BANK OF KAOHSIUNG CO., LTD.
Notes to Financial Statements
Dec.31, 2011 and 2010

(Expressed in New Taiwan Thousand Dollars Unless Stated Otherwise)

1. HISTORY AND ORGANIZATION

(1). Bank of Kaohsiung Co., Ltd. is a commercial bank formed and registered in accordance with the provisions of the Banking Law of the Republic of China. The Bank obtained its registration approval in December 1981 and the Certificate of Business Registration in January the following year. The Bank's main business activities are as follows:

A. Agent for the Kaohsiung City Treasury.

B. Management of Kaohsiung Municipal Bond.

C. Other relevant commercial bank businesses authorized under the Banking Law.

D. Savings and trust operations.

E. Other relevant businesses authorized by the Central Competent Authority.

The Bank operates with four departments under the Head Office namely, Business, Municipal Treasury, International Banking, Trust and Wealth Management departments with an additional of 35 local branches and mini- branches and an Offshore Banking Unit (OBU).

Taiwan Stock Exchange Corporation (TSE) approved the Bank' application to seek listing on the Taiwan Stock Exchange and issued the approval document (Tai Jeng (87) Shan No. 11281) on April 27, 1998. The Bank was officially listed on the Taiwan Stock Exchange on May 18, 1998.

The proposal for the privatization of the Bank was approved upon assessment by the Task Force for the Privatization of Public-Owned Enterprises in its 16th Meeting and the proposal was executed on August 3, 1999 in accordance with approval document (Kaohsiung City Government Tsai 3 No. 23963). The offering of the Bank's shares to the public as part of the privatization policy of government-owned banks came into effect on August 17, 1999 upon approval by the Securities and Futures Commission of the Ministry of Finance. The Bank was officially reorganized as a private enterprise on September 27, 1999.

(2) The Bank employs a total of 939 employees as of December 31, 2011 and 914 employees as of December 31, 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with the "Rules Governing the Preparation of Financial Statements of Publicly Issued Banks" and generally accepted accounting principles in the Republic of China. When preparing the financial statements in accordance with the said rules and principles, the Bank had to provide the provision for credit loss, depreciation of property, asset impairment and reserve for guarantee based on reasonsable estimated amounts. Because the estimation is usually made under uncertain circumstances, it might be different from the actual result.

Due to the characteristics of the banking business, it is more difficult to ascertain the business turnover. Therefore, the Bank did not categorize its assets and liabilities into current or non-current items, provided that the assets and liabilities were categorized by nature and in the order of corresponding liquidity. The analyses on maturity of assets and liabilities is shown in Note 32.

Summary of significant accounting policies of the Bank is as follows

(1) Basis of Financial Statements

The accompanying financial statements include the accounts of the head office, the OBU and all branches and representative offices. All inter-office balances and transactions have been eliminated.

(2) Foreign Currency transaction

Transactions of non-derivative products dominated in foreign currency are recorded in the amount converted into NTD at the interest rate applicable when the transactions take place. The loss or gain on exchange or settlement of assets and liabilities denominated in foreign currency arising from different excange rates is recorded as the income in the year of exchange or settlement. The balance of assets and liabilities denominated in foreign currency on the balance sheet date shall be converted at the exchange rate on the same date. The conversion differences, if any, shall be recorded as the income for the period, provided that the conversion differences of equity products that are financial assets in available-for-sale shall be recorded as the adjustment item of shareholders' equity, and the conversion differences of equity products that are evaluated based on cost shall be evaluated at the historical exchange rate on the date of transaction.

(3) Financial Products at Fair Value through Income Statement

Such products include financial assets or liabilities for the purpose of transactions, and the financial assets or liabilities designated to be evaluated at fair value and recognized income based on changes in fair value when they are recognized originally. The Bank recognizes a financial asset or a financial liability on its balance sheet when the Bank becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Bank has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled, or expired.

When they are recognized originally, they should be evaluated based on fair value plus the trading cost for acquisition or issue, and in the following evaluation, they shall be evaluated based on fair value and recognize the income based on changes of fair value. The accounting applicable on the date of transaction shall apply when financial assets are purchased or sold according to customary transactions.

Derivative products which fail to comply with hedging accounting shall be classified as the financial assets or liabilities for the purpose of transaction. When fair value is positive, they shall be recorded as financial assets. When fair value is negative, they shall be recorded as financial liabilities.

Basis of fair value: the closing price on balance sheet date in the case of listed (OTC) securities; the value of net assets on balance sheet date in the case of beneficiary certificates for open-end funds; the reference price of GTSM on balance sheet date for government bonds; the fair value evaluated based on evaluation method in the case of financial products without market price.

Financial assets or liabilities at fair value through income statement are combined products, and in order to remove or mitigate the inconsistency in the accounting materially, the Bank will state the changes of fair value of financial assets or liabilities with inconsistent accounting as income in the original recognition. According to the Bank's risk management policy and a portfolio of financial assets, financial liabilities and combination thereof managed by the investment strategy, the fair value shall be applied in measurement.

(4) Bills and Bonds Sold under Agreements

Bills and bonds purchased under re-sale agreement refer to the amount payable to the trading counterpart actually, which refer to the financing transaction. Bills and bonds sold under re-purchase agreement refer to the amount acquired from the trading counterpart actually. The relevant interest income or expenditure is recognized on an accrual basis.

(5) Overdue Accounts

According to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due / Non-performing Loans" of Banking Bureau, FSC, loans or other credit extensions which are not repaid when due may be translated into the overdue accounts together with estimated interest receivable subject to the approval of the Commit of NPL guiding team.

The overdue accounts translated from loans are recorded under the title of discounts and loans. Any overdue accounts other than those translated from loans (e.g. translated from guarantee, acceptance and credit card) shall be recorded under the title of other financial assets.

(6) Provision for Credit Loss & Reserve for Guarantee

Before January 1, 2011, the Bank to evaluate the possible loss of potential risks of certain uncollectible credit and entire credit portolio and provide credit loss and reserve for guarantee, in terms of discounts and loans, accounts receivable and other financial assets (inward remittance and other overdue accounts), and balances of the various

guarantees.

As of January 1, 2011, the Bank first evaluated the impairment on loans and receivable accounts to determine whether there was any objective evidence showing impairment on significant individual loans and receivable accounts. If there was any objective evidence showing such impairment, the impairment shall be evaluated individually. If the other objective evidence showed impairment on non-significant individual loans and receivable accounts and non-impairment on individual loans and receivable accounts, the characteristics with similar credit risk would be included the asset portfolio and the impairment on the portfolio should be evaluated individually. The objective evidence showing impairment might include:

A. There are obvious financial problems confronting the debtor; or

B. Overdue discount and loans and receivable accounts; or

C. The debtor is likely to wind up, or proceed with financial reorganization.

If there was objective evidence showing impairment loss, the impairment loss would be the difference in the book value of loans and receivable accounts and the value after the projected cash flow is discounted at the initial interest rate applicable to the loans and receivable accounts. If the loans were subject to floating interest rate, the current interest rate required under the contract for discount rate used to measure the impairment loss shall apply.

After recognition of the impairment loss, the interest revenue should be stated based on the book value after the impairment is recognized and at the discount rate applied to impairment loss. If the impairment loss decreases thereafter and the decrease is apparently related to the events occurring after recognition of impairment (e.g. improvement of debtor's credit rating), the impairment on loans and receivable accounts already recognized should be reversed through allowance accounts, provided that such reversal shall not cause the book value of the loans and receivable accounts to exceed the cost after amortization under unrecognition of impairment loss. The reversal shall be recognized as current income.

In accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due / Non-performing Loans", subject to the collectability, the assets may be categorized into normal loans, loans to be attended, collectable assets, assets which it is difficult to be collected, and assets unlikely to be collected. The minimum allowance for bad debt and reserve for guarantee liability are stated at the total of 0.5%, 2%, 10% and 50% of the balance of the individual credit (exclusive of government's credit) and the balance3.

The Bank offsets credit loss according to the evaluated collectibility of overdue accounts and overdue loans and value of collateral subject to the approval of the Board of Directors. Recovery of writer-off credit loss shall be stated as recovery income on credit loss, under other non-interest revenues.

(7) Available-for-sale Financial Assets

When originally recognized, the available-for-sale financial assets are evaluated on fair value plus the trading cost for acquisition or issue, and in the following evaluation, they shall be evaluated based on fair value and change of the value thereof is recorded as the adjustment item of shareholders' equity. Cumulative gain or loss is recorded as the income for the period when the financial assets are excluded. The accounting applicable on the date of transaction shall apply when financial assets are purchased or sold according to customary transactions.

Dividends shall be recognized as income on the ex-dividend day or date of resolution made by shareholders' meeting, provided that the net income declared prior to investment shall be deducted from the investment cost in equity products. Stock dividends are not treated as investment gains and are recorded only for the number of additional shares received. The cost per share is re-calculated based on the increased shareholding. The margin between the amount of liablity product recognized originally and matured amount is recognized as the income for the period based on interest amortized under interest method (in the case of minor margin, the straight line method shall apply).

If there is objective evidence showing impairment, it shall be recognized as impairment loss. If the impairment loss decreases thereafter, the decrease on impairment loss of the equity products in available-for-sale is recognized as the adjustment item of shareholders' equity. If the decrease on impairment loss of liability product in available-for-sale is apparently related to the events occurring after recognition of impairment, it shall be reversed and recognized as the income for the period.

(8) Held-to-Maturity Financial Assets

Held-to-Maturity financial assets are evaluated based on the amortized cost under interest method (in the case of minor difference, straight line method). When they are recognized originally, they should be evaluated based on fair

value plus the trading cost for acquisition or issue, and stated as income in the case of elimination, value impairment or amortization. The accounting applicable on the date of transaction shall apply when financial assets are purchased or sold according to customary transactions.

If there is objective evidence showing impairment, it shall be recognized as impairment loss. If the impairment loss decreases thereafter and obviously relates to the events subsequent to recognition of impairment, it shall be reversed and stated as the income for the period, provided that the reversal shall not make the book value more than the cost minus the amortization in the case of no recognition of impairment.

(9) Long-Term Investments in Equity Method

Long-term investments are accounted for using the equity method while the Bank owns at least 20% of the voting rights of the investee companies or the Bank has significant influence over the investee companies' operational decisions.

When equity is obtained or equity method is firstly applied, the differences between investment cost and net equity value shall be amortized averagely within five years. However, as of Jan. 1, 2006, according to the amended Statement of Financial Accounting Standards, the investment cost shall be analyzed and processed, and the investment cost in excess of identifiable fair value of net assets shall be stated as goodwill. The goodwill will not be amortized, provided that it is necessary to conduct impairment test periodically every year. If some extraordinary circumstances or changes in environment show that the goodwill is likely to be impaired, it is also necessary to conduct impairment test. If the identifiable fair value of net assets exceeds the investment cost, the differences thereof shall be decreased according to the fair values of non-current assets (financial assets, assets to be disposed of, deferred income tax assets and prepaid pension fund and other pension payments not valued under equity method). If there is still a difference, it shall be stated as extraordinary income. As of Jan. 1, 2006, the balance of long-term equity investment under equity method which has not yet been amortized shall be treated as goodwill and will not be amortized, if the investment cost exceeds the net value of the acquired equity. The difference between the original investment cost and net value of equity shall be amortized within the residual years continuously, in the case of deferred loans.

It is necessary to evaluate whether there is any sign for impairment on balance sheet date. If there is objective evidence showing impairment, it shall be recognized as impairment loss. The long-term equity investment with significant impact but without controlling power shall be evaluated based on the book value of the individual investment.

The income generated from transactions between the Bank and the investee evaluated under equity method which has not yet been realized should be deferred, and not recognized until the year in which it is realized. Where the income is generated from depreciated or amortized assets, it should be recognized year by year according to their useful years.

The Bank will evaluate the investee with controlling power based on equity method, and will prepare consolidated financial statements on June 30 and Dec. 31 every fiscal year. Further, this Bank also complies with the official letter under Ching-Kuan-Cheng-6-Tze No. 0960034217 which ordered that all of the listed (OTC) companies shall also prepare the consolidated financial statements for Q1 and Q3 as of 2008.

(10) Other Financial Assets

The financial assets evaluated based on cost are the investment in equity products of which the fair value can not be measured, including unlisted (non-OTC) stocks and emerging stocks, which are evaluated based on the cost originally recognized. If there is any objective evidence showing impairment, it should be recognized as impairment loss. The impairment loss should not be reversed.

The bond investment without market price refers to the bond investment without public quotation and subject to fixed or decidable amount, which is evaluated based on amortized cost. The accounting principles applicable to it are similar to those applicable to Held-to-Maturity financial assets, provided that it may be disposed of free from any restrictions. If there is objective evidence showing impairment on the value of financial assets carried at cost after amortization, it shall be recognized as impairment loss. If the impairment loss decreases thereafter and is apparently related to the events occurring after recognition of impairment, it shall be reversed and recognized as the current revaluation gain, provided that such reversal shall not cause the book value of the assets to exceed the cost after amortization under unrecognition of impairment loss.

The overdue accounts other than those re-stated from loans shall be measured at the net after original cost less allowance for bad debt.

Derivative financial products for hedging are evaluated based on fair value, and the risks based on which the price thereof is changed are stated as the income for the period or adjustment items under the title of shareholders' equity.

(11) Property and Equipment Cost

Property and equipment cost are booked at the cost at the time of construction or acquisition. The expenditures for substantial improvement and betterment will be capitalized and booked as fixed assets. The expenditure for general repair and maintenance will be book as expense.

For the accumulated depreciation of property and equipment cost, except if rental improvement is depreciated in five years or the rental period, whichever is shorter, and the rest is depreciated at the cost with one-year residual value reserved and calculated in accordance with the useful years stipulated by Income Tax Law and the Straight Line Method. If the assets remain in use at the end of the estimated useful years, they are to be depreciated in accordance with the estimated residual useful years and the book value. If the assets are not remaining in use, they are to be valued in accordance with the net cash value or book value, whichever is lower, and transferred to the proper account thereafter. Upon the disposition of property and equipment cost, the book value and accumulated depreciation accounts are to be posted and transferred accordingly. The gain / loss from the sales of property and equipment cost is to be booked in the Income Statement of the year.

(12) Deferred Expenses

Deferred expenses are stated at the cost of acquisition, and amortized according to the useful years under straight line method.

(13) Intangible Assets

The expenses in computer software shall be amortized averagely within 5 years as of the month when they are incurred.

(14) Pension Plan

Since 1998, the Bank has set up a defined pension plan covering all regular employees pursuant to the provisions of the Statement of Financial Accounting Standards No. 18 "Accounting for Pensions".

Because of its privatization on September 27, 1999, the Bank made full payment of its entire pension obligations to all employees (including retired, terminated and retained) based on their service years pursuant to the relevant regulations. Retained employees' service years will start afresh and the regulations governing the pension plan prescribed by the Labor Standards Law will apply. The Bank computes the net pension cost based on an actuarial valuation.

The retirement pension confirmed to be contributed pursuant to the rules of retirement should be recognized as the current period expenses in the duration of the employee's service.

(15) Reserve for Transaction Loss

According to the "Regulations Governing Securities Firms", if the gain on the securities firm's own transaction of marketable securities exceeds the loss thereon, it shall provide 10% of the excess as the reserve for transaction loss per year, and offset against the loss in the month when net loss on its transaction of marketable securities takes place, provided that if the cumulative provision has amounted to NT$200,000,000, it is not necessary to provide such reserve any longer.

In accordance with FSC Jin-Guan-Zheng-Quan Directive No. 0990073857, effective January 1, 2011, provisions of "Reserve for transaction loss" and "Reserve for default loss" by securities firms should be deleted, and the "Reserve for transaction loss" and "Reserve for default loss" already provided at the end of December 2010 should be transferred to special reserve. After the transfer, the reserve should be used to offset a deficit. When the reserve reaches 50% of the Bank's paid-in capital, it can only be transferred to capital stock as legal reserve.

(16) Employee Bonus and Remuneration to Directors/Supervisors

This Bank estimated the employee bonus and remuneration to directors/supervisors after January 1, 2008 according to the official letter under (96) Chi-Mi-Tze No. 052 of Accounting Research and Development Foundation in Taiwan, and also stated the employee bonus and remuneration to directors/supervisors as the accounting titles of operating cost or operating expenses by the nature of the bonus and remuneration. In the event of any difference in the

resolution made by shareholders' meeting and the estimated figures in the financial statements, it shall be identified as the variance in estimation and stated in the current income statements.

(17) Recognition of Interest Income and Service Fees

Discounts and loans are recorded into the account by outstanding principal, exclusive of unearned income. The interest income is recognized on an accrual basis. If any overdue credit is unlikely to be repaid upon evaluation, the principal and income receivable shall be stated as overdue accounts, and the interest receivable should not be stated as interest income until it is realized. Pursuant to the Regulations of FSC, interest on loans or credits extended by the Bank to borrowers for the purpose of overcoming financial difficulties and where loan extension agreements have been signed shall be classified as deferred income from the date of recognition provided that both parties agree to the recording of such interest. The interest revenue on those loans is recognized only upon collection.

Service fees are recorded as income when received or when the services are rendered.

(18) Income Tax

According to FAS No. 22, "Accounting for Income Tax," tax is provided based on accounting income after adjusting for permanent differences and inter-and intra-period allocations. The income tax effect of taxable temporary differences was recorded as a deferred income tax liability; losses available for carry forward and income tax credits were recorded as deferred income tax assets, for which a valuation allowance is provided for deferred tax assets that are not certain to be realized.

Overestimate or underestimate provision of previous year's income tax liabilities is included in current year's income tax as adjustment.

An additional 10% income tax on earnings is included as expense in the year when the stockholders resolved to retain the earnings.

According to FAS No. 12, "Accounting for income tax credits", the Bank's income tax credits generated from the acquisition of eligible equipment or technology, expenses for research and development and losses carried forward are recognized in the period when the tax credits arise.

The "Income Basic Tax Act" was enforced as of January 1, 2006. According to the Act, the payable income tax for the then year should be the higher of the basic tax after the taxable income calculated pursuant to the Income Tax Law including the tax benefits provided under the Income Tax Law and other laws multiplies by the tax rate (10%) set by the Executive Yuan, and the tax calculated pursuant to the Income Tax Law. The Bank has included its effect in the income tax for the then period.

Deferred assets or liabilities are recalculated for any amendments of tax regulations on the date of announcement. Differences arising from the tax law amendments are recognized as expenses for the current period.

(19) Asset Impairment

Where some environmental change or incident reflects that the recoverable amount for the assets owned by the company is less than their book value, the company should recognize the impairment loss. The recoverable amount means the higher of the net fair value or value in use of an asset. The net fair value means the collectable net amount upon disposal of an item of assets in a fair transaction, and the value in use means the discounted cash flow estimated to be produced by an asset in its life circle.

When the loss of assets recognized in the previous year doesn't exist any longer, such loss may be reversed insofar as it does not exceed the amount of loss provided in the previous year. The recognized loss of goodwill should not be reversed.

(20) Operation Departments

An enterprise consists of operation departments engaged in the operating activities that might generate income and incur expenses (including the income and expenses generated in the intra-departmental transactions in the enterprise). The operating results of operating departments shall be rechecked by the operation policy makers periodically for determination of the policy to allocate resources to the relevant departments and appraisal of the departments' performance. Meanwhile, financial statements are also prepared separately by operating department.

3. REASONS AND IMPACTS OF ACCOUNTING PRINCIPLE CHANGES

(1) Accounting for financial instruments:

As of Jan. 1, 2011, the Bank has applied 3rd Amendments to the Statement of Financial Accounting Standard No. 34 "Accounting Principles of Financial Products". According to the amended provisions, the loans and receivable accounts originally stated shall apply the requirements about recognition of loans and receivable accounts,

subsequent evaluation and impairment referred to in the Statement. Such accounting principle change resulted in the decrease in the Bank's net profit after tax by NT$727,041 thousand and decrease in EPS after tax by NT$1.20 in 2011.

(2) Disclosure of information by operation department:
As of January 1, 2011, the Bank has adopted the Statement of Financial Accounting Standards No. 41 "Disclosure of Information by Operation Department". According to the Statement, the enterprise shall disclose the information helpful for users of the financial statement to evaluate the business activities conducted by the enterprise and the nature of economic environment under which the enterprise operates and financial effect thereof. The Bank decides and expresses the operation department based on the information provided to the decision policy maker internally. The Statement also replaces the Statement of Financial Accounting Standards No. 20 " Disclosure of financial information by department". Notwithstanding, said changes in the accounting principles would not produce any effect on the income in the Bank's financial statements 2011. The Bank has also reclassified the information by department in the previous period, which is attached hereto for comparison and reference.

(3) In accordance with FSC Jin-Guan-Zheng-Quan Directive No. 0990073857, effective January 1, 2011, provisions of "Reserve for transaction loss" and "Reserve for default loss" by securities firms should be deleted. Such accounting principle change did not produce any significant impact to the Bank's financial statements 2011.

4. CASH & CASH EQUIVALENTS

Item	2011.12.31	2010.12.31
Cash on hand	$1,036,534	$1,071,256
Cash on hand-Foreign currency	175,802	141,568
Due from banks	455,406	378,700
Checks for clearance	1,172,360	424,420
Total	$2,840,102	$ 2,015,944

5. DUE FROM CBC AND LEND TO BANKS

Item	2011.12.31	2010.12.31
Due from CBC-Reserve for deposits -Type A	$4,834,242	$3,337,610
Due from CBC-Reserve for deposits-Type B	4,970,089	4,650,791
Inter-Bank fund cleaning account	130,151	151,461
Lend to banks	2,800,000	2,733,684
Purchased C.D. from CBC	11,400,000	16,000,000
Total	$24,134,482	$26,873,546

(1) The reserve for deposits, as required by the Banking Law and the Central Bank Law, is calculated by applying the statutory rates to the average monthly balances of the various types of deposit accounts. The balance of the Bank's Reserve for Deposits as of December 31, 2011 and 2010 were $4,970,089 thousand and $4,650,791 thousand respectively. By law, the Bank is not permitted to utilize the reserve unless at the time when the balance of the reserve is adjusted.

(2) For the guarantees towards the CBC certificate of deposit as mentioned above, please see Note 29.

6. FINANCIAL PRODUCTS AT FAIR VALUE THROUGH INCOME STATEMENT

Item	2011.12.31	2010.12.31
Financial assets for trading purposes		
Bills investments	$1,309,634	$1,012,396
Bonds	76,199	77,617
Sub-total	$1,385,833	$1,090,013
Derivative financial products		
Forward exchange	$677	$6,116
Foreign exchange swaps	—	8,280
Sub-total	$677	$14,396
Financial assets at fair value through profit or loss		
Convertible corporate bonds	$229,339	—
Sub-total	$229,339	—
Total	$1,615,849	$1,104,409
Derivative financial Debt		
Forward exchange contracts	($268)	($5,537)
Foreign exchange swaps	(3,569)	(5,967)
Interest rate swap	—	(3,606)
Sub-total	($3,837)	($15,110)

(1) Derivative transactions undertaken by the Bank are primarily intended for meeting client needs, balancing the Bank's trading positions as well as requirements, hedge the Bank's exposure in assets and liabilities arising from interest rate and currency exchange rate fluctuations. The Bank adopted hedging stratrgies that were effective in hedging against most of the risk of market prices or cash flows.

The contract amount (notional principal) of the Bank's financil derivates are listed as follows:

Item	Contract Amount	
	2011.12.31	2010.12.31
Forward exchange contracts	258,018	269,885
Foreign exchange swaps	866,749	442,956
contracts	—	87,300

(2) Until Dec. 31, 2011 and Dec. 31, 2010, the maturity dates of bonds possessed by the Bank range from 2019 to 2021. The average interest rates thereof are specified in Note 33.(1).

(3) Gain on financial assets and liabilities at fair value through income statement in FY2011 and 2010 which was realized net income was $119,793 thousand and minus $ 13,698 thousand. The evaluated income thereof was minus $ 1,088 thousand and minus $ 19,251 thousand.

(4) For the guarantees towards financial assets as mentioned above, please see Note 29.

7. ACCOUNTS RECEIVABLE－NET

Item	2011.12.31	2010.12.31
Credit card fees receivable	$189,386	$128,183
Income receivable	132,379	124,190
Acceptances receivable	124,776	117,421
Interest receivable	356,666	301,916
Income tax refundable- Previous period	22,487	40,291
Income tax refundable- Current period	10,870	－
Security settlements receivable	－	79,762
Accounts receivable from credit card issue bank	12,111	24,777
Factoring Receivables	138,040	174,779
Other receivable	9,131	1,375
Sub-total	$995,846	$992,694
Less:provision for credit loss	(9,758)	(3,243)
Net	$986,088	$989,451

(1) In accordance with FSC Jin-Guan-Ying-Fa Directive No. 0991007640, effective December 31, 2010, the Bank shall also disclose the following as of January 1, 2011:

A. Changes in allowance for bad debt of receivable accounts: (applicable as of January 1, 2011)

Item	2011.01.01－2011.12.31
Balance, January 1, 2011	$3,243
Provisions	6,580
Bad debt for resale	(52)
Decrease in reclassification	(13)
Balance, December 31, 2011	$9,758

B. Estimate for allowance for bad debt of receivable accounts: (applicable as of January 1, 2011)

Item	Total receivable accounts	Allowance for bad debt
	2011.12.31	2011.12.31
Objective evidence of individual impairment		
— Evaluation on individual impairment	$5,490	$4,533
— Evaluation on consolidated impairment	8,812	2,632
Absence of objective evidence of individual impairment		
— Evaluation on consolidated impairment	981,544	2,593
Total	$995,846	$9,758

8. DISCOUNTS AND LOANS－NET

Item	2011.12.31	2010.12.31
Bills purchased & discounts	$75,527	$ 46,490
Short-term loan & overdrafts	58,200,570	59,123,450
Short-term secured loan & overdrafts	13,164,629	13,482,093
Medium-term loans	19,761,881	16,983,516
Medium-term secured loans	24,524,823	20,855,800
Long-term loans	12,490,735	12,720,585
Long-term secured loans	38,370,150	38,496,425
Overdue loans	1,311,407	1,345,309
Sub-total	$167,899,722	$ 163,053,668
Less：provision for credit loss	(1,683,852)	(859,778)
Net	$166,215,870	$ 162,193,890

(1) Loans and other credit advances which the bank has ceased to charge interest as at Dec. 31, 2011 and Dec. 31, 2010 was ＄1,361,491 thousand and $1,403,148 thousand respectively. Interest income that was not included in FY2011 and 2010 was ＄47,693 thousand and $42,946 thousand respectively.

(2) Provision for Credit Loss (including accounts receivable, bills purchased, discounts & loans, short-term receivables, overdue accounts on other financial assets)

Item	2011.01.01－2011.12.31		
	Risks of non-collectibility of specific loans	Inherent risk of the overall loan portfolio	Total
Balance, January 1, 2011	$750,673	$130,157	$880,830
Provisions (reversal) Credit Loss	29,586	869,204	898,790 (Note 1)
Translation of reserve for guarantee liability	—	13,817	13,817
Written-off credit against loans and out-of-pocket expenses	(85,978)	—	(85,978)
Exchange rate differences	—	6,212	6,212
Balance, December 31, 2011	$694,281	$1,019,390	$1,713,671

Item	2010.1.1－2010.12.31		
	Risks of non-collectibility of specific loans	Inherent risk of the overall loan portfolio	Total
Balance, January 1, 2010	$1,228,525	$196,878	$1,425,403
Provisions (reversal) Credit Loss	361,585	(53,659)	307,926 (Note 2)
Written-off credit against loans and out-of-pocket expenses	(839,437)	—	(839,437)
Exchange rate differences	—	(13,062)	(13,062)
Balance, December 31, 2010	$750,673	$130,157	$880,830

Note1：Provisions provided in this period was $898,790 thousand, which was stated as the provision for credit loss $898,790 thousand.
Note2：Provisions provided in this period was $307,926 thousand, which was stated as the provision for credit loss $307,926 thousand.

(3) In accordance with FSC Jin-Guan-Ying-Fa Directive No. 0991007640, effective December 31, 2010, the Bank shall also disclose the following as of January 1, 2011:

A. Changes in the allowance for bad debt of loans: (applicable as of January 1, 2011)

Item	2011.01.01－2011.12.31
Balance, January 1, 2011	$877,587
Provisions	892,210
Translation of reserve for guarantee liability	13,817
Bad debt for resale	(85,926)
Increase in reclassification	13
Foreign exchange and other changes	6,212
Balance, December 31, 2011	$1,703,913

B. Estimate for allowance for bad debt of loans: (applicable as of January 1, 2011)

Item	Total Loan	Allowance for bad debt
	2011.12.31	2011.12.31
Objective evidence of individual impairment		
— Evaluation on individual impairment	$1,829,826	$542,222
— Evaluation on consolidated impairment	1,175,937	337,998
Absence of objective evidence of individual impairment		
— Evaluation on consolidated impairment	164,944,043	823,693
Total	$167,949,806	$1,703,913

a. The total loans include discount and loan, NT$167,899,722 thousand, and overdue accounts other than those re-stated from loans, NT$30,068 thousand, and short-term out-of-pocket expenses, NT$20,016 thousand, on December 31, 2011.
b. The total allowance for bad debt includes discount and loan-allowance for bad debt NT$1,683,852 thousand, and overdue accounts other than those re-stated from loans-allowance for bad debt NT$20,061 thousand, on December 31, 2011.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS－NET

Item	2011.12.31	2010.12.31
Central government bonds	$229,232	$269,816
Other government bonds	387,032	242,030
Corporate bonds	499,795	499,715
Stocks	55,504	84,772
Profits the certificate	13,144	375,790
CBC Negotiable certificate of deposit	7,050,000	－
Overseas bonds	3,516,101	3,647,788
Sub-total	11,750,808	$5,119,911
Valuation adjustment	(2,384)	(25,787)
Total	$11,748,424	$5,094,124

(1) Until Dec. 31, 2011 and 2010, the maturity dates of said financial assets held by the Bank range from 2012 to 2023, and from 2011 to 2023. Please refer to Note 33.(1) for the average interest rate.
(2)Until Dec.31, 2011 and 2010, the book value of transactions under re-purchase agreement of the said financial assets was $88,900 thouasnd and $124,400 thousand.
(3)The guarantees of the said financial assets are specified in Note 29.

10. HELD-TO-MATURITY FINANCIAL ASSETS－NET

Item	2011.12.31	2010.12.31
CBC Negotiable certificate of deposit	$ －	$500,000
Central government bonds	259,146	328,677
Other government bonds	2,283,507	2,106,331
Corporate bonds	299,529	647,576
Overseas bonds	2,724,354	4,112,457
Total	$5,566,536	$7,695,041

(1) Until Dec. 31, 2011 and 2010, the maturity dates of the said financial assets possessed by the Bank range from 2012 to 2031, and from 2011 to 2031. The average interest rates thereof are specified in Note 33.(1).

(2) The adjustments translated to other shareholders' equity in 2011 and 2010 were NT$1,342 thousand and NT$12 thousand.

(3) For the guarantees towards financial assets as mentioned above, please see Note 29.

(4) In accordance with CBC Tai-Yang-Yeh-Zi No. 1000034507 dated July 19, 2011, as of October 1, 2011, the minimum rate of current assets and liabilities to be provided by financial organizations shall be increased from 7% to 10% as of October 2011, and "on a monthly basis" instead of "on a daily basis". Therefore, according to the Statement of Financial Accounting Standards No. 34, the proceeds from held-to-maturity financial assets sold earlier due to the amendments to the competent authority's laws and regulations was NT$1,704,575 thousand, and the relevant gain from the disposal, NT$80,275 thousand, was recognized in 2011.