

(English Translation of Financial Report Originally Issued in Chinese.)

UNION INSURANCE CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

For the Years Ended December 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

Address: 12F., No.219, Sec. 4, Zhong Xiao E. Road, Taipei, Taiwan
Telephone: +886-2-2776-5567

The 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 auditors' report and financial statements, the Chinese version shall prevail.



安侯建業聯合會計師事務所
KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 kpmg.com/tw

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Union Insurance Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Union Insurance Co., Ltd. and its subsidiaries (the Group) as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Union Insurance Co., Ltd. and its subsidiaries as of December 31, 2016 and 2015 the results of its consolidated financial performance and cash flows for the years then ended in conformity with the Principles of Preparing Financial Reports for Insurance Companies, and International Financial Reporting Standards, International Accounting Standards, IFRIC interpretations and SIC interpretations endorsed by the Financial Supervisory Commission.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. 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. We determined the key audit matters that should be performed in the financial report are as follows:

1. Impairment assessment of investment property:

Please refer to Note 4(9) "Investment property", Note 4(15) "Non-financial assets impairment" and Note 6(7) "Explanation of fair value evaluation" for accounting policies of investment property.



Explanation of key audit matters:

The Group evaluates the impairment of its investment properties periodically based on the market price or reports from appraisal company as reference. The fair value estimates made on different basis might vary. Therefore, impairment evaluation on investment properties is one of the key matters for our audit.

Audit procedures in response:

Our main audit procedures include testing whether the management evaluates the investment properties in accordance with the control procedures of impairment indications, while considering how the management decides the proper ways to evaluate the adequacy of investment property impairment evaluation.

2. Evaluation of insurance liabilities

Please refer to Note 4(16) “Insurance liabilities” for related accounting policies, Note 5(1) for accounting assumptions and estimates, and Note 6(12) “Insurance liabilities” for explanation of evaluation.

Explanation of key audit matters:

The Group measures its insurance liabilities according to the Regulations Governing Insurance Enterprises for Setting Aside Various Reserves and related administrative correspondences, of which the judgment of future uncertainty and related hypothetical parameters include (1) various insurance development factors of claim reserve, (2) expected claim ratio and (3) unearned premium reserve appropriated according to various insurance characteristics. The evaluation of insurance liabilities requires professional judgments; therefore, it is one of the key matters for our audit.

Audit procedures in response:

Our main audit procedures include (1) auditing the insurance liabilities determined by the internal actuarial experts; (2) detecting the calculation of insurance liabilities and its parameters according to related insurance laws, administrative correspondences and guidelines by AIRC; (3) setting up a system to estimate the liabilities from raw data and comparing the estimate results with those of the management; (4) analyzing the change of insurance liabilities according to the accuracy of actuarial assumptions based on internal or industry’s experiences and products’ characteristics, and (5) evaluating the management’s judgment on actuarial assumption with an understanding of the industries and the markets.

3. Evaluation of litigation and contingent liability

Please refer to Note 4(18) “Provisions” for related accounting policies and Note 9 “Material contingent liabilities and unrecognized contractual commitments” for explanation.

Explanation of key audit matters:

The Group’s contingent liabilities may occur due to pending lawsuits, of which the amount of provisions are estimated according to related accounting standards. Therefore, the evaluation of litigations and contingent liabilities is one of the key matters for our audit.

Audit procedures in response:

Our main audit procedures include understanding management’s process of litigation and contingent liabilities and their related control procedures, and obtaining the confirmation letters of pending lawsuits from external lawyers. The professional judgments of pending lawsuits will affect the amount of provisions recognized in the financial statements.



Other matters

The Group has prepared its parent-company-only financial statement as of and for the years ended December 31, 2016 and 2015, on which we have issued an unmodified opinion.

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 Securities Issuers 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (audit committee included) are responsible for overseeing the Group'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 auditing standards generally accepted in 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain 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 Group'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 Group'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 Group 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 Group to express an opinion on this 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 Feng-Hui Lee and Tan-Tan Chung.

KPMG
Taipei, Taiwan, R.O.C.
March 24, 2016

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with IFRSs endorsed by the FSC 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.

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(English Translation of Financial Report Originally Issued in Chinese.)
UNION INSURANCE CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	For the year ended December 31, 2016		For the year ended December 31, 2015		Variance %
	Amount	%	Amount	%	
Operating Revenues					
Written premiums	\$ 8,506,501	135	8,191,230	140	4
Reinsurance premiums	584,380	9	554,471	9	5
Premiums revenues	9,090,881	144	8,745,701	149	
Less : Reinsurance expenses	3,307,161	52	3,424,010	58	(3)
Net changes in unearned premiums reserve	315,531	5	210,188	4	50
Retained earned premiums	5,468,189	87	5,111,503	87	
Reinsurance commission received	727,030	12	771,022	13	(6)
Net income(loss) from investments					
Interest income	58,201	1	59,914	1	(3)
Gains (losses) on financial assets at fair value through profit or loss	7,290	-	(39,372)	(1)	119
Realized gains (losses) on available-for-sale financial assets	13,443	-	(30,532)	(1)	144
Realized gains (losses) on financial assets or liabilities at cost	-	-	840	-	(100)
Foreign exchange gains (losses)— investments	(2,436)	-	(18,002)	-	86
Gains (losses) on investment property	42,892	-	32,558	1	32
(Reversal of) impairment loss on investments	(8,312)	-	(20,029)	-	59
Total Operating Revenues	6,306,297	100	5,867,902	100	
Operating Costs					
Insurance claim payments	4,842,758	77	4,462,265	76	9
Less: Claims recovered from reinsurers	1,955,207	31	1,805,622	31	8
Retained claim payments	2,887,551	46	2,656,643	45	
Net changes in other insurance liabilities					
Net changes in claim reserve	248,813	4	55,974	1	345
Net changes in special claim reserve	(117,402)	(2)	(89,057)	(1)	(32)
Net changes in premium deficiency reserve	(3,967)	-	15,018	-	(126)
Commission expenses	1,377,092	22	1,360,112	23	1
Finance costs	816	-	152	-	437
Other operating costs	13,462	-	7,077	-	90
Total Operating Costs	4,406,365	70	4,005,919	68	
Operating Expenses					
General expenses	1,365,894	22	1,305,990	23	5
Administrative expenses	346,489	5	320,607	5	8
Staff training expenses	1,232	-	1,717	-	(28)
Total Operating Expenses	1,713,615	27	1,628,314	28	
Net Operating Income	186,317	3	233,669	4	(20)
Non-Operating Income and Expenses					
Gains (losses) on disposals of property and equipment	86	-	46	-	87
Asset retirement losses	-	-	(1)	-	100
Other non-operating income and expenses	31,149	-	28,500	-	9
Total Non-Operating Income and Expenses	31,235	-	28,545	-	
Net Income Before Income Tax	217,552	3	262,214	4	(17)
Income Tax Expense (Gain)	1,442	-	1,772	-	(19)
Net Income	216,110	3	260,442	4	(17)
Other comprehensive income:					
Components of other comprehensive income that will not be reclassified to profit or loss					
Gains (losses) on remeasurements of defined benefit plans	(37,556)	-	(21,212)	-	(77)
Total components of other comprehensive income that will not be reclassified to profit or loss	(37,556)	-	(21,212)	-	(77)
Components of other comprehensive income that will be reclassified to profit or loss					
Exchange differences on translation of foreign operations	(678)	-	(1,648)	-	59
Unrealised gains (losses) on valuation of available-for-sale financial assets	(48,833)	(1)	2,382	-	(2,150)
Total components of other comprehensive income that will be reclassified to profit or loss	(49,511)	(1)	734	-	(6,845)
Other Comprehensive Income (net amount after tax)	(87,067)	(1)	(20,478)	-	(325)
Total Comprehensive Income	\$ 129,043	2	239,964	4	
Net income attributable to:					
Owners of parent	\$ 218,479	3	261,785	4	
Non-controlling interests	(2,369)	-	(1,343)	-	
	\$ 216,110	3	260,442	4	
Comprehensive income (loss) attributable to:					
Owners of parent	\$ 133,000	2	242,726	4	
Non-controlling interests	(3,957)	-	(2,762)	-	
	\$ 129,043	2	239,964	4	
Basic Earnings Per Share (Dollars)	\$ 1.03		1.23		
Diluted Earnings Per Share (Dollars)	\$ 1.02		1.22		

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UNION INSURANCE CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent							Total equity
	Capital			Retained Earnings		Other equity		
	Capital Stock	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Exchange differences on translation of foreign financial statements	Unrealized Gains (Loss) on Available-For-Sale Financial Assets	Equity attributable to owners of parent	Non-controlling interests
Balance, January 1, 2015	\$ 2,129,600	127,589	878,518	365,435	-	(1,830)	3,499,312	-
Net income for the year ended December 31, 2015	-	-	-	261,785	-	-	261,785	(1,343)
Other comprehensive income (loss)	-	-	-	(21,212)	(1,028)	3,181	(19,059)	(1,419)
Total comprehensive income (loss)	-	-	-	240,573	(1,028)	3,181	242,726	(2,762)
Appropriation and distribution of retained earnings:								
Legal reserve	-	116,402	-	(116,402)	-	-	-	-
Special reserve	-	-	169,819	(169,819)	-	-	-	-
Cash dividends on ordinary shares	-	-	-	(248,099)	-	-	(248,099)	-
Special reserve for deduction of stockholders' equity	-	-	1,830	(1,830)	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	32,003
Balance, December 31, 2015	2,129,600	243,991	1,050,167	69,858	(1,028)	1,351	3,493,939	29,241
Net income for the year ended December 31, 2016	-	-	-	218,479	-	-	218,479	(2,369)
Other comprehensive income (loss)	-	-	-	(37,556)	(423)	(47,500)	(85,479)	(1,588)
Total comprehensive income (loss)	-	-	-	180,923	(423)	(47,500)	133,000	(3,957)
Appropriation and distribution of retained earnings:								
Legal reserve	-	48,302	-	(48,302)	-	-	-	-
Special reserve	-	-	157,507	(157,507)	-	-	-	-
Cash dividends of ordinary share	-	-	-	(21,296)	-	-	(21,296)	-
Reversal of special reserve	-	-	(1,830)	1,830	-	-	-	-
Balance, December 31, 2016	\$ 2,129,600	292,293	1,205,844	25,506	(1,451)	(46,149)	3,605,643	25,284
								3,630,927

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UNION INSURANCE CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	For the year ended December 31, 2016	For the year ended December 31, 2015
Cash Flows from Operating Activities		
Net Income Before Income Tax	\$ 217,552	262,214
Adjustments:		
Revenue and Expenses		
Depreciation expenses	36,770	26,596
Amortization expenses	9,330	5,228
Provision (reversal of provision) for bad debt expense	(889)	(2,804)
Net gain on Financial assets carried at cost	-	(840)
Interest income	(58,201)	(59,914)
Net changes in insurance liabilities	843,159	502,751
Net changes in reserve for insurance with nature of financial instrument	-	(30,069)
Net changes in reserve for liabilities	(3,330)	(863)
Losses (gains) on disposal of property and equipment	(86)	(45)
Losses (gains) on disposal of investment properties	-	(5,725)
Impairment loss of investments	8,312	20,029
Subtotal of Income And Expenses Items With No Effect on Cash Flows	<u>835,065</u>	<u>454,344</u>
Net Changes in Operating Assets:		
Decrease (increase) in notes receivable	(7,579)	(32,709)
Decrease (increase) in premium receivable	119,044	179,479
Decrease (increase) in other receivables	(2,636)	3,209
Decrease (increase) in financial assets measured at fair value through profit or loss	(379,921)	574,268
Decrease (increase) in other financial assets	1,337,874	(1,792,555)
Decrease (increase) in reinsurance assets	(435,707)	(291,834)
Decrease (increase) in current income tax assets	-	(3,838)
Decrease (increase) in available-for-sale financial assets	(850,188)	114,531
Decrease (increase) in held-to-maturity financial assets	(283,339)	961
Decrease (increase) in other assets	(80,284)	(44,316)
Total Net Changes in Operating Assets	<u>(582,736)</u>	<u>(1,292,804)</u>
Net Changes in Operating Liabilities:		
Increase (decrease) in payables	21,849	126,486
Increase (decrease) in other liabilities	(35,486)	(24,783)
Total Net Changes in Operating Liabilities	<u>(13,637)</u>	<u>101,703</u>
Cash Flows from (Used in) Operating Activities	<u>456,244</u>	<u>(474,543)</u>
Interest received	51,602	56,397
Income tax received	4,220	-
Net Cash Flows from (Used in) Operating Activities	<u>512,066</u>	<u>(418,146)</u>
Cash Flows from Investing Activities:		
Acquisition of investments accounted for using equity method	(250,000)	-
Acquisition of a subsidiary, net of cash acquired	-	(37,228)
Acquisition of investment properties	(195,505)	-
Acquisition of property and equipment	(44,391)	(35,952)
Proceeds from disposal of property and equipment	86	54
Acquisition of intangible assets	(32,759)	(114)
Proceeds from disposal of investment properties	-	16,880
Net Cash Flows from (Used in) Investing Activities	<u>(522,569)</u>	<u>(56,360)</u>
Cash Flows from Financing Activities:		
Cash dividends paid	(21,296)	(248,099)
Net Cash Flows from (Used in) Financing Activities	<u>(21,296)</u>	<u>(248,099)</u>
Effect of exchange rate changes on cash and cash equivalents	(645)	(1,146)
Increase (decrease) in Cash and Cash Equivalents	(32,444)	(723,751)
Cash and Cash Equivalents, Beginning of The Period	2,131,322	2,855,073
Cash and Cash Equivalents, End of The Period	<u>\$ 2,098,878</u>	<u>2,131,322</u>

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UNION INSURANCE CO., LTD.

Financial Statements

For the Years Ended December 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

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安侯建業聯合會計師事務所
KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 kpmg.com/tw

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Union Insurance Co., Ltd.

Opinion

We have audited the financial statements of Union Insurance Corporation (“the Company”), which comprise the statement of financial position as of December 31, 2016 and 2015, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, 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 at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 of the current period. 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. We determined the key audit matters that should be performed in the financial report are as follows:

1. Impairment assessment of investment properties:

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Explanation of key audit matters:

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Audit procedures in response:

Our main audit procedures include testing whether the management evaluates the investment properties in accordance with the control procedures of impairment indications, while considering how the management decides the proper ways to evaluate the adequacy of investment property impairment evaluation.

2. Evaluation of insurance liabilities

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

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As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain 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 this 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 Feng-Hui Lee and Tan-Tan Chung.

KPMG
Taipei, Taiwan, R.O.C.
March 28, 2017

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with IFRSs endorsed by the FSC 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' 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 auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Report Originally Issued in Chinese.)
UNION INSURANCE CO., LTD.

Balance Sheets

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	31 December, 2016		31 December, 2015	
	Amount	%	Amount	%
ASSETS				
Cash and cash equivalents	\$ 2,095,849	14	2,126,963	15
Receivables	660,317	4	760,509	5
Current tax assets	10,163	-	14,070	-
Financial assets at fair value through profit or loss	842,998	6	463,077	3
Available-for-sale financial assets	1,288,285	8	488,639	3
Financial assets at cost	1,260	-	1,260	-
Investments accounted for using equity method — net	41,936	-	48,500	-
Investments in debt security with no active market	250,000	2	-	-
Held-to-maturity financial assets	530,600	3	247,261	2
Other financial assets — net	2,428,437	16	3,758,830	26
Investment property	1,037,481	7	843,212	6
Reinsurance assets	4,391,031	29	3,958,955	28
Property and equipment	836,937	5	827,331	6
Intangible assets	101,609	1	101,128	1
Other assets	834,181	5	753,691	5
TOTAL ASSETS	\$ 15,351,084	100	14,393,426	100
LIABILITIES AND EQUITY				
Accounts payables	\$ 1,179,206	8	1,156,895	8
Insurance liabilities	10,209,237	67	9,386,922	65
Reserve for insurance with nature of financial instrument	44,087	-	44,087	-
Provisions	238,904	2	201,966	1
Deferred tax liabilities	63,920	-	63,920	1
Other liabilities	10,087	-	45,697	1
Total LIABILITIES	11,745,441	77	10,899,487	76
EQUITY				
Capital stock	2,129,600	14	2,129,600	15
Legal reserve	292,293	2	243,991	2
Special reserve	1,205,844	7	1,050,167	7
Unappropriated retained earnings	25,506	-	69,858	-
Exchange differences on translation of foreign financial statements	(1,451)	-	(1,028)	-
Unrealized gains (losses) on available-for-sale financial assets	(46,149)	-	1,351	-
Total EQUITY	3,605,643	23	3,493,939	24
TOTAL LIABILITIES AND EQUITY	\$ 15,351,084	100	14,393,426	100

(English Translation of Financial Report Originally Issued in Chinese.)
UNION INSURANCE CO., LTD.
Statements of Comprehensive Income
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	For the year ended December 31, 2016		For the year ended December 31, 2015		Variance %
	Amount	%	Amount	%	
Operating Revenues					
Written premiums	\$ 8,476,593	135	8,170,748	140	4
Reinsurance premiums	580,320	9	550,788	9	5
Premiums revenues	9,056,913	144	8,721,536	149	
Less: Reinsurance expenses	3,282,658	52	3,407,221	58	(4)
Net changes in unearned premiums reserve	315,532	5	210,309	4	50
Retained earned premiums	5,458,723	87	5,104,006	87	
Reinsurance commission received	715,684	11	762,656	13	(6)
Net income(loss) from investments					
Interest income	57,121	1	58,764	1	(3)
Gains (losses) on financial assets at fair value through profit or loss	7,290	-	(39,372)	(1)	119
Realized gains (losses) on available-for-sale financial assets	12,531	-	(30,660)	(1)	141
Realized gains (losses) on financial assets or liabilities at cost	-	-	840	-	(100)
Share of losses of associates and joint ventures accounted for using equity method	(3,930)	-	(2,229)	-	(76)
Foreign exchange gains (losses) – investments	(2,436)	-	(18,002)	-	86
Gains (losses) on investment property	43,894	1	32,557	1	35
(Reversal of) impairment loss on investments	(8,312)	-	(20,029)	-	59
Total Operating Revenues	6,280,565	100	5,848,531	100	
Operating Costs					
Insurance claim payments	4,836,857	77	4,456,280	76	9
Less: Claims recovered from reinsurers	1,951,515	31	1,800,388	31	8
Retained claim payments	2,885,342	46	2,655,892	45	
Net changes in other insurance liabilities					
Net changes in claim reserve	249,300	4	56,437	1	342
Net changes in special claim reserve	(117,402)	(2)	(89,057)	(1)	(32)
Net changes in premium deficiency reserve	(3,967)	-	15,018	-	(126)
Commission expenses	1,367,433	22	1,353,407	23	1
Finance costs	812	-	140	-	480
Other operating costs	13,387	-	7,026	-	91
Total Operating Costs	4,394,905	70	3,998,863	68	
Operating Expenses					
General expenses	1,366,165	22	1,306,209	23	5
Administrative expenses	330,933	5	308,418	5	7
Staff training expenses	1,232	-	1,717	-	(28)
Total Operating Expenses	1,698,330	27	1,616,344	28	
Net Operating Income	187,330	3	233,324	4	(20)
Non-Operating Income and Expenses					
Gains (losses) on disposals of property and equipment	-	-	46	-	(100)
Asset retirement losses	-	-	(1)	-	100
Other non-operating income and expenses	30,836	-	28,422	-	8
Total Non-Operating Income and Expenses	30,836	-	28,467	-	
Net Income Before Income Tax	218,166	3	261,791	4	(17)
Income Tax Expense (Gain)	(313)	-	6	-	(5,317)
Net Income	218,479	3	261,785	4	(17)
Other comprehensive income:					
Components of other comprehensive income that will not be reclassified to profit or loss					
Gains (losses) on remeasurements of defined benefit plans	(37,556)	-	(21,212)	-	(77)
Total components of other comprehensive income that will not be reclassified to profit or loss	(37,556)	-	(21,212)	-	(77)
Components of other comprehensive income that will be reclassified to profit or loss					
Exchange differences on translation of foreign operations	(423)	-	(1,028)	-	59
Unrealised gains (losses) on valuation of available-for-sale financial assets	(45,289)	(1)	4,505	-	(1,105)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method – components of other comprehensive income that will be reclassified to profit or loss	(2,211)	-	(1,324)	-	(67)
Total components of other comprehensive income that will be reclassified to profit or loss	(47,923)	(1)	2,153	-	(2,326)
Other Comprehensive Income (net amount after tax)	(85,479)	(1)	(19,059)	-	(348)
Total Comprehensive Income	\$ 133,000	2	242,726	4	
Basic Earnings Per Share (Dollars)	\$ 1.03		1.23		
Diluted Earnings Per Share (Dollars)	\$ 1.02		1.22		

(English Translation of Financial Report Originally Issued in Chinese.)
UNION INSURANCE CO., LTD.
Statements of Changes in Equity
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	Retained Earnings			Other equity		
Capital	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Exchange differences on translation of foreign financial statements	Unrealized Gains (Loss) on Available-For-Sale Financial Assets	Total equity
Balance, January 1, 2015						
Net income for the year ended December 31, 2015	-	-	365,435	-	(1,830)	3,499,312
Other comprehensive income (loss)	-	-	261,785	-	-	261,785
Total comprehensive income (loss)	-	-	(21,212)	(1,028)	3,181	(19,059)
Appropriation and distribution of retained earnings:						
Legal reserve	116,402	-	(116,402)	-	-	-
Special reserve	-	169,819	(169,819)	-	-	-
Cash dividends on ordinary shares	-	-	(248,099)	-	-	(248,099)
Special reserve for deduction of stockholders' equity	-	1,830	(1,830)	-	-	-
Balance, December 31, 2015	243,991	1,050,167	69,858	(1,028)	1,351	3,493,939
Net income for the year ended December 31, 2016	-	-	218,479	-	-	218,479
Other comprehensive income (loss)	-	-	(37,556)	(423)	(47,500)	(85,479)
Total comprehensive income (loss)	-	-	180,923	(423)	(47,500)	133,000
Appropriation and distribution of retained earnings:						
Legal reserve	48,302	-	(48,302)	-	-	-
Special reserve	-	157,507	(157,507)	-	-	-
Cash dividends of ordinary share	-	-	(21,296)	-	-	(21,296)
Reversal of special reserve	-	(1,830)	1,830	-	-	-
Balance, December 31, 2016	292,293	1,205,844	25,506	(1,451)	(46,149)	3,605,643

Note: The remuneration to directors and supervisors for December 31, 2016 and 2015 were \$0 and \$6,000, and the employees' bonuses were both \$6,000, which were deducted from the statements of comprehensive income, respectively.

(English Translation of Financial Report Originally Issued in Chinese.)
UNION INSURANCE CO., LTD.
Statements of Cash Flows
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	<u>For the year ended December 31, 2016</u>	<u>For the year ended December 31, 2015</u>
Cash Flows from Operating Activities		
Net Income Before Income Tax	\$ 218,166	261,791
Adjustments :		
Revenue and Expenses		
Depreciation expenses	32,517	23,826
Amortization expenses	9,330	5,228
Provision (reversal of provision) for bad debt expense	(503)	(2,566)
Net gain on Financial assets carried at cost	-	(840)
Interest income	(57,121)	(58,764)
Net changes in insurance liabilities	845,194	503,383
Net changes in reserve for insurance with nature of financial instrument	-	(30,069)
Net changes in reserve for liabilities	(618)	(1,039)
Share of losses (gains) of associates and joint ventures accounted for using equity method	3,930	2,229
Losses (gains) on disposal of property and equipment	-	(45)
Losses (gains) on disposal of investment properties	-	(5,725)
Impairment loss of investments	8,312	20,029
Subtotal of Income And Expenses Items With No Effect on Cash Flows	<u>841,041</u>	<u>455,647</u>
Net Changes in Operating Assets:		
Decrease (increase) in notes receivable	(7,608)	(32,680)
Decrease (increase) in premium receivable	117,421	179,123
Decrease (increase) in other receivables	(2,637)	3,425
Decrease (increase) in financial assets measured at fair value through profit or loss	(379,921)	574,268
Decrease (increase) in other financial assets	1,330,393	(1,808,023)
Decrease (increase) in reinsurance assets	(431,577)	(297,715)
Decrease (increase) in current income tax assets	-	(3,838)
Decrease (increase) in available-for-sale financial assets	(850,340)	108,731
Decrease (increase) in held-to-maturity financial assets	(283,339)	961
Decrease (increase) in other assets	(80,490)	(26,247)
Total Net Changes in Operating Assets	<u>(588,098)</u>	<u>(1,301,995)</u>
Net Changes in Operating Liabilities:		
Increase (decrease) in payables	22,311	132,326
Increase (decrease) in other liabilities	(35,610)	(24,290)
Total Net Changes in Operating Liabilities	<u>(13,299)</u>	<u>108,036</u>
Cash Flows from (Used in) Operating Activities	<u>457,810</u>	<u>(476,521)</u>
Interest received	50,141	55,620
Income tax received	4,220	-
Net Cash Flows from (Used in) Operating Activities	<u>512,171</u>	<u>(420,901)</u>
Cash Flows from Investing Activities:		
Acquisition of investments in debt security with no active market	(250,000)	-
Acquisition of investments accounted for using equity method	-	(40,319)
Acquisition of investment properties	(195,505)	-
Acquisition of property and equipment	(43,794)	(35,725)
Proceeds from disposal of property and equipment	-	54
Acquisition of intangible assets	(32,690)	-
Proceeds from disposal of investment properties	-	16,880
Net Cash Flows from (Used in) Investing Activities	<u>(521,989)</u>	<u>(59,110)</u>
Cash Flows from Financing Activities:		
Cash dividends paid	(21,296)	(248,099)
Net Cash Flows from (Used in) Financing Activities	<u>(21,296)</u>	<u>(248,099)</u>
Increase (decrease) in Cash and Cash Equivalents	<u>(31,114)</u>	<u>(728,110)</u>
Cash and Cash Equivalents, Beginning of The Period	<u>2,126,963</u>	<u>2,855,073</u>
Cash and Cash Equivalents, End of The Period	<u>\$ 2,095,849</u>	<u>2,126,963</u>