165(d) Resolution Plan for Taiwan Financial Holdings

Public Section

December 31, 2015
# Table of Contents

(a) Executive Summary ............................................................................................................ 3  
   (i) The key elements of the strategic plan for rapid and orderly resolution in the event of material financial distress or failure ..... 3  
   (ii) The material changes to the resolution plan from the most recently filed resolution plan ................................................................. 3  
   (iii) Any actions taken since filing the previous resolution plan to improve the effectiveness of the covered company’s resolution plan or to remediate or otherwise mitigate any material weaknesses or impediments to effective and timely execute the resolution plan ...................................................................................... 3  

(b) Introduction .......................................................................................................................... 3  
   (i) Overview of TFH ............................................................................................................ 4  
   (ii) Overview of TFH’s U.S. Presence .................................................................................. 5  

(c) Material Entity .................................................................................................................... 5  
   (i) Definition ....................................................................................................................... 5  
   (ii) Identification of Material Entity .................................................................................... 5  

(d) Description of Core Business Lines .................................................................................. 6  
   (i) Definition ....................................................................................................................... 6  
   (ii) Identification of Core Business Line ............................................................................ 6  

(e) Summary Financial Information Regarding Assets, Liabilities, Capital and Major Funding Sources ........................................................................................................ 7  
   (i) Balance Sheet .................................................................................................................. 7  
   (ii) Capital ........................................................................................................................... 8  
   (iii) Major Funding Sources ............................................................................................... 9  

(f) Derivative and Hedging Activities ...................................................................................... 11  

(g) Memberships in Material Trading, Payment, Clearing and Settlement Systems ................. 12  

(h) Description of Foreign Operations .................................................................................... 13
(i) Material Supervisory Authorities................................................................. 14
(j) Principal Officers........................................................................................... 14
(k) Resolution Planning Corporate Governance Structure and Related Processes..................................................................................................... 15
(l) Description of Material Management Information Systems.................. 16
(m) High-level Description of Resolution Strategy........................................ 17
(a) Executive Summary

(i) The key elements of the strategic plan for rapid and orderly resolution in the event of material financial distress or failure

The key elements of a rapid and orderly resolution:
1. Raise contingency fund
2. Execute merger process
3. Whether the Competent Authority takes over Bank of Taiwan ("BOT")
4. Liquidate the New York Branch (the “NY Branch”) and Los Angeles Branch (the “LA Branch”)

(ii) The material changes to the resolution plan from the most recently filed resolution plan

The resolution plan filed in 2015 has no material changes to the resolution plan filed in 2014.

(iii) Any actions taken since filing the previous resolution plan to improve the effectiveness of the covered company's resolution plan or to remediate or otherwise mitigate any material weaknesses or impediments to effective and timely execute the resolution plan.

After an internal evaluation, Taiwan Financial Holding Co., Ltd. (“TFH”) concluded that it is unnecessary to improve the effectiveness of the existing resolution plan.

(b) Introduction

To promote financial stability, pursuant to Section 165(d)(8) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “DFA”), the Federal Reserve Board (the “FRB”) and Federal Deposit Insurance Corporation (the “FDIC”) issued Regulation QQ and Regulations Part 381 (Regulation QQ and FDIC Regulations Part 381 hereinafter referred to as the “Final Rule”), requiring each covered company to propose a resolution
plan regularly for rapid and orderly resolution in the event of material financial distress or failure. TFH, which is wholly owned by the Ministry of Finance, R.O.C. has $50 billion or more total consolidated assets, and TFH's subsidiary, BOT, has U.S. operations, i.e. the NY Branch and LA Branch. Hence, TFH is a covered company defined under the Final Rule and must submit a resolution plan.

The Final Rule provides a tailored resolution plan regime for smaller and less complex bank holding companies with less than US$100 billion in its total U.S. non-bank assets, while its assets of the U.S. insured depository institution operations, insured and uninsured U.S. branches, and agencies accounting for 85% or more of its U.S. total consolidated assets on December 31 of the calendar year prior to the date TFH is required to submit a resolution plan. TFH accordingly submitted the Taiwan Financial Holding Tailored Plan Eligibility Notification to FDIC and FRB in April 2015, and received the approval for eligibility of a tailored plan from FDIC and FRB in June 2015.

Therefore, TFH, on behalf of itself and its subsidiaries, submits this Public Section and tailored plan in compliance with the Final Rule and related guidance.

(i) Overview of TFH

TFH began preparations for its establishment on August 15, 2007 as instructed at Taiwan's Executive Yuan Council Meeting, and on January 1, 2008, TFH was established (in accordance with the Financial Holding Company Act and other applicable laws and regulations) by the Ministry of Finance, R.O.C. by transferring BOT shares. On the following day of the establishment (January 2), BOT spun off its securities and life insurance businesses to create group subsidiaries: BankTaiwan Securities Co., Ltd. and BankTaiwan Life Insurance Co., Ltd., thus bringing into existence Taiwan's first wholly government-owned financial holding company, with
three wholly owned subsidiaries. To expand its business scope, BOT, one of the subsidiaries, established a wholly owned subsidiary, BankTaiwan Insurance Brokers Co., Ltd in 2013.

(ii) Overview of TFH’s U.S. Presence

TFH’s U.S. operations involve the NY Branch and LA Branch of TFH’s subsidiary, BOT. The business operations of the NY Branch and the LA Branch include inward/outward remittances, deposits, loans & credits, international finance, etc.

(c) Material Entity

(i) Definition

The Final Rule defines a material entity as “a subsidiary or foreign office of the covered company that is significant to the activities of a critical operation or core business line.”

(ii) Identification of Material Entity

TFH has identified only one material entity: Bank of Taiwan

Bank of Taiwan (“BOT”) was established on May 20, 1946 as the first government-owned bank following the island’s restoration to the Republic of China in 1945. During much of its operating history, it has been under the administration of the Taiwan Provincial Government. Following the phase out of the Taiwan Provincial Government on December 21, 1998, BOT was subsequently taken over by the central government of the Republic of China and placed under the administration of the Ministry of Finance, R.O.C. in accordance with the regulations on government-owned financial institutions. On July 1, 2003 BOT was registered as a corporation and reorganized into a company limited by shares in accordance with the Banking Act and Company Act.
On September 16, 2004, BOT received permission from the Financial Supervisory Commission, R.O.C. (the “FSC”) to become a public company.

BOT managed the business of the national treasury, issued currencies in Taiwan, and carried out many of the functions of a central bank. In the early years following the central government's move to Taiwan in 1949, it acted as an agent in carrying out most of the functions of the Central Bank of China (CBC), thus giving it a dual role, that of a central bank, as well as a general commercial bank. After CBC’s business was resumed in Taiwan in July 1961, however, BOT switched its primary emphasis to general banking. On the other hand, BOT is still responsible for the operation of businesses related to the issuance of New Taiwan Dollars and handling the deposits of military and civil servants’ retirement funds at preferential interest rates. In addition, BOT usually offers opinions to advise on Taiwan government's policy-making and has done its utmost to supply funds needed to support the implementation of government policies.

(d) Description of Core Business Lines

(i) Definition

The Final Rule defines core business lines as “those business lines of the covered company, including the associated operations, services, functions and support that, in the view of the covered company, upon failure would result in a material loss of revenue, profit, or franchise value.”

(ii) Identification of Core Business Line

TFH has identified its banking business line as its core business line based on the criteria of the Final Rule. The following is a general description of TFH’s banking business line:

In addition to conducting general banking business in accordance with the
Banking Act, such as accepting deposits, managing trust funds under mandates, issuing bank debentures, extending loans, issuing discount bills and notes, handling domestic and foreign remittances, TFH also handles ancillary matters pertaining to the distribution of New Taiwan Dollar notes and coins, and engages in other lines of business as may be approved by the competent authorities.

(e) Summary Financial Information Regarding Assets, Liabilities, Capital and Major Funding Sources

(i) Balance Sheet

The following table set forth the consolidated balance sheet of TFH, as of December 31, 2014.

<table>
<thead>
<tr>
<th>Balance Sheet</th>
<th>In thousands, NT$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>175,979,782</td>
</tr>
<tr>
<td>Placement with Central Bank and Call Loans to Banks</td>
<td>582,914,021</td>
</tr>
<tr>
<td>Financial Assets Measured at Fair Value through Profit or Loss, Net</td>
<td>208,952,372</td>
</tr>
<tr>
<td>Available-for-Sale Financial Assets, Net</td>
<td>852,076,122</td>
</tr>
<tr>
<td>Hedging Financial Assets</td>
<td>25,613</td>
</tr>
<tr>
<td>Bills and Bonds Purchased under Resell Agreements</td>
<td>7,945,387</td>
</tr>
<tr>
<td>Receivables, Net</td>
<td>71,031,163</td>
</tr>
<tr>
<td>Current Income Tax Assets</td>
<td>4,200,074</td>
</tr>
<tr>
<td>Loans and Discounts, Net</td>
<td>2,299,974,231</td>
</tr>
<tr>
<td>Reinsurance Assets</td>
<td>12,528</td>
</tr>
<tr>
<td>Held-to-Maturity Financial Assets, Net</td>
<td>270,591,631</td>
</tr>
<tr>
<td>Investments under Equity Method, Net</td>
<td>42,915,583</td>
</tr>
<tr>
<td>Other Financial Assets, Net</td>
<td>142,602,433</td>
</tr>
<tr>
<td>Investments property, Net</td>
<td>5,487,465</td>
</tr>
<tr>
<td>Property and Equipment, Net</td>
<td>99,283,101</td>
</tr>
<tr>
<td>Intangible Assets, Net</td>
<td>958,129</td>
</tr>
</tbody>
</table>
Deferred Tax Assets                          1,447,820
Other Assets                              14,156,169
Total Assets                               4,780,553,624

Liabilities and Stockholder’s Equity
Deposits of Central Bank and Other Banks   156,988,830
Financial Liabilities Measured at Fair Value through Profit or Loss  50,111,045
Hedging Financial Liabilities              103,024
Bills and Bonds Sold under Repurchase Agreements  39,587,959
Commercial Paper Payables, Net             2,478,382
Payables                                  66,577,265
Current Income Tax Liabilities             259,952
Deposits and Remittances                   3,537,029,089
Financial Bonds Payable                    24,997,612
Provision                                  613,249,048
Other Financial Liabilities                2,378,613
Deferred Tax Liabilities                   18,562,701
Other Liabilities                          8,343,565
Total Liabilities                          4,520,667,085

Stockholder’s Equity
Capital Stock                              90,000,000
Capital Surplus                            111,463,639
Retained earnings                          38,035,182
Other Equity                               20,387,718
Total equity                               259,886,539

Total liabilities and stockholder’s equity 4,780,553,624

(ii) Capital
The following table illustrates the capital adequacy of TFH and its subsidiaries, as of December 31, 2014.
### Eligible self-owned Capital of Subsidiaries

<table>
<thead>
<tr>
<th>Subsidiary</th>
<th>In thousands, NT$</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOT</td>
<td>223,721,961</td>
</tr>
<tr>
<td>BankTaiwan Life Insurance</td>
<td>15,748,873</td>
</tr>
<tr>
<td>BankTaiwan Securities</td>
<td>2,279,926</td>
</tr>
</tbody>
</table>

### Subsidiary's Statutory Capital Requirement

<table>
<thead>
<tr>
<th>Subsidiary</th>
<th>In thousands, NT$</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOT</td>
<td>158,453,187</td>
</tr>
<tr>
<td>BankTaiwan Life Insurance</td>
<td>11,074,016</td>
</tr>
<tr>
<td>BankTaiwan Securities</td>
<td>983,477</td>
</tr>
</tbody>
</table>

### Group's Eligible Capital

<table>
<thead>
<tr>
<th></th>
<th>In thousands, NT$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group's Eligible Capital</td>
<td>217,943,590</td>
</tr>
</tbody>
</table>

### Group's statutory capital requirement

<table>
<thead>
<tr>
<th></th>
<th>In thousands, NT$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group's statutory capital requirement</td>
<td>170,526,646</td>
</tr>
</tbody>
</table>

### Group's capital adequacy ratio

<table>
<thead>
<tr>
<th></th>
<th>In thousands, NT$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group's capital adequacy ratio</td>
<td>127.81%</td>
</tr>
</tbody>
</table>

### (iii) Major Funding Sources

The major funding sources of TFH, BOT, the NY Branch and LA Branch are listed as follows:

(A) TFH

1. **Borrowing from Financial Institutions**
   - Requesting facilities from the financial institutions based on TFH’s credit line to improve its liquidity

2. **Selling Liquid Assets**
   - Selling liquid assets (e.g. stocks, notes, and certificates of deposit) for cash in open markets

3. **Reporting to the Competent Authority and Seek Supports**
   - As the Ministry of Finance, R.O.C. holds 100% equity of TFH, TFH has to report its operation difficulties to the Ministry of Finance, R.O.C. and wait for its support

(B) BOT
(1) Borrowing from Banks
   Borrowing from other financial institutions with which having existing dealings to acquire liquidity

(2) Selling Short-term Notes, Government Bonds, and Corporate Bonds
   Selling short-term notes, government bonds, and corporate bonds for cash in open market

(3) Adjusting Interest Rates and Issuing Negotiable Certificates of Deposit
   Increasing deposit accepting via raising interest rates to receive sufficient operation funding

(4) Selling listed stocks held
   Selling listed stocks held by BOT in the exchange and over the counter markets

(5) Applying for Rediscount or Financing from the Central Bank of the Republic of China (Taiwan)
   Applying for rediscount or financing from the Central Bank of the Republic of China (Taiwan) to acquire liquidity

(C) NY Branch

(1) Borrowing from other financial institutions
   The chief dealer should stay in close contact with all funding sources available in the market, direct or indirect, and identify available sources of liquidity in the market, especially the Branch’s list of funding sources

(2) Borrowing from the head office of BOT
   Borrowing from the head office of BOT to sustain operation

(3) Borrowing from the Central Bank of the Republic of China (Taiwan)
   Borrowing from the Central Bank of the Republic of China (Taiwan) to sustain operation
(4) Financing

Financing from the Federal Reserve Bank of New York by collateralizing qualified assets, such as securities or loan assets

(5) Liquidating assets

Selling assets booked as available-for-sale and loans

(D) LA Branch

(1) Borrowing from other financial institutions

Borrowing from other financial institutions is the primary funding sources that the LA Branch uses on a regular basis (approximately 75% of the total funding needs). Therefore, the LA Branch would prefer using this channel to acquire funds for all situations even when the LA Branch is in an emergency situation.

(2) Borrowing from the head office of BOT

Borrowing from the head office of BOT to sustain operation

(3) Borrowing from the Central Bank of the Republic of China (Taiwan)

Borrowing from the Central Bank of the Republic of China (Taiwan) to sustain operation

(4) Financing

Financing from the Federal Reserve Bank of San Francisco by collateralizing qualified assets, such as securities or loan assets

(5) Liquidating assets

Selling assets booked as available-for-sale and loans

(f) Derivative and Hedging Activities

TFH does not engage in any transactions and hold any positions; however, unlike TFH, BOT holds trading positions and needs to use hedging instruments to reduce any substantial loss. Because the trading positions are simple, the hedging instruments of BOT are relatively straightforward and composed of option and interest rate swaps (“IRS”) mostly.
(g) **Memberships in Material Trading, Payment, Clearing and Settlement Systems**

TFH does not engage in any transactions; none of its system is related to trading, payment, clearing, or settlement. However, in the ordinary course of business, BOT operates a number of systems for trading, payments, clearing, and settlements. The trading, payment, clearing, and settlement systems are listed in the following table:

<table>
<thead>
<tr>
<th>System Type</th>
<th>System Name</th>
<th>A Member of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading</td>
<td>International Interbank Message System</td>
<td>SWIFT</td>
</tr>
<tr>
<td>Trading</td>
<td>Book-Entry Central Government Bonds System</td>
<td>Central Bank of the Republic of China (Taiwan)</td>
</tr>
<tr>
<td>Payment</td>
<td>Domestic Remittance System</td>
<td>Financial Information Service Co., Ltd.</td>
</tr>
<tr>
<td>Payment</td>
<td>Inter-Bank System</td>
<td>Financial Information Service Co., Ltd.</td>
</tr>
<tr>
<td>Payment</td>
<td>Credit Card System</td>
<td>VISA &amp; Master Cards</td>
</tr>
<tr>
<td>Payment</td>
<td>Treasury Management System (Financial XML Payment Business)</td>
<td>Financial Information Service Co., Ltd.</td>
</tr>
<tr>
<td>Payment</td>
<td>EDI Electronic Funds Transfer &amp; Customs Duties and Fees (Financial Electronic Data Interchange System)</td>
<td>Financial Information Service Co., Ltd.</td>
</tr>
<tr>
<td>Clearing</td>
<td>Bills Investor Clearing and Settlement System</td>
<td>Taiwan Depository &amp; Clearing Corporation</td>
</tr>
<tr>
<td>Settlement</td>
<td>NT Dollars Bills and Bonds Operation Management System</td>
<td>Taiwan Depository &amp; Clearing Corporation</td>
</tr>
</tbody>
</table>
(h) Description of Foreign Operations

The information of the location and key management associated with TFH, BOT, and BOT's foreign operations are as follows:

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Location</th>
<th>Key Management</th>
</tr>
</thead>
</table>
| TFH                   | Taipei, R.O.C.          | Chairperson: Jih-Chu Lee  
President: Chang-Ruey Shiau                                                     |
| BOT                   | Taipei, R.O.C.          | Chairperson: Jih-Chu Lee  
President: Chang-Ruey Shiau                                                     |
| New York Branch, BOT  | New York, U.S.          | General Manager: Leo Shih  
Deputy General Manager: Lucas Liao                                                |
| Los Angeles Branch, BOT | Los Angeles, U.S.      | General Manager: Shu-Jane Chang  
Deputy General Manager: Spencer Tsao                                               |
| Hong Kong Branch, BOT | Hong Kong               | General Manager: Jia-Xiao Wu  
Deputy General Manager: Shih-Min Chang  
Deputy General Manager: Tsai-Shiu Chang                                           |
| Tokyo Branch, BOT     | Tokyo, Japan            | General Manager: Jiunn-Ding Wu  
Deputy General Manager: Chung-Wen Tsai                                             |
| Singapore Branch, BOT | Singapore               | General Manager: David Yang  
Deputy General Manager: Chi-Chang Yang                                             |
| South Africa Branch, BOT | Johannesburg, South Africa | General Manager: Chun-Kai Tai  
Deputy General Manager: Ken Fu                                                       |
| London Branch, BOT    | London, U.K.            | General Manager: Ke HUA  
Deputy General Manager: Lynn Huoh                                                   |
| Shanghai Branch, BOT  | Shanghai, Mainland China | General Manager: Ming-Kun Hung  
Deputy General Manager: Chung-Cheng Yen  
Deputy General Manager: Wen-Chung Chao                                             |
| Shanghai Jia-Ding Sub-Branch, BOT | Shanghai, Mainland China | General Manager: Shih-Yuan Wang  
Deputy General Manager: Hsiang-Ming Wang                                           |
| Guangzhou Branch, BOT | Guangzhou, Mainland China | General Manager: Chia-Pin Wu  
Deputy General Manager: Jen-Yen Wong                                               |
| Mumbai Representative Office, BOT | Mumbai, India   | Chief Representative: Chi-Chang Yang                                          |
(i) Material Supervisory Authorities

The following table shows the primary supervisory authorities with specific regulatory oversight over TFH, BOT and U.S. operations:

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Location</th>
<th>Competent Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>TFH</td>
<td>Taipei, R.O.C.</td>
<td>Financial Supervisory Commission, R.O.C.</td>
</tr>
</tbody>
</table>
| BOT          | Taipei, R.O.C. | ► Financial Supervisory Commission, R.O.C.  
| | | ► Central Bank of the Republic of China (Taiwan)  
| | | ► Central Deposit Insurance Corporation |
| New York Branch, BOT | New York, New York State, United States | ► Federal Reserve Bank of New York  
| | | ► New York State Department of Financial Services (DFS) |
| Los Angeles Branch, BOT | California, United States | ► Federal Reserve Bank of San Francisco  
| | | ► Division of Financial Institutions, California Department of Business Oversight |

(j) Principal Officers

The table below identifies the current members of the TFH's Board of Directors.

<table>
<thead>
<tr>
<th>Members of the TFH's Board of Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
</tr>
<tr>
<td>Jih-Chu Lee</td>
</tr>
</tbody>
</table>
(k) Resolution Planning Corporate Governance Structure and Related Processes

To manage the resolution plan, TFH and the material entity, BOT, have built and embedded a management mechanism of the Resolution Plan into the existing governance structure.

The governance structure of TFH and BOT for the resolution plan are divided into three levels: Supervisory Level, Management Level, and Execution Level.

In the governance structure, all units in the Execution Level in TFH and BOT would be responsible for developing and amending the resolution plan. Then, TFH’s and BOT’s Boards of Directors approve the initial resolution plan. TFH’s and BOT’s Boards of Directors also would authorize their presidents to approve the amended resolution plan from the year following the initial approval.
(I) Description of Material Management Information Systems

In order to mitigate risk, manage operations, and sustain customer confidence, all the systems and applications of TFH and BOT are essential to support their day-to-day needs, business processes, and the continuity of its critical businesses. For developing the resolution plan, TFH divided the key management information systems (“MIS”) into four categories according to their various impacts on business continuity and the Final Rule: risk management system, accounting system, financial system and regulatory reporting system:

► Risk management system: The ability to identify, measure, monitor, and report risk is critical to the sound operation of TFH. The risk management system identifies and analyzes risks inherent in daily business operations, and produces credit, market, operational and liquidity risk reports.

► Accounting system: The accounting system provides information to meet the financial reporting purposes to enhance accuracy and efficiency of the financial reporting process.

► Financial system: To provide transparent, accurate, and timely financial information, the financial system provides required information regarding the financial positions and performances to both senior management and external users to make sound financial decisions and appropriate financial policies.

► Regulatory reporting system: These reports provide information mandated by the regulatory authorities governing the business location and having jurisdiction over the registered location of the business.

TFH and BOT utilizes these key MIS, both internally-developed systems as well as vendor-provided systems, to enable its businesses to have timely access to accurate management information in areas of risk management, accounting, finance, and regulatory reporting. TFH's MIS is shared across
the core business lines and material entities to run these businesses and operations. All systems and infrastructure designed and developed internally are owned by TFH or BOT. Moreover, whenever TFH or BOT uses any third-party systems, the contracting legal entity is the legal owner of the system.

(m) High-level Description of Resolution Strategy

TFH has developed the resolution strategy according to the U.S. regulator's requirements. The assumption of the resolution strategy is that TFH and BOT are both in either financial distress or failure. In the resolution plan, TFH explains, under the assumption, how to facilitate a rapid and orderly liquidation of the only two U.S. branches in NY and LA without causing any adverse effect on the financial stability of the U.S..

In addition, because TFH is wholly owned by the government of the Republic of China, the potential purchasers may be the other financial institutions owned by the government of the Republic of China if TFH faces financial distress or failure.