



Bangkok Bank (China) Company Limited

2016 Annual Report



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【Note】 : The annual report of year 2016 hereby (including independent audit report) is published in accordance with the requirements of China Banking Regulatory Commission and <Measures for the Information Disclosure of Commercial Banks> and shall not be for any other use in any manner without the consent of Bangkok Bank (China) Company Limited.
All amounts expressed in RMB Yuan unless otherwise specified

Part I Financial Report

Auditors' Report

毕马威华振沪审字第1701167号

To the Board of Directors of Bangkok Bank (China) Company Limited:

We have audited the accompanying financial statements of Bangkok Bank (China) Company Limited (“the Bank”) on pages 1 to 68, which comprise the balance sheet as at 31 December 2016, the income statement, the cash flow statement and the statement of changes in owner’s equity and for the year then ended, and notes to the financial statements.

Management’s Responsibility for the Financial Statements

The Bank’s management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing these financial statements in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People’s Republic of China, and fairly presenting them; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Chinese Standards on Auditing for Certified Public Accountants. Those standards require that we comply with China Code of Ethics for Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity’s preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditors' Report (Continued)

毕马威华振沪审字第1701167号

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and the financial performance and cash flows of the Bank for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

KPMG Huazhen LLP
Shanghai Branch

Certified Public Accountants
Registered in the People's Republic of
China

(Signed on Chinese original)
Chen Sijie

Shanghai, China

(Signed on Chinese original)
Wang Yang
24 April 2017

Bangkok Bank (China) Company Limited
 Balance sheet
 as at 31 December 2016
(Expressed in Renminbi Yuan)

	2016	2015
Assets		
Cash on hand and deposits with central bank	1,392,975,440	822,372,569
Deposits with inter-banks	5,554,113,292	3,658,153,425
Placements with inter-banks and non-bank financial institutions	3,049,819,100	3,438,706,280
Derivative financial assets	85,735,011	8,203,083
Interest receivable	63,162,711	63,435,792
Loans and advances to customers	4,564,294,640	4,510,035,946
Available-for-sale financial assets	753,102,240	770,038,120
Fixed assets	5,533,289	6,153,309
Intangible assets	846,798	1,387,197
Deferred tax assets	103,615,918	89,043,799
Other assets	34,716,323	45,259,247
	<u>15,607,914,762</u>	<u>13,412,788,767</u>
Total assets	<u>15,607,914,762</u>	<u>13,412,788,767</u>

Bangkok Bank (China) Company Limited
 Balance sheet
 as at 31 December 2016 (continued)
 (Expressed in Renminbi Yuan)

	2016	2015
Liabilities and owner's equity		
Liabilities		
Deposits from inter-banks	268,856	-
Borrowings from inter-banks	2,791,402,800	2,780,275,440
Derivative financial liabilities	36,375,991	2,739,231
Deposits from customers	8,115,001,231	5,944,072,085
Employee benefits payable	16,114,698	16,233,260
Taxes payable	29,855,950	25,366,083
Interest payable	43,913,050	146,379,497
Other liabilities	11,319,002	13,083,154
	<u>11,044,251,578</u>	<u>8,928,148,750</u>
Owner's equity		
Paid-in capital	4,000,000,000	4,000,000,000
Other comprehensive income	(2,090,961)	4,274,457
Surplus reserve	55,357,386	46,818,527
General reserve	208,531,720	186,650,383
Retained earnings	301,865,039	246,896,650
	<u>4,563,663,184</u>	<u>4,484,640,017</u>
Total owner's equity	<u>4,563,663,184</u>	<u>4,484,640,017</u>
Total liabilities and owner's equity	<u>15,607,914,762</u>	<u>13,412,788,767</u>

Bangkok Bank (China) Company Limited
 Income statement
 for the year ended 31 December 2016
(Expressed in Renminbi Yuan)

	2016	2015
Operating income	408,319,214	438,204,680
Net interest income	232,954,330	280,707,512
Interest income	389,799,585	525,741,239
Interest expenses	(156,845,255)	(245,033,727)
Net fees and commission income	20,563,537	18,675,361
Fees and commission income	20,928,008	19,539,489
Fees and commission expenses	(364,471)	(864,128)
Investment income	25,175,704	22,028,917
Gains from changes in fair value	43,895,167	9,918,007
Foreign exchange gains	85,730,476	106,874,883
Operating expenses	(299,778,172)	(283,387,934)
Taxes and surcharges	(5,756,768)	(14,650,662)
General and administrative expenses	(191,623,156)	(192,516,437)
Impairment losses	(102,398,248)	(76,220,835)
Operating profit	108,541,042	154,816,746

Bangkok Bank (China) Company Limited
 Income statement
 for the year ended 31 December 2016 (continued)
 (Expressed in Renminbi Yuan)

	2016	2015
Operating profit (continued)	108,541,042	154,816,746
Add: Non-operating income	758,320	2,257,748
Less: Non-operating expenses	<u>(40,634)</u>	<u>(58,769)</u>
Profit before taxation	109,258,728	157,015,725
Less: Income tax expense	<u>(23,870,143)</u>	<u>(36,663,371)</u>
Net profit for the year	85,388,585	120,352,354
Other comprehensive income, net of tax Item that may be reclassified to profit or loss		
- Gains or losses arising from changes in fair value of available-for-sale financial assets	<u>(6,365,418)</u>	<u>4,441,752</u>
Total comprehensive income for the year	<u><u>79,023,167</u></u>	<u><u>124,794,106</u></u>

Bangkok Bank (China) Company Limited
Statement of changes in owner's equity
for the year ended 31 December 2016
(Expressed in Renminbi Yuan)

	<i>Paid-in capital</i>	<i>Other comprehensive income</i>	<i>Surplus reserve</i>	<i>General reserve</i>	<i>Retained earnings</i>	<i>Total</i>
Balance at 1 January 2016	4,000,000,000	4,274,457	46,818,527	186,650,383	246,896,650	4,484,640,017
Changes in equity during the year						
1. Total comprehensive income	-	(6,365,418)	-	-	85,388,585	79,023,167
2. Appropriation of profits						
- Appropriation for surplus reserve	-	-	8,538,859	-	(8,538,859)	-
- Appropriation for general reserve	-	-	-	21,881,337	(21,881,337)	-
Subtotal of 1 and 2	-	(6,365,418)	8,538,859	21,881,337	54,968,389	79,023,167
Balance at 31 December 2016	4,000,000,000	(2,090,961)	55,357,386	208,531,720	301,865,039	4,563,663,184

Bangkok Bank (China) Company Limited
Statement of changes in owner's equity
for the year ended 31 December 2015 (continued)
(Expressed in Renminbi Yuan)

	<i>Paid-in capital</i>	<i>Other comprehensive income</i>	<i>Surplus reserve</i>	<i>General reserve</i>	<i>Retained earnings</i>	<i>Total</i>
Balance at 1 January 2015	4,000,000,000	(167,295)	34,783,291	186,650,383	138,579,532	4,359,845,911
Changes in equity during the year						
1. Total comprehensive Income	-	4,441,752	-	-	120,352,354	124,794,106
2. Appropriation of profits						
- Appropriation for surplus reserve	-	-	12,035,236	-	(12,035,236)	-
Subtotal of 1 and 2	-	4,441,752	12,035,236	-	108,317,118	124,794,106
Balance at 31 December 2015	4,000,000,000	4,274,457	46,818,527	186,650,383	246,896,650	4,484,640,017

Bangkok Bank (China) Company Limited
Cash flow statement
for the year ended 31 December 2016
(Expressed in Renminbi Yuan)

	2016	2015
Cash flows from operating activities:		
Net decrease in deposits with central bank and inter-banks	-	2,718,525,551
Net decrease in placements with inter-banks and non-bank financial institutions	1,667,254,740	-
Net decrease in loans and advances to customers	-	457,295,787
Net increase in deposits from inter-banks	268,856	-
Net increase in deposits from customers	2,115,711,709	-
Proceeds from interest, fees and commission	422,677,586	627,897,359
Proceeds from other operating activities	15,563,635	15,606,781
	<u>4,221,476,526</u>	<u>3,819,325,478</u>
Net increase in deposits with central bank and inter-banks	(661,862,996)	-
Net increase in placements with inter-banks and non-bank financial institutions	-	(66,951,290)
Net increase in loans and advances to customers	(114,991,073)	-
Net decrease in borrowings from inter-banks	(71,455,540)	(396,277,980)
Net decrease in deposits from customers	-	(2,252,500,240)
Payment for interest, fees and commission	(259,848,439)	(377,617,971)
Payment to and for employees	(114,453,400)	(110,165,146)
Payment for various taxes	(54,754,820)	(69,293,698)
Payment for other operating activities	(101,114,533)	(91,033,184)
	<u>(1,378,480,801)</u>	<u>(3,363,839,509)</u>
Net cash inflow from operating activities	<u>2,842,995,725</u>	<u>455,485,969</u>

Bangkok Bank (China) Company Limited
Cash flow statement
for the year ended 31 December 2016 (continued)
(Expressed in Renminbi Yuan)

	2016	2015
Cash flows from investing activities		
Proceeds from redemption of available-for-sale financial assets	300,000,000	250,000,000
Investment returns received from available-for-sale financial assets	24,351,108	17,748,777
Net proceeds from disposals of fixed assets	<u>30,460</u>	<u>-</u>
Sub-total of cash inflows from investing activities	<u>324,381,568</u>	<u>267,748,777</u>
Payment for acquisition of bond investments	(294,791,740)	(584,553,310)
Payment for acquisition of fixed assets intangible assets and other long-term assets	<u>(1,667,985)</u>	<u>(1,486,662)</u>
Sub-total of cash outflows from investing activities	<u>(296,459,725)</u>	<u>(586,039,972)</u>
Net cash inflow / (outflow) from investing activities	<u>27,921,843</u>	<u>(318,291,195)</u>
Effect of foreign exchange rate changes on cash and cash equivalents	<u>80,644,260</u>	<u>42,813,822</u>
Net increase in cash and cash equivalents	2,951,561,828	180,008,596
Add: Cash and cash equivalents at the beginning of the year	<u>2,379,388,942</u>	<u>2,199,380,346</u>
Cash and cash equivalents at the end of the year	<u>5,330,950,770</u>	<u>2,379,388,942</u>

Part II Risk Management and Capital Adequacy Ratio

Risk management

The Bank is exposed to many financial risks due to its operating activities. The Bank analyses, evaluates, accepts and manages risks, or risk portfolios at different levels. The Bank's main operating risks include credit risk, market risk and liquidity risk. Market risks mainly include interest rate risk and foreign exchange risk. The Bank's objective is to realise the business development plan while maximising the shareholder wealth. The bank insists on managing risks cautiously, to obtain good business performance under the acceptable risk.

The Bank's risk management policies aim to identify and analyse risks to establish appropriate risk limits and control procedures, as well as monitor risks and risk limits via information system.

The Bank's BOD have the ultimate responsibility for the Bank's risk management, including identifying, measuring, monitoring and controlling risks. The Bank's Risk Management Committee is in charge of establishing overall risk strategy, covering major risks such as major risk such as credit risk, market risk, operational risk and liquidity risk, and propose to the BOD for approval. The Risk Management Committee reports to the BOD. The Bank's senior management is responsible for establishing risk management policies and procedures, according to the risk management strategy approved by BOD and the Risk Management Committee. These risk management policies are implemented by different departments of the Bank upon approval from the BOD.

Risk management (Continued)**1. Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from credit business. In treasury transactions, credit risk refers to that the issuer fails to repay the matured principal or interest.

1.1 Credit business

Considering the market and economic environment, business development strategy and the requirements of customers, within the Bank's risk control scope, the Bank provides various direct credit businesses and direct credit substitute businesses to foreign-invested companies set up in the PRC mainly by Southeast Asian companies and domestic companies with good credit standing.

The Bank has established a strict credit management system, including credit approval, daily credit monitoring, credit classification monitoring, problem loan management, policies for loan loss provisioning and write-off, debt restructuring, etc.

The Bank adopts the internal five-tier grading loan classification approach (the "Internal Credit Grading") to monitor the risk condition of its loan portfolios. This approach assesses the credit grading by considering the customers' credit record, financial position, repayment condition, as well as the collaterals to monitor the risk of loan portfolios.

If the counterparties are concentrated in a few industries or a few geographical areas, or have similar economic characteristics, the credit risk is normally higher. In addition, different industries and geographical areas may have different characteristics; hence the respective credit risk is not similar. The Bank has set specific limits for large exposure credit concentration, industry concentration and country concentration to improve the credit risk structure. The Bank prepares the exposure report of concentration risk quarterly and performs periodical review on it.

The Bank mitigates credit risk by obtaining mortgage, cash margin, pledged deposits, and guarantees from companies or individuals. The Bank has specified amounts and categories of collateral required according to the assessment result of credit risk of the counterparty. The Bank has established underwriting standards on collateral types and assessment methods. The Bank has specified categories of acceptable collateral, including deposit pledge, land use rights, buildings, and machines and equipments. To reduce the credit risk, the Bank has stipulated discount rates for different collaterals to reflect the cash realisable value. The business units will monitor the market value of the collaterals regularly and may require the obligors to increase the collaterals based on the related agreements. When performing assessment of the adequacy of loss provision, changes in the market value of the collaterals will be considered. For a loan guaranteed by a third party, the Bank assesses the guarantor's financial condition, historical credit record and its capacity to settle the debts on behalf of the obligor.

Except for loans, collaterals or guarantees needed for other financial assets shall be determined by the nature of the instruments.

Risk management (Continued)**1. Credit risk (Continued)****1.1 Credit business (Continued)****1.1.1 Loans and advances to customers**

Analysed by security type

	2016	2015
Unsecured loans	763,481,730	856,685,480
Guaranteed loans	1,818,298,204	1,265,499,601
Secured loans	2,376,779,979	2,678,285,517
- by tangible assets other than monetary assets	1,771,500,824	2,255,509,444
- by monetary assets	605,279,155	422,776,073
Gross loans and advances	4,958,559,913	4,800,470,598
Less: Allowances for impairment losses	(394,265,273)	(290,434,652)
Net loans and advances to customers	<u>4,564,294,640</u>	<u>4,510,035,946</u>

Overdue loans analysed by overdue period

	2016				Total
	Within three months	Between three months and one year	Between one year and three years	Over three years	
Unsecured loans	81,338,085	-	-	-	81,338,085
Guaranteed loans	20,295,624	-	21,068,961	-	41,364,585
Secured loans	-	-	-	15,057,783	15,057,783
- by tangible assets other than monetary assets	-	-	-	15,057,783	15,057,783
Total	<u>101,633,709</u>	<u>-</u>	<u>21,068,961</u>	<u>15,057,783</u>	<u>137,760,453</u>
	2015				Total
	Within three months	Between three months and one year	Between one year and three years	Over three years	
Guaranteed loans	21,577,830	-	-	-	21,577,830
Secured loans	-	-	-	15,057,783	15,057,783
- by tangible assets other than monetary assets	-	-	-	15,057,783	15,057,783
Total	<u>21,577,830</u>	<u>-</u>	<u>-</u>	<u>15,057,783</u>	<u>36,635,613</u>

Overdue loans represent loans and advances to customers, of which the whole or part of the principal or interest was overdue for more than one day.

Risk management (Continued)**2. Liquidity risk**

Liquidity risk means the risk that a commercial bank is unable to acquire adequate funds in a timely manner at a reasonable cost to repay mature debts, fulfill other payment obligations and meet other capital needs for normal business activities.

The liquidity risk management is to ensure that the Bank has sufficient liquidity/cash to meet its obligations related to financial liabilities and its demand on business development. These include that the Bank can meet withdrawal request from customers on demand or when contracts mature; the Bank has sufficient funds for repayment when borrowings mature; the Bank needs to maintain sufficient liquidity to meet the regulatory liquidity ratio requirement; and the Bank has sufficient funds for new investment opportunity.

The liquidity risk management measure adopted by the Bank is primarily to match the maturity structures between assets and liabilities. Due to differences between various businesses and maturity tenors, it is impractical to maintain a perfect match between assets and liabilities. The Bank has established a set of procedures for identifying, measuring, monitoring and reporting liquidity risk, including limits for cash flow, liquidity ratio, liquidity coverage ratio and net stable funding ratio. The Bank has established liquidity contingency plan to maintain an appropriate balance of cash flows and to ensure all the required funds can be provided at maturity. In addition, the Bank has set up regular stress testing on the Bank's liquidity risk in order to take advanced action to prevent bad impact on the Bank's daily operation. The Bank considers and prevents possible liquidity risk in the future so as to improve its payment capacity under the liquidity stress.

Risk management (Continued)**2. Liquidity risk (Continued)**

The following tables provide the analysis of the contractual undiscounted cash flows of the Bank's financial assets and liabilities at the balance sheet dates. Interest receivable and payable of financial assets and liabilities with fixed terms are presented according to the due dates of interest stipulated in the contracts; current financial assets and liabilities (including interest receivable and payable as at the balance sheet dates) are presented under the item "repayable on demand / terms undated".

	2016							
	Carrying amount	Contractual undiscounted cash flows	Repayable on demand / terms undated	Within 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Assets								
Cash on hand and deposits with central bank	1,392,975,440	1,393,454,247	1,393,454,247	-	-	-	-	-
Deposits and placements with inter-banks and non-bank financial institutions	8,603,932,392	8,805,620,460	74,896,792	2,975,384,925	2,363,139,692	3,392,199,051	-	-
Derivative financial assets	85,735,011	85,735,011	85,735,011	-	-	-	-	-
Loans and advances to customers	4,564,294,640	5,270,998,304	140,624,837	601,977,345	911,304,461	2,039,375,582	1,066,002,052	511,714,027
Available-for-sale financial assets	753,102,240	808,801,000	-	1,915,000	65,569,000	140,037,000	601,280,000	-
Other assets	10,339,492	10,339,492	10,339,492	-	-	-	-	-
Total assets	15,410,379,215	16,374,948,514	1,705,050,379	3,579,277,270	3,340,013,153	5,571,611,633	1,667,282,052	511,714,027
Liabilities								
Deposits and borrowings from inter-banks	2,791,671,656	2,806,298,283	268,856	853,863,392	1,435,335,207	516,830,828	-	-
Derivative financial liabilities	36,375,991	36,375,991	36,375,991	-	-	-	-	-
Deposits from customers	8,115,001,231	8,313,333,377	2,395,817,199	635,099,049	166,654,908	3,498,329,638	1,617,432,583	-
Other liabilities	5,679,006	5,679,006	5,679,006	-	-	-	-	-
Total liabilities	10,948,727,884	11,161,686,657	2,438,141,052	1,488,962,441	1,601,990,115	4,015,160,466	1,617,432,583	-
Net position	4,461,651,331	5,213,261,857	(733,090,673)	2,090,314,829	1,738,023,038	1,556,451,167	49,849,469	511,714,027

Risk management (Continued)

2. Liquidity risk (Continued)

	2015							
	Carrying amount	Contractual undiscounted cash flows	Repayable on demand / terms undated	Within 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Assets								
Cash on hand and deposits with central bank	822,372,569	822,699,135	822,699,135	-	-	-	-	-
Deposits and placements with inter-banks and non-bank financial institutions	7,096,859,705	7,262,955,238	301,394,225	2,768,036,249	1,248,300,230	2,945,224,534	-	-
Derivative financial assets	8,203,083	8,203,083	8,203,083	-	-	-	-	-
Loans and advances to customers	4,510,035,946	5,091,163,127	36,635,796	559,487,789	1,159,418,534	1,726,958,268	1,260,643,550	348,019,190
Available-for-sale financial assets	770,038,120	818,455,000	-	53,465,000	7,461,000	269,246,000	488,283,000	-
Other assets	9,050,755	9,050,755	9,050,755	-	-	-	-	-
Total assets	13,216,560,178	14,012,526,338	1,177,982,994	3,380,989,038	2,415,179,764	4,941,428,802	1,748,926,550	348,019,190
Liabilities								
Borrowings from inter-banks	2,780,275,440	2,791,808,013	-	1,267,273,801	1,159,009,807	365,524,405	-	-
Derivative financial liabilities	2,739,231	2,739,231	2,739,231	-	-	-	-	-
Deposits from customers	5,944,072,085	6,165,860,699	1,471,063,249	909,358,665	531,217,970	3,110,308,931	143,911,884	-
Other liabilities	4,298,310	4,298,310	4,298,310	-	-	-	-	-
Total liabilities	8,731,385,066	8,964,706,253	1,478,100,790	2,176,632,466	1,690,227,777	3,475,833,336	143,911,884	-
Net position	4,485,175,112	5,047,820,085	(300,117,796)	1,204,356,572	724,951,987	1,465,595,466	1,605,014,666	348,019,190

Risk management (Continued)**3. Market risk**

Market risk management is the total process of identifying, measuring, monitoring and controlling market risks. Market risk refers to the risk arising from financial instruments' fair value or future cash flow fluctuations due to changes in market prices, including interest rate risk, foreign exchange risk and other price risks. Interest rate risk arises when the change in interest rates affect fair value of interest rate related product; foreign exchange risk arises when the change in foreign exchange rates affect the value of the net assets/liabilities or when the Bank has spot/forward FX positions; other price risks refer to the market risks other than foreign exchange risk and interest rate risk. Market risk of the Bank exists in trading book and banking book.

The Bank's interest rate risk includes the risks arising from when the repricing and/or maturity schedule of assets and liabilities are not matched, causing the uncertainty of net interest income in banking book and from positions held for trading purpose in trading book. The Bank's management tools of interest rate risk includes Cumulative NII Impact limit, Interest rate gapping limit for the balance sheet, Cumulative EVE Impact limit, and conduct regular stress test. Meanwhile, by closely observing interest rate trends (both in Renminbi and foreign currency) and market interest rate changes, the Bank conducts proper scenario analysis and makes timely adjustments to the loan and deposit interest rates (both in Renminbi and foreign currency) in line with the benchmark interest rates to reduce its interest rate risk.

The Bank's foreign exchange risk exposures mainly arise from net on-balance-sheet assets and liabilities designated in foreign of which values are exposed to foreign exchange rates. The Bank's main principle of foreign exchange risk control is to match the assets and liabilities of the respective individual currency to minimise the foreign exchange risk and to control the currency risk exposure within limits set by the Bank. The Bank, based on the guiding principles from Risk Management Committee, relevant laws and regulations and the management's evaluation of the current environment, has set risk tolerance limits, and avoids risk via reasonable arrangements of assets and liabilities in different currencies.

The Bank classifies financial instruments into investment portfolios held for trading and non-trading investment portfolios to effectively monitor market risk. The Bank mainly manages market risk via its market risk limit policy. According to the CBRC's Market Risk Management Guidelines for Commercial Banks, the Bank has established market risk management policy and procedures to set related limits on all market risk exposures. These policies and procedures illustrate the structure and approval mechanism of market risk limits. Market risk limits mainly include product limits, foreign exchange position limits, stop-loss limits, PV01 limit and FX gapping limits.

Risk management (Continued)**3. Market risk (Continued)****3.1 Interest rate risk**

The Bank's interest rate risk is monitored by Market and Operational Risk Management Division. Market and Operational Risk Management Division has established relevant policies and monitoring procedures to regularly report risk condition to Assets/Liabilities Committee. The monitoring on interest rate risk mainly includes gap analysis on interest rate re-pricing schedule and stress test.

3.1.1 Exposure to interest rate risk

The Bank's interest rate risk mainly includes the risks arising from when the repricing and / or maturity schedule of assets and liabilities are not matched, causing the uncertainty of net interest income in banking book and from positions held for trading purpose in trading book.

The following tables indicate the distribution by expected next re-pricing dates (or maturity dates, whichever are earlier) of financial assets and liabilities at the balance sheet dates.

	2016				Total
	Non-accrual	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	
Assets					
Cash on hand and deposits with central bank	308,505,138	1,084,470,302	-	-	1,392,975,440
Deposits and placements with inter-banks and non-bank financial institutions	-	5,367,013,792	3,236,918,600	-	8,603,932,392
Derivative financial assets	85,735,011	-	-	-	85,735,011
Interest receivable	63,162,711	-	-	-	63,162,711
Loans and advances to customers	-	1,484,395,056	3,079,899,584	-	4,564,294,640
Available-for-sale financial assets	-	50,008,250	130,805,230	572,288,760	753,102,240
Other assets	10,339,492	-	-	-	10,339,492
Total assets	467,742,352	7,985,887,400	6,447,623,414	572,288,760	15,473,541,926
Liabilities					
Deposits and borrowings from inter-banks	-	2,280,679,656	510,992,000	-	2,791,671,656
Derivative financial liabilities	36,375,991	-	-	-	36,375,991
Deposits from customers	-	3,190,469,764	3,411,790,102	1,512,741,365	8,115,001,231
Interest payable	43,913,050	-	-	-	43,913,050
Other liabilities	5,679,006	-	-	-	5,679,006
Total liabilities	85,968,047	5,471,149,420	3,922,782,102	1,512,741,365	10,992,640,934
Net position	381,774,305	2,514,737,980	2,524,841,312	(940,452,605)	4,480,900,992

Risk management (Continued)**3. Market risk (Continued)****3.1 Interest rate risk (Continued)****3.1.1 Exposure to interest rate risk(Continued)**

	2015				Total
	Non-accrual	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	
Assets					
Cash on hand and deposits with central bank	41,701,886	780,670,683	-	-	822,372,569
Deposits and placements with inter-banks and non-bank financial institutions	-	4,258,409,705	2,838,450,000	-	7,096,859,705
Derivative financial assets	8,203,083	-	-	-	8,203,083
Interest receivable	63,435,792	-	-	-	63,435,792
Loans and advances to customers	-	1,627,191,749	2,882,844,197	-	4,510,035,946
Available-for-sale financial assets	-	50,032,250	253,858,720	466,147,150	770,038,120
Other assets	9,050,755	-	-	-	9,050,755
Total assets	122,391,516	6,716,304,387	5,975,152,917	466,147,150	13,279,995,970
Liabilities					
Borrowings from inter-banks	-	2,417,935,440	362,340,000	-	2,780,275,440
Derivative financial liabilities	2,739,231	-	-	-	2,739,231
Deposits from customers	-	2,902,090,597	2,912,997,999	128,983,489	5,944,072,085
Interest payable	146,379,497	-	-	-	146,379,497
Other liabilities	4,298,310	-	-	-	4,298,310
Total liabilities	153,417,038	5,320,026,037	3,275,337,999	128,983,489	8,877,764,563
Net position	(31,025,522)	1,396,278,350	2,699,814,918	337,163,661	4,402,231,407

Risk management (Continued)**3. Market risk (Continued)****3.1 Interest rate risk (Continued)****3.1.2 Net interest income sensitivity analysis**

The Bank adopts sensitivity analysis to measure the probable impacts on the Bank's net profit and owner's equity caused by interest rate change.

With all other variables held constant, the following table shows the impact on net profit and owner's equity caused by reasonable change in interest rate.

		<i>2016</i>		<i>2015</i>	
		<i>Impact on net profit</i>	<i>Impact on equity</i>	<i>Impact on net profit</i>	<i>Impact on equity</i>
Increase	100				
basis points		33,063,647	25,015,027	30,720,700	22,463,548
Decrease	100				
basis points		(41,950,920)	(33,660,834)	(32,539,459)	(24,045,055)

This sensitivity analysis is based on a static interest risk profile of assets and liabilities. The analysis only evaluates the interest fluctuation within one year and reflects the impact, rising from the re-pricing on assets and liabilities of the Bank within one year, on interest income and expense calculated per annum. The analysis is based on the following assumptions:

- All of the assets and liabilities that will be re-priced or mature within one year will be re-priced or mature at the beginning of certain period;
- Yield curve moves along with interest change parallel; and
- There is no other change in the portfolio of assets and liabilities.

As a result of the hypothesis above, the actual changes in the Bank's net interest income caused by fluctuation of interest rate may be different from the result of the sensitivity analysis above.

Risk management (Continued)**3. Market risk (Continued)****3.2 Foreign exchange risk****3.2.1 Exposure to foreign exchange risk**

The Bank's foreign exchange risk includes exposure of on-balance-sheet assets and liabilities denominated in foreign currency and off-balance-sheet derivatives denominated in foreign currency. The Market and Operational Risk Management Division of the Bank manages foreign exchange risk exposure in various ways, including limiting foreign currency net position and conducting stress test regularly.

The foreign currency exposures of the Bank's financial assets and liabilities at the balance sheet dates are as follows. Under the consideration of presentation, the amount of foreign exchange risk exposures is expressed in Renminbi and is converted by the rates at the balance sheet dates.

	2016			Total (RMB equivalent)
	RMB	USD (RMB equivalent)	Other currency (RMB equivalent)	
Assets				
Cash on hand and deposits with central bank	1,085,067,191	307,893,938	14,311	1,392,975,440
Deposits and placements with inter-banks and non-bank financial institutions	6,167,703,867	2,421,407,708	14,820,817	8,603,932,392
Derivative financial assets	85,735,011	-	-	85,735,011
Interest receivable	53,321,656	9,674,364	166,691	63,162,711
Loans and advances to customers	4,023,826,972	342,711,376	197,756,292	4,564,294,640
Available-for-sale financial assets	753,102,240	-	-	753,102,240
Other assets	9,287,004	605,662	446,826	10,339,492
Total assets	12,178,043,941	3,082,293,048	213,204,937	15,473,541,926
Liabilities				
Deposits and borrowings from inter-banks	1,470,268,856	1,186,227,000	135,175,800	2,791,671,656
Derivative financial liabilities	36,375,991	-	-	36,375,991
Deposits from customers	7,371,529,983	733,771,724	9,699,524	8,115,001,231
Interest payable	40,693,471	3,166,876	52,703	43,913,050
Other liabilities	5,369,800	309,206	-	5,679,006
Total liabilities	8,924,238,101	1,923,474,806	144,928,027	10,992,640,934
Net position	3,253,805,840	1,158,818,242	68,276,910	4,480,900,992

Risk management (Continued)**3. Market risk (Continued)****3.2 Foreign exchange risk (Continued)****3.2.1 Exposure to foreign exchange risk (Continued)**

	2015			Total (RMB equivalent)
	RMB	USD (RMB equivalent)	Other currency (RMB equivalent)	
Assets				
Cash on hand and deposits with central bank	780,836,749	41,514,078	21,742	822,372,569
Deposits and placements with inter-banks and non-bank financial institutions	3,427,323,524	3,663,246,982	6,289,199	7,096,859,705
Derivative financial assets	8,203,083	-	-	8,203,083
Interest receivable	50,600,412	12,771,818	63,562	63,435,792
Loans and advances to customers	3,723,578,075	702,193,343	84,264,528	4,510,035,946
Available-for-sale financial assets	770,038,120	-	-	770,038,120
Other assets	7,948,342	745,268	357,145	9,050,755
Total assets	8,768,528,305	4,420,471,489	90,996,176	13,279,995,970
Liabilities				
Borrowings from inter-banks	1,480,000,000	1,213,004,480	87,270,960	2,780,275,440
Derivative financial liabilities	2,739,231	-	-	2,739,231
Deposits from customers	5,021,247,700	921,800,152	1,024,233	5,944,072,085
Interest payable	144,318,161	2,056,941	4,395	146,379,497
Other liabilities	4,243,342	54,968	-	4,298,310
Total liabilities	6,652,548,434	2,136,916,541	88,299,588	8,877,764,563
Net position	2,115,979,871	2,283,554,948	2,696,588	4,402,231,407

Risk management (Continued)**3. Market risk (Continued)****3.2 Foreign exchange risk (Continued)****3.2.2 Sensitivity analysis**

With all other variables held constant, the following table shows the impact on net profit and owner's equity when foreign currency changes against the functional currency.

	2016		2015	
	<i>Impact on net profit</i>	<i>Impact on equity</i>	<i>Impact on net profit</i>	<i>Impact on equity</i>
1% weakening of Renminbi	9,203,214	9,203,214	17,146,887	17,146,887
1% strengthening of Renminbi	(9,203,214)	(9,203,214)	(17,146,887)	(17,146,887)

This sensitivity analysis is based on a static foreign exchange exposure profile of assets and liabilities. The analysis estimates the impact on net profit and owner's equity due to the probable fluctuation of foreign exchanges rates under the assumption that the other factors remain stable. The analysis is based on the following assumptions:

- the foreign exchange sensitivity is the gains and losses recognised as a result of 1% fluctuation in the foreign currency exchange rates;
- the exchange rates for all foreign currencies change in the same direction simultaneously; and
- Off-balance-sheet items have not been included in the currency risk exposure.

As a result of the hypothesis above, actual fluctuation of net foreign currency exchange from changes in exchange rates may differ from the estimation of the sensitivity analysis above.

Capital adequacy ratio

The prudent and solid concept of capital management ensures the Bank to retain its capital at an adequate level to support business development under all conditions and to adjust CAR to a reasonable level timely and effectively, if necessary.

The Bank calculates CAR according to the requirement of the CBRC. The capital of the Bank is composed of core tier one capital, other tier one capital and tier two capital. The Bank's management monitors the utilisation of CAR and regulatory capital according to the requirement of the CBRC. The Bank reported relevant information to the CBRC on a quarterly basis.

The scope of the Bank's CAR calculation of the Bank covers all branches and sub-branches located in mainland China. Currently, the Bank does not have any overseas branches.

Commercial banks shall conform to the regulatory requirements relating to capital adequacy ratio required by the CBRC. For the Bank, the adequacy ratio of core tier one capital shall not be less than 7.5%; the adequacy ratio of tier one capital shall not be less than 8.5%; and the capital adequacy ratio shall not be less than 10.5%, as at 31 December 2018.

As at 31 December 2016, the CAR of the Bank has been calculated in accordance with Administrative Measures on Capitals of Commercial Bank (For Trial Implementation) issued by the CBRC and other relevant laws and regulations, and the calculation result is in compliance with the regulatory capital requirements.

The risk weighted assets of on-balance-sheet assets are calculated based on various risk weights. The risk weights are determined in consideration of the risk factors of various assets, counterparties, markets and other relevant aspects, as well as qualified collateral and guarantee. The off-balance-sheet exposures are calculated by the same methodology with adjustments of contingent losses. The credit risk weighted assets for counterparties in terms of over-the-counter derivative transactions are the summation of defaulted risk weighted assets and credit valuation adjustment risk weighted assets. The market risk weighted assets are measured by standard method. The operational risk weighted assets are measured by basic indicator method.

The capital adequacy ratio and relevant data of the Bank are calculated on the basis of the financial statements prepared in accordance with the CAS. The Bank is in compliance with the regulatory capital requirements during the year.

Capital adequacy ratio (Continued)

The adequacy ratio of core tier one capital, the adequacy ratio of tier one capital and the capital adequacy ratio as at 31 December 2016 calculated in accordance with the Administrative Measures on Capitals of Commercial Bank (For Trial Implementation) and other relevant laws and regulations are as follows:

	2016	2015
Core tier one capital	4,563,663,184	4,484,640,017
Deductible items in core tier one capital		
Intangible assets net of associated deferred tax liabilities	(846,798)	(1,387,197)
Net core tier one capital	<u>4,562,816,386</u>	<u>4,483,252,820</u>
Net tier one capital	4,562,816,386	4,483,252,820
Tier two capital		
Excess loan impairment provision	<u>110,825,559</u>	<u>112,938,399</u>
Net capital	<u><u>4,673,641,945</u></u>	<u><u>4,596,191,219</u></u>
Credit risk weighted assets	8,976,870,265	9,148,010,289
Market risk weighted assets	155,586,250	96,651,250
Operational risk weighted assets	<u>785,567,500</u>	<u>677,666,250</u>
Total risk weighted assets	<u><u>9,918,024,015</u></u>	<u><u>9,922,327,789</u></u>
Adequacy ratio of core tier one capital	<u>46.01%</u>	<u>45.18%</u>
Adequacy ratio of tier one capital	<u>46.01%</u>	<u>45.18%</u>
Capital adequacy ratio	<u><u>47.12%</u></u>	<u><u>46.32%</u></u>

Part III Corporate Governance

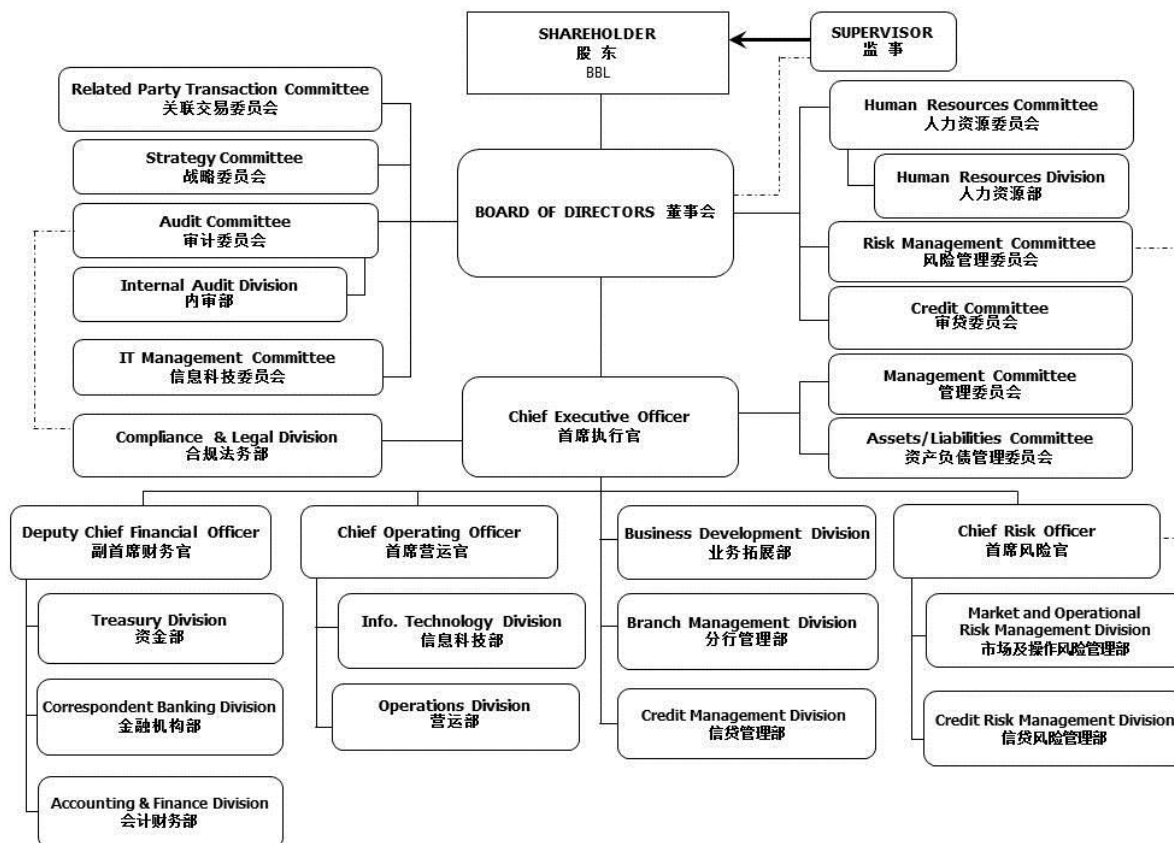
Shareholder's meeting

Bangkok Bank (China) Company Limited (Hereinafter "BBC") is a foreign-funded bank wholly invested by Bangkok Bank Public Company Limited; hence BBC has no Shareholder's meeting.

In 2016, Bangkok Bank Public Company Limited, as sole shareholder of BBC, has fulfilled its responsibility earnestly and efficiently.

Branches and Governance structure of BBC

Governance structure of BBC head office



Up to December 31, 2016, BBC established five branches and one sub-branch; those are Shanghai Branch, Beijing Branch, Shenzhen Branch, Xiamen Branch, Chongqing branch and Shanghai Free Trade Zone Sub-branch.

The Board of Directors ("The Board")

The Board of Directors is accountable to the Shareholders and is ultimately responsible for the operations and management of the Bank. The Board's role is to provide strategic leadership to the Bank within a framework of prudent and effective control which enables risk to be assessed and managed. Among other responsibilities set forth in the AOA, the Board sets the Bank's strategic aims to ensure that necessary financial and human resources are in place for the Bank to meet its objectives and it also reviews management performance.

The Board understands its overall responsibility for the Bank including the Bank's business and risk strategy, organization, financial soundness and corporate governance. The Board also provides

effective oversight of Senior Management.

To fulfill this responsibility, the Board shall:

- Exercise sound objective judgment and have appropriate qualifications and competence, both individually and collectively;
- Follow good governance practices; and
- Be supported by competent, robust and independent risk and control functions, for which the Board provides effective oversight.

The Board is accountable to the Shareholder for the management of the Bank. All Directors are to make decisions independently and objectively in the interest of the Bank.

Board Composition

The Board is composed of Executive Directors, Non-Executive Directors and Independent Directors to ensure that no individual or a small group of individuals can dominate the Board's decision making.

As of January 1, 2016, Mr. Cui GuanBin and Mr. Gao JiLu completed their terms (6 years – 2 terms) as Independent Directors of the Bank in complied with AOA.

2 new Independent Directors Mr. Chen Shi and Mr. Duncan Clark were appointed by the Bank's Shareholder with endorsement from CBRC SH on March 7, 2016. Mr. Chen Shi and Mr. Duncan Clark attended their 1st Board of Directors on March 21, 2016.

The current Board of Directors has in total 11 Directors; 2 Independent Directors, 7 Non-Executive Directors and 2 Executive Directors

The current composition is adequate to ensure appropriate segregation of powers between the Board and the Senior Management. Each party performs its role and responsibilities in accordance with terms and conditions stipulated under the Bank's AOA.

Mr.Chartsiri Sophonpanich	Chairman	陈智深 先生
Mr.Chen Shi	Independent Director	陈石 先生
Mr.Duncan Clark	Independent Director	邓肯. 克拉克 先生
Ms.Rushda Theeratharathorn	Director	李璇贞 女士
Ms.Niramarn Laisathit	Director	赖晓慧 女士
Mr.Kung Lin Cheng	Director	孔令成 先生
Mr.Toh Chong	Director	杜 聪 先生
Mr.Chiu Man Ching	Director	赵文正 先生
Mr.Chaiyarit Anuchitworawong	Director	欧阳景鑫 先生
Mr.Suwatchai Songwanich	Director、 CEO	洪钦雄 先生
Ms.Chow Ai Kiow	Director、 COO	徐爱娇 女士

In 2016, the Board held in total 8 meetings: 4 Board meetings, as stipulated in AOA, and an additional 4 meetings to further comprehensively improve the banking business and risk management.

To maintain efficiency and more focus on specific areas, the Board has established Specialized Board Committees following the incorporation of the Bank. The bank has total 7 specialized committees reporting to the Board of Directors namely, Audit Committee, Risk Management Committee, Credit Committee, Information Technology Management Committee, Human Resources Committee, Related Party Transaction Committee and Strategy Committee.

In 2016, each Committee played its role and performed its responsibility as prescribed in the regulation. The Audit Committee held 6 committee meetings, the Credit Committee held 44 committee meetings, the Risk Management Committee held 7 committee meetings, the Related Party Transaction Committee held 2 committee meetings, the IT Management Committee held 12 committee meetings, the Human Resources Committee held 4 committee meetings, the Strategy Committee held 4 committee meetings.

Fulfillment of Duties by Independent Directors

The Bank has 2 Independent Directors. At the Board meetings, the Independent Directors express their independent opinions and suggestions on matters in relation to, for example, appointment of external auditors and related risks which may result in losses of the Bank or impact the Bank's reputation. With their experience in local Chinese Banks and commercial sector, they assisted the Board to further their understanding of both business and banking practices in China. The Board appoints Independent Directors as Chairman of Audit Committee and Related Party Transaction Committee in compliance with the regulations.

- 1) Mr. Chen Shi attended 6 Board meetings and also fulfilled his roles/responsibilities as Chairman of the Audit Committee in addition to his role as member of the Related Party Transaction Committee.
- 2) Mr. Duncan Clark attended 7 Board meetings and also fulfilled his roles/responsibilities as Chairman of the Related Party Transaction Committee in addition to his role as a member of the Audit Committee.

Fulfillment of Duties by Supervisor

Appointed by the Shareholder, Mr. Pornthep Kitsanayothin serves as the only Supervisor to the Bank. In 2016, Mr. Pornthep Kitsanayothin attended all 8 Board meetings as observer and contributed more than 15 working days for the Bank. Where applicable, he also raised questions and suggestions for the Board's consideration.

Representing the Shareholder, Mr. Pornthep is responsible for submission of periodic reports to the Board and Shareholder. In addition, he has reviewed relevant documents presented to the Board including the minutes of Specialized Board Committees meetings. As performance of Directors is

important to the Bank and the Shareholder, the Supervisor also reviews and comments on the annual performance evaluation of Directors. Such comments are documented in line with the Board's approved policy and procedures for the performance evaluation of Directors.

Remuneration of the Board

Remunerations of directors are determined and paid pursuant to the rules set forth in the Bank's Articles of Association and policy approved by the Shareholder. Such remunerations are commensurate with the duties and responsibilities, the individual's performance, the Bank's overall performance, associated risk factors, business environment and factors which may affect the Bank's operations or the economy as a whole.

Generally independent directors receive a fixed annual remuneration from the Bank while certain independent directors who hold the position of the Chairman of a committee receive both a fixed annual fee and monthly salary. Non-executive directors holding position at the Parent Bank also receive a fixed annual remuneration while executive directors receive monthly salary, bonus and other fringe benefits in accordance with the Bank's policy.

Composition of Senior Management and Fulfillment of Duties

At present, all of the members of Senior Management are employees of Bangkok Bank China, which include, without limitation:

Name	Position
Mr. Suwatchai Songwanich (洪钦雄)	Chief Executive Officer
Ms. Chow Ai Kiow (Maria) (徐爱娇)	Chief Operating Officer
Ms. Yaowaluck Pawijit (许佩佩)	Chief Risk Officer
Ms. Yu Qian (俞茜)	Compliance Manager
Mr. Ma Jun (马骏)	Internal Audit Manager
Ms. Jason Wu (伍介山)	Shanghai Branch Manager
Mr. Simon Yan (严树明)	Beijing Branch Manager
Mr. Kitti Chiraseivinupraphand (章子健)	Xiamen Branch Manager
Mr. Pathomporn Phornleesaengsuwan (李冠鹏)	Shenzhen Branch Manager
Mr. Watcharapong Pornchaichanakit (陈华东)	Chongqing Branch Manager
Mr. Jimmy Ho (何庆明)	Shanghai Free Trade Zone Sub-branch Manager

Senior Management individually and collectively possess the appropriate experiences, competencies, personal qualities, professionalism and personal integrity.

Senior Management of the Bank are accountable to the CEO and periodic reporting to the Board is conducted via the CEO and the respective Specialized Board Committees.

As part of his duties as delegated by the Board, the CEO is fully responsible for day-to-day operations of the Bank. Senior Management individually possess adequate knowledge and experience relevant to each of their related functions, for example, finance, credit, operations, and collectively have a reasonable understanding of local market practices and legal/regulatory requirements.

Led by the CEO, Senior Management has fulfilled its roles and responsibilities in respective functions:

- Ensure full implementation of Board approved policies and procedures.
- Conduct periodic related risk assessments to identify and address risks due to change of business environment or regulatory requirements.
- Improve/monitor risk management and internal controls.
- Ensure compliance with regulatory requirements.
- Conduct continuous staff training in related functions to keep up with regulatory changes and business expansion.

Part IV Significant Events

Mr. Chatsiri Sophonpanich, Chairman of Bangkok Bank (China) Company Limited, was awarded 2016 Shanghai Magnolia Silver Award.

Bangkok Bank (China) Company Limited was conferred 2016 Top 10 Successful ASEAN Enterprises Entering China Award.

Bangkok Bank (China) Company Limited obtained license of RMB business for Chinese citizen.