



**中國信託金控**  
CTBC HOLDING

# **CTBC Financial Holding Co., Ltd. 165(d) Resolution Plan**

## **Public Section**

**December 31, 2014**

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## (a) Introduction

The Federal Reserve Board (“FRB”) and Federal Deposit Insurance Corporation (“FDIC”) issued Regulation QQ and Regulations Part 381 (Regulation QQ and FDIC Regulations Part 381 hereinafter referred to as the “Final Rule”) pursuant to section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“DFA”), requiring each covered company<sup>1</sup> to propose a resolution plan regularly for rapid and orderly resolution in the event of material financial distress or failure.

CTBC Financial Holding Co., Ltd.<sup>2</sup> (“CTBC Holding”), a company based in the Republic of China, wholly owns CTBC Bank Co., Ltd. (“CTBC Bank”), a foreign bank also based in the Republic of China. CTBC Bank wholly owns CTBC Capital Corp., a U.S. company. CTBC Capital Corp. wholly owns CTBC Bank Corp. (USA) (“CTBC Bank (USA)”), a California state non-member bank. Further, CTBC Bank maintains a New York state licensed branch in New York, New York Branch (“NY Branch”), and a representative office in Los Angeles, CA (“LA Rep. Office”). CTBC Holding, CTBC Bank and CTBC Capital Corp. are bank holding companies under

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<sup>1</sup> A “covered company” means, among others, “any foreign bank or company that is a bank holding company or is treated as a bank holding company under section 8(a) of the International Banking Act of 1978 (12 U.S.C. 3106(a)), and that has \$50 billion or more in total consolidated assets, as determined based on the foreign bank’s or company’s most recent annual or, as applicable, the average of the four most recent quarterly Capital and Asset Reports for Foreign Banking Organizations as reported on the Federal Reserve’s Form FR Y-7Q (“FR Y-7Q”). Moreover, according to the Final Rule, in a multi-tiered holding company structure, covered company means the top-tier company of the multi-tiered holding company.

<sup>2</sup> In line with the needs of overseas business development and the aspiration to create a more international Chinese financial institutional brand, Chinatrust Financial Holding Co., Ltd. changed its English name to CTBC Financial Holding Co., Ltd. and the change request was granted approval by the Financial Supervisory Commission, R.O.C (the “FSC”) on June 4, 2013. All domestic subsidiaries under the CTBC Holding have been renamed with the new English corporate name, including the CTBC Bank Co., Ltd. (originally “Chinatrust Commercial Bank, Ltd.”). New English names of our U.S. operations, including CTBC Capital Corp. (originally “Chinatrust Capital Corporation”), CTBC Bank Corp. (USA) (originally “Chinatrust Bank (U.S.A.)”), New York Branch of CTBC Bank Co., Ltd. (originally “New York Branch of Chinatrust Commercial Bank, Ltd.”) and Los Angeles Representative Office of CTBC Bank Co., Ltd. (originally “Los Angeles Representative Office of Chinatrust Commercial Bank, Ltd.”), have been granted for use by the Federal Reserve Bank of San Francisco in August, 2013 through filing of the FR Y-10 form. Therefore, new names will be used throughout the resolution plan.

Section 3 of the Bank Holding Company Act.

CTBC Holding qualifies as a “covered company” defined in the Final Rule by meeting the criteria of total consolidated assets in 2013 exceeding US\$50 billion, and being the top-tier company of its multi-tiered holding company structure.

In addition, CTBC Holding meets the requirements of the Final Rule to file a tailored resolution plan, and therefore, the content of tailored resolution plan will focus on the covered company, its material entity and U.S. operations.

### **(i) Overview of CTBC Holding**

CTBC Holding was established on May 17, 2002, with its headquarters located in Taiwan, Republic of China. At present, it has global employees of over 10,000, and the businesses of CTBC Holding’s subsidiaries include banking, insurance, venture capital, asset management, security, lottery, securities, and securities investment trust, etc.

In order to provide customers with globalized and more convenient financial services, CTBC Holding and its subsidiary companies completed two acquisitions during 2013 and 2014. The first was the acquisition of Manulife Taiwan by CTBC Life which was announced at the end of July 2013 and the transaction completed on January 1, 2014. This was a strategic move which allows CTBC Life to offer customers a greatly expanded range of high quality services. The second acquisition was that of The Tokyo Star Bank, Limited (“Tokyo Star Bank”) by CTBC Bank which was approved on December 20, 2013 at CTBC Holding’s extraordinary shareholder meeting. The transfer of 100% Tokyo Star Bank shares to CTBC Bank was completed on June 5, 2014 under which CTBC Bank officially became the sole shareholder of Tokyo Star Bank.

With the objective to provide a full range of financial services globally, CTBC Holding will continue to expand its operations by proactively tapping into China market as well as to leverage its extensive international

network and connect overseas outlets in Northeast Asia, Southeast Asia, the US, and Greater China regions.

## **(ii) Overview of CTBC Holding’s U.S. Presence**

CTBC Holding’s U.S. operations include NY Branch and LA Rep. Office of CTBC Bank, CTBC Capital Corp., and CTBC Bank (USA). CTBC Capital Corp. which is the parent company of CTBC Bank (USA) is a bank holding company. CTBC Bank (USA) which is a California state-chartered commercial bank operates 12 branches, including 2 branches in Northern California, 7 in Southern California and 3 in the East Coast cities.

None of these foregoing operations is considered to be a material entity for purposes of this tailored resolution plan. Furthermore, CTBC Holding has no U.S. nonbanking material entities and does not own critical operations as defined in the Final Rule.

## **(b) The Names of Material Entities**

### **(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**

CTBC Holding is a bank-centric financial holding company, with its main profits generated from its banking business line. Therefore, CTBC Bank is identified as the only material entity of CTBC Holding. In terms of CTBC Holding’s U.S. operations, CTBC Capital Corp. is the only nonbanking entity. Its only activity is the holding of 100% of CTBC Bank (USA). Further, none of the U.S. operations is identified as material entity for purposes of this tailored resolution plan.

Below is an introduction of CTBC Holding’s material entity - CTBC Bank.

### **Introduction of CTBC Bank, a non-U.S. banking material entity**

Formerly known as China Securities Investment Corp., CTBC Bank was established on March 14, 1966 and became an affiliate of CTBC Holding on May 17, 2002. Its operations include deposits, loans, guarantee, foreign exchange, offshore banking units (OBU), trusts, credit cards, securities, bonds, derivative financial products, factoring, safe deposit boxes, and electronic banking services.

To expand its scope of operation, CTBC Bank had gone through several mergers and acquisitions with domestic financial institutions. Meanwhile, CTBC Bank continues to seek for overseas expansion opportunities through new outlet set-up or mergers and acquisitions. The acquisition of Tokyo Star Bank in Japan was completed on June 5, 2014, and CTBC Bank is officially the sole shareholder. These mergers and acquisitions had created synergy for CTBC Bank, boosting assets and network coverage.

To date, CTBC Bank has a total of 147 branches within Taiwan and 100 overseas outlets (representative offices, branches, and subsidiaries and their branches) located in the US, Canada, Japan, India, Indonesia, the Philippines, Thailand, Vietnam, Hong Kong, Singapore and mainland China.

## **(c) Description of Core Business Lines**

### **(i) Definition**

The Final Rule defines core business line as “those business lines of the covered company, including 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 Lines**

CTBC Holding has identified and determined its banking business line as its core business line based on the criteria outlined under the Final Rule. An overview of CTBC Holding's banking business line is provided below:

### **CTBC Bank**

CTBC Bank operates through three major businesses, namely the institutional banking, retail banking, and cards and payment services. The scope of business services are outlined as follows:

- (1) Institutional Banking: engage in commercial bank and capital markets services by providing diversified financial products and tailored financing solutions for customers. Products under the Commercial Bank service include loans, trade financing, cash management, corporate trust, and financial investment planning services. Products under the Capital Markets service include syndication loan, structured finance, financial advisory, debt underwriting and investment, foreign exchange, and derivatives.
- (2) Retail Banking: engage in wealth management, secured lending and unsecured lending services. Services include financial planning and financial products offering, asset allocation planning and advisory, residential mortgage services, repo financing products & services, and personal loans.
- (3) Cards & Payment Services: engage in issuing (credit cards, debit cards, and prepaid cards) and acquiring business (merchant service), and card related financial services such as revolving, cash advance, bill installment and personal loan for cardholders.

### **US Operations**

#### **(1) NY Branch**

NY Branch provides commercial banking services, including customer accounts, payment and cash management, trade finance, factoring,

credit lines and loan facilities, to corporations.

(2) CTBC Bank (USA)

CTBC Bank (USA) offers a wide variety of products and services to fit the financial needs of every business and individual, including international corporation, small business owner, real estate developer, investor, and regular depositors. The scope of business includes deposits, small business lending, corporate financing solutions, commercial real estate lending, and consumer lending.

CTBC Holding's U.S. operations are conducted indirectly through the NY Branch and CTBC Bank (USA). The consolidated assets and profit before tax generated by the U.S. operations only account for a small portion (3.4% and 0.7% of CTBC Holding's total assets and pre-tax profit as of December 31, 2013, respectively), and therefore, none of the business lines of the U.S. operations are considered to be core business lines. Based on the foregoing explanation, the failure of a U.S. business line will not result in a material loss of revenue, profit, or franchise value for CTBC Bank and CTBC Holding.

**(d) Summary of Financial Information Regarding Assets, Liabilities, Capital and Major Funding Sources**

**(i) Balance Sheet**

The following table sets forth the consolidated balance sheet of CTBC Holding, as of December 31, 2013.

Balance Sheet	In thousands, US\$
<b>Assets</b>	
Cash and cash equivalents	3,845,114
Due from Central Bank and call loans to banks	4,177,817
Financial assets measured at fair value through profit or loss	2,783,627
Available-for-sale financial assets- net	14,321,533



Derivative financial assets- hedging	30,388
Securities purchased under reverse repurchase agreements	295,026
Receivables - net	5,758,083
Current income taxes assets	48,394
Assets held for sale - net	211,130
Loans - net	42,900,010
Reinsurance assets - net	36,123
Held-to-maturity financial assets - net	2,647,907
Investment under equity method - net	69,341
Other financial assets - net	1,328,466
Investments property - net	87,876
Premises and equipment - net	1,280,391
Intangible assets - net	465,711
Deferred income tax assets	223,684
Other assets - net	448,313
<b>Total Assets</b>	<b>80,958,934</b>
<b>Liabilities</b>	
Deposits from Central Bank and other banks	1,616,344
Due to Central Bank and other banks	272,716
Financial liabilities measured at fair value through profit or loss	947,047
Derivative financial liabilities -hedging	8,518
Securities sold under repurchase agreements	2,163,458
Commercial paper payable - net	6,677
Payables	1,683,397
Current income tax liabilities	78,602
Deposits and remittances	57,607,644
Bonds payable	2,346,242
Provisions	6,506,527
Other financial liabilities	859,711
Deferred income tax and liabilities	11,007
Other liabilities	412,102

<b>Total Liabilities</b>	74,519,992
<b>Stockholder's Equity - Parent Company (CTBC Holding)</b>	
Capital stock :	
Common stock	4,912,506
Preferred stock	--
Capital surplus	796,163
Retained earnings :	
Legal reserve	280,742
Special reserve	127,480
Undistributed earnings	610,529
Other items in stockholder's equity :	(291,040)
Non-controlling Interest	2,562
<b>Total Equity</b>	6,438,942
<b>Total Liabilities and equity</b>	80,958,934

### (ii) Capital

The following table illustrates the capital adequacy of CTBC Holding and its subsidiary CTBC Bank, which is also its material entity, as of December 31, 2013.

	In thousands, US\$	
Capital Adequacy	CTBC Holding	CTBC Bank
Capital Adequacy Ratio	147.19%	10.71%
Eligible Capital	6,136,306	4,782,871
Statutory Capital/ Risk Weighted Assets	4,169,078	44,642,422

### (iii) Major Funding Sources

The major funding sources of CTBC Holding, CTBC Bank, NY Branch, CTBC Capital Corp., and CTBC Bank (USA) are listed as follows:

(A) CTBC Holding

- (1) Financing from other financial institutions
- (2) Dividends from long-term equity investment
- (3) Interests from bond investment
- (4) Issue new stocks or corporate bonds in public market or through private placement
- (5) Repurchase agreement

(B) CTBC Bank

- (1) Capital supported by the parent company, CTBC Holding
- (2) Deposits
- (3) Call loans from other banks
- (4) Issue negotiable certificate of deposit
- (5) Issue financial debentures
- (6) Repurchase agreement
- (7) Money market swap (currency swap)

(C) NY Branch

- (1) Capital supported by the head office, CTBC Bank
- (2) Deposits
- (3) Call loans from other banks

(D) CTBC Capital Corp.

- (1) Capital supported by the parent company, CTBC Bank
- (2) Dividends from long-term equity investment, subject to regulators' approval
- (3) Interest income from investment activities (such as short-term investment in NCD, T-Bills, and deposits)

(E) CTBC Bank (USA)

CTBC Bank (USA)'s primary funding sources are deposits and capital supported by its parent company, CTBC Capital Corp.

## (e) Description of Derivative and Hedging Activities

CTBC Holding, CTBC Bank (including its NY Branch), and CTBC Bank (USA) have established policies and procedures related to derivatives and hedging activities. CTBC Capital Corp. is a bank holding company and does not conduct business activities, thus, no relevant management policy is required to be in place. At present, neither derivative positions nor hedging transactions are held/conducted by CTBC Bank (USA) and NY Branch. Only CTBC Bank provides funds to overseas branches and subsidiaries and issues financial debentures. Therefore, it transacts non-delivery forwards, currency swap, and interest rate swap for hedging purposes.

## (f) Memberships in Material Payment, Clearing and Settlement Systems

### (i) CTBC Holding

CTBC Holding does not have any membership in U.S. payment, clearing, or settlement systems.

### (ii) CTBC Bank

CTBC Bank is a member of some international systems, such as SWIFT, VISA International, and MasterCard Worldwide, but does not have any membership in U.S. payment, clearing, or settlement systems.

### (iii) NY Branch

Below is a list of relevant systems in which NY Branch holds a membership:

System Type	System Name	Membership
Payment	SWIFT Alliance System	SWIFT
Payment	Fedwire Direct Line System	FRB

**(iv) CTBC Capital Corp.**

CTBC Capital Corp. does not have any membership in payment, clearing, or settlement systems.

**(v) CTBC Bank (USA)**

Below is a list of relevant systems in which CTBC Bank (USA) holds a membership:

System Type	System Name	Membership
Payment	SWIFT Alliance System	SWIFT
Payment	ACH	FRB

**(g) Description of Foreign Operations**

CTBC Holding's foreign operations (outside of the Republic of China) are conducted through its material entity, CTBC Bank which has overseas branches, representative offices, subsidiaries and their branches.

Faced with the challenges of financial liberalization and an increasingly globalized marketplace, CTBC Bank also took the initiative to increase its service locations abroad. With the acquisition of Tokyo Star Bank in 2014, CTBC Bank currently has a total of 100 overseas outlets (representative offices, branches, and subsidiaries and their branches). Today, CTBC Bank is perceived as one of the most internationalized financial institutions in Taiwan for its extensive global network across different regions in 11 countries outside of Taiwan, which are the United States, Canada, Japan, India, Indonesia, the Philippines, Thailand, Vietnam, Hong Kong, Singapore, and mainland China.

CTBC Bank serves its worldwide customers by offering diversified products and services through commercial banking, institutional banking, private banking, and investment advisory business models. As of August 31, 2014, CTBC Bank had a total overseas workforce of approximately 4,220 employees

of which approximately 310 were located in the U.S.

CTBC Bank's foreign operations had approximately US\$ 14.8 billion of total assets, and approximately US\$110 million in profit before tax for the year ended December 31, 2013, accounting for 20.6% and 18.3% respectively of CTBC Bank's total assets and profit before tax; whereas in the U.S. region, the consolidated total assets and profit before tax were 3.8% and 0.8% respectively. CTBC Bank is well capitalized and maintains sound asset quality across its foreign operations. As of December 31, 2013, the capital adequacy ratios of CTBC Bank's foreign operations met and exceeded local regulatory requirements with non-performing loans ratio averaged at 0.4%.

### (h) Material Supervisory Authorities

As a covered company based in Taiwan with overseas operations across Asia and North America, CTBC Holding and its overseas operations are required to comply with various laws and regulations, and subject to supervisions and examinations by supervisory authorities of their respective host countries.

The following table identifies the primary supervisory authorities with specific regulatory oversight over CTBC Holding, CTBC Bank, and their U.S. operations:

Company Name	Jurisdiction	Regulator
CTBC Financial Holding Co., Ltd.	Taiwan, R.O.C.	Financial Supervisory Commission, R.O.C.
CTBC Bank Co., Ltd.	Taiwan, R.O.C.	Financial Supervisory Commission, R.O.C.
		Central Bank of the Republic of China (Taiwan)
		Central Deposit Insurance Corporation
NY Branch of CTBC Bank	United States	Federal Reserve Bank

		New York State Department of Financial Services (DFS)
Los Angeles Rep. Office of CTBC Bank	United States	Federal Reserve Bank
		California Department of Business Oversight
CTBC Capital Corp.	United States	Federal Reserve Bank
CTBC Bank (USA)	United States	Federal Deposit Insurance Corporation
		California Department of Business Oversight

## (i) Principal Officers

### (i) The Members of CTBC Holding's Board of Directors

The table below identifies the members of the CTBC Holding's Board of Directors as of June 20, 2014.

CTBC Holding Board of Directors	
Name	Title
Wen-Long Yen	Chairman
H. Steve Hsieh	Vice Chairman
Thomas K.S. Chen	Director
Chao-Chin Tung	Director
Song-Chi Chien	Director
Chung-Yu Wang	Independent Director
Wen-Chih Lee	Independent Director
Jie-Haun Lee	Independent Director
Yen-Lin Wu	Independent Director

## (ii) Management Team of CTBC Holding

The table below identifies the management team of CTBC Holding as of October 31, 2014.

CTBC Holding's Management Team	
Name	Title
Wen-Long Yen	Chairman
H. Steve Hsieh	Vice Chairman
Daniel Wu	President & CEO, Investment Business
James Chen	CEO, Banking Business
Frank Ling	CEO, Insurance Business
James YG Chen	CEO, Japan Business
Jack T.K. Cheng	Chief Risk Officer
Roger Kao	General Secretary
Albert Hu	General Auditor
Elaine Yeh	Head of Legal & Compliance Dept. & Chief Compliance Officer
Prudence Lin	Head of Risk Management Dept.
Rachael Kao	Head of Financial Management Dept. & Financial Officer & Head of General Administration Dept.
Monica Chu	Head of Corporate Strategy & Business Development Dept.
Sting Yang	Accounting Officer



## **(j) Resolution Planning Corporate Governance Structure and Processes**

CTBC Holding integrates this resolution planning process into the existing corporate governance structure and processes. The governance structure of this tailored resolution plan is designed to ensure that a comprehensive resolution plan is in place for rapid and orderly resolution in the event that the company faces material financial distress or failure. The governance structure is also designed to be in compliance with the requirements of the Final Rule. The resolution plan is developed, monitored and approved through the respective efforts of the resolution plan project team, senior management and the Board of Directors (or its authorized delegee) of the CTBC Holding and the relevant legal entities.

The governance structure of CTBC Holding's resolution plan is divided into three levels and each level has specific responsibility in the development, maintenance, and approval process of the resolution plan:

► **Supervisory Level – Board of Directors of CTBC Holding**

The Supervisory Level is responsible for approving the initial resolution plan and its management policy; delegating to an appropriate delegee to approve future resolution plans with the exception that in case there are substantial changes in the core-business lines, material entities and/or critical operations of CTBC Holding, the plan should still be approved by the Board; approving and monitoring the execution of action plans and mitigations when the resolution plan is triggered.

► **Management Level – President of CTBC Holding (authorized delegee of the Board)**

The Management Level is responsible for overseeing and confirming the scope, assumptions, strategies and methodologies of the resolution plan, as well as solving critical issues pertaining to the plan; acting as the authorized delegee of the Board to review and approve

the future resolution plans and management policy; monitoring the execution of action plans and mitigations when the resolution plan is triggered.

► Execution Level – Resolution Plan Project Team

The Execution Level is represented by the resolution plan project team. The project team is formed by three major units, which are the Initiating Unit, Planning Units and Supporting Units. The Legal Department of the CTBC Holding acts as the Initiating Unit to coordinate with the project team members from the Planning Units and Supporting Units in completing the resolution plan. The Planning Units and Supporting Units are formed by personnel from relevant departments of CTBC Holding and its material entity CTBC Bank, including the U.S. operations. The Execution Level is responsible for developing and maintaining the resolution plan and its management policy; reporting progress of the resolution plan to senior management and the Board of Directors (or its delegee) of CTBC Holding and relevant legal entities; filing the resolution plan to relevant regulatory authorities; developing and executing action plans and mitigations when the resolution plan is triggered.

## **(k) Description of Material Management Information Systems**

CTBC Holding, CTBC Bank and its U.S. operations classify the material management information systems (“MIS”) under three categories, namely risk management, accounting & finance, and compliance, according to the requirements of Final Rule. A summary of each MIS category is provided as follows.

### **(i) Risk Management**

The functions of risk management systems include calculation of capital requirements, fraud detection, calculation of exposures of credit risk, market risk and liquidity risk, and operational risk data logging, etc.

(ii) Accounting & Finance

The functions of accounting systems include transactions booking, general ledger, and accounting management, etc. The functions of finance systems are to collect/produce data to satisfy financial reporting, analysis and management purposes, which include balance sheets, income statements, financial statements, and financial performance reports, etc.

(iii) Compliance

The functions of compliance systems are to collect/produce compliance related data for purposes of internal control and external reporting to the regulators.

Based on functions described above, critical MIS reports are regularly produced and provided timely to the executive officers of CTBC Holding, CTBC Bank and its U.S. operations (including CTBC Capital Corp., CTBC Bank (USA) and NY Branch) to assist them in monitoring the financial health, risk management and day-to-day business operations that they are respectively responsible for. CTBC Holding recognizes the importance of MIS to its business sustainability and overseas management, the MIS is continuously enhanced to effectively capture and aggregate information to satisfy its internal and external reporting obligations.

## **(I) High-level Description of Resolution Strategy**

According to requirements for the Tailored Plan under the Final Rule, CTBC Holding developed its resolution strategy under the scenario that CTBC Holding and CTBC Bank are both under material financial distress or facing failure. Rationale behind the foregoing scenario is based on the assessment result that (1) the core business line of CTBC Holding is the banking business; and (2) CTBC Bank is the material entity of CTBC Holding. It is reasonable to assume CTBC Holding would only fail or face material financial distress as a result of the failure or material financial distress of CTBC Bank.

In this resolution plan, CTBC Holding also explains the resolution process of its U.S. operations, including NY Branch, CTBC Capital Corp. and CTBC Bank (USA) to prevent any adverse influence on the financial stability of the United States. The resolution process of CTBC Holding is divided into three stages: (1) execute the contingency funding plan; (2) seek opportunities to merge with other financial institutions under approval by the relevant regulatory authorities. Targeted financial institutions are either international or regional players, or interested in expanding their geographic footprints to other markets, such as the Asian or North American regions; and if neither is successful, (3) resort to cease operation pursuant to local regulations. If the problem can be solved in stage (1), there will be no impact to the U.S. operations of CTBC Holding. If the resolution process proceeds to stage (2), continuous operation, voluntary liquidation and/or sale of the U.S. operations will be considered subject to compliance with applicable laws and regulations and consent by relevant regulatory authorities. If the process proceeds to stage (3) leading CTBC Bank to be taken over or liquidated pursuant to the local regulations, the NY Branch would become subject to an involuntary liquidation process under New York State Banking Law. CTBC Bank (USA) would be sold, but if a sale is not possible, the FDIC likely would be appointed as receiver. CTBC Capital Corp. would either be liquidated under the applicable State law or resolved under the U.S. Bankruptcy Code. The tailored resolution plan also identifies the interconnections and interdependencies between and among the U.S. operations and between U.S. operations and CTBC Bank or CTBC Holding. Such interconnections and interdependencies will be taken into account during a resolution process. Based on the information in the tailored resolution plan, such interconnections and interdependencies will not create material impediments during the resolution process for the U.S. operations or impede the rapid and orderly resolution of the U.S. operations in the event of material financial distress or failure of CTBC Holding and CTBC Bank.