CTBC HOLDING

TAIWAN LIFE

2024 ANNUAL REPORT

Stock code: 2833
Printed on Feb. 28, 2025
https://www.taiwanlife.com
https://mops.twse.com.tw

Sanchong World Trade Park, Taipei, Taiwan

We transformed a 12,000m² area into Taiwan's first fern park, home to over 100 native plant species. This park has become a sanctuary for biodiversity, reflecting our commitment to sustainable finance. By nurturing the environment, we're not only protecting nature but also investing in a greener future for generations to come.

I. The Company's spokesperson and acting spokesperson

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3. Acting spokesperson: Shu-Mei Su
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II. Address and telephone of the head office and branches

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   (1) Taipei Branch: 2F, No. 50, Sec. 1, Zhongxiao W. Rd., Zhongzheng District, Taipei City
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   (3) Taichung Branch: 13F-1, No. 88, Sec. 1, Huizhong Rd., Xitun District, Taichung City
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III. Stock transfer agency

Name: CTBC Bank Stock Affairs Department
Address: 5F, No. 83, Sec. 1, Chongqing S. Rd., Taipei City
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IV. CPA who audited the financial statements for the most recent year

Name: Pei-Ju Tsai, Chun-Kuang Chen
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V. Name of trading site for securities listed overseas and how to search for the said overseas securities: None

VI. Company website:

https://www.taiwanlife.com/

Contents

ONE. Letter to Shareholders

I. Business Results in the Previous Year

(I) Implementation results of the 2024 Business Plan

Although Taiwan life Insurance was affected by the US Federal Reserve's interest rate fluctuations in 2024, limiting potential bond capital gains and increasing hedging costs, we have nevertheless taken advantage of stock market opportunities to timely realize capital gains. The significant depreciation of the Taiwan dollar against the US dollar has also led to an increase in the valuation of our foreign currency assets when converted into Taiwan dollars, effectively increasing the value of our total assets to NT$2.29 trillion, an increase of NT$82.35 billion compared to 2023. Taiwan Life Insurance's net profit after tax in 2024 reached NT$21.47 billion, an increase of NT$9.09 billion compared to 2023. Our return on equity (ROE) was 14.07%, leading among major peers in our industry.

In terms of business performance, Taiwan Life Insurance collected NT$48.8 billion in premium income from new contracts in 2024. In particular, we have continued improving our bancassurance presence in Government-owned banks, placing us third in the industry for premium income from new contracts, while also actively expanding the scale of our sales agent channels, with premium income from new contracts increasing by 35% for our sales agent channels. Through a customer centric approach, Taiwan Life Insurance has sought to provide innovative digital services that care for the customer. We have leveraged smart business support tools to provide efficient automated insurance agent services, and attach great importance to customer needs and social trends when developing new products, establishing a complete product line. As a pioneer in the industry, we were the first to build a healthcare service integration platform, creating a one-stop service integration platform. In addition to providing insurance products that protect customers, we are also able to satisfy the health and retirement needs of policyholders, demonstrating the results of our efforts to create digital services that care for the customer. Our business performance report is as follows:

1. In 2024, first-year premiums amounted to NT$48.8 billion, a decline of 1% compared to the previous year: Due to recovering market demand for investment-linked products, sales grew by 50% compared to the previous year, higher than the industry growth rate.
2. Total premiums in 2024 amounted to NT$145.8 billion.

(II) Execution of the 2024 Budget

Taiwan Life Insurance's net income after tax in 2024 was NT$21.47 billion, an increase of NT$9.09 billion, or 73%, compared to 2023. Despite the fluctuations in the US interest rate, resulting in reduced capital gains from bonds and an increase in hedging costs, the Company has nevertheless taken advantage of market opportunities to timely realize our capital gains. We achieved a return on equity (ROE) of 14.07% and a return on assets (ROA) of 1.00%, leading among major peers in our industry.

(III) Financial income and expenditure and profitability analysis

1. Consolidated total assets: NT$2,286.4 billion.
2. Consolidated net income after tax: NT$ 21.47 billion
3. Earnings Per Share: NT$3.45; EPS before applying reserve for foreign exchange fluctuation were NT$4.04.

(IV) Research and development status

1. Products
   (1) Traditional products: In response to changes in market demand and regulations, the Company has continued to promote sales of insurance protection products and to develop new products in response to customer needs, providing customers with a wide variety of insurance protection choices denominated in multiple currencies. We have continued to develop various health-promoting products, in line with health promotion measures, and encouraged our policyholders to actively manage their own health, helping to improve public health while also enhancing the Company’s income stability. Additionally, in line with fair customer treatment principles and in order to take care of the disadvantaged, Taiwan Life Insurance has continued to promote insurance policies for people with pre-existing conditions exclusively for specific groups, and provided online sales channels for purchasing micro insurance policies online, making insurance purchase more convenient. Fulfilling all insurance needs of the public, creating co-benefits for policyholders, society, and the insurance company.
   (2) Investment-linked products: In response to increasing market volatility and customer wealth management needs, the Company has continued to develop guaranteed benefit products, discretionary investment-linked product strategies, and new type of products which fit our product strategies, in order to enhance monitoring of investment risks and improve funding flexibility to effectively diversify investment risks. Also, investment strategies will elevate efforts to promote ESG (Environmental, Social, Governance) and sustainability, in order to satisfy customer demand for more diversified investment options and to fulfill our corporate social responsibility.
2. Service
   (1) Through a customer centric approach, Taiwan Life Insurance has sought to provide innovative digital services that care for the customer. We have leveraged smart business support tools to provide efficient automated insurance agent services, and have established a "Foreseeable Insurance Advisor Function" on our official website, allowing customers to access our one-stop digital services anywhere and

anytime. Additionally, we have also created a unique Smart AI Verification of Elderly Voice Recordings system by adopting AI learning to provide exceptional service experiences, demonstrating the results of our efforts to create digital services that care for the customer.

(2) To deliver the best customer experience and optimize claims services, Taiwan Life developed the first "AI Platform for Claims" and launched five digital claims application services: "E-Pay Snap n'Transfer," "ibon Convenience Store Claim," "Claims Alliance Chain/E-Claims for Medical Insurance Claims," "Collection of No-Claim Rebates via QR Code," and "Mobile Claim Settlement App," which greatly enhance claims efficiency and customer satisfaction.

(3) In 2024, Taiwan Life Insurance won 76 awards in various fields, and has been ranked among the "Brand Finance Insurance 100", for eight consecutive years by Brand Finance, UK. We have also obtained multiple patents in Taiwan, accumulating a total of 33 patents as of 2024.

3. Sustainability

(1) Taiwan Life Insurance has fully utilized the influence of sustainable financial investing, investing into multiple sustainability projects related to solar power generation, power storage equipment, sewage treatment, and offshore wind power generation. We are also the first Taiwanese insurance company to have participated in project financing for offshore wind power generation, and have provided syndicated loans for multiple offshore wind power projects. As of 2024, our total domestic and overseas sustainable financial investments amount to NT$71.1 billion.

(2) Taiwan Life Insurance monitors the ESG performance of investee companies through engagement and attending board of director’s meetings, doing our part for the Earth. For 3 consecutive years (from 2022 to 2024), we have been included by the Taiwan Stock Exchange on the List of Institutional Investors with Better Performance on Information Disclosure Stewardship.

(3) Taiwan Life has won many major awards on ESG investment. We won 2 major awards, the Sustainable Investment gold award and the Impact Investing silver award, in the Taiwan Sustainable Investment Awards Case Impact category. Won six major awards at the Taiwan Sustainability Action Awards and Asia Pacific Sustainability Action Awards. Received "Renewable Energy M&A Deal of the year, Taiwan" and "Renewable Energy M&A Deal of the year, Global" in The Asset's Triple A Sustainable Infrastructure Awards.

II. Business Plan Summary for the Current Year

(I) Business plans for the current year

Taiwan Life Insurance continually strengthens asset-liability management and establishes required systems in line with IFRS 17 and the new insurance solvency standard, establishing optimal business and investment strategies. We have expanded sales of our value-based products (insurance, foreign currency, and investment-linked products), in order to strengthen our fundamental profit base and increase our capital.

(II) Business goals for the current year

Continue to improve and stabilize profitability, increase the Company's long-term value, and establish the most appropriate operational and investment strategies to improve the Company's long-term ability to earn stable profits.

(III) Key business policies for the current year

1. In response to the adoption of IFRS17 and the new insurance solvency standard, Taiwan Life Insurance will formulate optimal operational and investment strategies to strengthen our fundamental profit base.
2. Enhanced the New Core System for customer services and information, established middle-end platform for sales and digital services, and built infrastructure for adopting new technologies to reduce capital risks, improving the customer experience and improving operational efficiency.
3. Focus on a sustainable development approach for the insurance industry and continue to promote sustainability for Taiwan Life Insurance in order to implement a low carbon transition and social development impact.
4. Based on Taiwan Life Insurance's risk appetite, establish risk limits and management targets for each major risk, regularly monitor these risks, and implement procedures for handling cases where these limits are exceeded.

III. Future Company Development Strategy

Taiwan Life Insurance will continue to strengthen our fundamental profit base, and become the most robust insurance company recommended by customers.

(I) Continue to strengthen fundamental profit base, and grow the Company's long-term profits.

1. Expand sales of value-based products (insurance, foreign currency, and investment-linked products), in order to enhance our fundamental profit base and increase capital.
2. Create advantages by offering differentiated products and services, continue designing medical technology products which meet the needs of our customers, promote health, and are suitable for the elderly. Provide services able to meet customer needs for health and elderly care products, in order to increase premium revenues and mortality savings.
3. Adjust optimal asset allocation based on market conditions, weigh investment returns and risks, and improve capital utilization efficiency. Expand scope of industrial and individual stock research, explore potential investment opportunities, and improve investment returns.
4. Implement a dynamic asset-liability management mechanism to reduce fluctuations in net worth.

(II) Continue improving infrastructure to offer the best possible customer experience across the entire customer journey, and to facilitate an IT transformation while launching the complete New Core System, creating optimal operational efficiency.

Customer service:

1. Continue to be customer centric, manage customer experience for each customer touchpoint, and continue optimizing service quality and efficiency based on customer feedback.
2. Continue expanding the use of digital tools and incorporating smart technology elements to strengthen underwriting and claims risk management. Continue improving the customer experience and operational efficiency through using digital tools.
3. In response to the current aging society and customer needs, we have implemented an "insurance + service" model to provide customers with extended value-added health services, in order to meet diverse customer needs.

Information:

1. Continue perfecting the information framework transition and enhancing IT competitive capabilities, in order to support business expansions and operational stability.
2. Through the implementation of the New Core System, optimize customer service efficiency, accelerate support for new businesses, and ensure uninterrupted services and customer rights protection.
3. Continuously implement new technologies to reduce information security risks, improve the ability to apply security technologies, and strengthen defenses.

(III) Promote dual pillars for ESG development, continuing to exert our influence as Taiwan Life Insurance.

1. In order to achieve the Group's 2050 net zero emissions targets, and pursuant to the science-based targets (SBT) set by the Holding Company, commit to backing out of investments into high carbon emitting industries, reducing the environmental impact of our investments, exerting and expanding our influence as an institutional investor.
2. In line with the UN's Sustainable Development Goals (SDGs), continue promoting and developing sustainable insurance product services and low-carbon products, and expanding our sustainable financial services and the contributions made by our products, in order to fulfill our social responsibilities and exert the influence of sustainable insurance.

(IV) Continue to strengthen the link between risk and solvency assessment mechanisms and business goals, investment and business plans, and capital and risk management. Conduct risk analyses which take into consideration our business strategy, investment and business plans, and external market conditions, in order to improve management of our risk appetite.

IV. Impacts Due to the Competitive Environment, Regulatory Environment, and Overall Business Environment

(I) Taiwan is expected to adopt IFRS 17 in 2026, along with the new insurance solvency standard. In order to continue optimizing our asset-liability management, and further adjust our actuarial, accounting, and data systems on a rolling basis, minimizing the changes to our profitability and net value after these new standards are adopted, we have established optimal operational and investment strategies and expanded sales of value-based products (insurance, foreign currency, and investment-linked products). This has allowed us to strengthen our fundamental profit base and capital. Taiwan Life Insurance possesses innovative product design capabilities, and we have continued to focus on developing medical technology, health promotion, and elderly-related products that meet customer needs. Paired with healthcare services, our offerings satisfy customer health and retirement requirements in order to increase premium income and mortality savings.

(II) In line with internal and external regulations, we have weighed our risk capital, increased returns, and flexible allocated our investments across domestic and international targets, mainly focused on investments into high-credit rating instruments and defensive industries, while also investing into individual high investment value and growth stocks when appropriate. We adjust our hedge ratio and the terms for our hedging tools based on market conditions in order to reduce the impact of interest rate fluctuations, with a focus on controlling exchange rate gains and losses, in order to maintain our leading position in the industry. In terms of real estate investment, we have continued to promote major development projects and participate in more new high-return projects in order to create stable profits.

(III) The competent authorities and international trends have continued to focus on ESG topics, leading to companies placing a greater emphasis on corporate sustainability. Taiwan Life Insurance has adhered to CTBC Financial Holding’s “TRUST” commitment when planning our sustainability blueprint for the future, establishing a fundamental framework for sustainability in the insurance industry. The “TRUST” commitment refers to “Transparency”, “Responsibility”, “Understanding”, “Satisfaction”, and “Together”.

<u>Chairman</u>

Shu-Po Hsu

TWO. Statement on Internal Control

Taiwan Life Insurance Co., Ltd.

Statement on Internal Control

The Company conducted an internal audit of its internal control system from January 1, 2024 to December 31, 2024, and hereby declares the following:

I. The Company acknowledges and understands that the establishment, enforcement and management of the internal control system are the responsibility of the Board of Directors and management, and that the Company has already established such a system. The purpose of the internal control system is to reasonably ensure the attainment of business, financial reporting, and compliance goals. Business goals pursue the effectiveness and efficiency of operations, including profits, performance, and the protection of asset safety. Financial reporting goals pursue the reliability of financial reporting. Compliance goals pursue compliance with related laws and regulations. The compliance system is a part of the internal control system for achieving compliance goals. Financial records and statements are prepared in accordance with the Insurance Act and related regulations. The basis for preparation is consistent and part of the outcome of the internal control system for financial reporting.

II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.

III. The Company determines whether or not the design and implementation of its internal control system is effective based on the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises (hereinafter referred to as the "Governing Regulations") promulgated by the Financial Supervisory Commission (FSC). The determination above is based on items set forth in the Regulations for determining the effectiveness of the internal control system. The internal control system is divided into five elements: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communications, and 5. monitoring activities. Each of the elements in turn contains several determinating items. Please see the "Implementation Regulations" for the aforesaid items.

IV. The Company has examined the effectiveness of its design and execution against the criteria above for an internal control system.

V. Based on the results of the examination in the preceding paragraph, the Company believes that the design and execution of the internal control system (including operations, financial reporting, overall implementation status of information security, and compliance) for the aforesaid period, except for the matters listed in the table, was able to reasonably ensure that the Board of Directors and managers are aware of the progress of business goals, and that financial reporting and compliance goals are achieved. The Company also believes that the financial records and statements were prepared in accordance with the Insurance Act and related regulations, and that the basis for preparation is consistent and the records and statements are correct.

VI. This Statement will become a main part of the Company's annual report and prospectus. Any illegal misrepresentation or omission relating to the public statement above is subject to the legal consequences under Articles 20, 32, 171, and 174 of the Securities and Exchange Act or other regulations related to the Insurance Act.

VII. This statement has been passed by the Company's Board of Directors on February 27, 2025.

To

Financial Supervisory Commission

Declarers: Taiwan Life Insurance Co., Ltd.

Chairman: Shu-Po Hsu

President: Chung-Ching Chuang

Chief Auditor: Chang-Yun Chou

Chief Compliance Officer: Shih-Chun Lin

Chief Information Security Officer: Chung-Chieh Chan

February 27, 2025

Attached Table:

Issues and corrective actions for Taiwan Life Insurance Co., Ltd. internal control system statement

As of Dec. 31, 2024

Issue for improvement	Corrective actions	Target completion date
1.The 2022 FSC limited-scope examination of Taiwan Life's use of insurer's funds in special projects found the deficiencies listed below. An administrative fine of NT$3 million was imposed on May 16, 2024. (1) The pre-investment evaluation and consultant mandate processes were improper. (2) The fee reimbursement processes for joint bidding with other companies were improper.	(1) Relevant policies and procedures were revised to enhance process controls. (2) Relevant policies and procedures were revised to specify consultant mandate processes.	Completed
2.The 2024 FSC limited-scope examination of a fraudulent insurance claim involving one of Taiwan Life's employees in response to a material contingency reported by Taiwan Life found the deficiencies listed below. An administrative fine of NT$7.2 million was imposed on Feb. 20, 2025. (1) Internal controls for an effective claims process had not been established according to internal control principles, and the case closure filing and scanning control procedures were not properly implemented. (2) The internal control procedures for billing and accounting were not properly implemented. (3) The internal control procedures for material contingency reporting were not properly implemented.	(1) Relevant policies and procedures were revised and the review mechanism was strengthened. (2) The checking and random inspection processes were enhanced. (3) The reporting process for material contingencies was reiterated to the legal	(1)(2) Specific improvement measures regarding (1) and (2) were submitted to the FSC on Feb. 17, 2025. (3) Completed

	compliance officers of all units in the company.	
3.The 2023 FSC full-scope examination of CTBC Insurance found that some compulsory automobile liability insurance claims were not processed in accordance with regulations. An administrative fine of NT$600,000 was imposed on May 7, 2024.	Relevant policies and procedures were revised and management was strengthened.	Completed

THREE. Capital Overview

I. Dividend Policy and Implementation Status

(I) Dividend policy:

The Company's dividend policy is specified in Article 38-1 of the Articles of Incorporation: "The Company is a subsidiary of CTBC Financial Holding Co., Ltd., and the distribution of dividends to ordinary shareholders shall primarily be in cash in response to the parent company's requirements on working capital, while maintaining the Company's capital adequacy ratio at a reasonable standard. The Company maintains a stable and balanced dividend policy for dividends distributed each year. The dividend policy in the preceding paragraph is only a principle, and the Company may determine the most suitable dividend policy based on its actual operations in the current year and budget plans for the following year. The Company, after having paid all taxes and completed the accounting adjustments for the fiscal year according to the financial accounting standards, shall first make up the deficit for previous years, and then allocate 20% as a legal reserve. However, this is not required if the amount of legal reserve has reached the Company's total capital. After the Company allocates the legal surplus reserve as is required by law, it shall allocate or reverse the special surplus reserve as is required by law. The Board of Directors shall prepare the dividend distribution proposal for the remaining amount along with undistributed earnings at the end of the period and submit the proposal to the shareholders' meeting for approval."

(II) Execution:

As of the date of report, the 2024 dividend distribution proposal had not been approved by the Board of Directors and by the Board of Directors on behalf of the shareholders' meeting.

(III) Expected material changes: None.

II. Effect of the Proposed Stock Dividends (To Be Adopted by the Shareholders' Meeting in 2025) on the Company's Operating Performance and Earnings per Share

Not applicable because the Company has not disclosed complete financial forecasts for 2025.

III. Remuneration to Employees, Directors and Supervisors

(I) Percentage or scope of remuneration to employees, directors and supervisors provided in Company's Articles of Incorporation

Article 38 of the Company's Articles of Incorporation: "If the Company has a profit, it shall allocate 0.05% as employee bonuses. However, if the Company has any accumulated losses, these losses shall be made up first.” The Articles of Incorporation do not stipulate any percentage or range for director’s and supervisor’s remuneration.

(II) Basis for estimating the amount of remuneration of employees, directors and supervisors, basis for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period.

Pursuant to the Company's Articles of Association, if the Company has a profit, it shall allocate 0.05% as employee bonuses. However, a sum shall be set aside in advance to pay down any outstanding cumulative losses. Employee bonuses are estimated based on the amount of net income before tax and before deducting employee bonuses, multiplied by the percentage to be distributed as employee bonuses specified in the Articles of Incorporation, and are recognized as operating expenses. Related information is available on the Market Observation Post System. If there is a discrepancy in the actual amount distributed and the amount estimated, it will be handled as a change in accounting estimates, and the effect of the change will be recognized as income or loss in the following year.

(III) Distribution of remuneration passed by the Board of Directors

The Board of Directors adopted the resolution to distribute NT$11,801,437 in employee remuneration for 2024, NT$0 of which were distributed as shares, on behalf of the shareholders' meeting on March 28, 2025. Remuneration of directors is NT$0. There was a discrepancy of NT$19,878 compared to the estimate, due to the difference between the amount of net income before tax that was audited and in the final accounts. The difference was recognized as income (losses) for 2025.

(IV) Actual distribution of employee bonuses and remuneration of directors and supervisors in the previous year (including dividend shares, amount and stock price), discrepancies, if any, from the amount of employee bonuses and directors and supervisors' remuneration previously recognized, and the causes and treatments for the discrepancies

The Company's Board of Directors adopted the resolution to distribute NT$5,652,675 in employee remuneration for 2023, NT$0 of which were distributed as shares, on behalf of the shareholders' meeting on March 29, 2024. Remuneration of directors is NT$0. There was a discrepancy of NT$253,061 compared to the estimate, due to the difference between the amount of net income before tax that was audited and in the final accounts. The difference was recognized as income (losses) for 2024.

FOUR. Business Overview

I. Business Activities

(I) Business scope

1. Major business activities

Taiwan Life Insurance is engaged in the sales of life insurance policies and related products. Through specific underwriting processes, the Company sells insurance products to proposers through bancassurance, agents, brokers, and the Internet.

2. Revenue Breakdown

Unit: NTD million

Item	Premium income in 2024	Percentage (%)
Life Insurance	111,445	76.42
Health insurance	24,005	16.46
Annuity insurance	7,973	5.47
Accident insurance	2,410	1.65
Total premium income	145,833	100.00

(II) Industry overview

The US Federal Reserve began cutting interest rates in September 2024, leading the interest rate market into a monetary easing cycle, and allowing insurance products to recover and become competitive with other wealth management financial products. In consideration of customer needs for both financial management and insurance products, sales of foreign-currency denominated wealth management and investment-linked products are expected to gradually recover and grow as the economy stabilizes.

With advancements in medical technology and rising health awareness, average life expectancy in Taiwan has grown, leading to a rapid increase in the elderly population for Taiwan. As the elderly make up a continuously increasing share of the population, Taiwan is expected to become a super-aged society in 2025 when the elderly population share exceeds 20%. This has led to increased domestic demand for insurance protection and retirement planning, with demand for long-term care insurance, medical care insurance, and retirement planning annuity insurance products expected to continue growing in the future.

With the development of AI technology, the application of digital technologies for use in insurance has become an important development focus for insurance companies. The competent authorities have also relaxed regulations to encourage cross-industry collaborations between insurance and FinTech companies, creating more service scenarios, customer touchpoints, and further increasing insurance product sales. Additionally, life insurance companies have also actively looked for potential cross-industry collaboration opportunities, building a health management and elderly care service ecosystem able to provide more extended insurance services. This ecosystem is able to increase customer interaction and improve customer stickiness, which is expected to increase insurance sales.

(III) Overview of Technology and R&D

1. R&D progress, outcomes, and future outlooks

(1) In response to the adoption of IFRS 17 and the new insurance solvency standard, Taiwan Life Insurance has continued to adjust our business structure and accumulate long-term operating value. We have placed an emphasis on developing new products to meet customer needs in line with current social trends and on establishing a complete line of products, in order to maintain our industry lead in bancassurance sales. Taiwan Life Insurance has led the industry in building a healthcare service integration platform with the “insurance + service” model, creating a one-stop service integration platform. In addition to providing insurance products that protect customers, we also strive to satisfy the health and retirement needs of policyholders.

(2) Taiwan Life Insurance is customer centric, and has focused on providing digital services which care for the customer. We have proactively developed an innovative and diverse range of insurance products as we continue to expand and optimize our efforts to treat customers fairly. At the same time, we have leveraged smart business support tools to provide efficient automated insurance agent services, and have established a "Foreseeable Insurance Advisor Function" on our official website, allowing customers to access our one-stop digital services anywhere and anytime. Additionally, we have also created a unique Smart AI Verification of Elderly Voice Recordings system by adopting AI learning to provide exceptional service experiences, demonstrating the results of our efforts to create digital services that care for the customer.

(3) To deliver the best customer experience and optimize claims services, Taiwan Life Insurance developed the first "AI Platform for Claims" and launched five digital claims application services: "E-Pay Snap n'Transfer," "ibon Convenience Store Claim," "Claims Alliance Chain/E-Claims for Medical Insurance Claims," "Collection of No-Claim Rebates via QR Code," and "Mobile Claim Settlement App," which greatly enhance claims efficiency and customer satisfaction.

(4) In 2024, Taiwan Life Insurance won 76 awards in various fields. We have also been listed on the Brand Finance Insurance 100 list for eight consecutive years by Brand Finance, UK. We have also obtained multiple patents in Taiwan, accumulating a total of 33 patents as of 2024.

2. Future research and development plan

(1) For the future adoption of IFRS 17 and the new insurance solvency standard in 2026, Taiwan Life Insurance has continued to strengthen our asset-liability management, and establish required systems and operational management measures.

(2) In terms of product design, we have continued to focus on developing medical technology, health promotion, and elderly-related products that meet customer needs. Paired with value-added LOHAS-related services, our products aim to satisfy customer health and retirement needs in order to create differentiation advantages and increase premium income and mortality savings.

(3) Through our commitment to being customer centric, we have approached business operations from a customer perspective, and brought together the Group's digital development advantages to continue implementing our digital transition. We have transformed our digital sales and service journey, proactively building digital infrastructure and implementing process improvements which have continuously improved the customer experience and our operational efficiency.

(4) Taiwan Life Insurance refines its information architecture. We built a business and data service middle desk to support digital operations, as well as completed the establishment of a New Core System to optimize customer service efficiency and accelerate new business support. We also continue to deploy novel technologies to lower information security risks, improve the ability to apply security technologies, and strengthen defenses.

(IV) Long- and short-term business development plans

1. Short-term business development plans

(1) Strengthen the Company's long-term fundamental profit base:

A. Operations: Focus on sales of value-added products, and increase sales for foreign currency, insurance, and investment-linked products in order to strengthen the Company's fundamental profit base in the long term.

a. Products: Fill product gaps and develop innovative new products to increase sales of new contracts. Control loss ratio for existing products.

b. Sales channels: For our own distribution channels, we shall continue to improve sales agent productivity and expand our sales team. Improve sales and service capabilities of external distribution channels, further develop partnerships with our existing bancassurance channels, and actively develop relationships with new bancassurance partners with sales potential.

c. Services: Develop a health care ecosystem, continue to expand the services offered by our one-stop service integration platform, and plan institutional elderly care projects in order to increase customer stickiness and further enhance insurance sales and mortality savings.

B. Investment: Assess risk capital and rate of return, plan an optimal investment portfolio, and make adjustments.

a. Adjust bond positions based on market interest rates, and mainly focus on investing into high-credit rating instruments and defensive industries, while also investing into individual high investment value and growth stocks when appropriate in order to increase investment returns.

b. In response to fluctuations in the foreign exchange market, make appropriate adjustments to the hedge ratio and the terms for hedging instruments in order to control hedging costs.

c. Continue participating in more high-return real-estate projects, and advance property development projects as scheduled.

C. Adoption of international standards (IFRS 17 and the new insurance solvency standard):

Established plans to adopt asset accounting reclassification and optimize dynamic asset-liability management mechanisms in 2026, in order to reduce net asset volatility after adopting the new standards.

(2) Strengthen infrastructure, enhance customer experience, and increase operational efficiency:

A. Customer service:

a. Focus on customer management and construct a customer database to understand the needs of different customer groups.

b. Improve risk management, expand use of automation and AI tool applications, and enhance insurance policy service quality and efficiency in order to provide an optimal customer experience.

B. Information:

a. Continue perfecting the information framework transition, creating a sales and data services middle end to support digital operations.

b. Complete implementation of the New Core System, optimize customer service efficiency, accelerate support for new businesses, and ensure uninterrupted services and customer rights protection.

c. Continuously implement new technologies to lower information security risks, improve the ability to apply security technologies, and strengthen defenses.

(3) Continue adhering to the sustainability strategy of our parent company CTBC Holding, and continue promoting the dual pillars for ESG development:

A. Achieving the low-carbon transformation: In response to potential climate change risks and opportunities, continue reviewing and evaluating our investment financing allocations and plans. Reduce carbon emissions derived from our investment and financing portfolio through a climate risk quota adjustment mechanism. Additionally, we will continue research and investment into green industries, and invest financial resources to support sustainability transitions through engagement.

B. Develop social influence: By continuing to improve our corporate sustainability knowledge, developing sustainable insurance products and services, and adhering to fair customer treatment principles, we have focused on health promotion, active aging, and caring for the disadvantaged. We have integrated these efforts with our sales channel operations, customer services, and industry-academia collaborations to implement inclusive finance and expand our sustainability influence.

(4) We have established risk limits based on our risk appetite for each of our main risks. These limits are regularly monitored, and measures have been implemented to handle cases where limits are exceeded. In particular, the first monitoring indicator is the Risk-Based Capital (RBC) ratio, where our risk management target is to have a ratio of 250% or higher. The second monitoring indicator is the net worth ratio, where our risk management target is to have a ratio of 3% or higher. These risk limits are based on the risk appetite for each of our main risks, and are regularly monitored, with measures implemented to handle cases where limits are exceeded.

2. Long-term business development plans

Continue to strengthen our fundamental profit base, and become the most robust insurance company recommended by customers:

(1) Continue to strengthen fundamental profit base, and grow the Company's long-term profits.

A. Expand sales of value-based products (insurance, foreign currency, and investment-linked products), in order to enhance our fundamental profit base and increase capital.

B. Create advantages by offering differentiated products and services, continue designing medical technology products which meet the needs of our customers, promote health, and are suitable for the elderly. Provide services able to meet customer needs for health and elderly care products, in order to increase premium revenues and mortality savings.

C. Adjust optimal asset allocation based on market conditions, weigh investment returns and risks, and improve capital utilization efficiency. Expand scope of industrial and individual stock research, explore potential investment opportunities, and improve investment returns.

D. Implement a dynamic asset-liability management mechanism to reduce fluctuations in net worth.

(2) Continue improving infrastructure to offer the best possible customer experience across the entire customer journey, and to facilitate an IT transformation while launching the complete New Core System, creating optimal operational efficiency.

Customer service:

A. Continue to be customer centric, manage customer experience for each customer touchpoint, and continue optimizing service quality and efficiency based on customer feedback.

B. Continue expanding the use of digital tools and incorporating smart technology elements to strengthen underwriting and claims risk management. Continue improving the customer experience and operational efficiency through using digital tools.

C. In response to the current aging society and customer needs, we have implemented an "insurance + service" model to provide customers with extended value-added health services, in order to meet diverse customer needs.

Information:

A. Continue perfecting the information framework transition and enhancing IT competitive capabilities, in order to support business expansions and operational stability.

B. Through the implementation of the New Core System, optimize customer service efficiency, accelerate support for new businesses, and ensure uninterrupted services and customer rights protection.

C. Continuously implement new technologies to lower information security risks, improve the ability to apply security technologies, and strengthen defenses.

(3) Continue promoting the dual pillars for ESG development:

A. In order to achieve the Group's 2050 net zero emissions targets, and pursuant to the science-based targets (SBT) set by the Holding Company, commit to backing out of investments into high carbon emitting industries, reducing the environmental impact of our investments, and exerting and expanding our influence as an institutional investor.

B. In line with the UN's Sustainable Development Goals (SDGs), continue promoting and developing sustainable insurance product services and low-carbon products, and expanding our sustainable financial services and the contributions made by our products, in order to fulfill our social responsibilities and exert the influence of sustainable insurance.

(4) Continue to strengthen the link between risk and solvency assessment mechanisms and business goals, investment and business plans, and capital and risk management. Conduct risk analyses which take into consideration our business strategy, investment and business plans, and external market conditions, in order to improve management of our risk appetite.

II. Market Analysis

(I) Sales and provision areas of major products and services: Taiwan.

(II) Market share, future supply and demand and market growth

1. Market share

In 2024, the Company's market share of the First-Year-Premium market was 5.8%.

2. Supply side

There are 21 life insurance companies in the domestic market. In 2024, as the Taiwan dollar remained relatively weak and the stock market continues to grow, insurance operators nevertheless continued to face cash outflow management issues. However, as life insurance companies adjusted the declared interest rates for their variable-interest products, along with interest rate cuts beginning to be implemented by the US Federal Reserve in September 2024, the interest rate market entered a monetary easing cycle, allowing insurance products to recover and become competitive with other wealth management financial products. Premiums from new insurance contracts have begun growing again after a previous period of decline, and the number of contract terminations has gradually stabilized. Overall, life insurance products remain an important financial product for meeting the wealth management and insurance protection needs of customers. Additionally, in order to smoothly transition into adopting new international accounting and supervisory standards in 2026, insurance companies have continued to focus mainly on selling foreign currency, insurance protection, and investment-linked products, in order to enhance their profit stability.

Life insurance companies have also flexibly adjusted declared interest rates for their traditional insurance products based on investment market conditions in order to maintain product competitiveness. For investment-linked products, we have sought to provide our policyholders with more stable investment-linked products in compliance with the regulatory requirements of the competent authority on improving investment targets, disbursement mechanisms, and value-added rewards. For insurance protection products, in response to the aging society and advancements in medical technology leading to higher medical costs and a growing number of out-of-pocket medical care items, as well as new regulations coming into effect on October 2024 where insurance companies are only allowed to sell medical insurance products that pay out only up to the amount required for the covered medical treatment and which require an original medical receipt, each insurance company has launched new insurance protection products able to satisfy the diverse needs of customers in compliance with these changes to government laws and regulations.

The domestic life insurance market is highly competitive, and the low levels of differentiation between products often lead to product price competition. Insurance is also a financial product with relatively low customer contact frequency. Therefore, with the rise in health awareness domestically, life insurance companies have begun to integrate insurance products with value-added health services, building a cross-industry ecosystem and creating differentiated business characteristics that help to improve customer contact frequency and customer stickiness, further increasing insurance product sales.

3. Demand side

In 2024, new contract premiums collected across the overall life insurance industry totaled NT$841.8 billion, a increase of 25% compared to the same period in 2023. In particular, traditional insurance products grew by 21%, while investment-linked products grew by 33%.

Statistics from the Executive Yuan Directorate-General of Budget, Accounting and Statistics show that Taiwan's household savings rate in 2023 was 24%, remaining at almost a 20-year high. This indicates that the concept of accumulating savings and financial management is deeply rooted in the Taiwanese people. Taiwan dollar wealth management products continue to be one of the financial tools which customers use for managing wealth. In recent years, investment into foreign currency investment-linked products has been affected by factors such as rising US interest rates and exchange rate fluctuations, and investment has instead shifted to other wealth management tools tied to rising interest rates. This has affected demand for foreign currency wealth management products in the short term. However, as the US Federal Reserve has begun cutting interest rates in September 2024, foreign currency wealth management products have once again become competitive with other wealth management tools. Demand from policyholders for insurance products that can be used as a stable wealth management tools still remain. Additionally, as investment-linked products are able to provide both investment and insurance protection functions, and are able to earn safe returns (such as insurance products with guaranteed minimum death benefits GMDB), investment-linked products continue to be favored by customers.

Taiwan’s demographic composition continues trending towards an aging population with declining birth rates. Average life expectancy in Taiwan reached 80 years of age in 2023, with an old-age dependency ratio of 26%. In 2025, the elderly are expected to make up 20% of the population, and the old-age dependency ratio is expected to exceed 29%. The burden on the younger population to support the elderly will grow, leading to customers making retirement plans further in advance and increasing demand for retirement funds. In addition, rates of chronic diseases have increased due to changes in the dietary habits of the public, while the number of out-of-pocket medical treatment options have also increased alongside advances in medical technology, leading to higher medical expenditures. As issues related to aging and health grow, the public not only require insurance products to provide compensation when damages occur, but also expect insurance products to be integrated with and provide more extended services that can help promote self-health management, maintain personal health, recover from health issues, and provide elderly care.

4. Market growth

The US Federal Reserve began cutting interest rates in September 2024, leading the interest rate market into a monetary easing cycle, and allowing insurance products to recover and become competitive with other wealth management financial products. In consideration of customer needs for both financial management and insurance products, sales of foreign-currency denominated wealth management and investment-linked products are expected to gradually recover and grow as the economy stabilizes.

With advancements in medical technology and rising health awareness, average life expectancy in Taiwan has grown, leading to a rapid increase in the elderly population for Taiwan. As the elderly make up a continuously increasing share of the population, Taiwan is expected to become a super-aged society in 2025 when the elderly population share exceeds 20%. This has led to increased domestic demand for insurance protection and retirement planning, with demand for long-term care insurance, medical care insurance, and retirement planning annuity insurance products expected to continue growing in the future.

With the development of AI technology, the application of digital technologies for use in insurance has become an important development focus for insurance companies. The competent authorities have also relaxed regulations to encourage cross-industry collaborations between insurance and FinTech companies, creating more service scenarios, customer touchpoints, and further increasing insurance product sales. Additionally, life insurance companies have also actively looked for potential cross-industry collaboration opportunities, building a health management and elderly care service ecosystem able to provide more extended insurance services. This ecosystem is able to increase customer interaction and improve customer stickiness, which is expected to increase insurance sales.

(III) Competitive niche, favorable and adverse factors for long-term growth and response strategy

1. Competitive niche

CTBC Holding has been committed to financial services for many years with the brand spirit of "We are family." The Company has also leveraged the advantage of using CTBC Bank as a sales channel, taking advantage of the Group’s synergy. In addition to increasing product sales, this has also improved the Company soft service capabilities. In addition, CTBC Holding is a pioneer in the development of digital finance in Taiwan, and has proactively developed innovative digital financial services. Taiwan Life Insurance has combined the Group's digital development advantages to continue implementing a digital transition, in order to improve customer experience and operational efficiency.

For the future adoption of IFRS 17 and the new insurance solvency standard in 2026, Taiwan Life Insurance has a more robust operational structure compared to our peers. The Company faces a lower cost of debt, and we also have a higher proportion of interest variable and foreign currency products, which helps us better maintain interest rate spreads and decrease the impact of transition.

Taiwan Life Insurance possesses innovative product development capabilities, and continues to develop new products based on observed customer needs and social trends. We offer a comprehensive product portfolio able to meet customer needs, have maintained our lead in the industry in terms of bancassurance sales volume. Taiwan Life Insurance has led the industry in building a healthcare service integration platform with the "insurance + service" model, creating a one-stop service integration platform. In addition to providing insurance products that protect customers, we also strive to cover the health and retirement needs of policyholders.

Through our commitment to being customer centric, we have approached business operations from a customer perspective and transformed our digital sales and service journey, proactively building digital infrastructure and implementing process improvements which have continuously improved the customer experience and our operational efficiency. Additionally, through cross-industry collaboration, we have been able to establish more diverse customer scenarios and speed up collection of customer data, in order to better understand customer needs.

2. Favorable factors

(1) Taiwan shall adopt IFRS 17 and the new insurance solvency standard in 2026, guiding life insurance companies to return to selling insurance protection products. This shall benefit insurance companies in the accumulation of long-term value.

(2) Additionally, in order to reduce the impact of transitioning to the new insurance solvency standard, the competent authorities have announced three separate waves of localization and transitional measures, in order to lower the capital requirements that companies need to meet under these new standards. This has reduced investor concerns about the capital requirements for the insurance industry. Differentiated incentive measures have been proposed to encourage insurance companies to actively

build up robust levels of capital, allowing insurance companies to allocate assets more flexibly and increase profitability. Additionally, a fourth wave of measures intended to alleviate capital burdens on insurance companies is also in discussion.

(3) In September 2024, the competent authorities announced a new standard for reserve for foreign exchange fluctuation to provide insurance companies with greater operational flexibility in their hedging strategies, in order to strengthen capital levels and better respond to exchange rate fluctuations.

(4) The US Federal Reserve began cutting interest rates in September 2024, leading the interest rate market into a monetary easing cycle, and allowing insurance products to recover and become competitive with other wealth management financial products. This has increased customer willingness to purchase insurance. Additionally, life insurance companies are better able to reduce exchange rate risk and maintain positive interest rate spreads by selling foreign currency products, compared to products denominated in Taiwan dollars.

(5) Due to factors such as Taiwan’s aging society, and advances in medical technology, the Taiwanese public have begun to take their insurance needs more seriously, benefiting healthcare insurance, health promotion, and retirement planning products. Additionally, through cross-industry collaborations, life insurance companies can offer extended health and elderly care services to better satisfy diverse customer needs.

(6) AI technology trends and development have led to greater public acceptance of digital technology applications. Alongside the competent authorities also announcing the relaxing of restrictions on cross-industry collaboration scope, this has encouraged insurance companies and companies with financial technology expertise to develop new business models for collaborating with companies in other industries, helping life insurance providers increase customer touchpoints, increase interaction frequency and customer stickiness, and accumulate customer data in order to increase insurance sales opportunities.

3. Unfavorable factors

(1) In 2026, Taiwan shall adopt IFRS 17 and the new insurance solvency standard. This will pose challenges to the asset-liability management mechanisms and systems established by each insurance company, as companies strive to reduce the impact of the transition on their profits and net worth, as well as challenge how companies have balanced capital requirements with asset allocations, and how each company has approached cultivating talent.

(2) Affected by the US Federal Reserve's interest rate cuts, the Taiwan dollar faces potential pressure to appreciate, increasing the probability of exchange rate losses and making it challenging to earn increased investment returns.

(3) The life insurance market is still largely dominated by wealth management products, and fierce market competition may lead to declines in profit margins for each policy.
(4) With the advancement of medical technology, increases to the number of out-of-pocket national health insurance items, and the rise of consumer medical awareness, the claims rate of existing products has increased, putting the underwriting and claims risk management capabilities of life insurance companies to the test, while also testing their ability to appropriately price new products.

4. Response measures

(1) Focus on sales of new value-based insurance contracts, and manage the value of existing contracts in order to strengthen the Company's long-term fundamental profit base.
(2) Evaluate risk capital and rates of return based on changes to the investment market environment, dynamically adjusting asset allocation and hedging strategies.
(3) Expand sales force and improve production capacity, and further develop operation of external sales channels.
(4) Provide customers with product and service integrations able to meet their needs, creating differentiated advantages in insurance provision.
(5) Continue improving infrastructure, optimizing management processes, enhancing the customer experience, and increasing operational efficiency.

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