

FEDERAL RESERVE SYSTEM

The Industrial Bank of Taiwan Co., Ltd.
Taipei, Taiwan

IBT Holdings Corp.
Cerritos, California

Order Approving the Formation of a Bank Holding Company

The Industrial Bank of Taiwan Co., Ltd. (“IBT”) and its wholly owned subsidiary, IBT Holdings Corp., have requested the Board’s approval under section 3 of the Bank Holding Company Act (“BHC Act”)¹ to become bank holding companies and to acquire EverTrust Bank (“EverTrust”), City of Industry, California.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in the Federal Register (71 Federal Register 46,230 (2006)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

IBT, with total consolidated assets of approximately \$4 billion, is the 37th largest bank in Taiwan.² IBT currently has no banking operations in

¹ 12 U.S.C. § 1842.

² Taiwanese asset and ranking data are as of September 30, 2006, and are based on the exchange rate then in effect. IBT is organized and chartered as an industrial bank in Taiwan. Taiwanese industrial banks may conduct various banking and financial activities, such as lending, securities trading, underwriting, and trust activities. With respect to deposit-taking and foreign-exchange activities, however, they may only serve certain types of customers.

the United States. EverTrust, with total consolidated assets of approximately \$308 million, is the 122nd largest depository institution in California, controlling deposits of approximately \$293.6 million, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the state.³

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking in any relevant banking market. The BHC Act also prohibits the Board from approving a bank acquisition that would substantially lessen competition in any relevant banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.⁴

As noted, IBT does not control a U.S. depository institution, and the proposal would not result in an expansion of EverTrust. Based on all the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in any relevant banking market. Accordingly, based on all the facts of record, the Board has determined that competitive considerations are consistent with approval.

³ Domestic asset and ranking data are as of September 30, 2006. Deposit data are as of June 30, 2006. In this context, depository institutions include commercial banks, savings banks, and savings associations.

⁴ 12 U.S.C. § 1842(c)(1).

Financial, Managerial, and Supervisory Considerations

Section 3 of the BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and depository institutions involved in the proposal and certain other supervisory factors. The Board has considered these factors in light of all the facts of record, including confidential reports of examination and other supervisory information received from the federal and state supervisors of EverTrust, publicly reported and other financial information, information provided by IBT, and public comments received on the proposal. The Board has also consulted with the Financial Supervisory Commission (“FSC”), the primary home country supervisor of IBT.⁵

In evaluating the financial factors in proposals involving the formation of new bank holding companies, the Board reviews the financial condition of the applicant and the target depository institutions. The Board also evaluates the financial position of the pro forma organization, including its capital position, asset quality, and earnings prospects, and the impact of the proposed funding of the transaction.

The Board has carefully considered the financial factors of the proposal. Taiwan’s risk-based capital standards are consistent with those established by the Basel Capital Accord (the “Accord”). On consummation, the capital ratios of IBT would continue to exceed the minimum levels that would be required under the Accord and are considered equivalent to the capital levels that would be required of a U.S. banking organization. Furthermore, EverTrust is well capitalized and would remain so on consummation of the proposal. Based on its

⁵ The FSC has confirmed that IBT is in good standing and has not objected to the proposal.

review of these factors, the Board finds that IBT has sufficient financial resources to effect the proposal. The proposed transaction is structured as a cash purchase.

The Board also has considered the managerial resources of the organizations involved and the proposed combined organization. The Board has reviewed supervisory information provided by the FSC and information provided by IBT, including information about compliance with anti-money laundering laws.⁶ In addition, the Board has reviewed the examination records of EverTrust, including assessments of its management, risk-management systems, and operations. The Board has also considered the supervisory experiences of relevant federal and state banking supervisory agencies with EverTrust and the bank's record of compliance with applicable banking law and anti-money laundering laws. Moreover, the Board has considered IBT's plans for implementing the proposal, including the proposed management after consummation.

⁶ A commenter expressed concern about alleged money laundering and governmental corruption in Taiwan and the possible impact of these allegations could have on banking in the Asian-American community. The Board has taken into consideration Taiwan's laws and regulations, as well as IBT's and EverTrust's policies and procedures, on anti-money laundering. Taiwan has enacted laws and regulations to deter money laundering that are consistent with Financial Action Task Force recommendations. Money laundering is a criminal offense in Taiwan, and financial institutions are required to establish internal policies, procedures, and systems for the detection and prevention of money laundering throughout their worldwide operations. IBT, a private sector bank, has policies and procedures that are monitored by its audit division and by governmental entities responsible for anti-money laundering compliance. IBT has confirmed that it will maintain EverTrust's compliance policies and procedures, which are considered satisfactory by its regulators, and that it will conform them to IBT's policies and procedures if those policies are the more stringent.

Based on all the facts of record, the Board has concluded that the financial and managerial resources and future prospects of the organizations involved in the proposal are consistent with approval.

Section 3 of the BHC Act also provides that the Board may not approve an application involving a foreign bank unless the bank is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor.⁷ As noted, the FSC is the primary supervisor of commercial and industrial banks in Taiwan, including IBT. The Board has previously determined, in connection with applications involving other banks in Taiwan, that those banks were subject to home country supervision on a consolidated basis.⁸ In this case, the Board has determined that IBT is supervised by the FSC on

⁷ See 12 U.S.C. § 1842(c)(3)(B). As provided in Regulation Y, the Board determines whether a foreign bank is subject to consolidated home country supervision under the standards set forth in Regulation K. See 12 CFR 225.13(a)(4). Regulation K provides that a foreign bank will be considered subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that the bank is supervised or regulated in such a manner that its home country supervisor receives sufficient information on the worldwide operations of the bank, including its relationships to any affiliate, to assess the bank's overall financial condition and its compliance with laws and regulations. See 12 CFR 211.24(c)(1).

⁸ See International Commercial Bank of China Co., Ltd., 92 Federal Reserve Bulletin C199 (2006); Taiwan Cooperative Bank, 92 Federal Reserve Bulletin C201 (2006); SinoPac Holdings, 88 Federal Reserve Bulletin 307 (2002); Chinatrust Financial Holding Company, Ltd., 88 Federal Reserve Bulletin 303 (2002); E. Sun Commercial Bank Limited, 86 Federal Reserve Bulletin 238 (2000); Chinatrust Commercial Bank, Ltd., 84 Federal Reserve Bulletin 1121 (1998); Land Bank of Taiwan, 83 Federal Reserve Bulletin 336 (1997); Taiwan Business Bank, 81 Federal Reserve Bulletin 746 (1995); Farmers Bank of China, 81 Federal Reserve Bulletin 620 (1995). The supervision of industrial banks and commercial banks in Taiwan is substantially the same.

substantially the same terms and conditions as those other banks. Based on all the facts of record, the Board has concluded that IBT is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisor.

The BHC Act also requires the Board to determine that an applicant has provided adequate assurances that it will make available to the Board such information on its operations and activities and those of its affiliates that the Board deems appropriate to determine and enforce compliance with the BHC Act.⁹ The Board has reviewed the restrictions on disclosures in jurisdictions where IBT would have material operations and has communicated with the relevant government authorities concerning access to information. IBT has committed that it will make available to the Board such information on its operations and the operations of any of its affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act, the International Banking Act, and other applicable federal law. IBT also has committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary to enable it to make such information available to the Board. In light of the commitments provided by IBT and other facts of record, the Board has concluded that IBT has provided adequate assurances of access to any necessary information the Board may request. For these reasons, and based on all the facts of record, the Board has concluded that the supervisory factors it is required to consider under section 3(c)(3) of the BHC Act are consistent with approval.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board also must consider the effects of the proposal on the convenience and needs of the

⁹ See 12 U.S.C. § 1842(c)(3)(A).

communities to be served and take into account the records of the relevant insured depository institutions under the Community Reinvestment Act (“CRA”).¹⁰ EverTrust received a “satisfactory” rating at its most recent CRA performance evaluation by the Federal Deposit Insurance Corporation, as of November 1, 2003. IBT has represented that it does not plan to make any reductions in products or services offered by EverTrust and may expand them. IBT’s financial resources will serve as a source of strength for EverTrust and enhance the bank’s ability to meet the banking needs of the communities it serves. Based on all the facts of record, the Board concludes that considerations relating to the convenience and needs factor and the CRA performance records of the relevant depository institutions are consistent with approval.

Conclusion

Based on the foregoing and all facts of record, the Board has determined that the application should be, and hereby is, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act. The Board’s approval is specifically conditioned on compliance by IBT with the conditions imposed in this order, the commitments made to the Board in connection with the application, and receipt of all other regulatory approvals.¹¹ For purposes of this

¹⁰ 12 U.S.C. § 2901 *et seq.*; 12 U.S.C. § 1842(c)(2).

¹¹ IBT also has committed that its subsidiaries will conform their existing direct and indirect nonbanking activities and investments, including by divestiture if necessary, to the requirements of the BHC Act within two years of its acquisition of EverTrust. This conformance period may, in the discretion of the Board, be extended by up to three one-year extensions, taking into consideration the factors set forth in section 4(a)(2) of the BHC Act (12 U.S.C. §1843(a)(2)). IBT also has committed to ensure that, after consummating its acquisition of EverTrust, neither

action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

The proposed transaction may not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors,¹² effective March 9, 2007.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

IBT nor its subsidiaries, directly or indirectly, will engage in new activities or new lines of business or make additional investments in or acquire entities that are inconsistent with the requirements of the BHC Act.

¹² Voting for this action: Chairman Bernanke, Vice Chairman Kohn, and Governors Bies, Warsh, Kroszner, and Mishkin.