Far Eastern International Bank (FEIB)
2017 Annual General Shareholders' Meeting Minutes

Date: Thursday, 15 June 2017

Time: 9:00 a.m. Taipei time

Place: Auditorium in the Taipei Hero House, No. 20, Changsha Street, Section 1, Taipei, Taiwan

Shareholders at present:

Total outstanding shares of FEIB: 3,111,367,169 shares

Total shares represented by shareholders present: 1,959,440,457shares

Percentage of shares held by shareholders present: 62.98%

Directors at present: Ms. Ching-Ing Hou, Representative of Yue Ding Industry Co., Ltd.

Mr. Douglas Tong Hsu

Mr. Shaw Y. Wang, Representative of Far Eastern New Century Corp.

Mr. Humphrey Cheng, Representative of Far Eastern New Century Corp.

Mr. Tsung-Ming Cheng, Representative of Asia Cement Corp.

Mr. Shi-Chun Hsu, Representative of Asia Cement Corp.

Mr. Ben C.B. Chang, Independence Director

Mr. Bing Shen, Independence Director

Ms. Susan S. Chang, Independence Director

Total 9 directors attended, exceeding 50% of 10 seats in the board.

Chairman: Ching Ing Hou

Recorder: Chia Yu Lin

A. Items for Reporting (Non-Voting Items)

1. **2016 Business Report**

   The 2016 business report is detailed in the meeting handbook from page 13 to 18.
2. **2016 Financial Statements**

   The 2016 financial statements and independent auditors' report by Deloitte & Touche are detailed in Attachment I. (The 2016 financial statements are available for access at http://mops.twse.com.tw)
3. **Audit Committee's Review Report on 2016 Business Report and Financial Statements**

   The Audit Committee's review report is detailed in Attachment II.
4. **2016 Summary of Employees' Compensation and Directors' Remuneration**

   The summary of employees' compensation and directors' remuneration for 2016 is detailed on page 45 of the meeting handbook.
5. **Article 25 of The Banking Act of The Republic of China**

   The Article 25 of The Banking Act of The Republic of China is detailed in the meeting handbook from page 46 to 48.
6. **Subordinated Financial Debentures Issued in 2016**

   The summary of subordinated financial debentures issued in 2016 is detailed on page 49 of the meeting handbook.
7. **Report of Merger Between Far Eastern International Bank, Far Eastern Life Insurance Agency Ltd. Co. and Far Eastern Property Insurance Agency Ltd. Co.**

   The report of merger between Far Eastern International Bank, Far Eastern Life Insurance Agency Ltd. Co. and Far Eastern Property Insurance Agency Ltd. Co. is detailed on page 50 of the meeting handbook.

B. Items for Acknowledgement (Voting Items)

1. **2016 Business Report and Financial Statements**

   The Board of Directors recommends shareholders vote FOR 2016 business report and financial statements.

   Explanatory Notes:

i. The Audit Committee of the Bank has reviewed the business report and the audited financial statements (by S.Z. Wu, CPA, and C.S. Yang, CPA, of Deloitte & Touche) of the Bank for the year ended 2016 and found them acceptable.

ii. The 2016 business report, the independent auditors' report & 2016 financial statements, and Audit Committee's review report are attached in the meeting handbook from page 13 to 44

iii. Please vote FOR.

Resolutions：The total number of eligible votes represented by the shareholders present at the time of voting (including e-voting) was 1,961,041,753 (1 share for 1 vote), where 1,905,572,920 votes (including e-voting) were FOR the proposal, or 97.17% of the total votes; 3,237,887 votes were AGAINST the proposal, or 0.17% of the total votes; 3,105 votes were INVALID, or 0.00% of the total votes; and 52,227,841 votes were ABSTAINED, or 2.66% of the total votes; The proposal hereby is approved.

2. Proposal of 2016 Earnings Distribution

The Board of Directors recommends shareholders vote FOR 2016 earnings distribution.

Explanatory Notes:

i. The 2016 earnings distribution of the Bank is as follows: (in NT$)

	(in NT$)
Unappropriated earnings - beginning	787,954,628
Net income	3,243,885,689
Legal reserve	(973,165,707)
Adjustment on retained earnings for remeasurement of defined benefit plans	(114,333,503)
Adjustment on retained earnings for investment under equity method	(671,506)
Special reserve	(129,674,872)
Distributable earnings	2,813,994,729
Earnings distribution:	
Shareholder dividends	2,022,388,661
Unappropriated earnings - ending	791,606,068

ii. Shareholder dividends are allocated as follows: (Unit: NT$)

	Per share	Total amount
Cash dividend	0.420	1,306,774,211
Stock dividend	0.230	715,614,450
Total	0.650	2,022,388,661

The 2016 shareholder dividends are appropriated based on earnings of 2016. The cash dividend to each and every shareholder shall be paid in a whole amount of New Taiwan Dollars and any fraction of one New Taiwan Dollar shall be discarded. The total unpaid odd amount will be included in "other revenues" of the Bank.

iii. Dividends will be distributed on the ex-dividend (ex-right) date which is to be determined by Board of Directors after 2017 annual shareholders' meeting. Dividend per share as referred above is calculated based on the number of shares outstanding on December 31, 2016. The Board of Directors is authorized to adjust cash and stock dividend payout ratio within the total dividend amount, if the actual number of shares outstanding on the ex-dividend (ex-right) date differs from the estimated number of shares.

iv. Please vote FOR.

Resolutions：The total number of eligible votes represented by the shareholders present at the time of voting (including e-voting) was 1,961,041,753 (1 share for 1 vote), where 1,909,772,950 votes (including e-voting) were FOR the proposal, or 97.39% of the total votes; 3,277,524 votes were AGAINST the proposal, or 0.17% of the total votes; 3,105 votes were INVALID, or 0.00% of the total votes; and 47,988,174 votes were ABSTAINED, or 2.44% of the total votes; The proposal hereby is approved.

C. Items for Discussion and Elections (Voting Items)

1. **Proposal of Issuing New Shares - to Capitalize Shareholder Dividend**

   The Board of Directors recommends shareholders vote FOR capitalization of 2016 stock dividend.

   Explanatory Notes:

   i. Capitalization purpose and funding sources: In order to support business needs, enhance operational capital and improve capital structure, capitalization of NT$715,614,450 shareholder dividend from 2016 earnings distribution is proposed by issuing 71,561,445 new shares at par of NT$10 per share.

   ii. Allotment method: The 71,561,445 new shares are distributed in accordance with the shareholding record of the shareholder's register on the dividend ex-right date, that is, 23 shares per thousand shares. For odd share, two or more shareholders may, within the specific period of time, consolidate each of their respective odd shares into a round number of shares for one person's shareholding only. For any odd shares that are not consolidated before the deadline, or are still remaining after consolidation, cash will be distributed based on the par value of the share (rounded up to dollars). The total accumulated odd shares will be subscribed at par by the employee shareholding trust of the Bank. The rights and obligations of new shares are the same as those of existing shares.

   iii. The distributable dividend shares as referred above are calculated based on the number of shares outstanding on December 31, 2016. The Board of Directors is authorized to adjust stock dividend payout ratio within the total dividend amount if the actual number of shares outstanding on the ex-right date differs from the estimated number of shares.

   iv. The ex-right date of stock dividend (same as the effective date of issuing new shares) will be determined by resolution of Board of Directors after 2017 annual shareholders' meeting.

   v. Please vote FOR.

   Resolutions：The total number of eligible votes represented by the shareholders present at the time of voting (including e-voting) was 1,961,041,753 (1 share for 1 vote), where 1,908,814,261 votes (including e-voting) were FOR the proposal, or 97.34% of the total votes; 4,435,584 votes were AGAINST the proposal, or 0.23% of the total votes; 3,105 votes were INVALID, or 0.00% of the total votes; and 47,788,803 votes were ABSTAINED, or 2.43% of the total votes; The proposal hereby is approved.

2. **Proposal of Private Placement - to issue Common Shares, Preferred Shares, Convertible Bonds or A Combination of Above Securities to Specific Parties**

   The Board of Directors recommends shareholders vote FOR issuing of common shares, preferred shares, convertible bonds or a combination of above securities to specific parties for a total amount of not exceeding NT$10 billion or equivalent in foreign currencies.

   Explanatory Notes:

   i. The Bank's Board of Directors was authorized in annual shareholders' meeting on June 15, 2016 to proceed private placement for a total amount of not exceeding NT$10 billion or equivalent in foreign currencies. This proposal here is to request extension of last shareholders' approval for another year.

   ii. The purpose of private placement is to seek alliance opportunities with domestic or foreign strategic investors, to strengthen the Bank's financial structure and capital adequacy ratio, and to facilitate the Bank's long-term development. The preferred shares will be issued according to Article 4-1 of the Bank's Articles of Incorporation.

   iii. According to Article 43-6 of the "Securities and Exchange Act", the disclosure of private placement proposal shall include:

      (i) The basis and reasonableness of private placement pricing

1. The common stock price per share shall be no less than 80% of the reference price. The reference price is the higher of the following two basis prices:
   (1) The simple average closing price from either 1, 3 or 5 prior to the pricing date, minus dividends adjustment, plus price discount adjustment due to capital reduction.
   (2) The simple average price of 30 days prior to the pricing date, minus dividends adjustment, plus price discount adjustment due to capital reduction.
2. The issuing price of preferred shares and convertible bonds shall be no less than 80% of the theoretical price, which is the price determined by a pricing model applicable to all the issuing terms, including options in the issuing terms.
3. The pricing date, reference price, theoretical price, and actual issuing price, as referred above, will be actually determined subject to market conditions, terms, and discussion with specific parties. If the issuing price is below par and results in cumulative losses to the Bank, the Bank, subject to operation status then, may decapitalize its capital base, reverse retained earnings or capital surplus to make up the losses.
4. The private placement pricing, as determined by reference to government regulation, the reference price or theoretical price above, and the 3-year lock-up period required by the Securities and Exchange Act, is deemed reasonable.

(ii) The selection method, purpose and necessity of allying with the specific parties, and anticipated benefits:
1. The selection method and purpose: The selection is based on qualification specified in Article 43-6 of the “Securities and Exchange Act” to invite those strategic investors who are able to assist the Bank to expand sales channels, grow market shares, improve service quality, and reduce operating costs.
2. Necessity: In order to apply the trend of global financial supervision, the investment from the specific parties is necessary to improve the Bank’s capital adequacy and risk-taking capacity by Basel III implementation, and to support the Bank’s long-term development.
3. Anticipated benefits: The participation of the specific parties will enhance the Bank’s competitiveness and profitability.

(iii) The necessity of private placement:
1. Reason for no public offering: Public offering is not considered a recommendable approach, due to concerns of transaction cost and execution efficiency. Plus, the public offering is less supportive to provide the business needs of working with strategic investors, and the intended long-term relationship with the strategic investors, which is to be secured by the 3-year lock-up period per requirement of private placement regulation.
2. The amount of private placement: Within the limit of NT$10 billion or equivalent in foreign currencies, the amount of private placement could be raised by one or two tranches, within the period of 1 year from the shareholders’ meeting resolution date, subject to market conditions and negotiation progress with the specific parties.
3. Capital usage plan and anticipated benefits of private placement: The capital amount raised through one or two tranches will be used to expand the scale of the Bank’s business operations and to pursue strategic alliance opportunities domestically or overseas. The anticipated benefits will include strengthening of the Bank’s competitiveness, profitability, capital adequacy, and shareholders’ equity.

iv. The Board of Directors is authorized to determine key terms of capital issuance plans pertaining to the private placement, including issuing shares, pricing, terms and conditions, specific parties’ selection, capital-raising effective date, capital usage plan, anticipated benefits, and all other matters related to the private placement. The Board of Directors is also authorized to revise the issuance plan due to changes of law regulations, or market conditions, or upon instructions from government authorities.

v. Please vote FOR.

Resolutions：The total number of eligible votes represented by the shareholders present at the time of voting (including e-voting) was 1,961,041,753 (1 share for 1 vote), where 1,623,803,291 votes (including e-voting) were FOR the proposal, or 82.80% of the total votes; 289,155,003 votes were AGAINST the proposal, or 14.74% of the total votes; 0 vote were INVALID, or 0.00% of the total votes; and 48,083,459 votes were ABSTAINED, or 2.46% of the total votes; The proposal hereby is approved.

3. **Amendments to the Procedures of Asset Acquisition or Disposal of Far Eastern International Bank**

The Board of Directors recommends shareholders vote FOR the amendments of the Bank's Procedures of Asset Acquisition or Disposal.

Explanatory Notes:

i Pursuant to the "Guidelines for Handling Acquisition and Disposal of Assets by Public Companies" amended by the Financial Supervisory Commission in the Gin-Guan-Jheng-Fa-Zi No. 1060001296 Order dated February 9, 2017, the Bank amends some of the articles of the Bank's Procedures of Asset Acquisition or Disposal, in order to meet actual operational needs and to improve information disclosure quality.

ii A summary table of the amendments in the "Procedures of Asset Acquisition or Disposal of Far Eastern International Bank" is attached in the meeting handbook from page 51o 58

iii Please vote FOR.

Resolutions：The total number of eligible votes represented by the shareholders present at the time of voting (including e-voting) was 1,961,041,753 (1 share for 1 vote), where 1,909,249,709 votes (including e-voting) were FOR the proposal, or 97.36% of the total votes; 3,623,486 votes were AGAINST the proposal, or 0.18% of the total votes; 3,105 votes were INVALID, or 0.00% of the total votes; and 48,165,453 votes were ABSTAINED, or 2.46% of the total votes; The proposal hereby is approved.

4. **By-election of the 9th Term Board of Directors**

The Board of Directors recommends shareholders vote FOR the candidate of the 9th term Board of Directors.

Explanatory Notes:

i. According to the board resolution on March 21 2017, the Bank schedules by-election of a director, for the 9th term Board of Directors at 2017 annual shareholders' meeting, with tenor effective from the election date till June 15, 2018. Shareholders may nominate candidates for election from April 11, 2017 to April 20, 2017.

ii. The Bank's directors are elected from candidates who are nominated by Board of Directors or any shareholders with more than 1% shareholdings. During the above mentioned time period, Far Eastern New Century Corp., a shareholder with more than 1% shareholdings, nominates a candidate for election, and the nomination is later approved per the board resolution on May 2, 2017. The summary of the candidate nomination is detailed is attached on page 59 of the meeting handbook.

iii. Please vote FOR.

Election: Newly Elected Director

Shareholder NO.	Name	Votes Received	Legal Entity Represent
0000001	Mr. James Wu	1,895,206,664 (including 397,656,603 e-voting)	Far Eastern New Century Corp.

D. Questions and Motions (Voting Items): None

E. Meeting adjourned

Attachment I

Independent Auditors' Report & 2016 Financial Statements

(English Translation of a Report Originally Issued in Chinese)

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
The Far Eastern International Bank, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of The Far Eastern International Bank, Ltd. (the "Bank") and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank and its subsidiaries as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China (FSC).

Basis for Opinion

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements of Financial Institutions by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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 consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters related to the Bank and its subsidiaries' consolidated financial statements for the year ended December 31, 2016 for the Bank and its subsidiaries, which are described as follows:

Allowance for Credit Losses on Loans and Receivables

As of December 31, 2016, the balances of loans and receivables in the aggregate amounted to $378,810,914 thousand, accounted for 67 % of the total assets of the consolidated financial statements; an amount that is deemed to be significant to the consolidated financial statements. To assess the impairment loss of loans and accounts receivables in terms of the allowance for credit losses on loans and receivables, the Bank's management takes into account the amount and the schedule of collection, the change in economic forecast, and the value of collateral. The assessment involved judgements, estimates, and compliance with regulatory requirements for the allowance for credit losses on loans and receivable. As the assessment on the impairment of loans and accounts receivables involved the management's critical judgments in accounting estimation and the underlying assumption, the allowance for credit losses on loans and receivables was deemed to be a key audit matter.

Refer to Notes 4, 5, 10, 11, and 44 to the consolidated financial statements for disclosures related to impairment on loans and receivables.

In response to the abovementioned key audit matter, the audit procedures we performed are as follows:

1. Understand and conduct tests on the Bank's internal controls relevant to loans and receivables impairment assessment;

2. Sample from individually assessed loans and receivables to assess the management's estimates on the amount of future cash flows from borrowers and the reasonableness of the appraisal of the fair value of collateral;

3. Verify whether the underlying assumptions and critical parameters (probability of default and of recovery) adopted by the impairment model adequately reflect the actual position of collectively assessed loans and receivables and recalculate the amount of impairment; and

4. Sample and review credit files to evaluate whether the loans and receivables are reasonably categorized per regulatory stipulation and recalculate for the correctness of the allowance.

Evaluation of Impairment on Intangible Asset - Operation Rights

As of December 31, 2016, the balance of intangible asset - Operating rights amounted to $1,538,210 thousand. The amount is the cost for the Bank to acquire business from other financial institutions, acquisition cost that results from the allocation of the fair value to corresponding assets and liabilities. According to IAS 36, management should evaluate the impairment on intangible asset - Operating rights annually or whenever there is an indication that the asset may be impaired. For the assessment in determining the value in use of operating rights, the management requires an estimate of future cash flow of relevant cash-generating unit. As its assessment involves the management's critical judgments and estimates, the impairment of intangible asset – Operating rights is deemed to be a key audit matter.

Refer to Notes 4, 5, and 18 to the consolidated financial statements for disclosures related to impairment on intangible asset.

In response to the abovementioned key audit matter, we have consulted with our internal financial experts for their help to perform audit procedures as follows:

1. Evaluate and verify the qualification of the valuation personnel employed by the management in terms of their professional experience, competency, and independence.

2. Evaluate the reasonableness of critical parameters (such as future cash-flow forecast, discount rate, and sustainable growth rate) and perform sensitivity analysis.

3. Verify the raw data adopted (including the average amounts, the growth rates, interest rates, etc., of deposits and loans) to evaluate its accuracy and completeness.

Other Matter

We have also audited the parent company only financial statements of the Bank 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations of IAS (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank and its subsidiaries' 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 Bank and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Bank and its subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 consolidated financial statements.

As part of an audit in accordance with the 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank and its subsidiaries' 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 Bank and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Bank and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Bank and its subsidiaries 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 consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shih-Tsung Wu and Chen-Hsiu Yang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 21, 2017

<u>*Notice to Readers*</u>

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016		2015	
ASSETS	**Amount**	**%**	**Amount**	**%**
Cash and cash equivalents	$ 7,361,878	1	$ 6,104,340	1
Due from the central bank and other banks	32,744,760	6	79,028,172	15
Financial assets at fair value through profit or loss	33,830,105	6	39,672,053	7
Securities purchased under resale agreements	6,396,656	1	15,344,855	3
Receivables, net	22,847,242	4	20,853,418	4
Current tax assets	4,117	-	3,085	-
Discounts and loans, net	355,963,672	63	334,063,822	61
Available-for-sale financial assets	79,594,706	14	27,478,135	5
Held-to-maturity financial assets	2,630,635	1	3,125,209	1
Investment accounted for using equity method	1,702,220	-	1,658,037	-
Debt investments with no active market	8,170,732	2	7,204,513	1
Other financial assets, net	4,670,815	1	6,534,747	1
Property and equipment, net	2,889,674	1	2,840,692	1
Intangible assets, net	1,750,568	-	1,776,051	-
Deferred tax assets	635,104	-	631,541	-
Other assets, net	222,399	-	236,211	-
TOTAL	$ 561,415,283	100	$ 546,554,881	100

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016		2015	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
LIABILITIES				
Due to the Central Bank and other banks	$ 7,432,194	1	$ 13,194,889	2
Financial liabilities at fair value through profit or loss	7,954,542	2	9,588,248	2
Securities sold under repurchase agreements	13,711,223	3	3,743,155	1
Payables	5,799,874	1	3,964,144	1
Current tax liabilities	405,097	-	422,618	-
Deposits and remittances	452,720,460	81	451,294,909	83
Bank debentures	24,309,357	4	20,312,370	4
Other financial liabilities	6,385,369	1	3,030,963	-
Provisions	1,240,278	-	1,127,306	-
Other liabilities	506,012	-	898,631	-
Total liabilities	520,464,406	93	507,577,233	93
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Share capital	31,113,672	5	30,332,430	6
Capital surplus	456,426	-	459,918	-
Retained earnings				
Legal reserve	5,571,477	1	4,491,173	1
Special reserve	121,028	-	208,219	-
Unappropriated earnings	3,916,835	1	3,601,013	-
Total retained earnings	9,609,340	2	8,300,405	1
Other equity				
Exchange differences on translating foreign operations	115,916	-	141,123	-
Unrealized loss on available-for-sale financial assets	(344,477)	-	(256,228)	-
Total other equity	(228,561)	-	(115,105)	-
Total equity	40,950,877	7	38,977,648	7
TOTAL	$ 561,415,283	100	$ 546,554,881	100

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2016		2015		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUES	$ 10,872,351	99	$ 11,989,434	107	(9)
INTEREST EXPENSES	5,087,929	46	6,185,693	55	(18)
NET INTERESTS	5,784,422	53	5,803,741	52	-
NET REVENUES OTHER THAN INTEREST					
Net service fee income	3,392,060	31	3,103,748	27	9
Net gains on financial assets and liabilities at fair value through profit or loss	1,247,844	11	1,259,395	11	(1)
Net realized gains on available-for-sale financial assets	119,716	1	113,337	1	6
Net foreign exchange gains	46,982	-	452,308	4	(90)
Shares of profit from associates	85,454	1	82,786	1	3
Impairment loss on assets	(20,528)	-	-	-	-
Others	286,948	3	412,412	4	(30)
Total net revenues other than interest	5,158,476	47	5,423,986	48	(5)
CONSOLIDATED NET REVENUES	10,942,898	100	11,227,727	100	(3)
PROVISION FOR POSSIBLE LOSSES	452,001	4	32,816	-	1,277
OPERATING EXPENSES					
Employee benefits expense	3,793,101	35	3,815,691	34	(1)
Depreciation and amortization	226,448	2	221,528	2	2
Other general and administrative expenses	2,655,446	24	2,538,072	23	5
Total operating expenses	6,674,995	61	6,575,291	59	2
INCOME BEFORE INCOME TAX	3,815,902	35	4,619,620	41	(17)
INCOME TAX EXPENSE	572,016	5	705,488	6	(19)
NET INCOME FOR THE YEAR	3,243,886	30	3,914,132	35	(17)

(Continued)

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2016		2015		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	(137,752)	(1)	(156,595)	(1)	12
Share of other comprehensive loss of associates	(671)	-	(1,362)	-	51
Income tax relating to items that will not be reclassified subsequently to profit or loss	23,418	-	26,621	-	(12)
	(115,005)	(1)	(131,336)	(1)	12
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations	(25,207)	-	73,859	-	(134)
Unrealized loss on available-for-sale financial assets	(76,297)	(1)	(26,654)	-	(186)
Share of other comprehensive gain (loss) of associates	(11,952)	-	39,985	-	(130)
	(113,456)	(1)	87,190	-	(230)
Other comprehensive loss for the year	(228,461)	(2)	(44,146)	(1)	(418)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 3,015,425	28	$ 3,869,986	34	(22)
NET INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 3,243,886	30	$ 3,914,132	35	(17)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 3,015,425	28	$ 3,869,986	34	(22)
EARNINGS PER SHARE					
Basic	$1.04		$1.27		
Diluted	$1.00		$1.15		

(Concluded)

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	Equity Attributable to	
	Share Capital	Capital Surplus
BALANCE AT JANUARY 1, 2015	$ 28,618,263	$ 462,400
Appropriation of the 2014 earnings		
Legal reserve	-	-
Special reserve	-	-
Cash dividends - NT$0.400 per share	-	-
Stock dividends - NT$0.537 per share	1,536,801	-
	1,536,801	-
Net income for the year ended December 31, 2015	-	-
Other comprehensive income (loss) for the year ended December 31, 2015	-	-
Total comprehensive income for the year ended December 31, 2015	-	-
Employees' bonus-stock	177,366	(2,482)
BALANCE AT DECEMBER 31, 2015	30,332,430	459,918
Appropriation of the 2015 earnings		
Legal reserve	-	-
Special reserve	-	-
Cash dividends - NT$0.400per share	-	-
Stock dividends - NT$0.200per share	606,649	-
	606,649	-
Net income for the year ended December 31, 2016	-	-
Other comprehensive loss for the year ended December 31, 2016	-	-
Total comprehensive income (loss) for the year ended December 31, 2016	-	-
Employees' bonus - stock	174,593	(3,492)
BALANCE AT DECEMBER 31, 2016	$ 31,113,672	$ 456,426

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

Owners of the Bank					
Retained Earnings			Other Equity		
Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain(Loss) on Available-for-sale Financial Assets	Total Equity
$ 3,382,816	$ 304,122	$ 3,512,202	$ 67,264	$ (269,559)	$ 36,077,508
1,108,357	-	(1,108,357)	-	-	-
-	(95,903)	95,903	-	-	-
-	-	(1,144,730)	-	-	(1,144,730)
-	-	(1,536,801)	-	-	-
1,108,357	(95,903)	(3,693,985)	-	-	(1,144,730)
-	-	3,914,132	-	-	3,914,132
-	-	(131,336)	73,859	13,331	(44,146)
-	-	3,782,796	73,859	13,331	3,869,986
-	-	-	-	-	174,884
4,491,173	208,219	3,601,013	141,123	(256,228)	38,977,648
1,080,304	-	(1,080,304)	-	-	-
-	(87,191)	87,191	-	-	-
-	-	(1,213,297)	-	-	(1,213,297)
-	-	(606,649)	-	-	-
1,080,304	(87,191)	(2,813,059)	-	-	(1,213,297)
-	-	3,243,886	-	-	3,243,886
-	-	(115,005)	(25,207)	(88,249)	(228,461)
-	-	3,128,881	(25,207)	(88,249)	3,015,425
-	-	-	-	-	171,101
$ 5,571,477	$ 121,028	$ 3,916,835	$ 115,916	$ (344,477)	$ 40,950,877

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 3,815,902	$ 4,619,620
Adjustments for:		
Depreciation	198,246	193,248
Amortization	28,202	28,280
Provision for possible losses	1,300,165	854,758
Net valuation gain on financial assets and liabilities at fair value through profit or loss	(566,152)	(258,207)
Interest expenses	5,087,929	6,185,693
Interest revenues	(10,872,351)	(11,989,434)
Dividend income	(63,195)	(78,008)
Shares of profit from associates	(85,454)	(82,786)
Other adjustments	768	18,346
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and other banks	(3,531,591)	4,572,058
Decrease (increase) in financial assets at fair value through profit or loss	6,408,184	(13,469,635)
Increase in receivables	(2,273,540)	(1,448,820)
Increase in discounts and loans	(22,683,826)	(15,393,538)
Decrease (increase) in available-for-sale financial assets	(52,201,509)	2,992,170
Decrease in held-to-maturity financial assets	488,896	943,365
Increase in debt investments with no active market	(966,219)	(16,101)
Increase (decrease) in due to the Central Bank and other banks	(5,762,695)	1,698,019
Decrease in financial liabilities at fair value through profit or loss	(1,633,706)	(1,467,046)
Increase (decrease) in payables	2,040,052	(1,322,584)
Increase in deposits and remittances	1,425,551	28,052,492
Cash generated from (used in) operations	(79,846,343)	4,631,890
Interest received	10,876,166	12,048,116
Dividends received	63,195	78,008
Interest paid	(5,108,103)	(6,020,561)
Income tax paid	(566,153)	(283,124)
Net cash generated from (used in) operating activities	(74,581,238)	10,454,329
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(247,089)	(249,491)
Proceeds from disposal of property and equipment	325	158
Decrease in other financial assets	1,652,873	1,129,067
Decrease (increase) in other assets	11,093	(81,872)
Dividends received from associates	28,648	55,386
Net cash generated from investing activities	1,445,850	853,248

(Continued)

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of euro convertible bonds	-	(3,043,566)
Proceeds from the issuance of bank debentures	4,000,000	3,000,000
Redemption of bank debentures	(200)	(5,402,100)
Increase (decrease) in securities sold under repurchase agreements	9,968,068	(648,296)
Increase in other financial liabilities	3,354,406	156,893
Increase (decrease) in other liabilities	(393,772)	366,870
Cash dividends	(1,213,297)	(1,144,730)
Net cash generated from (used in) financing activities	15,715,205	(6,714,929)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(85,481)	(139,032)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(57,505,664)	4,453,616
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	85,844,817	81,391,201
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 28,339,153	$ 85,844,817

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets is as follows:

	December 31	
	2016	2015
Cash and cash equivalents in consolidated balance sheets	$ 7,361,878	$ 6,104,340
Due from the Central Bank and other banks that meet the IAS 7 definition of “cash and cash equivalents”	14,580,619	64,395,622
Securities purchased under resale agreements that meet the IAS 7 definition of “cash and cash equivalents”	6,396,656	15,344,855
Cash and cash equivalents in consolidated statements of cash flows	$ 28,339,153	$ 85,844,817

(Concluded)

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
The Far Eastern International Bank, Ltd.

Opinion

We have audited the accompanying financial statements of The Far Eastern International Bank, Ltd. (the "Bank"), which comprise the balance sheets as of December 31, 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the 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 Bank as of 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 Public Banks.

Basis for Opinion

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements of Financial Institutions by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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 for the year ended December 31, 2016. 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.

Key audit matters related to the Bank's financial statements for the year ended December 31, 2016, which are described as follows:

Allowance for Credit Losses on Loans and Receivables

As of December 31, 2016, the balances of loans and receivables in the aggregate amounted to $377,047,556 thousand, accounted for 67 % of the total assets of the financial statements; an amount that is deemed to be significant to the financial statements. To assess the impairment loss of loans and accounts receivables in terms of the allowance for credit losses on loans and receivables, the Bank's management takes into account the amount and the schedule of collection, the change in economic forecast, and the value of collateral. The assessment involved judgements, estimates, and compliance with regulatory requirements for the allowance for credit losses on loans and receivable. As the assessment on the impairment of loans and accounts receivables involved the management's critical judgments in accounting estimation and the underlying assumption, the allowance for credit losses on loans and receivables was deemed to be a key audit matter.

Refer to Notes 4, 5, 10, 11, and 44 to the financial statements for disclosures related to impairment on loans and receivables.

In response to the abovementioned key audit matter, the audit procedures we performed are as follows:

1. Understand and conduct tests on the Bank's internal controls relevant to loans and receivables impairment assessment;

2. Sample from individually assessed loans and receivables to assess the management's estimates on the amount of future cash flows from borrowers and the reasonableness of the appraisal of the fair value of collateral;

3. Verify whether the underlying assumptions and critical parameters (probability of default and of recovery) adopted by the impairment model adequately reflect the actual position of collectively assessed loans and receivables and recalculate the amount of impairment; and

4. Sample and review credit files to evaluate whether the loans and receivables are reasonably categorized per regulatory stipulation and recalculate for the correctness of the allowance.

Evaluation of Impairment on Intangible Asset - Operation Rights

As of December 31, 2016, the balance of intangible asset - Operating rights amounted to $1,538,210 thousand. The amount is the cost for the Bank to acquire business from other financial institutions, acquisition cost that results from the allocation of the fair value to corresponding assets and liabilities. According to IAS 36, management should evaluate the impairment on intangible asset - Operating rights annually or whenever there is an indication that the asset may be impaired. For the assessment in determining the value in use of operating rights, the management requires an estimate of future cash flow of relevant cash-generating unit. As its assessment involves the management's critical judgments and estimates, the impairment of intangible asset – Operating rights is deemed to be a key audit matter.

Refer to Notes 4, 5, and 18 to the financial statements for disclosures related to impairment on intangible asset.

In response to the abovementioned key audit matter, we have consulted with our internal financial experts for their help to perform audit procedures as follows:

1. Evaluate and verify the qualification of the valuation personnel employed by the management in terms of their professional experience, competency, and independence.

2. Evaluate the reasonableness of critical parameters (such as future cash-flow forecast, discount rate, and sustainable growth rate) and perform sensitivity analysis.

3. Verify the raw data adopted (including the average amounts, the growth rates, interest rates, etc., of deposits and loans) to evaluate its accuracy and completeness.

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 Public Banks, 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 Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Bank's financial reporting process.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 the 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 Bank'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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank 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 entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shih-Tsung Wu and Chen-Hsiu Yang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 21, 2017

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

FAR EASTERN INTERNATIONAL BANK LTD.

BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016		2015	
ASSETS	**Amount**	**%**	**Amount**	**%**
Cash and cash equivalents	$ 7,277,345	1	$ 5,991,725	1
Due from the central bank and other banks	32,744,760	6	79,028,172	14
Financial assets at fair value through profit or loss	33,830,105	6	39,672,053	7
Securities purchased under resale agreements	6,396,656	1	15,344,855	3
Receivables, net	21,083,884	4	19,622,717	4
Current tax assets	3,936	-	2,707	-
Discounts and loans, net	355,963,672	63	334,063,822	61
Available-for-sale financial assets	79,594,706	14	27,478,135	5
Held-to-maturity financial assets	2,630,635	1	3,125,209	1
Investment accounted for using equity method	3,140,851	1	3,026,485	1
Debt investments with no active market	8,170,732	1	7,204,513	1
Other financial assets, net	4,586,407	1	6,446,077	1
Property and equipment, net	2,882,384	1	2,833,396	1
Intangible assets, net	1,750,568	-	1,776,051	-
Deferred tax assets	631,415	-	630,181	-
Other assets, net	214,448	-	226,885	-
TOTAL	$ 560,902,504	100	$ 546,472,983	100

FAR EASTERN INTERNATIONAL BANK LTD.

BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	2016 Amount	2016 %	2015 Amount	2015 %
LIABILITIES				
Due to the Central Bank and other banks	$ 7,432,194	1	$ 13,194,889	2
Financial liabilities at fair value through profit or loss	7,954,542	2	9,588,248	2
Securities sold under repurchase agreements	13,711,223	3	3,743,155	1
Payables	5,700,140	1	3,895,944	1
Current tax liabilities	346,679	-	338,563	-
Deposits and remittances	453,505,280	81	452,068,088	83
Bank debentures	24,309,357	4	20,312,370	4
Other financial liabilities	5,265,429	1	2,341,145	-
Provisions	1,240,278	-	1,127,306	-
Other liabilities	486,505	-	885,627	-
Total liabilities	519,951,627	93	507,495,335	93
EQUITY				
Share capital	31,113,672	5	30,332,430	6
Capital surplus	456,426	-	459,918	-
Retained earnings				
Legal reserve	5,571,477	1	4,491,173	1
Special reserve	121,028	-	208,219	-
Unappropriated earnings	3,916,835	1	3,601,013	-
Total retained earnings	9,609,340	2	8,300,405	1
Other equity				
Exchange differences on translating foreign operations	115,916	-	141,123	-
Unrealized loss on available-for-sale financial assets	(344,477)	-	(256,228)	-
Total other equity	(228,561)	-	(115,105)	-
Total equity	40,950,877	7	38,977,648	7
TOTAL	$ 560,902,504	100	$ 546,472,983	100

FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2016		2015		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUES	$ 10,855,619	104	$ 11,984,430	111	(9)
INTEREST EXPENSES	5,080,509	49	6,180,139	57	(18)
NET INTERESTS	5,775,110	55	5,804,291	54	(1)
NET REVENUES OTHER THAN INTEREST					
Net service fee income	2,443,194	23	2,288,433	21	7
Net gains on financial assets and liabilities at fair value through profit or loss	1,247,270	12	1,259,076	12	(1)
Net realized gains on available-for-sale financial assets	119,716	1	113,337	1	6
Net foreign exchange gains	48,698	1	448,227	4	(89)
Shares of profit from subsidiaries and associates	653,169	6	603,406	5	8
Impairment loss on assets	(20,528)	-	-	-	-
Others	215,783	2	325,721	3	(34)
Total net revenues other than interest	4,707,302	45	5,038,200	46	(7)
NET REVENUES	10,482,412	100	10,842,491	100	(3)
PROVISION FOR POSSIBLE LOSSES	449,158	4	30,609	-	1,367
OPERATING EXPENSES					
Employee benefits expense	3,545,654	34	3,630,103	33	(2)
Depreciation and amortization	222,633	2	218,164	2	2
Other general and administrative expenses	2,557,985	25	2,450,793	23	4
Total operating expenses	6,326,272	61	6,299,060	58	-
INCOME BEFORE INCOME TAX	3,706,982	35	4,512,822	42	(18)
INCOME TAX EXPENSE	463,096	4	598,690	6	(23)
NET INCOME FOR THE YEAR	3,243,886	31	3,914,132	36	(17)

(Continued)

FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2016		2015		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	(137,752)	(1)	(156,595)	(1)	12
Share of other comprehensive loss from subsidiaries and associates	(671)	-	(1,362)	-	51
Income tax relating to items that will not be reclassified subsequently to profit or loss	23,418	-	26,621	-	(12)
	(115,005)	(1)	(131,336)	(1)	12
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations	(458)	-	71,391	1	(101)
Unrealized loss on available-for-sale financial assets	(76,297)	(1)	(26,654)	-	(186)
Share of other comprehensive gain (loss) from subidiaries and associates	(36,701)	-	42,453	-	(186)
	(113,456)	(1)	87,190	1	(230)
Other comprehensive loss for the year	(228,461)	(2)	(44,146)	-	(418)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 3,015,425	29	$ 3,869,986	36	(22)
EARNINGS PER SHARE					
Basic	$1.04		$1.27		
Diluted	$1.00		$1.15		

(Concluded)

FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Amounts Per Share)

	Share Capital	Capital Surplus
BALANCE AT JANUARY 1, 2015	$ 28,618,263	$ 462,400
Appropriation of the 2014 earnings		
Legal reserve	-	-
Special reserve	-	-
Cash dividends - NT$0.400 per share	-	-
Stock dividends - NT$0.537 per share	1,536,801	-
	1,536,801	-
Net income for the year ended December 31, 2015	-	-
Other comprehensive income (loss) for the year ended December 31, 2015	-	-
Total comprehensive income for the year ended December 31, 2015	-	-
Employees' bonus-stock	177,366	(2,482)
BALANCE AT DECEMBER 31, 2015	30,332,430	459,918
Appropriation of the 2015 earnings		
Legal reserve	-	-
Special reserve	-	-
Cash dividends - NT$0.400 per share	-	-
Stock dividends - NT$0.200 per share	606,649	-
	606,649	-
Net income for the year ended December 31, 2016	-	-
Other comprehensive loss for the year ended December 31, 2016	-	-
Total comprehensive income (loss) for the year ended December 31, 2016	-	-
Employees' bonus - stock	174,593	(3,492)
BALANCE AT DECEMBER 31, 2016	$ 31,113,672	$ 456,426

FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Amounts Per Share)

Retained Earnings			Other Equity		
Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total Equity
$ 3,382,816	$ 304,122	$ 3,512,202	$ 67,264	$ (269,559)	$ 36,077,508
1,108,357	-	(1,108,357)	-	-	-
-	(95,903)	95,903	-	-	-
-	-	(1,144,730)	-	-	(1,144,730)
-	-	(1,536,801)	-	-	-
1,108,357	(95,903)	(3,693,985)	-	-	(1,144,730)
-	-	3,914,132	-	-	3,914,132
-	-	(131,336)	73,859	13,331	(44,146)
-	-	3,782,796	73,859	13,331	3,869,986
-	-	-	-	-	174,884
4,491,173	208,219	3,601,013	141,123	(256,228)	38,977,648
1,080,304	-	(1,080,304)	-	-	-
-	(87,191)	87,191	-	-	-
-	-	(1,213,297)	-	-	(1,213,297)
-	-	(606,649)	-	-	-
1,080,304	(87,191)	(2,813,059)	-	-	(1,213,297)
-	-	3,243,886	-	-	3,243,886
-	-	(115,005)	(25,207)	(88,249)	(228,461)
-	-	3,128,881	(25,207)	(88,249)	3,015,425
-	-	-	-	-	171,101
$ 5,571,477	$ 121,028	$ 3,916,835	$ 115,916	$ (344,477)	$ 40,950,877

FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 3,706,982	$ 4,512,822
Adjustments for:		
Depreciation	196,310	191,819
Amortization	26,323	26,345
Provision for possible losses	1,297,322	852,551
Net valuation gain on financial assets and liabilities at fair value through profit or loss	(565,578)	(258,207)
Interest expenses	5,080,509	6,180,139
Interest revenues	(10,855,619)	(11,984,430)
Dividend income	(63,195)	(78,008)
Shares of profit from subsidiaries and associates	(653,169)	(603,406)
Other adjustments	4,131	18,620
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and other banks	(3,531,591)	4,572,058
Decrease (increase) in financial assets at fair value through profit or loss	6,407,526	(13,983,226)
Increase in receivables	(1,739,145)	(1,142,464)
Increase in discounts and loans	(22,683,826)	(15,393,538)
Decrease (increase) in available-for-sale financial assets	(52,201,509)	2,992,170
Decrease in held-to-maturity financial assets	488,896	943,365
Increase in debt investments with no active market	(966,219)	(16,101)
Increase (decrease) in due to the Central Bank and other banks	(5,762,695)	1,698,019
Decrease in financial liabilities at fair value through profit or loss	(1,633,706)	(1,467,046)
Increase (decrease) in payables	2,009,159	(1,309,515)
Increase in deposits and remittances	1,437,192	28,302,609
Cash generated from (used in) operations	(80,001,902)	4,054,576
Interest received	10,860,339	12,043,764
Dividends received	63,195	78,008
Interest paid	(5,101,324)	(6,037,730)
Income tax paid	(433,692)	(247,281)
Net cash generated from (used in) operating activities	(74,613,384)	9,891,337
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(244,935)	(245,049)
Proceeds from disposal of property and equipment	32	158
Decrease in other financial assets	1,648,611	1,130,697
Decrease (increase) in other assets	11,597	(81,098)
Dividends received from subsidiaries and associates	501,431	227,545
Net cash generated from investing activities	1,916,736	1,032,253

(Continued)

FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of Euro Convertible Bonds	-	(3,043,566)
Proceeds from the issuance of bank debentures	4,000,000	3,000,000
Redemption of bank debentures	(200)	(5,402,100)
Increase (decrease) in securities sold under repurchase agreements	9,968,068	(648,296)
Increase in other financial liabilities	2,924,284	496,993
Increase (decrease) in other liabilities	(399,122)	366,916
Cash dividends	(1,213,297)	(1,144,730)
Net cash generated from (used in) financing activities	15,279,733	(6,374,783)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(60,667)	(141,451)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(57,477,582)	4,407,356
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	85,732,202	81,324,846
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 28,254,620	$ 85,732,202

Reconciliation of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets is as follows:

	December 31	
	2015	2014
Cash and cash equivalents in balance sheets	$ 7,277,345	$ 5,991,725
Due from the Central Bank and other banks that meet the IAS 7 definition of "cash and cash equivalents"	14,580,619	64,395,622
Securities purchased under resale agreements that meet the IAS 7 definition of "cash and cash equivalents"	6,396,656	15,344,855
Cash and cash equivalents in statements of cash flows	$ 28,254,620	$ 85,732,202

(Concluded)

Attachment II

Audit Committee's Review Report for 2016 Business Report and Financial Statements

To : 2017 Annual Shareholders' Meeting of Far Eastern International Bank

March 21, 2017

The Board of Directors has submitted business report, audited financial statements (by S.Z. Wu, CPA, and C.S. Yang, CPA, of Deloitte & Touche) and earnings distribution proposal of the Bank for the year ended 2016 for the Committee's review.

After reviewing, the Committee has found the above mentioned reports acceptable, and hence issued the review report herewith in accordance with Article 219 of the Company Law.

Bing Shen

Bing Shen

Audit Committee Convener
Far Eastern International Bank