

# **Fubon Financial Holding Co., Ltd.**

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

### **Resolution Plan**

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

## Glossary

### ***Banking Act***

The Banking Act of the Republic of China.

### ***CBC***

Central Bank of the Republic of China (Taiwan)

### ***FDIC***

Federal Deposit Insurance Corporation

### ***FRB***

Board of Governors of the Federal Reserve System

### ***FSC***

Financial Supervisory Commission R.O.C. (Taiwan)

### ***Fubon FHC***

Fubon Financial Holding Co., Ltd.

### ***Plan***

The Resolution Plan of Fubon FHC

### ***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

### ***TFCB***

Taipei Fubon Commercial Bank Co.,Ltd.

### ***TFCB LA Branch***

Taipei Fubon Commercial Bank Co.,Ltd., Los Angeles Branch

### ***U.S.***

The United States of America

***U.S. Authorities***

FRB, FDIC, and Commissioner of the California Department of Business Oversight

***U.S. Branch***

TFCB LA Branch

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# **Introduction and Summary of Resolution Strategy**

## **1. Introduction**

In this Plan, Fubon FHC, 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 Fubon FHC and all of its subsidiaries and branches.

Fubon FHC's U.S. operations comprise solely the U.S. banking business of Fubon FHC's banking subsidiary, TFCB. TFCB holds one wholesale bank branch in the U.S. TFCB LA Branch is the non-FDIC insured branch of TFCB in the U.S., licensed by the state of California.

As the Plan will describe, the U.S. Branch conducts a very limited banking operations in its U.S. locale, focusing solely on traditional commercial banking business predominantly with its institutional clients. Other than informational technology support, the U.S. Branch generally has no material operational interconnection with TFCB or with the non-banking operations of Fubon FHC outside the U.S. Further, the U.S. Branch is not a Material Entity because it does not conduct a Core Business Line for Fubon FHC or a Critical Operation. Therefore, the relevant U.S. Authorities can resolve the U.S. Branch locally in a rapid and orderly manner, without the need of considering mitigating the adverse effects of resolution on the TFCB, other Fubon FHC 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.**

### **Branch In the Event of Material Financial Distress at or the Failure of Fubon FHC**

The U.S. Branch, as a state-licensed branch, would be resolved under the supervision of its state banking authorities and the FRB, pursuant to the applicable state insolvency laws.

Considering its limited banking operation and the straightforward makeup of its assets and liabilities, the most likely and feasible resolution strategy for the U.S. Branch under all three economic scenarios (i.e., baseline, adverse and severely adverse) is a liquidation under the applicable state insolvency law framework. The commercial lending portfolio, the predominant asset of the U.S. Branch, can be marketed singly or in different pools of similar characteristics and/or packaged with wholesale deposits. Unaffiliated creditor claims of the U.S. Branch would be satisfied to the extent of the proceeds of asset liquidation.

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

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

Resolution planning for the U.S. Branch is integrated into the risk management and contingency planning framework for TFCB and Fubon FHC.

Fubon FHC and TFCB 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 the Board of Directors of TFCB and Fubon FHC, which ultimately oversees overall operations and risk management process for all global TFCB and Fubon FHC entities.

The Board of Directors of Fubon FHC has expressly delegated the final approval of this Plan to the Chairman of the Board of Fubon FHC and the General Manager of Fubon FHC as the representative will sign off the Plan with approval accordingly.

This Plan has been approved by the Chairman of the Board of Fubon FHC on [ ] [ ], 2014.

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

As mentioned above, Fubon FHC’s Plan has no Material Entities, as it has no Core Business Line or Critical Operations.

However, for informational purposes, the Plan discusses the U.S. Branch, including the interconnections and interdependencies among the U.S. branch and affiliates of Fubon FHC around the world, and on the integration of the resolution planning of the U.S. branch into the contingency process of Fubon FHC. Fubon FHC 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 Fubon FHC and, in particular, the operations of Fubon FHC in the U.S. and to enhance the ability of the authorities and Fubon FHC itself in facilitating a rapid and orderly resolution of Fubon FHC in response to a material financial distress of Fubon FHC.

Organizational Information of the US Operations of Fubon FHC as of December 31, 2013

<b>Name</b>	<b>Address</b>	<b>RSSD ID</b>
Branch of Taipei Fubon Commercial Bank Co., Ltd.		
Los Angeles	17800 Castleton Street, Suite 588, City of Industry, CA 91748, U.S.A	2012735

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

As Fubon FHC does not conduct any business line in whole or material part in the U.S., Fubon FHC has determined that, under Rule, Fubon FHC has no Core Business Line.

A minor part of the banking business of Fubon FHC is conducted in the U.S. Fubon FHC conducts its banking business in the U.S. through its branch in Los Angeles. The business of this branch is largely confined to corporate banking. The business volume of the U.S. Branch is very small compared against the banking business volume of Fubon FHC in its entirety with reference to either the net revenue, income before income tax, or assets and liabilities.

Within the global banking business line of Fubon FHC, the share of business volume contributed by the operations in the U.S. is no more than 5% in last two years in terms of either net revenue or income before income tax. With respect to assets and liabilities, the share of U.S. branch in the global banking business line of Fubon FHC is less than 1%. Therefore, the banking business line of Fubon FHC is not a Core Business Line.

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

1. The following table is the financial information summary of Fubon FHC, TFCB and U.S. branch:

	Unit: NTD in million			
	Fubon FHC		TFCB	
	2013.12.31	2012.12.31	2013.12.31	2012.12.31
Total Assets	\$ 4,570,547	\$ 4,105,866	\$ 1,765,759	\$ 1,604,943
Total Liabilities	4,253,867	3,799,437	1,632,524	1,498,510
	Fubon FHC		TFCB	
	2013	2012	2013	2012
Net Revenue	\$374,121	\$ 369,033	\$ 33,629	\$ 29,242
Income before income taxes	38,233	33,497	14,190	15,040

Source: The consolidated financial information for 2013 was prepared by Fubon FHC and TFCB on initial application of IFRSs; the financial information for 2012 had also been revalued and updated in accordance with IFRSs.

	Unit: USD in thousand	
TFCB LA Branch	2013.12.31	2012.12.31
Total Assets	\$ 523,732	\$ 470,566
Total Liabilities	454,488	406,775

2. TFCB and its U.S. branch's total equity is as follows:

	Unit: USD in thousand	
	TFCB	TFCB LA Branch
2013.12.31	\$ 4,448,503	\$ 69,244
2012.12.31	3,652,995	63,791

Note: It is assumed that 1 USD equals 29.9506 (2013) / 29.1358 (2012) NTD.

The U.S. Branch complies with the U.S. laws - *Bank Holding Company Act* (12 U.S.C. 1844(c)) Section 5(c) and *International Banking Act* (12 U.S.C. 3106(c) and 3108) by regularly filing FR Y-7Q (The Capital and Asset Report for Foreign Banking Organizations) to the FRB. The

reporting entity of FR Y-7Q is TFCB with no single U.S. branch's information. The summary of capital information is as follows:

<b>2013.12.31</b>	<b>Unit: USD in million</b>	
Tier 1 Capital	\$	4,055
Total risk-based capital		5,255
Risk-weighted assets		39,063
Total assets at end of period		58,955

Note: It is assumed that 1 USD equals 29.9506 NTD.

### 3. Major funding sources

TFCB's primary funding sources are deposits at CBC and other banks, deposits, financial bonds payable, and equity. Most of the balance sheet items are funds for the purposes of term structure matching and funding source diversification. The assets and liabilities for term structure matching include those with identical liquidity in term and amount and financing for those that cannot be completely matched with the maturity dates of core deposits.

The primary funding sources for TFCB LA Branch are interbank loans and term deposits. TFCB LA Branch is 100% owned by TFCB. In principle, the U.S. branch is responsible for its own funding and liquidity management. However, if an emergency should arise, TFCB is committed to supporting the funding and liquidity needs of the U.S. branch, although the Plan does not rely upon such support in insolvency. Meanwhile, the branch seeks opportunities to increase local corporate deposit accounts in order to stabilize and diversify funding sources. In addition, the branch maintains close relationships with large financial institutions and tries to obtain long term funds in the market in order to avoid needs for short term liquidity.

## IV. Description of Derivative and Hedging Activities

### Descriptions of derivative

As of December 31, 2013, TFCB LA Branch does not hold any derivatives.

For TFCB LA Branch, all authorization, approval, risk control and valuation of derivative trading are subject to comply with its and TFCB's trading policies. The trading policies mentioned above allow TFCB LA Branch to engage in derivative trading subject to TFCB's prior approval.

### Descriptions of hedging activities

As of December 31, 2013, TFCB LA Branch does not hold any derivatives for hedging purposes.

The assets and liabilities of TFCB LA Branch are usually subject to floating interest rate. In order to meet their objectives for risk management, the hedging activities of TFCB LA Branch concentrate on risk transfer and risk management in connection with net interest income and market values. TFCB LA Branch has developed interest rate 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 TFCB concerning derivatives activities.

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

TFCB LA Branch mainly utilizes the following payment, clearing and settlement systems:

Material payment, clearing and settlement systems	Services
1. Fedwire Fund Service	Payment Processing & Cash Settlement
2. Society for Worldwide Interbank Financial Telecommunication (SWIFT)	Interbank Financial Telecommunication

## VI. Descriptions of Foreign Operations

Fubon FHC has many subsidiaries out of the U.S., mostly in the R.O.C. The businesses of these subsidiaries include property and casualty insurance, life insurance, securities, banking, marketing management consulting, venture capital, and purchase of non-performing assets. However, as noted above, under Fubon FHC, the scale of banking business and life insurance business are larger than any other business line.

Hierarchical list of subsidiaries, 25% or more of whose equity is held directly or indirectly by Fubon FHC, are listed below:

Name of Entity note 1	Principal Place of Business	Jurisdiction of Incorporation note 2	Percentage of Equity Directly Held		Chairperson of the Board	Major Business Activities
			voting	non-voting		
<b>Subsidiaries directly Held by Fubon Financial Holding Co., Ltd.</b>						
Fubon Insurance Co., Ltd.	Taipei R.O.C.	R.O.C.	100%	note 3	Victor Kung	Property insurance
Fubon Life Insurance Co., Ltd.	Taipei R.O.C.	R.O.C.	100%	note 3	Peng-Yuan Cheng	Life insurance
Fubon Securities Co., Ltd.	Taipei R.O.C.	R.O.C.	100%	note 3	Samuel Hsu	Securities
Taipei Fubon Commercial Bank Co., Ltd.	Taipei R.O.C.	R.O.C.	100%	note 3	Daniel M. Tsai	Banking
Fubon Direct Marketing Consulting Co., Ltd.	Taipei R.O.C.	R.O.C.	100%	note 3	Thomas Liang	Direct marketing
Fubon Financial Holding Venture Capital Co., Ltd.	Taipei R.O.C.	R.O.C.	91.67%	note 3	Richard Tsai	Venture capital

Name of Entity note 1	Principal Place of Business	Jurisdiction of Incorporation note 2	Percentage of Equity Directly Held		Chairperson of the Board	Major Business Activities
			voting	non-voting		
Fubon Bank (Hong Kong), Limited	Hong Kong	Hong Kong	100%	note 3	Richard Tsai	Banking
Fubon AMC Co., Ltd.	Taipei R.O.C.	R.O.C.	100%	note 3	Jerry Harn	NPL purchase and deposition
Taiwan Sport Lottery Technology Co., Ltd.	Taipei R.O.C.	R.O.C.	100%	note 3	Thomas Liang	Sport Lottery Agency
First Sino Bank, Limited note 6	Shanghai P.R.C.	P.R.C.	29%	note 3	Hong Peili	Banking
<b>Subsidiaries directly Held by Fubon Insurance Co., Ltd.</b>						
Fubon Insurance Brokers (Philippines) Co., Ltd.	Makati City PHILIPPINES	PHILIPPINES	99.997%	note 3	note 4	Property insurance brokers
Fubon Insurance (Vietnam) Co., Ltd.	Ho Chi Ming City VIETNAM	VIETNAM	100%	note 3	note 4	Property insurance
Fubon Property & Casualty Insurance Co., Ltd.	Xiamen P.R.C.	P.R.C.	40%	note 3	note 4	Property insurance
Fubon Insurance Broker (Thailand) Co., Ltd.	THAILAND	THAILAND	48.9733%	note 3	note 4	Property insurance
<b>Subsidiaries directly Held by Fubon Life Insurance Co., Ltd.</b>						
Fubon Life Insurance (Vietnam) Co., Ltd.	Hanoi VIETNAM	VIETNAM	100%	note 3	note 4	Life insurance
Fubon Property & Casualty Insurance Co., Ltd.	Xiamen P.R.C.	P.R.C.	40%	note 3	note 4	Property insurance
<b>Subsidiaries directly Held by Fubon Securities Co., Ltd.</b>						
Fubon Securities (BVI) Ltd.	Taipei R.O.C.	BRITISH VIRGIN ISLANDS	100%	note 3	note 4	Investment
Fubon Futures Co., Ltd.	Taipei R.O.C.	R.O.C.	100%	note 3	note 4	Futures
Fubon Securities Investment Service Co., Ltd.	Taipei R.O.C.	R.O.C.	100%	note 3	note 4	Securities investment consulting
Fubon Asset Management Co., Ltd.	Taipei R.O.C.	R.O.C.	100%	note 3	note 4	Securities investment trust
<b>Subsidiaries directly Held by Taipei Fubon Commercial Bank Co., Ltd.</b>						
Fubon Construction Management Co., Ltd.	Taipei R.O.C.	R.O.C.	30%	note 3	note 4	Review, consulting, management relating to construction plans and real estate

Name of Entity note 1	Principal Place of Business	Jurisdiction of Incorporation note 2	Percentage of Equity Directly Held		Chairperson of the Board	Major Business Activities
			voting	non-voting		
						evaluation and financing
Taipei Fubon Bank Life Assurance Agent Co., Ltd.	Taipei R.O.C.	R.O.C.	100%	note 3	note 4	Life Insurance agent
First Sino Bank, Limited <sup>note 6</sup>	Shanghai P.R.C.	P.R.C.	51%	note 3	note 4	Banking
<b>Subsidiaries directly Held by Fubon Direct Marketing Consulting Co., Ltd.</b>						
Fu-Sheng Life Assurance Agent Co., Ltd.	Taipei R.O.C.	R.O.C.	100%	note 3	note 4	Life Insurance agent
Fu-Sheng General Insurance Agent Co., Ltd.	Taipei R.O.C.	R.O.C.	100%	note 3	note 4	Property Insurance agent
<b>Subsidiaries directly Held by Fubon Bank (Hong Kong), Limited<sup>note 5</sup></b>						
Fubon Financial (H.K.) Ltd.	Hong Kong	Hong Kong	100%	note 3	note 4	Provision of financing services
Fubon Bank Securities (H.K.) Ltd.	Hong Kong	Hong Kong	100%	note 3	note 4	Security Brokers
Fubon Bank Investment Management Ltd.	Hong Kong	Hong Kong	100%	note 3	note 4	Fund management
Fubon Nominees (Hong Kong) Limited	Hong Kong	Hong Kong	100%	note 3	note 4	Nominee service
Fubon Insurance Brokers Limited	Hong Kong	Hong Kong	100%	note 3	note 4	Insurance broker

note 1: All entities listed are corporate entities. The names of the entities include information about their corporate forms.

note 2: All entities in the table have obtained the licenses required to engage in their major business activities at their principal place of business.

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

note 4: The entity does not conduct business in the US and is not material to Fubon FHC (the assets of the entity are less than 10% of the assets of Fubon FHC); we do not include the key management of the entity here.

note 5: Only major subsidiaries and significant investee companies whose incomes are recognized by equity method are included here.

note 6: Fubon FHC group held 13.89% of the equity interest in First Sino Bank on December 31, 2013 and acquired another 66.11% of the equity interest by January 7, 2014, making First Sino Bank a Fubon FHC group 80%-owned subsidiary. First Sino Bank was approved by China Banking Regulatory Commission to change its name to Fubon Bank (China) Co., Ltd in April 2014.

## VII. Material Supervisory Authorities

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

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

### Taiwan Supervisory Authorities for the Covered Company

Pursuant to the Financial Holding Company Act, the Organic Law of Banking Bureau, FSC, and the Organic Act Governing the Establishment of the Financial Examination Bureau, FSC, Fubon FHC is subject to the supervision of the FSC, the Banking Bureau of the FSC, and the Financial Examination Bureau of the FSC.

Pursuant to the Banking Act, the Organic Law of Banking Bureau, FSC, the Organic Act Governing the Establishment of the Financial Examination Bureau, FSC, the Central Bank of the Republic of China (Taiwan) Act, and the Deposit Insurance Act of the Republic of China, TFCB is subject to the supervision of the FSC, the Banking Bureau of the FSC, the Financial Examination Bureau of the FSC, CBC, and the Central Deposit Insurance Corporation, Taiwan, R.O.C..

## VIII. Principal Officers

List of Incumbent Members of the Steering Committee:

<b>Title</b>	<b>Name</b>
General Manager, Fubon FHC (Chairman of the Committee)	Vivien Hsu
General Manager, TFCB (Vice-Chairman of the Committee)	Jerry Harn
Senior Vice-President, Fubon FHC	Patrick Chang
Vice-President, Fubon FHC and TFCB	Ming-Cheng Chang
Senior Manager, Fubon FHC	Sophia W. Wang
Executive Vice-President, TFCB	John Y. Kuang
Senior Vice-President, TFCB	Hsien-Long Chiu
Senior Vice-President, TFCB	Esther Huang
Vice-President, TFCB	Johnny Wang

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

The Task Force carries out the drafting and implementation of this Plan under the supervision and management of the Steering Committee. The Steering Committee shall report to the Boards all progress made with respect to the Plan, the status of relevant filings, the outline of the overall resolution strategy, and the level of compliance with the Rules. In the event that a major incident necessitates timely modification to the resolution strategy or other contents of the Plan, such modification shall be reviewed by the Steering Committee, and submitted to the Boards for

approval. The Steering Committee shall examine the effectiveness and adequacy of the Plan and the policies and procedures relating to the Plan periodically.

Starting from 2014, in accordance with Section 243.3\_(e)(2) of the Rule, the Board of Directors of Fubon FHC has expressly delegated the final approval of this Plan to the Chairman of the Board of Fubon FHC, on condition that no changes are made to the content, architecture and strategic perspectives of the Plan. The General Manager of Fubon FHC as the representative will sign off the Plan with approval accordingly.

### **Board of Directors**

The Board of the Fubon FHC is at the top of the hierarchy of the management, approval and supervision processes for the resolution planning of the TFCB. The policies, procedures, internal controls relating to the Plan and the reports concerning risk management are under the supervision of the Board of the Fubon FHC.

### **Resolution Plan Steering Committee**

The Steering Committee is responsible for the development, supervision, review, and approval in connection with the resolution planning. The Steering Committee contemplates the core strategies and principles relating to resolution planning, supervises the development, improvement, and revision of the Plan, monitors the sufficiency, practicability, and timeliness of the Plan and relevant policies and procedures, reviews major suggestions submitted by the Task Force, supervises the implementation and filing of the Plan and abiding to legal policies or the matters as directed by the Boards.

### **Resolution Plan Task Force**

Resolution Plan Task Force operates under the Steering Committee. The Task Force drafted the Plan filed by the Fubon FHC and proposed the relevant policies and procedures. The Task Force also processes major suggestions from colleagues involved in the implementation of the Plan. The Task Force submits the drafted Plan, the proposed policies and procedures and the processed suggestions to the Steering Committee for review. The Task Force implement the decisions of the Steering Committee and assigns the relevant tasks among relevant units of the TFCB following the procedures for the division of responsibilities and authorities promulgated for each type of business within the TFCB. In each of the subsequent years, the Plan and necessary changes and amendments to this Plan, including a major change in a relevant law or regulation, or in the business environment, will be submitted to the Steering Committee for review or approval.

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

The management information systems of TFCB LA Branch are not developed by TFCB on its own. They are developed by external vendors 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.

In addition, TFCB LA Branch changed its management information system in the first quarter of 2014. This system provides integrated services directly from TFCB, and the related information is stored in TFCB. TFCB and the overseas branches will have direct access to information and reports in the systems. It has no material impact on the capabilities of Fubon FHC's management information systems to collect, maintain, and report the information and data underlying the resolution plan. With regards to the framework and security of material MIS, TFCB LA Branch has related policies and procedures to manage and maintain.

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

As required by the FRB and FDIC, Fubon FHC has prepared the Plan under the assumption that Fubon FHC and all of its subsidiaries and branches have reached the point of simultaneous failure. This hypothetical failure is addressed under each of the baseline, adverse and severely adverse economic scenarios. Further, as required by FRB and FDIC, in this Plan Fubon FHC will state a resolution strategy solely for its U.S. operations.

TFCB LA Branch, as a state-licensed branch, would be placed into the receivership of California state banking authority, and be resolved under California state insolvency laws.

Considering the limited wholesale banking operations of TFCB LA Branch, the preferred resolution strategy for TFCB LA Branch is an orderly and deliberate wind-down of operations and sale of assets and liabilities under the California state insolvency regime. Under this approach, the key assets of TFCB LA Branch likely would be liquidated or would be transferred along with its liabilities to an acquirer. The liabilities not thereby assumed in the transfer would be satisfied to the extent of the assets remaining in the receivership.