

# **Land Bank of Taiwan Co., Ltd.**

## **Dodd-Frank Act Section 165(d)**

### **Resolution Plan**

#### **Part I: Public Section**

## Glossary

### **Banking Act**

Banking Act of the Republic of China

### **Board**

The Board of Directors of LBOT

### **CBC**

Central Bank of the Republic of China

### **FDIC**

Federal Deposit Insurance Corporation

### **FRB**

Board of Governors of the Federal Reserve System or Federal Reserve Bank

### **FSC**

Financial Supervisory Commission of the Republic of China

### **LBOT**

Land Bank of Taiwan Co., Ltd.

### **LBOT LA Branch**

Land Bank of Taiwan, Los Angeles Branch

### **LBOT NY Branch**

Land Bank of Taiwan, New York Branch

### **Plan**

The Resolution Plan of LBOT

### **Risk Management Committee**

Risk Management Committee of LBOT

### **R.O.C.**

Republic of China (Taiwan)

### **Rule**

Rules for resolution plans under Parts 243 and 381, Title 12 of the Code of Federal Regulations

### **Steering Committee**

Resolution Plan Steering Committee of LBOT

### **Task Force**

Resolution Plan Task Force of LBOT

**U.S.**

United States of America

**U.S. Authorities**

FRB, Commissioner of the California Department of Business Oversight, and Superintendent of the New York State Department of Financial Services

**U.S. Branches**

LBOT LA Branch and LBOT NY Branch

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# **Introduction and Summary of Resolution Strategy**

## **1. Introduction**

In this Plan, Land Bank of Taiwan, as a foreign-based covered company, describes a strategy for the rapid and orderly resolution of its entities that are domiciled in the U.S. in the event of the failure of LBOT and all of its subsidiaries and branches.

LBOT's U.S. operations are comprised solely of two non-FDIC insured banking branches, LBOT LA Branch and LBOT NY Branch, which are licensed by the State of California and the State of New York respectively.

As the Plan will describe, the U.S. Branches conduct very limited banking operations in their respective U.S. locales, focusing mainly on traditional commercial banking business. Other than information technology support and being an intermediary for U.S. Dollar remittances, the U.S. Branches generally have no material operational interconnections with each other or with LBOT. Further, as defined by the Rule, neither of these U.S. Branches is a Material Entity, as neither conducts a Core Business Line for LBOT or a Critical Operation. Therefore, the relevant U.S. Authorities can resolve each of these U.S. Branches locally in a rapid and orderly manner, without the need of considering mitigating the adverse effects of resolution on the other U.S. Branch, LBOT, other LBOT entities, or on the stability of the U.S.

## **2. Key Elements of the Plan for the Rapid and Orderly Resolution of the U.S.**

### **Branches in the Event of Material Financial Distress at or the Failure of LBOT**

LBOT LA Branch and LBOT NY Branch, as state-licensed branches, would be resolved under the supervision of their respective state banking authorities, pursuant to the applicable state insolvency laws.

Considering their limited banking operations and the straightforward composition of their assets and liabilities, the most likely and feasible resolution strategy for the U.S. Branches under the Baseline Scenario is a sale or liquidation of each U.S. Branch under the relevant state insolvency law frameworks. The commercial lending portfolio, the predominant asset of the U.S. Branches, could be sold individually or in different pools of similar characteristics and/or packaged with their deposits and other liabilities in a purchase and assumption transfer. As there are no secured liabilities or other long-term liabilities currently, after the receivership administrative expenses are paid, the uninsured deposits and other unsecured liabilities of the U.S. Branches can be satisfied to the extent of the proceeds of asset liquidation.

LBOT expects that the U.S. Branches will have minimal funding needs during the resolution process and that these can be met by the sale of the assets of each U.S. Branch.

### **3. Integration of the U.S. Resolution Planning Process into LBOT’s Non-U.S.**

#### **Resolution Planning Process**

Resolution planning for the U.S. Branches has already been integrated into the risk management and contingency planning framework for LBOT.

LBOT has organized an internal task force consisting of the heads of all the relevant departments to prepare, update, and implement the Plan on an annual basis. Under the supervision and guidance of LBOT’s Board of Directors, which has the ultimate responsibility overseeing the overall operation and risk management process for LBOT entities globally.

This Plan has been approved by the Board of Directors of LBOT.

### **I. Names of Material Entities**

As mentioned above, LBOT’s Plan has no Material Entities, as it has no Core Business Lines or Critical Operations.

However, for informational purposes, the Plan discusses the U.S. Branches, including the interconnections and interdependencies among the U.S. Branches and affiliates of LBOT out of the U.S., and the integration of the resolution planning of the U.S. Branches into the contingency process of LBOT. LBOT streamlined the contents of this Plan with an intention to promote an accurate and comprehensive understanding on the part of the FRB and the FDIC about LBOT and, in particular, the operations of LBOT in the U.S. and to enhance the ability of the authorities and LBOT itself in facilitating a rapid and orderly resolution of LBOT in response to a material financial distress of LBOT.

Organizational Information of the U.S. Operations of LBOT as of June 30, 2013

<b>Name</b>	<b>Address</b>	<b>RSSD ID</b>
<b>Branches of Land Bank of Taiwan Co., Ltd.</b>		
Los Angeles	811 Wilshire Boulevard, Suite 1900, Los Angeles, CA 90017	2614009
New York	100 Wall Street 14F., New York, NY 10005	4223731

### **II. Description of Core Business Lines**

As LBOT does not conduct any business line in whole or material part in the U.S., LBOT has determined that, under the Rule, LBOT has no Core Business Lines. A minor part of the banking business of LBOT is conducted in the U.S. through the two branches of LBOT in Los Angeles and New York. The business of these two branches is largely confined to corporate banking. The business volume of these U.S. Branches is very small compared to the business volume of LBOT in

its entirety with reference to either the net revenue, income before income tax, or assets and liabilities.

The share of business volume contributed by the operations in the U.S. is less than 4% compared to the global business volume for LBOT in any year since the branch's inception, in terms of net revenue, income before income tax, assets and liabilities. Therefore, LBOT does not have a Core Business Line.

### III. Summary Financial Information Regarding Assets, Liabilities, Capital and Major Funding Sources

1. The financial information of LBOT and the U.S. Branches is summarized in the following tables.

#### LBOT

	Unit: thousand NTD	
	December 31, 2012	December 31, 2011
Total Assets	\$ 2,382,605,659	\$ 2,287,149,492
Total Liabilities	2,275,388,598	2,185,613,901

  

	2012		2011	
Net Revenue	\$	24,425,253	\$	24,517,761
Income Before Income Tax		10,673,532		10,543,259

Source: The financial figures are audited by the National Audit Office of the R.O.C.

#### U.S. Branches

	Unit: USD		
	LBOT LA Branch	LBOT NY Branch	Total
December 31, 2012			
Total Assets	\$ 847,193,737	\$ 281,217,858	\$ 1,128,411,595
Total Liabilities	802,860,607	273,333,070	1,076,193,677
December 31, 2011			
Total Assets	\$ 664,876,890	\$ 92,825,728	\$ 757,702,618
Total Liabilities	627,333,180	85,446,739	712,779,919

Source: The financial figures are audited by certified public accountants.

2. The total equity in LBOT and the U.S. Branches is summarized below.

	Unit: thousand USD		
	LBOT	LBOT LA Branch	LBOT NY Branch
December 31, 2012	\$ 3,573,902	\$ 44,333	\$ 7,885
December 31, 2011	3,384,520	37,544	7,379

Note: It is assumed that 1 USD equals 30 NTD. The financial figures of LBOT are audited by the National Audit Office of the R.O.C. The financial figures of the U.S. Branches are audited by certified public accountants.

LBOT files Form FR Y-7Q (The Capital and Asset Report for Foreign Banking Organizations) with the FRB annually as required by the Bank Holding Company Act (12 U.S.C. 1844(c)) and the International Banking Act (12 U.S.C. 3106(c) and 3108). The form reports the consolidated results of LBOT and not the information of individual branches. The information of the capital of LBOT is summarized below:

<b>December 31, 2012</b>	<b>Unit: million USD</b>	
Tier 1 Capital	\$	3,183
Total risk-based capital		5,522
Risk-weighted assets		48,694
Total assets at end of period		82,507

### 3. Primary Funding Sources

LBOT's primary funding sources are customer deposits, long term financial bonds, and shareholder equity. Most assets and liabilities are of term structure matching and funding sources are diversified. The term structure matching of assets and liabilities includes those with identical maturities and values. For the portion that cannot be completely matched with the maturity of core deposits, financing will be done to close the maturity gap as much as possible.

The primary funding sources of the U.S. Branches are customer deposits, a due-to LBOT account, interbank borrowing from other financial institutions, and borrowing from the CBC. The U.S. Branches were established by LBOT, but they manage their own liquidity and funding. LBOT is committed to make the best effort in supporting the funding and liquidity needs of its overseas branches in the event of necessity, although the Plan does not rely upon such support in insolvency. In addition, LBOT LA Branch has access to the FRB discount window to meet its liquidity needs by pledging its assets with the FRB.

## IV. Description of Derivative and Hedging Activities

### Derivatives

As of December 31, 2012, neither LBOT LA Branch nor LBOT NY Branch holds any derivative instrument.

According to the investment policies of LBOT, the U.S. Branches may engage in trading of derivatives only for hedging purposes and only within the limits stipulated by LBOT.



## Hedging Activities

As of December 31, 2012, neither LBOT LA Branch nor LBOT NY Branch holds any derivative instrument for hedging purposes.

The assets and liabilities of LBOT and its U.S. Branches are usually exposed to floating interest rate risk. In order to meet their objectives for risk management, the hedging activities of LBOT and the U.S. Branches focus on risk transferring and risk management in connection with net interest income and market values. LBOT and the U.S. Branches have developed fair value hedging strategy in accordance with principles of funding transfer pricing. The relevant hedging strategies and policies shall be consistent with the internal rules of LBOT concerning derivatives activities.

## **V. Memberships in Material Payment, Clearing and Settlement Systems**

LBOT LA Branch and LBOT NY Branch mainly utilize the following payment, clearing and settlement systems:

<b>Name of System</b>	<b>Services Provided</b>
1. Fedwire Fund Service	Payment Processing & Cash Settlement
2. Society for Worldwide Interbank Financial Telecommunication (SWIFT)	Interbank Financial Telecommunication

## **VI. Descriptions of Foreign Operations**

The business of LBOT is primarily conducted in the R.O.C. As of June 30, 2013, LBOT has 150 branches in the R.O.C. In addition to the branches in Los Angeles and New York that mentioned above, LBOT has three overseas branches located in Singapore, Hong Kong, and Shanghai.

LBOT provides comprehensive banking services in the R.O.C. The businesses of LBOT include the deposits business, credits business, trusts business, wealth management business, foreign exchange and international banking business, electronic banking business, financial management and investment business, and securities business. Our deposits business is divided into demand deposits, time deposits, and treasury deposits, with time deposits being the largest category. In terms of our credit business, we aim to diversify our corporate financing businesses and to avoid excessive concentration in real estate loans in order to diversify risk. Therefore, in addition to assisting the government of the R.O.C. in promoting policy-oriented businesses, we also actively promote urban renewal financing and are committed to expansion of our syndicated crediting business. Our personal financing business primarily consists of home loans, consumer loans, and credit card business. In

terms of our trusts business, we provide services including securities investment trust, property trusts for individuals and corporate entities, fund custodian services, real estate trusts, real estate securitization, and financial asset securitization. We primarily assume the role of the trustee in all of the trusts businesses.

In terms of our wealth management business, we provide a diverse and innovative portfolio of wealth management products for our various groups of clientele to tailor to the specific investment and financial needs. We also offer financial planning and asset allocation services to our high net-worth customers. Our foreign exchange and international banking businesses are divided into exporting business, importing business, and remittance business, with the remittance business being the largest category. In terms of our electronic banking business, we have established a wide network of automated service equipment, including traditional ATMs, deposit machines, as well as ATMs with deposit functions to provide customers with fast and convenient services. We also continue to promote other new financial products, including corporate payment and collection services, labor protection card services, on-line banking, as well as mobile banking services. In terms of our financial management and investment business, in addition to investing in public and private corporations in accordance with R.O.C. government policies, LBOT also evaluate domestic and foreign financial environment and industrial developments, and also invested in listed stocks and beneficiary certificates in order to expand its investment profits. In terms of our securities business, we plan to strengthen our cross-department resource integration efforts to promote our securities brokerage business, as well as actively participate in financing projects in the R.O.C., such as cash capital increases of listed companies and IPOs of Taiwan Depositary Receipts.

As of June 30, 2013, LBOT directly and/or indirectly holds 25% or above of the voting equity of the following company:

Name of Entity <small>note 1</small>	Principal Place of Business	Jurisdiction of Incorporation <small>note 2</small>	Percentage of Equity Directly Held		Chairperson of the Board	Major Business Activities
			voting	non-voting		
LBOT Insurance Broker Co., Ltd.	Taipei R.O.C.	R.O.C.	100%	note 3	Wen-Xong Li	Insurance brokerage

note 1: The name of the entity includes information about its corporate form.

note 2: The entity in the table has obtained the licenses required to engage in their major business activities at their jurisdiction of incorporation.

note 3: The company does not issue any non-voting share.

## VII. Material Supervisory Authorities

### Supervisory Authorities for the U.S. Branches

The supervisory authorities for LBOT LA Branch are the FRB and California Department of Business Oversight.

The supervisory authorities for LBOT NY Branch are the FRB and New York State Department of Financial Services.

### Taiwan Supervisory Authorities for the Covered Company

Pursuant to the Banking Act, the Organic Law of Banking Bureau, Financial Supervisory Commission, the Organic Act Governing the Establishment of the Financial Examination Bureau, Financial Supervision Commission, the Central Bank of the Republic of China (Taiwan) Act, and the Deposit Insurance Act of the Republic of China, LBOT is subject to the supervision of the Financial Supervisory Commission, the Banking Bureau of the Financial Supervisory Commission, the Financial Examination Bureau of the Financial Supervision Commission, the Central Bank of the Republic of China, and the Central Deposit Insurance Corporation.

## VIII. Principal Officers

List of Members of the Board of LBOT as of the date of approval of this Plan

<b>Title</b>	<b>Name</b>
Chairperson of the Board and Managing Director	Wang, Yao-Shing
Managing Director	Su, Ler-Ming
Managing Director	Chang, Pei-Chih
Managing Director	Chu, Hau-Min
Managing Director and Independent Director	Lee, Tsung-Pei
Independent Director	Hsu, Huoo-Ming
Independent Director	Chen, Chih-Yuan
Director	Yang, Mzng-Feng

Director	Lee, Jih-Shyan
Director	Hwang, Jen-Te
Director	Yang, Song-Ling
Director	Lin, Neng-Chin
Director (representing the labor union)	Hsu, Shu-Jung
Director (representing the labor union)	Chen, Jong-Shan
Director (representing the labor union)	Chen, Chung-Tsan

List of Current Members of the Resolution Plan Steering Committee:

<b>Title</b>	<b>Name</b>
Executive Vice-President Convener of the Steering Committee	Huang, Cheng-Ching
Head of Department of International Banking Secretary of the Steering Committee	Liu, Tina H. N.
Head of Department of Planning	Yang, Shu-Chiao
Head of Department of Risk Management	Yeh, Jin-Sung
Head of Department of Legal Affairs and Compliance	Yeh, Chin-Cheng
Head of Department of Accounting	Chen, Chin-Yao
Head of Department of Information Management	Chen, I-Hung

## **IX. Resolution Planning Corporate Governance Structure and Processes Related to Resolution Planning**

The resolution planning and the related corporate governance structure of LBOT are established and carried out in accordance with Section 165 (d) of the Dodd-Frank Act and the existing corporate

governance structure of LBOT. The Resolution Plan Task Force of LBOT drafts the Plan with the assistance of external consultants and submits the draft Plan to the Resolution Plan Steering Committee of LBOT for review. The Steering Committee submits the reviewed draft Plan to the Risk Management Committee of LBOT for review and then finally submits the Plan with the comments of the Risk Management Committee to the Board of LBOT for approval. The approved Plan shall then be filed with the FRB and the FDIC.

The supervision of the development, maintenance, implementation, and filing of this Plan, in principle, is achieved through a three-level structure formed by the board of directors of LBOT, the Resolution Plan Steering Committee of LBOT, and the Resolution Plan Task Force of LBOT:

### **Board of Directors**

The board of directors of LBOT is at the top of the hierarchy of the management and approval of the Plan. The board is responsible to oversee the operations of the Resolution Plan Steering Committee, the policy, procedures and risk management related to the Plan.

### **Resolution Plan Steering Committee**

The Resolution Plan Steering Committee, in each year, submits the Plan to the Risk Management Committee of LBOT for review after the Steering Committee itself has reviewed the Plan. The Steering Committee then submits the Plan to the board of directors of LBOT for approval after the Risk Management Committee has reviewed the Plan. Members of the Steering Committee include the executive vice-president of LBOT who supervises the International Banking Department, the head of the International Banking Department and other senior management officials appointed by the President of LBOT. The powers and responsibilities of the Steering Committee include supervising the operation of the Resolution Plan Task Force and reviewing matters relevant to the Plan.

### **Resolution Plan Task Force**

The Resolution Plan Task Force lays out the corporate governance structure and processes relating to the Plan and monitors the progress and quality of the Plan, and also acts as a contact point with relevant authorities and with external consultants on behalf of LBOT. The Task Force is responsible to submit quarterly reports to the Steering Committee of all matters pertaining to the Plan.

## **X. Description of Material Management Information Systems**

The management information systems of LBOT LA Branch and LBOT NY Branch are not developed by LBOT on its own. They are developed by external contractors and are sufficient to generate the information necessary to execute the resolution strategy described below. The systems are widely involved in the daily transactions, valuation procedures, risk management, funding, performance

assessment, regulatory filings, and reporting of accounting and financial information. LBOT has promulgated policies and procedures to ensure the effectiveness and completeness of the management information systems operated at LBOT LA Branch and LBOT NY Branch.

## **XI. High-level Description of Resolution Strategy**

As required by the FRB and FDIC, LBOT has prepared the Plan under the assumption that LBOT and all of its subsidiaries and branches have reached the point of simultaneous failure in a crisis that applies solely to LBOT entities and not to other financial institutions or the market generally. Further, as required by FRB and FDIC, in this Plan LBOT will state a resolution strategy solely for its U.S. operations.

LBOT LA Branch and LBOT NY Branch, as state-licensed branches, would be placed into the receivership of the California and New York state banking authorities respectively in the event of failure, and the branches will be resolved under the applicable insolvency laws in each state.

Considering the limited wholesale banking products and activities of LBOT LA Branch and LBOT NY Branch, the preferred resolution strategy for the two branches is an orderly and deliberate wind-down of operations and sale of assets and liabilities under the applicable insolvency regime. Under this approach, the key assets of LBOT LA Branch and LBOT NY Branch likely would be liquidated or would be transferred along with their deposits and other liabilities to an acquirer. The liabilities not thereby assumed in such transfers would be satisfied to the extent of the assets remaining in the respective receiverships.