Far Eastern Int'l Bank

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Handbook
for 2019 Annual Shareholders' Meeting

Contents

Far Eastern International Bank (FEIB)

2019 Annual Shareholders' Meeting

(Translation)

Date: Wednesday, June 19, 2019

Time: 9:00 a.m., Taipei time

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

Meeting Agenda

Chairperson's remarks

Report Items (Non-Voting Items)

1. 2018 Business Report
2. 2018 Financial Statements
3. Audit Committee's Review Report for 2018 Business Report and Financial Statements
4. Summary of 2018 Employees' Compensation and Directors' Remuneration
5. Issuance of 2018 Perpetual Non-Cumulative Subordinated Financial Debenture

Approval Items (Voting Items)

1. 2018 Business Report and Financial Statements
2. Proposal of 2018 Earnings Distribution

Proposed Resolutions (Voting Items)

1. Proposal of Issuing New Shares - to Capitalize Shareholder Dividends
2. Proposal of Private Placement - to Issue Common Shares, Preferred Shares, Convertible Bonds or A Combination of Above Securities to Specific Parties
3. Amendments of “Procedures of Asset Acquisition or Disposal of Far Eastern International Bank”

Questions and Motions (Voting Items)

Adjourned

The English version is the translation of the Chinese version and the Chinese version shall prevail, if any discrepancy.

Report Items (Non-Voting Items)

1. **2018 Business Report**

   The 2018 business report is detailed in Attachment I.

2. **2018 Financial Statements**

   The 2018 financial statements and the independent auditors' report by Deloitte & Touche are detailed in Attachment II. (The 2018 financial statements are available for access at http://mops.twse.com.tw)

3. **Audit Committee's Review Report for 2018 Business Report and Financial Statements**

   The Audit Committee's review report is detailed in Attachment III.

4. **Summary of 2018 Employees' Compensation and Directors' Remuneration**

   The 2018 summary of employees' compensation and directors' remuneration is detailed in Attachment IV.

5. **Issuance of 2018 Perpetual Non-Cumulative Subordinated Financial Debenture**

   The summary of issuing 2018 perpetual non-cumulative subordinated financial debenture is detailed in Attachment V.

Approval Items (Voting Items)

1. **2018 Business Report and Financial Statements**

   The Board of Directors recommends shareholders vote FOR 2018 business report and financial statements.

   Explanatory Notes:

   i. The Audit Committee has reviewed the business report and the audited financial statements (by Shih-Tsung Wu, CPA, and Chen-Hsiu Yang, CPA, of Deloitte & Touche) of the Bank for the year ended 2018 and found the reports acceptable.
   ii. The 2018 business report, the independent auditors' report & 2018 financial statements, and Audit Committee's review report are detailed in Attachment I, II, and III.
   iii. Please vote FOR.

   Resolutions:

2. Proposal of 2018 Earnings Distribution

The Board of Directors recommends shareholders vote FOR 2018 earnings distribution.

Explanatory Notes:

i. The Bank's 2018 earnings distribution is as follows:

	(Unit: NT$)
Unappropriated earnings - beginning	789,659,689
Adjustment on retained earnings due to first-time adoption of IFRS 9	(12,341,220)
Adjustment on retained earnings for remeasurement of defined benefit plans	(23,475,606)
Disposal of equity instruments at fair value through other comprehensive income, accumulated income and loss directly adjusted on retained earnings	(61,475,125)
Adjustment on retained earnings for investment under equity method	(4,660,163)
Adjusted unappropriated earnings	687,707,575
Net income	3,524,201,040
Legal reserve	(1,057,260,312)
Special reserve	(39,803,889)
Distributable earnings	3,114,844,414
Earnings distribution:	
Shareholder dividends	2,337,467,971
Unappropriated earnings - ending	777,376,443

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

	Per share	Total amount
Cash dividends	0.450	1,471,133,691
Stock dividends	0.265	866,334,280
Total	0.715	2,337,467,971

2018 net income will be distributed with priority. The cash dividends 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 the Board of Directors after 2019 annual shareholders' meeting. Dividends per share as referred above are calculated based on the number of shares outstanding on December 31, 2018. The Board of Directors is authorized to adjust cash and stock dividends payout ratio within the total dividends 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:

Proposed Resolutions (Voting Items)

1. Proposal of Issuing New Shares - to Capitalize Shareholder Dividends

The Board of Directors recommends shareholders vote FOR capitalization of 2018 stock dividends.

Explanatory Notes:

i. Capitalization purpose and funding sources: In order to support business needs, enhance operational capital and improve capital structure, capitalization of NT$866,334,280 shareholder dividends from 2018 earnings distribution is proposed by issuing 86,633,428 new shares at par of NT$10 per share.

ii. Allotment method: The 86,633,428 new shares are distributed in accordance with the shareholding record of the shareholder’s register on the dividend ex-right date, that is, 26.5 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 shares (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 dividends shares as referred above are estimated based on the number of shares outstanding on December 31, 2018. The Board of Directors is authorized to adjust stock dividends payout ratio within the total dividends 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 dividends (same as the effective date of issuing new shares) will be determined by the Board of Directors after 2019 annual shareholders’ meeting.

v. Please vote FOR.

Resolutions:

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 20, 2018 to proceed private placement for a total amount of not exceeding NT$10 billion or equivalent in foreign currencies. This proposal herein is to request extension of last shareholders' meeting resolution 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, if any, are to be issued according with 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 shall include:

(i) The basis and justification of the pricing:

1. The issuing price of common shares shall be no less than 80% of the reference price, which is the higher of the following two basis prices:

(1) The simple averaged closing price of 1, 3 or 5 business days prior to the pricing date, minus dividends, plus price adjusted for capital reduction.

(2) The simple averaged closing price of 30 business days prior to the pricing date, minus dividends, plus price discount adjusted for 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 an applicable pricing model considering all the terms in the issuing.

3. The pricing date and actual issuing price, as reference above, will be determined subject to market conditions and terms, and discussion with specific parties. If the issuing price is below the par value of common shares and results in cumulative losses to the Bank, the Bank may, subject to operation status then, decapitalize capital base, reverse retained earnings or capital surplus to make up the losses.

4. The pricing of private placement, as determined by following government regulation, the reference price or theoretical price as above, and the consideration of 3-year lock-up period per requirement of the Securities and Exchange Act, is deemed reasonable.

(ii) The selection, purpose, essentiality and benefits of allying with the specific parties:

1. Selection of the specific parties and purpose: The strategic investors are selected based on qualification criteria specified in Article 43-6 of the "Securities and Exchange Act", for those who are able to assist the Bank expanding sales channels,

growing market shares, improving service quality, and reducing operation costs.

2. Essentiality: In responding to global trend of financial supervision, the investment from the specific parties is deemed essential in improving the Bank's capital adequacy and risk-taking capacity under Basel III, and supporting the Bank's long-term development.
3. Benefits: The Bank's competitiveness and profitability will be enhanced via management participation and investment of the specific parties.

(iii) The justification of private placement:

1. The justification of not public offering: In considering speed and cost of transaction execution, public offering is not recommended. Plus, public offering is less feasible in attracting strategic investors for long-term business cooperation relationship, which would be secured by the 3-year lock-up period per regulation of private placement.
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 date, subject to market conditions and transaction progress with the specific parties.
3. Capital usage plan and anticipated benefits: The capital amount raised through one or two tranches of private placement will be used for expanding the Bank's business scale and for pursuing strategic alliance opportunities domestically or in 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 terms of private placement, including issuing number of new shares, pricing, terms and conditions, selection of specific parties', capital-raising effective date, capital usage plan, anticipated benefits, and all other related matters. The Board of Directors is also authorized to revise the issuance plan due to changes of regulations, market conditions, or upon instructions of government authorities.

v. Please vote FOR.

Resolutions:

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

The Board of Directors recommends shareholders vote FOR amendments of "Procedures of Asset Acquisition or Disposal of Far Eastern International Bank".

Explanatory Notes:

i. In responding to amendments of IFRS 16 Leases and IFRS 9 Financial Instruments, and amendments of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgated by the Financial Supervisory Commission on November 26, 2018, the amendments of "Procedures of Asset Acquisition or Disposal of Far Eastern International Bank" are proposed. A comparison table of articles before and after amendments is detailed in Attachment VI.

ii. Please vote FOR.

Resolutions:

Questions and Motions (Voting Items)

Attachment I

2018 Business Report

Reflecting on the 2018, the global economy continued recovering in the first half of the year, pushing up Taiwan's economic growth. In the second half of the year, although the global economy was affected by US-China trade war and the violent fluctuations in the international financial market, Taiwan's economy GDP growth rate remained at 2.63%. Looking forward to 2019, global economic and geopolitical uncertainty is rising, economic growth momentum is slowing, and Taiwan's GDP growth rate forecast that will be slow down to 2.27%. In contrast to the financial industry, FSC fully support Fintech development of Fintech, encourage digital transformation in banking industry, and apply AI to create a new economy.

In 2018, Far Eastern International Bank (FEIB)'s overall profitability was strong. The net profit after tax was NT$3.524 billion, increased 23% from last year. EPS was NT$1.08, which was also 24% higher than last year. The growth rate was the highest in eight years. Total assets exceeded NT$600 billion. The asset quality remained good, NPL ratio fell to 0.237%, and the NPL coverage ratio increased to 574%, both of which were better than industry.

FEIB continued long-term steady growth strategy in 2018, lead the market with niche products and drive innovation with digital technology. In digital banking, the transaction automation was improved, with off-counter rate of 89.5%. And the first social bank, "Bankee" is launched as online banking applications. As to the credit card business, the active card exceeded 1 million and percentage of spending amount was also increased. Consumer loan business has experienced double-digit growth for three years. The strategic car loan has consolidated its market leadership. The wealth management business was awarded the "Best Wealth Manager of Taiwan Award – Rising Star" by Asset magazine. The number of wealth management customers and investment assets are actively growing. Corporate finance has expanded overseas markets which accounted for 40% of total profits. The financial market increased the investment position, and the foreign exchange turned loss into gain.

FEIB combined social resources to engage public welfare actions and practice corporate social responsibility. Eden Social Welfare Foundation was sponsored through the public welfare platform, and donated money to assist post-disaster reconstruction. The corporate social responsibility report was published and won the Silver Award in Taiwan Sustainable Report and the Outstanding Perpetual Award of the British Standards Institution. The 2019 calendar introduced Taiwanese writers and artists' former residences to promote humanistic spirit and historical heritage of Taiwan. FEIB is selected as one of the constituent companies of "Taiwan RAFI EMP 99 Index" and the "Taiwan HC 100 Index" for several years. FEIB is the only bank who was rewarded training subsidy by Ministry of Labor for 16 years in recognition of focusing on employee welfare, talent cultivation and the emphasis on human capital.

Looking into 2019, FEIB will launch AI transformation, integrate virtual and reality channels, and create new profit-making opportunity. The key operational strategies include digital banking sub-brands, AI banking, and hosting FE Group's payment services. The number of FE Group card and credit card and the proportion of spending amount will be increased. New overseas offices in Singapore and Vietnam are established for building a multinational financial network. New financial product will be created for increasing diversified investment profit. Implement re-organization project and enhance productivity. Through long-term steady growth strategy, FEIB demonstrate leading-market innovation capacity, deepen profitability of niche products, and take corporate social responsibility into account to create win-win for its shareholders, customers, employees and the society.

Operating Results for 2018 and Business Outlook for 2019 are summarized as follows:

I. Operating Results for 2018

1. Business Plan and Operating Results

Changes in Operations Overview

(NT$MM)

Item \ Year	2018	2017	Change Rate
Deposit and Remittance	508,648	472,621	7.6%
Corporate Loan	164,174	146,282	12.2%
Consumer Loan	220,749	209,659	5.3%
Total Loan	384,923	355,941	8.1%
Revolving Credit Cards Balance	10,406	10,575	-1.6%
Securities Purchased	168,875	148,652	13.6%
Stock Investment in Equity	2,795	2,759	1.3%
Total Trust Assets	67,979	59,980	13.3%

2. Business Overview

(1) Budget Achievement

In 2018, FEIB's total assets stood at NT$626.2 billion, achieved 101% of budget; total deposits and loans amounted to NT$508.6 billion and NT$384.9 billion, which achieved 100% and 102% of budget, respectively.

(2) Analysis of Profitability

FEIB's revenue in 2018 grew 7% (YoY) to NT$10.9 billion, net interest income were NT$5.653 billion, raised 5% (YoY), and revenue expect NII were NT$5.286 billion, grew 10% (YoY).

Net income was NT$3.524 billion, increased 23% (YoY), and EPS were NT$1.80, grew 24% (YoY).

3. Ratings

FEIB's investment grade ratings result was released in June 05, 2018, which was assessed by Fitch Ratings Limited as follows:

National Rating Long-term A (twn), National Rating Short-term F1 (twn), Foreign Currency Rating Long-term BBB-, and Foreign Currency Rating Short-term F3, FEIB is considered a stable financial institution of investment grade.

4. Research and Development

Facing the trend of internet-only bank, FEIB continue innovating and developing digital product and platforms. The bank launched the first social-bank in Taiwan called "Bankee" which adopted the teenager's favor commercial business model, to explore the opportunities of sharing economic. FEIB's credit card is now able to binding with Taiwan Pay, Line Pay, JKOPAY and other digital wallets to enhance the digitalization of credit card. Also, the bank upgraded i-Win Wealth Management System, launched i-Smart branch teller system and i-Robo smart investment system to provide intelligent wealth management services and improve financial management services.

5. Organizational Changes

(i) To improve the information security level, the "Information Security department" is set up for formulating the Bank's security strategy and the related planning, promoting, managing and auditing.

(ii) Three department of the Financial Strategy Centre were renamed as "Financial Control Department", "Administrative Management Department" and "Strategic Planning Department".

(iii) The function of each unit under Digital Finance Department has readjusted, included "Financial Technology Department", "Digital Service Department", "Digital Marketing Department", "Business Intelligence Department" and "Administration Department".

6. Impact of External Competitions, Legal and Overall Business Environment

In the external competitive environment, FinTech has developed rapidly, and FSC has promoted financial innovation policies. It increased the investment of FinTech from the financial industry, and actively processed the digital transformation. Furthermore, financial industry is facing competition of non-financial industry enter financial markets with their innovated application. In response to the implementation of “General Data Protection Regulation, (GDPR)” of the European Union, the Bank has appointed external consultants to verify the revision of the BS10012 personal information management system and introduce GDPR to enhance the protection of customer personal data. For overall business environment, the global economy was affected by the China-US trade war, global financial market turmoil and slowing economic growth in 2018. The banking industry is hard to grow and business risks are increasing. Facing the uncertainty of market environment and competitive challenges of financial technology industry, FEIB will be reorganized, continue innovation and development, abide by the regulations and strengthen the internal control management to maintain long-term steady growth of profitability.

II. Operating plans for 2019

1. Operating Goals

Major Operating Goals for 2019 are summarized as follows:

(1)Total asset: NT$660.5 billion

(2)Total deposit: NT$533.9 billion

(3)Total loan: NT$402.3 billion

2. Policies and Major Strategies

(1) Individual Banking Business:

Upgrade multi-profit products; cultivate professional financial management teams and expand the scale of wealth management assets. Integrate FE Groups’ VIP offers, deepen the loyalty of the Group, and share the Group access and customer resources. Focus on family financial services, combine product and tax seminars and marketing activities to deeply cultivate the second generation of customers. Cooperate with Yuan Ze University to hold an “Elderly Finance School” program for activating retired customers. Develop mobile and AI wealth management system, build smart digital zone in branch, and optimize digital financial experience.

(2) Consumer Banking and Credit Cards Business:

A. Consumer Banking Business

Adopt digital financial technologies enhance the ability of risk management identification, absorb high-low risk groups and increase the spread income. Continuously optimize the operation process, maintain competitive advantage and market leading position, and stabilize asset scale and profitability. Strengthen digital media cooperation, increase the proportion of E&M channels, integrate virtual and real channels, and enhance business performance and brand image.

B. Credit Card Business

Connect to the FE Group's retail channel resources and upgrade the FEIB Happy Credit Card to expand issuance scale and payment amount. In combination with Happy Go's point economy, the spending ratio on FE Group is increased. Use Big

Data's accurate marketing to motivate new and old customers to swipe their cards, effectively increasing the live card rate. The alliance group and domestic and foreign strategic partners jointly create a multi-payment application field and expand the scale of digital payment. Strengthen the online bidding function, actively operate digital media, and expand the number of digital channel sources.

C. Corporate Banking Business

FEIB use three major niche products (CF/GTS/TMU) to operate three major regional markets (Taiwan/China-Hong Kong/Asia Pacific), to continue developing new types of businesses, and to build a blueprint for long-term business operations. Develop trading finance business, optimize deposit structure, and maintain stable deposit spreads. Implement proactive risk management and strictly control the quality of credit assets. Expand the second-generation corporate internet banking and B2B2C service model, digitalize cash management services, and deepen the loyalty and contribution of enterprise customers. Lead syndicated loan, provide structured financing and customized financing products, creating high value-added income. Complete the establishment of the representative office in Singapore and Ho Chi Minh City, actively expanded the ASEAN market, and continue expanding overseas assets and profit-making ratio.

D. Financial Markets Business:

Consolidate the leading position in the foreign exchange margin trading market, execute differentiated operation, and develop new customers by using multi-digital channels. Augment the ability of self-operating of financial engineering quotation for derivative and develop strategic trading. Diversify development of structured notes to meet customer’s needs. Continue expanding the scale of TMU customers and professional investors. Expand investment trading, diversify investment targets and markets.

E. Digital Banking Business:

Integrate digital, automation, and physical service channels to develop "AI banking". Based on the "FE Mobile Payment Integrated Service", use payment flow OPEN API technology to develop APPs, and construct a "Retail Payment Flow Center" platform. Analysis big data information, develop smart scoring model and AI RM services. VTM cloud branch is planned to set up as an extended channel of physical services. Accurately provide digital financial services and complement physical service gaps to increase number of customers.

F. Insurance Agency Business:

Cooperate with consumer, corporate banking and subsidiary, carefully select insurance companies as partners, and introduce bank insurance products meeting the needs of internal and external customers to provide one-stop shopping for full coverage of insurance services. Adopt the development of digital Fintech, promote Far EasTone Telecom mobile device insurance and catch the opportunities of online insurance.

Attachment II

Independent Auditors' Report & 2018 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
Far Eastern International Bank Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Far Eastern International Bank Ltd. (the "Bank") and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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, 2018 and 2017, 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, 2018. 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, 2018 for the Bank and its subsidiaries, which are described as follows:

Allowance for Expected Credit Losses on Loans and Receivables

As of December 31, 2018, the balances of loans and receivables in the aggregate amounted to $401,172,495 thousand, accounted for 64% of the total assets of the consolidated financial statements; an amount that is deemed to be significant to the consolidated financial statements. To the allowance for expected credit losses on loans and receivables, the Bank has assessed according to IFRS 9 and comply with relevant regulations issued by authorities, whichever is higher. As the assessment on the impairment of loans and accounts receivables involved the management's critical judgments in accounting estimation and the underlying assumption, related disclosures refer to Notes 5 to the consolidated financial statements, we deemed to the allowance for expect credit losses on loans and receivables was a key audit matter.

Refer to Notes 4, 5, 13, 14 and 45 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 perform tests on the Bank's internal controls relevant to loans and receivables impairment assessment;

2. Identity the potential risk of loans and receivables customers from public information, and confirm that whether to include in the appropriate assessment stage;

3. Verify whether the methodology, main assumptions and parameters (consider the probability of default, probability of loss given default and exposure at default on forward-looking information) adopted by the impairment model of expected credit losses adequately reflect the actual position and compliance with IFRS 9, 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, 2018, 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 21 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, 2018 and 2017 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, 2018 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 26, 2019

Notice to Readers

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	Amount	%	Amount	%
Cash and cash equivalents	$ 10,023,920	2	$ 8,592,901	2
Due from the central bank and other banks	27,543,032	4	22,351,083	4
Financial assets at fair value through profit or loss	46,507,501	7	30,208,333	5
Financial assets at fair value through other comprehensive income	119,779,052	19	-	-
Investment in debt instruments at amortized cost, net	2,588,654	-	-	-
Securities purchased under resale agreements, net	8,289,275	1	11,071,393	2
Receivables, net	21,484,377	4	22,750,869	4
Current tax assets	93	-	7,372	-
Discounts and loans, net	379,688,118	61	351,056,762	61
Available-for-sale financial assets	-	-	109,631,578	19
Held-to-maturity financial assets	-	-	2,135,246	-
Investment accounted for using equity method	1,776,350	-	1,774,066	-
Debt investments with no active market	-	-	6,677,076	1
Other financial assets, net	4,695,376	1	3,768,480	1
Property and equipment, net	2,732,431	1	2,889,392	1
Intangible assets, net	1,699,602	-	1,725,085	-
Deferred tax assets	372,184	-	584,502	-
Other assets	171,185	-	200,142	-
TOTAL	$ 627,351,150	100	$ 575,424,280	100

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
LIABILITIES AND EQUITY	Amount	%	Amount	%
LIABILITIES				
Due to the central bank and other banks	$ 15,726,723	3	$ 6,960,774	1
Financial liabilities at fair value through profit or loss	2,752,479	1	4,319,121	1
Securities sold under repurchase agreements	14,665,794	2	12,921,364	3
Payables	7,265,222	1	6,488,285	1
Current tax liabilities	201,032	-	254,446	-
Deposits and remittances	508,407,972	81	472,392,183	82
Bank debentures	18,001,900	3	20,216,664	4
Principal received on structured notes	12,479,170	2	6,482,513	1
Other miscellaneous financial liabilities	1,436,104	-	934,262	-
Provisions	1,194,774	-	1,127,116	-
Other liabilities	475,240	-	540,880	-
Total liabilities	582,606,410	93	532,637,608	93
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Share capital				
Ordinary shares	32,691,859	5	31,829,286	5
Capital surplus	456,426	-	456,426	-
Retained earnings				
Legal reserve	7,400,808	1	6,544,643	1
Special reserve	36,411	-	250,703	-
Unappropriated earnings	4,211,908	1	3,691,412	1
Total retained earnings	11,649,127	2	10,486,758	2
Other equity	(52,672)	-	14,202	-
Total equity	44,744,740	7	42,786,672	7
TOTAL	$ 627,351,150	100	$ 575,424,280	100

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUES	$ 11,316,237	101	$ 10,057,931	97	13
INTEREST EXPENSES	5,635,434	50	4,653,057	45	21
NET INTERESTS	5,680,803	51	5,404,874	52	5
NET REVENUES OTHER THAN INTEREST					
Net service fee income	3,130,773	28	3,129,200	30	-
Net gains on financial assets and liabilities at fair value through profit or loss	1,505,960	13	1,732,217	17	(13)
Net realized gains on available-for-sale financial assets	-	-	86,718	1	(100)
Net realized gains on financial assets at fair value through other comprehensive income	138,491	1	-	-	-
Net foreign exchange gains (loss)	263,801	2	(293,168)	(3)	190
Shares of profit of associates for using equity method	92,467	1	103,337	1	(11)
Gains on disposal of property	174,804	2	45	-	388,353
Others	231,178	2	233,906	2	(1)
Total net revenues other than interest	5,537,474	49	4,992,255	48	11
CONSOLIDATED NET REVENUES	11,218,277	100	10,397,129	100	8
PROVISION FOR LOSSES ON BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE	514,803	5	731,847	7	(30)
OPERATING EXPENSES					
Employee benefits expense	3,838,158	34	3,667,799	35	5
Depreciation and amortization	250,039	2	248,142	3	1
Other general and administrative expenses	2,546,798	23	2,481,697	24	3
Total operating expenses	6,634,995	59	6,397,638	62	4
INCOME BEFORE INCOME TAX	4,068,479	36	3,267,644	31	25
INCOME TAX EXPENSE	544,278	5	413,761	4	32
NET INCOME FOR THE YEAR	3,524,201	31	2,853,883	27	23
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	(46,657)	(1)	55,828	1	(184)

(Continued)

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2018 Amount	2018 %	2017 Amount	2017 %	Percentage Increase (Decrease) %
Gains (losses) on valuation of investments in equity instruments at fair value through other comprehensive income	(37,126)	-	-	-	-
Share of other comprehensive loss of associates for using equity method	(4,832)	-	(414)	-	(1,067)
Income tax relating to items that will not be reclassified subsequently to profit or loss	23,181	-	(9,491)	-	344
	(65,434)	(1)	45,923	1	(242)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations	60,367	1	(128,795)	(1)	147
Unrealized gain on available-for-sale financial assets	-	-	357,804	3	(100)
Share of other comprehensive income of associates for using equity method	(17,788)	-	9,528	-	(287)
Gains (losses) on valuation of investments in debt instruments at fair value through other comprehensive income	(308,014)	(3)	-	-	-
Gains on reversal of investments in debt instruments at fair value through other comprehensive income	(929)	-	-	-	-
Income tax relating to items that may be reclassified subsequently to profit or loss	2,103	-	4,226	-	(50)
	(264,261)	(2)	242,763	2	(209)
Other comprehensive income (loss) for the year	(329,695)	(3)	288,686	3	(214)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 3,194,506	28	$ 3,142,569	30	2
NET INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 3,524,201	31	$ 2,853,883	27	23
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 3,194,506	28	$ 3,142,569	30	2
EARNINGS PER SHARE					
Basic	$1.08		$0.87		
Diluted	$1.07		$0.84		

(Concluded)

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to		
			Retained
	Share Capital	Capital Surplus	Legal Reserve
BALANCE AT JANUARY 1, 2017	$ 31,113,672	$ 456,426	$ 5,571,477
Appropriation of the 2016 earnings			
Legal reserve	-	-	973,166
Special reserve	-	-	-
Cash dividends - NT$0.420 dollars per share	-	-	-
Stock dividends - NT$0.230 dollars per share	715,614	-	-
	715,614	-	973,166
Net income for the year ended December 31, 2017	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-
BALANCE AT DECEMBER 31, 2017	31,829,286	456,426	6,544,643
Effects of retrospective application	-	-	-
BALANCE AT JANUARY, 2018 AS APPLIED RETROSPECTIVELY	31,829,286	456,426	6,544,643
Appropriation of the 2017 earnings			
Legal reserve	-	-	856,165
Reversal of special reserves	-	-	-
Cash dividends - NT$ 0.439 dollars per share	-	-	-
Stock dividends - NT$ 0.271 dollars per share	862,573	-	-
	862,573	-	856,165
Net income for the year ended December 31, 2018	-	-	-
Other comprehensive loss for the year ended December 31, 2018	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income (loss)	-	-	-
BALANCE AT DECEMBER 31, 2018	$ 32,691,859	$ 456,426	$ 7,400,808

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

Owners of the Bank					
Earnings		Other Equity			
Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Loss on Available-for- sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
$ 121,028	$ 3,916,835	$ 115,916	$ (344,477)	$ -	$ 40,950,877
-	(973,166)	-	-	-	-
129,675	(129,675)	-	-	-	-
-	(1,306,774)	-	-	-	(1,306,774)
-	(715,614)	-	-	-	-
129,675	(3,125,229)	-	-	-	(1,306,774)
-	2,853,883	-	-	-	2,853,883
-	45,923	(124,569)	367,332	-	288,686
-	2,899,806	(124,569)	367,332	-	3,142,569
250,703	3,691,412	(8,653)	22,855	-	42,786,672
-	(12,342)	-	(22,855)	196,065	160,868
250,703	3,679,070	(8,653)	-	196,065	42,947,540
-	(856,165)	-	-	-	-
(214,292)	214,292	-	-	-	-
-	(1,397,306)	-	-	-	(1,397,306)
-	(862,573)	-	-	-	-
(214,292)	(2,901,752)	-	-	-	(1,397,306)
-	3,524,201	-	-	-	3,524,201
-	(24,080)	62,470	-	(368,085)	(329,695)
-	3,500,121	62,470	-	(368,085)	3,194,506
-	(65,531)	-	-	65,531	-
$ 36,411	$ 4,211,908	$ 53,817	$ -	$ (106,489)	$ 44,744,740

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 4,068,479	$ 3,267,644
Adjustments for:		
Depreciation	222,608	220,196
Amortization	27,431	27,946
Provision for losses on bad debts expense, commitment and guarantee	973,684	1,215,343
Net valuation gain on financial assets and liabilities at fair value through profit or loss	220,958	(160,180)
Interest expenses	5,635,434	4,653,057
Interest revenues	(11,316,237)	(10,057,931)
Dividends revenue	(124,637)	(63,321)
Shares of profit from associates	(92,467)	(103,337)
Loss (gain) on disposal and retirement of property and equipment	(173,729)	2,939
Gain on disposal financial assets carried at cost	-	(1,490)
Unrealized net loss (gain) on foreign currency exchange	(222,021)	395,728
Other adjustments	(81,687)	(103,934)
Changes in operating assets and liabilities		
Decrease (increase) in due from the central bank and other banks	(1,135,766)	7,092,056
Decrease (increase) in financial assets at fair value through profit or loss	(6,101,228)	3,781,946
Increase in financial assets at fair value through other comprehensive income	(10,572,357)	-
Increase in investments in debt instruments at amortized cost	(385,871)	-
Decrease (increase) in receivables	2,061,824	(1,776,592)
Decrease (increase) in discounts and loans	(31,530,667)	551,765
Increase in available-for-sale financial assets	-	(30,236,113)
Decrease in held-to-maturity financial assets	-	306,249
Decrease in debt investments with no active market	-	919,160
Increase in due to the central bank and other banks	8,330,844	137,136
Decrease in financial liabilities at fair value through profit or loss	(1,566,648)	(3,635,415)
Increase in payables	516,816	456,277
Increase in deposits and remittances	34,057,100	25,778,208
Increase in principal received on structured products	6,177,186	1,543,857
Cash generated from (used in) operations	(1,010,951)	4,211,194
Interest received	11,236,728	9,933,372
Dividends received	124,637	63,321
Interest paid	(5,461,669)	(4,338,543)
Income tax paid	(341,818)	(486,615)
Net cash generated from operating activities	4,546,927	9,382,729
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets carried at cost	-	(24,950)
Proceeds from disposal of financial assets carried at cost	-	51,496

(Continued)

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
Acquisition of investments accounted for using equity method	-	(28,980)
Acquisition of property and equipment	(280,235)	(224,462)
Proceeds from disposal of property and equipment	370,883	45
Increase in other financial assets	(1,156,229)	(29,336)
Decrease in other assets	45,389	19,794
Dividends received from subsidiaries and associates	71,573	69,585
Net cash used in investing activities	(948,619)	(166,808)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of convertible Bond	(1,586,434)	-
Proceeds from the issuance of bank debentures	2,900,000	-
Redemption of bank debentures	(3,500,000)	(4,000,000)
Increase (decrease) in securities sold under repurchase agreements	2,030,599	(434,630)
Increase (decrease) in other financial liabilities	501,842	(339,255)
Increase (decrease) in other liabilities	(50,545)	30,605
Cash dividends	(1,397,306)	(1,306,774)
Net cash used in financing activities	(1,101,844)	(6,050,054)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	77,201	53,011
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,573,665	3,218,878
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	31,536,618	28,317,740
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 34,110,283	$ 31,536,618

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	
	2018	2017
Cash and cash equivalents in consolidated balance sheets	$ 10,023,920	$ 8,592,901
Due from the Central Bank and other banks that meet the IAS 7 definition of "cash and cash equivalents"	15,797,088	11,872,324
Securities purchased under resale agreements that meet the IAS 7 definition of "cash and cash equivalents"	8,289,275	11,071,393
Cash and cash equivalents in consolidated statements of cash flows	$ 34,110,283	$ 31,536,618

(Concluded)

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Far Eastern International Bank Ltd. (the "Bank"), which comprise the balance sheets as of December 31, 2018 and 2017, 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, 2018 and 2017, 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, 2018. 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, 2018 for the Bank, which are described as follows:

Allowance for Expected Credit Losses on Loans and Receivables

As of December 31, 2018, the balances of loans and receivables in the aggregate amounted to $399,348,407 thousand, accounted for 64% of the total assets of the financial statements; an amount that is deemed to be significant to the financial statements. To the allowance for expected credit losses on loans and receivables, the Bank has assessed according to IFRS 9 and comply with relevant regulations issued by authorities, whichever is higher. As the assessment on the impairment of loans and accounts receivables involved the management's critical judgments in accounting estimation and the underlying assumption, related disclosures refer to Notes 5 to the financial statements, we deemed to the allowance for expect credit losses on loans and receivables was a key audit matter.

Refer to Notes 4, 5, 13, 14 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 perform tests on the Bank's internal controls relevant to loans and receivables impairment assessment;

2. Identity the potential risk of loans and receivables customers from public information, and confirm that whether to include in the appropriate assessment stage;

3. Verify whether the methodology, main assumptions and parameters (consider the probability of default, probability of loss given default and exposure at default on forward-looking information) adopted by the impairment model of expected credit losses adequately reflect the actual position and compliance with IFRS 9, 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, 2018, 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 21 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 Bank 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, 2018 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 26, 2019

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

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FAR EASTERN INTERNATIONAL BANK LTD.

BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	Amount	%	Amount	%
Cash and cash equivalents	$ 9,986,581	2	$ 8,531,125	2
Due from the central bank and other banks	27,543,032	4	22,351,083	4
Financial assets at fair value through profit or loss	46,507,501	7	30,208,333	5
Financial assets at fair value through other comprehensive income	119,779,052	19	-	-
Investment in debt instruments at amortized cost, net	2,588,654	-	-	-
Securities purchased under resale agreements, net	8,289,275	1	11,071,393	2
Receivables, net	19,660,289	3	21,534,556	4
Current tax assets	-	-	7,263	-
Discounts and loans, net	379,688,118	61	351,056,762	61
Available-for-sale financial assets	-	-	109,631,578	19
Held-to-maturity financial assets	-	-	2,135,246	-
Investment accounted for using equity method	2,794,977	1	2,758,906	-
Debt investments with no active market	-	-	6,677,076	1
Other financial assets, net	4,460,520	1	3,495,795	1
Property and equipment, net	2,725,364	1	2,882,032	1
Intangible assets, net	1,699,602	-	1,725,085	-
Deferred tax assets	334,706	-	546,064	-
Other assets	161,958	-	190,336	-
TOTAL	$ 626,219,629	100	$ 574,802,633	100

FAR EASTERN INTERNATIONAL BANK LTD.

BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
LIABILITIES AND EQUITY	Amount	%	Amount	%
LIABILITIES				
Due to the central bank and other banks	$ 15,726,723	3	$ 6,960,774	1
Financial liabilities at fair value through profit or loss	2,752,479	1	4,319,121	1
Securities sold under repurchase agreements	14,665,794	2	12,921,364	3
Payables	7,187,730	1	6,420,726	1
Current tax liabilities	179,348	-	250,254	-
Deposits and remittances	508,647,889	81	472,621,114	82
Bank debentures	18,001,900	3	20,216,664	4
Principal received on structured notes	12,479,170	2	6,482,513	1
Other miscellaneous financial liabilities	170,780	-	174,704	-
Provisions	1,194,774	-	1,127,116	-
Other liabilities	468,302	-	521,611	-
Total liabilities	581,474,889	93	532,015,961	93
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Share capital				
Ordinary shares	32,691,859	5	31,829,286	5
Capital surplus	456,426	-	456,426	-
Retained earnings				
Legal reserve	7,400,808	1	6,544,643	1
Special reserve	36,411	-	250,703	-
Unappropriated earnings	4,211,908	1	3,691,412	1
Total retained earnings	11,649,127	2	10,486,758	2
Other equity	(52,672)	-	14,202	-
Total equity	44,744,740	7	42,786,672	7
TOTAL	$ 626,219,629	100	$ 574,802,633	100

FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUES	$ 11,261,208	103	$ 10,015,147	98	12
INTEREST EXPENSES	5,608,761	51	4,632,022	45	21
NET INTERESTS	5,652,447	52	5,383,125	53	5
NET REVENUES OTHER THAN INTEREST					
Net service fee income	2,859,767	26	2,870,149	28	-
Net gains on financial assets and liabilities at fair value through profit or loss	1,504,371	14	1,732,217	17	(13)
Net realized gains on available-for-sale financial assets	-	-	86,718	1	(100)
Net realized gains on financial assets at fair value through other comprehensive income	138,491	1	-	-	-
Net foreign exchange gains (loss)	275,464	2	(296,415)	(3)	193
Shares of profit of subsidiaries and associates for using equity method	160,589	1	220,435	2	(27)
Gains on disposal of property	174,804	2	45	-	388,353
Others	172,803	2	181,469	2	(5)
Total net revenues other than interest	5,286,289	48	4,794,618	47	10
NET REVENUES	10,938,736	100	10,177,743	100	7
PROVISION FOR LOSSES ON BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE	506,522	5	729,425	7	(31)
OPERATING EXPENSES					
Employee benefits expense	3,658,016	33	3,499,119	34	5
Depreciation and amortization	245,832	2	244,536	3	1
Other general and administrative expenses	2,478,111	23	2,421,334	24	2
Total operating expenses	6,381,959	58	6,164,989	61	4
INCOME BEFORE INCOME TAX	4,050,255	37	3,283,329	32	23
INCOME TAX EXPENSE	526,054	5	429,446	4	22
NET INCOME FOR THE YEAR	3,524,201	32	2,853,883	28	23

(Continued)

FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2018		2017		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	(46,657)	(1)	55,828	1	(184)
Gains (losses) on valuation of investments in equity instruments at fair value through other comprehensive income	(37,126)	-	-	-	-
Share of other comprehensive loss of associates for using equity method	(4,832)	-	(414)	-	(1,067)
Income tax relating to items that will not be reclassified subsequently to profit or loss	23,181	-	(9,491)	-	344
	(65,434)	(1)	45,923	1	(242)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations	67,153	1	(126,216)	(1)	153
Unrealized gain on available-for-sale financial assets	-	-	357,804	3	(100)
Share of other comprehensive income of subsidiaries and associates for using equity method	(22,471)	-	11,175	-	(301)
Gains (losses) on valuation of investments in debt instruments at fair value through other comprehensive income	(308,014)	(3)	-	-	-
Gains on reversal of investments in debt instruments at fair value through other comprehensive income	(929)	-	-	-	-
	(264,261)	(2)	242,763	2	(209)
Other comprehensive income (loss) for the year	(329,695)	(3)	288,686	3	(214)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 3,194,506	29	$ 3,142,569	31	2
EARNINGS PER SHARE					
Basic	$1.08		$0.87		
Diluted	$1.07		$0.84		

(Concluded)

FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

			Retained
	Share Capital	Capital Surplus	Legal Reserve
BALANCE AT JANUARY 1, 2017	$ 31,113,672	$ 456,426	$ 5,571,477
Appropriation of the 2016 earnings			
Legal reserve	-	-	973,166
Special reserve	-	-	-
Cash dividends - NT$0.420 dollars per share	-	-	-
Stock dividends - NT$0.230 dollars per share	715,614	-	-
	715,614	-	973,166
Net income for the year ended December 31, 2017	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-
BALANCE AT DECEMBER 31, 2017	31,829,286	456,426	6,544,643
Effects of retrospective application	-	-	-
BALANCE AT JANUARY, 2018 AS APPLIED RETROSPECTIVELY	31,829,286	456,426	6,544,643
Appropriation of the 2017 earnings			
Legal reserve	-	-	856,165
Reversal of special reserves	-	-	-
Cash dividends - NT$0.439 dollars per share	-	-	-
Stock dividends - NT$0.271 dollars per share	862,573	-	-
	862,573	-	856,165
Net income for the year ended December 31, 2018	-	-	-
Other comprehensive loss for the year ended December 31, 2018	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income (loss)	-	-	-
BALANCE AT DECEMBER 31, 2018	$ 32,691,859	$ 456,426	$ 7,400,808

FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

Earnings		Other Equity			
Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
$ 121,028	$ 3,916,835	$ 115,916	$ (344,477)	$ -	$ 40,950,877
-	(973,166)	-	-	-	-
129,675	(129,675)	-	-	-	-
-	(1,306,774)	-	-	-	(1,306,774)
-	(715,614)	-	-	-	-
129,675	(3,125,229)	-	-	-	(1,306,774)
-	2,853,883	-	-	-	2,853,883
-	45,923	(124,569)	367,332	-	288,686
-	2,899,806	(124,569)	367,332	-	3,142,569
250,703	3,691,412	(8,653)	22,855	-	42,786,672
-	(12,342)	-	(22,855)	196,065	160,868
250,703	3,679,070	(8,653)	-	196,065	42,947,540
-	(856,165)	-	-	-	-
(214,292)	214,292	-	-	-	-
-	(1,397,306)	-	-	-	(1,397,306)
-	(862,573)	-	-	-	-
(214,292)	(2,901,752)	-	-	-	(1,397,306)
-	3,524,201	-	-	-	3,524,201
-	(24,080)	62,470	-	(368,085)	(329,695)
-	3,500,121	62,470	-	(368,085)	3,194,506
-	(65,531)	-	-	65,531	-
$ 36,411	$ 4,211,908	$ 53,817	$ -	$ (106,489)	$ 44,744,740

FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 4,050,255	$ 3,283,329
Adjustments for:		
Depreciation	220,349	218,094
Amortization	25,483	26,442
Provision for losses on bad debts expense, commitment and guarantee	965,403	1,212,921
Net valuation gain on financial assets and liabilities at fair value through profit or loss	220,958	(160,180)
Interest expenses	5,608,761	4,632,022
Interest revenues	(11,261,208)	(10,015,147)
Dividends revenue	(124,637)	(63,321)
Shares of profit from associates	(160,589)	(220,435)
Loss (gain) on disposal and retirement of property and equipment	(173,729)	2,939
Gain on disposal financial assets carried at cost	-	(1,490)
Unrealized net loss (gain) on foreign currency exchange	(217,180)	395,746
Other adjustments	(79,831)	(94,863)
Changes in operating assets and liabilities		
Decrease (increase) in due from the central bank and other banks	(1,135,766)	7,092,056
Decrease (increase) in financial assets at fair value through profit or loss	(6,101,228)	3,781,946
Increase in financial assets at fair value through other comprehensive income	(10,572,357)	-
Increase in investments in debt instruments at amortized cost	(385,871)	-
Decrease (increase) in receivables	2,665,236	(2,280,507)
Decrease (increase) in discounts and loans	(31,530,667)	551,765
Increase in available-for-sale financial assets	-	(30,236,113)
Decrease in held-to-maturity financial assets	-	306,249
Decrease in debt investments with no active market	-	919,160
Increase in due to the central bank and other banks	8,330,844	137,136
Decrease in financial liabilities at fair value through profit or loss	(1,566,648)	(3,635,415)
Increase in payables	507,702	469,910
Increase in deposits and remittances	34,068,086	25,822,601
Increase in principal received on structured products	6,177,186	1,543,857
Cash generated from (used in) operations	(469,448)	3,688,702
Interest received	11,182,540	9,890,215
Dividends received	124,637	63,321
Interest paid	(5,435,815)	(4,318,048)
Income tax paid	(332,024)	(481,138)
Net cash generated from operating activities	5,069,890	8,843,052
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets carried at cost	-	(24,950)
Proceeds from disposal of financial assets carried at cost	-	51,496

(Continued)

FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
Acquisition of investments accounted for using equity method	-	(28,980)
Acquisition of property and equipment	(278,229)	(221,460)
Proceeds from disposal of property and equipment	370,883	45
Decrease (increase) in other financial assets	(1,194,058)	141,506
Decrease in other assets	46,758	23,423
Dividends received from subsidiaries and associates	101,225	69,585
Net cash generated from (used in) investing activities	(953,421)	10,665
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of convertible Bond	(1,586,434)	-
Proceeds from the issuance of bank debentures	2,900,000	-
Redemption of bank debentures	(3,500,000)	(4,000,000)
Increase (decrease) in securities sold under repurchase agreements	2,030,599	(434,630)
Increase (decrease) in other financial liabilities	(3,924)	21,127
Increase (decrease) in other liabilities	(38,485)	35,088
Cash dividends	(1,397,306)	(1,306,774)
Net cash used in financing activities	(1,595,550)	(5,685,189)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	77,183	51,255
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,598,102	3,219,783
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	31,474,842	28,255,059
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 34,072,944	$ 31,474,842

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

	December 31	
	2018	2017
Cash and cash equivalents in balance sheets	$ 9,986,581	$ 8,531,125
Due from the Central Bank and other banks that meet the IAS 7 definition of "cash and cash equivalents"	15,797,088	11,872,324
Securities purchased under resale agreements that meet the IAS 7 definition of "cash and cash equivalents"	8,289,275	11,071,393
Cash and cash equivalents in statements of cash flows	$ 34,072,944	$ 31,474,842

(Concluded)

Attachment III

Audit Committee's Review Report for 2018 Business Report and Financial Statements

To: 2019 Annual Shareholders' Meeting of Far Eastern International Bank

March 26, 2019

The Board of Directors has submitted business report, audited financial statements (certified by Shih-Tsung Wu, CPA, and Chen-Hsiu Yang, CPA, of Deloitte & Touche) and earnings distribution proposal of the Bank for the year ended Dec.31 2018 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 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Bing Shen

Bing Shen

Audit Committee Convener
Far Eastern International Bank

Attachment IV

Summary of 2018 Employees' Compensation and Directors' Remuneration

i. According to the Bank's "Articles of Incorporation", the Bank's employees' compensation and directors' remuneration are allocated as 3.5%-4.5% of income before tax, employees' compensation and directors' remuneration (IBTCR) and no greater than 1.5% of IBTCR, respectively.

ii. The income before tax, employees' compensation and directors' remuneration (IBTCR) in 2018 is NT$ 4,253,512,742. Based on board resolution on March 26, 2019, the Bank's employees' compensation and directors' remuneration are NT$152,444,000 (about 3.58% of IBTCR) and NT$50,814,000 (about 1.19% of IBTCR), respectively, and are all paid in cash. The actual allocated amount of employees' compensation and directors' remuneration are consistent with the estimated amount disclosed in the financial statements of 2018.

Attachment V

Issuance of 2018 Perpetual Non-Cumulative Subordinated Financial Debenture

i. Pertaining to Article 246 of the Company Law, the details of the Bank's issuing of perpetual non-cumulative subordinated financial debentures in 2018 are as follows:

Term		2018 1st Perpetual Non-Cumulative Subordinated Financial Debenture
Date of Board Resolution		On November 3, 2017, the 14th meeting of the 9th term Board of Directors approved the Bank's issuing of perpetual non-cumulative subordinated financial debentures up to NT$5 Billion
Date of Issuing		Sep.18, 2018
Amount of Issuing		NT$2.9 Billion
Interest %		3.20% p.a.
Purpose of Issuing		1. To enhance Tier I capital adequacy ratio, strengthen capital structure, and finance business growth. 2. To secure mid to long-term working capital, improve assets and liabilities structure, and reduce operational risk.
Sources of Repayment		Subject to regulators' approval, FEIB may redeem the debts in whole, together with any interest due then, five years after issuing.
Security		Clean
Approval authority	Entity	Financial Supervisory Commission
	Date	Jul.20, 2018
	Doc. No.	Gin-Guan-Yin -Guo-Zi No. 10702142020

Attachment VI

Amendments of "Procedures of Asset Acquisition or Disposal of Far Eastern International Bank"

Section	Proposed changes	Current Articles	Reasons
Article 2	Legal Basis and Explanations These Regulations are adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act ("the Act") and the Regulations Governing the Acquisition and Disposal of Assets by Public Companies promulgated by the Financial Supervisory Commission. FEIB shall handle the acquisition or disposal of assets in compliance with these Regulations, unless otherwise provided for in other laws or regulations of its industry, such provisions shall govern.	Legal Basis These Regulations are adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act ("the Act"), and the rulings on 12.10.2002 (Ref.No.: Tai-Chai-Zheng-1 0910006105) and 01.19.2007 (Ref. No.: Chin-Guan-Zheng-1-Zi 0960001463) published by the competent authority of the Act.	Legal basis for the Regulations Governing Acquisition and Disposal of Assets by Far Eastern International Bank (hereinafter "FEIB Regulations") is amended by deleting ruling numbers issued by the competent authority and adding other laws or regulations applied to banking industry shall prevail when acquiring or disposing of assets.
Article 3	The term "assets" as used in these Regulations includes the following: (Others omitted) 2. Real property (including land, houses and buildings, investment property and construction enterprise inventory) and equipment. 3. Memberships. 4. Intangible assets: Including patents, copyrights, trademarks, franchise rights, and other intangible assets. 5. Right-of-use assets. 6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables). 7. Derivatives. 8. Assets acquired or disposed of in	The term "assets" as used in these Regulations includes the following: (Others omitted) 2. Real property (including land, houses and buildings, investment property, the right of land use and construction enterprise inventory) and equipment. 3. Memberships. 4. Intangible assets: Including patents, copyrights, trademarks, franchise rights, and other intangible assets. 5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables). 6. Derivatives. 7. Assets acquired or disposed of in	According to Article 3 of the amended Regulations Governing the Acquisition and Disposal of Assets by Public Companies (hereinafter the "Regulations") and IFRS 16, the text is amended by adding the terms of right-of-use assets in Subparagraph 5 and adjusting subsequent subparagraphs in order.

Section	Proposed changes	Current Articles	Reasons
	connection with mergers, demergers, acquisitions, or transfer of shares in accordance with laws. 9. Other major assets. 10.The aforesaid assets acquired or disposed by FEIB through the foreclosure of mortgages or pledges shall be handled in accordance with procedures of FEIB's "Regulations Governing Acceptance and Disposal of Collaterals", and these Regulations shall not apply. 11. For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.	connection with mergers, demergers, acquisitions, or transfer of shares in accordance with laws. 8. Other major assets. 9. The aforesaid assets acquired or disposed by FEIB through the foreclosure of mortgages or pledges shall be handled in accordance with procedures of FEIB's "Regulations Governing Acceptance and Disposal of Collaterals", and these Regulations shall not apply. 10. For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.	
Article 4	Terms used in these Regulations are defined as follows: 1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service	Terms used in these Regulations are defined as follows: 1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from an asset, interest rate, foreign exchange rate, index or other interest products; or hybrid contracts combining the above contracts. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.	According to Article 4 of the Regulations, the text is amended as below: 1. In response to definition of IFRS 9 Financial Instrument, the scope of derivatives is set out in Subparagraph 1. 2. In response to the amendments made to the Company Act, the wording "Article 156" in Subparagraph 2 is amended to "Article 156-3" accordingly. 3. Add Subparagraph 7 to set out the scope of

Section	Proposed changes	Current Articles	Reasons
	contracts, long-term leasing contracts, or long-term purchase (sales) contracts. 2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act. (Others omitted) 7. Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located. 8. Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities	2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Paragraph 8, Article 156 of the Company Act. (Others omitted)	investment professional. 4. Add Subparagraphs 8 and 9 to set out the scope of securities exchange and over-the-counter venue. 5. Adjust subsequent subparagraphs in order.

Section	Proposed changes	Current Articles	Reasons
	exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located. 9. Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business. 10.The term "within the preceding year" refers to the year preceding the date of occurrence of the acquisition or disposal of the assets, and items publicly announced need not be counted toward the transaction amount. 11.The term "the most recent financial statements" refers to the financial statements certified or reviewed by a certified public accountant (CPA) pursuant to the applicable laws before the acquisition or disposal of the assets by FEIB.	7. The term "within the preceding year" refers to the year preceding the date of occurrence of the acquisition or disposal of the assets, and items publicly announced need not be counted toward the transaction amount. 8. The term "the most recent financial statements" refers to the financial statements certified or reviewed by a certified public accountant (CPA) pursuant to the applicable laws before the acquisition or disposal of the assets by FEIB.	
Article 6	Professional appraisers and their officers, CPSs, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements: 1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer	Professional appraisers and their officers, CPAs, attorneys, and securities underwriters that provide FEIB with appraisal reports, CPA's opinions, attorney's opinions, or underwriter's opinions shall not be a related party of any party to the transaction.	According to Article 5 of the Regulations, the text is amended by specifying the passive qualifications of relevant experts in Subparagraph 1 and adding Subparagraph 2 to explicitly specify outside experts' responsibility that the relevant experts shall

Section	Proposed changes	Current Articles	Reasons
	for a violation of the Act, the Company Act, the Banking Act of the Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received. 2. May not be a related party or de facto related party of any party to the transaction. 3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other. When issuing an appraisal report or opinion, the personnel referred to in the preceding Paragraph shall comply with the following: 1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence. 2. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the		comply with this provision when issuing appraisal reports or opinions.

Section	Proposed changes	Current Articles	Reasons
	case working papers. 3. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion. 4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.		
Article 7	Procedures for handling acquisition or disposal of real property, equipment, or right-of-use assets thereof 1. Appraisal and operating procedures The acquisition or disposal of real property, equipment or right-of-use assets thereof shall be handled in accordance with the applicable rules of FEIB. 2. Determining procedures for terms and conditions of transactions and the degree of authority delegated. (1)In acquiring or disposing of real property, the terms and price shall be suggested based on the publicly announced current value, assessed value and the actual transaction price of the neighboring real property as produced in an analysis report for submission to the to the board of directors for approval. The acquisition or disposal right-	Procedures for handling the acquisition or disposal of real property or equipment 1.Appraisal and operating procedures The acquisition or disposal of real property and equipment shall be handled in accordance with the applicable rules of FEIB. 2. Determining procedures for terms and conditions of transactions and the degree of authority delegated. (1)In acquiring or disposing of real property, the terms and price shall be suggested based on the publicly announced current value, assessed value and the actual transaction price of the neighboring real property as produced in an analysis report for submission to the to the board of directors for approval.	1. According to Article 9 of the Regulations, the text is amended as below: (1)In response to IFRS 16 Leases, the terms of right-of-use assets are included in this Article. (2)Expert opinions may be exempted when engaging with domestic government agencies, and thus, Subparagraph 4 is amended accordingly. 2. The unit responsible for implementation in Subparagraph 3 referred as "Secretary Department" is amended to "the responsible unit".

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	of-use assets shall be approved in accordance with the FEIB's degree of authority delegated.		
	(2)Either price solicitation, price comparison, bargain process or tender process shall be performed for acquisition or disposal of equipment or right-of-use assets thereof and be approved in accordance with the FEIB's degree of authority delegated.	(2)Either price solicitation, price comparison, bargain process or tender process shall be performed for acquisition or disposal of equipment and be approved in accordance with the FEIB's degree of authority delegated. Where the amount exceeds the authorized amount required the president's approval, it shall be reported and submitted to the board of directors for approval before execution.	
	3. The unit responsible for implementation The acquisition or disposal of real property, equipment or right-of-use assets thereof by FEIB shall be implemented by responsible unit.	3. The unit responsible for implementation The acquisition or disposal of real property or equipment by FEIB shall be implemented by Secretary Department.	
	4. Appraisal report for real property, equipment or right-of-use assets thereof In acquiring or disposing of real property , equipment or right-of use assets thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT$300 million or more, FEIB, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of use assets thereof for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:	4. Appraisal report for real property or equipment In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the company's paid-in capital or NT$300 million or more, FEIB, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:	
	(1)Where due to special	(1)Where due to special	

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	circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction. (Others omitted)	circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction. (Others omitted)	
Article 9	Procedures for related party transactions (Others omitted) 2. Appraisal and operating procedures: When FEIB acquires or disposes of real property, right-of use assets thereof, or assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, FEIB may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the audit committee and submitted to the board of directors for a resolution: (1)The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. (2)The reason for choosing the related party as a transaction	Procedures for related party transactions (Others omitted) 2. Appraisal and operating procedures: When FEIB acquires or disposes of real property or assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, FEIB may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the audit committee and submitted to the board of directors for a resolution: (1)The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. (2)The reason for choosing the	1. According to Article 15-18 of the Regulations, the text is amended as below: (1) In response to IFRS 16 Leases, the terms of right-of-use assets are included in this Article. (2) Set out domestic government bonds may be exempted from submitting to board of directors for approval and revise the wording in Paragraph 2. (3) When acquiring real property right-of-use assets from a related party, FEIB may refer to cases of leasing transactions involving neighboring by unrelated parties within the preceding year as evaluating the reasonableness of the transaction price, and thus, Subparagraph 4, Paragraph 3 of this Article is amended accordingly. (4) Add Item 4, Subparagraph 6, Paragraph 3 of this Article for transactions which shall be excluded from evaluating the

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	counterparty. (3)With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Subparagraphs 1-4 and 6, Paragraph 3 of this Article. (Others omitted) 3.The evaluation on reasonableness of the transaction costs (1) FEIB acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means: A. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" as used herein is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance. B. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the	related party as a transaction counterparty. (3)With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Subparagraphs 1 and 4, Paragraph 3 of this Article. (Others omitted) 3.The evaluation on reasonableness of the transaction costs (1)FEIB acquires real property from a related party shall evaluate the reasonableness of the transaction costs by the following means: A. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" as used herein is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance. B. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the	reasonableness of the transaction costs under Paragraphs 1, 2 and 4. (5) When acquisition or disposal of equipment or right-of-use assets thereof held for business use, or real property right-of-use assets held for business use to be conducted between FEIB and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the chairman may be delegated to decide such matters, and thus, Subparagraph 4 is amended accordingly. 2.The unit responsible for implementation in Subparagraph 4 referred as “Secretary Department” is amended to “the responsible unit”.

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	period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties. (2)Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding Paragraph. (3)FEIB acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with Subparagraphs 1 and 2, Paragraphs 3 of this Article shall also engage a CPA to check the appraisal and render a specific opinion. (4)Where FEIB acquires real property or right-of-use assets thereof from a related party and the results of FEIB's appraisal conducted in accordance with Subparagraphs 1 and 2, Paragraph 3 of this Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Subparagraphs 1 and 2, Paragraph 3 of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA	period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties. (2)Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding Paragraph. (3)FEIB acquires real property from a related party and appraises the cost of the real property in accordance with Subparagraphs 1 and 2, Paragraphs 3 of this Article shall also engage a CPA to check the appraisal and render a specific opinion. (4)Where FEIB acquires real property from a related party and the results of FEIB's appraisal conducted in accordance with Subparagraphs 1 and 2, Paragraph 3 of this Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Subparagraphs 1 and 2, Paragraph 3 of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this	

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	have been obtained, this restriction shall not apply: A. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions: a. Where undeveloped land is appraised in accordance with the means in Subparagraphs 1-3 and 6, Paragraph 3 of this Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower. b. Transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.	restriction shall not apply: A. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions: a. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower. b. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale practices. c. Leasing transactions by	

Section	Proposed changes	Current Articles	Reasons
	B. Where FEIB acquires real property or obtains real property right-of-use assets through leasing from a related party provides evidence that the terms of the transaction are similar to the terms of transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Transactions involving neighboring or closely valued parcels of land in the aforesaid in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions conducted by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.	unrelated parties within the preceding year involving other floors of the same property, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property leasing practices. B. Where FEIB acquires real property from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions involving neighboring or closely valued parcels of land in the preceding Paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.	

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	(5) Where FEIB acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the Subparagraphs 1-4 and 6, Paragraph 3 of this Article are uniformly lower than the transaction price, the following steps shall be taken. FEIB and a public company uses the equity method to account for its investment in FEIB that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.	(5)Where FEIB acquires real property from a related party in accordance with Subparagraphs 1 and 2, Paragraph 3 of this Article are uniformly lower than the transaction price, the following steps shall be taken. FEIB and a public company uses the equity method to account for its investment in FEIB that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.	
	A. A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Act against the difference between the real property or right-of-use assets thereof transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where FEIB uses the equity method to account for its investment in another public company, then the special reserve called for under	A. A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where FEIB uses the equity method to account for its investment in another public company, then the special reserve called for under	

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	Paragraph 1, Article 41 of the Act shall be set aside pro rata in a proportion consistent with the share of FEIB's equity stake in the other company. B. The independent director members of the audit committee shall comply with Article 218 of the Company Act. C. Actions taken pursuant to Items 1 and 2, Subparagraph 5, Paragraph 3 of this Article the shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus. (6)Where FEIB acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Paragraphs 1, 2 and 4 of this Article and Subparagraphs 1, 2 and 3, Paragraph 3 of this Article shall not apply: A. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift B. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction. C. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to	Paragraph 1, Article 41 of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. B. The independent director members of the audit committee shall comply with Article 218 of the Company Act. C. Actions taken pursuant to Points 1 and 2, Subparagraph 5, Paragraph 3 of this Article the shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus. (6)Where FEIB acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Paragraphs 1 and 2 of this Article and Subparagraphs 1, 2 and 3, Paragraph 3 of this Article shall not apply: A. The related party acquired the real property through inheritance or as a gift. B. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction. C. The real property is acquired through signing of a joint development contract with the related party, or through	

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	build real property, either on the company's own land or on rented land. D. Acquisition of real property right-of-use assets held for business use to be conducted between FEIB and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital. (7) When obtaining real property or right-of-use assets thereof from a related party, FEIB shall also comply with the Subparagraph 5, Paragraph 3 of this Article if there is other evidence indicating that the acquisition was not an arm's length transaction. 4. Determining procedures for degree of authority delegated and the unit responsible for implementation With respect to the types of transactions listed below, before to be conducted between FEIB and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the responsible unit shall prepare relevant information and report to the board of directors for approval. Where transactions are below NT$300 million, the chairman is authorized to decide and approve such matters and have the decisions submitted to and ratified by the most recent meeting of the board of directors. (1)Acquisition or disposal of equipment or right-of-use assets thereof held for business use.	engaging a related party to build real property, either on the company's own land or on rented land. (7)When obtaining real property from a related party, FEIB shall also comply with the Subparagraph 5, Paragraph 3 of this Article if there is other evidence indicating that the acquisition was not an arm's length transaction. 4. Determining procedures for degree of authority delegated and the unit responsible for implementation Before acquisition or disposal of equipment held for business use between FEIB and its subsidiaries, Secretary Department shall prepare relevant information and report to the board of directors for approval. Where transactions are below NT$300 million, the chairman is authorized to decide and approve such matters and have the decisions submitted to and ratified by the most recent meeting of the board of directors.	

Section	Proposed changes	Current Articles	Reasons
	(2) Acquisition or disposal of real property right-of-use assets held for business use.		
Article 10	Procedures for acquisition or disposal of membership cards or intangible assets or right-of-use assets thereof 1. Appraisal and operating procedure The acquisition or disposal of membership cards or intangible assets or right-of-use assets thereof shall be handled in accordance with applicable rules of FEIB. 2.Determining Procedures for terms and conditions of transactions and degree of authority delegated (1)In acquiring or disposing of the membership card, the terms and price shall be suggested based on the fair market value of such transaction as produced in an analysis report for submission to the president. Where the transaction amount is under NT$ 5 million, it shall be report to the most recent meeting of the board of directors after submitted to and approved by the president. Where the transaction amount is NT$ 5 million or more, it shall be report to the board of directors for approval before execution. (2)In acquiring or disposing of the intangible asset or right-of-use assets thereof, the terms and price shall be suggested based on the professional appraisal opinion or fair market value of such transaction as produced in an analysis report for submission to the board of directors for approval before execution. 3. The unit responsible for implementation	Procedures for acquisition or disposal of membership cards or intangible assets 1. Appraisal and operating procedure The acquisition or disposal of membership cards or intangible assets shall be handled in accordance with applicable rules of FEIB. 2.Determining Procedures for terms and conditions of transactions and degree of authority delegated (1)In acquiring or disposing of the membership card, the terms and price shall be suggested based on the fair market value of such transaction as produced in an analysis report for submission to the president. Where the transaction amount is under NT$ 5 million, it shall be report to the most recent meeting of the board of directors after submitted to and approved by the president. Where the transaction amount is NT$ 5 million or more, it shall be report to the board of directors for approval before execution. (2)In acquiring or disposing of the intangible asset, the terms and price shall be suggested based on the professional appraisal opinion or fair market value of such transaction as produced in an analysis report for submission to the board of directors for approval before execution. 3. The unit responsible for	According to Article 11 of the Regulations, the text is amended as below: 1. In response to IFRS 16 Leases, the terms of right-of-use assets are included in this Article. 2. Expert opinions may be exempted when engaging with domestic government agencies, and thus, Subparagraph 4 is amended accordingly.

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	Where FEIB acquires or disposes of the membership card or intangible asset or right-of-use assets thereof, the matter shall be reported and approved by decision-making authority in accordance with the preceding Subparagraph before implemented by the responsible unit. 4. Report of professional appraisal opinion for membership cards and intangible assets or right-of-use assets thereof Where FEIB acquires disposes of membership cards or intangible assets or right-of-use assets thereof and the transaction amount reaches 20 percent or more of paid-in capital or NT$300 million or more, except in transactions with a domestic government agency, FEIB shall engage a CPA prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.	implementation Where FEIB acquires or disposes of the membership card or intangible asset, the matter shall be reported and approved by decision-making authority in accordance with the preceding Subparagraph before implemented by the responsible unit. 4. Report of professional appraisal opinion for membership cards and intangible assets Where FEIB acquires disposes of membership cards or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT$300 million or more, except in transactions with a government agency, FEIB shall engage a CPA prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.	
Article 12	Handling procedures for acquisition or disposal of derivatives 1.Trading principles and strategies (1)The types of derivatives that may be traded shall be limited to derivatives allowed by the competent authority and approved by the board of managing directors of FEIB. (2)FEIB may engage in broker, hedging and investing derivatives' trading. (3)Segregation of duties and performance evaluation when engaging in derivatives trading,	Handling procedures for acquisition or disposal of derivatives 1.Trading principles and strategies (1)The types of derivatives that may be traded shall be limited to derivatives allowed by the competent authority and approved by the board of managing directors of FEIB. (2)FEIB may engage in broker, hedging and investing derivatives' trading. (3)Segregation of duties and performance evaluation when engaging in derivatives trading,	According to Article 2 of the Regulations, the text is amended as below: 1. When Banks or other financial enterprises conduct derivatives trading business or engage in derivatives trading, they shall comply with the provisions of the other laws and regulations that govern their sectors, and are exempt from the provisions of Chapter II, Section IV in the Regulations. 2. When conducting

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	total amount of derivatives contracts that may be traded, and the maximum loss limit on total trading and for individual contracts shall be set out in related business guidelines and reported to the board of the managing directors for approval. 2.Risk management measures FEIB engages in derivatives trading shall adopt the following risk management measures: The degree of authority delegated, risk management measures, operating process and operating duty shall be adopted in applicable operating guidelines and manuals and reported to the board of managing directors for approval.	total amount of derivatives contracts that may be traded, and the maximum loss limit on total trading and for individual contracts shall be set out in related business guidelines and reported to the board of the managing directors for approval. 2.Risk management measures FEIB engages in derivatives trading shall adopt the following risk management measures: <u>(1)Risk management shall address credit, market, liquidity, cash flow, operational, and legal risks.</u> <u>(2)</u>The degree of authority delegated, risk management measures, operating process and operating duty shall be adopted in applicable operating guidelines and manuals and reported to the board of managing directors for approval. <u>(3)Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement. Risk measurement, monitoring, and control personnel shall be assigned to a different department that the personnel in the preceding subparagraph and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making.</u> <u>(4)Derivatives trading positions held for trading shall be carried out immediately or based on daily market prices e; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel</u>	derivatives trading, FEIB has complied with the Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business, Directions for Offshore Banking Branches Conducting Financial Derivatives Businesses and Regulations Governing Foreign Exchange Business of Banking Enterprises and other applicable laws, regulations and rulings, and has adopted Operational Strategies and Operating Guidelines for Conducting Financial Derivatives business by FEIB; therefore, the provisions of FEIB Regulations related to derivatives trading are deleted accordingly.

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	Any transaction involving major	authorized by the board of directors. (5)Where FEIB engages in derivatives trading, the board of directors shall faithfully supervise and manage such trading in accordance with the following principles: A. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk. B. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance. (6)Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles: A. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and these Regulations. B. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; an independent director shall be present at the meeting and express an opinion.	

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	assets or derivatives of FEIB shall be approved by the audit committee and submitted to the board of directors for a resolution. 3. Internal audit system The internal audit personnel shall periodically or a periodically make a determination of the suitability of internal controls on derivatives. If any material violation is discovered, it shall be reported to the audit committee.	Any transaction involving major assets or derivatives of FEIB shall be approved by the audit committee and submitted to the board of directors for a resolution. 3. FEIB shall report to the most recent meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with these Regulations. 4. FEIB shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors/managing directors approval dates, and the matters required to be carefully evaluated under Subparagraph 4 of Paragraph 2, Point (5) of Subparagraph 5, and Point (6) of Subparagraph 6 of this Article shall be recorded in detail in the log book. 5. Internal audit system The internal audit personnel shall periodically or a periodically make a determination of the suitability of internal controls on derivatives. If any material violation is discovered, it shall be reported to the audit committee.	
Article 14	Procedures for publicly disclosed information 1. Items required to be publicly announced and reported and the standards (1) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the	Procedures for publicly disclosed information 1. Items required to be publicly announced and reported and the standards (1)Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital,	According to Article 31 of the Regulations, the text is amended as below: 1. In response to IFRS 16 Leases, the terms of right-of-use assets are included in this Article. 2. Set out only domestic government bonds may be exempted from the public announcement and report applicable scope, and thus,

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	transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.	10 percent or more of the company's total assets, or NT$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.	Subparagraphs 1 and 6, Paragraph 1 of this Article is amended accordingly. 3. By considering that Subparagraph 1, Paragraph 1 of this Article has specified the public announcement applicable scope to related party transactions and Subparagraph 5, Paragraph 1 of this Article shall be applied to non-related party transactions; therefore, Subparagraph 5, Paragraph 1 of this Article is amended accordingly. 4. By considering professional investors- securities trading on securities exchanges or OTC markets are the regular business which may result in frequently making public announcements and reports and importance of the information disclosure, it shall be exempted from the reporting and announcement requirement, and Subparagraph 6, Paragraph 1 of this Article is amended accordingly. 5. By considering domestic securities investment trust enterprises and futures trust enterprises are regulated by the FSC and subscription or redemption of their funds (excluding offshore funds) are frequent occurrences to
	(2)Merger, demerger, acquisition, or transfer of shares.	(2)Merger, demerger, acquisition, or transfer of shares.	
	(3)Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by FEIB.	(3)Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by FEIB.	
	(4)Where equipment <u>or right-of-use assets thereof</u> for business use <u>are</u> acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT$1 billion or more.	(4)Where equipment for business use <u>is</u> acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT$1 billion or more.	
	(5)Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <u>and furthermore the transaction counterparty is not a related party</u>, and the amount FEIB expects to invest in the transaction reaches NT$500 million or more.	(5)Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount FEIB expects to invest in the transaction reaches NT$500 million or more.	
	(6)Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a	(6)Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a	

Section	Proposed changes	Current Articles	Reasons
	disposal of receivables, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT$300 million. Provided, this shall not apply to the following circumstances: A. Trading of domestic government bonds. B. Where done by professional investors-securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange. C. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. (7)The transaction amount referred in preceding six subparagraphs shall be calculated as follows: A. The amount of any individual transaction. B. The cumulative transaction amount of acquisitions and	disposal of receivables, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT$300 million. Provided, this shall not apply to the following circumstances: A. Trading of government bonds. B. Where done by professional investors-securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general company debentures without equity characteristics that are offered and issued in the domestic primary market, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange. C. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. (7)The transaction amount referred in preceding six subparagraphs shall be calculated as follows: A. The amount of any individual transaction. B. The cumulative transaction amount of acquisitions and	investment professional which shall be exempted from the announcement and reporting applicable scope, and thus, Subparagraph 6, Paragraph 1 of this Article is amended accordingly; and considering that subordinated debt has higher risk, ordinary corporate bonds or general bank debentures without equity characteristics referred in this Subparagraph shall exclude subordinated debt.

Section	Proposed changes	Current Articles	Reasons
	disposals of the same type of underlying asset with the same transaction counterparty within the preceding year. C. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year. D. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. (Others omitted)	disposals of the same type of underlying asset with the same transaction counterparty within the preceding year. C. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property within the same development project within the preceding year. D. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. (Others omitted)	
Article 15	FEIB's subsidiaries shall comply with the following regulations: 1. FEIB shall supervise its subsidiaries adopt and implement the procedures for the acquisition or disposal of assets in compliance with these Regulations. 2. Information required to be publicly announced and reported in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" on acquisitions and disposals of assets by FEIB's subsidiary that is not itself a public company in Taiwan shall be reported by FEIB. 3. The paid-in capital or total assets of FEIB shall be the standard applicable to a subsidiary in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing standard.	FEIB's subsidiaries shall comply with the following regulations: 1. FEIB shall supervise its subsidiaries adopt and implement the procedures for the acquisition or disposal of assets in compliance with these Regulations. 2. Information required to be publicly announced and reported in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" on acquisitions and disposals of assets by FEIB's subsidiary that is not itself a public company in Taiwan shall be reported by FEIB. 3. The paid-in capital or total assets of the FEIB shall be the standard applicable to a subsidiary referred to the terms "reaches 20 percent of paid-in capital or 10 percent of total assets" as used in the public announcement and regulatory filing standard.	According to Article 34 of the Regulations, set out the public announcement and regulatory filing standards for subsidiaries are consistent with FEIB.

Attachment VII

Current Shareholding of Directors and Independent Directors

As on April 21, 2019

Position	Name of persons or companies	Representatives	Number of shares	Percentage of shareholdings
Chairperson	Yu Ding Industrial Co., Ltd.	Ching-Ing Hou	9,963,585	0.30%
Vice Chairman	Douglas Tong Hsu	-	6,215,820	0.19%
Independent Director, Managing Director	Hsiao Hui Wang	-	0	0
Executive Director	Far Eastern New Century Corp.	Shaw Y. Wang	85,501,108	2.62%
	Asia Cement Corp.	Tsung-Ming Chung	76,842,263	2.35%
Director	Far Eastern New Century Corp.	Humphrey Cheng	85,501,108	2.62%
	Far Eastern New Century Corp.	James Wu	85,501,108	2.62%
	Asia Cement Corp.	Shi-Chun Hsu	76,842,263	2.35%
	U-Ming Marine Transport Corp.	Min-Teh Yu	76,786,963	2.35%
Independent Director	Bing Shen	-	0	0
	Susan S. Chang	-	0	0
The total shareholdings of all directors on the book closing date			255,309,739	7.81%
The minimum shareholdings of all directors required by law			78,460,463	2.40%

Note: The individual shareholdings of representatives are excluded.

Attachment VIII

Impact of Stock Dividends Distribution on Operating Results, Earnings per Share and Shareholders' Return on Investment

(Unconsolidated, in NT$,000)

Items			Year: 2019 (Forecast)
Beginning paid-in capital			32,691,860
Dividends distribution	Cash dividends per share (NT$)		0.4500 (Note 1)
	Stock dividends per share, from earnings distribution (number of shares)		0.0265 (Note 1)
	Stock dividends per share, from capital surplus (number of shares)		0 (Note 1)
Changes in business results	Operating profit		Not applicable (Note 2)
	Increase (decrease) % of operating. profit from last year		
	Net income		
	Increase (decrease)% of net income from last year		
	Earnings per share (EPS) (with retroactive adjustment)		
	Increase (decrease) % of EPS from last year		
	Annually averaged return on investment % (reverse of annually averaged price-earnings (P/E) ratio)		
Pro forma Earnings per share (EPS) and price-earnings (P/E) ratio	If stock dividends from earning is paid fully by cash dividends	Pro forma earnings per share (EPS)	
		Pro forma annually averaged return on investment	
	If no stock dividends from capital surplus	Pro forma earnings per share (EPS)	
		Pro forma annually averaged return on investment	
	If stock dividends from capital surplus and from earnings are paid fully by cash dividends	Pro forma earnings per share (EPS)	
		Pro forma annually averaged return on investment	

Note1：By board resolution on March 26, 2019, cash dividends of NT$0.45 and stock dividends of NT$0.265 is approved for allocation, where the actual distribution is subject to resolution in 2019 shareholders' meeting.

Note2：The Bank's 2019 financial forecast is not disclosed to general public, hence the info is not available.

Chairman：Ching-Ing Hou　　President：Thomas Chou　　Chief Accountant：Cindy Chen

GENERAL INFORMATION

I Articles of Incorporation of Far Eastern International Bank

Chapter I. General Provisions

Article 1

The purpose of this Bank is to support the government policy of financial internationalization and liberalization and to promote the development of domestic economy and industry. The Bank shall be named FAR EASTERN INTERNATIONAL BANK CO., LTD. and be incorporated as a Company Limited by Shares in accordance with the Bank Law and the Company Law of the Republic of China.

The English name of the Bank is to be FAR EASTERN INTERNATIONAL BANK.

Article 2

The head office of the Bank shall be located in Taipei, Taiwan, the Republic of China. Whenever deemed necessary to facilitate or promote business, the Bank may establish sub-organizations in any appropriate locations both at home and abroad.

Chapter II. Business of the Bank

Article 3

The business of the Bank shall be categorized as H101021 Commercial Banking Industry, H601011 Personal Insurance Agency and H601021 Property and Liability Insurance Agency.

Article 3-1

The scope of business of the Bank shall be as follows:

(1) To accept check deposits;
(2) To accept demand deposits;
(3) To accept time deposits;
(4) To provide short or long term loans;
(5) To accept discounted notes;
(6) To invest in government bonds, short term bills, corporate bonds and financial bonds;
(7) To engage in domestic and foreign remittance;
(8) To accept commercial bill of exchange;
(9) To issue local and foreign letters of credit;
(10) To engage in local and foreign guarantee service;
(11) To act as a collecting and paying agent;
(12) To act as agent for selling government bonds, treasury bills, corporate bonds and company stocks;
(13) To engage in credit card business;
(14) To engage in custodial and warehousing business;
(15) To engage in safe boxes leasing business;

(16) To buy and sell foreign cash and traveler's check;
(17) To provide guarantee service to export foreign exchange transaction, import foreign exchange transaction, general incoming and outgoing remittance, foreign exchange deposits, foreign exchange loans, and foreign exchange guaranteed payment;
(18) To provide foreign exchange collateralized account service;
(19) To engage in derivative financial products business to the approval of the central competent authority;
(20) To provide factoring service subject to the approval of the central competent authority;
(21) To issue financial bonds;
(22) To underwrite the issuance of corporate bonds;
(23) To provide the services as designated by the provisions of Trust Business Law;
(24) To engage in the securities business (to buy and sell securities as an agent);
(25) To sell gold bars, gold coins, and silver coins as an agent;
(26) To provide agent's service related to the above-mentioned business or subject to the approval of the central competent authority;
(27)To provide personal insurance agency services;
(28) To provide property and liability insurance agency services;
(29) To engage in other related business subject to the approval of the central competent authority.

Chapter III. Shares

Article 4

The total authorized capital of the Bank is to be Thirty Five Billion New Taiwan Dollars (NT$45,000,000,000), Three billion and Five Hundred Million (4,500,000,000) common shares with a par value of Ten New Taiwan Dollars (NT$10) per share, which may be partially issued, from time to time, by the Board of Directors under authorization.

Issuance of Preferred Stock shall not exceed the amount described above.

Article 4-1

The rights, obligations, and other important terms and conditions of the Bank's preferred stock are listed as follows:

1. Should there be net income after the closing of annual accounts, the Bank shall make up the loss of the previous years. There should be retained a legal reserve of thirty percent (30%), then special reserve shall be retained in compliance with the law.
   After that, the remaining surplus should first be paid for the dividends of the current year on the Preferred Stock.
2. The dividends rate of Preferred Stock shall be capped at 8% per annum. The distributable dividends shall be calculated based on the actual selling price, and be distributed annually by cash. After the books of accounts are recognized in the yearly Shareholders' Meeting, the Board of Directors shall separately set an effective date for paying such dividends.
   In the year of issuance and redemption, the distribution of the payable dividends shall be calculated based on the actual number of days the Preferred Stock remained outstanding in

that year.

3. The Bank has sole discretion on the distribution of preferred share dividends. If after annual audited accounts are prepared, there is no earnings and no distributing dividends of common stock or insufficient earnings for distributing dividends of Preferred Stock, or if such kind distribution will cause the Bank's capital adequacy ratio to fall below the minimum requirement stipulated by the Regulations Governing the Capital Adequacy and Capital Category of Banks or the competent authorities, the cancellation of distributing Preferred Stock dividends by resolution of the Bank will not be deemed as an event of default. If the Preferred Stock issued is specified as non-cumulative, the undistributed dividends or shortfalls in dividends distributed shall not be cumulative and shall cease to accrue and be payable, therefore no deferred payment will be paid in subsequent years where there are earnings.
4. The remaining assets of the Bank shall be distributed to the holders of the Preferred Stock in preference to the holders of the Common Stock provided. The different types of preferred stock of the Bank shall rank pari passu without any preference among themselves and their repayment shall be capped at their respective issue amount. If the competent authority puts the Bank under receivership, appoints administrators to take over the Bank, or orders the Bank to suspend its business for special liquidation or to commence liquidation, the holder(s) of the Preferred Stock shall have the same priority as the holders of common shares in terms of distribution of the Bank's residual assets.
5. The holders of the Preferred Stock shall have no voting and election rights in the Shareholders' Meeting, but they shall have the right to be elected to be directors. Holders of outstanding Preferred Stock have mandatory voting rights with respect to agendas that would affect Preferred Stock in Shareholders' meetings and in Preferred Shareholders' meetings.
6. Except the right of receive the dividends as provided in Sub-paragraph 2 of this Paragraph, the holders of the Preferred Stock, if holding non-participating preferred stock, shall have no right to the distribution of the cash or capital set aside from the surplus and capital surplus, available to the holders of the Common Stock.
7. In case of the issuing of new stock by the Bank due to capital increase, the holders of the Preferred Stock shall have the same pre-emptive right to purchase the new stock like the holders of the Common Stock.
8. Preferred Stock issued by the Bank, the Board of Director is authorized to set the convertible period in the specific issuance terms. If holding Convertible Preferred Stock, may be converted at least one year after the date of issuance terms. The holders of the Preferred Stock may, pursuant to the issuance terms, apply for converting the Preferred Stock, in full or in part, into shares of Common Stock of the Bank at the conversion rate of one-to-one. Upon conversion, the converted stock shall have the same rights and obligations as common stock. Dividends for Preferred Stock at the year of conversion shall be calculated based on the ratio between the actual issuance days and total days of the conversion year, should any shares of Preferred Stock be converted into shares of the Common Stock before the standard date of dividends distribution, the holders shall not have the right to the dividends distribution of Preferred Stock in the current and following years, but such shareholder may participate in

the distribution of profit and capital reserve to holders of common stock.

9. If the Bank issues non-perpetual Preferred Stock, the issuance period cannot be shorter than 5 years. Holders of Preferred Stock have no right to request redemption of such shares by the Bank. Upon expiry date of the issuance period or from the day following the fifth anniversary of the issuance date, the Bank may, pursuant to the issuance price and relevant issuance terms, redeem such shares in cash, compulsorily convert such shares into newly issued shares(at 1:1 ratio), or redeem such shares in other manners permissible by law. If at the time the Bank is unable to redeem all or a part of the Preferred Stock (due to force majeure or otherwise), the rights and obligations of the outstanding Preferred Stock will remain unchanged until full redemption by the Bank.
10. If the Bank issues perpetual Preferred Stock, holders of perpetual Preferred Stock have no right to request redemption of such shares by the Bank. The Bank may, subject to the competent authority's approval, entirely or partially redeem the issued Preferred Stock at the actual issue price. The Bank may set redemption date at a date no earlier than the day following the fifth anniversary of the issuance date. The rights and obligations of the remaining and outstanding Preferred Stock as described in the preceding paragraphs will remain unchanged.

The Board of the Directors shall be authorized to prescribe the issuance date and the specific terms of the Preferred Stock at the actual issue date according to the conditions of the current capital market and investors' expectation, in accordance with the Bank's Articles of Incorporation and applicable laws and regulations.

<u>Article 5</u>

The share certificate of the Bank shall be numbered, bearing the joint signatures or seals of three Directors, and issued only after it is duly underwritten in accordance with the Law.

The shares issued by the Bank need not be witnessed by printed share certificate but shall be registered with a securities central depository institution; and at the time of issuing new shares, the Bank may print a share certificate witnessing the total shares so issued but shall arrange to safe-keep such share certificate at a securities central depository institution.

At the request of any securities central depository institution, the Bank may re-issue share certificates witnessing large number of shares in exchange for those certificates witnessing small number of shares.

The Bank may issue special shares certificates.

If the Bank wishes to merge with another company, matters relating to such merger need not be decided by the resolution of special shareholders' meeting.

<u>Article 6</u>

Any matter relating to share transactions of the Bank shall be handled in accordance with 'the Regulation Governing the Handling of Share Transactions by Publicly Traded Companies' and other relevant laws and regulations.

Article 7

Registration of transfer of a share certificate shall be suspended within sixty (60) days prior to a regular shareholders' meeting, or thirty (30) days prior to a special shareholders' meeting, or five (5) days prior to the date set for distributing dividends, bonuses, or other benefits.

Chapter IV. Shareholders' Meetings

Article 8

Meetings of shareholders of the Bank are of two kinds, namely: regular meetings of shareholders and special meetings of shareholders. Unless otherwise defined in the laws and regulations, the meetings are called by the Board of Directors according to law. A regular meeting of shareholders shall be called by the board of directors within six months after the conclusion of each business year. A special meeting of shareholders may be called by the law whenever they deem it necessary.

Article 9

Notice of a regular meeting of shareholders shall be given to each shareholder and publicly announced thirty (30) days prior to the date of meeting. Notice of a special meeting of shareholders shall be given to each shareholder and publicly announced fifteen (15) days prior to the date of meeting. The notice shall state the time, place, and the reasons for calling the meeting.

Article 10

Unless otherwise provided in the Company Law, a quorum of the meeting of shareholders shall consist of shareholders holding more than half the total outstanding shares issued by the Bank, resolutions of shareholders shall be made by a majority vote of shareholders present in person.

Article 11

The powers of the meeting of shareholders shall be as follows:

(1) To prescribe and amend the Articles of Incorporation;

(2) To elect the directors;

(3) To review the books prepared by the board of directors and the Audit Committee' reports;

(4) To review proposals governing the increase or decrease of the share capital of the Bank;

(5) To distribute profit or make up the deficit;

(6) To resolve on any other important matters or those as provided in the Company Law.

Article 12

When the shareholder is unable to attend the Shareholders' Meeting, the entrusted deputy may attend the meeting and exercise the shareholder's rights according to Article 177 of the Company Act. The entrusted deputy is not the shareholder only.

Unless the Company Law provides otherwise, the designation of a proxy by any shareholder shall be subject to the 'Regulation Governing the Attendance by Proxy of Shareholders' Meetings of Publicly Traded Companies'.

Article 13

Unless the Company Law or the Articles of Incorporation of the Bank should provide otherwise, the meetings of shareholders shall be presided over in accordance with the Rules of Proceedings for Meetings of Shareholders of the Bank.

Article 14

The resolutions at the Shareholder's Meeting shall be documented in the Meeting minutes. The Meeting minutes shall be signed or stamped by the Chairman and the resolutions shall be exercised according to Article 183 of the Company Act.

Chapter V. Board of Directors and Managers

Article 15

The Bank shall have nine (9) to fifteen (15) Directors, all to be elected among the shareholders with capacity at a shareholders' meeting. The directors shall include not less than three Independent Directors, and not less than one-fifth of the director seats shall be held by the Independent Directors. A candidate nomination system shall be adopted for the election of Directors. The shareholders shall elect the Directors from the list of candidates of Directors. Any matters relating to nomination shall be handled in accordance with Article 192-1 of the Company Act and the relevant laws and regulations.

The Bank's Audit Committee is organized by all independent directors in accordance with the provisions of the Securities Exchange Act. Members of the Audit Committee, the exercise of authorities, and other binding matters are processed in accordance with the governing law or the organizational regulations. The organic regulation of the Audit Committee is separately prescribed by the Board of Directors.

The number of total shares owned by the Directors shall be prescribed in accordance with the 'Regulation Governing the Shareholding Percentage of Directors and Supervisors and its Verification of Publicly Traded Companies'.

Article 16

The tenure in office of the Directors shall be three (3) years. All Directors are eligible for re-election.

Article 17

Three to five Managing Directors shall be elected by and from among the Directors. The Managing Directors shall include not less than one Independent Director, and not less than one-fifth of the Managing Director seats shall be held by Independent Directors. The Chairman and Vice Chairman of the Board of Directors shall be elected by and from among the Managing Directors. Directors and Managing Directors shall form the Board of Directors and the Board of Managing Directors respectively.

The Board of Managing Directors shall carry out the functions of the Board of Directors while the Board of Directors is in recess.

One to Two Executive Directors shall be elected by and from among the Board of Directors. The Executive Directors shall attend meetings of the Board of Managing Directors but shall not vote.

Article 18

The Chairman of the Board of Directors shall externally represent the Bank and internally preside over the shareholders' meetings, the meetings of the Board of Directors, and the meetings of the Board of Managing Directors. If, for temporary leave or other reasons, the Chairman is unable to exercise his powers, the Vice Chairman of the Board of Directors shall act on his behalf; and if the Vice Chairman likewise is unable to exercise his powers, the Chairman of the Board may designate one Managing Director to act on his behalf. In the absence of such designation, the Managing Directors or Directors shall elect one among themselves to exercise these powers.

Article 19

Regular meetings of the Board of Directors shall be convened once every three (3) months; and meetings of the Board of Managing Directors may convene from time to time.

In calling a meeting of the board of directors, a notice setting forth therein the subject(s) to be discussed at the meeting shall be given to each director no later than 7 days prior to the scheduled meeting date by means of personal delivery, fax, electronic mail, or postal delivery; however, in the case of emergency, the meeting may be convened at any time by the same means of notice as provided above.

If a Director is unable to attend the meeting, he may appoint another Director to act on his behalf at the meeting in accordance with the law.

The preparation and distribution of the minutes of meeting of the Board of Directors may be effected by means of electronic transmission.

Article 20

The Power of the Board of Directors shall be as follows:

(1) To review and approve any corporate rules or regulations;
(2) To review and approve business plan;
(3) To propose as to the increase or decrease of capital;
(4) To decide as to whether to establish, to revoke, or to change any of the branches and/or representative offices of the Bank;
(5) To review important contracts;
(6) To prepare and compile budgets and settlement of accounts;
(7) To decide as to whether to buy or sell real estates;
(8) To propose as to the appropriation of profits or surplus;
(9) To review and approve big loan applications and important businesses;
(10) To Review and approve the appointment and dismissal of officers and managers of Finance, Accounting, Risk Management, Legal Compliance, and Internal Audit;
(11) To review and approve the appointment and dismissal of each department head of both

the administrative and business units.

(12) To review matters assigned by the Chairman of the Board of Directors and the proposals submitted by the President;

(13) To carry out the resolutions of the shareholders' meeting;

(14) To perform any other functions as may be prescribed by laws and regulations.

Article 21

The Board of Directors shall be authorized to resolve on the remunerations of the directors based on their contribution to the operation of the Bank and the comparable level as offered by the other companies in the same trade.

Article 22

The Bank's management includes President, Executive Vice Presidents, Heads of Business Unit, Deputy Executive Vice Presidents, Department Heads (Managers and Officers), and Branch Managers.

The Bank shall appoint: a President to manage the overall business of the Bank in accordance with the policy adopted by the Board of Directors; and a number of managers at all levels are appointed to assist the President. Besides, the Bank shall also appoint one Chief Auditor to manage the overall auditing matters of the Bank. Appointment and dismissal of the above-mentioned personnel shall be approved by a majority vote of the Directors present at a Meeting of Board of Directors.

Chapter VI. Accounting

Article 23

The fiscal year of the Bank shall be from January 1st to December 31st, and based on the calendar years of the Republic of China. There shall be two accounting periods in a year. June 30 shall be the settling date for the 1st period and December 31 that for the second period. At the end of the fiscal year, an annual settlement of accounts shall be conducted.

Article 24

For the purpose of settling the accounts of the Bank, the Board of Directors shall prepare various documents and statements and present them to the Audit Committee for examination thirty (30) days prior the regular meeting of shareholders.

After it is submitted to and audited by the Audit Committee, it should be submitted to the regular shareholders meeting for acknowledgment.

The documents enumerated in the preceding paragraph shall be declared to the competent authorities in accordance with the Company Act, Securities and Exchange Act, Banking Act and other laws and ordinances concerned and shall be duly promulgated as required.

Article 25

If there be net income before income tax, remuneration of directors and employees' compensation, the Bank should retain an employees' compensation of 3.5%-4.5% and a remuneration of directors no greater than 1.5%. Should there be accumulated loss, the Bank shall retain earnings to cover the loss in advance.

Employees' compensation may be distributed in the form of stocks or in cash. The amount distributable as employees' compensation and remuneration of directors shall be decided by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Article 25-1

In case of net income after settlement of accounts for each fiscal year, the Bank shall recover all the losses incurred in the previous years, if any, before setting aside a legal reserve of thirty percent (30%) of the net profit and appropriating, according to law and regulations, a special reserve shall be retained, and shall first be distributed to the dividends of Preferred Stock. The remaining amount together with the accumulated retained profits of the last year and the reversals of special reserves are available for distribution as dividends for Common Stock. The dividends for Common Stock shall be distributed at least thirty per cent (30%) of the remaining amount. The Board of Directors shall prepare the earnings distribution in accordance with the existing circumstances at the time, taking into account the future development plan of the Bank. Any allocation of cash dividend shall, in principle, be no less than 10% of the total dividends to be distributed that year.

Before the above-mentioned legal reserve reaches the amount of total paid-in capital, the maximum appropriation of cash dividends shall not exceed fifteen percent (15%) of the total paid-in capital.

Chapter VII. Supplemental Provisions

Article 26

Rules governing the organization of the Bank, and other rules and regulations shall be separately prescribed by the Board of Directors.

Article 27

The matters not provided for in the Articles of Incorporation of the Bank shall be dealt with in accordance with the Bank Law, the Company Law, and other relevant financial laws and regulation.

Article 28

These Articles of Incorporation were established on May 14, 1990 and shall be effective as of the date on which they are approved by the competent authority.

These Articles of Incorporation were established on May 14, 1990 and shall be effective as of the date on which they are approved by the competent authority.

※ The first amendment was made, on December 9, 1991, by the Promoters' Meeting.
※ The second amendment was made, on May 21, 1993, by the Shareholders' Meeting.
※ The third amendment was made, on May 19, 1995, by the Shareholders' Meeting.
※ The fourth amendment was made, on May 22, 1996, by the Shareholders' Meeting.
※ The Fifth Amendment was made on May 21, 1997, by the Shareholders' Meeting.
※ The Sixth amendment was made on May 20, 1998, by the Shareholders' Meeting.
※ The Seventh amendment was made on May 19, 1999, by the Shareholders' Meeting.
※ The Eighth amendment was made on April 28, 2000, by the Shareholders' Meeting.
※ The Ninth amendment was made on May 11, 2001, by the Shareholders' Meeting.
※ The Tenth amendment was made on June 5, 2002, by the Shareholders' Meeting.
※ The Eleventh amendment was made on May 29, 2003 by the Shareholders' Meeting.
※ The Twelfth amendment was made on April 16, 2004 by the Shareholders' Meeting.
※ The Thirteenth amendment was made on June 27, 2006 by the Shareholders' Meeting.
※ The Fourteenth amendment was made on June 20, 2007 by the Shareholders' Meeting.
※ The Fifteenth amendment was made on June 20, 2007 by the Shareholders' Meeting.
※ The Sixteenth amendment was made on June 6, 2008 by the Shareholders' Meeting.
※ The Seventeenth amendment was made on June 6, 2008 by the Shareholders' Meeting.
※ The Eighteenth amendment was made on June 10, 2009 by the Shareholders' Meeting.
※ The Nineteenth amendment was made on June 10, 2009 by the Shareholders' Meeting.
※ The Twentieth amendment was made on June 21, 2010 by the Shareholders' Meeting.
※ The Twenty-first amendment was made on June 15, 2011 by the Shareholders' Meeting.
※ The Twenty-second amendment was made on June 26, 2012 by the Shareholders' Meeting.
※ The Twenty-third amendment was made on June 19, 2013 by the Shareholders' Meeting.
※ The Twenty-fourth amendment was made on June 24, 2014 by the Shareholders' Meeting.
※ The Twenty-fifth amendment was made on June 16, 2015 by the Shareholders' Meeting.
※ The Twenty-sixth amendment was made on June 15, 2016 by the Shareholders' Meeting.
※ The Twenty-seventh amendment was made on June 20, 2018 by the Shareholders' Meeting.

The amendment of Articles of Incorporation shall take effect on approval by the shareholders' meeting.

II Rules Governing Conduct of Shareholders' Meeting of Far Eastern International Bank

Last amended on June 24, 2014

Article 1 The shareholders' meeting of the Company shall be held according to the rules herein.

Article 2 The location for shareholders' meeting shall be the Company's place of business or a place convenient for attendance by shareholders (or by proxies) that is suitable to holding of this meeting. The meeting shall be held between 9:00AM and 3:00PM.

The meeting notice of the shareholders' meeting shall state the registration time, location and other important information. The aforesaid registration time shall start at least thirty minutes before the beginning of the meeting. The registration desk shall be featured with clear instructions and competent staffs.

When convening shareholders' meeting, the Company shall incorporate electronic vote casting as one of the alternative ways to cast the vote, and the procedure of electronic casting shall be written in the notice of shareholders' meeting.

Shareholders who vote via electronic casting is deemed as presented in person.

With respect to extemporary motions, amendments of the original proposals, and substitute proposals raised in the shareholders' meeting, those who vote via electronic casting shall be considered as abstain.

Shareholders (or proxies) shall attend shareholders' meeting based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification. Shareholders (or proxies) when attending the meeting shall hand in sign-in cards. Number of shareholders in attendance shall be calculated based on the number of attending shares, which equals to the sum of number of shares shown on the signed attended forms and the number of voting shares via electronic casting.

The Company may appoint lawyers, accountants or related personnel to attend the shareholders' meeting.

The personnel in charge of handling the affaires of the meeting shall wear identification badge or armband.

For a shareholders' meeting convened by the board of directors, the chairman of the board of directors shall preside at the meeting. If the chairman of the board of directors is on leave or unable to exert the rights, the vice-chairman of the board of directors shall preside instead. If the position of vice-chairman is vacant or the vice-chairman is on leave or unable to exert the rights, the chairman of the board of directors shall designate a director to preside at the meeting. If no director is so designated, the chairman of the meeting shall be elected by the board of directors from among themselves. When a director serves as chairman, the director shall be one who has held that position for six months or more and who understands the financial and business conditions of the Bank. The same shall be true for a representative of a juristic person director that serves as chairman.

For a shareholders' meeting convened by any other person having the convening right, he/she shall act as the chairman of that meeting; if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.

The complete processes of the meeting shall be recorded by voice and video recorders and all the records shall be kept by the Company for a minimum period of at least one year. If a shareholder fi les a lawsuit pursuant to Article 189 of the Company Law, the video and audio records shall be retained until the conclusion of the litigation.

Article 3 The chairperson shall announce starting of the meeting when the attending shareholders (or proxies) represent more than half of the total shares issued in public. The chairperson may announce postponement of meeting if the legal quorum is not present after the designated meeting time. Such postponement is limited to two times and the aggregated postponed time shall not exceed one hour. If quorum is still not present after two postponements but the attending shareholders (or proxies) represent more than one third of the total shares issued in public, tentative resolution/s may be passed with respect to ordinary resolution/s by a majority of those present.

After proceeding with the aforesaid tentative resolutions, the chairperson may put the tentative resolutions for re-voting over the meeting if and when the shares represented by the attending shareholders (or proxies) reached the legal quorum.

Article 4 If the shareholders' meeting is convened by the board of directors, the agenda shall be designated by the board of directors. The meeting shall proceed in accordance with the designated agenda and shall not be amended without resolutions.

If the meeting is convened by person, other than the board of directors, having the convening right, the provision set out in the preceding paragraph shall apply mutatis mutandis.

Except with shareholders' resolution, the chairperson shall not declare adjournment of the meeting before the first two matters set out in the agendas (including extemporary motions) are concluded. During the meeting, if the chairperson declares adjournment of the meeting in violation of the preceding rule, a new chairperson may be elected by a resolution passed by majority of the attending shareholders to continue the meeting.

When the meeting is adjourned by resolution, the shareholders shall not elect another chairperson to continue the meeting at the same location or another venue.

Article 5 The shareholders (or proxies) shall complete statement slip setting out the number of his/her attendance card, name and statement brief before speaking, and the chairperson will designate the order in which each person is to speak during the session.

No statement will be considered to have been made if the shareholder (or proxies) merely completes the statement slip without speaking at the meeting. If there are any discrepancies between the content of the statement slip and the speech made, the statement to be adopted shall be the statement confirmed.

Article 6 Any proposal for the agendas shall be submitted in written form. Except for the proposals set out in the agenda, any proposal by the shareholders (or proxies) to amend, substitute or to initiate extemporary motions with respect to the original proposal shall be seconded by other shareholders (or proxies). The same rule shall apply to any proposal to amend the agenda and motion to adjourn the meeting. The shares represented by the proponents and the seconders shall reach 100,000.

Article 7 The explanation of proposal shall be limited to 5 minutes. The statement of inquiry and reply shall be limited to 3 minutes per person. The time may be extended for 3 minutes with the chairperson's permission.

The chairperson may restrain shareholders (or proxies) from speaking if that shareholders (or proxies) speak overtime, speak beyond the allowed frequency or content of the speech is beyond the scope of the proposal. When a shareholder (or proxy) is speaking, other shareholder (or proxy) shall not interrupt without consent of the chairperson and the speaking shareholder (or proxy). Any disobedient of the preceding rule shall be prohibited by the chairperson. Article 15 of this meeting rule shall apply if the disobedient do not follow the chairperson's instructions.

Article 8 For the same proposal, each person shall not speak more than 2 times.

When a juristic person is a shareholder, only one representative shall be appointed to attend the meeting.

If more than two representatives were appointed to attend the meeting, only one representative is allowed to speak.

Article 9 After speaking by the attending shareholder (or proxy), the chairperson may reply in person or assign relevant officer to reply.

Over the proposal discussion, the chairperson may conclude the discussion in a timely manner and where necessary announce discussion is closed.

Article 10 For proposal in which discussion has been concluded or closed, the chairperson shall submit it for voting.

No discussion or voting shall proceed for matters unrelated to the proposal.

The personnel responsible for overseeing and counting of the votes for resolutions shall be appointed by the chairperson with the consent of the shareholders (or proxies). The person responsible for vote overseeing shall be of the shareholder status.

Article 11 In regards to the resolution of proposals, unless otherwise provided for in the relevant law and regulation or Company's articles of incorporation, resolution shall be passed by a majority of the voting rights represented by the shareholders (or proxies) attending the meeting.

The proposal for a resolution shall be deemed approved if no objection expressed by shareholders casting their votes via electronic casting, and if the chairperson inquires and receives no objection from shareholders in attendance in person.

The validity of such approval has the same effect as if the resolution has been put to vote.

Should objection of a proposal be expressed, such proposal shall be put to vote.

All proposals may be put to vote one after the other by its sequence, or may be put to vote together and numbers of votes for each proposal are counted separately. Whichever way of the voting procedures shall be decided by the chairperson.

If there are amendments or substitute proposals for the same proposal, the sequence of which to be put to vote shall be decided by the chairperson. If one of the two proposals has been approved, the other shall be deemed rejected without requirement to put it to vote.

The results of voting and election shall be announced after the vote calculation on the spot and kept for records.

Article 12 During the meeting, the chairperson may at his/her discretion declare time for break.

Article 13 The meeting shall be adjourned if encountering an air-raid alarm during the meeting. The meeting shall resume one hour after the alarm is lifted.

Article 14 The chairperson may maintain the meeting order by instructing the security guards. The security guards shall wear the armband for identification when helping maintaining the venue order.

Article 15 The shareholders (or proxies) shall obey the instructions of the chairperson and security guards in terms of maintaining the order. The chairperson or security guards may exclude the persons disturbing the shareholders' meeting from the meeting.

Article 16 For matters not governed by the rules specified herein, shall be governed according to Company Law, Securities Exchange Act and the other related laws and regulations.

Article 17 The regulations will be implemented with the approval of the Preparatory Commission. The amendment of the regulations will be implemented after it is resolved in the shareholders' meeting.

III Procedures of Asset Acquisition or Disposal of Far Eastern International Bank

Last amended on June 15, 2017

Article 1 Purpose

Regulations are adopted for purposes of assets protection and for making information publicly available.

Article 2 Legal Basis

These Regulations are adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act ("the Act"), and the rulings on 12.10.2002 (Ref.No.: Tai-Chai-Zheng-1 0910006105) and 01.19.2007 (Ref. No.: Chin-Guan-Zheng-1-Zi 0960001463) published by the competent authority of the Act.

Article 3 The term "assets" as used in these Regulations includes the following:

1. Securities: Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
2. Real property (including land, houses and buildings, investment property, the right of land use and construction enterprise inventory) and equipment.
3. Memberships.
4. Intangible assets: Including patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
6. Derivatives.
7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with laws.
8. Other major assets.
9. The aforesaid assets acquired or disposed by FEIB through the foreclosure of mortgages or pledges shall be handled in accordance with procedures of FEIB's "Regulations Governing Acceptance and Disposal of Collaterals", and these Regulations shall not apply.
10. For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

Article 4 Terms used in these Regulations are defined as follows:

1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from an asset, interest rate, foreign exchange rate, index or other interest products; or hybrid contracts combining the above contracts. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.

2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Paragraph 8, Article 156 of the Company Act.
3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction (whichever date is earlier); provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
7. The term “within the preceding year” refers to the year preceding the date of occurrence of the acquisition or disposal of the assets, and items publicly announced need not be counted toward the transaction amount.
8. The term “the most recent financial statements” refers to the financial statements certified or reviewed by a certified public accountant (CPA) pursuant to the applicable laws before the acquisition or disposal of the assets by FEIB.

Article 5 The acquisition and disposal of the assets as defined in Article 3, unless otherwise handled in accordance with FEIB’s degree of authority delegated, securities investment policies and invested in other business approved by the competent authority pursuant to Article 74 of the Banking Act, subject to the approval of the board of directors under these Regulations or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, FEIB shall submit the director's dissenting opinion to the audit committee. When a transaction involving the acquisition or disposal of assets is submitted for discussion by the board of directors pursuant to the laws and regulations, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. The terms "all directors" herein shall be counted as the actual number of persons currently holding those positions.

1. If disposal of assets are applicable to the circumstances specified in Article 158 of the Company Act, they shall be reported to the shareholders' meeting for

approval before taking effect.

2. The total amount of securities purchased and limits on individual securities invested by FEIB shall be handled in accordance with its securities investment policies.
3. With the exception of warehousing for business use, FEIB shall not invest in real estate for self-use in an amount in excess of its net worth at the time such investment is made. The amount of FEIB's investment in warehousing for business use shall not exceed five percent (5%) of the total amount of FEIB's deposits at the time the investment in such warehousing is made.
4. FEIB shall not invest in real estate other than for self-use, unless:
   (1) A substantial portion of the real estate is for self-use.
   (2) The real estate will be used for self-use in the near future.
   (3) A substantial portion of rebuilt original real estate is for self-use.

   The total amount of FEIB's investment in real estate not for self-use made in accordance with the exceptions in the preceding Paragraph shall not exceed twenty percent (20%) of its net worth. The total amount of FEIB's investment in real estate not for self-use plus the total amount of FEIB's investment in real estate for self-use shall not exceed its net worth at the time of the investment in such real estate.
5. The total investment amount of each subsidiary in short-term and long-term individual securities shall not exceed 120% of shareholders' equity on the most current financial statements of such subsidiary, and the investment amount of short-term and long-term individual securities shall not exceed 60% of shareholders' equity on the most current financial statements of such subsidiary. The aggregate book value of real property for non-business use and other fixed assets shall not exceed 50% of total assets on the most current financial statements of such subsidiary. The aggregate amount of short-term and long-term equity investment of FEIB and its subsidiaries shall not exceed 150% of shareholders' equity on the most current financial statements of FEIB.The calculation of the ratio referred to in this Paragraph shall be made in accordance with the operational rules and applicable laws and regulations of Taiwan Stock Exchange Corporation

Article 6 Professional appraisers and their officers, CPAs, attorneys, and securities underwriters that provide FEIB with appraisal reports, CPA's opinions, attorney's opinions, or underwriter's opinions shall not be a related party of any party to the transaction.

Article 7 Procedures for handling the acquisition or disposal of real property and equipment

1. Appraisal and operating procedures

   The acquisition or disposal of real property or equipment shall be handled in accordance with the applicable rules of FEIB.
2. Determining procedures for terms and conditions of transactions and the degree of authority delegated.
   (1) In acquiring or disposing of real property, the terms and price shall be suggested based on the publicly announced current value, assessed value and the actual transaction price of the neighboring real property as produced

in an analysis report for submission to the to the board of directors for approval.

(2) Either price solicitation, price comparison, bargain process or tender process shall be performed for acquisition or disposal of equipment and be approved in accordance with the FEIB's degree of authority delegated. Where the amount exceeds the authorized amount required the president's approval, it shall be reported and submitted to the board of directors for approval before execution.

3. The unit responsible for implementation

   The acquisition or disposal of real property or equipment by FEIB shall be implemented by Secretary Department.

4. Appraisal report for real property or equipment

   In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the company's paid-in capital or NT$300 million or more, FEIB, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

   (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.

   (2) Where the transaction amount is NT$1 billion or more, appraisals from two or more professional appraisers shall be obtained.

   (3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

       A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.

       B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.

   (4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

   (5) Where FEIB acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be

substituted for the appraisal report or CPA opinion.

Article 8 Procedures for acquisition or disposal of securities

1. Appraisal and operating procedures:

   The purchase and sell of FEIB's long-term and short-term securities shall be handled in accordance with FEIB's internal control systems.

2. Determining procedures for terms and conditions of the transaction and the degree of authority delegated.

   (1) Securities trading in listed stocks, stocks listed on the GreTai Securities Market and domestic beneficiary certificates shall be determined by responsible unit based on market condition.

   (2) For securities trading in corporate bonds issued by civil enterprises, financial bonds, overseas mutual funds, depositary receipts, call (or put) warrants, beneficial securities, derivatives and asset-backed securities, the responsible unit shall consider the risks, profitability and development potential after obtaining the financial statements or evaluation information of relevant financial products or companies and report to the president for approval before execution.

   (3) Securities trading in government bonds, principal/interest-guaranteed government bonds and government-owned enterprise bonds shall be determined by responsible unit based on market condition, and the investment amount thereof shall be determined and approved by the investment committee and the funding conference.

3. The unit responsible for implementation

   Where FEIB acquires or disposes of securities, the matter shall be reported and approved by decision-making authority in accordance with the preceding subparagraph before implemented by the responsible unit.

4. Obtain Professional Opinion

   FEIB acquires or disposes of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a CPA, for reference in appraising the transaction price:

   (1) If the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT$300 million or more, it shall additionally engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

   (2) Where FEIB acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA's opinion.

Article 9 Procedures for related party transactions

1. When FEIB acquires or disposes of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percenter or more of the company's total assets, FEIB shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in accordance with the provisions of these Regulations. When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.
2. Appraisal and operating procedures:

   When FEIB acquires or disposes of real property or assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, FEIB may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the audit committee and submitted to the board of directors for a resolution:

   (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
   (2) The reason for choosing the related party as a transaction counterparty.
   (3) With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Subparagraphs 1 and 4, Paragraph 3 of this Article.
   (4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.
   (5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
   (6) An appraisal report from a professional appraiser or a CPA's opinion obtained in accordance with Paragraph 1 of this Article.
   (7) Restrictive covenants and other important stipulations associated with the transaction.

   When a matter is submitted for discussion by the board of directors pursuant to the preceding Paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

   The submission procedures of documents under this Paragraph shall be subject to mutatis mutandis application of Paragraphs 3 and 4 of Article 17.
3. The evaluation on reasonableness of the transaction costs
   (1) FEIB acquires real property from a related party shall evaluate the reasonableness of the transaction costs by the following means:

       A. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" as used herein is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.

B. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.

(2) Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding Paragraph.

(3) FEIB acquires real property from a related party and appraises the cost of the real property in accordance with Subparagraphs 1 and 2, Paragraphs 3 of this Article shall also engage a CPA to check the appraisal and render a specific opinion.

(4) Where FEIB acquires real property from a related party and the results of FEIB's appraisal conducted in accordance with Subparagraphs 1 and 2, Paragraph 3 of this Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Subparagraphs 1 and 2, Paragraph 3 of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

A. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:

a. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

b. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale practices.

c. Leasing transactions by unrelated parties within the preceding year involving other floors of the same property, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property leasing practices.

B. Where FEIB acquires real property from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions involving neighboring or closely valued parcels of land in the preceding Paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.

(5) Where FEIB acquires real property from a related party in accordance with Subparagraphs 1 and 2, Paragraph 3 of this Article are uniformly lower than the transaction price, the following steps shall be taken. FEIB and a public company uses the equity method to account for its investment in FEIB that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

A. A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where FEIB uses the equity method to account for its investment in another public company, then the special reserve called for under Paragraph 1, Article 41 of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.

B. The independent director members of the audit committee shall comply with Article 218 of the Company Act.

C. Actions taken pursuant to Points 1 and 2, Subparagraph 5, Paragraph 3 of this Article the shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

(6) Where FEIB acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Paragraphs 1 and 2 of this Article and Subparagraphs 1, 2 and 3, Paragraph 3 of this Article shall not apply:

A. The related party acquired the real property through inheritance or as a gift.

B. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.

C. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.

(7) When obtaining real property from a related party, FEIB shall also comply with the Subparagraph 5, Paragraph 3 of this Article if there is other evidence indicating that the acquisition was not an arm’s length transaction.

4. Determining procedures for degree of authority delegated and the unit responsible for implementation

Before acquisition or disposal of equipment held for business use between FEIB and its subsidiaries, Secretary Department shall prepare relevant information and report to the board of directors for approval. Where transactions are below NT$300 million, the chairman is authorized to decide and approve such matters and have the decisions submitted to and ratified by the most recent meeting of the board of directors.

Article 10 Procedures for acquisition or disposal of membership cards or intangible assets

1. Appraisal and operating procedure

The acquisition or disposal of membership cards or intangible assets shall be handled in accordance with applicable rules of FEIB.

2. Determining Procedures for terms and conditions of transactions and degree of authority delegated

(1) In acquiring or disposing of the membership card, the terms and price shall be suggested based on the fair market value of such transaction as produced in an analysis report for submission to the president. Where the transaction amount is under NT$ 5 million, it shall be report to the most recent meeting of the board of directors after submitted to and approved by the president. Where the transaction amount is NT$ 5 million or more, it shall be report to the board of directors for approval before execution.

(2) In acquiring or disposing of the intangible asset, the terms and price shall be suggested based on the professional appraisal opinion or fair market value of such transaction as produced in an analysis report for submission to the board of directors for approval before execution.

3. The unit responsible for implementation

Where FEIB acquires or disposes of the membership card or intangible asset, the matter shall be reported and approved by decision-making authority in accordance with the preceding Subparagraph before implemented by the responsible unit.

4. Report of professional appraisal opinion for membership cards and intangible assets

Where FEIB acquires disposes of membership cards or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT$300 million or more, except in transactions with a government agency, FEIB shall engage a CPA prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

Article 10-1 The calculation of the transaction amounts referred to in Paragraph 1 of Articles 7, 8 and 9 and Article 10 shall be handled in accordance with Article 14, Paragraph 1, Subparagraph 7 herein and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

The calculation of the transaction amounts referred to in Article 9, Paragraph 2 shall be handled in accordance with Article 14, Paragraph 1, Subparagraph 7 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which approved by more than half of all audit committee members and submitted to the board of directors for a resolution or approved by more than two-thirds of all directors need not be counted toward the transaction amount.

Article 11 Handling procedures for acquisition or disposal of claims of financial institutions

1. FEIB acquires financial institutions, in addition to the following situations, shall be reported to the level to which authority is delegated for approval in accordance with procedures under the “Authorization Guidelines for Credit Extension Business” and relevant regulations.
   (1) Where transaction counterparty is a related party, the matter shall be reported to the meeting of the board of managing directors for approval in accordance with the reporting and approving procedures and then transfer to the board of the directors for a resolution.
   (2) Acquisition of non-performance loans shall be approved by the level superior 2 levels than the authority under the “Authorization Guidelines for Credit Extension Business”, and the supreme level therefor shall be the board of the directors.
2. The proposal of disposing FEIB’s credits shall specify transaction terms of the qualifications of purchaser, method for the transfer of credits and prices and be approved by the first degree of authorization under the “Authorization Guidelines for Credit Extension Business”. Non-performing loans shall be handled in accordance with the “Guidelines for Financial Institutions to Sell Non Performing Loans” by the competent authority and reported to the board of directors for a resolution according to applicable regulations of FEIB.

Article 12 Handling procedures for acquisition or disposal of derivatives

1. Trading principles and strategies
   (1) The types of derivatives that may be traded shall be limited to derivatives allowed by the competent authority and approved by the board of managing directors of FEIB.
   (2) FEIB may engage in broker, hedging and investing derivatives’ trading.
   (3) Segregation of duties and performance evaluation when engaging in derivatives trading, total amount of derivatives contracts that may be traded,

and the maximum loss limit on total trading and for individual contracts shall be set out in related business guidelines and reported to the board of the managing directors for approval.

2. Risk management measures

FEIB engages in derivatives trading shall adopt the following risk management measures:

(1) Risk management shall address credit, market, liquidity, cash flow, operational, and legal risks.

(2) The degree of authority delegated, risk management measures, operating process and operating duty shall be adopted in applicable operating guidelines and manuals and reported to the board of managing directors for approval.

(3) Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement. Risk measurement, monitoring, and control personnel shall be assigned to a different department that the personnel in the preceding subparagraph and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making.

(4) Derivatives trading positions held for trading shall be carried out immediately or based on daily market prices e; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.

(5) Where FEIB engages in derivatives trading, the board of directors shall faithfully supervise and manage such trading in accordance with the following principles:

A. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.

B. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.

(6) Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:

A. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and these Regulations.

B. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; an independent director shall be present at the meeting and express an opinion.

Any transaction involving major assets or derivatives of FEIB shall be approved by the audit committee and submitted to the board of directors for a resolution.

3. FEIB shall report to the most recent meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with these Regulations.
4. FEIB shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors/managing directors approval dates, and the matters required to be carefully evaluated under Subparagraph 4 of Paragraph 2, Point (5) of Subparagraph 5, and Point (6) of Subparagraph 6 of this Article shall be recorded in detail in the log book.
5. Internal audit system

   The internal audit personnel shall periodically or aperiodically make a determination of the suitability of internal controls on derivatives. If any material violation is discovered, it shall be reported to the audit committee.

Article 13 Procedures for conducting a merger, demerger, acquisition, or transfer of shares

1. Appraisal and operating procedures
   (1) FEIB conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by FEIB of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.
   (2) FEIB shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in Subparagraph 1, Paragraph 1 of this Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. (Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. In addition, where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.)
2. Other matters requiring attention
   (1) The Date of board of directors meeting and shareholders meeting: A

company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the competent authority is notified in advance of extraordinary circumstances and grants consent. A company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the competent authority is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:

A. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
B. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
C. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report, in the prescribed format and via the internet-based information system, the information set out in the preceding Paragraph to the FSC for recordation.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of this Subparagraph.

(2) Advanced confidentiality undertaking: Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.

(3) A company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter,

shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100% of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100% of the respective subsidiaries' issued shares or authorized capital. The share exchange ratio or acquisition price may not arbitrarily alter unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

A. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
B. An action, such as a disposal of major assets, that affects the company's financial operations.
C. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
D. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
E. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
F. Other terms and conditions that the contract stipulates may be altered and that have been publicly disclosed.

(4) The contract for companies participating in the merger, demerger, acquisition, or transfer of shares shall not only in compliance with Article 317 of the “Company Act” and Article 22 of the “Business Mergers and Acquisitions Act”, but also record the following:

A. Handling of breach of contract.
B. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
C. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
D. The manner of handling changes in the number of participating entities or companies.
E. Preliminary progress schedule for plan execution, and anticipated completion date.
F. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

(5) Changes in the number of participating companies in the merger, demerger, acquisition, or transfer of shares:
After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
(6) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, FEIB shall sign an agreement with the non-public company whereby the latter is required to abide by the Subparagraphs 1, 2 and 5, Paragraph 2 of this Article.

Article 14 Procedures for publicly disclosed information

1. Items required to be publicly announced and reported and the standards
(1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
(2) Merger, demerger, acquisition, or transfer of shares.
(3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by FEIB.
(4) Where equipment for business use is acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT$1 billion or more.
(5) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount FEIB expects to invest in the transaction reaches NT$500 million or more.
(6) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT$300 million.
Provided, this shall not apply to the following circumstances:
A. Trading of government bonds.
B. Where done by professional investors-securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds

or general company debentures without equity characteristics that are offered and issued in the domestic primary market, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.

C. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

(7) The transaction amount referred in preceding six subparagraphs shall be calculated as follows:

A. The amount of any individual transaction.

B. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.

C. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property within the same development project within the preceding year.

D. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

(8) "Within the preceding year" as used in the preceding Subparagraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.

2. Timelines for conducting public announcement and regulatory filing

Under any of the following circumstances, FEIB acquires or disposes of assets shall be publicly announced and reported within 2 days counting inclusively from the date of occurrence of the event

3. Public announcement and regulatory filing procedures

(1) FEIB shall publicly announce and report the relevant information on the FSC's designated website.

(2) FEIB shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by FEIB and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

(3) When FEIB at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within 2 days counting inclusively from the date of knowing of such error or omission.

(4) FEIB acquires or disposes of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.

(5) Where any of the following circumstances occurs with respect to a

transaction that FEIB has already publicly announced and reported in accordance with these Regulations, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:

A. Change, termination, or rescission of a contract signed in regard to the original transaction.

B. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.

C. Change to the originally publicly announced and reported information.

4. Format of public announcement

The items and contents required to be publicly announced and reported by FEIB pursuant to these Regulations shall be in the format as prescribed by the appendix of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".

Article 15 FEIB's subsidiaries shall comply with the following regulations:

1. FEIB shall supervise its subsidiaries adopt and implement the procedures for the acquisition or disposal of assets in compliance with these Regulations.
2. Information required to be publicly announced and reported in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" on acquisitions and disposals of assets by FEIB's subsidiary that is not itself a public company in Taiwan shall be reported by FEIB.
3. The paid-in capital or total assets of the FEIB shall be the standard applicable to a subsidiary referred to the terms "reaches 20 percent of paid-in capital or 10 percent of total assets" as used in the public announcement and regulatory filing standard.

Article 16 Penalties

Should there be any violation of these Regulations by FEIB's employee who in charge of acquiring or disposing of assets, subsequent castigation is subject to the related FEIB personnel regulations of reward and punishment.

Article 17 Implementation and Amendment

The amendments of these Regulations shall be approved by the audit committee and submitted to the board of directors for a resolution, and then reported to a shareholders' meeting for approval.

If a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to the audit committee.

If approval of the audit as required in Paragraph 1 is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms "all directors" in the preceding Paragraph shall be counted as the actual number of persons currently holding those positions.

When these Regulations are submitted for discussion by the board of directors, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

Article 18 Additional Provisions

Any other matters not set forth in these Regulations shall be dealt with applicable laws and regulations by competent authorities or internal rules of FEIB.

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