



**國泰金控**  
Cathay Financial Holdings

# **165(d) Resolution Plan for Cathay Financial Holdings**

## **Public Section**

**December 31, 2013**



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## **(a) Introduction**

Cathay Financial Holding Company Limited (“CFH”, and together with its subsidiaries, “Cathay”), which has \$50 billion or more total consolidated assets, and CFH’s subsidiary, Cathay United Bank, Ltd. (“CUB”), has U.S. operation, Los Angeles Agency (“LA Agency”). Therefore, CFH is the covered company described under Regulation QQ and Regulations Part 381 (Regulation QQ and FDIC Regulations Part 381 hereinafter referred to as the “Final Rule”) issued by the Federal Reserve Board (“FRB”) and Federal Deposit Insurance Corporation (“FDIC”), and is required to submit a resolution plan.

## **(b) Name of Material Entity and Description of Core Business Lines**

CFH has identified only one material entity, CUB, which operates its banking business.

Therefore, CFH has identified the banking business as its core business line.

The following is the description of CFH’s banking business line:

The banking business conducts wealthy management business, retail banking business, corporate banking business, international financing business, electronic banking business, trust business, and sales of investment and financial product in Great China.

## **(c) Summary Financial Information Regarding Assets, Liabilities, Capital and Major Funding Sources**

### **(i) Balance Sheet**

The following table set forth the consolidated balance sheet of CFH, as of December 31, 2012.



Balance Sheet	In thousands, NT\$
<b>Assets</b>	
Cash and cash equivalents	702,403,376
Due from Central Bank and call loans to banks	104,175,647
Financial assets measured at fair value through profit or loss—net	147,145,050
Securities purchased under agreements to resell	18,517,498
Receivables—net	115,796,856
Loans—net	1,520,005,053
Available-for-sale financial assets—net	1,284,920,865
Held-to-maturity financial assets—net	24,380,985
Investment under equity method—net	1,146,326
Other financial assets—net	42,087,293
Investments in debt securities with no active market—net	813,141,357
Separate account product assets	329,557,246
Real estate investments—net	163,887,441
Premises and equipment—net	48,821,416
Good will and intangible assets—net	9,734,376
Other assets—net	109,582,019
<b>Total Assets</b>	<b>5,435,302,804</b>
<b>Liabilities</b>	
Deposits from Central Bank and other banks	56,934,246
Due to Central Bank and other banks	1,456,800
Commercial paper payable	5,540,000
Financial liabilities measured at fair value through profit or loss	8,718,702
Securities sold under repurchase agreements	22,046,517
Payables	61,147,624
Deposit and remittances	1,458,587,976
Corporate bonds and financial debentures	89,831,007
Other financial liabilities	17,426,191
Separate account product liabilities	329,557,246
Reserves for operation and liabilities	3,117,676,956



Other liabilities	17,795,091
<b>Total Liabilities</b>	<b>5,186,718,356</b>
<b>Stockholder's Equity—Parent Company</b>	
Common stock	108,653,851
Capital surplus	78,596,121
Retained earnings :	
Legal reserve	15,222,599
Special reserve	333,598
Undistributed earnings	20,031,074
Other adjustment to stockholder's equity :	
Unrealized revaluation increments	1,461
Cumulative translation adjustments	(1,082,092)
Unrealized gains (losses) on financial instruments	31,349,676
Treasury stocks	(7,179,872)
Net loss no recognized as pension cost	(1,093,582)
Minority Interest	3,751,614
<b>Total Stockholder's Equity</b>	<b>248,584,448</b>
<b>Total Liabilities and Stockholder's Equity</b>	<b>5,435,302,804</b>

**(ii) Capital**

The following table expresses the capital adequacy of CFH and its subsidiaries, as of December 31, 2012:

		In millions, NT\$
Eligible self-owned Capital of Subsidiaries	CUB	124,681,317
	Cathay Life Insurance Co., Ltd.	191,600,492
	Cathay Century Insurance Co., Ltd.	5,693,618
	Cathay Securities Corporation	3,312,268
	Cathay Securities Investment Trust Co., Ltd.	2,031,836
	Cathay Venture Inc.	2,187,120

Subsidiary's Statutory Capital Requirement	CUB	80,594,040
	Cathay Life Insurance Co., Ltd.	148,523,334
	Cathay Century Insurance Co., Ltd.	3,621,278
	Cathay Securities Corporation	1,561,653
	Cathay Securities Investment Trust Co., Ltd.	1,157,716
	Cathay Venture Inc.	1,093,671
Capital Adequacy Ratio of Subsidiaries	CUB	12.38%
	Cathay Life Insurance Co., Ltd.	258.01%
	Cathay Century Insurance Co., Ltd.	314.45%
	Cathay Securities Corporation	318.15%
	Cathay Securities Investment Trust Co., Ltd.	87.75%
	Cathay Venture Inc.	99.99%
Group's Eligible Capital		305,332,744
Group's statutory capital requirement		240,114,995
Group's capital adequacy ratio		127.16%

### (iii) Major Funding Sources

CFH is a financial holding company, therefore, its major funding sources are issuing stocks or short-term and long-term bonds. CUB and LA Agency's funding sources come from local deposits and borrowing from other banks. CUB also supports necessary liquidity to LA Agency.

In the event of financial distress, CFH, CUB, and LA Agency will try to acquire enough funds and liquidity by borrowing from other financial institutions, selling high liquid assets, recalling loans, etc.

### (d) Derivative and Hedging Activities

CFH's U.S. operation, LA Agency, does not engage in any trading and derivatives activities and does not hold any derivative position. However, for

the purpose of hedging, CFH and CUB hold swap positions to hedge their bond obligation.

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

The summary of trading, payment, clearing, and settlement systems of CFH, CUB, and LA Agency are listed in tables below:

System Type	System Name	A Member of
Trading	Nationwide Bill System	Financial Information Service Co., Ltd.
Trading	Interbank Remittance System	Financial Information Service Co., Ltd.
Trading	SWIFT Alliance Workstation	SWIFT
Trading	FedLine Advantage	FRB
Trading	BNY TreasuryEdge	Bank of New York
Trading	WFB CEO	Wells Fargo Bank
Payment	ACH	Taiwan Clearing House
Payment	Nationwide Bill System	Financial Information Service Co., Ltd.
Clearing	Clearing House System	Taiwan Clearing House
Clearing	CBC Interbank Funds transfer System	Central Bank of the Republic of China (Taiwan)
Clearing	Interbank Remittance System	Financial Information Service Co., Ltd.

### (f) Description of Foreign Operations

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

Company Name	Location	Key Management
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CFH	Taipei, R.O.C.	Chairman: Hong-Tu Tsai
CUB	Taipei, R.O.C.	Chairmen: Tsu-Pei Chen
Los Angeles Agency	Los Angeles, California, U.S.	Senior Vice President & General Manager: Alexander Wu
Hong Kong Branch	Hong Kong	Assistant Vice President: Henry Chien
Singapore Branch	Singapore	Assistant Vice President: Wei-Chih Chen
Shanghai Branch	Shanghai, Mainland China	Assistant Vice President: Chun-Hao Liu
Labuan Branch	Labuan, Malaysia	Assistant Vice President: Chih-Cheng Cheng
Chu Lai Branch	Chu Lai, Vietnam	Assistant Vice President: Feng Li Juan
Manila Rep. Office	Manila, Philippines	Senior Vice President: Wen-Li Kuo
Kuala Lumpur Marketing Office	Kuala Lumpur, Malaysia	Assistant Vice President: Chih-Cheng Cheng
Bangkok Rep. Office	Bangkok, Thailand	Senior Vice President:Keng-Yang Lin
Hanoi Rep. Office	Hanoi, Vietnam	Senior Specialist: HWANG-DER LU
HCMC Rep. Office	Ho Chi Minh City, Vietnam	Senior Specialist: Chieh Yang
Indovina Bank Limited, Subsidiary	Vietnam	President: JAMES Y.F. JAN
Cathay United Bank(Cambodia) Corporation Limited	Cambodia	President: Su Chuan Hung

### (g) Material Supervisory Authorities

The following table identifies the primary supervisory authorities with specific regulatory oversight over CFH, CUB, and LA Agency:

Company Name	Location	Regulator
Cathay Financial Holding Company Limited	Taipei, R.O.C.	Financial Supervisory Commission, R.O.C.
Cathay United Bank, Ltd.	Taipei, R.O.C.	<ul style="list-style-type: none"> <li>▶ Financial Supervisory Commission, R.O.C.</li> <li>▶ Central Bank of the Republic of China</li> </ul>

		(Taiwan) ▶ Central Deposit Insurance Corporation
Los Angeles Agency	California, United States	▶ Federal Reserve Bank of San Francisco ▶ Division of Financial Institutions, California Department of Business Oversight

### (h) Principal Officers

The table below lists the senior management officials at CFH and CUB responsible for managing this plan:

Company	CFH	CUB
Name	Deh-Yen Weng	Po-Tsang Hsieh
Title	Division Head of Administration Division Chief Compliance Officer	Chief Risk Officer
Telephone Number	+886 2 27087698	+886 2 87226666
E-mail Address	dehyen@cathayholdings.com.tw	doc_vice_NT2005@cathaybank.com.tw
Physical Address	No.296, Sec. 4, Ren'ai Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	No.7, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)

### (i) Resolution Planning Corporate Governance Structure and Related Processes

To manage the resolution plan, CFH has built and embedded a management mechanism of the resolution plan into the existing governance structure. The resolution plan is developed by CFH and its material entity, CUB. The resolution is approved by the CFH's President who is authorized by the Board of Directors. In addition, for managing and maintaining the resolution plan, CFH had established resolution plan management policy to provide roles and responsibilities, the content of the resolution plan, the execution of the resolution plan, etc.



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

CFH and CUB rely on management information systems to support its day-to-day operations and to monitor the financial health, risk and operations. On a weekly to quarterly basis, management information systems provide management and the regulators with the information of credit risk, market risk, operational risk, general ledger, transactions, and compliance to manage and supervise.

In addition, LA Agency's business only focuses on lending and deposits and does not engage in any trading transaction. Therefore, CUB shares its systems with LA Agency to support its day-to-day operations. For this reason, CUB can efficiently acquire LA Agency's management information and rapidly facilitate an orderly resolution of LA Agency, if necessary.

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

Pursuant to requirements of the Final Rule, CFH develops the resolution strategy under the assumption that CFH and CUB both are in the event of financial distress or failure. In the resolution strategy, CFH prefers to immediately close its U.S. operation, LA Agency, through liquidation.

CFH is a leading financial holding company in Taiwan and CUB's business in Great China also performs excellent performance. Therefore, if CFH and CUB both are in the event of financial distress or failure, major potential acquirers will be the global financial groups interested in entering the Great China market.