VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet

Unit：NT$ Million

Item \ Year		Five-Year Financial Summary					
		2007.12.31	2008.12.31	2009.12.31	2010.12.31	2011.12.31	2012.03.31
Cash & cash equivalents, Due from CBC and lent to banks		8,166	20,261	25,035	28,890	26,975	21,784
Financial assets at fair value through income statement		6,548	1,900	2,127	1,104	1,616	1,520
Bills and bonds purchased under resale agreements		4,575	9,703	3,895	2,791	5,878	7,967
Accounts receivable－net		962	784	790	989	986	1,099
Discounts & loans－net		111,557	136,927	138,261	162,194	166,216	162,465
Available-for-sale financial assets－net		1	2,644	3,822	5,094	11,748	13,385
Held-to-Maturity financial assets－net		16,798	4,227	5,396	7,695	5,567	5,301
Equity method's investments－net		26	45	45	55	63	75
Other financial assets－net		5,068	4,037	3,622	3,048	1,831	1,830
Property and equipment cost		2,376	2,346	2,285	2,237	2,202	2,186
Intangible assets－net		36	58	70	59	63	59
Other assets－net		703	765	809	748	769	798
Total assets		156,816	183,697	186,157	214,904	223,914	218,469
Due to CBC & banks		12,176	10,862	10,548	12,606	11,512	12,304
Financial liabilities at fair value through income statement		4	20	2	15	4	0
Bills and bonds sold under repurchase agreements		268	293	214	141	103	72
Accounts payable		2,985	2,886	3,413	2,827	3,379	3,379
Deposits & remittances		127,154	158,664	157,922	185,167	193,944	187,536
Funds borrowed from CBC & banks, financial bonds payable		3,340	1,000	4,000	4,000	4,000	4,000
Pension payable		165	202	221	253	305	320
Other financial liabilities		236	300	285	207	195	192
Other liabilities		74	114	118	129	108	155
Total liabilities	Before distribution	146,402	174,341	176,723	205,345	213,550	207,958
	After distribution	146,458	174,341	176,723	205,355	－	－
Capital		5,034	5,258	5,258	5,258	7,069	7,069
Capital reserve		2,543	2,543	2,543	2,543	2,018	2,018
Retained earnings	Before distribution	2,838	1,582	1,658	1,785	1,278	1,400
	After distribution	2,782	1,582	1,658	1,775	－	－
Other shareholders' equity		(1)	(27)	(25)	(27)	(1)	24
Total shareholders' equity	Before distribution	10,414	9,356	9,434	9,559	10,364	10,511
	After distribution	10,358	9,356	9,434	9,549	－	－

None：1. The financial information listed above has been audited by the CPA Shu-Man Tsai and Ling-Wen Huang.
2. Auditors' opinion：Modified unqualified opinion.

6.1.2 Condensed Statements of Income

Unit：NT$ Million

Item \ Year	Five-Year Financial Summary					
	2007.01.01 — 2007.12.31	2008.01.01 — 2008.12.31	2009.01.01 — 2009.12.31	2010.01.01 — 2010.12.31	2011.01.01 — 2011.12.31	2012.01.01 — 2012.03.31
Net interest revenue	2,043	2,081	1,340	1,789	1,988	511
Net non-interest revenue	119	(645)	629	554	330	143
Credit loss expenses	170	622	217	308	899	29
Operating expenses	1,746	1,801	1,709	1,829	1,848	493
Income before tax－operating department	246	(987)	43	206	(429)	132
Income after tax－operating department	142	(977)	76	127	(433)	122
Non-operating department income－after income tax	0	0	0	0	0	0
Special income－after income tax	0	0	0	0	0	0
Cumulative effect of changes on accounting principles－after income tax	0	0	0	0	0	0
Net income	142	(977)	76	127	(433)	122
Earnings per share (NT$)	0.28	(1.86)	0.15	0.24	(0.71)	0.17

None：1. The financial information listed above has been audited by the CPA Shu-Man Tsai and Ling-Wen Huang.

2. Auditors' opinion：Modified unqualified opinion.

6.2 Five-Year Financial Analysis

Amount Unit：NT$ Million

Item	Year	Financial Analysis in The Past Five Years					
		2007	2008	2009	2010	2011	2012.03.31
Operating Ability	Loans to deposits ratio (%)	86.19	86.03	87.23	87.35	85.91	86.84
	Ratio of NPL (%)	1.87	1.87	1.98	0.99	1.04	1.09
	Interest expenses to average deposit balances (%)	1.56	1.78	0.87	0.61	0.79	0.88
	Interest income to average loan balances (%)	3.31	3.41	1.90	1.72	1.92	2.06
	Total assets turnover ratio (times)	0.01	0.01	0.01	0.01	0.01	0.003
	Operating revenue per employee	2.44	1.53	1.98	2.56	2.47	0.70
	Earnings per employee	0.16	(1.04)	0.08	0.14	(0.46)	0.13
Profitability	Return on tier 1 capital (%)	2.54	(10.71)	0.50	2.42	(4.73)	1.36
	Return on total assets (%)	0.09	(0.57)	0.04	0.06	(0.20)	0.06
	Return on equity	1.35	(9.88)	0.81	1.34	(4.35)	1.17
	Net profit margin (%)	6.56	(68.04)	4.19	5.43	(18.69)	18.65
	Earnings per share (NT$)	0.28	(1.86)	0.15	0.24	(0.71)	0.17
Financial Structure	Liabilities to assets ratio (%)	93.34	94.89	94.92	95.54	95.37	95.19
	Fixed assets to stockholders' equity ratio (%)	22.82	25.08	24.22	23.40	21.25	20.80
Growth Rate	Asset growth rate (%)	6.75	17.14	1.34	15.44	4.19	—
	Earnings growth rate (%)	(52.73)	(500.55)	104.32	382.28	(308.55)	—
Cash Flow	Cash flow ratio (%)	13.89	28.58	4.66	6.36	6.37	—
	Cash flow adequacy ratio (%)	632.59	1,019.36	849.98	1,231.87	1,407.94	—
	Cash flow satisfied ratio (%)	15.99	12.95	21.26	3.23	10.66	—
Liquidity Reserve Ratio (%)		20.27	16.78	17.04	13.97	15.25	15.54
Total Secured Loans to Related Parties		670	777	757	862	1,394	1,294
Total Secured Loans to Related Parties as a Percentage of Total Loans (%)		0.55	0.53	0.51	0.51	0.80	0.76
Operating Scale	Asset market share (%)	0.50	0.47	0.55	0.60	0.59	0.62
	Equity market share (%)	0.55	0.55	0.46	0.44	0.45	0.46
	Deposit market share (%)	0.56	0.53	0.50	0.68	0.68	0.58
	Loan market share (%)	0.60	0.60	0.60	0.78	0.73	0.73

Analyses of financial ratio change in the last two years：
The decrease in the ratio about profitability in 2011, caused by increase of bad debt expense and impairment of foreign currency assets.

None：1. The financial information listed above audited by our independent auditors, excluding the information of operating scale.

2. The Bank for International Settlements（BIS）prescribes a standard capital adequacy ratio of 8%。

3. The aforementioned ratios are calculated as follows：

A. Operating Efficiency

(1) Loans to deposits ratio = Total loans / Total deposits

(2) Ratio of NPL = Total non-performing loans / Total loans

(3) Interest expenses to average deposit balances = Total interest expenses / Annual average deposit balances

(4) Interest Income to average loan balances = Total interest income / Annual average loan balances

(5) Total assets turnover ratio = Net revenue / Average total assets

(6) Operating revenue per employee = Net revenue / Total number of employees

(7) Earnings per employee = Net income / Total number of employees

B. Profitability

(1) Return on Tier 1 capital= Income before tax / Average total Tier 1 capital

(2) Return on total assets = Net income / Average total assets

(3) Return on equity = Net income / Average net shareholder equity

(4) Net profit margin = Net income / Net revenue

(5) Earnings per share =(Net income –Preferred stock dividends)/ Weighted average outstanding shares

C. Financial Structure

(1) Liabilities to assets ratio= Total liabilities / Total assets

(2) Fixed assets to stockholders' equity ratio=Total fixed assets / Total stockholders' equity

D. Growth Rate

(1) Asset growth rate = (Current total asset – Last year's total asset) / Last year's total asset

(2) Earnings growth rate = (Current total earnings – Last year's total earnings) / Last year's total earnings

E. Cash Flows

(1) Cash flow ratio = Cash flows from operating activities / (Due to banks and drafts＋commercial bills payable＋financial liabilities at fair value through income statement＋bills and bonds sold under repurchase agreements＋accounts payable in 1 year)

(2) Cash flow adequacy ratio = Cash flows from operating activities in the last 5 Years / （Capital expenditure ＋cash dividends）in the last 5 Years

(3) Cash flow satisfied ratio = Cash flows from operating activities / Cash flows from investing activities

F. Liquidity Reserve Ratio

Liquidity Reserve Ratio = Current assets required by the CBC / Liabilities for which the various current reserve shall be provided

G. Operating Scale

(1) Asset market share = Total assets / Total assets of financial institutes which can operate deposits and loans business

(2) Equity market share = Total equities / Total equities of financial institutes which can operate deposits and loans business

(3) Deposit market share = Total deposits / Total deposits of financial institutes which can operate deposits and loans business

(4) Loan market share = Total loans / Total loans of financial institutes which can operate deposits and loans business

4. Total liabilities are net of reserves for losses on guarantees, losses on security trades, losses on breach of contracts, and accidental loss.

Capital Adequacy

Amount Unit：NT$ Million

Item \ Year			Capital adequacy ratio in the Past Five Years					
			2007	2008	2009	2010	2011	2012.03.31
Capital	Tier 1 capital	Common stocks	5,034	5,258	5,258	5,258	7,069	7,069
		Perpetual non-cumulative preferred stock	0	0	0	0	0	0
		Non-cumulative subordinated debentures without maturity dates	0	0	0	0	0	0
		Capital in advance	0	0	0	0	0	0
		Capital surplus (Apart from fixed asset appreciation surplus)	2,542	2,542	2,542	2,542	2,018	2,018
		Legal earnings reserve	2,404	2,446	1,582	1,605	1,643	1,643
		Special earnings reserve	210	112	0	25	42	42
		Accumulated earnings	224	(977)	76	156	(407)	(298)
		Minor equity	0	0	0	0	0	0
		Other stockholder's equity	(1)	(62)	(30)	(61)	(37)	(28)
		Less：goodwill	0	0	0	0	0	0
		Less：unamortized loss on sale of bad credit	0	0	0	0	0	0
		Less：capital deduct item	590	712	959	1,027	715	716
		Total tier 1 capital	9,823	8,607	8,469	8,498	9,614	9,730
	Tier 2 capital	Perpetual cumulative preferred stock	0	0	0	0	0	0
		Cumulative subordinated debentures without maturity dates	0	0	0	0	0	0
		Fixed asset appreciation surplus	0	0	0	0	0	0
		45% of the unrealized income from financial assets in available-for-sale	0	16	6	15	16	21
		Convertible bonds	0	0	0	0	0	0
		Business reserve and provision for credit loss	136	498	121	235	779	752
		Long term subordinate bonds	1,000	1,000	3,800	3,600	2,800	2,200
		Non-perpetual preferred stock	0	0	0	0	0	0
		Total of perpetual non-cumulative preferred stock and non-cumulative subordinated debentures amounting to more than 15% of the tier 1 capital	0	0	0	0	0	0
		Less：capital deduct item	592	712	959	1,027	715	716
		Total tier 2 capital	544	802	2,968	2,823	2,880	2,257
	Tier 3 capital	Short term subordinate bonds	0	0	0	0	0	0
		Non-perpetual preferred stock	0	0	0	0	0	0
		Total tier 3 capital	0	0	0	0	0	0
	Capital		10,367	9,410	11,436	11,322	12,494	11,987
Risk weighted assets	Credit risks	Standardised approach	95,068	98,980	99,788	112,516	119,355	118,531
		Internal rating based approach (IRB)	0	0	0	0	0	0
		Asset securitization	2,691	1,964	1,650	870	613	606
	Operational risks	Basic indicator approach (BIA)	4,541	4,492	4,190	4,190	4,048	4,120
		Standardised approach / Optional Standardised approach	0	0	0	0	0	0
		Advanced approach	0	0	0	0	0	0
	Market risks	Standardised approach	3,332	2,827	1,742	2,910	3,064	2,476
		Internal model approach	0	0	0	0	0	0
	Risk weighted assets		95,068	108,263	107,369	120,486	127,080	125,733
Capital adequacy ratio （%）			9.81	8.69	10.65	9.40	9.83	9.53
Tier 1 capital as a percentage of risk weighted assets （%）			9.30	7.95	7.89	7.05	7.57	7.74
Tier 2 capital as a percentage of risk weighted assets （%）			0.51	0.74	2.76	2.35	2.27	1.79
Tier 3 capital as a percentage of risk weighted assets （%）			0.00	0.00	0.00	0.00	0.00	0.00
Common stock's equities as a percentage of total assets （%）			3.21	2.86	2.82	2.45	3.16	3.24

Analyses of capital adequacy ratio change in the last two years：

1. The Bank issued 7-year subordinated financial bonds in 2007 and 2009, amount of NT$ 1 billion and NT$ 3 billion respectively. The amount which could be included in Tier 2 capital has decreased NT$ 0.8 billion and NT$ 0.6 billion respectively in 2011 and 2012 Q1 due to approaching maturity.
2. The Bank's capital was increased NT$1.2 billion by cash on Oct. 2011.

Note：1. The financial information listed above audited by our independent auditors, excluding the information of operating scale.

2. The Bank for International Settlements（BIS）prescribes a standard capital adequacy ratio of 8%。
   (1) Capital base = Tier 1 capital + Tier 2 capital + Tier 3 capital
   (2) Risk weighted assets = Credit risk weighted assets + (Operational risks + Market risks) Capital appropriation ×12.5
   (3) Capital adequacy ratio = Capital base / Risk weighted assets
   (4) Tier 1 capital as a percentage of risk weighted assets = Tier 1 capital / Risk weighted assets
   (5) Tier 2 capital as a percentage of risk weighted assets = Tier 2 capital / Risk weighted assets
   (6) Tier 3 capital as a percentage of risk weighted assets = Tier 3 capital / Risk weighted assets
   (7) Common stock's equities as a percentage of total assets = Common stock's equities / Total assets

6.3 Supervisors' Report in the Most Recent Years

Supervisors' Report for Bank of Kaohsiung

Mar. 30, 2012

The Board of Directors have compiled and submitted to us the Bank's 2011 Financial Statements, Consolidated Financial Statements and Report of Independent Auditors which are audited by the CPA Shu-Man Tsai and Ling-Wen Huang ,who are members of Crowe Horwath$_{TM}$, We have completed our examinations and found them to meet the requirements of applicable laws and regulations. This report is hereby prepared in according to Article 219 of the Company Law and submitted for your approval.

Supervisors:

Yu-Hui Su

Shan-Hui Chang

Tsai Yung Yu

(The content of the report is in conformity with the audit report)

6.4 Financial Statements for the Years Ended December 31, 2011 and 2010, and Idependent Auditors' Report

Crowe Horwath$_{TM}$
Certified Public Accountants
A member of Crowe Horwath International

12F, 21 Linshen 2nd Road,
Kaohsiung, Taiwan R.O.C.
TEL: (07)3312133
FAX: (07)3331710

Report of Independent Auditors

The Board of Directors and Shareholders Bank of Kaohsiung Co., Ltd.

We have audited the accompanying balance sheets of Bank of Kaohsiung Co., Ltd. as of December 31, 2011 and 2010, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the "Guiderlines for Certified Public Accountants' Examination and Reports on Financial Statements", and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management. As well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to the first paragraph present fairly, in all material respects, the financial position of the Bank of Kaohsiung Co., Ltd. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for years then ended in conformity with the "Rules Governing the Preparation of Financial Statements of Public Issuing Banks" and generally accepted accounting principles in the Republic of China.

As stated in Note 3 to the financial statement, the Bank has adopted the amended Statement of Financial Accounting Standards No. 34 on "Accounting Principles for Financial Products" as of January 1, 2011. For the effect caused by the changes in accounting principles to the financial statements 2011, please see Note 3.

We have also audited the consolidated financial statements of Bank of Kaohsiung as of FY 2011 and 2010, and have issued the auditor's reports with modified unqualified opinion.

Crowe Horwath$_{TM}$
CPA：Shu-Man Tsai
蔡 淑 滿

CPA：Ling-Wen Huang
黃 鈴 雯

Kaohsiung, Taiwan, Republic of China Mar. 29, 2012
Authorized: （2002）Tai-Tsai-Cheng-(6)-No.168354

(The content of the report is in conformity with the audit report)

BANK OF [illegible] CO., LTD.
BALANCE SHEETS
DECEMBER 31, 2011 and 2010

Unit : NT$ Thousand

ASSETS						LIABILITIES & STOCKHOLDERS' EQUITY					
A/C No	Account	Note	2011.12.31 Amount	2010.12.31 Amount	Comparison (%)	A/C No	Account	Note	2011.12.31 Amount	2010.12.31 Amount	Comparison (%)
11000	Cash & cash equivalents	4	$ 2,840,102	$ 2,015,944	40.88	21000	Due to CBC & banks		$ 11,511,596	$ 12,605,479	(8.68)
11500	Due from CBC and lend to banks	5	24,134,482	26,873,546	(10.19)	22000	Financial liabilities at fair value through income statement	2.6	3,837	15,110	(74.60)
12000	Financial assets at fair value through income statement	2.6	1,615,849	1,104,409	46.31	22500	Bills and bonds sold under repurchase agreements	2	103,207	140,745	(26.67)
12500	Bills and bonds purchased under resale agreements	2	5,878,341	2,791,063	110.61	23000	Accounts payable	15	3,379,348	2,826,560	19.56
13000	Accounts receivable – net	2.7	986,088	989,451	(0.34)	23500	Deposits & remittances	16	193,944,262	185,167,147	4.74
13500	Discounts & loans – net	2.8	166,215,870	162,193,890	2.48	24000	Financial bonds payable	17	4,000,000	4,000,000	–
14000	Available-for-sale financial assets – net	2.9	11,748,424	5,094,124	130.63	25000	Pension payable	2.18	304,726	253,200	20.35
14500	Held-to-Maturity financial assets – net	2.10	5,566,536	7,695,041	(27.66)	25500	Other financial liabilities	2.19	195,150	207,289	(5.86)
15000	Equity method's investments – net	2.11	62,936	55, 046	14.33	29500	Other liabilities	2.20	108,281	129,187	(16.18)
15500	Other financial assets – net	2.12	1,830,973	3,047,938	(39.93)	20000	Total liabilities		$ 213,550,407	$ 205,344,717	4.00
	Property and equipment cost						Stockholders' equity				
18501	Land		$ 1,231,286	$ 1,231,286	–	31001	Capital	21	$ 7,069,476	$ 5,257,982	34.45
18521	Buildings		1,239,159	1,239,159	–	31500	Capital surplus	22	2,017,724	2,542,403	(20.64)
18531	Machinery & equipment		622,593	601,047	3.58		Retained earnings				
18541	Transportation equipment		22,835	24,241	(5.80)	32001	Legal reserve		$ 1,642,841	$ 1,604,713	2.38
18551	Miscellaneous equipment		95,488	95,453	0.04	32003	Special reserve		41,937	25,034	67.52
18561	Leasehold improvement		232,563	232,563	–	32011	Unappropriated earnings	23	(406,883)	155,551	(361.58)
185x1	Total cost		$ 3,443,924	$ 3,423,749	0.59	32000	Total retained earnings		$ 1,277,895	$ 1,785,298	(28.42)
185x4	Less : accumulated depreciation		(1,241,478)	(1,186,969)	4.59		Other stockholders' equity				
18500	Property and equipment cost – net	2.13	$ 2,202,446	$ 2,236,780	(1.53)	32523	on unrealized income on available-for-sale financial assets		($2,384)	($ 25,787)	(90.75)
19000	Intangible assets	2	$ 62,565	$ 58,993	6.06	32599	Other adjustment on stockholder's equity		521	(824)	163.23
19500	Other assets	2.14	769,027	747,564	2.87	32500	Total Other stockholders' equity		($1,863)	($ 26,611)	(93.00)
						30000	Total stockholders' equity		$ 10,363,232	$ 9,559,072	8.41
10000	Total assets		$ 223,913,639	$ 214,903,789	4.19		Total liabilities & stockholders' equity		$ 223,913,639	$ 214,903,789	4.19

(The accompanying notes are an integral part of these financial statements.)

Chairman : Hsian Chung Tsai

President : Wu-Hu Chung

Chief Accountant : Ming-Hung Wu

BANK OF KAOHSIUNG CO., LTD.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011 and 2010

Unit：NT$ Thousand

A/C No	Item	Note	2011.01.01-2011.12.31	2010.01.01-2010.12.31	Comparison (%)
41000	Interest income	2	$3,750,650	$ 3,096,294	21.13
51000	Interest expense		(1,762,374)	(1,307,586)	34.78
	Net interest revenue		$1,988,276	$1,788,708	11.16
	Net non-interest revenue				
49100	Net commission & service fees	2.24	$359,449	$403,627	(10.95)
49200	Gain (loss) on financial assets and liabilities at fair value through income statement	2.6	118,705	(32,949)	460.27
49300	Gain (loss) on available-for-sale financial assets	2	2,291	70,312	(96.74)
49400	Realized (loss) profit from financial assets held to maturity	2.10	80,275	13,964	474.87
49500	Gain (loss) on equity method investments	2.11	37,429	32,812	14.07
49600	Gain (loss) on foreign exchange	2	(105,552)	80,420	(231.25)
49700	Gain (loss) on reversal of asset impairment	2	(418,200)	(216,734)	92.96
48095	Recovery of credit loss and overdue loan.	2	216,041	173,800	24.30
49800	Other net non-interest revenue (loss)		39,879	28,600	39.44
4xxxx	Net revenue		$2,318,593	$2,342,560	(1.02)
51500	Credit loss expenses	2.8	($898,790)	($307,926)	191.89
	Operating expenses				
58500	Personnel service expenses	25	($1,244,398)	($1,269,650)	(1.99)
59000	Depreciation & amortization	25	(83,431)	(83,169)	0.32
59500	Other operating & administrative expenses		(520,654)	(476,266)	9.32
61001	Income (loss) before tax		($428,681)	$205,549	(308.55)
61003	Income tax (expenses) benefit	2.26	(4,662)	(78,455)	(94.06)
69005	Net income (loss)		($433,343)	$127,094	(440.96)
69500	Basic earnings per share (NT$)				
	Income (loss) before tax	27	($0.71)	$0.35	(302.86)
69501	Income (loss) after tax	27	($0.71)	$0.22	(422.73)

(The accompanying notes are an integral part of these financial statements.)

Chairman：Hsian Chung Tsai　President：Wu-Hu Chung　Chief Accountant：Ming-Hung Wu

BANK OF KAOHSIUNG CO.,LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011 and 2010

Unit：NT$ Thousand

Item	Common Stock	Capital Surplus	Retained Earnings				Adjustments on Equity			Sum
			Legal Reserve	Special Reserve	Unappropriated Earnings	Sum	Unrealized income on financial products	Other	Sum	
Balance, January 1, 2010	$5,257,982	$2,542,403	$1,581,788	$ —	$76,416	$1,658,204	($24,320)	($714)	($25,034)	$9,433,555
Net income (loss)	—	—	—	—	127,094	127,094	—	—	—	127,094
Appropriation & distribution of earnings (Note 1)										
legal reserve	—	—	22,925	—	(22,925)	—	—	—	—	—
special reserve	—	—	—	25,034	(25,034)	—	—	—	—	—
Increase (Decrease) on unrealized income on available-for-sale financial assets	—	—	—	—	—	—	(1,467)	—	(1,467)	(1,467)
Other (Sub Note 10)	—	—	—	—	—	—	—	(110)	(110)	(110)
Total on change	$ —	$ —	$22,925	$25,034	$79,135	$127,094	($1,467)	($110)	($1,577)	$125,517
Balance, December 31, 2010	$5,257,982	$2,542,403	$1,604,713	$25,034	$155,551	$1,785,298	($25,787)	($824)	($26,611)	$9,559,072
Balance, January 1, 2011	$5,257,982	$2,542,403	$1,604,713	$25,034	$155,551	$1,785,298	($25,787)	($824)	($26,611)	$9,559,072
Capital increase by capital reserve	525,798	(525,798)	—	—	—	—	—	—	—	—
Employees' stock bonus	6,826	1,119	—	—	—	—	—	—	—	7,945
Net income (loss)	—	—	—	—	(433,343)	(433,343)	—	—	—	(433,343)
Appropriation & distribution of earnings (Note2)										
Legal reserve	—	—	38,128	—	(38,128)	—	—	—	—	—
Special reserve	—	—	—	1,577	(1,577)	—	—	—	—	—
Cash dividend	—	—	—	—	(10,516)	(10,516)	—	—	—	(10,516)
Capital increase by earnings	78,870	—	—	—	(78,870)	(78,870)	—	—	—	—
Capital increase by cash	1,200,000	—	—	—	—	—	—	—	—	1,200,000
Increase (Decrease) on unrealized income on available-for-sale financial assets	—	—	—	—	—	—	23,403	—	23,403	23,403
Other(Sub Note 10 and 20)	—	—	—	15,326	—	15,326	—	1,345	1,345	16,671
Total on change	$1,811,494	($524,679)	$38,128	$16,903	($562,434)	($507,403)	$23,403	$1,345	$24,748	$804,160
Balance, December 31, 2011	$7,069,476	$2,017,724	$1,642,841	$41,937	($406,883)	$1,277,895	($2,384)	$521	($1,863)	$10,363,232

Note1：Both Directors & supervisors' remunerations and Employees' bonus were zero.

Note2：Both Directors & supervisors' remunerations and Employees' bonus were 2,000 thousand and 8,000 thousand.

(The accompanying notes are an integral part of these financial statements.)

Chairman：Hsian Chung Tsai　　President：Wu-Hu Chung　　Chief Accountant：Ming-Hung Wu

BANK OF KAOHSIUNG CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 and 2010

Unit：NT$ Thousand

Item	2011.01.01-2011.12.31	2010.01.01-2010.12.31
Cash flows from operating activities		
Net income	($433,343)	$127,094
Adjustments		
Depreciation	67,870	65,775
amortization	15,562	17,394
Provision for credit loss	898,790	307,926
Financial assets premium (discount) amortization	(7,761)	(40,824)
Recognized investment loss (gain) by equity method	(37,429)	(32,812)
Collections cash dividends by equity method	29,539	22,809
Loss (gain) on sale and discard of property and equipment	153	498
Loss (gain) on sale investments	(74,899)	(30,110)
Loss (gain) on unrealized evaluation of financial assets and liabilities	1,088	19,251
Loss on Financial assets impairment	418,200	216,734
Total on adjustments	$1,311,113	$546,641
Net changed of Operating assets and liabilities		
Net changed of Operating assets:		
Decrease（increase）on financial assets for trading purposes	($523,801)	$1,016,690
Decrease (increase) in accounts receivable	(3,035)	(199,262)
Decrease（increase）on deferred income tax assets	(8,099)	55,100
Total on changed of Operating assets	($534,935)	$872,528
Net changed of Operating liabilities:		
Increase (decrease) in accounts payable	$560,733	($587,863)
Increase (decrease) in taxs payable	—	1,112
Increase （decrease）on accrued pension debt	51,526	31,751
Total on changed of Operating liabilities	$612,259	($555,000)
Total on changed of Operating assets and liabilities	$77,324	$317,528
Net cash provided by / (used in) operating activities	$955,094	$991,263
Cash flows from investing activities:		
Acquisition of Available-for-sale financial assets	($22,678,301)	(7,632,441)
Proceeds from sale of Available-for-sale financial assets	16,029,754	6,429,097
Due repays principal of bond products investment without market price	790,425	400,143
Acquisition of Held-to-Maturity financial assets	(744,568)	(3,766,564)
Proceeds from sale of Held-to-Maturity financial assets	1,704,575	1,377,156
Repayment of principal upon maturity of held-to-maturity financial assets	1,268,480	131,929
Acquisition of property and equipment	(33,810)	(18,250)
Proceeds from sale of property and equipment	121	—
Increase on deferred expenses	(6,430)	—
Acquisition in intangible assets	(16,952)	(4,330)
Decrease（increase） in due from CBC and lend to banks	2,739,064	(4,384,076)
Decrease（increase） in discounts & loans	(4,925,768)	(24,240,484)
Decrease (increase) on bills and bonds purchased under resale agreements	(3,087,278)	1,103,913
Decrease（increase） in other financial assets	7,761	(84,686)
Decrease（increase） in other assets	(9,285)	4,319
Net cash provided by / (used in) investing activities	($8,962,212)	($30,684,274)
Cash from financial activities		
Increase (decrease) on bills and bonds sold under repruchase agreements	($37,538)	(73,029)
Increase (decrease) in other financial liabilities	(12,139)	(77,604)
Increase (decrease) in other liabilities	8,237	11,334
Cash dividend	(10,516)	—
Capital increase by cash	1,200,000	—
Increase (decrease) in due to CBC & banks	(1,093,883)	2,057,245
Increase (decrease) in deposits & remittances	8,777,115	27,245,445
Net cash (used in) / provided by financial activities	$8,831,276	$29,163,391
Net increase (Decrease) in cash & cash equivalents	$824,158	($529,620)
Balance of cash & cash equivalents at the beginning of year	2,015,944	2,545,564
Balance of cash & cash equivalents at the end of year	$2,840,102	$2,015,944
Supplementary disclosures of cash flow information		
Interest paid during the period excluding interest capitalized	$1,700,596	$1,287,164
Income tax paid	$23,631	$22,243
Loss (gain) on unrealized evaluation of financial products	($23,403)	$1,467

(The accompanying notes are an integral part of these financial statements.)

Chairman：Hsian Chung Tsai　President：Wu-Hu Chung　Chief Accountant：Ming-Hung Wu