

TAIWAN LIFE INSURANCE CO., LTD.**Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022**

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The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors of Taiwan Life Insurance Co., Ltd.:

Opinion

We have audited the financial statements of Taiwan Life Insurance Co., Ltd. ("the Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years ended December 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant 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 of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Assessment of the fair value of financial instruments

Please refer to Note 4 (f) for the related accounting policies of the assessment of the fair value of financial instruments, Note 5 for the accounting assumptions and estimation uncertainty, and Note 6 (ae) (af) for other details.

Description of key audit matter:

Parts of the financial instruments owned by the Company were valued by using the evaluation model due to the lack of public transaction prices. Thus, it demands significant professional judgments from the management by using different valuation techniques and assumptions for input values. Therefore, the assessment of fair value of financial instruments is one of the key audit matters.

How the matter was addressed in our audit:

Our principal audit procedures included: testing the management's control procedures over the classification, measurement and disclosure of fair value of financial instruments, including evaluating how the management determines the classification of financial instruments, chooses the appropriate evaluation method and decides the prime parameter hypothesis, regularly measures the fair value of financial instruments and confirming that the presentation and disclosure of financial instruments are in accordance with International Financial Reporting Standards (IFRSs). As to financial assets that have no public quotations in the active market and use evaluation methods to measure their fair value, we used sampling test and employed evaluation experts to independently test the evaluation of financial instruments and compared the results with the carrying amount to assess whether there are significant abnormalities.

2. Provision of insurance liability

Please refer to Note 4 (s) for the related accounting policies of insurance liability, Note 5 for or the accounting assumptions and estimation uncertainty, and Note 6 (q) and (ad) for the other details of the provision of insurance liability.

Description of key audit matter:

The assessment of insurance liabilities includes the provision of insurance liabilities and the liability adequacy test. The estimation of the Company's insurance liability is subject to future uncertainties. The assumption of life insurance reserve adopts a fixed cost basis, that is to say, the provision is calculated by a reserve rate upon the issuance of insurance policy. Provision of unearned premiums is calculated by actuaries according to each product's characteristic and its undue risk. The main assumptions of claim reserve are claim development factors and expected claims rates. The insurance contract should be subject to a liability adequacy test at each balance sheet date, to execute the adequacy of insurance liabilities testing, estimating the discounted future cash flows should take into consideration the future insurance payments, insurance income and related expenses. The aforementioned evaluation involved the professional judgments of the management which will affect the recognition amount of insurance liabilities. Therefore, evaluating the provision of insurance liabilities is one of the key audit matters.

How the matter was addressed in our audit:

Our principal audit procedures included: reviewing the analysis of movements in insurance liabilities, adopting the audit of insurance liabilities performed by our actuarial specialists, and inspecting whether the calculation and applied parameters are in accordance with the related ordinances, administrative interpretations and code of conduct announced by the Actuarial Institute of the Republic of China. Also, the assessment on the reasonableness of actuarial assumptions should be in conformity with the empirical data and product specification in order to build the model of evaluation of insurance liability, as well as the estimation on the reasonableness of the actuarial result adopted by the management should be based on our understanding of industry and market.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including audit committee) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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 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 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 auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

The engagement partners on the audit resulting in this independent auditors' report are Tsai, Pei-Ju and Chen, Chun-Kuang.

KPMG

Taipei, Taiwan (Republic of China)
March 13, 2024

Notes to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)

TAIWAN LIFE INSURANCE CO., LTD.

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022				December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
ASSETS						LIABILITIES AND EQUITY					
11000	Cash and cash equivalents (Notes 4, 6(a), (ae) and 7)	\$ 65,285,368	3	76,119,016	4	Liabilities:					
12000	Receivables (Notes 4, 6(b), (l), (ae), (af) and 7)	23,308,335	1	22,968,708	1	23100	Short-term liabilities (Notes 6(m) and (af))	\$ 20,272,000	1	-	-
12600	Current income tax assets (Note 4)	7,088,266	-	7,349,665	-	21000	Accounts payable (Notes 6(n), (ae), (af) and 7)	13,213,823	1	11,476,303	1
14110	Financial assets measured at fair value through profit or loss (Notes 4, 6(c), (ae), (af), (ah) and 7)	366,266,985	17	321,144,134	15	21700	Current income tax liabilities (Note 4)	3,370	-	135,552	-
14190	Financial assets measured at fair value through other comprehensive income (Notes 4, 6(c), (k), (l), (ae), (af) and 7)	204,055,795	9	176,574,388	8	23200	Financial liabilities measured at fair value through profit or loss (Notes 4, 6(c), (ae) and (af))	9,414,168	-	9,884,700	-
14145	Financial assets measured at amortized cost (Notes 4, 6(c), (k), (l), (ae), (af), (ah) and 7)	1,131,633,297	53	1,166,299,561	57	23500	Bonds payable (Notes 4, 6(o), (ae) and (af))	27,976,274	1	14,986,782	1
14150	Investments accounted for using equity method, net (Notes 4, 6(d), (ah) and 13)	18,747,041	1	9,399,293	-	23700	Other financial liabilities (Notes 4, 6(ae) and (af))	463,791	-	511,288	-
14180	Other financial assets, net (Notes 4, 6(c), (ae) and (af))	25,231,051	1	3,113,887	-	23800	Lease liabilities (Notes 4, 6(p) and 7)	1,199,301	-	1,389,100	-
14200	Investment property (Notes 4, 6(e), (ae) and 13)	98,752,923	4	93,821,060	4	24000	Insurance liabilities (Notes 4, 6(q) and (ad))	1,817,031,586	83	1,834,358,983	85
14300	Loans (Notes 4, 6(c), (l), (af) and 7)	70,427,145	3	69,755,899	3	24800	Reserve for insurance with nature of financial instrument (Notes 4 and 6(r))	4,050	-	3,231	-
15000	Reinsurance assets (Notes 4, 6(g), (q), (ad), (ae) and (af))	4,160,653	-	3,269,636	-	24900	Reserve for foreign exchange fluctuation (Notes 4 and 6(s))	5,986,159	-	12,215,229	1
16000	Property and equipment (Notes 4, 6(h) and 13)	6,027,224	-	6,122,862	-	27000	Provisions (Notes 4 and 6(t))	66,518	-	105,138	-
16700	Right-of-use assets (Notes 4 and 6(i))	61,920	-	238,715	-	28000	Deferred income tax liabilities (Notes 4 and 6(x))	7,285,373	-	3,538,615	-
17000	Intangible assets (Notes 4 and 6(j))	9,272,446	-	8,688,002	-	25000	Other liabilities	1,845,806	-	855,520	-
17800	Deferred income tax assets (Notes 4 and 6(x))	2,106,624	-	4,314,806	-	26000	Liabilities on insurance product, separated account (Notes 4 and 6(ac))	<u>154,240,571</u>	<u>7</u>	<u>153,499,517</u>	<u>7</u>
18000	Other assets (Notes 6(c), (k), 7 and 8)	14,153,212	1	13,846,652	1	Total liabilities		<u>2,059,002,790</u>	<u>93</u>	<u>2,042,959,958</u>	<u>95</u>
18900	Assets on insurance product, separated account (Notes 4 and 6(ac))	154,240,571	7	153,499,517	7	Share capital:					
						31100	Common stock (Note 6(u))	62,267,319	3	62,267,319	3
						32000	Capital surplus (Note 6(u))	34,040,753	2	33,960,264	2
						Retained earnings:					
						33100	Legal reserve (Note 6(u))	15,049,237	1	15,049,237	1
						33200	Special reserve (Notes 4 and 6(u))	32,912,892	1	31,826,164	1
						33300	Undistributed earnings (Accumulated deficit) (Note 6(u))	7,081,180	-	(3,681,934)	-
						34000	Other equity interest (Notes 4 and 6(u))	<u>(9,535,315)</u>	<u>-</u>	<u>(45,855,207)</u>	<u>(2)</u>
						Total equity		<u>141,816,066</u>	<u>7</u>	<u>93,565,843</u>	<u>5</u>
TOTAL ASSETS		<u>\$ 2,200,818,856</u>	<u>100</u>	<u>2,136,525,801</u>	<u>100</u>	TOTAL LIABILITIES AND EQUITY		<u>\$ 2,200,818,856</u>	<u>100</u>	<u>2,136,525,801</u>	<u>100</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

TAIWAN LIFE INSURANCE CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		2023		2022		Change %
		Amount	%	Amount	%	
Operating revenue:						
41110	Written premium (Notes 4, 6(y) and 7)	\$ 128,946,498	61	127,633,009	73	1
51100	Less: Reinsurance expense (Note 6(y))	2,512,187	1	2,193,663	1	15
51310	Net change in unearned premiums reserve (Notes 4, 6(q) and (y))	452,054	-	714,101	-	(37)
	Retained earned premium (Note 6(y))	125,982,257	60	124,725,245	72	
41300	Reinsurance commission received	203,289	-	193,015	-	5
41400	Fee income (Note 7)	1,947,023	1	2,076,939	1	(6)
	Net income (loss) from investments					
41510	Interest income (Notes 6(aa) and 7)	54,114,344	26	51,611,600	30	5
41521	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss (Notes 4 and 6(c))	19,460,160	9	(89,853,010)	(52)	122
41526	Gains arising from derecognition of financial assets measured at amortized cost (Notes 4 and 6(c))	240,783	-	4,423,468	3	(95)
41527	Realized gains on financial assets at fair value through other comprehensive income (Notes 4 and 6(c))	5,739,904	3	6,074,624	4	(6)
41540	Share of gains (losses) of associates and joint ventures accounted for using equity method (Notes 4, 6(d) and 13)	314,040	-	(21,743,548)	(13)	101
41550	Foreign exchange gains	71,586	-	65,091,925	38	(100)
41560	Net change in reserve for foreign exchange fluctuation (Note 6(s))	6,229,070	3	(9,271,489)	(5)	(167)
41570	Gains on investment property (Notes 6(e) and 7)	621,881	-	520,374	-	20
41585	Expected credit losses or reversal of expected credit losses of investments	(490,607)	-	(1,693,976)	(1)	71
41590	Other net loss from investments (Note 7)	(41,064)	-	(103,956)	-	60
41600	(Losses) gains on reclassification under the overlay approach (Note 6(c))	(18,208,489)	(9)	46,945,381	27	(139)
41800	Other operating income (Note 7)	172,746	-	179,213	-	(4)
41900	Income (losses) on insurance product, separated account (Notes 4 and 6(ac))	14,476,017	7	(6,140,320)	(4)	336
	Total operating revenue	210,832,940	100	173,035,485	100	
Operating costs:						
51200	Insurance claim payment (Note 6(z))	183,366,616	87	161,393,783	93	14
41200	Less: Claims recovered from reinsurers (Notes 4 and 6(z))	1,820,737	1	1,328,547	1	37
	Retained claim payment (Note 6(z))	181,545,879	86	160,065,236	92	
51300	Net change in other insurance liability (Notes 4 and 6(q))	(19,207,424)	(9)	3,249,746	2	(691)
51380	Net change in reserve for insurance with nature of financial instrument (Notes 4 and 6(r))	820	-	1,152	-	(29)
51400	Acquisition expense	11,388	-	11,025	-	3
51500	Commission expense (Note 7)	15,424,564	7	11,415,032	7	35
51700	Finance costs (Note 7)	801,407	-	526,348	-	52
51800	Other operating costs (Note 7)	916,136	-	872,390	1	5
51900	Disbursements on insurance product, separated account (Notes 4 and 6(ac))	14,476,017	7	(6,140,320)	(4)	336
	Total operating costs	193,968,787	91	170,000,609	98	
Operating expenses (Notes 4, 7 and 12)						
58100	General expenses	796,637	-	512,684	-	55
58200	Administrative expenses	4,808,109	2	3,896,645	2	23
58300	Staff training expenses	26,674	-	17,166	-	55
58400	Expected credit losses or reversal of expected credit losses of non-investments	32,753	-	(144)	-	22,845
	Total operating expenses	5,664,173	2	4,426,351	2	
	Net operating income (losses)	11,199,980	7	(1,391,475)	-	905
59000	Non-operating income and expenses (Note 7)	105,370	-	26,498	-	298
	Profit (losses) from continuing operations before tax	11,305,350	7	(1,364,977)	-	928
63000	Less: Income tax (benefits) expenses (Notes 4 and 6(x))	(1,077,669)	(1)	2,041,964	1	(153)
	Net income (losses)	12,383,019	8	(3,406,941)	(1)	463
83000	Other comprehensive income:					
83100	Components of other comprehensive income (losses) that will not be reclassified to profit or loss					
83110	Gains on remeasurements of defined benefit plans (Note 6(t))	2,292	-	340	-	574
83190	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	16,357,747	8	(10,161,438)	(6)	261
83140	Share of other comprehensive income (losses) of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	37,709	-	(116,029)	-	132
83180	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Notes 4 and 6(x))	400,546	-	(191,378)	-	309
	Components of other comprehensive income (losses) that will not be reclassified to profit or loss	15,997,202	8	(10,085,749)	(6)	259
83200	Components of other comprehensive losses that will be reclassified to profit or loss					
83210	Exchange differences on translation of foreign financial statements	(34,867)	-	178,064	-	(120)
83290	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	2,598,682	1	(8,832,859)	(5)	129
83250	Share of other comprehensive income (losses) of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	317,464	-	(451,837)	-	170
83295	Other comprehensive income (losses) on reclassification under the overlay approach (Note 6(c))	18,208,489	9	(46,945,381)	(27)	139
83280	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Notes 4 and 6(x))	1,315,356	1	(4,011,754)	2	133
	Components of other comprehensive income (losses) that will be reclassified to profit or loss	19,774,412	9	(52,040,259)	(30)	138
83000	Other comprehensive income (losses)	35,771,614	17	(62,126,008)	(36)	158
	Total comprehensive income (losses)	\$ 48,154,633	25	(65,532,949)	(37)	173
	Basic earnings (losses) per share (unit: NT Dollars) (Notes 4 and 6(w))	\$ 1.99		(0.55)		

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

TAIWAN LIFE INSURANCE CO., LTD.**Statements of Changes in Equity****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<u>Share capital</u>		<u>Retained earnings</u>			<u>Other equity interest</u>			
					Undistributed earnings (Accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealized gains on financial assets measured at fair value through other comprehensive income	Other comprehensive income reclassified of overlay approach	Total equity
Balance at January 1, 2022	\$ 62,267,319	33,950,760	10,548,872	17,857,656	22,178,081	(217,218)	14,476,171	1,716,673	162,778,314
Net losses	-	-	-	-	(3,406,941)	-	-	-	(3,406,941)
Other comprehensive income (losses)	-	-	-	-	665	171,139	(18,256,118)	(44,041,694)	(62,126,008)
Total comprehensive (losses) income	-	-	-	-	(3,406,276)	171,139	(18,256,118)	(44,041,694)	(65,532,949)
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	4,500,365	-	(4,500,365)	-	-	-	-
Cash dividends of common stock	-	-	-	-	(3,693,311)	-	-	-	(3,693,311)
Special reserve appropriated-recovery of special reserve for catastrophe	-	-	-	104,280	(104,280)	-	-	-	-
Special reserve appropriated-reserve for foreign exchange fluctuation	-	-	-	2,250,183	(2,250,183)	-	-	-	-
Special reserve appropriated-disability support insurance	-	-	-	109,678	(109,678)	-	-	-	-
Special reserve appropriated-provision on derecognition of unmatured debt	-	-	-	4,861,797	(4,861,797)	-	-	-	-
Special reserve appropriated-travel insurance	-	-	-	1,042	(1,042)	-	-	-	-
Special reserve appropriated-special reserves of IFRS 17	-	-	-	7,321,000	(7,321,000)	-	-	-	-
Special reserve appropriated-special reserves for significant incidents and catastrophe	-	-	-	347,544	(347,544)	-	-	-	-
Recovery special reserve-special reserves for significant incidents and catastrophe	-	-	-	(363,440)	363,440	-	-	-	-
Recovery special reserve-provision on profit testing of insurance products	-	-	-	(1,246)	1,246	-	-	-	-
Recovery special reserve-employees training and transfer program	-	-	-	(3,182)	3,182	-	-	-	-
Recovery special reserve-provision on derecognition of unmatured debt	-	-	-	(659,148)	659,148	-	-	-	-
Changes in equity of associates and joint ventures accounted for using equity method	-	(1,571)	-	-	-	-	-	-	(1,571)
Share-based payment transactions	-	11,075	-	-	-	-	-	-	11,075
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(295,840)	-	295,840	-	-
Net change in special reserve	-	-	-	-	4,285	-	-	-	4,285
Balance at December 31, 2022	62,267,319	33,960,264	15,049,237	31,826,164	(3,681,934)	(46,079)	(3,484,107)	(42,325,021)	93,565,843
Net income	-	-	-	-	12,383,019	-	-	-	12,383,019
Other comprehensive income (losses)	-	-	-	-	1,848	(27,865)	18,421,207	17,376,424	35,771,614
Total comprehensive income (losses)	-	-	-	-	12,384,867	(27,865)	18,421,207	17,376,424	48,154,633
Appropriation and distribution of retained earnings:									
Special reserve appropriated-recovery of special reserve for catastrophe	-	-	-	299,415	(299,415)	-	-	-	-
Special reserve appropriated-provision on derecognition of unmatured debt	-	-	-	1,462,236	(1,462,236)	-	-	-	-
Special reserve appropriated-travel insurance	-	-	-	2,336	(2,336)	-	-	-	-
Special reserve appropriated-special reserves for significant incidents and catastrophe	-	-	-	479,217	(479,217)	-	-	-	-
Recovery special reserve-special reserves for significant incidents and catastrophe	-	-	-	(400,747)	400,747	-	-	-	-
Recovery special reserve-employees training and transfer program	-	-	-	(5,215)	5,215	-	-	-	-
Recovery special reserve-provision on derecognition of unmatured debt	-	-	-	(750,514)	750,514	-	-	-	-
Other changes in capital surplus	-	1,502	-	-	-	-	-	-	1,502
Reorganization	-	34,531	-	-	-	-	9,304	-	43,835
Share-based payment transactions	-	44,456	-	-	-	-	-	-	44,456
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(540,822)	-	540,822	-	-
Net change in special reserve	-	-	-	-	5,797	-	-	-	5,797
Balance at December 31, 2023	\$ 62,267,319	34,040,753	15,049,237	32,912,892	7,081,180	(73,944)	15,487,226	(24,948,597)	141,816,066

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

TAIWAN LIFE INSURANCE CO., LTD.**Statements of Cash Flows****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	2023	2022
Cash Flows From (Used In) Operating Activities:		
Net Income (Losses) Before Tax	\$ 11,305,350	(1,364,977)
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	1,171,072	1,038,439
Amortization expense	179,682	153,925
Net (gains) losses on financial assets or liabilities at fair value through profit or loss	(24,717,034)	55,586,652
Interest expense	840,351	565,726
Interest income	(54,114,344)	(51,611,600)
Dividend income	(8,994,214)	(9,611,845)
Net change in insurance liabilities	(18,755,370)	3,963,847
Net change in reserve for insurance with nature of financial instrument	820	1,152
Net change in reserve for foreign exchange fluctuation	(6,229,070)	9,271,489
Expected credit losses or reversal of expected credit losses of investments	490,607	1,693,976
Expected credit losses or reversal of expected credit losses of non-investments	32,753	(144)
Share-based payments transactions	44,730	10,818
Share of (profit) losses of subsidiaries, associates and joint ventures accounted for using equity method	(314,040)	21,743,548
Losses (gains) on reclassification under the overlay approach	18,208,489	(46,945,381)
Losses on disposal of property and equipment	1,797	1,602
Losses (gains) on disposal of investment properties	476	(11,434)
Unrealized foreign exchange gains	(1,549,845)	(63,147,224)
Gains recognized in bargain purchase transaction	(72,996)	-
Other adjustments	605	1,778
Total adjustments to reconcile profit (loss)	(93,775,531)	(77,294,676)
Changes in Operating Assets and Liabilities:		
Changes in Operating Assets:		
Decrease (increase) in receivables	84,456	(2,308,227)
(Increase) decrease in financial assets measured at fair value through profit or loss	(22,260,941)	11,571,260
(Increase) decrease in financial assets measured at fair value through other comprehensive income	(8,421,671)	93,086,317
Decrease (increase) in financial assets measured at amortized cost	42,787,152	(51,129,135)
Increase in other financial assets	(22,117,164)	(2,203,141)
(Increase) decrease in reinsurance assets–reinsurance claims payment and due from reinsurers and ceding companies	(465,739)	329,535
Increase in other assets	(135,372)	(312,183)
Changes in Operating Liabilities:		
Increase (decrease) in payable	1,503,109	(1,177,016)
Decrease in other financial liabilities	(47,497)	(531,517)
Decrease in provisions	(44,421)	(6,719)
Increase (decrease) in advance receipts	98,647	(159,724)
(Decrease) increase in guarantee deposits	(16,533)	212
Increase (decrease) in other liabilities	883,183	(612,282)
Net Total Changes in Operating Assets and Liabilities	(8,152,791)	46,547,380
Total Adjustments	(101,928,322)	(30,747,296)
Cash outflow generated from operations	(90,622,972)	(32,112,273)
Interest received	49,025,158	46,636,408
Dividends received	9,030,742	10,025,559
Interest paid	(616,448)	(559,541)
Income taxes refund (paid)	5,446,112	(3,380,293)
Net Cash Flows From Operating Activities	(27,737,408)	20,609,860
Cash Flows From (Used In) Investing Activities:		
Acquisition of investments accounted for using equity method	(9,829,841)	(18,051,247)
Proceeds from disposal of investments accounted for using equity method	1,077,235	-
Proceeds from capital reduction of investments accounted for using equity method	24,500	2,382,000
Acquisition of property and equipment	(141,281)	(193,509)
Increase in refundable deposits	(171,188)	(8,730)
Net changes in intangible assets	(764,126)	(994,148)
Increase in loans	(681,596)	(11,686,639)
Acquisition of investment properties	(5,649,524)	(10,086,156)
Proceeds from disposal of investment properties	-	56,000
Net Cash Flows Used in Investing Activities	(16,135,821)	(38,582,429)
Cash Flows From (Used In) Financing Activities:		
Increase in securities sold under repurchase agreement	20,272,000	-
Increase in bonds payable	13,000,000	-
Payment of lease liabilities	(232,562)	(178,841)
Cash dividends paid	-	(3,693,312)
Net Cash Flows Used in Financing Activities	33,039,438	(3,872,153)
Effect of exchange rate changes on cash and cash equivalents	143	143,439
Net decrease in cash and cash equivalents	(10,833,648)	(21,701,283)
Cash and cash equivalents at the beginning of period	76,119,016	97,820,299
Cash and cash equivalents at the end of period	\$ 65,285,368	76,119,016

See accompanying notes to financial statements.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

TAIWAN LIFE INSURANCE CO., LTD. (the Company) was incorporated in December 1947 by Taiwan Bank and other nine province-owned companies. On July 10, 1997, the Securities and Futures Commission, Ministry of Finance (currently renamed the Securities and Futures Bureau, Financial Supervisory Commission, referred to as the “SFB”) approved the public offering of the Company, and the Company’s shares have been publicly listed on the Taiwan Stock Exchange since October 13, 1997. Following the scheduled share release plan, the Company accomplished privatization in June 1998 and with seven branches located throughout Taiwan, including Taipei, Taichung, Tainan and Kaohsiung.

CTBC Life Insurance Co. (CTBC Life) was founded in August 2003. The primary business of CTBC Life is life insurance business. CTBC Life previous legal person shareholder Met Life Insurance Co., Ltd. had sold all shares to CTBC Financial Holdings Co., Ltd. (CTBC Financial Holdings) interest transaction, approved by Fair Trade Commission, Former Banking Bureau Financial Supervisory Commission, Insurance Bureau and Investment Commission, and completed the transfer of ownership on November 1, 2011. The application to merger was approved by FSC Jin-Guan-Bao-Li-Zi No. 10002654882 on October 17, 2011 and rename into CTBC Life on January 4, 2012. CTBC Life was approved to public offering by FSC Jin-Guan-Cheng-Fa-Zi No. 1020012829. In order to expand insurance market of CTBC Life occupation and provide diverse insurance products to satisfy insurer guarantee and finance requirements, CTBC Life generalized operating, assets and liabilities Manulife International Ltd. Taiwan branch on January 1, 2014.

In order to continuously expand and merge the scale of insurance business resource allocation, its parent company CTBC Financial Holdings planned the acquisition transaction in two steps for the acquisition and acquire 100% share of Taiwan Life Insurance Co., Ltd. on October 15, 2015. Following enterprises mergers and acquisitions law approved Taiwan Life Insurance Co., Ltd.’s ordinary shares in a 1.23 for 1 exchange for the shares of CTBC Life, and issued ordinary shares by the Company to merge the CTBC Life, The Company is the surviving entity while CTBC Life was the dissolved company in law. The Company’s headquarter building is located in 8F, No.188, Jingmao 2nd Rd., Nangang Dist., Taipei City 115, Taiwan, R.O.C. with operating main business in enterprise in life insurance business.

(2) Approval date and procedures of the financial statements:

The financial reports were approved by the board of directors on March 13, 2024.

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Company has initially adopted the new amendment, which do not have a significant impact on its financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	Effective date to be determined by IASB

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 17 “Insurance Contracts”	The new standard of accounting for insurance contracts contain recognition, measurement, presentation and disclosure of insurance contracts issued, and the main amendments are as follows: ● Recognition: an entity recognizes a group of insurance contracts that it issues from the earliest of : - the beginning of the coverage period of the group of contracts; - the date when the first payment from a policyholder in the group because due; and - for a group of onerous contracts, when the group becomes onerous, if facts and circumstances indicate that there is such a group. ● Measurement: on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. For subsequent measurement, the entity shall estimate the cash flows, discount rates and the adjustment for non-financial risk. ● Presentation and disclosure: the presentation of insurance revenue is based on the provision of service pattern and investment components excluded from insurance revenue.	January 1, 2023
Amendments to IFRS 17 “Insurance Contracts”	The fundamental principles introduced when the Board first issued IFRS 17 in May 2017 remain unaffected. The amendments are designed to: ● reduce costs by simplifying some requirements in the Standard; ● make financial performance easier to explain; and ● ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time.	January 1, 2023

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “	The amendment adds a new transition option to IFRS 17 (the ‘ classification overlay’) to alleviate accounting mismatches in comparative information between insurance contract liabilities and related financial assets on the initial application of IFRS 17. It allows presentation of comparative information about financial assets to be presented in a manner that is more consistent with IFRS 9 Financial Instruments.	January 1, 2023

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material accounting policies:

This report was originally prepared in Chinese language. When conflicts or ambiguities arise in interpretations between the two versions, the Chinese version shall prevail.

(a) Assertion of compliance

The financial reports were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises (hereinafter referred to as the Regulations) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the FSC, R.O.C.

(b) Basis of preparation

The financial reports have been prepared on a historical cost basis except for the following material items in the statement of financial position:

- (i) Financial instruments measured at fair value through profit or loss (including derivative financial instruments);
- (ii) Financial instruments measured at fair value through other comprehensive income;
- (iii) Cash-settled share-based payment agreements liability measured at fair value;
- (iv) Defined benefit assets, which are recognized as the net amount of pension plan assets plus-unrecognized prior service cost and unrecognized actuarial losses, minus unrecognized actuarial gains and present value of defined benefits obligation; and

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

- (v) Reinsurance assets, insurance liabilities and reserve for financial insurance contracts are recognized in compliance with the Regulations Governing the Provision of Reserves by Insurance Companies.

(c) Foreign currency

- (i) A foreign currency transaction that is denominated or requires settlement in a foreign currency, shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.
- (ii) On each balance sheet date, foreign currency monetary items shall be translated using the closing rate. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.
- (iii) Foreign currency differences arising on the settlement of a foreign currency transaction are recognized in current profit or loss. Foreign currency differences arising on the retranslation of monetary items, except for differences arising on the retranslation of monetary items designated as the hedging instruments in a hedge of the net investments in a foreign operation or in a qualifying cash flow hedge are recognized directly in other comprehensive income, others are recognized in profit or loss when it incurred.
- (iv) When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange difference of that gain or loss shall be recognized in other comprehensive income. Otherwise, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange difference of that gain or loss shall be recognized in profit or loss.

(v) Functional currency and presentation currency

The functional currency of the Company is the currency of the primary economic environment in which it operates. The financial reports are presented in New Taiwan dollars, the functional currency of the Company and rounded to the nearest thousands, except where otherwise indicated.

(d) Classification for current and noncurrent assets and liabilities

The Company primarily engages in life insurance business, and due to the nature of the insurance industry, the operating cycle is determined by the coverage period of insurance contracts and the duration of insurance claim processing. However, the coverage period of insurance contracts and the duration of insurance claim processing often vary case by case. As a result, the operating cycle cannot be clearly identified. Thus, instead of classifying its assets and liabilities as current and noncurrent items, the Company presents its assets and liabilities individually in the order of relative liquidity and discloses the total amount that it expects to recover or settle within and more than twelve months subsequent to the reporting date.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

(e) Cash and cash equivalents

Cash comprises cash on hand, savings accounts, checking accounts, and unrestricted time deposits or negotiable certificates of deposit which may be terminated anytime without impairing the principal. Cash equivalents consist of short-term and highly liquid investments that are readily convertible to known amounts of cash and will mature within a short period so that interest rate fluctuations have little effect on their values. Cash equivalents include short-term bills with maturities within three months from the investment date.

Cash and cash equivalents comprise time deposits that are used by the Company in the management of its short-term cash commitments and are not for investment or other purposes. Additionally, the aforementioned deposits are readily convertible to fixed amount of cash and are subject to an insignificant risk of changes in their fair value.

(f) Financial instruments

(i) Financial assets

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by collecting contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at the amounts on initial recognition combined with the accumulated amortized amount using the effective interest method and adjusted any allowance for credit losses. Interest income, foreign exchange gains and losses, and impairment losses, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets measured at fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Financial assets measured at fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Company's continuing recognition of the assets. The Company, whose business model is to hold assets in order to collect contractual cash flows, may sell financial assets when there is an increase in the assets' credit risk. Even if the sales made for other reasons such as for managing credit concentration risk (the credit risk of the asset has not increased), business model may still be consistent with whose objective is to hold financial assets in order to collect contractual cash flows. Especially, if those sales are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent).

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'Principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

6) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost, debt investments measured at FVOCI, receivables and contract assets.

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk has not increased significantly since initial recognition.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'twA or higher per Taiwan Ratings, , A-(twn) per Fitch Ratings (Taiwan), Baa3 or higher per Moody's or the investment grade which is considered to be BBB- or higher per Standard & Poor's.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- Potential inability of the Company to recover the investment cost due to a significant impact on the operation of the issuer which resulted from an adverse changes in the technology, market, economic or legal environment, or changes in national or regional economic conditions that correlate with defaults on financial assets.

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

- The disappearance of an active market for that financial asset because of the Company's financial difficulties.
- The major change in business model or significant financial or legal event have or may have an adverse effect on the Company.
- Potential breach of contract, such as overdue the payment of interest or paying of principal amounts.
- The Company will probably enter bankruptcy or other financial reorganization.
- A breach of contract, bankruptcy or other financial reorganization.
- Significant adverse news in the market, e.g. the fair value of the debt instrument has kept less than its amortized cost in a certain proportion and significantly increased in credit risk of issuer/ guarantor since initial recognition.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities measured at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

The Company should account the allowance for doubtful accounts in accordance with the Guidelines for Handling Assessment of Assets, Loans Overdue, receivable on Demand and Bad Debts by Insurance Enterprises and Jin-Guan-Bao-Tsai-Zi No.10402506096 issued by FSC.

The minimum standard of recognition of the allowance for doubtful accounts will be based on the higher of the amounts complied with the above regulations or the impairment losses assessed in accordance with IFRS 9 "Financial Instrument".

7) Overlay approach

The Company may elect designated financial assets for the overlay approach. A financial asset is eligible for designation for the overlay approach if, and only if 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 it is held in respect of an activity that is connected with IFRS17. The Company has to designate explicitly eligible financial assets for the overlay approach when and only when they elect to apply the overlay approach. The financial assets should only be designated only when it first applies IFRS 9. Subsequently, they may designate an eligible financial asset for the overlay approach when, and only when that asset is initially recognized or when that asset newly meets the criterion having previously not met.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

8) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Company recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in “other equity – unrealized gains or losses on fair value through other comprehensive income”, in profit or loss.

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Repurchase transactions, where bonds are taken as collateral, shall not be derecognized, because the Company has retained substantially all the risks and rewards of ownership.

9) Loans and Receivables

Loans includes premium loans, life insurance loans and secured loans. The premium loans are advances granted to insured people for overdue premium in accordance with the contracts; life insurance loans are loans secured under insurance policies, secured loans are loans with properties pledged, and loans approved by the FSC.

Loans of the Company are measured at amortized cost whose objective is achieved by collecting contractual cash flows during the existence.

10) Delinquent receivables

The overdue loans are reclassified as delinquent receivables when they are more than 6 months past due; Claims recoverable from reinsurers, due from reinsurers and ceding companies are reclassified as delinquent receivables when they are past due over 9 months; other receivables are reclassified as delinquent receivables when they are more than 3 months past due.

(ii) Financial liabilities and equity instruments

1) Classified of liabilities and equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement and the definition of financial liabilities and equity instruments.

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

2) Short-term liabilities

Securities purchased with a commitment to repurchase at a predetermined price are treated as financing transactions. The differences between the repurchase price and the cost is treated as interest expenses and recognized over the term of the agreement. On the selling date, these agreements are recognized as securities sold under repurchase agreements.

3) Financial liability measured at fair value through profit or loss

A financial liability is held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. A derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument, is classified as instrument held for trading as well. Financial liabilities held for trading include obligations to deliver financial assets borrowed by a short seller.

4) Amortized cost of a financial liability

Financial liabilities are classified at amortized cost of a financial liability, except for financial liabilities measured at fair value through profit or loss, hedged derivatives financial liability, financial bonds payable, financial guarantee contracts, commitments to provide a loan at a below-market interest rate and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

5) Derecognition of a financial liability

The Company shall remove a financial liability from its statement of financial position when, and only when, it is extinguished.

6) Offsetting financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iii) Derivatives

The Company engages in transactions of derivatives to avoid foreign exchange rate risk and interest rate risk. Derivatives instruments are initially recognized at fair value, the transaction costs are recognized as current losses, and subsequently be measured at fair value with the gain or loss be recognized as current income. All derivatives instruments are recognized as assets with positive fair value and as liability with negative fair value.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

(g) Assets held for sale

Assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale or distribution rather than through continuing use, are reclassified as held for sale or held for distribution to owners. Immediately before classification as held for sale or held for distribution to owners, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on assets initially classified as held for sale or held for distribution to owners and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss. When the assets classified as held for sale or held for distribution to owner are investment property, they are no longer depreciated.

(h) Investments in associates and its subsidiaries

Investments in associates in which the Company is able to exercise significant influence and subsidiaries the Company has control over are accounted for under the equity method and initially recognized at cost. Goodwill, with a deduction of accumulated impairment loss, relating to an associate is included in the carrying amount of the investment. The equity method discontinues from the date when it ceases to have significant influence, and the book value is taken as the new cost of the investment.

The Company has significant influence if holding, directly or indirectly, 20% or more of the voting right of the investee. However, an exception will apply if the Company can specify that it has no significant influence over an investee.

After the date of acquisition, the Company's share of the profit or loss of the associates is recognized in profit or loss. Distributions received from an associate reduce the carrying amount of the investment. Adjustments to the carrying amount of the investment may also be necessary for changes in the Company's proportionate interest in the associates arising from changes in the associates' other comprehensive income. If the Company's share of losses of an associate equals or exceeds their interest in the associate (including non-guarantee long-term receivables), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(i) Interest in joint ventures

The joint agreements include joint operations and joint ventures, and has the following characteristics:

- (i) The parties are bound by a contractual arrangement;
- (ii) The contractual arrangement gives two or more of those parties joint control of the arrangement.

The Company distinguish between joint operations and joint ventures by considering the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement and, when relevant, other facts and circumstances. In joint operations, the Company accounts for its share of the joint assets, liabilities, revenues and expenses in accordance with the contractual arrangement. In joint ventures, the Company accounts for its investment using the equity method.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

(j) Investment properties

Investment property could be recognized by the Company only to earn rentals or for capital appreciation or both, including property interest held by lease.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use by the Company. If these portions could be sold separately, the Company accounts for the portions separately. The portion that is held for use is treated following “Property and Equipment”, and another portion that is held to earn rentals or for capital appreciation or both is regarded as investment property. If the portions could not be sold separately, and if an insignificant portion is held for use, then the whole property is regarded as investment property.

Investment property shall be recognized as an asset when, and only when it is probable that the future economic benefits that are associated with the investment property will flow to the Company, and the cost of the investment property can be measured reliably. Subsequent expenditure is capitalized as cost only when it is probable that the future economic benefits that are associated with the investment property will flow to the Company, and the cost of the investment property can be measured reliably. Regular repair costs are recognized as expenses in the period they are incurred.

If the recognition criteria are met, the Company recognizes the cost of replacement in the carrying amount of the replaced investment property at the time the cost is incurred. The carrying amount of the part that is replaced is derecognized.

After initial recognition, real estate property is subsequently measured by using cost model, and amortized by the depreciable amount. Its depreciation method, useful life and residual value can be referred to the regulation of properties and equipment.

When the use of a property changes such that it is reclassified as property and equipment, the book value at the date of reclassification become its cost for subsequent accounting.

(k) Lease

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time.

(ii) As a lessor

The leases are classified as finance leases, if the Company transfers substantially the entire risks and rewards incidental to the ownership of the assets. Otherwise, the leases are classified as operating leases.

Operating lease: Lease payments or receivables under an operating lease shall be recognized in current profit or loss using a straight-line method over the lease term.

Finance lease: As lessors, the Company shall derecognize assets held under a finance lease at contract date and recognize them as lease payment receivable at an amount equal to the present value of lease payments. The difference between gross amount and present value of lease payment receivables is recognized as unrealized interest income and is calculated based on the interest rate implicit in the lease on the remaining balance of lease payment receivables and recognized in current interest income over the lease term.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

(iii) As a lessee

The Company recognize a right-of-use asset and a lease liability at the lease commencement date. The initial amount of the right-of-use asset comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of costs to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Refer to 「Property and Equipment」 for the review of useful life and the impairment assessment policy.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including payments that may, in form, contain variability but that, in substance, are unavoidable.
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- Amounts expected for the exercise price under a purchase option, lease payments under an extension option, and penalties for early termination, if the Company and subsidiaries are reasonably certain to exercise or early terminate.

The lease liability is measured by the effective interest method to recognize the interest expense, and remeasured to reflect the changes as follows:

- The lease term changes;
- The future lease payments changes to reflect a change in an index or rate; or
- If there is a change in the Company estimates of the amount expected to be payable under a residual value guarantee, or if the Company changes their assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured to reflect above changes, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company does not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

(l) Property, plant and equipment

The Company's property and equipment are recognized after deducting any accumulated depreciation and accumulated impairment losses from historical cost. The historical cost includes any costs directly attributable to acquiring the assets.

Subsequent expenditure of property and equipment shall be recognized as an asset or be included in the carrying amount of assets, when, and only when it is probable that the future economic benefits that are associated with property and equipment will flow to the Company, and the cost of property and equipment can be measured reliably. The carrying amount of those parts that are replaced is derecognized. A major improvement or repair expense that can extend the benefits over afterward period is regards as capital expenditure; while frequent maintenance or repairs are charged to current expenses.

If the Company has obligations to dismantle, remove and restore the property and equipment, the obligation for which the Company incurs either when the item is acquired or as a consequence of having used the item during a particular period shall be recognized as the cost of the property and equipment as well as liability.

Depreciation is computed using the straight-line method; the useful lives are calculated based on the normal economic lives. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The residual value and the useful life of an asset shall be reviewed or adequately adjusted at least at each fiscal year-end. Useful lives of major premises and equipment are as follows:

Buildings	3 ~ 56 years
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Transportation, office and other equipment	1 ~ 11 years
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The gain or loss arising from the disposition of an item of property and equipment shall be recognized in current profit or loss and determined as the difference between the disposal proceeds and the carrying amount of the item.

A property is reclassified to investment property at its carrying amount when the holding purpose has changed from own use to investment property.

(m) Intangible assets

Computer software system expenses, which are recorded on the basis of the actual cost of acquisition, are amortized using a straight-line method over a period of 1 to 15 years. Its amortization method, useful life and residual value are referred to the regulation of properties and equipment. The Company use cost model to proceed subsequently measurement.

The Company should broadly accept the acquisition value of an insurance policy. In accordance to IFRS 4, the acquisition value of general assumption insurance policies is the difference between the liability, which is determined by the insurer based on the evaluation of accounting policies for the issued insurance policies, and the fair value of both the acquired contractual rights and commitment to insurance obligations. When amortizing, the amortizable amount would be the value of acquired insurance policies at the date when general assumption incurs. Over the effective period of the insurance contracts, an amortization expense should be accounted based on the profit or loss of the acquired insurance policies. And the amortization expense should be recognized at current profit or loss.

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Notes to the Financial Statements

Goodwill generated by merged had been included in intangible assets and be measured subsequently on the basis of cost deducted by accumulated impairment losses. In terms of investments under equity method, the carrying amount of goodwill is included in the carrying amount of the investment and the impairment losses of such investments are not allocated to goodwill and any other assets.

(n) Impairment of non-financial assets

At each balance sheet date, the recoverable amount of an asset is estimated (net fair value and the higher value of use) and compared with the carrying amount whenever there is an indication that the non-financial asset may be impaired. An impairment loss is recognized when the recoverable amount, higher of fair market value or value in use, is less than the carrying amount. For assets other than goodwill, reversal of impairment loss is recognized when the recoverable amount of the asset has increased from its prior-period estimation. The carrying amount after the reversal shall not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use is required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

(o) Business Combinations

The Company recognizes goodwill at the fair value of acquisition cost on the acquisition date; goodwill is measured by the net value of non-controlling interest belonging to the acquiree less the net amount of identifiable assets acquired and the liabilities assumed (usually at fair values). If the balance after the deduction is negative, the Company should re-assess whether it has correctly identified all the identifiable assets acquired and the liabilities assumed before recognizing gain from bargain purchase in profit or loss.

All transaction costs related to business combination should be recognized immediately when the expenses incurred, except costs related to issuance of debt or equity instruments.

If the initial accounting process for a business combination is still incomplete at the end of the reporting period in which the combination occurs, the Company can report the items that are still incomplete at provisional amount, but the provisional amount should be retrospectively adjusted within the measurement period to reflect new information obtained in measurement period regarding facts and circumstances which already exist at the acquisition date. The measurement period shall not exceed one year from the acquisition date.

According to Paragraph B15 about business combination in IFRS 3, in some business combinations, commonly called “reverse acquisitions”, the issuing entity is the acquiree. The consolidated financial report prepared after the reverse acquisitions is the successive financial report of the acquirer (excluding capital structure), thus the consolidated financial report reflects:

- (i) The assets and liabilities recognized and measured by the acquirer according to the book value before the combination.
- (ii) The assets and liabilities recognized and measured by the acquiree according to “ Business combination” in IFRS 3.
- (iii) The acquirer’s balance amount of retained earnings and other equity before the combination.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

- (iv) The amount of issued equity recognized in financial report is equal to the outstanding issued equity of the acquirer before the combination, plus the fair value of the acquiree. The equity structure, which is the amounts and types of issued equity, reflects the acquiree's equity structure, including equity that the acquiree issued to accomplish business combination. Therefore, the equity structure of the acquirer should be recredited according to the share-exchange ratio stated in the combination agreement in order to reflect shares the acquiree issued in reverse acquisition.

In accordance with Jin-Guan-Bao-Tsai-Zi No. 10302153881 issued on February 10, 2015, for the increased retained earnings caused by recognizing gain from bargain purchase after acquisition, insurance companies should set aside equal amount of special reserve which cannot be reverse within one year. After a year, the special reserve can be used to, besides covering losses, diverting to capital if the value of the acquisition target's assets is approximate to which when it was acquired after assessing, and no unexpected significant impairment has occurred.

(p) Insurance contracts

An insurance contract is a “ contract under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder”. Insurance risk refers to the risk transferred from the policyholder to the insurer that is not financial risk. Financial risk refers to the risk resulting from possible changes in one or more of the following in the future: specified interest rate, financial instrument price, commodity price, foreign exchange rate, price index, tariff index, credit rating, credit index or other variables. Non-financial variables are subject to contributing factors from the counterparty in a contract. In the future one or more might become risk of variation.

The Company defines significant insurance risk as an event which might lead to additional significant payment. But cases that lack commercial essences are excluded. When an insurance policy was originally judged to meet the definition of an insurance contract, it remains an insurance contract until its rights and obligations end or mature. Contracts that do not transfer significant insurance risk are classified as insurance contracts with the nature of a financial product. When the significant risk of an insurance contract with the nature of a financial product is transferred to the Company, the Company will reclassify it as an insurance contract.

Insurance contracts and insurance contracts with financial instrument features can be further classified as insurance with or without a discretionary participation feature. Except for guaranteed benefits, a discretionary participation feature is a contractual right to receive. The right also has the features below:

- (i) it is likely to be a significant portion of the total contractual benefits;
- (ii) in accordance with the contract, the additional payments and timing of distribution are at the discretion of the issuer; and
- (iii) in accordance with the contract, the additional payments are contractually based on:
 - 1) the performance of a specified pool of contracts or a specified type of contract;
 - 2) return on investment of a specific asset portfolio held by the Company, or
 - 3) the profit or loss of the insurance subsidiary, fund or other entity.

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An embedded derivative is accounted for separately from the host contract when its economic characteristics and risks are not closely related to the host contract, and the contract is measured at fair value through profit or loss. If the embedded derivative conforms to the definition of an insurance contract and the entire contract is not measured at fair value through profit or loss, the Company's insurance subsidiary does not need to recognize it separately.

(q) Reinsurance assets

In cases of reinsurance contracts that transfer significant insurance risk, unless the Company can independently measure the deposit component, the insurance component and deposit component should be unbundled. That is, the consideration received or paid, after deducting the amount belonging to the insurance component, is recognized as a financial liability or asset, rather than as revenue or expense. That financial liability or asset is recognized or measured at fair value, which is based on the discount value of future cash flows.

The Company periodically assesses the impairment of the reinsurance reserve assets, claims recoverable from reinsurers, and amount due from reinsurers and ceding companies. If a cedant's reinsurance asset is impaired, the cedant shall reduce its carrying amount accordingly and recognize the impairment loss in profit or loss. A reinsurance asset is impaired if, and only if, there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the cedant may not receive all amounts due to it under the terms of the contract, and that event has a reliably measurable impact on the amounts that the cedant will receive from the reinsurer.

(r) Separated account insurance product

When the Company sells a separated account insurance product, premiums paid by policyholders are deposited in a specifically designated account book, after deducting variable expenses incurred by the insurer per the agreement, in ways that are agreed or required by policyholders. The account book asset values are calculated according to the market valuation of the valuation date, while net asset value is calculated in accordance with regulations and IFRSs.

The assets and liabilities in the account book, whether or not they result from an insurance contract or an insurance contract that has the nature of a financial product, are recognized under "assets on insurance product, separated account" and "liabilities on insurance product, separated account", respectively.

The revenue and expense in the account book refer to the accumulation of variable revenues and expenses that meet the definition of an insurance contract under IFRS No. 4, and they are recognized under "Income on insurance product, separated account" and "Disbursement on insurance product, separated account", respectively. That is, for a separated account insurance product that is classified as an insurance contract, the premiums received are recognized as premium income, after deducting preliminary expenses and other expenses such as account management services fees, while the difference between the original cost and the disposal/ subsequent valuation is recognized as profit and loss.

For a separated account insurance product that is classified as an investment contract, the received or paid consideration should be treated as financial assets and liabilities, rather than as an income or expense. And the difference between the original cost and the disposal/ subsequent valuation of the financial asset is not recognized as profit and loss, but rather recognized under the account "Insurance product separated account reserve - insurance contract."

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

(s) Insurance liabilities

Reserve Provision by Insurance Companies, Regulations For Provision of Reserves of Investment linked Products of Life Insurance Enterprises and Regulations for Provision of Reserves of Universal Insurance of Life Insurance Enterprises and approved by actuaries with license by FSC. Except for the reserves for short term group insurance, in accordance with Tai-Tsai-Bao No. 852367814 the reserve shall be based on the greater of actual premium income or the premium income as calculated under the corresponding regulations. The other reserves are provided as follows:

(i) Unearned premium reserves

An unearned premium reserve should be provided based on the unexpired risk for in-force policies with an insurance term less than one year, and accident insurance with an insurance term more than one year.

(ii) Claim reserves

Claim reserve is provided based on the incurred but not reported claims and reported but unpaid claims. For reported but unpaid cases, the claim reserves are provided based on the actual claim case by case. For incurred but not reported cases, the reserves are provided based on historical claim experiences and expenses along with the insurance types via the method conforming to actuarial principles.

In accordance with the Regulations for Provision of Reserves of Investment-linked Products of Life Insurance Enterprises and Regulations for Provision of Reserves of Universal Insurance of Life Insurance Enterprises, investment-linked insurance and universal insurance are not required to provide the claim reserve for the cases are incurred but not reported.

(iii) Insurance reserves

The provision for insurance reserve is based on mortality tables and prescribed interest rates approved by the FSC and calculated based on the modified reserve method in accordance with Article 12 of the Regulations Governing the Reserve Provision by Insurance Companies and other regulations and approved calculation instructions filed with the FSC.

Since 2003, if the dividends on valid policies are calculated in accordance with Tai-Tsai-Bao No. 800484251, then the reduction in dividends resulting from the offsetting of mortality margin and interest loss should be provided as a long-term insurance reserve.

Since 2012, in accordance with the Gin-Guan-Bao Tsai No. 10102500530 letter and Article 11 of Value added and Non value added Business Tax Act, an insurance reserve based on 3% of sales is provided for purposes of writing off overdue loans or providing loss allowances when the percentage of overdue loans is lower than 1%. In addition, the Company have recognized special reserves for significant incidents and catastrophe in accordance with the Article 19 of the Regulations Governing the Reserve Provision by Insurance Companies changed into Regulation Governing Insurance Enterprises for significant incidents and catastrophes.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

(iv) Special reserve

- 1) For retained business with an insurance period of one year or less, the Company shall set aside the following special catastrophe reserve and special risk-volatility reserve in accordance with the following methods:

- a) Special earnings reserve—special catastrophe reserve:

A special catastrophe reserve covering all types of insurance is provided at a rate prescribed by the competent authority. For the actual catastrophe claim exceeding \$30,000, the excess amount is offset against special catastrophe reserve. For special catastrophe reserve that remains outstanding for over 15 years, it is written off based on the evaluation of an actuary and after being reported to the competent authority for inspection. The above-mentioned new provision of special catastrophe reserve, net of income tax pursuant to IAS 12, is accounted for under special reserve of stockholders' equity.

- b) Special earnings reserve—special risk-volatility reserve:

If the net amount of actual claim minusing the related special catastrophe reserve is lower than the amount of expected claim, a special risk-volatility reserve is provided at a rate of 15% of the difference between the net amount of actual claim and the amount of expected claim.

If the net amount of actual claim minus the related special catastrophe reserve is higher than the expected claim amount, the difference is debited to special risk-volatility reserve. However, the amount and type of insurance are reported to the competent authority for inspection. If the total accumulated amount of the special risk-volatility reserve is over 30% of the matured retention premium of the year, the excess is treated under reclaim rule. The recovery of aforesaid special risk-volatility reserve should be authorized by the competent authority before distributing or using those reserve for other purpose. The balance for write down or reclaim, net of income tax, is offset against the special reserve for special risk-volatility reserve of equity.

The above-mentioned new provision of special risk-volatility reserve, net of income tax, is accounted for under special reserve of stockholders' equity.

- 2) The Company sells voluntary participating life policies, and in accordance with regulations, the Company distributes dividends according to the formula reported to and recorded by the competent authority at the end of the accounting period. The Company provides a "special reserve – voluntary participating policy dividend reserve" based on each year's income before income tax (before distribution) for voluntary participating life policies business, and reverses the special reserve on the dividend declaration date. If the "special reserve – voluntary participating policy dividend reserve" has a negative balance, the Company shall provide the same amount as "special reserve – dividend risk reserve".

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TAIWAN LIFE INSURANCE CO., LTD.

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- 3) In accordance with Article 32 of the Regulations, if there is a revaluation increment when appraising the investment property at fair value, the increment shall be recognized as a special reserve under liability after offsetting the adverse effects of other accounting items resulting from the first-time adoption of IFRSs. In addition, in accordance with Jin-Guan-Bao-Tsai-Zi No. 10102515281 dated November 30, 2012, life insurance businesses shall determine the amount of policy reserve that needs to be strengthened in accordance with the fair value standards for effective contract stipulated in Jin-Guan-Bao-Tsai-Zi No. 10102515285 dated November 27, 2012, and transfer the aforementioned special reserve to the “policy reserves – insurance contract liability fair value” on January 1, 2014. If there is a remaining surplus subsequent to the transfer, the Company may reverse 80% of the surplus in the first year or reverse it on a straight-line basis over the following consecutive five years and recognize the reversal as special earnings reserve. However, the annual reversal and the provision for the special earnings reserve are limited to \$10 billion.

(v) Premium deficiency reserve

Since 2001, for life, health, and annuity policies with terms over one year and premiums lower than the premium as prescribed by reserve calculations, the insufficient portion shall be set aside as a premium deficiency reserve.

In addition, future claims and expenses for in-force policies with terms under one year should be evaluated, and if the amount exceeds the unearned premium reserves and expected future premium income, a premium deficiency reserve should be provided equal to the amount.

(vi) Liability adequacy reserve

The liability adequacy test of the Company is based on product type group (or the overall company contracts) and is to compare on each Balance sheet date the net book value of the insurance liability (after deduction of the deferred acquisition costs and relevant intangible assets) to the estimate of the present value of the future cash flow of the insurance contracts. If the net book value is lower than the estimate, then the difference shall be recognized as current loss. The test also follows “Code of Conduct of Actuarial Practice for IFRS 4 Contract Classification and Liability Adequacy Test” pronounced by the Actuarial Institute of the Republic of China.

(t) Reserve for insurance contracts with financial instrument features

Reserve for financial instruments without discretionary participation features are provided in accordance with the Regulations Governing Insurance Enterprises for Setting Aside Various Reserves and other related regulations under deposit accounting.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

(u) Reserve for foreign exchange fluctuation

Since March 1, 2012, the Company transferred parts of catastrophic special reserves and risk variation special reserves to be the opening balance of foreign exchange fluctuation reserves; the provision and the charge-off of foreign exchange fluctuation reserves follow the Guideline Governing Reserves for Change on Foreign Exchange Price by Life Insurance Enterprises. The opening balance of foreign exchange fluctuation reserves will then be set aside as special reserves within 3 years. The amount set aside in the first year shall not be less than one third of the opening balance after tax, and the amount set aside in the first 2 years shall not be less than two thirds of the opening balance after tax. Also, the amount saved on the cost of hedging shall be transferred to special reserve each year. If the earning of a particular year is not enough for the transfer, it shall be done in later years when there are enough earnings. The special reserve mentioned herein will then be used to increase capital or make up for losses only. According to Article 9 of the Guideline Governing Reserves for Change on Foreign Exchange Price by Life Insurance Enterprises, a life insurance company should after the shareholders' meeting provide for special reserve equal to 10% of after tax profit.

(v) Income

(i) Insurance income recognition and contract acquisition costs

In terms of the insurance contracts and the investment linked contracts with a discretionary participation feature, the first and the subsequent period premiums are recognized as revenue when premiums are received and the policies are approved or when premiums are received. The contract acquisition costs such as commission expenses are recognized as current expenses when the insurance contracts become effective.

The premiums on insurance contracts that are not investment linked insurance and classified as financial products without a discretionary participation feature are recognized as "reserves for insurance contract of the nature of financial products." The acquisition costs are used to write off "reserves for insurance contract of the nature of financial products" when the insurance contracts become effective.

Premiums collected from financial instruments without discretionary participation features recorded under the separate account for investment-linked products shall be recognized as premium income to the extent of the insurance component. The remainder, after subtracted by other revenues, including up-front fee or investment management service fee income, shall be fully recognized as "separate account liabilities" on the balance sheet.

The service fees of insurance products of segregated accounts classified as financial products without a discretionary participation feature include contract management fees, investment management fees, surrender charges, and others. The service fees are recognized as income when received. When the service fees (e.g., preliminary cost) are attached with the obligation to provide future services, though, their recognition is deferred under "deferred service fee and commission income", and they are amortized using the straight line method at a constant proportion over the period during which the service is provided. The amortized amount is recognized under "service fee and commission income".

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The acquisition costs of the investment management service for an insurance policy include commission expense and other incremental costs directly related to issuing a new contract. Those costs' recognition is deferred under "deferred cost of acquirement", and they are amortized using the straight line method at a constant proportion over the period during which the service is provided. The amortized amount is recognized under "other operating cost".

(ii) Interest income

The interest income derived from bank deposit, loans, and bonds investments are accounted on accrual basis. For the over-due receivables, the interests will not be recognized as income until receiving payments.

(w) Foreclosed properties

Foreclosed properties received are stated at acquired cost, shall be evaluated at the lower of carrying amount and the net fair value on the balance sheet date. Gain or loss on valuation of foreclosed properties is recognized in current profit or loss.

(x) Employee benefit

Short-term employee benefit: The Company expects to settle all short-term non-discounted benefits in twelve months after the end of annual financial reporting date in which the services are rendered by employees, and recognize as current expenses.

Post-employment benefit: The Company's pension plan comprises defined contribution plan and defined benefit plan.

(i) A defined contribution plan is a post-employment benefit plan under which a company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations to contributions to defined contribution pension plans are recognized as employee benefit expenses in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as assets to the extent that cash refunds or a reduction in future payments are available. Contributions to a defined contribution plan that is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) A defined benefit plan is a post-employment benefit plan under which benefit is paid to employee base on their ages, service periods and compensated salaries at the date of retirement. The Company recognize actuarial gains and losses incurred by changes of actual experience and actuarial assumption in other comprehensive income, and recognizes pension assets or liabilities in balance sheet where assets or liabilities are the amount of actuarial present value of defined benefit obligation deducting fair value of plan assets. The Company then recognizes the remeasurement gains related to defined benefit plan in retained earnings. The calculation of defined benefit obligation is performed annually by an actuary using the projected unit credit method. The actuarial present value of defined benefit obligation is calculated by discounting future cash flow at the yield rate on AA credit rated bonds that have maturity dates approximating the terms of the obligation and that are denominated in the same currency in which the benefits are expected to be paid. The interim amount of the defined benefit plan is determined based on the pension cost rate, which is the actuarial rate at the end of last fiscal year, and the amount, which is from the beginning of the year to the end of current period. In addition, adjustments would be made if significant market fluctuation, significant decrease, pay-off or other significant one-time event occurs after the end of period.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

(y) Share-based payment transactions

Equity-settled share-based payments are measured at fair value on the date of grant. The vesting period is estimated based on the ultimate vesting conditions that must be satisfied. The vesting conditions include service conditions and performance conditions, including market conditions. In valuing equity-settled payments, no account is taken of any vesting conditions other than market conditions.

The issuance of restricted stocks are based on the fair value of the equity products given on the date of grant, salary expenses and relative equity increases are recognized during the vested period.

For cash-settled share-based payment transactions, a liability equal to the portion of the goods or services received is recognized at its current fair value determined at each balance sheet date and at the date of settlement, with any changes in the fair value recognized in profit or loss of the period.

Fair value of the share options at the grant date is measured with the use of an option pricing model based on management's best estimate of the exercise price, expected term, underlying share price, expected volatility, expected dividend yield, risk-free interest rate, and any other inputs to the model.

(z) Compensations of employees and directors

The Company's employees' and directors' (including independent directors) compensations are recognized as personnel expense. Any difference lies between the actual allocation amount and previously recognized in the financial report is considered as change in accounting estimates which is then recognized as profit or loss in next year.

(aa) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss. Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years. Income tax expense is measured by interim reporting period net income before tax multiplied by best estimate effective annual tax rate. And the best estimate effective annual tax rate is determined by the management. Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities may be offset against each other if the following criteria are met by the Company:

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) The deferred tax assets and the deferred tax liabilities are related to income taxes levied by the same taxation authority on either:
 - 1) Levied by the same taxing authority; or
 - 2) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

As a subsidiary of CTBC Financial Holding Co., Ltd., the Company files a consolidated corporate income tax return with its parent company and its subsidiaries. The difference between the consolidated income tax and the Company's ordinary income tax is adjusted at the parent-company level, and the Company recognizes such difference as payables or receivables.

(ab) Commitment and Contingent liability

A contingent liability is defined as a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. The Company shall not recognize a contingent liability; instead, contingent liability shall be appropriately disclosed.

(ac) Earnings per share

The Company discloses the Company's basic earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding.

Retroactive adjustments are applied to the Company's comparative information of basic EPS.

(ad) Operating segments

The Company has disclosed information on operating segments in the consolidated financial statements and thus does not follow IFRS 8 Operating Segments in these parent-company-only financial statements in accordance with the Regulations.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

When preparing the financial report in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IFRS accepted by the FSC, the management needs to make judgments, estimates, and assumptions that affect the adoption of accounting policies, reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from these estimates.

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

Continuously evaluation of estimates and assumption should be made by the management. Any change of accounting estimate should be recognized in the period when it incurs and in the affected future periods.

Determination of the carrying value of the following assets and liabilities depends on accounting assumptions and judgments, which would have significant effect on the amounts recognized in the financial statements. Actual results may significantly differ from the following due to changes in accounting assumptions and judgments.

(a) The fair value and impairment of financial instruments

(i) Fair value

The Company holds certain financial products without active markets, including financial products lacking active market quotes and financial products that turned out to be inactive due to market conditions (e.g., low market liquidity). When a market is inactive, there are usually only a few or no observable market data available to measure the fair value of financial products. Determination of the existence of an active market for a financial product requires management's judgment.

If the market for an investment held by the Company is not active, the fair value of the financial product is determined using valuation techniques. The Company uses quotes from independent third parties or prices derived from internally developed models to determine the fair value of those financial product. When the fair value may be publicly obtained from independent sources, it shall be adopted first. Overall, the Company would decide a source or a technique as a fair value determination method that can reflect the price achieved between market participants through regular trading as of the reporting date. Valuation techniques include adoption of recent arm's-length transactions, reference to other instruments with a substantially identical basis, application of discounted cash flow analysis, etc., which may also include a number of assumptions related to each variable (such as credit risk and interest rate). In addition, fair value also reflects the consideration of credit risk (the Company's and its counterparties.) Adoption of different valuation techniques or assumptions may lead to significant discrepancies in fair value determination results.

Please refer to Note 6(ae).

(ii) Impairment of financial assets

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL) when the credit risk of a financial assets has increased significantly since initial recognition. The Company measures loss allowances at an amount equal to 12-month ECLs when the credit risk of a financial asset has not increased significantly since initial recognition. The Company considers the probability of default ("PD") of financial assets or issuers or counterparties, and loss given default rate ("LGD") multiplying the exposure at default ("EAD"), taking into account the time value of money as well evaluate 12-month and lifetime loss. The Company consider historical experiences, current market conditions and forward-looking estimates to the assumptions and input values to be used in determining the impairment loss. For the details of the relevant assumptions and input values, please refer to Note 6(af).

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

(b) Insurance contract classification and significant insurance risk transfer test

The Company should identify whether it takes insurance risk and other risk components for written policies and judge whether the risk components can be separated and calculated independently. The judgment will affect insurance contract classification. The Company should also make a significant judgment on whether the written policies transfer risk, whether the risk transfer has commercial essence, and whether the transferred risk has significance, and should conduct significant insurance risk transfer test, and the result of which will affect insurance contract classification.

Identification and separation of insurance contract components, and insurance contract classification, will affect the Company's income recognition, liability measurement, and financial reports presentation.

(c) Insurance liability and reserve for insurance with nature of financial instrument

The Company should follow Regulations Governing the Reserve Provision by Insurance Companies.

Provision of life insurance reserves adopts costs lock-in assumption, which means it uses the reserve provision interest rate at the time policies are written rather current market interest rate.

Unearned premiums reserve is calculated based on the insured hazard, and the provision approach is determined by actuaries based on different insurance characteristics.

Claim reserve is estimated using loss triangle. Main assumptions of final claim costs calculation are loss development factor and expected claim ratio. The loss development factor and expected claim ratio of different insurance are based on the Company's historical claim experience, and are adjusted for rate and claim management adjustment of company's policy.

The liability adequacy reserve calculation follows "Code of Conduct of Actuarial Practice for International of Financial Accounting Standards No. 4 - Contract Classification and Liability Adequacy Test" pronounced by the Actuarial Institute of the Republic of China. The estimate of the present value of the future cash flow of the insurance contracts in the Company's liability adequacy reserve assessment is based on the Company's reasonable estimate of future insurance payment, premium income, and related expenses. Please refer to Note 6(q).

The professional judgment used in the above assessment will affect net changes in insurance liability, net changes in reserve for financial insurance contracts, and the recognized amount of insurance liability and insurance contract reserve for financial insurance contracts in the financial reports.

(d) Assessment of goodwill impairment

Impairment test of goodwill uses value in use to determine recoverable amount. In order to measure recoverable amount, the Company shall estimate the expected future cash flow from cash generating units and decide proper discount rate for calculating present value. The expected future cash flow and discount rate mentioned above might influence the result of assessment of goodwill impairment.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

(e) Reinsurance reserve assets

Reinsurance reserve assets include unearned premiums provision, claim reserve, insurance reserve, premium deficiency reserve, and liability adequacy reserve. The calculation follows Regulations Governing the Reserve Provision by Insurance Companies, and Regulations for Insurance Companies' Life Insurance Business With Insurance Term of More than One Year and Reinsurance Business for Which Insurance Reserve may be Recognized in Balance Sheet. The calculation of such assets are based on the actuaries' assumptions and estimates which cover the evaluation on insurance features, historical claims recovered, loss development factors, expected loss ratio and future cash flows. The professional judgments used in the evaluation would result in net changes of related insurance liabilities and reinsurance reserve assets recognized in the financial reports.

(f) For the judgment whether the Company has de facto control of associates

For the judgment whether the Company has de facto control of associates, please refer to Note 6(d)(i).

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash	\$ 3,630	4,021
Cash in banks	59,292,862	69,095,630
Time deposits	5,988,876	6,152,249
Investment in bonds with resale agreement	-	867,116
Total	<u>\$ 65,285,368</u>	<u>76,119,016</u>

(b) Receivables

	December 31, 2023	December 31, 2022
Notes receivables	\$ 98,391	118,991
Accrued income	15,638,266	15,243,273
Receivable from separate account of investment products	5,137,966	1,629,566
Other overdue receivables	53,501	9,259
Receivables from sales of securities	1,797,024	5,167,640
Dividend receivables	321,628	225,536
Others	1,265,007	1,086,291
Less: Loss allowance - others	<u>(1,003,448)</u>	<u>(511,848)</u>
Total	<u>\$ 23,308,335</u>	<u>22,968,708</u>

Please refer to Note 6(l) and 6(af) for information of loss allowance and credit risk on December 31, 2023 and 2022.

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

(c) Financial assets

(i) The details of the financial assets were as follows:

1) Financial assets and liabilities measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss by the Company on December 31, 2023 and 2022, were as follows:

	December 31, 2023	December 31, 2022
Mandatorily measured at fair value through profit or loss		
Domestic stocks	\$ 68,018,983	62,838,982
Foreign stocks	41,292,384	35,700,300
Domestic preferred stocks	340,000	-
Domestic financial debentures	57,880,000	57,877,046
Foreign financial debentures	2,874,961	2,874,671
Foreign structured notes	28,606,325	33,341,527
Foreign government bonds	22,237	21,000
Domestic beneficiary certificates	79,650,565	73,449,961
Foreign beneficiary certificates	75,923,732	67,254,115
Domestic real estate investment trust	694,320	694,320
Foreign real estate investment trust	11,101,959	10,092,602
Foreign asset securitization products	3,410,192	3,410,192
Domestic linked deposits	11,000,000	11,000,000
Foreign exchange swaps	4,872,922	1,968,985
Forward exchange contracts	3,869,407	2,208,291
Valuation adjustment of financial assets	<u>(23,291,002)</u>	<u>(41,587,858)</u>
Total	<u>\$ 366,266,985</u>	<u>321,144,134</u>

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

From January 1, 2018, the Company adopted IFRS 9 and elected to apply the overlay approach under the IFRS 4 “Insurance Contracts” to recognize the profit and loss. The aforementioned designated financial assets under the overlay approach were as follows:

	December 31, 2023	December 31, 2022
Mandatorily measured at fair value through profit or loss:		
Domestic stocks	\$ 68,018,983	62,838,982
Foreign stocks	41,292,384	35,700,300
Domestic preferred stocks	340,000	-
Domestic financial debentures	57,880,000	57,877,046
Foreign financial debentures	2,874,312	2,874,312
Foreign structured notes	28,606,325	33,341,527
Domestic beneficiary certificates	79,601,728	73,430,044
Foreign beneficiary certificates	75,506,811	66,967,349
Domestic real estate investment trust	694,320	694,320
Foreign real estate investment trust	11,101,959	10,092,602
Foreign asset securitization products	3,410,192	3,410,192
Domestic linked deposit	11,000,000	11,000,000
Valuation adjustment of financial assets	(23,349,890)	(41,621,618)
Total	<u>\$ 356,977,124</u>	<u>316,605,056</u>

For the years ended December 31, 2023 and 2022, the reclassification amounts between profit or loss and other comprehensive income for the aforementioned designated financial assets under the overlay approach were as follows:

	For the years ended December 31, 2023	2022
The amounts reported in profit (loss) for the designated financial assets as applying IFRS 9	\$ 39,113,987	(29,228,406)
Less: The amounts that would have been reported in profit for the designated financial assets as applying IAS 39	20,905,498	17,716,975
Gains (losses) of the reclassification to other comprehensive income under the overlay approach	<u>\$ 18,208,489</u>	<u>(46,945,381)</u>

Due to the adjustment of the overlay approach, the gains on financial assets measured at fair value through profit or loss of the Company has decreased from gains \$19,460,160 to gains \$1,251,671, and decreased from losses \$89,853,010 to losses \$42,907,629, respectively, for the years ended on December 31, 2023 and 2022.

The Company did not designate financial products that are previously unqualified for the overlay approach but then qualified during the year ended December 31, 2023 and 2022, or cancel the designated application.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

Financial liabilities measured at fair value through profit or loss of the Company were as follows:

	December 31, 2023	December 31, 2022
Foreign exchange swaps	\$ 2,904,258	4,494,743
Forward exchange contracts	6,509,910	5,389,957
Total	\$ 9,414,168	9,884,700

Nominal principal / contract amounts of related derivatives held by the Company on December 31, 2023 and 2022, were as follows:

	Currency	December 31, 2023	December 31, 2022
Foreign exchange swaps	USD(thousand)	7,020,000	7,740,000
	AUD(thousand)	30,000	105,000
Forward exchange contracts	USD(thousand)	10,523,040	9,683,000
	AUD(thousand)	65,000	144,000
	JPY(thousand)	-	17,250,000
	EUR(thousand)	60,000	150,000
	RMB(thousand)	3,500,000	1,000,000
	THB(thousand)	-	2,626,370
	MXN(thousand)	-	595,240

2) Financial assets measured at fair value through other comprehensive income

	December 31, 2023	December 31, 2022
Debt instruments measured at fair value through other comprehensive income		
Domestic government bonds	\$ 10,378,982	8,922,216
Foreign government bonds	16,506,027	11,001,016
Domestic corporate bonds	19,170,283	20,080,783
Foreign corporate bonds	25,890,667	17,574,202
Domestic financial debentures	11,750,000	12,750,000
Foreign financial debentures	26,560,723	24,826,247
Foreign assets securitization products	157,157	-
Foreign agency bonds	898,049	898,241
Valuation adjustment of financial assets	(3,461,922)	(5,916,410)
Less: Securities serving as deposits paid	<u>(5,524,542)</u>	<u>(1,190)</u>
Subtotal	<u>102,325,424</u>	<u>90,135,105</u>

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

	December 31, 2023	December 31, 2022
Equity instruments designated to be measured at fair value through other comprehensive income:		
Domestic stocks	\$ 56,537,989	59,040,100
Foreign stocks	18,897,469	18,020,014
Domestic preferred stocks	3,205,366	3,205,366
Foreign preferred stocks	1,001,260	1,001,260
Foreign real estate investment trust	1,835,492	1,835,493
Valuation adjustment of financial assets	<u>20,252,795</u>	<u>3,337,050</u>
Subtotal	<u>101,730,371</u>	<u>86,439,283</u>
Total	<u>\$ 204,055,795</u>	<u>176,574,388</u>

Please refer to Note 6(c)i.(4), 6(k), 6(m) and 8 for information with regard to collateral with restrictions on financial assets measured at fair value through other comprehensive income shown above.

Some of investments in equity instruments were not held for trading purposes and had been designated to be financial assets measured at fair value through other comprehensive income.

Please refer to Note 12(k) for information with regard to the reclassification, due to the change of the business model for managing the financial assets made by the Company for the year ended December 31, 2022.

For the years ended December 31, 2023 and 2022, the dividends related to amounts derecognized part and held part at the end of the reporting period recognized dividend income were as follows:

	For the years ended December 31	
	2023	2022
Amounts derecognized during the reporting period	\$ 341,290	46,590
Amounts held by the end of the reporting period	<u>5,139,329</u>	<u>5,671,367</u>
Total	<u>\$ 5,480,619</u>	<u>5,717,957</u>

For the years ended December 31, 2023 and 2022, the Company disposed equity investment designated as measured at fair value through other comprehensive income due to risk management, sale for profit-making purpose and the capital reduction conducted by the investees. The fair value at the time of derecognition was \$2,285,815 and \$501,748, and the accumulated derecognition loss (before tax) was \$557,998 and \$308,451, and the accumulated derecognition loss was transferred from other equity interest to retained earnings.

Please refer to Note 6(l) and 6(af) for credit risk (including impairment of investment in debt instruments) and the market risk information.

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

3) Financial assets measured at amortized cost

	December 31, 2023	December 31, 2022
Domestic government bonds	\$ 40,403,768	46,799,060
Foreign government bonds	142,622,177	143,510,459
Domestic corporate bonds	14,287,340	14,683,640
Foreign corporate bonds	516,645,470	522,166,324
Domestic financial debentures	4,200,757	4,201,433
Foreign financial debentures	426,136,833	426,457,969
Foreign government agency bonds	2,399,766	2,406,567
Foreign international organization bonds	858,268	1,473,640
Foreign asset securitization products	13,889,069	15,528,357
Foreign deposit certificates	461,025	460,620
Domestic linked deposits	2,050,000	2,050,000
Less: Securities serving as deposits paid	(30,586,660)	(11,715,117)
Less: Loss allowance	<u>(1,734,516)</u>	<u>(1,723,391)</u>
Total	<u>\$ 1,131,633,297</u>	<u>1,166,299,561</u>

Please refer to Notes 6(c)i(4), 6(k), 6(m) and 8 for information with regard to collateral with restrictions on financial assets at amortized cost shown above.

Please refer to Note 6(l) and 6(af) for credit risk (including impairment of investment in debt instruments) and the market risk information.

Please refer to Note 12(k) for information with regard to the reclassification, due to the change of the business model for managing the financial assets made by the Company for the year ended December 31, 2022.

The Company derecognized the investments in debt instruments measured at amortized cost for the purpose of early redemption of bond issuers, sales for credit risk management and infrequent or insignificant value sales both individually and in aggregate for the years ended on December 31, 2023 and 2022, the information of derecognition of carrying amounts and disposal gains was as follows:

	Disposal gains (losses)	
	For the years ended December 31	
	2023	2022
Government bonds	\$ 176,529	2,207,005
Corporate bonds	84,005	1,802,857
Financial debentures	<u>(19,751)</u>	<u>413,606</u>
Total	<u>\$ 240,783</u>	<u>4,423,468</u>

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

4) Other financial assets, net

	December 31, 2023	December 31, 2022
CSA refundable deposits	\$ 3,305,691	2,600,660
Securities sold under repurchase agreements deposits	21,466,773	-
Futures option refundable deposits	25,784	101,132
Other refundable deposits	7,803	15,095
Time deposits	<u>425,000</u>	<u>397,000</u>
Total	<u>\$ 25,231,051</u>	<u>3,113,887</u>

Please refer to Note6(c)i(2), (3) and 8 for information on government bonds offsetting CSA refundable deposits and securities sold under repurchase agreement deposits.

5) Loans

	December 31, 2023	December 31, 2022
Life insurance loans	\$ 20,856,541	21,101,438
Premium loans	4,452,438	4,507,365
Secured loans	45,715,663	44,733,676
Non-accrual loans	-	567
Less: Loss allowance	<u>(597,497)</u>	<u>(587,147)</u>
Total	<u>\$ 70,427,145</u>	<u>69,755,899</u>

Please refer to Note 6(l) and 6(af) for information of loss allowance and credit risk.

- (ii) The details of the entrust items and product of investments which were managed by the discretionary investment management companies were as follows:

	December 31, 2023	December 31, 2022
Cash and cash equivalents	\$ 1,978,864	1,562,596
Domestic stocks	16,621,168	9,732,068
Domestic beneficiary certificates	<u>-</u>	<u>73,920</u>
Total	<u>\$ 18,600,032</u>	<u>11,368,584</u>

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

The limits of discretionary investment agreements (Unit: Thousands):

	December 31, 2023	December 31, 2022
NTD	<u><u>\$ 15,000,000</u></u>	<u><u>15,000,000</u></u>
RMB	<u><u>\$ 1,400,000</u></u>	<u><u>1,400,000</u></u>

(d) Investments accounted for using equity method, net

The details of carrying amounts of associates and joint ventures under equity method at the reporting date were as follows:

	December 31, 2023	December 31, 2022
Subsidiaries	\$ 3,799,176	(3,103,744)
Associates	12,262,759	10,940,026
Joint ventures	<u>2,685,106</u>	<u>1,563,011</u>
	<u><u>\$ 18,747,041</u></u>	<u><u>9,399,293</u></u>

(i) Investments in subsidiaries and associates

The subsidiaries and associates that the Company invested do not have quoted prices in an active market. There are no significant restrictions on the ability of the subsidiaries and associates to transfer funds to investors by distributing cash dividends, repayment of borrowings, or advances. Please refer to Note13(b) for the information on investees of the Company and subsidiaries.

As of December 31, 2023 and 2022 the Company acquired 90% equity stake of HoFa Land Development Co., Ltd. HoFa Land Development Co., Ltd. is set up for participating in the program of “Kaohsiung City HoFa industrial park development, sell (bid) and management”. However, the final approval of practical operations, such as development plans, expenditures and the bid price of the land, were made by Kaohsiung City Government. The number of directors and supervisors appointed by the Company does not exceed half of the total number of directors and supervisors of the invested enterprises. As a result, the Company has no de facto control but with significant influence.

As of December 31, 2023 and 2022, the Company acquired 99.44%, equity stake of Wu Tzu Development Co., Ltd. Wu Tzu Development Co., Ltd. was set up for the purpose of participating in “the Development and Operating Program of Taichung Intercontinental Baseball Stadium”, and was authorized by Taichung City Government to operate the Taichung Intercontinental Baseball Stadium, build multiple functional sport center, parking lots, and other items raised by Wu Tzu Development Co., Ltd. The aforesaid items should be reviewed and approved by Taichung City Government before operating. The number of directors and supervisors appointed by the Company does not exceed half of the total number of directors and supervisors of the invested enterprises. As a result, the Company has no de facto control but with significant influence.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

As of December 31, 2023 and 2022, the Company acquired 42.86% equity stake of Taiwan Wind Investment Co., Ltd. The number of directors and supervisors appointed by the Company does not exceed half of the total number of directors and supervisors of the invested enterprises. As a result, the Company has no de facto control but with significant influence.

As of December 31, 2023 and 2022, the Company acquired 35% equity stake of Solarbright Energy Co., Ltd. The number of directors and supervisors appointed by the Company does not exceed half of the total number of directors and supervisors of the invested enterprises. As a result, the Company has no de facto control but with significant influence.

Financial information of subsidiaries and associates under equity methods of the Company was as follows, adjusting for any difference in accounting policies. The financial information is included in the financial statement of the Company:

	For the years ended December 31	
	2023	2022
Attributable to the company:		
Net income (losses) from continuing operations	\$ 697,288	(21,365,985)
Other comprehensive income (losses)	114,690	(130,678)
Comprehensive income (losses)	<u>\$ 811,978</u>	<u>(21,496,663)</u>

(ii) Investment in joint venture

The joint agreement between the Company and Junlong Life Insurance Co., Ltd. was classified as joint venture, hence accounted for under equity method. Please refer to Note13(c) for related information on investments in mainland China.

Financial information of joint ventures under equity method of the Company were as follows. The financial information had reflected the adjustments of the difference of the accounting policy when the Company adopted equity method. Moreover, due to the carrying amount of liabilities generating from the contracts within the scope of IFRS 4 are considered significant compared to the total liabilities, the Company applies temporarily exempt from applying IFRS 9. The financial information was included in the financial statement of the Company:

	For the years ended December 31	
	2023	2022
Attributable to the Company:		
Net losses from continuing operations	\$ (383,248)	(377,563)
Other comprehensive income (losses)	205,473	(402,563)
Comprehensive losses	<u>\$ (177,775)</u>	<u>(780,126)</u>

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

The fair values of financial assets of Junlong Life Insurance Co., Ltd. as of the end of financial reporting date and changes of the fair value during the period were as follows:

	The Fair Value on December 31, 2023	Change of fair value for the year ended December 31, 2023
Financial assets with the characteristic of solely payments of principal and interest, but excluding any financial assets holding for trading purpose or those were managing on the basis of fair value	\$ 9,064,677	171,547
Financial assets without the characteristic of payments of principal and interest, holding for trading purpose or those were managing on the basis of fair value	16,609,516	211,457
	The Fair Value on December 31, 2022	Change of fair value for the year ended December 31, 2022
Financial assets with the characteristic of solely payments of principal and interest, but excluding any financial assets holding for trading purpose or those were managing on the basis of fair value	\$ 3,612,456	5,499
Financial assets without the characteristic of payments of principal and interest, holding for trading purpose or those were managing on the basis of fair value	13,861,528	(999,758)

The carrying amounts of the financial assets under IAS 39 were as follows:

	December 31, 2023		
	Investment grade	Subinvestment grade	High risk grade
Financial assets with the characteristic of solely payments of principal and interest, but excluding any financial assets holding for trading purpose or those were managing on the basis of fair value	\$ 8,708,123	-	704,153
Financial assets without the characteristic of payments of principal and interest, holding for trading purpose or those were managing on the basis of fair value	10,463,307	-	6,146,209
	December 31, 2022		
	Investment grade	Subinvestment grade	High risk grade
Financial assets with the characteristic of solely payments of principal and interest, but excluding any financial assets holding for trading purpose or those were managing on the basis of fair value	\$ 3,340,101	-	728,624
Financial assets without the characteristic of payments of principal and interest, holding for trading purpose or those were managing on the basis of fair value	4,133,698	-	9,727,830

Note: If the financial assets are measured at amortized cost, the carrying amount is measured before adjusting for any impairment loss allowance.

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

The fair value and the carry amount under IAS 39 of the financial assets above which did not belong to low credit risk as of the end of reporting date were as follows:

	December 31, 2023	
	The Carrying Amount under IAS 39 (Note)	Fair Value
Financial assets with the characteristic of solely payments of \$ principal and interest, but excluding any financial assets holding for trading purpose or those were managing on the basis of fair value	704,153	225,329
Financial assets without the characteristic of payments of principal and interest, holding for trading purpose or those were managing on the basis of fair value	6,146,209	6,146,209

	December 31, 2022	
	The Carrying Amount under IAS 39 (Note)	Fair Value
Financial assets with the characteristic of solely payments of \$ principal and interest, but excluding any financial assets holding for trading purpose or those were managing on the basis of fair value	728,624	257,074
Financial assets without the characteristic of payments of principal and interest, holding for trading purpose or those were managing on the basis of fair value	9,727,830	9,727,830

Note: If the financial assets are measured at amortized cost, the carrying amount is measured before adjusting for any impairment loss allowance.

(iii) Collateral

As of December 31, 2023 and 2022, the aforesaid investments accounted for using equity method were not pledged as collateral.

(e) Investment property

The Company's changes in the investment property were as follows:

	Land	Buildings	Construction in progress	Prepayment for land and buildings	Right-of-use assets	Totals
<u>Cost</u>						
Balance at January 1, 2023	\$ 47,641,943	23,725,152	11,512,209	109,864	15,303,380	98,292,548
Purchase	-	26,981	5,614,412	8,131	-	5,649,524
Disposal	-	(745)	-	-	-	(745)
Reclassification	53,349	42,630	265,261	-	-	361,240
Balance at December 31, 2023	<u>\$ 47,695,292</u>	<u>23,794,018</u>	<u>17,391,882</u>	<u>117,995</u>	<u>15,303,380</u>	<u>104,302,567</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2023	\$ -	3,022,701	-	-	1,448,787	4,471,488
Purchase	-	712,784	-	-	45,834	758,618
Disposal	-	(269)	-	-	-	(269)
Reclassification	-	2,362	-	-	317,445	319,807
Balance at December 31, 2023	<u>\$ -</u>	<u>3,737,578</u>	<u>-</u>	<u>-</u>	<u>1,812,066</u>	<u>5,549,644</u>

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

	Land	Buildings	Construction in progress	Prepayment for land and buildings	Right-of-use assets	Totals
<u>Accumulated impairment</u>						
Balance at January 1, 2023	\$ -	-	-	-	-	-
Balance at December 31, 2023	\$ -	-	-	-	-	-
<u>Book value:</u>						
Balance at January 1, 2023	\$ 47,641,943	20,702,451	11,512,209	109,864	13,854,593	93,821,060
Balance at December 31, 2023	\$ 47,695,292	20,056,440	17,391,882	117,995	13,491,314	98,752,923
<u>Fair value:</u>						
Balance at December 31, 2023						\$ 111,054,690
<u>Cost</u>						
Balance at January 1, 2022	\$ 44,543,883	19,694,736	8,199,452	103,692	15,255,941	87,797,704
Purchase	2,997,646	3,851,726	3,183,173	6,172	47,439	10,086,156
Sales	(34,482)	(13,274)	-	-	-	(47,756)
Reclassification	134,896	191,964	129,584	-	-	456,444
Balance at December 31, 2022	\$ 47,641,943	23,725,152	11,512,209	109,864	15,303,380	98,292,548
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$ -	2,416,488	-	-	1,085,557	3,502,045
Purchase	-	603,582	-	-	45,785	649,367
Sales	-	(3,190)	-	-	-	(3,190)
Reclassification	-	5,821	-	-	317,445	323,266
Balance at December 31, 2022	\$ -	3,022,701	-	-	1,448,787	4,471,488
<u>Accumulated impairment</u>						
Balance at January 1, 2022	\$ -	-	-	-	-	-
Balance at December 31, 2022	\$ -	-	-	-	-	-
<u>Book value:</u>						
Balance at January 1, 2022	\$ 44,543,883	17,278,248	8,199,452	103,692	14,170,384	84,295,659
Balance at December 31, 2022	\$ 47,641,943	20,702,451	11,512,209	109,864	13,854,593	93,821,060
<u>Fair value:</u>						
Balance at December 31, 2022						\$ 102,280,572

The fair value of investment property is based on a valuation by an independent appraiser who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The value of investment properties is estimated through application of market value method.

The rental income and direct operating expenses arising from investment properties under operating leases of the Company were as follows:

	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Rental income from investment property	\$ 1,957,840	1,727,460
Direct operating expense arising from investment property that generated rental income during the period	\$ 1,361,325	1,228,534
Direct operating expense arising from investment property that did not generate rental income during the period	\$ 2,791	5,769

As of December 31, 2023 and 2022, the Company had no pledged investment properties.

Please refer to Note 13(a) for information on the related significant transactions of investment property.

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

(f) Operating lease

Lessor

The Company's leased investment property which do not transfer substantially the entire risks and rewards incidental to the ownership of the assets are classified as operating leases.

Maturity analysis of lease payment will be represented by received undiscounted lease payment after report date as follows:

	December 31, 2023	December 31, 2022
Less than 1 year	\$ 1,978,976	1,859,779
1 year to 2 years	1,853,085	1,758,660
2 years to 3 years	1,682,196	1,635,052
3 years to 4 years	1,601,489	1,547,736
4 years to 5 years	1,541,457	1,506,941
More than 5 years	<u>8,925,077</u>	<u>10,353,853</u>
Total undiscounted lease payments	<u>\$ 17,582,280</u>	<u>18,662,021</u>

(g) Reinsurance assets

As of December 31, 2023 and 2022, the reinsurance assets held by the Company were as follow:

	December 31, 2023	December 31, 2022
Claims recoverable from reinsurers	\$ 1,199,030	741,834
Due from reinsurers and ceding companies	<u>296,898</u>	<u>288,355</u>
Subtotal	<u>1,495,928</u>	<u>1,030,189</u>
Reinsurance reserve assets:		
Ceded unearned premium reserves	1,332,192	1,189,254
Ceded claim reserve	<u>1,332,533</u>	<u>1,050,193</u>
Subtotal	<u>2,664,725</u>	<u>2,239,447</u>
Total	<u>\$ 4,160,653</u>	<u>3,269,636</u>

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

(h) Property and equipment

The Company's changes in the property and equipment were as follows:

	Land	Buildings	Computer equipment	Transportation equipment	Other equipment	Leasehold improvements	Construction in progress	Prepayment for equipment	Total
<u>Cost</u>									
Balance at January 1, 2023	\$ 4,611,070	1,521,177	620,420	1,135	155,797	228,048	6,337	2,065	7,146,049
Purchase	-	9,941	95,458	600	12,502	1,986	11,445	9,349	141,281
Sales and disposal	-	(2,798)	(9,321)	-	(2,849)	(1,770)	-	-	(16,738)
Reclassification	(53,349)	26,742	380	-	5,416	5,618	(17,188)	(11,414)	(43,795)
Balance at December 31, 2023	<u>\$ 4,557,721</u>	<u>1,555,062</u>	<u>706,937</u>	<u>1,735</u>	<u>170,866</u>	<u>233,882</u>	<u>594</u>	<u>-</u>	<u>7,226,797</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2023	\$ -	411,909	335,055	1,135	116,317	158,771	-	-	1,023,187
Purchase	-	78,265	84,047	80	12,848	18,449	-	-	193,689
Sales and disposal	-	(1,001)	(9,321)	-	(2,849)	(1,770)	-	-	(14,941)
Reclassification	-	(2,362)	-	-	-	-	-	-	(2,362)
Balance at December 31, 2023	<u>\$ -</u>	<u>486,811</u>	<u>409,781</u>	<u>1,215</u>	<u>126,316</u>	<u>175,450</u>	<u>-</u>	<u>-</u>	<u>1,199,573</u>
<u>Accumulated impairment</u>									
Balance at January 1, 2023	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Book value</u>									
Balance at January 1, 2023	<u>\$ 4,611,070</u>	<u>1,109,268</u>	<u>285,365</u>	<u>-</u>	<u>39,480</u>	<u>69,277</u>	<u>6,337</u>	<u>2,065</u>	<u>6,122,862</u>
Balance at December 31, 2023	<u>\$ 4,557,721</u>	<u>1,068,251</u>	<u>297,156</u>	<u>520</u>	<u>44,550</u>	<u>58,432</u>	<u>594</u>	<u>-</u>	<u>6,027,224</u>
<u>Cost</u>									
Balance at January 1, 2022	\$ 4,745,966	1,503,124	508,018	1,135	188,177	226,410	1,149	-	7,173,979
Purchase	-	5,803	134,058	-	17,904	2,773	22,361	10,610	193,509
Sales and disposal	-	(820)	(33,871)	-	(50,284)	(1,135)	-	-	(86,110)
Reclassification	(134,896)	13,070	12,215	-	-	-	(17,173)	(8,545)	(135,329)
Balance at December 31, 2022	<u>\$ 4,611,070</u>	<u>1,521,177</u>	<u>620,420</u>	<u>1,135</u>	<u>155,797</u>	<u>228,048</u>	<u>6,337</u>	<u>2,065</u>	<u>7,146,049</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2022	\$ -	342,277	295,958	962	151,023	141,900	-	-	932,120
Purchase	-	75,817	72,889	173	14,511	18,006	-	-	181,396
Sales and disposal	-	(364)	(33,792)	-	(49,217)	(1,135)	-	-	(84,508)
Reclassification	-	(5,821)	-	-	-	-	-	-	(5,821)
Balance at December 31, 2022	<u>\$ -</u>	<u>411,909</u>	<u>335,055</u>	<u>1,135</u>	<u>116,317</u>	<u>158,771</u>	<u>-</u>	<u>-</u>	<u>1,023,187</u>
<u>Accumulated impairment</u>									
Balance at January 1, 2022	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Book value</u>									
Balance at January 1, 2022	<u>\$ 4,745,966</u>	<u>1,160,847</u>	<u>212,060</u>	<u>173</u>	<u>37,154</u>	<u>84,510</u>	<u>1,149</u>	<u>-</u>	<u>6,241,859</u>
Balance at December 31, 2022	<u>\$ 4,611,070</u>	<u>1,109,268</u>	<u>285,365</u>	<u>-</u>	<u>39,480</u>	<u>69,277</u>	<u>6,337</u>	<u>2,065</u>	<u>6,122,862</u>

As of December 31, 2023 and 2022, the Company's property and equipment had not been pledged as collateral.

Please refer to Note 13(a) for information on the related significant transactions of property and equipment.

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

(i) Right-of-use assets

	December 31, 2023	December 31, 2022
The carrying amount of right-of-use assets		
Buildings	\$ 49,704	227,042
Transportation equipment	4,535	6,598
Computer equipment	7,681	5,075
	<u>\$ 61,920</u>	<u>238,715</u>
	For the years ended December 31	
	2023	2022
Purchase of right-of-use assets	<u>\$ 42,363</u>	<u>433,502</u>
Depreciation of right-of-use assets (including capitalized)		
Buildings	\$ 212,516	204,033
Transportation equipment	2,710	2,814
Computer equipment	3,539	829
Total	<u>\$ 218,765</u>	<u>207,676</u>

The buildings, vehicles, and equipment rent by the Company are used for the operation and business purposes. There are no restrictions on the rent properties.

(j) Intangible assets

Changes in the intangible assets were as follows:

	Computer software	Prepayment for computer software	The acquisition value of insurance policies	Development premium	Goodwill	Total
<u>Cost</u>						
Balance at January 1, 2023	\$ 1,020,408	1,696,793	711,775	67,575	5,947,368	9,443,919
Purchase	32,725	744,335	-	-	-	777,060
Sales and disposal	(7,433)	-	-	-	-	(7,433)
Reclassification	133,213	(133,213)	-	-	-	-
Balance at December 31, 2023	<u>\$ 1,178,913</u>	<u>2,307,915</u>	<u>711,775</u>	<u>67,575</u>	<u>5,947,368</u>	<u>10,213,546</u>
<u>Accumulated amortization and impairment loss</u>						
Balance at January 1, 2023	\$ 612,139	-	135,666	8,112	-	755,917
Current amortization	178,356	-	12,934	1,326	-	192,616
Sales and disposal	(7,433)	-	-	-	-	(7,433)
Balance at December 31, 2023	<u>\$ 783,062</u>	<u>-</u>	<u>148,600</u>	<u>9,438</u>	<u>-</u>	<u>941,100</u>
<u>Net value</u>						
Balance at January 1, 2023	<u>\$ 408,269</u>	<u>1,696,793</u>	<u>576,109</u>	<u>59,463</u>	<u>5,947,368</u>	<u>8,688,002</u>
Balance at December 31, 2023	<u>\$ 395,851</u>	<u>2,307,915</u>	<u>563,175</u>	<u>58,137</u>	<u>5,947,368</u>	<u>9,272,446</u>
<u>Cost</u>						
Balance at January 1, 2022	\$ 765,342	953,237	711,775	67,575	5,947,368	8,445,297
Purchase	153,271	853,070	-	-	-	1,006,341
Sales and disposal	(4,049)	-	-	-	-	(4,049)
Reclassification	105,844	(109,514)	-	-	-	(3,670)
Balance at December 31, 2022	<u>\$ 1,020,408</u>	<u>1,696,793</u>	<u>711,775</u>	<u>67,575</u>	<u>5,947,368</u>	<u>9,443,919</u>

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

	Computer software	Prepayment for computer software	The acquisition value of insurance policies	Development premium	Goodwill	Total
<u>Accumulated amortization and impairment loss</u>						
Balance at January 1, 2022	\$ 463,628	-	123,473	6,747	-	593,848
Current amortization	152,560	-	12,193	1,365	-	166,118
Sales and disposal	(4,049)	-	-	-	-	(4,049)
Balance at December 31, 2022	<u>\$ 612,139</u>	<u>-</u>	<u>135,666</u>	<u>8,112</u>	<u>-</u>	<u>755,917</u>
<u>Net value</u>						
Balance at January 1, 2022	<u>\$ 301,714</u>	<u>953,237</u>	<u>588,302</u>	<u>60,828</u>	<u>5,947,368</u>	<u>7,851,449</u>
Balance at December 31, 2022	<u>\$ 408,269</u>	<u>1,696,793</u>	<u>576,109</u>	<u>59,463</u>	<u>5,947,368</u>	<u>8,688,002</u>

The acquisition value of insurance policies is the difference between the fair value of both the acquired contractual rights and commitment to insurance obligations, and the liability, which is determined by the insurer based on the evaluation of accounting policies for the issued insurance policies under general assumption.

(k) Other assets

	December 31, 2023	December 31, 2022
Prepayments	\$ 1,439,697	1,421,326
Refundable deposits	12,339,252	12,168,065
Others	<u>374,263</u>	<u>257,261</u>
	<u>\$ 14,153,212</u>	<u>13,846,652</u>

For information on government bonds offsetting refundable deposits, please refer to Note 6(c)(i)(2), (3) and 8.

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

(1) Allowance for credit losses

The changes in allowance for credit losses were as follows:

Loans and others

	Loans					Others(Note)					Additional provision of impairment in accordance with “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivables on Demand and Bad Debts by Insurance Enterprises”	Total
	12-month ECL	Lifetime ECL (collectively assessed)	Lifetime ECL (individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	Under IFRS 9	12-month ECL	Lifetime ECL (collectively assessed)	Lifetime ECL (individually assessed)	Under IFRS 9		
Beginning balance January 1, 2023	\$ 25,073	-	8	2,542	-	27,623	1,675	-	-	1,675	559,524	588,822
Changes in financial instruments that have been identified at the beginning of the period:												
— The financial assets that have been derecognized during the period	(2,626)	-	(8)	(500)	-	(3,134)	(77)	-	-	(77)	-	(3,211)
New financial assets originated or purchased	16,462	-	-	-	-	16,462	8,402	-	-	8,402	-	24,864
Additional provision of impairment in accordance with “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivables on Demand and Bad Debts by Insurance Enterprises”	-	-	-	-	-	-	-	-	-	-	(48,819)	(48,819)
Foreign exchange and other movement	46,065	-	-	(224)	-	45,841	(232)	-	-	(232)	-	45,609
Ending balance December 31, 2023	<u>\$ 84,974</u>	<u>-</u>	<u>-</u>	<u>1,818</u>	<u>-</u>	<u>86,792</u>	<u>9,768</u>	<u>-</u>	<u>-</u>	<u>9,768</u>	<u>510,705</u>	<u>607,265</u>

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

	Loans						Others(Note)				Additional provision of impairment in accordance with “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivables on Demand and Bad Debts by Insurance Enterprises”	Total
	12-month ECL	Lifetime ECL (collectively assessed)	Lifetime ECL (individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	Under IFRS 9	12-month ECL	Lifetime ECL (collectively assessed)	Lifetime ECL (individually assessed)	Under IFRS 9		
Beginning balance January 1, 2022	\$ 18,497	-	78	3,082	-	21,657	2,893	-	-	2,893	410,466	435,016
Changes in financial instruments that have been identified at the beginning of the period:												
— Transfer to 12-month ECL	65	-	(65)	-	-	-	-	-	-	-	-	-
— The financial assets that have been derecognized during the period	(3,358)	-	-	(83)	-	(3,441)	(88)	-	-	(88)	-	(3,529)
New financial assets originated or purchased	11,572	-	-	-	-	11,572	693	-	-	693	-	12,265
Additional provision of impairment in accordance with “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivables on Demand and Bad Debts by Insurance Enterprises”	-	-	-	-	-	-	-	-	-	-	149,058	149,058
Foreign exchange and other movement	(1,703)	-	(5)	(457)	-	(2,165)	(1,823)	-	-	(1,823)	-	(3,988)
Ending balance December 31, 2022	<u>\$ 25,073</u>	<u>-</u>	<u>8</u>	<u>2,542</u>	<u>-</u>	<u>27,623</u>	<u>1,675</u>	<u>-</u>	<u>-</u>	<u>1,675</u>	<u>559,524</u>	<u>588,822</u>

Note: Others are off-balance sheet guarantees and commitments, etc.

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

Financial assets measured at fair value through other comprehensive income

	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	Under IFRS 9
Beginning balance January 1, 2023	\$ 33,233	-	-	-	-	33,233
Changes in financial instruments that have been identified at the beginning of the period:						
— The financial assets that have been derecognized during the period	(1,511)	-	-	-	-	(1,511)
New financial assets originated or purchased	3,887	-	-	-	-	3,887
Foreign exchange and other movement	(542)	-	-	-	-	(542)
Ending balance December 31, 2023	<u>\$ 35,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,067</u>

	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	Under IFRS 9
Beginning balance January 1, 2022	\$ 70,024	-	-	-	-	70,024
Changes in financial instruments that have been identified at the beginning of the period:						
— The financial assets that have been derecognized during the period	(6,874)	-	-	-	-	(6,874)
New financial assets originated or purchased	10,873	-	-	49,833	-	60,706
Foreign exchange and other movement	4,514	-	-	197,129	-	201,643
Reclassification effects	(45,304)	-	-	(246,962)	-	(292,266)
Ending balance December 31, 2022	<u>\$ 33,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,233</u>

Financial assets measured at amortized cost

	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	Under IFRS 9
Beginning balance January 1, 2023	\$ 357,586	-	320,990	1,044,815	-	1,723,391
Changes in financial instruments that have been identified at the beginning of the period:						
— The financial assets that have been derecognized during the period	(3,521)	-	-	-	-	(3,521)
Foreign exchange and other movement	(949)	-	(20,867)	36,462	-	14,646
Ending balance December 31, 2023	<u>\$ 353,116</u>	<u>-</u>	<u>300,123</u>	<u>1,081,277</u>	<u>-</u>	<u>1,734,516</u>

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	Under IFRS 9
Beginning balance January 1, 2022	\$ 296,483	-	348,980	-	-	645,463
Changes in financial instruments that have been identified at the beginning of the period:						
— Transfer to lifetime ECL	(159)	-	159	-	-	-
— Transfer to credit-impaired financial assets	(637)	-	-	637	-	-
— The financial assets that have been derecognized during the period	(13,281)	-	(41,549)	-	-	(54,830)
New financial assets originated or purchased	15,777	-	-	2,180	-	17,957
Foreign exchange and other movement	14,099	-	13,400	795,036	-	822,535
Reclassification effects	45,304	-	-	246,962	-	292,266
Ending balance December 31, 2022	<u>\$ 357,586</u>	<u>-</u>	<u>320,990</u>	<u>1,044,815</u>	<u>-</u>	<u>1,723,391</u>

Receivables:

	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit-impaired financial assets)	Lifetime ECL (Purchased or originated credit-impaired financial assets)	Under IFRS 9	Additional provision of impairment in accordance with “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivables on Demand and Bad Debts by Insurance Enterprises”	Total
Beginning balance January 1, 2023	\$ 4,486	5,814	350	498,816	-	509,466	2,382	511,848
Changes in financial instruments that have been identified at the beginning of the period:								
— The financial assets that have been derecognized during the period	(82)	-	-	-	-	(82)	-	(82)
New financial assets originated or purchased	55	-	-	-	-	55	-	55
Additional provision of impairment in accordance with “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivables on Demand and Bad Debts by Insurance Enterprises”	-	-	-	-	-	-	34,907	34,907
Write-offs	-	(358)	-	-	-	(358)	-	(358)
Foreign exchange and other movement	20	(2,153)	(6)	459,217	-	457,078	-	457,078
Ending balance December 31, 2023	<u>\$ 4,479</u>	<u>3,303</u>	<u>344</u>	<u>958,033</u>	<u>-</u>	<u>966,159</u>	<u>37,289</u>	<u>1,003,448</u>

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit-impaired financial assets)	Lifetime ECL (Purchased or originated credit-impaired financial assets)	Under IFRS 9	Additional provision of impairment in accordance with “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivables on Demand and Bad Debts by Insurance Enterprises”	Total
Beginning balance January 1, 2022	\$ 4,178	5,802	439	-	-	10,419	2,674	13,093
Changes in financial instruments that have been identified at the beginning of the period:								
— Transfer to lifetime ECL	(4)	-	4	-	-	-	-	-
— Transfer to credit-impaired financial assets	(15)	-	-	15	-	-	-	-
— The financial assets that have been derecognized during the period	(279)	-	(66)	-	-	(345)	-	(345)
New financial assets originated or purchased	347	-	-	23,945	-	24,292	-	24,292
Additional provision of impairment in accordance with “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivables on Demand and Bad Debts by Insurance Enterprises”	-	-	-	-	-	-	(292)	(292)
Write-offs	-	(170)	-	-	-	(170)	-	(170)
Foreign exchange and other movement	259	182	(27)	474,856	-	475,270	-	475,270
Ending balance December 31, 2022	\$ 4,486	5,814	350	498,816	-	509,466	2,382	511,848

The carrying amount of debt investments that resulted in the significant changes of credit losses at the year ended 2023 and 2022 were as follows:

For the year ended December 31, 2023						
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	Total
Increase (decrease) in secured loans	\$ 10,415	(12)	(54)	-	-	10,349
For the year ended December 31, 2022						
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	Total
Increase (decrease) in secured loans	\$ 155,125	(66)	(35)	-	-	155,024
Decrease in credit rating	-	-	11,568	-	-	11,568
ECL of Russia bonds	-	-	-	1,542,979	-	1,542,979

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

(m) Short-term liabilities

Assets	December 31, 2023			
	Par value	Selling price (Note)	Designated repurchase amount	Designated repurchase date
Financial assets measured at fair value through other comprehensive income	\$ 2,600,000	2,495,000	2,497,454	Prior to January 22, 2024
Debt instruments at amortized cost	18,750,000	17,777,000	17,802,432	Prior to February 16, 2024
Total	<u>\$ 21,350,000</u>	<u>20,272,000</u>	<u>20,299,886</u>	

Note: Recognized under securities sold under repurchase agreements.

- (i) The range of interest rates of securities sold under repurchase agreements traded by the Company was 1.20%~1.50%.
- (ii) The securities sold under repurchase agreements traded by the Company, using the financial assets and central government bonds measured at amortized cost and fair value through other comprehensive income, were pledged as collateral. Please refer to Note 6(af)5.

(n) Accounts Payables

	December 31, 2023	December 31, 2022
Notes payable	\$ 8,228	5,086
Claims payable	3,380,797	3,640,897
Commissions payable	1,128,774	865,615
Sales compensation payable	1,064,793	887,614
Due to reinsurers and ceding companies	1,619,553	1,387,334
Separate account of investment products payable	823,291	961,242
Securities payable	544,500	117,213
Accrued expenses	3,200,012	2,753,035
Other payables	1,443,875	858,267
	<u>\$ 13,213,823</u>	<u>11,476,303</u>

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

(o) Bonds Payable

Bonds	Transaction details			Types of bonds	Book value	
	Issue date	Maturity date	Rate		December 31, 2023	December 31, 2022
First cumulative subordinated perpetual bonds of 2017	June 21, 2017	Perpetual	3.45%; if not redeemed after ten years, the coupon rate will increase by 1.00%	Unsecured subordinated bond	\$ 15,000,000	15,000,000
First cumulative subordinated perpetual bonds of 2023-A	July 21, 2023	July 21, 2033	3.75%	Unsecured subordinated bond	7,520,000	-
First cumulative subordinated perpetual bonds of 2023-B	July 21, 2023	July 21, 2038 (Note)	3.88%	Unsecured subordinated bond	5,480,000	-
Unamortized discount					(23,726)	(13,218)
					<u>\$ 27,976,274</u>	<u>14,986,782</u>

Note: After ten years of first cumulative subordinated perpetual bonds of 2023-B issuance, if upon calculation, the Company's RBC ratio after redemption is more than the required minimum RBC ratio at the time of calculation, with the consent of Competent Authority, the bonds may be redeemed earlier at face value plus interest payable.

According to FSC Jin-Guan-Bao-Shou-Zi No. 10602904570, the Company was approved to public offer unsecured subordinated perpetual bonds of up to \$15,000,000 in batches, and the issuance had completed by June, 2017.

According to FSC Jin-Guan-Bao-Shou-Zi No. 1120425186, the Company was approved to public offer unsecured and accumulated subordinate 2023-A and B bonds amounting to \$7,520,000 and \$5,480,000, respectively, totaling \$13,000,000, and the issuance had completed by July, 2023.

(p) Lease Liabilities

December 31, 2023	Summary	Leased period	Discount rate	Ending Balance	Notes
Superficies	Superficies	2012/12~2067/11	3.325%~3.5%	\$ 1,134,439	
Buildings	Lease of buildings	2022/02~2027/08	2.095%~2.595%	52,194	
Transportation equipment	Lease of official vehicles	2020/12~2027/07	3.25%	4,613	
Computer equipment	Lease of computer equipment	2022/04~2027/03	2.095%~2.595%	8,055	
Total				<u>\$ 1,199,301</u>	

December 31, 2022	Summary	Leased period	Discount rate	Ending Balance	Notes
Superficies	Superficies	2012/12~2067/11	3.325%~3.5%	\$ 1,148,883	
Buildings	Lease of buildings	2021/02~2027/08	2.095%	228,095	
Transportation equipment	Lease of official vehicles	2019/07~2026/08	3.25%	6,688	
Computer equipment	Lease of computer equipment	2022/04~2027/03	2.095%	5,434	
Total				<u>\$ 1,389,100</u>	

Little real estate include lease extension options to extend the lease while some of them are not reasonably assured that options will be exercised, so the measurement of lease liabilities do not reflect the terms.

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

Maturity analysis of lease liabilities (undiscounted) were as follows:

	December 31, 2023	December 31, 2022
Less than 1 year	\$ 86,926	262,650
Between 1 year to 5 years	246,376	246,062
More than 5 years	1,735,060	1,788,450
Total	\$ 2,068,362	2,297,162

Deposits due to lease contract as of December 31, 2023 and 2022 were amounted to \$56,533 and \$52,358. Please refer to Note 6(k) "other assets".

Amounts recognized in current net income are as follows:

	For the years ended December 31 2023	2022
Interest expenses of lease liabilities	\$ 40,534	40,336
Lease payments not included in the measurement of the lease liabilities	\$ 244,780	244,783
Profits from right-of-use assts	-	-
Rent expenses of short-term lease contracts	\$ 9,017	20,127
Rent expenses of low-value assets (were not included short-term lease contracts)	\$ 307	318
Covid-19-Related Rent Concessions	-	4,888

Amounts recognized in cash flow statement are as follows:

	For the years ended December 31 2023	2022
Total cash outflows of leases	\$ 527,200	484,405

(q) Insurance liabilities

The details of the reserve for insurance contracts and financial instruments with discretionary participation feature and its adjustment and the balances of the related accounts of the Company on December 31, 2023 and 2022, were as follows:

	December 31, 2023	December 31, 2022
Reserve for unearned premiums	\$ 5,991,619	5,396,046
Claim reserve	4,603,577	3,563,337
Insurance reserve	1,803,030,315	1,821,565,084
Special reserve	2,481,844	2,754,154
Premium deficiency reserve	924,231	1,080,362
Total	\$ 1,817,031,586	1,834,358,983

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

- (i) The details of reserve for unearned premiums were as follows:

December 31, 2023			
	Insurance contracts	Financial instruments with discretionary participation feature	Total
Individual life insurance	\$ 1,010,080	-	1,010,080
Individual injury insurance	932,292	-	932,292
Individual health insurance	3,769,317	-	3,769,317
Group insurance	250,814	-	250,814
Investment-linked insurance	29,116	-	29,116
Total	<u>5,991,619</u>	<u>-</u>	<u>5,991,619</u>
Less: Ceded reserve for unearned premiums			
Individual life insurance	341,069	-	341,069
Individual injury insurance	8,300	-	8,300
Individual health insurance	978,968	-	978,968
Investment-linked insurance	3,855	-	3,855
Total	<u>1,332,192</u>	<u>-</u>	<u>1,332,192</u>
Net value	<u>\$ 4,659,427</u>	<u>-</u>	<u>4,659,427</u>

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

December 31, 2022			
	<u>Insurance contracts</u>	<u>Financial instruments with discretionary participation feature</u>	<u>Total</u>
Individual life insurance	\$ 842,599	-	842,599
Individual injury insurance	890,182	-	890,182
Individual health insurance	3,375,535	-	3,375,535
Group insurance	258,237	-	258,237
Investment-linked insurance	<u>29,493</u>	<u>-</u>	<u>29,493</u>
Total	<u>5,396,046</u>	<u>-</u>	<u>5,396,046</u>
Less: Ceded reserve for unearned premiums			
Individual life insurance	296,479	-	296,479
Individual injury insurance	8,497	-	8,497
Individual health insurance	880,423	-	880,423
Investment-linked insurance	<u>3,855</u>	<u>-</u>	<u>3,855</u>
Total	<u>1,189,254</u>	<u>-</u>	<u>1,189,254</u>
Net value	<u>\$ 4,206,792</u>	<u>-</u>	<u>4,206,792</u>

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

The movements of the aforesaid reserve for unearned premiums were as follows:

For the year ended December 31, 2023			
	Insurance contracts	Financial instruments with discretionary participation feature	Total
Beginning balance	\$ 5,396,046	-	5,396,046
Current provision	5,991,636	-	5,991,636
Reversal of provision	(5,396,046)	-	(5,396,046)
Foreign exchange gains	(17)	-	(17)
Ending balance	<u>5,991,619</u>	<u>-</u>	<u>5,991,619</u>
Less: Ceded reserve for unearned premiums			
Beginning balance —net	1,189,254	-	1,189,254
Current increase	143,536	-	143,536
Foreign exchange gains	(598)	-	(598)
Ending balance—net	<u>1,332,192</u>	<u>-</u>	<u>1,332,192</u>
Ending balance	<u>\$ 4,659,427</u>	<u>-</u>	<u>4,659,427</u>

For the year ended December 31, 2022			
	Insurance contracts	Financial instruments with discretionary participation feature	Total
Beginning balance	\$ 4,541,658	-	4,541,658
Current provision	5,395,870	-	5,395,870
Reversal of provision	(4,541,658)	-	(4,541,658)
Foreign exchange losses	176	-	176
Ending balance	<u>5,396,046</u>	<u>-</u>	<u>5,396,046</u>
Less: Ceded reserve for unearned premiums			
Beginning balance —net	1,043,181	-	1,043,181
Current increase	140,111	-	140,111
Foreign exchange losses	5,962	-	5,962
Ending balance—net	<u>1,189,254</u>	<u>-</u>	<u>1,189,254</u>
Ending balance	<u>\$ 4,206,792</u>	<u>-</u>	<u>4,206,792</u>

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

(ii) The details of claim reserve were as follows:

December 31, 2023			
	Insurance contracts	Financial instruments with discretionary participation feature	Total
Individual life insurance			
-reported but not paid	\$ 477,625	-	477,625
-not reported and not paid	13,226	-	13,226
Individual injury insurance			
-reported but not paid	104,102	-	104,102
-not reported and not paid	558,977	-	558,977
Individual health insurance			
-reported but not paid	1,395,092	-	1,395,092
-not reported and not paid	1,673,533	-	1,673,533
Annuity insurance			
-reported but not paid	4,940	3,568	8,508
-not reported and not paid	-	-	-
Group insurance			
-reported but not paid	59,894	-	59,894
-not reported and not paid	300,236	-	300,236
Investment-linked insurance			
-reported but not paid	12,382	-	12,382
-not reported and not paid	<u>2</u>	<u>-</u>	<u>2</u>
Total	<u>4,600,009</u>	<u>3,568</u>	<u>4,603,577</u>
Less: Ceded claim reserve			
Individual life insurance	357,675	-	357,675
Individual injury insurance	196	-	196
Individual health insurance	974,662	-	974,662
Group insurance	-	-	-
Investment-linked insurance	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>1,332,533</u>	<u>-</u>	<u>1,332,533</u>
Net value	<u><u>\$ 3,267,476</u></u>	<u><u>3,568</u></u>	<u><u>3,271,044</u></u>

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

	December 31, 2022		
	<u>Insurance contracts</u>	<u>Financial instruments with discretionary participation feature</u>	<u>Total</u>
Individual life insurance			
-reported but not paid	\$ 414,119	626	414,745
-not reported and not paid	3,253	-	3,253
Individual injury insurance			
-reported but not paid	91,006	-	91,006
-not reported and not paid	352,800	-	352,800
Individual health insurance			
-reported but not paid	1,097,313	-	1,097,313
-not reported and not paid	1,085,065	-	1,085,065
Annuity insurance			
-reported but not paid	-	4,001	4,001
-not reported and not paid	-	-	-
Group insurance			
-reported but not paid	63,774	-	63,774
-not reported and not paid	447,686	-	447,686
Investment-linked insurance			
-reported but not paid	3,693	-	3,693
-not reported and not paid	<u>1</u>	<u>-</u>	<u>1</u>
Total	<u>3,558,710</u>	<u>4,627</u>	<u>3,563,337</u>
Less: Ceded claim reserve			
Individual life insurance	279,603	-	279,603
Individual injury insurance	9	-	9
Individual health insurance	769,906	-	769,906
Group insurance	-	-	-
Investment-linked insurance	<u>675</u>	<u>-</u>	<u>675</u>
Total	<u>1,050,193</u>	<u>-</u>	<u>1,050,193</u>
Net value	<u>\$ 2,508,517</u>	<u>4,627</u>	<u>2,513,144</u>

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

The movements of the aforesaid claim reserve were as follows:

For the year ended December 31, 2023			
	Insurance contracts	Financial instruments with discretionary participation feature	Total
Beginning balance	\$ 3,558,710	4,627	3,563,337
Current provision	4,601,841	3,578	4,605,419
Reversal of provision	(3,558,666)	(4,672)	(3,563,338)
Foreign exchange (gains) losses	(1,876)	35	(1,841)
Ending balance	<u>4,600,009</u>	<u>3,568</u>	<u>4,603,577</u>
Less: Ceded claim reserve			
Beginning balance—net	1,050,193	-	1,050,193
Current increase	282,379	-	282,379
Foreign exchange gains	(39)	-	(39)
Ending balance—net	<u>1,332,533</u>	<u>-</u>	<u>1,332,533</u>
Ending balance	<u>\$ 3,267,476</u>	<u>3,568</u>	<u>3,271,044</u>

For the year ended December 31, 2022			
	Insurance contracts	Financial instruments with discretionary participation feature	Total
Beginning balance	\$ 2,620,269	3,525	2,623,794
Current provision	3,557,545	4,633	3,562,178
Reversal of provision	(2,620,270)	(3,525)	(2,623,795)
Foreign exchange losses (gains)	1,166	(6)	1,160
Ending balance	<u>3,558,710</u>	<u>4,627</u>	<u>3,563,337</u>
Less: Ceded claim reserve			
Beginning balance—net	652,588	-	652,588
Current increase	395,658	-	395,658
Foreign exchange losses	1,947	-	1,947
Ending balance—net	<u>1,050,193</u>	<u>-</u>	<u>1,050,193</u>
Ending balance	<u>\$ 2,508,517</u>	<u>4,627</u>	<u>2,513,144</u>

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

(iii) The details of insurance reserve were as follows:

December 31, 2023			
	Insurance contracts	Financial instruments with discretionary participation feature	Total
Individual life insurance	\$ 1,637,593,941	1,900,045	1,639,493,986
Individual injury insurance	760	-	760
Individual health insurance	142,950,362	-	142,950,362
Annuity insurance	4,032,889	14,378,252	18,411,141
Group insurance	454,006	793,623	1,247,629
Investment-linked insurance	598,697	-	598,697
Incremental reserve	35,833	-	35,833
Transfer of operating loss reserve	43,665	-	43,665
Recovery of special catastrophe reserve	7,252	-	7,252
Other	240,990	-	240,990
Total	\$ 1,785,958,395	17,071,920	1,803,030,315

December 31, 2022			
	Insurance contracts	Financial instruments with discretionary participation feature	Total
Individual life insurance	\$ 1,664,601,778	2,240,034	1,666,841,812
Individual injury insurance	237	-	237
Individual health insurance	130,295,608	-	130,295,608
Annuity insurance	4,390,175	17,834,002	22,224,177
Group insurance	454,451	728,369	1,182,820
Investment-linked insurance	667,701	-	667,701
Incremental reserve	35,833	-	35,833
Transfer of operating loss reserve	43,665	-	43,665
Recovery of special catastrophe reserve	7,252	-	7,252
Other	265,979	-	265,979
Total	\$ 1,800,762,679	20,802,405	1,821,565,084

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

As the Company measured the insurance reserves on a discounted basis, the recognized amounts of cumulative interest over-time effects were showing below:

	For the years ended December 31	
	2023	2022
Cumulative interest over-time effects of insurance reserve	\$ 57,859,430	56,927,397

The movements of the aforesaid insurance reserve were as follows:

	For the year ended December 31, 2023		
	Insurance contracts	Financial instruments with discretionary participation feature	Total
Beginning balance	\$ 1,800,762,679	20,802,405	1,821,565,084
Current provision	153,397,580	416,383	153,813,963
Reversal of provision	(169,214,260)	(4,156,393)	(173,370,653)
Foreign exchange losses	1,037,385	9,525	1,046,910
Other	(24,989)	-	(24,989)
Ending balance	\$ 1,785,958,395	17,071,920	1,803,030,315

	For the year ended December 31, 2022		
	Insurance contracts	Financial instruments with discretionary participation feature	Total
Beginning balance	\$ 1,736,412,376	24,981,797	1,761,394,173
Current provision	156,189,906	568,511	156,758,417
Reversal of provision	(149,562,344)	(5,099,314)	(154,661,658)
Foreign exchange losses	57,682,775	351,411	58,034,186
Other	39,966	-	39,966
Ending balance	\$ 1,800,762,679	20,802,405	1,821,565,084

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

(iv) The details of special reserve were as follows:

December 31, 2023			
	Insurance contracts	Financial instruments with discretionary participation feature	Total
Reserve for policyholder dividend	\$ 2,319,192	-	2,319,192
Reserve for bonus risk	104,761	-	104,761
Revaluation appreciation on real estate	57,891	-	57,891
Total	\$ 2,481,844	-	2,481,844

December 31, 2022			
	Insurance contracts	Financial instruments with discretionary participation feature	Total
Reserve for policyholder dividend	\$ 2,590,149	-	2,590,149
Reserve for bonus risk	106,114	-	106,114
Revaluation appreciation on real estate	57,891	-	57,891
Total	\$ 2,754,154	-	2,754,154

The movements of the aforesaid special reserve were as follows:

For the year ended December 31, 2023				
	Reserve for policyholder dividend	Reserve for bonus risk	Revaluation appreciation on real estate	Total
Beginning balance	\$ 2,590,149	106,114	57,891	2,754,154
Current provision	300,471	-	-	300,471
Current reversal-gains from disposal of equity instruments measured at fair value through other comprehensive income	(5,797)	-	-	(5,797)
Reversal of provision	(551,318)	(1,353)	-	(552,671)
Foreign exchange gains	(14,313)	-	-	(14,313)
Ending balance	\$ 2,319,192	104,761	57,891	2,481,844

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

	For the year ended December 31, 2022			
	Reserve for policyholder dividend	Reserve for bonus risk	Revaluation appreciation on real estate	Total
Beginning balance	\$ 1,845,648	157,538	57,891	2,061,077
Current provision	1,351,355	-	-	1,351,355
Current reversal-gains from disposal of equity instruments measured at fair value through other comprehensive income	(4,285)	-	-	(4,285)
Reversal of provision	(738,763)	(51,424)	-	(790,187)
Foreign exchange losses	136,194	-	-	136,194
Ending balance	<u>\$ 2,590,149</u>	<u>106,114</u>	<u>57,891</u>	<u>2,754,154</u>

(v) The details of premium deficiency reserve were as follows:

	December 31, 2023		
	Insurance contracts	Financial instruments with discretionary participation feature	Total
Individual life insurance	\$ 870,014	-	870,014
Individual health insurance	54,171	-	54,171
Annuity insurance	46	-	46
Total	<u>\$ 924,231</u>	<u>-</u>	<u>924,231</u>

	December 31, 2022		
	Insurance contracts	Financial instruments with discretionary participation feature	Total
Individual life insurance	\$ 1,018,489	-	1,018,489
Individual health insurance	61,822	-	61,822
Annuity insurance	51	-	51
Total	<u>\$ 1,080,362</u>	<u>-</u>	<u>1,080,362</u>

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

The movements of the aforesaid premium deficiency reserve were as follows:

For the year ended December 31, 2023			
	Insurance contracts	Financial instruments with discretionary participation feature	Total
Beginning balance	\$ 1,080,362	-	1,080,362
Current provision	334,557	-	334,557
Reversal of provision	(492,793)	-	(492,793)
Foreign exchange losses	2,105	-	2,105
Ending balance	<u>\$ 924,231</u>	<u>-</u>	<u>924,231</u>

For the year ended December 31, 2022			
	Insurance contracts	Financial instruments with discretionary participation feature	Total
Beginning balance	\$ 991,138	-	991,138
Current provision	474,437	-	474,437
Reversal of provision	(425,343)	-	(425,343)
Foreign exchange losses	40,130	-	40,130
Ending balance	<u>\$ 1,080,362</u>	<u>-</u>	<u>1,080,362</u>

(vi) The details of liability adequacy reserve were as follows:

Insurance contracts and financial instruments with discretionary participation feature	December 31, 2023	December 31, 2022
Reserve for unearned premiums	\$ 5,991,619	5,396,046
Claim reserve	4,603,577	3,563,337
Insurance reserve	1,803,030,315	1,821,565,084
Premium deficiency reserve	924,231	1,080,362
Total	1,814,549,742	1,831,604,829
Less: intangible assets	(563,175)	(576,109)
Book value of related insurance liabilities	<u>\$ 1,813,986,567</u>	<u>1,831,028,720</u>
Current estimate of future cash flows under insurance liabilities	<u>\$ 1,544,989,915</u>	<u>1,447,983,153</u>
Liability adequacy reserve balance	<u>\$ -</u>	<u>-</u>

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

No liability adequacy reserve was provided for after the assessment by the Company and the liability adequacy test method of the Company was as follows:

	December 31, 2023
Test Method	Gross Premium Valuation (GPV)
Group	All insurance contracts
Significant Assumptions	(1)Insurance contract information: As of December 31, 2023, the insurance contracts and financial instruments with a discretionary participation feature were tested. (2)Discount rate: For the asset allocation in the latest quarterly report as of valuation date, the rate of investment return under the best-case scenario in the latest certified actuarial report provided to the regulator for the year 2022 is adopted. The assumed rate beyond 30 years remains unchanged.

	December 31, 2022
Test Method	Gross Premium Valuation (GPV)
Group	All insurance contracts
Significant Assumptions	(1)Insurance contract information: As of December 31, 2022, the insurance contracts and financial instruments with a discretionary participation feature were tested. (2)Discount rate: For the asset allocation in the latest quarterly report as of valuation date, the rate of investment return under the best-case scenario in the latest certified actuarial report provided to the regulator for the year 2021 is adopted. The assumed rate beyond 30 years remains unchanged.

(r) Reserve for insurance policies with nature of financial instrument features

The financial instruments, belonging to the Company are not segregated account insurance product and are classified as financial instruments without discretionary participation feature. As of December 31, 2023 and 2022, the details of reserves for insurance with nature of financial instrument and their movement were as follows:

	December 31, 2023	December 31, 2022
Annuity insurance	\$ <u><u>4,050</u></u>	<u><u>3,231</u></u>

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

	For the years ended December 31	
	2023	2022
Beginning balance	\$ 3,231	2,071
Net provision for statutory reserve for the period	820	1,991
Insurance claims payment for the period	-	(839)
Foreign exchange (gains) losses	(1)	8
Ending balance	<u><u>\$ 4,050</u></u>	<u><u>3,231</u></u>

(s) Reserve for foreign exchange fluctuation

(i) Hedging strategy and risk exposure:

When adjusting the foreign exchange rate hedge ratio, the Company takes into consideration the dynamics of the international financial market and its own ability to take risks, so that the fluctuation in foreign exchange profit and loss can be reduced, and choose traditional hedge instrument as its major hedge tools, and properly allocation depending on the corresponded hedge cost ratio of each maturity. As of December 31, 2023 and 2022, major risk exposure on foreign exchange are from US dollar assets, with hedge position amounted to USD13,588,040 thousand and USD14,013,000 thousand, respectively, without hedge positions, and risk exposure of it are amounted to USD13,162,012 thousand and USD12,326,426 thousand, respectively.

(ii) As of December 31, 2023 and 2022, the movements of foreign exchange fluctuation reserves of the Company were as follows:

	December 31, 2023	December 31, 2022
Reserve for foreign exchange fluctuation	<u><u>\$ 5,986,159</u></u>	<u><u>12,215,229</u></u>

	For the years ended December 31	
	2023	2022
Beginning balance	\$ 12,215,229	2,943,740
Current provision		
Mandatory provision	1,667,892	1,831,835
Extra provision	3,674,433	13,546,365
Subtotal	5,342,325	15,378,200
Current recovery	(11,571,395)	(6,106,711)
Ending balance	<u><u>\$ 5,986,159</u></u>	<u><u>12,215,229</u></u>

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

(iii) The effects of foreign exchange rate fluctuation reserves were as follows:

		December 31, 2023		
		Not applicable	Applicable	Effect
Reserve for foreign exchange fluctuation	\$	-	5,986,159	(5,986,159)
Equity		145,730,279	141,816,066	3,914,213

		December 31, 2022		
		Not applicable	Applicable	Effect
Reserve for foreign exchange fluctuation	\$	-	12,215,229	(12,215,229)
Equity		102,463,313	93,565,843	8,897,470

		For the years ended December 31					
		2023			2022		
		Not applicable	Applicable	Effect	Not applicable	Applicable	Effect
Net income	\$	7,399,762	12,383,019	(4,983,257)	4,010,250	(3,406,941)	7,417,191
Earnings per share		1.19	1.99	(0.80)	0.64	(0.55)	1.19

(t) Employee benefits

(i) Defined benefits plan

The reconciliation between present value of the Company defined benefits obligation and fair value of defined benefits plan assets was as below:

	December 31, 2023	December 31, 2022
Present value of the defined benefit obligations	\$ 333,239	345,210
Fair value of plan assets	(278,996)	(244,855)
Net defined benefit liabilities	<u>\$ 54,243</u>	<u>100,355</u>

The Company's employee liabilities were as follows:

	December 31, 2023	December 31, 2022
Defined benefits plan	<u>\$ 54,243</u>	<u>100,355</u>

The Company's defined benefits plan contributes to designated depository account with Bank of Taiwan. Payments of pension benefits to employees who are covered by the Labor Standards Act Law are calculated based on the employee's average monthly salary for the last 6 months prior to approved retirement and base point (b.p.) entitlement based on years of service.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

1) Composition of plan assets

The Company's labor pension fund contributed in compliance with Labor Standard Act is managed by Bureau of Labor Funds, Ministry of Labor. According to Regulations for Revenues, Expenditures Safeguard and Utilization of the Labor Retirement Fund, with regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

As of reporting date, the balance of the Company's designated depository account with Bank of Taiwan amounted to \$278,996. Please refer to the website of the Bureau of Labor Funds, Ministry of Labor for information on labor pension fund assets utilization including earnings rate and fund asset allocation.

2) Movements in present value of the defined benefit obligations

For the years ended December 31, 2023 and 2022, the movements in present value of defined benefit obligation for the Company were as follows:

	For the years ended December 31	
	2023	2022
Defined benefit obligation at January 1	\$ 345,210	345,026
Current service costs and interest	8,343	5,170
Past service costs	6,099	-
Remeasurements of net defined benefit liability		
- Actuarial gains or losses arising from changes in financial assumptions	7,075	(34,073)
- Actuarial gains and losses arising from experience adjustments	(7,765)	50,227
- Actuarial gains and losses arising from changes in demography assumptions	-	2,719
Benefits paid by the plan	(24,565)	(23,859)
Payments on book account	(1,158)	-
Defined benefit obligation at December 31	<u><u>\$ 333,239</u></u>	<u><u>345,210</u></u>

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

3) Movements in fair value of defined benefit plan assets

For the years ended December 31, 2023 and 2022 the movements in fair value of defined benefit plan assets for the Company were as follows:

	For the years ended December 31	
	2023	2022
Fair value of plan assets at January 1	\$ 244,855	237,612
Interest income	3,754	1,218
Remeasurements of net defined benefit liability		
-Return on plan assets (exclude current interest)	1,602	19,213
Contribution plans made	53,350	10,672
Benefits paid by the plan	(24,565)	(23,860)
Fair value of plan assets at December 31	\$ 278,996	244,855

4) Expenses recognized in profit or loss

	For the years ended December 31	
	2023	2022
Current service cost	\$ 3,165	3,445
Net interest of net defined benefit liability	1,424	507
Past service costs	6,099	-
	\$ 10,688	3,952

5) Net remeasurements of defined benefit liability recognized in other comprehensive income

The net remeasurements of defined benefit liability recognized in other comprehensive income for the Company were as follows:

	For the years ended December 31	
	2023	2022
Cumulative amount at January 1	\$ 93,109	92,769
Recognized during the period	2,292	340
Cumulative amount at December 31	\$ 95,401	93,109

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

6) Primary actuarial assumptions

The following are the primary actuarial assumptions adopted by the Company at the reporting date:

	For the years ended December 31	
	2023	2022
Discount rate	1.25 %	1.50 %
Increasing rate of future compensation levels	3.00 %	3.00 %

The Company expected \$10,568 in contributions to be paid to defined benefit plans within a year after report date of 2023.

Weighted average duration based on defined benefits plan was 8.5 years.

7) Sensitivity analysis

When adopted primary actuarial assumption changes, the effects of present value of the benefit obligation as of December 31, 2023 and 2022 were as follows:

	The effect on defined benefits obligation	
	Increase 0.25%	Decrease 0.25%
December 31, 2023		
Discount rate	(7,075)	7,302
Increasing rate of future compensation levels	7,040	(6,858)
December 31, 2022		
Discount rate	(7,835)	8,100
Increasing rate of future compensation levels	7,831	(7,615)

The sensitivity analysis above analyzing the effects of changes in single assumptions is based on other assumptions remain unchanged. Actually, changes in many assumptions may link together. Sensitivity analysis and net pension liability of balance sheet were calculated under the same approach.

(ii) Defined contribution plan

The Company's defined contribution plan follows the Labor Pension Act of the R.O.C. and makes monthly cash contributions to the employees' individual pension accounts at the Bureau of Labor Insurance at the rate of 6% of the employees' monthly salary. Under this plan, the Company has no legal or constructive obligation to make other payments after the Company makes the fixed amount of contribution to the Bureau of Labor Insurance.

For the years ended December 31, 2023 and 2022, the pension expenses under defined contribution plan of the Company amounted \$163,475 and \$145,693, respectively.

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

(u) Capital stock, capital surplus, and other equity interest

(i) Capital stock

As of December 31, 2023 and 2022, the Company's authorized capital was 6,400,000 thousand shares and the Company's commons stock amounted \$62,267,319, representing 6,226,732 thousand shares of common stock with par value at NT\$10 per share, respectively.

(ii) Capital surplus

The components and sources of capital surplus were as follows:

	December 31, 2023	December 31, 2022
Additional paid-in capital — common stock	\$ 33,983,197	33,946,149
The movement of associates under equity-method investment	3,040	3,040
Share-based payment transaction-equity settled	<u>54,516</u>	<u>11,075</u>
Total	<u>\$ 34,040,753</u>	<u>33,960,264</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

Equity-based share-based payment is to award the employees the Company and subsidiaries who meet performance criteria with restricted rights to receive new shares issued by CTBC Financial Holdings, the parent company of the Company and subsidiaries. The nature of transaction is the capital investment of the parent company to the Company, and the salary expenses and capital surplus are recognized during the vesting period.

(iii) Legal reserve

The fiscal year-end earnings of the Company shall be applied to the following uses in order: payments of taxes, adjustments per financial and accounting principle, making-up of deficit, and appropriate 20% as the legal reserve until legal reserve equals to the amount of paid-in capital. In addition, in accordance with Jin-Guan-Bao-Tsai-Zi No. 10202501991 issued by the FSC on February 8, 2013, if an insurance enterprise without deficit intends to distribute its legal reserve provided in accordance with article 145-1 of the Insurance Act and its capital surplus as cash dividends proportionately based on the percentage of the shares held by its shareholders, it should fulfill relevant qualifying criteria and apply for approval from the authorities prior to the shareholders' meeting.

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

(iv) Special reserve

Special reserves of the Company were as follows:

	December 31, 2023	December 31, 2022
Recovery of special reserve for catastrophe	\$ 3,616,346	3,316,931
Special reserves for significant incidents and catastrophe	2,537,472	2,459,002
Reserve for foreign exchange fluctuation	8,211,572	8,211,572
Recovery of revaluation appreciation reserves on real estate	231,566	231,566
Provision on derecognition of unmatured debt	10,740,619	10,028,897
Employees training and transfer program	97,759	102,974
Disability support insurance	153,180	153,180
Travel insurance	3,378	1,042
Special reserves of IFRS 17	<u>7,321,000</u>	<u>7,321,000</u>
Total	<u>\$ 32,912,892</u>	<u>31,826,164</u>

According to Tai-Tsai-Bao-Zi No. 0910074195, the Company shall follow the “ Regulations Governing Insurance Enterprises for Setting Aside Various Reserves” since 2002 to set aside a special reserve by the net of tax amounts of recovery of special reserve for catastrophe after the approval of shareholder meeting next year.

The Company has recognized special reserves for significant incidents and catastrophe in accordance with the “ Regulations Governing Insurance Enterprises for Setting Aside Various Reserves”. The provision should be made at after-tax amount at the end of each year, and should be placed in special reserve under Equity. Special reserve under Equity can be offset or recovered by the aforementioned offset or recoverable amount at the after-tax amount.

In addition, in accordance with the mechanism of the reserve for fluctuation of foreign exchange, 10% of net-of-tax earnings shall be provided as a special reserve.

In accordance with Jin-Guan-Bao-Tsai-Zi No. 10502066461, in order to response the trend of the development of FinTech, the Company recognize special reserve amounting to \$97,759 to assist insurance employees to transform and protect their rights on December 31, 2023. However, in accordance with Jin-Guan-Bao-Tsai-Zi No. 10804932431 issued by the FSC on July 30, 2019, the special reserve is no longer needed to be appropriated beginning 2019, but the aforementioned special reserve can be reversed within an amount equal to the aforementioned expenditures stemming from employees’ training to protect employees rights. As of December 31, 2023, the Company has recognized the special reserve amounting to \$97,759.

According to FSC Jin-Guan-Bao-Tsai-Zi No. 11004908861, the Company recognizes special reserve from all current net income after tax from disability assistance insurance. As of December 31, 2023, the Company has recognized the special reserve amounting to \$153,180.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

According to FSC Jin-Guan-Bao-Tsai-Zi No.10904939031, 20% of after-tax income from travel insurance should be recognized in special reserve. As of December 31, 2023, the Company has recognized the special reserve amounting to \$3,378.

According to “ Regulations Governing Insurance Enterprises for Setting Aside Various Reserves” Article 21 and FSC Jin-Guan-Bao-Shou-Zi No. 11004356871, As of December 31, 2023, the Company has recognized the special reserve amounting to \$7,321,000 to get in line with IFRS 17 reinforcement plan.

According to FSC Jin-Guan-Bao-Tsai-Zi No. 11204939731, life insurance businesses should disclosure their current movement in accumulated gains (losses) from disposal of debt instruments:

Gains (losses) from disposal of debt instruments	Amount
1. Prior year end (December 31, 2022) accumulated gains (losses) from disposal of debt instruments	10,740,619
2. Current year realized valuation gains (losses) before tax amounted to \$ (419,108), less net income tax of \$ (83,821) equals after tax appropriated (recovery) amounts	(335,287)
3. Current net gains from disposal apportioned	230,536
4. Year end accumulated gains (losses) from disposal of debt instruments	10,174,796

As of December 31, 2023, the balance of special earning reserve of the Company due to the above rule amounted to \$10,740,619. The movement of \$(565,823), approved by shareholders, will be appropriated to special reserve, the appropriated special reserve amounts to \$10,174,796.

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.
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Disclosed of the prior year end balance, current and future amortization movements according to the regulation:

Year	Prior year end (December 31,2022) accumulated gains (losses) from disposal apportioned for future periods(1)	Current after tax appropriated to gains (losses) from disposal(2)	Accumulated gains (losses) from disposal apportioned for future periods at the end of the year(1)+(2)
2023	740,342	(509,806)	230,536
2024	736,739	37,539	774,278
2025	714,583	37,538	752,121
2026	688,054	30,375	718,429
2027	669,984	19,550	689,534
2028	646,010	19,550	665,560
2029	597,159	12,289	609,448
2030	539,724	12,289	552,013
2031	486,496	5,111	491,607
2032	485,619	5,010	490,629
2033 to 2042	3,373,045	6,665	3,379,710
2043 to 2052	970,814	(7,462)	963,352
2053 to 2062	81,158	(3,935)	77,223
2063 to 2072	10,834	-	10,834
After 2073	58	-	58
Total (note)	10,740,619	(335,287)	10,174,796

Note: The Company evaluated the amortization movements in 2023, excluding the total amounts in column (1) and (2).

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

- (v) Special reserves (Special reserves for significant incidents and catastrophe):

Expressed in Thousands of New Taiwan Dollars

December 31, 2023			
	Insurance contracts	Financial instruments with discretionary participation feature	Total
<u>Significant incidents</u>			
Individual life insurance	\$ 6,845	-	6,845
Individual injury insurance	105,563	-	105,563
Individual health insurance	828,955	-	828,955
Group insurance	396,600	-	396,600
<u>Catastrophe</u>			
Individual life insurance	13,829	-	13,829
Individual injury insurance	434,323	-	434,323
Individual health insurance	3	-	3
Group insurance	751,354	-	751,354
Total	\$ 2,537,472	-	2,537,472
December 31, 2022			
	Insurance contracts	Financial instruments with discretionary participation feature	Total
<u>Significant incidents</u>			
Individual life insurance	\$ 3,746	-	3,746
Individual injury insurance	96,039	-	96,039
Individual health insurance	658,669	-	658,669
Group insurance	336,622	-	336,622
<u>Catastrophe</u>			
Individual life insurance	8,989	-	8,989
Individual injury insurance	413,121	-	413,121
Individual health insurance	260,580	-	260,580
Group insurance	681,236	-	681,236
Total	\$ 2,459,002	-	2,459,002

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

(vi) Earnings distribution and dividend policy

As a subsidiary of CTBC Financial Holding Co., Ltd., the ordinary share dividends and bonuses shall first be distributed as cash dividends after considering the operating fund demands of the parent company and maintaining its own capital adequacy ratio. The Company adopts a constant and balanced dividend policy through annual ordinary share dividends and distribution of bonuses.

The aforesaid dividend policy is only regulated in principles; the optimal dividends policy is decided in consideration of the Company's actual operations of the current year and capital budget planning for the following year.

Annual earnings, if any, are used to pay taxes, make adjustments in accordance with financial accounting standards, offset deficits, and appropriate legal reserve. Until such retention equals to the amount of paid-in capital. After setting aside the legal reserve, the Company should set aside or reverse special surplus reserve according to the regulations. Then, the board of directors should make a proposal on how to distribute the remaining earnings plus the beginning balance of undistributed earnings, and submit it in shareholder meeting.

A resolution on 2021 earnings distribution of the Company approved by the board of directors on behalf of shareholder's meeting On May 27, 2022. The amounts of earnings distribution were as follows:

	For the years ended	
	December 31	
	2021	
	Amount	
	Per Share	Amount
Earnings distribution:		
Cash	\$ 0.59313794	3,693,311

Please refer to the Markets Observation Post System for further information related to approval by the board of directors in behalf of shareholders' meeting.

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

(vii) Other equity interest

The movements in the Company's other equity interest were as follows:

	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign financial statements	Other comprehensive income on reclassification under the overlay approach	Total
January 1, 2023	\$ (3,484,107)	(46,079)	(42,325,021)	(45,855,207)
Valuation adjustment	18,527,984	-	17,376,424	35,904,408
Reorganization of the Group	9,304	-	-	9,304
Accumulated losses on disposals of investments in debt instruments measured at fair value through other comprehensive income	(106,777)	-	-	(106,777)
Disposals of investments in equity instruments measured at fair value through other comprehensive income	540,822	-	-	540,822
Exchange difference	-	(27,865)	-	(27,865)
December 31, 2023	<u>\$ 15,487,226</u>	<u>(73,944)</u>	<u>(24,948,597)</u>	<u>(9,535,315)</u>
January 1, 2022	\$ 14,476,171	(217,218)	1,716,673	15,975,626
Valuation adjustment	(18,047,445)	-	(44,041,694)	(62,089,139)
Accumulated losses on disposals of investments in debt instruments measured at fair value through other comprehensive income	(208,673)	-	-	(208,673)
Disposals of investments in equity instruments measured at fair value through other comprehensive income	295,840	-	-	295,840
Exchange difference	-	171,139	-	171,139
December 31, 2022	<u>\$ (3,484,107)</u>	<u>(46,079)</u>	<u>(42,325,021)</u>	<u>(45,855,207)</u>

(v) Share-based payment

For the years ended December 31, 2023 and 2022, the Company had set out the measurement principles and specific requirements for the share-based payment transactions which were as follows:

	Management stock appreciation rights plan for the years	
	2019	2020
Grant date	2020.01.21	2021.02.05
Grant number	21,074	30,024
Exercise period	2022.12.31	2023.12.31
Exercise price	22.44	19.35

The Company implements the above plan via cash settlements, yet absentee and resigned employees' stock appreciation rights will be deemed abandoned and forfeited.

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

Disclosures for the Company's employee stock appreciation rights plan (SARs) were as follows:

	For the year ended December 31, 2023	
	Management stock appreciation rights plan for the years	
	2020	
	Number	Weighted- average exercise price
Outstanding at the beginning of the period	29,480	16.81
Granted during the period	1,122	16.81
Forfeited during the period	2,178	16.81
Exercised during the period	28,424	16.81
Expired during the period	-	16.81
Outstanding at the end of the period	-	16.81
Exercisable at the end of the period	-	16.81

	For the year ended December 31, 2022			
	Management stock appreciation rights plan for the years			
	2019		2020	
	Number	Weighted- average exercise price	Number	Weighted- average exercise price
Outstanding at the beginning of the period	21,793	19.30	31,474	17.47
Granted during the period	1,227	19.30	1,754	17.47
Forfeited during the period	3,352	19.30	328	17.47
Exercised during the period	19,668	19.30	3,420	17.47
Expired during the period	-	19.30	-	17.47
Outstanding at the end of the period	-	19.30	29,480	17.47
Exercisable at the end of the period	-	19.30	-	17.47

For the year ended December 31, 2023, the weighted-average stock prices executed under SARs for 2020 were NT\$28.38 (in dollars).

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

(w) Earnings per share

	For the years ended December 31	
	2023	2022
Net income (losses)	\$ <u>12,383,019</u>	<u>(3,406,941)</u>
Weighted average outstanding shares of common stock (in thousands)	<u>6,226,732</u>	<u>6,226,732</u>
Basic (losses) EPS (in dollars)	\$ <u>1.99</u>	<u>(0.55)</u>

Please refer to note 6(s)(iii) for the effect of foreign exchange fluctuation servers on EPS.

(x) Income tax

(i) The Company's income tax (benefits) expenses and related accounts were as follows:

	For the years ended December 31	
	2023	2022
Current income tax benefits		
Current generation	\$ (5,154,681)	(5,548,748)
Deferred income tax expenses		
Incurrence and reversal of temporary differences	4,239,038	7,907,051
Effects of change in consolidated corporate income tax	<u>(162,026)</u>	<u>(316,339)</u>
Income tax (benefits) expenses	\$ <u>(1,077,669)</u>	<u>2,041,964</u>

(ii) The Company's income tax expenses (benefits) recognized under other comprehensive income were as follows:

	For the years ended December 31	
	2023	2022
Components that will not be reclassified to profit or loss:		
Gains on remeasurements of defined benefit plans	\$ 458	67
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	400,088	(191,445)
	<u>400,546</u>	<u>(191,378)</u>
Components that are or may be reclassified to profit or loss:		
Exchange differences on translation of foreign financial statements	(7,002)	6,925
Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	415,115	(1,108,755)
Other comprehensive income (losses) on reclassification under the overlay approach	907,243	(2,909,924)
	<u>1,315,356</u>	<u>(4,011,754)</u>
Total	\$ <u>1,715,902</u>	<u>(4,203,132)</u>

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

- (iii) The Company's income tax (benefits) expenses recognized directly under equity were as follows:

	For the years ended December 31	
	2023	2022
Current income tax benefits		
Disposal of investment in equity instruments measured at fair value through other comprehensive income	\$ -	(15,191)
Deferred income tax expenses		
Disposal of investment in equity instruments measured at fair value through other comprehensive income	-	15,191
Income tax recognized directly in equity	<u>\$ -</u>	<u>-</u>

- (iv) The adjustment of the Company's income tax expenses (benefits) and net income before tax were as follows:

	For the years ended December 31	
	2023	2022
Net income (losses)	\$ 12,383,019	(3,406,941)
Income tax (benefits) expenses	<u>(1,077,669)</u>	<u>2,041,964</u>
Net income (losses) before tax	<u>11,305,350</u>	<u>(1,364,977)</u>
Income tax expense (benefits) using the Company's domestic tax rate	2,261,070	(272,995)
Dividend income of domestic investments	(1,164,754)	(1,351,350)
Tax-exempt income	(819,415)	3,888,738
Unrealized valuation (gains) losses on financial assets and liabilities	(1,064)	7,609
Non-deductible expenses	3,523	2,689
Foreign withholding tax	777,959	703,991
Adjustments of realizable income deferred tax assets	49,957	74,169
The capital reduction conducted by the investees to cover for its deficit resulting in the Company's investment loss	(1,900,000)	(2,199,876)
Effects of change in consolidated corporate income tax and overestimated / underestimated income tax in previous years	(162,026)	(316,339)
Other	<u>(122,919)</u>	<u>1,505,328</u>
Income tax (benefits) expenses	<u>\$ (1,077,669)</u>	<u>2,041,964</u>

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

(v) The Company's deferred income tax assets and liabilities were as follows:

	For the year ended December 31, 2023					Ending Balance
	Beginning Balance	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Other	
Temporary differences						
Unrealized gains or losses on financial instruments	\$ (5,214,013)	(1,117,568)	-	-	-	(6,331,581)
Investments accounting for using equity method	8,370	-	7,002	-	-	15,372
Impairment losses of financial assets	460,210	94,433	-	-	-	554,643
Bargain purchase gains	-	(13,925)	-	-	-	(13,925)
Accounts payable	52,812	5,253	-	-	-	58,065
Losses carryforward	3,551,310	(3,382,375)	-	-	-	168,935
Other liabilities	-	2,903	-	-	-	2,903
Net defined benefits liabilities	(19,185)	-	(458)	-	-	(19,643)
Real estate and investment property	(786,293)	-	-	-	-	(786,293)
Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	3,355,345	-	(1,722,446)	-	-	1,632,899
The acquisition value of insurance policies	(106,440)	1,989	-	-	-	(104,451)
Financing commitment provision	335	1,618	-	-	-	1,953
Investment tax credit	-	244,087	-	-	-	244,087
Others	(526,260)	(75,453)	-	-	-	(601,713)
Net deferred income tax assets (liabilities)	<u>\$ 776,191</u>	<u>(4,239,038)</u>	<u>(1,715,902)</u>	<u>-</u>	<u>-</u>	<u>(5,178,749)</u>
Presented on balance sheet:						
Deferred income tax assets	\$ 4,314,806					2,106,624
Deferred income tax liabilities	(3,538,615)					(7,285,373)
Total	<u>\$ 776,191</u>					<u>(5,178,749)</u>

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

For the year ended December 31, 2022						
	Beginning Balance	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Other	Ending Balance
Temporary differences						
Unrealized gains or losses on financial instruments	\$ 6,486,173	(11,700,186)	-	-	-	(5,214,013)
Investments accounting for using equity method	15,295	-	(6,925)	-	-	8,370
Impairment losses of financial assets	152,176	308,034	-	-	-	460,210
Accounts payable	47,446	5,366	-	-	-	52,812
Losses carryforward	-	3,551,310	-	-	-	3,551,310
Other liabilities	10	(10)	-	-	-	-
Net defined benefits liabilities	(19,118)	-	(67)	-	-	(19,185)
Real estate and investment property	(788,507)	2,214	-	-	-	(786,293)
Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	(839,588)	-	4,210,124	(15,191)	-	3,355,345
The acquisition value of insurance policies	(108,237)	1,797	-	-	-	(106,440)
Financing commitment provision	579	(244)	-	-	-	335
Others	(450,928)	(75,332)	-	-	-	(526,260)
Net deferred income tax assets (liabilities)	<u>\$ 4,495,301</u>	<u>(7,907,051)</u>	<u>4,203,132</u>	<u>(15,191)</u>	<u>-</u>	<u>776,191</u>
Presented on balance sheet:						
Deferred income tax assets	\$ 8,532,124					4,314,806
Deferred income tax liabilities	(4,036,823)					(3,538,615)
Total	<u>\$ 4,495,301</u>					<u>776,191</u>

(vi) Unrecognized deferred income tax assets

As of December 31, 2023 and 2022, the temporary difference that unrecognized as deferred income tax assets were \$236,925 and \$169,039, respectively.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

- (vii) The tax authority has examined the Company's income tax returns for the years through 2017. The Company disagreed with the assessment items adjusted by the tax authority for the year of 2016. The Company's parent company CTBC Financial Holding Co., Ltd. has filed an administrative remedy within the statutory time limit.

In accordance with the R.O.C. Income Tax Act, tax losses assessed by the tax authorities can be offset to taxable income over a period of ten years. As a subsidiary of CTBC Financial Holding Co., Ltd., the Company files a consolidated corporate income tax return with its parent company and its subsidiaries. The unused tax losses and the latest year of deduction were as follows:

<u>Loss year</u>	<u>Progress</u>	<u>Amount</u>	<u>Latest year of deduction</u>
2022	Declared	\$ <u>844,669</u>	Note

Note: The loss amount will be filed in a consolidated corporate income tax return with the Company's parent company CTBC Financial Holding Co., Ltd. and its subsidiaries.

- (y) Retained earned premium

Information related to the retained earned premium of the Company were as follows:

	<u>For the year ended December 31, 2023</u>		
	<u>Insurance contracts</u>	<u>Financial instruments with discretionary participation feature</u>	<u>Total</u>
Direct written premium	\$ 128,812,499	133,999	128,946,498
Reinsurance premium	-	-	-
Written premium	128,812,499	133,999	128,946,498
Reinsurance expense	2,512,187	-	2,512,187
Net change in unearned premiums reserve	452,054	-	452,054
	2,964,241	-	2,964,241
Retained earned premium	<u>\$ 125,848,258</u>	<u>133,999</u>	<u>125,982,257</u>

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

For the year ended December 31, 2022

	Insurance contracts	Financial instruments with discretionary participation feature	Total
Direct written premium	\$ 127,530,187	102,822	127,633,009
Reinsurance premium	-	-	-
Written premium	127,530,187	102,822	127,633,009
Reinsurance expense	2,193,663	-	2,193,663
Net change in unearned premiums reserve	714,101	-	714,101
	2,907,764	-	2,907,764
Retained earned premium	<u>\$ 124,622,423</u>	<u>102,822</u>	<u>124,725,245</u>

(z) Retained claim payment

Information related to the retained claim payment of the Company was as follows:

For the year ended December 31, 2023

	Insurance contracts	Financial instruments with discretionary participation feature	Total
Claim payment	\$ 179,215,545	4,151,071	183,366,616
Reinsurance claim payment	-	-	-
Insurance claim payment	179,215,545	4,151,071	183,366,616
Less: Claims recovered from reinsurers	1,820,737	-	1,820,737
Retained claim payment	<u>\$ 177,394,808</u>	<u>4,151,071</u>	<u>181,545,879</u>

For the year ended December 31, 2022

	Insurance contracts	Financial instruments with discretionary participation feature	Total
Claim payment	\$ 156,558,189	4,835,594	161,393,783
Reinsurance claim payment	-	-	-
Insurance claim payment	156,558,189	4,835,594	161,393,783
Less: Claims recovered from reinsurers	1,328,547	-	1,328,547
Retained claim payment	<u>\$ 155,229,642</u>	<u>4,835,594</u>	<u>160,065,236</u>

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Notes to the Financial Statements

(aa) Interest income

	For the year ended December 31,	
	2023	2022
Financial assets measured at amortized cost	\$ 47,118,289	46,112,853
Financial assets measured at fair value through other comprehensive income	3,562,437	2,903,843
Other	3,433,618	2,594,904
Total	<u><u>\$ 54,114,344</u></u>	<u><u>51,611,600</u></u>

(ab) Compensations of employees

In accordance with the Company's article of incorporation, annual earnings, if any, should be appropriated 0.05% as compensations of employees. However, if there is any cumulative loss, the Company should offset cumulative losses in priority. The compensations of employees for the years ended December 31, 2023 and 2022 were \$5,400 and \$705, respectively. Compensations of employees are recognized as current period operating expenses based on the Company's net income before tax excluding the amount of the compensations of employees, according to accounting period multiplied by the estimate of remuneration distribution set by the Company's article of incorporation. The difference after reporting date is regarded as a change of accounting estimates and will be adjusted in profit or loss in the next year. The actual compensations of employees of 2021 amounted to \$12,445, with \$126 different from the amount recognized in the annual financial report. The difference is regarded as a change of accounting estimates and is adjusted in profit or loss in the fiscal year of 2022. Relevant information is available on Market Observation Post System.

(ac) Investment-linked assets, liabilities, incomes and expenses of separated account

Related account balances of the Company were as follows:

	December 31, 2023	December 31, 2022
Assets on insurance product, separated account:		
Cash in bank	\$ 5,193,944	2,072,017
Securities	148,042,662	150,800,423
Receivables	1,003,965	627,077
Total	<u><u>\$ 154,240,571</u></u>	<u><u>153,499,517</u></u>
Liabilities on insurance product, separated account:		
Insurance product separated account reserve-insurance contract	\$ 132,945,256	136,077,379
Insurance product separated account reserve-investment contract	15,164,641	14,854,186
Accounts payable	6,130,674	2,567,952
Total	<u><u>\$ 154,240,571</u></u>	<u><u>153,499,517</u></u>

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

	For the years ended December 31	
	2023	2022
Income on Insurance product, separated account:		
Premium income	\$ 6,541,658	10,067,913
Gains (losses) on financial assets or liabilities measured at fair value through profit or loss	5,183,131	(22,354,111)
Foreign exchange gains	2,413,071	5,839,801
Interest income	<u>338,157</u>	<u>306,077</u>
Total	<u>\$ 14,476,017</u>	<u>(6,140,320)</u>
Disbursement on insurance product, separated account:		
Net changes in separated account reserve — insurance contract	\$ 3,663,526	(15,214,609)
Surrender value	9,493,113	7,771,300
Insurance claim payment	427,516	321,313
Management fee expense	<u>891,862</u>	<u>981,676</u>
Total	<u>\$ 14,476,017</u>	<u>(6,140,320)</u>

For the years ended December 31, 2023 and 2022, sales bonuses or discount of investment-linked insurance products from counterparties amounted to \$109,894 and \$128,899, respectively.

(ad) Nature and extent of risk arising from insurance contract risk

(i) Risk management

1) Structure, organization and responsibilities of risk management

The organization structure of risk management of the Company includes Board of Directors, risk Management Committee, Assets and Liabilities Management Committee, Risk Management Unit, supervisor of each department and internal auditor unit. The responsibilities of each level were as follows:

a) Board of directors

- i) Board of directors, which is the highest risk management decision-making unit, is responsible for acknowledging risks bore arising from the Company's operation, ensure effectiveness of risk management and undertakes ultimate responsibility of overall risk management.
- ii) In view of the operating environment factors and the overall risk of the Company, considering the effect of various risks, statutory capital requirement of the authority and finance and business related regulations that affect capital allocation, the Board of Directors is responsible for building proper risk management mechanism and risk management culture, approving risk management policies and risk appetites and allocating resources effectively to sound the Company's operation.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

- b) Risk management committee
 - i) Reviewing the Company's risk management policies, structure and organizational function, and building qualitative and quantitative management standards.
 - ii) Supervising effectiveness of each department's risk management and reporting to the Board of Directors with suggestions for improvement on a regular basis.
 - iii) Review the Company's risk limit allocation and risk-taking approach.
 - iv) Coordinating interaction and communication regarding risk management function cross functional.
- c) Assets and liabilities management committee
 - i) Reviewing asset and liability management related policies (including asset and liability management policy, insurance products pricing policy and investing policy), limited amount, new asset categories and risk control mechanism;
 - ii) Approving assets and liabilities related management rules and standards (including invest standards);
 - iii) Approving new insurance products pricing and supportiveness of assets;
 - iv) Reviewing investing plan, status of asset and liability management and its risk, and developing a response plan and submitting for the Board of Directors' approval while exceeding limit;
 - v) Reviewing capital adequacy system and proposing countermeasure;
 - vi) Approving credit rates for interest-sensitive and universal life insurance products;
 - vii) Approving other asset and liability management related cases.
- d) Risk management unit
 - i) Assisting to develop and execute the risk management policies and risk appetites approved by the Board of Directors;
 - ii) Assisting to develop the annual overall risk appetites of the Company, and submit to risk management committee and the Board of Directors for approval. In addition, according to major risk characteristics and risk appetite of the Company developing the risk limits and allocation approach;
 - iii) Summarizing risk information provided by various departments, and coordinating and communicating with various departments to execute the risk management policies and limits;

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

- iv) Reporting to the risk management committee on regular basis;
 - v) Supervising risk limits and its utilization of each business unit;
 - vi) Assisting in performing stress test;
 - vii) Performing back testing when necessary;
 - viii) Dealing with the situation that the risk limit was violated by other unit.
- e) Other unit

The supervisors of each department own the responsibility of front-line risk management.

- i) To control and manage risk efficiently, diversification the supervisors should consider establishing risk management mechanism and procedure while conducting management, and evaluating risk position regularly based on business nature of each department and rule of risk diversification.
 - ii) The supervisors are responsible for managing and reporting general risk of the departments, and take countermeasures if necessary. In addition, the supervisors should convey related risk management information to risk management department regularly so as to ensure the risk management mechanism and procedure are executed effectively, and meet the related regulations and Company's risk management policies.
- f) Internal audit unit
- Internal audit unit should examine the execution of risk management of each department according to the latest regulation.

2) The scope of risk reporting or system measurement

The Company is exposed to market risk, credit risk, insurance risk, liquidity risk, and asset-liability matching risk and operational risk. For the aforementioned risk, the Company has established management mechanism to supervise it and has routinely reported information regarding risk management.

3) The procedure of bearing, measuring, monitoring and controlling insurance risk to ensure proper risk classification and premium level of underwriting policy.

The insurance risk is the risk transferred from the insured to the insurer and the impairment caused by unexpected changes when paying claims and other related expenses. The Company has set and executed proper management mechanism for product design and pricing, underwriting, reinsurance, catastrophe, claim and reserve related risk.

The Company has set underwriting system and procedure. The underwriters should follow the related regulations in the underwriting system and procedure, consider amount of insurance, ages, occupations and other risk factors when underwriting, in order to verify and enhance danger selection and underwriting function, and also to avoid adverse selection and moral hazard.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

4) Assessment of corporate based and manager the scope of insurance risk

To properly manage the risks in different stages such as product design, pricing, issuance approval, reinsurance, claim and reserve, the Company has the following management mechanisms:

a) Product design and pricing risk management

Product design and pricing risk management results from inappropriateness, inconsistency, or unexpected changes relating to product design, insurance covenants, and pricing sources. The Company established an “insurance product design standard process” before sale to ensure risk control, compliance with regulations, and to strengthen internal control. The Company also adopts profit testing and sensitivity analyses to measure the risks for different product types, takes responsibility for auditing an insurance product. After sales of insurance product, the relevant departments will propose an inspection-after-sale report in the biannual insurance product management conference.

b) Underwriting risk management

Underwriting risk management refer to unexpected losses resulting from product sales and underwriting, and related expenses. In order to control those risks, the Company has established underwriting guideline and procedure to control underwriting risk.

c) Reinsurance risk management

Reinsurance risk results from the failure to arrange appropriate reinsurance contract or the incapacity of the reinsurer to fulfill its obligation which makes it impossible for the premium, claim payment, and other expenses to be recovered. The Company has established “reinsurance risk management program” which covers the management of retained risks, reinsured risks, and risks from selling reinsurance to other insurance companies. The Company will then evaluate its risk retention limits based on classification of risks and its ability to cover those risks. Also, it devises a set of procedures and criteria of reinsurers and after purchasing the reinsurance, monitors the credit ratings of reinsurers selection to avoid default risk on reinsurers.

d) Catastrophe risk management

Catastrophe risk is associated with risk events that are of a magnitude significant enough to cause multiple losses for hazard units of a single or several sorts of insurance, and thus could affect the credit ratings and solvency of an insurance company. The Company measures and manages the catastrophe risks by means of catastrophic loss records to estimate possible amount of losses in cases of recurrence.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

e) Claim risk management

Claim risk results from the failure to execute properly process. The Company has established appropriate claim procedure to reduce the risks.

f) Management of risks associated with reserves

Management of risks associated with reserves result from sales' underestimate of liability, which renders the reserve provision insufficient for future obligation risks. The Company puts in place a standard procedure for reserve provision and conducts regular sufficiency analysis to reduce the risks.

5) Limits on and transfer of risk exposures, and prevention of inappropriate risk concentration

The Company puts in place a management plan for reinsurance risks which covers the management of retained risks, reinsured risks, risks from selling reinsurance to other insurance companies, and reinsurance risks within the Company. The Company will then evaluate its retention risk limits based on classification of risks and its ability to cover those risks. Also, it devises a set of procedures and criteria on the choice of reinsurers, and, after purchasing the reinsurance, periodically monitors the credit ratings of reinsurers to avoid a default on the part of reinsurers and maintain the safety of the operation.

6) Asset and liability management

a) The Company has asset and liability management committee, who is responsible for reviewing and approving the overall investment and liability management decisions.

b) In compliance with asset and liability matching regulations, the match of asset and liability is routinely reviewed with its risk limit monitored to ensure alignment with the Company's objectives. If risk levels exceed the tolerance or in special circumstances, prompt mitigation plans are escalated to senior levels, followed by communications with the people in charge to propose improvement plans.

7) Administration and control policies on additional debts or equity commitments required to undertake when acquiring or providing assets under certain circumstances.

To comply with regulations and strengthen capital base, the Company routinely assesses its capital adequacy. If it falls below minimum capital requirements, instant alerts with required timeframe and projected amount will be reported to senior levels, followed by a capital strengthening proposal to fulfill regulatory requirements.

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Notes to the Financial Statements

(ii) Information on insurance risk

1) Sensitivity of insurance risk - insurance contracts and financial instruments with a discretionary feature

For the year ended December 31, 2023					
	Change in assumption		Change in income before tax		Change in equity
Mortality/Morbidity	Increase	5%	Decrease 659,323	Decrease	527,458
Rate of return	Decrease	0.1%	Decrease 1,898,572	Decrease	1,518,857
Expense (fixed expense)	Increase	5%	Decrease 1,067,410	Decrease	853,928
Decrement and lapse rate	Increase	5%	Increase 130,744	Increase	104,595

For the year ended December 31, 2022					
	Change in assumption		Change in income before tax		Change in equity
Mortality/Morbidity	Increase	5%	Decrease 590,421	Decrease	472,337
Rate of return	Decrease	0.1%	Decrease 1,911,117	Decrease	1,528,893
Expense (fixed expense)	Increase	5%	Decrease 804,066	Decrease	643,252
Decrement and lapse rate	Increase	5%	Increase 144,334	Increase	115,467

- a) The above profit or loss changes are the influence of assumptions on the Company's pre-tax income for the years ended December 31, 2023 and 2022. The influence on equity assumes that income tax is calculated at 20% of pre-tax income.
 - b) The sensitivity test does not take how market changes affect operations into account.
 - c) The underlying assumption is that the changes in each factor are not correlated.
- 2) Concentration of insurance risks

The Company only operates in Taiwan and thus incurs geographical risk concentration. The Company reduces risk concentration via reinsurance contracts. To reduce the degree of risk concentration, the Company regularly reviews its profit and loss on claims, monitors risks, and evaluates the need to make adjustments to catastrophe insurance and the amount of self-retention of reinsurance.

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According to the “Regulations Governing the Reserve Provision by Insurance Companies” starting from January 1, 2011, the Company should set aside a special reserve after deducting income tax under stockholders’ equity each year for significant incidents and catastrophe. The special reserve for significant incidents is the provision for huge indemnity caused by future significant accidents. The special reserve for catastrophe is the provision for abnormal changes in loss ratios for each line of insurance and claims. After deducting income tax pursuant to IAS 12, the special reserves recognized under liabilities before December 31, 2012 shall be recognized under stockholders’ equity, starting from January 1, 2013, unless otherwise specified by the competent authority for monitoring purposes.

3) Claim development trend

a) Claim development from direct business

As of December 31, 2023 and 2022, the accumulated compensation amounts which was reconciled to the balance sheet over the past years were as follows:

Accident year	December 31, 2023								
	Development year								
	1	2	3	4	5	6	7	8	Claim reserve
2016	1,879,219	2,049,782	2,066,583	2,084,720	2,112,990	2,121,785	2,121,374	2,123,049	-
2017	2,191,739	2,385,483	2,447,229	2,463,590	2,483,241	2,477,018	2,482,115	2,484,118	2,003
2018	2,294,153	2,896,881	2,967,003	2,992,638	2,988,651	2,997,469	3,001,155	3,003,551	6,082
2019	3,134,643	3,883,251	3,965,374	3,973,394	3,988,820	3,995,470	4,000,592	4,003,904	15,084
2020	3,791,160	4,668,716	4,769,140	4,789,040	4,812,418	4,820,867	4,827,409	4,831,574	42,534
2021	4,608,735	5,778,041	5,902,291	5,933,149	5,962,169	5,972,699	5,980,889	5,986,106	83,815
2022	6,916,282	8,711,971	8,878,525	8,921,638	8,961,558	8,976,246	8,987,916	8,995,087	283,116
2023	8,022,568	9,797,951	9,991,456	10,043,020	10,091,272	10,110,422	10,125,314	10,134,710	2,112,142
Not reported and not paid claim reserve									2,544,776
Add: Reported but not paid claims									2,057,603
Provision for not paid claims per other statutory requirement									1,198
Claim reserve									4,603,577

Accident year	December 31, 2022								
	Development year								
	1	2	3	4	5	6	7	8	Claim reserve
2015	1,863,300	2,007,352	2,019,715	2,024,455	2,028,935	2,035,519	2,040,170	2,040,837	-
2016	1,888,033	2,058,040	2,074,841	2,092,978	2,121,248	2,130,042	2,129,632	2,131,377	1,745
2017	2,210,427	2,402,323	2,464,964	2,481,326	2,500,976	2,494,753	2,497,419	2,499,534	4,781
2018	2,320,786	2,928,805	2,999,066	3,024,786	3,020,799	3,026,781	3,029,992	3,032,586	11,787
2019	3,152,097	3,900,915	3,983,078	3,991,098	4,010,111	4,018,427	4,022,861	4,026,478	35,380
2020	3,812,827	4,696,438	4,796,863	4,821,684	4,844,009	4,854,646	4,860,249	4,864,882	68,019
2021	4,642,175	5,811,496	5,916,489	5,947,069	5,974,759	5,987,996	5,994,980	6,000,751	189,255
2022	6,916,046	8,249,341	8,387,344	8,424,851	8,459,113	8,476,612	8,485,569	8,493,127	1,577,081
Not reported and not paid claim reserve									1,888,048
Add: Reported but not paid claims									1,674,532
Provision for not paid claims per other statutory requirement									757
Claim reserve									3,563,337

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

The above table demonstrates the development trend of claims. The vertical axis represents the year in which the claim event occurred, and the horizontal axis represents the development years. Each horizontal axis figure represents the accumulated compensation amount at the end of each year. The compensation amount refers to the claims whether they are finalized or not. The table explains how the Company estimates the compensation amount for each year over time. The scenarios and trends which affect the provision of claims reserve may change in the future; therefore, the estimated future compensation amount is not able to be determined by the claim development trend.

b) Claims development from retained business

In order to keep the operation standards consistent, stable and conservative, the Company no longer conducts the non-reporting insurance claims separate into reinsurance operation since July, 2016. For information regarding non-reporting insurance claims reserve, please refer to claims development from direct business.

The Company provides a claim reserve based on the expected claims payment and relevant handling fee for RBNA and IBNR claims. Such provision involves vast uncertainty, estimates and judgments; hence, it is highly complicated. Any change in estimate or judgment is regarded as a change in accounting estimate; and the amount of change is recognized as current gains or losses. Some claimants may delay notifying the Company. In addition, when estimating the potential IBNR claims, past loss experience and subjective judgment are involved; therefore, it is not certain that the estimated claims reserve on the Balance sheet date will be equal to the final compensation amount. The estimate of claims reserve is based on the information currently available; however, the final result may deviate from the original estimate due to subsequent developments.

(iii) Credit risk, liquidity risk, and market risk of insurance contracts

1) Credit risk

The Company's credit risk of insurance contract arises from the inability of reinsurers to fulfill its obligation, causing the premium, claims or other expenses to be unrecoverable. The Company has set regulations regarding selection of reinsurers, and also monitors the credit rating of reinsurers and other related information after purchasing the reinsurance.

2) Liquidity risk

The liquidity risk of the Company's insurance contract arises from the mismatch between cash flows in liabilities and assets, which is due to buyer's behavior. To keep sufficient liquidity and to avoid not having enough cash or current assets to cover cash expenditures, the Company evaluates its liquidity regularly, ensuring the correctness and instantaneity of liquidity risk management.

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TAIWAN LIFE INSURANCE CO., LTD.
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The maturity date analysis of insurance contract was as follows:

	Insurance contracts and financial instruments with a discretionary feature	
	December 31, 2023	December 31, 2022
Less than 1 year	\$ 19,986,697	34,583,627
1 year to 5 years	180,796,746	200,207,655
More than 5 years	3,531,542,328	3,387,318,603

The above table analyzed (without discounted) the liabilities cash flow of the insurance contracts and financial instruments with a discretionary feature of the Company. The numbers in the table represent estimating amount of insurance payment and expenses minus total insurance amount in the end reporting date of efficiency insurance policy. The actual future amount may differ from the estimating amount due to the difference between actual experience and expected experience.

3) Market risk

The Company's market risk of insurance contracts arises from the change of interest rate, which causes the fluctuation of insurance liabilities when analyzing liability adequacy, leading to the change of profit and loss which results in losses of equity or capital inadequacy. The Company conducts sensitivity analysis of liability adequacy regularly to understand the influence of interest rate change on the Company's profit and loss. In addition, the Company regularly provides accurate information to senior supervisors to ensure the correctness and instantaneity of market risk management.

(ae) Financial instruments

(i) Methods and assumptions used by the Company for fair value evaluation of financial instruments were as follows:

- 1) Fair value of short-term financial instruments is estimated by their book value on the Balance sheet date. Since these instruments have short maturities, the book value is adopted as a reasonable basis in estimating the fair value. The method is applied to cash and cash equivalents, receivables, payables, reinsurance assets, short-term liabilities, and guarantee deposits.
- 2) If there is a quoted price in an active market for the financial asset, the quoted price is regarded as its fair value. If there is no quoted price in an active market for the financial asset, its fair value is estimated based on financial or other information. The estimates and assumptions used in the valuation technique adopted by the Company are the same as estimates and assumptions used by market participants in valuing financial assets and are those accessible to the Company.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

- 3) Loans are classified as interest-bearing financial assets; therefore, the book value after deducting provision for credit loss is equivalent to their fair value.
- 4) Some of the refundable deposits are paid off by government bond and measured based on quoted market price; the rest have no specific maturity date, so their fair value is measured based on their book value on the Balance sheet.
- 5) The fair value of reinsurance contracts assets and guarantee deposits is measured at market quotation or estimated using valuation techniques.
- 6) The fair value of derivative financial products are calculated under the assumption if the Company terminates the contracts at the reporting date, and it is equivalent to the amount expected to obtain or necessary to pay, including unrealized profit and loss of current unsettled contracts.
- 7) The Company would calculate credit valuation adjustment (CVA) by assessing probability of default (PD) and loss given default (LGD) of the counterparty before multiplying exposure at default (EAD) of the counterparty. On the contrary, debit valuation adjustment (DVA) is computed by applying probability of default of the Company and considering loss given default of the Company before being multiplied by exposure at default of the Company.

The Company takes any observable data into account to evaluate the probability of impairment and loss rate of allowance for doubtful accounts as the estimates of PD and LGD. In addition, mark to market assessment of a derivative instrument from Over the Counter (OTC) is applied as EAD. For those accounts have showed significant increase in credit risk, would be the CVA assessment individually by taking into account of the changes of exposures, conditions of collaterals and the recovery probabilities.

- 8) Except the following listed items, the book value is considered to be a reasonable basis of estimated fair value if the Company does not measure a financial instrument at fair value.

		December 31, 2023	
		Book value	Fair value
Financial Assets — non-derivative:			
Financial assets measured at amortized cost (Note)	\$	1,162,219,957	983,904,601
Financial liabilities — non-derivative:			
Bonds payable		27,976,274	28,005,094
		December 31, 2022	
		Book value	Fair value
Financial Assets — non-derivative:			
Financial assets measured at amortized cost (Note)	\$	1,178,014,678	957,235,265
Financial liabilities — non-derivative:			
Bonds payable		14,986,782	14,975,445

Note: Government bonds used to securities serving as deposits paid were included.

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Notes to the Financial Statements

- (ii) Fair value hierarchy information on financial instruments and the movements in fair value of Level 3

1) Fair value hierarchy information on financial instruments

Asset and Liability Items	December 31, 2023			
	Total	Level 1 (Note1)	Level 2 (Note2)	Level 3 (Note3)
<u>Instruments measured at fair value</u>				
<u>Instruments measured at fair value on a recurring basis</u>				
<u>Non-derivative financial instruments assets</u>				
Assets:				
Financial assets measured at fair value through profit or loss				
Investment in equity instruments	\$ 99,028,405	98,766,945	-	261,460
Investment in debt instruments	96,401,513	151,720	93,142,936	3,106,857
Others	162,094,738	90,685,932	-	71,408,806
Financial assets measured at fair value through other comprehensive income				
Investment in equity instruments	101,730,371	98,460,889	876,785	2,392,697
Investment in debt instruments (note)	107,849,966	60,728,295	44,743,686	2,377,985
<u>Derivatives financial assets and liabilities</u>				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 8,742,329	-	8,742,329	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss	9,414,168	-	9,414,168	-
<u>Instruments not measured at fair value</u>				
Financial assets measured at amortized cost (note)	\$ 983,904,601	603,504,645	375,447,861	4,952,095
Investment property	111,054,690	-	-	111,054,690
Bonds payable	28,005,094	-	28,005,094	-

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Notes to the Financial Statements

Asset and Liability Items	December 31, 2022			
	Total	Level 1 (Note1)	Level 2 (Note2)	Level 3 (Note3)
<u>Instruments measured at fair value</u>				
<u>Instruments measured at fair value on a recurring basis</u>				
<u>Non-derivative financial instruments assets</u>				
Assets:				
Financial assets measured at fair value through profit or loss				
Investment in equity instruments	\$ 75,261,727	75,261,727	-	-
Investment in debt instruments	98,779,406	673,856	95,081,222	3,024,328
Others	142,925,725	74,528,798	-	68,396,927
Financial assets measured at fair value through other comprehensive income				
Investment in equity instruments	86,439,283	82,453,125	1,166,884	2,819,274
Investment in debt instruments (note)	90,136,295	43,271,079	44,515,313	2,349,903
<u>Derivatives financial assets and liabilities</u>				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 4,177,276	-	4,177,276	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss	9,884,700	-	9,884,700	-
<u>Instruments not measured at fair value</u>				
Financial assets measured at amortized cost (note)	\$ 957,235,265	559,607,533	391,305,855	6,321,877
Investment property	102,280,572	-	-	102,280,572
Bonds payable	14,975,445	-	14,975,445	-

Note: Government bonds used to securities serving as deposits paid were included.

The Company uses the fair value hierarchy to reflect the importance of input values at measurement and classifies them as the following levels:

(Note1) Fair value measurement for a financial instrument classified in Level 1 is determined as the quoted price for an identical financial instrument in an active market. The definition of an active market has all of the following conditions: (1) the products traded in the market are homogeneous, (2) willing parties are available anytime in the market, and (3) price information is available for the public.

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Notes to the Financial Statements

(Note2) Fair value measurement for a financial instrument classified in Level 2 is determined as the observable price other than quoted price in an active market, including an observable input obtained in an active market, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The examples of observable price are as follows:

- (1) The quoted price for an identical financial instrument in an active market means the fair value from the market transaction prices for an identical insurance financial instrument. An identical financial product should be determined by its characteristics and terms of transaction. The fair value of a financial products has to be adjusted according to the observable market price of the identical financial instrument. The reasons for adjustments include time lag of the occurring market transaction prices for an identical financial product (the quoted prices do not represent fair value at the measurement date), the difference in transaction terms for financial instrument, transaction prices involving related parties, and the correlation between the observable transaction prices of identical financial instrument and the market prices of held financial instrument.
- (2) The quoted market price of the same or identical financial instruments in an inactive market.
- (3) The fair value is estimated on the basis of the results of a valuation technique, and the market inputs used (i.e., interest rate, yield curve, and fluctuation rate) are based on obtainable data from the market (an observable input means an input can be derived from market data and can reflect the expectation of market participants when the inputs were used in evaluating the prices of financial instruments).
- (4) A majority of inputs are derived from observable market data, or the input correlation can be tested based on observable market data.

(Note3) Input for a fair value measurement for a financial instrument classified in Level 3 is not based on obtainable data from the market (an unobservable input, such as volatility for a share option derived from the share's historical prices, which does not generally represent current market expectations about future volatility).

2) The instruments measured at fair value transferred between level 1 and level 2

For the year ended December 31, 2023				
	From Level 1 to Level 2		From Level 2 to Level 1	
	Amount	Reason	Amount	Reason
Financial assets measured at fair value through profit or loss	\$ 551,036	the lack of active quote markers for debt securities	-	-
Financial assets measured at fair value through other comprehensive income	257,194	the lack of active quote markers for debt securities	528,596	the high frequency of the transaction and the availability of observable of input parameters

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TAIWAN LIFE INSURANCE CO., LTD.
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For the year ended December 31, 2022				
	From Level 1 to Level 2		From Level 2 to Level 1	
	Amount	Reason	Amount	Reason
Financial assets measured at fair value through profit or loss	\$ -	-	129,134	the high frequency of the transaction and the availability of observable of input parameters
Financial assets measured at fair value through other comprehensive income	1,583,477	the lack of active quote markers for debt securities	1,429,998	the high frequency of the transaction and the availability of observable of input parameters

3) Statements of changes in financial assets which were classified to Level 3 based on fair value measurement

For the year ended December 31, 2023								
Items	Beginning balance	Valuation gains (losses)		Current increase		Current decrease		Ending balance
		The amount recognized in current net income	The amount recognized in other comprehensive Income	Purchase or issue	Transfer in to Level 3	Sale, disposal, or settlement	Transfer out from level 3	
Financial assets measured at fair value through profit or loss	\$ 71,421,255	945,785	(339,422)	8,873,536	-	6,124,031	-	74,777,123
Financial assets measured at fair value through other comprehensive income	5,169,177	(41,855)	230,959	53,580	-	641,179	-	4,770,682
Total	\$ 76,590,432	903,930	(108,463)	8,927,116	-	6,765,210	-	79,547,805

For the year ended December 31, 2022								
Items	Beginning balance	Valuation gains (losses)		Current increase		Current decrease		Ending balance
		The amount recognized in current net income	The amount recognized in other comprehensive Income	Purchase or issue	Transfer in to Level 3	Sale, disposal, or settlement	Transfer out from level 3	
Financial assets measured at fair value through profit or loss	\$ 72,090,283	2,994,578	2,892,330	12,017,656	2,318	18,575,910	-	71,421,255
Financial assets measured at fair value through other comprehensive income	6,528,951	33,495	(1,074,517)	-	-	318,752	-	5,169,177
Total	\$ 78,619,234	3,028,073	1,817,813	12,017,656	2,318	18,894,662	-	76,590,432

The policy for when to recognize the transfers in or out of Level 3 is according to the actual date of the event or change in circumstances. This transfer of financial assets from Level 3 to Level 2 was due to a switch of valuation approach.

For the years ended December 31		
	2023	2022
Unrealized gains or losses recognized in profit or loss for the above-mentioned financial assets and liabilities held as of end of the period	\$ (38,864)	541,493

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Notes to the Financial Statements

- 4) Quantitative information about the significant unobservable inputs used in the fair value measurement (Level 3)

The Company's instruments measured at fair value in Level 3 were mainly financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income.

As of December 31, 2023 and 2022, the relationship between quantitative information about the significant unobservable inputs and fair value cannot be fully controlled practically, thus unobservable quantitative information of fair value were \$5,486,656 and \$5,374,231, respectively.

The quantitative information about the significant unobservable inputs of the Company's instruments measured at fair value in Level 3 was listed as follows:

December 31, 2023					
	Fair value	Valuation technique	Key unobservable inputs	Range of inputs	The relation between inputs and fair value
<u>Recurring fair value measurements</u>					
<u>Non-derivative financial instruments assets</u>					
Assets:					
Financial assets measured at fair value through profit or loss					
Investment in equity instruments	\$ 261,460	Discounted dividend method	Dividend distribution rate/liquidity discount	0%~100%	Positive correlation/negative correlation
Others	71,406,992	Net asset valuation method	Net asset value	Not applicable	Positive correlation
Financial assets measured at fair value through other comprehensive income					
Investment in equity instruments	1,863,676	Net asset valuation method	Net asset value/liquidity discount	Not applicable/0%~100%	Positive correlation/negative correlation
Investment in equity instruments	382,375	Price book ratio	Price book ratio/liquidity discount	Not applicable/0%~100%	Positive correlation/negative correlation
Investment in equity instruments	146,646	Discounted dividend method	Dividend distribution rate/liquidity discount, discount rate	0%~100%	Positive correlation/negative correlation
December 31, 2022					
	Fair value	Valuation technique	Key unobservable inputs	Range of inputs	The relation between inputs and fair value
<u>Recurring fair value measurements</u>					
<u>Non-derivative financial instruments assets</u>					
Assets:					
Financial assets measured at fair value through profit or loss					
Others	\$ 68,396,927	Net asset valuation method	Net asset value	Not applicable	Positive correlation
Financial assets measured at fair value through other comprehensive income					
Investment in equity instruments	2,191,831	Net asset valuation method	Net asset value/liquidity discount	Not applicable/0%~100%	Positive correlation/negative correlation
Investment in equity instruments	351,110	Price book ratio	Price book ratio/liquidity discount	Not applicable/0%~100%	Positive correlation/negative correlation
Investment in equity instruments	276,333	Discounted dividend method	Dividend distribution rate/liquidity discount, discount rate	0%~100%	Positive correlation/negative correlation

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

- 5) The valuation process used for fair value measurements categorized within Level 3

Risk management unit of the Company testifies the fair value through applying independent data sources so that the information can be close to the current market status, making sure that the data sources are independent, reliable, consistent with other information and representable as an exercisable price; also makes other necessary fair value adjustments which are used to verify the reasonableness of valuation.

- 6) Sensitivity analysis of possible alternative assumptions of fair value measurements of Level 3

The Company's fair value measurement of financial instruments is reasonable, but the use of different evaluation models or evaluation parameters may result in different evaluation results. For financial instruments classified as Level 3, if the evaluation parameters change, the impact on the current profit and loss or other comprehensive income was as follows:

			Effect on the current profit and loss		Effect on other comprehensive income		
			Change up or down	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Inputs							
December 31, 2023							
Financial assets measured at fair value through profit or loss							
Investment in equity instruments	Dividend distribution rate	10%	-	-	26,146	(26,146)	
Others	Net asset value	1%	-	-	714,070	(714,070)	
Financial assets measured at fair value through other comprehensive income							
Investment in equity instruments	Net asset value	1%	-	-	18,637	(18,637)	
Investment in equity instruments	Dividend distribution rate	10%	-	-	14,665	(14,665)	
December 31, 2022							
Financial assets measured at fair value through profit or loss							
Others	Net asset value	1%	-	-	683,969	(683,969)	
Financial assets measured at fair value through other comprehensive income							
Investment in equity instruments	Net asset value	1%	-	-	21,918	(21,918)	
Investment in equity instruments	Dividend distribution rate	10%	-	-	27,640	(27,641)	

The favorable and unfavorable changes refer to the volatility of fair value, and the fair value is calculated based on the unobservable input parameters of different degrees. If the fair value of a financial instrument is affected by more than one input value, the above table only reflects the impact of changes in a single input value, and does not take into account the correlation and variability between input values.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

(af) Financial risk management

(i) Risk information system

1) Risk management organization structure

The risk management objectives of the Company are to minimize the potential financial losses through appropriate strategies, policies and procedures. The overall risk management frameworks, which are transparent, systematic, professional and well-established, are rooted in their corporate governance to improve both business performance and shareholder's equity.

The organization structure of risk management of the Company includes Board of Directors, Risk Management Committee, Asset and Liability Management Committee, Risk Management Unit, supervisors of each department and Internal Auditor Unit. The responsibilities of each level are as follows:

Board of Directors, the highest risk management decision-making unit, is responsible for acknowledging risks arising from the Company's operation. It establishes appropriate systems and cultures of risk management, determining risk management policies and risk appetite. It also undertakes the ultimate responsibility of overall risk management.

Risk Management Committee, subordinate to the Board of Directors, has the responsibility to examine risk management policies, structures, and organization functions, establishing qualitative and quantitative standards of management. It supervises the effectiveness of each department's risk management and comes up with suggestions and reports to the Board of Directors.

Assets and Liabilities Management Committee, which belongs to General Manager, accounts for reviewing and approving the decisions of assets and liabilities of the Company as well as holding discussions on the aspects of both strategy and practice.

Risk Management Unit is independent from all business departments and transaction activities. It accounts for setting risk management policies and implementing risk management mechanisms such as market risk management, credit risk management, and liquidity risk management. Meanwhile, it reports significant risk related matters and overall risk assessment report to the General Manager, Chairman, Risk Management Committee, and Board of Directors regularly and irregularly.

The supervisors of each department have the responsibility for front-line risk management. They account for the daily management and report on the risk of their own unit and respond by taking necessary countermeasures.

Internal Audit Unit accounts for examining the state of execution of risk management of all units of the Company.

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Notes to the Financial Statements

2) Risk management policies

In order to establish an effective mechanism capable of identifying, measuring, monitoring, reporting, and responding to risk for each business, risk management policies of the Company set specific goals of risk management, control mode, and attribute of responsibility to ensure all kinds of operation risk controlled in the tolerant range and to achieve the goal of optimal risk and reward.

3) Risk management procedures

Risk management procedures of the Company include risk identification, risk measurement, risk monitoring and risk reporting. For market, credit, liquidity, operation, commodity pricing, and asset-liability matching risk and capital adequacy, the Company enables to regulate measurement and methods of evaluation and offer reports regularly to monitor any kind of risk by the establishment of management policies, management standards and rules.

(ii) Credit Risk Management

1) Definition and sources of credit risk

Credit risk is the potential financial loss causing the negative influence on the Company's operation which is caused by a debtor's downgraded credit or a debtor's incapability of redeeming or a counterparty's failure or refusal to fulfill the contract. The exposure of credit risk of the Company primary comes from loans, fund management business such as approved and bearable bonds investments and derivative transactions.

2) Management procedures of credit risk

Management procedures of credit risk of the Company include:

a) Risk identification:

The source of credit risk includes obligors, underlying issuers, counterparties' defaults or downgraded credit, or the risk of impairment of collaterals, and so on. The identification of credit risk should consider both internal operating condition and external environmental change simultaneously to define risk factors.

b) Risk measurement:

It focuses on the credit rating of debtors or counterparties and considers the category and structure of bonds and their issuers to invest under the risk limits set up by the Company before transactions.

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Notes to the Financial Statements

c) Risk monitoring:

The Company sets up the limit management of credit assets and fully grasps the information of all credit assets portfolio, concentration of risk exposure, and large value risk exposure to make sure it locates in the range of control. The establishment of credit granting and credit reviewing procedures, the alert and reporting operation of credit risk events, monitoring, evaluating and management system of collaterals, standards of handling collections of expired loans and bad debts, and so on, enable the departments control credit risk and make ensure the Company's right and reduce credit loss.

d) Risk reporting:

Risk Management Unit periodically prepares various credit risk management reports including the asset quality of various credit products, concentration of risk exposure of asset portfolios, the risk profile of industries, disclosing each aspect of credit risk of the Company. The reports are submitted to all levels of management and enables them to fully control credit risk.

3) Mitigation of credit risk

a) Collateral Management:

For credit business, the future source of redeeming is mainly judged by the obligor's operation prospect, cash flow, willingness and capability of redeeming. The obligor or a third party could be asked to deliver pledge of real estate, chattel, securities or guarantees as collateral which could be disposed for recovering the creditor's right through certain procedures directly if the obligor defaults. In order to maintain the good standing value of collateral, the Company has established guidelines regarding collateral management, which includes: loan-to-value, collateral type, collateral evaluation, and collateral insurance.

b) Pre-settlement risk mitigation:

The Company addresses to the pre-settlement risk exposure of counterparties before settlement by taking actions of signing a netting settlement agreement or an early termination agreement in order to reduce the credit loss of the Company.

4) Maximum exposure to credit risk

Without taking collateral or other credit enhancement mitigation effect into consideration, the maximum exposure to credit risk of on balance sheet financial assets equals to their carrying values and off balance sheet financial instruments' maximum exposure to credit risks (maximum exposure which cannot be revoked, without taking collaterals or other credit enhancement into consideration).

Please refer to Note 6 (af)(iii).6) for off-balance-sheet financial instruments' maximum exposure to credit risks.

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5) Concentrations of credit risk

The amounts of the Company's financial assets under maximum exposure to credit risk by area and industry were as follows:

a) By Industry

	December 31, 2023				
	Public Sector	Corporate	Financial Institution	Individuals	Total
Financial assets measured at amortized cost-Loans					
Life insurance loans	\$ -	-	-	20,856,541	20,856,541
Premium loans	-	-	-	4,452,438	4,452,438
Secured loans	-	41,816,541	-	3,899,122	45,715,663
Financial assets measured at fair value through profit or loss					
Investment in debt instruments	22,944	-	96,378,569	-	96,401,513
Financial assets measured at fair value through other comprehensive income — Investment in debt instruments (note)	27,248,702	33,549,023	47,052,241	-	107,849,966
Financial assets measured at amortized cost (note)	190,587,483	457,082,491	516,284,499	-	1,163,954,473
Reinsurance assets					
Claims recoverable from reinsurers	-	-	1,199,030	-	1,199,030
Due from reinsurers and ceding companies	-	-	296,898	-	296,898
Other financial assets	-	-	25,231,051	-	25,231,051
Derivative financial assets	-	-	8,742,329	-	8,742,329
Total	<u>\$ 217,859,129</u>	<u>532,448,055</u>	<u>695,184,617</u>	<u>29,208,101</u>	<u>1,474,699,902</u>

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Notes to the Financial Statements

	December 31, 2022				
	Public Sector	Corporate	Financial Institution	Individuals	Total
Financial assets measured at amortized cost-Loans					
Life insurance loans	\$ -	-	-	21,101,438	21,101,438
Premium loans	-	-	-	4,507,365	4,507,365
Secured loans	-	38,274,919	-	6,459,324	44,734,243
Financial assets measured at fair value through profit or loss					
Investment in debt instruments	21,995	-	98,757,411	-	98,779,406
Financial assets measured at fair value through other comprehensive income — Investment in debt instruments (note)	22,920,211	26,312,626	40,903,458	-	90,136,295
Financial assets measured at amortized cost (note)	199,430,044	463,060,668	517,247,357	-	1,179,738,069
Reinsurance assets					
Claims recoverable from reinsurers	-	-	741,834	-	741,834
Due from reinsurers and ceding companies	-	-	288,355	-	288,355
Other financial assets	-	-	3,113,887	-	3,113,887
Derivative financial assets	-	-	4,177,276	-	4,177,276
Total	\$ 222,372,250	527,648,213	665,229,578	32,068,127	1,447,318,168

Note: Government bonds used to securities serving as deposits paid were included.

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

b) By Area

December 31, 2023					
	Taiwan	North America	Asia (excluding Taiwan)	Others	Total
Financial assets measured at amortized cost-Loans					
Life insurance loans	\$ 20,856,541	-	-	-	20,856,541
Premium loans	4,452,438	-	-	-	4,452,438
Secured loans	45,715,663	-	-	-	45,715,663
Financial assets measured at fair value through profit or loss					
Investment in debt instruments	69,718,053	12,873,009	2,257,058	11,553,393	96,401,513
Financial assets measured at fair value through other comprehensive income — Investment in debt instruments (note)	34,958,550	23,224,051	23,535,725	26,131,640	107,849,966
Financial assets measured at amortized cost (note)	75,366,820	416,999,770	303,344,384	368,243,499	1,163,954,473
Reinsurance assets					
Claims recoverable from reinsurers	139,777	515,910	280,273	263,070	1,199,030
Due from reinsurers and ceding companies	122,319	103,648	67,661	3,270	296,898
Other financial assets	25,231,051	-	-	-	25,231,051
Derivative financial assets	5,335,929	-	793,983	2,612,417	8,742,329
Total	<u>\$ 281,897,141</u>	<u>453,716,388</u>	<u>330,279,084</u>	<u>408,807,289</u>	<u>1,474,699,902</u>

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

December 31, 2022					
	Taiwan	North America	Asia (excluding Taiwan)	Others	Total
Financial assets measured at amortized cost-Loans					
Life insurance loans	\$ 21,101,438	-	-	-	21,101,438
Premium loans	4,507,365	-	-	-	4,507,365
Secured loans	44,734,243	-	-	-	44,734,243
Financial assets measured at fair value through profit or loss					
Investment in debt instruments	69,247,032	15,453,967	2,143,761	11,934,646	98,779,406
Financial assets measured at fair value through other comprehensive income — Investment in debt instruments (note)	34,817,037	12,294,795	22,277,528	20,746,935	90,136,295
Financial assets measured at amortized cost (note)	82,091,421	417,233,407	307,623,890	372,789,351	1,179,738,069
Reinsurance assets					
Claims recoverable from reinsurers	116,640	192,526	274,710	157,958	741,834
Due from reinsurers and ceding companies	109,934	30,438	145,343	2,640	288,355
Other financial assets	3,113,887	-	-	-	3,113,887
Derivative financial assets	2,138,031	-	883,723	1,155,522	4,177,276
Total	\$ 261,977,028	445,205,133	333,348,955	406,787,052	1,447,318,168

Note: Government bonds used to securities serving as deposits paid were included.

6) Credit quality and overdue loss analysis of financial assets

a) Identification of significant increases in credit risk after original recognition:

- i) The Company evaluates whether the credit risk of financial instruments have been significantly increased since the initial recognition on each reporting day. The criteria for identifying the significant increases in credit risk are set as below:

Internal/External credit risk rating, overdue information, credit spread, other market information related to the borrower, issuer or counterparty and significant increases in credit risk on other financial instruments of the same borrower.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

ii) Low credit risk:

If it is determined that the financial instrument has a low credit risk on the reporting date, it can be assumed that the credit risk of the financial instrument did not increase significantly after original recognition.

- b) The definition of default on financial assets is same with the financial assets' credit losses has occurred. Please refer to Note 4 (f)(i).6 for more information.

c) Measurement of expected credit risk

i) Methods and assumptions

For those financial instruments that have no significant increase in credit risk since the initial recognition, the impairment loss are measured as 12-month expected credit loss. On the other hand, for those financial instruments that have significant increase in credit risk since the initial recognition, the impairment loss are measured as lifetime expected credit loss.

To evaluate the expected credit losses for 12-month and lifetime, the Company consider the default probability (Probability of default, "PD") of financial assets or issuers or counterparties, and loss given default rate ("LGD") multiplying the exposure at default ("EAD"), taking into account the time value of money as well.

Probability of Default and Loss Given Default used by the Company are based on information on the probability of default and default loss rate published by international credit rating agencies(Moody's), or internal historical information, and are adjusted based on historically observable data.

The Company measures the amount of exposure at default based on the amortized cost of financial assets.

There is no significant change on the methodology or assumptions for assessment of expected credit losses during for the year ended December 31, 2023.

ii) Consideration of forward-looking information

The Company takes forward-looking information into consideration when it judges whether the credit risk of the financial assets has increased significantly since the original recognition and measures the expected credit losses.

The Company uses Probability of Default published by international credit rating agencies(Moody's) that have considered forward-looking general economic information.

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

d) Credit quality and impairment analysis of financial assets

Some financial assets held by the Company, such as cash and cash equivalent and repurchase agreements, can be considered as low credit risk. Below tables provide the credit quality analysis for the rest of financial assets.

Item	December 31, 2023										
	12-month ECL				Lifetime ECL				Lifetime ECL (credit-impaired) (C)	Impairment allowances (E)	Total (A)+(B) +(C)-(E)
	Investment grade	Sub-investment grade	High risk grade	Subtotal (A)	Investment grade	Sub-investment grade	High risk grade	Subtotal (B)			
Financial assets measured at amortized cost - Loans											
Life insurance loans	\$ 20,856,541	-	-	20,856,541	-	-	-	-	-	-	20,856,541
Premium loans	4,452,438	-	-	4,452,438	-	-	-	-	-	-	4,452,438
Secured loans	45,704,583	-	-	45,704,583	-	-	-	-	11,080	597,497	45,118,166
Financial assets measured at fair value through profit or loss											
Investment in debt instruments	91,781,214	-	4,620,299	96,401,513	-	-	-	-	-	-	96,401,513
Financial assets measured at fair value through other comprehensive income - Investment in debt instruments (note)	105,616,511	2,233,455	-	107,849,966	-	-	-	-	-	-	107,849,966
Financial assets measured at amortized cost (note)	1,135,950,307	13,432,851	-	1,149,383,158	682,955	3,037,207	976,113	4,696,275	9,875,040	1,734,516	1,162,219,957
Reinsurance assets											
Claims recoverable from reinsurers	1,199,030	-	-	1,199,030	-	-	-	-	-	-	1,199,030
Due from reinsurers and ceding companies	296,898	-	-	296,898	-	-	-	-	-	-	296,898
Other financial assets	25,231,051	-	-	25,231,051	-	-	-	-	-	-	25,231,051
Total	<u>\$ 1,431,088,573</u>	<u>15,666,306</u>	<u>4,620,299</u>	<u>1,451,375,178</u>	<u>682,955</u>	<u>3,037,207</u>	<u>976,113</u>	<u>4,696,275</u>	<u>9,886,120</u>	<u>2,332,013</u>	<u>1,463,625,560</u>

Note: Government bonds used to securities serving as deposits paid were included.

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

December 31, 2022											
Item	12-month ECL				Lifetime ECL				Lifetime ECL (credit-impaired) (C)	Impairment allowances (E)	Total (A)+(B) +(C)- (E)
	Investment grade	Sub-investment grade	High risk grade	Subtotal (A)	Investment grade	Sub-investment grade	High risk grade	Subtotal (B)			
Financial assets measured at amortized cost - Loans											
Life insurance loans	\$ 21,101,438	-	-	21,101,438	-	-	-	-	-	-	21,101,438
Premium loans	4,507,365	-	-	4,507,365	-	-	-	-	-	-	4,507,365
Secured loans	44,718,797	-	-	44,718,797	798	-	-	798	14,648	587,147	44,147,096
Financial assets measured at fair value through profit or loss											
Investment in debt instruments	94,364,511	-	4,414,563	98,779,074	-	-	-	-	332	-	98,779,406
Financial assets measured at fair value through other comprehensive income - Investment in debt instruments (note)	88,057,686	2,078,609	-	90,136,295	-	-	-	-	-	-	90,136,295
Financial assets measured at amortized cost (note)	1,151,709,503	13,431,858	-	1,165,141,361	686,766	3,041,501	979,928	4,708,195	9,888,513	1,723,391	1,178,014,678
Reinsurance assets											
Claims recoverable from reinsurers	741,834	-	-	741,834	-	-	-	-	-	-	741,834
Due from reinsurers and ceding companies	288,355	-	-	288,355	-	-	-	-	-	-	288,355
Other financial assets	3,113,887	-	-	3,113,887	-	-	-	-	-	-	3,113,887
Total	<u>\$ 1,408,603,376</u>	<u>15,510,467</u>	<u>4,414,563</u>	<u>1,428,528,406</u>	<u>687,564</u>	<u>3,041,501</u>	<u>979,928</u>	<u>4,708,993</u>	<u>9,903,493</u>	<u>2,310,538</u>	<u>1,440,830,354</u>

Note: Government bonds used to securities serving as deposits paid were included.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

(iii) Liquidity Risk Management Mechanism

1) Description and origin of liquidity risk

The Company divides liquidity risk into capital liquidity risk and market liquidity risk. Capital liquidity risk refers to the risk of inability to liquidate assets and obtain funds at a reasonable cost within a reasonable timeframe to meet the obligations at maturity. Market liquidity risk refers to the risk of facing significant market value volatility when disposing or offsetting the position held due to insufficient depth of the market or market disorder.

Liquidity risk may stem from external and internal factors, such as payment capability impairs because it is uneasy to dispose financial instrument for cash under the current financial market, early termination of insurance contract by insured, and solvency of the Company questioned by insured due to loss event caused by credit, market, or operation risk.

2) Management procedures of liquidity risk

Based on the Company's assets-liability matching risk management policy, the Company set robust management framework and procedures which clearly define the authority of each unit and identification, measurement, monitor, and reporting of liquidity risk. In accordance with the management needs to use a number of liquidity measurement indicators to determine and monitor the Company's liquidity risk status, together with the setting of liquidity risk limits and management operations to ensure to maintain adequate liquidity at any time.

3) Measurement of liquidity risk

The measurement of liquidity risk includes:

- a) Fund maturity gap structure analysis: Discloses fund surplus or shortage through fund maturity gap.
- b) Status of fund source to fund usage.
- c) Stress test: The test assesses the liquidity impact from extreme scenarios.

The Company adopts appropriate measurements to assist implementation of management procedures in accordance with their structure of assets and liabilities.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

4) Maturity analysis of non-derivative liabilities

The table below shows the analysis of undiscounted and expected net cash flows of the Company's liabilities. The amounts disclosed are based on contractual cash flows on the reporting date of insurance payments and expenses in the future minus total premiums; thus may be different from the related accounts included in the balance sheet.

December 31, 2023						
	0~30 days	31~90 days	91~180 days	181days~1 year	Over 1 year	Total
Short-term liabilities	\$17,872,000	2,400,000	-	-	-	20,272,000
Accounts payable \$	6,541,182	3,060,875	1,365,476	2,246,290	-	13,213,823
Bonds payable	-	-	-	-	28,000,000	28,000,000

December 31, 2022						
	0~30 days	31~90 days	91~180 days	181days~1 year	Over 1 year	Total
Accounts payable \$	8,016,654	651,312	981,028	1,827,309	-	11,476,303
Bonds payable	-	-	-	-	15,000,000	15,000,000

5) Maturity analysis of derivative liabilities

a) Net settled derivatives engaged by the Company includes but not limited to:

Foreign exchange derivatives: Non-delivery forwards

For derivative financial assets and liabilities measured at fair value, the amount will be disclosed in the period of 0-30 days, to reflect the nature of short-term trading behavior and the cash flows generated from reverse operation in the future; for hedging derivatives, the amount disclosed is based on contractual cash flow and may not correspond to related items in the balance sheets. The maturity analysis of net settled derivatives financial assets and liabilities is as follows:

December 31, 2023						
	0~30 days	31~90 days	91~180 days	181days~1 year	Over 1 year	Total
Derivative financial instruments measured at fair value through profit or loss						
— Foreign exchange derivatives	\$ <u>(2,862,526)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,862,526)</u>

December 31, 2022						
	0~30 days	31~90 days	91~180 days	181days~1 year	Over 1 year	Total
Derivative financial instruments measured at fair value through profit and loss						
— Foreign exchange derivatives	\$ <u>(3,195,288)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,195,288)</u>

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

b) Gross settled derivatives

Gross settled derivatives engaged by the Company include:

Foreign exchange derivatives: forwards, and currency swaps.

The table below shows the analysis of maturity based on contractual cash flows; thus the disclosed amounts may not correspond to related items in the balance sheet. The maturity analysis of gross settled derivatives was as follows:

	December 31, 2023					
	0~30 days	31~90 days	91~180 days	181days~1 year	Over 1 year	Total
Derivative financial instruments measured at fair value through profit and loss						
— Foreign exchange derivatives						
— Cash outflow	\$ 90,840,394	55,388,588	102,501,225	29,659,275	307,350	278,696,832
— Cash inflow	91,304,770	55,360,588	103,863,573	27,328,585	264,810	278,122,326
Cash outflow subtotal	90,840,394	55,388,588	102,501,225	29,659,275	307,350	278,696,832
Cash inflow subtotal	91,304,770	55,360,588	103,863,573	27,328,585	264,810	278,122,326
Net cash flow	\$ 464,376	(28,000)	1,362,348	(2,330,690)	(42,540)	(574,506)

	December 31, 2022					
	0~30 days	31~90 days	91~180 days	181days~1 year	Over 1 year	Total
Derivative financial instruments measured at fair value through profit and loss						
— Foreign exchange derivatives						
— Cash outflow	\$ 85,014,857	94,926,796	11,208,420	77,230,620	23,645,160	292,025,853
— Cash inflow	82,000,633	94,794,762	11,058,230	76,020,880	20,845,605	284,720,110
Cash outflow subtotal	85,014,857	94,926,796	11,208,420	77,230,620	23,645,160	292,025,853
Cash inflow subtotal	82,000,633	94,794,762	11,058,230	76,020,880	20,845,605	284,720,110
Net cash flow	\$ (3,014,224)	(132,034)	(150,190)	(1,209,740)	(2,799,555)	(7,305,743)

6) Maturity analysis of off-balance-sheet items

Table below shows the maturity analysis of off-balance-sheet items for the Company. The amount of the guarantee and committed credit lines will be allocated to the earliest period when such obligation can be exercised at any time by clients. The amount disclosed is based on contractual cash flow and may be different from that included in the balance sheets.

	December 31, 2023					
	0~30 days	31~90 days	91~180 days	181days~1 year	Over 1 year	Total
Unused lines of credit commitments	\$ -	-	-	-	11,403,861	11,403,861

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

	December 31, 2022					Total
	0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year	
Unused lines of credit commitments	\$ -	-	-	-	6,422,017	6,422,017

Note: The amounts disclosed in the table also represent the maximum credit risk exposure.

(iv) Market Risk Management Mechanism

1) Description and origin of market risk

Market risk is the risk that the financial assets held by the Company may have potential loss due to changes in market risk factors, including interest rate (credit spread included), foreign exchange rate, securities price, commodity price, and their volatility.

2) Management procedures and measurement of market risk

a) Risk identification:

The Company clearly identifies sources of markets risks various kind of transaction before trading, and narrative them in guidelines documents, Market risk factors, includes interest rate (credit spread included), foreign exchange rate, securities price and commodity price and their volatility.

b) Risk Management Unit adopts appropriate and consistent market risk measurement methods covering main risk sources according to business characteristics and risk sources. The measurement methods include calculating profits or losses, risk sensitivity, value at risk, scenario analysis and stress testing:

i) Value at Risk (VaR)

Value at Risk measures the maximum potential loss under a particular confidence interval and a given holding period.

ii) Scenario Analysis

Scenario analysis measures the impact on net value and potential abnormal loss of investment portfolios or positions which results from changes in risk factors under hypothetical market scenarios.

iii) Stress Testing

Stress testing sets extreme risk events or scenarios and measures the impact of specific or a serious of exceptional change of risk factors on investment portfolios or positions; Stress testing assist VaR which cannot measure tail risk.

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

iv) Factor Sensitivity

Factor sensitivity is a measurement for monitoring the cross-product exposures within each risk factor, including but not limited to foreign exchange, interest rate and equity price, etc.

- c) Risk control: Using intervention by management and risk limit to monitor instruments bearing market risks to ensure that market risk exposure matches risk appetite of the Company.
- d) Risk report: Risk Management Unit reports risk management related information to the top management or Board of Directors on a regular basis.

3) Mitigation of market risk

The Company avoids and reduces the impact of the risk through derivative. The use of derivative is under regulations of Board of Directors. The Company adjusts risks to a tolerance or approved range by rationally operating hedging instruments and mechanisms for risks set up previously.

4) Sensitivity analysis of market risk factor

The table below shows the sensitivity analysis of gains or losses and impact of equity, taking into account of the possible changes in foreign exchange rate, market interest rate and equity commodity price.

December 31, 2023			
Risk Items	Movement	Effect on	
		Equity	Profit and Loss
Foreign Exchange Rate Risk	Foreign Currency appreciate by 1% against NTD	1,529,477	2,489,024
	Foreign Currency depreciate by 1% against NTD	(1,529,477)	(2,489,024)
Interest Rate Risk	Interest Rate Curve shift up by 1bp	(186,691)	(3)
	Interest Rate Curve shift down by 1bp	186,691	3
Equity Price Risk	Equity price appreciate by 1%	3,623,296	5,205
	Equity price depreciate by 1%	(3,623,296)	(5,205)

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Notes to the Financial Statements

December 31, 2022			
Risk Items	Movement	Effect on	
		Equity	Profit and Loss
Foreign Exchange Rate Risk	Foreign Currency appreciate by 1% against NTD	1,366,336	2,403,228
	Foreign Currency depreciate by 1% against NTD	(1,366,336)	(2,403,228)
Interest Rate Risk	Interest Rate Curve shift up by 1bp	(178,372)	(5)
	Interest Rate Curve shift down by 1bp	178,372	5
Equity Price Risk	Equity price appreciate by 1%	3,042,873	3,369
	Equity price depreciate by 1%	(3,042,873)	(3,369)

The Company invests in bonds at fixed interest rates; the fair value of bonds changes with market interest rate. If market interest rate increases by 1%, the fair value of bonds decreases \$18,669,391. The equity securities investments held by the Company are financial assets measured at fair value through profit or loss, financial assets measured at fair value through comprehensive income and the fair value of equity securities change with market price. If market price decreases by 1%, the fair value of equity securities decreases \$3,628,501. In addition, the changes of foreign exchange rate changes impact foreign investments; fair value decreases \$415,679 while NTD appreciates a cent against US dollar. The Company hedges exchange rate risk by forward and foreign exchange swaps.

(v) Transferred financial assets that are not fully derecognized

The transactions, relating to transferred financial assets not qualifying for full derecognition, of the Company conducts during daily operation mostly involve securities lending in accordance to repurchase agreements. Since the right to receive contractual cash flow has been transferred to others and the Company's obligation to repurchase the transferred assets for a fixed price at a future date is recognized under liability, the said transferred assets are not fully derecognized.

December 31, 2023					
Types of financial assets	Carrying amount of transferred financial assets	Carrying amount of associated financial liabilities	Fair value of transferred financial assets	Fair value of associated financial liabilities	Net fair value
Financial assets measured at fair value					
through other comprehensive income					
Securities sold under repurchase agreements	\$ 2,603,708	2,495,000	2,603,708	2,495,000	108,708
Investment in debt instruments measured at amortized cost					
Securities sold under repurchase agreements	\$ 18,863,065	17,777,000	20,702,141	17,777,000	2,925,141

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

(vi) Offsetting financial assets and financial liabilities

The Company has transactions which apply IAS 32 Article 42, which regulates offsetting related; financial assets and liabilities of this kind of transactions are expressed in balance sheet at net value.

The Company also has exercisable master netting arrangements or similar agreements with counterparties for those didn't conform to offsetting conditions of IAS. According to aforesaid exercisable master netting arrangements or similar agreements, the transactions can be net settled by offsetting financial assets and financial liabilities if the parties to the transaction choose so. If not, the transaction can be settled at total amount. In the case of default of one party, the other party can have the transaction net settled.

The table below shows information regarding offsetting financial assets and financial liabilities describe above:

December 31, 2023						
Financial assets that are offset, have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets	Gross amounts of financial liabilities offset in the balance sheet	Net amount of financial assets presented in the balance sheet	Amounts not off set in the balance sheet(d)		
	(a)	(b)	(c)=(a)-(b)	Financial instruments (note)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial assets and linked deposits	\$ 13,242,329	-	13,242,329	3,719,742	463,791	9,058,796

December 31, 2023						
Financial liabilities that are offset, have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities	Gross amounts of financial assets offset in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Amounts not off set in the balance sheet(d)		
	(a)	(b)	(c)=(a)-(b)	Financial instruments (note)	Cash collateral pledged	Net amount (e)=(c)-(d)
Derivative financial liabilities	\$ 9,414,168	-	9,414,168	6,639,401	386,032	2,388,735

December 31, 2022						
Financial assets that are offset, have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets	Gross amounts of financial liabilities offset in the balance sheet	Net amount of financial assets presented in the balance sheet	Amounts not off set in the balance sheet(d)		
	(a)	(b)	(c)=(a)-(b)	Financial instruments (note)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial assets and linked deposits	\$ 8,677,276	-	8,677,276	3,148,764	511,288	5,017,224

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Notes to the Financial Statements

December 31, 2022						
Financial liabilities that are offset, have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not off set in the balance sheet(d)		
				Financial instruments (note)	Cash collateral pledged	Net amount (e)=(c)-(d)
Derivative financial liabilities	\$ <u>9,884,700</u>	<u>-</u>	<u>9,884,700</u>	<u>3,148,764</u>	<u>2,600,660</u>	<u>4,135,276</u>

Note: Master netting arrangements and non-cash financial collaterals are included.

(ag) Capital management

Board of Directors' policy on capital management is holding wholesome capital foundation in order to maintain the belief from investors, borrowers and market and to support future operation developments. Capital includes share capital, capital surplus, retained earnings and non-controlling equity. Board of Directors controls both return on capital and dividend level of ordinary shares.

As of December 31, 2023, the Company's approach to manage its capital remains unchanged.

(ah) Structured entities

- (i) The table below presents the types of structured entities that the Company holds and does not have controlling power.

The types of structured entities	Nature and purpose	Interests held by Company
Private funds	Invest private funds which are published by third party funds management company to gain investment income.	Investing in funds and equity of limited partnership issued by these entities.
Special purpose entities	Setting up for participating in the program of "Kaohsiung City HoFa industrial park development, sell (bid) and management", and for conducting the project of "Taichung Intercontinental Baseball Stadium extension, renovation and operation".	Investing in stocks issued by the entity.
Asset-backed Securities	Securitizing financial or non-financial assets and issuing them to raise funds.	Investing in securities issued by these entities.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

- (ii) As of December 31, 2023 and 2022, the scales of structured entities which the Company has no control over were as follows:

	December 31, 2023	December 31, 2022
Private funds	\$ 18,203,374,388	17,419,960,728
Special purpose entities	7,188,132	6,879,933
Asset-backed securities	471,919,058	323,784,354

- (iii) As of December 31, 2023 and 2022, the carrying amounts of interests held by the Company in these structured entities were as follows:

	December 31, 2023	December 31, 2022
Financial assets measured at fair value through profit or loss	\$ 74,513,209	71,419,758
Financial assets measured at fair value through other comprehensive income	154,192	-
Financial assets measured at amortized cost	13,887,353	15,526,494
Investments under equity method	4,807,570	4,605,414
Total	<u>\$ 93,362,324</u>	<u>91,551,666</u>

The maximum exposure of the possible loss from these entities is the carrying amount of interests held by the Company.

- (iv) As of December 31, 2023 and 2022, the Company has not provided any financial support to the unconsolidated structured entities.

(7) Related-party transactions:

- (a) Name and relationship

<u>Name of related party</u>	<u>Relationship with the Company</u>
CTBC Financial Holding Co., Ltd. (CTBC Financial Holding)	Parent company of the Company.
CTBC Bank Co., Ltd. (CTBC Bank)	Controlled by the same company as the Company.
CTBC Securities Co., Ltd. (CTBC Securities)	"
CTBC Venture Capital Co., Ltd. (CTBC Venture Capital)	"
CTBC Asset Management Co., Ltd. (CTBC Asset Management)	"
CTBC Security Co., Ltd. (CTBC Security)	"

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

<u>Name of related party</u>	<u>Relationship with the Company</u>
Taiwan Lottery Co., Ltd. (Taiwan Lottery)	Controlled by the same company as the Company.
CTBC Investments Co., Ltd. (CTBC Investments)	"
CTBC Sports Entertainment Co., Ltd. (CTBC Sports Entertainment)	"
HH-CTBC Capital Management Co., Ltd. (HH-CTBC Capital Management)	"
CTBC Finance Co., Ltd. (Note 2) (CTBC Finance)	"
CTBC Investments Trust Funds	Securities investment trust funds managed by the company which is controlled by the same company as the Company.
CTBC Insurance Co., Ltd. (CTBC Insurance)	Subsidiaries of the Company.
Wenwan Development Co., Ltd. (Wenwan Development)	"
HoFa Land Development Co., Ltd. (HoFa Land Development)	An investee company carried under equity method by the Company.
Wu Tzu Development Co., Ltd. (Wu Tzu Development)	"
Star Shining Energy Co., Ltd. (Star Shining Energy)	"
Top Taiwan IX Venture Capital Co., Ltd. (Top Taiwan IX Venture Capital)	"
Junlong Life Insurance Co., Ltd. (Junlong Life Insurance)	"
Giga Green Energy Co., Ltd. (Giga Green Energy)	"
Taiwan Wind Investment Co., Ltd. (Taiwan Wind Investment)	"
Solarbright Energy Co., Ltd. (Solarbright Energy)	"
Star Power Energy Co., Ltd. (Star Power Energy)	"
Li-Wei Energy Co., Ltd. (Li-Wei Energy)	"
Xinhe Energy Development Co., Ltd. (Xinhe Energy)	"
Star Era International Co., Ltd. (Star Era International)	"
Aquastar Energy Corporation (Aquastar Energy)	"

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

<u>Name of related party</u>	<u>Relationship with the Company</u>
AcSun Energy Co., Ltd. (AcSun Energy)	An investee company carried under equity method by the Company.
CTBC Financial Park Management authority (Note 1) (CTBC Park Management Authority)	The Director of the company which is controlled by the same company as the Company is its body corporate representative.
Other related parties	Major executives of CTBC Financial Holding Co., Ltd. and subsidiaries and their close relatives.

Note 1: The party is not related parties in the financial statement since October 2022.

Note 2: No longer a subsidiary of the Company since August 25, 2023.

Note 3: The Company discloses the transactions during the period that legal person or personal as related parties; the balances will not be disclosed for these who are not related parties on reporting date.

(b) Significant transactions between related parties and the Company

(i) Deposits:

<u>Related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
CTBC Bank	\$ <u>19,657,068</u>	<u>28,144,157</u>

(ii) Receivables:

<u>Related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Others	\$ 4,020	5,082
Other related parties	<u>177</u>	<u>8</u>
Total	\$ <u>4,197</u>	<u>5,090</u>

(iii) Capital intermediation:

<u>Related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other related parties	\$ <u>5,334</u>	<u>1,598</u>

(iv) Prepayments:

<u>Related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Others	\$ <u>260</u>	<u>1,392</u>

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

(v) Refundable deposits:

Related parties	December 31, 2023	December 31, 2022
CTBC Bank	\$ 51,682	48,905
Others	5,509	5,570
Total	<u>\$ 57,191</u>	<u>54,475</u>

(vi) Investments in funds managed by related parties:

Related parties	Name of funds	December 31, 2023	December 31, 2022
CTBC Investments	CTBC Investments Co., Ltd. Trust Funds	\$ 12,334,033	12,131,101
HH-CTBC Capital Management	HH-CTBC Partnership, L.P. private offered fund	967,666	-
Total		<u>\$ 13,301,699</u>	<u>12,131,101</u>

(vii) Discretionary investments with related parties:

Related parties	December 31, 2023	December 31, 2022
CTBC Investments	<u>\$ 11,322,538</u>	<u>8,332,099</u>

(viii) Derivative financial commodity trading (Notional Amount) (Unit: In Thousands of Dollars):

Related parties	Name of financial instruments	December 31, 2023	December 31, 2022
CTBC Bank	Foreign Exchange swaps	USD <u>330,000</u>	USD <u>-</u>

(ix) Short-term liabilities:

Related parties	December 31, 2023	December 31, 2022
CTBC Bank	<u>\$ 6,000,000</u>	<u>-</u>

(x) Accounts payables:

Related parties	December 31, 2023	December 31, 2022
CTBC Bank	\$ 600,057	314,212
Others	8,073	7,458
Total	<u>\$ 608,130</u>	<u>321,670</u>

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

- (xi) CTBC Finance assists the Company in marketing automobile loan business, loan operation management and service consulting operation. According to the contract, if the borrower is unable to repay the loan, CTBC Finance must repay the loan on behalf of the borrower. As of December 31, 2023 and 2022, CTBC Finance has repaid the loan on behalf of the borrower amounted to \$8,935 and \$15,980, respectively.

- (xii) Guarantee deposits:

Related parties	December 31, 2023	December 31, 2022
CTBC Finance	\$ 13,894	29,276
Others	11,175	11,055
Total	<u><u>\$ 25,069</u></u>	<u><u>40,331</u></u>

- (xiii) Amounts received in advance and temporary receipts:

Related parties	December 31, 2023	December 31, 2022
Others	\$ 655	1,093

- (xiv) Written premiums:

Related parties	For the years ended December 31	
	2023	2022
CTBC Bank	\$ 235,374	157,588
Others	44,081	34,515
Other related parties	237,429	203,136
Total	<u><u>\$ 516,884</u></u>	<u><u>395,239</u></u>

- (xv) Fee incomes:

Related parties	For the years ended December 31	
	2023	2022
CTBC Insurance	\$ 15,733	16,931
CTBC Investments	15,155	17,439
Others	2,353	650
Total	<u><u>\$ 33,241</u></u>	<u><u>35,020</u></u>

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

(xvi) Interest incomes:

	Related parties	For the years ended December 31	
		2023	2022
CTBC Bank		\$ 149,226	41,887
CTBC Finance		13,539	22,923
Others		-	8
Other related parties		184	28
Total		<u><u>\$ 162,949</u></u>	<u><u>64,846</u></u>

(xvii) Gains (losses) on investment properties:

	Related parties	For the years ended December 31	
		2023	2022
CTBC Insurance		\$ 20,299	29,849
CTBC Finance		12,442	11,672
CTBC Bank		19,359	17,929
Others		539	816
Total		<u><u>\$ 52,639</u></u>	<u><u>60,266</u></u>

(xviii) Gains (losses) on other investments:

	Related parties	For the years ended December 31	
		2023	2022
CTBC Finance		\$ -	42

(xix) Other operation incomes:

	Related parties	For the years ended December 31	
		2023	2022
Others		<u><u>\$ 978</u></u>	<u><u>759</u></u>

(xx) Commission expenses:

	Related parties	For the years ended December 31	
		2023	2022
CTBC Bank		\$ 5,685,790	4,234,166
Others		42	493
Total		<u><u>\$ 5,685,832</u></u>	<u><u>4,234,659</u></u>

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

(xxi) Service fee expenses (Recognized as net gains or losses from other investments, other operating costs, and general and administrative expenses):

	Related parties	For the years ended December 31	
		2023	2022
CTBC Bank		\$ 520,850	498,217
CTBC Investments		57,745	101,860
CTBC Finance		9,064	16,556
Others		4,355	4,357
Total		<u>\$ 592,014</u>	<u>620,990</u>

(xxii) Interest expenses (Recognized as other operating costs and finance costs):

	Related parties	For the years ended December 31	
		2023	2022
Others		<u>\$ 4,349</u>	<u>156</u>

(xxiii) General and administrative expenses:

	Related parties	For the years ended December 31	
		2023	2022
CTBC Bank		\$ 39,389	32,216
CTBC Park Management Authority		-	27,065
CTBC Sports Entertainment		15,228	16,986
CTBC Financial Holdings		11,514	13,004
Others		3,480	6,015
Total		<u>\$ 69,611</u>	<u>95,286</u>

(xxiv) Staff training expenses:

	Related parties	For the years ended December 31	
		2023	2022
Others		<u>\$ 6,847</u>	<u>1,397</u>

(xxv) Non-operating income and expenses:

	Related parties	For the years ended December 31	
		2023	2022
Others		<u>\$ 5,178</u>	<u>4,526</u>

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

(xxvi) Lease:

The Company is lessee

Name of related party	Summary	Lease liabilities		Lease payment	
		December 31, 2023	December 31, 2022	For the years ended December 31	
				2023	2022
CTBC Bank	Office lease	\$ -	183,769	183,769	184,633
Others	Lease of official vehicles	2,989	4,778	1,399	1,830
Total		<u>\$ 2,989</u>	<u>188,547</u>	<u>185,168</u>	<u>186,463</u>

There is no difference in transaction term between related and unrelated parties.

(c) Key management personnel compensation in total

	For the years ended December 31	
	2023	2022
Salary and other short-term employee benefits	\$ 257,774	236,016
Post-employment benefits	3,224	3,020
Share-based payment	124,932	(19,654)
Total	<u>\$ 385,930</u>	<u>219,382</u>

The Company recognized the changes in the fair value of share-based payments with cash settled in profit or loss over the vesting period. For the year ended December 31, 2022, the share-based payments were reversed due to the changes in fair value.

(8) Pledged assets:

As of December 31, 2023 and 2022, pledged assets of the Company were as follows:

Pledged assets	December 31, 2023	December 31, 2022	Purpose of collateral
The Company:			
Time deposits	\$ 536,015	385,750	Compliance refundable deposits
Government bonds	36,111,202	11,716,307	Operation refundable deposits, securities sold under repurchase agreements deposits, Taiwan Fertilizer Co., Ltd., compliance refundable deposits of the superfices, and derivatives initial margin
Total	<u>\$ 36,647,217</u>	<u>12,102,057</u>	

Please refer to Note 6(c)(i). 2), 3), and 4) and (k).

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

(9) Commitments and contingencies:

- (a) As of December 31, 2023, the amounts of the unrecognized contractual commitment of property acquisitions were \$11,733,873. The Surface Right which has not been paid is recognized under lease liability. Please refer to Note 6 (p).
- (b) The Company had outstanding lawsuits regarding its insurance business, with claims for a total of 25 lawsuits amounting to \$64,244, for which a claim reserve has been provided. For the part that should be compensated by our company has been properly estimate the proportion of loss reserve. These cases are still in the trial phase.
- (c) The outstanding lawsuits regarding to daily business activities are proceeding by engaged lawyer. Once professional advice is obtained and the amount can be reasonably estimated, the Company will adjust it to recognize the relevant losses.
- (d) In its press release made by the Supreme Prosecutors Office on October 5, 2016, CTBC Life Insurance (before it was merged with the Company) was involved in a transaction in which it purchased a real property from Gobo Group at a price above the market price and suffered losses and damages therefrom. The Taipei District Court, on August 23, 2019, rendered a judgment judging that Mr. Koo, (the ex-chairman of CTBC Bank) and the person involved in the case (Mr. Chang) were not guilty and the Taiwan High Court upheld the verdict of acquittal on April 26, 2023. The prosecutor has appealed and the case is not yet final. The legal counsel retained by CTBC Holding opined: “According to the data provided by CTBC Life Insurance, CTBC Life Insurance purchased the real property from Gobo Group at the price less than (1) the appraisal price given by two independent appraisal companies and (2) the ceiling set by the board of directors of CTBC Life Insurance. Given that (1) the purchase price does not exceed the appraisal price and it is lack of concrete evidence to the effect that the appraisal report is doubtful, (2) the transaction was made in due process, and (3) the purchase price is not unreasonable, the transaction in question had no impact of damaging the interest of CTBC Life Insurance.” The legal counsel further opined: “According to two press releases made by the Taipei District Court on August 23, 2019, the court had judged that (1) the loan extended by CTBC Life Insurance to Gobo against a real property collateral (located at the 2nd floor of Asia Plaza Building) is an arms-length transaction, (2) CTBC Life Insurance’s bidding (to purchase the real property) was given subject to a condition that Gobo should guarantee a two-year lease at the rental of NT\$6,125 per ping of up to a total of NT\$2,000,268 per ping and in such event, the bidding was given in line with general practice, and (3) CTBC Life Insurance suffered no losses or damages. Since the court’s conclusion shares the same view as analyzed in our opinion, it can be proven that CTBC Life Insurance suffered no losses in the loan transaction and the real property transaction.” Pursuant to the aforesaid legal opinion, it is thus assessed by CTBC Holding that this case has no material impact on the operations and shareholders’ interests of the Company.
- (e) As of December 31, 2023, the maximum amount of private fund investment commitment that has not been funded were USD\$765,804 thousand, EUR\$146,901 thousand, DKK\$26,681 thousand and TWD\$2,798,688 thousand.
- (f) As of December 31, 2023, the outstanding balance of the new insurance information core system contract of the Company amounted to \$77,296.

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(12) Other:

(a) Employee benefits, depreciation and amortization expenses:

Functional Nature and purpose	For the year ended December 31, 2023			For the year ended December 31, 2022		
	Operating costs	Operating expense	Total	Operating costs	Operating expense	Total
Employee benefits expenses						
Salaries and wages	1,223,924	3,013,669	4,237,593	1,112,632	2,082,772	3,195,404
Labor and health insurance	108,140	233,335	341,475	104,327	202,713	307,040
Pension expense	53,928	120,235	174,163	55,103	94,542	149,645
Remunerations to directors	-	53,718	53,718	-	49,706	49,706
Other employee benefits expenses	29,250	108,888	138,138	31,814	100,334	132,148
Depreciation expenses	758,618	412,454	1,171,072	649,367	389,072	1,038,439
Amortization expenses	1,326	178,356	179,682	1,365	152,560	153,925

Note: As of December 31, 2023 and 2022, the number of employees in the Company were 3,323 and 3,296, respectively. Numbers of non-concurrent directors were both 10.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

- (b) The allocation of income, cost and expenses generating from the joint marketing activities and information interoperability between the Financial Holding Company and its subsidiaries are described below.

In order to maximize the effect of economic scale, the Financial Holding Company and its subsidiaries have decided to adopt joint marketing strategy. The allocation method is either directly attribute the cost to the subsidiaries based on the nature of business or indirectly attribute the cost to the subsidiaries based on the proportion of paid-in capital of subsidiaries.

- (c) Significant foreign currency financial assets and liabilities were as follows:

December 31, 2023			
	<u>Foreign currency</u>	<u>Spot rate</u>	<u>NTD amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
AUD	1,645,410	21.0074	34,565,780
EUR	246,495	34.0144	8,384,365
GBP	12,212	39.1841	478,508
HKD	394,638	3.9338	1,552,425
JPY	1,765,330	0.2174	383,783
NZD	1,044	19.4983	20,353
RMB	4,604,620	4.3319/4.3315	19,945,241
SGD	80,429	23.3106	1,874,848
USD	37,911,973	30.7350	1,165,224,500
<u>Non-monetary items</u>			
AUD	496	21.0074	10,413
DKK	24,553	4.5635	112,050
EUR	309,356	34.0144	10,522,558
HKD	3,246,160	3.9338	12,769,745
JPY	16,492,344	0.2174	3,585,436
RMB	1,635,131	4.3319/4.3315	7,083,221
SGD	4,755	23.3106	110,831
USD	3,882,811	30.7350	119,338,195
<u>Equity-method investments</u>			
RMB	619,845	4.3319/4.3315	2,685,106
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	226,898	30.7350	6,973,701

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

	December 31, 2022		
	<u>Foreign currency</u>	<u>Spot rate</u>	<u>NTD amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
AUD	1,734,789	20.8231	36,123,694
EUR	265,396	32.7132	8,681,959
GBP	4,012	37.0461	148,634
HKD	430,651	3.9383	1,696,033
JPY	1,138,775	0.2323	264,537
NZD	1,036	19.4320	20,137
RMB	7,969,871	4.4159/4.4076	35,151,630
SGD	67,051	22.8635	1,533,030
USD	37,936,377	30.7080	1,164,950,271
<u>Non-monetary items</u>			
AUD	2,812	20.8231	58,547
DKK	26,932	4.3988	118,467
EUR	330,250	32.7132	10,803,542
GBP	1,648	37.0461	61,058
HKD	3,001,046	3.9383	11,819,018
JPY	16,968,983	0.2323	3,941,895
RMB	1,585,876	4.4159/4.4076	7,003,057
SGD	4,275	22.8635	97,739
USD	3,212,929	30.7080	98,663,411
ZAR	7,159	1.8117	12,970
<u>Equity-method investments</u>			
RMB	353,951	4.4159/4.4076	1,563,011
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	196,924	30.7080	6,047,143

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

- (d) The amounts expected to receive or paid within twelve or more than twelve months after reporting date were as follows:

	December 31, 2023		
	Expected to be received and paid within twelve months	Expected to be received and paid in more than twelve months	Total
Assets			
Cash and cash equivalents	\$ 65,285,368	-	65,285,368
Receivables	23,308,335	-	23,308,335
Current income tax assets	6,579,993	508,273	7,088,266
Financial assets measured at fair value through profit or loss	267,240,408	99,026,577	366,266,985
Financial assets measured at fair value through other comprehensive income	99,512,826	104,542,969	204,055,795
Financial assets measured at amortized cost	8,934,382	1,122,698,915	1,131,633,297
Investments accounted for using equity method	-	18,747,041	18,747,041
Other financial assets	811,031	24,420,020	25,231,051
Investment property	363,280	98,389,643	98,752,923
Loans	-	70,427,145	70,427,145
Reinsurance assets	2,828,121	1,332,532	4,160,653
Property and equipment	-	6,027,224	6,027,224
Right-of-use of assets	30,984	30,936	61,920
Intangible assets	-	9,272,446	9,272,446
Deferred income tax assets	-	2,106,624	2,106,624
Other assets	1,032,329	13,120,883	14,153,212
Assets on insurance product, separated account	-	154,240,571	154,240,571
Subtotal	\$ 475,927,057	1,724,891,799	2,200,818,856

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

	December 31, 2023		
	Expected to be received and paid within twelve months	Expected to be received and paid in more than twelve months	Total
Liabilities			
Short-term liabilities	\$ 20,272,000	-	20,272,000
Accounts payable	13,213,823	-	13,213,823
Current income tax liabilities	-	3,370	3,370
Financial liabilities measured at fair value through profit or loss	6,896,718	2,517,450	9,414,168
Bonds payable	-	27,976,274	27,976,274
Other financial liabilities	463,791	-	463,791
Lease liabilities	47,456	1,151,845	1,199,301
Insurance liabilities	-	1,817,031,586	1,817,031,586
Reserve for insurance with nature of financial instrument	-	4,050	4,050
Reserve for foreign exchange fluctuation	-	5,986,159	5,986,159
Provisions	-	66,518	66,518
Deferred income tax liabilities	-	7,285,373	7,285,373
Other liabilities	1,638,293	207,513	1,845,806
Liabilities on insurance product, separated account	-	154,240,571	154,240,571
Subtotal	<u><u>\$ 42,532,081</u></u>	<u><u>2,016,470,709</u></u>	<u><u>2,059,002,790</u></u>

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

	December 31, 2022		
	Expected to be received and paid within twelve months	Expected to be received and paid in more than twelve months	Total
Assets			
Cash and cash equivalents	\$ 76,119,016	-	76,119,016
Receivables	22,968,708	-	22,968,708
Current income tax assets	6,706,873	642,792	7,349,665
Financial assets measured at fair value through profit or loss	226,300,242	94,843,892	321,144,134
Financial assets measured at fair value through other comprehensive income	84,025,502	92,548,886	176,574,388
Financial assets measured at amortized cost	4,620,018	1,161,679,543	1,166,299,561
Investments accounted for using equity method	-	9,399,293	9,399,293
Other financial assets	2,997,660	116,227	3,113,887
Investment property	357,981	93,463,079	93,821,060
Loans	-	69,755,899	69,755,899
Reinsurance assets	2,219,442	1,050,194	3,269,636
Property and equipment	-	6,122,862	6,122,862
Right-of-use of assets	207,738	30,977	238,715
Intangible assets	-	8,688,002	8,688,002
Deferred income tax assets	-	4,314,806	4,314,806
Other assets	833,540	13,013,112	13,846,652
Assets on insurance product, separated account	-	153,499,517	153,499,517
Subtotal	<u><u>\$ 427,356,720</u></u>	<u><u>1,709,169,081</u></u>	<u><u>2,136,525,801</u></u>

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

	December 31, 2022		
	Expected to be received and paid within twelve months	Expected to be received and paid in more than twelve months	Total
Liabilities			
Accounts payable	\$ 11,476,303	-	11,476,303
Current income tax liabilities	121,868	13,684	135,552
Financial liabilities measured at fair value through profit or loss	6,337,907	3,546,793	9,884,700
Bonds payable	-	14,986,782	14,986,782
Other financial liabilities	511,288	-	511,288
Lease liabilities	222,848	1,166,252	1,389,100
Insurance liabilities	-	1,834,358,983	1,834,358,983
Reserve for insurance with nature of financial instrument	-	3,231	3,231
Reserve for foreign exchange fluctuation	-	12,215,229	12,215,229
Provisions	-	105,138	105,138
Deferred income tax liabilities	-	3,538,615	3,538,615
Other liabilities	280,171	575,349	855,520
Liabilities on insurance product, separated account	-	153,499,517	153,499,517
Subtotal	<u>\$ 18,950,385</u>	<u>2,024,009,573</u>	<u>2,042,959,958</u>

- (e) Related information on discontinued operations: None.
- (f) Advisory fund to securities investment or securities investment trust to operate its management, fund procurement: Note 6(c) ii).
- (g) Information on significant adjustment of important organizations and significant reformation of management policy: None.
- (h) Major influence from the changing of government regulations: None.
- (i) Turnover borrowings due to huge insurance payments: None.
- (j) Operating seasonal: The Company's operation are not affected by seasonal or cyclical impact.

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

(k) Reclassified of financial assets:

Since 2022, the overall financial environment has been affected by unfavorable factors such as the COVID-19 epidemic, supply chain disruptions, and the Russian-Ukrainian War. The international economic situation has changed drastically, and interest rates have risen sharply, causing global inflation, and central banks have raised interest rates to curb inflation. Interest rates have risen beyond the extreme conditions defined by the International Insurance Capital Standards (ICS). The Company's senior management evaluates the internal business model management has changed in terms of the financial structure, solvency, asset and liability management, liquidity, performance and risk management. According to IFRS 9, if an enterprise changes its business model for managing the financial assets, the enterprise may reclassify the financial assets. Therefore, the Company's senior management decided October 1, 2022 as the date of reclassification of financial assets, and reclassified some debt instruments previously recorded at fair value through other comprehensive income to debt instruments measured at amortized cost. After reclassification, other equity increased by \$33,740,959, financial assets measured at amortized cost increased by \$110,645,821, and financial assets measured at fair value through other comprehensive income decreased by \$68,469,622 and deferred income tax assets decreased by \$8,435,240 on October 1, 2022.

The Company's will follow the regulations of Jin-Guan-Pao-Chai No. 11104942741. The changes in the fair value of such reclassified financial assets should be included in the net amount of other equity deduction in the account of Jin-Guan-Pao-Chai No. 11004920441. The amount incurred in the current year shall be provision for special reserve appropriated. If there is a reversal of the net amount of changes in the fair value of financial assets (including disposals) that have been reclassified, the special reserve appropriated may be distributed for the reversed portion.

(Continued)

TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

According to Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the Company should disclose the following significant transactions:

(i) Acquisition of real estate up to 100,000 or 20% of paid-in capital:

Unit: In Thousands of New Taiwan Dollars

Company of acquisition	Property	Triggering date	Transaction price	Status of payment	Counter-party	Relationship	Previous transfer of related party				Price determination and supporting reference materials	Purpose of acquisition	Other commitment
							Owner	Relationship with the issuer	Date of transfer	Amount			
Taiwan Life Insurance Co., Ltd.	Right-of-use assets: No. 188, 188-1 partial household and 46 parking spaces at Jingmao 2nd Road, Nangang District, Taipei City	The board of directors approved the contract in November, 2023. Signed the contract in December, 2023.	381,713	Paid every three months.	CTBC Bank Co., Ltd.	Related parties	Not applicable	Not applicable	Not applicable	-	Appraisal report of real estate appraisers	The Company's offices	None

- (ii) Disposal of real estate up to 100,000 or 20% of paid-in capital: None.
- (iii) Transaction between related parties operating major operating transactions and up to 100,000 or 20% of paid-in capital: please refer to Notes (7) Related-party transaction.
- (iv) Receivables from related parties up to 100,000 or 20% of paid-in capital: None.
- (v) Trading in derivative instruments: Please refer to Notes 6 (c)(i)1), 6 (ae) and 6(af).
- (vi) Business relationships and material transaction between the parent company and subsidiaries:

Unit: In Thousands of New Taiwan Dollars

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions				Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms		
0	Taiwan Life Insurance Co., Ltd.	CTBC Insurance Co., Ltd.	1	Service fee income	15,733	Same as normal transaction		0.007%
0	Taiwan Life Insurance Co., Ltd.	CTBC Insurance Co., Ltd.	1	(Losses) gains on investment property	20,299	Same as normal transaction		0.010%

Note: Serial number is determined as follows:

1. 0 represents parent company.
2. Subsidiaries are numbered in a sequence of Arabic numerals from 1 based on company category.

Note2: Related with transaction parties were as follows:

1. Parent company to its subsidiaries.
2. Subsidiaries to its parent company.
3. Subsidiaries and subsidiaries.

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TAIWAN LIFE INSURANCE CO., LTD.

Notes to the Financial Statements

(b) Related information on investees:

The information on investees of the Company and subsidiaries was as follows:

Unit: In Thousands of New Taiwan Dollars/Thousands of Share

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Net income (losses) of investee	Recognized investment profits(losses)	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying value			
The Company	CTBC Finance Co., Ltd.	Taiwan	Installment leasing, accounts receivable factoring business	-	200,000	-	-	-	(84,797)	(84,797)	Note
The Company	CTBC Insurance Co., Ltd.	Taiwan	Property insurance	23,500,000	18,500,000	200,000	100.00 %	1,216,729	323,732	322,753	
The Company	Wenwan Development Co., Ltd.	Taiwan	Real Estate Leasing	2,625,267	-	242,006	99.00 %	2,582,447	(101,723)	(115,817)	
The Company	HoFa Land Development Co., Ltd.	Taiwan	Premises development and transaction	167,393	167,393	16,488	90.00 %	601,262	291,600	262,436	
The Company	Wu Tzu Development Co., Ltd.	Taiwan	Athletics and recreational sports stadium	4,516,144	4,516,144	433,560	99.44 %	4,206,307	(35,273)	(35,075)	
The Company	Star Shining Energy Co., Ltd.	Taiwan	Energy services company	2,100,000	2,100,000	210,000	30.00 %	2,268,494	496,831	149,049	
The Company	Giga Green Energy Co., Ltd.	Taiwan	Energy services company	477,000	327,000	47,700	30.00 %	500,080	54,484	16,456	
The Company	Top Taiwan IX Venture Capital Co., Ltd.	Taiwan	Venture capital	73,500	98,000	7,350	17.50 %	173,713	279,231	50,122	
CTBC Insurance Co., Ltd. (used name: TLG Insurance Co., Ltd.)	Top Taiwan IX Venture Capital Co., Ltd.	Taiwan	Venture capital	31,500	42,000	3,150	7.50 %	74,448	279,231	21,480	
The Company	Taiwan Wind Investment Co., Ltd.	Taiwan	General investment industry	2,499,806	2,078,102	249,980	42.86 %	2,443,470	93,132	74,450	
The Company	Solarbright Energy Co., Ltd.	Taiwan	Energy Services Company	105,000	105,000	10,500	35.00 %	108,917	9,810	3,434	
The Company	Star Power Energy Co., Ltd.	Taiwan	Energy Services Company	411,000	378,000	41,100	30.00 %	438,099	85,286	25,987	
The Company	Li-Wei Energy Co., Ltd.	Taiwan	Energy Services Company	496,400	496,400	53,134	28.33 %	582,286	165,371	46,691	
The Company	Xinhe Energy Development Co., Ltd.	Taiwan	Energy Services Company	421,250	421,250	42,125	25.00 %	393,747	(43,759)	(24,898)	
The Company	Star Era International Co., Ltd.	Taiwan	Real estate investment and development	60,000	60,000	6,000	20.00 %	59,848	(901)	(180)	
The Company	Aquastar Energy Corporation	Taiwan	Energy Services Company	180,000	180,000	18,000	30.00 %	175,522	(14,457)	(4,337)	
The Company	AcSun Energy Co., Ltd.	Taiwan	Manufacture of Power Generation, Transmission and Distribution Machinery, General investment industry, and Energy Services Company	300,000	-	30,000	30.00 %	311,014	36,703	11,014	

Note: Since CTBC Finance Co., Ltd. was no longer an investee of the Company since August 25, 2023, only the income or loss before the said date will be included.

(c) Information on investment in mainland china:

(i) Information on the name and principal business of the investee company in Mainland China:

As approved by the Investment Commission, Ministry of Economic Affairs, on January 24, 2006, the Company has invested to set up a joint venture in Mainland China, and the core business of the joint venture is focused on life insurance. Junlong Life Insurance Co., Ltd., the joint venture of the Company and Xiamen C&D Inc., was established in Xiamen City, Fujian Province of Mainland China, and received approval for an insurance company corporate license from the China Insurance Regulatory Commission on September 28, 2008. As of December 31, 2023, the Company had invested and remitted to the joint venture USD26,724 thousands and RMB870,000 thousands.

Unit: In Thousands of New Taiwan Dollars

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Profit or loss of the investee company	Percentage of ownership	Investment income	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Junlong Life Insurance Co., Ltd.	Life insurance	RMB 2,100,000	(Note 1)	3,359,356	1,299,870	-	4,659,226	(758,392)	50.00%	(383,248) (Note 2)	2,685,106	-

Note 1: Direct investments in Mainland China.

Note 2: According to the financial statements of the investee audited by a CPA.

Note 3: Please refer to Note 6 (d)(ii) for information of investments accounted for using equity method.

1) Fund allocation and related profit or loss:

As of December 31, 2023, Junlong Life Insurance Co., Ltd. had allocated its funds to bank deposits, investment securities, derivative instruments, and policy loans amounting to \$28,622,567. The investment gains for the year ended December 31, 2023 was amounted to \$1,136,481.

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TAIWAN LIFE INSURANCE CO., LTD.
Notes to the Financial Statements

- 2) In accordance with the relevant accounting treatment regulations of insurance contracts, unearned premium reserves of life insurance contracts are presented as life insurance reserves and long-term health insurance reserve; reserves of non-life insurance contracts are presented as unearned insurance reserve and outstanding losses reserve.

a) Unearned insurance reserve:

The measurement of unearned insurance reserve should consider the influence of reasonable estimation of liabilities, marginal factors and the time value of money.

- i) Reasonable estimation of liabilities - A reasonable estimate of the expected future net cash flow.
- ii) Marginal factors-
 - 1. Risk margin - Reserves drawn to reflect the uncertainty of expected future cash flow;
 - 2. Residual margin - If there is a reserve drawn due to the first day's profit on the initial confirmation date of the insurance contract, it shall be amortized throughout the insurance period. If there is a loss on the first day, it shall be recognized as current profit or loss.
- iii) Time value of money- The discount rate used for measuring time value.

b) Outstanding losses reserve:

Outstanding losses reserve includes outstanding losses reserve that has occurred and has been reported, has occurred and has not been reported and reserves of claim expense.

- i) Outstanding losses reserve that has occurred and has been reported: Using Case-By-Case Estimating Method and considering marginal factors.
- ii) Outstanding losses reserve that has occurred and has not been reported: Using chain ladder method and B-F method.
- iii) Reserves of claim expense: Using chain ratio method and considering marginal factors.

	<u>December 31, 2023</u>
Unearned insurance reserve	\$ 21,017,643
Outstanding losses reserve	<u>3,078</u>
	<u>\$ 21,020,721</u>

- 3) Percentage of premium revenue of the Company: 7.46%
- 4) Percentage of insurance claim payment of the Company: 1.50%
- 5) The pricing, payment conditions, and unrealized profit and loss of significant transactions with the investee in China or through the third area directly or indirectly:
 - a) Amount, ratio and ending balance of relevant receivables and payables of core business items such as an insurance policy for which the policy holder is the investee: None.
 - b) Amount and profit and loss of property transaction: None.
 - c) The highest balance, ending balance, interest rate range, and current interest amount of financing: None.
 - d) Other significant transactions which would influence current profit and loss or financial position, such as the rendering or receiving of services: None.
- 6) The name of and premium revenue (expense) from reinsurance business counterparties which are branches of foreign insurance companies located in China or branches of Chinese insurance companies: None.
- 7) Name of and premium revenue from significant insurance business with Chinese persons, legal entities, and groups located overseas: None.

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TAIWAN LIFE INSURANCE CO., LTD.
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(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment commission, MOEA
4,659,226	4,659,226	85,089,640

(iii) Significant transactions with investee companies in Mainland China: None.

(14) Segment information:

For the information on segment reporting, please refer to the consolidated financial statements of the Company.