6.3 Audit Committee Report in the Most Recent Years

Audit Committee Report for Bank of Kaohsiung

Mar.26, 2015

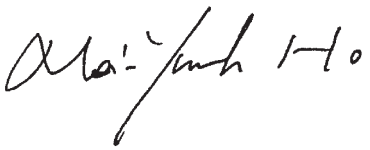
The Board of Directors has prepared the business report, financial statements, and earnings distribution for year 2014. Among these, Crowe Horwath (TW) CPAs has audited the financial statements and issued an audit report. We, the Audit Committee, have reviewed said business report, financial statements, and earnings distribution. We believe that these statements comply with applicable regulations. This report is duly submitted pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, and we hereby submit this report.

Regard to

Regular Shareholders' Meeting of the Bank of Kaohsiung

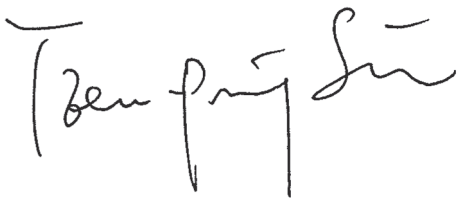
Audit Committee

Independent Director : Mei-Yueh Ho



Independent Director : Wen-Yuan Lin

Independent Director : Tzen-Ping Su



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

6.4 Financial Report for FY 2014

Crowe Horwath (TW) CPAs

Member Crowe Horwath International

12F, 21 Linshen 2nd Road,
Kaohsiung, Taiwan R.O.C.
TEL：886 7 3312133
FAX：886 7 3331710

Report of Independent Auditors

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

We have audited the accompanying consolidated balance sheets of Bank of Kaohsiung Co., Ltd. (the "Bank") and subsidiaries as of December 31, 2014 and 2013 and the related consolidated statements of comprehensive income, changes in consolidated shareholders' equity and consolidated cash flows for the years ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those rules and 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 consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Bank of Kaohsiung Co., Ltd. and subsidiaries as of December 31, 2014 and 2013, the financial performance and their cash flows for the years ended December 31, 2014 and 2013, in conformity with the "Regulations Governing the Preparation of Financial Reports by Public Banks", "International Financial Reporting Standards", "International Accounting Standards", interpretations and public announcements of interpretations endorsed by the Financial Supervisory Commission of the Republic of China and certain other guidelines issued by the authorities.

We have also audited the parent bank only financial statements of the Bank for the years ended December 31, 2014 and 2013, and have issued unqualified opinions thereon.

Crowe Horwath (TW) CPAs

CPA：Shu-Man Tsai

Tsai Shu Man

CPA：Ling-Wen Huang

HUANG LING WEN

Republic of China Mar. 26, 2015

Authorized: Jin-Kuan-Cheng-Shen-No.10200032833

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

BANK OF KAOHSIUNG CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2014 AND 2013

Unit：NT$ Thousand

ASSETS			December 31, 2014		December 31, 2013		LIABILITIES AND SHAREHOLDERS' EQUITY			December 31, 2014		December 31, 2013	
A/C No.	Accounts	Note	Amount	%	Amount	%	A/C No.	Accounts	Note	Amount	%	Amount	%
11000	Cash & cash equivalents	6.1	$4,107,916	2	$3,329,141	1		**LIABILITIES**					
11500	Due from the Central Bank of China and other banks	6.2	23,171,136	9	23,220,274	10	21000	Due to Central Bank of China and other banks	6.15	$9,519,129	4	$15,024,665	6
12000	Financial assets at fair value through profit or loss	6.3	10,975,714	4	1,590,421	1	22000	Financial liabilities at fair value through profit or loss	6.16	23,237	–	5,621	–
14000	Available-for-sale financial assets	6.4	26,141,249	10	19,249,602	8	22500	Bills and bonds sold under agreements to repurchase	6.17	61,121	–	68,019	–
12500	Bills and bonds purchased under agreements to resell	6.5	13,385,318	5	3,460,558	1	23000	Accounts payable	6.18	2,872,063	1	2,747,219	1
13000	Accounts receivable, net	6.6	855,286	–	757,500	–	23200	Current income tax liabilities	6.7	4,847	–	9,811	–
13200	Current income tax assets	6.7	25,981	–	19,862	–	23500	Deposits and remittances	6.19	236,927,451	87	198,689,944	85
13500	Discounts and loans, net	6.9	182,883,017	67	178,261,475	77	24000	Bank debentures	6.20	7,000,000	3	6,000,000	3
14500	Held-to-Maturity financial assets, net	6.10	2,746,339	1	–	–	25500	Other financial liabilities	6.21	178,408	–	138,703	–
15500	Other financial assets, net	6.11	1,448,140	1	1,566,331	1	25600	Provisions	6.22	956,097	–	855,490	–
18500	Property and equipment, net	6.12	2,978,502	1	2,744,082	1	29500	Other liabilities	6.23	149,895	–	144,849	–
19000	Intangible assets, net	6.13	64,317	–	41,315	–	20000	Total liabilities		$257,692,248	95	$223,684,321	95
19300	Deferred income tax assets, net	6.8	170,903	–	133,821	–		**SHAREHOLDERS' EQUITY**					
19500	Other assets, net	6.14	69,152	–	58,981	–	31000	Equity Attributable to Shareholders of the Parent					
							31101	Ordinary share	6.24	$7,403,514	3	$7,210,492	3
							31500	Capital surplus	6.24	1,872,395	1	2,016,605	1
							32000	Retained earnings					
							32001	Legal reserve	6.24	1,458,030	1	1,393,756	1
							32003	Special reserve	6.24	86,057	–	–	–
							32005	Unappropriated earnings	6.25	494,005	–	214,246	–
								Total retained earnings		$2,038,092	1	$1,608,002	1
							32500	Other equity	6.24	16,721	–	(86,057)	–
							30000	Total equity		$11,330,722	5	$10,749,042	5
10000	**TOTAL**		$269,022,970	100	$234,433,363	100		**TOTAL**		$269,022,970	100	$234,433,363	100

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

Chairman：Toong-Min Chen　　President：Moan-Sheng Huang　　Chief Accountant：Anna Hsu

BANK OF KAOHSIUNG CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Unit：NT$ Thousand

A/C No.	Accounts	Note	2014.1.1~2014.12.31		2013.1.1~2013.12.31		Change%
			Amount	%	Amount	%	
41000	Interest income		$4,613,680	136	$4,159,339	142	11
51000	Less: Interest expenses		(2,145,799)	(63)	(1,890,012)	(64)	14
49010	Net interest income	6.26	$2,467,881	73	$2,269,327	78	9
	Net Revenues Other Than Interest						
49100	Commission and fee revenues, net	6.27	$499,218	14	$458,309	15	9
49200	Gain or loss on financial assets and liabilities at fair value through profit or loss	6.28	(123,596)	(4)	55,854	2	(321)
49300	Realized gain(loss) on available-for-sale financial assets	6.29	23,502	1	58,914	2	(60)
49600	Foreign exchange gain (loss)		227,353	7	6,500	—	3,398
49700	Reversal of impairment loss on assets	6.30	88,294	2	(27,937)	(1)	416
49800	Other net non-interest income	6.31	75,080	2	79,717	3	(6)
49805	Net gain or loss of financial assets measured at cost	6.32	52,788	2	36,581	1	44
49813	Net investing gain or loss on debt investments without active market	6.33	89,499	3	—	—	100
	Net revenue		$3,400,019	100	$2,937,265	100	16
58200	Allowance for credit loss and loss on guarantees	6.9	(691,079)	(20)	(400,838)	(14)	72
58400	Operating expenses						
58500	Employee benefits	6.34	(1,443,924)	(42)	(1,388,129)	(47)	4
59000	Depreciation expenses and amortization	6.35	(74,789)	(3)	(75,075)	(3)	(0)
59500	Other business and administrative expenses	6.36	(678,897)	(20)	(594,104)	(20)	14
61001	Net income (loss) from continuing operations before income tax		$511,330	15	$479,119	16	7
61003	Income tax (expense) benefit	6.7	(1,439)	—	(60,014)	(2)	(98)
64000	Net income (loss)		$509,891	15	$419,105	14	22
	Other comprehensive income:						
65001	Exchange differences on translating the financial statements of foreign operations		$21,592	1	$9,475	—	128
65011	Unrealized (loss) gain on available-for-sale financial assets		84,904	2	(196,294)	(6)	143
65031	Actuarial gains and losses on defined benefit plans		(26,138)	(1)	(28,080)	(1)	(7)
65091	Income tax relating to the components of other comprehensive income		773	—	3,163	—	(76)
65000	Other comprehensive income for the period, net of income tax	6.24	$81,131	2	($211,736)	(7)	138
66000	Total Comprehensive Income For The Period		$591,022	17	$207,369	7	185
	Net income (loss) attributable to:						
	Shareholders of the parent		$509,891	15	$419,105	14	22
	Minority interest		—	—	—	—	—
			$509,891	15	$419,105	14	22
	Total comprehensive income for the period attributable to:						
	Shareholders of the parent		$591,022	17	$207,369	7	185
	Minority interest		—	—	—	—	—
			$591,022	17	$207,369	7	185
	Earnings per share (NT$):						
67500	Basic earnings per share	6.37	$0.69		$0.57		

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

Chairman：Toong-Min Chen　　President：Moan-Sheng Huang　　Chief Accountant：Anna Hsu

BANK OF KAOHSIUNG CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Unit：NT$ Thousand

Item	Capital Stock	Capital Surplus	Retained Earnings				Other Equity				Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences On Translating The Financial Statements Of Foreign Operations	Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Other	Total	
BALANCE, JANUARY 1, 2013	$7,069,476	$2,017,724	$1,277,895	$ —	$75,776	$1,353,671	($6,042)	$107,961	$487	$102,406	$10,543,277
Stock dividends	13,765	(1,119)	—	—	(78)	(78)	—	—	—	—	12,568
Appropriation of prior year's earnings											
Legal reserve	—	—	115,861	—	(115,861)	—	—	—	—	—	—
Cash dividends	—	—	—	—	(14,139)	(14,139)	—	—	—	—	(14,139)
Capital increase by capitalization of earnings	127,251	—	—	—	(127,251)	(127,251)	—	—	—	—	—
Net income (loss)	—	—	—	—	419,105	419,105	—	—	—	—	419,105
Other comprehensive income For the Year Ended Dec. 31, 2013	—	—	—	—	(23,306)	(23,306)	7,864	(196,294)	—	(188,430)	(211,736)
Total comprehensive income for the period	$ —	$ —	$ —	$ —	$395,799	$395,799	$7,864	($196,294)	$ —	($188,430)	$207,369
Other	—	—	—	—	—	—	—	—	(33)	(33)	(33)
Total Changes	$141,016	($1,119)	$115,861	$ —	$138,470	$254,331	$7,864	($196,294)	($33)	($188,463)	$205,765
BALANCE, DECEMBER 31, 2013	$7,210,492	$2,016,605	$1,393,756	$ —	$214,246	$1,608,002	$1,822	($88,333)	$454	($86,057)	$10,749,042
BALANCE, JANUARY 1, 2014	$7,210,492	$2,016,605	$1,393,756	$ —	$214,246	$1,608,002	$1,822	($88,333)	$454	($86,057)	$10,749,042
Additional paid-in capital transferred to capital	144,210	(144,210)	—	—	—	—	—	—	—	—	—
Stock dividends	5,549	—	—	—	(422)	(422)	—	—	—	—	5,127
Appropriation of prior year's earnings:											—
Legal reserve	—	—	64,274	—	(64,274)	—	—	—	—	—	—
Appropriating special reserve	—	—	—	86,057	(86,057)	—	—	—	—	—	—
Cash dividends	—	—	—	—	(14,421)	(14,421)	—	—	—	—	(14,421)
Capital increase by capitalization of earnings	43,263	—	—	—	(43,263)	(43,263)	—	—	—	—	—
Net income (loss)	—	—	—	—	509,891	509,891	—	—	—	—	509,891
Other comprehensive income For the Year Ended Dec. 31, 2014	—	—	—	—	(21,695)	(21,695)	17,922	84,904	—	102,826	81,131
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ —	$ —	$ —	$ —	$488,196	$488,196	$17,922	$84,904	$ —	$102,826	$591,022
Other	—	—	—	—	—	—	—	—	(48)	(48)	(48)
Total Changes	$193,022	($144,210)	$64,274	$86,057	$279,759	$430,090	$17,922	$84,904	($48)	$102,778	$581,680
BALANCE, DECEMBER 31, 2014	$7,403,514	$1,872,395	$1,458,030	$86,057	$494,005	$2,038,092	$19,744	($3,429)	$406	$16,721	$11,330,722

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

Chairman：Toong-Min Chen　　President：Moan-Sheng Huang　　Chief Accountant：Anna Hsu

BANK OF KAOHSIUNG CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Unit：NT$ Thousand

Item	2014.1.1~2014.12.31	2013.1.1~2013.12.31
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) before income tax	$511,330	$479,119
Adjustments:		
Depreciation expenses	57,670	56,085
Amortization expenses	17,119	18,990
Allowance for or (reversal) of credit losses	840,932	539,667
Net (gain) or loss on financial assets and liabilities at fair value through profit or loss	123,596	(55,854)
Interest expenses	2,145,799	1,890,012
Interest income	(4,613,680)	(4,159,339)
Dividend income	(51,537)	(36,097)
Net changes in credit guarantees	29,000	36,300
Loss (gain) on disposal and scraping of property and equipment	—	1
Loss (gain) on disposal of investments	(113,001)	(58,914)
Loss on impairment of financial assets	101,904	27,937
Impairment (reversal gain) on non-financial assets	(190,198)	—
Total income and expenses that do not affect cash flow:	($1,652,396)	($1,741,212)
Changes in operating assets and liabilities:		
Net changes in operating assets		
Increase in due from the Central Bank of China and other banks	$76,702	$675,077
Decrease (increase) in financial assets at fair value through profit or loss	(9,491,273)	(70,117)
Decrease (increase) in accounts receivable	(106,659)	129,534
Decrease (increase) in discounts and loans	(5,450,740)	(16,743,186)
Decrease (increase) in available-for-sale financial assets	(6,843,505)	(195,887)
Decrease (increase) in held-to-maturity financial assets	(2,746,339)	—
Decrease (increase) in other financial assets	202,671	(21,588)
Total net changes in operating assets	($24,359,143)	($16,226,167)
Net changes in operating liabilities		
Increase (decrease) in due to Central Bank of China and other banks	($5,505,536)	$3,088,986
Increase (decrease) in bills and bonds sold under agreements to repurchase	(6,898)	(895)
Increase (decrease) in accounts payable	111,253	(1,177,782)
Increase (decrease) in deposits and remittances	38,237,507	9,234,465
Increase (decrease) in other financial liabilities	39,705	(13,413)
Increase (decrease) in provisions for employee benefits	45,469	32,117
Total net changes in operating liabilities	$32,921,500	$11,163,478
Total net changes in operating assets and liabilities	$8,562,357	($5,062,689)
Total adjustments	$6,909,961	($6,803,901)
Net cash provided by (used in) operations	$7,421,291	($6,324,782)
Interest received	4,622,776	4,187,992
Dividends received	51,537	36,097
Interest paid	(2,127,081)	(1,909,363)
Income tax refunded (paid)	(48,831)	(35,365)
Net cash provided by (used in) operating activities	$9,919,692	($4,045,421)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from redemption of matured debt securities with no active market	$ —	$26,251
Acquisition of financial assets measured at cost	(43,000)	—
Proceeds from capital reduction of financial assets carried at cost	—	25,000
Acquisition ofproperty and equipment	(101,892)	(39,393)
Acquisition of intangible assets	(37,759)	(8,141)
Increase in other financial assets	(5,373)	—
Decrease in other financial assets	—	1,785
Increase in other assets	(12,786)	(3,608)
Net cash provided by (used in) investing activities	($200,810)	$1,894
CASH FLOWS FROM INVESTING ACTIVITIES		
Issuance of bank debentures	$1,000,000	$2,000,000
Increase in guarantee deposit received	5,436	2,289
Decrease in other liabilities	(390)	(38,477)
Distribution of cash dividends	(14,421)	(14,139)
Net cash provided by (used in) financing activities	$990,625	$1,949,673
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH & CASH EQUIVALENTS	$21,592	$9,475
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$10,731,099	($2,084,379)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	23,037,571	25,121,950
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$33,768,670	$23,037,571
Composition of cash & cash equivalents:		
Cash and cash equivalents in consolidated balance sheets	$4,107,916	$3,329,141
Due from the Central Bank of China and other banks that meet the definition of cash & cash equivalents in IAS No.7	16,275,436	16,247,872
Bills and bonds purchased under agreements to resell that meet the definition of cash & cash equivalents in IAS No. 7	13,385,318	3,460,558
Cash and cash equivalents in consolidated statements of cash flows	$33,768,670	$23,037,571

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

Chairman：Toong-Min Chen　　President：Moan-Sheng Huang　　Chief Accountant：Anna Hsu