aging population and prolonging life expectancy, rising health expenditure, growing insurance awareness and increasing focus on protection products.

The overall market is seeing a shifting landscape as the demand for protection and health grows. Since 2022, the sales of traditional life product have increased from 49.0% to 55.0% in 2023 and 55.0% during the six months ended 30 June 2025. It is primarily due to slow-down in sales of investment-linked products due to rates and return fluctuations, and competition from other financial products, and the industry's focus on transitioning to TW-ICS and IFRS 17 by 2026 via sales of long-term and protection-oriented products.

According to Organisation for Economic Co-operation and Development (the "OECD"), the life expectancy of Taiwan population in 2020 was 81 years and is estimated to extend to 88 years by 2070. In addition, the population aged 65 and above accounted for 16.0% of total population in 2020, and it is forecasted to grow to 47% by 2070. Amidst a rapidly aging population and longer life expectancy in general, the percentage of health expenditure over GDP in Taiwan only ranked 29 out of 39 OECD's jurisdictions, recording 7.8% in 2023, below the OECD's average of 9.3%. The growing health expenditure in Taiwan might lead to an increasing demand for commercial health insurance to complement the current coverage provided by the public health system.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The Company is managed by the board of directors (the "**Board of Directors**"), which is collectively responsible for overseeing management of the Company's business and affairs. The Board of Directors also formulates the overall strategy of the Company, monitors its financial performance and maintains an effective corporate governance structure in its subsidiary. Daily operations and administration are delegated to the management of the Company and its subsidiary.

The Board of Directors is currently comprised of a total of 14 directors, including five independent directors. The table below sets forth the Company's directors, their ages and positions:

Name	Age	Title
Mr. Chung-Yao Yin 尹崇堯	41	Chairman
Mr. Samuel Yin 尹衍樑	74	Director
Mr. Yue-Ming Ho 何宇明	54	Director
Mr. Han-Fei Lin 林翰飛	61	Director
Mr. Chi-Chuan Chen 陳志全	67	Director
Ms. Hsiu-Yen Chang 張秀燕	67	Director
Mr. Tamon Tseng 曾達夢	66	Director
Mr. Stan Shih 施振榮	80	Director
Mr. Walter H.C. Chang 張宏嘉	73	Director
Mr. Hsin-Chun Wang 汪信君	52	Independent Director
Mr. Ming-Chin Chen 陳明進	60	Independent Director
Mr. Rung-Syou Tsen 曾榮秀	76	Independent Director
Mr. Ting-Chieh Lu 盧廷劼	67	Independent Director
Mr. Chenghsien Tsai 蔡政憲	56	Independent Director

CHAIRMAN

Mr. Chung-Yao Yin 尹崇堯, aged 41, as a representative of Ruentex Development Co., Ltd., has served as the Company's Chairman since 2022 and the Company's director since 2016. Mr. Yin is also currently working as a chairman of Nan Shan Life Charity Foundation, a chairman of Tang Prize Foundation, a director of Nan Shan General Insurance, a director of Ruen Chen, a director of Ruentex Industries Ltd., a director of Ruentex Development Co., Ltd., a director of Ruentex Engineering & Const.Co., a director of Ruentex Materials Co., Ltd., a director of Ruentex Xu-Zhan Development co., Ltd., a director of Penglin Investment Co., Ltd., a director of Changchun Investment Co., Ltd., a director of Yitai Investment Co., Ltd., a director of Renying Industrial Co., Ltd., a director of Yingjia Investment Co., Ltd., a director of Shengcheng Investment Co., Ltd., a director of Ruentex Leasing Co., Ltd., a director of Runtaixing Co., Ltd., a director of Ruen Hua Dyeing & Weaving Co., Ltd., a director of Jinghong Investment Co., Ltd., a director of Gogoro Taiwan Limited, a director of GoShare Taiwan Limited, a director of Gogoro Taiwan Sales and Services Limited, a director of Gogoro Network (Cayman), a director of Taiwan Branch, a director of Obigen Pharma, a director of Gogoro Inc., a director of Yin Shu-Tien Medical Foundation, a director of The Medical Charity Foundation and a director of Hsun-Ruo Yin Educational Foundation.

Mr. Yin holds a Ph.D., from University of Oxford, the United Kingdom. Mr. Yin also has the qualifications under Article 8, paragraph 1 of the Regulations Governing Qualification Requirement and Concurrent Serving Restrictions and Matters of Compliance by the Responsible Persons of Insurance Enterprises.

DIRECTOR

Mr. Samuel Yin 尹衍傑, aged 74, as a representative of Huei Hong Investment Co., Ltd., has served as the Company's Director since 2011. Mr. Yin is also currently working as a chairman of Changchun Investment Co., Ltd., a chairman of Huei Hong Investment Co., Ltd., a chairman of Ruentex Leasing Co., Ltd., a chairman of Renying Industrial Co., Ltd., a chairman of Hsun-Ruo Yin Educational Foundation, a chairman of Yin Shu-Tien Medical Foundation, a chairman of Cheng Hsin General Hospital, a director of Ruen Hua Dyeing & Weaving Co., Ltd., a director of Runtaixing Co., Ltd., a director of Tang Prize Foundation and a director of Prof. Albert Ly-Young Shen's Medical Education Foundation.

Mr. Yin is also the chairman of Ruentex Group. Mr. Yin holds a PhD in Business Administration from National Chengchi University.

Mr. Yue-Ming Ho 何宇明, aged 54, as a representative of Pou Chen Corporation, has served as the Company's Director since 2022. Mr. Ho is also currently working as a director of Pou Chen Corporation, a director of Ruen Chen, a director of Wealthplus Holdings Limited and a vice president of Pou Chen Corporation.

Mr. Ho holds a Master of Law from National Taiwan University.

Mr. Han-Fei Lin 林翰飛, aged 61, as a representative of Pou Chen Corporation, has served as the Company's Director since 2024. Mr. Han-Fei Lin is also currently working as a chairman and CEO of Easywell Biomedicals, Inc., a chairman of Qianjinfang Health Biotechnology Co., Ltd., a partner of Hua Wei International Technology Consulting Co., Ltd., a director of Saviah Technologies, Inc., a director of Tai-Ling Biotech., Inc., a director of Hyena Inc., a director of Magnifica Inc., a director of Easywell Biomedicals, Inc., a director of Tulex Pharmaceuticals Inc., a director of Jiangsu Huahan Pharmaceutical Technology Co., Ltd., an independent director of P-Two Industries Inc., an independent director of VisEra Technologies Company Ltd., an independent director of eCloudvalley Digital Technology Co., Ltd., a supervisor of Synmax Biochemical Co., Ltd., a supervisor of Yuwei Asset Management Co., Ltd., a supervisor of WS Fashion Group Co., Ltd., a supervisor of Miho International Cosmetic Co., Ltd. and a supervisor of Ruen Chen.

Mr. Lin holds a master's degree in Business Administration from Wharton School, University of Pennsylvania.

Mr. Chi-Chuan Chen 陳志全, aged 67, as a representative of Huei Hong Investment Co., Ltd., has served as the Company's Director since 2011. Mr. Chen is also currently working as a chairman of AP Biosciences Inc., a chairman of Obigen Pharma., a director of Ruentex Engineering & Const.Co., a director of Tanvex BioPharma, Inc., a director of Tanvex Biologics, Inc., a director of TaiMed Biologics Inc., a director of Mithra Bioindustry Co., Ltd., a director of Mass Solutions Technology Co., Ltd., a director of Do-Intelligent Consulting Inc., a director of Mithra Chemical Analysis Laboratory Inc., a director of Amaran Biotechnology, Inc., a director of Cotton Field Organic Co., Ltd., a director of RenBio Holding Ltd., a director of Delos Capital Holdings Limited, a director of Theragent, Inc., a director of Brogent Technologies Inc., a director of Mega Growth Venture Capital Co., Ltd., a director of Miho International Cosmetic Co., Ltd., a director of Mirror Vision Inc., a director of WS Fashion Group Co., Ltd., a director of Hsun-Ruo Yin Educational Foundation, a supervisor of Ruen Chen and a vice president of Huei Hong Investment Co., Ltd.

Mr. Chen holds a master's degree in Business Administration from National Taiwan University.

Ms. Hsiu-Yen Chang 張秀燕, aged 67, as a representative of Ruentex Industries Ltd., has served as the Company's Director since 2022. Ms. Hsiu-Yen Chang is also currently working as a director of Shing Yen Construction Development Co., Ltd., a supervisor of Ruentex Construction Co., Ltd., a supervisor of Ruentex Xu-Zhan Development Co., Ltd., a supervisor of Runtai Baiyi Co., Ltd., and a supervisor of Ruentex Development Co., Ltd.

Ms. Hsiu-Yen Chang has completed her education from Open College of Continuing Education.

Mr. Tamon Tseng 曾達夢, aged 66, as a representative of Ruen Chen, has served as the Company's Director since 2011. Mr. Tseng is also currently working as a chairman of Ruen Chen, a chairman of Taiwan Transport Insurance Services Co., Ltd., a chairman of Gogoro Inc., a chairman of Gogoro Taiwan Limited, a chairman of GoShare Taiwan Limited, a chairman of Gogoro Taiwan Sales and Services Limited and a chairman of GoPocket Taiwan Limited., a director of Shengcheng Investment Co., Ltd., a director of Runtai Construction Co., Ltd., a director of China Marine Surveyors & Sworn Measurers' Corp., a director of OBI Pharma, Inc., a director of Amaran Biotechnology, Inc., a director of Mithra Bioindustry Co., Ltd., a director of TaiMed Biologics Inc., a director of

Haoke Investment Holding Limited, a director of Ruenhuei Biopharmaceuticals Inc., a director of Yingjia Investment Co., Ltd., a director of Arise Profits Ltd., a director of Tanvex BioPharma, Inc., a director of Hsun-Ruo Yin Educational Foundation, a supervisor of Yitai Investment Co., Ltd., a supervisor of Runtaixing Co., Ltd., a supervisor of Ruen Hua Dyeing & Weaving Co., Ltd. and a supervisor of Renying Industrial Co., Ltd.

Mr. Tseng holds a master's degree in law from University of London, United Kingdom. Mr. Tseng also has an attorney license in the United Kingdom.

Mr. Stan Shih 施振榮, aged 80, has served as the Company's Director since 1999. Mr. Shih is also currently working as a chairman of StanShih Foundation, a chairman of CT Ambi Inc., a chairman of Himalaya Venture Fund Corp., a chairman of Porrima Inc., a chairman of Taiwan Innovation Centre Aging Inc., a chairman of Cloud Gate Foundation, a director of Acer Incorporated, a director of Hongrong Investment Co., Ltd., a director of Egis Technology Inc., a director of Chinese Television System Corp., a director of Acer Medical Inc., a director of One Song Inc., a director of AiSails Power Inc., a director of Himalaya VC Management Corp., a director of Taiwan Public Television Service Foundation, a director of The Alliance Cultural Foundation, a director of C. F. Koo Foundation, a director of Acer Foundation, a director of Yu Chi-Chung Cultural & Education Foundation, a director of NSFG Foundation, a director of Qiu Zaixing Culture and Education and a supervisor of Li Jin Engineering Co., Ltd.

Mr. Shih is also the founder of Acer Group. Mr. Shih also has the qualifications under Article 8, paragraph 1 of the Regulations Governing Qualification Requirement and Concurrent Serving Restrictions and Matters of Compliance by the Responsible Persons of Insurance Enterprises. Mr. Shih holds a master's degree from the Institute of Electronics, National Chiao Tung University.

Mr. Walter H.C. Chang 張宏嘉, aged 73, has served as the Company's Director since 2003. Mr. Chang is also currently working as a chairman of Lai Lai Department Stores Co. Ltd., a chairman of F.T.F. Trading Co., Ltd., a chairman of Crown Industrial Co., Ltd., a chairman of Holmsgreen Holdings Co., Ltd., a chairman of LaiLai Logistics Co., Ltd., a chairman of Liquan Investment Co., Ltd., a director of Serena Foods Incorporation, a director of OKmart Co., Ltd. and a director of FCF Co., Ltd.

Mr. Chang has the qualifications under Article 8, paragraph 1 of the Regulations Governing Qualification Requirement and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Insurance Enterprises. Mr. Chang holds a master's degree in Business Administration from University of Southern California.

INDEPENDENT DIRECTOR

Mr. Hsin-Chun Wang 汪信君, aged 52, has served as the Company's Independent Director since 2022. Mr. Wang is currently working as a professor in the College of Law at National Taiwan University. Mr. Wang used to be a member of the evaluation committee of the Financial Ombudsman Institution and a director of the Commercial Law Center, College of Law, National Taiwan University.

Mr. Wang has expertise in law and business and the qualifications under Article 8, paragraph 1 of the Regulations Governing Qualification Requirement and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Insurance Enterprises. Mr. Wang holds a PhD in law from Queen Mary, University of London, the United Kingdom and a master's degree in science from National Chengchi University.

Mr. Ming-Chin Chen 陳明進, aged 60, has served as the Company's Independent Director since 2022. Mr. Chen is also currently working as a professor at the Department of Accounting, National Chengchi University. Mr. Chen used to be the director of the Department of Accounting, National Chengchi University and an independent director of the Bank of Taiwan.

Mr. Chen is a certified public accountant license holder in the Republic of China. Mr. Chen holds a PhD in Accounting from Arizona State University and a master's degree in Business Administration from University of Pittsburgh, the United States.

Mr. Chen has the qualifications under Article 8, paragraph 1 of the Regulations Governing Qualification Requirement and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Insurance Enterprises.

Mr. Rung-Syou Tsen 曾榮秀, aged 76, has served as the Company's Independent Director since 2022. Mr. Tsen is also currently working as an independent director of Nan Shan General Insurance Company Ltd. Mr. Tsen used to be an independent director of Central Reinsurance Corporation, a supervisor and a director of GuoBao Life Insurance Co., Ltd., a president of the Taiwan Branch of Cosmos Service Co., Ltd. and an adjunct instructor at the Department of Risk Management and Insurance, National Chengchi University.

Mr. Tsen has the qualifications under Article 8, paragraph 1 of the Regulations Governing Qualification Requirement and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Insurance Enterprises. Mr. Tsen has a master's degree in Insurance and Risk Management from Georgia State University, the United States and a master's degree in Business Administration from National Taiwan University.

Mr. Ting-Chieh Lu 盧廷劫, aged 67, has served as the Company's Independent Director since 2023. Mr. Lu is also currently an independent director of Excellence Optoelectronics Inc., an independent director of LOGAH TECHNOLOGY CORPORATION., and an independent director of Hyweb Technology Co., Ltd. Mr. Lu used to be the secretary-general of the FSC, Executive Yuan, a member of the Securities and Futures Commission, secretary-general of the Chinese National Futures Association, a member of the Financial Accounting Standards Board, and a member of the Auditing Standards Committee.

Mr. Lu has a certified public accountant license in the Republic of China. Mr. Lu also holds a master's degree in Accounting from National Chengchi University.

Mr. Chenghsien Tsai 蔡政憲, aged 56, has served as the Company's Independent Director since 2025. Mr. Tsai is also currently working as a professor and chairman at the Department of Risk Management and Insurance, National Chengchi University.

Mr. Tsai holds a Ph.D., Risk Management and Insurance, Georgia State University, the United States.

Mr. Tsai has the qualifications under Article 8, paragraph 1 of the Regulations Governing Qualification Requirement and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Insurance Enterprises.

SENIOR MANAGEMENT

In addition to the Board of Directors, members of the senior management of the Company are also responsible for the day-to-day management of the Company's business. The table below sets forth the members of the Company's senior management, their ages, positions and major education and experience.

Name	Age	Title	Major education and experience
Mr. Alden Fan 范文偉	60	President	• MBA, National Taiwan University
Mr. Lung-Yeh Cho 卓隆燁	67	Senior Vice President	• Department of Accountancy, National Taipei University
Mr. Feng-Hui Tsai 蔡豐輝	64	Senior Vice President and Manager of the Zhongli Branch	• Master's degree, Institute of Oceanography, National Taiwan University
Mr. Chih-Cheng Hung 洪志成	58	Senior Vice President and Manager of the Datong Branch	• Electronic Data Processing Department, Tamsui Institute of Business Administration
Ms. Hui-Hsin Liu 劉慧欣	51	Senior Vice President	• Master's degree, Department of Finance, National Chengchi University
Mr. Wei-Hsin Chen 陳維新	58	Senior Vice President	• Master of Actuarial Science, University of Wisconsin
Ms. Shu-Chuan Li 李淑娟	57	Senior Vice President	• Department of Law, National Chung Hsing University
Mr. Shih-Nin Low 劉禧寧	56	Senior Vice President	• Department of Economics, Macquarie University

Name	Age	Title	Major education and experience
Mr. Chang-Sung Leu 呂長松	63	Senior Vice President	Department of Mathematics, Fu Jen Catholic University
Mr. Brian Tsai 蔡昇豐	52	Vice President / Chief Financial Officer	Master of Risk Management and Insurance, National Chengchi University

USE OF PROCEEDS

The gross proceeds from the offering of the Bonds before deducting underwriting commissions to be charged by the Managers and other expenses incurred or to be incurred in connection with the offering of the Bonds will be U.S.\$393,897,950. The net proceeds of the Bonds will be used to supplement and strengthen the Guarantor's financial structure and capital base and to improve the capital adequacy ratio of the Guarantor.

REGULATION AND SUPERVISION OF THE TAIWAN LIFE INSURANCE INDUSTRY

REGULATORY AUTHORITY

In the past, Taiwan adopted a multilateral supervisory system. Financial industries, including insurance, securities and banking sectors, were regulated and supervised under the Department of Insurance, the Securities and Futures Commission and the Bureau of Monetary Affairs of the Ministry of Finance. Moreover, the supervision and on-site examination of banks were conducted by multiple authorities with overlapping coverage, including the Central Bank of the Republic of China (Taiwan), the Ministry of Finance and the Central Deposit Insurance Corporation.

In order to promote integrated financial supervision, the FSC was established on 1 July 2004 as a single financial regulator and an independent authority to take the responsibility for financial supervision and to consolidate the functions of monitoring and rule-setting for the banking, securities, and insurance industries, and also to carry out cross-sector financial examinations. Nonetheless, following the governmental reorganisation effective from 1 July 2012, the FSC has become a subordinate agency under the direction of the Executive Yuan. The Chairperson and the Vice Chairpersons of the FSC are appointed by the premier of the Executive Yuan and are vested with the executive power. The Chairperson and Vice Chairpersons and all the other commissioners under the FSC are required to have expertise and experience in areas of the financial industry.

The FSC consists of four bureaus, namely the Insurance Bureau, the Banking Bureau, the Securities and Futures Bureau and the Financial Examination Bureau. The Insurance Bureau, the Banking Bureau, and the Securities and Futures Bureau regulate and supervise the insurance, banking, securities industries, respectively. The Financial Examination Bureau is responsible for law enforcement and financial examination. Under Article 5 of the Organic Act of the FSC, the Financial Examination Bureau is granted the power to: (1) require a financial institution, a related party thereof, or a public company to present relevant materials; (2) notify an examinee to appear at a designated office to answer inquiries from government officers; or (3) apply for issuing a search warrant, and then enter and search the suspected places accompanied by judicial police authorities, provided that appropriate procedures are followed.

REGULATORY ENVIRONMENT FOR INSURANCE BUSINESS

The insurance industry is a heavily regulated industry in Taiwan. The Insurance Bureau under the FSC is the official organisation that regulates the insurance industry in Taiwan, supervising, among others, the insurance, reinsurance, insurance brokerage and insurance agencies in Taiwan.

Legal framework of insurance industry is comprised of the Insurance Act, the Regulations for Establishment and Administration of Insurance Enterprises of the ROC and other applicable laws and regulations, including the Regulations Governing Insurance Brokers, the Regulations Governing Insurance Agents, the Regulations Governing the Supervision of Insurance Solicitors, the Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises, the Regulations Governing Pre-sale Procedures for Insurance Products and the relevant rulings promulgated by the FSC from time to time.

Authorisation and License

According to the Insurance Act, a domestic insurance company must obtain the FSC's approval prior to commencing business. To obtain the approval of the FSC, an insurance company must meet the following requirements:

- **Type of incorporation:** According to Article 136 of the Insurance Act, an insurance company must be organised as a company limited by shares or as a cooperative. If an insurance company is organised as a company limited by shares, it shall be a public company unless otherwise permitted by law or by the FSC. Additionally, an insurance company that is not a public company must establish an audit committee and elect independent directors to ensure good governance.
- **Minimum Capital Requirement:** According to Article 2 of the Regulations Governing the Establishment and Administration of Insurance Enterprises, the minimum paid-in capital for an insurance company is NT\$2,000,000,000. The capital contribution by the promoters and shareholders is limited to cash. When the promoters apply for permission to establish an insurance company, at least 20% of the minimum paid-in capital must be collected and deposited in a specific account in accordance with Article 7 of the Regulations Governing the Establishment and Administration of Insurance Enterprises.

- **Capital Adequacy Requirement:** According to Article 143-4 of the Insurance Act and the Regulations Governing Capital Adequacy of Insurance Enterprises, an insurance company is subject to a minimum risk-RBC ratio. It is considered adequate if the RBC adequacy ratio of an insurance company equals to or exceeds 200% and the net worth ratio is more than 3% in one of the most recent two periods. If RBC adequacy ratio of an insurance company does not satisfy the relevant requirements, the relevant authorities may impose a range of regulatory sanctions depending on the degree of deficiency in its RBC adequacy ratio. Where necessary, the FSC may adjust the ratio according to international standards.
- **Deposit Bond:** According to Article 141 of the Insurance Act, an insurance company is required to post a deposit bond at the national treasury in an amount equal to 15% of the total amount of its paid-in capital or paid-in fund. The bond shall be posted in cash, or, with approval of the FSC, government bonds or notes. In principle, the posted bond can only be returned when such insurance company ceases or suspends its operation.
- **Deposit of Reserve Funds:** According to Article 145 of the Insurance Act, at the end of each fiscal year, an insurance company shall calculate the amount it should allocate to the various reserve funds for each type of insurance, and shall record such reserve amounts in special account books. The reserve ratios for the various reserve funds are prescribed in the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises.
- **Stabilisation Funds:** Enterprises engaged in non-life insurance and life insurance shall make contributions to set up an independent stabilisation funds. According to Article 143-1 of the Insurance Act, the stabilisation funds shall be in corporate as foundations, and their governing regulations shall be prescribed by the FSC.

Responsible Persons of an Insurance Enterprise

The required qualifications of the responsible persons of an insurance company are prescribed by the Regulations Governing Required Qualifications for Responsible Persons of Insurance Enterprises. In general, if a person has no or limited legal capacity, has committed certain crimes relating to financial matters or other criminal offenses, is proven to have been involved with dishonest or improper activities, is an undischarged bankrupt or currently serves as a responsible person of the companies in the financial sector, such person is prohibited from acting as a responsible person (including directors) of an insurance company.

Approval of Major Shareholders

Although there is no ownership restriction on insurance companies in the ROC, any person who acquires more than 5% of the shares in an insurance company must notify the Insurance Bureau of the FSC within 10 days after such acquisition. In addition, a person seeking to become a major shareholder (holding shares equal to or exceed 10%, 25% or 50% of the shares in the insurance company) of an insurance company through acquisition of shares must meet certain criteria as set forth in the Regulations Governing A Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of an Insurance Enterprise, and obtain prior approval from the FSC.

If a major shareholder fails to meet any of the requirements set forth in the relevant laws, the FSC may request such major shareholder to take any necessary measures (including a compulsory disposal of its shares in the insurance company) or revoke the previously granted prior approval for the acquisition of shares in the insurance company.

THE FINANCIAL CONSUMER PROTECTION ACT

As financial services enterprises, activities by insurance companies are subject to the Financial Consumer Protection Act of the ROC, which became effective in June 2011. According to Article 7 of the Financial Consumer Protection Act, when an insurance enterprise enters into a contract with a financial consumer for the provision of financial products or services, it shall act in conformance with the principles of fairness, reasonableness, equality, reciprocity, and good faith. Where a clause in a standard form agreement violates the bona fide principle, it is clearly unfair for the consumer and therefore, the clause is void. Additionally, if there is a disagreement over the meaning of any contractual provision, the provision shall be interpreted in favour of the financial consumer. The Financial Consumer Protection Act also requires financial services enterprises, including insurance enterprises, to exercise the due care of a good administrator in providing financial products or services.

Specific limitations under the Insurance Act

According to Article 54-1 of the Insurance Act, in case any of the following was included in an insurance contract, and the inclusion of which was obviously unfair at the time the contract was signed, that portion of the agreement shall be void:

- the liabilities of the insurer required by the Insurance Act are exempted or reduced;
- the policyholder, beneficiary or insured is made to waive or restricted from asserting its rights under the Insurance Act;
- the policyholder or insured's liabilities are increased; and
- other material disadvantages imposed upon the policyholder, beneficiary or insured.

Article 54 of the Insurance Act also provides that the mandatory provisions of the Insurance Act shall not be modified by contract; provided, however, that this rule shall not apply to modification which is favourable to the insured. The interpretation of an insurance contract shall be made on the basis of seeking the true intent of the parties, and shall not be restricted by the terminology as used. If there is any doubt, in principle the interpretation shall be such as to favour the insured.

Right to Withdraw Subscriptions and Right to Terminate Contracts

In Taiwan, a consumer has a ten-day cooling-off period to withdraw his/her subscription for any insurance policy for a full refund. The cooling-off period starts from the next day when the customer receives the insurance policy. Upon cancellation, the insurer shall return any premiums paid by the consumer with no interest.

A policyholder can terminate a life policy at any time. Nonetheless, an insurer may terminate the life policy if: (i) due to the actions or behaviour of the policyholder or the insured, the risks covered by the insurance policy increases to the extent that the insurance agreement may be terminated or the premium shall be raised but the policyholder does not agree the raise of premium; (ii) the premium is not paid within the certain period; and (iii) other terms provided in the insurance contract expressly provided under the insurance policy.

Punitive Penalty Surcharges

In case of a violation of the principles regarding the duty to explain, prohibition of unfair sales practices, and prohibition of improper solicitation and advertisements by a financial service provider, when the violation is deemed severe, the FSC may increase the penalty to the extent appropriate within the scope of the benefit gained by such financial service provider, regardless of the limitation of the maximum penalty set by the relevant provisions under the Financial Consumer Protection Act.

SALES

Scope of Business of Life Insurance Companies

According to the Insurance Act, insurance can be classified into "property insurance" or "personal insurance". It further provides that "personal insurance" includes life insurance, health insurance, personal accident insurance and annuity insurance. Under the Insurance Act, a life insurance company is prohibited from concurrently operating a life insurance business and property insurance business (including property, marine and cargo and liability insurance) and therefore, in Taiwan, a life insurance company can only operate life insurance, health insurance, personal accident insurance and annuity insurance. Nonetheless, a life insurance company and a property insurance company can be subject to common control by a financial holding company under the ROC law.

Overlap of Products with General Insurance Companies

Although a life insurance company is prohibited from concurrently operating a life insurance business and property insurance business (including property, marine and cargo and liability insurance), a property insurance company may engage in health insurance and personal accident insurance if prior approval from the Insurance Bureau of the FSC is obtained.

General Terms of Insurance Policy

Generally, all rate formulas, terms of policies, and design for each kind of insurance product shall be subject to either prior-approval or use-and-file procedure (as applicable) of the Insurance Bureau pursuant to the Insurance Act and its related regulations. For the insurance policies requiring prior approval, the insurer can only issue and sell such insurance products to the public after obtaining the FSC's approval. However, for the sale of certain insurance products that are under the use-and-file procedure, the prior approval of the FSC is not required. Instead, notification to the FSC must be made within 15 days after the issuance of the policies. Use-and-file procedure is generally required for any amendment to terms of policies, insurance application or proposal forms, pricing actuarial memorandum, and premium rates of policies that have previously been approved by or filed with the Insurance Bureau. However, if the Insurance Bureau deems the change material or such change increases the renewal premium rates of guaranteed renewable personal health insurance products, this will require the Insurance Bureau's prior approval. In addition, the FSC may issue regulations regarding product pricing and premium calculation formulas. Prior to entering into a life insurance contract, an insurer must provide the information required by the relevant applicable regulations. A person must fill out an insurance application or proposal form and submit such application to the insurer, which has the discretion to agree whether to underwrite the policy or not.

Insurance Solicitation

Article 136 of the Insurance Act makes it clear only an "insurance enterprise", which is registered with and licensed by the FSC, can engage in any insurance or insurance related activities. Article 163 of the Insurance Act sets out the general prohibition on unlicensed operation of an "insurance broker" or "insurance agent" and Article 167-1 of the Insurance Act imposes a criminal liability on the agency, brokerage or solicitation for unlicensed insurers.

Article 9 of the Insurance Act provides that the term "insurance broker" means "a person who, on the basis of the interests of the insured and on his behalf, contacts an insurer for conclusion of an insurance contract and collects commission from the insurer that undertakes the insurance". Article 8 of the Insurance Act provides that the term "insurance agent" means "a person who, on basis of an agency agreement or a letter of authorisation, collects remuneration from the insurer and acts as an agent in managing business operations." In addition to "insurance enterprise", "insurance broker" and "insurance agent", the statute further extends its coverage to "insurance solicitor", which refers to "a person who solicits insurance business for insurance enterprises, insurance broker companies, or insurance agents". All brokers, agents and solicitor are required to pass a qualifying examination and be registered with the competent authority. A solicitor shall pass a qualifying examination and be registered with a principal which may be an insurance enterprise, agent, or broker.

Unless otherwise permitted by law, if a person or entity is seen as providing agency, brokerage services or soliciting insurance business on behalf of an unlicensed "insurance enterprises" (which may include a foreign insurance company) in Taiwan, that person or entity will be in violation of the Insurance Act and hence subject to a prison term of not more than 3 years, and in addition thereto, a fine ranging from NT\$3,000,000 to NT\$20,000,000.

Marketing

Insurance companies and distributors may use the various methods and channels to market insurance products, including local premises, internet, television advertisements, telephone calls, visit to potential clients, and any other methods approved by the FSC. Advertising of insurance products are subject to further restrictions as provided in, among others, the Regulations Governing Insurance Brokers, the Regulations Governing Insurance Agents and the Self-Regulatory Rules for the Advertisement and Promotional Activities for Solicitation of Insurance Business. The marketing and selling activities of insurance products are also subject to the requirements set forth in the Fair Trade Act, Consumer Protection Law and Financial Consumer Protection Act of the ROC.

Pursuant to Article 38 of the Regulations Governing Insurance Brokers and Article 36 of the Regulations Governing Insurance Agents, the content of publicity and advertising used in insurance solicitation by insurance solicitors of an agent company or a broker company shall have been approved by the employing company; the employing company shall furthermore bear liability in this regard. Further, the documents, graphic illustrations, advertising, or promotional materials used by a solicitor in soliciting insurance shall indicate the name of the employing company, and, where the employing company is an agent company or broker company, the name of the insurance enterprise acting as its provider.

The content of the documents, graphic illustrations, advertising, or promotional materials shall comply with the policy provisions, premium rates, insurance application or proposal form, and any other such documents as reviewed and approved by the FSC and shall be used upon approval by the employing company. The content shall also comply with requirements prescribed by the FSC in relation to information disclosure.

Apart from the above, an insurance company shall comply with the following requirements stipulated in Article 4 of the Self-Regulatory Rules for the Advertisement and Promotional Activities for Solicitation of Insurance Business:

- disclose the name, address and telephone number of the insurance company;
- ensure the correctness of the advertisement;
- the materials shall be made in the name of the insurance company and the content shall be approved by the company;
- the content shall be in plain Chinese and indicate the original language(s) if necessary;
- if the disclosure of insurance products or services is in relation to the insurance rate, fee, reward and risk, the disclosure shall be expressed in an equal and remarkable way;
- a life insurance company shall disclose relevant information according to the Rules Governing the Disclosure of Information for the Participating and Nonparticipating Life Insurance Policies;
- for a participating insurance policy, the participation rate may not be used to solicit clients. An insurance company may not compare the amount of participation with the returns of the same businesses, bank deposits or other financial products in the advertising activities;
- the content of the advertisement shall not contain or result in the following:
 - inducing the insured to early terminate the contract or redeem the contract;
 - misleading the consumers that the government has provided a guarantee by approving the insurance products;
 - producing advertising or other promotional activities for an insurance product not approved for offering by the FSC;
 - advertising by means of exaggerating past performance or negative advertising with respect to others in the industry;
 - engaging in false, fraudulent, or other misleading acts;
 - any remarks or limitation provisions in inconspicuous font; or
 - engaging in any other conduct prohibited by the FSC; and
- the proper disclosure of the capital adequacy of the insurance company, which should ensure the correctness of the content, prohibit improper comparison and competition, or misleading the consumers that the government has provided a guarantee for such insurance company or its related business, and comply with other requirements as stipulated by relevant laws, rulings and regulations.

Also, any solicitation or marketing of specific insurance products by the solicitors via online channels (including disclosing the name and feature of the insurance product, or any information that is sufficient to identify a specific insurance product) is not permitted unless the advertisement used is approved by the insurance company in advance. The Self-Regulatory Rules also require the insurance enterprises to establish a supervisory mechanism for online solicitation.

Bancassurance

Life insurance companies may use the bancassurance channel to distribute their insurance products. To engage in bancassurance business, both the insurance company and the bank must obtain approvals from the FSC. After the

first approval being acquired, a bank can deal with any other insurance companies or an insurance company can deal with any other banks without further approval unless the FSC suspends their bancassurance business (due to their violation of laws or regulations).

For joint promotion activities by and between banks, securities firms, insurance companies, insurance agents/brokers, the related insurance industry associations promulgated model agreements for joint promotion via bancassurance. The model agreements have been reviewed and recognised by the FSC. Although not mandatory, such agreement is usually adopted when the parties conduct bancassurance business in Taiwan.

ACCOUNTING AND RISK MANAGEMENT

Calculation

An insurance company is required to close its annual financials as at 31 December of each year and shall (i) compile a report detailing its operational status and the use of its funds, attaching a balance sheet, profit and loss statement, statement of changes in shareholders' equity, cash flow statement and proposal for allocation of surplus profit or compensation of deficit, and other matters designated by the competent authority, (ii) have the above items audited by a certified public accountant, (iii) submit the above items for approval at a shareholders meeting or a general assembly of cooperative members, and (iv) thereafter submit the above items to the FSC within 15 days for recordation.

In addition to the financial and business reports that an insurance company must submit to the FSC, the FSC may, if considered necessary, require either that an insurance company report, within a specified time limit, its business and financial conditions to the competent authority or an institution designated thereby, or that an insurance company furnish account books, statements, vouchers, or other related financial and operational documents. Standards governing preparation of the financial reports referred for an insurance company are set forth under "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises."

Solvency Requirements

In order to secure an insurance company's ability to pay insurance claims and assure the soundness of its management, an insurance company is required to satisfy certain RBC requirement, a regulatory capital measure to ensure the insurer can satisfy its financial obligations to the policyholders.

The Insurance Act and the Regulations Governing Capital Adequacy of Insurance Companies of the ROC, newly amended on 4 August 2023, classify insurance companies by RBC ratio into the following four tiers and pursuant to Article 143-6 of the Insurance Act, the FSC is required to adopt different supervisory measures for insurance companies in each tier:

- capital adequate (RBC ratio above 200% and the net worth ratio of an insurance company is more than 3% in one of the most recent two periods);
- capital inadequate (RBC ratio above 150% but under 200% or the net worth ratio of an insurance company is less than 3% in both of the most recent two periods and more than 2% in at least one period);
- capital obviously inadequate (RBC ratio above 50% but under 150% or the net worth ratio for both the most recent two periods of an insurance company is less than 2% and more than zero); and
- capital seriously inadequate (RBC ratio under 50% or the net worth of the insurance company is less than zero).

For an insurance company classified as "capital seriously inadequate" and where such insurance company or its responsible person fails to complete the capital injection plan or the corrective action plan for finance or business within the specific period required by the FSC, the FSC will, within 90 days following the expiration of the above specific period, assume conservatorship or receivership over such and insurance company, order the insurance company to suspend and wind up business, or liquidate it. For the FSC to effectively monitor the insurance industry's capital adequacy, each insurer must file the RBC ratio report periodically (annual and semi-annual) with the FSC.

For increased alignment with international regulatory supervision standards, the Insurance Bureau of the FSC has announced a plan to adopt a new solvency regime (i.e., the TW-ICS) in 2026, which will be based upon the ICS.

The introduction of TW-ICS aims to have the local insurer's financial statements reflect the assets/liabilities at fair value and more aligned with the international measurements of the insurance companies' financial conditions.

Key differences between the traditional RBC ratio requirements and the TW-ICS regime are as follows:

- solvency measurement will move away from a historical-value balance sheet approach to an economic balance sheet approach, providing a current view of the solvency position of an insurer. Asset and liabilities are measured at mark-to-market value;
- the calculation of required capital will move away from a factor-based approach to a stress-based approach to better capture the "tail-risk" as broader risks will be included; and
- requirements on assets qualifying as admissible capital for solvency purposes will be stricter than the current requirement and the capital will be classified into Tier 1 limited capital, Tier 1 unlimited capital and Tier 2 capital based on quality considerations.

To ensure a smooth transition into the TW-ICS regime, the FSC takes a gradual approach and plans to adopt the new regime in three phases:

- phase 1 (on-site field testing phase), 2020 – 2021: Insurance companies are required to conduct the on-site field testing and research projects for the implementation of the TW-ICS regime. During this period, drafting of the localised supervisory rules for the implementation of the TW-ICS regime would be carried out by the FSC and other regulatory bodies;
- phase 2 (parallel run phase), 2022 – 2024: Insurance companies are required to submit information calculated based on the draft rules implementing the TW-ICS regime in addition to the traditional RBC ratio. During this period, drafting of transitional measures and localised supervisory rules and a full review of the required amendments to the existing laws and regulations for the implementation of the TW-ICS regime would be conducted by the FSC and other regulatory bodies; and
- phase 3 (preparatory phase), 2025: During this period, insurance companies are required to review all related process to implement the TW-ICS regime.

Implementation timetable: Implementation of the TW-ICS regime is scheduled to take place in 2026, to align with the adoption of IFRS 17.

ASSET MANAGEMENT

Restrictions on Asset Management

An insurance company's fund is equivalent to the sum of its shareholders' equity plus all required reserves ("**Insurance Funds**"). According to the Insurance Act, an insurance company can use its Insurance Funds only for (i) savings deposits; (ii) investment of securities; (iii) purchase of real estate; (iv) lending; (v) engaging, with the approval of the Insurance Bureau of the FSC, in special projects, public investments (e.g., infrastructure and utilities) and social welfare enterprises; (vi) foreign investments; (vii) investments in insurance-related businesses (businesses of insurance, financial holding, banking, bills, trust, credit card, finance leasing, securities, futures, securities investment trust, and securities investment consulting enterprises, as well as other insurance-related businesses as recognised by the Insurance Bureau of the FSC); (viii) trading in derivative products as approved by the Insurance Bureau; and (ix) others as approved by the Insurance Bureau.

Domestic Securities Permitted to Be Invested by an Insurance Company

According to Article 146-1 of the Insurance Act, investment in domestic securities made by an insurance company is limited to following type of securities, subject to a ceiling of aggregate investment amount set by the FSC for each type of the domestic securities:

- government bonds and treasury notes;
- financial debentures issued by banks, transferable certificates of deposit, bills of exchange accepted by banks, and commercial paper guaranteed by financial institutions; and
- shares issued through public offering.

- corporate bonds issued through public offering (i) secured by collateral or (ii) with the issuer's credit rating at least twBBB- provided by Taiwan Ratings Corp. or an equivalent rating from S&P, Fitch and Moody's;
- beneficiary certificate of the security investment funds or other mutual funds permitted to be issued through public offering;
- securitisation-related products; and
- other securities issued through private placement if the investment subject meets certain financial or other qualifications as set forth in the Measures for the Administration of Investment in Unlisted, Unlisted and Privately Placed Securities in the Insurance Industry.

Even if insurance companies are permitted to acquire shares issued through public offering, the exercise of their shareholder rights is limited. As shareholders, insurance companies are not allowed to be elected nor to appoint a representative as director or supervisor of such issuing company, to vote for directors or supervisors of such issuing company, to appoint any personnel to the management of such issuing company, to act as trustee of the invested securitisation-related products or to enter into any agreement with any other person for the purpose of engaging in the business operations of such issuing company.

Additionally, except for the investment in insurance-related industry or other industry allowed by the FSC or other competent authorities, an insurance company is prohibited from (i) investing more than 5% of its Insurance Funds in equity shares of one single company and (ii) holding more than 10% of paid-in capital of one single company.

Foreign Investment by Insurer

Foreign investment by an insurer is limited to the following categories and is subject to certain maximum amount restriction as specified under the FSC Regulations Governing Insurance Company's Foreign Investment:

- foreign currency deposits;
- offshore securities, which include, among others, (i) government bonds, treasury bills, and savings bonds issued by foreign governments, (ii) financial bonds, negotiable certificates of deposit, or floating rate notes issued or guaranteed by foreign banks, (iii) corporate bonds and financial debentures denominated in foreign currencies issued by domestic companies or banks, (iv) commercial papers denominated in foreign currencies, (v) stocks or corporate bonds traded on foreign centralised security markets or over-the-counter markets, (vi) beneficiary certificates of foreign securities investment trust funds, (vii) securitisation products, and (viii) bonds issued by international organisations;
- loan denominated in foreign currency;
- derivatives;
- offshore real estate;
- establishment of or investment in a foreign insurance company, insurance agency, insurance brokerage, oversea special purpose vehicle for the purpose of issuing bonds with capital characteristics for specific use of proceed ("**Offshore Fundraising SPV**") or other insurance-related enterprise approved by the FSC;
- investment project approved by the Executive Yuan of the ROC; and
- other foreign investment approved by the FSC.

When undertaking foreign investment, only insurance company approved by the Insurance Bureau of the FSC may engage in derivatives trading for the purpose of risk hedging, enhancing the investment efficiency, and for structured products transactions; relevant measures for self-regulation in derivatives trading may be adopted by related industry associations and implemented after reporting to and ratification by the Insurance Bureau of the FSC.

In principle, the ceiling amount of foreign investment is 45% of such insurance company's Insurance Funds. The FSC also promulgates specific limitations and ceiling amounts applicable to each type of foreign investment under the FSC Regulations Governing Insurance Company's Foreign Investment and other regulations. Additional investment limitations apply to investment denominated in RMB.

Other major investment limits on the foreign investment include:

- the total outstanding balance of loans denominated in foreign currency together with the total outstanding balance of other permissible types of loan, including (i) loans guaranteed by a bank, or by a credit guarantee institution recognised by the FSC, (ii) loans secured by personal property or real property, and (iii) loans secured by certain qualified securities, e.g., government bonds and treasury bills, under the Insurance Act shall not exceed 35% of the Insurance Funds;
- the amount an insurance enterprise invests in the corporate bonds and stocks issued by the same corporation shall not exceed 5% of its Insurance Funds and 10% of the shareholders' equity of such issuer;
- the amount an insurance enterprise invests in bonds issued or guaranteed by each foreign governmental agencies shall not exceed 5% of its Insurance Funds;
- an insurance enterprise may not invest in offshore real estate, including real estate located in the PRC, unless (i) such insurance enterprise's RBC ratio satisfies the statutory standards, (ii) there are no major sanctions and penalties for violations of the Insurance Act in relation to the use of its Insurance Funds in the most recent two years and there are no major violations of the internal control procedures governing various applications of funds in the most recent two years, or rectification of those violations has been carried out and affirmed by the competent authority, and (iii) a risk management committee has been established or a chief risk officer has been appointed to govern the overall risk management of such insurance enterprise; and
- the amount an insurance enterprise invests in offshore real estate shall not exceed 1% of its Insurance Funds and 10% of its shareholders' equity. Notwithstanding the foregoing, in cases where an insurance enterprise's RBC ratio for the most recent period reaches more than 1.25 times the statutory standards, such ceiling amount shall be 2.5% of its Insurance Funds and 40% of its shareholders' equity, and in cases where an insurance enterprise's RBC ratio for the most recent period reaches more than 1.5 times the statutory standards, such ceiling amount shall be 3% of its Insurance Funds and 40% of its shareholders' equity.

A prior approval from the Insurance Bureau of the FSC must be obtained for the establishment of or investment in a foreign insurance company, insurance agency, insurance brokerage, or other insurance-related enterprise approved by the FSC (collectively "**Offshore Insurance Related Companies**") by an insurance enterprise. When reviewing the application for such foreign investment, the applicant insurance enterprise must demonstrate that, among others, it has complied with the all relevant requirements for making the mandatory reserves in the preceding year, it has met the relevant RBC requirements, its board as well as the board of its financial holding parent company, if applicable, have approved such foreign investment, it has established internal control procedures related to investment in Offshore Insurance Related Companies, and it has established a risk management committee or appointed a chief risk officer to govern the overall risk management of such insurance enterprise. After the completion of such foreign investment of Offshore Insurance Related Companies, the insurance enterprise is subject to various post-investment monitoring and reporting obligations. For example, the insurance enterprise must make filings with the FSC within seven days following the occurrence of certain events, including the change of business scope or the major operational policy of the invested Offshore Insurance Related Companies, making of an important financial or business decision that requires an extraordinary resolution of the board of the invested Offshore Insurance Related Companies, dissolution or cessation of business of the invested Offshore Insurance Related Companies, merger or sale of substantial or all of its assets, etc. In addition, the insurance enterprise shall, at least once in a quarter, have its board of directors be reported and to discuss all material financial matters, internal audit, risk management, hiring and dismissal of important personnel and other matters of such invested Offshore Insurance Related Companies. If such invested Offshore Insurance Related Companies is a subsidiary of the investing insurance enterprise, the above matters may be discussed in a dedicated department authorised by the board of the investing insurance enterprise. Furthermore, if the insurance enterprise is a subsidiary of the financial holding company established in Taiwan, the above matters shall be reported to the board or a dedicated department of its controlling financial holding company.

Similar to the requirements applicable to the investment in the Offshore Insurance Related Companies, a prior approval from the Insurance Bureau of the FSC is also required for the establishment of an Offshore Fundraising SPV. Because the sole purpose of the Offshore Fundraising SPV is to serve as an offshore vehicle of the insurance enterprise to issue bonds with capital characteristics for fundraising purpose, the Offshore Fundraising SPV must be structured as a wholly owned subsidiary of the insurance enterprise. In addition, except for borrowing operational funds and subject to various procedural and reporting requirements, it is not allowed for an Offshore Fundraising SPV to borrow money funds from, act as guarantor, or provide its assets as collateral for the debt of

a third-person. After the Offshore Fundraising SPV completes each offering of bonds with capital characteristics for specific use of proceed, basic information, including the issuer, issuance date, maturity date, term, issuance amount, coupon rate, redemption right, etc., related to the insurance must be disclosed to the public pursuant to the form prescribed by the FSC. Similar to the requirements applicable to the investment for the Offshore Insurance Related Companies, all material financial matters, internal audit, risk management, hiring and dismissal of important personnel and other matters of the Offshore Fundraising SPV shall be reported and discussed in a dedicated department authorised by the board of the investing insurance enterprise. Furthermore, if the insurance enterprise is a subsidiary of the financial holding company established in Taiwan, the above matters shall be reported to the board or a dedicated department of its controlling financial holding company.

Establishment and Operation of Separate Accounts

Insurance companies must establish and operate separate accounts on the balance sheet and income statements relating to investment-linked insurance business or labour pension annuity insurance business to record the value of the assets in which it invests.

Prohibition on Provision of Guarantees or Borrowing

Under the Insurance Act, insurance companies are generally prohibited from borrowing money, pledging its assets as a security or a guarantee for repayment of a third party's debt obligations, unless a prior approval from the FSC is obtained for the borrowing for any of the following purposes:

- the borrowing is to meet cash flow needs arising from payment of major benefits, a large amount of policy surrenders, or a large amount of policy loans;
- the borrowing is needed for a merger or for assumption of the in-force contracts of a troubled insurer; or
- the borrowing is done by issuing bonds with capital characteristics, for the purpose of strengthening the insurance company's financial structure.

INTERNAL CONTROL

Overview

According to the FSC's ruling under Securities and Exchange Act of the ROC, an insurance company must have at least two independent directors and the seats of independent directors should not less than one-fifth of the total board seats.

To fulfil the oversight responsibility of independent directors, FSC promulgates various regulations. According to these regulations, the board should consider the opinion of the independent directors and record in the minutes any vote for or against the proposals as well as the reasons while dealing the following issues:

- deliberating on the systems of internal controls, the proposals of acquisition or the disposal of significant assets; and
- conducting derivatives transactions, provision of loans to another, and provision of endorsement or guarantee to another.

Internal Control Mechanism

For the purposes of compliance with applicable laws and regulations, sound management of its assets and protection of its policyholders, an insurance company is required to establish internal control procedures and standards in accordance with which its officers and employees are required to perform their duties.

Under the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises, an insurer shall, based on its business nature and scale, establish internal control system covering the following aspects and review and revise such internal control procedures in a timely manner:

- insurance product development and management;
- product sales;

- claims;
- fund utilisation;
- solvency assessment;
- processing derivatives transactions;
- reinsurance;
- matters relating to accounting, general affairs, resources, personnel management and other businesses;
- management of financial examination reports;
- management of financial consumers protection;
- management of the application of international financial reporting standards;
- mechanism for handling major incidents;
- mechanism for anti-money laundering and combating the financing of terrorism ("AML/CFT") and management of compliance with relevant laws and regulations, including mechanism for identifying, assessing, and monitoring AML/CFT risks;
- sustainable information management; and
- other matters as designated by the FSC.

Whistleblowing

In Taiwan, every insurer shall set up a whistleblower system, and designate a unit at the head office with independent functions to accept and investigate whistleblower cases. The whistleblowing mechanism must, at least, include the following aspects and be approved by the board of directors of the insurer:

- the whistleblowing mechanism must make clear that anyone may file a report when discovering any crime, corruption, or potential violations;
- the scope of whistleblowing (i.e., types of cases that will be accepted);
- the establishment and announcement of the whistleblowing channels;
- the process of investigation, rules of recusal and the standard operating procedure of subsequent disposition mechanism;
- whistleblower protection measures;
- acceptance of whistleblowing, investigation process, investigation results, records and retention of relevant documentation; and
- the whistleblower shall be given appropriate notice in writing or by other means concerning the progress of the whistleblowing.

Moreover, an insurer must keep the whistleblower's identity confidential and shall not terminate, dismiss, downgrade/relocate such whistleblower, give a reduction in pay, impair their entitlement as stipulated under the law, contract, or customs, or impose any unfavourable disposition because of the whistleblowing.

To ensure the whistleblowing system functions effectively, if the alleged perpetrator is a director (council member), supervisor (member of the board of supervisor), or a managerial officer in a position equivalent to a vice general manager or higher, the investigation report shall be reviewed by the supervisors (board of supervisors) or the audit committee of the insurer. The insurer shall report to or inform relevant governmental authorities of any major incidents or violations of laws discovered during the investigation.

Conflict of interest

To control the risks arising from related party transactions by the insurer, which could present a conflict of interest and may not be consistent with the best interests of the company, shareholders, and policyholders, the FSC enacted the regulations governing the lending activities of the insurers and other transactions entered into by insurers. Such regulations include the Regulations for Extending Loans by Insurance Enterprises to Interested Parties and the Regulations Governing Transactions Other Than Loans between Insurance Enterprises and Interested Parties.

Under the Regulations for Extending Loans by Insurance Enterprises to Interested Parties, the lending activities of an insurer to a related party will be subject to the following requirements:

- such loan must be fully secured;
- the terms and conditions of the loan (e.g., interest rates, security, guarantor, borrowing period, repayment method, as applicable) should not be more favourable than those extended to other borrowers of the same category. Other borrowers of the same category refers to the person/entity to whom the loans are extended by the same insurer, for the same purpose, and under the same accounting item in the last year;
- if the loans extended to the same borrower who is a related party, respectively or aggregately, reaches NT\$100 million or accounts for 1% of the proprietary equity of the insurer, such related party loan would require the concurrence of at least three-quarters of all directors of the insurer present at a board of directors meeting attended by at least two-thirds of all directors;
- the following ceiling of respective related party loan:
 - the total amount of the secured loans extended to a single related party who is a natural person shall not exceed 2% of the proprietary equity of such insurer;
 - the total amount of the secured loans extended to a single related party which is a corporate shall not exceed 10% of the proprietary equity of such insurer; and
 - the total amount of the secured loans extended to the same related party shall not exceed 30% of the proprietary equity of such insurer;
- the total amount of all related party loans of an insurer shall not exceed 1.5 times of the proprietary equity of such insurer.

In terms of other related party transactions, an insurer is required to comply with the following requirements set forth in the Regulations Governing Transactions Other Than Loans between Insurance Enterprises and Interested Parties:

- the terms and conditions of the related party transaction should not be more favourable than those with similar counterparties in the market; and
- the following limits on the transaction amount:
 - the aggregate amount of transactions with a single related party shall not exceed 10% of the proprietary equity of such insurer;
 - the aggregate amount of transactions with all related parties shall not exceed 60% of the proprietary equity of such insurer; and
 - such related party transaction would require the concurrence of at least three-quarters of all directors of the insurer present at a board of directors meeting attended by at least two-thirds of all directors.

Outsourcing regulatory framework

Under the outsourcing regulatory regime in Taiwan, if an insurance company intends to outsource certain matters, it must comply with the relevant requirements stipulated under the Directions for Operation Outsourcing by Insurance Enterprises ("**Outsourcing Directions**") promulgated by the Insurance Bureau of the FSC. Under the Outsourcing Directions, an insurer is permitted to outsource only the operational or back-office matters related to

the insurance company's business or certain matters related to customer information as listed under Clause 3 of the Outsourcing Directions.

Prior approval is required if an insurer outsources its information technology systems used in material business operations and involving relevant data of customers who is a natural person to an offshore entity. Whether the outsourcing of the information technology systems requires prior approval would be subject to the three-element test, namely (1) materiality, (2) natural person customer data, and (3) offshore destination. If any element is absent, no prior approval is required pursuant to Paragraph 2, Clause 4 of the Outsourcing Directions.

Every insurer is required to establish a risk-based outsourcing management framework and strengthen its ability to respond to emergencies. Additionally, the insurer shall bear the ultimate responsibility for outsourcing arrangements pursuant to Paragraph 2, Clause 4 of the Outsourcing Directions. Before and during the outsourcing, an insurer should evaluate the risk of the outsourcing matters, assess the impact on operations and consumer rights and take appropriate control measures based on the risk level.

To strengthen the FSC's supervisory measures, if there is any violation of relevant laws and regulations, the FSC may, depending on the severity of the case, require the insurer to take necessary measures such as terminating or suspending outsourcing engagement and making improvements within a specified time frame.

COMPLIANCE OFFICER AND RISK MANAGEMENT TASK FORCE

An insurance company is required to designate a dedicated compliance unit under the supervision of the general manager to take charge of the planning, management and implementation of the compliance system and investigate and report any violation to the audit committee. The compliance unit shall be led by a head office chief compliance officer who oversees the compliance matters and reports to the board of directors (committee) and supervisors or the audit committee at least semi-annually, and in case of any major regulatory violation, immediately inform the directors (committee members) and supervisors, and report to the board of directors (committee) on compliance matters.

An insurance company shall establish appropriate risk management policies and procedures, which shall be adopted by the board of directors and be reviewed regularly. In addition, an insurance company shall establish an independent risk management task force and regularly report to the board of directors; upon identifying a significant risk exposure that might adversely affect its financial or business status or compliance with applicable acts and regulations, the task force shall take immediate and adequate countermeasures and submit a report to the board of directors.

Pursuant to Article 34-2 of the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises, the risk management mechanisms of an insurance company shall include the following principles:

- identifying and evaluating the acceptable scope of risks based on the business scale, product characteristics, and overall economic conditions;
- risks that must be considered include market risks (including interest rate risks), credit risks, liquidity risks, operational risks, insurance risks, asset liability matching risks, and other risks. Related risk management mechanisms shall also be established; and
- the management must regularly review the risk management mechanism and the own risk and solvency assessment ("ORSA") mechanisms in accordance with relevant laws and regulations, self-regulatory guidelines, and actual economic conditions, and adopt appropriate strategies.

An insurance company shall consider the nature, scale, and complexity of its business risks based on its risk management framework and develop ORSA operation processes that are appropriate for its organisational structure and risk management system.

The risk management mechanisms established by an insurance company shall include at least the following matters:

- the risk management framework shall include, among others, risk governance, risk management organisational framework and duties, risk identification, risk measurement, risk response, risk monitoring and information, communication, and documentation;

- the risk management mechanisms shall incorporate the business management and corporate culture of the insurance company, and shall adopt qualitative and quantitative technologies in accordance with the risk management policies to manage relevant risks that can be reasonably anticipated by the insurance company; and
- the insurance company shall set its risk appetite and specify the risk level it is willing to accept to attain strategic objectives and business plans. It must also set risk limits concerning major risks for regular monitoring and management.

Disclosure Requirements

The Insurance Bureau of the FSC promulgated several regulations and rulings to regulate the pre-contract disclosure, including the Regulations Governing Public Disclosure of Information by Life Insurance Enterprises. The ROC Life Insurance Association and the ROC Non-Life Insurance Association have also promulgated the required disclosure information, which was reviewed by the Insurance Bureau of the FSC.

An insurance company must accurately create and provide documents detailing its financial and business matters and make such documents publicly available for inspection in compliance with the applicable regulations. If an insurance enterprise becomes aware of any material information affecting the rights and interests of consumers, it shall report to the competent authority in writing within two days and explain the matter publicly.

Key disclosure requirements under the Regulations Governing Public Disclosure of Information by Life Insurance Enterprises are as follows:

- company overview: including organisational structure, functional duties of departments, name of each department's responsible person, the dates of establishment, addresses, telephone and fax numbers, free telephone complaint line numbers, website addresses and e-mail addresses for the head office, branch offices (administering post offices), service centres, contact centres, and other domestic and overseas branch institutions;
- financial overview: including a funds utilisation table, a balance sheet with appended notes for any capital increases or decreases, a consolidated income statement, a statement of changes equity, insurance contract liabilities, insurance contract assets (including liability for remaining coverage, liability for incurred claims and asset for insurance acquisition cash flows), financial liabilities related to investment contracts measured at fair value through profit or loss, and financial liabilities related to investment contracts measured at amortised cost, etc.;
- operations overview: including market share, premium revenues and indemnity paid for each type of insurance, reserves for each type of insurance, insurance solicitors' 13-month retention rate, average insured amount under newly-written individual life-insurance policies, average insured amount under in-force individual life-insurance policies, average premiums under in-force individual life-insurance policies, the ratio of appeal cases (including claim and non-claim appeal cases) filed with the financial ombudsman institution ("FOI") and the average number of days taken for the FOI to process the cases, the number of claims litigations and the ratio of litigations to claims, etc.;
- corporate governance report: including the corporate governance framework and regulations, the equity structure of the company and shareholder rights, the structure, diversity policy and level of independence of board of directors, the operation of board of directors, the responsibilities of board of directors and managers, the composition of the audit committee and election of supervisors, their responsibilities and level of independence, etc.;
- insurance product: the reference number and date of insurance product, contract key terms, the extent of coverage and any exclusions, the relationship between policy value reserves and cash surrender value of policies, and the formula for calculation of cash surrender value, the formula used in calculating policy dividends and an explanation of its use and participating policy dividends, the provisions governing reduced paid-up insurance and extended term insurance, rules and limitations governing policy conversion, etc.;
- material information affecting the rights and interests of the consuming public: including change in shareholder equity of 10% or more, any litigation, non-litigation, administrative disposition, administrative litigation, or application for or execution of a provisional attachment or provisional injunction having a

material effect on finance or operations, a change of chairperson, general manager, independent director, or one third or more of the directors, a change of responsible person for the branch office of a foreign insurance enterprise in Taiwan, a change of certified public accountants or a change in the fiscal year (note that the disclosure provision does not apply if the change of certified public accountants is effected due to internal adjustment of the accounting firm), a capital increase ordered by the competent authority pursuant to applicable laws and regulations, a board of directors resolution for a capital decrease or issuance of new shares for a capital increase, failure to obtain the competent authority's approval for a plan for capital increase or decrease or a capital increase application mentioned above, a change in the company name, dissolution or transfer of insurance contracts, a certified public accountants issues an audit or review report containing an opinion other than an unqualified, the enterprise's assets are insufficient to satisfy its liabilities and any other occurrence of malpractice, litigation, or ineffective investment or business management likely to affect goodwill or financial soundness; and other matters.

TAXATION

The following is a general description of certain tax considerations relating to the Bonds and is based on law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to changes and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Bonds, whether in those jurisdictions or elsewhere. Prospective purchasers of the Bonds should consult their own tax advisers as to which jurisdictions' tax laws could be relevant to acquiring, holding and disposing of the Bonds and receiving payments of interest, principal and/or other amounts under the Bonds and the consequences of such actions under the tax laws of those countries. It is emphasised that none of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, affiliates or advisers or any person who controls any of them or any other persons involved in the offering and sale of the Bonds accepts responsibility for any tax effects or liabilities resulting from the subscription for purchase, holding or disposal of the Bonds.

ROC

The following discussion is a summary of the material ROC tax considerations relevant to an investment decision by non-ROC Bondholders. The summary addresses the principal ROC tax consequences of the ownership and disposition of the Bonds to non-resident individuals ("**Non-ROC Individual Holders**") or non-resident entities ("**Non-ROC Entity Holders**", together with the Non-ROC Individual Holders, the "**Non-ROC Holder**") that hold such Bonds. A Non-ROC Individual Holder is a foreign national individual who is not physically present in the ROC for 183 days or more during any calendar year in which he or she owns the Bonds and a Non-ROC Entity Holder is a corporation or a non-corporate body that is organised under the laws of a jurisdiction other than the ROC and does not have a fixed place of business or business agent in the ROC.

Interest Payments

Payments of interest and premium on the Bonds made by the Issuer will not be subject to ROC withholding tax. Payments of interest or premium (if any) on the Bonds made by the Guarantor under the Guarantee of the Bonds to a Non-ROC Holder will be subject to ROC withholding tax at a rate of 15 per cent. at the time of payment unless a lower withholding rate is provided under a tax treaty between the ROC and the jurisdiction where the Non-ROC Holder is resident.

Capital Gains Tax

Capital gains derived from the sale of the Bonds will not be subject to ROC income tax.

Stamp Duty

No ROC stamp duty will be chargeable upon the issue or transfer of a Bond.

Tax Treaties

At present, the ROC has double tax treaties with Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Eswatini, France, Gambia, Germany, Hungary, India, Indonesia, Israel, Italy, Japan, Kiribati, Korea, Luxembourg, Malaysia, New Zealand, North Macedonia, Paraguay, Poland, Saudi Arabia, Senegal, Singapore, Slovakia, South Africa, Sweden, Switzerland, the Netherlands, the UK, Thailand, and Vietnam. These tax treaties may provide a reduced withholding tax rate on interests and dividends paid with respect to bonds or shares in ROC companies.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA makes ("**FATCA**"), a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the ROC) have entered into, or have agreed in substance to, intergovernmental agreements with the U.S. to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to the date that is two years

after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and securities characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional Bonds (as described under "*Terms and Conditions of the Bonds - Further Issues*") that are not distinguishable from previously issued Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Bonds, including the Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Bonds, no person will be required to pay additional amounts as a result of the withholding.

SINGAPORE

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by the Monetary Authority of Singapore ("**MAS**") in force as at the date of this Offering Circular and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which changes could be made on a retroactive basis, including amendments to the Income Tax (Qualifying Debt Securities) Regulations to include the conditions for the income tax and withholding tax exemptions under the qualifying debt securities ("**QDS**") scheme for early redemption fee (as defined in the Income Tax Act) and redemption premium (as such term has been amended by the Income Tax Act). These laws, guidelines and circulars are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Offering Circular are intended or are to be regarded as advice on the tax position of any Bondholder or of any person acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Bonds and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive tax incentive(s)) may be subject to special rules or tax rates. Prospective Bondholders are advised to consult their own professional tax advisers as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Bonds, including the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that none of the Issuer, the Guarantor nor any other persons involved in this Offering Circular accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Bonds.

Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the Income Tax Act, the following payments are deemed to be derived from Singapore:

- any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or
- any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15 per cent. final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17 per cent. The applicable rate for non-resident individuals is currently 24 per cent. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the

payment is subject to a final withholding tax of 15 per cent. The above withholding tax rates may be reduced by applicable tax treaties, subject to certain conditions.

Certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from Singapore income tax, including interest, discount income (not including discount income arising from secondary trading), early redemption fee and redemption premium derived from debt securities, except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession in Singapore.

As the issue of the Bonds is jointly lead-managed by Citigroup Global Markets Singapore Pte. Ltd., Goldman Sachs (Singapore) Pte., The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch, BNP PARIBAS, acting through its Singapore Branch, and UBS AG Singapore Branch, each of which is a Specified Licensed Entity (as defined below), and the Bonds are issued as debt securities before 31 December 2028, the Bonds should be QDS for the purposes of the Income Tax Act to which the following treatment shall apply:

- subject to certain prescribed conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Bonds in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Bonds as the MAS may require, and the inclusion by the Issuer in all offering documents relating to the Bonds of a statement to the effect that where interest, discount income, early redemption fee or redemption premium is derived from the Bonds by any person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Bonds using the funds and profits of such person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), early redemption fee and redemption premium (collectively, the "**Qualifying Income**") from the Bonds derived by a Bondholder who is not resident in Singapore and who (i) does not have any permanent establishment in Singapore, or (ii) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Bonds are not obtained from such person's operation through a permanent establishment in Singapore, are exempt from Singapore tax;
- subject to certain conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Bonds in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Bonds as the MAS may require), Qualifying Income from the Bonds derived by any company or body of persons (as defined in the Income Tax Act) in Singapore is subject to income tax at a concessionary rate of 10 per cent. (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and
- subject to:
 - (i) the Issuer including in all offering documents relating to the Bonds a statement to the effect that any person whose interest, discount income, early redemption fee or redemption premium derived from the Bonds is not exempt from tax shall include such income in a return of income made under the Income Tax Act; and
 - (ii) the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Bonds in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Bonds as the MAS may require,

Qualifying Income derived from the Bonds is not subject to withholding of tax by the Issuer.

Notwithstanding the foregoing:

- if during the primary launch of the Bonds, the Bonds are issued to fewer than four persons and 50 per cent. or more of the issue of the Bonds is beneficially held or funded, directly or indirectly, by related parties of the Issuer, the Bonds would not qualify as QDS; and
- even though the Bonds are QDS, if, at any time during the tenure of the Bonds, 50 per cent. or more of the Bonds which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income derived from the Bonds held by:

- (i) any related party of the Issuer; or
- (ii) any other person where the funds used by such person to acquire the Bonds are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption or concessionary rate of tax as described above.

Pursuant to the Income Tax Act, the reference to the term "**Specified Licensed Entity**" above means:

- (i) a bank or merchant bank licensed under the Banking Act 1970 of Singapore;
- (ii) a finance company licensed under the Finance Companies Act 1967 of Singapore; or
- (iii) a person who holds a capital markets services licence under the SFA to carry on a business in any of the following regulated activities: advising on corporate finance or dealing in capital markets products.

The terms "related party", "early redemption fee" and "redemption premium" are defined in the Income Tax Act as follows:

- "**related party**", in relation to a person ("*A*"), means any person (a) who directly or indirectly controls *A*; (b) who is being controlled directly or indirectly by *A*; or (c) who, together with *A*, is directly or indirectly under the control of a common person;
- "**early redemption fee**", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities; and
- "**redemption premium**", in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity or on the early redemption of the securities.

References to "related party", "early redemption fee" and "redemption premium" in this Singapore tax disclosure have the same meaning as defined in the Income Tax Act.

Where interest, discount income, early redemption fee or redemption premium (i.e. the Qualifying Income) is derived from the Bonds by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities under the Income Tax Act (as mentioned above) shall not apply if such person acquires the Bonds using the funds and profits of such person's operations through a permanent establishment in Singapore. Notwithstanding that the Issuer is permitted to make payments of Qualifying Income in respect of the Bonds without deduction or withholding for tax under Section 45 or Section 45A of the Income Tax Act, any person whose interest, discount income, early redemption fee or redemption premium (i.e. the Qualifying Income) derived from the Bonds is not exempt from tax is required to include such income in a return of income made under the Income Tax Act.

Capital Gains

Any gains considered to be in the nature of capital arising from the sale of the Bonds will generally not be taxable in Singapore. However, any gains derived by any person from the sale of the Bonds which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature. There are no specific laws or regulations which deal with the characterisation of capital gains, and hence, gains arising from the disposal of the Bonds may be construed to be of an income nature and subject to income tax, especially if they arise from activities which the Comptroller of Income Tax would regard as the carrying on of a trade or business in Singapore.

In addition, Bondholders who apply or are required to apply Singapore Financial Reporting Standard ("**FRS 109**") or Singapore Financial Reporting Standard (International) 9 ("**SFRS(I) 9**") (as the case may be) for Singapore income tax purposes may be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Bonds, irrespective of disposal, in accordance with FRS 109 or SFRS(I) 9 (as the case may be) (as modified by the applicable provisions of Singapore income tax law). Please see the section below on "Adoption of FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes" below.

Adoption of FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes

Section 34AA of the Income Tax Act requires taxpayers who comply or who are required to comply with FRS 109 or SFRS(I) 9 (as the case may be) for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109 or SFRS(I) 9 (as the case may be), subject to certain exceptions. The Inland Revenue Authority of Singapore has issued a circular entitled "Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 Financial Instruments".

Holders of the Bonds who may be subject to the tax treatment under Section 34AA of the Income Tax Act should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Bonds.

Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Managers (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer agreed to sell to the Managers, and each of the Managers have agreed severally but not jointly, to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds indicated in the following table at an issue price of 99.721 per cent. of their principal amount in the amounts set forth opposite their names below:

	<u>Principal Amount of Bonds</u>
Citigroup Global Markets Singapore Pte. Ltd.....	U.S.\$79,000,000
Goldman Sachs (Singapore) Pte.	U.S.\$79,000,000
The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch	U.S.\$79,000,000
BNP PARIBAS, acting through its Singapore Branch.....	U.S.\$79,000,000
UBS AG Singapore Branch	U.S.\$79,000,000
Total.....	<u>U.S.\$395,000,000</u>

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Managers and their affiliates against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Managers are subject to certain conditions precedent and entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Issuer (or the Guarantor) has agreed to pay the Managers a combined management and underwriting commission in connection with the offering and will reimburse the Managers for certain fees and expenses incurred in connection with the offering.

In connection with the issue of the Bonds, the Stabilisation Manager(s) or any person acting on behalf of the Stabilisation Manager(s) may, to the extent permitted by applicable laws and directives, over-allot the Bonds and effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager(s) or any person acting on behalf of the Stabilisation Manager(s) shall act as principal and not as agent of the Issuer or the Guarantor. However, there is no assurance that the Stabilisation Manager(s) or any person acting on behalf of the Stabilisation Manager(s) will undertake stabilisation action. Any loss or profit sustained as a consequence of any such overallotment or stabilisation shall be for the account of the Managers.

The Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer and the Guarantor for which they have received, or will receive, fees and expenses.

In connection with the offering of the Bonds, the Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, may act as investors and place orders, receive allocations and trade the Bonds for their own account and such orders, allocations or trading of the Bonds may be material. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the offering of the Bonds should be read as including any offering of the Bonds to the Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Bonds may be impacted.

Furthermore, it is possible that a significant proportion of the Bonds may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Bonds may be constrained. The Issuer, the Guarantor and the Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers,

and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Guarantor, including the Bonds and could adversely affect the trading price and liquidity of the Bonds. The Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer or the Guarantor, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments of the Issuer or the Guarantor.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the Guarantor, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, the Guarantor or any CMI (including its group companies) and inform the Managers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer or the Guarantor. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds. The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Manager(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations"(as used in the SFC Code);

- Whether any underlying investor order is a "Proprietary Order"(as used in the SFC Code); and
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: dcmomnibus@citi.com, gs-hk-dcm-omnibus@gs.com, hk_syndicate_omnibus@hsbc.com.hk, dl.asia.syndicate@asia.bnpparibas.com and sh-asia-ccs-dcm-filing@ubs.com.

To the extent information being disclosed by CMI's and investors is personal and/or confidential in nature, CMI's (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMI's that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMI's (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMI's (including private banks) are required to provide the relevant Manager with such evidence within the timeline requested.

GENERAL

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Managers, the Issuer or the Guarantor that would, or is intended to, permit a public offering of the Bonds, or the possession or distribution of this Offering Circular or any amendment or supplement thereto or any offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

Accordingly, the Bonds should not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material, circular, prospectus, form of application or advertisement in connection with the Bonds should be distributed or published in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligations on the Issuer, the Guarantor and the Managers.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Manager or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Manager or such affiliate on behalf of the Issuer in such jurisdiction.

UNITED STATES

The Bonds and the Guarantee of the Bonds have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and, subject to certain exceptions, may not be offered or sold within the United States.

The Bonds and the Guarantee of the Bonds are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds and the Guarantee of the Bonds, an offer or sale of the Bonds or the Guarantee of the Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

Each of the Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the European Economic Area. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
- (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

Each of the Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the UK. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

- (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or
- (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA.

UNITED KINGDOM

Each of the Managers has represented and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the UK.

HONG KONG

Each of the Managers has represented and undertaken that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

PRC

Each of the Managers has represented and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including Hong Kong Special

Administrative Region or Macao Special Administrative Region or Taiwan), except as permitted by applicable laws of the PRC.

SINGAPORE

Each Manager has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented, warranted and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore.

This Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Bonds may not be circulated or distributed, nor may such Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore.

JAPAN

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

ROC

The Bonds may not be sold, offered or issued in the ROC unless they are made available outside the ROC for purchase by such investors outside the ROC so long as no public solicitation or other relevant activities take place in the ROC.

CANADA

The Bonds may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are "accredited investors", as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are "permitted clients", as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Bonds must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

SUMMARY OF CERTAIN MATERIAL DIFFERENCES BETWEEN TAIWAN-IFRS AND IFRS ACCOUNTING STANDARDS

The Group's audited consolidated financial statements as at and for the years ended 31 December 2023 and 2024 have been prepared and presented in accordance with the Taiwan-IFRS. Taiwan-IFRS and IFRS Accounting Standards differ in certain significant respects. A brief description of certain significant differences between Taiwan-IFRS and IFRS Accounting Standards is set forth below. The regulatory organisations that promulgate Taiwan-IFRS and IFRS Accounting Standards have projects ongoing that could affect future comparisons such as the comparison below. The summary does not and is not intended to provide a comprehensive listing of all existing or future differences between Taiwan-IFRS and IFRS Accounting Standards, including those specifically related to the Group or to the industries in which the Group operates. No attempt has been made to identify future differences between Taiwan-IFRS and IFRS Accounting Standards as a result of prescribed changes in accounting standards, or disclosure, presentation or classification differences that would affect the manner in which transactions and events are reflected in the Group's financial statements or the notes thereto. Further, had the Group undertaken to identify the differences specifically affecting the financial statements presented in this Offering Circular, other potentially significant differences which are not in the following summary may have come to the Group's attention. Accordingly, there can be no assurance that this summary provides a complete description of all differences which may have a significant impact on the Group's financial statements. The Group's management has not quantified the effects of the differences between Taiwan-IFRS and IFRS Accounting Standards on any of the Group's financial results.

Summary of Certain Material Differences

Subject	Taiwan-IFRS	IFRS Accounting Standards
IFRS 17	The effective date of IFRS 17 in the ROC is scheduled for adoption in 2026.	IFRS 17 was effective on 1 January 2023.
Measurement of loan loss	In addition to IFRS 9, in accordance with the Regulations Governing the Procedures for Insurance Enterprises to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, credit assets are classified as normal assets ("First Category"), assets that require special attention ("Second Category"), assets that are substandard ("Third Category"), assets that are doubtful ("Fourth Category") and assets for which there is loss ("Fifth Category") based on the borrower's financial conditions and the delay for payment of principal and interests as well as the status of the loan collateral and the length of time overdue. The minimum amounts of allowance for bad debts are based upon each of the following categories: (i) The sum of 0.5 per cent. of the First Category loan assets excluding life insurance policy loans, premium loans and loans to government agencies, 2 per cent. of the Second Category loan assets, 10 per cent. of the Third Category loan assets, as well as 50 per cent. and 100 per cent. of the Fourth and Fifth Category loan assets. (ii) 1 per cent. of the sum of all five categories of loan assets excluding life insurance policy loans, premium loans and loans to government agencies. (iii) Total unsecured portion of nonperforming loans and non-accrual loans. Besides, pursuant to Jin Guan Bao Tsai No. 10402506096, Insurance Enterprise shall keep the ratio of the allowance for bad debt over the home and construction loans at 1.5 per cent. or above to	According to IFRS 9, an entity shall recognise a loss allowance for expected credit losses (ECLs) on financial assets at amortised cost (including receivables and loans). An entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. ECLs reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

	strengthen its ability against loss exposure to the aforementioned loan assets.	
Tax on unappropriated earnings	The tax on unappropriated earnings is recorded in the year the shareholders approved the appropriation of earnings.	The tax on unappropriated earnings should be accrued during the period the earnings arise and adjusted to the extent of the appropriations approved by the shareholders in the following year.
Related party	An insurance enterprise shall fully disclose information on related party transactions in accordance with IAS 24, and in compliance with the following provisions: (i) The name and relationship of the related party shall be presented. (ii) If the transaction amount or balance of any single related party reaches 10 per cent. or more of the insurance enterprise's total amount or balance of such transactions, the name of each such related party shall be individually presented. Unless it can be established that no control, joint control, or significant influence exists, a party falling within any of the following shall be deemed to have a substantive related party relationship, and relevant information shall be disclosed in the footnotes in accordance with IAS 24: (i) An affiliated enterprise within the meaning given in Chapter VI-I of the Company Act of the ROC, and any of its directors, supervisors, and managerial officers. (ii) A company or institution governed by the same general management office as the insurance enterprise, and any of its directors, supervisors, and managerial officers. (iii) A person holding the position of manager or higher in the general management office. (iv) A company or institution shown as an affiliated enterprise in the insurance enterprise's public announcement or publications. (v) Another company or institution whose board chairman or president is the same person as, or is the spouse or a relative within the second degree of kinship of, the board chairman or president of the insurance enterprise.	In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form. There is no specific guidance as required under Taiwan-IFRS.
Reserve for foreign exchange valuation	Insurance enterprise shall provide reserve for foreign exchange valuation according to all of its foreign investments in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and Direction for Reserve for Foreign Exchange Valuation by Life Insurance Enterprises.	There is no requirement for such reserve under IFRS Accounting Standards.

GENERAL INFORMATION

1. CLEARING SYSTEMS

The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 304632259. The International Securities Identification Number for the Bonds is XS3046322593.

2. LEI NUMBER

The Issuer's LEI number is 2138006QCWSN6N7E1140.

3. AUTHORISATIONS

Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in connection with the entry into, issue and performance of their respective obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by directors' resolutions in writing of the Issuer dated 26 August 2025. The giving of the Guarantee of the Bonds was authorised by the resolution of the board of directors of the Guarantor dated 25 December 2024, 6 March 2025 and 7 August 2025.

4. NO MATERIAL ADVERSE CHANGE

Since 30 June 2025, save as disclosed in this Offering Circular, there has been no material adverse change or development or event involving a prospective change, in the condition (financial or otherwise), prospects, results of operations or general affairs of the Issuer, the Guarantor or their subsidiaries.

5. LITIGATION

From time to time, the Issuer, the Guarantor and their subsidiaries may be involved in litigation that arise during the ordinary course of business. However, none of the Issuer, the Guarantor or any of their subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware), which may have, or have had during the 12 months prior to the date of this Offering Circular, a significant effect on the financial condition or profitability of the Issuer, the Guarantor or their subsidiaries.

6. AVAILABLE DOCUMENTS

Copies of the Trust Deed and Agency Agreement are available (i) for inspection at all reasonable times during usual business hours (being between 9.00 a.m. and 3.00 p.m., Monday to Friday other than public holidays) at the specified office of the Principal Paying Agent (being, at the date of issue of the Bonds, at Level 26, HSBC Main Building, 1 Queen's Road Central, Hong Kong) following prior written request and proof of holding and identity satisfactory to the Principal Paying Agent and (ii) electronically from the Principal Paying Agent, following prior written request and proof of holding and identity satisfactory to the Principal Paying Agent.

7. AUDITOR

The Group's audited consolidated financial statements as at and for the years ended 31 December 2023 and 2024, which are included elsewhere in this Offering Circular, have been prepared in accordance with the Taiwan-IFRS and are audited by PricewaterhouseCoopers, Taiwan as stated in its reports appearing herein.

The Group's audited consolidated financial statements as at and for the six months ended 30 June 2025, which are included elsewhere in this Offering Circular, have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IAS 34 that came into effect as endorsed by the FSC and are audited by PricewaterhouseCoopers, Taiwan as stated in its reports appearing herein.

8. LISTING OF BONDS

Approval in-principle has been received from the SGX-ST for the listing of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of U.S.\$200,000, for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for Certificates in definitive form. In addition, in the event that the Global Certificate is exchanged for Certificates in definitive form, announcement of such exchange will be made by the Issuer through the SGX-ST and such an announcement will include all material information with respect to the delivery of the Certificates in definitive form, including details of the paying agent in Singapore.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Audited Consolidated Financial Statements of the Group as at and for the year ended 31 December 2024	
Independent Auditor's Report	F-1
Consolidated Balance Sheets	F-8
Consolidated Statements of Comprehensive Income	F-10
Consolidated Statements of Changes in Equity	F-12
Consolidated Statements of Cash Flows	F-13
Notes to the Consolidated Financial Statements	F-14
Audited Consolidated Financial Statements of the Group as at and for the year ended 31 December 2023	
Independent Auditor's Report	F-165
Consolidated Balance Sheets	F-173
Consolidated Statements of Comprehensive Income	F-175
Consolidated Statements of Changes in Equity	F-177
Consolidated Statements of Cash Flows	F-179
Notes to the Consolidated Financial Statements	F-180
Audited Consolidated Financial Statements of the Group as at and for the year ended 30 June 2025	
Independent Auditor's Report	F-326
Consolidated Balance Sheets	F-333
Consolidated Statements of Comprehensive Income	F-335
Consolidated Statements of Changes in Equity	F-337
Consolidated Statements of Cash Flows	F-338
Notes to the Consolidated Financial Statements	F-339

Note:

1. The audited consolidated financial statements as at and for the years ended 31 December 2023 and 2024 set out herein have been reproduced from the Company's annual reports for the years ended 31 December 2023 and 2024.
2. The audited consolidated financial statements as at and for the six months ended 30 June 2025 set out herein have been reproduced from the Company's interim report for the six months ended 30 June 2025.
3. The audited consolidated financial statements have not been specifically prepared for the inclusion in this Offering Circular.

INDEPENDENT AUDITORS' REPORT

PWCR24000361

To Nan Shan Life Insurance Company, Limited

Opinion

We have audited the accompanying consolidated balance sheets of Nan Shan Life Insurance Co., Ltd. and its subsidiary (the “Consolidated Company”) as at December 31, 2024 and 2023, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Consolidated Company as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Institutions and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Consolidated Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Company's 2024 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Consolidated Company's 2024 consolidated financial statements are stated as follows:

Insurance contract liabilities-policy reserves**Description**

For the accounting policy for policy reserves, please refer to Note 4 of the consolidated financial statements; for details on insurance contract liabilities, please refer to Note 6(22) of the consolidated financial statements.

Policy reserves for long-term insurance contracts are provisioned in accordance with related insurance regulations and the insurance product statements of each product; the discount rate is the policy reserve specified interest rate. Nan Shan Life Insurance Co., Ltd.'s policy reserves as at December 31, 2024, accounts for 89% of total liabilities. Considering that the accuracy of policy reserve calculation results is material with respect to the financial statements, we have thus included policy reserves as one of the key audit matters in our audit in 2024.

How our audit addressed the matter

The procedures that we have conducted in response to specific aspects of the above-mentioned key audit matter are summarised as follows:

1. Obtained an understanding and assessed the related policies, internal controls, and processing procedures for the calculation of Nan Shan Life Insurance Co., Ltd.'s policy reserves.
2. On a sample basis, tested the effectiveness of internal controls for the calculation of policy reserves. This included the following procedures:
 - (1) Examined authorisation documents for the configuration of new products in order to confirm the accuracy of configurations for new products done by the actuarial system.

- (2) Inspected the number of effective policies in the policy system and the actuarial system in order to confirm the completeness of policy reserve calculations.
 - (3) Examined the consistency between policy information and information in the policy system in order to confirm the accuracy of policy information for calculating policy reserves.
- 3. We used the work of actuarial specialists to assist us in comparing the provision method and assessing the reasonableness of policy reserves at balance sheet date. This included the following procedures:
 - (1) On a sample basis, tested representative new products in the current period in order to confirm that Nan Shan Life Insurance Co., Ltd.'s method and results of provisioning reserves were consistent with those of the insurance product statement.
 - (2) Performed trend analysis (excluding universal life insurance and variable interest annuities) and roll analysis in order to assess the reasonableness of the policy reserves at balance sheet date.

Adequacy of insurance contract liabilities

Description

For the accounting policy regarding the adequacy of insurance contract liabilities, please refer to Note 4 of the consolidated financial statements; for the critical accounting estimates and assumptions, please refer to Note 5 of the consolidated financial statements.

Nan Shan Life Insurance Co., Ltd.'s insurance contract liabilities as at December 31, 2024, accounts for 90% of total liabilities. In accordance with IFRS 4, 'Insurance Contracts', insurance contracts should be tested for liability adequacy at every balance sheet date in order to reflect Nan Shan Life Insurance Co., Ltd.'s current estimates of future cash flows; of which, various assumptions such as discount rate (i.e. rate of investment return), mortality rate, morbidity rate, lapse rate, and expense rate involve human subjective judgement. Considering that there will be a material impact on the financial statements if insurance liabilities are not adequate, we have thus included the adequacy of insurance liabilities as one of the key audit matters in our audit in 2024.

How our audit addressed the matter

The procedures that we have conducted in response to specific aspects of the above-mentioned key audit matter are summarised as follows:

We used the work of actuarial specialists to assist us in assessing the reasonableness of elected methods and various assumptions. This included the following procedures:

1. Compared whether there were significant differences between the current period and the previous period for major assumptions other than the discount rate (such as the mortality rate, morbidity rate, lapse rate, and expense rate). If there were significant differences, then related documents and explanations with regard to Nan Shan Life Insurance Co., Ltd.'s actuary assumptions were obtained. Current period assumptions were compared to actual experiences in order to examine the reasonableness of each assumption.
2. Referenced current market interest rate information to assess the reasonableness of the elected discount rate for future cash flows from insurance contracts.
3. Confirmed the accuracy of the cash flow model through independent sample testing.
4. Recalculated the current estimates of future cash flows using the overall cash flows and discount rate assumptions provided by Nan Shan Life Insurance Co., Ltd.
5. Compared the carrying amounts of insurance liabilities to the current estimates of future cash flows from insurance contracts.

Other matter – Parent company only financial statements

We have audited and expressed an unmodified opinion on the parent company only financial statements of Nan Shan Life Insurance Co., Ltd. as at and for the years ended December 31, 2024 and 2023.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Institutions and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Consolidated Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Consolidated Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Consolidated Company's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgement and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Consolidated Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Shih, Ming-Chih



Hsu, Sheng-Chung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 6, 2025

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

ASSETS	Notes	December 31, 2024		December 31, 2023	
		AMOUNT	%	AMOUNT	%
Cash and cash equivalents	6(1)(9)	\$ 96,121,054	2	\$ 71,836,768	1
Receivables	6(2) and 13(3)	43,700,329	1	45,444,582	1
Current tax assets		5,948,301	-	4,116,889	-
Financial assets at fair value through profit or loss	6(3)(9)	1,005,321,996	18	1,008,081,692	19
Financial assets at fair value through other comprehensive income	6(4) and 13(3)	256,205,859	4	269,736,858	5
Financial assets at amortised cost	6(5) and 13(3)	3,478,427,586	62	3,325,116,318	62
Investments accounted for using equity method	6(6) and 16(2)	3,072,425	-	2,816,281	-
Investment property	6(10)	213,702,898	4	218,889,784	4
Loans	6(11) and 13(3)	110,183,510	2	110,143,889	2
Reinsurance contract assets	6(22)	3,391,495	-	4,012,032	-
Property and equipment	6(12)	18,288,829	-	16,850,912	-
Right-of-use assets	6(13)	1,507,446	-	827,036	-
Intangible assets	6(15)	12,536,504	-	13,713,264	-
Deferred tax assets	6(29)	90,612,695	2	62,221,574	1
Other assets	6(16)	60,248,952	1	24,426,969	1
Assets on insurance products-separate account	6(17)	224,320,516	4	208,211,792	4
TOTAL ASSETS		<u>\$ 5,623,590,395</u>	<u>100</u>	<u>\$ 5,386,446,640</u>	<u>100</u>

(Continued)

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2024		December 31, 2023	
		AMOUNT	%	AMOUNT	%
Short-term debts	6(8)(9)(18)	\$ 2,822,375	-	\$ 5,738,950	-
Payables	6(19)	15,582,275	-	14,256,570	-
Current tax liabilities		925,404	-	3,048,691	-
Financial liabilities at fair value through profit or loss	6(3)(9)(20)	61,317,453	1	5,287,505	-
Bonds payable	6(21)	87,278,676	2	53,500,000	1
Insurance contract liabilities	6(22)	4,734,577,912	84	4,627,810,413	86
Reserve for insurance with nature of financial instruments	6(23)	1,273,246	-	956,348	-
Reserve for foreign exchange valuation	6(24)	23,273,154	-	8,675,002	-
Provisions	6(25)	3,735,838	-	3,840,130	-
Lease liabilities	6(13)	29,642,528	1	32,921,416	1
Deferred tax liabilities	6(29)	52,533,164	1	29,104,400	1
Other liabilities	6(27)	30,049,068	1	49,217,261	1
Liabilities on insurance products-separate account	6(17)	224,320,516	4	208,211,792	4
Total Liabilities		<u>5,267,331,609</u>	<u>94</u>	<u>5,042,568,478</u>	<u>94</u>
Capital					
Common stock		146,992,460	2	138,219,000	3
Capital surplus		9,187,500	-	9,187,500	-
Retained Earnings					
Legal reserve		49,419,333	1	45,092,928	1
Special reserve		219,496,781	4	210,506,837	4
Undistributed earnings		41,547,513	1	21,130,000	-
Other equity interest		(110,384,801)	(2)	(80,258,103)	(2)
Total Equity	6(28)	<u>356,258,786</u>	<u>6</u>	<u>343,878,162</u>	<u>6</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 5,623,590,395</u>	<u>100</u>	<u>\$ 5,386,446,640</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

Items	Notes	Year ended December 31				Changes Percentage
		2024		2023		
		AMOUNT	%	AMOUNT	%	(%)
Operating Revenues						
Premium income from written policy		\$ 261,077,535	53	\$ 263,161,200	56	(1)
Reinsurance premium income		305,575	-	288,779	-	6
Premium Income		261,383,110	53	263,449,979	56	(1)
Less : Reinsurance premium ceded		(6,308,030)	(1)	(6,581,703)	(1)	(4)
Net change in unearned premium reserve	6(22)	(1,779,085)	(1)	(1,320,407)	-	35
Retention Earned Premium Income	6(31)	253,295,995	51	255,547,869	55	(1)
Reinsurance commission income		2,033,989	-	2,084,578	1	(2)
Fee income	6(17)	2,367,593	1	2,125,828	-	11
Net Investment Income (Loss)						
Interest income	6(33)	141,704,893	29	139,153,720	30	2
(Loss) gain on financial assets and liabilities at fair value through profit or loss	6(3)	(99,092,938)	(20)	50,947,911	11	(294)
Realised gain (loss) on financial assets at fair value through other comprehensive income	6(4)	1,570,260	-	(407,851)	-	(485)
(Loss) gain from derecognition of financial assets at amortised cost	6(5)	(758,767)	-	506,501	-	(250)
Share of gain of associates and joint ventures accounted for using equity method	6(6) and 16(2)	525,835	-	268,093	-	96
Foreign exchange gain		157,553,230	32	1,765,362	-	8825
Net change in reserve for foreign exchange valuation	6(24)	(14,598,152)	(3)	33,917,108	7	(143)
Gain on investment property	6(10)	1,484,845	-	1,755,524	-	(15)
Expected credit (loss) reversal on investment	6(34)	2,167,328	1	(1,361,599)	-	(259)
(Gain) loss on reclassification using overlay approach	6(3)	14,585,281	3	(44,834,450)	(9)	(133)
Subtotal		205,141,815	42	181,710,319	39	13
Other operating revenues		218,329	-	242,724	-	(10)
Revenue on insurance products-separate account	6(17)	28,327,607	6	25,913,951	5	9
Total Operating Revenues		491,385,328	100	467,625,269	100	5

(Continued)

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

Items	Notes	Year ended December 31				Changes Percentage (%)
		2024		2023		
		AMOUNT	%	AMOUNT	%	
Operating Costs						
Claims and policy benefits payments		(\$ 347,031,524)	(71)	(\$ 344,392,412)	(74)	1
Less : Claims recovered from reinsurers		2,925,831	1	3,250,927	1	(10)
Retention Claims and Policy Benefits Payments	6(32)	(344,105,693)	(70)	(341,141,485)	(73)	1
Net change in other insurance contract liabilities	6(22)	(31,078,784)	(6)	(34,952,318)	(8)	(11)
Net change in reserve for insurance with nature of financial instruments	6(23)	(308,777)	-	(313,845)	-	(2)
Underwriting expenses		(31,438)	-	(25,270)	-	24
Commission expenses		(17,251,554)	(3)	(16,144,374)	(3)	7
Other operating costs		(272,711)	-	(343,034)	-	(21)
Finance costs	6(35)	(3,051,778)	(1)	(1,915,674)	-	59
Expenses on insurance products-separate account	6(17)	(28,327,607)	(6)	(25,913,951)	(6)	9
Total Operating Costs		(424,428,342)	(86)	(420,749,951)	(90)	1
Operating Expenses 6(36)						
General expenses		(10,739,084)	(2)	(10,534,100)	(2)	2
Administrative expenses		(13,100,613)	(3)	(11,984,316)	(3)	9
Employee training expenses		(25,798)	-	(22,934)	-	12
Expected credit (loss) reversal on non-investment	6(34)	6,689	-	(17,496)	-	(138)
Total Operating Expenses		(23,858,806)	(5)	(22,558,846)	(5)	6
Operating Income		43,098,180	9	24,316,472	5	77
Non-Operating Income and Expenses		7,560	-	83,832	-	(91)
Profit from Continuing Operations before Income Taxes						
		43,105,740	9	24,400,304	5	77
Income Tax Expense	6(29)	(649,795)	-	(2,290,680)	-	(72)
Net Income						
		\$ 42,455,945	9	\$ 22,109,624	5	92
Other Comprehensive Income						
Components of other comprehensive income that will not be reclassified to profit or loss						
Remeasurements of defined benefit plans	6(26)	\$ 60,505	-	(\$ 594,934)	-	(110)
Unrealised revaluation increments	6(12)	28,175	-	80,453	-	(65)
Unrealised gain on equity instruments at fair value through other comprehensive income	6(4)	422,431	-	542,270	-	(22)
Share of other comprehensive income of associates and joint ventures accounted for using equity method - items that may not be reclassified to profit or loss	6(6)	1,705	-	(1,000)	-	(270)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(29)	(59,042)	-	51,156	-	(215)
Components of other comprehensive income that will be reclassified to profit or loss						
Exchange differences on translation of foreign financial statements	6(28)	5,692	-	1,040	-	447
(Loss) gain on debt instruments measured at fair value through other comprehensive income	6(4)	(20,905,583)	(4)	1,140,302	-	(1933)
Other comprehensive (loss) gain on reclassification using overlay approach	6(3)	(14,585,281)	(3)	44,834,450	9	(133)
Share of other comprehensive income of associates and joint ventures accounted for using equity method - items that may be reclassified to profit or loss	6(6)	6,788	-	860	-	689
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(29)	4,949,289	1	(5,862,308)	(1)	(184)
Other Comprehensive (Loss) Income, Net of Income Tax 6(28)						
		(30,075,321)	(6)	40,192,289	8	(175)
Total Comprehensive Income						
		\$ 12,380,624	3	\$ 62,301,913	13	(80)
Earnings per Share						
Basic and Diluted	6(30)	\$ 2.89		\$ 1.50		

The accompanying notes are an integral part of these consolidated financial statements.

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent											

The accompanying notes are an integral part of these consolidated financial statements.

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2024 AND 2023

(Expressed in thousands of New Taiwan dollars)

	Year ended December 31	
	2024	2023
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	\$ 43,105,740	\$ 24,400,304
Adjustments		
Adjustments to reconcile profit (loss)		
Expected credit loss (reversal) on investments	(2,167,328)	1,361,599
Expected credit loss (reversal) on non-investments	(6,689)	17,496
(Gain) loss on reclassification using overlay approach	(14,585,281)	44,834,450
Interest income	(141,704,893)	(139,153,720)
Dividend income	(32,157,643)	(31,588,710)
Finance costs	3,051,778	1,915,674
Depreciation and amortisation	2,536,406	2,292,471
Loss (gain) on financial assets and financial liabilities at fair value through profit or loss	108,601,338	(68,329,804)
Unrealised foreign exchange gain	(151,184,199)	(1,528,481)
Net change in insurance contract liabilities	32,857,869	36,272,725
Net change in reserve for insurance with nature of financial instruments	308,777	313,845
Net change in reserve for foreign exchange valuation	14,598,152	(33,917,108)
Fair value adjustment of investment property	2,211,840	1,384,956
Share of gain of associates and joint ventures accounted for using equity method	(525,835)	(268,093)
Others	3,479,612	3,917,916
Changes in operating assets and liabilities		
Changes in operating assets		
Decrease in receivables	5,508,801	11,070,437
Increase in financial assets or liabilities at fair value through profit or loss	(49,082,634)	(18,656,081)
Decrease (increase) in financial assets at fair value through other comprehensive income	6,898,336	(17,626,169)
Decrease in financial assets at amortised cost	80,179,433	8,570,238
Decrease (increase) in reinsurance contract assets	186,298	(18,523)
Increase in other assets	(33,936,419)	(550,515)
Changes in operating liabilities		
Decrease in short-term debt	(3,042,117)	(7,133,734)
Decrease in payables	(1,444,266)	(8,222,568)
Decrease in provisions	(43,787)	(70,077)
(Decrease) increase in other liabilities	(20,029,175)	20,986,611
Cash outflow generated from operations	(146,385,886)	(169,724,861)
Interest received	113,462,312	111,087,670
Dividend received	32,193,423	31,665,378
Interest paid	(2,822,532)	(2,163,380)
Income tax refunded	268,802	256,213
Income tax paid	(4,764,589)	(2,806,982)
Net cash flows used in operating activities	(8,048,470)	(31,685,962)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Decrease in loans	317,942	3,510,041
Acquisition of investment property	(3,960,598)	(1,565,204)
Proceeds from disposal of investment property	5,948,894	-
Acquisition of property and equipment	(1,421,993)	(795,381)
Proceeds from disposal of property and equipment	-	47,910
Increase in intangible assets	(387,520)	(538,129)
Acquisition of investments accounted for using equity method	-	(2,763,845)
Net cash flows from (used in) investing activities	496,725	(2,104,608)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from issuing bonds	33,774,119	11,500,000
Repayment of principal portion of lease liabilities	(3,962,434)	(3,953,902)
Net cash flows from financing activities	29,811,685	7,546,098
Effects of exchange rate changes on cash and cash equivalents	2,024,346	(82,110)
Net increase (decrease) in cash and cash equivalents	24,284,286	(26,326,582)
Cash and cash equivalents at beginning of year	71,836,768	98,163,350
Cash and cash equivalents at end of year	\$ 96,121,054	\$ 71,836,768

The accompanying notes are an integral part of these consolidated financial statements.

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise stated)

1. HISTORY AND BUSINESS ACTIVITY

Nan Shan Life Insurance Company, Limited (the “Company”) was incorporated in July 1963. The Company engages in the business of life, health, personal accident and annuity insurance. Ruen Chen Investment Holding Co., Ltd. (“Ruen Chen”), the Company’s ultimate parent company, holds 89.55% equity interest in the Company. On September 5, 2011, Ruen Chen transferred 7,678,931,390 shares to the trust account with First Bank, to demonstrate its determination to invest in the Company for long-term purpose and fulfill its commitments to the relevant government authorities. The aforementioned shares have been returned to Ruen Chen on September 16, 2021 due to the expiration of the trust account. The Company was qualified as a public company on July 16, 2012 with the approval of Jin-Guan-Zheng-Fa Letter No. 1010030238 of the Financial Supervisory Commission. The Company obtained the establishment license and business license of its offshore insurance branch which commenced its operations on October 21, 2015.

The Company has been permitted to acquire 100% shares of AIG Taiwan Insurance Co., Ltd. (“AIG Taiwan”) with Jin-Guan-Bao-Chan Letter No.10502524122 of FSC dated July 18, 2016 and the equity transfer became effective on September 1, 2016. AIG Taiwan then became a subsidiary of the Company. On the same day, it was renamed Nan Shan General Insurance Co., Ltd, which is primarily engaging in property insurance for individuals and medium and small businesses.

The Company has tendered for the transfer of assets, liabilities and business by Chaoyang Life Insurance Co. Ltd (“Chaoyang”), which is led by Taiwan Insurance Guaranty Fund; and the assignment and assumption agreement is made and entered into as of January 18, 2017. The transfer became effective on May 2, 2017, therefore, the Company assumed all assets, liabilities and business except for those reserved for Chaoyang.

The Company has been permitted by Jin-Guan-Bao-Sho Letter No. 1130140191 of FSC dated July 2, 2024 to establish a 100% owned special purpose overseas financing entity, Nanshan Life Pte. Ltd., in Singapore. This entity is dedicated to issuing bonds with capital characteristics and managing the associated funds. The establishment was completed in Singapore on July 26, 2024, making it a 100% owned subsidiary of the Company. Its business scope includes issuing overseas bonds and conducting foreign investments.

For the years ended December 31, 2024 and 2023, the Company’s consolidated financial statements disclosed information about the Company and the Subsidiary (the “Consolidated Company”). Please refer to Note 4(3) for details.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 6, 2025.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024
The above standards and interpretations have no significant impact to the Consolidated Company's financial condition and financial performance based on the Consolidated Company's assessment.	
(2) <u>Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Consolidated Company</u>	
New standards, interpretations and amendments endorsed by the FSC effective from 2025 are as follows:	

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025
The above standards and interpretations have no significant impact to the Consolidated Company's financial condition and financial performance based on the Consolidated Company's assessment.	
(3) <u>IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC</u>	
New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards as endorsed by the FSC are as follows:	

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9 and IFRS 7, 'Amendments to the classification and measurement of financial instruments'	January 1, 2026
Amendments to IFRS 9 and IFRS 7, 'Contracts referencing nature – dependent electricity'	January 1, 2026
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
IFRS 18, 'Presentation and disclosure in financial statements'	January 1, 2027
IFRS 19, 'Subsidiaries without public accountability: disclosures'	January 1, 2027
Annual Improvements to IFRS Accounting Standards—Volume 11	January 1, 2026
Except for the following, the above standards and interpretations have no significant impact to the Consolidated Company's financial condition and financial performance based on the Consolidated Company's assessment.	
The Consolidated Company is currently assessing the potential impact and is temporarily unable to reasonably estimate the impact of the following standards and interpretations on the	

Consolidated Company.

A. Amendments to IFRS 9 and IFRS 7, ‘Amendments to the classification and measurement of financial instruments’

The IASB issued the amendments to:

- (a) Clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception relating to the derecognition of a financial liability (or part of a financial liability) settled through an electronic cash transfer system. Applying the exception, an entity is permitted to derecognise a financial liability at an earlier date if, and only if, the entity has initiated a payment instruction and specific conditions are met. The conditions for the exception are that the entity making the payment does not have:
 - i. the practical ability to withdraw, stop or cancel the payment instruction;
 - ii. the practical ability to access the cash used for settlement; and
 - iii. significant settlement risk.
- (b) Clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion, covering contractual terms that can change cash flows based on contingent events (for example, interest rates linked to ESG targets), non-recourse features and contractually-linked instruments.
- (c) Add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets), including a qualitative description of the nature of the contingent event, quantitative information about the possible changes to contractual cash flows that could result from those contractual terms and the gross carrying amount of financial assets and amortised cost of financial liabilities subject to these contractual terms.
- (d) Update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI). The entity shall disclose the fair value of each class of investment and is no longer required to disclose the fair value of each investment. In addition, the amendments require the entity to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss related to investments derecognised during the reporting period and the fair value gain or loss related to investments held at the end of the reporting period; and any transfers of the cumulative gain or loss within equity during the reporting period related to the investments derecognised during that reporting period.

B. IFRS 17, ‘Insurance contracts’

IFRS 17 ‘Insurance contracts’ replaces IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The standard applies to insurance contracts (including reinsurance contracts) issued, to reinsurance contracts held and to investment contracts with discretionary participation features issued, provided the entity also issues insurance contracts. Embedded derivatives, distinct investment components and distinct performance obligations shall be separated from the insurance contracts. An entity shall, at initial recognition, disaggregate a portfolio into three groups of contracts: onerous, no significant risk of becoming onerous, and remaining contracts. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin (‘CSM’) representing the unearned profit of the contract. An entity may apply a modified simplified measurement approach (the premium allocation approach) to some insurance contracts. An entity recognises the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognises the loss immediately. Entities are required to present separately insurance revenue, insurance service expenses and insurance finance income or expenses and to disclose information about amounts, judgements and risks arising from insurance contracts.

C. Amendments to IFRS 17, 'Insurance contracts'

The amendments to IFRS 17 include the deferral of effective date, expected recovery of insurance acquisition cash flows, contractual service margin attributable to investment services, reinsurance contracts held – recovery of losses and other amendments, and they are not intended to change the fundamental principles of the standard.

D. Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'

The amendment permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The overlay allows all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17, to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The overlay can be applied by entities that have already applied IFRS 9 or will apply it when they apply IFRS 17.

E. IFRS 18, 'Presentation and disclosure in financial statements'

IFRS 18, 'Presentation and disclosure in financial statements' replaces IAS 1. The standard introduces a defined structure of the statement of profit or loss, disclosure requirements related to management-defined performance measures, and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprise, assets and liabilities on consolidated financial statements that are not classified as current or non-current accounts shall be classified by their nature and comparative liquidity. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

These consolidated financial statements of the Consolidated Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprise and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) At fair value

- I. Financial assets and liabilities (including derivative instruments) at fair value through profit or loss;
- II. Financial assets at fair value through other comprehensive income; and
- III. Investment property (excluding participating policy liability-linked investment property and constructions in progress).

(b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

(c) Reinsurance contract assets, insurance contract liabilities, and reserve for foreign exchange valuation actuarially recognised in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and relevant regulations.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Company's accounting policies. The areas involving a

higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Consolidated Company's consolidated financial statements. Subsidiaries are all entities controlled by the Consolidated Company. The Consolidated Company controls an entity when the Consolidated Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Consolidated Company obtains control of the subsidiaries and ceases when the Consolidated Company loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Consolidated Company are eliminated. Accounting policies of subsidiaries have been adjusted when necessary to ensure consistency with the policies adopted by the Consolidated Company.

B. Subsidiary included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2024	December 31, 2023	
The Company	Nan Shan General Insurance Company, Ltd.	Property insurance	100	100	
The Company	Nanshan Life Pte. Ltd.	Overseas financing and investing business	100	-	Note

Note: Nanshan Life Pte. Ltd. was established on July 26, 2024.

(4) Foreign currency translations

Items included in the financial statements of the Consolidated Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars (TWD), which is the Company's functional currency and the Consolidated Company's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the current period.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the end of the reporting period. Exchange differences arising upon re-translation at the end of the reporting period are recognised in profit or loss in the current period.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the end of the reporting period; their translation differences are recognised in profit or loss in the current period. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the end of the reporting period; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities

denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (d) Foreign exchange gains and losses for monetary investment principal, interest-earned and insurance contract liabilities denominated in foreign currencies are recognised in net income or loss from investments. Other foreign exchange gains and losses that do not arise from investing activities are recognised in other operating revenues or other operating costs.

B. Translation of foreign operations

The operating results and financial position of all the Consolidated Company entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at spot exchange rates of trade date; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets and liabilities

On a regular way purchase or sale basis, financial assets are recognised and derecognised using trade date accounting. The classifications of financial assets and liabilities are summarised as follows:

A. Financial assets at fair value through profit or loss

- (a) Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- (b) At initial recognition, the Consolidated Company measures the financial assets or liabilities at fair value plus transaction costs that can be directly attributed to the financial assets or liabilities, or recognised the transaction costs in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and the derivative gain or loss recognised in profit or loss.
- (c) Gain or loss on financial assets or liabilities at fair value through profit or loss recognised in the consolidated statement of comprehensive income include gain or loss arising from transactions, dividend income, interest income, and gain or loss on valuation of financial assets and liabilities at fair value at the end of the reporting period.
- (d) Financial assets that meet one of the following criteria are designated using overlay approach:
 - I. It is measured at fair value through profit or loss applying IFRS 9 but would not have been measured at fair value through profit or loss in its entirety applying IAS 39; and
 - II. It is not held in respect of an activity that is unconnected with contracts within the scope of IFRS 4.

- (e) The Consolidated Company can, if needed, use overlay approach on the designated financial assets. Overlay approach is an accounting treatment to reclassify an amount between profit or loss or other comprehensive income, and the profit or loss arising from designated financial assets at the financial period-end is in line with the profit or loss arising from designated financial assets under IAS 39. Therefore, reclassification mainly arose from the differences from following items:
 - I. The amount reported in profit or loss for the designated financial assets applying IFRS 9; and
 - II. The amount that would have been reported in profit or loss for the designated financial assets if the insurer had applied IAS 39.
- B. Financial liabilities at fair value through profit or loss
 - (a) Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
 - (b) At initial recognition, the Consolidated Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and the derivative gain or loss recognised in profit or loss.
- C. Financial assets at fair value through other comprehensive income
 - (a) Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Consolidated Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - I. The objective of the Consolidated Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - II. The assets' contractual cash flows represent solely payments of principal and interest.
 - (b) At initial recognition, the Consolidated Company measures the financial assets at fair value plus transaction costs. The Consolidated Company subsequently measures the financial assets at fair value:
 - I. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Consolidated Company and the amount of the dividend can be measured reliably.
 - II. Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.
- D. Financial assets at amortised cost
 - (a) Financial assets at amortised cost are those that meet all of the following criteria:
 - I. The objective of the Consolidated Company's business model is achieved by collecting contractual cash flows; and
 - II. The assets' contractual cash flows represent solely payments of principal and interest.
 - (b) At initial recognition, the Consolidated Company measures the financial assets at fair value plus transaction costs. Financial assets at amortised cost are subsequently measured

at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such asset is recognised in profit or loss.

E. Loans and receivables

(a) Receivables

Receivables are receivables originated by the entity. They are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term receivables without bearing interest are subsequently measured at initial amount as the effect of discounting is immaterial.

(b) Loans

Loans include secured loans, life insurance policy loans and automatic policy loans, among which, secured loans are loans collateralised by real estate. Life insurance policy loans are loans made to the policyholders with their insurance policies as collaterals in accordance with the Consolidated Company's insurance contract terms. Automatic policy loans refer to the Consolidated Company can use the policy value reserve (net of loan principal and interest if having life insurance policy loans) at the time the policyholders file the application to settle the unpaid premium and interest on behalf of the policyholders in accordance with the insurance contract terms. Loans are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

F. Other financial assets

Other financial assets are not attributable to any category described above and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

G. Bonds payable

Ordinary corporate bonds issued by the Consolidated Company are initially recognised at fair value, net of transaction costs incurred. Ordinary corporate bonds are subsequently stated at amortised cost, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

H. Derecognition of financial assets

The Consolidated Company derecognises a financial asset when one of the following conditions is met:

- (a) The contractual rights to receive the cash flows from the financial asset expire.
- (b) The contractual rights to receive cash flows of the financial asset have been transferred and the Consolidated Company has transferred substantially all the risks and rewards of ownership of the financial asset.
- (c) The contractual rights to receive cash flows of the financial asset have been transferred; however, the Consolidated Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and has not retained control of the financial asset.

I. Derecognition of financial liabilities

A financial liability is derecognised, when the obligation under the liability specified in the contract is discharged, cancelled or expires.

J. Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

K. Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income, financial assets at amortised cost, loans, receivables and other financial assets under amortised cost, at each balance sheet date, the Consolidated Company recognises the impairment provision for 12 months expected credit losses (ECLs) if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses if such credit risk has increased significantly since initial recognition after taking into consideration all reasonable and supportable information that includes forward-looking. If the financial assets become credit-impaired at the balance sheet date, the amount of the impairment loss is measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

L. Reclassification of financial assets

According to IFRS 9, when, and only when, the Consolidated Company changes its business model for managing financial assets, it shall reclassify all affected financial assets. If the Consolidated Company reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. This adjustment affects other comprehensive income but does not affect profit or loss.

(7) Non-hedging and embedded derivatives

- A. Non-hedging derivatives are initially recognised at fair value on the date derivative contracts are entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.
- B. Financial assets with embedded derivatives are considered in their entirety based on the contract terms to determine the entire hybrid contracts shall be initially classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income or financial assets at amortised cost.
- C. Hybrid contracts with non-financial assets hosts are considered based on the contract terms to determine whether the embedded derivatives are accounted for separately at initial recognition from the host depending on whether the economic characteristics and risks of an embedded derivative are closely related to the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the embedded derivative is accounted for separately from the host contract as a derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(8) Bonds sold under repurchase agreements

Bonds sold under repurchase agreements are initially recorded at cost and are presented within 'short-term debts' based on the nature of the financing transactions. During the period of selling and designated repurchase date, interest expenses are recognised on an accrual basis.

(9) Allowance for loss/bad debts

Allowance for loss/bad debts on financial assets of debt instrument at fair value through other

comprehensive income, financial assets at amortised cost, loans, receivables and other financial assets under amortised cost and reinsurance contract assets should be assessed and recognised in accordance with IFRS 9, IFRS 4 and FSC's "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises".

(10) Investments accounted for using equity method - associates

- A. Associates are all entities over which the Consolidated Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Consolidated Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Consolidated Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Consolidated Company does not recognise further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.

(11) Investment property

- A. The investment properties of the Consolidated Company (including constructions in progress) are land and buildings with operating lease, held to earn rentals or for capital appreciation or both. An investment property is stated initially at its cost including the direct cost attributable to the acquisition of the asset and measured subsequently using the fair value model. The participating policy liability-linked investment properties (returns paid by the liabilities are directly linked to the returns from the investment properties) are measured subsequently using the cost model.
- B. Investment property that subsequently applies cost model is measured at cost less accumulated depreciation and accumulated impairment loss. Each part of an item of investment property with cost model that is significant in relation to the total cost of the item must be depreciated separately. For investment property that subsequently applies fair value model, gains or losses arising from changes in fair value are recognised in profit or loss in the period incurred. The Consolidated Company should set aside special reserve from net cumulative incremental gains arising from changes in fair value in subsequent periods after approval by the stockholders. Please refer to Note 6(28).
- C. Part of the property may be held by the Consolidated Company for self-use purpose and the remaining are used to generate rental income or for capital appreciation. If the property held by the Consolidated Company can be sold separately, then the accounting treatment should be made respectively. IAS 16 applies to the owner-occupied property, and property used to generate rental income or for capital appreciation or both is applicable for investment property set out in IAS 40. If each part of the property cannot be sold separately and the owner-occupied proportion is not material, then the property is deemed as investment property in its entirety.
- D. The subsequent costs of major improvements, acquisitions and renovations are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Normal repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- E. When the investment property is reclassified as property and equipment after a change in use, the carrying amount or fair value at the time of change is used as deemed cost. An investment property is derecognised when it is disposed or no longer used and there is no future economic benefits arising from the disposition thereof. When an investment property is derecognised, any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. The gain or loss on disposal of investment property, the rental income and the relevant expense are recognised as “Gain/loss on investment property” under the Consolidated Company’s operating nature.
- F. Investment property that subsequently applies cost model, including buildings and significant objects (elevators, air-conditioning equipment, and improvements) with the exception of land, are depreciated on a straight-line basis over their estimated useful life of 27-43 years and 3-43 years, respectively.
- G. If the Consolidated Company determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value of the property to be reliably measurable when construction is complete, it shall measure that investment property under construction at cost until either its fair value becomes reliably measurable or construction is completed (whichever is earlier). If the Consolidated Company determines that the fair value of an investment property under construction is still not reliably measurable after completion, the Consolidated Company shall measure that investment property using the cost model under IAS 16. The residual value of the investment property shall be assumed to be zero until disposal of the investment property.
- H. The assets’ residual values, useful lives and depreciation methods are reviewed at each financial year-end and, if expectations differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’, from the date of the change.
- I. By applying IFRS 16 “Lease”, the right of superficies contracts, which the Consolidated Company entered into, pertains to an operating lease. The recognition of right-of-use assets adopts fair value of investment property model in IAS 40.

(12) Property and equipment

- A. The cost of property and equipment includes its purchase price, any cost directly attributable to the asset, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Subsequent to initial recognition, property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- B. The subsequent costs of major improvements, acquisitions and renovations are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Normal repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. When the purpose of holding the real estate has changed from for own use to for investment carried at fair value, any difference between the carrying amount of the property and its fair value shall be processed with revaluation in accordance with IAS 16. If there is any decrease in the carrying amount of the property, the decrease is recognised in profit or loss. If there is any increase in the carrying amount, recognised impairment loss shall be reversed with the

remaining part of the increase recognised in other comprehensive income. Revaluation increments within other equity shall be increased simultaneously and the real estate should be reclassified as investment property based on its fair value at the date of the change.

- D. Land is not depreciated and leasehold improvements are depreciated on a straight-line basis with the shorter of the lease period or the estimated useful life. Other assets are depreciated on a straight-line basis over their estimated useful life. The estimated original useful lives of property and equipment are as follows:

	<u>Useful lives</u>
Buildings and constructions	
Buildings and constructions	32 to 61 years
Elevators, air-conditioning equipment and improvements	5 to 35 years
Computer equipment	3 to 20 years
Transportation equipment	5 years
Other equipment and leasehold improvements	1 to 10 years

- E. The assets' residual values, useful lives and depreciation methods are reviewed at each financial year-end and, if expectations differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have significantly changed, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

(13) Leasing arrangements (lessor) – operating leases

The Consolidated Company's lease contracts are all operating leases, where substantially all risks and rewards of ownership of the assets remain with the lessor. Assets involved in operating lease are recognised under 'investment property'. Direct costs attributable to operating lease negotiations should be added to the carrying amount of lease assets. Related lease revenues are recognised under 'gain on investment property'. Rental income from operating lease include rental rewards and confirmed long-term future rent adjustment, which are recognised as gain and loss on a straight-line basis over the lease terms.

(14) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Consolidated Company. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable;
- (b) Variable lease payments that depend on an index or a rate;
- (c) Amounts expected to be payable by the lessee under residual value guarantees;
- (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Consolidated Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-

of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date;
 - (c) Any initial direct costs incurred by the lessee; and
 - (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between original and remeasured lease liability in profit or loss.

(15) Intangible assets

A. Computer software

The computer software is measured at cost less cumulative amortisation and accumulated impairment. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated economic useful lives. The computer software has an original useful life of 2 to 20 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

C. Licences

Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences are intangible assets with useful life, and are amortised over 10 to 12 years based on the estimated benefits derived from each period.

(16) Impairment of non-financial assets

- A. The Consolidated Company assesses at each end of reporting period the recoverable amounts of those assets with an indication of impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised cost would have been if the impairment had not been recognised. Impairment loss recognised and reversed is classified under non-operating income and expenses.
- B. The recoverable amounts of goodwill are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the business combination.

(17) Salvages assumed and rights of claim by subrogation

Under direct underwriting business, salvages, which are acquired according to law from claims settlement process, should be assessed and recognised its fair value. Rights to subject matter insured or rights to claim indemnification against claims settlement cost should be recognised when the retrieve is ascertained and the amount can be reliably measured.

(18) Classification and measurement of insurance products

A. Classification

- (a) Insurance products are classified according to the requirements in IFRS 4. The Consolidated Company should identify whether its underwritten insurance policies assume insurance risk and other risks components, and judge whether contract components can be separated and individually calculated. The results of such judgements will affect the classifications of insurance contracts. In addition, the Consolidated Company should also make critical judgements on whether its underwritten insurance policies have transferred insurance risks, whether there is commercial substance for the transferred insurance risks and whether transferred insurance risks are material, as well as conduct transfer testing on significant insurance risks. The results of such judgements will impact the classifications of insurance contracts.
- (b) Insurance contract refers to a contract under which the Consolidated Company accepts significant risk transferred from the policyholder by agreeing to compensate the policyholder if a specified uncertain future insured event adversely affects the policyholder, including reinsurance contracts with significant risk transferred. Non-insurance contracts (also called investment contracts) are insurance contracts with a nature of financial instruments that are exposed to financial risks but without significant transferred insurance risks. The definition of significant transferred insurance risks employed by the Consolidated Company here refers to any event or incident occurring that leads to the Consolidated Company's additional significant payment.
- (c) Insurance policies which meet the definition of insurance contracts on initial recognition shall be classified as insurance contracts before all rights and obligations expire or mature, even if the insurance risks have been reduced significantly during coverage period.
- (d) Insurance contracts and investment contracts will be further classified depending on the discretionary participation feature. The discretionary participation feature is a contractual right to receive additional benefit rather than guaranteed benefits, and this kind of right with the following criteria at the same time:
 - I. Additional benefits that are likely to be a significant portion of the total contractual benefits;
 - II. The amount or timing of additional benefits is contractually at the discretion of the Consolidated Company;
 - III. Additional benefits are contractually based on:
 - (i) The performance of a specified pool of contracts or a specified type of contract; or
 - (ii) The investment return on a specified pool of assets held by the Consolidated Company; or
 - (iii) The profit or loss of the Consolidated Company, funds, or other entity that issues the contract.

(e) Embedded derivatives

For an embedded derivative that meet the definition of an insurance contract, the Consolidated Company does not need to separate the embedded derivative from the host insurance contract; therefore, the entire contract is an insurance contract. For an embedded derivative that does not meet the definition of an insurance contract, the embedded derivative and the insurance contract are recognised separately. The Consolidated Company does not measure the embedded derivatives that meet the definition of insurance contracts, which are closely related to the host insurance contracts. In addition, for policyholder options to surrender a contract for a fixed amount (or an amount based on a fixed amount and a specific interest rate), the Consolidated Company does not need to separate the option from the insurance contract in accordance with IFRS 4.

B. Measurement

(a) Insurance contracts and investment contracts with discretionary participation features

The Consolidated Company's life insurance business recognises revenue and commission expense when receiving the initial premium and underwriting the policy, and when receiving renewal premium. The Consolidated Company's property insurance business considers direct-writing premium revenue to include all premium from underwritten policies and premiums from approved policy revisions during the period covered by the financial report. Reinsurance revenue of assumed reinsurance business was recorded based on the date of receiving bill, reinsurance revenue in transit was estimated by reasonable and systematic method for the financial year ended. The corresponding costs are recognised when incurred, such as commission expense, agent expense and fees. The insurance claim is recognised at actual amount and claim expense for those determined cases during the current period.

(b) Non-insurance contracts (investment contracts)

For an insurance contract classified as an investment contract due to its lack of significant transferred insurance risks, except for 'financial instruments with discretionary participation features (investment contracts)', IFRS 9 should be applied to investment contracts when there are financial assets or financial liabilities arising from investment contracts. The consideration received or paid shall be accounted for using deposit accounting in practice and recognised as financial assets or financial liabilities instead of revenues or expenses. When there is no financial asset or financial liability arising from investment contracts, IFRS 15, 'Revenue from contracts with customers' shall be applied to investment contracts.

(c) Reinsurance contracts

- I. All of reinsurance cessions, premium, commission, claim recovery, payable or receivable are calculated in a manner consistent with the reinsurance contracts.
- II. The Consolidated Company regularly assesses the net interest of reinsurance. When there is objective evidence indicating an event occurred after initial recognition for reinsurance leads to improbability to recover the amount receivable under the terms of contract and the effect on recoverable amount caused by such event can be measured reliably, the Consolidated Company recognises an impairment loss (or allowance for uncollectible accounts) to the extent that the recoverable amount is lower than the carrying amount of abovementioned interest and lists it under selling expense.

III. The premium expense and commission revenue arising from the reinsurance business and accounts payable for reinsurance are recognised simultaneously with the gain or loss generated by the related insurance contract. Since the net interest arising from the reinsurance contract involves reinsurance reserve assets, amortised claims and payments, and net accounts receivable, they are recognised in the same manner with the reinsurance contract and related reinsurance contract liabilities. The gain or loss on the assets or liabilities of the reinsurance contract is not offset by the loss or profit on the related insurance contract liabilities and related insurance contract.

IV. The Consolidated Company assesses whether the reinsurance contract should be transferred to the reinsurers where there is significant insurance risk depending on the type of reinsurance contract. In case the reinsurance contract does not transfer significant insurance risk, the contract is recognised and measured with savings accounting because the price earned and paid according to the reinsurance contract is financial liabilities or financial assets, instead of profit or loss.

(19) Provision basis for insurance contract liabilities

A. Life insurance

All reserves of insurance contracts (including investment contracts with discretionary participation features) recognised are based on “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and regulations relevant to insurance enterprises. Except for reserve for policy benefits, claims reserve and premium deficiency reserve with coverage period of more than one year, discount method does not apply to the rest. Explanations of provision basis regarding each reserve are as follows:

(a) Unearned premium reserve

For effective contracts with a coverage period under one year and casualty insurance with coverage period over one year, unearned premium reserve is provided based on various risk calculation for effective contracts yet to mature or covered risks yet to terminate in the coverage period.

(b) Claims reserve

Claims reserve for health insurance, life insurance, and casualty insurance with a coverage period under one year are provided based on claim experience and expenses of various insurance types and are calculated with actuarial principles. Besides, reserves are provided for “claims reported but not paid” and “claims incurred but not reported”. For “claims reported but not paid”, a reserve has been provided on an individual claim basis for each type of insurance. Claim reserves for the future payment on a regular basis are calculated by discount method. The discount rate is based on the assumed interest rate of reserve of each insurance product which has been submitted to the Authority for review/recordation.

(c) Reserve for policy benefit

Long-term insurance contracts are recognised and calculated based on the related regulation and calculation manual recorded by the authorities. The discount rate is based on the assumed interest rate of reserve of each insurance product which has been submitted to the Authority for review/recordation.

(d) Special reserve

I. In particular for retention policies with a coverage of less than a year, special reserves include “catastrophe reserve” and “risk claim reserve”, which are provided in accordance with No. 19 and No. 20 of “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”. Except for some reserve set aside for

regulatory purpose, special reserve, after deducting income tax, shall be recognised as special reserve under equity. Additional provision for special reserve and amounts written-off or recovered with respect to special reserve shall be recognised and written-off or recovered from the special reserve under equity.

The release of risk claim reserve, net of tax, is to be appropriated as a special reserve under equity following the resolution adopted at the shareholders' meeting in the following year. Such special reserve shall neither be distributed as dividends nor used in other ways without the approval of the Authority.

II. As regulations of the Authority require that if fair value of investment property at the transition date is used as deemed cost, special reserve under insurance liability shall be fully set aside for the appreciation from investment property in excess of other adverse effects arising from the first-time adoption of IFRSs at the transition date. Additionally, according to Jin-Guan-Pao-Tzai Letter No. 10102515281 dated November 30, 2012, upon calculation of liability reserve needed to be strengthened in accordance with fair value standard of effective contract as stipulated in Jin-Guan-Pao-Tzai Letter No. 10102515285 dated November 27, 2012, life insurance enterprises are allowed to reclassify such amount from aforesaid special reserve to 'Reserve for policy benefits-fair value of insurance contract liabilities' from January 1, 2013. After the reclassification, 80% of the remainder, if any, shall be recovered in the first year or in five years and set aside as special reserve under equity upon approval of the competent authority.

III. Profit and loss before tax (before dividends distribution) for participating life insurance should be assessed at each annual closing date in compliance with "The Method of Expense and Revenue Allocation to Participating and Non-participating Life Insurance". "Special reserve – dividend payment reserve" should be recognised and written off at dividend declaration date. With negative balance of "special reserve – dividend payment reserve of participating insurance", equal amount of "special reserve – dividend liability" should be recognised at the same time.

(e) Premium deficiency reserve

If the issued premiums of life insurance, health insurance, and annuity insurance contract with a coverage period of over one year are less than the net premium in compliance with regulation, the deficiency of subsequent periods should be recognised as premium deficiency reserve. The discount rate is based on the assumed interest rate of reserve of each insurance product which has been submitted to the Authority for review.

In addition, potential claims and expenses are estimated for effective contracts yet to mature and casualty insurance contracts with a coverage period of over one year. If the assessed amount is more than unearned premium reserve and expected premium income, the insufficient amount should be recognised as premium deficiency reserve by product types.

B. Property insurance

The reserves is provided in accordance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises", "Regulations Governing the Setting Aside and for Management of the Reserves of Compulsory Automobile Liability Insurance", "Regulations Governing the Setting Aside of Liability Reserve Provision of Nuclear Energy Insurance" "Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance", "Notes for Strengthening Reserve of Pool Members Residential Earthquake", "Regulations Governing the Setting Aside of Liability Reserves of

Commercial Earthquake Insurance and Typhoon and Flood Insurance”, “Notes for Strengthening Catastrophe Reserve of Property Insurance Enterprises” and with actuarial reports approved by former Financial Supervisory Commission, Executive Yuan, R.O.C. Except for special reserve, the provision of reserve was applicable to assumed reinsurance and ceded reinsurance business. The basis for provisioning each insurance liability is as follows:

(a) Unearned premium reserve

During the term of policy, the unearned premium shall be calculated based on unexpired risks of effective and unexpired contracts or covered risks; unearned premium reserve is provided based on the type of insurance, and the provision method is determined by actuaries based on the characteristics of various types of insurance. The reserve for long-term residential fire insurance, long-term commercial fire insurance, financial institution small loan credit insurance, long-term engineering insurance, group injury insurance, performance bond for travel agencies and liability insurance for travel agencies are calculated based on the provision default on product calculation manual or based on other methods by law.

Provided unearned premium reserve is recovered in the next year and provided again based on the actual settlement data.

Unearned premium reserve of compulsory automobile liability insurance is provided as net premium in accordance with “Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance”. Residence earthquake insurance is provided as coinsurance ceded net premium in accordance with “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance”.

(b) Claims reserve

Except for government policy-oriented insurance, which include compulsory automobile liability insurances, basic residential earthquake insurances and nuclear energy insurance, claims reserve is calculated for each line of insurance based on past claim experiences and expenses and reserved as either Report But Not Paid or Incurred But Not Reported. Reserves for Reported But Not Paid insurance claims shall be estimated and reserved on a case-by-case basis based on relevant information. This reserve will be recovered in the next year.

Reserves for government policy-oriented insurance are set aside in accordance with regulations. Compulsory automobile liability insurances sets aside a claims reserve using the loss development triangle method in accordance with “Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance”; of that amount, a portion is set aside as claims reserve for Incurred But Not Reported claims for reinsurance assumed at a fixed percentage on pure premium earned from reinsurance assumed. Basic residential earthquake insurances set aside a claims reserve according to the figures provided by Taiwan Residential Earthquake Insurance Fund (TREIF) in accordance with “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance”. Nuclear energy insurance set aside reserves in line with regulation based on retention earned premiums.

(c) Special reserve

Special reserves for retained business include “catastrophe reserve” and “risk claim reserve”. Except for compulsory automobile liability insurance, Nuclear energy insurance residential earthquake insurance and commercial earthquake and typhoon and

flood insurance which are covered by other regulations requiring reserves for them to be recognised under liability, the additional provision for special reserve less income tax should be recognised as special reserve under equity after annual closing. The release of special reserve shall be made through special reserve under equity based on its net value after tax.

In accordance with the “Notes of strengthening Catastrophic Reserve of Property Insurance Enterprises” as the balance of reclaim for catastrophe special reserves of typhoon and flood insurance in the current year was more than the one of catastrophe special reserves of other insurance products prior to the enforcement of the guidance, the difference shall be transferred to special reserve in equity, net of income tax. Upon occurrence of the catastrophic events, when the actual claim of retention business exceeds expected claim minus the offsetting amount from special catastrophe reserve or total accumulative provision amount was sufficient, the risk-volatility reserve should be written-off or recovered in accordance with the third point in the “Regulation Governing the setting Aside of Liability Reserves of Commercial Earthquake Insurance and Typhoon and Flood Insurance”.

(d) Premium deficiency reserve

Insufficient premium reserve is the estimated possible claim and expense from unexpired contracts or covered risks during the term of policy. When the estimated amount exceeds provided unearned premium reserve and estimated premium income, the difference shall be provided as insufficient premium reserve based on insurance types.

(e) Unqualified reinsurance reserve

Unqualified reinsurance reserve at ceding date or at balance sheet date for inward and outward reinsurance or other risk-diversifying mechanism shall be provided and disclosed in financial statements. Unqualified reinsurance reserve is disclosed in Note 15(6).

For the above-mentioned reserves, other than the unearned premium reserve of long-term fire insurances which is calculated by electing a 7.8% interest rate from the Table of Unearned Premium Reserve of Long-Term Fire Insurance and the “TWD risk-free rate designated by the Competent Authority”, promulgated by the Taiwan Insurance Institute, used in determining the present value of future cash flows for calculating the adequacy of liability reserve, reserves are not calculated by electing the discount method.

(20) Liability adequacy test

The Consolidated Company adopts gross premium valuation method for the liability adequacy test based on the entire contracts of the Consolidated Company, in accordance with “Actuarial Practice Guidelines” issued by the Actuarial Institute of The Republic of China. At each end of the reporting period, the test is performed by comparing the net carrying amount of insurance contract liabilities after deduction of deferred acquisition costs and related intangible assets with the present estimates of insurance contract future cash flows. If the net carrying amount is insufficient, the deficiency is charged to current expense or loss.

(21) Reserve for insurance with nature of financial instruments

In accordance with the “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and related interpretations, the Consolidated Company sets aside reserve for financial instruments without discretionary participation features.

(22) Reserve for foreign exchange valuation

In accordance with the “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”, the Consolidated Company sets aside reserve for foreign exchange

valuation under liabilities with regard to the foreign investment assets held starting from 2012. Treatments for accumulation limit of related reserves and method for recognition or writing-off shall be in compliance with “Guidelines for Foreign Exchange Reserve by Life Insurance Enterprises”.

(23) Provisions

Provisions are recognised when the Consolidated Company has the following circumstances:

- A. An entity has a present obligation (legal or constructive) as a result of past events;
- B. It is probable that an outflow of economic resources will be required to settle the obligation; and
- C. A reliable estimate can be made of the amount of the obligation.

When the effect of the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Please refer to Note 4(24) for the employee benefits.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

I. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Consolidated Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the end of the reporting period) of a currency and term consistent with the currency and term of the employment benefit obligations.

II. Remeasurement arising on defined benefit plans is recognised in other comprehensive income in the period in which they arise. In addition, actuarial gains and losses should be immediately recognised in retained earnings and should not be reclassified as profit or loss in the subsequent periods.

III. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Consolidated Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The

Consolidated Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation

Employees' compensation is recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Consolidated Company calculates the number of shares based on the fair value per share estimated using a valuation technique specified in IFRS 2, 'Share-based Payment'.

(25) Insurance products - separate account

- A. The Consolidated Company sells investment-linked insurance products in accordance with the Insurance Act and "Regulations Governing Investment-Linked Insurance". Premiums paid by policyholders, net of all expenses incurred, are distributed to a separate account in accordance with the agreed or designated investment distribution methods by the policyholders. This separate account is segregated from other assets of the Consolidated Company and managed independently by the Consolidated Company.
- B. In accordance with the "Regulations Governing the Preparation of Financial Reports by Insurance Institutions", the assets and liabilities of the separate account whether generated by the insurance contracts or investment contracts are classified as assets and liabilities on insurance products - separate account; revenues and expenses of the insurance contracts with IFRS 4 are classified as revenues and expenses on insurance product - separate account, respectively.
- C. The value of financial assets of the separate account is measured at fair value at balance sheet date.
- D. The sales commission and fee income including sale charge, policy and investment related charges received from the investment from the investment-linked life insurance products are recognised as handling fee revenue. Service income derived from relevant expenses from policy holders, which belong to investment contracts and are classified as non-discretionary participation feature products, are the consideration of services provided by the Consolidated Company during the specified period. If the service is not rendered during the period the premium is received, then the service income shall be recognised as "deferred handling fee income" and amortised using the straight-line method over the period the service is provided. Relevant additional costs, such as commission expenses and sales compensation, shall also be recognised as "deferred acquisition cost" and are amortised using the straight-line method to "other operating costs" based on the matching principle.

(26) Revenue recognition

- A. Service fee income is recognised during the service provided on the accrual basis.
- B. Interest income from debt instrument is recognised as incurred using effective interest rate method on the accrual basis. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the asset. After recognising the impairment loss on the financial assets measured at amortised cost using the effective interest rate method, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the

impairment loss.

- C. Dividend income is recognised when the right to receive dividends is assured.
- D. Recognition of income from operating lease is provided in the accounting policy for lease in Note 4(13).
- E. Recognition of revenue on insurance contracts and financial instruments with discretionary participation features is provided in the accounting policy for classification and measurement of insurance products in Note 4(18).

(27) Coinsurance organisation and coinsurance

- A. The Consolidated Company's property insurance business which have obtained the approval of competent authorities entered into a Compulsory Automobile Liability Coinsurance contract, regulating that covered compulsory automobile liability insurance shall be included as coinsurance; those who violate the agreement shall be investigated by agents sent by the coinsurance team.
- B. Coinsurance businesses are calculated based on the net premium and distributed proportionately based on the contract. Member companies that participate in the coinsurance shall not withdraw unless they are cleared or terminated. When automobile liability insurance business is terminated, the Consolidated Company withdraws from the coinsurance at the same time; natural expiring method is adopted for the unearned liabilities.
- C. In accordance with "Regulations for the Accounting Arrangement and Procedure of Submitting Business and Financial Reports of Compulsory Automobile Liability Insurance," the Consolidated Company's property insurance business maintains separate accounts for compulsory automobile liability and adopts accounting treatments based on the related regulations.
- D. The Consolidated Company's property insurance business entered into Residential Earthquake Coinsurance Contracts with non-life insurance enterprises that underwrite residential fire insurance and reinsured total assumed risks of residential earthquake insurance with earthquake insurance funds in accordance with regulations. Members of the residential earthquake insurance pool should lodge and handle the unearned premium reserves, claim reserves and special reserves in accordance with "Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance". The accounting treatment shall be based on "Accounting Treatment Principles for the non-life Insurers Conducting Residential Earthquake Insurance Business". Other than the abovementioned compulsory automobile liability insurance and residential fire insurance, the Consolidated Company set aside various reserves in accordance with "Rules for the Preparation of Financial Reports by Insurance Institutions" and recognise profits and losses for the share of the risks assumed by each coinsurance contract.

(28) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Consolidated Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings

and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At the end of each reporting period, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(29) Dividends

Dividends are recorded in the Consolidated Company's financial statements in the period in which they are approved by the Consolidated Company's shareholders and the regulatory authority. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(30) Earnings per share

The calculation of earnings per share is based on the weighted average number of ordinary shares outstanding during the period. The calculation of basic earnings per share shall be adjusted retrospectively on the effective date of distribution of stock dividends when the number of ordinary or potential ordinary shares outstanding increases as a result of retained earnings, capital surplus, or employees' bonus.

(31) Employee share-based payment

For the share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as salaries over the vesting period, with a corresponding adjustment to equity.

(32) Business combinations

A. The Consolidated Company uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

B. The excess of the consideration transferred over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the consideration transferred is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(33) Information on operating segments

Information on operating segments of the Consolidated Company is reported in a manner consistent with the internal management report provided to the Chief Operating Decision-Maker (CODM). All transactions occur between segments are considered as regular transactions, and the derived profit or loss has been derecognised at the Consolidated Company's level. It also has been taken into account where the profit or loss is directly attributable to the segment individually.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Consolidated Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Insurance contract liabilities

The Consolidated Company evaluates long-term insurance contract liabilities in compliance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises". The assumptions of mortality rate, morbidity rate, lapse rate, and discount rate are as follows: The mortality rate and discount rate are treated in accordance with relevant insurance regulations. The mortality rate is based on Taiwan Standard Ordinary Experience Mortality Table. The discount rate is based on the interest rate of reserve for policy benefit from newly issued contracts and treated in compliance with calculation basis for insurance products and relevant regulations submitted to the competent authority. The morbidity rate and lapse rate are based on the Consolidated Company's past experience, industry experience, and experience obtained from reinsurers. The above assumptions are locked-in during price setting in accordance with related regulations. However, it is reasonably possible that changes in assumption from the competent authority may have an impact on gains, losses, or equity. The liability adequacy test is conducted by discounting the future cash flows under the best estimate on valuation date by the Consolidated Company's overall return on investment. If the test result shows that the liability is inadequate, the entire deficiency is recognised in expenses and losses in the period. If there is a change in the future best estimate assumption, incremental reserve for adverse movement in such assumption shall be made.

(2) Fair value measurement of investment property

The fair value of investment property is determined by using valuation techniques, including income approach, comparison approach and cost approach. Changes in assumptions of these models will affect the fair value of investment property reported, please refer to Note 6(10).

(3) Expected credit loss

Expected credit loss on debt instruments measured at fair value through other comprehensive income, financial assets at amortised cost, loans, and receivables under amortised cost is measured using complex models and various assumptions. These models and assumptions are subject to future macroeconomic conditions and credit risk of counterparties (e.g. probability and loss of default of counterparties). According to accounting standards, measurement of expected credit loss involves several critical judgements, such as:

- A. Principles that used to identify whether there is a significant increase in credit risk.
- B. Determination of the appropriate models and assumptions that used to measure expected credit loss.
- C. Determination of necessary forecasting factors that used in the measurement of expected credit loss for different financial assets.

Information, judgements and estimations mentioned above relating to expected credit loss are provided in Note 13(3).

(4) Fair value measurement of financial instrument

Except for the financial instruments with public pricing information, the fair value of other financial instruments is measured by valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the end of reporting date.

For details on main method and assumption used to measure the fair value of financial instruments, please refer to Note 12(2)B(a).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Cash		
Cash on hand and petty cash	\$ 50,568	\$ 13,792
Checking and savings accounts	32,100,941	45,882,212
Cash equivalents		
Time deposits	63,109,545	25,630,757
Short-term bills	860,000	310,007
	<u>\$ 96,121,054</u>	<u>\$ 71,836,768</u>

- A. As of December 31, 2024 and 2023, without consideration of the collateral held or other credit enhancements, the maximum credit risk exposure amount that best represents the cash and cash equivalents held by the Consolidated Company are \$96,121,054 and \$71,836,768, respectively.
- B. The Consolidated Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. In addition, of the short-term bills held by the Consolidated Company, investments in notes issued under reverse repurchase agreements have obtained bonds as collateral. Information on the net amount of receiving financial collateral after offsetting is provided in Note 6(9).
- C. Certain cash and cash equivalents are pledged as credit support collaterals for derivative instruments transactions, which are restricted and classified as guarantee deposits paid. For more information, please refer to Note 6(16).

D. The Consolidated Company's property insurance business' time deposits which are pledged as collateral are classified as other assets - guarantee deposits paid, please refer to Note 6(16).

(2) Receivables

	December 31, 2024	December 31, 2023
Notes receivable	\$ 449,191	\$ 421,170
Premiums receivable	462,426	331,101
Interest receivable	37,545,955	36,268,942
Investments receivable	1,471,839	4,433,111
Other receivables	3,757,969	4,033,049
Overdue receivable	5,415,997	3,421,602
Subtotal	49,103,377	48,908,975
Less : Allowance for bad debts	(5,403,048)	(3,464,393)
	<u>\$ 43,700,329</u>	<u>\$ 45,444,582</u>

A. The Consolidated Company transacts with a variety of counterparties all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Consolidated Company is not holding any collateral except interest receivable from loans.

B. Without consideration of the collateral held or other credit enhancements, the maximum credit risk exposure amount that best represents the receivables held by the Consolidated Company and the information relating to credit risk of those receivables are provided in Note 13(3).

C. The aging analysis of receivables is as follows:

	December 31, 2024	December 31, 2023
Not past due / Up to 3 months	\$ 44,224,502	\$ 46,288,692
3 to 6 months	384,587	146,615
6 to 12 months	902,905	923,975
Over 12 months	3,591,383	1,549,693
	<u>\$ 49,103,377</u>	<u>\$ 48,908,975</u>

(3) Financial assets at fair value through profit or loss

	December 31, 2024	December 31, 2023
Financial assets mandatorily measured at fair value through profit and loss		
Derivative instruments	\$ 1,727,960	\$ 39,857,952
Listed stocks	200,814,541	171,590,623
Preferred stocks	12,004,394	11,861,876
Beneficiary certificates	350,256,110	350,177,125
Financial debentures	23,347,589	27,570,729
Structured time deposits	15,179,101	16,215,558
Foreign stocks	113,042,191	113,941,093
Foreign beneficiary certificates	278,742,353	266,865,183
Foreign bonds	8,314,224	8,612,551
Foreign asset securitisation	1,893,533	1,389,002
	<u>\$ 1,005,321,996</u>	<u>\$ 1,008,081,692</u>

The above-mentioned financial assets which are designated as applying overlay approach are as follows:

	December 31, 2024	December 31, 2023
Listed stocks	\$ 200,814,541	\$ 171,590,623
Beneficiary certificates	350,256,110	350,177,125
Financial debentures	23,347,589	27,570,729
Structured time deposits	15,179,101	16,215,558
Foreign stocks	113,042,191	113,941,093
Foreign beneficiary certificates	278,742,353	266,865,183
Foreign bonds	8,314,224	7,808,459
Foreign asset securitisation	1,893,533	1,389,002
	<u>\$ 991,589,642</u>	<u>\$ 955,557,772</u>

A. The derivative instruments held by the Consolidated Company are as follows:

December 31, 2024		
Financial assets	Carrying amount	Notional amount (Note 1)
Non-delivery forwards (Note 2)	<u>\$ 1,727,960</u>	<u>\$ 173,963,700</u>
Financial liabilities		
Cross currency swaps	\$ 36,282,616	\$ 1,012,173,687
Non-delivery forwards (Note 2)	25,034,837	839,849,220
	<u>\$ 61,317,453</u>	<u>\$ 1,852,022,907</u>
December 31, 2023		
Financial assets	Carrying amount	Notional amount (Note 1)
Cross currency swaps	\$ 16,967,234	\$ 673,892,746
Non-delivery forwards (Note 2)	22,890,718	751,849,750
	<u>\$ 39,857,952</u>	<u>\$ 1,425,742,496</u>
Financial liabilities		
Cross currency swaps	\$ 4,540,233	\$ 378,383,663
Non-delivery forwards (Note 2)	747,272	82,927,200
	<u>\$ 5,287,505</u>	<u>\$ 461,310,863</u>

Note 1: Notional amount is translated into thousands of New Taiwan dollars using the exchange rates prevailing at the end of the reporting period.

Note 2: As of December 31, 2024 and 2023, the notional amount sold in New Taiwan dollars are \$173,963,700 and \$45,809,500, respectively.

- B. The derivative instruments held by the Consolidated Company were for the purpose of hedging the exchange rate risk on foreign investments and interest rate risk on domestic/foreign investments. The derivative instruments are not applied to hedge accounting.
- C. The Consolidated Company entered into derivative contracts with financial institutions with good credit quality, which comply with regulatory requirements and reviewed by the Consolidated Company on a regular basis. In addition, for all derivative transactions that the Consolidated Company engaged in, in order to avoid foreign exchange risk and interest rate risk, the Consolidated Company has entered into master netting arrangements with counterparties. Information on offsetting derivative instruments and credit enhancement is provided in Note 6(9).

D. The Consolidated Company has entered into master netting agreements or similar arrangements with counterparties for structured deposits. For detailed information on the offsetting of financial assets and liabilities, please refer to Note 6(9).

E. Details of reclassification between profit or loss and other comprehensive income when financial assets were designated using overlay approach are as follows:

	2024	2023
Gain (loss) reported under IFRS 9	\$ 97,009,633	\$ 117,095,018
Less: Gain (loss) that would have been reported if applied IAS 39	<u>111,594,914</u>	<u>72,260,568</u>
Gain (loss) on reclassification of financial assets at fair value through other comprehensive income using overlay approach	(\$ 14,585,281)	\$ 44,834,450
Effects of income tax benefit (expense) on other comprehensive income	<u>\$ 969,485</u>	(\$ 5,601,193)

F. The Consolidated Company has no financial assets at fair value through profit or loss pledged to others.

G. Amounts recognised in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

	2024	2023
(Loss) gain on valuation	(\$ 108,601,338)	\$ 68,329,804
Loss on disposal	(23,106,432)	(49,308,104)
Interest income	710,321	561,089
Dividend income	<u>31,904,511</u>	<u>31,365,122</u>
	(\$ 99,092,938)	\$ 50,947,911

(4) Financial assets at fair value through other comprehensive income

	December 31, 2024	December 31, 2023
Equity instruments		
Listed stocks	\$ 5,835,092	\$ 5,573,872
Unlisted stocks	<u>313,618</u>	<u>257,031</u>
Subtotal	<u>6,148,710</u>	<u>5,830,903</u>
Debt instruments		
Government bonds	29,407,243	38,489,235
Corporate bonds	12,702,816	12,447,827
Financial debentures	11,626,310	10,705,285
Foreign bonds	186,616,189	195,680,609
Foreign asset securitisation	<u>10,083,191</u>	<u>6,961,599</u>
Subtotal	250,435,749	264,284,555
Statutory deposits	(378,600)	(378,600)
Total	<u>\$ 256,205,859</u>	<u>\$ 269,736,858</u>

A. The Consolidated Company has classified equity instruments, that are not held for trading, as financial assets designated at fair value through other comprehensive income.

- B. For the years ended December 31, 2024 and 2023, considering the fair value, market trend of investment objects, as well as its investment strategy and operating capital requirement, the Consolidated Company sold certain stocks classified as financial assets designated at fair value through other comprehensive income. The fair value of the sold stocks amounted to \$103,948 and \$2,437, respectively, and the cumulative gain (loss) on disposal amounted to \$2,686 and (\$180), respectively. The cumulative gain (loss) on disposal had been reclassified from other equity interest to retained earnings.
- C. Amounts recognised in profit or loss and comprehensive income in relation to financial assets at fair value through other comprehensive income are listed below:

	2024	2023
<u>Equity instruments at fair value</u>		
<u>through other comprehensive income</u>		
Fair value changes recognised in other comprehensive income	\$ 422,431	\$ 542,270
Cumulative gain (loss) reclassified to retained earnings due to derecognition	\$ 2,686	(\$ 180)
Dividend income recognised in profit or loss		
Held by the end of the reporting period	\$ 249,082	\$ 223,540
Derecognised during the reporting period	4,050	48
	<u>\$ 253,132</u>	<u>\$ 223,588</u>
<u>Debt instruments at fair value</u>		
<u>through other comprehensive income</u>		
Fair value changes recognised in other comprehensive income	(\$ 19,556,017)	\$ 498,186
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to impairment loss (reversal of impairment loss)	(32,438)	10,677
Reclassified due to derecognition	(1,317,128)	631,439
	<u>(\$ 20,905,583)</u>	<u>\$ 1,140,302</u>
Interest income recognised in profit or loss	<u>\$ 11,447,052</u>	<u>\$ 11,380,258</u>

- D. Details of the Consolidated Company's financial assets at fair value through other comprehensive income as statutory deposits are provided in Note 6(16).
- E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 13(3).

(5) Financial assets at amortised cost

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Government bonds	\$ 120,534,841	\$ 128,153,721
Corporate bonds	21,688,592	21,737,736
Financial debentures	4,000,000	21,850,000
Structured time deposits	34,500,000	35,500,000
Foreign bonds	3,287,742,820	3,082,817,464
Foreign asset securitisation	66,761,495	64,364,713
	<u>3,535,227,748</u>	<u>3,354,423,634</u>
Loss allowance	(4,062,552)	(7,423,916)
Statutory deposits	(52,737,610)	(21,883,400)
	<u>\$ 3,478,427,586</u>	<u>\$ 3,325,116,318</u>

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	<u>2024</u>	<u>2023</u>
Interest income	\$ 121,900,229	\$ 120,098,843
Impairment reversal (loss)	3,762,465	(590,566)
(Loss) gain on disposal	(758,767)	506,501
	<u>\$ 124,903,927</u>	<u>\$ 120,014,778</u>

Gain or loss on disposal of the financial assets at amortised cost are arising from infrequent sale or insignificant in value both individually and in aggregate, sale prior to the approaching maturity date, and early disposal due to increased credit risk.

B. The Consolidated Company has engaged in repurchase agreements. For detailed information on the transfer of related financial assets, please refer to Note 6(8).

C. The Consolidated Company has entered into master netting agreements or similar arrangements with counterparties for structured time deposits. For detailed information on the offsetting of financial assets and liabilities, please refer to Note 6(9).

D. Details of the Consolidated Company's financial assets at amortised cost pledged to others as collateral are provided in Note 6(16).

E. Information relating to credit risk of financial assets at amortised cost is provided in Note 13(3).

(6) Investments accounted for using the equity method

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Associates		
Fuh Hwa Securities Investment Trust Co., Ltd.	\$ 3,066,419	\$ 2,809,224
Nan Shan Plaza Property Management Co., Ltd.	6,006	7,057
	<u>\$ 3,072,425</u>	<u>\$ 2,816,281</u>

	2024	2023
At January 1	\$ 2,816,281	\$ 5,591
Addition of investments accounted for using equity method	-	2,763,845
Earnings distribution of investments accounted for using equity method	(278,184)	(221,108)
Share of profit or loss of investments accounted for using equity method	525,835	268,093
Share of other comprehensive income of investment accounted for using equity method	8,493	(140)
At December 31	<u>\$ 3,072,425</u>	<u>\$ 2,816,281</u>

On March 17, 2023, the Consolidated Company acquired a 30.71% equity interest of Fuh Hwa Securities Trust, becoming the single largest shareholder of the company. Though the Consolidated Company designated two representatives to serve as directors of the Fuh Hwa Securities Trust, they only occupy two out of seven director seats and do not have the actual ability to lead the relevant activities, which indicated the Consolidated Company does not have control over but have significant influence on Fuh Hwa Securities Trust.

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(7) Structured entities

A. In accordance with IFRS 12, 'Disclosure of Interests in Other Entities', the information about structured entities that are not controlled by the Consolidated Company is listed below:

Type of structured entity	December 31, 2024 Book Value	December 31, 2023 Book Value	Nature and Purpose
Private funds	\$ 159,964,290	\$ 151,305,609	An investment fund established and operated by the issuing institution through private placement for certain investors. Through the restricted investing activities of the fund, investors obtain long-term capital gains.
Securitised financial asset products	78,738,219	72,714,793	Transfer of structured entity's asset related risks to investors through the issuance of bonds, in order to provide an investing opportunity for investors.
Real estate securitisation products	16,129,980	16,635,180	Through issuing beneficiary securities, commissioned institutions provide investors with opportunities to participate in gaining profits from real estate market trading, rent and appreciation.
Infrastructure funds	50,957,836	51,206,900	An investment fund established and operated by the issuing institution through private placement for certain investors. Through the restricted investing activities of the fund, investors obtain long-term capital gains.
	<u>\$ 305,790,325</u>	<u>\$ 291,862,482</u>	

B. The equities of structured entities that are not included in the Consolidated Company's consolidated financial statements are recognised under financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortised cost. The Consolidated Company does not provide financial support or other support to these structured entities. The potential losses of such entities, derived from the maximum exposure amount, are the book values of the held assets. In addition, for market risk exposures resulting from contract clauses that limit investment positions and issuance terms, the Consolidated Company has considered related market risk management approaches. Please refer to Note 13 for details.

(8) Transfer of financial asset

A. The Consolidated Company's government bonds and corporate bonds sold under repurchase agreements are transferred financial assets that are not derecognised in their entirety. The Consolidated Company cannot sell or pledge such securities within the transfer period; however, related risks and returns are still retained, and thus, they are not derecognised in their entirety.

B. The Consolidated Company's carrying amount of transferred financial assets that are not derecognised in their entirety and related financial liabilities are as follows:

<u>Type of financial asset</u>	<u>December 31, 2024</u>		<u>December 31, 2023</u>	
	<u>Carrying amount of transferred financial assets</u>	<u>Carrying amount of related financial liabilities</u>	<u>Carrying amount of transferred financial assets</u>	<u>Carrying amount of related financial liabilities</u>
Financial assets at amortised cost				
Bonds sold under repurchase agreements	<u>\$ 5,097,377</u>	<u>\$ 2,822,375</u>	<u>\$ 9,465,109</u>	<u>\$ 5,738,950</u>

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(9) Offsetting financial assets and financial liabilities

- A. The Consolidated Company has engaged in financial instruments transactions that do not meet the offsetting criteria in paragraph 42 of IAS 32 'Financial Instruments: Presentation'. However, the Consolidated Company has entered into enforceable master netting arrangements or similar agreements with counterparties, such as derivatives, structured time deposits, reverse repurchase agreements and repurchase agreements. Upon the event of a breach in agreement (default, insolvency, or bankruptcy) by any party, the counterparty may set-off the netting arrangement or pursue legal action against the collateral in accordance with their agreements. The amount received (paid) for the collateral is the fair value of the collateral. However, the offsetting amount is limited to the total amount of recognised financial assets (liabilities).
- B. The following table provides related information on enforceable master netting arrangements or similar agreements that are financial assets and liabilities:

December 31, 2024						
Financial Assets						
Description	Gross amounts of recognised financial assets (a)	Offset gross amounts of recognised financial liabilities (b)	Net amount of financial assets presented in balance sheet (c)=(a)-(b)	Related amounts not set off in the balance sheet		
				Financial instruments (Note 1) (d)	Cash collateral received (e)	Net amount (Note 2) (f)=(c)-(d)-(e)
Derivative instruments and structured time deposits	\$ 51,396,724	\$ -	\$ 51,396,724	\$ 8,179,502	\$ -	\$ 43,217,222
Reverse repurchase agreements	860,000	-	860,000	828,659	-	31,341
	<u>\$ 52,256,724</u>	<u>\$ -</u>	<u>\$ 52,256,724</u>	<u>\$ 9,008,161</u>	<u>\$ -</u>	<u>\$ 43,248,563</u>

Financial Liabilities

Description	Gross amounts of recognised financial liabilities (a)	Offset gross amounts of recognised financial assets (b)	Net amount of financial liabilities presented in balance sheet (c)=(a)-(b)	Related amounts not set off in the balance sheet		
				Financial instruments (Note 1) (d)	Cash collateral pledged (e)	Net amount (Note 2) (f)=(c)-(d)-(e)
Derivative instruments	\$ 61,317,453	\$ -	\$ 61,317,453	\$ 37,497,068	\$ 4,878,796	\$ 18,941,589
Repurchase agreements	2,822,375	-	2,822,375	5,097,377	-	-
	<u>\$ 64,139,828</u>	<u>\$ -</u>	<u>\$ 64,139,828</u>	<u>\$ 42,594,445</u>	<u>\$ 4,878,796</u>	<u>\$ 18,941,589</u>

Note 1: Including enforceable master netting arrangements and non-cash financial collateral.

Note 2: The expressed amount is zero if the amount of received or pledged collateral exceeds the net of recognised financial assets and liabilities.

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December 31, 2023

Financial Assets						
Description	Gross amounts of recognised financial assets (a)	Offset gross amounts of recognised financial liabilities (b)	Net amount of financial assets presented in balance sheet (c)=(a)-(b)	Related amounts not set off in the balance sheet		
				Financial instruments (Note 1) (d)	Cash collateral received (e)	Net amount (Note 2) (f)=(c)-(d)-(e)
Derivative instruments and structured time deposits	\$ 91,562,415	\$ -	\$ 91,562,415	\$ 8,101,466	\$ 21,225,031	\$ 62,235,918
Reverse repurchase agreements	310,007	-	310,007	314,367	-	-
	<u>\$ 91,872,422</u>	<u>\$ -</u>	<u>\$ 91,872,422</u>	<u>\$ 8,415,833</u>	<u>\$ 21,225,031</u>	<u>\$ 62,235,918</u>
Financial Liabilities						
Description	Gross amounts of recognised financial liabilities (a)	Offset gross amounts of recognised financial assets (b)	Net amount of financial liabilities presented in balance sheet (c)=(a)-(b)	Related amounts not set off in the balance sheet		
				Financial instruments (Note 1) (d)	Cash collateral pledged (e)	Net amount (Note 2) (f)=(c)-(d)-(e)
Derivative instruments	\$ 5,287,505	\$ -	\$ 5,287,505	\$ 5,287,505	\$ -	\$ -
Repurchase agreements	5,738,950	-	5,738,950	9,465,109	-	-
	<u>\$ 11,026,455</u>	<u>\$ -</u>	<u>\$ 11,026,455</u>	<u>\$ 14,752,614</u>	<u>\$ -</u>	<u>\$ -</u>

Note 1: Including enforceable master netting arrangements and non-cash financial collateral.

Note 2: The expressed amount is zero if the amount of received or pledged collateral exceeds the net of recognised financial assets and liabilities.

(10) Investment property

	December 31, 2024	December 31, 2023
Measured subsequently using the fair value model	\$ 205,194,766	\$ 213,135,929
Measured subsequently using the cost model	8,508,132	5,753,855
	<u>\$ 213,702,898</u>	<u>\$ 218,889,784</u>

A. Measured subsequently using the fair value model

	Land	Buildings and constructions	Right-of-use assets	Prepayments for buildings and land	Total
At January 1, 2024	\$ 66,848,594	\$ 52,259,462	\$ 94,027,873	\$ -	\$ 213,135,929
Additions-from acquisitions	9,131	2,277	-	1,179,136	1,190,544
Additions-from subsequent expenditures	-	267,918	-	-	267,918
Transferred from property and equipment	93,192	112,077	-	-	205,269
Transferred from prepayments for buildings and lands	952,829	226,307	-	(1,179,136)	-
Disposals	(4,022,841)	(1,541,246)	-	-	(5,564,087)
Transferred out from investment property	(707,836)	(82,855)	(13,028)	-	(803,719)
Net gain (loss) from fair value valuation	91,364	(229)	(2,302,975)	-	(2,211,840)
Adjustment of lease liabilities remeasurement	-	-	(954,373)	-	(954,373)
Others	-	(70,875)	-	-	(70,875)
At December 31, 2024	<u>\$ 63,264,433</u>	<u>\$ 51,172,836</u>	<u>\$ 90,757,497</u>	<u>\$ -</u>	<u>\$ 205,194,766</u>

	Land	Buildings and constructions	Right-of-use assets	Total
At January 1, 2023	\$ 65,673,038	\$ 51,301,801	\$ 75,852,352	\$ 192,827,191
Additions-from acquisitions (Note)	-	403,478	16,366,015	16,769,493
Additions-from subsequent expenditures	-	98,251	-	98,251
Transferred from construction in progress	-	1,789,513	-	1,789,513
Transferred from property and equipment	156,693	194,111	-	350,804
Transferred from prepayments for buildings and lands	-	-	2,716,770	2,716,770
Transferred out from investment property	(20,272)	(39,563)	-	(59,835)
Net gain (loss) from fair value valuation	1,039,135	(1,479,696)	(944,395)	(1,384,956)
Adjustment of lease liabilities remeasurement	-	-	39,282	39,282
Lease modifications	-	-	(2,151)	(2,151)
Others	-	(8,433)	-	(8,433)
At December 31, 2023	<u>\$ 66,848,594</u>	<u>\$ 52,259,462</u>	<u>\$ 94,027,873</u>	<u>\$ 213,135,929</u>

Note: The additions to right-of-use assets include the present value after discounting of all lease payments during the lease period amounting to \$16,347,522.

The fair value of investment property held by the Consolidated Company is based on valuations performed by independent valuers, following “Regulation on Real Estate Appraisal”. In accordance with “Regulations Governing the Preparation of Financial reports by Insurance Companies”, two or more joint appraisers firms should be appointed for a single item whose valuation amount is more than TWD 1 billion. If the investment properties were acquired before May 11, 2020, valuations are performed using valuation techniques such as income approach, comparison approach and cost approach with reference to market information. Such fair value is based on observable market price, and then adjusted based on the nature, location or condition of the individual asset. If the investment properties were acquired after May 11, 2020, valuations are performed using valuation techniques such as income approach and cost approach according to Regulations Governing the Preparation of Financial Reports by Insurance Enterprise. Information on valuation reports primarily used by the Consolidated Company is as follows:

(a) Appointed joint appraisers firms, appraiser’s name and valuation date are as follows:

Appraiser firm	Appraiser	Valuation date
REPro International Real Estate Appraisers Firm	Tsai, Yu-Hsiang	December 31, 2023 and 2024
Sin Yi Real Estate Appraisers Firm	Hsu, Hsiang-Yi	December 31, 2023 and 2024
	Wang, Shih-Ming	December 31, 2023 and 2024
	Tsai, Wen-Che	December 31, 2023 and 2024
	Chih, Wei-Hsin	December 31, 2023
	Chi, Liang-An	December 31, 2023 and 2024
CCIS Real Estate Joint Appraisers Firm	Wu, Chih-Hao	December 31, 2023 and 2024
Savills Real Estate Appraiser Firm	Li, Wei-Ru	December 31, 2023 and 2024
	Tai, Kuang-Ping	December 31, 2023
	Yeh, Yu-Fen	December 31, 2023
	Chang, Hung-Kai	December 31, 2023 and 2024
	Chang, Yi-Chih	December 31, 2023 and 2024
	Ye, Shi-Yu	December 31, 2023 and 2024
	Wu, Cheng-Yeh	December 31, 2023 and 2024
Colliers International Real Estate Appraisers Firm	Ke, Feng-Ru	December 31, 2023 and 2024
V-Land International Appraisers Joint Firm	Ku, Chien-Hui	December 31, 2023 and 2024
Cushman & Wakefield Real Estate Appraisers Firm	Wang, Si-Jhong	December 31, 2023
	Lee, Ken-Yuan	December 31, 2023 and 2024
	Hu, Chun-Chun	December 31, 2023 and 2024
	Tsai, Chia-He	December 31, 2023 and 2024
CBRE Real Estate Joint Appraisers Firm	Shih, Fu-Hsueh	December 31, 2024
Hong Bang Real Estate Appraisers Firm	Chang, Chih-Chia	December 31, 2024
	Lee, Ching-Tang	December 31, 2024
Hwan Yu Real Estate Appraisers Joint Firm	Chao, Hui-Mei	December 31, 2023

(b) Details of appropriateness and reasonability of valuation methods, key assumptions and inputs:

I. Investment properties acquired before May 11, 2020

For the Consolidated Company’s properties used as storefront located in a commercial district and offices, due to convenient transportation, active trading and market competitiveness, comparative price and income price are generally informative for

value of these properties. Comparison approach is used to analyse based on the transaction price of similar property with substitutability. Income approach is estimated based on rental income and reasonable capitalisation rates.

For commercial property and right-of-use assets like hypermarket and superficies products, they are primarily leased to others to collect long-term steady rental income. Due to its profitability, in general, its value is mainly based on income price and supplementary based on comparative price or cost.

For the superficies, the main evaluation approaches are the income approach, cost approach, land development analysis and comparison approach. After development of the superficies is completed, the evaluation approach of the building completed from the superficies is changed using the abovementioned evaluation approaches based on its nature.

II. Investment properties acquired after May 11, 2020

Investment property which has been engaged a lease contract with the lease term over one year is evaluated by income approach. Cash flows, analysis period and discount rate included in valuation techniques shall meet the regulations specified in “Regulations Governing the Preparation of Financial reports by Insurance Companies”. However, investment property which has not been engaged a lease contract with the lease term over one year or has been terminated or cancelled over one year is evaluated using cost approach. If investment property cannot be assessed based on “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises”, it can be measured at replacement cost to assess its fair value. In addition, according to the comments on investment property subsequently measured at fair value released based on “Regulations Governing the Preparation of Financial reports by Insurance Companies”, land development analysis approach is not applicable for cost approach, and the fair value shall be recognised based on the regular price referring to the valuation reports issued under “Regulations on Real Estate Appraisal” if regular price is lower than the value assessed based on income approach or cost approach.

Because the right-of-use assets are acquired after May 11, 2020 and cannot be assessed based on “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises”, they are measured at replacement cost. In addition, for those whose regular price is lower than cost, the fair value is measured at regular price.

III. The key inputs used are listed as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Income approach		
Capitalisation rate	0.54%~4.36%	0.66%~4.21%
Discount rate	3.00%~4.97%	2.87%~4.86%
Cost approach		
Comprehensive interest of capital rate	0.10%~14.89%	0.73%~11.55%

The higher the abovementioned rate, the lower the fair value. On the contrary, the lower the abovementioned rate, the higher the fair value.

(c) Information on lease liabilities for right-of-use assets classified as investment properties is provided in Note 6(13).

(d) For information on investment properties with restricted use, please refer to Note 6(29).

B. Measured subsequently using the cost model

	Land	Buildings and constructions	Construction in progress	Total
<u>At January 1, 2024</u>				
Cost	\$ 2,156,552	\$ 1,438,487	\$ 2,613,298	\$ 6,208,337
Accumulated depreciation	-	(454,482)	-	(454,482)
	<u>\$ 2,156,552</u>	<u>\$ 984,005</u>	<u>\$ 2,613,298</u>	<u>\$ 5,753,855</u>
<u>2024</u>				
Beginning balance	\$ 2,156,552	\$ 984,005	\$ 2,613,298	\$ 5,753,855
Additions-from acquisitions (Note)	-	2,166	2,897,668	2,899,834
Additions-from subsequent expenditures	-	15,192	-	15,192
Disposals-cost	-	(8,229)	-	(8,229)
Disposals-accumulated depreciation	-	8,229	-	8,229
Amortisation of direct lease costs	-	(19,506)	-	(19,506)
Depreciation charge	-	(36,908)	-	(36,908)
Transferred out from investment property	-	-	(101,690)	(101,690)
Others	-	(2,645)	-	(2,645)
Ending balance	<u>\$ 2,156,552</u>	<u>\$ 942,304</u>	<u>\$ 5,409,276</u>	<u>\$ 8,508,132</u>
<u>At December 31, 2024</u>				
Cost	\$ 2,156,552	\$ 1,425,465	\$ 5,409,276	\$ 8,991,293
Accumulated depreciation	-	(483,161)	-	(483,161)
	<u>\$ 2,156,552</u>	<u>\$ 942,304</u>	<u>\$ 5,409,276</u>	<u>\$ 8,508,132</u>

Note: Including the capitalised amount from depreciation expense of right-of-use assets and interest expense of lease liabilities amounting to \$0 and \$568,695, respectively.

	Land	Buildings and constructions	Construction in progress	Total
<u>At January 1, 2023</u>				
Cost	\$ 2,156,552	\$ 1,462,941	\$ 2,586,865	\$ 6,206,358
Accumulated depreciation	-	(418,172)	-	(418,172)
	<u>\$ 2,156,552</u>	<u>\$ 1,044,769</u>	<u>\$ 2,586,865</u>	<u>\$ 5,788,186</u>
<u>2023</u>				
Beginning balance	\$ 2,156,552	\$ 1,044,769	\$ 2,586,865	\$ 5,788,186
Additions-from acquisitions (Note)	-	-	1,815,946	1,815,946
Additions-from subsequent expenditures	-	3,786	-	3,786
Construction in progress completed and transferred out	-	-	(1,789,513)	(1,789,513)
Amortisation of direct lease costs	-	(28,224)	-	(28,224)
Depreciation charge	-	(36,310)	-	(36,310)
Others	-	(16)	-	(16)
Ending balance	<u>\$ 2,156,552</u>	<u>\$ 984,005</u>	<u>\$ 2,613,298</u>	<u>\$ 5,753,855</u>
<u>At December 31, 2023</u>				
Cost	\$ 2,156,552	\$ 1,438,487	\$ 2,613,298	\$ 6,208,337
Accumulated depreciation	-	(454,482)	-	(454,482)
	<u>\$ 2,156,552</u>	<u>\$ 984,005</u>	<u>\$ 2,613,298</u>	<u>\$ 5,753,855</u>

Note: Including the capitalised amount from depreciation expense of right-of-use assets and interest expense of lease liabilities amounting to \$114 and \$692,451, respectively.

Because the Consolidated Company cannot reliably determine the fair value of its construction in progress on an on-going basis, constructions in progress is measured at cost. Once the fair value can be reliably determined or when construction is complete, the property is measured at fair value.

- C. For information on the fair value of investment property, please refer to Note 12(2).
D. Rental income from investment property and direct operating expenses arising from investment property are shown below (excluding depreciation):

	2024	2023
Rental income from investment property	\$ 4,601,194	\$ 4,430,073
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 1,100,892	\$ 1,051,247
Direct operating expenses arising from the investment property that did not generate rental income during the period	\$ 151,516	\$ 202,036

- E. Consolidated Company recognised rental income of the variable lease payments based on operating lease contracts, which are listed as follows:

2024	2023
\$ 29,695	\$ 27,686

For the information on the analysis of due date of the lease receivables under the operating leases of the Consolidated Company as of December 31, 2024 and 2023, please refer to Note 6(14).

- F. The information on investment property, including construction in progress, acquired by the Consolidated Company of December 31, 2024 and 2023 is as follows:

- (a) On April 13, 2017, the Consolidated Company's life insurance business signed a construction agreement, "New Land Construction on No. 297, 288, 289, 298, 299, 299-1, 300, 302 and 303 in Xiaobei sections of North District, Tainan City" with Fut Su Construction Co., Ltd., and the total contract price was \$2,467,000. Between 2021 to 2023, the Consolidated Company successively signed incremental agreements, and the total modified contract price was \$3,319,001. On July 1, 2024, the total project settlement amount of \$3,106,261 was confirmed, and the Consolidated Company has paid the full amount.
- (b) On February 15, 2019, the Consolidated Company's life insurance business signed a contract for the "Construction in Progress of Nan Shan Taichung 6 Plaza" with Fut Su Construction Co. Ltd., and the total contract price was \$1,198,539. In addition, due to the completion of the detailed design on April 8, 2021, the total modified contract price was \$1,266,024. On March 20, 2023, the total project settlement amount of \$1,186,008 was confirmed, and the Consolidated Company has paid the full amount.
- (c) On July 7, 2020, the Consolidated Company's life insurance business signed a contract for the "Construction in Progress of Nan Shan Taichung 7 Plaza" with Feng Hsing Construction Engineering Co., Ltd., total contract price was \$566,011. Subsequently, on November 1, 2022, the Consolidated Company signed an incremental agreement, and the total modified contract price was \$590,911. On April 30, 2023, the total project settlement amount of \$577,836 was confirmed, and the Consolidated Company has paid the full amount.
- (d) On March 1, 2023, the Consolidated Company's life insurance business signed a construction agreement of "City Land Development and Registered Superficies of Land Lot No.32 and 33-2, Xinyi Section Four, Xinyi District, Taipei City Contracts" with Da Cin Construction Co.,

- Ltd., and the total contract price was \$7,638,750. As of December 31, 2024 and 2023, the Consolidated Company has paid \$1,050,137 and \$457,363 for the construction, respectively.
- (e) On January 18, 2024, the Consolidated Company's life insurance business signed a contract with Mutual Construction Co., Ltd. for a 70-year superficieses project on land located at No. 27 and 27-1, Section 4, Xinyi District, Taipei City, with a contract amount of \$16,310,000. As of December 31, 2024, a cumulative amount of \$1,411,715 has been paid.
- G. The right-of-use assets of the Consolidated Company were as follows:
- (a) On August 13, 2014, the Consolidated Company's life insurance business signed a "Construction and Operation Agreement of Development Project of Shulin Shuxin Section Public-owned Land" with Economic Development Department, New Taipei City Government. The total contract price was based on the valuation reports issued by the real estate appraisers. The Consolidated Company won the bids for the project with \$381,111.
- (b) On October 12, 2012, the Consolidated Company's life insurance business signed a "City Land Development and Registered Superficies of Land Lot No. 28, 29 and 30, Xinyi Section Four, Xinyi District, Taipei City Contracts" with Taipei City Government. The contract price is \$28,232,400 determined by referring to the valuation reports issued by the real estate appraisers and by bids.
- (c) On December 25, 2012, the Consolidated Company's life insurance business signed a "State-owned Land for Nonpublic Use Superficies Contract" with National Property Administration, Central Taiwan Office, and acquired the Land Lot No. 1021, 1039 and 1041 Lianwu Section, East District, Taichung City. The total contract price was referred to the valuation reports issued by the real estate appraisers and was acquired by bids with \$577,243.
- (d) On March 30, 2020, the Consolidated Company's life insurance business signed a "City Land Development and Registered Superficies of Land Lot No. 27 and 27-1, Xinyi Section Four, Xinyi District, Taipei City Contracts" with the National Property Administration, Ministry of Finance. The contract price was \$31,276,000 determined by referring to the valuation reports issued by the real estate appraisers and by bids.
- (e) On December 18, 2019, the Consolidated Company's life insurance business signed a "City Land Development and Registered Superficies of Land Lot No.32 and 33-2, Xinyi Section Four, Xinyi District, Taipei City Contracts" with Taipei City Government. The contract price was \$15,981,000 determined by referring to the valuation reports issued by the real estate appraisers and by bids, and the registration of superficieses was completed on January 16, 2023.
- H. Please refer to Note 9 for the information of aforesaid significant unrecognised contract commitments signed by the Consolidated Company.

(11) Loans

	December 31, 2024	December 31, 2023
Life insurance policy loans	\$ 84,424,581	\$ 81,865,517
Automatic policy loans	16,392,979	16,721,954
Secured loans	9,508,887	11,732,712
Less: Allowance for bad debts	(142,937)	(176,294)
	<u>\$ 110,183,510</u>	<u>\$ 110,143,889</u>

- A. Without consideration of the collateral held or other credit enhancements, the maximum credit risk exposure in respect of the amount that best represents the loans held by the Consolidated Company and the information relating to credit risk of those loans are provided in Note 13(3).

- B. Life insurance policy loans and automatic policy loans are granted to the policyholders with their life and annuity insurance policies as collateral. Life insurance policy loans and automatic policy loans are approved according to certain limit of surrender charges or policy value reserve. If the amount of policy loans or automatic policy loans plus accrued interest exceeds policy value reserve, the policy will be suspended automatically. Hence, both life insurance policy loans and automatic policy loans have adequate policy value reserve as collateral. However, for the life insurance policy loans with collateral of the account value of investment-linked policy, allowance for bad debts should be made when their account value are not adequate to settle life insurance policy loans because of the dramatic decline in the fair value of investments.
- C. Secured loans are loans collateralised by real estate. In accordance with relevant laws and regulations of secured loans, "mortgage loans guidelines" and related internal operations articles, it can be loaned in the specific amount. All of the secured loans are made with collateral.

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(12) Property and equipment

	Land	Buildings and constructions	Construction in progress	Information equipment	Transportation equipment	Other equipment	Leasehold improvements	Prepayments for buildings and land	Total
<u>At January 1, 2024</u>									
Cost	\$ 10,255,527	\$ 8,051,781	\$ 193,705	\$ 2,145,503	\$ 4,732	\$ 851,124	\$ 33,121	\$ -	\$ 21,535,493
Accumulated depreciation	-	(3,068,615)	-	(1,200,203)	(4,510)	(383,480)	(27,773)	-	(4,684,581)
Carrying amount	<u>\$ 10,255,527</u>	<u>\$ 4,983,166</u>	<u>\$ 193,705</u>	<u>\$ 945,300</u>	<u>\$ 222</u>	<u>\$ 467,644</u>	<u>\$ 5,348</u>	<u>\$ -</u>	<u>\$ 16,850,912</u>
<u>2024</u>									
Beginning balance	\$ 10,255,527	\$ 4,983,166	\$ 193,705	\$ 945,300	\$ 222	\$ 467,644	\$ 5,348	\$ -	\$ 16,850,912
Additions-from acquisitions (Note 1)	-	29,385	550,647	132,092	-	414,820	6,029	298,545	1,431,518
Transferred from investment property	707,835	82,855	101,690	-	-	-	-	-	892,380
Disposals-cost	-	(2,164)	-	(184,764)	(1,989)	(192,527)	(1,592)	-	(383,036)
Disposals-accumulated depreciation	-	2,164	-	184,764	1,989	192,521	1,559	-	382,997
Depreciation charge (Note 2)	-	(172,118)	-	(207,075)	(219)	(168,293)	(3,134)	-	(550,839)
Transfer to investment property									
-cost	(93,192)	(115,144)	-	-	-	-	-	-	(208,336)
Transfer to investment property									
-accumulated depreciation	-	3,067	-	-	-	-	-	-	3,067
Revaluation increment of real estate	28,175	(18,899)	-	-	-	-	-	-	9,276
Others	-	(139,110)	-	-	-	-	-	-	(139,110)
Ending balance	<u>\$ 10,898,345</u>	<u>\$ 4,653,202</u>	<u>\$ 846,042</u>	<u>\$ 870,317</u>	<u>\$ 3</u>	<u>\$ 714,165</u>	<u>\$ 8,210</u>	<u>\$ 298,545</u>	<u>\$ 18,288,829</u>
<u>At December 31, 2024</u>									
Cost	\$ 10,898,345	\$ 7,888,704	\$ 846,042	\$ 2,092,831	\$ 2,743	\$ 1,073,417	\$ 37,558	\$ 298,545	\$ 23,138,185
Accumulated depreciation	-	(3,235,502)	-	(1,222,514)	(2,740)	(359,252)	(29,348)	-	(4,849,356)
Carrying amount	<u>\$ 10,898,345</u>	<u>\$ 4,653,202</u>	<u>\$ 846,042</u>	<u>\$ 870,317</u>	<u>\$ 3</u>	<u>\$ 714,165</u>	<u>\$ 8,210</u>	<u>\$ 298,545</u>	<u>\$ 18,288,829</u>

Note 1: Including the capitalised amount from depreciation expense of right-of-use assets and interest expense of lease liabilities amounting to \$4,207 and \$5,309, respectively.

Note 2: Including capitalized intangible assets amounting to \$7,349 and the depreciation charge of computer equipment donated to Nanshan Charity Foundation reclassified to donation amounting to \$18.

For information on property and equipment with restricted use, please refer to Note 6(29).

	Land	Buildings and constructions	Construction in progress	Information equipment	Transportation equipment	Other equipment	Leasehold improvements	Total
<u>At January 1, 2023</u>								
Cost	\$ 10,341,553	\$ 7,556,205	\$ 658,544	\$ 1,989,850	\$ 4,732	\$ 550,720	\$ 34,090	\$ 21,135,694
Accumulated depreciation	-	(3,030,763)	-	(968,143)	(4,219)	(295,310)	(28,043)	(4,326,478)
Carrying amount	<u>\$ 10,341,553</u>	<u>\$ 4,525,442</u>	<u>\$ 658,544</u>	<u>\$ 1,021,707</u>	<u>\$ 513</u>	<u>\$ 255,410</u>	<u>\$ 6,047</u>	<u>\$ 16,809,216</u>
<u>2023</u>								
Beginning balance	\$ 10,341,553	\$ 4,525,442	\$ 658,544	\$ 1,021,707	\$ 513	\$ 255,410	\$ 6,047	\$ 16,809,216
Additions-from acquisitions (Note 1)	-	106,706	185,563	181,686	-	328,706	2,236	804,897
Transferred from investment property	20,272	39,563	-	-	-	-	-	59,835
Transferred from construction in progress	-	650,402	(650,402)	-	-	-	-	-
Disposals-cost	(1,846)	(16,890)	-	(26,033)	-	(28,302)	(3,205)	(76,276)
Disposals-accumulated depreciation	-	13,933	-	25,711	-	27,749	2,410	69,803
Depreciation charge (Note 2)	-	(170,091)	-	(257,771)	(291)	(115,919)	(2,140)	(546,212)
Transfer to investment property -cost	(156,693)	(312,417)	-	-	-	-	-	(469,110)
Transfer to investment property -accumulated depreciation	-	118,306	-	-	-	-	-	118,306
Revaluation increment of real estate	52,241	28,212	-	-	-	-	-	80,453
Ending balance	<u>\$ 10,255,527</u>	<u>\$ 4,983,166</u>	<u>\$ 193,705</u>	<u>\$ 945,300</u>	<u>\$ 222</u>	<u>\$ 467,644</u>	<u>\$ 5,348</u>	<u>\$ 16,850,912</u>
<u>At December 31, 2023</u>								
Cost	\$ 10,255,527	\$ 8,051,781	\$ 193,705	\$ 2,145,503	\$ 4,732	\$ 851,124	\$ 33,121	\$ 21,535,493
Accumulated depreciation	-	(3,068,615)	-	(1,200,203)	(4,510)	(383,480)	(27,773)	(4,684,581)
Carrying amount	<u>\$ 10,255,527</u>	<u>\$ 4,983,166</u>	<u>\$ 193,705</u>	<u>\$ 945,300</u>	<u>\$ 222</u>	<u>\$ 467,644</u>	<u>\$ 5,348</u>	<u>\$ 16,850,912</u>

Note 1: Including the capitalised amount from depreciation expense of right-of-use assets and interest expense of lease liabilities amounting to \$4,489 and \$4,625, respectively.

Note 2: Including capitalised intangible assets amounting to \$4,308.

(13) Leasing arrangements — lessee

- A. The Consolidated Company leases various assets including buildings, offices, superficies and other equipment. Rental contracts for buildings, offices and other equipment are typically made for periods of 1 to 20 years. Additionally, the leased land with registered superficies has a rental period of 50 to 70 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Low-value assets comprise of office equipment.
- C. The right-of-use assets of superficies were reported in investment property and right-of-use assets. The carrying amount of investment property is provided in Note 6(10).
- D. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	Buildings	Superficies	Other equipment	Total
<u>At January 1, 2024</u>				
Cost	\$ 1,234,385	\$ 208,493	\$ 67,268	\$ 1,510,146
Accumulated depreciation	(608,277)	(15,947)	(58,886)	(683,110)
Carrying amount	<u>\$ 626,108</u>	<u>\$ 192,546</u>	<u>\$ 8,382</u>	<u>\$ 827,036</u>
<u>2024</u>				
Beginning balance	\$ 626,108	\$ 192,546	\$ 8,382	\$ 827,036
Additions	1,021,298	-	47,329	1,068,627
Transferred from investment property	-	13,028	-	13,028
Disposals-cost	(236,580)	-	(63,892)	(300,472)
Disposals-accumulated depreciation	236,580	-	63,892	300,472
Depreciation charge (Note)	(376,208)	(4,819)	(15,533)	(396,560)
Lease modifications	(7,555)	161	(30)	(7,424)
Adjustment of lease liabilities remeasurement	-	2,739	-	2,739
Ending balance	<u>\$ 1,263,643</u>	<u>\$ 203,655</u>	<u>\$ 40,148</u>	<u>\$ 1,507,446</u>
<u>At December 31, 2024</u>				
Cost	\$ 2,011,548	\$ 224,421	\$ 50,675	\$ 2,286,644
Accumulated depreciation	(747,905)	(20,766)	(10,527)	(779,198)
Carrying amount	<u>\$ 1,263,643</u>	<u>\$ 203,655</u>	<u>\$ 40,148</u>	<u>\$ 1,507,446</u>

Note : Including capitalised property and equipment amounting to \$4,207.

	Buildings	Superficies	Other equipment	Total
<u>At January 1, 2023</u>				
Cost	\$ 1,261,755	\$ 232,308	\$ 67,301	\$ 1,561,364
Accumulated depreciation	(601,254)	(10,885)	(41,039)	(653,178)
Carrying amount	<u>\$ 660,501</u>	<u>\$ 221,423</u>	<u>\$ 26,262</u>	<u>\$ 908,186</u>
<u>2023</u>				
Beginning balance	\$ 660,501	\$ 221,423	\$ 26,262	\$ 908,186
Additions	319,634	-	1,413	321,047
Disposals-cost	(337,860)	-	(1,263)	(339,123)
Disposals-accumulated depreciation	337,860	-	1,263	339,123
Depreciation charge (Note)	(344,883)	(5,062)	(19,110)	(369,055)
Lease modifications	(9,144)	(23,815)	(183)	(33,142)
Ending balance	<u>\$ 626,108</u>	<u>\$ 192,546</u>	<u>\$ 8,382</u>	<u>\$ 827,036</u>
<u>At December 31, 2023</u>				
Cost	\$ 1,234,385	\$ 208,493	\$ 67,268	\$ 1,510,146
Accumulated depreciation	(608,277)	(15,947)	(58,886)	(683,110)
Carrying amount	<u>\$ 626,108</u>	<u>\$ 192,546</u>	<u>\$ 8,382</u>	<u>\$ 827,036</u>

Note : Including capitalised investment property and property and equipment amounting to \$4,603.

E. The Consolidated Company's life insurance business signed the "Investment contract of Sharon Park and parking lot in Tamsui District, New Taipei City" with Economic Development Department, New Taipei City Government on January 15, 2021. The total contract price was \$62,000 determined by referring to the valuation reports issued by the real estate appraisers and by bid.

F. The information on profit and loss accounts relating to lease contracts is as follows:

Items affecting profit or loss	2024	2023
Interest expense on lease liabilities	\$ 379,162	\$ 359,830
Expense on leases of low-value assets	1,398	1,200
(Gain) loss on lease modifications	(2,563)	12

G. As of December 31, 2024 and 2023, the Consolidated Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range from 0.5431% to 3.8890%, and from 0.3024% to 3.8890%, respectively.

H. For the years ended December 31, 2024 and 2023, the Consolidated Company's total cash outflows for leases are \$4,340,756 and \$4,304,836 respectively.

I. Most of the property lease contracts of the Consolidated Company include the option of terminating the lease in advance, and a few other lease contracts include the option of extending the lease. As the exercise of this option is uncertain, the condition will not be reflected when measuring lease liabilities.

J. The movements of lease liabilities are as follows:

	Investment property- Superficies	Right-of-use assets- Superficies	Right-of-use assets- Others	total
At January 1, 2024	\$ 32,181,278	\$ 132,377	\$ 607,761	\$ 32,921,416
Additions (Note 1)	-	-	1,068,809	1,068,809
Transferred from investment property-superficies	-	12,090	-	12,090
Transfer to right-of-use assets- superficies	(12,090)	-	-	(12,090)
Adjustment of lease liabilities remeasurement	(954,373)	2,739	-	(951,634)
Lease modifications and others (Notes 1, 2)	-	161	(10,032)	(9,871)
Interest expense recognised	933,998	5,337	13,831	953,166
Lease payments	(3,957,715)	(2,673)	(378,970)	(4,339,358)
At December 31, 2024	<u>\$ 28,191,098</u>	<u>\$ 150,031</u>	<u>\$ 1,301,399</u>	<u>\$ 29,642,528</u>
	Investment property- Superficies	Right-of-use assets- Superficies	Right-of-use assets- Others	total
At January 1, 2023	\$ 18,686,748	\$ 154,083	\$ 657,404	\$ 19,498,235
Additions (Note 1)	16,347,522	-	321,097	16,668,619
Adjustment of lease liabilities remeasurement	39,282	-	-	39,282
Lease modifications and others (Notes 1, 2)	(2,151)	(23,815)	(9,307)	(35,273)
Interest expense recognised	1,045,441	4,659	6,774	1,056,874
Lease payments	(3,935,564)	(2,550)	(368,207)	(4,306,321)
At December 31, 2023	<u>\$ 32,181,278</u>	<u>\$ 132,377</u>	<u>\$ 607,761</u>	<u>\$ 32,921,416</u>

Note 1: For the years ended December 31, 2024 and 2023, the deductible for employees' dormitory amounted to \$182 and \$50 respectively; the deductible for employee dormitory lease termination and the office lease termination amounted to (\$55) and \$0, respectively.

Note 2: For the years ended December 31, 2024 and 2023, including exchange loss of \$61 and \$8, respectively.

K. The Consolidated Company's lease contracts of multifunction printers contain variable lease payment terms that are linked to the actual use in multifunction printers. For the years ended December 31, 2024 and 2023, the variable lease payments are \$15,399 and \$18,071, respectively.

(14) Leasing arrangements – lessor

- A. The Consolidated Company leases investment property. Rental contracts are typically made for periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.
- B. Information on gain arising from operating lease agreements for the years ended December 31, 2024 and 2023 is provided in Note 6(10).
- C. The maturity analysis of the lease payments under the operating leases is as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
2024	\$ -	\$ 4,129,113
2025	4,446,087	3,553,901
2026	4,139,386	3,158,886
2027	3,624,949	2,778,807
2028	3,019,738	2,356,602
2029	2,142,633	1,791,334
2030	1,868,901	1,655,662
After 2031	12,974,547	11,071,770
Total	<u>\$ 32,216,241</u>	<u>\$ 30,496,075</u>

(15) Intangible assets

Details of intangible assets are as follows:

	<u>Computer software</u>	<u>Goodwill</u>	<u>Licences</u>	<u>Total</u>
<u>At January 1, 2024</u>				
Cost	\$ 12,663,078	\$ 1,075,875	\$ 4,956,012	\$ 18,694,965
Accumulated amortisation	(3,450,123)	-	(1,531,578)	(4,981,701)
Carrying amount	<u>\$ 9,212,955</u>	<u>\$ 1,075,875</u>	<u>\$ 3,424,434</u>	<u>\$ 13,713,264</u>
<u>2024</u>				
Beginning balance	\$ 9,212,955	\$ 1,075,875	\$ 3,424,434	\$ 13,713,264
Additions-acquired separately (Note)	386,960	-	-	386,960
Disposals-cost	(119,277)	-	-	(119,277)
Disposals-accumulated amortisation	119,277	-	-	119,277
Amortisation charge	(735,336)	-	(828,384)	(1,563,720)
Ending balance	<u>\$ 8,864,579</u>	<u>\$ 1,075,875</u>	<u>\$ 2,596,050</u>	<u>\$ 12,536,504</u>
<u>At December 31, 2024</u>				
Cost	\$ 12,930,761	\$ 1,075,875	\$ 4,956,012	\$ 18,962,648
Accumulated amortisation	(4,066,182)	-	(2,359,962)	(6,426,144)
Carrying amount	<u>\$ 8,864,579</u>	<u>\$ 1,075,875</u>	<u>\$ 2,596,050</u>	<u>\$ 12,536,504</u>

	Computer software	Goodwill	Licences	Total
<u>At January 1, 2023</u>				
Cost	\$ 12,239,846	\$ 1,075,875	\$ 4,956,012	\$ 18,271,733
Accumulated amortisation	(2,852,857)	-	(897,212)	(3,750,069)
Carrying amount	<u>\$ 9,386,989</u>	<u>\$ 1,075,875</u>	<u>\$ 4,058,800</u>	<u>\$ 14,521,664</u>
<u>2023</u>				
Beginning balance	\$ 9,386,989	\$ 1,075,875	\$ 4,058,800	\$ 14,521,664
Additions-acquired separately (Note)	541,442	-	-	541,442
Disposals-cost	(118,210)	-	-	(118,210)
Disposals-accumulated amortisation	118,210	-	-	118,210
Amortisation charge	(715,476)	-	(634,366)	(1,349,842)
Ending balance	<u>\$ 9,212,955</u>	<u>\$ 1,075,875</u>	<u>\$ 3,424,434</u>	<u>\$ 13,713,264</u>
<u>At December 31, 2023</u>				
Cost	\$ 12,663,078	\$ 1,075,875	\$ 4,956,012	\$ 18,694,965
Accumulated amortisation	(3,450,123)	-	(1,531,578)	(4,981,701)
Carrying amount	<u>\$ 9,212,955</u>	<u>\$ 1,075,875</u>	<u>\$ 3,424,434</u>	<u>\$ 13,713,264</u>

Note: Including capitalised depreciation charge of property and equipment amounting to \$7,349 and \$4,308, and capitalised amortisation charge of intangible assets amounting to \$47 and \$37, for the years ended December 31, 2024 and 2023, respectively.

(16) Other assets

	December 31, 2024	December 31, 2023
Prepayments and temporary debits	\$ 732,366	\$ 657,975
Guarantee deposits paid	59,459,438	23,710,649
Others	57,148	58,345
	<u>\$ 60,248,952</u>	<u>\$ 24,426,969</u>

A. As of December 31, 2024 and 2023, without consideration of the collateral held or other credit enhancements, the maximum credit risk exposure in respect of the amount that best represents the other assets held by the Consolidated Company are \$59,473,427 and \$23,724,267, respectively.

B. The Consolidated Company's guarantee deposits paid are detailed as follows:

(a) To acquire the case "City Land Development and Registered Superficies of Land Lot No. 28, 29 and 30, Xinyi Section Four, Xinyi District, Taipei City" held by Taipei City Government, the Consolidated Company's life insurance business set \$800,000 certificate of time deposit as (contract) security deposit on September 20, 2012. Because the Consolidated Company met the condition of the contract, a security deposit of \$400,000 was returned in January 2019. As of December 31, 2024 and 2023, the amount of security deposit was \$400,000.

(b) In response to the commitment to the Council of Labor Affairs, Executive Yuan made by Ruen Chen Investment Holding Co., Ltd. in respect of stock equity trading, the Consolidated

Company's life insurance business deposited Government Bonds with par value of \$680,000 under the trust account of Mega International Commercial Bank Co., Ltd. on August 31, 2011.

- (c) Articles 141 and 142 of the Insurance Law require an insurance company to place a statutory deposit with the government equal to 15% of its paid-in capital. The deposit will not be returned until cessation of business and liquidation has been completed. At the end of the financial reporting period, the Consolidated Company deposited Government Bonds in the Central Bank of the Republic of China as follows:

December 31, 2024		December 31, 2023	
\$	22,657,000	\$	21,307,000

- (d) The Consolidated Company's life insurance business has taken administrative remedy by the statutory period for the adjustment of income tax returns assessed by the National Taxation Bureau for the years 2016 and 2017. The Consolidated Company's life insurance business deposited Government Bonds amounting to \$275,000 as a statutory deposit in July 2020.
- (e) To acquire the case "City Land Development and Registered Superficies of Land Lot No. 32 and 33-2, Xinyi Section Four, Xinyi District, Taipei City" held by Taipei City Government, the Consolidated Company's life insurance business set a certificate of time deposit of \$800,000 as contract security deposit on December 6, 2019.
- (f) To acquire the case "City Land Development and Registered Superficies of Land Lot No. 520-2 and other 31 lots, Wang Gao Lou Section, Tamsui District, New Taipei City" held by New Taipei City Government, the Consolidated Company's life insurance business set a certificate of time deposit (including subsequent interest) as contract security deposit on January 12, 2021. As of December 31, 2024 and 2023, the deposit amounted to \$46,230 and \$46,058, respectively.
- (g) The Consolidated Company's life insurance business is engaged in trading of derivative instruments and bonds sold under repurchase agreements. As of December 31, 2024 and 2023, the Consolidated Company deposited U.S. Government Bonds amounting to \$29,504,210 and \$0, respectively, and cash amounting to \$4,878,796 and \$0, respectively, as the guarantee. Refer to Notes 6(8) and (9) for details of the offset between guarantee and financial assets and liabilities.
- (h) The Consolidated Company's property insurance business engaged in insurance bidding business, as of December 31, 2024 and 2023, the Consolidated Company's property business had time deposits of \$20,224 and \$20,180 as the contract security deposit, respectively.
- (i) Except as stated above, the Consolidated Company's refundable deposits is mainly from leases and property investments, etc.

(17) Insurance products - separate account

A. The insurance products - separate account classified under assets on insurance products - separate account, liabilities on insurance products - separate account, revenues on insurance products - separate account and expenses on insurance products-separate account are detailed as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Assets on insurance products - separate account		
Cash in bank	\$ 107,747	\$ 153,685
Financial assets at fair value through profit or loss	222,727,606	207,480,697
Other receivables	1,485,163	577,410
	<u>\$ 224,320,516</u>	<u>\$ 208,211,792</u>
Liabilities on insurance products - separate account		
Reserve for insurance products - separate account-insurance contracts	\$ 113,990,465	\$ 128,306,987
Reserve for insurance products - separate account-investment contracts	109,732,855	79,245,766
Other payables	597,196	659,039
	<u>\$ 224,320,516</u>	<u>\$ 208,211,792</u>
	<u>2024</u>	<u>2023</u>
Revenues on insurance products - separate account		
Premiums income	\$ 10,604,010	\$ 10,610,239
Interest income	215	10
Gain on financial assets at fair value through profit or loss and foreign exchange	17,723,382	15,303,702
	<u>\$ 28,327,607</u>	<u>\$ 25,913,951</u>
Expenses on insurance products - separate account		
Claims and policy benefits payments	\$ 21,287,238	\$ 423,955
Surrender charges	14,553,424	11,129,634
Net change of reserve - insurance contracts	(15,584,214)	7,430,727
Administration charges and cost of insurance	1,707,555	1,654,386
Payment for cash dividends	6,363,604	5,275,249
	<u>\$ 28,327,607</u>	<u>\$ 25,913,951</u>

- B. The Consolidated Company received sales incentive bonus recognised as fee income from counterparties relative to the above investment-linked insurance products as follows:

	2024		2023
\$	1,867,262	\$	1,596,529

- C. On September 17, 2019, the Consolidated Company was penalised by the competent authority because “the Invision” information system violated the Insurance Act and was asked to terminate the business of new investment-linked insurance product contract by the next day of receiving the sanction. Only until the information system of investment-linked insurance product is improved and is verified by the third-party professional institution and reported to the authority for approval, the business of new investment-linked insurance product contract can be restarted. On January 2, 2024, the Consolidated Company was approved by the competent authority to resume the sale of the investment-linked insurance products.

(18) Short-term debts

	December 31, 2024	December 31, 2023
Bonds sold under repurchase agreements	\$ 2,822,375	\$ 5,738,950

- A. To fulfil the needs of insurance business, as of December 31, 2024 and 2023, the Consolidated Company transacted bonds sold under repurchase agreements at a contracted interest rate range of 4.75% and from 5.67% to 5.85%, respectively.
- B. Refer to Notes 6(8) and (9) for details of government bonds and corporate bonds classified as financial assets at amortised cost being pledged as collateral for the liabilities of bonds sold under repurchase agreements which were transacted by the Consolidated Company.

(19) Payables

	December 31, 2024	December 31, 2023
Claims and policy benefits payable	\$ 1,165,731	\$ 1,393,269
Commissions payable	2,391,106	2,174,841
Due to reinsurers and ceding companies	1,350,657	1,528,173
Accrued interests	1,437,753	844,305
Investments payable	1,572,934	795,997
Other payables	7,664,094	7,519,985
	<u>\$ 15,582,275</u>	<u>\$ 14,256,570</u>

(20) Financial liabilities at fair value through profit or loss

	December 31, 2024	December 31, 2023
Financial liabilities at fair value through profit or loss		
Derivative instruments	\$ 61,317,453	\$ 5,287,505

For the gain or loss on financial liabilities at fair value through profit or loss recognised by the Consolidated Company and related description of derivative instruments, please refer to Note 6(3).

(21) Bonds payable

	December 31, 2024	December 31, 2023
Bonds payable	\$ 87,466,700	\$ 53,500,000
Less: Discount on bonds payable	(188,024)	-
	<u>\$ 87,278,676</u>	<u>\$ 53,500,000</u>

- A. The Consolidated Company's life insurance business was notified through Jin-Guan-Bao-Sho Letter No. 10502064510 of FSC dated May 31, 2016 and Public Announcement of Securities-TPEX-Bond No. 10500152721 of Taipei Exchange dated June 20, 2016 of effective registration and issued the cumulative perpetual subordinated bonds on June 24, 2016. The stipulated terms of issuance are as follows:
- (a) Total issuance amount: NT\$25,000,000 thousand.
 - (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
 - (c) Issuance period: Perpetual.
 - (d) Coupon rate: The coupon rate remains fixed interest rate within ten years from the issuance date. For the issuance dated June 20, 2016, the coupon rate is 3.5%. After the lapse of ten years from the issuance date, if the bonds has not been redeemed, the coupon rate will increase by 1%.
 - (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
 - (f) Early redemption: After the lapse of ten years from the issuance date, if the Consolidated Company's capital adequacy ratio after redemption is more than twice of statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Consolidated Company to do so, the Consolidated Company will redeem all bonds beforehand at face value along with the interest payable.
 - (g) Form of issuance: The bond is issued in non-physical form.
- B. The Consolidated Company's life insurance business was notified through Jin-Guan-Bao-Sho Letter No. 10602051720 of FSC dated May 31, 2017 and Public Announcement of Securities-TPEX-Bond No. 10600151791 of Taipei Exchange dated June 23, 2017 of effective registration and issued the cumulative perpetual subordinated bonds on June 29, 2017. The stipulated terms of issuance are as follows:
- (a) Total issuance amount: NT\$7,000,000 thousand.
 - (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
 - (c) Issuance period: Perpetual.
 - (d) Coupon rate: The coupon rate remains fixed interest rate within ten years from the issuance date. For the issuance dated June 23, 2017, the coupon rate is 3.45%. After the lapse of ten years from the issuance date, if the bonds has not been redeemed, the coupon rate will increase by 1%.
 - (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
 - (f) Early redemption: After the lapse of ten years from the issuance date, if the Consolidated Company's capital adequacy ratio after redemption is more than twice of statutory lowest

capital adequacy ratio for insurance industry and provided that the competent authority agrees the Consolidated Company to do so, the Consolidated Company will redeem all bonds beforehand at face value along with the interest payable.

- (g) Form of issuance: The bond is issued in non-physical form.
- C. The Consolidated Company's life insurance business was notified through Jin-Guan-Bao-Sho Letter No. 10704153520 of FSC dated June 12, 2018 and Public Announcement of Securities-TPEX-Bond No. 10700153831 of Taipei Exchange dated June 29, 2018 of effective registration and issued the cumulative perpetual subordinated bonds on June 29, 2018. The stipulated terms of issuance are as follows:
 - (a) Total issuance amount: NT\$10,000,000 thousand.
 - (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
 - (c) Issuance period: Perpetual.
 - (d) Coupon rate: The coupon rate remains fixed interest rate within ten years from the issuance date. For the issuance dated June 29, 2018, the coupon rate is 3.3%. After the lapse of ten years from the issuance date, if the bonds has not been redeemed, the coupon rate will increase by 1%.
 - (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
 - (f) Early redemption: After the lapse of ten years from the issuance date, if the Consolidated Company's capital adequacy ratio after redemption is more than twice of statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Consolidated Company to do so, the Consolidated Company will redeem all bonds beforehand at face value along with the interest payable.
 - (g) Form of issuance: The bond is issued in non-physical form.
- D. The Consolidated Company's life insurance business was notified through Jin-Guan-Bao-Sho Letter No. 112043641 of FSC dated September 13, 2023 and Public Announcement of Securities-TPEX-Bond No. 11200101871 of Taipei Exchange dated October 19, 2023 of effective registration and issued the first unsecured cumulative subordinated bonds of 2023 on October 26, 2023. The stipulated terms of issuance are as follows:
 - (a) Total issuance amount: NT\$11,500,000 thousand.
 - (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
 - (c) Issuance period: 10 years for A bonds and 15 years for B bonds.
 - (d) Coupon rate: The coupon rate for A bonds is fixed interest rate of 3.75% per annum; and the coupon rate for B bonds is fixed interest rate of 3.88% per annum.
 - (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
 - (f) Early redemption: After the lapse of ten years from the issuance date of B bonds, if the Company's capital adequacy ratio after redemption is more than statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Company to do so, the Company will redeem all bonds beforehand at face value along with the interest payable which is calculated based on the actual number of days.
 - (g) Form of issuance: The bond is issued in non-physical form.

- E. The Consolidated Company's life insurance business was notified through Public Announcement of Securities-TPEX-Bond No. 11200123751 of Taipei Exchange dated December 27, 2023 of effective registration and issued the second unsecured cumulative subordinated bonds of 2023 on January 4, 2024. The stipulated terms of issuance are as follows:
- (a) Total issuance amount: NT\$3,500,000 thousand.
 - (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
 - (c) Issuance period: 10 years for A bonds and 15 years for B bonds.
 - (d) Coupon rate: The coupon rate for A bonds is fixed interest rate of 3.75% per annum; and the coupon rate for B bonds is fixed interest rate of 3.88% per annum.
 - (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
 - (f) Early redemption: After the lapse of ten years from the issuance date of B bonds, if the Company's capital adequacy ratio after redemption is more than statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Company to do so, the Company will redeem all bonds beforehand at face value along with the interest payable which is calculated based on the actual number of days.
 - (g) Form of issuance: The bond is issued in non-physical form.
- F. The Consolidated Company's life insurance business was notified through Public Announcement of Securities-TPEX-Bond No. 11300047181 of Taipei Exchange dated June 24, 2024 of effective registration and issued the first unsecured cumulative subordinated bonds of 2024 on June 28, 2024. The stipulated terms of issuance are as follows:
- (a) Total issuance amount: NT\$4,040,000 thousand.
 - (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
 - (c) Issuance period: 10 years for A bonds and 15 years for B bonds.
 - (d) Coupon rate: The coupon rate for A bonds is fixed interest rate of 3.75% per annum; and the coupon rate for B bonds is fixed interest rate of 3.88% per annum.
 - (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
 - (f) Early redemption: After the lapse of ten years from the issuance date of B bonds, if the Company's capital adequacy ratio after redemption is more than statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Company to do so, the Company will redeem all bonds beforehand at face value along with the interest payable which is calculated based on the actual number of days.
 - (g) Form of issuance: The bond is issued in non-physical form.
- G. The Consolidated Company's overseas financing and investing business completed the pricing of US\$700,000 thousand ten-year unsecured cumulative subordinated bonds on September 4, 2024, and the issuance was on September 11, 2024. The stipulated terms of issuance are as follows:
- (a) Total issuance amount: US\$700,000 thousand.
 - (b) Par value: The par value is US\$200 thousand per bond with increments in multiples of US\$1 thousand for amounts exceeding that amount.
 - (c) Issuing price: US\$99.673.
 - (d) Issuance period: 10 years.
 - (e) Coupon rate: The coupon rate is fixed interest rate of 5.45% per annum.

- (f) Effective rate: 5.562%.
 - (g) Method of interest payment: The interest is paid semiannually, calculated using the simple interest of coupon rate from the issuance date.
 - (h) Form of issuance: The bond is issued in non-physical form.
- H. The Consolidated Company's life insurance business was notified through Public Announcement of Securities-TPEX-Bond No. 11300100551 of Taipei Exchange dated November 26, 2024 of effective registration and issued the second unsecured cumulative subordinated bonds of 2024 on December 3, 2024. The stipulated terms of issuance are as follows:
- (a) Total issuance amount: NT\$3,480,000 thousand.
 - (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
 - (c) Issuance period: 10 years for A bonds and 15 years for B bonds.
 - (d) Coupon rate: The coupon rate for A bonds is fixed interest rate of 3.75% per annum; and the coupon rate for B bonds is fixed interest rate of 3.88% per annum.
 - (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
 - (f) Early redemption: After the lapse of ten years from the issuance date of B bonds, if the Company's capital adequacy ratio after redemption is more than statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Company to do so, the Company will redeem all bonds beforehand at face value along with the interest payable which is calculated based on the actual number of days.
 - (g) Form of issuance: The bond is issued in non-physical form.

(22) Reinsurance contract assets and insurance contract liabilities

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Reinsurance contract assets		
Life insurance	\$ 1,385,718	\$ 1,380,473
Property insurance	<u>2,005,777</u>	<u>2,631,559</u>
	<u>\$ 3,391,495</u>	<u>\$ 4,012,032</u>
	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Insurance liabilities		
Life insurance	\$ 4,723,417,485	\$ 4,617,867,429
Property insurance	<u>11,160,427</u>	<u>9,942,984</u>
	<u>\$ 4,734,577,912</u>	<u>\$ 4,627,810,413</u>

A. Life insurance

The components of reinsurance contract assets are as follows:

	December 31, 2024	December 31, 2023
Claims recoverable from reinsurers	\$ 1,127,904	\$ 1,106,304
Due from reinsurers and ceding companies	-	3,624
Reinsurance reserve assets		
Ceded unearned premium reserve	181,806	163,841
Ceded claims reserve	76,008	106,704
	<u>\$ 1,385,718</u>	<u>\$ 1,380,473</u>

Reinsurance contract assets held by the Consolidated Company's life insurance are neither past due nor impaired, and they all ceded to reinsurers with S&P rating A or above.

The components of insurance contract liabilities are as follows:

	December 31, 2024	December 31, 2023
Unearned premium reserve	\$ 20,907,782	\$ 20,056,307
Claims reserve	11,647,167	10,799,542
Policy reserve	4,674,347,813	4,571,457,717
Special reserve	11,121,334	9,352,030
Premium deficiency reserve	5,393,389	6,201,833
	<u>\$ 4,723,417,485</u>	<u>\$ 4,617,867,429</u>

The movements and components of insurance contract liabilities and reinsurance reserves are as follows:

(a) Unearned premium reserve and ceded unearned premium reserve

	2024	2023
Unearned premium reserve:		
At January 1	\$ 20,056,307	\$ 19,333,397
Provision	20,907,732	20,056,310
Recovery	(20,056,307)	(19,333,397)
Foreign exchange loss (gain)	50	(3)
At December 31	<u>\$ 20,907,782</u>	<u>\$ 20,056,307</u>
	2024	2023
Ceded unearned premium reserve:		
At January 1	\$ 163,841	\$ 153,453
Net change	17,508	10,412
Foreign exchange gain (loss)	457	(24)
At December 31	<u>\$ 181,806</u>	<u>\$ 163,841</u>

(b) Claims reserve and ceded claims reserve

I. The components of claims reserve are as follows:

	December 31, 2024	December 31, 2023
Claims reported but not paid	\$ 3,951,760	\$ 3,521,136
Claims incurred but not reported and paid	7,695,407	7,278,406
	<u>\$ 11,647,167</u>	<u>\$ 10,799,542</u>

II. The movement of claims reserve and ceded claims reserve are as follows:

	2024	2023
Claims reserve:		
At January 1	\$ 10,799,542	\$ 10,538,532
Provision	11,642,186	10,798,492
Recovery	(10,799,542)	(10,538,532)
Foreign exchange loss	4,981	1,050
At December 31	<u>\$ 11,647,167</u>	<u>\$ 10,799,542</u>
	2024	2023
Ceded claims reserve:		
At January 1	\$ 106,704	\$ 177,303
Net change	(31,214)	(70,710)
Foreign exchange gain	518	111
At December 31	<u>\$ 76,008</u>	<u>\$ 106,704</u>

(c) Policy reserve

I. The components of policy reserve are as follows:

	December 31, 2024	December 31, 2023
Insurance contracts	\$ 4,518,207,892	\$ 4,394,653,228
Investment contracts with discretionary participation features	154,890,836	175,530,410
Life policy reserve -catastrophe reserve recovered	50,691	50,691
Policy benefit-pending payment to policyholder	1,198,394	1,223,388
	<u>\$ 4,674,347,813</u>	<u>\$ 4,571,457,717</u>

II. The movements of policy reserve are as follows:

	2024	2023
At January 1	\$ 4,571,457,717	\$ 4,530,866,645
Provision	266,290,260	268,634,742
Recovery	(237,664,135)	(234,056,723)
Foreign exchange loss	70,684,374	1,951,464
Net change in policy benefits-pending payment to policyholder	(24,994)	50,350
Others	3,604,591	4,011,239
At December 31	<u>\$ 4,674,347,813</u>	<u>\$ 4,571,457,717</u>

III. The related interest expense from the above discount-based insurance contract liabilities are as follows:

2024	2023
<u>\$ 153,431,669</u>	<u>\$ 152,017,726</u>

IV. The Consolidated Company's reserves of insurance contracts and financial instruments with discretionary participation features are recognised based on "Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises", not valued at fair value. The financial instruments with discretionary participation feature (variable interest rate annuity) reported in each report period by the Consolidated Company, is based on credited interest rate to accumulate the account value. Those financial instruments' discretionary participation feature has no quoted market price and the fair value could not be reliably measured, so no need to disclose those fair value. At the end of each reporting date, except for paid under insurance terms, the Consolidated Company does not plan to sell those financial instruments.

(d) Special reserve

I. The components of special reserve are as follows:

	December 31, 2024	December 31, 2023
Reserve for real estate appreciation	\$ 1,354,257	\$ 1,354,257
Dividend payment reserve	9,767,077	7,997,773
	<u>\$ 11,121,334</u>	<u>\$ 9,352,030</u>

II. The movements of special reserve are as follows:

	2024	2023
At January 1	\$ 9,352,030	\$ 9,190,758
Dividend reserve provision	2,043,321	449,250
Dividend payment reserve written-off	(274,017)	(287,978)
At December 31	<u>\$ 11,121,334</u>	<u>\$ 9,352,030</u>

(e) Premium deficiency reserve

	2024	2023
At January 1	\$ 6,201,833	\$ 6,459,465
Provision	703,118	1,415,767
Recovery	(1,589,710)	(1,681,206)
Foreign exchange loss	78,148	7,807
At December 31	<u>\$ 5,393,389</u>	<u>\$ 6,201,833</u>

B. Property insurance

(a) Reinsurance contract assets are shown below:

	December 31, 2024	December 31, 2023
Claims recoverable from reinsurers	\$ 175,969	\$ 379,797
Due from reinsurers and ceding companies	855	229
Overdue receivable	311	379
Reinsurance contract assets reserve		
Ceded unearned premium reserve	853,849	1,132,196
Ceded claim reserve	976,140	1,121,607
Subtotal	2,007,124	2,634,208
Less: Allowance for loss	(1,347)	(2,649)
	<u>\$ 2,005,777</u>	<u>\$ 2,631,559</u>

- I. Reinsurance contract assets neither overdue nor impaired were rated with S&P BBB+ or above, so it expects that the probability of default is remote.
- II. Amount of reinsurance contract assets and aging analysis that were past due but not impaired or impaired are as follows:

	December 31, 2024	December 31, 2023
31-90 days	\$ 95,163	\$ 218,279
91-180 days	19,401	15,520
181-270 days	167	3,144
Over 271 days	311	379
	<u>\$ 115,042</u>	<u>\$ 237,322</u>

Aging of above claims recoverable from reinsurers, due from reinsurers and ceding companies were classified based on settlement date, reclassified as overdue receivables in 9 months.

III. Changes in allowance for loss on reinsurance contract assets are as follows:

	2024	2023
At January 1	\$ 2,649	\$ 8,873
Reversal of loss	(1,302)	(6,224)
At December 31	<u>\$ 1,347</u>	<u>\$ 2,649</u>

(b) Insurance contract liabilities are shown below:

	December 31, 2024	December 31, 2023
Unearned premium reserve	\$ 5,036,196	\$ 4,369,375
Claim reserve	3,667,888	3,184,074
Special reserve	2,456,343	2,389,535
	<u>\$ 11,160,427</u>	<u>\$ 9,942,984</u>

I. Movements of unearned premium reserve and ceded unearned premium reserve are as follows:

	2024		
	Unearned premium reserve	Ceded unearned premium reserve	Net amount
At January 1	\$ 4,369,375	\$ 1,132,196	\$ 3,237,179
Provision	5,036,196	853,849	4,182,347
Recovery	(4,369,375)	(1,132,196)	(3,237,179)
At December 31	<u>\$ 5,036,196</u>	<u>\$ 853,849</u>	<u>\$ 4,182,347</u>

	2023		
	Unearned premium reserve	Ceded unearned premium reserve	Net amount
At January 1	\$ 3,988,387	\$ 1,359,114	\$ 2,629,273
Provision	4,369,375	1,132,196	3,237,179
Recovery	(3,988,387)	(1,359,114)	(2,629,273)
At December 31	<u>\$ 4,369,375</u>	<u>\$ 1,132,196</u>	<u>\$ 3,237,179</u>

II. Claim reserve and ceded claim reserve

	December 31, 2024		
Item	Claim reserve	Ceded claim reserve	Retention
Reported but not paid claim reserve	\$ 1,772,504	\$ 382,857	\$ 1,389,647
Incurred but not reported claim reserve	1,895,384	593,283	1,302,101
	<u>\$ 3,667,888</u>	<u>\$ 976,140</u>	<u>\$ 2,691,748</u>

Item	December 31, 2023		
	Claim reserve	Ceded claim reserve	Retention
Reported but not paid claim reserve	\$ 1,681,577	\$ 615,232	\$ 1,066,345
Incurred but not reported claim reserve	1,502,497	506,375	996,122
	<u>\$ 3,184,074</u>	<u>\$ 1,121,607</u>	<u>\$ 2,062,467</u>

Movements of claim reserve and ceded claim reserve are as follows:

	2024		
	Claim reserve	Ceded claim reserve	Net amount
At January 1	\$ 3,184,074	\$ 1,121,607	\$ 2,062,467
Provision	3,667,888	976,140	2,691,748
Recovery	(3,184,074)	(1,121,607)	(2,062,467)
At December 31	<u>\$ 3,667,888</u>	<u>\$ 976,140</u>	<u>\$ 2,691,748</u>

	2023		
	Claim reserve	Ceded claim reserve	Net amount
At January 1	\$ 3,057,846	\$ 1,257,010	\$ 1,800,836
Provision	3,184,074	1,121,607	2,062,467
Recovery	(3,057,846)	(1,257,010)	(1,800,836)
At December 31	<u>\$ 3,184,074</u>	<u>\$ 1,121,607</u>	<u>\$ 2,062,467</u>

III. Special reserve

Insurance type	December 31, 2024	December 31, 2023
Compulsory insurance	\$ 2,386,228	\$ 2,319,420
Others	70,115	70,115
	<u>\$ 2,456,343</u>	<u>\$ 2,389,535</u>

(i) Movements of special reserve are as follows:

	2024		
	Compulsory insurance	Others	
		Catastrophe reserve	Risk-volatility reserve
At January 1	\$ 2,319,420	\$ 12,471	\$ 57,644
Provision	66,808	-	-
At December 31	<u>\$ 2,386,228</u>	<u>\$ 12,471</u>	<u>\$ 57,644</u>

	2023		
	Compulsory insurance	Others	
		Catastrophe reserve	Risk-volatility reserve
At January 1	\$ 2,264,805	\$ 12,471	\$ 57,644
Provision	54,615	-	-
At December 31	\$ 2,319,420	\$ 12,471	\$ 57,644

(ii) Pursuant to “Notes for Strengthening Catastrophe Reserve of Property Insurance Enterprises”, effective January 1, 2013, special reserve recognised under liabilities before December 31, 2012 shall first be used to make up required catastrophe reserve and risk claim reserve for commercial earthquake insurance and typhoon/flood insurance except for reserves for other types of insurance like compulsory automobile liability insurance, nuclear energy insurance, government-directed housing earthquake insurance, commercial earthquake insurance and typhoons/flood insurance. These reserves shall then be recognised under liabilities. The remaining, net of income tax, shall be recognised as special reserves under stockholders’ equity in accordance with IAS 12. According to the eighth point of the Notes, upon occurrence of the catastrophic events, when the actual claim of retention business exceeds expected claim minus the offsetting amount for special catastrophe reserve or total accumulative provision amount was sufficient, the risk-volatility reserve should be written-off or recovered in accordance with the third point in the “Regulations Governing the Setting Aside of Liability Reserves of Commercial Earthquake Insurance and Typhoon and Flood Insurance”. Additionally, according to “Note for Strengthening Reserve of Pool Members Residential Earthquake” and “Regulations Governing the setting Aside of Liability Reserve Provision of Nuclear Energy Insurance”, effective January 1, 2013, special reserve that has been set aside shall be retained under special reserve for insurance liability.

To the Consolidated Company, in case that the Subsidiary had considered not to apply the abovementioned notices, the effects on the net income, earnings per share, special reserve and total equity are listed below:

Item	2024		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 42,455,945	\$ 42,455,945	\$ -
Earnings per share (unit : NT dollars)	2.89	2.89	-
Special reserve	13,507,562	13,577,677	70,115
Total equity	356,314,878	356,258,786	(56,092)

Item	2023		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 22,109,624	\$ 22,109,624	\$ -
Earnings per share (unit : NT dollars)			
(Note)	1.50	1.50	-
Special reserve	11,671,450	11,741,565	70,115
Total equity	343,934,254	343,878,162	(56,092)

Note: The number of outstanding weighted average shares was retrospectively adjusted based on the proposal with regard to capitalisation of retained earnings by share issuance as resolved at the shareholders' meeting in 2024.

Please refer to Notes 6(28) and (30) for the details.

(iii) Starting from October 1, 2024, the Consolidated Company's property insurance business should monthly provision NT\$15 for each insurance policy as reserves from the business fees of insurer of property insurance according to the Compulsory Automobile Liability Insurance Act Article 2, Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises Article 24-2, Item 1 which was authorised and set by Insurance Act Article 145, Item 2 and Article 148-3, Item 2. If the annual net premium had deficiency when property insurance industry engaged in this business, it should be offset by the reserve first, if it is not sufficient, it should be executed according to Compulsory Automobile Liability Insurance Act and Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises.

IV. The adjustments from changes in the reserve for premiums deficiency and ceded premium deficiency were as follows:

	2023		
	Premium deficiency reserve	Ceded premium deficiency reserve	Net amount
At January 1	\$ 168,450	\$ -	\$ 168,450
Recovery	(168,450)	-	(168,450)
At December 31	\$ -	\$ -	\$ -

As of December 31, 2024 and 2023, the Consolidated Company's property insurance business had no reserve for premiums deficiency and ceded premium deficiency.

(23) Reserve for insurance with nature of financial instruments

The Consolidated Company issued financial instruments without discretionary participation features. As of December 31, 2024 and 2023, the details of and adjustment from change in the reserve for insurance with nature of financial instruments are as follows:

	December 31, 2024	December 31, 2023
Investment-linked product	\$ 1,273,246	\$ 956,348
	2024	2023
At January 1	\$ 956,348	\$ 642,763
Net provision of statutory reserve	308,777	313,845
Foreign exchange loss (gain)	8,121	(260)
At December 31	\$ 1,273,246	\$ 956,348

(24) Reserve for foreign exchange valuation

A. In accordance with the “Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises”, the Consolidated Company set aside reserve for foreign exchange valuation under liabilities. Movements are as follows:

	2024	2023
At January 1	\$ 8,675,002	\$ 42,592,110
Provision		
Compulsory provision	4,892,896	1,874,973
Additional provision	36,349,432	2,740,828
Subtotal	41,242,328	4,615,801
Recovery	(26,644,176)	(38,532,909)
At December 31	\$ 23,273,154	\$ 8,675,002

B. The accounts eligible or ineligible for the reserve for foreign exchange valuation are as follows:

	2024		
Item	Ineligible amount	Eligible amount	Impact
Net income	\$ 54,134,467	\$ 42,455,945	(\$ 11,678,522)
Earnings per share (unit: NT dollars)	3.68	2.89	(0.79)
Reserve for foreign exchange valuation	-	23,273,154	23,273,154
Total equity	374,923,788	356,258,786	(18,665,002)
	2023		
Item	Ineligible amount	Eligible amount	Impact
Net income	(\$ 5,024,063)	\$ 22,109,624	\$ 27,133,687
Earnings per share (unit: NT dollars) (Note)	(0.34)	1.50	1.84
Reserve for foreign exchange valuation	-	8,675,002	8,675,002
Total equity	350,864,642	343,878,162	(6,986,480)

Note: The number of outstanding weighted average shares was retrospectively adjusted based on the proposal with regard to capitalisation of retained earnings by share issuance as resolved at the shareholders' meeting in 2024. Please refer to Notes 6(28) and (30) for the details.

(25) Provisions

	December 31, 2024	December 31, 2023
Provisions for employee benefits	\$ 3,490,720	\$ 3,610,496
Other provisions	245,118	229,634
	<u>\$ 3,735,838</u>	<u>\$ 3,840,130</u>

A. Provisions of the Consolidated Company include employee benefits, lawsuits, claims and dispute on labor insurance. Employee benefits and dispute on labor insurance are described in Note 6(26).

B. The details of other provisions are listed below:

	2024	2023
At January 1	\$ 229,634	\$ 252,094
Provisions	18,482	5,492
Recovery	(2,998)	(27,952)
At December 31	<u>\$ 245,118</u>	<u>\$ 229,634</u>

The actual amount and timing of payment of the above lawsuits, claims and new labor pension dispute between agents depends on each result of lawsuit, the policyholder's further requests or the competent authority's decision. The Consolidated Company uses professional legal advice or the percentage of occurrence to estimate the reasonability of provisions.

(26) Post-employee benefits

A. Defined benefit plans

(a) The Consolidated Company has a defined benefit pension plan (the "Plan"), starting from April, 1998 in accordance with the "Labor Standards Law", covering all regular employees' service years prior to the enforcement of the "Labor Pension Act" on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Benefits under the Plan are based on participants' length of service and average salaries at the time of retirement, with a benefit ceiling of 45 months of salary. The Consolidated Company makes a monthly provision and contributes an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. The remaining is recorded as accrued pension cost. The retirement fund balance is not included in the financial statements.

The Consolidated Company also sets up an employee welfare measure of group term life insurance, which applies to all employees who were on board before April 17, 2009. Upon retirement, the renewal of group term life insurance will be the same as at the time of retirement during the first year, and decrease by 50% of insurance after the year of retirement. It is valid for employees' whole life and all of the insurance payments are shouldered by the Consolidated Company.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Present value of defined benefit obligations	\$ 4,973,739	\$ 4,939,473
Fair value of plan assets	(1,483,019)	(1,328,977)
Net defined benefit liability	<u>\$ 3,490,720</u>	<u>\$ 3,610,496</u>

(c) Movements in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>2024</u>			
Balance at January 1	\$ 4,939,473	\$ 1,328,977	\$ 3,610,496
Recognised in profit or loss:			
Current service cost	81,339	-	81,339
Interest expense/income	<u>69,306</u>	<u>16,296</u>	<u>53,010</u>
Current pension costs (Note)	<u>150,645</u>	<u>16,296</u>	<u>134,349</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income)	-	117,165	(117,165)
Change in demographic assumptions	(3,448)	-	(3,448)
Change in financial assumptions	(54,354)	-	(54,354)
Experience adjustments	<u>114,462</u>	<u>-</u>	<u>114,462</u>
	<u>56,660</u>	<u>117,165</u>	<u>(60,505)</u>
Pension fund contribution	-	38,984	(38,984)
Paid pension	(173,039)	(18,403)	(154,636)
Balance at December 31	<u>\$ 4,973,739</u>	<u>\$ 1,483,019</u>	<u>\$ 3,490,720</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>2023</u>			
Balance at January 1	\$ 4,337,433	\$ 1,274,254	\$ 3,063,179
Recognised in profit or loss:			
Current service cost	70,315	-	70,315
Interest expense/income	<u>83,560</u>	<u>20,400</u>	<u>63,160</u>
Current pension costs (Note)	<u>153,875</u>	<u>20,400</u>	<u>133,475</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income)	-	6,656	(6,656)
Change in financial assumptions	547,851	-	547,851
Experience adjustments	<u>53,739</u>	<u>-</u>	<u>53,739</u>
	<u>601,590</u>	<u>6,656</u>	<u>594,934</u>
Pension fund contribution	-	39,293	(39,293)
Paid pension	(153,425)	(11,626)	(141,799)
Balance at December 31	<u>\$ 4,939,473</u>	<u>\$ 1,328,977</u>	<u>\$ 3,610,496</u>

Note: Including capitalised intangible assets amounting to \$52 and \$469 for the years ended December 31, 2024 and 2023, respectively.

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Consolidated Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Consolidated Company has no right to participate in managing and operating that fund and hence the Consolidated Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2024 and 2023 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

Retirement benefits for employees		December 31, 2024	December 31, 2023
Discount rate		1.50%	1.25%
Future salary increases		2.80%~3.00%	2.70%~3.00%
Expected return on plan assets		1.50%	1.25%
Group life insurance for employees		December 31, 2024	December 31, 2023
Discount rate		1.70%	1.65%
Future salary increases		2.80%	2.70%

Assumptions regarding future mortality experience are set based on Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis is as follows:

	Discount rate		Future salary increases rate	
	Increase	Decrease	Increase	Decrease
December 31, 2024	0.25%	0.25%	0.25%	0.25%
Effect on present value of defined benefit obligation	(\$ 195,943)	\$ 203,185	\$ 77,633	(\$ 75,827)
	Discount rate		Future salary increases rate	
	Increase	Decrease	Increase	Decrease
December 31, 2023	0.25%	0.25%	0.25%	0.25%
Effect on present value of defined benefit obligation	(\$ 203,923)	\$ 218,870	\$ 102,413	(\$ 99,156)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

- (f) Expected contributions to the defined benefit pension plans of the Consolidated Company in 2025 amount to \$80,377.
- (g) As of December 31, 2024, the weighted average duration of the retirement plan, employee welfare measure of group term life insurance of the Consolidated Company's life insurance business, and the retirement plan of the Consolidated Company's property insurance business are 7.70, 28.50 and 9.40 years, respectively.

B. Defined contribution plans

Effective July 1, 2005, the Consolidated Company has established a defined contribution pension plan (the “New Plan”) in accordance with the Labor Pension Act, covering all regular employees with R.O.C. nationality. Under the New Plan, the Consolidated Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. Pension expenses recognised by the Consolidated Company are as follows:

2024		2023	
\$	325,914	\$	315,420

Effective February 24, 2012, the Consolidated Company has provided labor insurance for certain field agents in accordance with order issued by the Bureau of Labor Insurance. For those field agents who have been enrolled in labor insurance under the order issued by the Bureau of Labor Insurance, the Consolidated Company is supposed to make contribution of labor pension for them accordingly. Thus, the above amounts include labor pension costs of those field agents.

The Consolidated Company has established the Employees' Retirement Fund Supervisory Committee (the “Committee”), based on the Employees’ Retirement Fund Custody and Distribution Guidelines (the “Guidelines”) in August, 2005 that apply to appointed managers, to administer the retirement fund. The Consolidated Company makes a monthly provision equal to at least 6% of appointed managers’ salaries to the retirement fund for the Committee to handle. The Consolidated Company recognised pension expenses as follows:

2024		2023	
\$	14,412	\$	14,218

Note: Including pension expenses capitalised in construction in progress and intangible assets amounting to \$823 and \$2,049 for the years ended December 31, 2024 and 2023, respectively.

C. Regarding the issue that some field agents requested the Consolidated Company’s life insurance business to appropriate pension funds for them:

The Consolidated Company’s life insurance business has always assigned work to the agents since 1970 and it is affirmed through 51 rulings rendered by civil courts that the relationship between field agents and the Consolidated Company’s life insurance business is not a labor contractual relationship. However, a few agents claimed that it is a labor contractual relationship and hence legal disputes over Labor Standards Act, Labor Pension Act, Labor Insurance Act, Employment Insurance Act, and National Health Insurance Act have been raised. Earlier the administrative court dismissed the petition of the Consolidated Company’s life insurance business for related administrative remedy. The administrative court, however, interprets the laws inconsistently with the abovementioned rulings rendered by the civil court and thus gives rise to conflict between the two adjudicative bodies.

In addition, the Executive Yuan had revoked the penalty decisions made by the Department of Labor, Taipei City Government with 5 petition decisions while Taipei City Government also revoked the penalty decisions made by the Department of Labor, Taipei City Government with 2 petition decisions.

It indicates that what a few field agents contested is legally contentious. To end the disputes, the Consolidated Company’s life insurance business petitioned for the interpretation by Grand Justices. On October 21, 2016, the Judicial Yuan Interpretation No. 740 was released and stated

that whether the labor contract entered by an insurance agent and the assigning company falls under the labor contract stipulated in subparagraph 6 of Article 2 of Labor Standards Act depends on whether the labor debtor (insurance agent) is able to decide the method of labor (including working hours) and whether he/she bears the business risk (e.g. the payment is based on the premium accrued from the policy he/she solicited), instead of determining the nature of contract in compliance with the provisions of Regulations Governing the Supervision of Insurance Solicitors.

As the J.Y. Interpretation illustrates, the relationship between the Consolidated Company's life insurance business and the agents does not fall under the definition of labor contract provided in the Labor Standards Act and thus related regulations such as Labor Standards Act does not apply. The Consolidated Company's life insurance business is not obliged to appropriate pension funds for field agents. The Consolidated Company's life insurance business respects the J.Y. Interpretation, complies with the substance of the interpretation, and follows the appropriate proceedings to settle the disputes.

(27) Other liabilities

	December 31, 2024	December 31, 2023
Advance receipts and temporary credits	\$ 1,587,152	\$ 1,565,830
Guarantee deposits received	1,028,066	22,612,388
Accrued policy dividends	27,433,850	25,039,043
	<u>\$ 30,049,068</u>	<u>\$ 49,217,261</u>

(28) Equity

A. Capital

As of December 31, 2024 and 2023, the Company's authorised capital both amounted to \$180,000,000, whereas paid-in capital are \$146,992,460 and \$138,219,000, respectively. All stocks issued by the Company are common stocks with par value at NT \$10. All proceeds from shares issued have been collected.

On June 19, 2024, the shareholders' meeting resolved to increase capital from undistributed earnings by \$8,773,460, by issuing 877,346 thousand shares, with an ex-right date set for August 5, 2024.

B. Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. As of December 31, 2024, all the capital surplus is the premium on issuance of shares exceeding par value.

C. Retained earnings and earnings distribution

(a) The Company's Articles of Incorporation provided that where a profit is accrued during the year, the earnings should be reserved to pay all taxes and dues and offset accumulated deficit. Then set aside legal reserve and appropriate special reserve out of the remaining earnings in accordance with the laws and regulations of competent authority. For the accumulated

amount of debit balance on other equity interest of prior periods, the same amount of special reserve should be provisioned from prior undistributed earnings. The distribution plan for the remaining plus beginning undistributed earnings shall be proposed by the Board of Directors and resolved by the stockholders at the stockholders' meeting. The dividend distribution of the Company is based on a strong foundational structure, well-maintained capital adequacy ratio and focused on the benefit of stockholders. The percentage between stock dividend and cash dividend is adjusted based on the actual annual earnings and capital position in the current year.

Legal reserve can be used for covering accumulated deficit. The use of legal reserve for the issuance of new stocks or cash to shareholders is permitted, provided that the distribution of the reverse is limited to the portion in excess of 25% of the Company's paid-in capital. Information about the appropriation of earnings by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

For information relating to employees' compensation (bonus), please refer to Note 6(36).

- (b) On June 19, 2024 and June 7, 2023, the Company held the shareholders' meetings and approved the appropriation of earnings and the capitalisation of earnings for the year ended December 31, 2023, as well as the appropriation of earnings for the year ended December 31, 2022, respectively.

	2023	2022
Legal reserve	\$ 4,326,405	\$ 6,507,515
Special reserve	8,532,158	26,030,095
Capitalisation of earnings	8,773,460	-

- (c) Special reserve under equity

	December 31, 2024	December 31, 2023
Catastrophe reserve and risk claim reserve	\$ 36,711,073	\$ 34,803,977
Reserve for foreign exchange valuation	52,344,245	41,947,545
Reserve for real estate appreciation recovery	5,417,029	5,417,029
The net affected amounts of adoption of the fair value of investment property	18,651,344	19,731,662
Gain from disposal of the financial debt instruments before their maturities	63,678,280	68,365,324
Debit balance on other equity interest	25,540,433	25,540,433
Variable interest rate products	7,929,252	5,605,649
Others	9,225,125	9,095,218
	<u>\$ 219,496,781</u>	<u>\$ 210,506,837</u>

- I. Catastrophe reserve and risk claim reserve
- (i) The net movement of special reserve after tax
- The additional provision of special reserve should be recognised to “special reserve” under equity after tax. In addition, when the special reserve is insufficient to write off or recover with respect to the amounts that can be written-off or recovered, the “special reserve under equity” is used to write-off or recover the deficiency.
- (ii) Risk claim reserve recovered
- Pursuant to regulations on appropriation of provisions for insurance industry, the Company recovered after-tax balance of special reserve for hazard change. In accordance with Tai-Tsai-Bao Letter No. 0920700594 issued by Ministry of Finance on January 24, 2003, the amount is classified as special reserve after being recognised at the shareholders’ meeting in the next year. Any other appropriation or purpose of use is subject to an approval.
- II. Reserve for foreign exchange valuation
- (i) According to the Guidance for Reserve for Foreign Exchange Valuation of Life Insurance Enterprises, life insurance enterprises should recognise the saved hedging cost to the special reserve under equity annually. The special reserve under equity can be made in the subsequent years when the earnings of current year are insufficient. The aforementioned special reserve under equity only can be reversed to increase capital or offset against accumulated deficit.
- (ii) According to the Guidance for Reserve for Foreign Exchange Valuation of Life Insurance Enterprises and Jin-Guan-Bao-Tsai Letter No.1090490453, the Company shall set aside 10% of after-tax net income and the amount of other profit (or loss) items adjusted to the current year’s undistributed earnings in the current year as a special reserve except upon obtaining approval from FSC.
- (iii) According to the “Regulation Governing the Setting Aside of Various Reserve for Insurance Enterprises”, the initial amount of reserve for foreign exchange amounting to \$3,486,612 has been entirely transferred to special reserve under equity.
- III. Reserve for real estate appreciation
- In accordance with Jin-Guan-Bao-Tsai Letter No. 10102515281 dated November 30, 2012, the Company recovered an amount from real estate value-added special reserve for the year ended December 31, 2013 amounting to \$5,417,029, which has been transferred to special reserve under equity as approved at shareholders’ meeting in 2014.
- IV. Fair value measurement of investment property
- According to Jin-Guan-Bao-Tsai Letter No. 10402501001 dated January 23, 2015, the life insurance enterprises should set aside special reserve from the remainder of \$12,143,233 for net effect of subsequent measurement of investment property arising from first-time adoption of fair value model less additional liability reserve that should be set aside for valid contract fair value assessment. The remainder is used only for making up the insufficient amount of liability reserve in the subsequent periods based on the valid contract fair value assessment as approved by the competent authority and stabilizing financial structure in provision of additional reserve in connection with the

second phase of IFRS 4, 'Insurance Contracts' in the future. In addition, in pursuant to Jin-Guan-Bao-Tsai Letter No. 10904917647 dated May 11, 2020, the aforementioned letter was revoked. The life insurance enterprises should set aside special reserve from net effect of subsequent measurement of investment property arising from first-time adoption of fair value model and net cumulative incremental gains after tax arising from changes in fair value in subsequent periods, which is not allowed to distribute under the regulation specified in Jin-Guan-Bao-Tsai Letter No. 10904917647, and the special reserve is used only for making up the insufficient amount of insurance contract liabilities in the subsequent periods based on the valid contract in accordance with IFRS 17, the life insurance business's fair value assessment on valid insurance contract liabilities and other designated valuation method. If the investment property whose special reserve had been used to make up the insufficient amount of insurance contract liabilities can be reversed based on the its original provision ratio after having approval. If the reversed special reserve would be included in the earnings distribution, it should be in accordance with Jin-Guan-Bao-Tsai Letter No. 10202501992.

V. Gain from disposal of the financial debt instruments before their maturities

In accordance with Jin-Guan-Bao-Tsai Letter No. 11204939731 dated November 13, 2023, beginning from January 1, 2019, once the Company disposes the financial debt instruments before their maturities, the disposal gain and loss, after tax, it should be fully transferred from retained earnings to special reserve, which should be amortised and released to distributable earnings in the remaining maturity periods of the disposed debt instruments or in 10 years for those whose remaining maturity period cannot be determined.

- (i) Financial assets not measured at fair value.
- (ii) Financial assets whose changes are recognised in other comprehensive income measured at fair value.
- (iii) Financial assets whose changes are recognised in profit or loss measured at fair value and applied overlay approach.

Fund beneficiary certification, short-term notes and bills, equity preference share and position of segregate asset in relation to participating policy or floating-rate insurance policy can be excluded in the abovementioned unmatured debt instruments.

For the year ended December 31, 2023, the net reversal for special reserve amounted to \$4,687,044 in accordance with regulations and self-assessment, which had been approved at the shareholders' meeting in 2024, and the accumulated balance of special reserve after reversal was \$63,678,280.

As of December 31, 2024 and 2023, in accordance with the regulations mentioned above, the special reserve will be provisioned and the balances will be \$63,678,280 and \$68,365,324, respectively. The changes of \$4,291,463 in 2024 will be reversed from special reserve after being resolved at the shareholders' meeting in the next year, and the accumulated balance of special reserve will be \$59,386,817.

Gain or loss on derecognition of debt instruments	Amount
Accumulated balance of profit or loss on derecognition of debt instruments as of December 31, 2023	\$ 63,678,280
Provision for after-tax amount of profit or loss on derecognition of debt instruments for the current year (Note)	329,152
Current year's net recovered amount	(4,620,615)
Accumulated balance of profit or loss on derecognition of debt instruments at the end of the year	<u>\$ 59,386,817</u>

Note: It was a provision, arising from the realised capital gains of \$411,440 for the current year, net of income tax of \$82,288.

Year	The accumulated profit from the derecognition of debt instruments, as of December 31, 2023, to be recovered (provisioned) in the future (a)	Provisioned (recovered) amount after tax of profit or loss from derecognition for the current year (b)	The accumulated profit from the derecognition of debt instruments, as of December 31, 2024, to be recovered (provisioned) in the future (Note) (c)=(a)+(b)
2024	\$ 4,649,326	(\$ 28,711)	\$ 4,620,615
2025	4,521,800	(4,182)	4,517,618
2026	4,522,094	28,059	4,550,153
2027	4,416,405	32,309	4,448,714
2028	4,386,858	36,106	4,422,964
2029	3,759,413	29,365	3,788,778
2030	3,079,936	29,337	3,109,273
2031	2,620,578	27,064	2,647,642
2032	2,578,855	21,056	2,599,911
2033	2,557,318	17,336	2,574,654
2034 to 2043	19,728,220	49,052	19,777,272
2044 to 2053	6,824,782	92,361	6,917,143
2054 to 2055	32,695	-	32,695
Total	<u>\$ 63,678,280</u>	<u>\$ 329,152</u>	<u>\$ 59,386,817</u>

Note: The assessment year was 2024 and the total amount was not including the amount of year 2024.

VI. Debit balance on other equity interest

According to Jin-Guan-Bao-Tsai Letter No. 10102508861, the Company shall set aside special reserve from the debit balance on other equity items at the end of the reporting period before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. According to Jin-Guan-Bao-Tsai Letter No. 11004920441 starting from the distribution of 2021 earnings, the Company should provision from prior undistributed earnings for the accumulated amount of the debit balance on other equity interest of the prior periods

as special reserve which could not be distributed. Additionally, according to Jin-Guan-Bao-Tsai Letter No. 11104942741, when distributing earnings, the changes in the fair value from reclassified financial assets were accounted into the debit balance on other equity interest, while the special reserve is provisioned according to the amount incurred in the current year. Subsequently, when the total debit changes (including disposals) in the fair value from reclassification of financial assets and debit balance on other equity interest is reversed, the reversed amount could be included in the distributable earnings. Refer to Note 15(8) for information of the Consolidated Company's reclassification of financial assets.

VII. Variable interest rate products

In accordance with Jin-Guan-Bao-Tsai Letter No. 10804963711 dated January 16, 2020, beginning from July 1, 2020, if the Company still has distributable earnings after the appropriation of the abovementioned special reserves, it should set aside the special reserve in an amount equal to 20% of after-tax increase in variable interest rate product assets' value exceeding the reserve provision in each current-year segregate account. If the Company will appropriate the gain and loss from disposal of the segregate account's financial debt instruments before their maturities, based on Jin-Guan-Bao-Tsai Letter No. 11204939731 dated November 13, 2023, to this year's special reserve, the amount should be excluded from this year's calculation for Jin-Guan-Bao-Tsai Letter No. 11204939731's special reserve. The cap of this special reserve will be equal to the differences, net of tax, between the current year's asset value and the reserve provision in the segregate account. In the future, if the balance of this reserve exceeds the cap, the difference between the balance and the cap can be reversed by the Company in that financial year. The aforementioned asset value needs to exclude unrealised gain or loss on financial assets at fair value through other comprehensive income and gain or loss on reclassification using overlay approach.

VIII. Others

(a) Special reserve for Fintech development

According to Jin-Guan-Bao-Tsai Letter No.10502066461 dated July 13, 2016, insurance companies are required to appropriate 0.5% to 1% of annual net income as special reserve for the years ended December 31, 2016 to 2018. And from the next year of appropriating special reserve, the companies can reverse to the extent not beyond the same amount of special reserve where expenses incurred for employees trainings and protection of employees' right. However, in pursuant to Jin-Guan-Pao-Tsai Letter No. 10804932431 dated July 30, 2019, the companies are no longer required to set aside the special reserve starting from 2019. And the special reserve set aside in the previous years can be used for the aforementioned expenditures.

(b) Dividend offset reserve

According to Jin-Guan-Bao-Tsai Letter No. 10600012450, the Company has reclassified \$729,626, which was the after-tax amount of dividend offset reserve resulting from the transfer of assets and liabilities by the Chaoyang branch on May 2, 2017 (\$879,067 before-tax), from insurance contract liabilities into special reserve. Any change in dividend offset reserve in the following reporting periods will also be recognised in special reserve in an after-tax amount. The special reserve

mentioned above should neither be distributed as dividends nor used in other purposes without the approval of the component authority.

(c) Disability support insurance products

In accordance with Jin-Guan-Bao-Tsai Letter No. 11004908861 dated March 26, 2021, beginning from the year ending 2020, the life insurance business should recognise special reserve for all its net profit after tax from disability insurance. If current net profit is insufficient to cover the amount, it should be made in the subsequent years. In the subsequent years, if there is a deficit generated from disability support insurance, the special reserve could be reversed in the originally recognised amount.

(d) Travel accident insurance

In accordance with Jin-Guan-Bao-Tsai Letter No. 11304908291 dated April 26, 2024, to strengthen the financial structure of the insurance industry, the insurance companies must, at the end of each fiscal year, act in accordance with the “Table of Standard Premiums for Accident, Death, and Disability Benefits under Individual Travel Accident Insurance” to provision premium income as special reserve. This provision amount is calculated as follows: 10% of total premium income, which is calculated from insurance amount and number of insurance days, minus 20% of nominal tax.

(e) Other special reserve under equity

The Company provisioned special reserve of 2021 according to the approval of the FSC Insurance Bureau to strengthen the solvency of the Company.

D. Other equity interest

	Exchange differences on translation of foreign operation	Unrealised gain or (loss) on financial assets at fair value through other comprehensive income	Unrealised revaluation increments	Other comprehensive gain or (loss) on reclassification using overlay approach	Total
January 1, 2024	(\$ 6,242)	(\$ 22,573,394)	\$ 221,965	(\$ 57,900,432)	(\$ 80,258,103)
Amounts recognised in other comprehensive income	5,692	(19,133,586)	28,175	(14,585,281)	(33,685,000)
Amounts included in equity adjustment items of associates accounted for using equity method	6,788	1,418	-	-	8,206
Amounts reclassified to profit or loss	-	(1,349,566)	-	-	(1,349,566)
Disposal of equity instruments at fair value through other comprehensive income	-	(2,686)	-	-	(2,686)
Effect on income tax	-	3,932,863	-	969,485	4,902,348
December 31, 2024	<u>\$ 6,238</u>	<u>(\$ 39,124,951)</u>	<u>\$ 250,140</u>	<u>(\$ 71,516,228)</u>	<u>(\$ 110,384,801)</u>
	Exchange differences on translation of foreign operation	Unrealised gain or (loss) on financial assets at fair value through other comprehensive income	Unrealised revaluation increments	Other comprehensive gain or (loss) on reclassification using overlay approach	Total
January 1, 2023	(\$ 8,142)	(\$ 23,933,315)	\$ 147,155	(\$ 97,133,689)	(\$ 120,927,991)
Amounts recognised in other comprehensive income	1,040	1,040,456	80,453	44,834,450	45,956,399
Amounts included in equity adjustment items of associates accounted for using equity method	860	473	-	-	1,333
Amounts reclassified to profit or loss	-	642,116	-	-	642,116
Disposal of equity instruments at fair value through other comprehensive income	-	180	-	-	180
Effect on income tax	-	(323,304)	(5,643)	(5,601,193)	(5,930,140)
December 31, 2023	<u>(\$ 6,242)</u>	<u>(\$ 22,573,394)</u>	<u>\$ 221,965</u>	<u>(\$ 57,900,432)</u>	<u>(\$ 80,258,103)</u>

(29) Income tax

A. Components of income tax expense are as follows:

	<u>2024</u>	<u>2023</u>
Current income tax		
Current tax on profits for the year	\$ 58,624	\$ -
Prior year income tax (overestimation) underestimation	(1,663,528)	127,652
Foreign tax paid	2,205,208	1,843,708
Land value increment tax	121,601	4,787
Deferred tax		
Origination and reversal of temporary differences	(72,110)	314,533
Income tax expense	<u>\$ 649,795</u>	<u>\$ 2,290,680</u>

B. Reconciliation between income tax expense and accounting profit

	<u>2024</u>	<u>2023</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 8,631,353	\$ 4,880,061
Adjustments:		
Exempt income	(8,482,548)	(4,234,856)
Effect from items disallowed by tax regulation	40,720	38,717
Prior year income tax (overestimation) underestimation	(1,663,528)	127,652
Adjustment of prior year's income tax -net operating loss carryforward and others	(138,996)	(63,192)
Foreign tax paid	2,205,208	1,843,708
Reserve for land value incremental tax	(84,082)	140,197
Land value increment tax	121,601	4,787
Effect of alternative minimum tax	14,658	59,796
Realised investment losses	-	(515,024)
Others	5,409	8,834
Income tax expense	<u>\$ 649,795</u>	<u>\$ 2,290,680</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and loss carryforward are as follows:

	2024			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Net operating loss carryforward	\$ 46,289,281	\$ 11,910,897	\$ -	\$ 58,200,178
Allowance for bad debts that exceed the limit for tax purpose	1,178	343	-	1,521
Unrealised loss from financial assets and liabilities at fair value through profit or loss - derivative instrument	-	11,958,580	-	11,958,580
Unrealised loss from financial assets and liabilities at fair value through profit or loss - non-derivative instrument	7,529,734	(14,066)	969,485	8,485,153
Unrealised loss from financial assets and liabilities at fair value through other comprehensive income	5,393,828	-	3,932,863	9,326,691
Accrued expenses and others	24,640	4,816	-	29,456
Unrealised pension cost	575,833	(11,728)	-	564,105
Remeasurement of defined benefit obligations	149,518	-	(12,101)	137,417
Loss from fair value valuation of investment property	-	74,409	-	74,409
Loss on impairment of financial assets	2,257,562	(422,377)	-	1,835,185
Total	<u>\$ 62,221,574</u>	<u>\$ 23,500,874</u>	<u>\$ 4,890,247</u>	<u>\$ 90,612,695</u>
Deferred tax liabilities:				
Unrealised gain from financial assets and liabilities at fair value through profit or loss - derivative instrument	(\$ 6,873,407)	\$ 6,873,407	\$ -	\$ -
Unrealised gain on foreign exchange	(17,319,335)	(30,271,815)	-	(47,591,150)
Gain from fair value valuation of investment property	(377,141)	377,141	-	-
Depreciation of investment property and others	(2,892,681)	(491,917)	-	(3,384,598)
Revaluation increment of real estate	(24,697)	338	-	(24,359)
Reserve for land value incremental tax	(1,617,139)	84,082	-	(1,533,057)
Total	<u>(\$ 29,104,400)</u>	<u>(\$ 23,428,764)</u>	<u>\$ -</u>	<u>(\$ 52,533,164)</u>

	2023			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Net operating loss carryforward	\$ 41,588,544	\$ 4,700,737	\$ -	\$ 46,289,281
Allowance for bad debts that exceed the limit for tax purpose	1,555	(377)	-	1,178
Unrealised loss from financial assets and liabilities at fair value through profit or loss - non-derivative instrument	13,191,478	(60,551)	(5,601,193)	7,529,734
Unrealised loss from financial assets and liabilities at fair value through other comprehensive income	5,717,132	-	(323,304)	5,393,828
Accrued expenses and others	38,618	(13,978)	-	24,640
Unrealised pension cost	585,242	(9,409)	-	575,833
Remeasurement of defined benefit obligations	30,530	-	118,988	149,518
Loss on impairment of financial assets	1,975,891	281,671	-	2,257,562
Total	<u>\$ 63,128,990</u>	<u>\$ 4,898,093</u>	<u>(\$ 5,805,509)</u>	<u>\$ 62,221,574</u>
Deferred tax liabilities:				
Unrealised gain from financial assets and liabilities at fair value through profit or loss - derivative instrument	(\$ 2,274,778)	(\$ 4,598,629)	\$ -	(\$ 6,873,407)
Unrealised gain on foreign exchange	(16,975,340)	(343,995)	-	(17,319,335)
Gain from fair value valuation of investment property	(809,786)	432,645	-	(377,141)
Depreciation of investment property and others	(2,329,893)	(562,788)	-	(2,892,681)
Revaluation increment of real estate	(19,392)	338	(5,643)	(24,697)
Reserve for land value incremental tax	(1,476,942)	(140,197)	-	(1,617,139)
Total	<u>(\$ 23,886,131)</u>	<u>(\$ 5,212,626)</u>	<u>(\$ 5,643)</u>	<u>(\$ 29,104,400)</u>

D. The amount of the Consolidated Company's unused deficits and its time limit are as follows:

December 31, 2024		
Year of occurrence	Unused deficits	Final deficits year
2022 (Declared)	\$ 207,380,005	2032
2023 (Declared)	23,551,114	2033
2024 (Estimated)	59,390,606	2034
	<u>\$ 290,321,725</u>	

December 31, 2023		
Year of occurrence	Unused deficits	Final deficits year
2022 (Declared)	\$ 207,906,298	2032
2023 (Estimated)	23,524,039	2033
	<u>\$ 231,430,337</u>	

E. The income tax (benefit) expense relating to components of other comprehensive income is as follows:

	2024	2023
Actuarial gain or loss arising on defined benefit plans	\$ 12,101	(\$ 118,988)
Unrealised gain or loss on financial assets at fair value through other comprehensive income	(3,932,863)	323,304
Other comprehensive income on reclassification under the overlay approach	(969,485)	5,601,193
Revaluation increment of real estate	-	5,643
	<u>(\$ 4,890,247)</u>	<u>\$ 5,811,152</u>

F. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority. However, the Company has taken administrative remedy by the statutory period for the adjustment of income tax returns assessed by the National Taxation Bureau for the years ended December 31, 2016 to 2021. The Company has set government bonds and land as collateral for the corporate income tax adjustments determined by the tax authorities for the years 2016, 2017, 2020 and 2021. The restriction on the land was lifted on February 4, 2025.
The income tax returns of the Consolidated Company's property insurance business through 2021 have been assessed and approved by the Tax Authority.

G. The Consolidated Company recognised deferred tax assets given that the future taxable income is sufficient for deductible temporary difference after taking into account future income growth and rate of return.

(30) Earnings per share

Earnings per share of the Consolidated Company with simple capital structure are as follows:

	2024	2023
Net income	\$ 42,455,945	\$ 22,109,624
Weighted average shares outstanding (Note)		
(unit: thousand shares)	14,699,246	14,699,246
Earnings per share (unit: NT dollars)	\$ 2.89	\$ 1.50

Note: For the years ended December 31, and 2023, the number of outstanding weighted average shares was retrospectively adjusted based on the proposal with regard to capitalisation of retained earnings by share issuance as resolved at the shareholders' meeting in 2024. Please refer to Note 6(28) for the details.

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(31) Retention earned premium income

2024					
	Life insurance		Property insurance		
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	Total
Premiums income	\$ 248,969,503	\$ 2,620,328	\$ 803,899	\$ 8,683,805	\$ 261,077,535
Reinsurance premium written	-	-	265,259	40,316	305,575
Less:					
Reinsurance premium ceded	(4,677,938)	-	(330,541)	(1,299,551)	(6,308,030)
Net change in unearned premiums reserve	(833,558)	(359)	(13,875)	(931,293)	(1,779,085)
Retention earned premium income	<u>\$ 243,458,007</u>	<u>\$ 2,619,969</u>	<u>\$ 724,742</u>	<u>\$ 6,493,277</u>	<u>\$ 253,295,995</u>
2023					
	Life insurance		Property insurance		
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	Total
Premiums income	\$ 250,726,327	\$ 4,500,499	\$ 760,905	\$ 7,173,469	\$ 263,161,200
Reinsurance premium written	-	-	251,352	37,427	288,779
Less:					
Reinsurance premium ceded	(4,316,136)	-	(314,039)	(1,951,528)	(6,581,703)
Net change in unearned premiums reserve	(712,262)	(239)	(9,215)	(598,691)	(1,320,407)
Retention earned premium income	<u>\$ 245,697,929</u>	<u>\$ 4,500,260</u>	<u>\$ 689,003</u>	<u>\$ 4,660,677</u>	<u>\$ 255,547,869</u>

(32) Retention claims and policy benefits payments

2024					
	Life insurance		Property insurance		
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	Total
Claims and policy benefits payments	\$ 308,014,658	\$ 34,505,526	\$ 481,140	\$ 3,782,281	\$ 346,783,605
Reinsurance claims paid	-	-	232,855	15,064	247,919
Less:					
Claims recovered from reinsurers	(1,823,667)	-	(284,986)	(817,178)	(2,925,831)
Retention claims and policy benefits payments	<u>\$ 306,190,991</u>	<u>\$ 34,505,526</u>	<u>\$ 429,009</u>	<u>\$ 2,980,167</u>	<u>\$ 344,105,693</u>
2023					
	Life insurance		Property insurance		
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	Total
Claims and policy benefits payments	\$ 305,563,999	\$ 34,481,524	\$ 489,081	\$ 3,625,459	\$ 344,160,063
Reinsurance claims paid	-	-	229,567	2,782	232,349
Less:					
Claims recovered from reinsurers	(1,763,143)	-	(287,021)	(1,200,763)	(3,250,927)
Retention claims and policy benefits payments	<u>\$ 303,800,856</u>	<u>\$ 34,481,524</u>	<u>\$ 431,627</u>	<u>\$ 2,427,478</u>	<u>\$ 341,141,485</u>

(33) Interest income

	2024	2023
Cash and cash equivalents	\$ 2,828,159	\$ 2,263,127
Financial assets at fair value through other comprehensive income	11,447,052	11,380,258
Financial assets at amortised cost	121,900,229	120,098,843
Loans	5,290,623	5,258,853
Refundable deposits of derivative instruments	238,830	152,639
	<u>\$ 141,704,893</u>	<u>\$ 139,153,720</u>

(34) Expected credit loss (reversal) from investments and non-investments

	2024	2023
Operating revenue-expected credit loss (reversal) from investments		
Debt instrument investments measured at fair value through other comprehensive income	(\$ 32,438)	\$ 10,677
Financial assets at amortised cost	(3,762,465)	590,566
Bond interest receivable	1,674,935	834,917
Loans and loan interest receivable	(49,588)	(77,798)
Lease payments receivable	2,228	3,237
	<u>(2,167,328)</u>	<u>1,361,599</u>
Operating expense-expected credit loss (reversal) from non-investments		
Receivable (excluding bond interest receivable and loan interest receivable)	(6,689)	17,496
Expected credit loss (reversal)	<u>(\$ 2,174,017)</u>	<u>\$ 1,379,095</u>

(35) Finance costs

	2024	2023
Debt instrument investments	\$ 2,488,077	\$ 1,524,419
Default interest for claims	70,553	53,370
Bonds sold under repurchase agreements	430,670	258,820
Lease liabilities	13,858	6,832
Refundable deposits of derivative instruments	48,620	72,233
	<u>\$ 3,051,778</u>	<u>\$ 1,915,674</u>

(36) Employee benefit expenses, depreciation and amortisation

	2024	2023
Employee benefit expenses		
Salaries	\$ 7,517,354	\$ 6,734,065
Employees' insurance	490,096	468,427
Pension	473,800	460,595
Directors' remuneration	61,068	59,264
Others	289,894	274,158
	<u>\$ 8,832,212</u>	<u>\$ 7,996,509</u>
Depreciation and amortisation (Note)	<u>\$ 2,536,406</u>	<u>\$ 2,292,471</u>

Note: Including depreciation charge of investment properties measured subsequently using the cost model, which is classified as gain or loss on investment property.

- A. As of December 31, 2024 and 2023, the Consolidated Company had 5,126 and 4,979 employees, respectively. The number of directors that were not concurrently employed were both 17.
- B. The Consolidated Company's Articles of Incorporation provided that the annual income, after deducting accumulated deficit, if any, shall be appropriated by no lower than 0.5% as employees' compensation for the Consolidated Company. For the years ended December 31, 2024 and 2023, the employees' compensation was accrued at \$219,207 and \$124,038, respectively. The amount was estimated with 0.5% based on the profitability of the Consolidated Company. There was no difference between the amounts resolved by the Board of Directors in 2023 amounting to \$124,038 and the amounts recognised in the 2023 financial statements. Information about employees' compensation of the Consolidated Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(37) Supplemental cash flow information

Investing activities with partial cash payments:

	2024	2023
Acquisition of investment property	\$ 3,592,163	\$ 1,645,295
Acquisition of property and equipment	1,422,002	795,783
Increase in intangible assets	379,564	537,097
Add: Payable at beginning of year - investment property	565,292	485,201
Add: Payable at beginning of year - property and equipment	1,004	602
Add: Payable at beginning of year - intangible assets	9,501	10,533
Less: Payable at ending of year - investment property	(196,857)	(565,292)
Less: Payable at ending of year - property and equipment	(1,013)	(1,004)
Less: Payable at ending of year - intangible assets	(1,545)	(9,501)
Cash payments	<u>\$ 5,770,111</u>	<u>\$ 2,898,714</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Consolidated Company</u>
Ruen Chen Investment Holding Co., Ltd.	Consolidated Company's parent
Ruentex Development Co., Ltd.	Entity having significant influence
Ruentex Industries Co., Ltd.	Entity having significant influence
Pou Chen Corporation	Entity having significant influence
Nan Shan Plaza Property Management Co., Ltd.	Consolidated Company's affiliate
Fuh Hwa Securities Investment Trust Co., Ltd.	Consolidated Company's affiliate (Note)
Huei Hong Investment Co., Ltd.	Other related party
Chang Chun Investment Co., Ltd.	Other related party
Yi Tai Investment Co., Ltd.	Other related party
Ruentex Interior Design Inc.	Other related party
Ruentex Management & Maintenance Co., Ltd.	Other related party
Ruentex Engineering & Construction Co., Ltd.	Other related party
Ruentex Materials Co., Ltd.	Other related party
Ruen Fu Newlife Corp.	Other related party
Kompass Global Sourcing Solutions Ltd.	Other related party
Ruentex Security Co., Ltd.	Other related party
Ruentex Xu-Zhan Development Co., Ltd.	Other related party
Ruentex Construction Development Co., Ltd.	Other related party
Ruentex Bai-Yi Development Co., Ltd.	Other related party
Ruentex Construction Co., Ltd.	Other related party
Ruentex Innovative Development Co., Ltd.	Other related party
Runyang Construction Co., Ltd.	Other related party
Ruen Shin Healthcare Co., Ltd.	Other related party
Shing Yen Construction Development Co., Ltd.	Other related party
Nan Shan Life Charity Foundation	Other related party
Sunny Friend Environmental Technology Co., Ltd.	Other related party
OBI Pharma Inc.	Other related party
Taimed Biologics Inc.	Other related party
Gogoro Network (Cayman), Taiwan Branch	Other related party
Gogoro Taiwan Ltd.	Other related party
GoPocket Taiwan Ltd.	Other related party
Gogoro Taiwan Sales and Services Ltd.	Other related party
GoShare Taiwan Ltd.	Other related party
Directors, key management and its close relatives	Key management and its close relatives

Note: On March 17, 2023, it was recognized as investment accounted for using equity method, please refer to Note 6(6) for details. Related significant transactions with related parties are only recorded starting from transaction date.

(2) Significant transactions and balances with related parties

Significant related party transactions and balances are as follows:

A. Premium income

	2024	2023
Significant influence entities	\$ 14,675	\$ 13,719
Consolidated Company's affiliates	856	775
Key management and its close relatives	80,889	82,140
Other related parties	65,734	54,647
	<u>\$ 162,154</u>	<u>\$ 151,281</u>

There is no significant difference between related party and non-related party in terms of underwriting and collection.

B. Fee income

	2024	2023
Consolidated Company's affiliates	\$ 83,804	\$ 73,400

C. Donations (shown as administrative expenses)

	2024	2023
Other related parties	\$ 80,995	\$ 75,000

D. Key management compensation

	2024	2023
Salaries and other short-term employee benefits	\$ 673,989	\$ 623,857
Post-employment benefits	31,521	31,085
	<u>\$ 705,510</u>	<u>\$ 654,942</u>

E. Other receivables (shown as receivables)

	December 31, 2024	December 31, 2023
Consolidated Company's affiliates	\$ 94,474	\$ 99,724

F. Balance of funds managed by related parties

	December 31, 2024	December 31, 2023
Consolidated Company's affiliates	\$ 37,640,002	\$ 36,660,108

The dividend income generated by the fund are as follows:

	2024	2023
Consolidated Company's affiliates	\$ 1,454,670	\$ 1,127,080

G. Secured loans

Balances of secured loans lent to key management and its close relatives are as follows:

	December 31, 2024	December 31, 2023
Key management and its close relatives	\$ 26,765	\$ 38,518

The related interest income on the loans are as follows:

	2024	2023
Key management and its close relatives	\$ 623	\$ 867

There is no significant difference between related party and non-related party in terms of secured loans.

H. Bonds payable

	December 31, 2024	December 31, 2023
Significant influence entities	\$ 310,000	\$ 310,000
Other related party	500,000	500,000
	<u>\$ 810,000</u>	<u>\$ 810,000</u>

The interest expense and interest payable resulting from the abovementioned bonds payable are listed as follows:

(a) Interest expense

	2024	2023
Significant influence entities	\$ 10,866	\$ 10,834
Other related party	17,525	17,475
	<u>\$ 28,391</u>	<u>\$ 28,309</u>

(b) Interest payable

	December 31, 2024	December 31, 2023
Significant influence entities	\$ 5,678	\$ 5,662
Other related party	9,158	9,133
	<u>\$ 14,836</u>	<u>\$ 14,795</u>

(3) Commitments

The Consolidated Company committed to the Financial Supervisory Commission, Executive Yuan on August 29, 2011, that it will not enter into any of the following transactions with Ruen Chen unless the regulatory agency approves it:

- A. Provide loans to Ruen Chen and its six stockholders (including Ruextax Development Co., Ltd., Ruentax Industries Ltd., Pou Chen Corp., Chang Chun Investment Co., Ltd., Yitai Investment Co., Ltd. and Hue Hong Investment Co., Ltd.), Samuel Yin, Tsai Chi Jui and their related parties (jointly referred herein as “Ruen Chen and its related parties”).
- B. Invest in common stock, preferred stock and other securities which are issued by Ruen Chen and its related parties.
- C. Purchase real estate from Ruen Chen and its related parties.
- D. Co-develop real estate with Ruen Chen and its related parties.

8. PLEDGED ASSETS

Please refer to Notes 6(16) and (29) for details.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Commitments

- A. The Consolidated Company had signed the design and construction contracts but has not yet recognised the amounts (tax included) as follows:

	December 31, 2024	December 31, 2023
\$	23,290,933	\$ 10,431,690

- B. Operating lease agreements

Please refer to Note 6(13).

- C. As of December 31, 2024, the upper limit of remaining capital commitment for the contracted private placement of the Consolidated Company are US\$3,041,377 thousand and EUR\$549,356 thousand.

(2) Contingencies

The Consolidated Company has contingent liabilities due to lawsuits arising from operating activities. Except for those which the Consolidated Company already estimated the provisions, the Consolidated Company still has several lawsuits in progress, which are handled by appointed attorneys. As of the end of the reporting period, the final results of the lawsuits have not been determined so the possible compensation could not be reliably estimated. For details of the labor pension dispute between agents and the Consolidated Company, please refer to Note 6(26).

10. SIGNIFICANT ACCIDENTAL LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

- (1) As resolved by the Board of Directors on January 17, 2025, the Consolidated Company's life insurance business intends to acquire property and equipment and investment property by signing a real estate acquisition contract of Yuanlin City, Changhua County with Tai Lung Plastic Industrial Co., Ltd., and the transaction amount will be \$960,703.
- (2) On January 22, 2025, the Consolidated Company's life insurance business signed a construction agreement of “City Land Development and Registered Superficies of Land Lot No. 540 and other 18 lots, Wang Gao Lou Section, Tamsui District, New Taipei City” with Chien Kuo Construction Co., Ltd., and the contract price was \$1,046,989.
- (3) On March 3, 2025, the Consolidated Company's life insurance business modified the construction agreement of “City Land Development and Registered Superficies of Land Lot No. 502-2 and other 12 lots, Wang Gao Lou Section, Tamsui District, New Taipei City” with Chien Kuo Construction Co., Ltd., and the total modified contract price was \$2,442,000.

12. FAIR VALUE INFORMATION

(1) Fair value hierarchy

The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Consolidated Company's investment in listed stocks and beneficiary certificates is included in Level 1.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Consolidated Company's investment in government bonds, corporate bonds, bank debentures, structured time deposits, and most derivative instruments is included in Level 2.
- Level 3: Unobservable inputs for the asset or liability. The fair value of the Consolidated Company investment in private fund, real estate securitisation, infrastructure fund, unlisted stocks, financial assets at amortised cost and investment property is included in Level 3.

(2) Fair value

A. For the Consolidated Company's financial instruments that are not measured at fair value and the investment property measured at cost, such as cash and cash equivalents, receivables, loans, payables and bonds payable, the carrying amount is a reasonable approximation of fair value other than those listed below so that the fair value is not disclosed.

December 31, 2024				
Financial assets	Book value	Level 1	Level 2	Level 3
Financial assets at amortised cost (Note 1)	\$ 3,531,165,196	\$ -	\$ 2,518,892,421	\$ 56,444,380
Investment property (Note 2)	3,019,042	-	-	4,881,500

December 31, 2023				
Financial assets	Book value	Level 1	Level 2	Level 3
Financial assets at amortised cost (Note 1)	\$ 3,346,999,718	\$ -	\$ 2,520,817,419	\$ 79,484,828
Investment property (Note 2)	3,043,404	-	-	4,894,895

Note 1 : Including statutory deposits.

Note 2 : Excluding direct lease cost, investment property measured in the fair value model and those shown under construction in progress.

The methods and assumptions used to value financial instruments and investment property not measured at fair value are summarised below:

- (a) When there is a quoted market price available for financial assets at amortised cost, the fair value is determined using the quoted market price. If there is no quoted market price for reference, the fair value is determined using quoted price offered by the counterparties or theory price in order.
- (b) The valuation method elected primarily by the Consolidated Company is discounted cash flow method. The estimates and assumptions of valuation adopted by the Consolidated Company are the same with the information used by the market participants, and this information is available for the Consolidated Company. The discount rate employed by the Consolidated Company is identical with the rate of return generated by the financial instruments with the same terms and characteristics, such as issuer's creditworthiness, duration and currency of payment.
- (c) The fair value of investment property is based on valuations performed semi-annually by independent estimators, following Regulation on Real Estate Appraisal. Valuations are performed using valuation techniques such as income approach, comparison approach and cost approach with reference to market information. Such fair value is based on observable market price, and then adjusted by the nature, location or condition of individual asset.

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B. The Consolidated Company's financial instruments and investment property measured at fair value are both measured on a recurring basis. Information of fair value hierarchy is as follows:

December 31, 2024				
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Equity instruments	\$ 325,861,126	\$ -	\$ -	\$ 325,861,126
Beneficiary certificates	416,006,906	-	212,991,557	628,998,463
Debt instruments	-	30,054,966	3,500,380	33,555,346
Derivative instruments	-	1,727,960	-	1,727,960
Structured time deposits	-	15,179,101	-	15,179,101
Financial assets at fair value through other comprehensive income				
Equity instruments	5,835,092	-	313,618	6,148,710
Debt instruments (Note)	-	234,575,458	15,860,291	250,435,749
Investment property	-	-	205,194,766	205,194,766
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative instruments	-	61,317,453	-	61,317,453

Note: Including statutory deposits.

December 31, 2023				
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Equity instruments	\$ 297,393,592	\$ -	\$ -	\$ 297,393,592
Beneficiary certificates	412,491,694	-	204,550,614	617,042,308
Debt instruments	-	14,738,011	22,834,271	37,572,282
Derivative instruments	-	39,857,952	-	39,857,952
Structured time deposits	-	16,215,558	-	16,215,558
Financial assets at fair value through other comprehensive income				
Equity instruments	5,573,872	-	257,031	5,830,903
Debt instruments (Note)	-	251,521,556	12,762,999	264,284,555
Investment property	-	-	213,135,929	213,135,929
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative instruments	-	5,287,505	-	5,287,505

Note: Including statutory deposits.

- (a) The methods and assumptions used to value financial instruments and investment property measured at fair value are summarised below:
- I. The sources of the fair value of financial instruments are respectively listed by their characteristics as follows:
 - (i) Equity instruments: Aside from private funds, some real estate securitisation and infrastructure funds which are valued based on the theory price, other equity instruments prioritise using unadjusted closing prices as the basis for measuring market prices of financial products. If there are no closing prices, the fair value is determined by using other pricing conventions.
 - (ii) Domestic debt instruments (including international bonds): Prioritise using public pricing information bulletined by the Taipei Exchange.
 - (iii) Foreign debt instruments: Except callable bonds, securitised products, structured products and securities which the position of single fixed income account for more than 50% of total issuance amount when raising funds, prioritise using the quoted market price as the basis for measuring financial products.
 - II. Except for aforementioned financial instruments with public pricing information, the fair value of other financial instruments is measured by valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the end of reporting date.
 - (i) When assessing non-standard and low-complexity financial instruments, for example, FX swap contracts, cross currency swaps, non-delivery forwards, delivery forwards and interest rate swaps, the Consolidated Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
 - (ii) For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to debt instruments with structured notes and structured time deposit. Certain inputs used in the valuation model are observable at market, and the Consolidated Company must make reasonable estimates based on its assumptions.
 - (iii) The Consolidated Company adopts the net asset value method to measure the fair value of private funds, some securitised products, infrastructure funds and unlisted stocks. The inputs used in the valuation model are unobservable inputs.
 - III. The Consolidated Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Consolidated Company's credit quality.
 - IV. For the valuation methods, key assumptions and inputs used in the investment property measured subsequently using the fair value model, please refer to Note 6(10).
- (b) For the years ended December 31, 2024 and 2023, there was no transfer between Level 1 and Level 2.

(c) The movement of Level 3 instruments is as follows:

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
January 1, 2024	\$ 227,384,885	\$ 13,020,030
Recognised in profit or loss (Note 1)	-	509,916
Recognised in other comprehensive income (Note 2)	14,066,777 (	413,361)
Acquired in the year	20,232,340	4,335,074
Disposed of in the year and others	(25,692,068) (	1,277,750)
Transfers out from level 3	(19,499,997)	-
December 31, 2024	<u>\$ 216,491,937</u>	<u>\$ 16,173,909</u>

	Investment property
January 1, 2024	\$ 213,135,929
Recognised in profit or loss (Note 1)	(2,211,840)
Acquired in the year	1,458,462
Transferred from property and equipment	205,269
Disposed of in the year	(5,564,087)
Transferred out from investment property	(803,719)
Adjustment of lease liabilities remeasurement	(954,373)
Others	(70,875)
December 31, 2024	<u>\$ 205,194,766</u>

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
January 1, 2023	\$ 234,119,783	\$ 18,250,154
Recognised in profit or loss (Note 1)	1 (	14,404)
Recognised in other comprehensive income (Note 2)	(7,845,213) (	432,042)
Acquired in the year	21,019,479	1,181,906
Disposed of in the year	(19,909,165) (	3,429,050)
Transfers out from level 3	-	(2,536,534)
December 31, 2023	<u>\$ 227,384,885</u>	<u>\$ 13,020,030</u>

	Investment property
January 1, 2023	\$ 192,827,191
Recognised in profit or loss (Note 1)	(1,384,956)
Acquired in the year	16,867,744
Transferred from constructions in progress	1,789,513
Transferred from property and equipment	350,804
Transferred from prepayments for buildings and lands	2,716,770
Transferred to property and equipment	(59,835)
Adjustment of lease liabilities remeasurement	39,282
Lease modifications	(2,151)
Others	(8,433)
December 31, 2023	<u>\$ 213,135,929</u>

Note 1: For the years ended December 31, 2024 and 2023, the amount of loss recognised for the assets held at the end of the reporting period are \$1,737,738 and \$1,392,833, respectively.

Note 2: For financial assets at fair value through profit or loss using overlay approach, the gain or loss are recognised in other comprehensive income.

- (d) The valuation for financial instruments categorised as Level 3 by the Consolidated Company is valued with an independent source of information to approximate current market condition, which the source is ensured to be reasonable by confirming the independence, accountability, whether it is in line with other information and whether it represents the executable prices. The result of valuation is also ensured by periodically calibrating valuation models, updating inputs of models and making fair value adjustments if necessary. The Consolidated Company's policy of fair value measurement for financial instruments and valuation procedures are formulated with reference to IFRSs and consideration of practical operation. The appraisal of investment property would be done by appointed external appraisers according to the valuation approach and parameter assumptions released by the Financial Supervisory Commission.

(e) The following is the qualitative information of significant unobservable inputs to valuation model used in Level 3 fair value measurement, please refer to Note 6(10) for the investment property.

	<u>Fair value at December 31, 2024</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative					
Private fund	\$ 159,964,290	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Real estate securitisation	2,069,431	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Infrastructure fund	50,957,836	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Unlisted stocks	313,618	Adjusted net asset method	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
Corporate bonds	5,777,100	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Financial debentures	3,500,380	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Collateralised mortgage obligation	9,817,705	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Collateralised mortgage obligation	265,486	Discounted cash flow method	Cash flows	Not applicable	The higher the cash flows, the higher the fair value.
			Discount rate	4.69%-5.89%	The higher the discount rate, the lower the fair value.
			Prepayment speeds	158-249	The prepayment speeds will impact the fair value.

	<u>Fair value at December 31, 2023</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative					
Private fund	\$ 151,305,609	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Real estate securitisation	2,038,105	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Infrastructure fund	51,206,900	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Unlisted stocks	257,031	Adjusted net asset method	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
Corporate bonds	5,801,400	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Financial debentures	22,834,271	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Collateralised mortgage obligation	6,961,599	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)

Note: Due to no quoted prices in active markets, the counterparty quotes were considered while the relationship between significant unobservable input data and fair value cannot be fully controlled in practice. Therefore, no additional qualitative information on the fair value of the Consolidated Company's investments in debt instruments classified as Level 3 was disclosed.

- (f) Sensitivity analysis of the fair value of financial assets and financial liabilities classified as Level 3

The fair value measurement that the Consolidated Company made onto the financial instruments is deemed reasonable. For those financial instruments which are classified in Level 3 and not valued by the Consolidated Company, the relationship between the significant unobservable inputs and fair value can not be completely obtained in practice, therefore, no sensitivity analysis of possible alternative assumptions will be implemented. For those financial instruments which are evaluated by the Consolidated Company, if the movement of valuation or parameter increases or decreases by 1%, the effects to profit or loss for the year or other comprehensive income are as follows:

		December 31, 2024			
		Increase by 1%		Decrease by 1%	
		Effect on	Effect on other	Effect on	Effect on other
		profit or loss	comprehensive income	profit or loss	comprehensive income
Assets					
Financial assets at fair value through profit or loss (Note)	\$	-	\$ 2,129,916	\$	- (\$ 2,129,916)
Financial assets at fair value through other comprehensive income		-	10,307	-	(13,999)
		December 31, 2023			
		Increase by 1%		Decrease by 1%	
		Effect on	Effect on other	Effect on	Effect on other
		profit or loss	comprehensive income	profit or loss	comprehensive income
Assets					
Financial assets at fair value through profit or loss (Note)	\$	-	\$ 2,045,506	\$	- (\$ 2,045,506)
Financial assets at fair value through other comprehensive income		-	2,814	-	(2,814)

Note: For financial assets at fair value through profit or loss using overlay approach, the gain or loss are recognised in other comprehensive income.

13. RISK MANAGEMENT

The Consolidated Company, based on ERM Guideline established Risk Management Policy as a guidance for the Consolidated Company's solid risk management mechanism and practices to ensure capital adequacy, solvency, and stronger business development.

(1) Goals, Policies, and Procedures of Risk Management

A. The risk management responsibilities across different units are:

(a) Board of Directors (BoD)

The BoD is the highest authority and is ultimately responsible for the Company's risk

management. According to the Consolidated Company's business strategy and other economic factors, the BoD approves the Risk Management Policy, reviews risk appetite and risk limits annually, supervises the effectiveness of risk management mechanism, and makes necessary adjustments. To facilitate effective risk management, the BoD authorises Risk Management Department to handle the risk limit violations.

(b) Risk Management Committee (RMC)

RMC, established under "RMC Charter", is affiliated to the Board of Directors and chaired by an independent director to coordinate the risk management affairs of the Company.

(c) Risk Management Department (RMD)

RMD is to assist in drafting and carry out the Risk Management Policy, risk appetite and risk limits approved by the BoD. In the meantime, RMD is to coordinate and monitor risk management practices and execution of risk management policy and risk limits through information provided by business units.

(d) Business Units

I. The risk management responsibilities of business unit heads are as follows:

- (i) Management and reporting of the unit in charge. Take remedial actions when necessary.
- (ii) Supervise to provide the risk management related information to RMD periodically.

II. The risk management responsibilities of business units are as follows:

- (i) Identify risks and report risk exposures.
- (ii) Measure risk impacts (quantitatively or qualitatively) and communicate in timely and proper manner.
- (iii) Review and ensure operating within risk limits.
- (iv) Monitor and report limit breaches (including taken mitigation)
- (v) Facilitate risk management model development to ensure the related measures, models, and assumptions are applied on a reasonable and consistent basis.
- (vi) Effectively implement internal controls to comply with regulations and Risk Management Policies.
- (vii) Assist collecting operational risk information.

(e) Internal Audit Department (IAD)

Based on current regulations, IAD conduct audits on risk management practices of business units of the Company.

B. Scopes and characteristics of risk management:

The risk appetite, risk limit, market risk, credit risk, liquidity risk, operational risk, insurance risk and assets liability matching risk are in accordance with risk management strategy set by the Board of Directors. The Consolidated Company establishes related managing measures covering applicable areas, measurements and reporting method.

(a) Risks appetite and risk limit

Considering business strategies, business objectives, business growth, risks and returns, the Consolidated Company adopts capital adequacy and credit ranking as the basis of its risk appetite, which requires Risk Based Capital (RBC) ratio to be maintained above 250% for the Company, 270% for early warning threshold, 300% for the Subsidiary, the net worth ratio of the Company shall be maintained above 4%, and using international credit ranking (BBB+ or the same ranking) as the standard. Risk limits are set up with reference to the characteristics of the Consolidated Company's risk and the risk appetite.

(b) Market risk

Market risk refers to the risk that asset values might decrease and cause losses within a certain period of time because of the changes of the market prices. The market risk management mechanism of the Consolidated Company includes major asset control regulation, risk measurement method, risk limit and authorisation, and breach limit handling procedure.

(c) Credit risk

Credit risk means the risk of loss from debt obligator or counterparty's default as their financial status worsened or for other reasons and fails to honor the contract obligations.

(d) Liquidity risk

Liquidity risk means unable to convert the asset into cash or acquire adequate fund and fails to honor obligations when due, or because the depth of the market is insufficient, when dealt or offset holding positions, significant market price movement caused the risk to increase.

I. Fund liquidity risk management mechanism

(i) The business unit with process engaging liquidity risk should follow the Liquidity Risk Management Policy to incorporate or modify liquidity risk management mechanism in its internal control procedure to maintain the safety of fund usage.

(ii) Funding unit should be independent from trading unit, should perform daily cash management and continuous cash flow management and be responsible to monitor the cash flow of each business unit.

(iii) For fund liquidity, not only domestic short-term but also cross country or cross market funding should be considered.

(iv) Apply cash flow model to evaluate and monitor the change in mid-term and long-term liability cash flows.

II. Market liquidity risk management mechanism

(i) Consider the fitness of market trading volume and holding positions.

(ii) Consider the significant impact to market price caused by block trade and should be cautiously managed.

(e) Operational risk

Operational risk includes the risk of direct or indirect loss caused by external events or internal process, human and system failures. It includes legal risk, money laundering and financing terrorism risk and continuous operation management, etc., but excludes strategic and reputation risk.

Through risk identification, assessment, response, monitoring, information communication and documentation, the Consolidated Company allocates limited resources effectively to enhance its operational risk management.

(f) Asset liability matching (ALM) risk

ALM risk refers to risks arising from inconsistent asset and liability price movements. The Consolidated Company periodically monitors the expected cash flow of assets and liabilities in order to effectively manage ALM risk.

(2) Insurance Risk

Life insurance

Insurance risk refers to losses due to unexpected changes upon claim and expense payments to insured.

- A. The scope of insurance risk
 - (a) Product design and pricing risk

This risk is caused by data inappropriateness, inconsistency or unexpected changes in product design, policy clauses, and pricing.
 - (b) Reinsurance risk

Risks that a company is unable to cede those risks in excess of their proposed retention or unable to recover ceded risks from reinsurers such as unearned reinsurance premium, claim recovery, etc.
 - (c) Underwriting risk

Underwriting risk refers to unexpected losses incurred from soliciting and underwriting processes.
 - (d) Catastrophic risk

Risk that is caused by a Catastrophe event that aggregate damage amount is severe that it may result in a downgrade or even insolvency of the company.
 - (e) Reserve related risk

This risk refers to insufficient reserves to honor future insurance obligation due to underestimating insurance contract liabilities.
- B. The insurance risk management policy, process and approach
 - (a) Underwriting policies to ensure adequate risk classification and premium level
 - I. Our underwriters review each insurance cases based on underwriting policies and procedures with fair and objective standards. To protect interests of our clients and the safety of the Consolidated Company's operation, information of policyholder and insured such as basic information, insurance interests, financial and health condition, occupation are thoroughly reviewed and the insurance purposes, coverage, and premium reasonableness are considered during underwriting processes.
 - II. Based on "Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises" and related regulations, underwriting staffs are properly trained and supervised. Related approval authority is granted according to staffs' experiences, capability, professional levels to ensure the underwriting quality and efficiency.
 - III. The Consolidated Company has guidance for controversial cases and task force for large coverage cases for timely risk control.
 - (b) Procedures for taking, measuring, monitoring, and controlling insurance risks:
 - I. Risk identification

Identify the potential insurance risks under business operation.
 - II. Risk assessment

Use quantitative measurements or qualitative analysis to identify the main causes and potential impact of risks, and then compare to risk appetite or risk limits for prioritizing subsequent insurance risk controls and responses.
 - III. Risk response

Consider risk assessment results and take appropriate responses such as risk averse, transfer, control, and acceptance.
 - IV. Risk monitoring

Monitor under appropriate frequency, and report risk limit utilisation with escalation as needed. For major risk events, special reporting procedure is enacted to address events in a timely manner. In addition, review the effectiveness of existing risk

management mechanism to update with the changes in operating targets, risk exposures and business environment.

- (c) Approaches to limit or transfer insurance risk exposure and to avoid over-concentration: To transfer insurance risk exposure and avoid over-concentration, the primary approach is through our reinsurance plan, which set the maximum accumulation limit per incident after considering risk nature and the Consolidated Company's risk-taking ability.

C. Insurance risks assessment and management

Insurance risks refer to the probability of occurrence of insured events, and the uncertainty of the Consolidated Company possessing adequate assets to meet future obligations prescribed in the insurance contract. By individual insurance policy, such risks are random and unpredictable.

For insurance contracts, the Consolidated Company has to bear the risks of adverse mortality, morbidity, expense, and withdrawal experiences as well as the uncertainty of investment returns arising from invested premium income. Depending on the nature of the contract, uncertainties related to the occurrence, amount and timing of insurance contract liabilities may be considered as the inherent risks of an insurance policy. The Consolidated Company sells predominantly life insurance, accident and health (A&H) insurance and annuity insurance products. The most significant insurance risk factor for life and A&H insurance products, which cover the risks of mortality, accidents and diseases, is the actual claims exceed the carrying amount of the insurance reserves; that is, the actual compensation or benefit payments surpass the original expected amounts in terms of frequency and severity of the insured events. Furthermore, the Consolidated Company has to bear the losses ensuing from natural and man-made catastrophic events. The frequency and severity of such catastrophic events and the resultant losses are unpredictable. On the other hand, the most important insurance risk factor for annuity insurance products, which cover the risk of survivorship, is the prolonged life expectancy as a consequence of the continual medical improvement.

Insurance risk also arises from the policyholders' decision to reduce sum assured, discontinue premium payment, or terminate the policy. Thus, the insurance risk exposure are also affected by the policyholders' behaviors. Assuming policyholders could make rational decisions, then the overall insurance risks may increase due to their rational behaviors. For instance, policyholders who maintain good health will be more likely to terminate their life or health insurance policies than those whose health has deteriorated. As a result, the expected mortality rate will increase if such voluntary terminations decrease the overall number of insurance policies.

The Consolidated Company has established product development, pricing and underwriting strategies to undertake the diverse types of insurance risks. In addition, the variability of the expected outcome within the scope of each risk factor has been lowered by underwriting a sufficient number of insured lives. By issuing a large number and a mixture of product types, the life insurance risk could be managed. Furthermore, the Consolidated Company transfers part of the risk to reinsurers via catastrophic reinsurance coverage to mitigate the overall risk of future claims and significant financial losses due to disasters.

D. Asset liability management methodology

The Consolidated Company has enacted asset liability management mechanism, which utilises duration and cash flow testing approaches to monitor periodically and adjust our portfolios accordingly.

E. Concentration of insurance risk

As the Consolidated Company operates purely within the boundary of Taiwan, it is subject to the geographical concentration risk, which is mainly managed through reinsurance. Though long-term traditional insurance products constitute the majority of the in-force portfolio of policies, the Consolidated Company continues to provide various new business in terms of characteristics, timing and risks to achieve the objective of risk diversification.

F. Insurance risk sensitivities – insurance contracts

In general, the statutory reserves of the insurance contracts issued by the Consolidated Company should be based upon the lock-in principle, that is, the provision of future liabilities is predetermined upon the policy issuance. Hence, the reserve will not fluctuate with future experience unless the liability adequacy test (LAT) shows that it is insufficient. The Consolidated Company will perform LAT on its insurance policies to assess the overall adequacy of liabilities on the book, taking into consideration the current information as at the time of evaluation when setting the assumptions, such as mortality and morbidity rates, withdrawal rate, expense ratios, discount rates, etc and calculate actual estimated amount of cash flows. In the event that the test result shows that the value of liabilities is inadequate, the shortfall will be recognised as an expense loss in the current period.

With respect to the insurance portfolio of the Consolidated Company as of December 31, 2024, and 2023, the liabilities will still be adequate even when the mortality, morbidity, withdrawal rates and expense ratios assumptions adversely change by 10% or new investment returns drop by 25 basis points.

G. Credit risk, liquidity risk and market risk of the insurance contracts

(a) Credit risk

It refers primarily to the risk of a reinsurer's failure to fulfill its obligations on the ceded business. To manage this risk, the Consolidated Company will foremost consider the distribution to different reinsurers to mitigate the concentration risk. The reinsurers will be selected prudently in accordance to the reinsurance risk management plan as set out by the Consolidated Company. To mitigate the credit risk, the reinsurance agreement will require that reinsurance fees be paid on a net basis, after deducting receivables. In addition, the Consolidated Company will demand the inclusion of a special termination clause in the reinsurance agreement, allowing the Consolidated Company the right to terminate the agreement in the circumstances that the reinsurer defaults on its obligations to limit further credit risk.

The Consolidated Company will review the credit rating of the reinsurers regularly in accordance with its reinsurance risk management plan. In the event of a credit rating downgrade of a reinsurer such that it fails to meet the minimum requirement of being an eligible reinsurer as stipulated by the "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms", the Consolidated Company will establish a reinsurance reserve as required to mitigate the adverse impacts from the downgraded reinsurer.

Currently, the credit ratings of all the reinsurance counterparties of the Consolidated Company have met the eligibility standard as stipulated by the regulation.

(b) Liquidity risk

The liquidity risk of the insurance contract arises mainly from the failure of the Consolidated Company to realise the assets or to obtain sufficient funding in time to fulfill its obligations on insurance benefits payment. To manage the risk, the Consolidated Company will analyse the maturity dates of the insurance policies

regularly, and review the matching of assets and liabilities.

The table below shows the net liability cash flow analysis of the insurance portfolio of the Consolidated Company by maturity date. The figures reflect, for the in-force policies as at the valuation date, the estimation of undiscounted total insurance benefit payments, expense and other outflows, net of insurance premiums and other income at each future point of time. The future actual amounts may vary as the actual experience may be different from the expected experience.

Net cash flows used in (provided by) the insurance contracts:

	December 31, 2024	December 31, 2023
Under 1 year	\$ 87,519,561	\$ 69,699,264
1 ~ 3 years	238,299,449	239,153,465
Over 3 years	10,242,319,762	9,976,066,977
	<u>\$ 10,568,138,772</u>	<u>\$ 10,284,919,706</u>

The Consolidated Company has insurance contracts that are classified as liabilities on insurance products - separate account. However, such liabilities are repaid based on investment-linked insurance product assets. Therefore, the Consolidated Company has no significant liquidity risk.

With respect to the holder of policy dividend payable, as such liability has no fixed maturity date, it is excluded from the maturity analysis.

(c) Market risk

The Consolidated Company establishes statutory reserves in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and related regulations issued by the Authority. As the reserving interest rate and incidence rates are pre-determined as at policy issuance, the statutory reserves will not change with market interest rates fluctuations. The regulator will regularly review the reserving interest rate assumption, which however may not necessarily correspond to the market risk factors (e.g. market interest rate) in terms of timing, amount or direction, and it is only applicable to the new policies. Therefore, the impact of probable changes in market risks on the statutory reserves of the in-force portfolio is negligible. In case the regulator changes the reserving interest rate assumptions, its impact on profit/loss or equity will vary depending on the magnitude of the change and the overall product composition of the Consolidated Company. Furthermore, reasonable and probable variations in market risks may affect the liability adequacy test, which requires the estimation of future cash flows for insurance contracts and investment contracts with discretionary participation features to be based on the current information as at the valuation date when assessing the adequacy of reserves. Please refer to the insurance risk sensitivity analysis for the impact of market risk factors on the reserve adequacy of the Consolidated Company.

- H. The derivatives issued by the Consolidated Company which are embedded in the insurance contract and not measured at fair value are primarily those with policyholder's option to surrender the contract at cash value. The market risk for these contracts arises from the lower overall company investment yield than the average pricing interest rate.

Property insurance

Insurance risk covering the risks transferred from insured arises from unexpected loss. The Consolidated Company needs to reimburse claims payment and related expenses to the insured by the terms stated in the insurance contract if any after receiving premium from the insured.

A. Policy, procedure and method of insurance risk management

- (a) Product design and pricing risk: regarding the control of product design and pricing risk, other than through risk transfer plan, consideration of safe parameter with actuary assumption and after-sale tracking. Risks resulting from inappropriate product contents, misuse of terms, pricing rates, inconsistency or unexpected changes are measured based on types and characteristics of products. Based on the characteristics of each product, the Consolidated Company can control the risks by risk transferring plan, actuarial risk margin to the rate and tracking of policy experience.
- (b) Underwriting risk: to lower unexpected loss risks from writing businesses, the Consolidated Company has set up appropriate underwriting system and procedure, including underwriting manual and guidelines. Furthermore, the Consolidated Company established Key Risk Indicators for underwriting risk.
- (c) Reinsurance risk: in consideration of capacity, the Consolidated Company sets up limits for each risk unit and each accident, arrange reinsurance for those risks in excess of retention. Also, in order to lower the risks of not being able to collect premium, claims or other expenses due to the reinsurers' default, the Consolidated Company evaluates reinsurers' credit ratings regularly.
- (d) Catastrophe risk: the Consolidated Company identifies catastrophic risk by product nature and evaluates PML through risk models and scenarios analysis and also take accumulation effects and correlation among risks into consideration.
- (e) Claim risk: the Consolidated Company has set up appropriate internal claim procedures to lower the risk resulting from inappropriate operation or negligence.
- (f) Reserve related risk: the Consolidated Company tracks and examines the reserve amounts in each year's AA reports to analyse the adequacy of reserves in order to lower the risk from underestimating the reserve to fulfill future contract obligation.

B. Management method of assets and liabilities

When identifying assets and liabilities matching risks, the main consideration includes market risk from market price fluctuation, liquidity risk from insufficient cash, liquid assets to fulfill insurance payment and insurance risk arises from loss of unexpected catastrophe, causing the cash flow of assets and liabilities to be unmatched. In order to effectively identify, measure and respond to the abovementioned assets and liabilities matching risks, subsidiaries set up appropriate management mechanisms and through the simulation of changes in cash flow and monitoring the assets and liabilities to decrease the possible risk that may be derived.

C. Illustration about the insurance risk concentration

The risk of insurance contracts accepted by the Consolidated Company are scattered across all types of insurance and only the car insurance business bear a higher concentration of risk. Nevertheless, the risk does not change significantly given stable experience in the loss of car insurance and risk aversion through ceding reinsurance. As for other types of insurance, there is no such risk concentration.

The insurance risk concentration of the premium revenue from direct underwriting and retained premium earned accrued by the Consolidated Company's car insurance is listed below: (excluding compulsory insurance)

		2024	
Insurance type	Direct earned gross premium	Self-retained earned premium	
Car insurance	\$ 4,827,390	\$	4,067,880
		2023	
Insurance type	Direct earned gross premium	Self-retained earned premium	
Car insurance	\$ 4,287,488	\$	3,001,196

D. Sensitivity analysis of insurance risk

The Consolidated Company estimates claims provisions mainly through loss development model and the expected loss rate to each type of insurance. Given that the estimates will be affected by the amendment to the laws, changes in the method of claims payment or future prospect, therefore, the Consolidated Company conducted sensitivity analysis of insurance risk using expected loss rate.

On the basis of one-year retention earned premium income, as of December 31, 2024 and 2023, the profit or loss of the Consolidated Company was barely affected by 5% increase in the calculated final rate of loss.

E. Credit risk, liquidity risk and market risk of insurance contracts

(a) Credit risk

Credit risk of insurance contracts mainly arises from default by the reinsurers on their obligations under reinsurance contract leading to the risk of failure to fulfill obligations from various insurance contract liabilities. The Consolidated Company's selection of reinsurers and monitoring of credits follow the standard of the reinsurance management plan. The Consolidated Company carefully chooses reinsurance counterparties and pays close attention to information about reinsurance market in order to minimise the credit risk.

(b) Liquidity risk

Liquidity risk of insurance contract mainly happens when a Company is unable to realise assets immediately or acquire adequate capital leading to the risk of failure to fulfil obligations from various insurance contract liabilities. To ensure the instantaneity of liquidity risk management, except for regular review toward the matching of assets and liabilities, the Consolidated Company also performs cash flow analysis for the insurance business and its investments and separately reviews revenue and expenditures from the insurance industry and investment. A table of cash flow estimation is also created and used as a basis for fund procurement in order to cope with needs for various fund liquidity. Besides, the Consolidated Company's working capital is sufficient for liquidity requirements, therefore there is no liquidity risk regarding inability to raise funds for meeting contractual obligations.

(c) Market risk

Market risk of insurance contract mainly refers to the risk arising from inability to respond timely to movements in the insurance market. Not only does the Consolidated Company have a department for providing information about the insurance market, the Consolidated Company will also transmit the latest information to each branch unit of the Consolidated Company via e-mail or internal network from time to time in order to know firsthand information about the insurance market well. Thus, there is no risk arising from inability to respond to movements in the insurance market.

Apart from the unearned premium reserve of long-term fire insurance calculated in accordance with the factor table announced by the authority, the Consolidated Company calculates and sets aside statutory reserves without discount rate usage in accordance with the “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and relevant regulations. Therefore, the statutory reserves will not change with market interest rate fluctuations.

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F. Claim development trend

The accumulated claim development trend in the past years refer to the development trend of listed claims. Each accident year refers to the year of insured accident happened; the horizontal rows represent development year of the accidents and the diagonal lines represent the accumulated reported claims of each accident year. The incurred claims here include unsettled and settled claims which explain how the Consolidated Company calculates each accident year's claims over time.

(a) Claim development pattern of the Consolidated Company's direct business

The following tables are the reconciliation between the Consolidated Company's accumulated claim and the claim reserve on the balance sheet of the end of reporting periods.

December 31, 2024										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
≤ 2015	\$ 32,990,191	\$ 32,369,852	\$ 32,384,655	\$ 32,382,505	\$ 32,387,667	\$ 32,387,039	\$ 32,387,207	\$ 32,386,032	\$ 32,386,194	\$ 32,386,143
2016	984,639	1,100,021	1,102,169	1,107,608	1,106,810	1,106,734	1,106,734	1,106,644	1,106,583	
2017	1,169,894	1,343,278	1,405,293	1,408,669	1,408,629	1,410,220	1,411,152	1,411,118		
2018	1,749,381	2,043,103	2,088,478	2,093,736	2,092,458	2,078,845	2,078,800			
2019	2,427,669	2,692,854	2,700,442	2,670,218	2,673,362	2,676,318				
2020	2,753,598	3,042,918	3,101,186	3,075,680	3,081,582					
2021	2,564,836	2,908,470	2,976,594	3,018,879						
2022	4,990,262	5,572,954	6,024,345							
2023	3,516,206	4,888,639								
2024	2,470,613									
(1)Accumulated Reported claims of direct business										59,143,020
(2)Accumulated Paid claims of direct business										57,442,983
(3)Reported But Not Paid claim reserve of direct business										1,700,037
(4)Not reported claim reserve of direct business										1,746,167
(5)Assumed claim reserve										221,684
(6)Claim reserve of direct business=(3)+(4)+(5)										\$ 3,667,888

Note: The most recent balance in the diagonal refers to accumulated reported claims of direct business for the year ended December 31, 2024.

December 31, 2023										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
≤ 2014	\$ 31,848,407	\$ 31,913,258	\$ 31,273,866	\$ 31,275,309	\$ 31,273,960	\$ 31,275,236	\$ 31,273,590	\$ 31,273,779	\$ 31,273,700	\$ 31,273,921
2015	1,076,933	1,095,986	1,109,346	1,108,545	1,112,431	1,113,448	1,113,429	1,112,332	1,112,273	
2016	984,639	1,100,021	1,102,169	1,107,608	1,106,810	1,106,734	1,106,734	1,106,644		
2017	1,169,894	1,343,278	1,405,293	1,408,669	1,408,629	1,410,220	1,411,152			
2018	1,749,381	2,043,103	2,088,478	2,093,736	2,092,458	2,078,845				
2019	2,427,669	2,692,854	2,700,442	2,670,218	2,673,362					
2020	2,753,598	3,042,918	3,101,186	3,075,680						
2021	2,564,836	2,908,470	2,976,594							
2022	4,990,262	5,572,954								
2023	3,516,206									
(1)Accumulated Reported claims of direct business										54,797,631
(2)Accumulated Paid claims of direct business										53,179,507
(3)Reported But Not Paid claim reserve of direct business										1,618,124
(4)Not reported claim reserve of direct business										1,358,643
(5)Assumed claim reserve										207,307
(6)Claim reserve of direct business=(3)+(4)+(5)										\$ 3,184,074

Note: The most recent balance in the diagonal refers to accumulated reported claims of direct business for the year ended December 31, 2023.

(b) Claim development pattern of the Consolidated Company's retention business

The following tables are the claim development pattern as of the end of reporting periods:

December 31, 2024										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
≤ 2015	\$22,986,396	\$22,398,835	\$22,424,237	\$22,448,673	\$22,452,060	\$22,453,226	\$22,453,333	\$22,452,199	\$22,452,075	\$22,452,036
2016	897,946	1,018,563	1,060,086	1,086,279	1,085,847	1,085,792	1,085,792	1,085,697	1,085,636	
2017	780,139	924,600	1,010,526	1,026,422	1,025,382	1,026,351	1,026,781	1,026,746		
2018	990,722	1,210,946	1,292,387	1,303,982	1,303,123	1,295,585	1,295,395			
2019	1,383,181	1,608,308	1,668,026	1,659,799	1,663,051	1,665,991				
2020	1,467,417	1,707,557	1,732,302	1,730,693	1,735,995					
2021	1,435,037	1,580,008	1,616,831	1,646,483						
2022	3,754,820	4,116,146	4,363,958							
2023	2,664,721	3,690,512								
2024	2,421,362									
(1)Accumulated Reported claims of retention business										41,384,114
(2)Accumulated Paid claims of retention business										39,994,467
(3)Reported But Not Paid claim reserve of retention business										1,389,647
(4)Not reported claim reserve of retention business										1,302,101
(5)Claim reserve of retention business=(3)+(4)										\$ 2,691,748

Note: The most recent balance in the diagonal refers to accumulated reported claims of retention business for the year ended December 31, 2024.

December 31, 2023										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
≤ 2014	\$21,544,209	\$22,097,298	\$21,398,487	\$21,397,633	\$21,399,175	\$21,399,729	\$21,399,814	\$21,399,941	\$21,399,904	\$21,399,840
2015	889,098	1,000,348	1,026,603	1,049,499	1,052,331	1,053,412	1,053,392	1,052,295	1,052,236	
2016	897,946	1,018,563	1,060,086	1,086,279	1,085,847	1,085,792	1,085,792	1,085,697		
2017	780,139	924,600	1,010,526	1,026,422	1,025,382	1,026,351	1,026,781			
2018	990,722	1,210,946	1,292,387	1,303,982	1,303,123	1,295,585				
2019	1,383,181	1,608,308	1,668,026	1,659,799	1,663,051					
2020	1,467,417	1,707,557	1,732,302	1,730,693						
2021	1,435,037	1,580,008	1,616,831							
2022	3,754,820	4,116,146								
2023	2,664,721									
(1)Accumulated Reported claims of retention business										37,651,581
(2)Accumulated Paid claims of retention business										36,585,236
(3)Reported But Not Paid claim reserve of retention business										1,066,345
(4)Not reported claim reserve of retention business										996,122
(5)Claim reserve of retention business=(3)+(4)										\$ 2,062,467

Note: The most recent balance in the diagonal refers to accumulated reported claims of retention business for the year ended December 31, 2023.

(3) Financial risk

Financial risk is the risk when future cash flows are insufficient to pay for insurance contract and investment contract. The Consolidated Company establishes the risk management mechanism and control system for the financial assets, to effectively identify, measure, respond and monitor the Consolidated Company's exposure risks, including credit risk, liquidity risk, market risk, operational risk, etc.

The Consolidated Company undertakes derivative financial instruments such as FX swap contracts, cross currency swaps, non-delivery forwards, delivery forwards and interest rate swaps. The primary purpose is to avoid the exchange rate risk and the interest rate risk from investments. To effectively monitor and control the financial risk, the management considers the changes in the economic environment and the competition of market and adopts different strategies against different financial risks as follows:

A. Credit risk

Credit risk refers to the risk of financial loss to the Consolidated Company arising from default by the clients or counterparties of financial instruments on the contract obligations. As for the securities investment, the Consolidated Company adopts the credit ratings and research reports issued by the external credit rating agencies and public information about the counterparties and issuers with referring to relevant information in the market at the same time. Moreover, the Consolidated Company measures the upper limit for investment in a single issuer and controls the credit risks of the underlying securities, the issuers, and the counterparties so that the credit risks faced by the Consolidated Company can be effectively mitigated. In addition, the Consolidated Company established credit exposure ratio in relation to country and industry to avoid high concentration of credit exposure. For loan business, the Consolidated Company stipulates regulations on credit checking for implementing thorough credit assessment aiming to ensure that the transactional counterparty meets loan standard and provides adequate collaterals and effectively reduce the credit risk.

(a) The Consolidated Company adopts following assumptions to assess whether the credit risk on that instrument has significantly increased since initial recognition:

- I. Receivables, loans and other financial assets at amortised cost (excluding interest receivables from bonds):
 - (i) If the contract payments were overdue for more than 30 days based on the terms, the credit risk of that instrument would be regarded as having significantly increased since initial recognition.
 - (ii) According to the internal and external information, the Consolidated Company identified that there has been a significant increase in credit risk based on its professional judgement on credit risk and the relative historical experience.
- II. Investments in debt instruments at amortised cost and at fair value through other comprehensive income (including interest receivables from bonds):
 - (i) As of balance sheet date, if those debt instruments that have been rated as non-investment grade, and the credit rating have been downgraded for more than 3 notches (including 3 notches) since initial recognition, the Consolidated Company assumes that there has a significant increase in credit risk on the investment objects.

- (ii) As of balance sheet date, if those debt instruments that have been rated as non-investment grade, and the percentage of unrealised valuation loss on those debt investments is more than 50% of their carrying amount for three consecutive months, the Consolidated Company assumes that there has a significant increase in credit risk on the investment objects.
- (b) The definition of the default of financial assets made by the Consolidated Company is consistent with the judgements, which are used to assess whether the credit of financial assets were impaired. If one or several of the followings unfavorable effects incurred, the credit of financial assets is considered as impaired:
 - I. Significant financial difficulty of the issuer or obligor; or
 - II. Default or delinquency in interest or principal repayments; The Consolidated Company adopts the premise under IFRS 9, the default occurs when the contract payments (excluding bond investments) are overdue for more than 90 days.
 - III. The obligee, for economic or contractual reasons relating to the obligor's financial difficulty, granted the obligor a concession that an obligee would not otherwise consider;
 - IV. It becomes probable that the obligor will enter bankruptcy or other financial reorganisation;
 - V. The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
 - VI. Others.
- (c) Measurement of expected credit loss

The Consolidated Company measures the 12-month probability of default for financial instruments that the credit risk has not significantly increased since initial recognition. While for those that the credit risk has significantly increased or credit impairment has occurred since initial recognition, the lifetime probability of default would be measured. The expected credit losses would then be calculated respectively with the multiplication of loss given default, the probability of default mentioned above, and the exposure default while taking the time value of money and forward-looking adjustments into consideration.

 - I. Receivables (excluding interest receivables from bonds and interest receivable from loans) and other financial assets at amortised cost:

The loss given default is assessed based on the internal historical data. In addition, the Consolidated Company weighted the average of probability of default for the past 3 years and takes into consideration the forecast of overseas and domestic economic data in order to measure the predicted 12-month probability of default. Furthermore, since the lifetime of the Consolidated Company's receivables usually is within 12 months, the lifetime probability of default is consistent with the 12-month probability of default. Exposure at default is measured based on the carrying amount of receivables.
 - II. Loans (including interest receivable from loans):

The Consolidated Company established the 3-year average transition matrix based on the historical information of secured loans and takes into consideration the forward-looking economic variables to measure the predicted 12-month probability of default, and calculates the multi-year cumulative probability of default using the transition matrix of the Markov Chain. The Consolidated Company calculates loss given default with discounted cash flows using the effective-interest-rate method, according to both the location of collaterals and the historical recovery rate of secured loans. Exposure at default is measured based on the principle and the carrying amount of interest receivable.

III. Investments in debt instruments at amortised cost and at fair value through other comprehensive income (including interest receivables from bonds):

The Consolidated Company measures the predicted 12-month probability of default using the historical probability of default regularly issued by the international credit rating agencies, which will be adjusted by forward-looking information such as the observable macroeconomics forecast, and calculates the multi-year cumulative probability of default using the transition matrix of the Markov Chain. Loss given default is measured based on the historical probability of default regularly issued by the international credit rating agencies, and exposure at default is measured based on the amortised cost of financial instruments.

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(d) Movements in the Consolidated Company's allowance for credit loss for receivables (excluding bond interest receivable and loan interest receivable) are as follows:

	2024				
	<u>Life time expected credit loss</u>			Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets (Note)		Total
At January 1	\$ 58,238	\$ -	\$ 3,376,168	\$ 1,082	\$ 3,435,488
(Recovery) provision of account receivable at current year	(11,862)	-	1,702,864	344	1,691,346
Write-offs - lease payments receivable	-	-	(227)	-	(227)
Write-offs - other	-	-	(169)	-	(169)
Changes in risk parameters	2,668	-	-	-	2,668
Changes in exchange	-	-	248,966	-	248,966
At December 31	<u>\$ 49,044</u>	<u>\$ -</u>	<u>\$ 5,327,602</u>	<u>\$ 1,426</u>	<u>\$ 5,378,072</u>

Note: Including principal and accrued interest of Russian-related debt instruments reclassified to overdue receivables, with allowance for losses amounting to \$5,273,353 and \$3,326,092 as of December 31, 2024 and January 1, 2024, respectively.

	2023				
	<u>Life time expected credit loss</u>			Difference on impairment recognised according to ‘Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises’	
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets		Total
At January 1	\$ 41,755	\$ -	\$ 47,761	\$ 851	\$ 90,367
Provision of account receivable at current year	8,237	-	3,385,818	231	3,394,286
Write-offs - lease payments receivable	-	-	(616)	-	(616)
Write-offs - other	-	-	(1,019)	-	(1,019)
Changes in risk parameters	8,246	-	-	-	8,246
Changes in exchange	-	-	(55,776)	-	(55,776)
At December 31	<u>\$ 58,238</u>	<u>\$ -</u>	<u>\$ 3,376,168</u>	<u>\$ 1,082</u>	<u>\$ 3,435,488</u>

(e) Movements in the Consolidated Company's allowance for credit loss for loans are as follows:

	2024				
	<u>Life time expected credit loss</u>			Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets		Total
At January 1	\$ -	\$ 85	\$ 1,137	\$ 175,072	\$ 176,294
Changes in financial instruments that have been identified at the beginning of year:					
-Transfer to 12-months expected credit loss	10	(10)	-	-	-
-Derecognition of financial assets at current year	(2)	(14)	(353)	-	(369)
Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	-	-	-	(32,948)	(32,948)
Changes in risk parameters	(8)	(30)	(2)	-	(40)
At December 31	<u>\$ -</u>	<u>\$ 31</u>	<u>\$ 782</u>	<u>\$ 142,124</u>	<u>\$ 142,937</u>

	2023				
	Life time expected credit loss			Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets		Total
At January 1	\$ 27	\$ 303	\$ 1,641	\$ 224,366	\$ 226,337
Changes in financial instruments that have been identified at the beginning of year:					
-Transfer to 12-months expected credit loss	157	(157)	-	-	-
-Derecognition of financial assets at current year	(27)	(34)	(476)	-	(537)
Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	-	-	-	(49,294)	(49,294)
Changes in risk parameters	(157)	(27)	(28)	-	(212)
At December 31	<u>\$ -</u>	<u>\$ 85</u>	<u>\$ 1,137</u>	<u>\$ 175,072</u>	<u>\$ 176,294</u>

(f) Movements in the Consolidated Company's allowance for credit loss for debt instrument investments at fair value through other comprehensive income are as follows:

	2024			
	12-months expected credit loss	Life time expected credit loss		Total
		Significant increase in credit risk (group assessment)	Credit impaired financial assets	
At January 1	\$ 50,420	\$ 84,606	\$ 1,139,203	\$ 1,274,229
Changes in financial instruments that have been identified at the beginning of year:				
-Transfer to 12-months expected credit loss	45,286	(45,286)	-	-
-Derecognition of financial assets at current year	(9,510)	-	-	(9,510)
Originated or purchased new financial assets	9,490	-	-	9,490
Changes in risk parameters	(43,822)	(1,021)	-	(44,843)
Changes in exchange and others	1,731	305	131,378	133,414
At December 31	<u>\$ 53,595</u>	<u>\$ 38,604</u>	<u>\$ 1,270,581</u>	<u>\$ 1,362,780</u>

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2023				
	12-months expected credit loss	Life time expected credit loss		Total
		Significant increase in credit risk (group assessment)	Credit impaired financial assets	
At January 1	\$ 42,148	\$ 82,172	\$ 1,619,715	\$ 1,744,035
Changes in financial instruments that have been identified at the beginning of year:				
-Derecognition of financial assets at current year	(6,662)	-	(17,386)	(24,048)
Originated or purchased new financial assets	9,378	-	-	9,378
Changes in risk parameters	5,815	5,145	-	10,960
Changes in exchange and others	(259)	(2,711)	(463,126)	(466,096)
At December 31	<u>\$ 50,420</u>	<u>\$ 84,606</u>	<u>\$ 1,139,203</u>	<u>\$ 1,274,229</u>

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(g) Movements in the Consolidated Company's allowance for credit loss for debt instrument investments at amortised cost are as follows:

	2024			
	12-months expected credit loss	Life time expected credit loss		Total
		Significant increase in credit risk (group assessment)	Credit impaired financial assets	
At January 1	\$ 916,568	\$ 5,631,271	\$ 876,077	\$ 7,423,916
Changes in financial instruments that have been identified at the beginning of year:				
-Transfer to 12-months expected credit loss	1,252,193	(1,252,193)	-	-
-Transfer to significant increase in credit risk	(508)	508	-	-
-Derecognition of financial assets at current year	(23,064)	(99,677)	(200,225)	(322,966)
Originated or purchased new financial assets	8,973	-	-	8,973
Changes in risk parameters	(1,230,982)	(2,136,686)	-	(3,367,668)
Changes in exchange and others	61,878	174,098	84,321	320,297
At December 31	<u>\$ 985,058</u>	<u>\$ 2,317,321</u>	<u>\$ 760,173</u>	<u>\$ 4,062,552</u>

2023				
	12-months expected credit loss	Life time expected credit loss		Total
		Significant increase in credit risk (group assessment)	Credit impaired financial assets	
At January 1	\$ 691,012	\$ 5,255,199	\$ 1,135,116	\$ 7,081,327
Changes in financial instruments that have been identified at the beginning of year:				
-Derecognition of financial assets at current year	(14,764)	(196,637)	-	(211,401)
Originated or purchased new financial assets	4,779	-	-	4,779
Changes in risk parameters	228,611	687,925	-	916,536
Changes in exchange and others	6,930	(115,216)	(259,039)	(367,325)
At December 31	<u>\$ 916,568</u>	<u>\$ 5,631,271</u>	<u>\$ 876,077</u>	<u>\$ 7,423,916</u>

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- (h) The expected loss rate of the Consolidated Company's bond interest receivable, debt instrument investments at amortised cost and debt instrument investments at fair value through other comprehensive income(Note) are as follows:

	December 31, 2024		
	12-months expected credit loss	Life time expected credit loss	
		Significant increase in credit risk	Credit impaired financial assets
Bond interest receivables	0.00%-0.31%	0.12%~0.19%	6.68%
Debt instrument investments at fair value through other comprehensive income	0.00%-0.31%	4.34%~4.68%	5.00%~6.12%
Debt instrument investments at amortised cost	0.00%-0.19%	2.37%~6.66%	6.15%~9.28%
	December 31, 2023		
	12-months expected credit loss	Life time expected credit loss	
		Significant increase in credit risk	Credit impaired financial assets
Bond interest receivables	0.00%-0.44%	0.12%~1.22%	6.30%
Debt instrument investments at fair value through other comprehensive income	0.00%-0.44%	4.71%~6.87%	4.47%~5.81%
Debt instrument investments at amortised cost	0.00%-0.21%	4.85%~16.30%	5.84%~9.53%

Note: Excluding those transferred to overdue receivables.

- (i) Information on credit risk rating in relation to the total carrying amount of various financial debt instruments and the maximum exposure to credit risk are as follows:

December 31, 2024					
	12-months expected credit loss	Life time expected credit loss		Allowance for credit loss	Maximum credit risk exposure amount
		Significant increase in credit risk	Credit impaired financial assets		
Bond interest receivables					
Group 1	\$ 27,912,803	\$ -	\$ -	\$ 8,852	\$ 27,903,951
Group 2	1,160,776	865,246	182,679	15,967	2,192,734
	<u>\$ 29,073,579</u>	<u>\$ 865,246</u>	<u>\$ 182,679</u>	<u>\$ 24,819</u>	<u>\$ 30,096,685</u>
Financial assets at fair value through other comprehensive income (Note)					
Group 1	\$ 269,752,192	\$ -	\$ -	\$ 43,496	\$ 269,708,696
Group 2	5,576,139	870,129	24,560,948	1,319,284	29,687,932
	<u>\$ 275,328,331</u>	<u>\$ 870,129</u>	<u>\$ 24,560,948</u>	<u>\$ 1,362,780</u>	<u>\$ 299,396,628</u>
Financial assets at amortised cost (Note)					
Group 1	\$ 3,423,659,406	\$ -	\$ -	\$ 868,798	\$ 3,422,790,608
Group 2	62,741,674	38,333,031	10,493,637	3,193,754	108,374,588
	<u>\$ 3,486,401,080</u>	<u>\$ 38,333,031</u>	<u>\$ 10,493,637</u>	<u>\$ 4,062,552</u>	<u>\$ 3,531,165,196</u>

Group 1: The issuers of the debt instruments who have been rated as investment grade (at least BBB-) by external credit agencies at the balance sheet date.

Group 2: Others.

Note: Including statutory deposits.

December 31, 2023					
	12-months expected credit loss	Life time expected credit loss Significant increase in credit risk	Credit impaired financial assets	Allowance for credit loss	Maximum credit risk exposure amount
Bond interest receivables					
Group 1	\$ 26,861,380	\$ 63,456	\$ -	\$ 8,381	\$ 26,916,455
Group 2	689,897	1,160,554	175,411	20,340	2,005,522
	<u>\$ 27,551,277</u>	<u>\$ 1,224,010</u>	<u>\$ 175,411</u>	<u>\$ 28,721</u>	<u>\$ 28,921,977</u>
Financial assets at fair value through other comprehensive income (Note)					
Group 1	\$ 265,113,082	\$ -	\$ -	\$ 42,212	\$ 265,070,870
Group 2	3,921,513	1,477,263	23,102,222	1,232,017	27,268,981
	<u>\$ 269,034,595</u>	<u>\$ 1,477,263</u>	<u>\$ 23,102,222</u>	<u>\$ 1,274,229</u>	<u>\$ 292,339,851</u>
Financial assets at amortised cost (Note)					
Group 1	\$ 3,252,973,881	\$ -	\$ -	\$ 836,045	\$ 3,252,137,836
Group 2	38,133,313	51,384,894	11,931,546	6,587,871	94,861,882
	<u>\$ 3,291,107,194</u>	<u>\$ 51,384,894</u>	<u>\$ 11,931,546</u>	<u>\$ 7,423,916</u>	<u>\$ 3,346,999,718</u>
Group 1: The issuers of the debt instruments who have been rated as investment grade (at least BBB-) by external credit agencies at the balance sheet date.					
Group 2: Others.					
Note : Including statutory deposits.					

- (j) Information on credit risk rating in relation to the total carrying amount of receivables and loans and the maximum exposure to credit risk are as follows:

December 31, 2024					
	12-months expected credit loss	Life time expected credit loss		Allowance for credit loss	Maximum credit risk exposure amount
		Significant increase in credit risk	Credit impaired financial assets		
Receivables					
Notes receivable	\$ 449,191	\$ -	\$ -	\$ 10,296	\$ 438,895
Premiums receivable (Note)	462,426	-	100,228	13,146	549,508
Interest receivable-bonds	29,073,579	865,246	182,679	24,819	30,096,685
Interest receivable-loans	7,309,069	62	17	157	7,308,991
Interest receivable-others	115,303	-	-	-	115,303
Investment receivable	1,471,839	-	-	-	1,471,839
Other receivables-lease payments receivable (Note)	1,316,583	-	3,157	34,591	1,285,149
Other receivables-others (Note)	2,441,386	-	5,312,612	5,320,039	2,433,959
	<u>\$ 42,639,376</u>	<u>\$ 865,308</u>	<u>\$ 5,598,693</u>	<u>\$ 5,403,048</u>	<u>\$ 43,700,329</u>
Loans	<u>\$ 110,274,036</u>	<u>\$ 43,182</u>	<u>\$ 9,229</u>	<u>\$ 142,937</u>	<u>\$ 110,183,510</u>

Note : Including overdue receivable.

December 31, 2023					
	12-months expected credit loss	Life time expected credit loss		Allowance for credit loss	Maximum credit risk exposure amount
		Significant increase in credit risk	Credit impaired financial assets		
Receivables					
Notes receivable	\$ 421,170	\$ -	\$ -	\$ 8,983	\$ 412,187
Premiums receivable (Note)	331,101	-	52,787	8,282	375,606
Interest receivable-bonds	27,551,277	1,224,010	175,411	28,721	28,921,977
Interest receivable-loans	7,221,405	63	29	184	7,221,313
Interest receivable-others	96,747	-	-	-	96,747
Investment receivable	4,433,111	-	-	-	4,433,111
Other receivables-lease payments receivable (Note)	1,294,542	-	3,350	32,590	1,265,302
Other receivables-others (Note)	2,738,507	-	3,365,465	3,385,633	2,718,339
	<u>\$ 44,087,860</u>	<u>\$ 1,224,073</u>	<u>\$ 3,597,042</u>	<u>\$ 3,464,393</u>	<u>\$ 45,444,582</u>
Loans	<u>\$ 110,255,823</u>	<u>\$ 49,322</u>	<u>\$ 15,038</u>	<u>\$ 176,294</u>	<u>\$ 110,143,889</u>
Note : Including overdue receivable.					

B. Liquidity risk

Liquidity risk means unable to convert the asset into cash or acquire adequate fund and fails to honor obligations when due. The Consolidated Company's working capital is sufficient for daily operations, and the cash and marketable securities held can also contribute to satisfy the cash liquidity needed. The cross currency swaps, FX swap and non-delivery forward contracts and delivery forward contracts are for hedging purpose. When rolling over, transactions are net settled and required amounts are within predictable ranges. Hence, there should be no significant exposure to cash flow risk.

The Consolidated Company has investment contracts without discretionary participation feature that are classified as separate account investment-linked insurance products. Such liabilities are repaid based on separate account investment-linked insurance product assets. Therefore, the Consolidated Company has no significant liquidity risk.

The table below analyses the Consolidated Company's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date:

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(a) Non-derivative financial liabilities

December 31, 2024				
Contractual undiscounted cash flows				
	Under 1 year	1 ~ 5 years	Over 5 years	Total
Short-term debts	\$ 2,822,375	\$ -	\$ -	\$ 2,822,375
Payables	15,582,275	-	-	15,582,275
Bonds payable (Note)	3,553,487	52,026,854	56,654,503	112,234,844
Guarantee deposits received	126,231	615,284	286,551	1,028,066
Lease liabilities	4,300,859	7,195,937	34,224,804	45,721,600
December 31, 2023				
Contractual undiscounted cash flows				
	Under 1 year	1 ~ 5 years	Over 5 years	Total
Short-term debts	\$ 5,738,950	\$ -	\$ -	\$ 5,738,950
Payables	14,256,570	-	-	14,256,570
Bonds payable (Note)	1,884,006	46,792,701	14,436,210	63,112,917
Guarantee deposits received	21,789,241	529,867	293,280	22,612,388
Lease liabilities	4,239,089	10,173,872	33,951,807	48,364,768

Note: It includes estimated interest so that the disclosed amount does not correspond with relating accounts in the consolidated balance sheet. In addition, the cash flows is counted with ten years for the remaining period under the contract because the bond payable is perpetual.

(b) Derivative financial liabilities

		December 31, 2024				
		Contractual undiscounted cash flows				
		Under 3 months	3 ~ 12 months	1 ~ 5 years	Over 5 years	Total
Net-settled derivatives	(\$	14,620,329)	(\$ 10,627,091)	\$ -	\$ -	(\$ 25,247,420)
Gross-settled derivatives						
Cash inflow		298,807,332	661,844,630	-	-	960,651,962
Cash outflow	(	317,313,046)	(679,796,943)	-	-	(997,109,989)
		December 31, 2023				
		Contractual undiscounted cash flows				
		Under 3 months	3 ~ 12 months	1 ~ 5 years	Over 5 years	Total
Net-settled derivatives	(\$	529,329)	(\$ 245,927)	\$ -	\$ -	(\$ 775,256)
Gross-settled derivatives						
Cash inflow		78,404,938	279,600,580	-	-	358,005,518
Cash outflow	(	79,940,584)	(282,594,100)	-	-	(362,534,684)

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C. Market risk

The Consolidated Company's domestic and foreign investments are exposed to market risks, and potential losses resulting from market risks could be partly mitigated through foreign exchange hedge and investment diversification. The Consolidated Company continuously uses market risk management methods such as VaR and sensitivity analysis, along with implementation of risk limits and completely effective measurement and control over the market risk faced by the Consolidated Company to avoid potential losses to the Consolidated Company's assets arising from variations in the market prices of held financial instruments (e.g. market interest rates, exchange rates, stock price, and credit spread).

(a) Interest rate risk

Interest rate risk refers to the risk of changes in value of financial instruments as a result of variations in the market interest rates. Variations in the market interest rates will result in changes in the fair value and future cash flows of bond investments. An increase in market interest rates will cause the fair value of fixed rate bond investments to fall, and the cash flow of floating rate bond investments increase. For the years ended December 31, 2024 and 2023, the market prices of some fixed income assets had fluctuations that reflected the recent rise of market interest rates. However, the Consolidated Company mainly pursues steady and predictable long-term profits to maintain stable business and liquidity, and will continue to monitor the interest rate risk.

Sensitivity analysis of interest rate risk provided in the table below is performed for reasonably possible changes in interest rates with other conditions held constant, showing the impact on net income and other comprehensive income (pre-tax).

	December 31, 2024		
	Changes in variables	Effect on profit or loss	Effect on other comprehensive income
Financial assets at fair value through profit or loss (Note)	Increase 1%	\$ -	(\$ 7,196,054)
Financial assets at fair value through other comprehensive income	Increase 1%	-	(27,856,506)
	December 31, 2023		
	Changes in variables	Effect on profit or loss	Effect on other comprehensive income
Financial assets at fair value through profit or loss (Note)	Increase 1%	(\$ 26,185)	(\$ 7,429,637)
Financial assets at fair value through other comprehensive income	Increase 1%	-	(31,550,958)

Note: Including financial assets at fair value through profit or loss using overlay approach, the gain or loss are recognised in other comprehensive income.

If the variables adopted in the aforesaid sensitivity analysis of interest rate risk move in opposite direction, variations in profit/loss and other comprehensive income (pre-tax) will also move in reverse.

(b) Price risk

Price risk mainly arises from price volatility of equity instruments (stocks and equity fund) held by the Consolidated Company. However, the Consolidated Company dispersed the price risk through diversified investment portfolio.

Sensitivity analysis of price risk provided in the table below is performed for reasonably possible movement in price with other conditions held constant, showing the impact on net income and other comprehensive income (pre-tax).

Price risk	December 31, 2024	
	Effect on	Effect on other
	profit or loss	comprehensive income (Note)
A price increase by 10%	\$ 1,200,439	\$ 43,574,537
A price decrease by 10%	(1,200,439)	(43,574,537)

Price risk	December 31, 2023	
	Effect on	Effect on other
	profit or loss	comprehensive income (Note)
A price increase by 10%	\$ 1,186,188	\$ 39,587,325
A price decrease by 10%	(1,186,188)	(39,587,325)

Note: Including financial assets at fair value through profit or loss using overlay approach, the gain or loss are recognised in other comprehensive income.

(c) Exchange rate risk

I. Hedging Strategy and Risk Exposure

The Consolidated Company holds many foreign investments, which are denominated in various currencies and may suffer from losses when the fluctuations of exchange rates lead to changes in their fair values. Following the principles that life insurance companies should pursue long-term stable investment income and keeping the reserve for foreign exchange at suitable levels, the Consolidated Company tries to reduce the foreign exchange risk by adopting direct hedges, natural hedges, and other hedging tools compliant with the regulations; quarterly reviewing the currencies, profit or loss, and tenor allocation of the hedges; and dynamically adjusting the risk exposures and hedge ratios to the market conditions. Direct hedges are the direct hedging transactions of the foreign currencies versus USD or TWD, and the hedging tools the Consolidated Company currently uses include FX swap contracts, cross currency swaps, delivery forwards, and non-delivery forwards. On the other hand, natural hedges are to diversify the foreign exchange risks of the entire foreign investment positions by holding a variety of currency exposures, since the different trends among the exposed currencies may bring diversification effects to the Consolidated Company.

- II. Sensitivity analysis of foreign exchange risk provided in the table below is performed for reasonably possible changes in foreign exchange rates of monetary assets and liabilities with other conditions held constant, considering foreign exchange derivatives for hedge and excluding insurance contract denominated in foreign currencies, showing the impact on net income and other comprehensive income (changes in the fair value) (pre-tax).

	December 31, 2024	
	Effect on other	
	Effect on profit or loss	comprehensive income
All currency to TWD increase by 5%	\$ 40,913,539	(\$ 1,397,234)
All currency to TWD decrease by 5%	(40,913,539)	1,397,234
	December 31, 2023	
	Effect on other	
	Effect on profit or loss	comprehensive income
All currency to TWD increase by 5%	\$ 26,899,111	(\$ 991,851)
All currency to TWD decrease by 5%	(26,899,111)	991,851

D. Climate - related risks

The Consolidated Company has established a Task Force on Climate-related Financial Disclosures (TCFD) working group, which annually identifies climate-related risks and opportunities. For risks with higher materiality, the group assesses their potential impact on business and finance, devises relevant adaptation or mitigation measures, and integrates climate-related risks into the existing risk management framework. This is done by following the three lines of defense in internal control to ensure that climate-related risks are adequately managed. Additionally, the Consolidated Company has set a climate risk appetite statement to effectively manage potential physical and transition risks in the future. Every year, through the execution of climate scenario analysis, the Consolidated Company measures and monitors the potential financial impacts and climate resilience associated with climate-related risks.

14. OBJECTIVE, POLICY AND PROCEDURE OF CAPITAL MANAGEMENT

The Consolidated Company's primary objectives when managing capital are to safeguard capital adequacy and solvency of the Consolidated Company in order to support the Consolidated Company's sustainable development and continuously create interests for shareholders.

Taiwan insurance enterprises usually measure whether the capital is adequate in accordance with the risk based capital ratio. Pursuant to Article 143-4 of Insurance Act, an insurance enterprise's ratio of self-owned capital to risk-based capital should not be lower than 200%. The Consolidated Company calculates the risk based capital ratio and net worth ratio once every six months to measure and assess the future capital adequacy in accordance with "Regulations Governing Capital Adequacy of Insurance Companies" and other competent authority to ensure that it can continuously meet the statutory capital requirement and medium and long-term operations.

Risk based capital ratio is calculated as self-owned capital divided by risk-based capital. Self-owned capital is the total capital approved by the competent authority, which includes recognised owners' equity and other adjustment items as regulated by the competent authority; risk-based capital is the total capital calculated based on the extent of risk that an insurance enterprise assumes in its actual operations. Net worth ratio is calculated as equity divided by total assets excluding assets on insurance product - separated account. According to "Regulations Governing Capital Adequacy of Insurance Companies", the Consolidated Company's life insurance business and property insurance business latest two capital adequacy ratios were both above 200%, and the latest two net worth ratios were both above 3%, which met the statutory capital requirement.

15. OTHERS

(1) Assets and liabilities recoverable or payable within 12 months or more than 12 months:

Assets	December 31, 2024		
	Book value	Within 12 months	More than 12 months
Cash and cash equivalents	\$ 96,121,054	\$ 96,121,054	\$ -
Receivables	43,700,329	43,700,329	-
Current tax assets	5,948,301	597,570	5,350,731
Financial assets at fair value through profit or loss	1,005,321,996	956,587,549	48,734,447
Financial assets at fair value through other comprehensive income	256,205,859	4,266,564	251,939,295
Financial assets at amortised cost	3,478,427,586	3,209,787	3,475,217,799
Investments accounted for using equity method	3,072,425	-	3,072,425
Investment property	213,702,898	-	213,702,898
Loans	110,183,510	-	110,183,510
Reinsurance contract assets	3,391,495	3,212,914	178,581
Property and equipment	18,288,829	-	18,288,829
Right-of-use assets	1,507,446	65,565	1,441,881
Intangible assets	12,536,504	-	12,536,504
Deferred tax assets	90,612,695	-	90,612,695
Other assets	60,248,952	5,531,855	54,717,097
Liabilities			
Short-term debts	\$ 2,822,375	\$ 2,822,375	\$ -
Payables	15,582,275	15,582,275	-
Current tax liabilities	925,404	188,271	737,133
Financial liabilities at fair value through profit or loss	61,317,453	61,317,453	-
Bonds payable	87,278,676	-	87,278,676
Insurance contract liabilities	4,734,577,912	45,887,041	4,688,690,871
Reserve for insurance with nature of financial instruments	1,273,246	-	1,273,246
Reserve for foreign exchange valuation	23,273,154	-	23,273,154
Provisions	3,735,838	-	3,735,838
Lease liabilities	29,642,528	4,309,111	25,333,417
Deferred tax liabilities	52,533,164	-	52,533,164
Other liabilities	30,049,068	1,713,384	28,335,684

Assets	December 31, 2023		
	Book value	Within 12 months	More than 12 months
Cash and cash equivalents	\$ 71,836,768	\$ 71,836,768	\$ -
Receivables	45,444,582	45,444,582	-
Current tax assets	4,116,889	597,570	3,519,319
Financial assets at fair value through profit or loss	1,008,081,692	954,836,359	53,245,333
Financial assets at fair value through other comprehensive income	269,736,858	270,329	269,466,529
Financial assets at amortised cost	3,325,116,318	27,445,246	3,297,671,072
Investments accounted for using equity method	2,816,281	-	2,816,281
Investment property	218,889,784	-	218,889,784
Loans	110,143,889	-	110,143,889
Reinsurance contract assets	4,012,032	3,793,561	218,471
Property and equipment	16,850,912	-	16,850,912
Right-of-use assets	827,036	52,980	774,056
Intangible assets	13,713,264	-	13,713,264
Deferred tax assets	62,221,574	-	62,221,574
Other assets	24,426,969	607,916	23,819,053
Liabilities			
Short-term debts	\$ 5,738,950	\$ 5,738,950	\$ -
Payables	14,256,570	14,256,570	-
Current tax liabilities	3,048,691	2,061,212	987,479
Financial liabilities at fair value through profit or loss	5,287,505	5,287,505	-
Bonds payable	53,500,000	-	53,500,000
Insurance contract liabilities	4,627,810,413	41,690,674	4,586,119,739
Reserve for insurance with nature of financial instruments	956,348	-	956,348
Reserve for foreign exchange valuation	8,675,002	-	8,675,002
Provisions	3,840,130	-	3,840,130
Lease liabilities	32,921,416	4,246,583	28,674,833
Deferred tax liabilities	29,104,400	-	29,104,400
Other liabilities	49,217,261	23,355,071	25,862,190

- (2) The Consolidated Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations are as follows:

December 31, 2024				
		Foreign Currency Amount		
Assets	(thousand)	Exchange Rate	New Taiwan Dollars	
US Dollars	\$ 121,921,288	32.78	\$	3,996,692,399
Others (Note)				87,482,827
		Foreign Currency Amount		
Liabilities	(thousand)	Exchange Rate	New Taiwan Dollars	
US Dollars	\$ 34,529,955	32.78	\$	1,131,902,583
Others (Note)				6,430,436
December 31, 2023				
		Foreign Currency Amount		
Assets	(thousand)	Exchange Rate	New Taiwan Dollars	
US Dollars	\$ 122,494,134	30.74	\$	3,764,859,637
Others (Note)				106,927,579
		Foreign Currency Amount		
Liabilities	(thousand)	Exchange Rate	New Taiwan Dollars	
US Dollars	\$ 36,010,657	30.74	\$	1,106,784,976
Others (Note)				7,557,195

Note : The combined amount is disclosed, since the New Taiwan Dollars were under 10% of each account.

(3) Net worth ratio

As of December 31, 2024 and 2023, the net worth ratio of the Company was calculated by its equity divided by the total assets, excluding assets on insurance products - separate account, which equalled 6.64% and 6.66%, respectively. As of December 31, 2024 and 2023, the net worth ratio of the Consolidated Company's property insurance business was calculated by its equity divided by total assets, which equalled 27.78% and 27.51%, respectively.

(4) Retention limit

The Consolidated Company's property insurance business which's retention limit per unit of risk for each kind of insurance:

Item	Unit: Thousand			
	December 31, 2024		December 31, 2023	
One-year residential fire insurance	NT\$	150,000	NT\$	150,000
One-year commercial fire insurance	NT\$	425,000	NT\$	250,000
Long-term commercial fire insurance	NT\$	150,000	NT\$	150,000
In-land transportation insurance	US\$	3,000	US\$	3,000
Cargo transportation insurance	US\$	7,000	US\$	7,000
General self-owned automobile property insurance	NT\$	100,000	NT\$	100,000
General commercial automobile property insurance	NT\$	100,000	NT\$	100,000
General self-owned automobile liability insurance	NT\$	100,000	NT\$	100,000
General commercial automobile liability insurance	NT\$	100,000	NT\$	100,000
Compulsory self-owned automobile liability insurance	NT\$	1,000	NT\$	1,000
Compulsory commercial automobile liability insurance	NT\$	1,000	NT\$	1,000
Compulsory motorcycle liability insurance	NT\$	1,000	NT\$	1,000
General liability insurance	NT\$	300,000	NT\$	180,000
Professional liability insurance	NT\$	300,000	NT\$	180,000
Engineering insurance	NT\$	425,000	NT\$	250,000
Guarantee insurance	NT\$	200,000	NT\$	30,000
Miscellaneous property insurance	NT\$	150,000	NT\$	150,000
Personal accident insurance	NT\$	40,000	NT\$	40,000
Commercial earthquake insurance	NT\$	425,000	NT\$	250,000
Individual all-risk insurance	NT\$	120,000	NT\$	120,000
Commercial all-risk insurance	NT\$	150,000	NT\$	150,000
Typhoon and flood insurance	NT\$	425,000	NT\$	250,000
Health Insurance	NT\$	30,000	NT\$	30,000
Compulsory mini electric two-wheel vehicle liability insurance	NT\$	1,000	NT\$	1,000

(5) Information of compulsory automobile liability insurance specific asset segmentation, assets and liabilities and income and cost:

A. The Consolidated Company's property insurance business maintains separate accounts for its compulsory automobile liability insurance (the “insurance”) in accordance with the Compulsory Automobile Liability Insurance Act, recording the insurance business and financial condition. As of December 31, 2024 and 2023, the insurance assets and liabilities of the Consolidated Company are as follows:

Item	December 31, 2024	December 31, 2023
Assets		
Cash and cash equivalents	\$ 1,068,827	\$ 997,848
Notes receivable	368	479
Premiums receivable	3,449	2,758
Claims recoverable from reinsurers	39,526	43,462
Other receivables	-	292
Financial assets at fair value through other comprehensive income	1,979,429	1,931,840
Ceded unearned premium reserve	207,274	198,785
Ceded claim reserve	265,628	228,304
Temporary payments and suspense accounts	2,670	2,298
Total Assets	\$ 3,567,171	\$ 3,406,066
Liabilities		
Claims and policy benefits payable	\$ 1,214	\$ -
Reinsurance payable	14,697	18,579
Unearned premium reserve	505,051	482,687
Claims reserve	657,390	583,279
Special reserve	2,386,228	2,319,420
Temporary payments and suspense accounts	1,565	512
Other liabilities	1,026	1,589
Total liabilities	\$ 3,567,171	\$ 3,406,066

- B. For the years ended December 31, 2024 and 2023, the information on the Consolidated Company's property insurance income and cost is as follows:

Item	2024	2023
Operating income		
Net premium income	\$ 551,130	\$ 523,620
Reinsurance premium income	265,259	251,352
Premium income	816,389	774,972
Less: Reinsurance premiums ceded	(330,541)	(314,039)
Net changes of unearned premium reserve	(13,875)	(9,215)
Retention earned premium income	471,973	451,718
Interest income	38,711	34,969
	<u>\$ 510,684</u>	<u>\$ 486,687</u>
Operating cost		
Claims payments	\$ 481,140	\$ 489,081
Reinsurance claims	232,855	229,567
Less: Claim recovered from reinsurers	(284,986)	(287,021)
Net claims paid	429,009	431,627
Net changes of claim reserve	36,786	24,680
Net changes of special reserve (Note)	66,808	54,615
	<u>\$ 532,603</u>	<u>\$ 510,922</u>

Note: Including the special reserve provisioned from insurer's business expenses, please refer to Note 6(22)B(b)III(iii) for details.

(6) Unqualified reinsurance reserve

- A. Summary of unqualified reinsurance contracts are set forth as follows:

The Consolidated Company's property insurance business entered into contracts with insurance companies listed below and the scope of reinsurance is the same as the Company's insurance contracts.

Insurance company	Item
Asia Capital Reinsurance Group Pte. Ltd. HK Branch	Engineering Insurance

- B. Among the Consolidated Company's property insurance business' inforce policies as of December 31, 2024 and 2023, reinsurance expenses of unqualified ceding reinsurance amounted to \$44 and \$38, respectively.
- C. The Consolidated Company's property insurance business' unqualified reinsurance reserve and its details are as follows :

	December 31, 2024	December 31, 2023
Ceded unearned premium reserve	\$ 10	\$ -
Claims recoverable from reinsurers	22	19
Ceded reported but not paid claims reserve	157	168
	<u>\$ 189</u>	<u>\$ 187</u>

(7) The effects of Russian-Ukrainian conflict

Due to the Russian-Ukrainian conflict which started on February 24, 2022, countries worldwide adopted many economic and financial sanctions on Russia, resulting in an increase in the risk of default on sovereign debts and interest of Russia, and the credit rating was significantly decreased and cancelled by international credit rating agencies. The Consolidated Company has recognised expected credit loss on the credit impaired Russian debt instruments (recognised as financial assets at fair value through other comprehensive income, financial assets at amortised cost and receivables).

(8) Reclassification of financial assets

A. Due to the disruption in supply chains caused by the global pandemic and the Russian-Ukrainian conflict in 2022, the global inflationary pressures have increased and further pushed a rise in interest rates. The increasing level in interest rates has already met the extreme case defined by Insurance Capital Standard (ICS), therefore, the Company has decided to change its business model and applied an asset reclassification to its bond exposure from financial assets at fair value through other comprehensive income to financial assets at amortised cost in the Company's accounting records as resolved by the Board of Directors in September 29, 2022. The aforementioned asset reclassification also met the situations regulated under Accounting Research and Development Foundation Ji-Mi Letter No. 0000000354. Starting October 1, 2022, as a result of the change in business model and asset reclassification to its bond exposure, "Financial Assets at Fair Value through Other Comprehensive Income" decreased by \$994,190,037, "Financial Assets at Amortised Cost" assets increased by \$1,400,576,887, deferred tax asset decreased by \$79,886,702, and other equity interest increased by \$326,500,148. The financial status information around the reclassification date is summarised as follows:

	September 30, 2022		October 1, 2022
	Before adjustment	Adjustment	After adjustment
Total consolidated assets	\$ 5,099,975,022	\$ 326,500,148	\$ 5,426,475,170
Total consolidated liabilities	5,140,821,664	-	5,140,821,664
Total consolidated equity	(40,846,642)	326,500,148	285,653,506
Net worth ratios	-0.83%	6.30%	5.47%

B. Subsequently, according to Jin-Guan-Bao-Tsai Letter No. 11104942741, when the Consolidated Company distributes earnings, the changes in the fair value from reclassified financial assets should be accounted into the debit balance on other equity interest which is according to Jin-Guan-Bao-Tsai Letter No. 11004920441, while the special reserve is provisioned according to the amount incurred in the current year. Subsequently when the changes (including disposals) in the fair value from reclassified financial assets cause the amount of the debit balance on other equity interest to reverse, the reversed amount could be included in the distributable earnings. For the years ended December 31, 2024 and 2023, changes in the fair value from reclassified financial assets were loss of \$88,343,471 and gain of \$34,238,192, respectively, which was accounted into the net of debit balance on other equity interest and provisioned or reversed special reserve. Please refer to Note 6(28).

16. SUPPLEMENTARY DISCLOSURES

(1) Information of significant transactions

A. Acquisition of real estate reaching \$100,000 or in excess of 20% of the Consolidated Company's capital:

Company who acquired properties	Real Estate Required	Date of the Event	Transaction Amount	Collection of payments	Counterparty	Relationship with the Counterparty	Basis or Reference Used in Setting the Price	Reason for acquisition of real estate and status of the real estate	Other Agreement
The Company	Land: No.97, Sanmin Section, Taoyuan District, Taoyuan City Building number to be confirmed after construction is completed.(Note 1)	April 18, 2024 (Note 2)	\$ 1,170,000	Payment based on the contract terms	He Huei Real Estate Development Co., Ltd.	Nil	Appraisal report of property appraiser	Acquisition of property	None
The Company	Land: No.86, Xinjing Section, Xinshi District, Tainan City Building: No. 5, Kanxi Rd., Xinshi Dist., Tainan City	April 18, 2024 (Note 2)	\$ 1,188,000	Payment based on the contract terms	Rinchem Logistics Taiwan Co., Ltd.	Nil	Appraisal report of property appraiser	Property investment and stable long-term rental income in accordance with Insurance Act	None

Note 1: This case involves pre-sale housing, and the Consolidated Company has paid 25% of the construction costs according to the contract.

Note 2: Date of event refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

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B. Disposal of real estate reaching \$100,000 or in excess of 20% of the Consolidated Company's capital:

Company who disposed properties	Real Estate Disposals	Date of the Event	Original acquisition date	Book Amount	Transaction Amount	Collection of proceeds	Gain or Loss on disposals (Note 4)	Counterparty	Relationship with the Counterparty	Reason for disposals of real estate	Basis or Reference Used in Setting the Price	Other Agreement
The Company	Land: No.220, Xincheng Section, Anle District, Keelung City, total 61 deals Building: No. 15, Anhe 2nd Street, Anle District, Keelung City	January 11, 2024 (Note 1)	February 4, 2015	\$ 1,292,571	\$1,300,000 (Note 2)	Receipts based on the contract terms	(\$ 17,052)	Guomeng Development Co., Ltd.	Nil	Increase in investment in accordance with Insurance Act	Appraisal report of property appraiser	None
The Company	Land: No.196 and No.196-1, 5th Subsection, Wende Section, Neihu District, Taipei City Building: No. 68 and No. 70, Ruiguang Rd., Neihu Dist., Taipei City	January 25, 2024 (Note 1)	February 26, 2007 December 26, 2016	\$ 4,271,516	\$4,788,880 (Note 3)	Receipts based on the contract terms	\$ 401,859	Delta Electronics, Inc.	Nil	Increase in investment in accordance with Insurance Act	Appraisal report of property appraiser	None

Note 1: Date of event refers to the date of contract signing, date of receivable, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

Note 2: The transaction amount is the total contract price, including business tax which was amounted to \$7,429.

Note 3: The transaction amount is the total contract price, including business tax which was amounted to \$70,954.

Note 4: Including transaction costs.

C. Related party transactions of main business activities reaching \$100,000 or in excess of 20% of the Consolidated Company's capital:
Please refer to Note 7.

D. Accounts receivable from related parties reaching \$100,000 or in excess of 20% of the Consolidated Company's capital: None.

E. Derivative business transactions: Please refer to Notes 6(3), (20) and 12.

F. Business relationship and significant transactions between parent company and subsidiaries: None.

(2) Information on investees

A. Investees:

Investor company	Investee company	Area	Main operation	Initial investment amount		Held by the end of period			Profit in this period of investee company	Recognised profit on investment in this period	Remarks
				End of this period	End of last year	Number of shares (In thousands)	Ratio	Carrying amount			
The Company	Nan Shan General Insurance Co., Ltd.	R.O.C	Property insurance	\$6,776,893	\$6,776,893	252,400	100%	\$ 6,406,584	\$ 532,609	\$ 528,593	Note 1 Note 2
The Company	Fuh Hwa Securities Investment Trust Co., Ltd.	R.O.C	Securities investment trust	2,763,845	2,763,845	18,426	30.71%	3,066,419	1,709,853	525,086	Note 3
The Company	Nan Shan Plaza Property Management Co., Ltd.	R.O.C	Apartment and building management service	3,000	3,000	3	30%	6,006	3,337	749	
The Company	Nanshan Life Pte. Ltd.	Singapore	Overseas financing and investing business	654,600	-	-	100%	603,815	(51,024)	(51,041)	Note 1 Note 4

Note 1: It has been written when preparing the consolidated financial statements.

Note 2: To improve financial structure and fulfil working capital, Nan Shan General Insurance Co., Ltd. implemented capital decrease to offset accumulated deficits and conducted the cash capital increase through private placement of common shares in the first half of 2023. The effective date for the capital increase was July 5, 2023. The Company fully subscribed for 150,000 thousand shares and made a payment of \$1,500,000 as resolved by the Board of Directors on May 11, 2023.

Note 3: On March 17, 2023, the Consolidated Company acquired a 30.71% equity interest of Fuh Hwa Securities Investment Trust Co. Ltd. Information relating to investments accounted for using equity method is provided in Note 6(6).

Note 4: In accordance with the resolution of the Board of Directors on May 30, 2024, the Consolidated Company established a 100% owned special purpose overseas financing entity, Nanshan Life Pte. Ltd., in Singapore. This entity is dedicated to issuing bonds with capital characteristics and managing the associated funds, and the establishment was completed after permitted by Jin-Guan-Bao-Sho Letter No. 1130140191 of FSC dated July 2, 2024 and the Singapore regulatory authorities on July 26, 2024. The initial capital investment amounted to US\$20,000 thousand.

B. Provision of endorsements and guarantees to others:

Number (Note 1)	Endorser/ guarantor	Company name	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount	Outstanding endorsement/ guarantee amount	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
			Relationship with the endorser/ guarantor (Note 2)	Relationship with the endorser/ guarantor (Note 2)											
0	Nan Shan Life Insurance Company	Nanshan Life Pte. Ltd.	4		\$ 22,946,700	\$ 22,946,700	\$ 22,946,700	\$ 22,946,700	\$ -	6.44%	\$ 22,946,700	Y	N	N	Note 3

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1)Having business relationship.

(2)The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3)The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4)The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7)Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: In accordance with the provisions of Article 3 of the 'Directions for Issuance of Bonds with Capital Characteristics by Insurance Companies', the Company provides guarantees for bonds with capital characteristics issued by Nanshan Life Pte. Ltd.

(3) Information on investments in Mainland China

None.

17. SEGMENT INFORMATION

(1) General information

The Consolidated Company's management has determined the reportable operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

There is no material change in the basis for formation of entities and division of segments in the Consolidated Company or in the measurement basis for segment information during this period.

(2) Segment and geographical information

	2024				
	Life insurance	Property insurance	Overseas financing and investing business	Adjustment and write-off (Note)	Total
Premium revenue	\$ 251,589,831	\$ 9,902,799	\$ -	(\$ 109,520)	\$ 261,383,110
Segment profit	\$ 42,455,945	\$ 531,259	(\$ 51,024)	(\$ 480,235)	\$ 42,455,945
Segment's total assets	\$5,587,765,729	\$ 18,367,658	\$ 23,752,967	(\$ 6,295,959)	\$5,623,590,395
Segment's total liabilities	\$5,231,506,943	\$ 12,698,368	\$ 23,149,133	(\$ 22,835)	\$5,267,331,609
	2023				
	Life insurance	Property insurance	Overseas financing and investing business	Adjustment and write-off (Note)	Total
Premium revenue	\$ 255,226,826	\$ 8,313,201	\$ -	(\$ 90,048)	\$ 263,449,979
Segment profit	\$ 22,109,624	\$ 273,781	\$ -	(\$ 273,781)	\$ 22,109,624
Segment's total assets	\$5,374,983,809	\$ 16,633,300	\$ -	(\$ 5,170,469)	\$5,386,446,640
Segment's total liabilities	\$5,031,105,647	\$ 11,487,547	\$ -	(\$ 24,716)	\$5,042,568,478

Note: Adjustment and write-off are mainly adjustments in line with the journal entry for consolidation purpose.

(3) Major customer information

There is no requirement for additional disclosure since no significant customer accounted for 10% or more of the Consolidated Company's operating revenues.

INDEPENDENT AUDITORS' REPORT

PWCR23000397

To Nan Shan Life Insurance Company, Limited

Opinion

We have audited the accompanying consolidated balance sheets of Nan Shan Life Insurance Co., Ltd. and its subsidiary (the "Consolidated Company") as at December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Consolidated Company as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Institutions and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Consolidated Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Company's 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Consolidated Company's 2023 consolidated financial statements are stated as follows:

Insurance contract liabilities-policy reserves**Description**

For the accounting policy for policy reserves, please refer to Note 4 of the consolidated financial statements; for details on insurance contract liabilities, please refer to Note 6(22) of the consolidated financial statements.

Policy reserves for long-term insurance contracts are provisioned in accordance with related insurance regulations and the insurance product statements of each product; the discount rate is the policy reserve specified interest rate. Nan Shan Life Insurance Co., Ltd.'s policy reserves as at December 31, 2023, accounts for 91% of total liabilities. Considering that the accuracy of policy reserve calculation results is material with respect to the financial statements, we have thus included policy reserves as one of the key audit matters in our audit in 2023.

How our audit addressed the matter

The procedures that we have conducted in response to specific aspects of the above-mentioned key audit matter are summarised as follows:

1. Obtained an understanding and assessed the related policies, internal controls, and processing procedures for the calculation of Nan Shan Life Insurance Co., Ltd.'s policy reserves.
2. On a sample basis, tested the effectiveness of internal controls for the calculation of policy reserves. This included the following procedures:
 - (1) Examined authorisation documents for the configuration of new products in order to confirm the accuracy of configurations for new products done by the actuarial system.

- (2) Inspected the number of effective policies in the policy system and the actuarial system in order to confirm the completeness of policy reserve calculations.
 - (3) Examined the consistency between policy information and information in the policy system in order to confirm the accuracy of policy information for calculating policy reserves.
3. We used the work of actuarial specialists to assist us in comparing the provision method and assessing the reasonableness of policy reserves at balance sheet date. This included the following procedures:
- (1) On a sample basis, tested representative new products in the current period in order to confirm that Nan Shan Life Insurance Co., Ltd.'s method and results of provisioning reserves were consistent with those of the insurance product statement.
 - (2) Performed trend analysis (excluding new products, universal life insurance, and variable interest annuities) and roll analysis in order to assess the reasonableness of the policy reserves at balance sheet date.

Adequacy of insurance contract liabilities

Description

For the accounting policy regarding the adequacy of insurance contract liabilities, please refer to Note 4 of the consolidated financial statements; for the critical accounting estimates and assumptions, please refer to Note 5 of the consolidated financial statements.

Nan Shan Life Insurance Co., Ltd.'s insurance contract liabilities as at December 31, 2023, accounts for 92% of total liabilities. In accordance with IFRS 4, 'Insurance Contracts', insurance contracts should be tested for liability adequacy at every balance sheet date in order to reflect Nan Shan Life Insurance Co., Ltd.'s current estimates of future cash flows; of which, various assumptions such as discount rate (i.e. rate of investment return), mortality rate, morbidity rate, lapse rate, and expense rate involve human subjective judgement. Considering that there will be a material impact on the financial statements if insurance liabilities are not adequate, we have thus included the adequacy of insurance liabilities as one of the key audit matters in our audit in 2023.

How our audit addressed the matter

The procedures that we have conducted in response to specific aspects of the above-mentioned key audit matter are summarised as follows:

We used the work of actuarial specialists to assist us in assessing the reasonableness of elected methods and various assumptions. This included the following procedures:

1. Compared whether there were significant differences between the current period and the previous period for major assumptions other than the discount rate (such as the mortality rate, morbidity rate, lapse rate, and expense rate). If there were significant differences, then related documents and explanations with regard to Nan Shan Life Insurance Co., Ltd.'s actuary assumptions were obtained. Current period assumptions were compared to actual experiences in order to examine the reasonableness of each assumption.
2. Referenced current market interest rate information to assess the reasonableness of the elected discount rate for future cash flows from insurance contracts.
3. Confirmed the accuracy of the cash flow model through independent sample testing.
4. Recalculated the current estimates of future cash flows using the overall cash flows and discount rate assumptions provided by Nan Shan Life Insurance Co., Ltd.
5. Compared the carrying amounts of insurance liabilities to the current estimates of future cash flows from insurance contracts.

Accuracy and completeness of the assets and liabilities on insurance products - separate account

Description

For the accounting policy regarding the assets and liabilities on insurance products - separate account, please refer to Note 4 of the consolidated financial statements; for details on assets and liabilities on insurance products - separate account, please refer to Note 6(17) of the consolidated financial statements.

Nan Shan Life Insurance Co. Ltd. sells investment-linked insurance products in accordance with "Insurance Act" and "Regulations Governing Investment of Investment-linked Insurance". Premiums paid by policyholders, net of all expenses incurred, are distributed to a separate account in accordance with the agreed or designated investment distribution methods by the policyholders. In accordance with the "Regulations Governing the Preparation of Financial Reports by Insurance Institutions", the assets and liabilities

of the separate account are classified as assets and liabilities on insurance products - separate account. As described in the Note 6(17) of consolidated financial statements, Nan Shan Life Insurance Co. Ltd. has established relevant control mechanisms and continued to improve the investment-linked insurance product information system. Also, investment-linked insurance products involved various transaction types, insurance policies and the transference of data between different systems. Considerable audit resources were needed in order to verify the accuracy and the completeness of data transference between investment-linked insurance product system and the rights of the insured has been adequately reflected in the balance sheets. Thus, we consider the accuracy and completeness of the assets and liabilities on insurance products - separate account as one of the key audit matters in our audit in 2023.

How our audit addressed the matter

The procedures that we have conducted in response to specific aspects of the above-mentioned key audit matter are summarised as follows:

1. Understood and assessed related policies, internal control system, and processing procedures of investment-linked products of Nan Shan Life Insurance Co. Ltd. and selected samples to check the main transaction cycle and the supporting documents of control mechanism.
2. We verified procedures on the components of assets and liabilities on insurance products - separate accounts, including:
 - (1) Performed confirmation procedures on bank deposits and financial assets at fair value through profit or loss and verified records and relevant reconciliation statements.
 - (2) Obtained valuation report of financial assets at fair value through profit or loss and selected samples to test the accuracy of fair value.
 - (3) Obtained trial balance of other receivables and other payables, checked the nature and classification and selected samples to test relevant supporting documents.
 - (4) For the account value of separate account, we checked the consistency of total value of policies of policy system and selected samples to test the account value, which transactions were purchased but not completed.

Other matter – Parent company only financial statements

We have audited and expressed an unqualified opinion on the parent company only financial statements of Nan Shan Life Insurance Co., Ltd. as at and for the years ended December 31, 2023 and 2022.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Institutions and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Consolidated Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Consolidated Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Consolidated Company's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the

economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgement and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Consolidated Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Company to express an opinion on the consolidated financial statements. We are responsible for the direction,

supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chen, Hsien-I

Chen, Hsien-I

Shih, Ming-Chih

Shih, Ming-Chih

For and on behalf of PricewaterhouseCoopers, Taiwan

March 7, 2024

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

ASSETS	Notes	December 31, 2023		December 31, 2022	
		AMOUNT	%	AMOUNT	%
Cash and cash equivalents	6(1)(9)	\$ 71,836,768	1	\$ 98,163,350	2
Receivables	6(2) and 12(3)	45,444,582	1	56,384,806	1
Current tax assets		4,116,889	-	1,042,474	-
Financial assets at fair value through profit or loss	6(3)(9)	1,008,081,692	19	931,841,974	18
Financial assets at fair value through other comprehensive income	6(4) and 12(3)	269,736,858	5	235,055,420	4
Financial assets at amortised cost	6(5) and 12(3)	3,325,116,318	62	3,311,180,763	63
Investments accounted for using equity method	6(6) and 15(2)	2,816,281	-	5,591	-
Investment property	6(10)	218,889,784	4	198,615,377	4
Loans	6(11) and 12(3)	110,143,889	2	113,923,449	2
Reinsurance contract assets	6(22)	4,012,032	-	4,410,141	-
Property and equipment	6(12)	16,850,912	-	16,809,216	-
Right-of-use assets	6(13)	827,036	-	908,186	-
Intangible assets	6(15)	13,713,264	-	14,521,664	-
Deferred tax assets	6(29)	62,221,574	1	63,128,990	1
Other assets	6(16)	24,426,969	1	36,898,743	1
Assets on insurance products-separate account	6(17)	208,211,792	4	193,020,883	4
TOTAL ASSETS		<u>\$ 5,386,446,640</u>	<u>100</u>	<u>\$ 5,275,911,027</u>	<u>100</u>

(Continued)

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2023		December 31, 2022	
		AMOUNT	%	AMOUNT	%
Short-term debts	6(8)(9)(18)	\$ 5,738,950	-	\$ 12,992,000	-
Payables	6(19)	14,256,570	-	25,072,333	1
Current tax liabilities		3,048,691	-	892,165	-
Financial liabilities at fair value through profit or loss	6(3)(9)(20)	5,287,505	-	16,085,125	-
Bonds payable	6(21)	53,500,000	1	42,000,000	1
Insurance contract liabilities	6(22)	4,627,810,413	86	4,585,938,400	87
Reserve for insurance with nature of financial instruments	6(23)	956,348	-	642,763	-
Reserve for foreign exchange valuation	6(24)	8,675,002	-	42,592,110	1
Provisions	6(25)	3,840,130	-	3,315,273	-
Lease liabilities	6(13)	32,921,416	1	19,498,235	-
Deferred tax liabilities	6(29)	29,104,400	1	23,886,131	-
Other liabilities	6(27)	49,217,261	1	28,399,360	1
Liabilities on insurance products-separate account	6(17)	208,211,792	4	193,020,883	4
Total Liabilities		<u>5,042,568,478</u>	<u>94</u>	<u>4,994,334,778</u>	<u>95</u>
Capital					
Common stock		138,219,000	3	138,219,000	2
Capital surplus		9,187,500	-	9,187,500	-
Retained Earnings					
Legal reserve		45,092,928	1	38,585,413	1
Special reserve		210,506,837	4	180,792,687	3
Undistributed earnings		21,130,000	-	35,719,640	1
Other equity interest		(80,258,103)	(2)	(120,927,991)	(2)
Total Equity	6(28)	<u>343,878,162</u>	<u>6</u>	<u>281,576,249</u>	<u>5</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 5,386,446,640</u>	<u>100</u>	<u>\$ 5,275,911,027</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

Items	Notes	Year ended December 31				Changes Percentage
		2023		2022		
		AMOUNT	%	AMOUNT	%	(%)
Operating Revenues						
Premium income from written policy		\$ 263,161,200	56	\$ 282,939,746	59	(7)
Reinsurance premium income		288,779	-	293,935	-	(2)
Premium Income		263,449,979	56	283,233,681	59	(7)
Less : Reinsurance premium ceded		(6,581,703)	(1)	(6,504,266)	(2)	1
Net change in unearned premium reserve	6(22)	(1,320,407)	-	(1,082,191)	-	22
Retention Earned Premium Income	6(31)	255,547,869	55	275,647,224	57	(7)
Reinsurance commission income		2,084,578	1	2,060,868	1	1
Fee income	6(17)	2,125,828	-	2,036,003	-	4
Net Investment Income (Loss)						
Interest income	6(33)	139,153,720	30	127,827,387	27	9
Gain (loss) on financial assets and liabilities at fair value through profit or loss	6(3)	50,947,911	11	(319,735,977)	(67)	(116)
Realised (loss) gain on financial assets at fair value through other comprehensive income	6(4)	(407,851)	-	1,162,220	-	(135)
Gain from derecognition of financial assets at amortised cost	6(5)	506,501	-	1,624,785	-	(69)
Share of gain of associates and joint ventures accounted for using equity method	6(6) and 15(2)	268,093	-	2,215	-	12004
Foreign exchange gain		1,765,362	-	230,985,353	48	(99)
Net change in reserve for foreign exchange valuation	6(24)	33,917,108	7	(35,199,424)	(7)	(196)
Gain on investment property	6(10)	1,755,524	-	2,082,280	-	(16)
Expected credit (loss) reversal on investment (Loss) gain on reclassification using overlay approach	6(34)	(1,361,599)	-	(6,637,129)	(1)	(79)
	6(3)	(44,834,450)	(9)	193,621,762	41	(123)
Subtotal		181,710,319	39	195,733,472	41	(7)
Other operating revenues		242,724	-	146,494	-	66
Revenue on insurance products-separate account	6(17)	25,913,951	5	3,136,553	1	726
Total Operating Revenues		467,625,269	100	478,760,614	100	(2)

(Continued)

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

		Year ended December 31				Changes
		2023		2022		Percentage
Items	Notes	AMOUNT	%	AMOUNT	%	(%)
Operating Costs						
Claims and policy benefits payments		(\$ 344,392,412)	(74)	(\$ 330,553,698)	(69)	4
Less : Claims recovered from reinsurers		3,250,927	1	2,998,741	1	8
Retention Claims and Policy Benefits Payments	6(32)	(341,141,485)	(73)	(327,554,957)	(68)	4
Net change in other insurance contract liabilities	6(22)	(34,952,318)	(8)	(66,905,641)	(14)	(48)
Net change in reserve for insurance with nature of financial instruments	6(23)	(313,845)	-	(134,195)	-	134
Underwriting expenses		(25,270)	-	(14,482)	-	74
Commission expenses		(16,144,374)	(3)	(17,510,903)	(4)	(8)
Other operating costs		(343,034)	-	(552,163)	-	(38)
Finance costs	6(35)	(1,915,674)	-	(1,529,752)	-	25
Expenses on insurance products-separate account	6(17)	(25,913,951)	(6)	(3,136,553)	(1)	726
Total Operating Costs		(420,749,951)	(90)	(417,338,646)	(87)	1
Operating Expenses 6(36)						
General expenses		(10,534,100)	(2)	(10,111,573)	(2)	4
Administrative expenses		(11,984,316)	(3)	(11,422,035)	(3)	5
Employee training expenses		(22,934)	-	(17,294)	-	33
Expected credit (loss) reversal on non-investment	6(34)	(17,496)	-	(5,846)	-	199
Total Operating Expenses		(22,558,846)	(5)	(21,556,748)	(5)	5
Operating Income		24,316,472	5	39,865,220	8	(39)
Non-Operating Income and Expenses		83,832	-	(2,892)	-	(2999)
Profit from Continuing Operations before Income Taxes						
		24,400,304	5	39,862,328	8	(39)
Income Tax Expense	6(29)	(2,290,680)	-	(8,308,691)	(2)	(72)
Net Income		<u>\$ 22,109,624</u>	<u>5</u>	<u>\$ 31,553,637</u>	<u>6</u>	<u>(30)</u>
Other Comprehensive Income						
Components of other comprehensive income that will not be reclassified to profit or loss						
Remeasurements of defined benefit plans	6(26)	(\$ 594,934)	-	\$ 1,278,466	-	(147)
Unrealised revaluation increments		80,453	-	-	-	-
Unrealised gain (loss) on equity instruments at fair value through other comprehensive income	6(4)	542,270	-	(692,496)	-	(178)
Share of other comprehensive income of associates and joint ventures accounted for using equity method - items that may not be reclassified to profit or loss	6(6)	(1,000)	-	-	-	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(29)	51,156	-	(180,510)	-	(128)
Components of other comprehensive income that will be reclassified to profit or loss						
Exchange differences on translation of foreign financial statements		1,040	-	13,700	-	(92)
Gain (loss) on debt instruments measured at fair value through other comprehensive income	6(4)	1,140,302	-	(110,151,637)	(23)	(101)
Other comprehensive gain (loss) on reclassification using overlay approach	6(3)	44,834,450	9	(193,621,762)	(40)	(123)
Share of other comprehensive income of associates and joint ventures accounted for using equity method - items that may be reclassified to profit or loss	6(6)	860	-	-	-	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(29)	(5,862,308)	(1)	48,001,836	10	(112)
Other Comprehensive Income (Loss), Net of Income Tax	6(28)	<u>40,192,289</u>	<u>8</u>	<u>(255,352,403)</u>	<u>(53)</u>	<u>(116)</u>
Total Comprehensive Income (Loss)		<u>\$ 62,301,913</u>	<u>13</u>	<u>(\$ 223,798,766)</u>	<u>(47)</u>	<u>(128)</u>
Earnings per Share						
Basic and Diluted	6(30)	\$ 1.60	\$ 2.28			

The accompanying notes are an integral part of these consolidated financial statements.

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent									
		Retained Earnings					Other equity interest				
Notes	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign financial statements	Unrealised gain or loss on financial assets at fair value through other comprehensive income	Unrealised revaluation increments	Other comprehensive gain or loss on reclassification using overlay approach	Total equity	
For the year ended December 31, 2022											
	\$ 138,219,000	\$ 9,187,500	\$ 26,593,210	\$ 142,760,508	\$ 59,352,445	(\$ 21,842)	\$ 65,804,183	\$ 147,155	\$ 69,478,856	\$ 511,521,015	
	-	-	-	-	31,553,637	-	-	-	-	31,553,637	
	-	-	-	-	1,022,772	13,700	(89,776,330)	-	(166,612,545)	(255,352,403)	
	-	-	-	-	32,576,409	13,700	(89,776,330)	-	(166,612,545)	(223,798,766)	
Distribution of 2021 earnings											
Legal reserve	-	-	11,992,203	-	(11,992,203)	-	-	-	-	-	
Special reserve	-	-	-	41,214,209	(41,214,209)	-	-	-	-	-	
Cash dividends	-	-	-	-	(6,146,000)	-	-	-	-	(6,146,000)	
Disposal of equity instruments at fair value through other comprehensive income	6(4)	-	-	-	(38,832)	-	38,832	-	-	-	
Provision for special reserve for catastrophe reserve and risk claim reserve	-	-	-	2,340,472	(2,340,472)	-	-	-	-	-	
Recovery of special reserve for catastrophe reserve and risk claim reserve	-	-	-	(5,643,548)	5,643,548	-	-	-	-	-	
Dividend offset reserve reclassified into special reserve	-	-	-	105,765	(105,765)	-	-	-	-	-	
Provision for special reserve for travel insurance	-	-	-	15,281	(15,281)	-	-	-	-	-	
Balance at December 31, 2022	6(28)	\$ 138,219,000	\$ 9,187,500	\$ 38,585,413	\$ 180,792,687	\$ 35,719,640	(\$ 8,142)	(\$ 23,933,315)	\$ 147,155	(\$ 97,133,689)	\$ 281,576,249

(Continued)

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent											
Retained Earnings						Other equity interest					
Notes	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign financial statements	Unrealised gain or loss on financial assets at fair value through other comprehensive income	Unrealised revaluation increments	Other comprehensive gain or loss on reclassification using overlay approach	Total equity	
For the year ended December 31, 2023											
Balance at January 1, 2023	\$ 138,219,000	\$ 9,187,500	\$ 38,585,413	\$ 180,792,687	\$ 35,719,640	(\$ 8,142)	(\$ 23,933,315)	\$ 147,155	(\$ 97,133,689)	\$ 281,576,249	
Net income for 2023	-	-	-	-	22,109,624	-	-	-	-	22,109,624	
Other comprehensive income (loss) for 2023	-	-	-	-	(477,419)	1,900	1,359,741	74,810	39,233,257	40,192,289	
Total comprehensive income	-	-	-	-	21,632,205	1,900	1,359,741	74,810	39,233,257	62,301,913	
Distribution of 2022 earnings											
Legal reserve	-	-	6,507,515	-	(6,507,515)	-	-	-	-	-	
Special reserve	-	-	-	29,212,125	(29,212,125)	-	-	-	-	-	
Disposal of equity instruments at fair value through other comprehensive income	6(4)	-	-	-	(180)	-	180	-	-	-	
Provision for special reserve for catastrophe reserve and risk claim reserve	-	-	-	2,507,330	(2,507,330)	-	-	-	-	-	
Recovery of special reserve for catastrophe reserve and risk claim reserve	-	-	-	(2,134,360)	2,134,360	-	-	-	-	-	
Dividend offset reserve reclassified into special reserve	-	-	-	111,669	(111,669)	-	-	-	-	-	
Provision for special reserve for travel insurance	-	-	-	17,386	(17,386)	-	-	-	-	-	
Balance at December 31, 2023	6(28)	\$ 138,219,000	\$ 9,187,500	\$ 45,092,928	\$ 210,506,837	\$ 21,130,000	(\$ 6,242)	(\$ 22,573,394)	\$ 221,965	(\$ 57,900,432)	\$ 343,878,162

The accompanying notes are an integral part of these consolidated financial statements.

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars)

	Year ended December 31	
	2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	\$ 24,400,304	\$ 39,862,328
Adjustments		
Adjustments to reconcile profit (loss)		
Expected credit loss (reversal) on investments	1,361,599	6,637,129
Expected credit loss (reversal) on non-investments	17,496	5,846
Loss (gain) on reclassification using overlay approach	44,834,450	(193,621,762)
Interest income	(139,153,720)	(127,827,387)
Dividend income	(31,588,710)	(32,859,195)
Finance costs	1,915,674	1,529,752
Depreciation and amortisation	2,292,471	2,096,998
(Gain) loss on financial assets and financial liabilities at fair value through profit or loss	(68,329,804)	191,925,952
Unrealised foreign exchange gain	(1,528,481)	(238,309,897)
Net change in insurance contract liabilities	36,272,725	67,987,832
Net change in reserve for insurance with nature of financial instruments	313,845	134,195
Net change in reserve for foreign exchange valuation	(33,917,108)	35,199,424
Fair value adjustment of investment property	1,384,956	1,112,872
Share of gain of associates and joint ventures accounted for using equity method	(268,093)	(2,215)
Others	3,917,916	4,369,185
Changes in operating assets and liabilities		
Changes in operating assets		
Decrease in receivables	11,070,437	7,491,013
(Increase) decrease in financial assets or liabilities at fair value through profit or loss	(18,656,081)	34,217,937
(Increase) decrease in financial assets at fair value through other comprehensive income	(17,626,169)	1,179,048
Decrease (increase) in financial assets at amortised cost	8,570,238	(17,460,543)
Increase in reinsurance contract assets	(18,523)	(363,001)
Increase in other assets	(550,515)	(7,344,628)
Changes in operating liabilities		
(Decrease) increase in short term debt	(7,133,734)	12,992,000
(Decrease) increase in payables	(8,222,568)	8,988,461
Decrease in provisions	(70,077)	(29,680)
Increase (decrease) in other liabilities	20,986,611	(1,071,208)
Cash outflow generated from operations	(169,724,861)	(203,159,544)
Interest received	111,087,670	103,610,706
Dividend received	31,665,378	32,621,536
Interest paid	(2,163,380)	(1,803,469)
Income tax refunded	256,213	1,000,772
Income tax paid	(2,806,982)	(7,420,044)
Net cash flows used in operating activities	(31,685,962)	(75,150,043)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Decrease in loans	3,510,041	3,941,907
Acquisition of investment property	(1,565,204)	(3,088,890)
Proceeds from disposal of investment property	-	42,580
Acquisition of property and equipment	(795,381)	(1,307,619)
Proceeds from disposal of property and equipment	47,910	-
Increase in intangible assets	(538,129)	(532,947)
Acquisition of investments accounted for using equity method	(2,763,845)	-
Net cash flows used in investing activities	(2,104,608)	(944,969)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from issuing bonds	11,500,000	-
Repayment of principal portion of lease liabilities	(3,953,902)	(669,354)
Dividend paid	-	(6,146,000)
Net cash flows from (used in) financing activities	7,546,098	(6,815,354)
Effects of exchange rate changes on cash and cash equivalents	(82,110)	3,506,986
Net decrease in cash and cash equivalents	(26,326,582)	(79,403,380)
Cash and cash equivalents at beginning of year	98,163,350	177,566,730
Cash and cash equivalents at end of year	\$ 71,836,768	\$ 98,163,350

The accompanying notes are an integral part of these consolidated financial statements.

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise stated)

1. HISTORY AND BUSINESS ACTIVITY

Nan Shan Life Insurance Company, Limited (the “Company”) was incorporated in July 1963. The Company engages in the business of life, health, personal accident and annuity insurance. Ruen Chen Investment Holding Co., Ltd. (“Ruen Chen”), the Company’s ultimate parent company, holds 89.55% equity interest in the Company. On September 5, 2011, Ruen Chen transferred 7,678,931,390 shares to the trust account with First Bank, to demonstrate its determination to invest in the Company for long-term purpose and fulfill its commitments to the relevant government authorities. The aforementioned shares have been returned to Ruen Chen on September 16, 2021 due to the expiration of the trust account. The Company was qualified as a public company on July 16, 2012 with the approval of Jin-Guan-Zheng-Fa Letter No. 1010030238 of the Financial Supervisory Commission. The Company obtained the establishment license and business license of its offshore insurance branch which commenced its operations on October 21, 2015.

The Company has been permitted to acquire 100% shares of AIG Taiwan Insurance Co., Ltd. (“AIG Taiwan”) with Jin-Guan-Bao-Chan Letter No.10502524122 of FSC dated July 18, 2016 and the equity transfer became effective on September 1, 2016. AIG Taiwan then became a subsidiary of the Company. On the same day, it was renamed Nan Shan General Insurance Co., Ltd. (the “Subsidiary”), which is primarily engaging in property insurance for individuals and medium and small businesses.

The Company has tendered for the transfer of assets, liabilities and business by Chaoyang Life Insurance Co. Ltd (“Chaoyang”), which is led by Taiwan Insurance Guaranty Fund; and the assignment and assumption agreement is made and entered into as of January 18, 2017. The transfer became effective on May 2, 2017, therefore, the Company assumed all assets, liabilities and business except for those reserved for Chaoyang.

For the years ended December 31, 2023 and 2022, the Company’s consolidated financial statements disclosed information about the Company and the Subsidiary (the “Consolidated Company”). Please refer to Note 4(3) for details.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 7, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) Accounting Standards that come into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC and became effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023
Amendments to IAS 12, 'International tax reform - pillar two model rules'	May 23, 2023

The above standards and interpretations have no significant impact to the Consolidated Company's financial condition and financial performance based on the Consolidated Company's assessment.

(2) Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Consolidated Company

New standards, interpretations and amendments endorsed by the FSC effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024
The above standards and interpretations have no significant impact to the Consolidated Company's financial condition and financial performance based on the Consolidated Company's assessment.	

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

Except for the following, the above standards and interpretations have no significant impact to the Consolidated Company's financial condition and financial performance based on the Consolidated Company's assessment.

A. IFRS 17, 'Insurance contracts'

IFRS 17 'Insurance Contracts' replaces IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The standard applies

to insurance contracts (including reinsurance contracts) issued, to reinsurance contracts held and to investment contracts with discretionary participation features issued, provided the entity also issues insurance contracts. Embedded derivatives, distinct investment components and distinct performance obligations shall be separated from the insurance contracts. An entity shall, at initial recognition, disaggregate a portfolio into three groups of contracts: onerous, no significant risk of becoming onerous, and remaining contracts. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contract. An entity may apply a modified simplified measurement approach (the premium allocation approach) to some insurance contracts. An entity recognises the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognises the loss immediately. Entities are required to present separately insurance revenue, insurance service expenses and insurance finance income or expenses and to disclose information about amounts, judgements and risks arising from insurance contracts.

B. Amendments to IFRS 17, 'Insurance contracts'

The amendments to IFRS 17 include the deferral of effective date, expected recovery of insurance acquisition cash flows, contractual service margin attributable to investment services, reinsurance contracts held – recovery of losses and other amendments, and they are not intended to change the fundamental principles of the standard.

C. Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'

The amendment permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The overlay allows all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17, to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The overlay can be applied by entities that have already applied IFRS 9 or will apply it when they apply IFRS 17.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprise, assets and liabilities on consolidated financial statements that are not classified as current or non-current accounts shall be classified by their nature and comparative liquidity. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

These consolidated financial statements of the Consolidated Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprise and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) At fair value

- I. Financial assets and liabilities (including derivative instruments) at fair value through profit or loss;
- II. Financial assets at fair value through other comprehensive income; and

- III. Investment property (excluding participating policy liability-linked investment property and constructions in progress).
- (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- (c) Reinsurance reserve assets, insurance contract liabilities, and reserve for foreign exchange valuation actuarially recognised in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and relevant regulations.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Consolidated Company's consolidated financial statements. Subsidiaries are all entities controlled by the Consolidated Company. The Consolidated Company controls an entity when the Consolidated Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Consolidated Company obtains control of the subsidiaries and ceases when the Consolidated Company loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Consolidated Company are eliminated. Accounting policies of subsidiaries have been adjusted when necessary to ensure consistency with the policies adopted by the Consolidated Company.
- B. Subsidiary included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			December 31, 2023	December 31, 2022
The Company	Nan Shan General Insurance Company, Ltd.	Property insurance	100	100

(4) Foreign currency translations

Items included in the financial statements of the Consolidated Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars (TWD), which is the Company's functional currency and the Consolidated Company's presentation currency.

- A. Foreign currency transactions and balances
- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the current period.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the end of the reporting period. Exchange differences arising upon re-translation at the end of the reporting period are recognised in profit or loss in the current period.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the end of the

reporting period; their translation differences are recognised in profit or loss in the current period. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the end of the reporting period; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (d) Foreign exchange gains and losses for monetary investment principal, interest-earned and insurance contract liabilities denominated in foreign currencies are recognised in net income or loss from investments. Other foreign exchange gains and losses that do not arise from investing activities are recognised in other operating revenues or other operating costs.

B. Translation of foreign operations

The operating results and financial position of all the Consolidated Company entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at spot exchange rates of trade date; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets and liabilities

On a regular way purchase or sale basis, financial assets are recognised and derecognised using trade date accounting. The classifications of financial assets and liabilities are summarised as follows:

A. Financial assets at fair value through profit or loss

- (a) Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- (b) At initial recognition, the Consolidated Company measures the financial assets or liabilities at fair value plus transaction costs that can be directly attributed to the financial assets or liabilities, or recognised the transaction costs in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and the derivative gain or loss recognised in profit or loss.
- (c) Gain or loss on financial assets or liabilities at fair value through profit or loss recognised in the consolidated statement of comprehensive income include gain or loss arising from transactions, dividend income, interest income, and gain or loss on valuation of financial assets and liabilities at fair value at the end of the reporting period.
- (d) Financial assets that meet one of the following criteria are designated using overlay approach:

- I. It is measured at fair value through profit or loss applying IFRS 9 but would not have been measured at fair value through profit or loss in its entirety applying IAS 39; and
 - II. It is not held in respect of an activity that is unconnected with contracts within the scope of IFRS 4.
- (e) The Consolidated Company can, if needed, use overlay approach on the designated financial assets. Overlay approach is an accounting treatment to reclassify an amount between profit or loss or other comprehensive income, and the profit or loss arising from designated financial assets at the financial period-end is in line with the profit or loss arising from designated financial assets under IAS 39. Therefore, reclassification mainly arose from the differences from following items:
 - I. The amount reported in profit or loss for the designated financial assets applying IFRS 9; and
 - II. The amount that would have been reported in profit or loss for the designated financial assets if the insurer had applied IAS 39.
- B. Financial liabilities at fair value through profit or loss
 - (a) Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
 - (b) At initial recognition, the Consolidated Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and the derivative gain or loss recognised in profit or loss.
- C. Financial assets at fair value through other comprehensive income
 - (a) Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Consolidated Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - I. The objective of the Consolidated Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - II. The assets' contractual cash flows represent solely payments of principal and interest.
 - (b) At initial recognition, the Consolidated Company measures the financial assets at fair value plus transaction costs. The Consolidated Company subsequently measures the financial assets at fair value:
 - I. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Consolidated Company and the amount of the dividend can be measured reliably.
 - II. Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.
- D. Financial assets at amortised cost
 - (a) Financial assets at amortised cost are those that meet all of the following criteria:
 - I. The objective of the Consolidated Company's business model is achieved by

- collecting contractual cash flows; and
- II. The assets' contractual cash flows represent solely payments of principal and interest.
- (b) At initial recognition, the Consolidated Company measures the financial assets at fair value plus transaction costs. Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such asset is recognised in profit or loss.
- E. Loans and receivables
 - (a) Receivables

Receivables are receivables originated by the entity. They are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term receivables without bearing interest are subsequently measured at initial amount as the effect of discounting is immaterial.
 - (b) Loans

Loans include secured loans, life insurance policy loans and automatic policy loans, among which, secured loans are loans collateralised by real estate. Life insurance policy loans are loans made to the policyholders with their insurance policies as collaterals in accordance with the Consolidated Company's insurance contract terms. Automatic policy loans refer to the Consolidated Company can use the policy value reserve (net of loan principal and interest if having life insurance policy loans) at the time the policyholders file the application to settle the unpaid premium and interest on behalf of the policyholders in accordance with the insurance contract terms. Loans are subsequently measured at amortised cost using the effective interest method, less provision for impairment.
- F. Other financial assets

Other financial assets are not attributable to any category described above and subsequently measured at amortised cost using the effective interest method, less provision for impairment.
- G. Bonds payable

Ordinary corporate bonds issued by the Consolidated Company are initially recognised at fair value, net of transaction costs incurred. Ordinary corporate bonds are subsequently stated at amortised cost, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.
- H. Derecognition of financial assets

The Consolidated Company derecognises a financial asset when one of the following conditions is met:

 - (a) The contractual rights to receive the cash flows from the financial asset expire.
 - (b) The contractual rights to receive cash flows of the financial asset have been transferred and the Consolidated Company has transferred substantially all the risks and rewards of ownership of the financial asset.
 - (c) The contractual rights to receive cash flows of the financial asset have been transferred; however, the Consolidated Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and has not retained control of the financial asset.
- I. Derecognition of financial liabilities

A financial liability is derecognised, when the obligation under the liability specified in the contract is discharged, cancelled or expires.

J. Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

K. Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income, financial assets at amortised cost, loans, receivables and other financial assets under amortised cost, at each balance sheet date, the Consolidated Company recognises the impairment provision for 12 months expected credit losses (ECLs) if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate if the financial assets have been impaired at the balance sheet date.

L. Reclassification of financial assets

According to IFRS 9, when, and only when, the Consolidated Company changes its business model for managing financial assets, it shall reclassify all affected financial assets. If the Consolidated Company reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. This adjustment affects other comprehensive income but does not affect profit or loss.

(7) Non-hedging and embedded derivatives

- A. Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.
- B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognised as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.
- C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related to the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(8) Bonds sold under repurchase agreements

Bonds sold under repurchase agreements are initially recorded at cost and are presented within 'short-term debts' based on the nature of the financing transactions. During the period of selling and designated repurchase date, interest expenses are recognised on an accrual basis.

(9) Allowance for loss/bad debts

Allowance for loss/bad debts on financial assets of debt instrument at fair value through other comprehensive income, financial assets at amortised cost, loans, receivables and other financial assets under amortised cost and reinsurance contract assets should be assessed and recognised in accordance with IFRS 9, IFRS 4 and FSC's "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises".

(10) Investments accounted for using equity method - associates

- A. Associates are all entities over which the Consolidated Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Consolidated Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Consolidated Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Consolidated Company does not recognise further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.

(11) Investment property

- A. The investment properties of the Consolidated Company (including constructions in progress) are land and buildings with operating lease, held to earn rentals or for capital appreciation or both. An investment property is stated initially at its cost including the direct cost attributable to the acquisition of the asset and measured subsequently using the fair value model. The participating policy liability-linked investment properties (returns paid by the liabilities are directly linked to the returns from the investment properties) are measured subsequently using the cost model.
- B. Investment property that subsequently applies cost model is measured at cost less accumulated depreciation and accumulated impairment loss. Each part of an item of investment property with cost model that is significant in relation to the total cost of the item must be depreciated separately. For investment property that subsequently applies fair value model, gains or losses arising from changes in fair value are recognised in profit or loss in the period incurred. The Consolidated Company should set aside special reserve from net cumulative incremental gains arising from changes in fair value in subsequent periods after approval by the stockholders. Please refer to Note 6(28).
- C. Part of the property may be held by the Consolidated Company for self-use purpose and the remaining are used to generate rental income or for capital appreciation. If the property held by the Consolidated Company can be sold individually, then the accounting treatment should be made respectively. IAS 16 applies to the self-use property, and property used to generate rental income or for capital appreciation or both is applicable for investment property set out in IAS 40. If each part of the property cannot be sold individually and the self-use proportion is not material, then the property is deemed as investment property in its entirety.
- D. The subsequent costs of major improvements, acquisitions and renovations are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Normal repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- E. When the investment property is reclassified as property and equipment after a change in use, the carrying amount or fair value at the time of change is used as deemed cost. An investment property is derecognised when it is disposed or no longer used and there is no future economic benefits arising from the disposition thereof. When an investment property is derecognised, any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. The gain or loss on disposal of investment property, the rental income and the relevant expense are recognised as “Gain/loss on investment property” under the Consolidated Company’s operating nature.
- F. Investment property that subsequently applies cost model, including buildings and significant objects (elevators, air-conditioning equipment, and improvements) with the exception of land, are depreciated on a straight-line basis over their estimated useful life of 27-43 years and 3-43 years, respectively.
- G. If the Consolidated Company determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value of the property to be reliably measurable when construction is complete, it shall measure that investment property under construction at cost until either its fair value becomes reliably measurable or construction is completed (whichever is earlier). If the Consolidated Company determines that the fair value of an investment property under construction is still not reliably measurable after completion, the Consolidated Company shall measure that investment property using the cost model under IAS 16. The residual value of the investment property shall be assumed to be zero until disposal of the investment property.
- H. The assets’ residual values, useful lives and depreciation methods are reviewed at each financial year-end and, if expectations differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’, from the date of the change.
- I. By applying IFRS 16 “Lease”, the right of superficies contracts, which the Consolidated Company entered into, pertains to an operating lease. The recognition of right-of-use assets adopts fair value of investment property model in IAS 40.

(12) Property and equipment

- A. The cost of property and equipment includes its purchase price, any cost directly attributable to the asset, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Subsequent to initial recognition, property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- B. The subsequent costs of major improvements, acquisitions and renovations are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Normal repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. When the purpose of holding the real estate has changed from for own use to for investment carried at fair value, any difference between the carrying amount of the property and its fair value shall be processed with revaluation in accordance with IAS 16. If there is any decrease in the carrying amount of the property, the decrease is recognised in profit or loss. If there is any increase in the carrying amount, recognised impairment loss shall be reversed with the

remaining part of the increase recognised in other comprehensive income. Revaluation increments within other equity shall be increased simultaneously and the real estate should be reclassified as investment property based on its fair value at the date of the change.

- D. Land is not depreciated and leasehold improvements are depreciated on a straight-line basis with the shorter of the lease period or the estimated useful life. Other assets are depreciated on a straight-line basis over their estimated useful life. The estimated useful lives of property and equipment are as follows:

	<u>Useful lives</u>
Buildings and constructions	
Buildings and constructions	32 to 60 years
Elevators, air-conditioning equipment and improvements	3 to 35 years
Computer equipment	3 to 20 years
Transportation equipment	7 to 15 years
Other equipment	1 to 20 years
Leasehold improvements	2 to 7 years

- E. The assets' residual values, useful lives and depreciation methods are reviewed at each financial year-end and, if expectations differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have significantly changed, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

(13) Leasing arrangements (lessor) — operating leases

The Consolidated Company's lease contracts are all operating leases, where substantially all risks and rewards of ownership of the assets remain with the lessor. Assets involved in operating lease are recognised under 'investment property'. Direct costs attributable to operating lease negotiations should be added to the carrying amount of lease assets. Related lease revenues are recognised under 'gain on investment property'. Rental income from operating lease include rental rewards and confirmed long-term future rent adjustment, which are recognised as gain and loss on a straight-line basis over the lease terms.

(14) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Consolidated Company. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable;
- (b) Variable lease payments that depend on an index or a rate;
- (c) Amounts expected to be payable by the lessee under residual value guarantees;
- (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Consolidated Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-

of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date;
 - (c) Any initial direct costs incurred by the lessee; and
 - (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.
- The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.
- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between original and remeasured lease liability in profit or loss.

(15) Intangible assets

A. Computer software

The computer software is measured at cost less cumulative amortisation and accumulated impairment. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated economic useful lives. The computer software has a useful life of 1 to 20 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

C. Licences

Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences are intangible assets with useful life, and are amortised over 10~12 years based on the estimated benefits derived from each period.

(16) Impairment of non-financial assets

- A. The Consolidated Company assesses at each end of reporting period the recoverable amounts of those assets with an indication of impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised cost would have been if the impairment had not been recognised. Impairment loss recognised and reversed is classified under non-operating income and expenses.
- B. The recoverable amounts of goodwill are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the business combination.

(17) Salvages assumed and rights of claim by subrogation

Under direct underwriting business, salvages, which are acquired according to law from claims settlement process, should be assessed and recognised its fair value. Rights to subject matter insured or rights to claim indemnification against claims settlement cost should be recognised when the retrieve is ascertained and the amount can be reliably measured.

(18) Classification and measurement of insurance products

A. Classification

- (a) Insurance products are classified according to the requirements in IFRS 4. The Consolidated Company should identify whether its underwritten insurance policies assume insurance risk and other risks components, and judge whether contract components can be separated and individually calculated. The results of such judgements will affect the classifications of insurance contracts. In addition, the Consolidated Company should also make critical judgements on whether its underwritten insurance policies have transferred insurance risks, whether there is commercial substance for the transferred insurance risks and whether transferred insurance risks are material, as well as conduct transfer testing on significant insurance risks. The results of such judgements will impact the classifications of insurance contracts.
- (b) Insurance contract refers to a contract under which the Consolidated Company accepts significant risk transferred from the policyholder by agreeing to compensate the policyholder if a specified uncertain future insured event adversely affects the policyholder, including reinsurance contracts with significant risk transferred. Non-insurance contracts (also called investment contracts) are insurance contracts with a nature of financial instruments that are exposed to financial risks but without significant transferred insurance risks. The definition of significant transferred insurance risks employed by the Consolidated Company here refers to any event or incident occurring that leads to the Consolidated Company's additional significant payment.
- (c) Insurance policies which meet the definition of insurance contracts on initial recognition shall be classified as insurance contracts before all rights and obligations expire or mature, even if the insurance risks have been reduced significantly during coverage period.
- (d) Insurance contracts and investment contracts will be further classified depending on the discretionary participation feature. The discretionary participation feature is a contractual right to receive additional benefit rather than guaranteed benefits, and this kind of right with the following criteria at the same time:
 - I. Additional benefits that are likely to be a significant portion of the total contractual benefits;
 - II. The amount or timing of additional benefits is contractually at the discretion of the Consolidated Company;
 - III. Additional benefits are contractually based on:
 - (i) The performance of a specified pool of contracts or a specified type of contract; or
 - (ii) The investment return on a specified pool of assets held by the Consolidated Company; or
 - (iii) The profit or loss of the Consolidated Company, funds, or other entity that issues the contract.

(e) Embedded derivatives

For an embedded derivative that meet the definition of an insurance contract, the Consolidated Company does not need to separate the embedded derivative from the host insurance contract; therefore, the entire contract is an insurance contract. For an embedded derivative that does not meet the definition of an insurance contract, the embedded derivative and the insurance contract are recognised separately. The Consolidated Company does not measure the embedded derivatives that meet the definition of insurance contracts, which are closely related to the host insurance contracts. In addition, for policyholder options to surrender a contract for a fixed amount (or an amount based on a fixed amount and a specific interest rate), the Consolidated Company does not need to separate the option from the insurance contract in accordance with IFRS 4.

B. Measurement

(a) Insurance contracts and investment contracts with discretionary participation features

The Consolidated Company's life insurance business recognises revenue and commission expense when receiving the initial premium and underwriting the policy, and when receiving renewal premium. The Consolidated Company's property insurance business considers direct-writing premium revenue to include all premium from underwritten policies and premiums from approved policy revisions during the period covered by the financial report. Reinsurance revenue of assumed reinsurance business was recorded based on the date of receiving bill, reinsurance revenue in transit was estimated by reasonable and systematic method for the financial year ended. The corresponding costs are recognised when incurred, such as commission expense, agent expense and fees. The insurance claim is recognised at actual amount and claim expense for those determined cases during the current period.

(b) Non-insurance contracts (investment contracts)

For an insurance contract classified as an investment contract due to its lack of significant transferred insurance risks, except for 'financial instruments with discretionary participation features (investment contracts)', IFRS 9 should be applied to investment contracts when there are financial assets or financial liabilities arising from investment contracts. The consideration received or paid shall be accounted for using deposit accounting in practice and recognised as financial assets or financial liabilities instead of revenues or expenses. When there is no financial asset or financial liability arising from investment contracts, IFRS 15, 'Revenue from contracts with customers' shall be applied to investment contracts.

(c) Reinsurance contracts

- I. All of reinsurance cessions, premium, commission, claim recovery, payable or receivable are calculated in a manner consistent with the reinsurance contracts.
- II. The Consolidated Company regularly assesses the net interest of reinsurance. When there is objective evidence indicating an event occurred after initial recognition for reinsurance leads to improbability to recover the amount receivable under the terms of contract and the effect on recoverable amount caused by such event can be measured reliably, the Consolidated Company recognises an impairment loss (or allowance for uncollectible accounts) to the extent that the recoverable amount is lower than the carrying amount of abovementioned interest and lists it under selling expense.

- III. The premium expense and commission revenue arising from the reinsurance business and accounts payable for reinsurance are recognised simultaneously with the gain or loss generated by the related insurance contract. Since the net interest arising from the reinsurance contract involves reinsurance reserve assets, amortised claims and payments, and net accounts receivable, they are recognised in the same manner with the reinsurance contract and related reinsurance contract liabilities. The gain or loss on the assets or liabilities of the reinsurance contract is not offset by the loss or profit on the related insurance contract liabilities and related insurance contract.
- IV. The Consolidated Company assesses whether the reinsurance contract should be transferred to the reinsurers where there is significant insurance risk depending on the type of reinsurance contract. In case the reinsurance contract does not transfer significant insurance risk, the contract is recognised and measured with savings accounting because the price earned and paid according to the reinsurance contract is financial liabilities or financial assets, instead of profit or loss.

(19) Provision basis for insurance contract liabilities

A. Life insurance

All reserves of insurance contracts (including investment contracts with discretionary participation features) recognised are based on “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and regulations relevant to insurance enterprises. Except for reserve for policy benefits, claims reserve and premium deficiency reserve with coverage period of more than one year, discount method does not apply to the rest. Explanations of provision basis regarding each reserve are as follows:

(a) Unearned premium reserve

For effective contracts with a coverage period under one year and casualty insurance with coverage period over one year, unearned premium reserve is provided based on various risk calculation for effective contracts yet to mature or covered risks yet to terminate in the coverage period.

(b) Claims reserve

Claims reserve for health insurance, life insurance, and casualty insurance with a coverage period under one year are provided based on claim experience and expenses of various insurance types and are calculated with actuarial principles. Besides, reserves are provided for “claims reported but not paid” and “claims incurred but not reported”. For “claims reported but not paid”, a reserve has been provided on an individual claim basis for each type of insurance. Claim reserves for the future payment on a regular basis are calculated by discount method. The discount rate is based on the assumed interest rate of reserve of each insurance product which has been submitted to the Authority for recordation.

(c) Reserve for policy benefit

Long-term insurance contracts are recognised and calculated based on the related regulation and calculation manual recorded by the authorities. The discount rate is based on the assumed interest rate of reserve of each insurance product which has been submitted to the Authority for review.

(d) Special reserve

- I. In particular for retention policies with a coverage of less than a year, special reserves include “catastrophe reserve” and “risk claim reserve”, which are provided in accordance with No. 19 and No. 20 of “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”. Except for some reserve set aside for

regulatory purpose, special reserve, after deducting income tax, shall be recognised as special reserve under equity. Additional provision for special reserve and amounts written-off or recovered with respect to special reserve shall be recognised and written-off or recovered from the special reserve under equity.

The release of risk claim reserve, net of tax, is to be appropriated as a special reserve under equity following the resolution adopted at the shareholders' meeting in the following year. Such special reserve shall neither be distributed as dividends nor used in other ways without the approval of the Authority.

II. As regulations of the Authority require that if fair value of investment property at the transition date is used as deemed cost, special reserve under insurance liability shall be fully set aside for the appreciation from investment property in excess of other adverse effects arising from the first-time adoption of IFRSs at the transition date. Additionally, according to Jin-Guan-Pao-Tzai Letter No. 10102515281 dated November 30, 2012, upon calculation of liability reserve needed to be strengthened in accordance with fair value standard of effective contract as stipulated in Jin-Guan-Pao-Tzai Letter No. 10102515285 dated November 27, 2012, life insurance enterprises are allowed to reclassify such amount from aforesaid special reserve to 'Reserve for policy benefits-fair value of insurance contract liabilities' from January 1, 2013. After the reclassification, 80% of the remainder, if any, shall be recovered in the first year or in five years and set aside as special reserve under equity upon approval of the competent authority.

III. Profit and loss before tax (before dividends distribution) for participating life insurance should be assessed at each annual closing date in compliance with "The Method of Expense and Revenue Allocation to Participating and Non-participating Life Insurance". "Special reserve – dividend payment reserve" should be recognised and written off at dividend declaration date. With negative balance of "special reserve – dividend payment reserve of participating insurance", equal amount of "special reserve – dividend liability" should be recognised at the same time.

(e) Premium deficiency reserve

If the issued premiums of life insurance, health insurance, and annuity insurance contract with a coverage period of over one year are less than the net premium in compliance with regulation, the deficiency of subsequent periods should be recognised as premium deficiency reserve. The discount rate is based on the assumed interest rate of reserve of each insurance product which has been submitted to the Authority for review.

In addition, potential claims and expenses are estimated for effective contracts yet to mature and casualty insurance contracts with a coverage period of over one year. If the assessed amount is more than unearned premium reserve and expected premium income, the insufficient amount should be recognised as premium deficiency reserve by product types.

B. Property insurance

The reserves is provided in accordance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises", "Regulations Governing the Setting Aside and for Management of the Reserves of Compulsory Automobile Liability Insurance", "Regulations Governing the Setting Aside of Liability Reserve Provision of Nuclear Energy Insurance" "Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance", "Notes for Strengthening Reserve of Pool Members Residential Earthquake", "Regulations Governing the Setting Aside of Liability Reserves of

Commercial Earthquake Insurance and Typhoon and Flood Insurance”, “Notes for Strengthening Catastrophe Reserve of Property Insurance Enterprises” and with actuarial reports approved by former Financial Supervisory Commission, Executive Yuan, R.O.C. Except for special reserve, the provision of reserve was applicable to assumed reinsurance and ceded reinsurance business. The basis for provisioning each insurance liability is as follows:

(a) Unearned premium reserve

During the term of policy, the unearned premium shall be calculated based on unexpired risks of effective and unexpired contracts or covered risks; unearned premium reserve is provided based on the type of insurance, and the provision method is determined by actuaries based on the characteristics of various types of insurance. The reserve for long-term residential fire insurance, long-term commercial fire insurance, financial institution small loan credit insurance, long-term engineering insurance, group injury insurance, performance bond for travel agencies and liability insurance for travel agencies are calculated based on the provision default on product calculation manual or based on other methods by law.

Provided unearned premium reserve is recovered in the next year and provided again based on the actual settlement data.

Unearned premium reserve of compulsory automobile liability insurance is provided as net premium in accordance with “Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance”. Residence earthquake insurance is provided as coinsurance ceded net premium in accordance with “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance”.

(b) Claims reserve

Except for government policy-oriented insurance, which include compulsory automobile liability insurances, basic residential earthquake insurances and nuclear energy insurance, claims reserve is calculated for each line of insurance based on past claim experiences and expenses and reserved as either Report But Not Paid or Incurred But Not Reported. Reserves for Reported But Not Paid insurance claims shall be estimated and reserved on a case-by-case basis based on relevant information. This reserve will be recovered in the next year.

Reserves for government policy-oriented insurance are set aside in accordance with regulations. Compulsory automobile liability insurances sets aside a claims reserve using the loss development triangle method in accordance with “Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance”; of that amount, a portion is set aside as claims reserve for Incurred But Not Reported claims for reinsurance assumed at a fixed percentage on pure premium earned from reinsurance assumed. Basic residential earthquake insurances set aside a claims reserve according to the figures provided by Taiwan Residential Earthquake Insurance Fund (TREIF) in accordance with “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance”. Nuclear energy insurance set aside reserves in line with regulation based on retention earned premiums.

(c) Special reserve

Special reserves for retained business include “catastrophe reserve” and “risk claim reserve”. Except for compulsory automobile liability insurance, Nuclear energy insurance residential earthquake insurance and commercial earthquake and typhoon and

flood insurance which are covered by other regulations requiring reserves for them to be recognised under liability, the additional provision for special reserve less income tax should be recognised as special reserve under equity after annual closing. The release of special reserve shall be made through special reserve under equity based on its net value after tax.

In accordance with the “Notes of strengthening Catastrophic Reserve of Property Insurance Enterprises” as the balance of reclaim for catastrophe special reserves of typhoon and flood insurance in the current year was more than the one of catastrophe special reserves of other insurance products prior to the enforcement of the guidance, the difference shall be transferred to special reserve in equity, net of income tax. Upon occurrence of the catastrophic events, when the actual claim of retention business exceeds expected claim minus the offsetting amount from special catastrophe reserve or total accumulative provision amount was sufficient, the risk-volatility reserve should be written-off or recovered in accordance with the third point in the “Regulation Governing the setting Aside of Liability Reserves of Commercial Earthquake Insurance and Typhoon and Flood Insurance”.

(d) Premium deficiency reserve

Insufficient premium reserve is the estimated possible claim and expense from unexpired contracts or covered risks during the term of policy. When the estimated amount exceeds provided unearned premium reserve and estimated premium income, the difference shall be provided as insufficient premium reserve based on insurance types.

(e) Unqualified reinsurance reserve

Unqualified reinsurance reserve at ceding date or at balance sheet date for inward and outward reinsurance or other risk-diversifying mechanism shall be provided and disclosed in financial statements. Unqualified reinsurance reserve is disclosed in Note 14(6).

For the above-mentioned reserves, other than the unearned premium reserve of long-term fire insurances which is calculated by electing a 7.8% interest rate from the Table of Unearned Premium Reserve of Long-Term Fire Insurance and the “TWD risk-free rate designated by the Competent Authority”, promulgated by the Taiwan Insurance Institute, used in determining the present value of future cash flows for calculating the adequacy of liability reserve, reserves are not calculated by electing the discount method.

(20) Liability adequacy test

The Consolidated Company adopts gross premium valuation method for the liability adequacy test based on the entire contracts of the Consolidated Company, in accordance with “Actuarial Practice Guidelines” issued by the Actuarial Institute of The Republic of China. At each end of the reporting period, the test is performed by comparing the net carrying amount of insurance contract liabilities after deduction of deferred acquisition costs and related intangible assets with the present estimates of insurance contract future cash flows. If the net carrying amount is insufficient, the deficiency is charged to current expense or loss.

(21) Reserve for insurance with nature of financial instruments

In accordance with the “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and related interpretations, the Consolidated Company sets aside reserve for financial instruments without discretionary participation features.

(22) Reserve for foreign exchange valuation

In accordance with the “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”, the Consolidated Company sets aside reserve for foreign exchange

valuation under liabilities with regard to the foreign investment assets held starting from 2012. Treatments for accumulation limit of related reserves and method for recognition or writing-off shall be in compliance with “Guidelines for Foreign Exchange Reserve by Life Insurance Enterprises”.

(23) Provisions

Provisions are recognised when the Consolidated Company has the following circumstances:

- A. An entity has a present obligation (legal or constructive) as a result of past events;
- B. It is probable that an outflow of economic resources will be required to settle the obligation; and
- C. A reliable estimate can be made of the amount of the obligation.

When the effect of the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Please refer to Note 4(24) for the employee benefits.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

I. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Consolidated Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the end of the reporting period) of a currency and term consistent with the currency and term of the employment benefit obligations.

II. Remeasurement arising on defined benefit plans is recognised in other comprehensive income in the period in which they arise. In addition, actuarial gains and losses should be immediately recognised in retained earnings and should not be reclassified as profit or loss in the subsequent periods.

III. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Consolidated Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The

Consolidated Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation

Employees' compensation is recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Consolidated Company calculates the number of shares based on the fair value per share estimated using a valuation technique specified in IFRS 2, 'Share-based Payment'.

(25) Insurance products - separate account

- A. The Consolidated Company sells investment-linked insurance products in accordance with the Insurance Act and "Regulations Governing Investment-Linked Insurance". Premiums paid by policyholders, net of all expenses incurred, are distributed to a separate account in accordance with the agreed or designated investment distribution methods by the policyholders. This separate account is segregated from other assets of the Consolidated Company and managed independently by the Consolidated Company.
- B. In accordance with the "Regulations Governing the Preparation of Financial Reports by Insurance Institutions", the assets and liabilities of the separate account whether generated by the insurance contracts or investment contracts are classified as assets and liabilities on insurance products - separate account; revenues and expenses of the insurance contracts with IFRS 4 are classified as revenues and expenses on insurance product - separate account, respectively.
- C. The value of financial assets of the separate account is measured at fair value at balance sheet date.
- D. The sales commission and fee income including sale charge, policy and investment related charges received from the investment from the investment-linked life insurance products are recognised as handling fee revenue. Service income derived from relevant expenses from policy holders, which belong to investment contracts and are classified as non-discretionary participation feature products, are the consideration of services provided by the Consolidated Company during the specified period. If the service is not rendered during the period the premium is received, then the service income shall be recognised as "deferred handling fee income" and amortised using the straight-line method over the period the service is provided. Relevant additional costs, such as commission expenses and sales compensation, shall also be recognised as "deferred acquisition cost" and are amortised using the straight-line method to "other operating costs" based on the matching principle.

(26) Revenue recognition

- A. Service fee income is recognised during the service provided on the accrual basis.
- B. Interest income from debt instrument is recognised as incurred using effective interest rate method on the accrual basis. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the asset. After recognising the impairment loss on the financial assets measured at amortised cost using the effective interest rate method, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the

impairment loss.

- C. Dividend income is recognised when the right to receive dividends is assured.
- D. Recognition of income from operating lease is provided in the accounting policy for lease in Note 4(13).
- E. Recognition of revenue on insurance contracts and financial instruments with discretionary participation features is provided in the accounting policy for classification and measurement of insurance products in Note 4(18).

(27) Coinsurance organisation and coinsurance

- A. The Consolidated Company's property insurance business which have obtained the approval of competent authorities entered into a Compulsory Automobile Liability Coinsurance contract, regulating that covered compulsory automobile liability insurance shall be included as coinsurance; those who violate the agreement shall be investigated by agents sent by the coinsurance team.
- B. Coinsurance businesses are calculated based on the net premium and distributed proportionately based on the contract. Member companies that participate in the coinsurance shall not withdraw unless they are cleared or terminated. When automobile liability insurance business is terminated, the Consolidated Company withdraws from the coinsurance at the same time; natural expiring method is adopted for the unearned liabilities.
- C. In accordance with "Regulations for the Accounting Arrangement and Procedure of Submitting Business and Financial Reports of Compulsory Automobile Liability Insurance," the Consolidated Company's property insurance business maintains separate accounts for compulsory automobile liability and adopts accounting treatments based on the related regulations.
- D. The Consolidated Company's property insurance business entered into Residential Earthquake Coinsurance Contracts with non-life insurance enterprises that underwrite residential fire insurance and reinsured total assumed risks of residential earthquake insurance with earthquake insurance funds in accordance with regulations. Members of the residential earthquake insurance pool should lodge and handle the unearned premium reserves, claim reserves and special reserves in accordance with "Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance". The accounting treatment shall be based on "Accounting Treatment Principles for the non-life Insurers Conducting Residential Earthquake Insurance Business". Other than the abovementioned compulsory automobile liability insurance and residential fire insurance, the Consolidated Company set aside various reserves in accordance with "Rules for the Preparation of Financial Reports by Insurance Institutions" and recognise profits and losses for the share of the risks assumed by each coinsurance contract.

(28) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Consolidated Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings

and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At the end of each reporting period, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. If a change in tax rate is enacted or substantively enacted in an interim period, the Consolidated Company recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(29) Dividends

Dividends are recorded in the Consolidated Company's financial statements in the period in which they are approved by the Consolidated Company's shareholders and the regulatory authority. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(30) Earnings per share

The calculation of earnings per share is based on the weighted average number of ordinary shares outstanding during the period. The calculation of basic earnings per share shall be adjusted retrospectively on the effective date of distribution of stock dividends when the number of ordinary or potential ordinary shares outstanding increases as a result of retained earnings, capital surplus, or employees' bonus.

(31) Employee share-based payment

For the share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as salaries over the vesting period, with a corresponding adjustment to equity.

(32) Business combinations

A. The Consolidated Company uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

- B. The excess of the consideration transferred over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the consideration transferred is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(33) Information on operating segments

Information on operating segments of the Consolidated Company is reported in a manner consistent with the internal management report provided to the Chief Operating Decision-Maker (CODM). All transactions occur between segments are considered as regular transactions, and the derived profit or loss has been derecognised at the Consolidated Company's level. It also has been taken into account where the profit or loss is directly attributable to the segment individually.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Consolidated Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Insurance contract liabilities

The Consolidated Company evaluates long-term insurance contract liabilities in compliance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises". The assumptions of mortality rate, morbidity rate, lapse rate, and discount rate are as follows: The mortality rate and discount rate are treated in accordance with relevant insurance regulations. The mortality rate is based on Taiwan Standard Ordinary Experience Mortality Table. The discount rate is based on the interest rate of reserve for policy benefit from newly issued contracts and treated in compliance with calculation basis for insurance products and relevant regulations for recordation by the competent authority. The morbidity rate and lapse rate are based on the Consolidated Company's past experience, industry experience, and experience obtained from reinsurers. The above assumptions are locked-in during price setting in accordance with related regulations. However, it is reasonably possible that changes in assumption from the competent authority may have an impact on gains, losses, or equity. The liability adequacy test is conducted by discounting the future cash flows under the best estimate on valuation date by the Consolidated Company's overall return on investment. If the test result shows that the liability is inadequate, the entire deficiency is recognised in expenses and losses in the period. If there is a change in the future best estimate assumption, incremental reserve for adverse movement in such assumption shall be made.

(2) Fair value measurement of investment property

The fair value of investment property is determined by using valuation techniques, including income approach, comparison approach and cost approach. Changes in assumptions of these models will affect the fair value of investment property reported, please refer to Note 6(10).

(3) Expected credit loss

Expected credit loss on debt instruments measured at fair value through other comprehensive income, financial assets at amortised cost, loans, and receivables under amortised cost is measured using complex models and various assumptions. These models and assumptions are

subject to future macroeconomic conditions and credit risk of counterparties (e.g. probability and loss of default of counterparties). According to accounting standards, measurement of expected credit loss involves several critical judgements, such as:

- A. Principles that used to identify whether there is a significant increase in credit risk.
- B. Determination of the appropriate models and assumptions that used to measure expected credit loss.
- C. Determination of necessary forecasting factors that used in the measurement of expected credit loss for different financial assets.

Information, judgements and estimations mentioned above relating to expected credit loss are provided in Note 12(3).

(4) Fair value measurement of financial instrument

Except for the financial instruments with public pricing information, the fair value of other financial instruments is measured by valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the end of reporting date.

For details on main method and assumption used to measure the fair value of financial instruments, please refer to Note 11(2)B(a).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash		
Cash on hand and petty cash	\$ 13,792	\$ 15,179
Checking and savings accounts	45,882,212	84,893,096
Cash equivalents		
Time deposits	25,630,757	13,015,075
Short-term bills	310,007	240,000
	<u>\$ 71,836,768</u>	<u>\$ 98,163,350</u>

- A. As of December 31, 2023 and 2022, without consideration of the collateral held or other credit enhancements, the maximum credit risk exposure amount that best represents the cash and cash equivalents held by the Consolidated Company are \$71,836,768 and \$98,163,350, respectively.
- B. The Consolidated Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. In addition, of the short-term bills held by the Consolidated Company, investments in notes issued under reverse repurchase agreements have obtained bonds as collateral. Information on the net amount of receiving financial collateral after offsetting is provided in Note 6(9).
- C. Certain cash and cash equivalents are pledged as credit support collaterals for derivative instruments transactions, which are restricted and classified as guarantee deposits paid. For more information, please refer to Note 6(16).
- D. The Consolidated Company's property insurance business' time deposits which are pledged as collateral are classified as other assets - guarantee deposits paid, please refer to Note 6(16).

(2) Receivables

	December 31, 2023	December 31, 2022
Notes receivable	\$ 421,170	\$ 1,333,807
Premiums receivable	331,101	194,790
Interest receivable	36,268,942	36,557,022
Investments receivable	4,433,111	14,862,171
Other receivables	4,033,049	3,676,342
Overdue receivable	3,421,602	91,435
Subtotal	48,908,975	56,715,567
Less : Allowance for bad debts	(3,464,393)	(330,761)
	<u>\$ 45,444,582</u>	<u>\$ 56,384,806</u>

- A. The Consolidated Company transacts with a variety of counterparties all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Consolidated Company is not holding any collateral except interest receivable from loans.
- B. Without consideration of the collateral held or other credit enhancements, the maximum credit risk exposure amount that best represents the receivables held by the Consolidated Company and the information relating to credit risk of those receivables are provided in Note 12(3).
- C. The aging analysis of receivables is as follows:

	December 31, 2023	December 31, 2022
Not past due / Up to 3 months	\$ 46,288,692	\$ 56,624,132
3 to 6 months	146,615	46,186
6 to 12 months	923,975	7,165
Over 12 months	1,549,693	38,084
	<u>\$ 48,908,975</u>	<u>\$ 56,715,567</u>

(3) Financial assets at fair value through profit or loss

	December 31, 2023	December 31, 2022
Financial assets mandatorily measured at fair value through profit and loss		
Derivative instruments	\$ 39,857,952	\$ 27,662,422
Listed stocks	171,590,623	145,057,462
Preferred stocks	11,861,876	11,469,603
Beneficiary certificates	350,177,125	315,163,033
Financial debentures	27,570,729	27,801,809
Structured time deposits	16,215,558	16,110,468
Foreign stocks	113,941,093	111,236,892
Foreign beneficiary certificates	266,865,183	265,422,386
Foreign bonds	8,612,551	10,513,764
Foreign asset securitisation	1,389,002	1,404,135
	<u>\$ 1,008,081,692</u>	<u>\$ 931,841,974</u>

The above-mentioned financial assets which are designated as applying overlay approach are as follows:

	December 31, 2023	December 31, 2022
Listed stocks	\$ 171,590,623	\$ 145,057,462
Beneficiary certificates	350,177,125	315,163,033
Financial debentures	27,570,729	27,801,809
Structured time deposits	16,215,558	16,110,468
Foreign stocks	113,941,093	111,236,892
Foreign beneficiary certificates	266,865,183	265,422,386
Foreign bonds	7,808,459	10,513,764
Foreign asset securitisation	1,389,002	1,404,135
	<u>\$ 955,557,772</u>	<u>\$ 892,709,949</u>

A. The derivative instruments held by the Consolidated Company are as follows:

	December 31, 2023	
Financial assets	Carrying amount	Notional amount (Note 1)
Cross currency swaps	\$ 16,967,234	\$ 673,892,746
Non-delivery forwards (Note 2)	22,890,718	751,849,750
	<u>\$ 39,857,952</u>	<u>\$ 1,425,742,496</u>
Financial liabilities		
Cross currency swaps	\$ 4,540,233	\$ 378,383,663
Non-delivery forwards (Note 2)	747,272	82,927,200
	<u>\$ 5,287,505</u>	<u>\$ 461,310,863</u>
	December 31, 2022	
Financial assets	Carrying amount	Notional amount (Note 1)
Cross currency swaps	\$ 20,216,097	\$ 848,943,913
Non-delivery forwards (Note 2)	7,446,325	277,740,740
	<u>\$ 27,662,422</u>	<u>\$ 1,126,684,653</u>
Financial liabilities		
Cross currency swaps	\$ 6,307,646	\$ 245,345,929
Non-delivery forwards (Note 2)	9,777,479	423,261,060
	<u>\$ 16,085,125</u>	<u>\$ 668,606,989</u>

Note 1: Notional amount is translated into thousands of New Taiwan dollars using the exchange rates prevailing at the end of the reporting period.

Note 2: As of December 31, 2023 and 2022, the notional amount sold in New Taiwan dollars are \$45,809,500 and \$30,032,000, respectively.

- B. The derivative instruments held by the Consolidated Company were for the purpose of hedging the exchange rate risk on foreign investments and interest rate risk on domestic/foreign investments. The derivative instruments are not applied to hedge accounting.
- C. The Consolidated Company entered into derivative contracts with financial institutions with good credit quality, which comply with regulatory requirements and reviewed by the Consolidated Company on a regular basis. In addition, for all derivative transactions that the Consolidated Company engaged in, in order to avoid foreign exchange risk and interest rate risk, the Consolidated Company has entered into master netting arrangements with

counterparties. Information on offsetting derivative instruments and credit enhancement is provided in Note 6(9).

- D. Details of reclassification between profit or loss and other comprehensive income when financial assets were designated using overlay approach are as follows:

	2023	2022
Gain (loss) reported under IFRS 9	\$ 117,095,018	(\$ 122,679,124)
Less: Gain (loss) that would have been reported if applied IAS 39	72,260,568	70,942,638
Gain (loss) on reclassification of financial assets at fair value through other comprehensive income using overlay approach	\$ 44,834,450	(\$ 193,621,762)
Effects of income tax benefit (expense) on other comprehensive income	(\$ 5,601,193)	\$ 27,009,217

- E. The Consolidated Company has no financial assets at fair value through profit or loss pledged to others.

- F. Amounts recognised in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

	2023	2022
Gain (loss) on valuation	\$ 68,329,804	(\$ 191,925,952)
Loss on disposal	(49,308,104)	(161,585,959)
Interest income	561,089	1,278,371
Dividend income	31,365,122	32,497,563
	\$ 50,947,911	(\$ 319,735,977)

(4) Financial assets at fair value through other comprehensive income

	December 31, 2023	December 31, 2022
Equity instruments		
Listed stocks	\$ 5,573,872	\$ 5,082,466
Unlisted stocks	257,031	209,174
Subtotal	5,830,903	5,291,640
Debt instruments		
Government bonds	38,489,235	44,229,455
Corporate bonds	12,447,827	11,968,734
Financial debentures	10,705,285	10,134,135
Foreign bonds	195,680,609	172,147,021
Foreign asset securitisation	6,961,599	6,696,435
Subtotal	264,284,555	245,175,780
Statutory deposits	(378,600)	(15,412,000)
Total	\$ 269,736,858	\$ 235,055,420

- A. The Consolidated Company has classified equity instruments, that are not held for trading, as financial assets designated at fair value through other comprehensive income.

- B. In 2023 and 2022, the Consolidated Company did not sell the stocks classified as financial assets designated at fair value through other comprehensive income. For the years ended December 31, 2023 and 2022, considering the fair value, market trend of investment objects, the Consolidated Company's investment strategy and risk management policies, the Consolidated Company sold the stocks classified as financial assets designated at fair value through other comprehensive income. The fair value of the sold stocks are \$2,437 and \$512,590, respectively, and the cumulative losses on disposal are \$180 and \$38,832, respectively. In 2022, the Consolidated Company received the price difference from disposal of 2021, and the difference was recognised as cumulative loss on disposal amounting to \$1 and reclassified cumulative loss on disposal from other equity interest to retained earnings.
- C. Amounts recognised in profit or loss and comprehensive income in relation to financial assets at fair value through other comprehensive income are listed below:

	2023	2022
<u>Equity instruments at fair value</u>		
<u>through other comprehensive income</u>		
Fair value changes recognised in other comprehensive income	\$ 542,270	(\$ 692,496)
Cumulative gain (loss) reclassified to retained earnings due to derecognition	(\$ 180)	(\$ 38,832)
Dividend income recognised in profit or loss		
Held by the end of the reporting period	\$ 223,540	\$ 338,523
Derecognised during the reporting period	48	23,109
	<u>\$ 223,588</u>	<u>\$ 361,632</u>
<u>Debt instruments at fair value</u>		
<u>through other comprehensive income</u>		
Fair value changes recognised in other comprehensive income	\$ 498,186	(\$ 111,426,436)
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to impairment loss (reversal of impairment loss)	10,677	2,075,387
Reclassified due to derecognition	631,439	(800,588)
	<u>\$ 1,140,302</u>	<u>(\$ 110,151,637)</u>
Interest income recognised in profit or loss	<u>\$ 11,380,258</u>	<u>\$ 41,713,716</u>

- D. The Consolidated Company changed the business model for managing financial assets in 2022, and the details of the effects on the reclassification of financial assets from the change of business model are provided in Note 14(8).
- E. Details of the Consolidated Company's financial assets at fair value through other comprehensive income as statutory deposits are provided in Note 6(16).
- F. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(3).

(5) Financial assets at amortised cost

	December 31, 2023	December 31, 2022
Government bonds	\$ 128,153,721	\$ 122,455,791
Corporate bonds	21,737,736	22,236,831
Financial debentures	21,850,000	25,649,938
Structured time deposits	35,500,000	25,000,000
Foreign bonds	3,082,817,464	3,076,396,855
Foreign asset securitisation	64,364,713	60,999,811
	<u>3,354,423,634</u>	<u>3,332,739,226</u>
Loss allowance	(7,423,916)	(7,081,327)
Statutory deposits	(21,883,400)	(14,477,136)
	<u>\$ 3,325,116,318</u>	<u>\$ 3,311,180,763</u>

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	2023	2022
Interest income	\$ 120,098,843	\$ 79,578,906
Impairment loss	(590,566)	(4,437,066)
Gain on disposal	506,501	1,624,785
	<u>\$ 120,014,778</u>	<u>\$ 76,766,625</u>

Gain or loss on disposal of the financial assets at amortised cost are arising from early redemption by issuers, infrequent sale or insignificant in value both individually and in aggregate, sale prior to the approaching maturity date, and early disposal due to increased credit risk.

B. The Consolidated Company changed the business model for managing financial assets in 2022, and the details of the effects on the reclassification of financial assets from the change of business model are provided in Note 14(8)

C. Details of the Consolidated Company's financial assets at amortised cost pledged to others as collateral are provided in Note 6(16).

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(3).

(6) Investments accounted for using the equity method

	December 31, 2023	December 31, 2022
Associates		
Fuh Hwa Securities Investment Trust Co., Ltd.	\$ 2,809,224	\$ -
Nan Shan Plaza Property Management Co., Ltd.	7,057	5,591
	<u>\$ 2,816,281</u>	<u>\$ 5,591</u>

	2023	2022
At January 1	\$ 5,591	\$ 3,376
Addition of investments accounted for using equity method	2,763,845	-
Earning distribution of investments accounted for using equity method	(221,108)	-
Share of profit or loss of investments accounted for using equity method	268,093	2,215
Share of other comprehensive income of investment accounted for using equity method	(140)	-
At December 31	<u>\$ 2,816,281</u>	<u>\$ 5,591</u>

- A. The Consolidated Company acquired a 30% equity interest of Nan Shan Plaza Property Management Co., Ltd, and a 30.71% equity interest of Fuh Hwa Securities Investment Trust Co., Ltd. (“Fuh Hwa Securities Trust”). For further information please refer to Note 15(2).
- B. On March 17, 2023, the Consolidated Company acquired a 30.71% equity interest of Fuh Hwa Securities Trust, becoming the single largest shareholder of the company. Though the Consolidated Company designated two representatives to serve as directors of the Fuh Hwa Securities Trust, they only occupy two out of seven director seats and do not have the actual ability to lead the relevant activities, which indicated the Consolidated Company does not have control over but have significant influence on Fuh Hwa Securities Trust.

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(7) Structured entities

A. In accordance with IFRS 12, 'Disclosure of Interests in Other Entities', the information about structured entities that are not controlled by the Consolidated Company is listed below:

Type of structured entity	December 31, 2023 Book Value	December 31, 2022 Book Value	Nature and Purpose
Private funds	\$ 151,305,609	\$ 154,308,264	An investment fund established and operated by the issuing institution through private placement for certain investors. Through the restricted investing activities of the fund, investors obtain long-term capital gains.
Securitised financial asset products	72,714,793	69,099,891	Transfer of structured entity's asset related risks to investors through the issuance of bonds, in order to provide an investing opportunity for investors.
Real estate securitisation products	16,635,180	11,733,076	Through issuing beneficiary securities, commissioned institutions provide investors with opportunities to participate in gaining profits from real estate market trading, rent and appreciation.
Infrastructure funds	51,206,900	54,144,791	An investment fund established and operated by the issuing institution through private placement for certain investors. Through the restricted investing activities of the fund, investors obtain long-term capital gains.
	<u>\$ 291,862,482</u>	<u>\$ 289,286,022</u>	

B. The equities of structured entities that are not included in the Consolidated Company's consolidated financial statements are recognised under financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortised cost. The potential losses of such entities, derived from the maximum exposure amount, are the book values of the held assets. In addition, for market risk exposures resulting from contract clauses that limit investment positions and issuance terms, the Consolidated Company has considered related market risk management approaches. Please refer to Note 12 for details.

(8) Transfer of financial asset

A. The Consolidated Company's central government development bonds and corporate bonds sold under repurchase agreements are transferred financial assets that are not derecognised in their entirety. The Consolidated Company cannot sell or pledge such securities within the transfer period; however, related risks and returns are still retained, and thus, they are not derecognised in their entirety.

B. The Consolidated Company's carrying amount of transferred financial assets that are not derecognised in their entirety and related financial liabilities are as follows:

Type of financial asset	December 31, 2023		December 31, 2022	
	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities
Financial assets at amortised cost				
Bonds sold under repurchase agreements	\$ 9,465,109	\$ 5,738,950	\$ 16,353,427	\$ 12,992,000

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(9) Offsetting financial assets and financial liabilities

- A. The Consolidated Company has engaged in financial instruments transactions that were not in conformity with IAS 32 paragraph 42's offsetting requirements. However, the Consolidated Company has entered into enforceable master netting arrangements or similar agreements with counterparties, such as derivatives, structured time deposits, reverse repurchase agreements and repurchase agreements. Upon the event of a breach in agreement (default, insolvency, or bankruptcy) by a party, the counterparty may set-off the netting arrangement or pursue legal action against the collateral in accordance with their agreements. The amount received (paid) for the collateral is the fair value of the collateral. However, the offsetting amount is limited to the total amount of recognised financial assets (liabilities).
- B. The following table provides related information on enforceable master netting arrangements or similar agreements that are financial assets and liabilities:

December 31, 2023						
Financial Assets						
Description	Gross amounts of recognised financial assets (a)	Offset gross amounts of recognised financial liabilities (b)	Net amount of financial assets presented in balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet		Net amount (Note 2) (f)=(c)-(d)-(e)
				Financial instruments (Note 1) (d)	Cash collateral received (e)	
Derivative instruments and structured time deposits	\$ 91,562,415	\$ -	\$ 91,562,415	\$ 8,101,466	\$ 21,225,031	\$ 62,235,918
Reverse repurchase agreements	310,007	-	310,007	314,367	-	-
	<u>\$ 91,872,422</u>	<u>\$ -</u>	<u>\$ 91,872,422</u>	<u>\$ 8,415,833</u>	<u>\$ 21,225,031</u>	<u>\$ 62,235,918</u>

Financial Liabilities						
Description	Gross amounts of recognised financial liabilities (a)	Offset gross amounts of recognised financial assets (b)	Net amount of financial liabilities presented in balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet		Net amount (Note 2) (f)=(c)-(d)-(e)
				Financial instruments (Note 1) (d)	Cash collateral pledged (e)	
Derivative instruments	\$ 5,287,505	\$ -	\$ 5,287,505	\$ 5,287,505	\$ -	\$ -
Repurchase agreements	5,738,950	-	5,738,950	9,465,109	-	-
	<u>\$ 11,026,455</u>	<u>\$ -</u>	<u>\$ 11,026,455</u>	<u>\$ 14,752,614</u>	<u>\$ -</u>	<u>\$ -</u>

Note 1: Including enforceable master netting arrangements and non-cash financial collateral.

Note 2: The expressed amount is zero if the amount of received or pledged collateral exceeds the net of recognised financial assets and liabilities.

December 31, 2022						
Financial Assets						
Description	Gross amounts of recognised financial assets (a)	Offset gross amounts of recognised financial liabilities (b)	Net amount of financial assets presented in balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet		Net amount (f)=(c)-(d)-(e)
				Financial instruments (Note 1) (d)	Cash collateral received (e)	
Derivative instruments and structured time deposits	\$ 68,765,541	\$ -	\$ 68,765,541	\$ 11,186,834	\$ 1,470,545	\$ 56,108,162
Reverse repurchase agreements	240,000	-	240,000	234,672	-	5,328
	<u>\$ 69,005,541</u>	<u>\$ -</u>	<u>\$ 69,005,541</u>	<u>\$ 11,421,506</u>	<u>\$ 1,470,545</u>	<u>\$ 56,113,490</u>

Financial Liabilities

Description	Gross amounts of recognised financial liabilities (a)	Offset gross amounts of recognised financial assets (b)	Net amount of financial liabilities presented in balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet		Net amount (Note 2) (f)=(c)-(d)-(e)
				Financial instruments (Note 1) (d)	Cash collateral pledged (e)	
Derivative instruments	\$ 16,085,125	\$ -	\$ 16,085,125	\$ 17,044,870	\$ 1,979,438	\$ -
Repurchase agreements	12,992,000	-	12,992,000	16,353,427	-	-
	<u>\$ 29,077,125</u>	<u>\$ -</u>	<u>\$ 29,077,125</u>	<u>\$ 33,398,297</u>	<u>\$ 1,979,438</u>	<u>\$ -</u>

Note 1: Including enforceable master netting arrangements and non-cash financial collateral.

Note 2: The expressed amount is zero if the amount of pledged collateral exceeds the net of recognised financial liabilities.

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(10) Investment property

	December 31, 2023	December 31, 2022
Measured subsequently using the fair value model	\$ 213,135,929	\$ 192,827,191
Measured subsequently using the cost model	5,753,855	5,788,186
	<u>\$ 218,889,784</u>	<u>\$ 198,615,377</u>

A. Measured subsequently using the fair value model

	Land	Buildings and constructions	Right-of-use assets	Total
At January 1, 2023	\$ 65,673,038	\$ 51,301,801	\$ 75,852,352	\$ 192,827,191
Additions-from acquisitions (Note)	-	403,478	16,366,015	16,769,493
Additions-from subsequent expenditures	-	98,251	-	98,251
Transferred from construction in progress	-	1,789,513	-	1,789,513
Transferred from property and equipment	156,693	194,111	-	350,804
Transferred from prepayments for buildings and lands	-	-	2,716,770	2,716,770
Transferred to property and equipment	(20,272)	(39,563)	-	(59,835)
Net gain (loss) from fair value	1,039,135	(1,479,696)	(944,395)	(1,384,956)
Adjustment of lease liabilities remeasurement	-	-	39,282	39,282
Lease modifications	-	-	(2,151)	(2,151)
Others	-	(8,433)	-	(8,433)
At December 31, 2023	<u>\$ 66,848,594</u>	<u>\$ 52,259,462</u>	<u>\$ 94,027,873</u>	<u>\$ 213,135,929</u>

Note: The additions to right-of-use assets include the present value after discounting of all lease payments during the lease period amounting to \$16,347,522.

	Land	Buildings and constructions	Right-of-use assets	Prepayments for buildings and land	Total
At January 1, 2022	\$ 65,741,635	\$ 51,142,761	\$ 76,783,184	\$ -	\$ 193,667,580
Additions-from acquisitions	10,062	523,532	-	1,603,963	2,137,557
Additions-from subsequent expenditures	-	44,571	-	-	44,571
Transferred from construction in progress	-	1,521,066	-	-	1,521,066
Disposals	(20,223)	-	-	-	(20,223)
Transferred from prepayments for buildings and lands	1,249,516	354,447	-	(1,603,963)	-
Transferred to property and equipment	(840,498)	(1,194,387)	-	-	(2,034,885)
Net gain (loss) from fair value	(467,454)	(1,087,951)	442,533	-	(1,112,872)
Adjustment of lease liabilities remeasurement	-	-	(1,373,365)	-	(1,373,365)
Others	-	(2,238)	-	-	(2,238)
At December 31, 2022	<u>\$ 65,673,038</u>	<u>\$ 51,301,801</u>	<u>\$ 75,852,352</u>	<u>\$ -</u>	<u>\$ 192,827,191</u>

The fair value of investment property held by the Consolidated Company is based on valuations performed by independent valuers, following “Regulation on Real Estate Appraisal”. In accordance with “Regulations Governing the Preparation of Financial reports by Insurance Companies”, two or more joint appraisers firms should be appointed for a single item whose valuation amount is more than TWD 1 billion. If the investment properties were acquired before May 11, 2020, valuations are performed using valuation techniques such as income approach, comparison approach and cost approach with reference to market information. Such fair value is based on observable market price, and then adjusted based on the nature, location or condition of the individual asset. If the investment properties were acquired after May 11, 2020, valuations are performed using valuation techniques such as income approach and cost approach according to Regulations Governing the Preparation of Financial Reports by Insurance Enterprise. Information on valuation reports primarily used by the Consolidated Company is as follows:

(a) Appointed joint appraisers firms, appraiser’s name and valuation date are as follows:

Appraiser firm	Appraiser	Valuation date
REPro International Real Estate Appraisers Firm	Wu, Hung-Hsu	December 31, 2022
	Tsai, Yu-Hsiang	December 31, 2022 and 2023
	Hsu, Hsiang-Yi	December 31, 2022 and 2023
Sin Yi Real Estate Appraisers Firm	Wang, Shih-Ming	December 31, 2022 and 2023
	Tsai, Wen-Che	December 31, 2022 and 2023
	Chih, Wei-Hsin	December 31, 2022 and 2023
	Chi, Liang-An	December 31, 2022 and 2023
	Wu, Chih-Hao	December 31, 2022 and 2023
CCIS Real Estate Joint Appraisers Firm	Li, Wei-Ju	December 31, 2022 and 2023
	Tai, Kuang-Ping	December 31, 2022 and 2023
Savills Real Estate Appraiser Firm	Yeh, Yu-Fen	December 31, 2022 and 2023
	Chang, Hung-Kai	December 31, 2022 and 2023
	Chang, Yi-Chih	December 31, 2022 and 2023
	Ye, Shi-Yu	December 31, 2022 and 2023
	Wu, Cheng-Yeh	December 31, 2023
	Ke, Feng-Ru	December 31, 2022 and 2023
Colliers International Real Estate Appraisers Firm	Ku, Chien-Hui	December 31, 2022 and 2023
	Chen, Yu-Lin	December 31, 2022
Elite Appraisers Firm	Lo, Yi-Hui	December 31, 2022
	Yang, Shang-Hung	December 31, 2022
Zhan-Mao Real Estate Appraisers Firm		
V-Land International Appraisers Joint Firm	Wang, Si-Jhong	December 31, 2023
Cushman & Wakefield Real Estate Appraisers Firm	Lee, Ken-Yuan	December 31, 2023
	Hu, Chun-Chun	December 31, 2023
	Tsai, Chia-He	December 31, 2023
Hwan Yu Real Estate Appraisers Joint Firm	Chao, Hui-Mei	December 31, 2023
Euro-Asia Real Estate Appraisers Firm	Hsieh, Tsung-Ting	December 31, 2022

(b) Details of appropriateness and reasonability of valuation methods, key assumptions and inputs:

I. Investment properties acquired before May 11, 2020

For the Consolidated Company's properties used as storefront located in a commercial district and offices, due to convenient transportation, active trading and market competitiveness, comparative price and income price are generally informative for value of these properties. Comparison approach is used to analyse based on the transaction price of similar property with substitutability. Income approach is estimated based on rental income and reasonable capitalisation rates.

For commercial property and right-of-use assets like hypermarket and superficies products, they are primarily leased to others to collect long-term steady rental income. Due to its profitability, in general, its value is mainly based on income price and supplementary based on comparative price or cost.

For the superficies, the main evaluation approaches are the income approach, cost approach, land development analysis and comparison approach. After development of the superficies is completed, the evaluation approach of the building completed from the superficies is changed using the abovementioned evaluation approaches based on its nature.

II. Investment properties acquired after May 11, 2020

Investment property which has been engaged a lease contract with the lease term over one year is evaluated by income approach. Cash flows, analysis period and discount rate included in valuation techniques shall meet the regulations specified in "Regulations Governing the Preparation of Financial reports by Insurance Companies". However, investment property which has not been engaged a lease contract with the lease term over one year or has been terminated or cancelled over one year is evaluated using cost approach. If investment property cannot be assessed based on "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises", it can be measured at replacement cost to assess its fair value. In addition, according to the comments on investment property subsequently measured at fair value released based on "Regulations Governing the Preparation of Financial reports by Insurance Companies", land development analysis approach is not applicable for cost approach, and the fair value shall be recognised based on the regular price referring to the valuation reports issued under "Regulations on Real Estate Appraisal" if regular price is lower than the value assessed based on income approach or cost approach.

Because the right-of-use assets are acquired after May 11, 2020 and cannot be assessed based on "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises", they are measured at replacement cost. In addition, for those whose regular price is lower than cost, the fair value is measured at regular price.

III. The key inputs used are listed as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Income approach		
Capitalisation rate	0.66%~4.21%	0.22%~6.33%
Discount rate	2.87%~4.86%	2.08%~4.75%
Cost approach		
Comprehensive interest of capital rate	0.73%~11.55%	0.44%~10.48%

The higher the abovementioned rate, the lower the fair value. On the contrary, the lower the abovementioned rate, the higher the fair value.

(c) Information on lease liabilities for right-of-use assets classified as investment properties is provided in Note 6(13).

B. Measured subsequently using the cost model

	Land	Buildings and constructions	Construction in progress	Total
<u>At January 1, 2023</u>				
Cost	\$ 2,156,552	\$ 1,462,941	\$ 2,586,865	\$ 6,206,358
Accumulated depreciation	-	(418,172)	-	(418,172)
	<u>\$ 2,156,552</u>	<u>\$ 1,044,769</u>	<u>\$ 2,586,865</u>	<u>\$ 5,788,186</u>
<u>2023</u>				
Beginning balance	\$ 2,156,552	\$ 1,044,769	\$ 2,586,865	\$ 5,788,186
Additions-from acquisitions (Note)	-	-	1,815,946	1,815,946
Additions-from subsequent expenditures	-	3,786	-	3,786
Construction in progress completed and transferred out	-	-	(1,789,513)	(1,789,513)
Amortisation of direct lease costs	-	(28,224)	-	(28,224)
Depreciation charge	-	(36,310)	-	(36,310)
Others	-	(16)	-	(16)
Ending balance	<u>\$ 2,156,552</u>	<u>\$ 984,005</u>	<u>\$ 2,613,298</u>	<u>\$ 5,753,855</u>
<u>At December 31, 2023</u>				
Cost	\$ 2,156,552	\$ 1,438,487	\$ 2,613,298	\$ 6,208,337
Accumulated depreciation	-	(454,482)	-	(454,482)
	<u>\$ 2,156,552</u>	<u>\$ 984,005</u>	<u>\$ 2,613,298</u>	<u>\$ 5,753,855</u>

Note: Including the capitalised amount from depreciation expense of right-of-use assets and interest expense of lease liabilities amounting to \$114 and \$692,451, respectively.

	Land	Buildings and constructions	Construction in progress	Total
<u>At January 1, 2022</u>				
Cost	\$ 2,014,422	\$ 1,415,118	\$ 2,585,593	\$ 6,015,133
Accumulated depreciation	-	(382,358)	-	(382,358)
	<u>\$ 2,014,422</u>	<u>\$ 1,032,760</u>	<u>\$ 2,585,593</u>	<u>\$ 5,632,775</u>
<u>2022</u>				
Beginning balance	\$ 2,014,422	\$ 1,032,760	\$ 2,585,593	\$ 5,632,775
Additions-from acquisitions (Note)	-	1,426	1,522,338	1,523,764
Additions-from subsequent expenditures	-	12,082	-	12,082
Transferred from property and equipment	142,130	63,625	-	205,755
Construction in progress completed and transferred out	-	-	(1,521,066)	(1,521,066)
Amortisation of direct lease costs	-	(28,853)	-	(28,853)
Depreciation charge	-	(35,814)	-	(35,814)
Others	-	(457)	-	(457)
Ending balance	<u>\$ 2,156,552</u>	<u>\$ 1,044,769</u>	<u>\$ 2,586,865</u>	<u>\$ 5,788,186</u>
<u>At December 31, 2022</u>				
Cost	\$ 2,156,552	\$ 1,462,941	\$ 2,586,865	\$ 6,206,358
Accumulated depreciation	-	(418,172)	-	(418,172)
	<u>\$ 2,156,552</u>	<u>\$ 1,044,769</u>	<u>\$ 2,586,865</u>	<u>\$ 5,788,186</u>

Note: Including the capitalised amount from depreciation expense of right-of-use assets and interest expense of lease liabilities amounting to \$461 and \$234,399, respectively.

Because the Consolidated Company cannot reliably determine the fair value of its construction in progress on an on-going basis, constructions in progress is measured at cost. Once the fair value can be reliably determined or when construction is complete, the property is measured at fair value.

- C. For information on the fair value of investment property, please refer to Note 11(2).
- D. Rental income from investment property and direct operating expenses arising from investment property are shown below (excluding depreciation):

	2023	2022
Rental income from investment property	\$ 4,430,073	\$ 4,311,490
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 1,051,247	\$ 979,842
Direct operating expenses arising from the investment property that did not generate rental income during the period	\$ 202,036	\$ 123,039

- E. Consolidated Company recognised rental income of the variable lease payments based on operating lease contracts, which are listed as follows:

2023	2022
\$ 27,686	\$ 30,429

For the information on the analysis of due date of the lease receivables under the operating leases of the Consolidated Company as of December 31, 2023 and 2022, please refer to Note 6(14).

- F. The information on investment property, including construction in progress, acquired by the Consolidated Company in 2023 and 2022 is as follows:
- On April 13, 2017, the Consolidated Company's life insurance business signed a construction agreement, "New Land Construction on No. 297, 288, 289, 298, 299, 299-1, 300, 302 and 303 in Xiaobei sections of North District, Tainan City" with Fut Su Construction Co., Ltd., and the total contract price was \$2,467,000. Between 2021 to 2023, the Consolidated Company successively signed incremental agreements. As of December 31, 2023, the total modified contract prices was \$3,319,001. As of December 31, 2023 and 2022, the Consolidated Company has paid \$2,608,834 and \$2,103,543 for the construction, respectively.
 - On February 15, 2019, the Consolidated Company's life insurance business signed a contract for the "Construction in Progress of Nan Shan Taichung 6 Plaza" with Fut Su Construction Co. Ltd., and the total contract price was \$1,198,539. In addition, due to the completion of the detailed design on April 8, 2021, and the total modified contract price was \$1,266,024. As of December 31, 2023 and 2022, the Consolidated Company has paid \$1,186,008 and \$1,101,704 for the construction, respectively.
 - On July 7, 2020, the Consolidated Company's life insurance business signed a contract for the "Construction in Progress of Nan Shan Taichung 7 Plaza" with Feng Hsing Construction Engineering Co., Ltd., total contract price was \$566,011. Subsequently, on November 1, 2022, the Consolidated Company signed an incremental agreement, and the total modified contract price was \$590,911. As of December 31, 2023 and 2022, the Consolidated Company has paid \$562,301 and \$515,630 for the construction.
 - On September 30, 2022, the Consolidated Company's life insurance business signed a trading contract for the "Acquisition of plant on Gongyequ 7th Rd., Taichung City" with an individual, and the total contract price was \$1,600,000 determined by referring to the valuation reports

issued by the real estate appraisers and by bids. As of December 31, 2023, the Consolidated Company had paid the full price.

- (e) On March 1, 2023, the Consolidated Company's life insurance business signed a construction agreement of "City Land Development and Registered Superficies of Land Lot No.32 and 33-2, Xinyi Section Four, Xinyi District, Taipei City Contracts" with Da Cin Construction Co., Ltd., and the total contract price was \$7,638,750. As of December 31, 2023, the Consolidated Company has paid \$457,363 for the construction.

G. The right-of-use assets of the Consolidated Company were as follows:

- (a) On August 13, 2014, the Consolidated Company's life insurance business signed a "Construction and Operation Agreement of Development Project of Shulin Shuxin Section Public-owned Land" with Economic Development Department, New Taipei City Government. The total contract price was based on the valuation reports issued by the real estate appraisers. The Consolidated Company won the bids for the project with \$381,111.
- (b) On October 12, 2012, the Consolidated Company's life insurance business signed a "City Land Development and Registered Superficies of Land Lot No. 28, 29 and 30, Xinyi Section Four, Xinyi District, Taipei City Contracts" with Taipei City Government. The contract price is \$28,232,400 determined by referring to the valuation reports issued by the real estate appraisers and by bids.
- (c) On December 25, 2012, the Consolidated Company's life insurance business signed a "State-owned Land for Nonpublic Use Superficies Contract" with National Property Administration, Central Taiwan Office, and acquired the Land Lot No. 1021, 1039 and 1041 Lianwu Section, East District, Taichung City. The total contract price was referred to the valuation reports issued by the real estate appraisers and was acquired by bids with \$577,243.
- (d) On March 30, 2020, the Consolidated Company's life insurance business signed a "City Land Development and Registered Superficies of Land Lot No. 27 and 27-1, Xinyi Section Four, Xinyi District, Taipei City Contracts" with the National Property Administration, Ministry of Finance. The contract price was \$31,276,000 determined by referring to the valuation reports issued by the real estate appraisers and by bids.
- (e) On December 18, 2019, the Consolidated Company's life insurance business signed a "City Land Development and Registered Superficies of Land Lot No.32 and 33-2, Xinyi Section Four, Xinyi District, Taipei City Contracts" with Taipei City Government. The contract price was \$15,981,000 determined by referring to the valuation reports issued by the real estate appraisers and by bids, and the registration of superficies was completed on January 16, 2023. As of December 31, 2022, the prepaid royalty amounted to \$2,716,770, which was recognised as prepayments and temporary debits, please refer to Note 6(16).

H. Please refer to Note 8 for the information of aforesaid significant unrecognised contract commitments signed by the Consolidated Company.

(11) Loans

	December 31, 2023	December 31, 2022
Life insurance policy loans	\$ 81,865,517	\$ 81,792,247
Automatic policy loans	16,721,954	17,290,208
Secured loans	11,732,712	15,067,331
Less: Allowance for bad debts	(176,294)	(226,337)
	<u>\$ 110,143,889</u>	<u>\$ 113,923,449</u>

- A. Without consideration of the collateral held or other credit enhancements, the maximum credit risk exposure in respect of the amount that best represents the loans held by the Consolidated Company and the information relating to credit risk of those loans are provided in Note 12(3).
- B. Life insurance policy loans and automatic policy loans are granted to the policyholders with their life and annuity insurance policies as collateral. Life insurance policy loans and automatic policy loans are approved according to certain limit of surrender charges or policy value reserve. If the amount of policy loans or automatic policy loans plus accrued interest exceeds policy value reserve, the policy will be suspended automatically. Hence, both life insurance policy loans and automatic policy loans have adequate policy value reserve as collateral. However, for the life insurance policy loans with collateral of the account value of investment-linked policy, allowance for bad debts should be made when their account value are not adequate to settle life insurance policy loans because of the dramatic decline in the fair value of investments.
- C. Secured loans are loans collateralised by real estate. In accordance with relevant laws and regulations of secured loans, "mortgage loans guidelines" and related internal operations articles, it can be loaned in the specific amount. All of the secured loans are made with collateral.

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(12) Property and equipment

	Land	Buildings and constructions	Construction in progress	Information equipment	Transportation equipment	Other equipment	Leasehold improvements	Total
<u>At January 1, 2023</u>								
Cost	\$ 10,341,553	\$ 7,556,205	\$ 658,544	\$ 1,989,850	\$ 4,732	\$ 550,720	\$ 34,090	\$ 21,135,694
Accumulated depreciation	-	(3,030,763)	-	(968,143)	(4,219)	(295,310)	(28,043)	(4,326,478)
Carrying amount	<u>\$ 10,341,553</u>	<u>\$ 4,525,442</u>	<u>\$ 658,544</u>	<u>\$ 1,021,707</u>	<u>\$ 513</u>	<u>\$ 255,410</u>	<u>\$ 6,047</u>	<u>\$ 16,809,216</u>
<u>2023</u>								
Beginning balance	\$ 10,341,553	\$ 4,525,442	\$ 658,544	\$ 1,021,707	\$ 513	\$ 255,410	\$ 6,047	\$ 16,809,216
Additions-from acquisitions (Note 1)	-	106,706	185,563	181,686	-	328,706	2,236	804,897
Transferred from investment property	20,272	39,563	-	-	-	-	-	59,835
Transferred from construction in progress	-	650,402	(650,402)	-	-	-	-	-
Disposals-cost	(1,846)	(16,889)	-	(26,033)	-	(28,302)	(3,205)	(76,275)
Disposals-accumulated depreciation	-	13,932	-	25,711	-	27,749	2,410	69,802
Depreciation charge (Note 2)	-	(170,091)	-	(257,771)	(291)	(115,919)	(2,140)	(546,212)
Transfer to investment property -cost	(156,693)	(312,417)	-	-	-	-	-	(469,110)
Transfer to investment property -accumulated depreciation	-	118,306	-	-	-	-	-	118,306
Revaluation increment of real estate	52,241	28,212	-	-	-	-	-	80,453
Ending balance	<u>\$ 10,255,527</u>	<u>\$ 4,983,166</u>	<u>\$ 193,705</u>	<u>\$ 945,300</u>	<u>\$ 222</u>	<u>\$ 467,644</u>	<u>\$ 5,348</u>	<u>\$ 16,850,912</u>
<u>At December 31, 2023</u>								
Cost	\$ 10,255,527	\$ 7,401,380	\$ 844,107	\$ 2,145,503	\$ 4,732	\$ 851,124	\$ 33,121	\$ 21,535,494
Accumulated depreciation	-	(3,068,616)	-	(1,200,203)	(4,510)	(383,480)	(27,773)	(4,684,582)
Carrying amount	<u>\$ 10,255,527</u>	<u>\$ 4,332,764</u>	<u>\$ 844,107</u>	<u>\$ 945,300</u>	<u>\$ 222</u>	<u>\$ 467,644</u>	<u>\$ 5,348</u>	<u>\$ 16,850,912</u>

Note 1: Including the capitalised amount from depreciation expense of right-of-use assets and interest expense of lease liabilities amounting to \$4,489 and \$4,625, respectively.

Note 2: Including capitalised intangible assets amounting to \$4,308.

	Land	Buildings and constructions	Construction in progress	Information equipment	Transportation equipment	Other equipment	Leasehold improvements	Total
<u>At January 1, 2022</u>								
Cost	\$ 9,092,784	\$ 6,359,058	\$ 298,009	\$ 1,857,299	\$ 4,732	\$ 474,230	\$ 30,037	\$ 18,116,149
Accumulated depreciation	-	(2,912,879)	-	(753,979)	(3,897)	(243,813)	(27,075)	(3,941,643)
Carrying amount	<u>\$ 9,092,784</u>	<u>\$ 3,446,179</u>	<u>\$ 298,009</u>	<u>\$ 1,103,320</u>	<u>\$ 835</u>	<u>\$ 230,417</u>	<u>\$ 2,962</u>	<u>\$ 14,174,506</u>
<u>2022</u>								
Beginning balance	\$ 9,092,784	\$ 3,446,179	\$ 298,009	\$ 1,103,320	\$ 835	\$ 230,417	\$ 2,962	\$ 14,174,506
Additions-from acquisitions (Note 1)	550,401	110,314	360,535	168,626	-	122,146	5,406	1,317,428
Transferred from investment property	840,498	1,194,387	-	-	-	-	-	2,034,885
Disposals-cost	-	(20,261)	-	(36,075)	-	(45,207)	(1,353)	(102,896)
Disposals-accumulated depreciation	-	18,729	-	36,010	-	45,151	1,173	101,063
Transfer to investment property -cost	(142,130)	(87,293)	-	-	-	(449)	-	(229,872)
Transfer to investment property -accumulated depreciation	-	23,976	-	-	-	141	-	24,117
Depreciation charge (Note 2)	-	(160,589)	-	(250,174)	(322)	(96,789)	(2,141)	(510,015)
Ending balance	<u>\$ 10,341,553</u>	<u>\$ 4,525,442</u>	<u>\$ 658,544</u>	<u>\$ 1,021,707</u>	<u>\$ 513</u>	<u>\$ 255,410</u>	<u>\$ 6,047</u>	<u>\$ 16,809,216</u>
<u>At December 31, 2022</u>								
Cost	\$ 10,341,553	\$ 7,556,205	\$ 658,544	\$ 1,989,850	\$ 4,732	\$ 550,720	\$ 34,090	\$ 21,135,694
Accumulated depreciation	-	(3,030,763)	-	(968,143)	(4,219)	(295,310)	(28,043)	(4,326,478)
Carrying amount	<u>\$ 10,341,553</u>	<u>\$ 4,525,442</u>	<u>\$ 658,544</u>	<u>\$ 1,021,707</u>	<u>\$ 513</u>	<u>\$ 255,410</u>	<u>\$ 6,047</u>	<u>\$ 16,809,216</u>

Note 1: Including the capitalised amount from depreciation expense of right-of-use assets and interest expense of lease liabilities amounting to \$4,689 and \$4,518, respectively.

Note 2: Including capitalised intangible assets amounting to \$2,848.

(13) Leasing arrangements — lessee

- A. The Consolidated Company leases various assets including buildings, offices, superficieses and other equipment. Rental contracts for buildings, offices and other equipment are typically made for periods of 1 to 20 years. Additionally, the leased land with registered superficieses has a rental period of 50 to 70 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Low-value assets comprise of office equipment.
- C. The right-of-use assets of superficieses were reported in investment property and right-of-use assets. The carrying amount of investment property is provided in Note 6(10).
- D. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	Buildings	Superficies	Other equipment	Total
<u>At January 1, 2023</u>				
Cost	\$ 1,261,755	\$ 232,308	\$ 67,301	\$ 1,561,364
Accumulated depreciation	(601,254)	(10,885)	(41,039)	(653,178)
Carrying amount	<u>\$ 660,501</u>	<u>\$ 221,423</u>	<u>\$ 26,262</u>	<u>\$ 908,186</u>
<u>2023</u>				
Beginning balance	\$ 660,501	\$ 221,423	\$ 26,262	\$ 908,186
Additions	319,634	-	1,413	321,047
Disposals-cost	(337,860)	-	(1,263)	(339,123)
Disposals-accumulated depreciation	337,860	-	1,263	339,123
Lease modifications	(9,144)	(23,815)	(183)	(33,142)
Depreciation charge (Note)	(344,883)	(5,062)	(19,110)	(369,055)
Ending balance	<u>\$ 626,108</u>	<u>\$ 192,546</u>	<u>\$ 8,382</u>	<u>\$ 827,036</u>
<u>At December 31, 2023</u>				
Cost	\$ 1,234,385	\$ 208,493	\$ 67,268	\$ 1,510,146
Accumulated depreciation	(608,277)	(15,947)	(58,886)	(683,110)
Carrying amount	<u>\$ 626,108</u>	<u>\$ 192,546</u>	<u>\$ 8,382</u>	<u>\$ 827,036</u>

Note : Including capitalised investment property and property and equipment amounting to \$4,603.

	Buildings	Superficies	Other equipment	Total
<u>At January 1, 2022</u>				
Cost	\$ 1,285,700	\$ 231,863	\$ 67,673	\$ 1,585,236
Accumulated depreciation	(664,459)	(5,735)	(23,104)	(693,298)
Carrying amount	<u>\$ 621,241</u>	<u>\$ 226,128</u>	<u>\$ 44,569</u>	<u>\$ 891,938</u>
<u>2022</u>				
Beginning balance	\$ 621,241	\$ 226,128	\$ 44,569	\$ 891,938
Additions	496,239	-	660	496,899
Disposals-cost	(432,079)	-	(1,032)	(433,111)
Disposals-accumulated depreciation	432,079	-	1,032	433,111
Lease modifications	(88,105)	-	-	(88,105)
Depreciation charge (Note)	(368,874)	(5,150)	(18,967)	(392,991)
Adjustment of lease liabilities remeasurement	-	445	-	445
Ending balance	<u>\$ 660,501</u>	<u>\$ 221,423</u>	<u>\$ 26,262</u>	<u>\$ 908,186</u>
<u>At December 31, 2022</u>				
Cost	\$ 1,261,755	\$ 232,308	\$ 67,301	\$ 1,561,364
Accumulated depreciation	(601,254)	(10,885)	(41,039)	(653,178)
Carrying amount	<u>\$ 660,501</u>	<u>\$ 221,423</u>	<u>\$ 26,262</u>	<u>\$ 908,186</u>

Note : Including capitalised investment property and property and equipment amounting to \$5,150.

E. The Consolidated Company's life insurance business signed the "Investment contract of Sharon Park and parking lot in Tamsui District, New Taipei City" with Economic Development Department, New Taipei City Government on January 15, 2021. The total contract price was \$62,000 determined by referring to the valuation reports issued by the real estate appraisers and by bid. The Consolidated Company referred to the purpose of holding to classified as right-of-use assets and investment properties, respectively. As of December 31, 2023, the carrying amount of right-of-use assets and investment properties was \$190,101 and \$13,095, respectively.

On June 29, 2023, the Consolidated Company's life insurance business signed a construction agreement of "Registered Superficies of Sharon Park and parking lot in Tamsui District, New Taipei City" with Chien Kuo Construction Co., Ltd., the total contract price was \$2,042,000. As of December 31, 2023, the carrying amount of property and equipment and investment properties was \$193,705 and \$35,719, respectively.

F. The information on profit and loss accounts relating to lease contracts is as follows:

Items affecting profit or loss	2023	2022
Interest expense on lease liabilities	\$ 359,830	\$ 349,598
Expense on leases of low-value assets	1,200	1,200
Loss (gain) on lease modifications	12 (	115)

- G. The Consolidated Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range from 0.3024% to 3.8890% and from 0.4766% to 3.2270% for the years ended December 31, 2023 and 2022, respectively.
- H. For the years ended December 31, 2023 and 2022, the Consolidated Company's total cash outflows for leases are \$4,304,836 and \$879,644 respectively.
- I. Most of the property lease contracts of the Consolidated Company include the option of terminating the lease in advance, and a few other lease contracts include the option of extending the lease. As the exercise of this option is uncertain, the condition will not be reflected when measuring lease liabilities.
- J. The movements of lease liabilities are as follows:

	Investment property- Superficies	Right-of-use assets- Superficies	Right-of-use assets- Others	total
At January 1, 2023	\$ 18,686,748	\$ 154,083	\$ 657,404	\$ 19,498,235
Additions (Note 1)	16,347,522	-	321,097	16,668,619
Adjustment of lease liabilities remeasurement	39,282	-	-	39,282
Lease modifications and others (Note 2)	(2,151)	(23,815)	(9,307)	(35,273)
Interest expense recognised	1,045,441	4,659	6,774	1,056,874
Lease payments	(3,935,564)	(2,550)	(368,207)	(4,306,321)
At December 31, 2023	<u>\$ 32,181,278</u>	<u>\$ 132,377</u>	<u>\$ 607,761</u>	<u>\$ 32,921,416</u>
	Investment property- Superficies	Right-of-use assets- Superficies	Right-of-use assets- Others	total
At January 1, 2022	\$ 20,092,752	\$ 151,637	\$ 634,874	\$ 20,879,263
Additions (Note 1)	-	-	497,106	497,106
Adjustment of lease liabilities remeasurement	(1,373,365)	445	-	(1,372,920)
Lease modifications and others (Note 2)	-	-	(88,186)	(88,186)
Interest expense recognised	578,922	4,550	5,043	588,515
Lease payments	(556,232)	(2,419)	(389,462)	(948,113)
Rent concessions	(55,329)	(130)	(1,971)	(57,430)
At December 31, 2022	<u>\$ 18,686,748</u>	<u>\$ 154,083</u>	<u>\$ 657,404</u>	<u>\$ 19,498,235</u>

Note 1: For the years ended December 31, 2023 and 2022, the deductible for employees' dormitory amounted to \$50 and \$207, respectively.

Note 2: For the years ended December 31, 2023 and 2022, including exchange loss (gain) of \$8 and (\$34), respectively.

K. The Consolidated Company's lease contracts of multifunction printers contain variable lease payment terms that are linked to the actual use in multifunction printers. For the years ended December 31, 2023 and 2022, the variable lease payments are \$18,071 and \$16,602, respectively.

L. The Consolidated Company has applied the practical expedient to "Covid-19-related rent concessions", and recognised the gain from changes in lease payments arising from the rent concessions amounting to \$0 and \$125,277 in gain or loss on investment property and non-operating income and expenses for the years 2023 and 2022, respectively. Among them, the rent concessions belonging to superficies respectively amounting to \$0 and \$70,022 recognised in gain or loss on investment property has been implemented to lessees.

(14) Leasing arrangements – lessor

A. The Consolidated Company leases investment property. Rental contracts are typically made for periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. Information on gain arising from operating lease agreements for the years ended December 31, 2023 and 2022 is provided in Note 6(10).

C. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2023	December 31, 2022
2023	\$ -	4,206,418
2024	4,129,113	3,247,131
2025	3,553,901	2,663,779
2026	3,158,886	2,336,305
2027	2,778,807	2,088,248
2028	2,356,602	1,830,069
2029	1,791,334	1,626,615
After 2030	12,727,432	12,328,296
Total	<u>\$ 30,496,075</u>	<u>\$ 30,326,861</u>

(15) Intangible assets

Details of intangible assets are as follows:

	Computer software	Goodwill	Licences	Total
<u>At January 1, 2023</u>				
Cost	\$ 12,239,846	\$ 1,075,875	\$ 4,956,012	\$ 18,271,733
Accumulated amortisation	(2,852,857)	-	(897,212)	(3,750,069)
Carrying amount	<u>\$ 9,386,989</u>	<u>\$ 1,075,875</u>	<u>\$ 4,058,800</u>	<u>\$ 14,521,664</u>
<u>2023</u>				
Beginning balance	\$ 9,386,989	\$ 1,075,875	\$ 4,058,800	\$ 14,521,664
Additions-acquired separately (Note)	541,442	-	-	541,442
Disposals-cost	(118,210)	-	-	(118,210)
Disposals-accumulated amortisation	118,210	-	-	118,210
Amortisation charge	(715,476)	-	(634,366)	(1,349,842)
Ending balance	<u>\$ 9,212,955</u>	<u>\$ 1,075,875</u>	<u>\$ 3,424,434</u>	<u>\$ 13,713,264</u>
<u>At December 31, 2023</u>				
Cost	\$ 12,663,078	\$ 1,075,875	\$ 4,956,012	\$ 18,694,965
Accumulated amortisation	(3,450,123)	-	(1,531,578)	(4,981,701)
Carrying amount	<u>\$ 9,212,955</u>	<u>\$ 1,075,875</u>	<u>\$ 3,424,434</u>	<u>\$ 13,713,264</u>
	Computer software	Goodwill	Licences	Total
<u>At January 1, 2022</u>				
Cost	\$ 11,733,721	\$ 1,075,875	\$ 4,956,012	\$ 17,765,608
Accumulated amortisation	(2,147,340)	-	(475,770)	(2,623,110)
Carrying amount	<u>\$ 9,586,381</u>	<u>\$ 1,075,875</u>	<u>\$ 4,480,242</u>	<u>\$ 15,142,498</u>
<u>2022</u>				
Beginning balance	\$ 9,586,381	\$ 1,075,875	\$ 4,480,242	\$ 15,142,498
Additions-acquired separately (Note)	545,470	-	-	545,470
Disposals-cost	(39,345)	-	-	(39,345)
Disposals-accumulated amortisation	39,345	-	-	39,345
Amortisation charge	(744,862)	-	(421,442)	(1,166,304)
Ending balance	<u>\$ 9,386,989</u>	<u>\$ 1,075,875</u>	<u>\$ 4,058,800</u>	<u>\$ 14,521,664</u>
<u>At December 31, 2022</u>				
Cost	\$ 12,239,846	\$ 1,075,875	\$ 4,956,012	\$ 18,271,733
Accumulated amortisation	(2,852,857)	-	(897,212)	(3,750,069)
Carrying amount	<u>\$ 9,386,989</u>	<u>\$ 1,075,875</u>	<u>\$ 4,058,800</u>	<u>\$ 14,521,664</u>

Note: Including capitalised depreciation charge of property and equipment amounting to \$4,308 and \$2,976, and capitalised amortisation charge of intangible assets amounting to \$37 and \$128, for the years ended December 31, 2023 and 2022, respectively.

(16) Other assets

	December 31, 2023	December 31, 2022
Prepayments and temporary debits	\$ 657,975	\$ 3,517,187
Guarantee deposits paid	23,710,649	33,323,211
Others	58,345	58,345
	<u>\$ 24,426,969</u>	<u>\$ 36,898,743</u>

A. As at December 31, 2023 and 2022, without consideration of the collateral held or other credit enhancements, the maximum credit risk exposure in respect of the amount that best represents the other assets held by the Consolidated Company are \$23,724,267 and \$33,340,934, respectively.

B. The Consolidated Company's guarantee deposits paid are detailed as follows:

- (a) To acquire the case "City Land Development and Registered Superficies of Land Lot No. 28, 29 and 30, Xinyi Section Four, Xinyi District, Taipei City" held by Taipei City Government, the Consolidated Company's life insurance business set \$800,000 certificate of time deposit as (contract) security deposit on September 20, 2012. Because the Consolidated Company met the condition of the contract, a security deposit of \$400,000 was returned in January 2019. As of December 31, 2023 and 2022, the amount of security deposit was \$400,000.
- (b) In response to the commitment to the Council of Labor Affairs, Executive Yuan made by Ruen Chen Investment Holding Co., Ltd. in respect of stock equity trading, the Consolidated Company's life insurance business deposited Government Bonds with par value of \$680,000 under the trust account of Mega International Commercial Bank Co., Ltd. on August 31, 2011.
- (c) Articles 141 and 142 of the Insurance Law require an insurance company to place a statutory deposit with the government equal to 15% of its paid-in capital. The deposit will not be returned until cessation of business and liquidation has been completed. At the end of the financial reporting period, the Consolidated Company deposited Government Bonds in the Central Bank of the Republic of China as follows:

December 31, 2023	December 31, 2022
<u>\$ 21,307,000</u>	<u>\$ 21,228,400</u>

- (d) The Consolidated Company's life insurance business has taken administrative remedy by the statutory period for the adjustment of income tax returns assessed by the National Taxation Bureau for the years 2016 and 2017. The Consolidated Company's life insurance business deposited Government Bonds amounting to \$275,000 as a statutory deposit in July 2020.
- (e) To acquire the case "City Land Development and Registered Superficies of Land Lot No. 32 and 33-2, Xinyi Section Four, Xinyi District, Taipei City" held by Taipei City Government, the Consolidated Company's life insurance business set a certificate of time deposit of \$800,000 as contract security deposit on December 6, 2019.
- (f) To acquire the case "City Land Development and Registered Superficies of Land Lot No. 520-2 and other 31 lands, Wang Gao Lou Section, Tamsui District, New Taipei City" held by New Taipei City Government, the Consolidated Company's life insurance business set a certificate of time deposit (including subsequent interest) as contract security deposit on

January 12, 2021. As of December 31, 2023 and 2022, the deposit amounted to \$46,058 and \$46,029, respectively.

- (g) The Consolidated Company's life insurance business is engaged in trading of derivative instruments and bonds sold under repurchase agreements. As of December 31, 2023 and 2022, the Consolidated Company deposited U.S. Government Bonds amounting to \$0 and \$7,705,736, respectively, and cash amounting to \$0 and \$1,979,438, respectively, as the guarantee. Refer to Note 6(9) for details of the offset between guarantee and financial assets and liabilities.
- (h) The Consolidated Company's property insurance business engaged in insurance bidding business, as of December 31, 2023 and 2022, the Consolidated Company's property business had time deposits of \$20,180 and \$20,161 as the contract security deposit, respectively.
- (i) Except as stated above, the Consolidated Company's refundable deposits is mainly from leases and property investments, etc.

(17) Insurance products - separate account

- A. The insurance products - separate account classified under assets on insurance products - separate account, liabilities on insurance products - separate account, revenues on insurance products - separate account and expenses on insurance products-separate account are detailed as follows:

	December 31, 2023	December 31, 2022
Assets on insurance products - separate account		
Cash in bank	\$ 153,685	\$ 121,251
Financial assets at fair value through profit or loss	207,480,697	192,609,805
Other receivables	577,410	289,827
	<u>\$ 208,211,792</u>	<u>\$ 193,020,883</u>
Liabilities on insurance products - separate account		
Reserve for insurance products - separate account-insurance contracts	\$ 128,306,987	\$ 121,000,336
Reserve for insurance products - separate account-investment contracts	79,245,766	71,670,987
Other payables	659,039	349,560
	<u>\$ 208,211,792</u>	<u>\$ 193,020,883</u>

	2023	2022
Revenues on insurance products - separate account		
Premiums income	\$ 10,610,239	\$ 10,833,730
Interest income	10	-
Gain (loss) on financial assets at fair value through profit or loss and foreign exchange	15,303,702	(7,697,177)
	<u>\$ 25,913,951</u>	<u>\$ 3,136,553</u>
	2023	2022
Expenses on insurance products - separate account		
Claims and policy benefits payments	\$ 423,955	\$ 372,484
Surrender charges	11,129,634	9,475,729
Net change of reserve - insurance contracts	7,430,727	(13,074,991)
Administration charges and cost of insurance	1,654,386	1,635,207
Payment for cash dividends	5,275,249	4,728,124
	<u>\$ 25,913,951</u>	<u>\$ 3,136,553</u>

- B. The Consolidated Company received sales incentive bonus recognised as fee income from counterparties relative to the above investment-linked insurance products as follows:

2023	2022
\$ 1,596,529	\$ 1,512,257

- C. On September 17, 2019, the Consolidated Company was penalised by the competent authority because “the Invision” information system violated the Insurance Act and was asked to terminate the business of new investment-linked insurance product contract by the next day of receiving the sanction. Only until the information system of investment-linked insurance product is improved and is verified by the third-party professional institution and reported to the authority for approval, the business of new investment-linked insurance product contract can be restarted. On January 2, 2024, the Consolidated Company was approved by the competent authority to resume the sale of the investment-linked insurance products.

(18) Short-term debts

	December 31, 2023	December 31, 2022
Bonds sold under repurchase agreements	<u>\$ 5,738,950</u>	<u>\$ 12,992,000</u>

- A. To fulfil the needs of short-term transaction of derivative instruments and insurance business, as of December 31, 2023 and 2022, the Consolidated Company transacted bonds sold under repurchase agreements at a contracted interest rate range from 5.67%~5.85% and 1.28% to 2.00%, respectively.
- B. Refer Notes 6(8) and 6(9) for details of Government Bonds and corporate bonds classified as financial assets at amortised cost being pledged as collateral for the liabilities of bonds sold under repurchase agreements which were transacted by the Consolidated Company.

(19) Payables

	December 31, 2023	December 31, 2022
Claims and policy benefits payable	\$ 1,393,269	\$ 1,500,315
Commissions payable	2,174,841	2,277,263
Due to reinsurers and ceding companies	1,528,173	1,629,041
Accrued interests	844,305	761,650
Investments payable	795,997	11,683,146
Other payables	7,519,985	7,220,918
	<u>\$ 14,256,570</u>	<u>\$ 25,072,333</u>

(20) Financial liabilities at fair value through profit or loss

	December 31, 2023	December 31, 2022
Financial liabilities at fair value through profit or loss		
Derivative instruments	<u>\$ 5,287,505</u>	<u>\$ 16,085,125</u>

For the gain or loss on financial liabilities at fair value through profit or loss recognised by the Consolidated Company and related description of derivative instruments, please refer to Note 6(3).

(21) Bonds payable

	December 31, 2023	December 31, 2022
Bonds payable	<u>\$ 53,500,000</u>	<u>\$ 42,000,000</u>

A. The Consolidated Company was informed by Jin-Guan-Bao-Sho Letter No. 10502064510 of FSC dated May 31, 2016, and Public Announcement of Securities-TPEX-Bond No. 10500152721 of Taipei Exchange dated June 20, 2016, of a permit to issue cumulative perpetual subordinated bonds which was granted and became effective. The stipulated terms of issuance are as follows:

- Total issuance amount: NT\$25,000,000 thousand.
- Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
- Issuance period: Perpetual.
- Coupon rate: The coupon rate remains fixed interest rate within ten years from the issuance date. For the issuance dated June 20, 2016 the coupon rate is 3.5%. After the lapse of ten years from the issuance date, if the bonds has not been redeemed, the coupon rate will increase by 1%.
- Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
- Early redemption: After the lapse of ten years from the issuance date, if the Consolidated Company's capital adequacy ratio after redemption is more than twice of statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Consolidated Company to do so, the Consolidated Company will redeem all bonds beforehand at face value along with the interest payable.
- Form of issuance: The bond is issued in non-physical form.

- B. The Consolidated Company was informed by Jin-Guan-Bao-Sho Letter No. 10602051720 of FSC dated May 31, 2017, and Public Announcement of Securities-TPEX-Bond No. 10600151791 of Taipei Exchange dated June 23, 2017, of a permit to issue cumulative perpetual subordinated bonds which was granted and became effective. The stipulated terms of issuance are as follows:
- (a) Total issuance amount: NT\$7,000,000 thousand.
 - (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
 - (c) Issuance period: Perpetual.
 - (d) Coupon rate: The coupon rate remains fixed interest rate within ten years from the issuance date. For the issuance dated June 23, 2017 the coupon rate is 3.45%. After the lapse of ten years from the issuance date, if the bonds has not been redeemed, the coupon rate will increase by 1%.
 - (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
 - (f) Early redemption: After the lapse of ten years from the issuance date, if the Consolidated Company's capital adequacy ratio after redemption is more than twice of statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Consolidated Company to do so, the Consolidated Company will redeem all bonds beforehand at face value along with the interest payable.
 - (g) Form of issuance: The bond is issued in non-physical form.
- C. The Consolidated Company was informed by Jin-Guan-Bao-Sho Letter No. 10704153520 of FSC dated June 12, 2018, and Public Announcement of Securities-TPEX-Bond No. 10700153831 of Taipei Exchange dated June 29, 2018, of a permit to issue cumulative perpetual subordinated bonds which was granted and became effective. The stipulated terms of issuance are as follows:
- (a) Total issuance amount: NT\$10,000,000 thousand.
 - (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
 - (c) Issuance period: Perpetual.
 - (d) Coupon rate: The coupon rate remains fixed interest rate within ten years from the issuance date. For the issuance dated June 29, 2018 the coupon rate is 3.3%. After the lapse of ten years from the issuance date, if the bonds has not been redeemed, the coupon rate will increase by 1%.
 - (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
 - (f) Early redemption: After the lapse of ten years from the issuance date, if the Consolidated Company's capital adequacy ratio after redemption is more than twice of statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Consolidated Company to do so, the Consolidated Company will redeem all bonds beforehand at face value along with the interest payable.
 - (g) Form of issuance: The bond is issued in non-physical form.

D. The Consolidated Company's life insurance business was informed by Jin-Guan-Bao-Sho Letter No. 112043641 of FSC dated September 13, 2023, and Public Announcement of Securities-TPEX-Bond No. 11200101871 of Taipei Exchange dated October 19, 2023, of a permit to issue the first unsecured cumulative subordinated bonds of 2023 which was granted and became effective. The stipulated terms of issuance are as follows:

- (a) Total issuance amount: NT\$11,500,000 thousand.
- (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
- (c) Issuance period: 10 years for A bonds and 15 years for B bonds.
- (d) Coupon rate: The coupon rate for A bonds is fixed interest rate of 3.75% per annum; and the coupon rate for B bonds is fixed interest rate of 3.88% per annum.
- (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
- (f) Early redemption: After the lapse of ten years from the issuance date of B bonds, if the Company's capital adequacy ratio after redemption is more than statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Company to do so, the Company will redeem all bonds beforehand at face value along with the interest payable which is calculated based on the actual number of days.
- (g) Form of issuance: The bond is issued in non-physical form.

(22) Reinsurance contract assets and insurance contract liabilities

	December 31, 2023	December 31, 2022
Reinsurance contract assets		
Life insurance	\$ 1,380,473	\$ 1,238,479
Property insurance	2,631,559	3,171,662
	<u>\$ 4,012,032</u>	<u>\$ 4,410,141</u>
	December 31, 2023	December 31, 2022
Insurance liabilities		
Life insurance	\$ 4,617,867,429	\$ 4,576,388,797
Property insurance	9,942,984	9,549,603
	<u>\$ 4,627,810,413</u>	<u>\$ 4,585,938,400</u>

A. Life insurance

The components of reinsurance contract assets are as follows:

	December 31, 2023	December 31, 2022
Claims recoverable from reinsurers	\$ 1,106,304	\$ 907,517
Due from reinsurers and ceding companies	3,624	206
Reinsurance reserve assets		
Ceded unearned premium reserve	163,841	153,453
Ceded claims reserve	106,704	177,303
	<u>\$ 1,380,473</u>	<u>\$ 1,238,479</u>

Reinsurance contract assets held by the Consolidated Company's life insurance are neither past due nor impaired, and they all ceded to reinsurers with S&P rating A or above.

The components of insurance contract liabilities are as follows:

	December 31, 2023	December 31, 2022
Unearned premium reserve	\$ 20,056,307	\$ 19,333,397
Claims reserve	10,799,542	10,538,532
Policy reserve	4,571,457,717	4,530,866,645
Special reserve	9,352,030	9,190,758
Premium deficiency reserve	6,201,833	6,459,465
	<u>\$ 4,617,867,429</u>	<u>\$ 4,576,388,797</u>

The movements and components of insurance contract liabilities and reinsurance reserves are as follows:

(a) Unearned premium reserve and ceded unearned premium reserve

	2023	2022
Unearned premium reserve:		
At January 1	\$ 19,333,397	\$ 18,639,588
Provision	20,056,310	19,333,359
Recovery	(19,333,397)	(18,639,588)
Foreign exchange (gain) loss	(3)	38
At December 31	<u>\$ 20,056,307</u>	<u>\$ 19,333,397</u>

	2023	2022
Ceded unearned premium reserve:		
At January 1	\$ 153,453	\$ 143,585
Net change	10,412	9,600
Foreign exchange (loss) gain	(24)	268
At December 31	<u>\$ 163,841</u>	<u>\$ 153,453</u>

(b) Claims reserve and ceded claims reserve

I. The components of claims reserve are as follows:

	December 31, 2023	December 31, 2022
Claims reported but not paid	\$ 3,521,136	\$ 3,618,370
Claims incurred but not reported and paid	7,278,406	6,920,162
	<u>\$ 10,799,542</u>	<u>\$ 10,538,532</u>

II. The movement of claims reserve and ceded claims reserve are as follows:

	2023	2022
Claims reserve:		
At January 1	\$ 10,538,532	\$ 8,243,622
Provision	10,798,492	10,526,731
Recovery	(10,538,532)	(8,243,622)
Foreign exchange loss	1,050	11,801
At December 31	<u>\$ 10,799,542</u>	<u>\$ 10,538,532</u>

	2023	2022
Ceded claims reserve:		
At January 1	\$ 177,303	\$ 49,424
Net change	(70,710)	127,805
Foreign exchange gain	111	74
At December 31	<u>\$ 106,704</u>	<u>\$ 177,303</u>

(c) Policy reserve

I. The components of policy reserve are as follows:

	December 31, 2023	December 31, 2022
Insurance contracts	\$ 4,394,653,228	\$ 4,332,251,861
Investment contracts with discretionary participation features	175,530,410	197,391,055
Life policy reserve-catastrophe reserve recovered	50,691	50,691
Policy benefit-pending payment to policyholder	1,223,388	1,173,038
	<u>\$ 4,571,457,717</u>	<u>\$ 4,530,866,645</u>

II. The movements of policy reserve are as follows:

	2023	2022
At January 1	\$ 4,530,312,507	\$ 4,356,618,334
Provision	268,634,742	290,795,863
Recovery	(234,056,723)	(228,682,043)
Foreign exchange loss	1,951,464	107,402,500
Others	4,011,239	4,177,853
At December 31 (Note)	<u>\$ 4,570,853,229</u>	<u>\$ 4,530,312,507</u>

Note: Reclassification from claims and policy benefits payable to reserve for policy benefits-pending payment to policyholder amounting to \$604,488 and \$554,138, respectively. The total reserve amount of policy benefits after reclassification as of December 31, 2023 and 2022 are \$4,571,457,717 and \$4,530,866,645, respectively.

III. The related interest expense from the above discount-based insurance contract liabilities are as follows:

2023	2022
<u>\$ 152,017,726</u>	<u>\$ 150,122,874</u>

IV. The Consolidated Company's reserves of insurance contracts and financial instruments with discretionary participation features are recognised based on "Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises", not valued at fair value. The financial instruments with discretionary participation feature (variable interest rate annuity) reported in each report period by the Consolidated Company, is based on credited interest rate to accumulate the account value. Those financial instruments' discretionary participation feature has no quoted market price and the fair value could not be reliably

measured, so no need to disclose those fair value. At the end of each reporting date, except for paid under insurance terms, the Consolidated Company does not plan to sell those financial instruments.

(d) Special reserve

I. The components of special reserve are as follows:

	December 31, 2023	December 31, 2022
Reserve for real estate appreciation	\$ 1,354,257	\$ 1,354,257
Dividend payment reserve	7,997,773	7,836,501
	<u>\$ 9,352,030</u>	<u>\$ 9,190,758</u>

II. The movements of special reserve are as follows:

	2023	2022
At January 1	\$ 9,190,758	\$ 7,507,581
Dividend reserve provision	449,250	1,847,963
Dividend payment reserve written-off	(287,978)	(164,786)
At December 31	<u>\$ 9,352,030</u>	<u>\$ 9,190,758</u>

(e) Premium deficiency reserve

	2023	2022
At January 1	\$ 6,459,465	\$ 5,965,231
Provision	1,415,767	1,913,434
Recovery	(1,681,206)	(1,660,607)
Foreign exchange loss	7,807	241,407
At December 31	<u>\$ 6,201,833</u>	<u>\$ 6,459,465</u>

B. Property insurance

(a) Reinsurance contract assets are shown below:

	December 31, 2023	December 31, 2022
Claims recoverable from reinsurers	\$ 379,797	\$ 562,506
Due from reinsurers and ceding companies	229	7
Overdue receivable	379	1,898
Reinsurance contract assets reserve		
Ceded unearned premium reserve	1,132,196	1,359,114
Ceded claim reserve	1,121,607	1,257,010
Subtotal	2,634,208	3,180,535
Less: Allowance for loss	(2,649)	(8,873)
	<u>\$ 2,631,559</u>	<u>\$ 3,171,662</u>

I. Reinsurance contract assets neither overdue nor impaired were rated with S&P BBB+ or above, so it expects that the probability of default is remote.

II. Amount of reinsurance contract assets and aging analysis that were past due but not impaired or impaired are as follows:

	December 31, 2023	December 31, 2022
31-90 days	\$ 218,279	\$ 200,970
91-180 days	15,520	245,210
181-270 days	3,144	6,314
Over 271 days	379	1,836
	<u>\$ 237,322</u>	<u>\$ 454,330</u>

Aging of above claims recoverable from reinsurers, due from reinsurers and ceding companies were classified based on settlement date, reclassified as overdue receivables in 9 months.

III. Changes in allowance for loss on reinsurance contract assets are as follows:

	2023	2022
At January 1	\$ 8,873	\$ 5,925
(Reversal) provision of loss	(6,224)	2,948
At December 31	<u>\$ 2,649</u>	<u>\$ 8,873</u>

(b) Insurance contract liabilities are shown below:

	December 31, 2023	December 31, 2022
Unearned premium reserve	\$ 4,369,375	\$ 3,988,387
Claim reserve	3,184,074	3,057,846
Special reserve	2,389,535	2,334,920
Premium deficiency reserve	-	168,450
	<u>\$ 9,942,984</u>	<u>\$ 9,549,603</u>

I. Movements of unearned premium reserve and ceded unearned premium reserve are as follows:

	2023		
	Unearned premium reserve	Ceded unearned premium reserve	Net amount
At January 1	\$ 3,988,387	\$ 1,359,114	\$ 2,629,273
Provision	4,369,375	1,132,196	3,237,179
Recovery	(3,988,387)	(1,359,114)	(2,629,273)
At December 31	<u>\$ 4,369,375</u>	<u>\$ 1,132,196</u>	<u>\$ 3,237,179</u>
	2022		
	Unearned premium reserve	Ceded unearned premium reserve	Net amount
At January 1	\$ 3,796,828	\$ 1,565,575	\$ 2,231,253
Provision	3,988,387	1,359,114	2,629,273
Recovery	(3,796,828)	(1,565,575)	(2,231,253)
At December 31	<u>\$ 3,988,387</u>	<u>\$ 1,359,114</u>	<u>\$ 2,629,273</u>

II. Claim reserve and ceded claim reserve

Item	December 31, 2023		
	Claim reserve	Ceded claim reserve	Retention
Reported but not paid claim reserve	\$ 1,681,577	\$ 615,232	\$ 1,066,345
Incurred but not reported claim reserve	1,502,497	506,375	996,122
	<u>\$ 3,184,074</u>	<u>\$ 1,121,607</u>	<u>\$ 2,062,467</u>

Item	December 31, 2022		
	Claim reserve	Ceded claim reserve	Retention
Reported but not paid claim reserve	\$ 1,667,808	\$ 793,921	\$ 873,887
Incurred but not reported claim reserve	1,390,038	463,089	926,949
	<u>\$ 3,057,846</u>	<u>\$ 1,257,010</u>	<u>\$ 1,800,836</u>

Movements of claim reserve and ceded claim reserve are as follows:

	2023		
	Claim reserve	Ceded claim reserve	Net amount
At January 1	\$ 3,057,846	\$ 1,257,010	\$ 1,800,836
Provision	3,184,074	1,121,607	2,062,467
Recovery	(3,057,846)	(1,257,010)	(1,800,836)
At December 31	<u>\$ 3,184,074</u>	<u>\$ 1,121,607</u>	<u>\$ 2,062,467</u>

	2022		
	Claim reserve	Ceded claim reserve	Net amount
At January 1	\$ 2,294,616	\$ 1,059,923	\$ 1,234,693
Provision	3,057,846	1,257,010	1,800,836
Recovery	(2,294,616)	(1,059,923)	(1,234,693)
At December 31	<u>\$ 3,057,846</u>	<u>\$ 1,257,010</u>	<u>\$ 1,800,836</u>

III. Special reserve

Insurance type	December 31, 2023	December 31, 2022
Compulsory insurance	\$ 2,319,420	\$ 2,264,805
Others	70,115	70,115
	<u>\$ 2,389,535</u>	<u>\$ 2,334,920</u>

(i) Movements of special reserve are as follows:

	2023		
	Compulsory insurance	Others	
		Catastrophe reserve	Risk-volatility reserve
At January 1	\$ 2,264,805	\$ 12,471	\$ 57,644
Provision	54,615	-	-
At December 31	<u>\$ 2,319,420</u>	<u>\$ 12,471</u>	<u>\$ 57,644</u>
	2022		
	Compulsory insurance	Others	
		Catastrophe reserve	Risk-volatility reserve
At January 1	\$ 2,185,525	\$ 12,471	\$ 124,890
Provision	79,280	-	-
Recovery	-	-	(67,246)
At December 31	<u>\$ 2,264,805</u>	<u>\$ 12,471</u>	<u>\$ 57,644</u>

(ii) Pursuant to “Notes for Strengthening Reserve for Natural Disaster of Property Insurance Enterprises”, effective January 1, 2013, special reserve recognised under liabilities before December 31, 2012 shall first be used to make up required catastrophe reserve and risk claim reserve for commercial earthquake insurance and typhoon/flood insurance except for reserves for other types of insurance like compulsory automobile liability insurance, nuclear energy insurance, government-directed housing earthquake insurance, commercial earthquake insurance and typhoons/flood insurance. These reserves shall then be recognised under liabilities. The remaining, net of income tax, shall be recognised as special reserves under stockholders’ equity in accordance with IAS 12. Besides, the aforementioned notes were amended in accordance with the Jin-Guan-Pao-Tsai Letter No. 11101405951 dated June 30, 2022, and were renamed “Notes for Strengthening Catastrophe Reserve of Property Insurance Enterprises”. According to the eighth point of the Notes, upon occurrence of the catastrophic events, when the actual claim of retention business exceeds expected claim minus the offsetting amount for special catastrophe reserve or total accumulative provision amount was sufficient, the risk-volatility reserve should be written-off or recovered in accordance with the third point in the “Regulations Governing the Setting Aside of Liability Reserves of Commercial Earthquake Insurance and Typhoon and Flood Insurance”. For the year ended December 31, 2022, the Consolidated Company’s property insurance business recovered \$67,246 from the risk-volatility reserve because pandemic related insurance products met with the condition of aforementioned Notes due to the Coronavirus Disease (Covid-19). Additionally, according to “Note for Strengthening Reserve of Pool Members Residential Earthquake” and “Regulations Governing the setting Aside of Liability Reserve Provision of Nuclear Energy Insurance”, effective January 1, 2013, special reserve that has been set aside shall be retained under special reserve for insurance

liability.

To the Consolidated Company, in case that the Subsidiary had considered not to apply the abovementioned notices, the effects on the net income, earnings per share, special reserve and total equity are listed below:

Item	2023		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 22,109,624	\$ 22,109,624	\$ -
Earnings per share (unit : NT dollars)	1.60	1.60	-
Special reserve	11,671,450	11,741,565	70,115
Total equity	343,934,254	343,878,162	(56,092)

Item	2022		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 31,499,840	\$ 31,553,637	\$ 53,797
Earnings per share (unit : NT dollars)	2.28	2.28	-
Special reserve	11,455,563	11,525,678	70,115
Total equity	281,632,341	281,576,249	(56,092)

- (iii) Starting from April, 1, 2021, the Consolidated Company's property insurance business should monthly provision NT\$30 for each insurance policy as reserves from the business fees of insurer of property insurance according to the Compulsory Automobile Liability Insurance Act Article 2, Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises Article 24-2, Item 1 which was authorised and set by Insurance Act Article 145, Item 2 and Article 148-3, Item 2. If the annual net premium had deficiency when property insurance industry engaged in this business, it should be offset by the reserve first, if it is not sufficient, it should be executed according to Compulsory Automobile Liability Insurance Act and Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises.

(iv) The adjustments from changes in the reserve for premiums deficiency and ceded premium deficiency reserve were as follows:

2023			
	Premium deficiency reserve	Ceded premium deficiency reserve	Net amount
At January 1	\$ 168,450	\$ -	\$ 168,450
Recovery	(168,450)	-	(168,450)
At December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

2022			
	Premium deficiency reserve	Ceded premium deficiency reserve	Net amount
At January 1	\$ 85,731	\$ 39,617	\$ 46,114
Provision	168,450	-	168,450
Recovery	(85,731)	(39,617)	(46,114)
At December 31	<u>\$ 168,450</u>	<u>\$ -</u>	<u>\$ 168,450</u>

(23) Reserve for insurance with nature of financial instruments

The Consolidated Company issued financial instruments without discretionary participation features. As of December 31, 2023 and 2022, the details of and adjustment from change in the reserve for insurance with nature of financial instruments are as follows:

	December 31, 2023	December 31, 2021
Investment-linked product	<u>\$ 956,348</u>	<u>\$ 642,763</u>

	2023	2022
At January 1	\$ 642,763	\$ 501,767
Net provision of statutory reserve	313,845	134,195
Foreign exchange (gain) loss	(260)	6,801
At December 31	<u>\$ 956,348</u>	<u>\$ 642,763</u>

(24) Reserve for foreign exchange valuation

A. In accordance with the “Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises”, the Consolidated Company set aside reserve for foreign exchange valuation under liabilities. Movements are as follows:

	2023	2022
At January 1	\$ 42,592,110	\$ 7,392,686
Provision		
Compulsory provision	1,874,973	4,621,353
Additional provision	2,740,828	49,647,506
Subtotal	4,615,801	54,268,859
Recovery	(38,532,909)	(19,069,435)
At December 31	<u>\$ 8,675,002</u>	<u>\$ 42,592,110</u>

B. The accounts eligible or ineligible for the reserve for foreign exchange valuation are as follows:

Item	2023		
	Ineligible amount	Eligible amount	Impact
Net income	(\$ 5,024,063)	\$ 22,109,624	\$ 27,133,687
Earnings per share (unit : NT dollars)	(0.36)	1.60	1.96
Reserve for foreign exchange valuation	-	8,675,002	8,675,002
Total equity	350,864,642	343,878,162	(6,986,480)

Item	2022		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 59,713,176	\$ 31,553,637	(\$ 28,159,539)
Earnings per share (unit : NT dollars)	4.32	2.28	(2.04)
Reserve for foreign exchange valuation	-	42,592,110	42,592,110
Total equity	315,696,416	281,576,249	(34,120,167)

(25) Provisions

	December 31, 2023	December 31, 2022
Provisions for employee benefits	\$ 3,610,496	\$ 3,063,179
Other provisions	229,634	252,094
	<u>\$ 3,840,130</u>	<u>\$ 3,315,273</u>

A. Provisions of the Consolidated Company include employee benefits, lawsuits, claims and dispute on labor insurance. Employee benefits and dispute on labor insurance are described in Note 6(26).

B. The details of other provisions are listed below:

	2023	2022
At January 1	\$ 252,094	\$ 232,321
Provisions	5,492	27,163
Recovery	(27,952)	(7,390)
At December 31	<u>\$ 229,634</u>	<u>\$ 252,094</u>

The actual amount and timing of payment of the above lawsuits, claims and new labor pension dispute between agents depends on each result of lawsuit, the policyholder's further requests or the competent authority's decision. The Consolidated Company uses professional legal advice or the percentage of occurrence to estimate the reasonability of provisions.

(26) Post-employee benefits

A. Defined benefit plans

(a) The Consolidated Company has a defined benefit pension plan (the "Plan"), starting from April, 1998 in accordance with the "Labor Standards Law", covering all regular employees' service years prior to the enforcement of the "Labor Pension Act" on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Benefits under the Plan are based on participants' length of service and

average salaries at the time of retirement, with a benefit ceiling of 45 months of salary. The Consolidated Company makes a monthly provision and contributes an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. The remaining is recorded as accrued pension cost. The retirement fund balance is not included in the financial statements.

The Consolidated Company also sets up an employee welfare measure of group term life insurance, which applies to all employees who were on board before April 17, 2009. Upon retirement, the renewal of group term life insurance will be the same as at the time of retirement during the first year, and decrease by 50% of insurance after the year of retirement. It is valid for employees' whole life and all of the insurance payments are shouldered by the Consolidated Company.

(b) The amounts recognised in the balance sheet are determined as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	\$ 4,939,473	\$ 4,337,433
Fair value of plan assets	(1,328,977)	(1,274,254)
Net defined benefit liability	<u>\$ 3,610,496</u>	<u>\$ 3,063,179</u>

(c) Movements in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>2023</u>			
Balance at January 1	\$ 4,337,433	\$ 1,274,254	\$ 3,063,179
Recognised in profit or loss:			
Current service cost	70,315	-	70,315
Interest expense/income	83,560	20,400	63,160
Current pension costs (Note)	<u>153,875</u>	<u>20,400</u>	<u>133,475</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income)	-	6,656	(6,656)
Change in financial assumptions	547,851	-	547,851
Experience adjustments	<u>53,739</u>	<u>-</u>	<u>53,739</u>
	<u>601,590</u>	<u>6,656</u>	<u>594,934</u>
Pension fund contribution	-	39,293	(39,293)
Paid pension	<u>(153,425)</u>	<u>(11,626)</u>	<u>(141,799)</u>
Balance at December 31	<u>\$ 4,939,473</u>	<u>\$ 1,328,977</u>	<u>\$ 3,610,496</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>2022</u>			
Balance at January 1	\$ 5,535,298	\$ 1,144,200	\$ 4,391,098
Recognised in profit or loss:			
Current service cost	106,614	-	106,614
Interest expense/income	39,850	5,645	34,205
Current pension costs (Note)	146,464	5,645	140,819
Remeasurements:			
Return on plan assets (excluding amounts included in interest income)	-	89,998	(89,998)
Change in demographic assumptions	7,693	-	7,693
Change in financial assumptions	(1,105,677)	-	(1,105,677)
Experience adjustments	(90,484)	-	(90,484)
	(1,188,468)	89,998	(1,278,466)
Pension fund contribution	-	43,780	(43,780)
Paid pension	(155,861)	(9,369)	(146,492)
Balance at December 31	\$ 4,337,433	\$ 1,274,254	\$ 3,063,179

Note: Including capitalised intangible assets amounting to \$469 and \$587 in 2023 and 2022, respectively.

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Consolidated Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Consolidated Company has no right to participate in managing and operating that fund and hence the Consolidated Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used are as follows:

Retirement benefits for employees		December 31, 2023	December 31, 2022
Discount rate		1.25%	1.60%~1.80%
Future salary increases		2.70%~3.00%	2.70%~3.00%
Expected return on plan assets		1.25%	1.60%~1.80%

Group life insurance for employees		December 31, 2023	December 31, 2022
Discount rate		1.65%	2.55%
Future salary increases		2.70%	2.70%

Assumptions regarding future mortality experience are set based on Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis is as follows:

	Discount rate		Future salary increases rate	
	Increase	Decrease	Increase	Decrease
December 31, 2023	0.25%	0.25%	0.25%	0.25%
Effect on present value of defined benefit obligation	(\$ 203,923)	\$ 218,870	\$ 102,413	(\$ 99,156)

	Discount rate		Future salary increases rate	
	Increase	Decrease	Increase	Decrease
December 31, 2022	0.25%	0.25%	0.25%	0.25%
Effect on present value of defined benefit obligation	(\$ 166,231)	\$ 177,509	\$ 93,776	(\$ 90,899)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(f) Expected contributions to the defined benefit pension plans of the Consolidated Company in 2024 amount to \$58,970.

(g) As of December 31, 2023, the weighted average duration of the retirement plan, employee welfare measure of group term life insurance of the Company, and the retirement plan of the subsidiary are 8.70, 29.60 and 9.70 years, respectively.

B. Defined contribution plans

Effective July 1, 2005, the Consolidated Company has established a defined contribution pension plan (the "New Plan") in accordance with the Labor Pension Act, covering all regular employees with R.O.C. nationality. Under the New Plan, the Consolidated Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. Pension

expenses recognised by the Consolidated Company are as follows:

2023		2022	
\$	315,420	\$	302,925

Effective February 24, 2012, the Consolidated Company has provided labor insurance for certain field agents in accordance with order issued by the Bureau of Labor Insurance. For those field agents who have been enrolled in labor insurance under the order issued by the Bureau of Labor Insurance, the Consolidated Company is supposed to make contribution of labor pension for them accordingly. Thus, the above amounts include labor pension costs of those field agents.

The Consolidated Company has established the Employees' Retirement Fund Supervisory Committee (the "Committee"), based on the Employees' Retirement Fund Custody and Distribution Guidelines (the "Guidelines") in August, 2005 that apply to appointed managers, to administer the retirement fund. The Consolidated Company makes a monthly provision equal to at least 6% of appointed managers' salaries to the retirement fund for the Committee to handle. The Consolidated Company recognised pension expenses as follows:

2023		2022	
\$	14,218	\$	13,910

Note: Including pension expenses capitalised in construction in progress and intangible assets amounting to \$2,049 and \$2,612 in 2023 and 2022, respectively.

- C. Regarding the issue that some field agents requested the Consolidated Company's life insurance business to appropriate pension funds for them:

The Consolidated Company's life insurance business has always assigned work to the agents since 1970 and it is affirmed through 49 rulings rendered by civil courts that the relationship between field agents and the Consolidated Company's life insurance business is not a labor contractual relationship. However, a few agents claimed that it is a labor contractual relationship and hence legal disputes over Labor Standards Act, Labor Pension Act, Labor Insurance Act, Employment Insurance Act, and National Health Insurance Act have been raised. Earlier the administrative court dismissed the petition of the Consolidated Company's life insurance business for related administrative remedy. The administrative court, however, interprets the laws inconsistently with the abovementioned rulings rendered by the civil court and thus gives rise to conflict between the two adjudicative bodies.

In addition, the Executive Yuan had revoked the penalty decisions made by the Department of Labor, Taipei City Government with 5 petition decisions while Taipei City Government also revoked the penalty decisions made by the Department of Labor, Taipei City Government with 2 petition decisions.

It indicates that what a few field agents contested is legally contentious. To end the disputes, the Consolidated Company's life insurance business petitioned for the interpretation by Grand Justices. On October 21, 2016, the Judicial Yuan Interpretation No. 740 was released and stated that whether the labor contract entered by an insurance agent and the assigning company falls under the labor contract stipulated in subparagraph 6 of Article 2 of Labor Standards Act depends on whether the labor debtor (insurance agent) is able to decide the method of labor (including working hours) and whether he/she bears the business risk (e.g. the payment is based on the premium accrued from the policy he/she solicited), instead of determining the nature of contract in compliance with the provisions of Regulations

Governing the Supervision of Insurance Solicitors.

As the J.Y. Interpretation illustrates, the relationship between the Consolidated Company's life insurance business and the agents does not fall under the definition of labor contract provided in the Labor Standards Act and thus related regulations such as Labor Standards Act does not apply. The Consolidated Company's life insurance business is not obliged to appropriate pension funds for field agents. The Consolidated Company's life insurance business respects the J.Y. Interpretation, complies with the substance of the interpretation, and follows the appropriate proceedings to settle the disputes.

(27) Other liabilities

	December 31, 2023	December 31, 2022
Advance receipts and temporary credits	\$ 1,565,830	\$ 3,131,176
Guarantee deposits received	22,612,388	2,504,781
Accrued policy dividends	25,039,043	22,763,403
	<u>\$ 49,217,261</u>	<u>\$ 28,399,360</u>

(28) Equity

A. Capital

As at December 31, 2023 and 2022, the Company's authorised capital amounted to \$180,000,000 and \$150,000,000, respectively, whereas paid-in capital are both \$138,219,000. All stocks issued by the Company are common stocks with par value at NT\$10. All proceeds from shares issued have been collected.

B. Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. As of December 31, 2023, all the capital surplus is the premium on issuance of shares exceeding par value.

C. Retained earnings and earnings distribution

(a) The Company's Articles of Incorporation provided that where a profit is accrued during the year, the earnings should be reserved to pay all taxes and dues and offset accumulated deficit. Then set aside legal reserve and appropriate special reserve out of the remaining earnings in accordance with the laws and regulations of competent authority. For the accumulated amount of debit balance on other equity interest of prior periods, the same amount of special reserve should be provisioned from prior undistributed earnings. The distribution plan for the remaining plus beginning undistributed earnings shall be proposed by the Board of Directors and resolved by the stockholders at the stockholders' meeting. The dividend distribution of the Company is based on a strong foundational structure, well-maintained capital adequacy ratio and focused on the benefit of stockholders. The percentage between stock dividend and cash dividend is adjusted based on the actual annual earnings and capital position in the current year.

Legal reserve can be used for covering accumulated deficit. The use of legal reserve for the issuance of new stocks or cash to shareholders is permitted, provided that the

distribution of the reverse is limited to the portion in excess of 25% of the Company's paid-in capital. Information about the appropriation of earnings by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange. For information relating to employees' compensation (bonus), please refer to Note 6(36).

- (b) On June 7, 2023 and June 15, 2022, the Company held the shareholders' meeting and approved the appropriation of earnings for the years ended December 31, 2022 and 2021 as follows:

	December 31, 2022	December 31, 2021
Legal reserve	\$ 6,507,515	\$ 11,992,203
Special reserve	26,030,095	41,822,779
Dividend	-	6,146,000
Dividend per share (unit : NT dollars)	-	0.44

- (c) Special reserve under equity

	December 31, 2023	December 31, 2022
Catastrophe reserve and risk claim reserve	\$ 34,803,976	\$ 33,206,202
Reserve for foreign exchange valuation	41,947,545	37,176,681
Reserve for real estate appreciation recovery	5,417,029	5,417,029
The net affected amounts of adoption of the fair value of investment property	19,731,662	20,693,800
Gain from disposal of the financial debt instruments before their maturities	68,365,324	69,727,108
Debit balance on other equity interest	25,540,433	-
Variable interest rate products	5,605,649	5,605,649
Others	9,095,219	8,966,218
	<u>\$ 210,506,837</u>	<u>\$ 180,792,687</u>

I. Catastrophe reserve and risk claim reserve

(i) The net movement of special reserve after tax

The additional provision of special reserve should be recognised to "special reserve" under equity after tax. In addition, when the special reserve is insufficient to write off or recover with respect to the amounts that can be written-off or recovered, the "special reserve under equity" is used to write-off or recover the deficiency.

(ii) Risk claim reserve recovered

Pursuant to regulations on appropriation of provisions for insurance industry, the Company recovered after-tax balance of special reserve for hazard change. In accordance with Tai-Tsai-Bao Letter No. 0920700594 issued by Ministry of

Finance on January 24, 2003, the amount is classified as special reserve after being recognised at the shareholders' meeting in the next year. Any other appropriation or purpose of use is subject to an approval.

II. Reserve for foreign exchange valuation

- (i) According to the Guidance for Reserve for Foreign Exchange Valuation of Life Insurance Enterprises, life insurance enterprises should recognise the saved hedging cost to the special reserve under equity annually. The special reserve under equity can be made in the subsequent years when the earnings of current year are insufficient. The aforementioned special reserve under equity only can be reversed to increase capital or offset against accumulated deficit.
- (ii) According to the Guidance for Reserve for Foreign Exchange Valuation of Life Insurance Enterprises and Jin-Guan-Bao-Tsai Letter No.1090490453, the Company shall set aside 10% of after-tax net income and the amount of other profit (or loss) items adjusted to the current year's undistributed earnings in the current year as a special reserve except upon obtaining approval from FSC.
- (iii) According to the "Regulation Governing the Setting Aside of Various Reserve for Insurance Enterprises", the initial amount of reserve for foreign exchange amounting to \$3,486,612 has been entirely transferred to special reserve under equity.

III. Reserve for real estate appreciation

In accordance with Jin-Guan-Bao-Tsai Letter No. 10102515281 dated November 30, 2012, the Company recovered an amount from real estate value-added special reserve for the year ended December 31, 2013 amounting to \$5,417,029, which has been transferred to special reserve under equity as approved at shareholders' meeting in 2014.

IV. Fair value measurement of investment property

According to Jin-Guan-Bao-Tsai Letter No. 10402501001 dated January 23, 2015, the life insurance enterprises should set aside special reserve from the remainder of \$12,143,233 for net effect of subsequent measurement of investment property arising from first-time adoption of fair value model less additional liability reserve that should be set aside for valid contract fair value assessment. The remainder is used only for making up the insufficient amount of liability reserve in the subsequent periods based on the valid contract fair value assessment as approved by the competent authority and stabilizing financial structure in provision of additional reserve in connection with the second phase of IFRS 4, 'Insurance Contracts' in the future. In addition, in pursuant to Jin-Guan-Bao-Tsai Letter No. 10904917647 dated May 11, 2020, the aforementioned letter was revoked. The life insurance enterprises should set aside special reserve from net effect of subsequent measurement of investment property arising from first-time adoption of fair value model and net cumulative incremental gains after tax arising from changes in fair value in subsequent periods, which is not allowed to distribute under the regulation specified in Jin-Guan-Bao-Tsai Letter No. 10904917647, and the special reserve is used only for making up the insufficient amount of insurance contract liabilities in the subsequent periods based on the valid contract in accordance with IFRS 17, the life insurance business's fair value assessment on valid insurance contract

liabilities and other designated valuation method. If the investment property whose special reserve had been used to make up the insufficient amount of insurance contract liabilities can be reversed based on the its original provision ratio after having approval. If the reversed special reserve would be included in the earnings distribution, it should be in accordance with Jin-Guan-Bao-Tsai Letter No. 10202501992.

V. Gain from disposal of the financial debt instruments before their maturities

In accordance with Jin-Guan-Bao-Tsai Letter No. 11204939731 dated November 13, 2023, beginning from January 1, 2019, once the Company disposes the financial debt instruments before their maturities, the disposal gain and loss, after tax, it should be fully transferred from retained earnings to special reserve, which should be amortised and released to distributable earnings in the remaining maturity periods of the disposed debt instruments or in 10 years for those whose remaining maturity period cannot be determined.

(i) Financial assets not measured at fair value.

(ii) Financial assets whose changes are recognised in other comprehensive income measured at fair value.

(iii) Financial assets whose changes are recognised in profit or loss measured at fair value and applied overlay approach.

Fund beneficiary certification, short-term notes and bills, equity preference share and position of segregate asset in relation to participating policy or floating-rate insurance policy can be excluded in the abovementioned unmatured debt instruments.

For the year ended December 31, 2022, the net reversal for special reserve amounted to \$1,361,784 in accordance with regulations and self-assessment, which had been approved at the shareholders' meeting in 2023, and the accumulated balance of special reserve after reversal was \$68,365,324.

As of December 31, 2023 and 2022, in accordance with the regulations mentioned above, the special reserve will be provisioned and the balances will be \$68,365,324 and \$69,727,108, respectively. The changes of \$4,687,044 in 2023 will be reversed from special reserve after being resolved at the shareholders' meeting in the next year, and the accumulated balance of special reserve will be \$63,678,280.

Gain or loss on derecognition of debt instruments	Amount
Accumulated balance of profit or loss on derecognition of debt instruments as of December 31, 2022	\$ 68,365,324
Provision for after-tax amount of profit or loss on derecognition of debt instruments for the current year (Note)	42,121
Current year's net recovered amount	(4,729,165)
Accumulated balance of profit or loss on derecognition of debt instruments at the end of the year	\$ 63,278,280

Note: It was a provision, arising from the realised capital gains of \$52,652 for the current year, net of income tax of \$10,531.

Year	The accumulated profit from the derecognition of debt instruments, as of December 31, 2022, to be recovered (provisioned) in the future (a)	Provisioned (recovered) amount after tax of profit or loss from derecognition for the current year (b)	The accumulated profit from the derecognition of debt instruments, as of December 31, 2023, to be recovered (provisioned) in the future (Note) (c)=(a)+(b)
2023	\$ 4,708,212	\$ 20,953	\$ 4,729,165
2024	4,622,617	26,709	4,649,326
2025	4,495,091	26,709	4,521,800
2026	4,469,591	52,503	4,522,094
2027	4,363,493	52,912	4,416,405
2028	4,333,507	53,351	4,386,858
2029	3,718,772	40,641	3,759,413
2030	3,054,353	25,583	3,079,936
2031	2,640,454 (	19,876)	2,620,578
2032	2,601,117 (	22,262)	2,578,855
2033 to 2042	20,887,384 (	50,501)	20,836,883
2043 to 2052	8,408,513 (	164,601)	8,243,912
2053 to 2055	62,220	-	62,220
Total	\$ 68,365,324	\$ 42,121	\$ 63,678,280

Note: The assessment year was 2023 and the total amount was not including the amount of year 2023.

VI. Debit balance on other equity interest

According to Jin-Guan-Bao-Tsai Letter No. 10102508861, the Company shall set aside special reserve from the debit balance on other equity items at the end of the reporting period before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. According to Jin-Guan-Bao-Tsai Letter No. 11004920441 starting from the distribution of 2021 earnings, the Company should provision from prior undistributed earnings for the accumulated amount of the debit balance on other equity interest of the prior periods as special reserve which could not be distributed. Additionally, according to Jin-Guan-Bao-Tsai Letter No. 11104942741, when distributing earnings, the changes in the fair value from reclassified financial assets were accounted into the debit balance on other equity interest, while the special reserve is provisioned according to the amount incurred in the current year. Subsequently, when the total debit changes (including disposals) in the fair value from reclassification of financial assets and debit balance on other equity interest is reversed, the reversed amount could be included in the distributable earnings. Refer to Note 14(8) for information of the Consolidated Company's reclassification of financial assets.

VII. Variable interest rate products

In accordance with Jin-Guan-Bao-Tsai Letter No. 10804963711 dated January 16, 2020, beginning from July 1, 2020, if the Company still has distributable earnings after the appropriation of the abovementioned special reserves, it should set aside the special reserve in an amount equal to 20% of after-tax increase in variable interest rate product assets' value exceeding the reserve provision in each current-year segregate account. If the Company will appropriate the gain and loss from disposal of the segregate account's financial debt instruments before their maturities, based on Jin-Guan-Bao-Tsai Letter No. 10804501381 dated June 25, 2019, to this year's special reserve, the amount should be excluded from this year's calculation for Jin-Guan-Bao-Tsai Letter No. 10804963711's special reserve. The cap of this special reserve will be equal to the differences, net of tax, between the current year's asset value and the reserve provision in the segregate account. In the future, if the balance of this reserve exceeds the cap, the difference between the balance and the cap can be reversed by the Company in that financial year. The aforementioned asset value needs to exclude unrealised gain or loss on financial assets at fair value through other comprehensive income and gain or loss on reclassification using overlay approach.

VIII. Others

(i) Special reserve for Fintech development

According to Jin-Guan-Bao-Tsai Letter No.10502066461 dated July 13, 2016, insurance companies are required to appropriate 0.5% to 1% of annual net income as special reserve for the years ended December 31, 2016 to 2018. And from the next year of appropriating special reserve, the companies can reverse to the extent not beyond the same amount of special reserve where expenses incurred for employees trainings and protection of employees' right. However, in pursuant to Jin-Guan-Pao-Tsai Letter No. 10804932431 dated July 30, 2019, the companies are no longer required to set aside the special reserve starting from 2019. And the special reserve set aside in the previous years can be used for the aforementioned expenditures.

(ii) Dividend offset reserve

According to Jin-Guan-Bao-Tsai Letter No. 10600012450, the Company has reclassified \$729,626, which was the after-tax amount of dividend offset reserve resulting from the transfer of assets and liabilities by the Chaoyang branch on May 2, 2017 (\$879,067 before-tax), from insurance contract liabilities into special reserve. Any change in dividend offset reserve in the following reporting periods will also be recognised in special reserve in an after-tax amount. The special reserve mentioned above neither be distributed as dividends nor use in other purposes without the approval of the component authority.

(iii) Disability support insurance products

In accordance with Jin-Guan-Bao-Tsai Letter No. 11004908861 dated March 26, 2021, beginning from the year ending 2020, the life insurance business should recognise special reserve for all its net profit after tax from disability insurance. If current net profit is insufficient to cover the amount, it should be

made in the subsequent years. In the subsequent years, if there is a deficit generated from disability support insurance, the special reserve could be reversed in the originally recognised amount.

(iv) Travel accident insurance

In accordance with Jin-Guan-Bao-Tsai Letter No. 10904939031 dated October 29, 2020, in order to strengthen the financial structure of insurance industry, beginning from the year ending of 2021, after the end of each financial year, to act in accordance with the “Table of Standard Premiums for Accident, Death, and Disability Benefits under Individual Travel Accident Insurance” to provision premium income as special reserve. This provision amount is calculated as follows: 10% of total premium income, which is calculated from insurance amount and number of insurance days, minus 20% of nominal tax.

(v) Other special reserve under equity

The Company provisioned special reserve of 2021 according to the approval of the FSC Insurance Bureau to strengthen the solvency of the Company.

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D. Other equity interest

	Exchange differences on translation of foreign operation	Unrealised gain or (loss) on financial assets at fair value through other comprehensive income	Unrealised revaluation increments	Other comprehensive gain or (loss) on reclassification using overlay approach	Total
January 1, 2023	(\$ 8,142)	(\$ 23,933,315)	\$ 147,155	(\$ 97,133,689)	(\$ 120,927,991)
Amounts recognised in other comprehensive income	1,040	1,040,456	80,453	44,834,450	45,956,399
Amounts included in equity adjustment items of associates accounted for using equity method	860	473	-	-	1,333
Amounts reclassified to profit or loss	-	642,116	-	-	642,116
Disposal of equity instruments at fair value through other comprehensive income	-	180	-	-	180
Effect on income tax	-	(323,304)	(5,643)	(5,601,193)	(5,930,140)
December 31, 2023	<u>(\$ 6,242)</u>	<u>(\$ 22,573,394)</u>	<u>\$ 221,965</u>	<u>(\$ 57,900,432)</u>	<u>(\$ 80,258,103)</u>

	Exchange differences on translation of foreign operation	Unrealised gain or (loss) on financial assets at fair value through other comprehensive income	Unrealised revaluation increments	Other comprehensive gain or (loss) on reclassification using overlay approach	Total
January 1, 2022	(\$ 21,842)	\$ 65,804,183	\$ 147,155	\$ 69,478,856	\$ 135,408,352
Amounts recognised in other comprehensive income	13,700	(438,619,080)	-	(193,621,762)	(632,227,142)
Amounts reclassified to profit or loss	-	1,274,799	-	-	1,274,799
Disposal of equity instruments at fair value through other comprehensive income	-	38,832	-	-	38,832
Effect on reclassification of financial assets	-	326,500,148	-	-	326,500,148
Effect on income tax	-	21,067,803	-	27,009,217	48,077,020
December 31, 2022	<u>(\$ 8,142)</u>	<u>(\$ 23,933,315)</u>	<u>\$ 147,155</u>	<u>(\$ 97,133,689)</u>	<u>(\$ 120,927,991)</u>

On September 29, 2022, the Board of Directors of the Company approved the change of the business model on managing financial assets, and the reclassification date was October 1, 2022. Refer to Note 14(8) for the information.

(29) Income tax

A. Components of income tax expense are as follows:

	2023	2022
Current income tax		
Current tax on profits for the year	\$ -	\$ 7,693
Prior year income tax underestimation (overestimation)	127,652 (	12,131)
Foreign tax paid	1,843,708	2,801,150
Land value increment tax	4,787	44
Deferred tax		
Origination and reversal of temporary differences	314,533	5,511,935
Income tax expense	<u>\$ 2,290,680</u>	<u>\$ 8,308,691</u>

B. Reconciliation between income tax expense and accounting profit:

	2023	2022
Tax calculated based on profit before tax and statutory tax rate	\$ 4,880,061	\$ 7,972,465
Adjustments:		
Exempt income	(4,234,856) (	2,387,490)
Effect from items disallowed by tax regulation	38,717	38,771
Prior year income tax underestimation (overestimation)	127,652 (	12,131)
Adjustment of prior year's income tax -net operating loss carryforward and others	(63,192) (	11,416)
Foreign tax paid	1,843,708	2,801,150
Reserve for land value incremental tax	140,197	483
Land value increment tax	4,787	44
Effect of house and land transactions income tax	-	3,253
Effect of alternative minimum tax	59,796 (	106,572)
Realised investment losses	(515,024)	-
Others	8,834	10,134
Income tax expense	<u>\$ 2,290,680</u>	<u>\$ 8,308,691</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and loss carryforward are as follows:

	2023			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Net operating loss carryforward	\$ 41,588,544	\$ 4,700,737	\$ -	\$ 46,289,281
Allowance for bad debts that exceed the limit for tax purpose	1,555	(377)	-	1,178
Unrealised loss from financial assets and liabilities at fair value through profit or loss - non-derivative instrument	13,191,478	(60,551)	(5,601,193)	7,529,734
Unrealised loss from financial assets at fair value through other comprehensive income	5,717,132	-	(323,304)	5,393,828
Accrued expenses and others	38,618	(13,978)	-	24,640
Unrealised pension cost	585,242	(9,409)	-	575,833
Remeasurement of defined benefit obligations	30,530	-	118,988	149,518
Loss on impairment of financial assets	1,975,891	281,671	-	2,257,562
Total	<u>\$ 63,128,990</u>	<u>\$ 4,898,093</u>	<u>(\$ 5,805,509)</u>	<u>\$ 62,221,574</u>
Deferred tax liabilities:				
Unrealised gain from financial assets and liabilities at fair value through profit or loss - derivative instrument	(\$ 2,274,778)	(\$ 4,598,629)	\$ -	(\$ 6,873,407)
Unrealised gain on foreign exchange	(16,975,340)	(343,995)	-	(17,319,335)
Unrealised increments of investment properties	(809,786)	432,645	-	(377,141)
Depreciation of investment properties	(2,329,893)	(562,788)	-	(2,892,681)
Revaluation increment of real estate	(19,392)	338	(5,643)	(24,697)
Reserve for land value incremental tax	(1,476,942)	(140,197)	-	(1,617,139)
Total	<u>(\$ 23,886,131)</u>	<u>(\$ 5,212,626)</u>	<u>(\$ 5,643)</u>	<u>(\$ 29,104,400)</u>

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Net operating loss carryforward	\$ -	\$ 41,588,544	\$ -	\$ 41,588,544
Allowance for bad debts that exceed the limit for tax purpose	855	700	-	1,555
Unrealised loss from financial assets and liabilities at fair value through profit or loss - non-derivative instrument	-	71,470	13,120,008	13,191,478
Unrealised loss from financial assets at fair value through other comprehensive income	-	-	5,717,132	5,717,132
Accrued expenses and others	83,179	(44,756)	-	38,423
Unrealised pension cost	594,990	(9,748)	-	585,242
Remeasurement of defined benefit obligations	286,224	-	(255,694)	30,530
Unrealised loss on foreign exchange	30,705,871	(30,705,676)	-	195
Loss on impairment of financial assets	634,071	1,341,820	-	1,975,891
Total	<u>\$ 32,305,190</u>	<u>\$ 12,242,354</u>	<u>\$ 18,581,446</u>	<u>\$ 63,128,990</u>
Deferred tax liabilities:				
Unrealised gain from financial assets and liabilities at fair value through profit or loss - derivative instrument	(\$ 1,699,471)	(\$ 575,307)	\$ -	(\$ 2,274,778)
Unrealised gain from financial assets and liabilities at fair value through profit or loss - non-derivative instrument	(13,924,311)	35,102	13,889,209	-
Unrealised gain from financial assets at fair value through other comprehensive income	(15,350,671)	-	15,350,671	-
Unrealised gain on foreign exchange	-	(16,975,340)	-	(16,975,340)
Rent-stabilised recognition	(273)	273	-	-
Unrealised increments of investment properties	(1,066,561)	256,775	-	(809,786)
Depreciation of investment properties	(1,834,246)	(495,647)	-	(2,329,893)
Revaluation increment of real estate	(19,730)	338	-	(19,392)
Reserve for land value incremental tax	(1,476,459)	(483)	-	(1,476,942)
Total	<u>(\$ 35,371,722)</u>	<u>(\$ 17,754,289)</u>	<u>\$ 29,239,880</u>	<u>(\$ 23,886,131)</u>

D. The amount of the Consolidated Company's unused deficits and its time limit are as follows:

December 31, 2023		
Year of occurrence	Unused deficits	Final deficits year
2022 (Declared)	\$ 207,906,298	2032
2023 (Estimated)	23,524,039	2033
	<u>\$ 231,430,337</u>	
December 31, 2022		
Year of occurrence	Unused deficits	Final deficits year
2022 (Estimated)	<u>\$ 207,942,721</u>	2032

E. The income tax expense (gain) relating to components of other comprehensive income is as follows:

	2023	2022
Actuarial gain or loss arising on defined benefit plans	(\$ 118,988)	\$ 255,694
Unrealised gain or loss on financial assets at fair value through other comprehensive	323,304	(21,067,803)
Other comprehensive income on reclassification under the overlay approach	5,601,193	(27,009,217)
Revaluation increment of real estate	5,643	-
	<u>\$ 5,811,152</u>	<u>(\$ 47,821,326)</u>

F. Except for 2020, the Company's income tax returns through 2021 have been assessed and approved by the Tax Authority. However, the Company has taken administrative remedy by the statutory period for the adjustment of income tax returns assessed by the National Taxation Bureau for the years ended December 31, 2016 to 2019; and the Company has applied for recheck by the statutory period for the adjustment of income tax returns assessed by the National Taxation Bureau for the year ended December 31, 2021.

The income tax returns of the subsidiary through 2021 have been assessed and approved by the Tax Authority.

G. The Consolidated Company recognised deferred tax assets given that the future taxable income is sufficient for deductible temporary difference after taking into account future income growth and rate of return.

(30) Earnings per share

Earnings per share of the Consolidated Company with simple capital structure are as follows:

	2023	2022
Net income	\$ 22,109,624	\$ 31,553,637
Weighted average shares outstanding (unit: thousand shares)	13,821,900	13,821,900
Earnings per share (unit: NT dollars)	\$ 1.60	\$ 2.28

(31) Retention earned premium income

2023					
	Life insurance		Property insurance		
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	Total
Premiums income	\$ 250,726,327	\$ 4,500,499	\$ 760,905	\$ 7,173,469	\$ 263,161,200
Reinsurance premium written	-	-	251,352	37,427	288,779
Less:					
Reinsurance premium ceded	(4,316,136)	-	(314,039)	(1,951,528)	(6,581,703)
Net change in unearned premiums reserve	(712,262)	(239)	(9,215)	(598,691)	(1,320,407)
Retention earned premium income	<u>\$ 245,697,929</u>	<u>\$ 4,500,260</u>	<u>\$ 689,003</u>	<u>\$ 4,660,677</u>	<u>\$ 255,547,869</u>
2022					
	Life insurance		Property insurance		
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	Total
Premiums income	\$ 268,187,801	\$ 8,095,305	\$ 721,324	\$ 5,935,316	\$ 282,939,746
Reinsurance premium written	-	-	246,317	47,618	293,935
Less:					
Reinsurance premium ceded	(3,974,908)	-	(297,942)	(2,231,416)	(6,504,266)
Net change in unearned premiums reserve	(683,958)	(213)	(11,201)	(386,819)	(1,082,191)
Retention earned premium income	<u>\$ 263,528,935</u>	<u>\$ 8,095,092</u>	<u>\$ 658,498</u>	<u>\$ 3,364,699</u>	<u>\$ 275,647,224</u>

(32) Retention claims and policy benefits payments

2023					
	Life insurance		Property insurance		Total
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	
Claims and policy benefits payments	\$ 305,563,999	\$ 34,481,524	\$ 489,081	\$ 3,625,459	\$ 344,160,063
Reinsurance claims paid	-	-	229,567	2,782	232,349
Less:					
Claims recovered from reinsurers	(1,763,143)	-	(287,021)	(1,200,763)	(3,250,927)
Retention claims and policy benefits payments	<u>\$ 303,800,856</u>	<u>\$ 34,481,524</u>	<u>\$ 431,627</u>	<u>\$ 2,427,478</u>	<u>\$ 341,141,485</u>
2022					
	Life insurance		Property insurance		Total
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	
Claims and policy benefits payments	\$ 322,620,825	\$ 2,728,374	\$ 391,423	\$ 4,592,361	\$ 330,332,983
Reinsurance claims paid	-	-	218,448	2,267	220,715
Less:					
Claims recovered from reinsurers	(1,473,367)	-	(231,696)	(1,293,678)	(2,998,741)
Retention claims and policy benefits payments	<u>\$ 321,147,458</u>	<u>\$ 2,728,374</u>	<u>\$ 378,175</u>	<u>\$ 3,300,950</u>	<u>\$ 327,554,957</u>

(33) Interest income

	2023	2022
Cash and cash equivalents	\$ 2,263,127	\$ 1,004,277
Financial assets at fair value through other comprehensive income	11,380,258	41,713,716
Financial assets at amortised cost	120,098,843	79,578,906
Loans	5,258,853	5,313,428
Refundable deposits of derivative instruments	152,639	217,060
	<u>\$ 139,153,720</u>	<u>\$ 127,827,387</u>

(34) Expected credit loss (reversal) from investments and non-investments

	2023	2022
Operating revenue-expected credit loss (reversal) from investments		
Debt instrument investments measured at fair value through other comprehensive income	\$ 10,677	\$ 2,075,387
Financial assets at amortised cost	590,566	4,437,066
Bond interest receivable	834,917	211,739
Loans and loan interest receivable	(77,798)	(84,287)
Lease payments receivable	3,237	(2,776)
	<u>1,361,599</u>	<u>6,637,129</u>
Operating expense-expected credit loss (reversal) from non-investments		
Receivable (excluding bond interest receivable and loan interest receivable)	17,496	5,846
Expected credit loss (reversal)	<u>\$ 1,379,095</u>	<u>\$ 6,642,975</u>

(35) Financial costs

	2023	2022
Debt instrument investments	\$ 1,524,419	\$ 1,446,500
Default interest for claims	53,370	37,118
Bonds sold under repurchase agreements	258,820	27,386
Lease liabilities	6,832	5,043
Refundable deposits of derivative instruments	72,233	13,705
	<u>\$ 1,915,674</u>	<u>\$ 1,529,752</u>

(36) Employee benefit expenses, depreciation and amortisation

	2023	2022
Employee benefit expenses		
Salaries	\$ 6,734,065	\$ 6,564,881
Employees' insurance	468,427	451,477
Pension	460,595	454,455
Directors' remuneration	59,264	71,531
Others	274,158	298,210
	<u>\$ 7,996,509</u>	<u>\$ 7,840,554</u>
Depreciation and amortisation	<u>\$ 2,292,471</u>	<u>\$ 2,096,998</u>

A. As of December 31, 2023 and 2022, the Consolidated Company had 4,981 and 4,865 employees, respectively. The number of directors that were not concurrently employed were 19 and 18, respectively.

B. The Consolidated Company's Articles of Incorporation provided that the annual income, after deducting accumulated deficit, if any, shall be appropriated by no lower than 0.5% as employees' compensation for the Consolidated Company. For the years ended December 31, 2023 and 2022, the employees' compensation was accrued at \$124,038 and \$202,077, respectively. The amount was estimated with 0.5% based on the profitability of the Consolidated Company. There was no difference between the amounts resolved by the Board of Directors in 2022 amounting to \$202,077 and the amounts recognised in the 2022 financial statements. Information about employees' compensation of the Consolidated Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(37) Supplemental cash flow information

Investing activities with partial cash payments:

	2023	2022
Acquisition of investment property	\$ 1,645,295	\$ 3,480,419
Acquisition of property and equipment	795,783	1,308,221
Increase in intangible assets	537,097	542,494
Add: Payable at beginning of year- investment property	485,201	93,672
Add: Payable at beginning of year- property and equipment	602	-
Add: Payable at beginning of year- intangible assets	10,533	986
Less: Payable at ending of year - investment property (	565,292) (	485,201)
Less: Payable at ending of year - property and equipment (	1,004) (	602)
Less: Payable at ending of year - intangible assets (	9,501) (	10,533)
Cash payments	<u>\$ 2,898,714</u>	<u>\$ 4,929,456</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Consolidated Company</u>
Ruen Chen Investment Holding Co., Ltd.	Consolidated Company's parent
Ruentex Development Co., Ltd.	Entity having significant influence
Ruentex Industries Co., Ltd.	Entity having significant influence
Pou Chen Corporation	Entity having significant influence
Nan Shan Plaza Property Management Co., Ltd.	Consolidated Company's affiliate
Fuh Hwa Securities Investment Trust Co., Ltd.	Consolidated Company's affiliate (Note)
Huei Hong Investment Co., Ltd.	Other related party
Chang Chun Investment Co., Ltd.	Other related party
Yi Tai Investment Co., Ltd.	Other related party
Ruentex Interior Design Inc.	Other related party
Ruentex Management & Maintenance Co., Ltd.	Other related party
Ruentex Engineering & Construction Co., Ltd.	Other related party
Ruentex Materials Co., Ltd.	Other related party
Ruen Fu Newlife Corp.	Other related party
Kompass Global Sourcing Solutions Ltd.	Other related party
Ruentex Security Co., Ltd.	Other related party
Ruentex Xu-Zhan Development Co., Ltd.	Other related party
Ruentex Construction Development Co., Ltd.	Other related party
Ruentex Bai-Yi Development Co., Ltd.	Other related party
Ruentex Construction Co., Ltd.	Other related party
Ruentex Innovative Development Co., Ltd.	Other related party
Runyang Construction Co., Ltd.	Other related party
Ruen Shin Healthcare Co., Ltd.	Other related party
Shing Yen Construction Development Co., Ltd.	Other related party
Nan Shan Life Charity Foundation	Other related party
Sunny Friend Environmental Technology Co., Ltd.	Other related party
OBI Pharma Inc.	Other related party
Taimed Biologics Inc.	Other related party
Directors, key management and its close relatives	Key management and its close relatives

Note: On March 17, 2023, it was recognized as investment accounted for using equity method, please refer to Note 6(6) for details. Related significant transactions with related parties are only recorded starting from transaction date.

(2) Significant transactions and balances with related parties

Significant related party transactions and balances are as follows:

A. Premium income

	<u>2023</u>	<u>2022</u>
Significant influence entities	\$ 13,719	\$ 13,681
Consolidated Company's affiliates	775	6
Key management and its close relatives	82,140	119,868
Other related parties	37,710	38,064
	<u>\$ 134,344</u>	<u>\$ 171,619</u>

There is no significant difference between related party and non-related party in terms of underwriting and collection.

B. Fee income

	2023	2022
Consolidated Company's affiliates	\$ 73,400	\$ -

C. Donations (shown as administrative expenses)

	2023	2022
Other related parties	\$ 75,000	\$ 69,916

D. Key management compensation

	2023	2022
Salaries and other short-term employee benefits	\$ 623,857	\$ 616,808
Post-employment benefits	31,085	32,767
	\$ 654,942	\$ 649,575

E. Other receivables (shown as receivables)

	December 31, 2023	December 31, 2022
Consolidated Company's affiliates	\$ 99,724	\$ -

F. Balance of funds managed by related parties

	December 31, 2023	December 31, 2022
Consolidated Company's affiliates	\$ 36,660,108	\$ -

The dividend income generated by the fund are as follows:

	2023	2022
Consolidated Company's affiliates	\$ 1,127,080	\$ -

G. Secured loans

Balances of secured loans lent to key management and its close relatives are as follows:

	December 31, 2023	December 31, 2022
Key management and its close relatives	\$ 38,518	\$ 50,985

The related interest income on the loans are as follows:

	2023	2022
Key management and its close relatives	\$ 867	\$ 898

There is no significant difference between related party and non-related party in terms of secured loans.

H. Bonds payable

	December 31, 2023	December 31, 2022
Significant influence entities	\$ 310,000	\$ 310,000
Other related party	500,000	500,000
	\$ 810,000	\$ 810,000

The interest expense and interest payable resulting from the abovementioned bonds payable are listed as follows:

(a) Interest expense

	2023	2022
Significant influence entities	\$ 10,834	\$ 10,850
Other related party	17,475	17,500
Key management	-	390
	<u>\$ 28,309</u>	<u>\$ 28,740</u>

(b) Interest payable

	December 31, 2023	December 31, 2022
Significant influence entities	\$ 5,662	\$ 5,678
Other related party	9,133	9,158
	<u>\$ 14,795</u>	<u>\$ 14,836</u>

(3) Commitments

The Consolidated Company committed to the Financial Supervisory Commission, Executive Yuan on August 29, 2011, that it will not enter into any of the following transactions with Ruen Chen unless the regulatory agency approves it:

- A. Provide loans to Ruen Chen and its six stockholders (including Ruextax Development Co., Ltd., Ruentax Industries Ltd., Pou Chen Corp., Chang Chun Investment Co., Ltd., Yitai Investment Co., Ltd. and Hue Hong Investment Co., Ltd.), Samuel Yin, Tsai Chi Jui and their related parties (jointly referred herein as “Ruen Chen and its related parties”).
- B. Invest in common stock, preferred stock and other securities which are issued by Ruen Chen and its related parties.
- C. Purchase real estate from Ruen Chen and its related parties.
- D. Co-develop real estate with Ruen Chen and its related parties.

8. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Commitments

- A. The Consolidated Company had signed the design and construction contracts but has not yet recognised the amounts (tax included) as follows:

December 31, 2023	December 31, 2022
<u>\$ 10,431,690</u>	<u>\$ 1,372,633</u>

- B. Operating lease agreements

Please refer to Note 6(13).

- C. As of December 31, 2023, the upper limit of remaining capital commitment for the contracted private placement of the Consolidated Company are US\$2,964,454 thousand and EUR\$519,754 thousand.

(2) Contingencies

The Consolidated Company has contingent liabilities due to lawsuits arising from operating activities. Except for those which the Consolidated Company already estimated the provisions, the Consolidated Company still has several lawsuits in progress, which are handled by appointed attorneys. As of the end of the reporting period, the final results of the lawsuits have not been determined so the possible compensation could not be reliably estimated. For details of the labor pension dispute between agents and the Consolidated Company, please refer to Note 6(26).

9. SIGNIFICANT ACCIDENTAL LOSS

None.

10. SIGNIFICANT SUBSEQUENT EVENT

- (1) To strengthen financial structure and fulfil capital, the Board of Directors of the Consolidated Company's life insurance business resolved to issue the cumulative subordinated bonds with more than 10 years (or 10 years) terms in full or in several times within a year in the amount of \$15,000,000 on June 15, 2023. Details of the amount and terms of the first issuance are provided in Note 6(21). Subsequently, the cumulative subordinated bonds had been approved by Securities-TPEX-Bond No. 11200123751 of Taipei Exchange dated December 27, 2023 amounting to \$3,500,000 and was listed on the Taipei Exchange since January 4, 2024.
- (2) On January 11, 2024, the Company (the Consolidated Company's life insurance business) signed a real estate disposal contract of Anle District, Keelung City with Guo Meng Development Co., Ltd., and the transaction amount was \$1,300,000.
- (3) On January 18, 2024, the Company (the Consolidated Company's life insurance business) signed a construction agreement of "City Land Development and Registered Superficies of Land Lot No. 27 and 27-1, Xinyi Section Four, Xinyi District, Taipei City Contracts for 70 years" with Fut Su Construction Co., Ltd., and the contract price was \$16,310,000.
- (4) On January 25, 2024, the Company (the Consolidated Company's life insurance business) signed a real estate disposal contract of Neihu District, Taipei City with Delta Electronics Corporation, and the transaction amount was \$4,788,880.
- (5) To strengthen financial structure and fulfil capital, the Board of Directors of the Consolidated Company's life insurance business resolved to issue the cumulative subordinated bonds with more than 10 years (or 10 years) terms in full or in several times within a year in the amount of \$30,000,000 on February 22, 2024.

11. FAIR VALUE INFORMATION

(1) Fair value hierarchy

The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Consolidated Company's investment in listed stocks and beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Consolidated Company's investment in government bonds, corporate bonds, bank debentures, structured time deposits, and most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Consolidated Company investment in private fund, real estate securitisation, infrastructure fund, unlisted stocks, financial assets at amortised cost and investment property is included in Level 3.

(2) Fair value

A. For the Consolidated Company's financial instruments that are not measured at fair value and the investment property measured at cost, such as cash and cash equivalents, accounts receivable, loans, accounts payable and bonds payable, the carrying amount is a reasonable approximation of fair value other than those listed below so that the fair value is not disclosed.

Financial assets	December 31, 2023			
	Book value	Level 1	Level 2	Level 3
Financial assets at amortised cost (Note 1)	\$ 3,346,999,718	\$ -	\$ 2,520,817,419	\$ 79,484,828
Investment property (Note 2)	3,043,404	-	-	4,894,895

Financial assets	December 31, 2022			
	Book value	Level 1	Level 2	Level 3
Financial assets at amortised cost (Note 1)	\$ 3,325,657,899	\$ -	\$ 2,503,223,861	\$ 79,033,818
Investment property (Note 2)	3,075,944	-	-	4,965,084

Note 1 : Including statutory deposits.

Note 2 : Excluding direct lease cost, investment property measured in the fair value model and those shown under construction in progress.

The methods and assumptions used to value financial instruments and investment property not measured at fair value are summarised below:

- (a) When there is a quoted market price available for financial assets at amortised cost, the fair value is determined using the quoted market price. If there is no quoted market price for reference, the fair value is determined using quoted price offered by the counterparties or theory price in order.
- (b) The valuation method elected primarily by the Consolidated Company is discounted cash flow method. The estimates and assumptions of valuation adopted by the Consolidated Company are the same with the information used by the market participants, and this information is available for the Consolidated Company. The discount rate employed by the Consolidated Company is identical with the rate of return generated by the financial instruments with the same terms and characteristics, such as issuer's creditworthiness, duration and currency of payment.
- (c) The fair value of investment property is based on valuations performed semi-annually by independent estimators, following Regulation on Real Estate Appraisal. Valuations are performed using valuation techniques such as income approach, comparison approach and cost approach with reference to market information. Such fair value is based on observable market price, and then adjusted by the nature, location or condition of individual asset.

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B. The Consolidated Company's financial instruments and investment property measured at fair value are both measured on a recurring basis. Information of fair value hierarchy is as follows:

December 31, 2023				
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Equity instruments	\$ 297,393,592	\$ -	\$ -	\$ 297,393,592
Beneficiary certificates	412,491,694	-	204,550,614	617,042,308
Debt instruments	-	14,738,011	22,834,271	37,572,282
Derivative instruments	-	39,857,952	-	39,857,952
Structured time deposits	-	16,215,558	-	16,215,558
Financial assets at fair value through other comprehensive income				
Equity instruments	5,573,872	-	257,031	5,830,903
Debt instruments (Note)	-	251,521,556	12,762,999	264,284,555
Investment property	-	-	213,135,929	213,135,929
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative instruments	-	5,287,505	-	5,287,505

Note: Including statutory deposits.

December 31, 2022				
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Equity instruments	\$ 267,763,957	\$ -	\$ -	\$ 267,763,957
Beneficiary certificates	369,674,230	-	210,911,189	580,585,419
Debt instruments	-	16,511,114	23,208,594	39,719,708
Derivative instruments	-	27,662,422	-	27,662,422
Structured time deposits	-	16,110,468	-	16,110,468
Financial assets at fair value through other comprehensive income				
Equity instruments	5,082,466	-	209,174	5,291,640
Debt instruments (Note)	-	227,134,800	18,040,980	245,175,780
Investment property	-	-	192,827,191	192,827,191
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative instruments	-	16,085,125	-	16,085,125

Note: Including statutory deposits.

- (a) The methods and assumptions used to value financial instruments and investment property measured at fair value are summarised below:
- I. The sources of the fair value of financial instruments are respectively listed by their characteristics as follows:
 - (i) Equity instruments: Aside from private funds, some real estate securitisation and infrastructure funds which are valued based on the theory price, other equity instruments prioritise using unadjusted closing prices as the basis for measuring market prices of financial products. If there are no closing prices, the fair value is determined by using other pricing conventions.
 - (ii) Domestic debt instruments (including international bonds): Prioritise using public pricing information bulletined by the Taipei Exchange.
 - (iii) Foreign debt instruments: Except callable bonds, securitised products, structured products and securities which the position of single fixed income account for more than 50% of total issuance amount when raising funds, prioritise using the quoted market price as the basis for measuring financial products.
 - II. Except for aforementioned financial instruments with public pricing information, the fair value of other financial instruments is measured by valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the end of reporting date.
 - (i) When assessing non-standard and low-complexity financial instruments, for example, FX swap contracts, cross currency swaps, non-delivery forwards, delivery forwards and interest rate swaps, the Consolidated Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
 - (ii) For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to debt instruments with structured notes and structured time deposit. Certain inputs used in the valuation model are observable at market, and the Consolidated Company must make reasonable estimates based on its assumptions.
 - (iii) The Consolidated Company adopts the net asset value method to measure the fair value of private funds, some securitised products, infrastructure funds and unlisted stocks. The inputs used in the valuation model are unobservable inputs.
 - III. The Consolidated Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Consolidated Company's credit quality.
 - IV. For the valuation methods, key assumptions and inputs used in the investment property measured subsequently using the fair value model, please refer to Note 6(10).
- (b) For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2.

(c) The movement of Level 3 instruments is as follows:

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
January 1, 2023	\$ 234,119,783	\$ 18,250,154
Recognised in profit or loss (Note 1)	1 (	14,404)
Recognised in other comprehensive income (Note 2)	(7,845,213) (	432,042)
Acquired in the period	21,019,479	1,181,906
Disposed of in the period and others	(19,909,165) (	3,429,050)
Transfers out from level 3	- (	2,536,534)
December 31, 2023	<u>\$ 227,384,885</u>	<u>\$ 13,020,030</u>

	Investment property
January 1, 2023	\$ 192,827,191
Recognised in profit or loss (Note 1)	(1,384,956)
Acquired in the period	16,867,744
Transferred from constructions in progress	1,789,513
Transferred from property and equipment	350,804
Transferred from prepayments for buildings and lands	2,716,770
Transferred to property and equipment	(59,835)
Adjustment of lease liabilities remeasurement	39,282
Lease modifications	(2,151)
Others	(8,433)
December 31, 2023	<u>\$ 213,135,929</u>

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
January 1, 2022	\$ 207,704,444	\$ 42,173,371
Recognised in profit or loss (Note 1)	-	2,007,363
Recognised in other comprehensive income (Note 2)	15,475,546 (	4,778,101)
Acquired in the period	41,196,615	3,600,444
Disposed of in the period	(30,256,822) (	20,308,430)
Reclassification of financial assets	- (	10,944,493)
Transfers into level 3	-	6,500,000
December 31, 2022	<u>\$ 234,119,783</u>	<u>\$ 18,250,154</u>
	<u>Investment property</u>	
January 1, 2022	\$ 193,667,580	
Recognised in profit or loss (Note 1)	(1,112,872)	
Acquired in the period	2,182,128	
Transferred from constructions in progress	1,521,066	
Disposed of in the period	(20,223)	
Transferred to property and equipment	(2,034,885)	
Adjustment of lease liabilities remeasurement	(1,373,365)	
Others	(2,238)	
December 31, 2022	<u>\$ 192,827,191</u>	

Note 1: The amount of loss for the reporting period relating to those assets and liabilities held at the end of 2023 and 2022 are \$1,392,833 and \$35,687, respectively.

Note 2: For financial assets at fair value through profit or loss using overlay approach, the gain or loss are recognised in other comprehensive income.

- (d) The valuation for financial instruments categorised as Level 3 by the Consolidated Company is valued with an independent source of information to approximate current market condition, which the source is ensured to be reasonable by confirming the independence, accountability, whether it is in line with other information and whether it represents the executable prices. The result of valuation is also ensured by periodically calibrating valuation models, updating inputs of models and making fair value adjustments if necessary. The Consolidated Company's policy of fair value measurement for financial instruments and valuation procedures are formulated with reference to IFRSs and consideration of practical operation. The appraisal of investment property would be done by appointed external appraisers according to the valuation approach and parameter assumptions released by the Financial Supervisory Commission.

(e) The following is the qualitative information of significant unobservable inputs to valuation model used in Level 3 fair value measurement, please refer to Note 6(10) for the investment property.

	<u>Fair value at December 31, 2023</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative					
Private fund	\$ 151,305,609	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Real estate securitisation	2,038,105	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Infrastructure fund	512,069,900	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Unlisted stocks	257,031	Adjusted net asset method	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
Corporate bonds	5,801,400	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Financial debentures	22,834,271	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Collateralised mortgage obligation	6,961,599	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative					
Private fund	\$ 154,308,264	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Real estate securitisation	2,458,134	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Infrastructure fund	54,144,791	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Unlisted stocks	209,174	Adjusted net asset method	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
Corporate bonds	6,197,500	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Financial debentures	26,248,217	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Foreign government bonds	2,107,422	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Collateralised mortgage obligation	6,696,435	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)

Note: Due to no quoted prices in active markets, the counterparty quotes were considered while the relationship between significant unobservable input data and fair value cannot be fully controlled in practice. Therefore, no additional qualitative information on the fair value of the Consolidated Company's investments in debt instruments classified as Level 3 was disclosed.

(f) Sensitivity analysis of the fair value of financial assets and financial liabilities classified as Level 3

The fair value measurement that the Consolidated Company made onto the financial instruments is deemed reasonable. For those financial instruments which are classified in Level 3 and not valued by the Consolidated Company, the relationship between the significant unobservable inputs and fair value can not be completely obtained in practice, therefore, no sensitivity analysis of possible alternative assumptions will be implemented. For those financial instruments which are evaluated by the Consolidated Company, if the movement of valuation or parameter increases or decreases by 1%, the effects to profit or loss for the year or other comprehensive income are as follows:

December 31, 2023				
Increase by 1%			Decrease by 1%	
	Effect on profit or loss	Effect on other comprehensive income	Effect on profit or loss	Effect on other comprehensive income
Assets				
Financial assets at fair value through profit or loss (Note)	\$ -	\$ 2,045,506	\$ -	(\$ 2,045,506)
Financial assets at fair value through other comprehensive income	-	28,138	-	(28,138)

December 31, 2022				
Increase by 1%			Decrease by 1%	
	Effect on profit or loss	Effect on other comprehensive income	Effect on profit or loss	Effect on other comprehensive income
Assets				
Financial assets at fair value through profit or loss (Note)	\$ -	\$ 2,109,112	\$ -	(\$ 2,109,112)
Financial assets at fair value through other comprehensive income	-	2,457	-	(2,457)

Note: For financial assets at fair value through profit or loss using overlay approach, the gain or loss are recognised in other comprehensive income.

12. RISK MANAGEMENT

The Consolidated Company, based on ERM Guideline established Risk Management Policy as a guidance for the Consolidated Company's solid risk management mechanism and practices to ensure capital adequacy, solvency, and stronger business development.

(1) Goals, Policies, and Procedures of Risk Management

A. The risk management responsibilities across different units are:

(a) Board of Directors (BoD)

The BoD is the highest authority and is ultimately responsible for the Company's risk management. According to the Consolidated Company's business strategy and other economic factors, the BoD approves the Risk Management Policy, reviews risk appetite annually, supervises the effectiveness of risk management mechanism, and makes necessary adjustments. To facilitate effective risk management, the BoD authorises Risk Management Committee to approve risk limits and Risk Management Department to handle the risk limit violations.

(b) Risk Management Committee (RMC)

RMC, established under "RMC Charter", is affiliated to the Board of Directors and chaired by an independent director to coordinate the risk management affairs of the Company.

(c) Risk Management Department (RMD)

RMD is to assist in drafting and carry out the Risk Management Policy and risk appetite approved by the BoD, as well as the risk limits approved by RMC. In the meantime, RMD is to coordinate and monitor risk management practices and execution of risk management policy and risk limits through information provided by business units.

(d) Business Units

I. The risk management responsibilities of business unit heads are as follows:

- (i) Management and reporting of the unit in charge. Take remedial actions when necessary.
- (ii) Supervise to provide the risk management related information to RMD periodically.

II. The risk management responsibilities of business units are as follows:

- (i) Identify risks and report risk exposures.
- (ii) Measure risk impacts (quantitatively or qualitatively) and communicate in timely and proper manner.
- (iii) Review and ensure operating within risk limits.
- (iv) Monitor and report limit breaches (including taken mitigation)
- (v) Facilitate risk management model development to ensure the related measures, models, and assumptions are applied on a reasonable and consistent basis.
- (vi) Effectively implement internal controls to comply with regulations and Risk Management Policies.
- (vii) Assist collecting operational risk information.

(e) Internal Audit Department (IAD)

Based on current regulations, IAD conduct audits on risk management practices of business units of the Company.

B. Scopes and characteristics of risk management:

The risk appetite, risk limit, market risk, credit risk, liquidity risk, operational risk, insurance risk and assets liability matching risk are in accordance with risk management strategy set by the Board of Directors. The Consolidated Company establishes related managing measures covering applicable areas, measurements and reporting method.

(a) Risks appetite and risk limit

Considering business strategies, business objectives, business growth, risks and returns, the Consolidated Company adopts capital adequacy and credit ranking as the basis of its risk appetite, which requires Risk Based Capital (RBC) ratio to be maintained above

- 250% for the Company, 270% for early warning threshold, 300% for the Subsidiary, the net worth ratio of the Company shall be maintained above 4%, and using international credit ranking (BBB+ or the same ranking) as the standard. Risk limits are set up with reference to the characteristics of the Consolidated Company's risk and the risk appetite.
- (b) Market risk
- Market risk refers to the risk that asset values might decrease and cause losses within a certain period of time because of the changes of the market prices. The market risk management mechanism of the Consolidated Company includes major asset control regulation, risk measurement method, risk limit and authorisation, and breach limit handling procedure.
- (c) Credit risk
- Credit risk means the risk of loss from debt obligator or counterparty's default as their financial status worsened or for other reasons and fails to honor the contract obligations.
- (d) Liquidity risk
- Liquidity risk means unable to convert the asset into cash or acquire adequate fund and fails to honor obligations when due, or because the depth of the market is insufficient, when dealt or offset holding positions, significant market price movement caused the risk to increase.
- I. Fund liquidity risk management mechanism
- (i) The business unit with process engaging liquidity risk should follow the Liquidity Risk Management Policy to incorporate or modify liquidity risk management mechanism in its internal control procedure to maintain the safety of fund usage.
 - (ii) Funding unit should be independent from trading unit, should perform daily cash management and continuous cash flow management and be responsible to monitor the cash flow of each business unit.
 - (iii) For fund liquidity, not only domestic short-term but also cross country or cross market funding should be considered.
 - (iv) Apply cash flow model to evaluate and monitor the change in mid-term and long-term liability cash flows.
- II. Market liquidity risk management mechanism
- (i) Consider the fitness of market trading volume and holding positions.
 - (ii) Consider the significant impact to market price caused by block trade and should be cautiously managed.
- (e) Operational risk
- Operational risk includes the risk of direct or indirect loss caused by external events or internal process, human and system failures. It includes legal risk, money laundering and financing terrorism risk and continuous operation management, etc., but excludes strategic and reputation risk.
- Through risk identification, assessment, response, monitoring, information communication and documentation, the Consolidated Company allocates limited resources effectively to enhance its operational risk management.
- (f) Asset liability matching (ALM) risk
- ALM risk refers to risks arising from inconsistent asset and liability price movements. The Consolidated Company periodically monitors the expected cash flow of assets and liabilities in order to effectively manage ALM risk.

(2) Insurance Risk

Life insurance

Insurance risk refers to losses due to unexpected changes upon claim and expense payments to insured.

A. The scope of insurance risk

(a) Product design and pricing risk

This risk is caused by data inappropriateness, inconsistency or unexpected changes in product design, policy clauses, and pricing.

(b) Reinsurance risk

Risks that a company is unable to cede those risks in excess of their proposed retention or unable to recover ceded risks from reinsurers such as unearned reinsurance premium, claim recovery, etc.

(c) Underwriting risk

Underwriting risk refers to unexpected losses incurred from soliciting and underwriting processes.

(d) Catastrophic risk

Risk that is caused by a Catastrophe event that aggregate damage amount is severe that it may result in a downgrade or even insolvency of the company.

(e) Reserve related risk

This risk refers to insufficient reserves to honor future insurance obligation due to underestimating insurance contract liabilities.

B. The insurance risk management policy, process and approach

(a) Underwriting policies to ensure adequate risk classification and premium level

I. Our underwriters review each insurance cases based on underwriting policies and procedures with fair and objective standards. To protect interests of our clients and the safety of the Consolidated Company's operation, information of policyholder and insured such as basic information, insurance interests, financial and health condition, occupation are thoroughly reviewed and the insurance purposes, coverage, and premium reasonableness are considered during underwriting processes.

II. Based on "Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises" and related regulations, underwriting staffs are properly trained and supervised. Related approval authority is granted according to staffs' experiences, capability, professional levels to ensure the underwriting quality and efficiency.

III. The Consolidated Company has guidance for controversial cases and task force for large coverage cases for timely risk control.

(b) Procedures for taking, measuring, monitoring, and controlling insurance risks:

I. Risk identification

Identify the potential insurance risks under business operation.

II. Risk assessment

Use quantitative measurements or qualitative analysis to identify the main causes and potential impact of risks, and then compare to risk appetite or risk limits for prioritizing subsequent insurance risk controls and responses.

III. Risk response

Consider risk assessment results and take appropriate responses such as risk averse, transfer, control, and acceptance.

IV. Risk monitoring

Monitor under appropriate frequency, and report risk limit utilisation with escalation as needed. For major risk events, special reporting procedure is enacted to address events in a timely manner. In addition, review the effectiveness of existing risk management mechanism to update with the changes in operating targets, risk exposures and business environment.

- (c) Approaches to limit or transfer insurance risk exposure and to avoid over-concentration: To transfer insurance risk exposure and avoid over-concentration, the primary approach is through our reinsurance plan, which set the maximum accumulation limit per incident after considering risk nature and the Consolidated Company's risk-taking ability.

C. Insurance risks assessment and management

Insurance risks refer to the probability of occurrence of insured events, and the uncertainty of the Consolidated Company possessing adequate assets to meet future obligations prescribed in the insurance contract. By individual insurance policy, such risks are random and unpredictable.

For insurance contracts, the Consolidated Company has to bear the risks of adverse mortality, morbidity, expense, and withdrawal experiences as well as the uncertainty of investment returns arising from invested premium income. Depending on the nature of the contract, uncertainties related to the occurrence, amount and timing of insurance contract liabilities may be considered as the inherent risks of an insurance policy. The Consolidated Company sells predominantly life insurance, accident and health (A&H) insurance and annuity insurance products. The most significant insurance risk factor for life and A&H insurance products, which cover the risks of mortality, accidents and diseases, is the actual claims exceed the carrying amount of the insurance reserves; that is, the actual compensation or benefit payments surpass the original expected amounts in terms of frequency and severity of the insured events. Furthermore, the Consolidated Company has to bear the losses ensuing from natural and man-made catastrophic events. The frequency and severity of such catastrophic events and the resultant losses are unpredictable. On the other hand, the most important insurance risk factor for annuity insurance products, which cover the risk of survivorship, is the prolonged life expectancy as a consequence of the continual medical improvement.

Insurance risk also arises from the policyholders' decision to reduce sum assured, discontinue premium payment, or terminate the policy. Thus, the insurance risk exposure are also affected by the policyholders' behaviors. Assuming policyholders could make rational decisions, then the overall insurance risks may increase due to their rational behaviors. For instance, policyholders who maintain good health will be more likely to terminate their life or health insurance policies than those whose health has deteriorated. As a result, the expected mortality rate will increase if such voluntary terminations decrease the overall number of insurance policies.

The Consolidated Company has established product development, pricing and underwriting strategies to undertake the diverse types of insurance risks. In addition, the variability of the expected outcome within the scope of each risk factor has been lowered by underwriting a sufficient number of insured lives. By issuing a large number and a mixture of product types, the life insurance risk could be managed. Furthermore, the Consolidated Company transfers part of the risk to reinsurers via catastrophic reinsurance coverage to mitigate the overall risk of future claims and significant financial losses due to disasters.

D. Asset liability management methodology

The Consolidated Company has enacted asset liability management mechanism, which utilises duration and cash flow testing approaches to monitor periodically and adjust our portfolios accordingly.

E. Concentration of insurance risk

As the Consolidated Company operates purely within the boundary of Taiwan, it is subject to the geographical concentration risk, which is mainly managed through reinsurance. Though long-term traditional insurance products constitute the majority of the in-force portfolio of policies, the Consolidated Company continues to provide various new business in terms of characteristics, timing and risks to achieve the objective of risk diversification.

F. Insurance risk sensitivities – insurance contracts

In general, the statutory reserves of the insurance contracts issued by the Consolidated Company should be based upon the lock-in principle, that is, the provision of future liabilities is predetermined upon the policy issuance. Hence, the reserve will not fluctuate with future experience unless the liability adequacy test (LAT) shows that it is insufficient. The Consolidated Company will perform LAT on its insurance policies to assess the overall adequacy of liabilities on the book, taking into consideration the current information as at the time of evaluation when setting the assumptions, such as mortality and morbidity rates, withdrawal rate, expense ratios, discount rates, etc and calculate actual estimated amount of cash flows. In the event that the test result shows that the value of liabilities is inadequate, the shortfall will be recognised as an expense loss in the current period.

With respect to the insurance portfolio of the Consolidated Company as of December 31, 2023, and 2022, the liabilities will still be adequate even when the mortality, morbidity, withdrawal rates and expense ratios assumptions adversely change by 10% or new investment returns drop by 25 basis points.

G. Credit risk, liquidity risk and market risk of the insurance contracts

(a) Credit risk

It refers primarily to the risk of a reinsurer's failure to fulfill its obligations on the ceded business. To manage this risk, the Consolidated Company will foremost consider the distribution to different reinsurers to mitigate the concentration risk. The reinsurers will be selected prudently in accordance to the reinsurance risk management plan as set out by the Consolidated Company. To mitigate the credit risk, the reinsurance agreement will require that reinsurance fees be paid on a net basis, after deducting receivables. In addition, the Consolidated Company will demand the inclusion of a special termination clause in the reinsurance agreement, allowing the Consolidated Company the right to terminate the agreement in the circumstances that the reinsurer defaults on its obligations to limit further credit risk.

The Consolidated Company will review the credit rating of the reinsurers regularly in accordance with its reinsurance risk management plan. In the event of a credit rating downgrade of a reinsurer such that it fails to meet the minimum requirement of being an eligible reinsurer as stipulated by the "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms", the Consolidated Company will establish a reinsurance reserve as required to mitigate the adverse impacts from the downgraded reinsurer.

Currently, the credit ratings of all the reinsurance counterparties of the Consolidated Company have met the eligibility standard as stipulated by the regulation.

(b) Liquidity risk

The liquidity risk of the insurance contract arises mainly from the failure of the Consolidated Company to realise the assets or to obtain sufficient funding in time to fulfill its obligations on insurance benefits payment. To manage the risk, the Consolidated Company will analyse the maturity dates of the insurance policies regularly, and review the matching of assets and liabilities.

The table below shows the net liability cash flow analysis of the insurance portfolio of the Consolidated Company by maturity date. The figures reflect, for the in-force policies as at the valuation date, the estimation of undiscounted total insurance benefit payments, expense and other outflows, net of insurance premiums and other income at each future point of time. The future actual amounts may vary as the actual experience may be different from the expected experience.

Net cash flows used in (provided by) the insurance contracts:

	December 31, 2023	December 31, 2022
Under 1 year	\$ 69,699,264	\$ 51,779,850
1 ~ 3 years	239,153,465	189,305,218
Over 3 years	9,976,066,977	10,095,722,443
	<u>\$ 10,284,919,706</u>	<u>\$ 10,336,807,511</u>

The Consolidated Company has insurance contracts that are classified as liabilities on insurance products - separate account. However, such liabilities are repaid based on investment-linked insurance product assets. Therefore, the Consolidated Company has no significant liquidity risk.

With respect to the holder of policy dividend payable, as such liability has no fixed maturity date, it is excluded from the maturity analysis.

(c) Market risk

The Consolidated Company establishes statutory reserves in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and related regulations issued by the Authority. As the reserving interest rate and incidence rates are pre-determined as at policy issuance, the statutory reserves will not change with market interest rates fluctuations. The regulator will regularly review the reserving interest rate assumption, which however may not necessarily correspond to the market risk factors (e.g. market interest rate) in terms of timing, amount or direction, and it is only applicable to the new policies. Therefore, the impact of probable changes in market risks on the statutory reserves of the in-force portfolio is negligible. In case the regulator changes the reserving interest rate assumptions, its impact on profit/loss or equity will vary depending on the magnitude of the change and the overall product composition of the Consolidated Company. Furthermore, reasonable and probable variations in market risks may affect the liability adequacy test, which requires the estimation of future cash flows for insurance contracts and investment contracts with discretionary participation features to be based on the current information as at the valuation date when assessing the adequacy of reserves. Please refer to the insurance risk sensitivity analysis for the impact of market risk factors on the reserve adequacy of the Consolidated Company.

- H. The derivatives issued by the Consolidated Company which are embedded in the insurance contract and not measured at fair value are primarily those with policyholder's option to surrender the contract at cash value. The market risk for these contracts arises from the lower overall company investment yield than the average pricing interest rate.

Property insurance

Insurance risk covering the risks transferred from insured arises from unexpected loss. The Consolidated Company needs to reimburse claims payment and related expenses to the insured by the terms stated in the insurance contract if any after receiving premium from the insured.

A. Policy, procedure and method of insurance risk management

- (a) Product design and pricing risk: regarding the control of product design and pricing risk, other than through risk transfer plan, consideration of safe parameter with actuary assumption and after-sale tracking. Risks resulting from inappropriate product contents, misuse of terms, pricing rates, inconsistency or unexpected changes are measured based on types and characteristics of products. Based on the characteristics of each product, the Consolidated Company can control the risks by risk transferring plan, actuarial risk margin to the rate and tracking of policy experience.
- (b) Underwriting risk: to lower unexpected loss risks from writing businesses, the Consolidated Company has set up appropriate underwriting system and procedure, including underwriting manual and guidelines. Furthermore, the Consolidated Company established Key Risk Indicators for underwriting risk.
- (c) Reinsurance risk: in consideration of capacity, the Consolidated Company sets up limits for each risk unit and each accident, arrange reinsurance for those risks in excess of retention. Also, in order to lower the risks of not being able to collect premium, claims or other expenses due to the reinsurers' default, the Consolidated Company evaluates reinsurers' credit ratings regularly.
- (d) Catastrophe risk: the Consolidated Company identifies catastrophic risk by product nature and evaluates PML through risk models and scenarios analysis and also take accumulation effects and correlation among risks into consideration.
- (e) Claim risk: the Consolidated Company has set up appropriate internal claim procedures to lower the risk resulting from inappropriate operation or negligence.
- (f) Reserve related risk: the Consolidated Company tracks and examines the reserve amounts in each year's AA reports to analyse the adequacy of reserves in order to lower the risk from underestimating the reserve to fulfill future contract obligation.

B. Management method of assets and liabilities

When identifying assets and liabilities matching risks, the main consideration includes market risk from market price fluctuation, liquidity risk from insufficient cash, liquid assets to fulfill insurance payment and insurance risk arises from loss of unexpected catastrophe, causing the cash flow of assets and liabilities to be unmatched. In order to effectively identify, measure and respond to the abovementioned assets and liabilities matching risks, subsidiaries set up appropriate management mechanisms and through the simulation of changes in cash flow and monitoring the assets and liabilities to decrease the possible risk that may be derived.

C. Illustration about the insurance risk concentration

The risk of insurance contracts accepted by the Consolidated Company are scattered across all types of insurance and only the car insurance business bear a higher concentration of risk. Nevertheless, the risk does not change significantly given stable experience in the loss of car insurance and risk aversion through ceding reinsurance. As for other types of insurance, there is no such risk concentration.

The insurance risk concentration of the premium revenue from direct underwriting and retained premium earned accrued by the Consolidated Company's car insurance is listed below: (excluding compulsory insurance)

2023		
Insurance type	Direct earned gross premium	Self-retained earned premium
Car insurance	\$ 4,287,488	\$ 3,001,196
2022		
Insurance type	Direct earned gross premium	Self-retained earned premium
Car insurance	\$ 3,865,571	\$ 2,049,131

D. Sensitivity analysis of insurance risk

The Consolidated Company estimates claims provisions mainly through loss development model and the expected loss rate to each type of insurance. Given that the estimates will be affected by the amendment to the laws, changes in the method of claims payment or future prospect, therefore, the Consolidated Company conducted sensitivity analysis of insurance risk using expected loss rate.

On the basis of one-year retention earned premium income, as of December 31, 2023 and 2022, the profit or loss of the Consolidated Company was barely affected by 5% increase in the calculated final rate of loss.

E. Credit risk, liquidity risk and market risk of insurance contracts

(a) Credit risk

Credit risk of insurance contracts mainly arises from default by the reinsurers on their obligations under reinsurance contract leading to the risk of failure to fulfill obligations from various insurance contract liabilities. The Consolidated Company's selection of reinsurers and monitoring of credits follow the standard of the reinsurance management plan. The Consolidated Company carefully chooses reinsurance counterparties and pays close attention to information about reinsurance market in order to minimise the credit risk.

(b) Liquidity risk

Liquidity risk of insurance contract mainly happens when a Company is unable to realise assets immediately or acquire adequate capital leading to the risk of failure to fulfil obligations from various insurance contract liabilities. To ensure the instantaneity of liquidity risk management, except for regular review toward the matching of assets and liabilities, the Consolidated Company also performs cash flow analysis for the insurance business and its investments and separately reviews revenue and expenditures from the insurance industry and investment. A table of cash flow estimation is also created and used as a basis for fund procurement in order to cope with needs for various fund liquidity. Besides, the Consolidated Company's working capital is sufficient for liquidity requirements, therefore there is no liquidity risk regarding inability to raise funds for meeting contractual obligations.

(c) Market risk

Market risk of insurance contract mainly refers to the risk arising from inability to respond timely to movements in the insurance market. Not only does the Consolidated Company have a department for providing information about the insurance market, the Consolidated Company will also transmit the latest information to each branch unit of the Consolidated Company via e-mail or internal network from time to time in order to know firsthand information about the insurance market well. Thus, there is no risk arising from inability to respond to movements in the insurance market.

Apart from the unearned premium reserve of long-term fire insurance calculated in

accordance with the factor table announced by the authority, the Consolidated Company calculates and sets aside statutory reserves without discount rate usage in accordance with the “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and relevant regulations. Therefore, the statutory reserves will not change with market interest rate fluctuations.

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F. Claim development trend

The accumulated claim development trend in the past years refer to the development trend of listed claims. Each accident year refers to the year of insured accident happened; the horizontal rows represent development year of the accidents and the diagonal lines represent the accumulated reported claims of each accident year. The incurred claims here include unsettled and settled claims which explain how the Consolidated Company calculates each accident year's claims over time.

(a) Claim development pattern of the Consolidated Company's direct business

The following tables are the reconciliation between the Consolidated Company's accumulated claim and the claim reserve on the balance sheet of the end of reporting periods.

December 31, 2023										
Accident Year	Development Year (Note)									
	1	2	3	4	0	6	7	8	9	10
≤ 2014	\$ 31,848,407	\$ 31,913,258	\$ 31,273,866	\$ 31,275,309	\$ 31,273,960	\$ 31,275,236	\$ 31,273,590	\$ 31,273,779	\$ 31,273,700	\$ 31,273,921
2015	1,076,933	1,095,986	1,109,346	1,108,545	1,112,431	1,113,448	1,113,429	1,112,332	1,112,273	
2016	984,639	1,100,021	1,102,169	1,107,608	1,106,810	1,106,734	1,106,734	1,106,644		
2017	1,169,894	1,343,278	1,405,293	1,408,669	1,408,629	1,410,220	1,411,152			
2018	1,749,381	2,043,103	2,088,478	2,093,736	2,092,458	2,078,845				
2019	2,427,669	2,692,854	2,700,442	2,670,218	2,673,362					
2020	2,753,598	3,042,918	3,101,186	3,075,680						
2021	2,564,836	2,908,470	2,976,594							
2022	4,990,262	5,572,954								
2023	3,516,206									
(1)Accumulated Reported claims of direct business										54,797,631
(2)Accumulated Paid claims of direct business										53,179,507
(3)Reported But Not Paid claim reserve of direct business										1,618,124
(4)Not reported claim reserve of direct business										1,358,643
(5)Assumed claim reserve										207,307
(6)Claim reserve of direct business=(3)+(4)+(5)										\$ 3,184,074

Note: The most recent balance in the diagonal refers to accumulated reported claims of direct business for the year ended December 31, 2023.

December 31, 2022										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
≤ 2013	\$ 30,604,443	\$ 30,968,169	\$ 30,910,278	\$ 30,280,920	\$ 30,275,255	\$ 30,273,150	\$ 30,273,975	\$ 30,272,117	\$ 30,272,270	\$ 30,272,167
2014	880,238	1,002,979	992,946	1,000,054	1,000,810	1,001,261	1,001,474	1,001,508	1,001,533	
2015	1,076,933	1,095,986	1,109,346	1,108,545	1,112,431	1,113,448	1,113,429	1,112,332		
2016	984,639	1,100,021	1,102,169	1,107,608	1,106,810	1,106,734	1,106,734			
2017	1,169,894	1,343,278	1,405,293	1,408,669	1,408,629	1,410,220				
2018	1,749,381	2,043,103	2,088,478	2,093,736	2,092,458					
2019	2,427,669	2,692,854	2,700,442	2,670,217						
2020	2,753,598	3,042,918	3,101,185							
2021	2,564,836	2,908,470								
2022	4,990,262									
(1)Accumulated Reported claims of direct business										50,665,578
(2)Accumulated Paid claims of direct business										49,059,343
(3)Reported But Not Paid claim reserve of direct business										1,606,235
(4)Not reported claim reserve of direct business										1,250,640
(5)Assumed claim reserve										200,971
(6)Claim reserve of direct business=(3)+(4)+(5)										\$ 3,057,846

Note: The most recent balance in the diagonal refers to accumulated reported claims of direct business for the year ended December 31, 2022.

(b) Claim development pattern of the Consolidated Company's retention business

The following tables are the claim development pattern as of the end of reporting periods:

December 31, 2023										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
≤ 2014	\$ 21,544,209	\$ 22,097,298	\$ 21,398,487	\$ 21,397,633	\$ 21,399,175	\$ 21,399,729	\$ 21,399,814	\$ 21,399,941	\$ 21,399,904	\$ 21,399,840
2015	889,098	1,000,348	1,026,603	1,049,499	1,052,331	1,053,412	1,053,392	1,052,295	1,052,236	
2016	897,946	1,018,563	1,060,086	1,086,279	1,085,847	1,085,792	1,085,792	1,085,697		
2017	780,139	924,600	1,010,526	1,026,422	1,025,382	1,026,351	1,026,781			
2018	990,722	1,210,946	1,292,387	1,303,982	1,303,123	1,295,585				
2019	1,383,181	1,608,308	1,668,026	1,659,799	1,663,051					
2020	1,467,417	1,707,557	1,732,302	1,730,693						
2021	1,435,037	1,580,008	1,616,831							
2022	3,754,820	4,116,146								
2023	2,664,721									
(1)Accumulated Reported claims of retention business										37,651,581
(2)Accumulated Paid claims of retention business										36,585,236
(3)Reported But Not Paid claim reserve of retention business										1,066,345
(4)Not reported claim reserve of retention business										996,122
(5)Claim reserve of retention business=(3)+(4)										\$ 2,062,467

Note: The most recent balance in the diagonal refers to accumulated reported claims of retention business for the year ended December 31, 2023.

December 31, 2022										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
≤ 2013	\$ 20,409,353	\$ 20,737,260	\$ 20,823,145	\$ 20,416,989	\$ 20,410,214	\$ 20,408,858	\$ 20,409,297	\$ 20,409,219	\$ 20,409,311	\$ 20,409,249
2014	806,949	1,274,153	981,498	987,419	990,317	990,432	990,595	990,630	990,655	
2015	889,098	1,000,348	1,026,603	1,049,499	1,052,331	1,053,412	1,053,392	1,052,295		
2016	897,946	1,018,563	1,060,086	1,086,279	1,085,847	1,085,792	1,085,792			
2017	780,139	924,600	1,010,526	1,026,422	1,025,382	1,026,351				
2018	990,722	1,210,946	1,292,387	1,303,982	1,303,123					
2019	1,383,181	1,608,308	1,668,026	1,659,799						
2020	1,467,417	1,707,557	1,732,303							
2021	1,435,037	1,580,008								
2022	3,754,820									
(1)Accumulated Reported claims of retention business										34,594,395
(2)Accumulated Paid claims of retention business										33,720,508
(3)Reported But Not Paid claim reserve of retention business										873,887
(4)Not reported claim reserve of retention business										926,949
(5)Claim reserve of retention business=(3)+(4)										\$ 1,800,836

Note: The most recent balance in the diagonal refers to accumulated reported claims of retention business for the year ended December 31, 2022.

(3) Financial risk

Financial risk is the risk when future cash flows are insufficient to pay for insurance contract and investment contract. The Consolidated Company establishes the risk management mechanism and control system for the financial assets, to effectively identify, measure, respond and monitor the Consolidated Company's exposure risks, including credit risk, liquidity risk, market risk, operational risk, etc.

The Consolidated Company undertakes derivative financial instruments such as FX swap contracts, cross currency swaps, non-delivery forwards, delivery forwards and interest rate swaps. The primary purpose is to avoid the exchange rate risk and the interest rate risk from investments. To effectively monitor and control the financial risk, the management considers the changes in the economic environment and the competition of market and adopts different strategies against different financial risks as follows:

A. Credit risk

Credit risk refers to the risk of financial loss to the Consolidated Company arising from default by the clients or counterparties of financial instruments on the contract obligations. As for the securities investment, the Consolidated Company adopts the credit ratings and research reports issued by the external credit rating agencies and public information about the counterparties and issuers with referring to relevant information in the market at the same time. Moreover, the Consolidated Company measures the upper limit for investment in a single issuer and controls the credit risks of the underlying securities, the issuers, and the counterparties so that the credit risks faced by the Consolidated Company can be effectively mitigated. In addition, the Consolidated Company established credit exposure ratio in relation to country and industry to avoid high concentration of credit exposure. For loan business, the Consolidated Company stipulates regulations on credit checking for implementing thorough credit assessment aiming to ensure that the transactional counterparty meets loan standard and provides adequate collaterals and effectively reduce the credit risk.

(a) The Consolidated Company adopts following assumptions to assess whether the credit risk on that instrument has significantly increased since initial recognition:

I. Receivables, loans and other financial assets at amortised cost (excluding interest receivables from bonds):

(i) If the contract payments were overdue for more than 30 days based on the terms, the credit risk of that instrument would be regarded as having significantly increased since initial recognition.

(ii) According to the internal and external information, the Consolidated Company identified that there has been a significant increase in credit risk based on its professional judgement on credit risk and the relative historical experience.

II. Investments in debt instruments at amortised cost and at fair value through other comprehensive income (including interest receivables from bonds):

(i) As of balance sheet date, if those debt instruments that have been rated as non-investment grade, and the credit rating have been downgraded for more than 3 notches (including 3 notches) since initial recognition, the Consolidated Company assumes that there has a significant increase in credit risk on the investment objects.

- (ii) As of balance sheet date, if those debt instruments that have been rated as non-investment grade, and the percentage of unrealised valuation loss on those debt investments is more than 50% of their carrying amount for three consecutive months, the Consolidated Company assumes that there has a significant increase in credit risk on the investment objects.
- (b) The definition of the default of financial assets made by the Consolidated Company is consistent with the judgements, which are used to assess whether the credit of financial assets were impaired. If one or several of the followings unfavorable effects incurred, the credit of financial assets is considered as impaired:
 - I. Significant financial difficulty of the issuer or obligor; or
 - II. Default or delinquency in interest or principal repayments; The Consolidated Company adopts the premise under IFRS 9, the default occurs when the contract payments (excluding bond investments) are overdue for more than 90 days.
 - III. The obligee, for economic or contractual reasons relating to the obligor's financial difficulty, granted the obligor a concession that an obligee would not otherwise consider;
 - IV. It becomes probable that the obligor will enter bankruptcy or other financial reorganisation;
 - V. The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
 - VI. Others.
- (c) Measurement of expected credit loss

The Consolidated Company measures the 12-month probability of default for financial instruments that the credit risk has not significantly increased since initial recognition. While for those that the credit risk has significantly increased or credit impairment has occurred since initial recognition, the lifetime probability of default would be measured. The expected credit losses would then be calculated respectively with the multiplication of loss given default, the probability of default mentioned above, and the exposure default while taking the time value of money and forward-looking adjustments into consideration.

 - I. Receivables (excluding interest receivables from bonds and interest receivable from loans) and other financial assets at amortised cost:

The loss given default is assessed based on the internal historical data. In addition, the Consolidated Company weighted the average of probability of default for the past 3 years and takes into consideration the forecast of overseas and domestic economic data in order to measure the predicted 12-month probability of default. Furthermore, since the lifetime of the Consolidated Company's receivables usually is within 12 months, the lifetime probability of default is consistent with the 12-month probability of default. Exposure at default is measured based on the carrying amount of receivables.
 - II. Loans (including interest receivable from loans):

The Consolidated Company established the 3-year average transition matrix based on the historical information of secured loans and takes into consideration the forward-looking economic variables to measure the predicted 12-month probability of default, and calculates the multi-year cumulative probability of default using the transition matrix of the Markov Chain. The Consolidated Company calculates loss given default with discounted cash flows using the effective-interest-rate method, according to both the location of collaterals and the historical recovery rate of secured loans. Exposure at default is measured based on the principle and the carrying amount of interest receivable.

III. Investments in debt instruments at amortised cost and at fair value through other comprehensive income (including interest receivables from bonds):

The Consolidated Company measures the predicted 12-month probability of default using the historical probability of default regularly issued by the international credit rating agencies, which will be adjusted by forward-looking information such as the observable macroeconomics forecast, and calculates the multi-year cumulative probability of default using the transition matrix of the Markov Chain. Loss given default is measured based on the historical probability of default regularly issued by the international credit rating agencies, and exposure at default is measured based on the amortised cost of financial instruments.

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(d) Movements in the Consolidated Company's allowance for credit loss for receivables (excluding bond interest receivable and loan interest receivable) are as follows:

	2023				
	Life time expected credit loss			Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets		Total
At January 1	\$ 41,755	\$ -	\$ 47,761	\$ 851	\$ 90,367
Provision of account receivable at current period	8,237	-	3,385,818	231	3,394,286
Write-offs - lease payments receivable	-	-	(616)	-	(616)
Write-offs - other	-	-	(1,019)	-	(1,019)
Changes in risk parameters	8,246	-	-	-	8,246
Changes in exchange	-	-	(55,776)	-	(55,776)
At December 31	<u>\$ 58,238</u>	<u>\$ -</u>	<u>\$ 3,376,168</u>	<u>\$ 1,082</u>	<u>\$ 3,435,488</u>

	2022				
	Life time expected credit loss			Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets		Total
At January 1	\$ 38,638	\$ -	\$ 71,339	\$ 849	\$ 110,826
(Recovery) provision of account receivable at current period	(5,708)	-	(42)	2	(5,748)
Write-offs - lease payments receivable	-	-	(169)	-	(169)
Write-offs - other	-	-	(23,393)	-	(23,393)
Changes in risk parameters	8,825	-	-	-	8,825
Changes in exchange	-	-	26	-	26
At December 31	<u>\$ 41,755</u>	<u>\$ -</u>	<u>\$ 47,761</u>	<u>\$ 851</u>	<u>\$ 90,367</u>

(e) Movements in the Consolidated Company's allowance for credit loss for loans are as follows:

2023

	<u>Life time expected credit loss</u>			Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'		Total
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets			
At January 1	\$ 27	\$ 303	\$ 1,641	\$	224,366	\$ 226,337
Changes in financial instruments that have been identified at the beginning of year:						
-Transfer to 12-months expected credit loss	157 (	157)	-	-	-	-
-Derecognition of financial assets at current period	(27)	(34)	(476)	-	(537)	
Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	-	-	-	(49,294)	(49,294)	
Changes in risk parameters	(157)	(27)	(28)	-	(212)	
At December 31	<u>\$ -</u>	<u>\$ 85</u>	<u>\$ 1,137</u>	<u>\$ 175,072</u>	<u>\$ 176,294</u>	

	2022				
	Life time expected credit loss			Difference on impairment recognised according to ‘Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises’	
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets		Total
At January 1	\$ 274	\$ 685	\$ 3,751	\$ 281,528	\$ 286,238
Changes in financial instruments that have been identified at the beginning of year:					
-Transfer to 12-months expected credit loss	316 (	316)	-	-	-
-Derecognition of financial assets at current period	(72)	(183)	(2,142)	-	(2,397)
Difference on impairment recognised according to ‘Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises’	-	-	-	(57,162)	(57,162)
Changes in risk parameters	(491)	117	32	-	(342)
At December 31	<u>\$ 27</u>	<u>\$ 303</u>	<u>\$ 1,641</u>	<u>\$ 224,366</u>	<u>\$ 226,337</u>

- (f) Movements in the Consolidated Company's allowance for credit loss for debt instrument investments at fair value through other comprehensive income are as follows:

	2023			
	Life time expected credit loss			
	12-months	Significant increase in	Credit impaired	Total
	expected credit loss	credit risk (group assessment)	financial assets	
At January 1	\$ 42,148	\$ 82,172	\$ 1,619,715	\$ 1,744,035
Changes in financial instruments that have been identified at the beginning of year:				
-Derecognition of financial assets at current period	(6,662)	-	(17,386)	(24,048)
Originated or purchased new financial assets	9,378	-	-	9,378
Changes in risk parameters	5,815	5,145	-	10,960
Changes in exchange and others	(259)	(2,711)	(463,126)	(466,096)
At December 31	<u>\$ 50,420</u>	<u>\$ 84,606</u>	<u>\$ 1,139,203</u>	<u>\$ 1,274,229</u>

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	2022			
	Life time expected credit loss			Total
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets	
At January 1	\$ 267,306	\$ 105,505	\$ -	\$ 372,811
Changes in financial instruments that have been identified at the beginning of year:				
-Transfer to credit impaired financial assets	(397)	-	397	-
-Derecognition of financial assets at current period	(19,427)	(28,413)	-	(47,840)
Originated or purchased new financial assets	3,498	-	-	3,498
Changes in risk parameters	(2,091)	(662)	2,323,674	2,320,921
Reclassification to financial assets at amortised cost	(269,160)	-	-	(269,160)
Changes in exchange and others	62,419	5,742	(704,356)	(636,195)
At December 31	<u>\$ 42,148</u>	<u>\$ 82,172</u>	<u>\$ 1,619,715</u>	<u>\$ 1,744,035</u>

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(g) Movements in the Consolidated Company's allowance for credit loss for debt instrument investments at amortised cost are as follows:

	2023			
	Life time expected credit loss			
	12-months	Significant increase in	Credit impaired	Total
	expected credit loss	credit risk (group assessment)	financial assets	
At January 1	\$ 691,012	\$ 5,255,199	\$ 1,135,116	\$ 7,081,327
Changes in financial instruments that have been identified at the beginning of year:				
-Derecognition of financial assets at current period	(14,764)	(196,637)	-	(211,401)
Originated or purchased new financial assets	4,779	-	-	4,779
Changes in risk parameters	228,611	687,925	-	916,536
Changes in exchange and others	6,930	(115,216)	(259,039)	(367,325)
At December 31	<u>\$ 916,568</u>	<u>\$ 5,631,271</u>	<u>\$ 876,077</u>	<u>\$ 7,423,916</u>

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	2022			
	Life time expected credit loss			
	12-months	Significant increase in	Credit impaired	Total
	expected credit loss	credit risk (group assessment)	financial assets	
At January 1	\$ 414,477	\$ 2,624,905	\$ -	\$ 3,039,382
Changes in financial instruments that have been identified at the beginning of year:				
-Transfer to significant increase in credit risk	(7,264)	7,264	-	-
-Derecognition of financial assets at current period	(26,510)	-	-	(26,510)
Originated or purchased new financial assets	21,477	-	-	21,477
Changes in risk parameters	(21,270)	2,431,257	1,569,528	3,979,515
Reclassification from financial assets at fair value through other comprehensive income	269,160	-	-	269,160
Changes in exchange and others	40,942	191,773	(434,412)	(201,697)
At December 31	<u>\$ 691,012</u>	<u>\$ 5,255,199</u>	<u>\$ 1,135,116</u>	<u>\$ 7,081,327</u>

- (h) The expected loss rate of the Consolidated Company's bond interest receivable, debt instrument investments at amortised cost and debt instrument investments at fair value through other comprehensive income(Note) are as follows:

December 31, 2023			
	12-months expected credit loss	Life time expected credit loss	
		Significant increase in credit risk	Credit impaired financial assets
Bond interest receivables	0.00%-0.44%	0.12%~1.22%	6.30%
Debt instrument investments at fair value through other comprehensive income	0.00%-0.44%	4.71%~6.87%	4.47%~5.81%
Debt instrument investments at amortised cost	0.00%-0.21%	4.85%~16.30%	5.84%~9.53%
December 31, 2022			
	12-months expected credit loss	Life time expected credit loss	
		Significant increase in credit risk	Credit impaired financial assets
Bond interest receivables	0.00%-0.39%	0.11%~1.17%	100%
Debt instrument investments at fair value through other comprehensive income	0.00%-0.39%	5.00%~6.16%	6.77%~32.43%
Debt instrument investments at amortised cost	0.00%~0.22%	4.60%~14.34%	6.88%~12.99%

Note: Excluding those transferred to overdue receivables.

- (i) Information on credit risk rating in relation to the total carrying amount of various financial debt instruments and the maximum exposure to credit risk are as follows:

December 31, 2023					
	12-months expected credit loss	Life time expected credit loss		Allowance for credit loss	Maximum credit risk exposure amount
		Significant increase in credit risk	Credit impaired financial assets		
Bond interest receivables (Note 1)					
Group 1	\$ 26,861,380	\$ 63,456	\$ -	\$ 8,381	\$ 26,916,455
Group 2	689,897	1,160,554	175,411	20,340	2,005,522
	<u>\$ 27,551,277</u>	<u>\$ 1,224,010</u>	<u>\$ 175,411</u>	<u>\$ 28,721</u>	<u>\$ 28,921,977</u>
Financial assets at fair value through other comprehensive income (Note 1,2)					
Group 1	\$ 265,113,082	\$ -	\$ -	\$ 42,212	\$ 265,070,870
Group 2	3,921,513	1,477,263	23,102,222	1,232,017	27,268,981
	<u>\$ 269,034,595</u>	<u>\$ 1,477,263</u>	<u>\$ 23,102,222</u>	<u>\$ 1,274,229</u>	<u>\$ 292,339,851</u>
Financial assets at amortised cost (Note 1,2)					
Group 1	\$ 3,252,973,881	\$ -	\$ -	\$ 836,045	\$ 3,252,137,836
Group 2	38,133,313	51,384,894	11,931,546	6,587,871	94,861,882
	<u>\$ 3,291,107,194</u>	<u>\$ 51,384,894</u>	<u>\$ 11,931,546</u>	<u>\$ 7,423,916</u>	<u>\$ 3,346,999,718</u>

Group 1: The issuers of the debt instruments who have been rated as investment grade (at least BBB-) by external credit agencies at the balance sheet date.

Group 2: Others.

Note 1: For the assessment of the expected credit loss of the Consolidated Company due to the Russian-Ukrainian conflict, please refer to Note 14(7)

Note 2: Including statutory deposits.

December 31, 2022					
	12-months expected credit loss	Life time expected credit loss		Allowance for credit loss	Maximum credit risk exposure amount
		Significant increase in credit risk	Credit impaired financial assets		
Bond interest receivables (Note 1)					
Group 1	\$ 27,066,483	\$ -	\$ -	\$ 5,414	\$ 27,061,069
Group 2	722,774	1,196,078	225,237	234,766	1,909,323
	<u>\$ 27,789,257</u>	<u>\$ 1,196,078</u>	<u>\$ 225,237</u>	<u>\$ 240,180</u>	<u>\$ 28,970,392</u>
Financial assets at fair value through other comprehensive income (Note 1,2)					
Group 1	\$ 248,050,493	\$ -	\$ -	\$ 34,840	\$ 248,015,653
Group 2	3,434,614	1,475,243	23,155,061	1,709,195	26,355,723
	<u>\$ 251,485,107</u>	<u>\$ 1,475,243</u>	<u>\$ 23,155,061</u>	<u>\$ 1,744,035</u>	<u>\$ 274,371,376</u>
Financial assets at amortised cost (Note 1,2)					
Group 1	\$ 3,226,479,497	\$ -	\$ -	\$ 601,716	\$ 3,225,877,781
Group 2	41,212,221	52,993,877	12,053,631	6,479,611	99,780,118
	<u>\$ 3,267,691,718</u>	<u>\$ 52,993,877</u>	<u>\$ 12,053,631</u>	<u>\$ 7,081,327</u>	<u>\$ 3,325,657,899</u>

Group 1: The issuers of the debt instruments who have been rated as investment grade (at least BBB-) by external credit agencies at the balance sheet date.

Group 2: Others.

Note 1: For the assessment of the expected credit loss of the Consolidated Company due to the Russian-Ukrainian conflict, please refer to Note 14(7)

Note 2: Including statutory deposits.

- (j) Information on credit risk rating in relation to the total carrying amount of receivables and loans and the maximum exposure to credit risk are as follows:

December 31, 2023					
	12-months expected credit loss	Life time expected credit loss		Allowance for credit loss	Maximum credit risk exposure amount
		Significant increase in credit risk	Credit impaired financial assets		
Receivables					
Notes receivable	\$ 421,170	\$ -	\$ -	\$ 8,983	\$ 412,187
Premiums receivable (Note)	331,101	-	52,787	8,282	375,606
Interest receivable-bonds	27,551,277	1,224,010	175,411	28,721	28,921,977
Interest receivable-loans	7,221,405	63	29	184	7,221,313
Interest receivable-others	96,747	-	-	-	96,747
Investment receivable	4,433,111	-	-	-	4,433,111
Other receivables-lease payments receivable (Note)	1,294,542	-	3,350	32,590	1,265,302
Other receivables-others (Note)	2,738,507	-	3,365,465	3,385,633	2,718,339
	<u>\$ 44,087,860</u>	<u>\$ 1,224,073</u>	<u>\$ 3,597,042</u>	<u>\$ 3,464,393</u>	<u>\$ 45,444,582</u>
Loans	<u>\$ 110,255,823</u>	<u>\$ 49,322</u>	<u>\$ 15,038</u>	<u>\$ 176,294</u>	<u>\$ 110,143,889</u>

Note : Including overdue receivable.

December 31, 2022					
	12-months expected credit loss	Life time expected credit loss		Allowance for credit loss	Maximum credit risk exposure amount
		Significant increase in credit risk	Credit impaired financial assets		
Receivables					
Notes receivable	\$ 1,333,807	\$ -	\$ -	\$ 10,637	\$ 1,323,170
Premiums receivable (Note)	194,790	-	47,624	4,637	237,777
Interest receivable-bonds	27,789,257	1,196,078	225,237	240,180	28,970,392
Interest receivable-loans	7,292,879	130	37	214	7,292,832
Interest receivable-others	53,404	-	-	-	53,404
Investment receivable	14,862,171	-	-	-	14,862,171
Other receivables-lease payments receivable (Note)	1,334,750	-	4,059	29,969	1,308,840
Other receivables-others (Note)	2,341,592	-	39,752	45,124	2,336,220
	<u>\$ 55,202,650</u>	<u>\$ 1,196,208</u>	<u>\$ 316,709</u>	<u>\$ 330,761</u>	<u>\$ 56,384,806</u>
Loans	<u>\$ 114,014,035</u>	<u>\$ 112,880</u>	<u>\$ 22,871</u>	<u>\$ 226,337</u>	<u>\$ 113,923,449</u>
Note : Including overdue receivable.					

B. Liquidity risk

Liquidity risk means unable to convert the asset into cash or acquire adequate fund and fails to honor obligations when due. The Consolidated Company's working capital is sufficient for daily operations, and the cash and marketable securities held can also contribute to satisfy the cash liquidity needed. The cross currency swaps, FX swap and non-delivery forward contracts and delivery forward contracts are for hedging purpose. When rolling over, transactions are net settled and required amounts are within predictable ranges. Hence, there should be no significant exposure to cash flow risk.

The Consolidated Company has investment contracts without discretionary participation feature that are classified as separate account investment-linked insurance products. Such liabilities are repaid based on separate account investment-linked insurance product assets. Therefore, the Consolidated Company has no significant liquidity risk.

The table below analyses the Consolidated Company's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date:

(a) Non-derivative financial liabilities

December 31, 2023				
Contractual undiscounted cash flows				
	Under 1 year	1 ~ 5 years	Over 5 years	Total
Short-term debts	\$ 5,738,950	\$ -	\$ -	\$ 5,738,950
Payables	14,256,570	-	-	14,256,570
Bonds payable (Note)	1,884,006	46,792,701	14,436,210	63,112,917
Guarantee deposits received	21,789,241	529,867	293,280	22,612,388
Lease liabilities	4,239,089	10,173,872	33,951,807	48,364,768

December 31, 2022				
Contractual undiscounted cash flows				
	Under 1 year	1 ~ 5 years	Over 5 years	Total
Short-term debts	\$ 12,992,000	\$ -	\$ -	\$ 12,992,000
Payables	25,072,333	-	-	25,072,333
Bonds payable (Note)	1,446,500	36,330,058	10,162,295	47,938,853
Guarantee deposits received	1,694,901	456,869	353,011	2,504,781
Lease liabilities	950,224	2,860,145	29,115,191	32,925,560

Note: It includes estimated interest so that the disclosed amount does not correspond with relating accounts in the consolidated balance sheet. In addition, the cash flows is counted with ten years for the remaining period under the contract because the bond payable is perpetual.

(b) Derivative financial liabilities

December 31, 2023					
Contractual undiscounted cash flows					
	Under 3 months	3 ~ 12 months	1 ~ 5 years	Over 5 years	Total
Net-settled derivatives	(\$ 529,329)	(\$ 245,927)	\$ -	\$ -	(\$ 775,256)
Gross-settled derivatives					
Cash inflow	78,404,938	279,600,580	-	-	358,005,518
Cash outflow	(79,940,584)	(282,594,100)	-	-	(362,534,684)
December 31, 2022					
Contractual undiscounted cash flows					
	Under 3 months	3 ~ 12 months	1 ~ 5 years	Over 5 years	Total
Net-settled derivatives	(\$ 5,449,660)	(\$ 4,304,633)	\$ -	\$ -	(\$ 9,754,293)
Gross-settled derivatives					
Cash inflow	143,521,765	109,074,831	-	-	252,596,596
Cash outflow	(149,534,768)	(109,425,277)	-	-	(258,960,045)

C. Market risk

The Consolidated Company's domestic and foreign investments are exposed to market risks, and potential losses resulting from market risks could be partly mitigated through foreign exchange hedge and investment diversification. The Consolidated Company continuously uses market risk management methods such as VaR and sensitivity analysis, along with implementation of risk limits and completely effective measurement and control over the market risk faced by the Consolidated Company to avoid potential losses to the Consolidated Company's assets arising from variations in the market prices of held financial instruments (e.g. market interest rates, exchange rates, stock price, and credit spread).

(a) Interest rate risk

Interest rate risk refers to the risk of changes in value of financial instruments as a result of variations in the market interest rates. Variations in the market interest rates will result in changes in the fair value and future cash flows of bond investments. An increase in market interest rates will cause the fair value of fixed rate bond investments to fall, and the cash flow of floating rate bond investments increase. For the years ended December 31, 2023 and 2022, the market prices of some fixed income assets had fluctuations that reflected the recent rise of market interest rates. However, the Consolidated Company mainly pursues steady and predictable long-term profits to maintain stable business and liquidity, and will continue to monitor the interest rate risk.

Sensitivity analysis of interest rate risk provided in the table below is performed for reasonably possible changes in interest rates with other conditions held constant, showing the impact on net income and other comprehensive income (pre-tax).

	December 31, 2023		
	Changes in variables	Effect on profit or loss	Effect on other comprehensive income
Financial assets at fair value through profit or loss (Note)	Increase 1%	(\$ 26,185)	(\$ 7,429,637)
Financial assets at fair value through other comprehensive income	Increase 1%	-	(31,602,809)
	December 31, 2022		
	Changes in variables	Effect on profit or loss	Effect on other comprehensive income
Financial assets at fair value through profit or loss (Note)	Increase 1%	\$ -	(\$ 7,346,164)
Financial assets at fair value through other comprehensive income	Increase 1%	-	(25,892,124)

Note: Including financial assets at fair value through profit or loss using overlay approach, the gain or loss are recognised in other comprehensive income.

If the variables adopted in the aforesaid sensitivity analysis of interest rate risk move in opposite direction, variations in profit/loss and other comprehensive income (pre-tax) will also move in reverse.

(b) Price risk

Price risk mainly arises from price volatility of equity instruments (stocks and equity fund) held by the Consolidated Company. However, the Consolidated Company dispersed the price risk through diversified investment portfolio.

Sensitivity analysis of price risk provided in the table below is performed for reasonably possible movement in price with other conditions held constant, showing the impact on net income and other comprehensive income (pre-tax).

	December 31, 2023	
	Effect on profit or loss	Effect on other comprehensive income (Note)
Price risk		
A price increase by 10%	\$ 1,186,188	\$ 39,587,325
A price decrease by 10%	(1,186,188)	(39,587,325)

	December 31, 2022	
	Effect on profit or loss	Effect on other comprehensive income (Note)
Price risk		
A price increase by 10%	\$ 1,146,960	\$ 36,573,922
A price decrease by 10%	(1,146,960)	(36,573,922)

Note: Including financial assets at fair value through profit or loss using overlay approach, the gain or loss are recognised in other comprehensive income.

(c) Exchange rate risk

I. Hedging Strategy and Risk Exposure

The Consolidated Company holds many foreign investments, which are denominated in various currencies and may suffer from losses when the fluctuations of exchange rates lead to changes in their fair values. Following the principles that life insurance companies should pursue long-term stable investment income and keeping the reserve for foreign exchange at suitable levels, the Consolidated Company tries to reduce the foreign exchange risk by adopting direct hedges, natural hedges, and other hedging tools compliant with the regulations; quarterly reviewing the currencies, profit or loss, and tenor allocation of the hedges; and dynamically adjusting the risk exposures and hedge ratios to the market conditions. Direct hedges are the direct hedging transactions of the foreign currencies versus USD or TWD, and the hedging tools the Consolidated Company currently uses include FX swap contracts, cross currency swaps, delivery forwards, and non-delivery forwards. On the other hand, natural hedges are to diversify the foreign exchange risks of the entire foreign investment positions by holding a variety of currency exposures, since the different trends among the exposed currencies may bring diversification effects to the Consolidated Company.

- II. Sensitivity analysis of foreign exchange risk provided in the table below is performed for reasonably possible changes in foreign exchange rates of monetary assets and liabilities with other conditions held constant, considering foreign exchange derivatives for hedge and excluding insurance contract denominated in foreign currencies, showing the impact on net income and other comprehensive income (changes in the fair value) (pre-tax).

	December 31, 2023	
	Effect on profit or loss	Effect on other comprehensive income
All currency to TWD increase by 5%	\$ 26,899,111	(\$ 991,851)
All currency to TWD decrease by 5%	(26,899,111)	991,851
	December 31, 2022	
	Effect on profit or loss	Effect on other comprehensive income
All currency to TWD increase by 5%	\$ 31,260,056	(\$ 994,023)
All currency to TWD decrease by 5%	(31,260,056)	994,023

D. Climate - related risks

The Consolidated Company's Task Force on Climate-Related Financial Disclosures (TCFD) working group keeps promoting the identification, response and disclosure of climate-related risks and opportunities. In 2023, to enhance risk management of climate-related risks, the Consolidated Company established climate-related risk management policies, which stipulate that all identified climate-related risks shall be taken into consideration when setting up the risk appetite, strategies, and operating plans.

For the year ended December 31, 2023, the TCFD working group identified and summarised the climate-related risk issues that the Consolidated Company may face in the future (including physical risks and transition risks) by referring to domestic and foreign studies and analysis reports from benchmark enterprises. These risks were prioritized by assessing their probability of occurrence, impact, and potential occurrence timeframe (short-, medium-, long-term), and the relevant adaptation measures were developed for the top 10 risks. The ranks of identified top 10 risk factors were the demand of policies on enhancing the proportion of green buildings, the demand of policies on enhancing the proportion of renewable energy, an incremental cost due to the current products and services which were substituted by low carbon transition service, increase in greenhouse gas emission costs, investments losses on investees arising from the information uncertainty of market and its customers, increased operating costs due to the transition of electricity structure in response to rising average temperatures, loss on the subject matter insured due to sea level rise, investees' face related financial risks which are affected by the risk of regulation transition, changes in customer behaviour, and the claim increases due to the climate catastrophe's effects on the subject matter insured. The Consolidated Company has developed relevant adaptation measures, established climate indicators and targets, and will regularly monitor and track the implementation of climate-related risk management.

In addition, the Consolidated Company signed the commitment letter to the Science-based Target initiative in 2023 and completed the target setting of scope 1, 2 and 3 and filed to review at end of the same year. In the future, the Consolidated Company will be dedicated to reducing carbon on operation perspective and will continually monitor the exposure of investment position in relation to high carbon emission industries and invest in carbon emission. Furthermore, the Consolidated Company intends to realise the Science-based Target through continual assessments of green finance and sustainability themed investing to make contribution to the transition of global low-carbon economy.

13. OBJECTIVE, POLICY AND PROCEDURE OF CAPITAL MANAGEMENT

The Consolidated Company's primary objectives when managing capital are to safeguard capital adequacy and solvency of the Consolidated Company in order to support the Consolidated Company's sustainable development and continuously create interests for shareholders.

Taiwan insurance enterprises usually measure whether the capital is adequate in accordance with the risk based capital ratio. Pursuant to Article 143-4 of Insurance Act, an insurance enterprise's ratio of self-owned capital to risk-based capital should not be lower than 200%. The Consolidated Company calculates the risk based capital ratio and net worth ratio once every six months to measure and assess the future capital adequacy in accordance with "Regulations Governing Capital Adequacy of Insurance Companies" and other competent authority to ensure that it can continuously meet the statutory capital requirement and medium and long-term operations.

Risk based capital ratio is calculated as self-owned capital divided by risk-based capital. Self-owned capital is the total capital approved by the competent authority, which includes recognised owners' equity and other adjustment items as regulated by the competent authority; risk-based capital is the total capital calculated based on the extent of risk that an insurance enterprise assumes in its actual operations. Net worth ratio is calculated as equity divided by total assets excluding assets on insurance product - separated account. According to "Regulations Governing Capital Adequacy of Insurance Companies", the Consolidated Company's life insurance business and property insurance business latest two capital adequacy ratios were both above 200%, and the latest two net worth ratios were both above 3%, which met the statutory capital requirement.

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14. OTHERS

(1) Assets and liabilities recoverable or payable within 12 months or more than 12 months:

Assets	December 31, 2023		
	Book value	Within 12 months	More than 12 months
Cash and cash equivalents	\$ 71,836,768	\$ 71,836,768	\$ -
Receivables	45,444,582	45,444,582	-
Current tax assets	4,116,889	597,570	3,519,319
Financial assets at fair value through profit or loss	1,008,081,692	954,836,359	53,245,333
Financial assets at fair value through other comprehensive income	269,736,858	270,329	269,466,529
Financial assets at amortised cost	3,325,116,318	27,445,246	3,297,671,072
Investments accounted for using equity method	2,816,281	-	2,816,281
Investment property	218,889,784	-	218,889,784
Loans	110,143,889	-	110,143,889
Reinsurance contract assets	4,012,032	3,793,561	218,471
Property and equipment	16,850,912	-	16,850,912
Right-of-use assets	827,036	52,980	774,056
Intangible assets	13,713,264	-	13,713,264
Deferred tax assets	62,221,574	-	62,221,574
Other assets	24,426,969	607,916	23,819,053
Liabilities			
Short-term debts	\$ 5,738,950	\$ 5,738,950	\$ -
Payables	14,256,570	14,256,570	-
Current tax liabilities	3,048,691	2,061,212	987,479
Financial liabilities at fair value through profit or loss	5,287,505	5,287,505	-
Bonds payable	53,500,000	-	53,500,000
Insurance contract liabilities	4,627,810,413	41,690,674	4,586,119,739
Reserve for insurance with nature of financial instruments	956,348	-	956,348
Reserve for foreign exchange valuation	8,675,002	-	8,675,002
Provisions	3,840,130	-	3,840,130
Lease liabilities	32,921,416	4,246,583	28,674,833
Deferred tax liabilities	29,104,400	-	29,104,400
Other liabilities	49,217,261	23,355,071	25,862,190

Assets	December 31, 2022		
	Book value	Within 12 months	More than 12 months
Cash and cash equivalents	\$ 98,163,350	\$ 98,163,350	\$ -
Receivables	56,384,806	56,384,806	-
Current tax assets	1,042,474	8,719	1,033,755
Financial assets at fair value through profit or loss	931,841,974	877,922,670	53,919,304
Financial assets at fair value through other comprehensive income	235,055,420	594,061	234,461,359
Financial assets at amortised cost	3,311,180,763	9,061,223	3,302,119,540
Investments accounted for using equity method	5,591	-	5,591
Investment property	198,615,377	-	198,615,377
Loans	113,923,449	-	113,923,449
Reinsurance contract assets	4,410,141	3,927,975	482,166
Property and equipment	16,809,216	-	16,809,216
Right-of-use assets	908,186	54,697	853,489
Intangible assets	14,521,664	-	14,521,664
Deferred tax assets	63,128,990	-	63,128,990
Other assets	36,898,743	5,490,614	31,408,129
Liabilities			
Short-term debts	\$ 12,992,000	\$ 12,992,000	\$ -
Payables	25,072,333	25,072,333	-
Current tax liabilities	892,165	223,026	669,139
through profit or loss	16,085,125	16,085,125	-
Bonds payable	42,000,000	-	42,000,000
Insurance contract liabilities	4,585,938,400	45,948,047	4,539,990,353
Reserve for insurance with nature of financial instruments	642,763	-	642,763
valuation	42,592,110	-	42,592,110
Provisions	3,315,273	-	3,315,273
Lease liabilities	19,498,235	949,614	18,548,621
Deferred tax liabilities	23,886,131	-	23,886,131
Other liabilities	28,399,360	4,826,077	23,573,283

- (2) The Consolidated Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations are as follows:

December 31, 2023

Foreign Currency Amount			
Assets	(thousand)	Exchange Rate	New Taiwan Dollars
US Dollars	\$ 122,494,134	30.74	\$ 3,764,859,637
Others (Note)			106,927,579
Foreign Currency Amount			
Liabilities	(thousand)	Exchange Rate	New Taiwan Dollars
US Dollars	\$ 36,010,657	30.74	\$ 1,106,784,976
Others (Note)			7,557,195

December 31, 2022

Foreign Currency Amount			
Assets	(thousand)	Exchange Rate	New Taiwan Dollars
US Dollars	\$ 121,164,654	30.71	\$ 3,720,713,159
Others (Note)			117,748,004
Foreign Currency Amount			
Liabilities	(thousand)	Exchange Rate	New Taiwan Dollars
US Dollars	\$ 35,918,930	30.71	\$ 1,102,989,861
Others (Note)			8,366,520

Note : The combined amount is disclosed, since the New Taiwan Dollars were under 10% of each account.

(3) Net worth ratio

As of December 31, 2023 and 2022, the net worth ratio of the Company was calculated by its equity divided by the total assets, excluding assets on insurance products - separate account, which equalled 6.66% and 5.55%, respectively. As of December 31, 2023 and 2022, the net worth ratio of the Subsidiary was calculated by its equity divided by total assets, which equalled 27.51% and 16.72%, respectively.

On September 29, 2022, the Board of Directors of the Company approved to change the business model for managing financial assets. Refer to Note 14(8) for the change of the business model causing the reclassification of financial assets and the effects on the net worth and net worth ratio.

(4) Retention limit

The Consolidated Company's property insurance business which's retention limit per unit of risk for each kind of insurance:

Item	Unit: Thousand	
	December 31, 2023	December 31, 2022
One-year residential fire insurance	NT\$ 150,000	NT\$ 150,000
One-year commercial fire insurance	NT\$ 250,000	NT\$ 500,000
Long-term commercial fire insurance	NT\$ 150,000	NT\$ 150,000
In-land transportation insurance	US\$ 3,000	US\$ 7,000
Cargo transportation insurance	US\$ 7,000	US\$ 7,000
General self-owned automobile property insurance	NT\$ 100,000	NT\$ 100,000
General commercial automobile property insurance	NT\$ 100,000	NT\$ 100,000
General self-owned automobile liability insurance	NT\$ 100,000	NT\$ 100,000
General commercial automobile liability insurance	NT\$ 100,000	NT\$ 100,000
Compulsory self-owned automobile liability insurance	NT\$ 1,000	NT\$ 1,000
Compulsory commercial automobile liability insurance	NT\$ 1,000	NT\$ 1,000
Compulsory motorcycle liability insurance	NT\$ 1,000	NT\$ 1,000
General liability insurance	NT\$ 180,000	NT\$ 300,000
Professional liability insurance	NT\$ 180,000	NT\$ 300,000
Engineering insurance	NT\$ 250,000	NT\$ 500,000
Guarantee insurance	NT\$ 30,000	NT\$ 30,000
Miscellaneous property insurance	NT\$ 150,000	NT\$ 150,000
Personal accident insurance	NT\$ 40,000	NT\$ 40,000
Commercial earthquake insurance	NT\$ 250,000	NT\$ 500,000
Individual all-risk insurance	NT\$ 120,000	NT\$ 120,000
Commercial all-risk insurance	NT\$ 150,000	NT\$ 150,000
Typhoon and flood insurance	NT\$ 250,000	NT\$ 500,000
Health Insurance	NT\$ 30,000	NT\$ 30,000
Compulsory mini electric two-wheel vehicle liability insurance	NT\$ 1,000	NT\$ 1,000

(5) Information of compulsory automobile liability insurance specific asset segmentation, assets and liabilities and income and cost:

A. The Consolidated Company property insurance business maintains separate accounts for its compulsory automobile liability insurance (the “insurance”) in accordance with the Compulsory Automobile Liability Insurance Act, recording the insurance business and financial condition. The insurance assets and liabilities of the Consolidated Company are as follows:

Item	December 31, 2023	December 31, 2022
Assets		
Cash and cash equivalents	\$ 997,848	\$ 1,022,802
Notes receivable	479	487
Premiums receivable	2,758	2,839
Claims recoverable from reinsurers	43,462	29,686
Other receivables	292	-
Financial assets at fair value through other comprehensive income	1,931,840	1,823,766
Ceded unearned premium reserve	198,785	191,294
Ceded claim reserve	228,304	203,192
Temporary payments and suspense accounts	2,298	6,403
Total Assets	\$ 3,406,066	\$ 3,280,469
Liabilities		
Claims and policy benefits payable	\$ -	\$ 140
Reinsurance payable	18,579	14,358
Unearned premium reserve	482,687	465,981
Claims reserve	583,279	533,487
Special reserve	2,319,420	2,264,805
Temporary payments and suspense accounts	512	220
Other liabilities	1,589	1,478
Total liabilities	\$ 3,406,066	\$ 3,280,469

B. For the years ended December 31, 2023 and 2022, the information on the Consolidated Company's property insurance income and cost is as follows:

Item	2023	2022
Operating income		
Net premium income	\$ 523,620	\$ 496,712
Reinsurance premium income	251,352	246,317
Premium income	774,972	743,029
Less: Reinsurance premiums ceded	(314,039)	(297,942)
Net changes of unearned premium reserve	(9,215)	(11,201)
Retention earned premium income	451,718	433,886
Interest income	34,969	23,582
	<u>\$ 486,687</u>	<u>\$ 457,468</u>
Operating cost		
Claims payments	\$ 489,081	\$ 391,423
Reinsurance claims	229,567	218,448
Less: Claim recovered from reinsurers	(287,021)	(231,696)
Net claims paid	431,627	378,175
Net changes of claim reserve	24,680	22,513
Net changes of special reserve	54,615	79,280
	<u>\$ 510,922</u>	<u>\$ 479,968</u>

Note: Including the special reserve provisioned from insurer's business expenses, please refer to Note 6(22)B(b)III (iii) for details.

(6) Unqualified reinsurance reserve

A. Among the Consolidated Company's property insurance business' inforce policies as of December 31, 2023 and 2022, reinsurance expenses of unqualified ceding reinsurance amounted to \$38 and \$40, respectively.

B. The Consolidated Company's property insurance business' unqualified reinsurance reserve and its details are as follows :

	December 31, 2023	December 31, 2022
Ceded unearned premium reserve	\$ -	\$ 299
Claims recoverable from reinsurers	19	20
Ceded reported but not paid claims reserve	168	1,694
	<u>\$ 187</u>	<u>\$ 2,013</u>

(7) The effects of Russian-Ukrainian conflict

Due to the Russian-Ukrainian conflict which started on February 24, 2022, countries worldwide adopted many economic and financial sanctions on Russia, resulting in an increase in the risk of default on sovereign debts and interest of Russia, and the credit rating was significantly decreased and cancelled by international credit rating agencies. As of December 31, 2023, the Consolidated Company recognised expected credit loss on the credit impaired Russian debt instruments (recognised as financial assets at fair value through other comprehensive income, financial assets at amortised cost and receivables), and the allowance for loss of not overdue debt instruments and overdue debt instruments transferred into overdue receivables amounted to \$2,026,323 and \$3,326,092, respectively.

(8) Reclassification of financial assets

- A. Due to the disruption in supply chains caused by the global pandemic and the Russian-Ukrainian conflict during the past two years, the global inflationary pressures have increased and further pushed a rise in interest rates. The increasing level in interest rates has already met the extreme case defined by Insurance Capital Standard (ICS), therefore, the Company has decided to change its business model and applied an asset reclassification to its bond exposure from financial assets at fair value through other comprehensive income to financial assets at amortised cost in the Company's accounting records as resolved by the Board of Directors in September 29, 2022. The aforementioned asset reclassification also met the situations regulated under Accounting Research and Development Foundation Ji-Mi Letter No. 0000000354. Starting October 1, 2022, as a result of the change in business model and asset reclassification to its bond exposure, "Financial Assets at Fair Value through Other Comprehensive Income" decreased by \$994,190,037, "Financial Assets at Amortised Cost" assets increased by \$1,400,576,887, deferred tax asset decreased by \$79,886,702, and other equity interest increased by \$326,500,148. The financial status information around the reclassification date is summarised as follows:

	September 30, 2022		October 1, 2022
	Before adjustment	Adjustment	After adjustment
Total consolidated assets	\$ 5,099,975,022	\$ 326,500,148	\$ 5,426,475,170
Total consolidated liabilities	5,140,821,664	-	5,140,821,664
Total consolidated equity	(40,846,642)	326,500,148	285,653,506
Net worth ratios	-0.83%	6.30%	5.47%

- B. On October 1, 2022, the Consolidated Company reclassified the financial assets which were affected by the reclassification from financial assets at fair value through other comprehensive income to financial assets at amortised cost. On December 31, 2023 and 2022, the fair value of affected financial assets was \$1,036,744,167 and \$994,679,285, respectively. If the reclassification had not occurred on October 1, 2022, the accumulated after-tax changes of fair value would have been \$256,308,182 and \$290,546,374 for the years ended December 31, 2023 and 2022, respectively; the after-tax changes of fair value recognised in other comprehensive income would have been gain of \$34,238,192 and \$35,953,774 for the year ended December 31, 2023 and October to December, 2022, respectively.
- C. Subsequently, according to Jin-Guan-Bao-Tsai Letter No. 1110494274, when the Consolidated Company distributes earnings, the changes in the fair value from reclassified financial assets should be accounted into the debit balance on other equity interest which is according to Jin-Guan-Bao-Tsai Letter No. 11004920441, while the special reserve is provisioned according to the amount incurred in the current year. Subsequently when the changes (including disposals) in the fair value from reclassified financial assets cause the amount of the debit balance on other equity interest to reverse, the reversed amount could be included in the distributable earnings. For the year ended December 31, 2022, changes in the fair value from reclassified financial assets was loss of \$290,546,374 which was accounted into the net of debit balance on other equity interest and provisioned special reserve. For the year ended December 31, 2023, changes in the fair value from reclassified financial assets was gain of \$34,238,192 which was accounted into the net of debit balance on other equity interest and provisioned or reversed special reserve. Please refer to Note 6(28).

15. SUPPLEMENTARY DISCLOSURES

(1) Information of significant transactions

A. Acquisition of real estate reaching \$100,000 or in excess of 20% of the Consolidated Company's capital:

None.

B. Disposal of real estate reaching \$100,000 or in excess of 20% of the Consolidated Company's capital:

None.

C. Related party transactions of main business activities reaching \$100,000 or in excess of 20% of the Consolidated Company's capital:

None.

D. Accounts receivable from related parties reaching \$100,000 or in excess of 20% of the Consolidated Company's capital: None.

E. Derivative business transactions: Please refer to Notes 6(3), (20) and 11.

F. Business relationship and significant transactions between parent company and subsidiaries: None.

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(2) Information on investees

Investor company	Investee company	Area	Main operation	Initial investment amount		Held by the end of period			Profit in this period of investee company	Recognised profit on investment in this period	Remarks
				End of this period	End of last year	Number of shares (In thousands)	Ratio	Carrying amount			
The Company	Nan Shan General Insurance Co., Ltd.	R.O.C	Property insurance	\$ 6,776,893	\$ 5,276,893	252,400	100%	\$ 5,885,711	\$ 275,131	\$ 264,315	Note 1 Note 3
The Company	Fuh Hwa Securities Investment Trust Co., Ltd.	R.O.C	Securities investment trust	2,763,845	-	18,426	30.71%	2,809,224	1,064,408	266,627	Note 2
The Company	Nan Shan Plaza Property Management Co., Ltd.	R.O.C	Apartment and building management service	3,000	3,000	3	30%	7,057	4,997	1,466	

Note 1: It has been written when preparing the consolidated financial statements.

Note 2: On March 17, 2023, the Consolidated Company acquired a 30.71% equity interest of Fuh Hwa Securities Investment Trust Co. Ltd. Information relating to investments accounted for using equity method is provided in Note 6(6).

Note 3: To improve financial structure and fulfil working capital, Nan Shan General Insurance Co., Ltd. implemented capital decrease to offset accumulated deficits and conducted the cash capital increase through private placement of common shares in the first half of 2023. The effective date for the capital increase was July 5, 2023. The Company fully subscribed for 150,000 thousand shares and made a payment of \$1,500,000 as resolved by the Board of Directors on May 11, 2023.

(3) Information on investments in Mainland China

None.

16. SEGMENT INFORMATION

(1) General information

The Consolidated Company's management has determined the reportable operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

There is no material change in the basis for formation of entities and division of segments in the Consolidated Company or in the measurement basis for segment information during this period.

(2) Segment information

	2023			
	Life insurance	Property insurance	Adjustment and write-off (Note)	Total
Premium revenue	\$ 255,226,826	\$ 8,313,201	(\$ 90,048)	\$ 263,449,979
Segment profit	\$ 22,109,624	\$ 273,781	(\$ 273,781)	\$ 22,109,624
Segment's total assets	\$ 5,374,983,809	\$ 16,633,300	(\$ 5,170,469)	\$ 5,386,446,640
	2022			
	Life insurance	Property insurance	Adjustment and write-off (Note)	Total
Premium revenue	\$ 276,283,106	\$ 7,013,984	(\$ 63,409)	\$ 283,233,681
Segment profit	\$ 31,553,637	(\$ 1,255,226)	\$ 1,255,226	\$ 31,553,637
Segment's total assets	\$ 5,264,756,311	\$ 14,234,876	(\$ 3,080,160)	\$ 5,275,911,027

Note: Adjustment and write-off are mainly adjustments in line with the journal entry for consolidation purpose.

(3) Geographical information

There is no requirement for geographical information disclosure since no foreign operating segment held by the Consolidated Company.

(4) Major customer information

There is no requirement for additional disclosure since no significant customer accounted for 10% or more of the Consolidated Company's operating revenues.

**NAN SHAN LIFE INSURANCE COMPANY,
LIMITED AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2025 AND 2024**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR25000087

To Nan Shan Life Insurance Company, Limited

Opinion

We have audited the accompanying consolidated balance sheets of Nan Shan Life Insurance Co., Ltd. and its subsidiary (the "Consolidated Company") as at June 30, 2025, December 31, 2024 and June 30, 2024, and the related consolidated statements of comprehensive income for the three months and for the six months ended June 30, 2025 and 2024, as well as the consolidated statements of changes in equity and of cash flows for the six months ended June 30, 2025 and 2024, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Consolidated Company as at June 30, 2025, December 31, 2024 and June 30, 2024, and its consolidated financial performance for the three months and for the six months ended June 30, 2025 and 2024 and its consolidated cash flows for the six months ended June 30, 2025 and 2024 in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the International Accounting Standards 34, 'Interim financial reporting' that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Consolidated Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Company's consolidated financial statements for the six months ended June 30, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Consolidated Company's consolidated financial statements for the six months ended June 30, 2025 are stated as follows:

Insurance contract liabilities-policy reserves

Description

For the accounting policy for policy reserves, please refer to Note 4 of the consolidated financial statements; for details on insurance contract liabilities, please refer to Note 6(22) of the consolidated financial statements.

Policy reserves for long-term insurance contracts are recognised and calculated based on the related regulations, actuarial memorandum for the product and Jin-Guan-Pao-Tzai Letter No.11404924811; the discount rate is based on the assumed interest rate of reserve for each insurance product which has been submitted to the Authority or relevant regulations. Nan Shan Life Insurance Co., Ltd.'s policy reserves as at June 30, 2025, account for 88% of total liabilities. Considering that the accuracy of policy reserve calculation results is material with respect to the financial statements, we have thus included policy reserves as one of the key audit matters in our audit.

How our audit addressed the matter

The procedures that we have conducted in response to specific aspects of the above-mentioned key audit matter are summarised as follows:

1. Obtained an understanding and assessed the related policies, internal controls, and processing procedures for the calculation of Nan Shan Life Insurance Co., Ltd.'s policy reserves.
2. On a sample basis, tested the effectiveness of internal controls for the calculation of policy reserves. This included the following procedures:
 - (1) Inspected the number of effective policies in the policy system and the actuarial system in order to confirm the completeness of policy reserve calculations.

- (2) Examined the consistency between policy information and information in the policy system in order to confirm the accuracy of policy information for calculating policy reserves.
3. We used the work of actuarial specialists to assist us in comparing the provision method and assessing the reasonableness of policy reserves at balance sheet date. This included the following procedures:
 - (1) On a sample basis, tested representative new products in the current period in order to confirm that Nan Shan Life Insurance Co., Ltd.'s method and results of provisioning reserves were consistent with those of the insurance product statement.
 - (2) Performed trend analysis (excluding universal life insurance and variable interest annuities) and roll analysis in order to assess the reasonableness of the policy reserves at balance sheet date.

Adequacy of insurance contract liabilities

Description

For the accounting policy regarding the adequacy of insurance contract liabilities, please refer to Note 4 of the consolidated financial statements; for the critical accounting estimates and assumptions, please refer to Note 5 of the consolidated financial statements.

Nan Shan Life Insurance Co., Ltd.'s insurance contract liabilities as at June 30, 2025, accounts for 89% of total liabilities. In accordance with IFRS 4, 'Insurance Contracts', insurance contracts should be tested for liability adequacy at every balance sheet date in order to reflect Nan Shan Life Insurance Co., Ltd.'s current estimates of future cash flows; of which, various assumptions such as discount rate (i.e. rate of investment return), mortality rate, morbidity rate, lapse rate, and expense rate involve human subjective judgement. Considering that there will be a material impact on the financial statements if insurance liabilities are not adequate, we have thus included the adequacy of insurance liabilities as one of the key audit matters in our audit.

How our audit addressed the matter

The procedures that we have conducted in response to specific aspects of the above-mentioned key audit matter are summarised as follows:

We used the work of actuarial specialists to assist us in assessing the reasonableness of elected methods and various assumptions. This included the following procedures:

1. Compared whether there were significant differences between the current period and the previous period for major assumptions other than the discount rate (such as the mortality rate, morbidity rate, lapse rate, and expense rate). If there were significant differences, then related documents and explanations with regard to Nan Shan Life Insurance Co., Ltd.'s actuary assumptions were obtained. Current period assumptions were compared to actual experiences in order to examine the reasonableness of each assumption.
2. Referenced current market interest rate information to assess the reasonableness of the elected discount rate for future cash flows from insurance contracts.
3. Confirmed the accuracy of the cash flow model through independent sample testing.
4. Recalculated the current estimates of future cash flows using the overall cash flows and discount rate assumptions provided by Nan Shan Life Insurance Co., Ltd.
5. Compared the carrying amounts of insurance liabilities to the current estimates of future cash flows from insurance contracts.

Other matter – Parent company only financial statements

We have audited and expressed an unmodified opinion on the parent company only financial statements of Nan Shan Life Insurance Co., Ltd. as at and for the six months ended June 30, 2025 and 2024.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the International Accounting Standards 34, 'Interim financial reporting' that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Consolidated Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Consolidated Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Consolidated Company's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgement and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Consolidated Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Shih, Ming-Chih

Hsu, Sheng-Chung

For and on behalf of PricewaterhouseCoopers, Taiwan

August 7, 2025

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2025, DECEMBER 31, 2024 AND JUNE 30, 2024
(Expressed in thousands of New Taiwan dollars)

ASSETS	Notes	June 30, 2025		December 31, 2024		June 30, 2024	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Cash and cash equivalents	6(1)(9)	\$ 176,552,249	3	\$ 96,121,054	2	\$ 80,967,406	2
Receivables	6(2) and 13(3)	46,376,245	1	43,700,329	1	42,719,809	1
Current tax assets		5,793,587	-	5,948,301	-	4,601,285	-
Financial assets at fair value through profit or loss	6(3)(9)	1,033,434,712	19	1,005,321,996	18	1,005,307,392	18
Financial assets at fair value through other comprehensive income	6(4) and 13(3)	250,731,395	5	256,205,859	4	274,517,360	5
Financial assets at amortised cost	6(5) and 13(3)	3,212,100,712	59	3,478,427,586	62	3,460,790,172	62
Investments accounted for using equity method	6(6) and 16(2)	2,749,043	-	3,072,425	-	2,812,742	-
Investment property	6(10)	215,419,606	4	213,702,898	4	214,613,212	4
Loans	6(11) and 13(3)	108,818,286	2	110,183,510	2	108,888,167	2
Reinsurance contract assets	6(22)	3,530,405	-	3,391,495	-	3,593,180	-
Property and equipment	6(12)	19,662,183	-	18,288,829	-	17,628,525	-
Right-of-use assets	6(13)	1,501,414	-	1,507,446	-	868,317	-
Intangible assets	6(15)	11,803,792	-	12,536,504	-	13,174,044	-
Deferred tax assets		81,363,042	2	90,612,695	2	79,812,875	1
Other assets	6(16)	27,138,637	1	60,248,952	1	55,721,250	1
Assets on insurance products-separate account	6(17)	221,224,099	4	224,320,516	4	221,979,873	4
TOTAL ASSETS		\$ 5,418,199,407	100	\$ 5,623,590,395	100	\$ 5,587,995,609	100

(Continued)

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2025, DECEMBER 31, 2024 AND JUNE 30, 2024
(Expressed in thousands of New Taiwan dollars)

LIABILITIES AND EQUITY	Notes	June 30, 2025		December 31, 2024		June 30, 2024	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Short-term debts	6(8)(9)(18)	\$ 6,893,476	-	\$ 2,822,375	-	\$ 9,703,644	-
Payables	6(19)	18,036,027	-	15,582,275	-	24,514,939	-
Current tax liabilities		920,570	-	925,404	-	1,297,085	-
Financial liabilities at fair value	6(3)(9)(20)						
through profit or loss		11,391,329	-	61,317,453	1	53,621,151	1
Bonds payable	6(21)	100,286,692	2	87,278,676	2	61,040,000	1
Insurance contract liabilities	6(22)	4,579,631,468	85	4,734,577,912	84	4,707,668,214	84
Reserve for insurance with nature of	6(23)						
financial instruments		1,263,251	-	1,273,246	-	1,186,250	-
Reserve for foreign exchange valuation	6(24)	25,118,848	-	23,273,154	-	22,467,536	-
Provisions	6(25)	3,688,077	-	3,735,838	-	3,814,498	-
Lease liabilities	6(13)	26,343,726	-	29,642,528	1	29,554,940	1
Deferred tax liabilities		28,243,394	1	52,533,164	1	48,410,574	1
Other liabilities	6(27)	97,277,233	2	30,049,068	1	28,504,122	1
Liabilities on insurance products-	6(17)						
separate account		221,224,099	4	224,320,516	4	221,979,873	4
Total Liabilities		<u>5,120,318,190</u>	<u>94</u>	<u>5,267,331,609</u>	<u>94</u>	<u>5,213,762,826</u>	<u>93</u>
Capital							
Common stock		146,992,460	3	146,992,460	2	138,219,000	3
Stock dividend to be distributed		-	-	-	-	8,773,460	-
Capital surplus		9,187,500	-	9,187,500	-	9,187,500	-
Retained Earnings							
Legal reserve		57,920,797	1	49,419,333	1	49,419,333	1
Special reserve		252,542,829	5	219,496,781	4	218,536,970	4
Undistributed earnings		14,391,467	-	41,547,513	1	25,588,157	-
Other equity interest		(183,153,836)	(3)	(110,384,801)	(2)	(75,491,637)	(1)
Total Equity	6(28)	<u>297,881,217</u>	<u>6</u>	<u>356,258,786</u>	<u>6</u>	<u>374,232,783</u>	<u>7</u>
TOTAL LIABILITIES AND							
EQUITY		<u>\$ 5,418,199,407</u>	<u>100</u>	<u>\$ 5,623,590,395</u>	<u>100</u>	<u>\$ 5,587,995,609</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2025 AND 2024
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2025		2024		2025		2024	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Operating Revenues									
Premium income from written policy		\$ 64,447,253	90	\$ 64,951,824	52	\$ 132,458,189	67	\$ 135,183,754	52
Reinsurance premium income		81,711	-	71,397	-	159,822	-	150,962	-
Premium Income		64,528,964	90	65,023,221	52	132,618,011	67	135,334,716	52
Less : Reinsurance premium ceded		(1,770,657)	(2)	(1,635,606)	(1)	(3,417,465)	(2)	(3,045,237)	(1)
Net change in unearned premium reserve	6(22)	(627,123)	(1)	(552,618)	(1)	(1,083,629)	(1)	(1,495,460)	-
Retention Earned Premium Income	6(31)	62,131,184	87	62,834,997	50	128,116,917	64	130,794,019	51
Reinsurance commission income		535,727	-	509,137	-	951,393	-	1,089,396	-
Fee income	6(17)	603,268	1	581,382	1	1,230,609	1	1,131,811	1
Net Investment Income (Loss)									
Interest income	6(33)	34,183,931	48	35,721,684	29	70,070,186	35	70,496,004	27
Gain (loss) on financial assets and liabilities at fair value through profit or loss	6(3)	123,060,160	172	(9,700,763)	(8)	82,916,776	42	(67,097,121)	(26)
Realised gain on financial assets at fair value through other comprehensive income	6(4)	127,738	-	99,104	-	249,798	-	909,724	-
Gain (loss) from derecognition of financial assets at amortised cost	6(5)	59,408	-	(79,384)	-	201,895	-	(574,684)	-
Share of gain of associates and joint ventures accounted for using equity method	6(6) and 16(2)	130,160	-	134,198	-	240,067	-	268,833	-
Foreign exchange (loss) gain		(255,397,390)	(357)	35,550,074	28	(223,492,800)	(112)	132,186,939	51
Net change in reserve for foreign exchange valuation	6(24)	47,453,247	66	(4,603,346)	(4)	38,575,457	19	(13,792,534)	(5)
Gain (loss) on investment property	6(10)	402,481	1	(119,232)	-	1,058,576	1	948,710	-
Expected credit (loss) reversal on investment	6(34)	(432,744)	-	(565,335)	-	(680,942)	-	(478,278)	-
Loss (gain) on reclassification using overlay approach	6(3)	55,851,478	78	(3,022,145)	(2)	92,250,912	46	(15,742,672)	(6)
Subtotal		5,438,469	8	53,414,855	43	61,389,925	31	107,124,921	41
Other operating revenues		(13,209)	-	45,497	-	40,551	-	155,175	-
Revenue on insurance products-separate account	6(17)	2,906,938	4	7,720,127	6	7,584,897	4	18,220,611	7
Total Operating Revenues		71,602,377	100	125,105,995	100	199,314,292	100	258,515,933	100

(Continued)

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2025 AND 2024
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2025		2024		2025		2024	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Operating Costs									
Claims and policy benefits payments		(\$ 91,648,259)	(128)	(\$ 94,042,208)	(75)	(\$ 173,921,304)	(87)	(\$ 176,161,424)	(68)
Less : Claims recovered from reinsurers		615,245	1	724,405	-	1,325,136	-	1,488,214	1
Retention Claims and Policy Benefits Payments	6(32)	(91,033,014)	(127)	(93,317,803)	(75)	(172,596,168)	(87)	(174,673,210)	(67)
Net change in other insurance contract liabilities	6(22)	34,208,796	48	84,314	-	19,891,744	10	16,959,299	(7)
Net change in reserve for insurance with nature of financial instruments	6(23)	(7,111)	-	(79,981)	-	(1,513)	-	(223,179)	-
Underwriting expenses		(7,631)	-	(7,767)	-	(14,556)	-	(15,689)	-
Commission expenses		(5,054,745)	(7)	(4,351,127)	(3)	(9,737,098)	(5)	(8,609,394)	(3)
Other operating costs		(401,955)	(1)	(68,473)	-	(479,445)	-	(145,583)	-
Finance costs	6(35)	(1,458,331)	(2)	(651,239)	(1)	(2,407,740)	(1)	(1,281,105)	(1)
Expenses on insurance products-separate account	6(17)	(2,906,938)	(4)	(7,720,127)	(6)	(7,584,897)	(4)	(18,220,611)	(7)
Total Operating Costs		(66,660,929)	(93)	(106,280,831)	(85)	(172,929,673)	(87)	(220,128,070)	(85)
Operating Expenses	6(36)								
General expenses		(2,925,831)	(4)	(2,688,143)	(2)	(5,584,319)	(3)	(5,304,868)	(2)
Administrative expenses		(3,182,956)	(5)	(3,108,034)	(2)	(6,218,526)	(3)	(5,932,401)	(2)
Employee training expenses		(6,246)	-	(4,607)	-	(7,889)	-	(6,769)	-
Expected credit (loss) reversal on non-investment	6(34)	8,645	-	2	-	4,485	-	9,744	-
Total Operating Expenses		(6,106,388)	(9)	(5,800,782)	(4)	(11,806,249)	(6)	(11,234,294)	(4)
Operating Income		(1,164,940)	(2)	13,024,382	11	14,578,370	7	27,153,569	11
Non-Operating Income and Expenses		4,836	-	(27,180)	-	20,356	-	(10,998)	-
Profit from Continuing Operations before Income Taxes		(1,160,104)	(2)	12,997,202	11	14,598,726	7	27,142,571	11
Income Tax Expense	6(29)	3,359,206	5	(889,104)	(1)	(207,533)	-	(1,554,416)	(1)
Net Income		<u>\$ 2,199,102</u>	<u>3</u>	<u>\$ 12,108,098</u>	<u>10</u>	<u>\$ 14,391,193</u>	<u>7</u>	<u>\$ 25,588,155</u>	<u>10</u>
Other Comprehensive Income									
Components of other comprehensive income that will not be reclassified to profit or loss									
Unrealised revaluation increments	6(12)	\$ 25,829	-	\$ 28,175	-	\$ 25,829	-	\$ 28,175	-
Unrealised (loss) gain on equity instruments at fair value through other comprehensive income	6(4)	(137,823)	-	397,920	-	(160,539)	-	609,288	-
Share of other comprehensive income of associates and joint ventures accounted for using equity method - items that may not be reclassified to profit or loss	6(6)	(103)	-	(154)	-	573	-	234	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(29)	10,064	-	(47,700)	-	13,864	-	(71,236)	-
Components of other comprehensive income that will be reclassified to profit or loss									
Exchange differences on translation of foreign financial statements	6(28)	(75,440)	-	1,183	-	(65,763)	-	4,411	-
Gain (loss) on debt instruments measured at fair value through other comprehensive income	6(4)	3,552,160	5	(5,553,851)	(4)	6,846,017	3	(10,538,394)	(4)
Share of other comprehensive income of associates and joint ventures accounted for using equity method - items that may be reclassified to profit or loss	6(6)	(12,512)	-	1,471	-	(11,252)	-	5,578	-
Other comprehensive (loss) gain on reclassification using overlay approach	6(3)	(55,851,478)	(78)	3,022,145	2	(92,250,912)	(46)	15,742,672	6
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(29)	7,996,122	11	673,820	1	12,833,421	7	(1,014,262)	-
Other Comprehensive (Loss) Income, Net of Income Tax	6(28)	(44,493,181)	(62)	(1,476,991)	(1)	(72,768,762)	(36)	(4,766,466)	(2)
Total Comprehensive (Loss) Income		<u>(\$ 42,294,079)</u>	<u>(59)</u>	<u>\$ 10,631,107</u>	<u>9</u>	<u>(\$ 58,377,569)</u>	<u>(29)</u>	<u>\$ 30,354,621</u>	<u>12</u>
Earnings per Share									
Basic and Diluted	6(30)	\$ 0.15		\$ 0.82		\$ 0.98		\$ 1.74	

The accompanying notes are an integral part of these consolidated financial statements.

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
SIX MONTHS ENDED JUNE 30, 2025 AND 2024
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent										Total equity
		Capital			Retained earnings			Other equity interest				
		Notes	Common stock	Stock dividend to be distributed	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign financial statements	Unrealised gain or loss on financial assets at fair value through other comprehensive income	Unrealised revaluation increments	
<u>For the six months ended June 30, 2024</u>												
		\$ 138,219,000	\$ -	\$ 9,187,500	\$ 45,092,928	\$ 210,506,837	\$ 21,130,000	(\$ 6,242)	(\$ 22,573,394)	\$ 221,965	(\$ 57,900,432)	\$ 343,878,162
		-	-	-	-	-	25,588,155	-	-	-	-	25,588,155
		-	-	-	-	-	-	9,989	(8,124,848)	28,175	12,853,150	4,766,466
		-	-	-	-	-	25,588,155	9,989	(8,124,848)	28,175	12,853,150	30,354,621
Distribution of 2023 earnings												
		-	-	-	4,326,405	-	(4,326,405)	-	-	-	-	-
		-	-	-	-	8,030,133	(8,030,133)	-	-	-	-	-
		-	8,773,460	-	-	-	(8,773,460)	-	-	-	-	-
	6(28)	\$ 138,219,000	\$ 8,773,460	\$ 9,187,500	\$ 49,419,333	\$ 218,536,970	\$ 25,588,157	\$ 3,747	(\$ 30,698,242)	\$ 250,140	(\$ 45,047,282)	\$ 374,232,783
<u>For the six months ended June 30, 2025</u>												
		\$ 146,992,460	\$ -	\$ 9,187,500	\$ 49,419,333	\$ 219,496,781	\$ 41,547,513	\$ 6,238	(\$ 39,124,951)	\$ 250,140	(\$ 71,516,228)	\$ 356,258,786
		-	-	-	-	-	14,391,193	-	-	-	-	14,391,193
		-	-	-	-	-	-	(77,015)	5,414,998	22,682	(78,129,427)	(72,768,762)
		-	-	-	-	-	14,391,193	(77,015)	5,414,998	22,682	(78,129,427)	(58,377,569)
Distribution of 2024 earnings												
		-	-	-	8,501,464	-	(8,501,464)	-	-	-	-	-
		-	-	-	-	33,046,048	(33,046,048)	-	-	-	-	-
Disposal of equity instruments at fair value 6(4) through other comprehensive income												
		-	-	-	-	-	273	-	(273)	-	-	-
	6(28)	\$ 146,992,460	\$ -	\$ 9,187,500	\$ 57,920,797	\$ 252,542,829	\$ 14,391,467	(\$ 70,777)	(\$ 33,710,226)	\$ 272,822	(\$ 149,645,655)	\$ 297,881,217

The accompanying notes are an integral part of these consolidated financial statements.

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 2025 AND 2024

(Expressed in thousands of New Taiwan dollars)

	<u>Six months ended June 30</u>	
	<u>2025</u>	<u>2024</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	\$ 14,598,726	\$ 27,142,571
Adjustments		
Adjustments to reconcile profit (loss)		
Expected credit loss (reversal) on investments	680,942	478,278
Expected credit loss (reversal) on non-investments	(4,485)	(9,744)
(Gain) loss on reclassification using overlay approach	(92,250,912)	15,742,672
Interest income	(70,070,186)	(70,496,004)
Dividend income	(15,471,023)	(13,979,178)
Finance costs	2,407,740	1,281,105
Depreciation and amortisation	1,385,431	1,216,112
(Gain) loss on financial assets and financial liabilities at fair value through profit or loss	(66,429,730)	71,353,611
Unrealised foreign exchange loss (gain)	222,415,082	(131,091,492)
Net change in insurance contract liabilities	(18,808,115)	18,454,759
Net change in reserve for insurance with nature of financial instruments	1,513	223,179
Net change in reserve for foreign exchange valuation	(38,575,457)	13,792,534
Fair value adjustment of investment property	710,405	1,062,192
Share of gain of associates and joint ventures accounted for using equity method	(240,067)	(268,833)
Others	1,940,582	1,544,324
Changes in operating assets and liabilities		
Changes in operating assets		
(Increase) decrease in receivables	(2,642,591)	4,900,593
Increase in financial assets or liabilities at fair value through profit or loss	(12,663,369)	(19,601,903)
Increase in financial assets at fair value through other comprehensive income	(9,108,079)	(2,147,701)
Decrease in financial assets at amortised cost	13,886,580	28,563,121
Decrease in reinsurance contract assets	160,483	153,699
Decrease (increase) in other assets	4,815,761	(6,711,445)
Changes in operating liabilities		
Increase in short-term debt	4,013,457	3,832,753
Increase in payables	860,017	11,065,573
Decrease in provisions	(47,761)	(25,632)
Increase (decrease) in other liabilities	68,726,547	(21,421,278)
Cash inflow (outflow) generated from operations	10,291,491	(64,946,134)
Interest received	55,753,858	56,587,575
Dividend received	13,525,056	13,243,313
Interest paid	(3,273,311)	(2,088,455)
Income tax refunded	270,414	264,150
Income tax paid	(427,315)	(3,291,911)
Net cash flows from (used in) operating activities	76,140,193	(231,462)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Decrease in loans	329,791	1,619,210
Acquisition of investment property	(1,826,965)	(2,998,067)
Proceeds from disposal of investment property	-	5,951,074
Acquisition of property and equipment	(1,853,226)	(589,622)
Increase in intangible assets	(110,512)	(215,204)
Net cash flows (used in) from investing activities	(3,460,912)	3,767,391
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from issuing bonds	15,000,000	7,540,000
Repayment of principal portion of lease liabilities	(3,698,249)	(3,643,363)
Net cash flows from financing activities	11,301,751	3,896,637
Effects of exchange rate changes on cash and cash equivalents	(3,549,837)	1,698,072
Net increase in cash and cash equivalents	80,431,195	9,130,638
Cash and cash equivalents at beginning of period	96,121,054	71,836,768
Cash and cash equivalents at end of period	\$ 176,552,249	\$ 80,967,406

The accompanying notes are an integral part of these consolidated financial statements.

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2025 AND 2024

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND BUSINESS ACTIVITY

Nan Shan Life Insurance Company, Limited (the “Company”) was incorporated in July 1963. The Company engages in the business of life, health, personal accident and annuity insurance. Ruen Chen Investment Holding Co., Ltd. (“Ruen Chen”), the Company’s ultimate parent company, holds 89.55% equity interest in the Company. On September 5, 2011, Ruen Chen transferred 7,678,931,390 shares to the trust account with First Bank, to demonstrate its determination to invest in the Company for long-term purpose and fulfill its commitments to the relevant government authorities. The aforementioned shares have been returned to Ruen Chen on September 16, 2021 due to the expiration of the trust account. The Company was qualified as a public company on July 16, 2012 with the approval of Jin-Guan-Zheng-Fa Letter No. 1010030238 of the Financial Supervisory Commission. The Company obtained the establishment license and business license of its offshore insurance branch which commenced its operations on October 21, 2015.

The Company has been permitted to acquire 100% shares of AIG Taiwan Insurance Co., Ltd. (“AIG Taiwan”) with Jin-Guan-Bao-Chan Letter No.10502524122 of FSC dated July 18, 2016 and the equity transfer became effective on September 1, 2016. AIG Taiwan then became a subsidiary of the Company. On the same day, it was renamed Nan Shan General Insurance Co., Ltd, which is primarily engaging in property insurance for individuals and medium and small businesses.

The Company has tendered for the transfer of assets, liabilities and business by Chaoyang Life Insurance Co. Ltd (“Chaoyang”), which is led by Taiwan Insurance Guaranty Fund; and the assignment and assumption agreement is made and entered into as of January 18, 2017. The transfer became effective on May 2, 2017, therefore, the Company assumed all assets, liabilities and business except for those reserved for Chaoyang.

The Company has been permitted by Jin-Guan-Bao-Sho Letter No. 1130140191 of FSC dated July 2, 2024 to establish a 100% owned special purpose overseas financing entity, Nanshan Life Pte. Ltd., in Singapore. This entity is dedicated to issuing bonds with capital characteristics and managing the associated funds. The establishment was completed in Singapore on July 26, 2024, making it a 100% owned subsidiary of the Company. Its business scope includes issuing overseas bonds and conducting foreign investments.

For the six months ended June 30, 2025 and 2024, the composition of the Company’s consolidated financial statements included the Company its Subsidiaries (hereinafter referred to as the “Consolidated Company”). Please refer to Note 4(3) for details.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on August 7, 2025.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2025 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025
The above standards and interpretations have no significant impact to the Consolidated Company's financial condition and financial performance based on the Consolidated Company's assessment.	
(2) <u>Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Consolidated Company</u>	
New standards, interpretations and amendments endorsed by the FSC effective from 2026 are as follows:	
New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Specific provisions of Amendments to IFRS 9 and IFRS 7, 'Amendments to the classification and measurement of financial instruments'	January 1, 2026
Amendments to IFRS 9 and IFRS 7, 'Contracts referencing nature – dependent electricity'	January 1, 2026
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Annual Improvements to IFRS Accounting Standards – Volume 11	January 1, 2026
Except for the following, the above standards and interpretations have no significant impact to the Consolidated Company's financial condition and financial performance based on the Consolidated Company's assessment.	
A. Specific provisions of Amendments to IFRS 9 and IFRS 7, 'Amendments to the classification and measurement of financial instruments'	
(a) Clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion, covering contractual terms that can change cash flows based on contingent events (for example, interest rates linked to environment, social and governance (ESG) targets), non-recourse features and contractually-linked instruments.	
(b) Add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of ESG targets), including a qualitative description of the nature of the contingent event, quantitative information about the possible changes to contractual cash flows that could result from those contractual terms and the gross carrying amount of financial assets and amortised cost of financial liabilities subject to these contractual terms.	
(c) Clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception relating to the derecognition of a financial liability (or part of a financial liability) settled through an electronic cash transfer system. Applying the exception, an entity is permitted to derecognise a financial liability at an earlier date if, and only if, the entity has initiated a payment instruction and specific conditions are met. The conditions for the exception are that the entity making the payment does not have: i. the practical ability to withdraw, stop or cancel the payment instruction; ii. the practical ability to access the cash used for settlement; and iii. significant settlement risk.	

(d) Update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI). The entity shall disclose the fair value of each class of investment and is no longer required to disclose the fair value of each investment. In addition, the amendments require the entity to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss related to investments derecognised during the reporting period and the fair value gain or loss related to investments held at the end of the reporting period; and any transfers of the cumulative gain or loss within equity during the reporting period related to the investments derecognised during that reporting period.

B. IFRS 17, 'Insurance contracts'

IFRS 17 'Insurance contracts' replaces IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The standard applies to insurance contracts (including reinsurance contracts) issued, to reinsurance contracts held and to investment contracts with discretionary participation features issued, provided the entity also issues insurance contracts. Embedded derivatives, distinct investment components and distinct performance obligations shall be separated from the insurance contracts. An entity shall, at initial recognition, disaggregate a portfolio into three groups of contracts: onerous, no significant risk of becoming onerous, and remaining contracts. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contract. An entity may apply a modified simplified measurement approach (the premium allocation approach) to some insurance contracts. An entity recognises the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognises the loss immediately. Entities are required to present separately insurance revenue, insurance service expenses and insurance finance income or expenses and to disclose information about amounts, judgements and risks arising from insurance contracts.

Impact Explanation of IFRS 17

Life Insurance

(a) Measurement Model

IFRS 17 applies different measurement methods to insurance contract liabilities. Among them, the General Measurement Model (GMM) includes:

- I. Fulfillment cash flows, comprising:
 - (A) Estimates of future cash flows;
 - (B) Time value of money (discounting);
 - (C) Risk adjustment;

II. Contractual Service Margin (CSM).

Compared to IFRS 4, CSM represents a significant change. CSM represents the unearned profit of insurance contracts, which is the present value of future profits belonging to shareholders. It is presented as a liability separate from fulfillment cash flows on the balance sheet and is recognised as profit in the income statement over the insurance coverage period as the company provides services to policyholders. Initially, CSM cannot be negative; any net negative amount from fulfillment cash flows at the start will be recognised as a loss immediately.

At the end of each subsequent reporting period, the carrying amount for a group of insurance contracts is the sum of:

- i. Liabilities for remaining coverage, comprising fulfillment cash flows related to future service and the CSM at that date;
- ii. Liabilities for incurred claims, comprising fulfillment cash flows related to past service.

Regarding discount rates, the consolidated company's life insurance business anticipates using a bottom-up approach, adopting a risk-free rate and adjusting for liquidity premium based on the characteristics of the product.

Apart from the General Measurement Model, the Variable Fee Approach (VFA) measures insurance contracts with direct participation features. An insurance contract has direct participation features if it meets the following criteria:

- i. The contract specifies policyholders participate in a clearly identified pool of underlying items;
- ii. The entity expects to pay policyholders amounts equal to a substantial share of the fair value returns from the underlying items; and
- iii. The entity expects a substantial proportion of any change in the amounts to be paid to the policyholders vary with changes in fair value of the underlying items.

The assessment of whether a contract meets these criteria is conducted at the inception of the contract and is not revised unless there is a substantial change to the contract terms.

VFA applies to products where expected cash flows change with asset values, such as participating products and unit-linked products. For these contracts, CSM is adjusted for: (1) changes in variable fees (company's share in changes in value of underlying items, equivalent to the insurer's revenue), (2) time value, and (3) impacts of changes in financial risks not related to underlying items (e.g., options and guarantees). To ensure appropriate release patterns of CSM that align with the definition of investment-related services, it is necessary to consider both actual and expected developments of CSM and coverage units to determine the CSM release ratio.

For contracts with a coverage period of one year or less, the consolidated company's life insurance business expects to use the Premium Allocation Approach (PAA) to measure the liability for remaining coverage. Under PAA, the liability for remaining coverage is equivalent to premiums received at the initial recognition, minus acquisition costs and amounts recognised as insurance revenue up to the reporting date. However, for the measurement of incurred claims, the general measurement model applies. Compared to IFRS 4, the anticipated changes under PAA are limited, mainly involving the discounting of all reserves, more detailed loss contract testing, and inclusion of non-financial risk in the risk adjustment.

(b) Impact Analysis

Under IFRS 17, in the presentation of the income statement, insurance revenue will no longer reflect premiums received during the year, as it excludes any investment components from savings and protection business with savings characteristics. Instead, it reflects the portion of premiums earned during the period, representing the release of fulfillment cash flows (expected cash flows during the period plus the release of relevant risk adjustments) and the release of CSM (corresponding to the portion of profit earned during the period). Operating profits are influenced by insurance finance income and expenses due to fluctuations in current interest rates and the cancellation of applicable overlay approaches under IFRS 17.

In terms of balance sheet presentation, compared to IFRS 4, other changes mainly involve insurance-related receivables (and payables) no longer being reported separately from insurance liabilities. Moreover, with current long-term interest rates remaining high, total assets and liabilities are expected to decrease under IFRS 17.

(c) Transition Date

The transition date is the start of the reporting period prior to the initial application date. According to standards, a full retrospective approach should be applied to IFRS 17 transition date measurement. If impractical, the modified retrospective approach or fair value approach should be applied:

- I. Modified Retrospective Approach: Achieve results as close as possible to full retrospective application without excessive cost or effort.
- II. Fair Value Approach: Determine Contractual Service Margin by the difference between the fair value of insurance contract groups at the transition date according to IFRS 13 and the fulfillment cash flows measured on that date.

The consolidated company's life insurance business adopts the fair value approach for contracts before and inclusive of 2023 due to the inability to obtain all necessary historical data for existing products.

During the transition period, the consolidated company's life insurance business is implementing the conversion plan according to IFRS 17 new standards. This includes establishing accounting policies, insurance contract data, and actuarial models to facilitate the preparation of asset and liability opening balances for the transition period, and subsequent financial reporting tasks. However, the financial impact remains uncertain, and the assessment of the transition from current IFRS 4 insurance contracts to IFRS 17 is still in the trial calculation stage for the potential impact on shareholder equity and the income statement of the consolidated company's life insurance business as of January 1, 2026, and thus cannot be provided.

Property Insurance

IFRS 17 Insurance Contracts (including amendments) is scheduled to be officially implemented and come into effect on January 1, 2026 (first-time application date). The Consolidated Company's property insurance business will adhere to the relevant provisions of IFRS 17, which are summarized as follows:

The measurement of IFRS 17 insurance contracts should primarily use the General Measurement Model. However, the Consolidated Company's property insurance business expects that most of its operations will meet one of the following conditions, allowing the use of the simplified "Premium Allocation Approach" for measurement:

- (a) It is reasonably expected that the simplification will not result in a material difference in the measurement of the liability for remaining coverage for the group compared to the General Measurement Model;
- (b) The coverage period of each contract within the group is one year or less.

The simplified Premium Allocation Approach measures the liability for remaining coverage by deducting the insurance acquisition costs from the premiums received at initial recognition and adding the amount already recognised as insurance revenue up to the financial reporting date. The measurement of the liability for incurred claims remains the same as the General Measurement Model. A comparison of the measurable outcomes of unearned premium reserves and claims reserves under IFRS 4 with those under the Premium Allocation Approach of IFRS 17 is expected to show little difference. The main impacts arise from the discounting of reserves, more detailed loss contract testing, and risk adjustment, including non-financial risks.

As of the transition date assessment, contracts and reinsurance contracts of the Consolidated Company's property insurance business eligible for the Premium Allocation Approach account for more than 95%.

IFRS 17 is expected to significantly change the presentation and disclosure in financial statements. The recognition and presentation in the statement of comprehensive income must be divided into:

- (a) Insurance service result, including insurance revenue, insurance service expenses (i.e., incurred claims and other incurred insurance service expenses), and income or expenses from reinsurance contracts held;
- (b) Insurance finance income or expenses.

Compared to IFRS 4, IFRS 17 will no longer reflect the premiums underwritten in the current year and net changes in unearned premiums. Instead, it will express "insurance revenue"

corresponding to insurance services provided during the financial reporting period. Additionally, IFRS 17 requires consideration of the impact of discount rates and provides an option to account for changes in the discount rate between the locked-in rate at contract issuance and the current period's rate either in profit or loss or in other comprehensive income to mitigate volatility from interest rate changes. Given the short-term nature of the Consolidated Company's property insurance business, the variation in discount rates is not expected to have a significant impact, leading to the choice of recognizing insurance finance income or expenses directly in the profit and loss, thus minimizing financial volatility in the property insurance business.

The presentation of the balance sheet compared to IFRS 4 mainly involves the integration of receivables (and payables) related to insurance contracts, including reinsurance contracts, into the insurance contract liabilities and reinsurance contract assets, resulting in an expected reduction in total assets and liabilities under IFRS 17.

The Consolidated Company's property insurance business anticipates that the implementation of IFRS 17 under the Premium Allocation Approach will have the following major financial impacts at the opening account of the transition period for issued insurance contracts: deferral of insurance acquisition cash flows (increasing equity), discounting claim reserves (increasing equity), and consideration of risk adjustment for non-financial risks in claim reserves (decreasing equity). Due to the offsetting effects of discounting and risk adjustment on claim reserves measurement, the actual impact on claim reserves at the transition date will be limited.

Regarding reinsurance contracts held, the transition period's main financial impacts under the Premium Allocation Approach include the deferral of paid net premium allocations (decreasing equity), consideration of the discounting of claim reserves (decreasing equity), and risk adjustment for non-financial risks in claim reserves (increasing equity). The offsetting effects of discounting and risk adjustment on claim reserves measurement means the actual impact on claim reserves at the transition date will be limited.

The transition date is the start date of the reporting period for the year preceding the initial application date. Therefore, the transition date for the Consolidated Company's property insurance business is January 1, 2025. According to the standards, unless it is impracticable, entities should apply the full retrospective approach for measuring on the IFRS 17 transition date. However, if the full retrospective approach is impracticable, then the modified retrospective approach or the fair value approach should be used.

- (a) Modified Retrospective Approach: Achieve results as close as possible to the full retrospective approach without undue cost or effort.
- (b) Fair Value Approach: Determine the contractual service margin or loss component of the liability for remaining coverage by calculating the difference between the fair value of the insurance contract group and the fulfillment cash flows measured on the transition date, in accordance with IFRS 13.

Given that the property insurance products of the Consolidated Company mainly feature short terms and the use of the Premium Allocation Approach for measurement, a full retrospective approach is primarily adopted for measurement on the transition date. However, for some products where it is impracticable to obtain all necessary historical data, the Consolidated Company's property insurance business uses either the modified retrospective approach or the fair value approach.

The modified retrospective approach utilizes accessible financial data and relevant actuarial assumptions and inputs that are reasonable and verifiable to yield results as close as possible to the full retrospective approach. Meanwhile, the fair value approach determines the contract service margin or loss component of the liability for remaining coverage by calculating the difference between the fair value of the group of insurance contracts on the transition date and the fulfillment cash flows measured on that date.

During the transition period, the Consolidated Company's property insurance business is actively progressing with IFRS 17 implementation projects. These include establishing accounting policies, insurance contract data, and actuarial models to facilitate the preparation of the balance sheet and various financial reports on the transition date. However, the financial impact still carries uncertainties. Based on the above explanations, the Consolidated Company's property insurance business is in the testing phase; therefore, it is unable to provide the estimated impact on shareholders' equity and the statement of comprehensive income upon transitioning from IFRS 4 to IFRS 17 as of January 1, 2026.

C. Amendments to IFRS 17, 'Insurance contracts'

The amendments to IFRS 17 include the deferral of effective date, expected recovery of insurance acquisition cash flows, contractual service margin attributable to investment services, reinsurance contracts held – recovery of losses and other amendments, and they are not intended to change the fundamental principles of the standard.

D. Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'

The amendment permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The overlay allows all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17, to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The overlay can be applied by entities that have already applied IFRS 9 or will apply it when they apply IFRS 17.

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs Accounting Standards as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 18, 'Presentation and disclosure in financial statements'	January 1, 2027
IFRS 19, 'Subsidiaries without public accountability: disclosures'	January 1, 2027

Except for the following, the above standards and interpretations have no significant impact to the Consolidated Company's financial condition and financial performance based on the Consolidated Company's assessment.

IFRS 18, 'Presentation and disclosure in financial statements'

IFRS 18, 'Presentation and disclosure in financial statements' replaces IAS 1. The standard introduces a defined structure of the statement of profit or loss, disclosure requirements related to management-defined performance measures, and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, assets and liabilities on consolidated financial statements that are not classified as current or non-current accounts shall be classified by their nature and comparative liquidity. The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2024, except for the key audit matters and compliance statement, and basis of consolidation policies described for the interim period below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Consolidated Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the International Accounting Standards 34, 'Interim financial reporting' that came into effect as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2024.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) At fair value
 - I. Financial assets and liabilities (including derivative instruments) at fair value through profit or loss;
 - II. Financial assets at fair value through other comprehensive income; and
 - III. Investment property (excluding participating policy liability-linked investment property and constructions in progress).
 - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
 - (c) Reinsurance contract assets, insurance contract liabilities, and reserve for foreign exchange valuation actuarially recognised in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and relevant regulations.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
 - (a) All subsidiaries are included in the Consolidated Company's consolidated financial statements. Subsidiaries are all entities controlled by the Consolidated Company. The Consolidated Company controls an entity when the Consolidated Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Consolidated Company obtains control of the subsidiaries and ceases when the Consolidated Company loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Consolidated Company are eliminated. Accounting policies of subsidiaries have been adjusted when necessary to ensure consistency with the policies adopted by the Consolidated Company.

B. Subsidiary included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			June 30, 2025	December 31, 2024	June 30, 2024	
The Company	Nan Shan General Insurance Company, Ltd.	Property insurance	100	100	100	
The Company	Nan Shan Life Pte. Ltd.	Overseas financing and investing business	100	100	-	Note

Note: Nanshan Life Pte. Ltd. was established on July 26, 2024.

(4) Accounting Policies Related to Key Audit Matters

A. Provision basis for insurance contract liabilities

All reserves of the Consolidated Company's life insurance business' insurance contracts (including investment contracts with discretionary participation features) recognised are based on "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises" and regulations relevant to insurance enterprises. Except for reserves for policy benefits, claim reserves and premium deficiency reserves with coverage period of more than one year, discount method does not apply to the rest. Explanations of provision basis regarding each reserve are as follows:

(a) Unearned premium reserves

For effective contracts with a coverage period under one year and casualty insurance with coverage period over one year, unearned premium reserves are provided based on various risk calculation for effective contracts yet to mature or covered risks yet to terminate in the coverage period.

(b) Claim reserves

Claim reserves for health insurance, life insurance, and casualty insurance with a coverage period under one year are provided based on claim experience and expenses of various insurance types and are calculated with actuarial principles. Besides, reserves are provided for "claims reported but not paid" and "claims incurred but not reported". For "claims reported but not paid", a reserve has been provided on an individual claim basis for each type of insurance. Claim reserves for the future payment on a regular basis are calculated by discount method. The discount rate is based on the assumed interest rate of reserve of each insurance product which has been submitted to the Authority for review/recording.

(c) Reserves for policy benefits

Long-term insurance contracts are recognised and calculated based on the related regulations, actuarial memorandum for the product and Jin-Guan-Pao-Tzai Letter No. 11404924811. The discount rate is based on the assumed interest rate of reserve of each insurance product which has been submitted to the Authority for review/recording or relevant regulations.

(d) Special reserves

I. In particular for retention policies with a coverage of less than a year, special reserves include "catastrophe reserves" and "risk claim reserves", which are provided in accordance with No. 19 and No. 20 of "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises". Except for some reserves set aside for regulatory purpose, special reserves, after deducting income tax, shall be recognised as special reserve under equity. Additional provision for special reserves and amount written-off or recovered with respect to special reserve shall be recognised and written-off or recovered from the special reserve under equity.

The release of risk claim reserves, net of tax, is to be appropriated as special reserve under equity following the resolution adopted at the shareholders' meeting in the

following year. Such special reserves shall neither be distributed as dividends nor used in other ways without the approval of the Authority.

- II. As regulations of the Authority require that if fair value of investment property at the transition date is used as deemed cost, a special reserve under insurance liability shall be fully set aside for the appreciation from investment property in excess of other adverse effects arising from the first-time adoption of IFRSs at the transition date. Additionally, according to Jin-Guan-Pao-Tzai Letter No. 11304931482 issued on September 6, 2024, life insurance enterprises may, upon approval by the FSC, reclassify the special reserves for real estate appreciation set aside under liabilities in accordance with insurance regulations into the reserve for foreign exchange valuation of Article 3-1, Item 7 of the Guideline Governing Reserves for Change on Foreign Exchange Price by Life Insurance Enterprises.
- III. Profit and loss before tax (before dividends distribution) for participating life insurance should be assessed at each annual closing date in compliance with “The Method of Expense and Revenue Allocation to Participating and Non-participating Life Insurance”. “Special reserves – dividend payment reserves” should be recognised and written off at dividend declaration date. With negative balance of “special reserves – dividend payment reserves of participating insurance”, equal amount of “special reserves – dividend liability” should be recognised at the same time.

(e) Premium deficiency reserves

If the issued premiums of life insurance, health insurance, and annuity insurance contract with a coverage period of over one year are less than the net premium in compliance with regulation, the deficiency of subsequent periods should be recognised as premium deficiency reserves. The discount rate is based on the assumed interest rate of reserve of each insurance product which has been submitted to the Authority for review/recordation. In addition, potential claims and expenses are estimated for effective contracts yet to mature and casualty insurance contracts with a coverage period of over one year. If the assessed amount is more than unearned premium reserves and expected premium income, the insufficient amount should be recognised as premium deficiency reserves by product types.

B. Liability adequacy test

The Consolidated Company’s life insurance business’ adopts gross premium valuation method for the liability adequacy test based on the entire contracts of the Consolidated Company, in accordance with “Actuarial Practice Guidelines” issued by the Actuarial Institute of The Republic of China. At each end of the reporting period, the test is performed by comparing the net carrying amount of insurance contract liabilities after deduction of deferred acquisition costs and related intangible assets with the present estimates of insurance contract future cash flows. If the net carrying amount is insufficient, the deficiency is charged to current expense or loss.

(5) Significant accounting policies for the interim period

A. Employee benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

B. Income tax

- (a) The income tax expense for the interim period is calculated in accordance with IAS 34 "Interim Financial Reporting" and relevant information is disclosed in line with the income tax policy.

- (b) If a change in tax rate is related or substantively enacted in an interim period, the Consolidated Company recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Consolidated Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Except for the explanations related to significant accounting judgments, estimates, and uncertainties described in the key audit matters below, please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2024.

Insurance contract liabilities

The Consolidated Company evaluates long-term insurance contract liabilities in compliance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises" and Jin-Guan-Pao-Tzai Letter No. 11404924811. The assumptions of mortality rate, morbidity rate, lapse rate, and discount rate are as follows: The mortality rate and discount rate are treated in accordance with relevant insurance regulations. The mortality rate is based on Taiwan Standard Ordinary Experience Mortality Table. The discount rate is based on the interest rate of reserves for policy benefit from newly issued contracts and treated in compliance with calculation basis for insurance products submitted to the competent authority and relevant regulations. The morbidity rate and lapse rate are based on the Consolidated Company's past experience, industry experience, and experience obtained from reinsurers. The above assumptions are locked-in during price setting in accordance with related regulations. However, it is reasonably possible that changes in assumption from the competent authority may have an impact on gains, losses, or equity. The liability adequacy test is conducted by discounting the future cash flows under the best estimate on valuation date by the Consolidated Company's overall return on investment. If the test result shows that the liability is inadequate, the entire deficiency is recognised in expenses and losses in the period. If there is a change in the future best estimate assumption, incremental reserves for adverse movement in such assumption shall be made.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	June 30, 2025	December 31, 2024	June 30, 2024
Cash			
Cash on hand and petty cash	\$ 7,636	\$ 9,710	\$ 13,490
Checking and savings accounts	107,460,850	32,141,799	29,060,407
Cash equivalents			
Time deposits	68,418,354	63,109,545	51,073,442
Short-term bills	665,409	860,000	820,067
	<u>\$ 176,552,249</u>	<u>\$ 96,121,054</u>	<u>\$ 80,967,406</u>

- A. As of June 30, 2025, December 31, 2024 and June 30, 2024, without consideration of the collateral held or other credit enhancements, the maximum credit risk exposure amount that best represents the cash and cash equivalents held by the Consolidated Company are \$176,552,249, \$96,121,054 and \$80,967,406, respectively.

- B. The Consolidated Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. In addition, of the short-term bills held by the Consolidated Company, investments in notes issued under reverse repurchase agreements have obtained bonds as collateral. Information on the net amount of receiving financial collateral after offsetting is provided in Note 6(9).
- C. Certain cash and cash equivalents are pledged as credit support collaterals for derivative instruments transactions, which are restricted and classified as guarantee deposits paid. For more information, please refer to Note 6(16).
- D. The Consolidated Company's property insurance business' time deposits which are pledged as collateral are classified as other assets - guarantee deposits paid, please refer to Note 6(16).

(2) Receivables

	June 30, 2025	December 31, 2024	June 30, 2024
Notes receivable	\$ 310,202	\$ 449,191	\$ 377,188
Premiums receivable	498,790	462,426	389,880
Interest receivable	34,999,775	37,545,955	37,491,724
Investments receivable	3,997,929	1,471,839	211,704
Other receivables	6,598,313	3,757,969	4,286,328
Overdue receivable	5,694,412	5,415,997	4,461,257
Subtotal	52,099,421	49,103,377	47,218,081
Less : Allowance for bad debts	(5,723,176)	(5,403,048)	(4,498,272)
	<u>\$ 46,376,245</u>	<u>\$ 43,700,329</u>	<u>\$ 42,719,809</u>

- A. The Consolidated Company transacts with a variety of counterparties all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Consolidated Company is not holding any collateral except interest receivable from loans.
- B. Without consideration of the collateral held or other credit enhancements, the maximum credit risk exposure amount that best represents the receivables held by the Consolidated Company and the information relating to credit risk of those receivables are provided in Note 13(3).
- C. The aging analysis of receivables is as follows:

	June 30, 2025	December 31, 2024	June 30, 2024
Not past due / Up to 3 months	\$ 46,894,958	\$ 44,224,502	\$ 43,288,522
3 to 6 months	340,942	384,587	349,633
6 to 12 months	798,291	902,905	981,092
Over 12 months	4,065,230	3,591,383	2,598,834
	<u>\$ 52,099,421</u>	<u>\$ 49,103,377</u>	<u>\$ 47,218,081</u>

(3) Financial assets at fair value through profit or loss

	<u>June 30, 2025</u>	<u>December 31, 2024</u>	<u>June 30, 2024</u>
Financial assets mandatorily measured at fair value through profit and loss			
Derivative instruments	\$ 110,357,468	\$ 1,727,960	\$ 937,202
Listed stocks	207,355,819	200,814,541	198,727,994
Preferred stocks	12,128,807	12,004,394	12,011,280
Beneficiary certificates	335,368,311	350,256,110	347,440,987
Financial debentures	23,172,060	23,347,589	23,666,829
Structured time deposits	16,156,103	15,179,101	15,102,405
Foreign stocks	108,816,669	113,042,191	123,053,238
Foreign beneficiary certificates	211,092,067	278,742,353	273,862,222
Foreign bonds	7,238,086	8,314,224	8,603,886
Foreign asset securitisation	1,749,322	1,893,533	1,901,349
	<u>\$ 1,033,434,712</u>	<u>\$ 1,005,321,996</u>	<u>\$ 1,005,307,392</u>

The above-mentioned financial assets which are designated as applying overlay approach are as follows:

	<u>June 30, 2025</u>	<u>December 31, 2024</u>	<u>June 30, 2024</u>
Listed stocks	\$ 207,355,819	\$ 200,814,541	\$ 198,727,994
Beneficiary certificates	335,368,311	350,256,110	347,440,987
Financial debentures	23,172,060	23,347,589	23,666,829
Structured time deposits	16,156,103	15,179,101	15,102,405
Foreign stocks	108,816,669	113,042,191	123,053,238
Foreign beneficiary certificates	211,092,067	278,742,353	273,862,222
Foreign bonds	7,238,086	8,314,224	8,038,752
Foreign asset securitisation	1,749,322	1,893,533	1,901,349
	<u>\$ 910,948,437</u>	<u>\$ 991,589,642</u>	<u>\$ 991,793,776</u>

A. The derivative instruments held by the Consolidated Company are as follows:

	<u>June 30, 2025</u>	
Financial assets	<u>Carrying amount</u>	<u>Notional amount (Note 1)</u>
Cross currency swaps	\$ 53,775,772	\$ 800,116,559
Non-delivery forwards (Note 2)	56,581,696	791,699,100
	<u>\$ 110,357,468</u>	<u>\$ 1,591,815,659</u>
Financial liabilities		
Cross currency swaps	\$ 677,201	\$ 51,606,723
Non-delivery forwards (Note 2)	10,714,128	365,394,800
	<u>\$ 11,391,329</u>	<u>\$ 417,001,523</u>

December 31, 2024		
Financial assets	Carrying amount	Notional amount (Note 1)
Non-delivery forwards (Note 2)	\$ 1,727,960	\$ 173,963,700
Financial liabilities		
Cross currency swaps	\$ 36,282,616	\$ 1,012,173,687
Non-delivery forwards (Note 2)	25,034,837	839,849,220
	<u>\$ 61,317,453</u>	<u>\$ 1,852,022,907</u>
June 30, 2024		
Financial assets	Carrying amount	Notional amount (Note 1)
Cross currency swaps	\$ 73,112	\$ 32,709,600
Non-delivery forwards (Note 2)	864,090	101,892,000
	<u>\$ 937,202</u>	<u>\$ 134,601,600</u>
Financial liabilities		
Cross currency swaps	\$ 34,856,272	\$ 1,041,263,382
Non-delivery forwards (Note 2)	18,764,879	747,972,500
	<u>\$ 53,621,151</u>	<u>\$ 1,789,235,882</u>

Note 1: Notional amount is translated into thousands of New Taiwan dollars using the exchange rates prevailing at the end of the reporting period.

Note 2: As of June 30, 2025, December 31, 2024 and June 30, 2024, the notional amount sold in New Taiwan dollars are \$103,048,400, \$173,963,700 and \$73,660,500, respectively.

- B. The derivative instruments held by the Consolidated Company were for the purpose of hedging the exchange rate risk on foreign investments and interest rate risk on domestic/foreign investments. The derivative instruments are not applied to hedge accounting.
- C. The Consolidated Company entered into derivative contracts with financial institutions with good credit quality, which comply with regulatory requirements and reviewed by the Consolidated Company on a regular basis. In addition, for all derivative transactions that the Consolidated Company engaged in, in order to avoid foreign exchange risk and interest rate risk, the Consolidated Company has entered into master netting arrangements with counterparties. Information on offsetting derivative instruments and credit enhancement is provided in Note 6(9).
- D. The Consolidated Company has entered into master netting agreements or similar arrangements with counterparties for structured deposits. For detailed information on the offsetting of financial assets and liabilities, please refer to Note 6(9).
- E. Details of reclassification between profit or loss and other comprehensive income when financial assets were designated using overlay approach are as follows:

	For the three months ended June 30,	
	2025	2024
(Loss) gain reported under IFRS 9	(\$ 41,495,962)	\$ 32,460,339
Less: Gain that would have been reported if applied IAS 39	<u>14,355,516</u>	<u>29,438,194</u>
(Loss) gain on reclassification of financial assets at fair value through other comprehensive income using overlay approach	(\$ <u>55,851,478</u>)	\$ <u>3,022,145</u>
Effects of income tax benefit (expense) on other comprehensive income	\$ <u>8,635,790</u>	(\$ <u>312,631</u>)

	For the six months ended June 30,	
	2025	2024
(Loss) gain reported under IFRS 9	(\$ 50,422,501)	\$ 73,614,227
Less: Gain that would have been reported if applied IAS 39	<u>41,828,411</u>	<u>57,871,555</u>
(Loss) gain on reclassification of financial assets at fair value through other comprehensive income using overlay approach	(\$ <u>92,250,912</u>)	\$ <u>15,742,672</u>
Effects of income tax benefit (expense) on other comprehensive income	\$ <u>14,121,485</u>	(\$ <u>2,889,522</u>)

F. The Consolidated Company has no financial assets at fair value through profit or loss pledged to others.

G. Amounts recognised in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

	For the three months ended June 30,	
	2025	2024
Gain on valuation	\$ 95,450,742	\$ 5,352,532
Gain (loss) on disposal	18,794,508	(22,706,330)
Interest income	253,857	(21,347)
Dividend income	<u>8,561,053</u>	<u>7,674,382</u>
	\$ <u>123,060,160</u>	(\$ <u>9,700,763</u>)
	For the six months ended June 30,	
	2025	2024
Gain (loss) on valuation	\$ 66,429,730	(\$ 71,353,611)
Gain (loss) on disposal	620,903	(9,853,455)
Interest income	509,817	190,729
Dividend income	<u>15,356,326</u>	<u>13,919,216</u>
	\$ <u>82,916,776</u>	(\$ <u>67,097,121</u>)

(4) Financial assets at fair value through other comprehensive income

	<u>June 30, 2025</u>	<u>December 31, 2024</u>	<u>June 30, 2024</u>
Equity instruments			
Listed stocks	\$ 5,696,157	\$ 5,835,092	\$ 6,151,855
Unlisted stocks	<u>275,073</u>	<u>313,618</u>	<u>288,334</u>
Subtotal	<u>5,971,230</u>	<u>6,148,710</u>	<u>6,440,189</u>
Debt instruments			
Government bonds	31,800,081	29,407,243	29,601,919
Corporate bonds	12,885,308	12,702,816	12,673,403
Financial debentures	13,256,557	11,626,310	11,366,123
Foreign bonds	176,903,012	186,616,189	205,009,737
Foreign asset securitisation	<u>10,293,807</u>	<u>10,083,191</u>	<u>9,804,589</u>
Subtotal	245,138,765	250,435,749	268,455,771
Statutory deposits	(<u>378,600</u>)	(<u>378,600</u>)	(<u>378,600</u>)
Total	<u>\$ 250,731,395</u>	<u>\$ 256,205,859</u>	<u>\$ 274,517,360</u>

- A. The Consolidated Company has classified equity instruments, that are not held for trading, as financial assets designated at fair value through other comprehensive income.
- B. For the six months ended June 30, 2025 and 2024, considering the fair value, market trend of investment objects, as well as its investment strategy and operating capital requirement, the Consolidated Company sold certain stocks classified as financial assets designated at fair value through other comprehensive income. The fair value of the sold stocks amounted to \$16,609 and \$0, respectively, and the cumulative gain (loss) on disposal amounted to \$260 and \$0, respectively. The cumulative gain (loss) on disposal had been reclassified from other equity interest to retained earnings. Additionally, due to the dissolution and liquidation of a company which the Consolidated Company held as equity instrument and designated at fair value through other comprehensive income, derecognised the fair value of unlisted stocks amounted to \$332 and \$0, respectively, and the cumulative gain (loss) on disposal amounted to \$13 and \$0, respectively, which had been reclassified from other equity to retained earnings.
- C. Amounts recognised in profit or loss and comprehensive income in relation to financial assets at fair value through other comprehensive income are listed below:

		For the three months ended June 30,	
		2025	2024
<u>Equity instruments at fair value</u>			
<u>through other comprehensive income</u>			
Fair value changes recognised in other comprehensive income	(\$ 137,823)	\$ 397,920	
Cumulative gain reclassified to retained earnings due to derecognition	\$ 177	\$ -	
Dividend income recognised in profit or loss			
Held by the end of the reporting period	\$ 77,743	\$ 23,145	
Derecognised during the reporting period	22	-	
	<u>\$ 77,765</u>	<u>\$ 23,145</u>	
<u>Debt instruments at fair value</u>			
<u>through other comprehensive income</u>			
Fair value changes recognised in other comprehensive income	\$ 3,600,762	(\$ 5,479,390)	
Cumulative other comprehensive income reclassified to profit or loss			
Reclassified due to impairment loss (reversal of impairment loss)	1,371	1,498	
Reclassified due to derecognition	(49,973)	(75,959)	
	<u>\$ 3,552,160</u>	<u>(\$ 5,553,851)</u>	
Interest income recognised in profit or loss	<u>\$ 2,832,906</u>	<u>\$ 2,972,688</u>	

		For the six months ended June 30,	
		2025	2024
<u>Equity instruments at fair value</u>			
<u>through other comprehensive income</u>			
Fair value changes recognised in other comprehensive income	(\$	160,539)	\$ 609,288
Cumulative gain reclassified to retained earnings due to derecognition	\$	273	\$ -
<u>Dividend income recognised in profit or loss</u>			
Held by the end of the reporting period	\$	114,675	\$ 59,962
Derecognised during the reporting period		22	-
	\$	114,697	\$ 59,962
<u>Debt instruments at fair value</u>			
<u>through other comprehensive income</u>			
Fair value changes recognised in other comprehensive income	\$	6,981,033	(\$ 9,698,655)
Cumulative other comprehensive income reclassified to profit or loss			
Reclassified due to impairment loss (reversal of impairment loss)		85	10,023
Reclassified due to derecognition	(	135,101)	(849,762)
	\$	6,846,017	(\$ 10,538,394)
Interest income recognised in profit or loss	\$	5,733,832	\$ 5,798,402

D. Details of the Consolidated Company's financial assets at fair value through other comprehensive income as statutory deposits are provided in Note 6(16).

E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 13(3).

(5) Financial assets at amortised cost

	June 30, 2025	December 31, 2024	June 30, 2024
Government bonds	\$ 117,566,579	\$ 120,534,841	\$ 128,021,043
Corporate bonds	19,089,121	21,688,592	21,738,159
Financial debentures	4,200,000	4,000,000	7,600,000
Structured time deposits	34,500,000	34,500,000	34,500,000
Foreign bonds	3,004,452,403	3,287,742,820	3,256,637,123
Foreign asset securitisation	60,614,618	66,761,495	66,173,447
	<u>3,240,422,721</u>	<u>3,535,227,748</u>	<u>3,514,669,772</u>
Loss allowance	(3,620,354)	(4,062,552)	(7,499,620)
Statutory deposits	(24,701,655)	(52,737,610)	(46,379,980)
	<u>\$ 3,212,100,712</u>	<u>\$ 3,478,427,586</u>	<u>\$ 3,460,790,172</u>

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	For the three months ended June 30,	
	2025	2024
Interest income	\$ 29,273,366	\$ 30,703,406
Impairment reversal (loss)	44,762 (	49,562)
Gain (loss) on disposal	59,408 (	79,384)
	<u>\$ 29,377,536</u>	<u>\$ 30,574,460</u>
	For the six months ended June 30,	
	2025	2024
Interest income	\$ 60,326,656	\$ 60,607,560
Impairment reversal	110,278	344,402
Gain (loss) on disposal	201,895 (	574,684)
	<u>\$ 60,638,829</u>	<u>\$ 60,377,278</u>

Gain or loss on disposal of the financial assets at amortised cost are arising from infrequent sale or insignificant in value both individually and in aggregate, sale prior to the approaching maturity date, and early disposal due to increased credit risk.

B. The Consolidated Company has engaged in repurchase agreements. For detailed information on the transfer of related financial assets, please refer to Note 6(8).

C. The Consolidated Company has entered into master netting agreements or similar arrangements with counterparties for structured time deposits. For detailed information on the offsetting of financial assets and liabilities, please refer to Note 6(9).

D. Details of the Consolidated Company's financial assets at amortised cost pledged to others as collateral are provided in Note 6(16).

E. Information relating to credit risk of financial assets at amortised cost is provided in Note 13(3).

(6) Investments accounted for using the equity method

	<u>June 30, 2025</u>	<u>December 31, 2024</u>	<u>June 30, 2024</u>
Associates			
Fuh Hwa Securities Investment Trust Co., Ltd.	\$ 2,742,606	\$ 3,066,419	\$ 2,807,450
Nan Shan Plaza Property Management Co., Ltd.	6,437	6,006	5,292
	<u>\$ 2,749,043</u>	<u>\$ 3,072,425</u>	<u>\$ 2,812,742</u>
	<u>2025</u>	<u>2024</u>	
At January 1	\$ 3,072,425	\$ 2,816,281	
Earnings distribution of investments accounted for using equity method	(552,770)	(278,184)	
Share of profit or loss of investments accounted for using equity method	240,067	268,833	
Share of other comprehensive income of investment accounted for using equity method	(10,679)	5,812	
At June 30	<u>\$ 2,749,043</u>	<u>\$ 2,812,742</u>	

On March 17, 2023, the Consolidated Company acquired a 30.71% equity interest of Fuh Hwa Securities Trust, becoming the single largest shareholder of the company. Though the Consolidated Company designated two representatives to serve as directors of the Fuh Hwa Securities Trust, they only occupy two out of seven director seats and do not have the actual ability to lead the relevant activities, which indicated the Consolidated Company does not have control over but have significant influence on Fuh Hwa Securities Trust.

(7) Structured entities

A. In accordance with IFRS 12, 'Disclosure of Interests in Other Entities', the information about structured entities that are not controlled by the Consolidated Company is listed below:

Type of structured entity	June 30, 2025 Book Value	December 31, 2024 Book Value	June 30, 2024 Book Value	Nature and Purpose
Private funds	\$ 123,196,495	\$ 159,964,290	\$ 158,115,558	An investment fund established and operated by the issuing institution through private placement for certain investors. Through the restricted investing activities of the fund, investors obtain long-term capital gains.
Securitised financial asset products	72,657,747	78,738,219	77,879,385	Transfer of structured entity's asset related risks to investors through the issuance of bonds, in order to provide an investing opportunity for investors.
Real estate securitisation products	12,914,696	16,129,980	16,401,031	Through issuing beneficiary securities, commissioned institutions provide investors with opportunities to participate in gaining profits from real estate market trading, rent and appreciation.
Infrastructure funds	24,889,060	50,957,836	49,397,242	An investment fund established and operated by the issuing institution through private placement for certain investors. Through the restricted investing activities of the fund, investors obtain long-term capital gains.
	<u>\$ 233,657,998</u>	<u>\$ 305,790,325</u>	<u>\$ 301,793,216</u>	

B. The equities of structured entities that are not included in the Consolidated Company's consolidated financial statements are recognised under financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortised cost. The Consolidated Company does not provide financial support or other support to these structured entities. The potential losses of such entities, derived from the maximum exposure amount, are the book values of the held assets. In addition, for market risk exposures resulting from contract clauses that limit investment positions and issuance terms, the Consolidated Company has considered related market risk management approaches. Please refer to Note 13 for details.

(8) Transfer of financial asset

A. The Consolidated Company's government bonds, corporate bonds, and financial debentures sold under repurchase agreements are transferred financial assets that are not derecognised in their entirety. The Consolidated Company cannot sell or pledge such securities within the transfer period; however, related risks and returns are still retained, and thus, they are not derecognised in their entirety.

B. The Consolidated Company's carrying amount of transferred financial assets that are not derecognised in their entirety and related financial liabilities are as follows:

Type of financial asset	June 30, 2025		December 31, 2024		June 30, 2024	
	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities
Financial assets at amortised cost						
Bonds sold under repurchase agreements	<u>\$ 12,314,094</u>	<u>\$ 6,893,476</u>	<u>\$ 5,097,377</u>	<u>\$ 2,822,375</u>	<u>\$ 16,886,181</u>	<u>\$ 9,703,644</u>

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(9) Offsetting financial assets and financial liabilities

- A. The Consolidated Company has engaged in financial instruments transactions that do not meet the offsetting criteria in paragraph 42 of IAS 32 'Financial Instruments: Presentation'. However, the Consolidated Company has entered into enforceable master netting arrangements or similar agreements with counterparties, such as derivatives, structured time deposits, reverse repurchase agreements and repurchase agreements. Upon the event of a breach in agreement (default, insolvency, or bankruptcy) by any party, the counterparty may set-off the netting arrangement or pursue legal action against the collateral in accordance with their agreements. The amount received (paid) for the collateral is the fair value of the collateral. However, the offsetting amount is limited to the total amount of recognised financial assets (liabilities).
- B. The following table provides related information on enforceable master netting arrangements or similar agreements that are financial assets and liabilities:

June 30, 2025						
Financial Assets						
Description	Gross amounts of recognised financial assets (a)	Offset gross amounts of recognised financial liabilities (b)	Net amount of financial assets presented in balance sheet (c)=(a)-(b)	Related amounts not set off in the balance sheet		
				Financial instruments (Note 1) (d)	Cash collateral received (e)	Net amount (Note 2) (f)=(c)-(d)-(e)
Derivative instruments and structured time deposits	\$ 161,003,536	\$ -	\$ 161,003,536	\$ 11,020,283	\$ 68,049,894	\$ 81,933,359
Reverse repurchase agreements	665,409	-	665,409	652,330	-	13,079
	<u>\$ 161,668,945</u>	<u>\$ -</u>	<u>\$ 161,668,945</u>	<u>\$ 11,672,613</u>	<u>\$ 68,049,894</u>	<u>\$ 81,946,438</u>

Financial Liabilities

Description	Gross amounts of recognised financial liabilities (a)	Offset gross amounts of recognised financial assets (b)	Net amount of financial liabilities presented in balance sheet (c)=(a)-(b)	Related amounts not set off in the balance sheet		
				Financial instruments (Note 1) (d)	Cash collateral pledged (e)	Net amount (Note 2) (f)=(c)-(d)-(e)
Derivative instruments	\$ 11,391,329	\$ -	\$ 11,391,329	\$ 11,756,511	\$ -	\$ -
Repurchase agreements	6,893,476	-	6,893,476	12,314,094	-	-
	<u>\$ 18,284,805</u>	<u>\$ -</u>	<u>\$ 18,284,805</u>	<u>\$ 24,070,605</u>	<u>\$ -</u>	<u>\$ -</u>

Note 1: Including enforceable master netting arrangements and non-cash financial collateral.

Note 2: The expressed amount is zero if the amount of received or pledged collateral exceeds the net of recognised financial assets and liabilities.

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December 31, 2024

Financial Assets						
Description	Gross amounts of recognised financial assets (a)	Offset gross amounts of recognised financial liabilities (b)	Net amount of financial assets presented in balance sheet (c)=(a)-(b)	Related amounts not set off in the balance sheet		
				Financial instruments (Note 1) (d)	Cash collateral received (e)	Net amount (Note 2) (f)=(c)-(d)-(e)
Derivative instruments and structured time deposits	\$ 51,396,724	\$ -	\$ 51,396,724	\$ 8,179,502	\$ -	\$ 43,217,222
Reverse repurchase agreements	860,000	-	860,000	828,659	-	31,341
	<u>\$ 52,256,724</u>	<u>\$ -</u>	<u>\$ 52,256,724</u>	<u>\$ 9,008,161</u>	<u>\$ -</u>	<u>\$ 43,248,563</u>
Financial Liabilities						
Description	Gross amounts of recognised financial liabilities (a)	Offset gross amounts of recognised financial assets (b)	Net amount of financial liabilities presented in balance sheet (c)=(a)-(b)	Related amounts not set off in the balance sheet		
				Financial instruments (Note 1) (d)	Cash collateral pledged (e)	Net amount (Note 2) (f)=(c)-(d)-(e)
Derivative instruments	\$ 61,317,453	\$ -	\$ 61,317,453	\$ 37,497,068	\$ 4,878,796	\$ 18,941,589
Repurchase agreements	2,822,375	-	2,822,375	5,097,377	-	-
	<u>\$ 64,139,828</u>	<u>\$ -</u>	<u>\$ 64,139,828</u>	<u>\$ 42,594,445</u>	<u>\$ 4,878,796</u>	<u>\$ 18,941,589</u>

Note 1: Including enforceable master netting arrangements and non-cash financial collateral.

Note 2: The expressed amount is zero if the amount of received or pledged collateral exceeds the net of recognised financial assets and liabilities.

June 30, 2024

Financial Assets						
Description	Gross amounts of recognised financial assets (a)	Offset gross amounts of recognised financial liabilities (b)	Net amount of financial assets presented in balance sheet (c)=(a)-(b)	Related amounts not set off in the balance sheet		
				Financial instruments (Note 1) (d)	Cash collateral received (e)	Net amount (Note 2) (f)=(c)-(d)-(e)
Derivative instruments and structured time deposits	\$ 50,529,005	\$ -	\$ 50,529,005	\$ 5,445,353	\$ -	\$ 45,083,652
Reverse repurchase agreements	820,067	-	820,067	799,053	-	21,014
	<u>\$ 51,349,072</u>	<u>\$ -</u>	<u>\$ 51,349,072</u>	<u>\$ 6,244,406</u>	<u>\$ -</u>	<u>\$ 45,104,666</u>
Financial Liabilities						
Description	Gross amounts of recognised financial liabilities (a)	Offset gross amounts of recognised financial assets (b)	Net amount of financial liabilities presented in balance sheet (c)=(a)-(b)	Related amounts not set off in the balance sheet		
				Financial instruments (Note 1) (d)	Cash collateral pledged (e)	Net amount (Note 2) (f)=(c)-(d)-(e)
Derivative instruments	\$ 53,621,151	\$ -	\$ 53,621,151	\$ 29,722,601	\$ 6,811,904	\$ 17,086,646
Repurchase agreements	9,703,644	-	9,703,644	16,886,181	-	-
	<u>\$ 63,324,795</u>	<u>\$ -</u>	<u>\$ 63,324,795</u>	<u>\$ 46,608,782</u>	<u>\$ 6,811,904</u>	<u>\$ 17,086,646</u>

Note 1: Including enforceable master netting arrangements and non-cash financial collateral.

Note 2: The expressed amount is zero if the amount of received or pledged collateral exceeds the net of recognised financial assets and liabilities.

(10) Investment property

	June 30, 2025	December 31, 2024	June 30, 2024
Measured subsequently using the fair value model	\$ 205,212,310	\$ 205,194,766	\$ 207,132,052
Measured subsequently using the cost model	10,207,296	8,508,132	7,481,160
	<u>\$ 215,419,606</u>	<u>\$ 213,702,898</u>	<u>\$ 214,613,212</u>

A. Measured subsequently using the fair value model

	Land	Buildings and constructions	Right-of-use assets	Prepayments for buildings and land	Total
At January 1, 2025	\$ 63,264,433	\$ 51,172,836	\$ 90,757,497	\$ -	\$ 205,194,766
Additions-from acquisitions	20	-	-	395,995	396,015
Additions-from subsequent expenditures	-	6,073	-	-	6,073
Transferred from property and equipment	80,955	129,466	-	-	210,421
Transferred from prepayments for buildings and lands	395,995	-	-	(395,995)	-
Net gain (loss) from fair value valuation	208,325	(239,532)	(679,198)	-	(710,405)
Adjustment of lease liabilities remeasurement	-	-	116,943	-	116,943
Others	-	(1,503)	-	-	(1,503)
At June 30, 2025	<u>\$ 63,949,728</u>	<u>\$ 51,067,340</u>	<u>\$ 90,195,242</u>	<u>\$ -</u>	<u>\$ 205,212,310</u>

	Land	Buildings and constructions	Right-of-use assets	Prepayments for buildings and land	Total
At January 1, 2024	\$ 66,848,594	\$ 52,259,462	\$ 94,027,873	\$ -	\$ 213,135,929
Additions-from acquisitions	9,131	2,277	-	1,179,136	1,190,544
Additions-from subsequent expenditures	-	131,300	-	-	131,300
Transferred from property and equipment	93,192	112,077	-	-	205,269
Transferred from prepayments for buildings and lands	952,829	226,307	- (	1,179,136)	-
Disposals	(4,022,841)	(1,541,246)	-	- (	5,564,087)
Transferred out from investment property	(707,836)	(82,855)	-	- (	790,691)
Net gain (loss) from fair value valuation	60,840 (	305,381)	(817,651)	- (	1,062,192)
Adjustment of lease liabilities remeasurement	-	- (	44,761)	- (	44,761)
Others	- (	69,259)	-	- (	69,259)
At June 30, 2024	<u>\$ 63,233,909</u>	<u>\$ 50,732,682</u>	<u>\$ 93,165,461</u>	<u>\$ -</u>	<u>\$ 207,132,052</u>

The fair value of investment property held by the Consolidated Company is based on valuations performed by independent valuers, following “Regulation on Real Estate Appraisal”. In accordance with “Regulations Governing the Preparation of Financial reports by Insurance Companies”, two or more joint appraisers firms should be appointed for a single item whose valuation amount is more than TWD 1 billion. If the investment properties were acquired before May 11, 2020, valuations are performed using valuation techniques such as income approach, comparison approach and cost approach with reference to market information. Such fair value is based on observable market price, and then adjusted based on the nature, location or condition of the individual asset. If the investment properties were acquired after May 11, 2020, valuations are performed using valuation techniques such as income approach and cost approach according to Regulations Governing the Preparation of Financial Reports by Insurance Enterprise. Information on valuation reports primarily used by the Consolidated Company is as follows:

(a) Appointed joint appraisers firms, appraiser’s name and valuation date are as follows:

Appraiser firm	Appraiser	Valuation date
REPro International Real Estate Appraisers Firm	Tsai, Yu-Hsiang	June 30, 2024, December 31, 2024, and June 30, 2025
	Hsu, Hsiang-Yi	June 30, 2024, December 31, 2024, and June 30, 2025
Sin Yi Real Estate Appraisers Firm	Wang, Shih-Ming	June 30, 2024, December 31, 2024, and June 30, 2025
	Tsai, Wen-Che	June 30, 2024, December 31, 2024, and June 30, 2025
	Chih, Wei-Hsin	June 30, 2024 and June 30, 2025
CCIS Real Estate Joint Appraisers Firm	Chi, Liang-An	June 30, 2024 and December 31, 2024
	Wu, Chih-Hao	June 30, 2024, December 31, 2024, and June 30, 2025
	Li, Wei-Ru	June 30, 2024 and December 31, 2024
Savills Real Estate Appraiser Firm	Tai, Kuang-Ping	June 30, 2024
	Chang, Hung-Kai	June 30, 2024, December 31, 2024, and June 30, 2025
	Chang, Yi-Chih	June 30, 2024, December 31, 2024, and June 30, 2025
	Ye, Shi-Yu	December 31, 2024 and June 30, 2025
Colliers International Real Estate Appraisers Firm	Wu, Cheng-Yeh	June 30, 2024, December 31, 2024, and June 30, 2025
	Ke, Feng-Ru	June 30, 2024, December 31, 2024, and June 30, 2025
	Ku, Chien-Hui	June 30, 2024, December 31, 2024, and June 30, 2025
Cushman & Wakefield Real Estate Appraisers Firm	Lee, Ken-Yuan	June 30, 2024, December 31, 2024, and June 30, 2025
	Hu, Chun-Chun	June 30, 2024, December 31, 2024, and June 30, 2025
	Tsai, Chia-He	June 30, 2024, December 31, 2024, and June 30, 2025
CBRE Real Estate Joint Appraisers Firm	Shih, Fu-Hsueh	December 31, 2024, and June 30, 2025
	Chang, Chih-Chia	December 31, 2024, and June 30, 2025

Appraiser firm	Appraiser	Valuation date
Hong Bang Real Estate Appraisers Firm	Lee, Ching-Tang	December 31, 2024, and June 30, 2025
V-Land International Appraisers Joint Firm	Liang, You-Qi	June 30, 2024
	Li, Tai-Li	June 30, 2024

(b) Details of appropriateness and reasonability of valuation methods, key assumptions and inputs:

I. Investment properties acquired before May 11, 2020

For the Consolidated Company's properties used as storefront located in a commercial district and offices, due to convenient transportation, active trading and market competitiveness, comparative price and income price are generally informative for value of these properties. Comparison approach is used to analyse based on the transaction price of similar property with substitutability. Income approach is estimated based on rental income and reasonable capitalisation rates.

For commercial property and right-of-use assets like hypermarket and superficies products, they are primarily leased to others to collect long-term steady rental income. Due to its profitability, in general, its value is mainly based on income price and supplementary based on comparative price or cost.

For the superficies, the main evaluation approaches are the income approach, cost approach, land development analysis and comparison approach. After development of the superficies is completed, the evaluation approach of the building completed from the superficies is changed using the abovementioned evaluation approaches based on its nature.

II. Investment properties acquired after May 11, 2020

Investment property which has been engaged a lease contract with the lease term over one year is evaluated by income approach. Cash flows, analysis period and discount rate included in valuation techniques shall meet the regulations specified in "Regulations Governing the Preparation of Financial reports by Insurance Companies". However, investment property which has not been engaged a lease contract with the lease term over one year or has been terminated or cancelled over one year is evaluated using cost approach. If investment property cannot be assessed based on "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises", it can be measured at replacement cost to assess its fair value. In addition, according to the comments on investment property subsequently measured at fair value released based on "Regulations Governing the Preparation of Financial reports by Insurance Companies", land development analysis approach is not applicable for cost approach, and the fair value shall be recognised based on the regular price referring to the valuation reports issued under "Regulations on Real Estate Appraisal" if regular price is lower than the value assessed based on income approach or cost approach.

Because the right-of-use assets and land are acquired after May 11, 2020 and cannot be assessed based on "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises", they are measured at replacement cost. In addition, for those whose regular price is lower than cost, the fair value is measured at regular price.

III. The key inputs used are listed as follows:

	<u>June 30, 2025</u>	<u>December 31, 2024</u>	<u>June 30, 2024</u>
Income approach			
Capitalisation rate	0.63%~4.39%	0.54%~4.36%	0.66%~4.33%
Discount rate	3.00%~4.97%	3.00%~4.97%	3.00%~5.00%
Cost approach			
Comprehensive interest of capital rate	0.10%~14.89%	0.10%~14.89%	0.76%~11.85%

The higher the abovementioned rate, the lower the fair value. On the contrary, the lower the abovementioned rate, the higher the fair value.

(c) Information on lease liabilities for right-of-use assets classified as investment properties is provided in Note 6(13).

(d) For information on investment properties with restricted use, please refer to Note 6(29).

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B. Measured subsequently using the cost model

	Land	Buildings and constructions	Construction in progress	Total
<u>At January 1, 2025</u>				
Cost	\$ 2,156,552	\$ 1,425,465	\$ 5,409,276	\$ 8,991,293
Accumulated depreciation	-	(483,161)	-	(483,161)
	<u>\$ 2,156,552</u>	<u>\$ 942,304</u>	<u>\$ 5,409,276</u>	<u>\$ 8,508,132</u>
<u>2025</u>				
Beginning balance	\$ 2,156,552	\$ 942,304	\$ 5,409,276	\$ 8,508,132
Additions-from acquisitions (Note)	-	1,792	1,720,745	1,722,537
Additions-from subsequent expenditures	-	375	-	375
Disposals-cost	-	(10,222)	-	(10,222)
Disposals-accumulated depreciation	-	10,222	-	10,222
Amortisation of direct lease costs	-	(4,144)	-	(4,144)
Depreciation charge	-	(19,526)	-	(19,526)
Others	-	(78)	-	(78)
Ending balance	<u>\$ 2,156,552</u>	<u>\$ 920,723</u>	<u>\$ 7,130,021</u>	<u>\$ 10,207,296</u>
<u>At June 30, 2025</u>				
Cost	\$ 2,156,552	\$ 1,413,188	\$ 7,130,021	\$ 10,699,761
Accumulated depreciation	-	(492,465)	-	(492,465)
	<u>\$ 2,156,552</u>	<u>\$ 920,723</u>	<u>\$ 7,130,021</u>	<u>\$ 10,207,296</u>

Note: Including the interest expense of lease liabilities amounting to \$233,115.

	Land	Buildings and constructions	Construction in progress	Total
<u>At January 1, 2024</u>				
Cost	\$ 2,156,552	\$ 1,438,487	\$ 2,613,298	\$ 6,208,337
Accumulated depreciation	-	(454,482)	-	(454,482)
	<u>\$ 2,156,552</u>	<u>\$ 984,005</u>	<u>\$ 2,613,298</u>	<u>\$ 5,753,855</u>
<u>2024</u>				
Beginning balance	\$ 2,156,552	\$ 984,005	\$ 2,613,298	\$ 5,753,855
Additions-from acquisitions (Note)	-	2,166	1,753,573	1,755,739
Additions-from subsequent expenditures	-	387	-	387
Disposals-cost	-	(7,645)	-	(7,645)
Disposals-accumulated depreciation	-	7,645	-	7,645
Amortisation of direct lease costs	-	(10,376)	-	(10,376)
Depreciation charge	-	(18,400)	-	(18,400)
Others	-	(45)	-	(45)
Ending balance	<u>\$ 2,156,552</u>	<u>\$ 957,737</u>	<u>\$ 4,366,871</u>	<u>\$ 7,481,160</u>
<u>At June 30, 2024</u>				
Cost	\$ 2,156,552	\$ 1,422,974	\$ 4,366,871	\$ 7,946,397
Accumulated depreciation	-	(465,237)	-	(465,237)
	<u>\$ 2,156,552</u>	<u>\$ 957,737</u>	<u>\$ 4,366,871</u>	<u>\$ 7,481,160</u>

Note: Including the interest expense of lease liabilities amounting to \$284,578.

Because the Consolidated Company cannot reliably determine the fair value of its construction in progress on an on-going basis, constructions in progress is measured at cost. Once the fair value can be reliably determined or when construction is complete, the property is measured at fair value.

- C. For information on the fair value of investment property, please refer to Note 12(2).
- D. Rental income from investment property and direct operating expenses arising from investment property are shown below (excluding depreciation):

	For the three months ended June 30,	
	2025	2024
Rental income from investment property	\$ 1,182,814	\$ 1,137,069
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 240,215	\$ 287,324
Direct operating expenses arising from the investment property that did not generate rental income during the period	\$ 50,360	\$ 34,657
	For the six months ended June 30,	
	2025	2024
Rental income from investment property	\$ 2,368,693	\$ 2,266,908
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 497,983	\$ 543,025
Direct operating expenses arising from the investment property that did not generate rental income during the period	\$ 82,203	\$ 81,568

- E. Consolidated Company recognised rental income of the variable lease payments based on operating lease contracts, which are listed as follows:

For the three months ended June 30,		For the six months ended June 30,	
2025	2024	2025	2024
\$ 6,790	\$ 6,834	\$ 14,581	\$ 15,073

For the information on the analysis of due date of the lease receivables under the operating leases of the Consolidated Company as of June 30, 2025, December 31, 2024 and June 30, 2024, please refer to Note 6(14).

- F. The information on investment property, including construction in progress, acquired by the Consolidated Company of June 30, 2025, December 31, 2024 and June 30, 2024, is as follows:
- (a) On April 13, 2017, the Consolidated Company signed a construction agreement, “New Land Construction on No. 297, 288, 289, 298, 299, 299-1, 300, 302 and 303 in Xiaobei sections of North District, Tainan City” with Fut Su Construction Co., Ltd., and the total contract price was \$2,467,000. Between 2021 to 2023, the Consolidated Company successively signed incremental agreements, and the total modified contract price was \$3,319,001. On July 1, 2024, the total project settlement amount of \$3,106,261 was confirmed, and the Consolidated Company has paid the full amount.
- (b) On March 1, 2023, the Consolidated Company signed a construction agreement of “City Land Development and Registered Superficies of Land Lot No.32 and 33-2, Xinyi Section Four,

Xinyi District, Taipei City Contracts” with Da Cin Construction Co., Ltd., and the total contract price was \$7,638,750. As of June 30, 2025, December 31, 2024 and June 30, 2024, the Consolidated Company has paid \$1,615,699, \$1,050,137 and \$778,047 for the construction, respectively.

- (c) On January 18, 2024, the Consolidated Company signed a contract with Mutual Construction Co., Ltd. for a 70-year superficieses project on land located at No. 27 and 27-1, Section 4, Xinyi District, Taipei City, with a contract amount of \$16,310,000. As of June 30, 2025, December 31, 2024 and June 30, 2024, the Consolidated Company has paid \$2,239,099, \$1,411,715 and \$876,398 for the construction, respectively.

G. The right-of-use assets of the Consolidated Company were as follows:

- (a) On August 13, 2014, the Consolidated Company signed a “Construction and Operation Agreement of Development Project of Shulin Shuxin Section Public-owned Land” with Economic Development Department, New Taipei City Government. The total contract price was based on the valuation reports issued by the real estate appraisers. The Consolidated Company won the bids for the project with \$381,111.
- (b) On October 12, 2012, the Consolidated Company signed a “City Land Development and Registered Superficies of Land Lot No. 28, 29 and 30, Xinyi Section Four, Xinyi District, Taipei City Contracts” with Taipei City Government. The contract price is \$28,232,400 determined by referring to the valuation reports issued by the real estate appraisers and by bids.
- (c) On December 25, 2012, the Consolidated Company signed a “State-owned Land for Nonpublic Use Superficies Contract” with National Property Administration, Central Taiwan Office, and acquired the Land Lot No. 1021, 1039 and 1041 Lianwu Section, East District, Taichung City. The total contract price was referred to the valuation reports issued by the real estate appraisers and was acquired by bids with \$577,243.
- (d) On March 30, 2020, the Consolidated Company signed a “City Land Development and Registered Superficies of Land Lot No. 27 and 27-1, Xinyi Section Four, Xinyi District, Taipei City Contracts” with the National Property Administration, Ministry of Finance. The contract price was \$31,276,000 determined by referring to the valuation reports issued by the real estate appraisers and by bids.
- (e) On December 18, 2019, the Consolidated Company signed a “City Land Development and Registered Superficies of Land Lot No.32 and 33-2, Xinyi Section Four, Xinyi District, Taipei City Contracts” with Taipei City Government. The contract price was \$15,981,000 determined by referring to the valuation reports issued by the real estate appraisers and by bids, and the registration of superficieses was completed on January 16, 2023.

H. Please refer to Note 9 for the information of aforesaid significant unrecognised contract commitments signed by the Consolidated Company.

(11) Loans

	June 30, 2025	December 31, 2024	June 30, 2024
Life insurance policy loans	\$ 84,328,798	\$ 84,424,581	\$ 82,026,638
Automatic policy loans	15,967,628	16,392,979	16,509,420
Secured loans	8,651,942	9,508,887	10,510,064
Less: Allowance for bad debts	(130,082)	(142,937)	(157,955)
	<u>\$ 108,818,286</u>	<u>\$ 110,183,510</u>	<u>\$ 108,888,167</u>

- A. Without consideration of the collateral held or other credit enhancements, the maximum credit risk exposure in respect of the amount that best represents the loans held by the Consolidated Company and the information relating to credit risk of those loans are provided in Note 13(3).
- B. Life insurance policy loans and automatic policy loans are granted to the policyholders with their life and annuity insurance policies as collateral. Life insurance policy loans and automatic policy loans are approved according to certain limit of surrender charges or policy value reserves. If the amount of policy loans or automatic policy loans plus accrued interest exceeds policy value reserves, the policy will be suspended automatically. Hence, both life insurance policy loans and automatic policy loans have adequate policy value reserves as collateral. However, for the life insurance policy loans with collateral of the account value of investment-linked policy, allowance for bad debts should be made when their account value are not adequate to settle life insurance policy loans because of the dramatic decline in the fair value of investments.
- C. Secured loans are loans collateralized by real estate. In accordance with relevant laws and regulations of secured loans, "mortgage loans guidelines" and related internal operations articles, it can be loaned in the specific amount. All of the secured loans are made with collateral.

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(12) Property and equipment

	Land	Buildings and constructions	Construction in progress	Information equipment	Transportation equipment	Other equipment	Leasehold improvements	Prepayments for buildings and land	Total
<u>At January 1, 2025</u>									
Cost	\$ 10,898,345	\$ 7,888,704	\$ 846,042	\$ 2,092,831	\$ 2,743	\$ 1,073,417	\$ 37,558	\$ 298,545	\$ 23,138,185
Accumulated depreciation	-	(3,235,502)	-	(1,222,514)	(2,740)	(359,252)	(29,348)	-	(4,849,356)
Carrying amount	<u>\$ 10,898,345</u>	<u>\$ 4,653,202</u>	<u>\$ 846,042</u>	<u>\$ 870,317</u>	<u>\$ 3</u>	<u>\$ 714,165</u>	<u>\$ 8,210</u>	<u>\$ 298,545</u>	<u>\$ 18,288,829</u>
<u>2025</u>									
Beginning balance	\$ 10,898,345	\$ 4,653,202	\$ 846,042	\$ 870,317	\$ 3	\$ 714,165	\$ 8,210	\$ 298,545	\$ 18,288,829
Additions-from acquisitions (Note 1)	28	2,682	510,110	19,004	-	57,871	379	1,267,162	1,857,236
Transferred from prepayments for buildings and land	565,162	-	-	-	-	-	-	(565,162)	-
Disposals-cost	-	(14,332)	-	(27,212)	-	(29,310)	(506)	-	(71,360)
Disposals-accumulated depreciation	-	14,332	-	27,212	-	29,310	418	-	71,272
Depreciation charge (Note 2)	-	(93,989)	-	(98,322)	(1)	(105,261)	(1,629)	-	(299,202)
Reclassification	-	1,377	-	(1,377)	-	-	-	-	-
Transfer to investment property -cost	(80,955)	(136,134)	-	-	-	-	-	-	(217,089)
Transfer to investment property -accumulated depreciation	-	6,668	-	-	-	-	-	-	6,668
Revaluation increment of real estate	10,097	15,732	-	-	-	-	-	-	25,829
Ending balance	<u>\$ 11,392,677</u>	<u>\$ 4,449,538</u>	<u>\$ 1,356,152</u>	<u>\$ 789,622</u>	<u>\$ 2</u>	<u>\$ 666,775</u>	<u>\$ 6,872</u>	<u>\$ 1,000,545</u>	<u>\$ 19,662,183</u>
<u>At June 30, 2025</u>									
Cost	\$ 11,392,677	\$ 7,758,029	\$ 1,356,152	\$ 2,083,246	\$ 2,743	\$ 1,101,978	\$ 37,431	\$ 1,000,545	\$ 24,732,801
Accumulated depreciation	-	(3,308,491)	-	(1,293,624)	(2,741)	(435,203)	(30,559)	-	(5,070,618)
Carrying amount	<u>\$ 11,392,677</u>	<u>\$ 4,449,538</u>	<u>\$ 1,356,152</u>	<u>\$ 789,622</u>	<u>\$ 2</u>	<u>\$ 666,775</u>	<u>\$ 6,872</u>	<u>\$ 1,000,545</u>	<u>\$ 19,662,183</u>

Note 1: Including the capitalized amount from depreciation expense of right-of-use assets and interest expense of lease liabilities amounting to \$2,186 and \$2,837, respectively.

Note 2: Including the donation of computer equipment to Nanshan Charity Foundation amounting to \$8.

	Land	Buildings and constructions	Construction in progress	Information equipment	Transportation equipment	Other equipment	Leasehold improvements	Prepayments for buildings and land	Total
<u>At January 1, 2024</u>									
Cost	\$ 10,255,527	\$ 8,051,781	\$ 193,705	\$ 2,145,503	\$ 4,732	\$ 851,124	\$ 33,121	\$ -	\$ 21,535,493
Accumulated depreciation	-	(3,068,615)	-	(1,200,203)	(4,510)	(383,480)	(27,773)	-	(4,684,581)
Carrying amount	<u>\$ 10,255,527</u>	<u>\$ 4,983,166</u>	<u>\$ 193,705</u>	<u>\$ 945,300</u>	<u>\$ 222</u>	<u>\$ 467,644</u>	<u>\$ 5,348</u>	<u>\$ -</u>	<u>\$ 16,850,912</u>
<u>2024</u>									
Beginning balance	\$ 10,255,527	\$ 4,983,166	\$ 193,705	\$ 945,300	\$ 222	\$ 467,644	\$ 5,348	\$ -	\$ 16,850,912
Additions-from acquisitions (Note 1)	-	26,095	205,988	23,825	-	34,676	4,075	298,545	593,204
Transferred from investment property	707,836	82,855	-	-	-	-	-	-	790,691
Disposals-cost	-	(660)	-	(179,441)	(1,118)	(136,871)	(1,565)	-	(319,655)
Disposals-accumulated depreciation	-	660	-	179,441	1,118	136,871	1,533	-	319,623
Depreciation charge (Note 2)	-	(86,017)	-	(103,101)	(146)	(80,404)	(1,479)	-	(271,147)
Transfer to investment property -cost	(93,192)	(115,144)	-	-	-	-	-	-	(208,336)
Transfer to investment property -accumulated depreciation	-	3,067	-	-	-	-	-	-	3,067
Revaluation increment of real estate	28,175	(18,899)	-	-	-	-	-	-	9,276
Others	-	(139,110)	-	-	-	-	-	-	(139,110)
Ending balance	<u>\$ 10,898,346</u>	<u>\$ 4,736,013</u>	<u>\$ 399,693</u>	<u>\$ 866,024</u>	<u>\$ 76</u>	<u>\$ 421,916</u>	<u>\$ 7,912</u>	<u>\$ 298,545</u>	<u>\$ 17,628,525</u>
<u>At June 30, 2024</u>									
Cost	\$ 10,898,346	\$ 7,886,918	\$ 399,693	\$ 1,989,887	\$ 3,614	\$ 748,929	\$ 35,631	\$ 298,545	\$ 22,261,563
Accumulated depreciation	-	(3,150,905)	-	(1,123,863)	(3,538)	(327,013)	(27,719)	-	(4,633,038)
Carrying amount	<u>\$ 10,898,346</u>	<u>\$ 4,736,013</u>	<u>\$ 399,693</u>	<u>\$ 866,024</u>	<u>\$ 76</u>	<u>\$ 421,916</u>	<u>\$ 7,912</u>	<u>\$ 298,545</u>	<u>\$ 17,628,525</u>

Note 1: Including the capitalized amount from depreciation expense of right-of-use assets and interest expense of lease liabilities amounting to \$2,045 and \$2,541, respectively.

Note 2: Including capitalized intangible assets amounting to \$3,655 and the depreciation charge of computer equipment donated to Nanshan Charity Foundation reclassified to donation amounting to \$8.

For information on property and equipment with restricted use, please refer to Note 6(29).

(13) Leasing arrangements — lessee

- A. The Consolidated Company leases various assets including buildings, offices, superficieses and other equipment. Rental contracts for buildings, offices and other equipment are typically made for periods of 1 to 20 years. Additionally, the leased land with registered superficieses has a rental period of 50 to 70 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Low-value assets comprise of office equipment.
- C. The right-of-use assets of superficieses were reported in investment property and right-of-use assets. The carrying amount of investment property is provided in Note 6(10).
- D. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>Buildings</u>	<u>Superficies</u>	<u>Other equipment</u>	<u>Total</u>
<u>At January 1, 2025</u>				
Cost	\$ 2,011,548	\$ 224,421	\$ 50,675	\$ 2,286,644
Accumulated depreciation	(747,905)	(20,766)	(10,527)	(779,198)
Carrying amount	<u>\$ 1,263,643</u>	<u>\$ 203,655</u>	<u>\$ 40,148</u>	<u>\$ 1,507,446</u>
<u>2025</u>				
Beginning balance	\$ 1,263,643	\$ 203,655	\$ 40,148	\$ 1,507,446
Additions	208,307	-	9,340	217,647
Disposals-cost	(234,047)	-	-	(234,047)
Disposals-accumulated depreciation	234,047	-	-	234,047
Depreciation charge (Note)	(213,552)	(2,492)	(8,440)	(224,484)
Lease modifications	805	-	-	805
Ending balance	<u>\$ 1,259,203</u>	<u>\$ 201,163</u>	<u>\$ 41,048</u>	<u>\$ 1,501,414</u>
<u>At June 30, 2025</u>				
Cost	\$ 1,985,905	\$ 224,421	\$ 60,015	\$ 2,270,341
Accumulated depreciation	(726,702)	(23,258)	(18,967)	(768,927)
Carrying amount	<u>\$ 1,259,203</u>	<u>\$ 201,163</u>	<u>\$ 41,048</u>	<u>\$ 1,501,414</u>

Note : Including capitalised property and equipment amounting to \$2,186.

	Buildings	Superficies	Other equipment	Total
<u>At January 1, 2024</u>				
Cost	\$ 1,234,385	\$ 208,493	\$ 67,268	\$ 1,510,146
Accumulated depreciation	(608,277)	(15,947)	(58,886)	(683,110)
Carrying amount	<u>\$ 626,108</u>	<u>\$ 192,546</u>	<u>\$ 8,382</u>	<u>\$ 827,036</u>
<u>2024</u>				
Beginning balance	\$ 626,108	\$ 192,546	\$ 8,382	\$ 827,036
Additions	175,750	-	47,329	223,079
Disposals-cost	(151,715)	-	(48,964)	(200,679)
Disposals-accumulated depreciation	151,715	-	48,964	200,679
Lease modifications	(3,813)	161	-	(3,652)
Depreciation charge (Note)	(173,029)	(2,351)	(5,505)	(180,885)
Adjustment of lease liabilities remeasurement	-	2,739	-	2,739
Ending balance	<u>\$ 625,016</u>	<u>\$ 193,095</u>	<u>\$ 50,206</u>	<u>\$ 868,317</u>
<u>At June 30, 2024</u>				
Cost	\$ 1,254,607	\$ 211,393	\$ 65,633	\$ 1,531,633
Accumulated depreciation	(629,591)	(18,298)	(15,427)	(663,316)
Carrying amount	<u>\$ 625,016</u>	<u>\$ 193,095</u>	<u>\$ 50,206</u>	<u>\$ 868,317</u>

Note : Including capitalised investment property and property and equipment amounting to \$2,045.

- E. The Consolidated Company signed the “Investment contract of Sharon Park and parking lot in Tamsui District, New Taipei City” with Economic Development Department, New Taipei City Government on January 15, 2021. The total contract price was \$62,000 determined by referring to the valuation reports issued by the real estate appraisers and by bid.
- F. The information on profit and loss accounts relating to lease contracts is as follows:

Items affecting profit or loss	For the three months ended June 30,	
	2025	2024
Interest expense on lease liabilities	\$ 90,929	\$ 91,348
Expense on leases of low-value assets	366	-
Loss (gain) on lease modifications	9 (	2,639)
Items affecting profit or loss	For the six months ended June 30,	
	2025	2024
Interest expense on lease liabilities	\$ 181,866	\$ 182,212
Expense on leases of low-value assets	732	300
Gain on lease modifications	(6)	(2,593)

- G. As of June 30, 2025, December 31, 2024 and June 30, 2024, the Consolidated Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range from 0.5431% to 3.8890%, from 0.5431% to 3.8890%, and from 0.5226% to 3.8890%, respectively.
- H. For the six months ended June 30, 2025 and 2024, the Consolidated Company's total cash outflows for leases are \$4,052,673 and \$4,011,049 respectively.
- I. Most of the property lease contracts of the Consolidated Company include the option of terminating the lease in advance, and a few other lease contracts include the option of extending the lease. As the exercise of this option is uncertain, the condition will not be reflected when measuring lease liabilities.
- J. The movements of lease liabilities are as follows:

	Investment property- Superficies	Right-of-use assets- Superficies	Right-of-use assets- Others	total
At January 1, 2025	\$28,191,098	\$ 150,031	\$ 1,301,399	\$29,642,528
Additions (Note 1)	-	-	217,879	217,879
Adjustment of lease liabilities remeasurement	116,943	-	-	116,943
Lease modifications and others (Notes 1, 2)	-	-	499	499
Interest expense recognised	403,000	2,848	11,970	417,818
Lease payments	(3,828,102)	(2,573)	(221,266)	(4,051,941)
At June 30, 2025	<u>\$24,882,939</u>	<u>\$ 150,306</u>	<u>\$ 1,310,481</u>	<u>\$26,343,726</u>
	Investment property- Superficies	Right-of-use assets- Superficies	Right-of-use assets- Others	total
At January 1, 2024	\$32,181,278	\$ 132,377	\$ 607,761	\$32,921,416
Additions (Note 1)	-	-	223,159	223,159
Adjustment of lease liabilities remeasurement	(44,761)	2,739	-	(42,022)
Lease modifications and others (Notes 1, 2)	-	161	(6,363)	(6,202)
Interest expense recognised	462,469	2,556	4,306	469,331
Lease payments	(3,823,303)	(2,347)	(185,092)	(4,010,742)
At June 30, 2024	<u>\$28,775,683</u>	<u>\$ 135,486</u>	<u>\$ 643,771</u>	<u>\$29,554,940</u>

Note 1: For the six months ended June 30, 2025 and 2024, the deductible for employees' dormitory amounted to \$232 and \$80 respectively; the deductible for employee dormitory lease termination amounted to \$53 and \$11, respectively.

Note 2: For the six months ended June 30, 2025 and 2024, including exchange loss (gain) of (\$247) and \$54, respectively.

K. The Consolidated Company's lease contracts of multifunction printers contain variable lease payment terms that are linked to the actual use in multifunction printers. For the three months and six months ended June 30, 2025 and 2024, the variable lease payments are \$3,344, \$6,406, \$6,527 and \$6,406, respectively.

(14) Leasing arrangements – lessor

A. The Consolidated Company leases investment property. Rental contracts are typically made for periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. Information on gain arising from operating lease agreements for the three months and six months ended June 30, 2025 and 2024, is provided in Note 6(10).

C. The maturity analysis of the lease payments under the operating leases is as follows:

	June 30, 2025	December 31, 2024	June 30, 2024
2024	\$ -	\$ -	\$ 2,258,838
2025	2,274,728	4,446,087	4,244,894
2026	4,299,946	4,139,386	3,906,482
2027	3,755,702	3,624,949	3,429,403
2028	3,130,659	3,019,738	2,900,988
2029	2,385,878	2,142,633	2,055,775
2030	2,086,752	1,868,901	1,853,763
After 2031	15,538,334	12,974,547	12,952,125
Total	<u>\$ 33,471,999</u>	<u>\$ 32,216,241</u>	<u>\$ 33,602,268</u>

(15) Intangible assets

Details of intangible assets are as follows:

	Computer software	Goodwill	Licences	Total
<u>At January 1, 2025</u>				
Cost	\$ 12,930,761	\$ 1,075,875	\$ 4,956,012	\$ 18,962,648
Accumulated amortisation	(4,066,182)	-	(2,359,962)	(6,426,144)
Carrying amount	<u>\$ 8,864,579</u>	<u>\$ 1,075,875</u>	<u>\$ 2,596,050</u>	<u>\$ 12,536,504</u>
<u>2025</u>				
Beginning balance	\$ 8,864,579	\$ 1,075,875	\$ 2,596,050	\$ 12,536,504
Additions-acquired separately (Note)	111,701	-	-	111,701
Disposals-cost	(1,875)	-	-	(1,875)
Disposals-accumulated amortisation	1,875	-	-	1,875
Amortisation charge	(395,045)	-	(449,368)	(844,413)
Ending balance	<u>\$ 8,581,235</u>	<u>\$ 1,075,875</u>	<u>\$ 2,146,682</u>	<u>\$ 11,803,792</u>
<u>At June 30, 2025</u>				
Cost	\$ 13,040,587	\$ 1,075,875	\$ 4,956,012	\$ 19,072,474
Accumulated amortisation	(4,459,352)	-	(2,809,330)	(7,268,682)
Carrying amount	<u>\$ 8,581,235</u>	<u>\$ 1,075,875</u>	<u>\$ 2,146,682</u>	<u>\$ 11,803,792</u>
	Computer software	Goodwill	Licences	Total
<u>At January 1, 2024</u>				
Cost	\$ 12,663,078	\$ 1,075,875	\$ 4,956,012	\$ 18,694,965
Accumulated amortisation	(3,450,123)	-	(1,531,578)	(4,981,701)
Carrying amount	<u>\$ 9,212,955</u>	<u>\$ 1,075,875</u>	<u>\$ 3,424,434</u>	<u>\$ 13,713,264</u>
<u>2024</u>				
Beginning balance	\$ 9,212,955	\$ 1,075,875	\$ 3,424,434	\$ 13,713,264
Additions-acquired separately (Note)	212,192	-	-	212,192
Disposals-cost	(104,731)	-	-	(104,731)
Disposals-accumulated amortisation	104,731	-	-	104,731
Amortisation charge	(365,240)	-	(386,172)	(751,412)
Ending balance	<u>\$ 9,059,907</u>	<u>\$ 1,075,875</u>	<u>\$ 3,038,262</u>	<u>\$ 13,174,044</u>
<u>At June 30, 2024</u>				
Cost	\$ 12,770,539	\$ 1,075,875	\$ 4,956,012	\$ 18,802,426
Accumulated amortisation	(3,710,632)	-	(1,917,750)	(5,628,382)
Carrying amount	<u>\$ 9,059,907</u>	<u>\$ 1,075,875</u>	<u>\$ 3,038,262</u>	<u>\$ 13,174,044</u>

Note: Including capitalised depreciation charge of property and equipment amounting to \$0 and \$3,655, and capitalised amortisation charge of intangible assets amounting to \$0 and \$24, for the six months ended June 30, 2025 and 2024, respectively.

(16) Other assets

	June 30, 2025	December 31, 2024	June 30, 2024
Prepayments and temporary debits	\$ 538,104	\$ 732,366	\$ 647,675
Guarantee deposits paid	26,547,605	59,459,438	55,015,230
Others	52,928	57,148	58,345
	<u>\$ 27,138,637</u>	<u>\$ 60,248,952</u>	<u>\$ 55,721,250</u>

A. As of June 30, 2025, December 31, 2024 and June 30, 2024, without consideration of the collateral held or other credit enhancements, the maximum credit risk exposure in respect of the amount that best represents the other assets held by the Consolidated Company are \$26,556,956, \$59,473,427 and \$55,026,844, respectively.

B. The Consolidated Company's guarantee deposits paid are detailed as follows:

- (a) To acquire the case "City Land Development and Registered Superficies of Land Lot No. 28, 29 and 30, Xinyi Section Four, Xinyi District, Taipei City" held by Taipei City Government, the Consolidated Company set \$800,000 certificate of time deposit as (contract) security deposit on September 20, 2012. Because the Consolidated Company met the condition of the contract, a security deposit of \$400,000 was returned in January 2019. As of June 30, 2025, December 31, 2024 and June 30, 2024, the amount of security deposit was \$400,000.
- (b) In response to the commitment to the Council of Labor Affairs, Executive Yuan made by Ruen Chen Investment Holding Co., Ltd. in respect of stock equity trading, the Consolidated Company's life insurance business deposited Government Bonds with par value of \$680,000 under the trust account of Mega International Commercial Bank Co., Ltd. on August 31, 2011.
- (c) Articles 141 and 142 of the Insurance Law require an insurance company to place a statutory deposit with the government equal to 15% of its paid-in capital. The deposit will not be returned until cessation of business and liquidation has been completed. At the end of the financial reporting period, the Consolidated Company deposited Government Bonds in the Central Bank of the Republic of China as follows:

June 30, 2025	December 31, 2024	June 30, 2024
<u>\$ 22,657,000</u>	<u>\$ 22,657,000</u>	<u>\$ 21,307,000</u>

- (d) The Consolidated Company's life insurance business has taken administrative remedy by the statutory period for the adjustment of income tax returns assessed by the National Taxation Bureau. As of June 30, 2025, December 31, 2024 and June 30, 2024, the Consolidated Company's life insurance business deposited Government Bonds amounting to \$978,100, \$275,000 and \$275,000, respectively.
- (e) To acquire the case "City Land Development and Registered Superficies of Land Lot No. 32 and 33-2, Xinyi Section Four, Xinyi District, Taipei City" held by Taipei City Government, the Consolidated Company set a certificate of time deposit of \$800,000 as contract security deposit on December 6, 2019.

- (f) To acquire the case “City Land Development and Registered Superficies of Land Lot No. 520-2 and other 31 lots, Wang Gao Lou Section, Tamsui District, New Taipei City” held by New Taipei City Government, the Consolidated Company set a certificate of time deposit (including subsequent interest) as contract security deposit on January 12, 2021. As of June 30, 2025, December 31, 2024 and June 30, 2024, the deposit amounted to \$46,455, \$46,230 and \$46,230, respectively.
- (g) The Consolidated Company is engaged in trading of derivative instruments and bonds sold under repurchase agreements. As of June 30, 2025, December 31, 2024 and June 30, 2024, the Consolidated Company deposited U.S. Government Bonds amounting to \$765,155, \$29,504,210 and \$24,496,580, respectively, and cash amounting to \$0, \$4,878,796 and \$6,811,904, respectively, as the guarantee. Refer to Notes 6(8) and (9) for details of the offset between guarantee and financial assets and liabilities.
- (h) The Consolidated Company’s property insurance business engaged in insurance bidding business, as of June 30, 2025, December 31, 2024 and June 30, 2024, the Consolidated Company’s property business had time deposits of \$20,224, \$20,224 and \$20,180 as the contract security deposit, respectively.
- (i) Except as stated above, the Consolidated Company’s refundable deposits is mainly from leases and property investments, etc.

(17) Insurance products - separate account

- A. The insurance products - separate account classified under assets on insurance products - separate account, liabilities on insurance products - separate account, revenues on insurance products - separate account and expenses on insurance products-separate account are detailed as follows:

	<u>June 30, 2025</u>	<u>December 31, 2024</u>	<u>June 30, 2024</u>
Assets on insurance products - separate account			
Cash in bank	\$ 83,890	\$ 107,747	\$ 108,933
Financial assets at fair value through profit or loss	219,798,221	222,727,606	220,756,688
Other receivables	<u>1,341,988</u>	<u>1,485,163</u>	<u>1,114,252</u>
	<u>\$ 221,224,099</u>	<u>\$ 224,320,516</u>	<u>\$ 221,979,873</u>
Liabilities on insurance products - separate account			
Reserves for insurance products - separate account-insurance contracts	\$ 103,734,305	\$ 113,990,465	\$ 125,422,785
Reserves for insurance products - separate account-investment contracts	117,079,128	109,732,855	96,471,338
Other payables	<u>410,666</u>	<u>597,196</u>	<u>85,750</u>
	<u>\$ 221,224,099</u>	<u>\$ 224,320,516</u>	<u>\$ 221,979,873</u>

		For the three months ended June 30,	
		2025	2024
Revenues on insurance products - separate account			
Premiums income	\$	2,712,516	\$ 2,526,228
Interest income		160	2
Gain on financial assets at fair value through profit or loss and foreign exchange		194,262	5,193,897
	\$	<u>2,906,938</u>	<u>\$ 7,720,127</u>
Expenses on insurance products - separate account			
Claims and policy benefits payments	\$	2,411,334	\$ 3,177,231
Surrender charges		2,868,273	3,960,545
Net change of reserves - insurance contracts	(	5,303,840)	(2,158,134)
Administration charges and cost of insurance		423,619	418,249
Payment for cash dividends		2,507,552	2,322,236
	\$	<u>2,906,938</u>	<u>\$ 7,720,127</u>
		For the six months ended June 30,	
		2025	2024
Revenues on insurance products - separate account			
Premiums income	\$	5,527,619	\$ 5,144,472
Interest income		240	5
Gain on financial assets at fair value through profit or loss and foreign exchange		2,057,038	13,076,134
	\$	<u>7,584,897</u>	<u>\$ 18,220,611</u>
Expenses on insurance products - separate account			
Claims and policy benefits payments	\$	5,963,846	\$ 10,131,987
Surrender charges		5,738,911	7,602,149
Net change of reserves - insurance contracts	(	9,631,505)	(3,988,669)
Administration charges and cost of insurance		841,919	840,834
Payment for cash dividends		4,671,726	3,634,310
	\$	<u>7,584,897</u>	<u>\$ 18,220,611</u>

- B. The Consolidated Company received sales incentive bonus recognised as fee income from counterparties relative to the above investment-linked insurance products as follows:

For the three months ended June 30,		For the six months ended June 30,	
2025	2024	2025	2024
\$ 482,136	\$ 451,175	\$ 998,305	\$ 877,440

- C. On September 17, 2019, the Consolidated Company was penalised by the competent authority because “the Invision” information system violated the Insurance Act and was asked to terminate the business of new investment-linked insurance product contract by the next day of receiving the sanction. Only until the information system of investment-linked insurance product is improved and is verified by the third-party professional institution and reported to the authority for approval, the business of new investment-linked insurance product contract can be restarted. On January 2, 2024, the Consolidated Company was approved by the competent authority to resume the sale of the investment-linked insurance products.

(18) Short-term debts

	June 30, 2025	December 31, 2024	June 30, 2024
Bonds sold under repurchase agreements	\$ 6,893,476	\$ 2,822,375	\$ 9,703,644

- A. To fulfil the needs of insurance business, As of June 30, 2025, December 31, 2024 and June 30, 2024, the Consolidated Company transacted bonds sold under repurchase agreements at a contracted interest rate range from 4.45% to 4.53%, of 4.75% and from 5.45% to 5.65%, respectively.
- B. Refer to Notes 6(8) and (9) for details of government bonds, corporate bonds, and financial debentures classified as financial assets at amortised cost being pledged as collateral for the liabilities of bonds sold under repurchase agreements which were transacted by the Consolidated Company.

(19) Payables

	June 30, 2025	December 31, 2024	June 30, 2024
Claims and policy benefits payable	\$ 1,522,635	\$ 1,165,731	\$ 1,869,568
Commissions payable	2,247,372	2,391,106	1,841,232
Due to reinsurers and ceding companies	2,009,027	1,350,657	1,930,596
Accrued interests	873,085	1,437,753	400,019
Investments payable	5,515,487	1,572,934	12,735,386
Other payables	5,868,421	7,664,094	5,738,138
	<u>\$ 18,036,027</u>	<u>\$ 15,582,275</u>	<u>\$ 24,514,939</u>

(20) Financial liabilities at fair value through profit or loss

	June 30, 2025	December 31, 2024	June 30, 2024
Financial liabilities at fair value through profit or loss			
Derivative instruments	\$ 11,391,329	\$ 61,317,453	\$ 53,621,151

For the gain or loss on financial liabilities at fair value through profit or loss recognised by the Consolidated Company and related description of derivative instruments, please refer to Note 6(3).

(21) Bonds payable

	<u>June 30, 2025</u>	<u>December 31, 2024</u>	<u>June 30, 2024</u>
Bonds payable	\$ 100,451,400	\$ 87,466,700	\$ 61,040,000
Less: Discount on bonds payable	(164,708)	(188,024)	-
	<u>\$ 100,286,692</u>	<u>\$ 87,278,676</u>	<u>\$ 61,040,000</u>

A. The Consolidated Company's life insurance business was notified through Jin-Guan-Bao-Sho Letter No. 10502064510 of FSC dated May 31, 2016 and Public Announcement of Securities-TPEX-Bond No. 10500152721 of Taipei Exchange dated June 20, 2016 of effective registration and issued the cumulative perpetual subordinated bonds on June 24, 2016. The stipulated terms of issuance are as follows:

- (a) Total issuance amount: NT\$25,000,000 thousand.
- (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
- (c) Issuance period: Perpetual.
- (d) Coupon rate: The coupon rate remains fixed interest rate within ten years from the issuance date. For the issuance dated June 20, 2016, the coupon rate is 3.5%. After the lapse of ten years from the issuance date, if the bonds has not been redeemed, the coupon rate will increase by 1%.
- (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
- (f) Early redemption: After the lapse of ten years from the issuance date, if the Consolidated Company's life insurance business' capital adequacy ratio after redemption is more than twice of statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Consolidated Company to do so, the Consolidated Company will redeem all bonds beforehand at face value along with the interest payable.
- (g) Form of issuance: The bond is issued in non-physical form.

B. The Consolidated Company's life insurance business was notified through Jin-Guan-Bao-Sho Letter No. 10602051720 of FSC dated May 31, 2017 and Public Announcement of Securities-TPEX-Bond No. 10600151791 of Taipei Exchange dated June 23, 2017 of effective registration and issued the cumulative perpetual subordinated bonds on June 29, 2017. The stipulated terms of issuance are as follows:

- (a) Total issuance amount: NT\$7,000,000 thousand.
- (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
- (c) Issuance period: Perpetual.
- (d) Coupon rate: The coupon rate remains fixed interest rate within ten years from the issuance date. For the issuance dated June 23, 2017, the coupon rate is 3.45%. After the lapse of ten years from the issuance date, if the bonds has not been redeemed, the coupon rate will increase by 1%.
- (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
- (f) Early redemption: After the lapse of ten years from the issuance date, if the Consolidated Company's life insurance business' capital adequacy ratio after redemption is more than twice

of statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Consolidated Company to do so, the Consolidated Company will redeem all bonds beforehand at face value along with the interest payable.

- (g) Form of issuance: The bond is issued in non-physical form.
- C. The Consolidated Company's life insurance business was notified through Jin-Guan-Bao-Sho Letter No. 10704153520 of FSC dated June 12, 2018 and Public Announcement of Securities-TPEX-Bond No. 10700153831 of Taipei Exchange dated June 29, 2018 of effective registration and issued the cumulative perpetual subordinated bonds on June 29, 2018. The stipulated terms of issuance are as follows:
 - (a) Total issuance amount: NT\$10,000,000 thousand.
 - (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
 - (c) Issuance period: Perpetual.
 - (d) Coupon rate: The coupon rate remains fixed interest rate within ten years from the issuance date. For the issuance dated June 29, 2018, the coupon rate is 3.3%. After the lapse of ten years from the issuance date, if the bonds has not been redeemed, the coupon rate will increase by 1%.
 - (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
 - (f) Early redemption: After the lapse of ten years from the issuance date, if the Consolidated Company's life insurance business' capital adequacy ratio after redemption is more than twice of statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Consolidated Company to do so, the Consolidated Company will redeem all bonds beforehand at face value along with the interest payable.
 - (g) Form of issuance: The bond is issued in non-physical form.
- D. The Consolidated Company's life insurance business was notified through Jin-Guan-Bao-Sho Letter No. 112043641 of FSC dated September 13, 2023 and Public Announcement of Securities-TPEX-Bond No. 11200101871 of Taipei Exchange dated October 19, 2023 of effective registration and issued the first unsecured cumulative subordinated bonds of 2023 on October 26, 2023. The stipulated terms of issuance are as follows:
 - (a) Total issuance amount: NT\$11,500,000 thousand.
 - (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
 - (c) Issuance period: 10 years for A bonds and 15 years for B bonds.
 - (d) Coupon rate: The coupon rate for A bonds is fixed interest rate of 3.75% per annum; and the coupon rate for B bonds is fixed interest rate of 3.88% per annum.
 - (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
 - (f) Early redemption: After the lapse of ten years from the issuance date of B bonds, if the Consolidated Company's life insurance business' capital adequacy ratio after redemption is more than statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Consolidated Company to do so, the Consolidated Company will redeem all bonds beforehand at face value along with the interest payable which is calculated based on the actual number of days.
 - (g) Form of issuance: The bond is issued in non-physical form.

- E. The Consolidated Company's life insurance business was notified through Public Announcement of Securities-TPEX-Bond No. 11200123751 of Taipei Exchange dated December 27, 2023 of effective registration and issued the second unsecured cumulative subordinated bonds of 2023 on January 4, 2024. The stipulated terms of issuance are as follows:
- (a) Total issuance amount: NT\$3,500,000 thousand.
 - (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
 - (c) Issuance period: 10 years for A bonds and 15 years for B bonds.
 - (d) Coupon rate: The coupon rate for A bonds is fixed interest rate of 3.75% per annum; and the coupon rate for B bonds is fixed interest rate of 3.88% per annum.
 - (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
 - (f) Early redemption: After the lapse of ten years from the issuance date of B bonds, if the Consolidated Company's life insurance business' capital adequacy ratio after redemption is more than statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Consolidated Company to do so, the Consolidated Company will redeem all bonds beforehand at face value along with the interest payable which is calculated based on the actual number of days.
 - (g) Form of issuance: The bond is issued in non-physical form.
- F. The Consolidated Company's life insurance business was notified through Public Announcement of Securities-TPEX-Bond No. 11300047181 of Taipei Exchange dated June 24, 2024 of effective registration and issued the first unsecured cumulative subordinated bonds of 2024 on June 28, 2024. The stipulated terms of issuance are as follows:
- (a) Total issuance amount: NT\$4,040,000 thousand.
 - (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
 - (c) Issuance period: 10 years for A bonds and 15 years for B bonds.
 - (d) Coupon rate: The coupon rate for A bonds is fixed interest rate of 3.75% per annum; and the coupon rate for B bonds is fixed interest rate of 3.88% per annum.
 - (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
 - (f) Early redemption: After the lapse of ten years from the issuance date of B bonds, if the Consolidated Company's life insurance business' capital adequacy ratio after redemption is more than statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Consolidated Company to do so, the Consolidated Company will redeem all bonds beforehand at face value along with the interest payable which is calculated based on the actual number of days.
 - (g) Form of issuance: The bond is issued in non-physical form.
- G. The Consolidated Company's overseas financing and investing business completed the pricing of US\$700,000 thousand ten-year unsecured cumulative subordinated bonds on September 4, 2024, and the issuance was on September 11, 2024. The stipulated terms of issuance are as follows:
- (a) Total issuance amount: US\$700,000 thousand.
 - (b) Par value: The par value is US\$200 thousand per bond with increments in multiples of US\$1 thousand for amounts exceeding that amount.
 - (c) Issuing price: US\$99.673.

- (d) Issuance period: 10 years.
 - (e) Coupon rate: The coupon rate is fixed interest rate of 5.45% per annum.
 - (f) Effective rate: 5.562%.
 - (g) Method of interest payment: The interest is paid semiannually, calculated using the simple interest of coupon rate from the issuance date.
 - (h) Form of issuance: The bond is issued in non-physical form.
- H. The Consolidated Company's life insurance business was notified through Public Announcement of Securities-TPEX-Bond No. 11300100551 of Taipei Exchange dated November 26, 2024 of effective registration and issued the second unsecured cumulative subordinated bonds of 2024 on December 3, 2024. The stipulated terms of issuance are as follows:
- (a) Total issuance amount: NT\$3,480,000 thousand.
 - (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
 - (c) Issuance period: 10 years for A bonds and 15 years for B bonds.
 - (d) Coupon rate: The coupon rate for A bonds is fixed interest rate of 3.75% per annum; and the coupon rate for B bonds is fixed interest rate of 3.88% per annum.
 - (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
 - (f) Early redemption: After the lapse of ten years from the issuance date of B bonds, if the Consolidated Company's life insurance business' capital adequacy ratio after redemption is more than statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Consolidated Company to do so, the Consolidated Company will redeem all bonds beforehand at face value along with the interest payable which is calculated based on the actual number of days.
 - (g) Form of issuance: The bond is issued in non-physical form.
- I. The Consolidated Company's life insurance business was notified through Public Announcement of Securities-TPEX-Bond No. 11400022441 of Taipei Exchange dated April 22, 2025 of effective registration and issued the first unsecured cumulative subordinated bonds of 2025 on April 29, 2025. The stipulated terms of issuance are as follows:
- (a) Total issuance amount: NT\$ 5,000,000 thousand.
 - (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
 - (c) Issuance period: 10 years for A bonds and 15 years for B bonds.
 - (d) Coupon rate: The coupon rate for A bonds is fixed interest rate of 3.75% per annum; and the coupon rate for B bonds is fixed interest rate of 3.88% per annum.
 - (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
 - (f) Early redemption: After the lapse of ten years from the issuance date of B bonds, if the Consolidated Company's life insurance business' capital adequacy ratio after redemption is more than statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Consolidated Company to do so, the Consolidated Company will redeem all bonds beforehand at face value along with the interest payable which is calculated based on the actual number of days.
 - (g) Form of issuance: The bond is issued in non-physical form.

- J. The Consolidated Company's life insurance business was notified through Public Announcement of Securities-TPEX-Bond No. 11400031501 of Taipei Exchange dated May 27, 2025 of effective registration and issued the second unsecured cumulative subordinated bonds of 2025 on June 4, 2025. The stipulated terms of issuance are as follows:
- (a) Total issuance amount: NT\$ 10,000,000 thousand.
 - (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
 - (c) Issuance period: 10 years for A bonds and 15 years for B bonds.
 - (d) Coupon rate: The coupon rate for A bonds is fixed interest rate of 3.75% per annum; and the coupon rate for B bonds is fixed interest rate of 3.88% per annum.
 - (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
 - (f) Early redemption: After the lapse of ten years from the issuance date of B bonds, if the Consolidated Company's life insurance business' capital adequacy ratio after redemption is more than statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Consolidated Company to do so, the Consolidated Company will redeem all bonds beforehand at face value along with the interest payable which is calculated based on the actual number of days.
 - (g) Form of issuance: The bond is issued in non-physical form.

(22) Reinsurance contract assets and insurance contract liabilities

	<u>June 30, 2025</u>	<u>December 31, 2024</u>	<u>June 30, 2024</u>
Reinsurance contract assets			
Life insurance	\$ 1,314,560	\$ 1,385,718	\$ 1,357,536
Property insurance	2,215,845	2,005,777	2,235,644
	<u>\$ 3,530,405</u>	<u>\$ 3,391,495</u>	<u>\$ 3,593,180</u>
	<u>June 30, 2025</u>	<u>December 31, 2024</u>	<u>June 30, 2024</u>
Insurance liabilities			
Life insurance	\$ 4,567,470,152	\$ 4,723,417,485	\$ 4,697,007,601
Property insurance	12,161,316	11,160,427	10,660,613
	<u>\$ 4,579,631,468</u>	<u>\$ 4,734,577,912</u>	<u>\$ 4,707,668,214</u>

A. Life insurance

The components of reinsurance contract assets are as follows:

	<u>June 30, 2025</u>	<u>December 31, 2024</u>	<u>June 30, 2024</u>
Claims recoverable from reinsurers	\$ 1,045,296	\$ 1,127,904	\$ 1,088,340
Reinsurance reserves assets			
Ceded unearned premium reserves	203,187	181,806	199,887
Ceded claim reserves	66,077	76,008	69,309
	<u>\$ 1,314,560</u>	<u>\$ 1,385,718</u>	<u>\$ 1,357,536</u>

Reinsurance contract assets held by the Consolidated Company's life insurance are neither past due nor impaired, and they all ceded to reinsurers with S&P rating A or above.

The components of insurance contract liabilities are as follows:

	June 30, 2025	December 31, 2024	June 30, 2024
Unearned premium reserves	\$ 21,784,252	\$ 20,907,782	\$ 21,020,627
Claim reserves	11,871,516	11,647,167	11,071,347
Policy reserves	4,522,035,663	4,674,347,813	4,649,132,937
Special reserves	7,481,633	11,121,334	10,250,166
Premium deficiency reserves	4,297,088	5,393,389	5,532,524
	<u>\$ 4,567,470,152</u>	<u>\$ 4,723,417,485</u>	<u>\$ 4,697,007,601</u>

The movements and components of insurance contract liabilities and reinsurance reserves are as follows:

(a) Unearned premium reserves and ceded unearned premium reserves

	2025	2024
Unearned premium reserves:		
At January 1	\$ 20,907,782	\$ 20,056,307
Net change	876,568	964,280
Foreign exchange (gain) loss	(98)	40
At June 30	<u>\$ 21,784,252</u>	<u>\$ 21,020,627</u>
	2025	2024
Ceded unearned premium reserves:		
At January 1	\$ 181,806	\$ 163,841
Net change	22,396	35,701
Foreign exchange (loss) gain	(1,015)	345
At June 30	<u>\$ 203,187</u>	<u>\$ 199,887</u>

(b) Claim reserves and ceded claim reserves

I. The components of claim reserves are as follows:

	June 30, 2025	December 31, 2024	June 30, 2024
Reported but not paid claim reserves	\$ 4,116,252	\$ 3,951,760	\$ 3,652,055
Incurred but not reported claim reserves	7,755,264	7,695,407	7,419,292
	<u>\$ 11,871,516</u>	<u>\$ 11,647,167</u>	<u>\$ 11,071,347</u>

II. The movements of claim reserves and ceded claim reserves are as follows:

	2025	2024
Claims reserves:		
At January 1	\$ 11,647,167	\$ 10,799,542
Net change	239,017	266,158
Foreign exchange (gain) loss	(14,668)	5,647
At June 30	<u>\$ 11,871,516</u>	<u>\$ 11,071,347</u>
	2025	2024
Ceded claims reserves:		
At January 1	\$ 76,008	\$ 106,704
Net change	(8,839)	(37,829)
Foreign exchange (loss) gain	(1,092)	434
At June 30	<u>\$ 66,077</u>	<u>\$ 69,309</u>

(c) Policy reserves

I. The components of policy reserves are as follows:

	June 30, 2025	December 31, 2024	June 30, 2024
Insurance contracts	\$ 4,382,204,197	\$ 4,518,207,892	\$ 4,481,958,637
Investment contracts with discretionary participation features	138,634,025	154,890,836	165,952,144
Life policy reserves -catastrophe reserves recovered	-	50,691	50,691
Policy benefit-pending payment to policyholder	1,197,441	1,198,394	1,171,465
	<u>\$ 4,522,035,663</u>	<u>\$ 4,674,347,813</u>	<u>\$ 4,649,132,937</u>

II. The movements of policy reserves are as follows:

	2025	2024
At January 1	\$ 4,674,347,813	\$ 4,571,457,717
Net change	14,749,410	16,081,641
Foreign exchange (gain) loss	(97,526,835)	59,784,496
Net change in policy benefits-pending payment to policyholder	(953)	(51,923)
Others	1,581,652	1,861,006
Transfer to reserve for foreign exchange valuation	(39,066,894)	-
Release of policy reserves	(32,048,530)	-
At June 30	<u>\$ 4,522,035,663</u>	<u>\$ 4,649,132,937</u>

III. The related interest expense from the above discount-based insurance contract liabilities are as follows:

For the three months ended June 30,		For the six months ended June 30,	
2025	2024	2025	2024
\$ 38,201,024	\$ 38,408,027	\$ 76,894,455	\$ 76,601,735

IV. The Consolidated Company's reserves of insurance contracts and financial instruments with discretionary participation features are recognised based on "Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises", not valued at fair value. The financial instruments with discretionary participation feature (variable interest rate annuity) reported in each report period by the Consolidated Company, is based on credited interest rate to accumulate the account value. Those financial instruments' discretionary participation feature has no quoted market price and the fair value could not be reliably measured, so no need to disclose those fair value. At the end of each reporting date, except for paid under insurance terms, the Consolidated Company does not plan to sell those financial instruments.

V. In accordance with the Guideline Governing Reserves for change on Foreign Exchange Price by Life Insurance Enterprises and Jin-Guan-Pao-Tzai Letter No. 11304931482 issued by the FSC, the Consolidated Company transferred an amount of \$39,066,894 from policy reserves to reserve for foreign exchange valuation in May 2025. Please refer to Note 6(24) for details.

VI. Pursuant to Jin-Guan-Pao-Tzai Letter No. 11404924811 issued by the FSC, the Consolidated Company released an amount of \$32,048,530 from policy reserves in June 2025. Within this released amount, \$16,000,000 was allocated to reserve for foreign exchange valuation. Please refer to Note 6(24) for details.

(d) Special reserves

I. The components of special reserves are as follows:

	June 30, 2025	December 31, 2024	June 30, 2024
Reserves for real estate appreciation	\$ -	\$ 1,354,257	\$ 1,354,257
Dividend payment reserves	7,481,633	9,767,077	8,895,909
	<u>\$ 7,481,633</u>	<u>\$ 11,121,334</u>	<u>\$ 10,250,166</u>

II. The movements of special reserves are as follows:

	2025	2024
At January 1	\$ 11,121,334	\$ 9,352,030
Net change	(2,285,444)	898,136
Transfer to reserve for foreign exchange valuation	(1,354,257)	-
At June 30	<u>\$ 7,481,633</u>	<u>\$ 10,250,166</u>

III. In accordance with the Guideline Governing Reserves for change on Foreign Exchange Price by Life Insurance Enterprises and Jin-Guan-Pao-Tzai Letter No. 11304931482 issued by the FSC, the Consolidated Company transferred an amount of \$1,354,257 from the special reserves for real estate appreciation to the reserves for foreign exchange

valuation in May 2025. Please refer to Note 6(24) for details.

(e) Premium deficiency reserves

	2025	2024
At January 1	\$ 5,393,389	\$ 6,201,833
Net change	(1,036,015)	(740,625)
Foreign exchange (gain) loss	(60,286)	71,316
At June 30	<u>\$ 4,297,088</u>	<u>\$ 5,532,524</u>

B. Property insurance

(a) Reinsurance contract assets are shown below:

	June 30, 2025	December 31, 2024	June 30, 2024
Claims recoverable from reinsurers	\$ 95,434	\$ 175,969	\$ 247,468
Due from reinsurers and ceding companies	452	855	1,113
Overdue receivable	87	311	332
Reinsurance contract assets reserves			
Ceded unearned premium reserves	1,048,293	853,849	897,790
Ceded claim reserves	1,072,149	976,140	1,090,601
Subtotal	2,216,415	2,007,124	2,237,304
Less: Allowance for loss	(570)	(1,347)	(1,660)
	<u>\$ 2,215,845</u>	<u>\$ 2,005,777</u>	<u>\$ 2,235,644</u>

I. Reinsurance contract assets neither overdue nor impaired were rated with S&P BBB+ or above, so it expects that the probability of default is remote.

II. Amount of reinsurance contract assets and aging analysis that were past due but not impaired or impaired are as follows:

	June 30, 2025	December 31, 2024	June 30, 2024
31-90 days	\$ 18,634	\$ 95,163	\$ 70,764
91-180 days	798	19,401	4,402
181-270 days	367	167	1,061
Over 271 days	87	311	332
	<u>\$ 19,886</u>	<u>\$ 115,042</u>	<u>\$ 76,559</u>

Aging of above claims recoverable from reinsurers, due from reinsurers and ceding companies were classified based on settlement date, reclassified as overdue receivables in 9 months.

III. Changes in allowance for loss on reinsurance contract assets are as follows:

	2025	2024
At January 1	\$ 1,347	\$ 2,649
Reversal of loss	(777)	(989)
At June 30	<u>\$ 570</u>	<u>\$ 1,660</u>

(b) Insurance contract liabilities are shown below:

	June 30, 2025	December 31, 2024	June 30, 2024
Unearned premium reserves	\$ 5,460,097	\$ 5,036,196	\$ 4,701,850
Claim reserves	4,210,780	3,667,888	3,537,942
Special reserves	2,490,439	2,456,343	2,420,821
	<u>\$ 12,161,316</u>	<u>\$ 11,160,427</u>	<u>\$ 10,660,613</u>

I. Movements of unearned premium reserves and ceded unearned premium reserves are as follows:

	2025		
	Unearned premium reserves	Ceded unearned premium reserves	Net amount
At January 1	\$ 5,036,196	\$ 853,849	\$ 4,182,347
Provision	5,460,097	1,048,293	4,411,804
Recovery	(5,036,196)	(853,849)	(4,182,347)
At June 30	<u>\$ 5,460,097</u>	<u>\$ 1,048,293</u>	<u>\$ 4,411,804</u>
	2024		
	Unearned premium reserves	Ceded unearned premium reserves	Net amount
At January 1	\$ 4,369,375	\$ 1,132,196	\$ 3,237,179
Provision	4,701,850	897,790	3,804,060
Recovery	(4,369,375)	(1,132,196)	(3,237,179)
At June 30	<u>\$ 4,701,850</u>	<u>\$ 897,790</u>	<u>\$ 3,804,060</u>

II. Claim reserves and ceded claim reserves

June 30, 2025			
Item	Claim reserves	Ceded claim	
		reserves	Retention
Reported but not paid claim reserves	\$ 2,131,347	\$ 454,957	\$ 1,676,390
Incurred but not reported claim reserves	2,079,433	617,192	1,462,241
	<u>\$ 4,210,780</u>	<u>\$ 1,072,149</u>	<u>\$ 3,138,631</u>
December 31, 2024			
Item	Claim reserves	Ceded claim	
		reserves	Retention
Reported but not paid claim reserves	\$ 1,772,504	\$ 382,857	\$ 1,389,647
Incurred but not reported claim reserves	1,895,384	593,283	1,302,101
	<u>\$ 3,667,888</u>	<u>\$ 976,140</u>	<u>\$ 2,691,748</u>
June 30, 2024			
Item	Claim reserves	Ceded claim	
		reserves	Retention
Reported but not paid claim reserves	\$ 1,745,559	\$ 504,144	\$ 1,241,415
Incurred but not reported claim reserves	1,792,383	586,457	1,205,926
	<u>\$ 3,537,942</u>	<u>\$ 1,090,601</u>	<u>\$ 2,447,341</u>

Movements of claim reserves and ceded claim reserves are as follows:

2025			
	Claim reserves	Ceded claim reserves	Net amount
At January 1	\$ 3,667,888	\$ 976,140	\$ 2,691,748
Provision	4,210,780	1,072,149	3,138,631
Recovery	(3,667,888)	(976,140)	(2,691,748)
At June 30	<u>\$ 4,210,780</u>	<u>\$ 1,072,149</u>	<u>\$ 3,138,631</u>
2024			
	Claim reserves	Ceded claim reserves	Net amount
At January 1	\$ 3,184,074	\$ 1,121,607	\$ 2,062,467
Provision	3,537,942	1,090,601	2,447,341
Recovery	(3,184,074)	(1,121,607)	(2,062,467)
At June 30	<u>\$ 3,537,942</u>	<u>\$ 1,090,601</u>	<u>\$ 2,447,341</u>

III. Special reserves

Insurance type	June 30, 2025	December 31, 2024	June 30, 2024
Compulsory insurance	\$ 2,420,324	\$ 2,386,228	\$ 2,350,706
Others	70,115	70,115	70,115
	<u>\$ 2,490,439</u>	<u>\$ 2,456,343</u>	<u>\$ 2,420,821</u>

(i) Movements of special reserves are as follows:

	2025		
		Others	
	Compulsory insurance	Catastrophe reserves	Risk-volatility reserves
At January 1	\$ 2,386,228	\$ 12,471	\$ 57,644
Provision	34,096	-	-
At June 30	<u>\$ 2,420,324</u>	<u>\$ 12,471</u>	<u>\$ 57,644</u>
	2024		
		Others	
	Compulsory insurance	Catastrophe reserves	Risk-volatility reserves
At January 1	\$ 2,319,420	\$ 12,471	\$ 57,644
Provision	31,286	-	-
At June 30	<u>\$ 2,350,706</u>	<u>\$ 12,471</u>	<u>\$ 57,644</u>

(ii) Pursuant to “Notes for Strengthening Catastrophe Reserves of Property Insurance Enterprises”, effective January 1, 2013, special reserves recognised under liabilities before December 31, 2012 shall first be used to make up required catastrophe reserves and risk claim reserves for commercial earthquake insurance and typhoon/flood insurance except for reserves for other types of insurance like compulsory automobile liability insurance, nuclear energy insurance, government-directed housing earthquake insurance, commercial earthquake insurance and typhoons/flood insurance. These reserves shall then be recognised under liabilities. The remaining, net of income tax, shall be recognised as special reserves under stockholders’ equity in accordance with IAS 12. According to the eighth point of the Notes, upon occurrence of the catastrophic events, when the actual claim of retention business exceeds expected claim minus the offsetting amount for special catastrophe reserves or total accumulative provision amount was sufficient, the risk-volatility reserves should be written-off or recovered in accordance with the third point in the “Regulations Governing the Setting Aside of Liability Reserves of Commercial Earthquake Insurance and Typhoon and Flood Insurance”. Additionally, according to “Note for Strengthening Reserves of Pool Members Residential Earthquake” and “Regulations Governing the setting Aside of Liability Reserves Provision of Nuclear Energy Insurance”, effective January 1, 2013, special reserves that has been set aside shall be retained under special reserves for insurance liability.

To the Consolidated Company, in case that the Subsidiary had considered not to apply the abovementioned notices, the effects on the net income, earnings per share, special reserves and total equity are listed below:

Item	For the six months ended June 30, 2025		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 14,391,193	\$ 14,391,193	\$ -
Earnings per share (unit : NT dollars)	0.98	0.98	-
Special reserves	9,901,957	9,972,072	70,115
Total equity	297,937,309	297,881,217	(56,092)

Item	For the six months ended June 30, 2024		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 25,588,155	\$ 25,588,155	\$ -
Earnings per share (unit : NT dollars)	1.74	1.74	-
Special reserves	12,600,872	12,670,987	70,115
Total equity	374,288,875	374,232,783	(56,092)

(iii) Starting from October 1, 2024, the Consolidated Company's property insurance business should monthly provision NT\$15 for each insurance policy as reserves from the business fees of insurer of property insurance according to the Compulsory Automobile Liability Insurance Act Article 2, Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises Article 24-2, Item 1 which was authorised and set by Insurance Act Article 145, Item 2 and Article 148-3, Item 2. If the annual net premium had deficiency when property insurance industry engaged in this business, it should be offset by the reserves first, if it is not sufficient, it should be executed according to Compulsory Automobile Liability Insurance Act and Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises.

(23) Reserves for insurance with nature of financial instruments

The Consolidated Company issued financial instruments without discretionary participation features. As of June 30, 2025, December 31, 2024 and June 30, 2024, the details of and adjustment from change in the reserves for insurance with nature of financial instruments are as follows:

	June 30, 2025	December 31, 2024	June 30, 2024
Investment-linked product	<u>\$ 1,263,251</u>	<u>\$ 1,273,246</u>	<u>\$ 1,186,250</u>
		2025	2024
At January 1		\$ 1,273,246	\$ 956,348
Net provision of statutory reserves		1,513	223,179
Foreign exchange (gain) loss		(11,508)	6,723
At June 30		<u>\$ 1,263,251</u>	<u>\$ 1,186,250</u>

(24) Reserve for foreign exchange valuation

A. In accordance with the “Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises”, the Consolidated Company set aside reserve for foreign exchange valuation under liabilities. Movements are as follows:

	2025	2024
At January 1	\$ 23,273,154	\$ 8,675,002
Provision		
Compulsory provision	3,896,956	2,229,479
Additional provision	<u>25,121,489</u>	<u>19,816,313</u>
Subtotal	29,018,445	22,045,792
Recovery	(67,593,902)	(8,253,258)
Transferred from policy reserves and special reserves	<u>40,421,151</u>	-
At June 30	<u>\$ 25,118,848</u>	<u>\$ 22,467,536</u>

In accordance with the Guideline Governing Reserves for exchange on Foreign Exchange Price by Life Insurance Enterprises and Jin-Guan-Pao-Tzai Letter No. 11304931482 issued by the FSC, the Consolidated Company obtained approval to apply the new regulations of reserve for foreign exchange valuation in May 2025. The amounts reclassified from policy reserves and special reserves to reserve for foreign exchange valuation were \$39,066,894 and \$1,354,257, respectively. Please refer to Note 6(22) for details.

In accordance with Jin-Guan-Pao-Tzai Letter No. 11404924811 issued by the FSC, the Consolidated Company released an amount of \$32,048,530 from policy reserves in June 2025. Included in this released amount, \$16,000,000 was allocated to reserve for foreign exchange valuation. Please refer to Note 6(22) for details.

B. The accounts eligible or ineligible for the reserve for foreign exchange valuation are as follows:

Item	For the six months ended June 30, 2025		
	Ineligible amount	Eligible amount	Impact
Net income	(\$ 16,469,173)	\$ 14,391,193	\$ 30,860,366
Earnings per share (unit: NT dollars)	(1.12)	0.98	2.10
Reserve for foreign exchange valuation	-	25,118,848	25,118,848
Total equity	285,685,853	297,881,217	12,195,364
Item	For the six months ended June 30, 2024		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 36,622,183	\$ 25,588,155	(\$ 11,034,028)
Earnings per share (unit: NT dollars)	2.49	1.74	(0.75)
Reserve for foreign exchange valuation	-	22,467,536	22,467,536
Total equity	392,253,291	374,232,783	(18,020,508)

(25) Provisions

	June 30, 2025	December 31, 2024	June 30, 2024
Provisions for employee benefits	\$ 3,452,278	\$ 3,490,720	\$ 3,581,836
Other provisions	235,799	245,118	232,662
	<u>\$ 3,688,077</u>	<u>\$ 3,735,838</u>	<u>\$ 3,814,498</u>

A. Provisions of the Consolidated Company include employee benefits, lawsuits, claims and dispute on labor insurance. Employee benefits and dispute on labor insurance are described in Note 6(26).

B. The details of other provisions are listed below:

	2025	2024
At January 1	\$ 245,118	\$ 229,634
Provisions	1,786	4,308
Recovery	(11,105)	(1,280)
At June 30	<u>\$ 235,799</u>	<u>\$ 232,662</u>

The actual amount and timing of payment of the above lawsuits, claims and new labor pension dispute between agents depends on each result of lawsuit, the policyholder's further requests or the competent authority's decision. The Consolidated Company uses professional legal advice or the percentage of occurrence to estimate the reasonability of provisions.

(26) Post-employee benefits

A. Defined benefit plans

The Consolidated Company has a defined benefit pension plan (the "Plan"), starting from April, 1998 in accordance with the "Labor Standards Law", covering all regular employees' service years prior to the enforcement of the "Labor Pension Act" on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Benefits under the Plan are based on participants' length of service and average salaries at

the time of retirement, with a benefit ceiling of 45 months of salary. The Consolidated Company makes a monthly provision and contributes an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. The remaining is recorded as accrued pension cost. The retirement fund balance is not included in the financial statements.

The Consolidated Company also sets up an employee welfare measure of group term life insurance, which applies to all employees who were on board before April 17, 2009. Upon retirement, the renewal of group term life insurance will be the same as at the time of retirement during the first year, and decrease by 50% of insurance after the year of retirement. It is valid for employees' whole life and all of the insurance payments are shouldered by the Consolidated Company.

For the three months ended June 30,		For the six months ended June 30,	
2025	2024	2025	2024
\$ 34,671	\$ 33,587	\$ 69,342	\$ 67,174

Note: Including capitalised construction in progress and intangible assets amounting to \$0 and \$52 for the six months ended June 30, 2025 and 2024, respectively.

Expected contributions to the defined benefit pension plans of the Consolidated Company in 2025 amount to \$80,377.

B. Defined contribution plans

Effective July 1, 2005, the Consolidated Company has established a defined contribution pension plan (the "New Plan") in accordance with the Labor Pension Act, covering all regular employees with R.O.C. nationality. Under the New Plan, the Consolidated Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. Pension expenses recognised by the Consolidated Company are as follows:

For the three months ended June 30,		For the six months ended June 30,	
2025	2024	2025	2024
\$ 82,453	\$ 82,403	\$ 164,789	\$ 162,157

Effective February 24, 2012, the Consolidated Company has provided labor insurance for certain field agents in accordance with order issued by the Bureau of Labor Insurance. For those field agents who have been enrolled in labor insurance under the order issued by the Bureau of Labor Insurance, the Consolidated Company is supposed to make contribution of labor pension for them accordingly. Thus, the above amounts include labor pension costs of those field agents.

The Consolidated Company has established the Employees' Retirement Fund Supervisory Committee (the "Committee"), based on the Employees' Retirement Fund Custody and Distribution Guidelines (the "Guidelines") in August, 2005 that apply to appointed managers, to administer the retirement fund. The Consolidated Company makes a monthly provision equal to at least 6% of appointed managers' salaries to the retirement fund for the Committee to handle. The Consolidated Company recognised pension expenses as follows:

For the three months ended June 30,		For the six months ended June 30,	
2025	2024	2025	2024
\$ 3,986	\$ 3,595	\$ 8,029	\$ 7,442

Note: Including pension expenses capitalised in construction in progress and intangible assets amounting to \$395 and \$461 for the six months ended June 30, 2025 and 2024, respectively.

C. Regarding the issue that some field agents requested the Consolidated Company's life insurance business to appropriate pension funds for them:

The Consolidated Company's life insurance business has always assigned work to the agents since 1970 and it is affirmed through 54 rulings rendered by civil courts that the relationship between field agents and the Consolidated Company's life insurance business is not a labor contractual relationship. However, a few agents claimed that it is a labor contractual relationship and hence legal disputes over Labor Standards Act, Labor Pension Act, Labor Insurance Act, Employment Insurance Act, and National Health Insurance Act have been raised. Earlier the administrative court dismissed the petition of the Consolidated Company's life insurance business for related administrative remedy. The administrative court, however, interprets the laws inconsistently with the abovementioned rulings rendered by the civil court and thus gives rise to conflict between the two adjudicative bodies.

In addition, the Executive Yuan had revoked the penalty decisions made by the Department of Labor, Taipei City Government with 5 petition decisions while Taipei City Government also revoked the penalty decisions made by the Department of Labor, Taipei City Government with 2 petition decisions.

It indicates that what a few field agents contested is legally contentious. To end the disputes, the Consolidated Company's life insurance business petitioned for the interpretation by Grand Justices. On October 21, 2016, the Judicial Yuan Interpretation No. 740 was released and stated that whether the labor contract entered by an insurance agent and the assigning company falls under the labor contract stipulated in subparagraph 6 of Article 2 of Labor Standards Act depends on whether the labor debtor (insurance agent) is able to decide the method of labor (including working hours) and whether he/she bears the business risk (e.g. the payment is based on the premium accrued from the policy he/she solicited), instead of determining the nature of contract in compliance with the provisions of Regulations Governing the Supervision of Insurance Solicitors.

As the J.Y. Interpretation illustrates, the relationship between the Consolidated Company's life insurance business and the agents does not fall under the definition of labor contract provided in the Labor Standards Act and thus related regulations such as Labor Standards Act does not apply. The Consolidated Company's life insurance business is not obliged to appropriate pension funds for field agents. The Consolidated Company's life insurance business respects the J.Y. Interpretation, complies with the substance of the interpretation, and follows the appropriate proceedings to settle the disputes.

(27) Other liabilities

	June 30, 2025	December 31, 2024	June 30, 2024
Advance receipts and temporary credits	\$ 1,254,699	\$ 1,587,152	\$ 1,292,037
Guarantee deposits received	69,050,700	1,028,066	1,098,644
Accrued policy dividends	26,971,834	27,433,850	26,113,441
	<u>\$ 97,277,233</u>	<u>\$ 30,049,068</u>	<u>\$ 28,504,122</u>

(28) Equity

A. Capital

As of June 30, 2025, December 31, 2024 and June 30, 2024, the Company's authorised capital both amounted to \$180,000,000, whereas paid-in capital are \$146,992,460, \$146,992,460 and \$138,219,000, respectively. All stocks issued by the Company are common stocks with par value at NT \$10. All proceeds from shares issued have been collected.

On June 19, 2024, the shareholders' meeting resolved to increase capital from undistributed earnings by \$8,773,460, by issuing 877,346 thousand shares, with an ex-right date set for August 5, 2024.

B. Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserves is insufficient. As of June 30, 2025, all the capital surplus is the premium on issuance of shares exceeding par value.

C. Retained earnings and earnings distribution

(a) The Company's Articles of Incorporation provided that where a profit is accrued during the year, the earnings should be reserved to pay all taxes and dues and offset accumulated deficit. Then set aside legal reserves and appropriate special reserves out of the remaining earnings in accordance with the laws and regulations of competent authority. For the accumulated amount of debit balance on other equity interest of prior periods, the same amount of special reserves should be provisioned from prior undistributed earnings. The distribution plan for the remaining plus beginning undistributed earnings shall be proposed by the Board of Directors and resolved by the stockholders at the stockholders' meeting. The dividend distribution of the Company is based on a strong foundational structure, well-maintained capital adequacy ratio and focused on the benefit of stockholders. The percentage between stock dividend and cash dividend is adjusted based on the actual annual earnings and capital position in the current year.

Legal reserves can be used for covering accumulated deficit. The use of legal reserves for the issuance of new stocks or cash to shareholders is permitted, provided that the distribution of the reverse is limited to the portion in excess of 25% of the Company's paid-in capital. Information about the appropriation of earnings by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

For information relating to employees' compensation (bonus), please refer to Note 6(36).

(b) On June 11, 2025 and June 19, 2024, the Company held the shareholders' meetings and approved the appropriation of earnings for the year ended December 31, 2024, as well as the appropriation of earnings and the capitalisation of earnings for the year ended December 31, 2023, respectively.

	2024	2023
Legal reserve	\$ 8,501,464	\$ 4,326,405
Special reserve	34,005,859	8,532,158
Capitalisation of earnings	-	8,773,460

(c) Special reserve under equity

	June 30, 2025	December 31, 2024	June 30, 2024
Catastrophe reserves and risk claim reserves	\$ 37,982,515	\$ 36,711,073	\$ 35,884,654
Reserve for foreign exchange valuation	65,590,550	52,344,245	52,344,245
Reserve for real estate appreciation recovery	5,417,029	5,417,029	5,417,029
The net affected amounts of adoption of the fair value of investment property	16,914,322	18,651,344	18,651,344
Gain from disposal of the financial debt instruments before their maturities	59,386,817	63,678,280	63,678,280
Debit balance on other equity interest	50,072,334	25,540,433	25,540,433
Variable interest rate products	7,929,252	7,929,252	7,929,252
Others	9,250,010	9,225,125	9,091,733
	<u>\$ 252,542,829</u>	<u>\$ 219,496,781</u>	<u>\$ 218,536,970</u>

I. Catastrophe reserves and risk claim reserves

(i) The net movement of special reserves after tax

The additional provision of special reserves should be recognised to “special reserves under equity” after tax. In addition, when the special reserves are insufficient to write off or recover with respect to the amounts that can be written-off or recovered, the “special reserves under equity” is used to write-off or recover the deficiency.

(ii) Risk claim reserves recovered

Pursuant to regulations on appropriation of provisions for insurance industry, the Company recovered after-tax balance of special reserves for hazard change. In accordance with Tai-Tsai-Bao Letter No. 0920700594 issued by Ministry of Finance on January 24, 2003, the amount is classified as special reserves under equity after being recognised at the shareholders’ meeting in the next year. Any other appropriation or purpose of use is subject to an approval.

II. Reserve for foreign exchange valuation

(i) According to the Guidance for Reserve for Foreign Exchange Valuation of Life Insurance Enterprises, life insurance enterprises should recognise the saved hedging cost to the special reserves under equity annually. The special reserves under equity can be made in the subsequent years when the earnings of current year are

insufficient. The aforementioned special reserves under equity only can be reversed to increase capital or offset against accumulated deficit.

- (ii) According to the Guidance for Reserve for Foreign Exchange Valuation of Life Insurance Enterprises and Jin-Guan-Bao-Tsai Letter No.1090490453, the Company shall set aside 10% of after-tax net income and the amount of other profit (or loss) items adjusted to the current year's undistributed earnings in the current year as a special reserves except upon obtaining approval from FSC.
- (iii) According to the "Regulation Governing the Setting Aside of Various Reserves for Insurance Enterprises", the initial amount of reserves for foreign exchange amounting to \$3,486,612 has been entirely transferred to special reserves under equity.

III. Reserve for real estate appreciation

In accordance with Jin-Guan-Bao-Tsai Letter No. 10102515281 dated November 30, 2012, the Company recovered an amount from real estate value-added special reserves for the year ended December 31, 2013 amounting to \$5,417,029, which has been transferred to special reserves under equity as approved at shareholders' meeting in 2014.

IV. Fair value measurement of investment property

According to Jin-Guan-Bao-Tsai Letter No. 10402501001 dated January 23, 2015 and Jin-Guan-Zheng-Fa Letter No. 10901500221 dated March 30, 2021, the life insurance enterprises should set aside special reserves from the remainder of \$12,143,233 for net effect of subsequent measurement of investment property arising from first-time adoption of fair value model less additional liability reserves that should be set aside for valid contract fair value assessment. The remainder is used only for making up the insufficient amount of liability reserves in the subsequent periods based on the valid contract fair value assessment as approved by the competent authority and stabilizing financial structure in provision of additional reserves in connection with the second phase of IFRS 4, 'Insurance Contracts' in the future. In addition, in pursuant to Jin-Guan-Bao-Tsai Letter No. 10904917647 dated May 11, 2020, the aforementioned letter was revoked. The life insurance enterprises should set aside special reserves from net effect of subsequent measurement of investment property arising from first-time adoption of fair value model and net cumulative incremental gains after tax arising from changes in fair value in subsequent periods, which is not allowed to distribute under the regulation specified in Jin-Guan-Bao-Tsai Letter No. 10904917647, and the special reserves are used only for making up the insufficient amount of insurance contract liabilities in the subsequent periods based on the valid contract in accordance with IFRS 17, the life insurance business's fair value assessment on valid insurance contract liabilities and other designated valuation method. If the investment property whose special reserves had been used to make up the insufficient amount of insurance contract liabilities can be reversed based on the its original provision ratio after having approval. If the reversed special reserves would be included in the earnings distribution, it should be in accordance with Jin-Guan-Bao-Tsai Letter No. 10202501992.

V. Gain from disposal of the financial debt instruments before their maturities

In accordance with Jin-Guan-Bao-Tsai Letter No. 11204939731 dated November 13, 2023, beginning from January 1, 2019, once the Company disposes the financial debt

instruments before their maturities, the disposal gain and loss, after tax, it should be fully transferred from retained earnings to special reserves, which should be amortised and released to distributable earnings in the remaining maturity periods of the disposed debt instruments or in 10 years for those whose remaining maturity period cannot be determined.

- (i) Financial assets not measured at fair value.
- (ii) Financial assets whose changes are recognised in other comprehensive income measured at fair value.
- (iii) Financial assets whose changes are recognised in profit or loss measured at fair value and applied overlay approach.

Fund beneficiary certification, short-term notes and bills, equity preference share and position of segregate asset in relation to participating policy or floating-rate insurance policy can be excluded in the abovementioned unmatured debt instruments.

For the year ended December 31, 2023, the net reversal for special reserves amounted to \$4,687,044 in accordance with regulations and self-assessment, which had been approved at the shareholders' meeting in 2024. Additionally, the net reversal amount of \$4,291,463 for the year ended December 31, 2024, based on legal requirements and self-assessment, has been reserved after the resolution of the shareholders' meeting 2025. After the reversal, the accumulated balance of special reserves after reversal was \$59,386,817.

As of June 30, 2025, December 31, 2024 and June 30, 2024, in accordance with the regulations mentioned above, the special reserves will be provisioned and the balances will be \$59,386,817, \$63,678,280 and \$63,678,280, respectively.

VI. Debit balance on other equity interest

According to Jin-Guan-Bao-Tsai Letter No. 10102508861, the Company shall set aside special reserves from the debit balance on other equity items at the end of the reporting period before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. According to Jin-Guan-Bao-Tsai Letter No. 11004920441 starting from the distribution of 2021 earnings, the Company should provision from prior undistributed earnings for the accumulated amount of the debit balance on other equity interest of the prior periods as special reserves which could not be distributed. Additionally, according to Jin-Guan-Bao-Tsai Letter No. 11104942741, when distributing earnings, the changes in the fair value from reclassified financial assets were accounted into the debit balance on other equity interest, while the special reserves are provisioned according to the amount incurred in the current year. Subsequently, when the total debit changes (including disposals) in the fair value from reclassification of financial assets and debit balance on other equity interest is reversed, the reversed amount could be included in the distributable earnings.

VII. Variable interest rate products

In accordance with Jin-Guan-Bao-Tsai Letter No. 10804963711 dated January 16, 2020, beginning from July 1, 2020, if the Company still has distributable earnings after the appropriation of the abovementioned special reserves, it should set aside the special reserves in an amount equal to 20% of after-tax increase in variable interest rate product assets' value exceeding the reserves in each current-year segregate account. If the Company will appropriate the gain and loss from disposal of the segregate account's

financial debt instruments before their maturities, based on Jin-Guan-Bao-Tsai Letter No. 11204939731 dated November 13, 2023, to this year's special reserves, the amount should be excluded from this year's calculation for Jin-Guan-Bao-Tsai Letter No. 11204939731's special reserves. The cap of this special reserves will be equal to the differences, net of tax, between the current year's asset value and the reserves in the segregate account. In the future, if the balance of this reserves exceeds the cap, the difference between the balance and the cap can be reversed by the Company in that financial year. The aforementioned asset value needs to exclude unrealised gain or loss on financial assets at fair value through other comprehensive income and gain or loss on reclassification using overlay approach.

VIII. Others

(a) Special reserves for Fintech development

According to Jin-Guan-Bao-Tsai Letter No.10502066461 dated July 13, 2016, insurance companies are required to appropriate 0.5% to 1% of annual net income as special reserves for the years ended December 31, 2016 to 2018. And from the next year of appropriating special reserves, the companies can reverse to the extent not beyond the same amount of special reserves where expenses incurred for employees trainings and protection of employees' right. However, in pursuant to Jin-Guan-Pao-Tsai Letter No. 10804932431 dated July 30, 2019, the companies are no longer required to set aside the special reserves starting from 2019. And the special reserves set aside in the previous years can be used for the aforementioned expenditures.

(b) Dividend offset reserves

According to Jin-Guan-Bao-Tsai Letter No. 10600012450, the Company has reclassified \$729,626, which was the after-tax amount of dividend offset reserves resulting from the transfer of assets and liabilities by the Chaoyang branch on May 2, 2017 (\$879,067 before-tax), from insurance contract liabilities into special reserves. Any change in dividend offset reserves in the following reporting periods will also be recognised in special reserves in an after-tax amount. The special reserves mentioned above should neither be distributed as dividends nor used in other purposes without the approval of the component authority.

(c) Disability support insurance products

In accordance with Jin-Guan-Bao-Tsai Letter No. 11004908861 dated March 26, 2021, beginning from the year ending 2020, the life insurance business should recognise special reserves for all its net profit after tax from disability insurance. If current net profit is insufficient to cover the amount, it should be made in the subsequent years. In the subsequent years, if there is a deficit generated from disability support insurance, the special reserves could be reversed in the originally recognised amount.

(d) Travel accident insurance

In accordance with Jin-Guan-Bao-Tsai Letter No. 11304908291 dated April 26, 2024, to strengthen the financial structure of the insurance industry, the insurance companies must, at the end of each fiscal year, act in accordance with the “Table of Standard Premiums for Accident, Death, and Disability Benefits under Individual Travel Accident Insurance” to provision premium income as special reserves. This provision amount is calculated as follows: 10% of total premium income, which is calculated from insurance amount and number of insurance days, minus 20% of nominal tax.

(e) Other special reserves under equity

The Company provisioned special reserves of 2021 according to the approval of the FSC Insurance Bureau to strengthen the solvency of the Company.

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D. Other equity interest

	Exchange differences on translation of foreign operation	Unrealised gain or (loss) on financial assets at fair value through other comprehensive income	Unrealised revaluation increments	Other comprehensive gain or (loss) on reclassification using overlay approach	Total
January 1, 2025	\$ 6,238	(\$ 39,124,951)	\$ 250,140	(\$ 71,516,228)	(\$ 110,384,801)
Amounts recognised in other comprehensive income	(65,763)	6,820,494	25,829	(92,250,912)	(85,470,352)
Amounts included in equity adjustment items of associates accounted for using equity method	(11,252)	573	-	-	(10,679)
Amounts reclassified to profit or loss	-	(135,016)	-	-	(135,016)
Disposal of equity instruments at fair value through other comprehensive income	-	(273)	-	-	(273)
Effect on income tax	-	(1,271,053)	(3,147)	14,121,485	12,847,285
June 30, 2025	<u>(\$ 70,777)</u>	<u>(\$ 33,710,226)</u>	<u>\$ 272,822</u>	<u>(\$ 149,645,655)</u>	<u>(\$ 183,153,836)</u>

	Exchange differences on translation of foreign operation	Unrealised gain or (loss) on financial assets at fair value through other comprehensive income	Unrealised revaluation increments	Other comprehensive gain or (loss) on reclassification using overlay approach	Total
January 1, 2024	(\$ 6,242)	(\$ 22,573,394)	\$ 221,965	(\$ 57,900,432)	(\$ 80,258,103)
Amounts recognised in other comprehensive income	4,411	(9,089,367)	28,175	15,742,672	6,685,891
Amounts included in equity adjustment items of associates accounted for using equity method	5,578	234	-	-	5,812
Amounts reclassified to profit or loss	-	(839,739)	-	-	(839,739)
Effect on income tax	-	1,804,024	-	(2,889,522)	(1,085,498)
June 30, 2024	<u>\$ 3,747</u>	<u>(\$ 30,698,242)</u>	<u>\$ 250,140</u>	<u>(\$ 45,047,282)</u>	<u>(\$ 75,491,637)</u>

(29) Income tax

A. Components of income tax (benefit) expense are as follows:

	For the three months ended June 30,	
	2025	2024
Current income tax		
Current tax on profits for the period	\$ 2,552,227	(\$ 582,415)
Prior year income tax underestimation (overestimation)	209	(38,444)
Foreign tax paid	(2,025,150)	697,621
Land value increment tax	-	19,700
Deferred tax		
Origination and reversal of temporary differences	(3,886,492)	792,642
Income tax (benefit) expense	<u>(\$ 3,359,206)</u>	<u>\$ 889,104</u>
	For the six months ended June 30,	
	2025	2024
Current income tax		
Current tax on profits for the period	\$ 2,552,227	\$ 58,625
Prior year income tax (overestimation) underestimation	(307,253)	9,735
Foreign tax paid	155,391	735,079
Land value increment tax	-	121,601
Deferred tax		
Origination and reversal of temporary differences	(2,192,832)	629,376
Income tax expense	<u>\$ 207,533</u>	<u>\$ 1,554,416</u>

- B. The income tax (benefit) expense relating to components of other comprehensive income is as follows:

		For the three months ended June 30,	
		2025	2024
Unrealised gain or loss on financial assets at fair value through other comprehensive income	\$	626,457	(\$ 938,751)
Other comprehensive income on reclassification under the overlay approach	(	8,635,790)	312,631
Revaluation increment of real estate		3,147	-
	(\$	8,006,186)	(\$ 626,120)
		For the six months ended June 30,	
		2025	2024
Unrealised gain or loss on financial assets at fair value through other comprehensive income	\$	1,271,053	(\$ 1,804,024)
Other comprehensive income on reclassification under the overlay approach	(	14,121,485)	2,889,522
Revaluation increment of real estate		3,147	-
	(\$	12,847,285)	\$ 1,085,498

- C. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority. However, the Company has taken administrative remedy by the statutory period for the adjustment of income tax returns assessed by the National Taxation Bureau for the years ended December 31, 2016 to 2021. The Company has set government bonds and land as collateral for the corporate income tax adjustments determined by the tax authorities for the years 2016, 2017, 2020 and 2021. The restriction on the land was lifted on February 4, 2025.

The income tax returns of the Consolidated Company's property insurance business through 2022 have been assessed and approved by the Tax Authority.

- D. The Consolidated Company recognised deferred tax assets given that the future taxable income is sufficient for deductible temporary difference after taking into account future income growth and rate of return.
- E. For some subsidiaries of the Consolidated Company, the Pillar Two income tax legislation has been enacted in the countries where they are registered, including Singapore. The enacted Pillar Two income tax legislation does not have a significant impact on the current income tax expense of the Consolidated Company. The Consolidated Company will continue to assess the impact of the Pillar Two income tax legislation on its future financial performance.

(30) Earnings per share

Earnings per share of the Consolidated Company with simple capital structure are as follows:

	For the three months ended June 30,	
	2025	2024
Net income	\$ 21,991,002	\$ 12,108,098
Weighted average shares outstanding (unit: thousand shares)	14,699,246	14,699,246
Earnings per share (unit: NT dollars)	\$ 0.15	\$ 0.82
	For the six months ended June 30,	
	2025	2024
Net income	\$ 14,391,193	\$ 25,588,155
Weighted average shares outstanding (unit: thousand shares)	14,699,246	14,699,246
Earnings per share (unit: NT dollars)	\$ 0.98	\$ 1.74

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(31) Retention earned premium income

For the three months ended June 30, 2025					
	Life insurance		Property insurance		
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	Total
Premiums income	\$ 61,418,800	\$ 475,672	\$ 200,770	\$ 2,352,011	\$ 64,447,253
Reinsurance premium written	-	-	67,756	13,955	81,711
Less:					
Reinsurance premium ceded	(1,217,048)	-	(82,571)	(471,038)	(1,770,657)
Net change in unearned premiums reserves	(554,463)	(60)	(4,974)	(67,626)	(627,123)
Retention earned premium income	<u>\$ 59,647,289</u>	<u>\$ 475,612</u>	<u>\$ 180,981</u>	<u>\$ 1,827,302</u>	<u>\$ 62,131,184</u>

For the three months ended June 30, 2024					
	Life insurance		Property insurance		
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	Total
Premiums income	\$ 62,094,217	\$ 594,056	\$ 189,567	\$ 2,073,984	\$ 64,951,824
Reinsurance premium written	-	-	62,028	9,369	71,397
Less:					
Reinsurance premium ceded	(1,152,782)	-	(77,947)	(404,877)	(1,635,606)
Net change in unearned premiums reserves	(354,100)	(123)	(2,325)	(196,070)	(552,618)
Retention earned premium income	<u>\$ 60,587,335</u>	<u>\$ 593,933</u>	<u>\$ 171,323</u>	<u>\$ 1,482,406</u>	<u>\$ 62,834,997</u>

For the six months ended June 30, 2025					
	Life insurance		Property insurance		Total
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	
Premiums income	\$ 126,232,588	\$ 1,114,245	\$ 400,165	\$ 4,711,191	\$ 132,458,189
Reinsurance premium written	-	-	135,316	24,506	159,822
Less:					
Reinsurance premium ceded	(2,429,956)	-	(164,334)	(823,175)	(3,417,465)
Net change in unearned premiums reserves	(854,159)	(13)	(6,444)	(223,013)	(1,083,629)
Retention earned premium income	<u>\$ 122,948,473</u>	<u>\$ 1,114,232</u>	<u>\$ 364,703</u>	<u>\$ 3,689,509</u>	<u>\$ 128,116,917</u>
For the six months ended June 30, 2024					
	Life insurance		Property insurance		Total
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	
Premiums income	\$ 129,206,157	\$ 1,522,843	\$ 381,494	\$ 4,073,260	\$ 135,183,754
Reinsurance premium written	-	-	129,705	21,257	150,962
Less:					
Reinsurance premium ceded	(2,285,710)	-	(156,716)	(602,811)	(3,045,237)
Net change in unearned premiums reserves	(928,415)	(164)	(7,199)	(559,682)	(1,495,460)
Retention earned premium income	<u>\$ 125,992,032</u>	<u>\$ 1,522,679</u>	<u>\$ 347,284</u>	<u>\$ 2,932,024</u>	<u>\$ 130,794,019</u>

(32) Retention claims and policy benefits payments

For the three months ended June 30, 2025					
	Life insurance		Property insurance		Total
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	
Claims and policy benefits payments	\$ 83,298,957	\$ 7,280,116	\$ 133,975	\$ 874,986	\$ 91,588,034
Reinsurance claims paid	-	-	57,139	3,086	60,225
Less:					
Claims recovered from reinsurers	(484,088)	-	(77,314)	(53,843)	(615,245)
Retention claims and policy benefits payments	<u>\$ 82,814,869</u>	<u>\$ 7,280,116</u>	<u>\$ 113,800</u>	<u>\$ 824,229</u>	<u>\$ 91,033,014</u>
For the three months ended June 30, 2024					
	Life insurance		Property insurance		Total
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	
Claims and policy benefits payments	\$ 83,213,986	\$ 9,685,643	\$ 128,698	\$ 957,463	\$ 93,985,790
Reinsurance claims paid	-	-	53,471	2,947	56,418
Less:					
Claims recovered from reinsurers	(451,793)	-	(75,165)	(197,447)	(724,405)
Retention claims and policy benefits payments	<u>\$ 82,762,193</u>	<u>\$ 9,685,643</u>	<u>\$ 107,004</u>	<u>\$ 762,963</u>	<u>\$ 93,317,803</u>

For the six months ended June 30, 2025					
	Life insurance		Property insurance		
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	Total
Claims and policy benefits payments	\$ 156,582,947	\$ 15,290,979	\$ 239,521	\$ 1,675,585	\$ 173,789,032
Reinsurance claims paid	-	-	117,088	15,184	132,272
Less:					
Claims recovered from reinsurers	(1,048,283)	-	(139,202)	(137,651)	(1,325,136)
Retention claims and policy benefits payments	<u>\$ 155,534,664</u>	<u>\$ 15,290,979</u>	<u>\$ 217,407</u>	<u>\$ 1,553,118</u>	<u>\$ 172,596,168</u>
For the six months ended June 30, 2024					
	Life insurance		Property insurance		
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	Total
Claims and policy benefits payments	\$ 155,500,904	\$ 18,463,971	\$ 246,422	\$ 1,831,314	\$ 176,042,611
Reinsurance claims paid	-	-	114,975	3,838	118,813
Less:					
Claims recovered from reinsurers	(875,042)	-	(146,253)	(466,919)	(1,488,214)
Retention claims and policy benefits payments	<u>\$ 154,625,862</u>	<u>\$ 18,463,971</u>	<u>\$ 215,144</u>	<u>\$ 1,368,233</u>	<u>\$ 174,673,210</u>

(33) Interest income

	For the three months ended June 30,	
	2025	2024
Cash and cash equivalents	\$ 719,624	\$ 653,576
Financial assets at fair value through other comprehensive income	2,832,906	2,972,688
Financial assets at amortised cost	29,273,366	30,703,406
Loans	1,292,739	1,310,785
Refundable deposits of derivative instruments	65,296	81,229
	<u>\$ 34,183,931</u>	<u>\$ 35,721,684</u>
	For the six months ended June 30,	
	2025	2024
Cash and cash equivalents	\$ 1,287,501	\$ 1,342,538
Financial assets at fair value through other comprehensive income	5,733,832	5,798,402
Financial assets at amortised cost	60,326,656	60,607,560
Loans	2,597,610	2,621,076
Refundable deposits of derivative instruments	124,587	126,428
	<u>\$ 70,070,186</u>	<u>\$ 70,496,004</u>

(34) Expected credit loss (reversal) from investments and non-investments

	For the three months ended June 30,	
	2025	2024
Operating revenue-expected credit loss from investments		
Debt instrument investments measured at fair value through other comprehensive income	\$ 1,371	\$ 1,498
Financial assets at amortised cost	(44,762)	49,562
Bond interest receivable	484,571	530,570
Loans and loan interest receivable	(16,972)	(16,466)
Lease payments receivable	8,536	171
	<u>432,744</u>	<u>565,335</u>
Operating expense-expected credit reversal from non-investments		
Receivable (excluding bond interest receivable and loan interest receivable)	(8,645)	(2)
Expected credit loss	<u>\$ 424,099</u>	<u>\$ 565,333</u>

		For the six months ended June 30,	
		2025	2024
Operating revenue-expected credit loss from investments			
Debt instrument investments measured at fair value through other comprehensive income	\$	85	\$ 10,023
Financial assets at amortised cost	(	110,278)	(344,402)
Bond interest receivable		808,703	839,686
Loans and loan interest receivable	(	27,141)	(28,582)
Lease payments receivable		9,573	1,553
		<u>680,942</u>	<u>478,278</u>
Operating expense-expected credit reversal from non-investments			
Receivable (excluding bond interest receivable and loan interest receivable)	(	4,485)	(9,744)
Expected credit loss	\$	<u>676,457</u>	\$ <u>468,534</u>
(35) Finance costs			
		For the three months ended June 30,	
		2025	2024
Debt instrument investments	\$	932,578	\$ 502,727
Default interest for claims		17,931	16,761
Bonds sold under repurchase agreements		97,221	127,674
Lease liabilities		5,986	2,402
Refundable deposits of derivative instruments		404,615	1,675
	\$	<u>1,458,331</u>	\$ <u>651,239</u>
		For the six months ended June 30,	
		2025	2024
Debt instrument investments	\$	1,817,880	\$ 1,003,043
Default interest for claims		33,862	31,183
Bonds sold under repurchase agreements		139,188	206,974
Lease liabilities		11,981	4,321
Refundable deposits of derivative instruments		404,829	35,584
	\$	<u>2,407,740</u>	\$ <u>1,281,105</u>

(36) Employee benefit expenses, depreciation and amortisation

	For the three months ended June 30,	
	2025	2024
Employee benefit expenses		
Salaries	\$ 1,809,846	\$ 1,847,020
Employees' insurance	114,773	109,768
Pension	120,906	119,422
Others	66,603	57,303
	<u>\$ 2,112,128</u>	<u>\$ 2,133,513</u>
Depreciation and amortisation (Note)	<u>\$ 696,428</u>	<u>\$ 622,809</u>
	For the six months ended June 30,	
	2025	2024
Employee benefit expenses		
Salaries	\$ 3,538,288	\$ 3,465,089
Employees' insurance	284,354	266,116
Pension	241,765	236,260
Others	136,561	139,037
	<u>\$ 4,200,968</u>	<u>\$ 4,106,502</u>
Depreciation and amortisation (Note)	<u>\$ 1,385,431</u>	<u>\$ 1,216,112</u>

Note: Including depreciation charge of investment properties measured subsequently using the cost model, which is classified as gain or loss on investment property.

- A. As of June 30, 2025 and 2024, the Consolidated Company had 5,015 and 4,946 employees, respectively. The number of directors that were not concurrently employed were both 17.
- B. The Consolidated Company's Articles of Incorporation provided that the annual income, after deducting accumulated deficit, if any, shall be appropriated by no lower than 0.5% as employees' compensation for the Consolidated Company. For the three and six months ended June 30, 2025 and 2024, the employees' compensation was accrued at (\$57,676), \$74,225, \$2,603 and \$130,576, respectively. The amount was estimated with 0.5% based on the profitability of the Consolidated Company. There was no difference between the amounts resolved by the Board of Directors in 2024 amounting to \$219,207 and the amounts recognised in the 2024 financial statements. The employees' compensation was distributed by cash. Information about employees' compensation of the Consolidated Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(37) Supplemental cash flow information

Investing activities with partial cash payments:

	For the six months ended June 30,	
	2025	2024
Acquisition of investment property	\$ 1,890,304	\$ 2,584,978
Acquisition of property and equipment	1,852,213	588,618
Increase in intangible assets	111,701	208,513
Add: Payable at beginning of period - investment property	196,857	565,292
Add: Payable at beginning of period - property and equipment	1,013	1,004
Add: Payable at beginning of period - intangible assets	1,545	9,501
Less: Payable at ending of period - investment property (	260,196) (	152,203)
Less: Payable at ending of period - intangible assets (	2,734) (	2,810)
Cash payments	<u>\$ 3,790,703</u>	<u>\$ 3,802,893</u>

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7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Consolidated Company</u>
Ruen Chen Investment Holding Co., Ltd.	Consolidated Company's parent
Ruentex Development Co., Ltd.	Entity having significant influence
Ruentex Industries Co., Ltd.	Entity having significant influence
Pou Chen Corporation	Entity having significant influence
Nan Shan Plaza Property Management Co., Ltd.	Consolidated Company's affiliate
Fuh Hwa Securities Investment Trust Co., Ltd.	Consolidated Company's affiliate
Huei Hong Investment Co., Ltd.	Other related party
Chang Chun Investment Co., Ltd.	Other related party
Yi Tai Investment Co., Ltd.	Other related party
Ruentex Interior Design Inc.	Other related party
Ruentex Management & Maintenance Co., Ltd.	Other related party
Ruentex Engineering & Construction Co., Ltd.	Other related party
Ruentex Materials Co., Ltd.	Other related party
Ruen Fu Newlife Corp.	Other related party
Kompass Global Sourcing Solutions Ltd.	Other related party
Ruentex Security Co., Ltd.	Other related party
Ruentex Xu-Zhan Development Co., Ltd.	Other related party
Ruentex Construction Development Co., Ltd.	Other related party
Ruentex Bai-Yi Development Co., Ltd.	Other related party
Ruentex Construction Co., Ltd.	Other related party
Ruentex Innovative Development Co., Ltd.	Other related party
Runyang Construction Co., Ltd.	Other related party
Ruen Shin Healthcare Co., Ltd.	Other related party
Shing Yen Construction Development Co., Ltd.	Other related party
Nan Shan Life Charity Foundation	Other related party
Sunny Friend Environmental Technology Co., Ltd.	Other related party
OBI Pharma Inc.	Other related party
Taimed Biologics Inc.	Other related party
Gogoro Network (Cayman), Taiwan Branch	Other related party
Gogoro Taiwan Ltd.	Other related party
GoPocket Taiwan Ltd.	Other related party
Gogoro Taiwan Sales and Services Ltd.	Other related party
GoShare Taiwan Ltd.	Other related party
Directors, key management and its close relatives	Key management and its close relatives

(2) Significant transactions and balances with related parties

Significant related party transactions and balances are as follows:

A. Premium income

	For the three months ended June 30,	
	2025	2024
Significant influence entities	\$ 6,067	\$ 3,511
Consolidated Company's affiliates	6	7
Key management and its close relatives	18,347	16,326
Other related parties	52,736	12,639
	<u>\$ 77,156</u>	<u>\$ 32,483</u>
	For the six months ended June 30,	
	2025	2024
Significant influence entities	\$ 27,049	\$ 7,340
Consolidated Company's affiliates	8	8
Key management and its close relatives	49,915	43,553
Other related parties	62,432	23,669
	<u>\$ 139,404</u>	<u>\$ 74,570</u>

There is no significant difference between related party and non-related party in terms of underwriting and collection.

B. Fee income

	For the three months ended June 30,	
	2025	2024
Consolidated Company's affiliates	\$ 15,089	\$ 22,697
	For the six months ended June 30,	
	2025	2024
Consolidated Company's affiliates	\$ 33,304	\$ 46,410

C. Donations (shown as administrative expenses)

	For the three months ended June 30,	
	2025	2024
Other related parties	\$ 257	\$ 245
	For the six months ended June 30,	
	2025	2024
Other related parties	\$ 20,493	\$ 20,485

D. Key management compensation

	For the three months ended June 30,	
	2025	2024
Salaries and other short-term employee benefits	\$ 163,480	\$ 155,895
Post-employment benefits	8,413	7,858
	<u>\$ 171,893</u>	<u>\$ 163,753</u>
	For the six months ended June 30,	
	2025	2024
Salaries and other short-term employee benefits	\$ 336,928	\$ 327,617
Post-employment benefits	16,548	15,534
	<u>\$ 353,476</u>	<u>\$ 343,151</u>

E. Other receivables (shown as receivables)

	June 30, 2025	December 31, 2024	June 30, 2024
Consolidated Company's affiliates	<u>\$ 91,393</u>	<u>\$ 94,474</u>	<u>\$ 100,803</u>

F. Balance of funds managed by related parties

	June 30, 2025	December 31, 2024	June 30, 2024
Consolidated Company's affiliates	<u>\$ 33,765,563</u>	<u>\$ 37,640,002</u>	<u>\$ 37,704,731</u>

The dividend income generated by the fund are as follows:

	For the three months ended June 30,	
	2025	2024
Consolidated Company's affiliates	<u>\$ 368,709</u>	<u>\$ 359,382</u>
	For the six months ended June 30,	
	2025	2024
Consolidated Company's affiliates	<u>\$ 736,336</u>	<u>\$ 723,408</u>

G. Secured loans

Balances of secured loans lent to key management and its close relatives are as follows:

	June 30, 2025	December 31, 2024	June 30, 2024
Key management and its close relatives	<u>\$ 25,598</u>	<u>\$ 26,765</u>	<u>\$ 30,952</u>

The related interest income on the loans are as follows:

	For the three months ended June 30,	
	2025	2024
Key management and its close relatives	<u>\$ 142</u>	<u>\$ 166</u>
	For the six months ended June 30,	
	2025	2024
Key management and its close relatives	<u>\$ 269</u>	<u>\$ 329</u>

There is no significant difference between related party and non-related party in terms of secured loans.

H. Bonds payable

	June 30, 2025	December 31, 2024	June 30, 2024
Significant influence entities	\$ 310,000	\$ 310,000	\$ 310,000
Other related party	500,000	500,000	500,000
	<u>\$ 810,000</u>	<u>\$ 810,000</u>	<u>\$ 810,000</u>

The interest expense and interest payable resulting from the abovementioned bonds payable are listed as follows:

(a) Interest expense

	For the three months ended June 30,	
	2025	2024
Significant influence entities	\$ 2,667	\$ 2,698
Other related party	4,303	4,352
	<u>\$ 6,970</u>	<u>\$ 7,050</u>
	For the six months ended June 30,	
	2025	2024
Significant influence entities	\$ 5,380	\$ 5,396
Other related party	8,678	8,703
	<u>\$ 14,058</u>	<u>\$ 14,099</u>

(b) Interest payable

	June 30, 2025	December 31, 2024	June 30, 2024
Significant influence entities	\$ 208	\$ 5,678	\$ 208
Other related party	336	9,158	336
	<u>\$ 544</u>	<u>\$ 14,836</u>	<u>\$ 544</u>

(3) Commitments

A. The Consolidated Company committed to the Financial Supervisory Commission, Executive Yuan on August 29, 2011, that it will not enter into any of the following transactions with Ruen Chen unless the regulatory agency approves it:

- Provide loans to Ruen Chen and its six stockholders (including Ruextax Development Co., Ltd., Ruentax Industries Ltd., Pou Chen Corp., Chang Chun Investment Co., Ltd., Yitai Investment Co., Ltd. and Hue Hong Investment Co., Ltd.), Samuel Yin, Tsai Chi Jui and their related parties (jointly referred herein as “Ruen Chen and its related parties”).
- Invest in common stock, preferred stock and other securities which are issued by Ruen Chen and its related parties.
- Purchase real estate from Ruen Chen and its related parties.
- Co-develop real estate with Ruen Chen and its related parties.

B. Endorsement and Guarantee for Others

In accordance with the provisions of Article 3 of the ‘Directions for Issuance of Bonds with Capital Characteristics by Insurance Companies’, the Consolidated Company's life insurance business provided a guarantee for bonds with capital characteristics issued by Nanshan Life Pte. Ltd.

	June 30, 2025	December 31, 2024	June 30, 2024
Nanshan Life Pte.Ltd.	\$ 20,931,400	\$ 22,946,700	\$ -

8. PLEDGED ASSETS

Please refer to Notes 6(16) and (29) for details.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Commitments

- A. The Consolidated Company had signed the design and construction contracts but has not yet recognised the amounts (tax included) as follows:

June 30, 2025	December 31, 2024	June 30, 2024
\$ 22,866,716	\$ 23,290,933	\$ 24,639,619

- B. Operating lease agreements

Please refer to Note 6(13).

- C. As of June 30, 2025, the upper limit of remaining capital commitment for the contracted private placement of the Consolidated Company are US\$2,705,422 thousand and EUR\$327,350 thousand.

(2) Contingencies

The Consolidated Company has contingent liabilities due to lawsuits arising from operating activities. Except for those which the Consolidated Company already estimated the provisions, the Consolidated Company still has several lawsuits in progress, which are handled by appointed attorneys. As of the end of the reporting period, the final results of the lawsuits have not been determined so the possible compensation could not be reliably estimated. For details of the labor pension dispute between agents and the Consolidated Company, please refer to Note 6(26).

10. SIGNIFICANT ACCIDENTAL LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

To strengthen the financial structure and fulfil capital requirements, the Board of Directors of the Consolidated Company resolved to issue the cumulative subordinated bonds with terms of more than 10 years (or 10 years) in full or over several times within a year in the amount of \$5,000,000 on August 7, 2025.

12. FAIR VALUE INFORMATION

(1) Fair value hierarchy

The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Consolidated Company's investment in listed stocks and beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Consolidated Company's investment in government bonds, corporate bonds, bank debentures, structured time deposits, and most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Consolidated Company investment in private fund, real estate securitisation, infrastructure fund, unlisted stocks, financial assets at amortised cost and investment property is included in Level 3.

(2) Fair value

A. For the Consolidated Company's financial instruments that are not measured at fair value and the investment property measured at cost, such as cash and cash equivalents, receivables, loans, payables and bonds payable, the carrying amount is a reasonable approximation of fair value other than those listed below so that the fair value is not disclosed.

June 30, 2025				
Financial assets	Book value	Level 1	Level 2	Level 3
Financial assets at amortised cost (Note 1)	\$ 3,236,802,367	\$ -	\$ 2,348,081,935	\$ 51,482,547
Investment property (Note 2)	2,999,814	-	-	4,917,500

December 31, 2024				
Financial assets	Book value	Level 1	Level 2	Level 3
Financial assets at amortised cost (Note 1)	\$ 3,531,165,196	\$ -	\$ 2,518,892,421	\$ 56,444,380
Investment property (Note 2)	3,019,042	-	-	4,881,500

June 30, 2024				
Financial assets	Book value	Level 1	Level 2	Level 3
Financial assets at amortised cost (Note 1)	\$ 3,507,170,152	\$ -	\$ 2,532,021,646	\$ 56,853,258
Investment property (Note 2)	3,025,345	-	-	4,783,627

Note 1 : Including statutory deposits.

Note 2 : Excluding direct lease cost, investment property measured in the fair value model and those shown under construction in progress.

The methods and assumptions used to value financial instruments and investment property not measured at fair value are summarised below:

- (a) When there is a quoted market price available for financial assets at amortised cost, the fair value is determined using the quoted market price. If there is no quoted market price for reference, the fair value is determined using quoted price offered by the counterparties or theory price in order.
- (b) The valuation method elected primarily by the Consolidated Company is discounted cash flow method. The estimates and assumptions of valuation adopted by the Consolidated Company are the same with the information used by the market participants, and this information is available for the Consolidated Company. The discount rate employed by the Consolidated Company is identical with the rate of return generated by the financial instruments with the same terms and characteristics, such as issuer's creditworthiness, duration and currency of payment.
- (c) The fair value of investment property is based on valuations performed semi-annually by independent estimators, following Regulation on Real Estate Appraisal. Valuations are performed using valuation techniques such as income approach, comparison approach and cost approach with reference to market information. Such fair value is based on observable market price, and then adjusted by the nature, location or condition of individual asset.

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B. The Consolidated Company's financial instruments and investment property measured at fair value are both measured on a recurring basis. Information of fair value hierarchy is as follows:

June 30, 2025				
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Equity instruments	\$ 328,301,295	\$ -	\$ -	\$ 328,301,295
Beneficiary certificates	398,374,823	-	148,085,555	546,460,378
Debt instruments	-	28,672,948	3,486,520	32,159,468
Derivative instruments	-	110,357,468	-	110,357,468
Structured time deposits	-	16,156,103	-	16,156,103
Financial assets at fair value through other comprehensive income				
Equity instruments	5,696,157	-	275,073	5,971,230
Debt instruments (Note)	-	234,404,858	10,733,907	245,138,765
Investment property	-	-	205,212,310	205,212,310
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative instruments	-	11,391,329	-	11,391,329

Note: Including statutory deposits.

December 31, 2024				
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Equity instruments	\$ 325,861,126	\$ -	\$ -	\$ 325,861,126
Beneficiary certificates	416,006,906	-	212,991,557	628,998,463
Debt instruments	-	30,054,966	3,500,380	33,555,346
Derivative instruments	-	1,727,960	-	1,727,960
Structured time deposits	-	15,179,101	-	15,179,101
Financial assets at fair value through other comprehensive income				
Equity instruments	5,835,092	-	313,618	6,148,710
Debt instruments (Note)	-	234,575,458	15,860,291	250,435,749
Investment property	-	-	205,194,766	205,194,766
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative instruments	-	61,317,453	-	61,317,453

Note: Including statutory deposits.

June 30, 2024				
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Equity instruments	\$ 333,792,512	\$ -	\$ -	\$ 333,792,512
Beneficiary certificates	411,678,335	-	209,624,874	621,303,209
Debt instruments	-	29,506,956	4,665,108	34,172,064
Derivative instruments	-	937,202	-	937,202
Structured time deposits	-	15,102,405	-	15,102,405
Financial assets at fair value through other comprehensive income				
Equity instruments	6,151,855	-	288,334	6,440,189
Debt instruments (Note)	-	252,873,533	15,582,238	268,455,771
Investment property	-	-	207,132,052	207,132,052
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative instruments	-	53,621,151	-	53,621,151

Note: Including statutory deposits.

- (a) The methods and assumptions used to value financial instruments and investment property measured at fair value are summarized below:
- I. The sources of the fair value of financial instruments are respectively listed by their characteristics as follows:
 - (i) Equity instruments: Aside from private funds, some real estate securitisation and infrastructure funds which are valued based on the theory price, other equity instruments prioritise using unadjusted closing prices as the basis for measuring market prices of financial products. If there are no closing prices, the fair value is determined by using other pricing conventions.
 - (ii) Domestic debt instruments (including international bonds): Prioritise using public pricing information bulletined by the Taipei Exchange.
 - (iii) Foreign debt instruments: Except callable bonds, securitised products, structured products and securities which the position of single fixed income account for more than 50% of total issuance amount when raising funds, prioritise using the quoted market price as the basis for measuring financial products.
 - II. Except for aforementioned financial instruments with public pricing information, the fair value of other financial instruments is measured by valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the end of reporting date.
 - (i) When assessing non-standard and low-complexity financial instruments, for example, FX swap contracts, cross currency swaps, non-delivery forwards, delivery forwards and interest rate swaps, the Consolidated Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
 - (ii) For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to debt instruments with structured notes and structured time deposit. Certain inputs used in the valuation model are observable at market, and the Consolidated Company must make reasonable estimates based on its assumptions.
 - (iii) The Consolidated Company adopts the net asset value method to measure the fair value of private funds, some securitised products, infrastructure funds and unlisted stocks. The inputs used in the valuation model are unobservable inputs.
 - III. The Consolidated Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Consolidated Company's credit quality.
 - IV. For the valuation methods, key assumptions and inputs used in the investment property measured subsequently using the fair value model, please refer to Note 6(10).
- (b) For the six months ended June 30, 2025 and 2024, there was no transfer between Level 1 and Level 2.

(c) The movement of Level 3 instruments is as follows:

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
January 1, 2025	\$ 216,491,937	\$ 16,173,909
Recognised in profit or loss (Note 1)	-	(950,961)
Recognised in other comprehensive income (Note 2)	(24,910,108)	1,122,404
Acquired in the period	5,669,965	2,141,076
Disposed of in the period and others	(45,679,719)	(1,477,448)
Transfers out from level 3	-	(6,000,000)
June 30, 2025	<u>\$ 151,572,075</u>	<u>\$ 11,008,980</u>
	<u>Investment property</u>	
January 1, 2025	\$ 205,194,766	
Recognised in profit or loss (Note 1)	(710,405)	
Acquired in the period	402,088	
Transferred from property and equipment	210,421	
Adjustment of lease liabilities remeasurement	116,943	
Others	(1,503)	
June 30, 2025	<u>\$ 205,212,310</u>	

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
January 1, 2024	\$ 227,384,885	\$ 13,020,030
Recognised in profit or loss (Note 1)	-	484,266
Recognised in other comprehensive income (Note 2)	11,740,652 (	355,289)
Acquired in the period	10,709,831	3,168,767
Disposed of in the period and others	(17,145,389) (	447,202)
Transfers out from level 3	(18,399,997)	-
June 30, 2024	<u>\$ 214,289,982</u>	<u>\$ 15,870,572</u>

	Investment property
January 1, 2024	\$ 213,135,929
Recognised in profit or loss (Note 1)	(1,062,192)
Acquired in the period	1,321,844
Transferred from property and equipment	205,269
Disposed of in the period	(5,564,087)
Transferred to property and equipment	(790,691)
Adjustment of lease liabilities remeasurement	(44,761)
Others	(69,259)
June 30, 2024	<u>\$ 207,132,052</u>

Note 1: For the six months ended June 30, 2025 and 2024, the amount of loss recognised for the assets held at the end of the reporting period are \$1,549,680 and \$585,609, respectively.

Note 2: For financial assets at fair value through profit or loss using overlay approach, the gain or loss are recognised in other comprehensive income.

- (d) The valuation for financial instruments categorised as Level 3 by the Consolidated Company is valued with an independent source of information to approximate current market condition, which the source is ensured to be reasonable by confirming the independence, accountability, whether it is in line with other information and whether it represents the executable prices. The result of valuation is also ensured by periodically calibrating valuation models, updating inputs of models and making fair value adjustments if necessary. The Consolidated Company's policy of fair value measurement for financial instruments and valuation procedures are formulated with reference to IFRSs and consideration of practical operation. The appraisal of investment property would be done by appointed external appraisers according to the valuation approach and parameter assumptions released by the Financial Supervisory Commission.

(e) The following is the qualitative information of significant unobservable inputs to valuation model used in Level 3 fair value measurement, please refer to Note 6(10) for the investment property.

	<u>Fair value at June 30, 2025</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative					
Private fund	\$ 123,196,495	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Infrastructure fund	24,889,060	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Unlisted stocks	275,073	Adjusted net asset method	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
Corporate bonds	440,100	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Financial debentures	3,486,520	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Collateralised mortgage obligation	10,293,807	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)

	<u>Fair value at December 31, 2024</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative					
Private fund	\$ 159,964,290	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Real estate securitisation	2,069,431	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Infrastructure fund	50,957,836	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Unlisted stocks	313,618	Adjusted net asset method	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
Corporate bonds	5,777,100	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Financial debentures	3,500,380	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Collateralised mortgage obligation	9,817,705	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Collateralised mortgage obligation	265,486	Discounted cash flow method	Cash flows	Not applicable	The higher the cash flows, the higher the fair value.
			Discount rate	4.69%-5.89%	The higher the discount rate, the lower the fair value.
			Prepayment speeds	158-249	The prepayment speeds will impact the fair value.

	Fair value at June 30, 2024	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative					
Private fund	\$ 158,115,558	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Real estate securitisation	2,112,074	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Infrastructure fund	49,397,242	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Unlisted stocks	288,334	Adjusted net asset method	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
Corporate bonds	5,777,650	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Financial debentures	4,665,108	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Collateralised mortgage obligation	9,804,588	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)

Note: Due to no quoted prices in active markets, the counterparty quotes were considered while the relationship between significant unobservable input data and fair value cannot be fully controlled in practice. Therefore, no additional qualitative information on the fair value of the Consolidated Company's investments in debt instruments classified as Level 3 was disclosed.

(f) Sensitivity analysis of the fair value of financial assets and financial liabilities classified as Level 3

The fair value measurement that the Consolidated Company made onto the financial instruments is deemed reasonable. For those financial instruments which are classified in Level 3 and not valued by the Consolidated Company, the relationship between the significant unobservable inputs and fair value can not be completely obtained in practice, therefore, no sensitivity analysis of possible alternative assumptions will be implemented. For those financial instruments which are evaluated by the Consolidated Company, if the movement of valuation or parameter increases or decreases by 1%, the effects to profit or loss for the year or other comprehensive income are as follows:

June 30, 2025				
		Increase by 1%	Decrease by 1%	
		Effect on	Effect on other	Effect on other
		profit or loss	comprehensive income	comprehensive income
Assets				
Financial assets at fair value through profit or loss (Note)	\$	-	\$ 1,480,856	\$ - (\$ 1,480,856)
Financial assets at fair value through other comprehensive income		-	3,895	- (3,895)
December 31, 2024				
		Increase by 1%	Decrease by 1%	
		Effect on	Effect on other	Effect on other
		profit or loss	comprehensive income	comprehensive income
Assets				
Financial assets at fair value through profit or loss (Note)	\$	-	\$ 2,129,916	\$ - (\$ 2,129,916)
Financial assets at fair value through other comprehensive income		-	10,307	- (13,999)

		June 30, 2024			
		Increase by 1%		Decrease by 1%	
		Effect on other		Effect on other	
		Effect on	comprehensive	Effect on	comprehensive
		profit or loss	income	profit or loss	income
Assets					
Financial assets at fair value through profit or loss (Note)	\$	-	\$ 2,096,249	\$	- (\$ 2,096,249)
Financial assets at fair value through other comprehensive income		-	3,230	-	(3,230)

Note: For financial assets at fair value through profit or loss using overlay approach, the gain or loss are recognised in other comprehensive income.

13. RISK MANAGEMENT

The Consolidated Company, based on ERM Guideline established Risk Management Policy as a guidance for the Consolidated Company's solid risk management mechanism and practices to ensure capital adequacy, solvency, and stronger business development.

(1) Goals, Policies, and Procedures of Risk Management

Except for the following, there was no significant change in the reporting period. Please refer to Note 13 in the consolidated financial statements for the year ended December 31, 2024.

(2) Insurance Risk

Life insurance

Except for the following, there was no significant change in the reporting period. Please refer to Note 13 in the consolidated financial statements for the year ended December 31, 2024.

A. Insurance risk sensitivities – insurance contracts

In general, the statutory reserves of the insurance contracts issued by the Consolidated Company should be based upon the lock-in principle, that is, the provision of future liabilities is predetermined upon the policy issuance. Hence, the reserves will not fluctuate with future experience unless adjustments are stipulated by the FSC or the liability adequacy test (LAT) shows that it is insufficient. With respect to the insurance portfolio of the Consolidated Company as of June 30, 2025, December 31, 2024 and June 30, 2024, the liabilities will still be adequate even when the mortality, morbidity, withdrawal rates and expense ratios assumptions adversely change by 10% or new investment returns drop by 25 basis points.

B. Credit risk, liquidity risk and market risk of the insurance contracts

The table below shows the net liability cash flow analysis of the insurance portfolio of the Consolidated Company by maturity date. The figures reflect, for the in-force policies as at the valuation date, the estimation of undiscounted total insurance benefit payments, expense and other outflows, net of insurance premiums and other income at each future point of time. The future actual amounts may vary as the actual experience may be different from the expected experience.

Net cash flows used in (provided by) the insurance contracts:

	June 30, 2025	December 31, 2024	June 30, 2024
Under 1 year	\$ 121,210,974	\$ 87,519,561	\$ 72,791,988
1 ~ 3 years	283,812,172	238,299,449	237,689,426
Over 3 years	9,611,360,415	10,242,319,762	10,280,137,578
	<u>\$ 10,016,383,561</u>	<u>\$ 10,568,138,772</u>	<u>\$ 10,590,618,992</u>

The Consolidated Company has insurance contracts that are classified as liabilities on insurance products - separate account. However, such liabilities are repaid based on investment-linked insurance product assets. Therefore, the Consolidated Company has no significant liquidity risk.

With respect to the holder of policy dividend payable, as such liability has no fixed maturity date, it is excluded from the maturity analysis.

Property insurance

Except for the following, there was no significant change in the reporting period. Please refer to Note 13 in the consolidated financial statements for the year ended December 31, 2024. The risk management responsibilities across different units are:

A. Illustration about the insurance risk concentration

The risk of insurance contracts accepted by the Consolidated Company are scattered across all types of insurance and only the car insurance business bear a higher concentration of risk. Nevertheless, the risk does not change significantly given stable experience in the loss of car insurance and risk aversion through ceding reinsurance. As for other types of insurance, there is no such risk concentration.

The insurance risk concentration of the premium revenue from direct underwriting and retained premium earned accrued by the Consolidated Company's car insurance is listed below: (excluding compulsory insurance)

For the three months ended June 30, 2025			
Insurance type	Direct earned gross premium	Self-retained earned premium	
Car insurance	\$ 1,272,761	\$	1,231,462
For the three months ended June 30, 2024			
Insurance type	Direct earned gross premium	Self-retained earned premium	
Car insurance	\$ 1,128,696	\$	968,551
For the six months ended June 30, 2025			
Insurance type	Direct earned gross premium	Self-retained earned premium	
Car insurance	\$ 2,558,499	\$	2,418,157
For the six months ended June 30, 2024			
Insurance type	Direct earned gross premium	Self-retained earned premium	
Car insurance	\$ 2,290,468	\$	1,858,206

B. Sensitivity analysis of insurance risk

The Consolidated Company estimates claim reserves mainly through loss development model and the expected loss rate to each type of insurance. Given that the estimates will be affected by the amendment to the laws, changes in the method of claims payment or future prospect, therefore, the Consolidated Company conducted sensitivity analysis of insurance risk using expected loss rate.

On the basis of one-year retention earned premium income, as of June 30, 2025, December

31, 2024 and June 30, 2024, the profit or loss of the Consolidated Company was barely affected by 5% increase in the calculated final rate of loss.

C. Liquidity risk of insurance contracts

Liquidity risk of insurance contract mainly happens when a Company is unable to realise assets immediately or acquire adequate capital leading to the risk of failure to fulfil obligations from various insurance contract liabilities. To ensure the instantaneity of liquidity risk management, except for regular review toward the matching of assets and liabilities, the Consolidated Company also performs cash flow analysis for the insurance business and its investments and separately reviews revenue and expenditures from the insurance industry and investment. A table of cash flow estimation is also created and used as a basis for fund procurement in order to cope with needs for various fund liquidity. Besides, the Consolidated Company's working capital is sufficient for liquidity requirements, therefore there is no liquidity risk regarding inability to raise funds for meeting contractual obligations.

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D.Claim development trend

The accumulated claim development trend in the past years refer to the development trend of listed claims. Each accident year refers to the year of insured accident happened; the horizontal rows represent development year of the accidents and the diagonal lines represent the accumulated reported claims of each accident year. The incurred claims here include unsettled and settled claims which explain how the Consolidated Company calculates each accident year's claims over time.

(a) Claim development pattern of the Consolidated Company's direct business

The following tables are the reconciliation between the Consolidated Company's accumulated claim and the claim reserves on the balance sheet of the end of reporting periods.

June 30, 2025										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
≤2016	\$ 33,354,491	\$ 33,484,676	\$ 33,484,674	\$ 33,495,275	\$ 33,493,849	\$ 33,493,941	\$ 33,492,766	\$ 33,492,838	\$ 33,492,726	\$ 33,492,355
2017	1,169,894	1,343,278	1,405,293	1,408,669	1,408,629	1,410,220	1,411,152	1,411,118	1,411,069	
2018	1,749,381	2,043,103	2,088,478	2,093,736	2,092,458	2,078,845	2,078,800	2,078,544		
2019	2,427,669	2,692,854	2,700,442	2,670,218	2,673,362	2,676,318	2,675,318			
2020	2,753,598	3,042,918	3,101,186	3,075,680	3,081,582	3,077,555				
2021	2,564,836	2,908,470	2,976,594	3,018,879	3,019,740					
2022	4,990,262	5,572,954	6,024,345	6,038,316						
2023	3,516,206	4,888,639	4,967,704							
2024	2,470,613	2,737,527								
2025 (1 to 6)	1,922,065									
(1)Accumulated Reported claims of direct business										61,420,193
(2)Accumulated Paid claims of direct business										59,358,089
(3)Reported But Not Paid claim reserves of direct business										2,062,104
(4)Not reported claim reserves of direct business										1,926,634
(5)Assumed claim reserves										222,042
(6)Claim reserves of direct business=(3)+(4)+(5)										\$ 4,210,780

Note: The most recent balance in the diagonal refers to accumulated reported claims of direct business for the six months ended June 30, 2025.

December 31, 2024										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
≤2015	\$ 32,990,191	\$ 32,369,852	\$ 32,384,655	\$ 32,382,505	\$ 32,387,667	\$ 32,387,039	\$ 32,387,207	\$ 32,386,032	\$ 32,386,194	\$ 32,386,143
2016	984,639	1,100,021	1,102,169	1,107,608	1,106,810	1,106,734	1,106,734	1,106,644	1,106,583	
2017	1,169,894	1,343,278	1,405,293	1,408,669	1,408,629	1,410,220	1,411,152	1,411,118		
2018	1,749,381	2,043,103	2,088,478	2,093,736	2,092,458	2,078,845	2,078,800			
2019	2,427,669	2,692,854	2,700,442	2,670,218	2,673,362	2,676,318				
2020	2,753,598	3,042,918	3,101,186	3,075,680	3,081,582					
2021	2,564,836	2,908,470	2,976,594	3,018,879						
2022	4,990,262	5,572,954	6,024,345							
2023	3,516,206	4,888,639								
2024	2,470,613									
(1)Accumulated Reported claims of direct business										59,143,020
(2)Accumulated Paid claims of direct business										57,442,983
(3)Reported But Not Paid claim reserves of direct business										1,700,037
(4)Not reported claim reserves of direct business										1,746,167
(5)Assumed claim reserves										221,684
(6)Claim reserves of direct business=(3)+(4)+(5)										\$ 3,667,888

Note: The most recent balance in the diagonal refers to accumulated reported claims of direct business for the year ended December 31, 2024.

June 30, 2024										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
≤2015	\$ 32,990,191	\$ 32,369,852	\$ 32,384,655	\$ 32,382,505	\$ 32,387,667	\$ 32,387,039	\$ 32,387,207	\$ 32,386,032	\$ 32,386,194	\$ 32,386,165
2016	984,639	1,100,021	1,102,169	1,107,608	1,106,810	1,106,734	1,106,734	1,106,644	1,106,633	
2017	1,169,894	1,343,278	1,405,293	1,408,669	1,408,629	1,410,220	1,411,152	1,411,168		
2018	1,749,381	2,043,103	2,088,478	2,093,736	2,092,458	2,078,845	2,078,953			
2019	2,427,669	2,692,854	2,700,442	2,670,218	2,673,362	2,679,991				
2020	2,753,598	3,042,918	3,101,186	3,075,680	3,080,447					
2021	2,564,836	2,908,470	2,976,594	3,013,476						
2022	4,990,262	5,572,954	5,934,275							
2023	3,516,206	4,181,019								
2024 (1 to 6)	1,063,166									
(1)Accumulated Reported claims of direct business										56,935,293
(2)Accumulated Paid claims of direct business										55,257,243
(3)Reported But Not Paid claim reserves of direct business										1,678,050
(4)Not reported claim reserves of direct business										1,636,232
(5)Assumed claim reserves										223,660
(6)Claim reserves of direct business=(3)+(4)+(5)										\$ 3,537,942

Note: The most recent balance in the diagonal refers to accumulated reported claims of direct business for the six months ended June 30, 2024.

(b) Claim development pattern of the Consolidated Company's retention business

The following tables are the claim development pattern as of the end of reporting periods:

June 30, 2025										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
≤2016	\$23,296,781	\$23,442,800	\$23,508,759	\$23,538,339	\$23,539,073	\$23,529,125	\$23,537,991	\$23,537,772	\$23,537,672	\$23,537,368
2017	780,139	924,600	1,010,526	1,026,422	1,025,382	1,026,351	1,026,781	1,026,746	1,026,724	
2018	990,722	1,210,946	1,292,387	1,303,982	1,303,123	1,295,585	1,295,395	1,295,201		
2019	1,383,181	1,608,308	1,668,026	1,659,799	1,663,051	1,665,991	1,665,247			
2020	1,467,417	1,707,557	1,732,302	1,730,693	1,735,995	1,732,535				
2021	1,435,037	1,580,008	1,616,831	1,646,483	1,647,267					
2022	3,754,820	4,116,146	4,363,958	4,378,011						
2023	2,664,721	3,690,512	3,743,334							
2024	2,421,362	2,611,467								
2025 (1 to 6)	1,804,228									
(1)Accumulated Reported claims of retention business										43,441,382
(2)Accumulated Paid claims of retention business										41,764,992
(3)Reported But Not Paid claim reserves of retention business										1,676,390
(4)Not reported claim reserves of retention business										1,462,241
(5)Claim reserves of retention business=(3)+(4)										\$ 3,138,631

Note: The most recent balance in the diagonal refers to accumulated reported claims of retention business for the six months ended June 30, 2025.

December 31, 2024										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
≤2015	\$22,986,396	\$22,398,835	\$22,424,237	\$22,448,673	\$22,452,060	\$22,453,226	\$22,453,333	\$22,452,199	\$22,452,075	\$22,452,036
2016	897,946	1,018,563	1,060,086	1,086,279	1,085,847	1,085,792	1,085,792	1,085,697	1,085,636	
2017	780,139	924,600	1,010,526	1,026,422	1,025,382	1,026,351	1,026,781	1,026,746		
2018	990,722	1,210,946	1,292,387	1,303,982	1,303,123	1,295,585	1,295,395			
2019	1,383,181	1,608,308	1,668,026	1,659,799	1,663,051	1,665,991				
2020	1,467,417	1,707,557	1,732,302	1,730,693	1,735,995					
2021	1,435,037	1,580,008	1,616,831	1,646,483						
2022	3,754,820	4,116,146	4,363,958							
2023	2,664,721	3,690,512								
2024	2,421,362									
(1)Accumulated Reported claims of retention business										41,384,114
(2)Accumulated Paid claims of retention business										39,994,467
(3)Reported But Not Paid claim reserves of retention business										1,389,647
(4)Not reported claim reserves of retention business										1,302,101
(5)Claim reserves of retention business=(3)+(4)										\$ 2,691,748

Note: The most recent balance in the diagonal refers to accumulated reported claims of retention business for the year ended December 31, 2024.

June 30, 2024										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
2015	\$22,986,396	\$22,398,835	\$22,424,237	\$22,448,673	\$22,452,060	\$22,453,226	\$22,453,333	\$22,452,199	\$22,452,075	\$22,452,054
2016	897,946	1,018,563	1,060,086	1,086,279	1,085,847	1,085,792	1,085,792	1,085,697	1,085,687	
2017	780,139	924,600	1,010,526	1,026,422	1,025,382	1,026,351	1,026,781	1,026,796		
2018	990,722	1,210,946	1,292,387	1,303,982	1,303,123	1,295,585	1,295,438			
2019	1,383,181	1,608,308	1,668,026	1,659,799	1,663,051	1,669,224				
2020	1,467,417	1,707,557	1,732,302	1,730,693	1,735,351					
2021	1,435,037	1,580,008	1,616,831	1,643,679						
2022	3,754,820	4,116,146	4,319,315							
2023	2,664,721	3,181,738								
2024 (1 to 6)	1,000,746									
(1)Accumulated Reported claims of retention business										39,410,028
(2)Accumulated Paid claims of retention business										38,168,613
(3)Reported But Not Paid claim reserves of retention business										1,241,415
(4)Not reported claim reserves of retention business										1,205,926
(5)Claim reserves of retention business=(3)+(4)										\$ 2,447,341

Note: The most recent balance in the diagonal refers to accumulated reported claims of retention business for the six months ended June 30, 2024.

(3) Financial risk

Financial risk is the risk when future cash flows are insufficient to pay for insurance contract and investment contract. The Consolidated Company establishes the risk management mechanism and control system for the financial assets, to effectively identify, measure, respond and monitor the Consolidated Company's exposure risks, including credit risk, liquidity risk, market risk, operational risk, etc.

The Consolidated Company undertakes derivative financial instruments such as FX swap contracts, cross currency swaps, non-delivery forwards, delivery forwards and interest rate swaps. The primary purpose is to avoid the exchange rate risk and the interest rate risk from investments. To effectively monitor and control the financial risk, the management considers the changes in the economic environment and the competition of market and adopts different strategies against different financial risks as follows:

A. Credit risk

Credit risk refers to the risk of financial loss to the Consolidated Company arising from default by the clients or counterparties of financial instruments on the contract obligations. As for the securities investment, the Consolidated Company adopts the credit ratings and research reports issued by the external credit rating agencies and public information about the counterparties and issuers with referring to relevant information in the market at the same time. Moreover, the Consolidated Company measures the upper limit for investment in a single issuer and controls the credit risks of the underlying securities, the issuers, and the counterparties so that the credit risks faced by the Consolidated Company can be effectively mitigated. In addition, the Consolidated Company established credit exposure ratio in relation to country and industry to avoid high concentration of credit exposure. For loan business, the Consolidated Company stipulates regulations on credit checking for implementing thorough credit assessment aiming to ensure that the transactional counterparty meets loan standard and provides adequate collaterals and effectively reduce the credit risk.

(a) The Consolidated Company adopts following assumptions to assess whether the credit risk on that instrument has significantly increased since initial recognition:

- I. Receivables, loans and other financial assets at amortised cost (excluding interest receivables from bonds):
 - (i) If the contract payments were overdue for more than 30 days based on the terms, the credit risk of that instrument would be regarded as having significantly increased since initial recognition.
 - (ii) According to the internal and external information, the Consolidated Company identified that there has been a significant increase in credit risk based on its professional judgement on credit risk and the relative historical experience.
- II. Investments in debt instruments at amortised cost and at fair value through other comprehensive income (including interest receivables from bonds):
 - (i) As of balance sheet date, if those debt instruments that have been rated as non-investment grade, and the credit rating have been downgraded for more than 3 notches (including 3 notches) since initial recognition, the Consolidated Company assumes that there has a significant increase in credit risk on the investment objects.

- (ii) As of balance sheet date, if those debt instruments that have been rated as non-investment grade, and the percentage of unrealised valuation loss on those debt investments is more than 50% of their carrying amount for three consecutive months, the Consolidated Company assumes that there has a significant increase in credit risk on the investment objects.
- (b) The definition of the default of financial assets made by the Consolidated Company is consistent with the judgements, which are used to assess whether the credit of financial assets were impaired. If one or several of the followings unfavorable effects incurred, the credit of financial assets is considered as impaired:
 - I. Significant financial difficulty of the issuer or obligor; or
 - II. Default or delinquency in interest or principal repayments; The Consolidated Company adopts the premise under IFRS 9, the default occurs when the contract payments (excluding bond investments) are overdue for more than 90 days.
 - III. The obligee, for economic or contractual reasons relating to the obligor's financial difficulty, granted the obligor a concession that an obligee would not otherwise consider;
 - IV. It becomes probable that the obligor will enter bankruptcy or other financial reorganisation;
 - V. The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
 - VI. Others.
- (c) Measurement of expected credit loss

The Consolidated Company measures the 12-month probability of default for financial instruments that the credit risk has not significantly increased since initial recognition. While for those that the credit risk has significantly increased or credit impairment has occurred since initial recognition, the lifetime probability of default would be measured. The expected credit losses would then be calculated respectively with the multiplication of loss given default, the probability of default mentioned above, and the exposure default while taking the time value of money and forward-looking adjustments into consideration.

 - I. Receivables (excluding interest receivables from bonds and interest receivable from loans) and other financial assets at amortised cost:

The loss given default is assessed based on the internal historical data. In addition, the Consolidated Company weighted the average of probability of default for the past 3 years and takes into consideration the forecast of overseas and domestic economic data in order to measure the predicted 12-month probability of default. Furthermore, since the lifetime of the Consolidated Company's receivables usually is within 12 months, the lifetime probability of default is consistent with the 12-month probability of default. Exposure at default is measured based on the carrying amount of receivables.
 - II. Loans (including interest receivable from loans):

The Consolidated Company established the 3-year average transition matrix based on the historical information of secured loans and takes into consideration the forward-looking economic variables to measure the predicted 12-month probability of default, and calculates the multi-year cumulative probability of default using the transition matrix of the Markov Chain. The Consolidated Company calculates loss given default with discounted cash flows using the effective-interest-rate method, according to both the location of collaterals and the historical recovery rate of secured loans. Exposure at default is measured based on the principle and the carrying amount of interest receivable.

III. Investments in debt instruments at amortised cost and at fair value through other comprehensive income (including interest receivables from bonds):

The Consolidated Company measures the predicted 12-month probability of default using the historical probability of default regularly issued by the international credit rating agencies, which will be adjusted by forward-looking information such as the observable macroeconomics forecast, and calculates the multi-year cumulative probability of default using the transition matrix of the Markov Chain. Loss given default is measured based on the historical probability of default regularly issued by the international credit rating agencies, and exposure at default is measured based on the amortised cost of financial instruments.

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(d) Movements in the Consolidated Company's allowance for credit loss for receivables (excluding bond interest receivable and loan interest receivable) are as follows:

	2025				
	Life time expected credit loss			Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets (Note)		Total
At January 1	\$ 49,044	\$ -	\$ 5,327,602	\$ 1,426	\$ 5,378,072
(Recovery) provision of account receivable at current period	(3,652)	-	817,072	894	814,314
Write-offs - other	-	-	(92)	-	(92)
Changes in risk parameters	380	-	-	-	380
Changes in exchange	-	-	(492,587)	-	(492,587)
At June 30	<u>\$ 45,772</u>	<u>\$ -</u>	<u>\$ 5,651,995</u>	<u>\$ 2,320</u>	<u>\$ 5,700,087</u>

Note: Including principal and accrued interest of Russian-related debt instruments reclassified to overdue receivables, with allowance for losses amounting to \$5,590,673 and \$5,273,353 as of June 30, 2025 and January 1, 2025, respectively.

	2024				
	Life time expected credit loss			Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets (Note)		Total
At January 1	\$ 58,238	\$ -	\$ 3,376,168	\$ 1,082	\$ 3,435,488
(Recovery) provision of account receivable at current period	(14,636)	-	851,476	796	837,636
Write-offs - other	-	-	(77)	-	(77)
Changes in risk parameters	2,509	-	-	-	2,509
Changes in exchange	-	-	191,855	-	191,855
At June 30	<u>\$ 46,111</u>	<u>\$ -</u>	<u>\$ 4,419,422</u>	<u>\$ 1,878</u>	<u>\$ 4,467,411</u>
Note: Including principal and accrued interest of Russian-related debt instruments reclassified to overdue receivables, with allowance for losses amounting to \$4,366,065 and \$3,326,092 as of June 30, 2024 and January 1, 2024, respectively.					

(e) Movements in the Consolidated Company's allowance for credit loss for loans are as follows:

	2025				
	Life time expected credit loss			Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets		Total
At January 1	\$ -	\$ 31	\$ 782	\$ 142,124	\$ 142,937
Changes in financial instruments that have been identified at the beginning of period:					
-Transfer to 12-months expected credit loss	5 (	5)	-	-	-
-Derecognition of financial assets at current period	- (	2) (	153)	- (	155)
Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	-	-	- (	12,667) (	12,667)
Changes in risk parameters	(5)	(24)	(4)	-	(33)
At June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 625</u>	<u>\$ 129,457</u>	<u>\$ 130,082</u>

	2024				
	Life time expected credit loss			Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets		Total
At January 1	\$ -	\$ 85	\$ 1,137	\$ 175,072	\$ 176,294
Changes in financial instruments that have been identified at the beginning of period:					
-Transfer to 12-months expected credit loss	2 (	2)	-	-	-
-Derecognition of financial assets at current period	- (	7) (	165)	- (	172)
Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	-	-	- (	18,119) (	18,119)
Changes in risk parameters	(2)	(42)	(4)	-	(48)
At June 30	<u>\$ -</u>	<u>\$ 34</u>	<u>\$ 968</u>	<u>\$ 156,953</u>	<u>\$ 157,955</u>

(f) Movements in the Consolidated Company's allowance for credit loss for debt instrument investments at fair value through other comprehensive income are as follows:

	2025			
	12-months expected credit loss	Life time expected credit loss		Total
		Significant increase in credit risk (group assessment)	Credit impaired financial assets	
At January 1	\$ 53,595	\$ 38,604	\$ 1,270,581	\$ 1,362,780
Changes in financial instruments that have been identified at the beginning of period:				
-Derecognition of financial assets at current period	(2,208)	-	-	(2,208)
Originated or purchased new financial assets	4,753	-	-	4,753
Changes in risk parameters	(1,640)	(899)	-	(2,539)
Changes in exchange and others	(3,756)	(5,487)	(85,055)	(94,298)
At June 30	<u>\$ 50,744</u>	<u>\$ 32,218</u>	<u>\$ 1,185,526</u>	<u>\$ 1,268,488</u>

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	2024			
	12-months expected credit loss	Life time expected credit loss		Total
		Significant increase in credit risk (group assessment)	Credit impaired financial assets	
At January 1	\$ 50,420	\$ 84,606	\$ 1,139,203	\$ 1,274,229
Changes in financial instruments that have been identified at the beginning of period:				
-Derecognition of financial assets at current period	(3,933)	-	-	(3,933)
Originated or purchased new financial assets	9,403	-	-	9,403
Changes in risk parameters	265	(833)	-	(568)
Changes in exchange and others	2,128	1,179	90,402	93,709
At June 30	<u>\$ 58,283</u>	<u>\$ 84,952</u>	<u>\$ 1,229,605</u>	<u>\$ 1,372,840</u>

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(g) Movements in the Consolidated Company's allowance for credit loss for debt instrument investments at amortised cost are as follows:

	2025			
	12-months expected credit loss	Life time expected credit loss		Total
		Significant increase in credit risk (group assessment)	Credit impaired financial assets	
At January 1	\$ 985,058	\$ 2,317,321	\$ 760,173	\$ 4,062,552
Changes in financial instruments that have been identified at the beginning of period:				
-Derecognition of financial assets at current period	(3,612)	-	-	(3,612)
Originated or purchased new financial assets	757	-	-	757
Changes in risk parameters	(27,842)	(8,435)	-	(36,277)
Changes in exchange and others	(82,567)	(270,294)	(50,205)	(403,066)
At June 30	<u>\$ 871,794</u>	<u>\$ 2,038,592</u>	<u>\$ 709,968</u>	<u>\$ 3,620,354</u>

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	2024			
	12-months expected credit loss	Life time expected credit loss		Total
		Significant increase in credit risk (group assessment)	Credit impaired financial assets	
At January 1	\$ 916,568	\$ 5,631,271	\$ 876,077	\$ 7,423,916
Changes in financial instruments that have been identified at the beginning of period:				
-Derecognition of financial assets at current period	(9,547)	(14,952)	(200,225)	(224,724)
Originated or purchased new financial assets	21	-	-	21
Changes in risk parameters	2,467	3,251	-	5,718
Changes in exchange and others	50,796	184,797	59,096	294,689
At June 30	<u>\$ 960,305</u>	<u>\$ 5,804,367</u>	<u>\$ 734,948</u>	<u>\$ 7,499,620</u>

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- (h) The expected loss rate of the Consolidated Company's bond interest receivable, debt instrument investments at amortised cost and debt instrument investments at fair value through other comprehensive income(Note) are as follows:

June 30, 2025			
	12-months expected credit loss	Life time expected credit loss	
		Significant increase in credit risk	Credit impaired financial assets
Bond interest receivables	0.00%-0.31%	0.11%~0.19%	6.93%
Debt instrument investments at fair value through other comprehensive income	0.00%-0.31%	3.98%~4.31%	5.12%~6.29%
Debt instrument investments at amortised cost	0.00%-0.18%	3.41%~6.59%	6.31%~9.52%
December 31, 2024			
	12-months expected credit loss	Life time expected credit loss	
		Significant increase in credit risk	Credit impaired financial assets
Bond interest receivables	0.00%-0.31%	0.12%~0.19%	6.68%
Debt instrument investments at fair value through other comprehensive income	0.00%-0.31%	4.34%~4.68%	5.00%~6.12%
Debt instrument investments at amortised cost	0.00%-0.19%	2.37%~6.66%	6.15%~9.28%
June 30, 2024			
	12-months expected credit loss	Life time expected credit loss	
		Significant increase in credit risk	Credit impaired financial assets
Bond interest receivables	0.00%-0.44%	0.12%~1.22%	6.57%
Debt instrument investments at fair value through other comprehensive income	0.00%-0.44%	4.40%~6.64%	4.88%~5.97%
Debt instrument investments at amortised cost	0.00%-0.19%	4.50%~16.14%	5.99%~9.06%

Note: Excluding those transferred to overdue receivables.

- (i) Information on credit risk rating in relation to the total carrying amount of various financial debt instruments and the maximum exposure to credit risk are as follows:

June 30, 2025					
	12-months expected credit loss	Life time expected credit loss		Allowance for credit loss	Maximum credit risk exposure amount
		Significant increase in credit risk	Credit impaired financial assets		
Bond interest receivables					
Group 1	\$ 25,669,984	\$ -	\$ -	\$ 8,099	\$ 25,661,885
Group 2	1,050,457	789,255	166,596	14,854	1,991,454
	<u>\$ 26,720,441</u>	<u>\$ 789,255</u>	<u>\$ 166,596</u>	<u>\$ 22,953</u>	<u>\$ 27,653,339</u>
Financial assets at fair value through other comprehensive income (Note)					
Group 1	\$ 260,737,734	\$ -	\$ -	\$ 42,451	\$ 260,695,283
Group 2	4,618,428	792,785	22,373,169	1,226,037	26,558,345
	<u>\$ 265,356,162</u>	<u>\$ 792,785</u>	<u>\$ 22,373,169</u>	<u>\$ 1,268,488</u>	<u>\$ 287,253,628</u>
Financial assets at amortised cost (Note)					
Group 1	\$ 3,138,774,073	\$ -	\$ -	\$ 769,489	\$ 3,138,004,584
Group 2	57,178,208	34,913,506	9,556,934	2,850,865	98,797,783
	<u>\$ 3,195,952,281</u>	<u>\$ 34,913,506</u>	<u>\$ 9,556,934</u>	<u>\$ 3,620,354</u>	<u>\$ 3,236,802,367</u>

Group 1: The issuers of the debt instruments who have been rated as investment grade (at least BBB-) by external credit agencies at the balance sheet date.

Group 2: Others.

Note: Including statutory deposits.

December 31, 2024					
	12-months expected credit loss	Life time expected credit loss		Allowance for credit loss	Maximum credit risk exposure amount
		Significant increase in credit risk	Credit impaired financial assets		
Bond interest receivables					
Group 1	\$ 27,912,803	\$ -	\$ -	\$ 8,852	\$ 27,903,951
Group 2	<u>1,160,776</u>	<u>865,246</u>	<u>182,679</u>	<u>15,967</u>	<u>2,192,734</u>
	<u>\$ 29,073,579</u>	<u>\$ 865,246</u>	<u>\$ 182,679</u>	<u>\$ 24,819</u>	<u>\$ 30,096,685</u>
Financial assets at fair value through other comprehensive income (Note)					
Group 1	\$ 269,752,192	\$ -	\$ -	\$ 43,496	\$ 269,708,696
Group 2	<u>5,576,139</u>	<u>870,129</u>	<u>24,560,948</u>	<u>1,319,284</u>	<u>29,687,932</u>
	<u>\$ 275,328,331</u>	<u>\$ 870,129</u>	<u>\$ 24,560,948</u>	<u>\$ 1,362,780</u>	<u>\$ 299,396,628</u>
Financial assets at amortised cost (Note)					
Group 1	\$ 3,423,659,406	\$ -	\$ -	\$ 868,798	\$ 3,422,790,608
Group 2	<u>62,741,674</u>	<u>38,333,031</u>	<u>10,493,637</u>	<u>3,193,754</u>	<u>108,374,588</u>
	<u>\$ 3,486,401,080</u>	<u>\$ 38,333,031</u>	<u>\$ 10,493,637</u>	<u>\$ 4,062,552</u>	<u>\$ 3,531,165,196</u>
Group 1: The issuers of the debt instruments who have been rated as investment grade (at least BBB-) by external credit agencies at the balance sheet date.					
Group 2: Others.					
Note: Including statutory deposits.					

June 30, 2024				
	12-months expected credit loss	Life time expected credit loss		Maximum credit risk exposure amount
		Significant increase in credit risk	Credit impaired financial assets	Allowance for credit loss
Bond interest receivables				
Group 1	\$ 28,103,240	\$ -	\$ -	\$ 9,216
Group 2	812,044	1,205,561	181,005	21,480
	<u>\$ 28,915,284</u>	<u>\$ 1,205,561</u>	<u>\$ 181,005</u>	<u>\$ 30,696</u>
Financial assets at fair value through other comprehensive income (Note)				
Group 1	\$ 276,494,892	\$ -	\$ -	\$ 47,527
Group 2	6,016,768	1,558,245	24,352,396	1,325,313
	<u>\$ 282,511,660</u>	<u>\$ 1,558,245</u>	<u>\$ 24,352,396</u>	<u>\$ 1,372,840</u>
Financial assets at amortised cost (Note)				
Group 1	\$ 3,405,062,332	\$ -	\$ -	\$ 877,610
Group 2	45,141,558	54,062,201	10,403,681	6,622,010
	<u>\$ 3,450,203,890</u>	<u>\$ 54,062,201</u>	<u>\$ 10,403,681</u>	<u>\$ 7,499,620</u>
Group 1: The issuers of the debt instruments who have been rated as investment grade (at least BBB-) by external credit agencies at the balance sheet date.				
Group 2: Others.				
Note : Including statutory deposits.				

- (j) Information on credit risk rating in relation to the total carrying amount of receivables and loans and the maximum exposure to credit risk are as follows:

June 30, 2025					
	12-months expected credit loss	Life time expected credit loss		Allowance for credit loss	Maximum credit risk exposure amount
		Significant increase in credit risk	Credit impaired financial assets		
Receivables					
Notes receivable	\$ 310,202	\$ -	\$ -	\$ 6,963	\$ 303,239
Premiums receivable (Note)	498,790	-	51,089	10,845	539,034
Interest receivable-bonds	26,720,441	789,255	166,596	22,953	27,653,339
Interest receivable-loans	7,142,797	44	18	136	7,142,723
Interest receivable-others	180,624	-	-	-	180,624
Investment receivable	3,997,929	-	-	-	3,997,929
Other receivables-lease payments receivable (Note)	1,360,419	-	11,439	44,164	1,327,694
Other receivables-others (Note)	5,237,894	-	5,631,884	5,638,115	5,231,663
	<u>\$ 45,449,096</u>	<u>\$ 789,299</u>	<u>\$ 5,861,026</u>	<u>\$ 5,723,176</u>	<u>\$ 46,376,245</u>
Loans	<u>\$ 108,901,981</u>	<u>\$ 39,782</u>	<u>\$ 6,605</u>	<u>\$ 130,082</u>	<u>\$ 108,818,286</u>

Note : Including overdue receivable.

December 31, 2024					
	12-months expected credit loss	Life time expected credit loss		Allowance for credit loss	Maximum credit risk exposure amount
		Significant increase in credit risk	Credit impaired financial assets		
Receivables					
Notes receivable	\$ 449,191	\$ -	\$ -	\$ 10,296	\$ 438,895
Premiums receivable (Note)	462,426	-	100,228	13,146	549,508
Interest receivable-bonds	29,073,579	865,246	182,679	24,819	30,096,685
Interest receivable-loans	7,309,069	62	17	157	7,308,991
Interest receivable-others	115,303	-	-	-	115,303
Investment receivable	1,471,839	-	-	-	1,471,839
Other receivables-lease payments receivable (Note)	1,316,583	-	3,157	34,591	1,285,149
Other receivables-others (Note)	2,441,386	-	5,312,612	5,320,039	2,433,959
	<u>\$ 42,639,376</u>	<u>\$ 865,308</u>	<u>\$ 5,598,693</u>	<u>\$ 5,403,048</u>	<u>\$ 43,700,329</u>
Loans	<u>\$ 110,274,036</u>	<u>\$ 43,182</u>	<u>\$ 9,229</u>	<u>\$ 142,937</u>	<u>\$ 110,183,510</u>

Note : Including overdue receivable.

June 30, 2024					
	12-months expected credit loss	Life time expected credit loss		Allowance for credit loss	Maximum credit risk exposure amount
		Significant increase in credit risk	Credit impaired financial assets		
Receivables					
Notes receivable	\$ 377,188	\$ -	\$ -	\$ 8,515	\$ 368,673
Premiums receivable (Note)	389,880	-	52,842	12,754	429,968
Interest receivable-bonds	28,915,284	1,205,561	181,005	30,696	30,271,154
Interest receivable-loans	7,074,675	58	26	165	7,074,594
Interest receivable-others	115,115	-	-	-	115,115
Investment receivable	211,704	-	-	-	211,704
Other receivables-lease payments receivable (Note)	1,289,690	-	3,333	34,143	1,258,880
Other receivables-others (Note)	2,996,638	-	4,405,082	4,411,999	2,989,721
	<u>\$ 41,370,174</u>	<u>\$ 1,205,619</u>	<u>\$ 4,642,288</u>	<u>\$ 4,498,272</u>	<u>\$ 42,719,809</u>
Loans	<u>\$ 108,988,075</u>	<u>\$ 45,726</u>	<u>\$ 12,321</u>	<u>\$ 157,955</u>	<u>\$ 108,888,167</u>
Note : Including overdue receivable.					

B. Liquidity risk

Liquidity risk means unable to convert the asset into cash or acquire adequate fund and fails to honor obligations when due. The Consolidated Company's working capital is sufficient for daily operations, and the cash and marketable securities held can also contribute to satisfy the cash liquidity needed. The cross currency swaps, FX swap and non-delivery forward contracts and delivery forward contracts are for hedging purpose. When rolling over, transactions are net settled and required amounts are within predictable ranges. Hence, there should be no significant exposure to cash flow risk.

The Consolidated Company has investment contracts without discretionary participation feature that are classified as separate account investment-linked insurance products. Such liabilities are repaid based on separate account investment-linked insurance product assets. Therefore, the Consolidated Company has no significant liquidity risk.

The table below analyses the Consolidated Company's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date:

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(a) Non-derivative financial liabilities

June 30, 2025				
Contractual undiscounted cash flows				
	Under 1 year	1 ~ 5 years	Over 5 years	Total
Short-term debts	\$ 6,893,476	\$ -	\$ -	\$ 6,893,476
Payables	18,036,027	-	-	18,036,027
Bonds payable (Note)	4,013,956	53,151,413	72,087,917	129,253,286
Guarantee deposits received	68,154,753	605,773	290,174	69,050,700
Lease liabilities	4,864,349	3,770,140	34,169,127	42,803,616
December 31, 2024				
Contractual undiscounted cash flows				
	Under 1 year	1 ~ 5 years	Over 5 years	Total
Short-term debts	\$ 2,822,375	\$ -	\$ -	\$ 2,822,375
Payables	15,582,275	-	-	15,582,275
Bonds payable (Note)	3,553,487	52,026,854	56,654,503	112,234,844
Guarantee deposits received	126,231	615,284	286,551	1,028,066
Lease liabilities	4,300,859	7,195,937	34,224,804	45,721,600
June 30, 2024				
Contractual undiscounted cash flows				
	Under 1 year	1 ~ 5 years	Over 5 years	Total
Short-term debts	\$ 9,703,644	\$ -	\$ -	\$ 9,703,644
Payables	24,514,939	-	-	24,514,939
Bonds payable (Note)	2,169,746	47,223,348	23,760,688	73,153,782
Guarantee deposits received	151,710	566,656	380,278	1,098,644
Lease liabilities	4,305,839	7,144,248	34,604,140	46,054,227

Note: It includes estimated interest so that the disclosed amount does not correspond with relating accounts in the consolidated balance sheet. In addition, the cash flows is counted with ten years for the remaining period under the contract because the bond payable is perpetual.

(b) Derivative financial liabilities

June 30, 2025					
Contractual undiscounted cash flows					
	Under 3 months	3 ~ 12 months	1 ~ 5 years	Over 5 years	Total
Net-settled derivatives	(\$ 5,342,282)	(\$ 5,244,631)	\$ -	\$ -	(\$ 10,586,913)
Gross-settled derivatives					
Cash inflow	9,240,519	49,391,494	-	-	58,632,013
Cash outflow	(9,243,191)	(50,076,405)	-	-	(59,319,596)
December 31, 2024					
Contractual undiscounted cash flows					
	Under 3 months	3 ~ 12 months	1 ~ 5 years	Over 5 years	Total
Net-settled derivatives	(\$ 14,620,329)	(\$ 10,627,091)	\$ -	\$ -	(\$ 25,247,420)
Gross-settled derivatives					
Cash inflow	298,807,332	661,844,630	-	-	960,651,962
Cash outflow	(317,313,046)	(679,796,943)	-	-	(997,109,989)
June 30, 2024					
Contractual undiscounted cash flows					
	Under 3 months	3 ~ 12 months	1 ~ 5 years	Over 5 years	Total
Net-settled derivatives	(\$ 12,923,018)	(\$ 6,019,783)	\$ -	\$ -	(\$ 18,942,801)
Gross-settled derivatives					
Cash inflow	281,434,863	706,645,790	-	-	988,080,653
Cash outflow	(299,246,827)	(723,861,314)	-	-	(1,023,108,141)

C. Market risk

The Consolidated Company's domestic and foreign investments are exposed to market risks, and potential losses resulting from market risks could be partly mitigated through foreign exchange hedge and investment diversification. The Consolidated Company continuously uses market risk management methods such as VaR and sensitivity analysis, along with implementation of risk limits and completely effective measurement and control over the market risk faced by the Consolidated Company to avoid potential losses to the Consolidated Company's assets arising from variations in the market prices of held financial instruments (e.g. market interest rates, exchange rates, stock price, and credit spread).

(a) Interest rate risk

Interest rate risk refers to the risk of changes in value of financial instruments as a result of variations in the market interest rates. Variations in the market interest rates will result in changes in the fair value and future cash flows of bond investments. An increase in market interest rates will cause the fair value of fixed rate bond investments to fall, and the cash flow of floating rate bond investments increase. For the six months ended June 30, 2025, the market prices of some fixed income assets had fluctuations that reflected the recent rise of market interest rates. However, the Consolidated Company mainly pursues stable business and liquidity, and will continue to monitor the interest rate risk.

Sensitivity analysis of interest rate risk provided in the table below is performed for reasonably possible changes in interest rates with other conditions held constant, showing the impact on net income and other comprehensive income (pre-tax).

	June 30, 2025		
	Changes in variables	Effect on profit or loss	Effect on other comprehensive income
Financial assets at fair value through profit or loss (Note)	Increase 1%	\$ -	(\$ 7,062,660)
Financial assets at fair value through other comprehensive income	Increase 1%	-	(27,489,323)
	December 31, 2024		
	Changes in variables	Effect on profit or loss	Effect on other comprehensive income
Financial assets at fair value through profit or loss (Note)	Increase 1%	\$ -	(\$ 7,196,054)
Financial assets at fair value through other comprehensive income	Increase 1%	-	(27,856,506)
	June 30, 2024		
	Changes in variables	Effect on profit or loss	Effect on other comprehensive income
Financial assets at fair value through profit or loss (Note)	Increase 1%	(\$ 14,339)	(\$ 7,248,906)
Financial assets at fair value through other comprehensive income	Increase 1%	-	(29,719,697)

Note: Including financial assets at fair value through profit or loss using overlay approach, the gain or loss are recognised in other comprehensive income.

If the variables adopted in the aforesaid sensitivity analysis of interest rate risk move in opposite direction, variations in profit/loss and other comprehensive income (pre-tax) will also move in reverse.

(b) Price risk

Price risk mainly arises from price volatility of equity instruments (stocks and equity fund) held by the Consolidated Company. However, the Consolidated Company dispersed the price risk through diversified investment portfolio.

Sensitivity analysis of price risk provided in the table below is performed for reasonably possible movement in price with other conditions held constant, showing the impact on net income and other comprehensive income (pre-tax).

	June 30, 2025	
	Effect on	Effect on other
	profit or loss	comprehensive income (Note)
Price risk		
A price increase by 10%	\$ 1,212,881	\$ 41,051,293
A price decrease by 10%	(1,212,881)	(41,051,293)
	December 31, 2024	
	Effect on	Effect on other
	profit or loss	comprehensive income (Note)
Price risk		
A price increase by 10%	\$ 1,200,439	\$ 43,574,537
A price decrease by 10%	(1,200,439)	(43,574,537)
	June 30, 2024	
	Effect on	Effect on other
	profit or loss	comprehensive income (Note)
Price risk		
A price increase by 10%	\$ 1,201,128	\$ 43,987,035
A price decrease by 10%	(1,201,128)	(43,987,035)

Note: Including financial assets at fair value through profit or loss using overlay approach, the gain or loss are recognised in other comprehensive income.

(c) Exchange rate risk

I. Hedging Strategy and Risk Exposure

The Consolidated Company holds many foreign investments, which are denominated in various currencies and may suffer from losses when the fluctuations of exchange rates lead to changes in their fair values. Following the principles that life insurance companies should pursue long-term stable investment income and keeping the reserves for foreign exchange at suitable levels, the Consolidated Company tries to reduce the foreign exchange risk by adopting direct hedges, natural hedges, and other hedging tools compliant with the regulations; quarterly reviewing the currencies, profit or loss, and tenor allocation of the hedges; and dynamically adjusting the risk exposures and hedge ratios to the market conditions. Direct hedges are the direct hedging transactions of the foreign currencies versus USD or TWD, and the hedging tools the Consolidated Company currently uses include FX swap contracts, cross currency swaps, delivery forwards, and non-delivery forwards. On the other hand, natural hedges are to diversify the foreign exchange risks of the entire foreign investment positions by holding a variety of currency exposures, since the different trends among the exposed currencies may bring diversification effects to the Consolidated Company.

- II. Sensitivity analysis of foreign exchange risk provided in the table below is performed for reasonably possible changes in foreign exchange rates of monetary assets and liabilities with other conditions held constant, considering foreign exchange derivatives for hedge and excluding insurance contract denominated in foreign currencies, showing the impact on net income and other comprehensive income (changes in the fair value) (pre-tax and excluding considerations for reserve for foreign exchange valuation).

June 30, 2025		
	Effect on profit or loss	Effect on other comprehensive income
All currency to TWD increase by 5%	\$ 35,224,487	(\$ 1,243,069)
All currency to TWD decrease by 5%	(35,224,487)	1,243,069
December 31, 2024		
	Effect on profit or loss	Effect on other comprehensive income
All currency to TWD increase by 5%	\$ 40,913,539	(\$ 1,397,234)
All currency to TWD decrease by 5%	(40,913,539)	1,397,234
June 30, 2024		
	Effect on profit or loss	Effect on other comprehensive income
All currency to TWD increase by 5%	\$ 36,153,187	(\$ 1,259,064)
All currency to TWD decrease by 5%	(36,153,187)	1,259,064

D. Climate - related risks

The Consolidated Company has established a Task Force on Climate-related Financial Disclosures (TCFD) working group, which annually identifies climate-related risks and opportunities. For risks with higher materiality, the group assesses their potential impact on business and finance, devises relevant adaptation or mitigation measures, and integrates climate-related risks into the existing risk management framework. This is done by following the three lines of defense in internal control to ensure that climate-related risks are adequately managed. Additionally, the Consolidated Company has set a climate risk appetite statement to effectively manage potential physical and transition risks in the future. Every year, through the execution of climate scenario analysis, the Consolidated Company measures and monitors the potential financial impacts and climate resilience associated with climate-related risks.

14. OBJECTIVE, POLICY AND PROCEDURE OF CAPITAL MANAGEMENT

The Consolidated Company's primary objectives when managing capital are to safeguard capital adequacy and solvency of the Consolidated Company in order to support the Consolidated Company's sustainable development and continuously create interests for shareholders.

Taiwan insurance enterprises usually measure whether the capital is adequate in accordance with the risk based capital ratio. Pursuant to Article 143-4 of Insurance Act, an insurance enterprise's ratio of self-owned capital to risk-based capital should not be lower than 200%. The Consolidated Company calculates the risk based capital ratio and net worth ratio once every six months to measure and assess the future capital adequacy in accordance with "Regulations Governing Capital Adequacy of Insurance Companies" and other competent authority to ensure that it can continuously meet the statutory capital requirement and medium and long-term operations.

Risk based capital ratio is calculated as self-owned capital divided by risk-based capital. Self-owned capital is the total capital approved by the competent authority, which includes recognised owners' equity and other adjustment items as regulated by the competent authority; risk-based capital is the total capital calculated based on the extent of risk that an insurance enterprise assumes in its actual operations. Net worth ratio is calculated as equity divided by total assets excluding assets on insurance

product - separated account. According to "Regulations Governing Capital Adequacy of Insurance Companies", the Consolidated Company's life insurance business and property insurance business latest two capital adequacy ratios were both above 200%, and the latest two net worth ratios were both above 3%, which met the statutory capital requirement.

15. OTHERS

(1) Assets and liabilities recoverable or payable within 12 months or more than 12 months:

Assets	June 30, 2025		
	Book value	Within 12 months	More than 12 months
Cash and cash equivalents	\$ 176,552,249	\$ 176,552,249	\$ -
Receivables	46,376,245	46,376,245	-
Current tax assets	5,793,587	597,570	5,196,017
Financial assets at fair value through profit or loss	1,033,434,712	985,119,141	48,315,571
Financial assets at fair value through other comprehensive income	250,731,395	1,391,999	249,339,396
Financial assets at amortised cost	3,212,100,712	4,087,291	3,208,013,421
Investments accounted for using equity method	2,749,043	-	2,749,043
Investment property	215,419,606	-	215,419,606
Loans	108,818,286	-	108,818,286
Reinsurance contract assets	3,530,405	3,271,255	259,150
Property and equipment	19,662,183	-	19,662,183
Right-of-use assets	1,501,414	56,610	1,444,804
Intangible assets	11,803,792	-	11,803,792
Deferred tax assets	81,363,042	-	81,363,042
Other assets	27,138,637	473,550	26,665,087
Liabilities			
Short-term debts	\$ 6,893,476	\$ 6,893,476	\$ -
Payables	18,036,027	18,036,027	-
Current tax liabilities	920,570	50,035	870,535
Financial liabilities at fair value through profit or loss	11,391,329	11,391,329	-
Bonds payable	100,286,692	-	100,286,692
Insurance contract liabilities	4,579,631,468	46,270,383	4,533,361,085
Reserve for insurance with nature of financial instruments	1,263,251	-	1,263,251
Reserve for foreign exchange valuation	25,118,848	-	25,118,848
Provisions	3,688,077	-	3,688,077
Lease liabilities	26,343,726	4,863,421	21,480,305
Deferred tax liabilities	28,243,394	-	28,243,394
Other liabilities	97,277,233	69,409,567	27,867,666

Assets	December 31, 2024		
	Book value	Within 12 months	More than 12 months
Cash and cash equivalents	\$ 96,121,054	\$ 96,121,054	\$ -
Receivables	43,700,329	43,700,329	-
Current tax assets	5,948,301	597,570	5,350,731
Financial assets at fair value through profit or loss	1,005,321,996	956,587,549	48,734,447
Financial assets at fair value through other comprehensive income	256,205,859	4,266,564	251,939,295
Financial assets at amortised cost	3,478,427,586	3,209,787	3,475,217,799
Investments accounted for using equity method	3,072,425	-	3,072,425
Investment property	213,702,898	-	213,702,898
Loans	110,183,510	-	110,183,510
Reinsurance contract assets	3,391,495	3,212,914	178,581
Property and equipment	18,288,829	-	18,288,829
Right-of-use assets	1,507,446	65,565	1,441,881
Intangible assets	12,536,504	-	12,536,504
Deferred tax assets	90,612,695	-	90,612,695
Other assets	60,248,952	5,531,855	54,717,097
Liabilities			
Short-term debts	\$ 2,822,375	\$ 2,822,375	\$ -
Payables	15,582,275	15,582,275	-
Current tax liabilities	925,404	54,869	870,535
Financial liabilities at fair value through profit or loss	61,317,453	61,317,453	-
Bonds payable	87,278,676	-	87,278,676
Insurance contract liabilities	4,734,577,912	45,887,041	4,688,690,871
Reserve for insurance with nature of financial instruments	1,273,246	-	1,273,246
Reserve for foreign exchange valuation	23,273,154	-	23,273,154
Provisions	3,735,838	-	3,735,838
Lease liabilities	29,642,528	4,309,111	25,333,417
Deferred tax liabilities	52,533,164	-	52,533,164
Other liabilities	30,049,068	1,713,384	28,335,684

Assets	June 30, 2024		
	Book value	Within 12 months	More than 12 months
Cash and cash equivalents	\$ 80,967,406	\$ 80,967,406	\$ -
Receivables	42,719,809	42,719,809	-
Current tax assets	4,601,285	597,738	4,003,547
Financial assets at fair value through profit or loss	1,005,307,392	956,436,319	48,871,073
Financial assets at fair value through other comprehensive income	274,517,360	2,572,608	271,944,752
Financial assets at amortised cost	3,460,790,172	10,545,915	3,450,244,257
Investments accounted for using equity method	2,812,742	-	2,812,742
Investment property	214,613,212	-	214,613,212
Loans	108,888,167	-	108,888,167
Reinsurance contract assets	3,593,180	3,403,977	189,203
Property and equipment	17,628,525	-	17,628,525
Right-of-use assets	868,317	91,165	777,152
Intangible assets	13,174,044	-	13,174,044
Deferred tax assets	79,812,875	-	79,812,875
Other assets	55,721,250	7,305,323	48,415,927
Liabilities			
Short-term debts	\$ 9,703,644	\$ 9,703,644	\$ -
Payables	24,514,939	24,514,939	-
Current tax liabilities	1,297,085	144,631	1,152,454
Financial liabilities at fair value through profit or loss	53,621,151	53,621,151	-
Bonds payable	61,040,000	-	61,040,000
Insurance contract liabilities	4,707,668,214	44,613,934	4,663,054,280
Reserve for insurance with nature of financial instruments	1,186,250	-	1,186,250
Reserve for foreign exchange valuation	22,467,536	-	22,467,536
Provisions	3,814,498	-	3,814,498
Lease liabilities	29,554,940	4,305,312	25,249,628
Deferred tax liabilities	48,410,574	-	48,410,574
Other liabilities	28,504,122	1,443,746	27,060,376

- (2) The Consolidated Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations are as follows:

June 30, 2025			
Assets	Foreign Currency Amount (thousand)	Exchange Rate	New Taiwan Dollars
US Dollars	\$ 124,311,744	29.90	\$ 3,717,198,799
Others (Note)			65,475,549
Liabilities	Foreign Currency Amount (thousand)	Exchange Rate	New Taiwan Dollars
US Dollars	\$ 36,739,428	29.90	\$ 1,098,588,671
Others (Note)			5,980,366
December 31, 2024			
Assets	Foreign Currency Amount (thousand)	Exchange Rate	New Taiwan Dollars
US Dollars	\$ 121,921,288	32.78	\$ 3,996,692,399
Others (Note)			87,482,827
Liabilities	Foreign Currency Amount (thousand)	Exchange Rate	New Taiwan Dollars
US Dollars	\$ 34,529,955	32.78	\$ 1,131,902,583
Others (Note)			6,430,436
June 30, 2024			
Assets	Foreign Currency Amount (thousand)	Exchange Rate	New Taiwan Dollars
US Dollars	\$ 122,878,986	32.45	\$ 3,987,414,336
Others (Note)			97,844,440
Liabilities	Foreign Currency Amount (thousand)	Exchange Rate	New Taiwan Dollars
US Dollars	\$ 35,205,174	32.45	\$ 1,142,385,833
Others (Note)			7,167,914

Note : The combined amount is disclosed, since the New Taiwan Dollars were under 10% of each account.

(3) Net worth ratio

As of June 30, 2025, December 31, 2024 and June 30, 2024, the net worth ratio of the Company was calculated by its equity divided by the total assets, excluding assets on insurance products - separate account, which equalled 5.77%, 6.64% and 6.99%, respectively. As of June 30, 2025, December 31, 2024 and June 30, 2024, the net worth ratio of the Consolidated Company's property insurance business was calculated by its equity divided by total assets, which equalled 26.30%, 27.78% and 27.10%, respectively.

(4) Retention limit

The Consolidated Company's property insurance business which's retention limit per unit of risk for each kind of insurance:

Item					Unit: Thousand	
	June 30, 2025		December 31, 2024		June 30, 2024	
One-year residential fire insurance	NT\$	150,000	NT\$	150,000	NT\$	150,000
One-year commercial fire insurance	NT\$	350,000	NT\$	425,000	NT\$	425,000
Long-term commercial fire insurance	NT\$	150,000	NT\$	150,000	NT\$	150,000
In-land transportation insurance	US\$	3,000	US\$	3,000	US\$	3,000
Cargo transportation insurance	US\$	7,000	US\$	7,000	US\$	7,000
General self-owned automobile property insurance	NT\$	100,000	NT\$	100,000	NT\$	100,000
General commercial automobile property insurance	NT\$	100,000	NT\$	100,000	NT\$	100,000
General self-owned automobile liability insurance	NT\$	100,000	NT\$	100,000	NT\$	100,000
General commercial automobile liability insurance	NT\$	100,000	NT\$	100,000	NT\$	100,000
Compulsory self-owned automobile liability insurance	NT\$	1,000	NT\$	1,000	NT\$	1,000
Compulsory commercial automobile liability insurance	NT\$	1,000	NT\$	1,000	NT\$	1,000
Compulsory motorcycle liability insurance	NT\$	1,000	NT\$	1,000	NT\$	1,000
General liability insurance	NT\$	300,000	NT\$	300,000	NT\$	300,000
Professional liability insurance	NT\$	300,000	NT\$	300,000	NT\$	300,000
Engineering insurance	NT\$	350,000	NT\$	425,000	NT\$	425,000
Guarantee insurance	NT\$	200,000	NT\$	200,000	NT\$	30,000
Miscellaneous property insurance	NT\$	150,000	NT\$	150,000	NT\$	150,000
Personal accident insurance	NT\$	40,000	NT\$	40,000	NT\$	40,000
Commercial earthquake insurance	NT\$	350,000	NT\$	425,000	NT\$	425,000
Individual all-risk insurance	NT\$	120,000	NT\$	120,000	NT\$	120,000
Commercial all-risk insurance	NT\$	150,000	NT\$	150,000	NT\$	150,000
Typhoon and flood insurance	NT\$	350,000	NT\$	425,000	NT\$	425,000
Health Insurance	NT\$	30,000	NT\$	30,000	NT\$	30,000
Compulsory mini electric two-wheel vehicle liability insurance	NT\$	1,000	NT\$	1,000	NT\$	1,000
Hull Insurance	NT\$	200,000	NT\$	-	NT\$	-

(5) Information of compulsory automobile liability insurance specific asset segmentation, assets and liabilities and income and cost:

A. The Consolidated Company's property insurance business maintains separate accounts for its compulsory automobile liability insurance (the “insurance”) in accordance with the Compulsory Automobile Liability Insurance Act, recording the insurance business and financial condition. As of June 30, 2025, December 31, 2024 and June 30, 2024, the insurance assets and liabilities of the Consolidated Company are as follows:

Item	June 30, 2025	December 31, 2024	June 30, 2024
Assets			
Cash and cash equivalents	\$ 1,044,389	\$ 1,068,827	\$ 1,053,032
Notes receivable	480	368	326
Premiums receivable	2,658	3,449	1,453
Claims recoverable from reinsurers	41,925	39,526	45,259
Financial assets at fair value through other comprehensive income	2,050,322	1,979,429	1,918,340
Ceded unearned premium reserves	211,382	207,274	204,045
Ceded claim reserves	281,862	265,628	234,597
Temporary debits and suspense accounts	2,251	2,670	143
Total Assets	\$ 3,635,269	\$ 3,567,171	\$ 3,457,195
Liabilities			
Claims and policy benefits payable	\$ 763	\$ 1,214	\$ -
Due to reinsurers and ceding companies	10,543	14,697	8,725
Unearned premium reserves	515,603	505,051	495,146
Claim reserves	687,380	657,390	601,423
Special reserves	2,420,324	2,386,228	2,350,706
Temporary credits and suspense accounts	193	1,565	781
Other liabilities	463	1,026	414
Total liabilities	\$ 3,635,269	\$ 3,567,171	\$ 3,457,195

- B. For the three months and for the six months ended June 30, 2025 and 2024, the information on the Consolidated Company's property insurance income and cost is as follows:

Item	For the three months ended June 30,	
	2025	2024
Operating income		
Net premium income	\$ 137,679	\$ 129,969
Reinsurance premium income	67,756	62,028
Premium income	205,435	191,997
Less: Reinsurance premiums ceded	(82,571)	(77,947)
Net changes of unearned premium reserves	(4,974)	(2,325)
Retention earned premium income	117,890	111,725
Interest income	10,142	9,863
	<u>\$ 128,032</u>	<u>\$ 121,588</u>
Operating cost		
Claims and policy benefits payments	\$ 133,975	\$ 128,698
Reinsurance claims paid	57,139	53,471
Less: Claim recovered from reinsurers	(77,314)	(75,165)
Retention claims and policy benefits payments	113,800	107,004
Net changes of claim reserves	101	4,403
Net changes of special reserves (Note)	17,369	16,281
	<u>\$ 131,270</u>	<u>\$ 127,688</u>
Item	For the six months ended June 30,	
	2025	2024
Operating income		
Net premium income	\$ 274,003	\$ 261,290
Reinsurance premium income	135,316	129,705
Premium income	409,319	390,995
Less: Reinsurance premiums ceded	(164,334)	(156,716)
Net changes of unearned premium reserves	(6,444)	(7,199)
Retention earned premium income	238,541	227,080
Interest income	20,283	18,996
	<u>\$ 258,824</u>	<u>\$ 246,076</u>
Operating cost		
Claims and policy benefits payments	\$ 239,521	\$ 246,422
Reinsurance claims paid	117,088	114,975
Less: Claim recovered from reinsurers	(139,202)	(146,253)
Retention claims and policy benefits payments	217,407	215,144
Net changes of claim reserves	13,756	11,851
Net changes of special reserves (Note)	34,096	31,286
	<u>\$ 265,259</u>	<u>\$ 258,281</u>

Note: Including the special reserves provisioned from insurer's business expenses, please refer to Note 6(22)B(b) III (iii) for details.

(6) Unqualified reinsurance reserves

A. Summary of unqualified reinsurance contracts are set forth as follows:

The Consolidated Company's property insurance business entered into contracts with insurance companies listed below and the scope of reinsurance is the same as the Company's insurance contracts.

Insurance company	Item
Asia Capital Reinsurance Group Pte. Ltd. HK Branch	Engineering Insurance

B. Among the Consolidated Company's property insurance business' inforce policies, as of June 30, 2025 and 2024, reinsurance premium ceded amounted to \$13 and \$68, respectively.

C. The Consolidated Company's property insurance business' unqualified reinsurance contract assets reserves and its details are as follows :

	June 30, 2025	December 31, 2024	June 30, 2024
Claims recoverable from reinsurers	\$ -	\$ 10	\$ 3
Ceded unearned premium reserves	7	22	34
Ceded reported but not paid claim reserves	192	157	157
	<u>\$ 199</u>	<u>\$ 189</u>	<u>\$ 194</u>

(7) The effects of Russian-Ukrainian conflict

Due to the Russian-Ukrainian conflict which started on February 24, 2022, countries worldwide adopted many economic and financial sanctions on Russia, resulting in an increase in the risk of default on sovereign debts and interest of Russia, and the credit rating was significantly decreased and cancelled by international credit rating agencies. The Consolidated Company has recognised expected credit loss on the credit impaired Russian debt instruments (recognised as financial assets at fair value through other comprehensive income, financial assets at amortised cost and receivables).

16. SUPPLEMENTARY DISCLOSURES

(1) Information of significant transactions

A. Acquisition of real estate reaching \$100,000 or in excess of 20% of the Consolidated Company's capital:

Company who acquired properties	Real Estate Required	Date of the Event	Transaction Amount	Collection of payments	Counterparty	Relationship with the Counterparty	Basis or Reference Used in Setting the Price	Reason for acquisition of real estate and status of the real estate	Other Agreement
The Company	Land: Lot numbers in Juguang Section, Yuanlin City, Changhua County ; 3303 、 3305 、 3307	January 17, 2025 (Note)	\$ 960,703	Payment based on the contract terms	Tailung Plastic Industry Co., Ltd	Nil	Appraisal report of property appraiser	Acquisition of Owner- Occupied and Investment Properties	None

Note :Date of event refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

B. Disposal of real estate reaching \$100,000 or in excess of 20% of the Consolidated Company's capital: None.

C. Related party transactions of main business activities reaching \$100,000 or in excess of 20% of the Consolidated Company's capital: Please refer to Note 7.

D. Accounts receivable from related parties reaching \$100,000 or in excess of 20% of the Consolidated Company's capital: None.

E. Derivative business transactions: Please refer to Notes 6(3), (20) and 12.

F. Business relationship and significant transactions between parent company and subsidiaries: None.

(2) Information on investees

A. Investees:

Investor company	Investee company	Area	Main operation	Initial investment amount		Held by the end of period			Profit in this period of investee company	Recognised profit on investment in this period	Remarks
				End of this period	End of last year	Number of shares (In thousands)	Ratio	Carrying amount			
The Company	Nan Shan General Insurance Co., Ltd.	R.O.C	Property insurance	\$6,776,893	\$6,776,893	252,400	100%	\$ 6,425,944	\$ 428,541	\$ 356,118	Note 1
The Company	Fuh Hwa Securities Investment Trust Co., Ltd.	R.O.C	Securities investment trust	2,763,845	2,763,845	18,426	30.71%	2,742,606	780,335	239,636	
The Company	Nan Shan Plaza Property Management Co., Ltd.	R.O.C	Apartment and building management service	3,000	3,000	3	30%	6,437	2,517	431	
The Company	Nanshan Life Pte. Ltd.	Singapore	Overseas financing and investing business	654,600	654,600	-	100%	493,761	(60,773)	(60,754)	Note 1 Note 2

Note 1: It has been written when preparing the consolidated financial statements.

Note 2: In accordance with the resolution of the Board of Directors on May 30, 2024, the Consolidated Company established a 100% owned special purpose overseas financing entity, Nanshan Life Pte. Ltd., in Singapore. This entity is dedicated to issuing bonds with capital characteristics and managing the associated funds, and the establishment was completed after permitted by Jin-Guan-Bao-Sho Letter No. 1130140191 of FSC dated July 2, 2024 and the Singapore regulatory authorities on July 26, 2024. The initial capital investment amounted to US\$20,000 thousand.

(3) Information on investments in Mainland China

None.

17. SEGMENT INFORMATION

(1) General information

The Consolidated Company's management has determined the reportable operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

There is no material change in the basis for formation of entities and division of segments in the Consolidated Company or in the measurement basis for segment information during this period.

(2) Segment and geographical information

For the three months ended June 30, 2025					
	Life insurance	Property insurance	Overseas financing and investing business	Adjustment and write-off (Note)	Total
Premium income	\$ 61,894,472	\$ 2,759,020	\$ -	(\$ 124,528)	\$ 64,528,964
Segment income (loss)	\$ 2,199,102	\$ 212,894	(\$ 30,160)	(\$ 182,734)	\$ 2,199,102
For the three months ended June 30, 2024					
	Life insurance	Property insurance	Overseas financing and investing business	Adjustment and write-off (Note)	Total
Premium income	\$ 62,688,273	\$ 2,439,725	\$ -	(\$ 104,777)	\$ 65,023,221
Segment income (loss)	\$ 12,108,098	\$ 31,121	\$ -	(\$ 31,121)	\$ 12,108,098
For the six months ended June 30, 2025					
	Life insurance	Property insurance	Overseas financing and investing business	Adjustment and write-off (Note)	Total
Premium income	\$ 127,346,833	\$ 5,397,960	\$ -	(\$ 126,782)	\$ 132,618,011
Segment income (loss)	\$ 14,391,193	\$ 427,866	(\$ 60,773)	(\$ 367,093)	\$ 14,391,193
Segment's total assets	\$5,383,427,326	\$ 19,694,175	\$ 21,611,724	(\$ 6,533,818)	\$5,418,199,407
Segment's total liabilities	\$5,085,546,109	\$ 13,933,777	\$ 21,117,962	(\$ 279,658)	\$5,120,318,190
For the six months ended June 30, 2024					
	Life insurance	Property insurance	Overseas financing and investing business	Adjustment and write-off (Note)	Total
Premium income	\$ 130,729,000	\$ 4,710,529	\$ -	(\$ 104,813)	\$ 135,334,716
Segment income (loss)	\$ 25,588,155	\$ 178,571	\$ -	(\$ 178,571)	\$ 25,588,155
Segment's total assets	\$5,575,961,804	\$ 17,379,619	\$ -	(\$ 5,345,814)	\$5,587,995,609
Segment's total liabilities	\$5,201,729,021	\$ 12,096,327	\$ -	(\$ 62,522)	\$5,213,762,826

Note: Adjustment and write-off are mainly adjustments in line with the journal entry for consolidation purpose.

(3) Major customer information

There is no requirement for additional disclosure since no significant customer accounted for 10% or more of the Consolidated Company's operating revenues.

ISSUER

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