

**Bangkok Bank (China) Company Limited**

# **2010 Annual Report**



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**【Note】** : The annual report of year 2010 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 for any other use in any manner without the consent of Bangkok Bank (china) Company Limited.

## **PART I Financial Report**

**Auditors' Report**

Ernst & Young Hua Ming (2011)  
Shen Zi No. 60829934\_B01

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

We have audited the accompanying financial statements of Bangkok Bank (China) Company Limited, which comprise the balance sheet as at 31 December 2010, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing and fairly presenting the financial statements in accordance with Accounting Standards for Business Enterprises; (2) designing, implementing and maintaining internal control as management determines is necessary to enable the preparation of the financial statements that 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. Those standards require that we comply with Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain a 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 auditor considers the 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 entity'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.

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**Auditors' Report (Continued)**

Ernst & Young Hua Ming (2011)  
Shen Zi No. 60829934\_B01

**Opinion**

In our opinion, the financial statements present fairly, in all material aspects, the financial position of Bangkok Bank (China) Company Limited as at 31 December 2010 and its financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Ernst & Young Hua Ming Shanghai Office

Chinese Certified Public Accountant:  
Guo Hangxiang

Chinese Certified Public Accountant:  
Zhang Jian

Shanghai, the People's Republic of China

22 March 2011

**BANGKOK BANK (CHINA) COMPANY LIMITED**  
**BALANCE SHEET (Continued)**  
**31 DECEMBER 2010**  
(All amounts expressed in RMB Yuan unless otherwise specified)

<u>ASSETS</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Cash and balances with central bank	333,988,374	327,342,617
Due from banks and other financial institutions	1,431,056,910	3,095,511,942
Placement with banks and other financial institutions	904,884,820	136,564,000
Interest receivable	17,435,919	18,546,296
Loans and advances to customers	6,758,407,994	6,123,426,486
Fixed assets	21,813,968	23,268,597
Intangible assets	11,262,944	11,866,673
Deferred tax assets	93,632,726	84,352,683
Other assets	26,966,832	15,417,977
<b>TOTAL ASSETS</b>	<b>9,599,450,487</b>	<b>9,836,297,271</b>

**BANGKOK BANK (CHINA) COMPANY LIMITED**  
**BALANCE SHEET (Continued)**  
**31 DECEMBER 2010**  
(All amounts expressed in RMB Yuan unless otherwise specified)

<u>LIABILITIES AND EQUITY</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
<b>LIABILITIES</b>		
Due to banks and other financial institutions	-	253,000,000
Borrowings from banks and other financial institutions	3,413,422,708	4,723,575,445
Deposits from customers	2,122,080,232	727,901,876
Payroll payable	12,705,838	10,486,482
Taxes payable	8,415,387	19,540,231
Interest payable	17,025,448	9,702,325
Other liabilities	13,620,583	34,996,643
<b>TOTAL LIABILITIES</b>	<u>5,587,270,196</u>	<u>5,779,203,002</u>
<b>EQUITY</b>		
Paid-in capital	4,000,000,000	4,000,000,000
Retained earnings	12,180,291	57,094,269
<b>TOTAL EQUITY</b>	<u>4,012,180,291</u>	<u>4,057,094,269</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>9,599,450,487</u>	<u>9,836,297,271</u>

**BANGKOK BANK (CHINA) COMPANY LIMITED**  
**INCOME STATEMENT**  
**YEAR ENDED 31 DECEMBER 2010**  
(All amounts expressed in RMB Yuan unless otherwise specified)

	2010	For the period from 28 December 2009 (Conversion date) to 31 December 2009
1. OPERATING INCOME		
Interest income	266,523,331	2,527,551
Interest expense	<u>(77,700,148)</u>	<u>(872,883)</u>
Net interest income	<u>188,823,183</u>	<u>1,654,668</u>
Fee and commission income	6,436,838	107,711
Fee and commission expense	<u>(460,325)</u>	<u>(44,537)</u>
Net fee and commission income	<u>5,976,513</u>	<u>63,174</u>
Foreign exchange loss	<u>(79,450,890)</u>	<u>(658,065)</u>
Total operating income	<u>115,348,806</u>	<u>1,059,777</u>
2. OPERATING EXPENSES		
Business tax and surcharges	(12,532,590)	(46,662)
General and administrative expenses	(141,164,281)	(3,838,831)
Impairment losses	<u>(27,285,587)</u>	<u>7,945</u>
Total operating expenses	<u>(180,982,458)</u>	<u>(3,877,548)</u>
3. OPERATING LOSS	(65,633,652)	(2,817,771)
Add: Non-operating income	8,497,936	-
Less: Non-operating expenses	<u>(250,680)</u>	<u>-</u>
4. TOTAL LOSS	(57,386,396)	(2,817,771)
Less: Income tax	<u>12,472,418</u>	<u>1,242,613</u>
5. NET LOSS	<u>(44,913,978)</u>	<u>(1,575,158)</u>
Other comprehensive income	<u>-</u>	<u>-</u>
6. TOTAL COMPREHENSIVE INCOME	<u>(44,913,978)</u>	<u>(1,575,158)</u>



**BANGKOK BANK (CHINA) COMPANY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 31 DECEMBER 2010**  
(All amounts expressed in RMB Yuan unless otherwise specified)

	Paid-in Capital	Retained Earnings	Total
1. Balance as at 1 January 2010	4,000,000,000	57,094,269	4,057,094,269
2. Movements during the period			
(i) Net loss	-	(44,913,978)	(44,913,978)
(ii) Other comprehensive income	-	-	-
Total comprehensive income	-	(44,913,978)	(44,913,978)
3. Balance as at 31 December 2010	<u>4,000,000,000</u>	<u>12,180,291</u>	<u>4,012,180,291</u>

	Paid-in Capital	Retained Earnings	Total
1. Balance as at 28 December 2009	4,000,000,000	58,669,427	4,058,669,427
2. Movements during the period			
(i) Net loss	-	(1,575,158)	(1,575,158)
(ii) Other comprehensive income	-	-	-
Total comprehensive income	-	(1,575,158)	(1,575,158)
3. Balance as at 31 December 2009	<u>4,000,000,000</u>	<u>57,094,269</u>	<u>4,057,094,269</u>

**BANGKOK BANK (CHINA) COMPANY LIMITED**  
**CASH FLOW STATEMENT**  
**YEAR ENDED 31 DECEMBER 2010**  
(All amounts expressed in RMB Yuan unless otherwise specified)

	<u>2010</u>	<u>For the period from 28 December 2009 (Conversion date) to 31 December 2009</u>
<b>1. CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net increase in deposits from customers and due to banks and other financial institutions	1,148,240,084	39,022,097
Net decrease in due from central bank, banks and other financial institutions	1,558,006,211	504,704,438
Cash received from interest, fees and commission	273,731,345	5,220,672
Cash received from other operating activities	12,486,208	-
Subtotal of cash inflows from operating activities	<u>2,992,463,848</u>	<u>548,947,207</u>
Net (increase)/decrease in loans and advances to customers	(780,313,376)	37,482,657
Net decrease in borrowings from banks and other financial institutions	(1,219,588,804)	(411,543,372)
Payments made for interest, fees and commission	(70,837,350)	(1,503,237)
Cash paid to and on behalf of employees	(87,252,429)	(885,828)
Cash paid for taxes	(22,151,472)	-
Cash paid for other operating activities	(27,054,369)	(372,594)
Subtotal of cash outflows from operating activities	<u>(2,207,197,800)</u>	<u>(376,822,374)</u>
Net cash flows from operating activities	<u>785,266,048</u>	<u>172,124,833</u>
<b>2. CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash received from disposal of fixed assets, and intangible assets	138,374	-
Subtotal of cash inflows from investing activities	<u>138,374</u>	<u>-</u>
Cash paid for acquisition of fixed assets, intangible assets and other investments	(22,351,779)	(659,985)
Subtotal of cash outflows from investing activities	<u>(22,351,779)</u>	<u>(659,985)</u>
Net cash flows from investing activities	<u>(22,213,405)</u>	<u>(659,985)</u>

**BANGKOK BANK (CHINA) COMPANY LIMITED**  
**CASH FLOW STATEMENT (Continued)**  
**YEAR ENDED 31 DECEMBER 2010**  
(All amounts expressed in RMB Yuan unless otherwise specified)

	<u>2010</u>	<u>For the period from 28 December 2009 (Conversion date) to 31 December 2009</u>
3. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(25,066,755)</u>	<u>(12,562)</u>
4. NET INCREASE IN CASH AND CASH EQUIVALENTS	737,985,888	171,452,286
Add : Cash and cash equivalents at beginning of the period	<u>1,132,191,640</u>	<u>960,739,354</u>
5. CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>1,870,177,528</u></u>	<u><u>1,132,191,640</u></u>

**BANGKOK BANK (CHINA) COMPANY LIMITED**  
**CASH FLOW STATEMENT (Continued)**  
**YEAR ENDED 31 DECEMBER 2010**  
(All amounts expressed in RMB Yuan unless otherwise specified)

Supplementary information	2010	For the period from 28 December 2009 (Conversion date) to 31 December 2009
1. Reconciliation of net loss to cash flows from operating activities:		
Net loss	(44,913,978)	(1,575,158)
Add: Provision for impairment of assets	27,285,587	(7,945)
Profit from disposal of fixed assets and intangible assets	(41,021)	-
Depreciation of fixed assets	6,116,069	-
Amortisation of intangible assets	2,495,707	-
Amortisation of long-term prepaid expenses	3,082,359	-
Losses from changes in foreign currency	82,984,748	12,562
Increase in deferred tax assets	(10,546,783)	(198,422)
Net (increase)/decrease in loans and advance to customers	(780,313,376)	37,482,657
Net increase in deposits from customers	1,148,240,084	39,022,097
Net decrease in borrowings from banks and other financial institutions	(1,219,588,804)	(411,543,372)
Decrease in operating receivables	1,559,847,181	508,973,670
Increase/(decrease) in operating payables	10,618,275	(41,256)
Net cash flows from operating activities	<u>785,266,048</u>	<u>172,124,833</u>
2. Net increase in cash and cash equivalents:		
Cash on hand at end of period	923,306	1,100,298
Less: Cash on hand at beginning of period	(1,100,298)	(1,208,751)
Add: Cash equivalents at end of period	1,869,254,222	1,131,091,342
Less: Cash equivalents at beginning of period	(1,131,091,342)	(959,530,603)
Net increase in cash and cash equivalents	<u>737,985,888</u>	<u>171,452,286</u>

## **PART II Risk and Capital Management**

**Financial instruments risk management****1) Credit risk**

## 1.1) Credit risk management

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. The Bank's credit risk exposure is mainly arisen from loans and advances to customers and other facilities.

Strictly pre-lending credit assessment, credit approval system and post-lending credit review and monitoring and reporting system of the Bank help to reduce and prevent credit risk effectively. Credit risk is also managed by means of obtaining guarantee and collateral. For off-balance-sheet credit commitments, the Bank takes similar risk mitigation methods to reduce credit risk.

Timely and regular inspection is performed to monitor business conditions of customers. Loan quality is analyzed periodically, and adequate impairment provision is made.

The risk from financial guarantee and loan commitments is similar with that from loans and advances to customers. Accordingly, application, approval, post lending management and requirements for collateral guarantee are also the same as that for loans and advances to customers.

## 1.2) The maximum credit risk exposure without consideration of any collateral and other credit enhancements

As at the balance sheet date, the maximum credit risk exposure of the Bank without taking account of any collateral and other credit enhancements is shown below:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Balances with central bank	333,065,068	326,242,319
Due from banks and other financial institutions	1,431,056,910	3,095,511,942
Placement with banks and other financial institutions	904,884,820	136,564,000
Interest receivable	17,435,919	18,546,296
Loans and advances to customers	6,758,407,994	6,123,426,486
Other assets	4,814,441	7,316,060
Total	<u>9,449,665,152</u>	<u>9,707,607,103</u>
Credit commitments	<u>690,013,575</u>	<u>108,143,486</u>
Maximum credit risk exposure	<u>10,139,678,727</u>	<u>9,815,750,589</u>

**Financial instruments risk management (Continued)****1) Credit risk (Continued)**

## 1.3) Risk Concentration

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 mainly provides loans and other financial facilities to domestic customers.

## 1.4) Collateral

The amount and types of the collateral the Bank requires depends on the credit risk evaluation of the counterparties. The Bank has implemented related guidelines on the types of collateral and the evaluation methods.

The management will monitor the market value of the collateral regularly and may require the borrowers to increase the collateral based on the related agreements. When performing assessment of the adequacy of loss provision, the change in the market value of the collateral will be considered. For commercial loan, the collaterals include inventories, machines, real estates, etc..

## 1.5) Credit quality

The credit quality by classification of financial assets of the Bank (excluding impairment provision) is analysed as follows:

31 December 2010	Neither overdue nor impaired	Overdue but not impaired	Impaired	Total
Balance with central bank	333,065,068	-	-	333,065,068
Due from banks and other financial institutions	1,431,056,910	-	-	1,431,056,910
Placement with banks and other financial institutions	904,884,820	-	-	904,884,820
Loans and advances to customers	6,866,151,704	1,362,500	179,974,480	7,047,488,684
Others	22,250,360	-	-	22,250,360
<b>Total</b>	<u>9,557,408,862</u>	<u>1,362,500</u>	<u>179,974,480</u>	<u>9,738,745,842</u>

**Financial instruments risk management (Continued)****1) Credit risk (Continued)**

## 1.5) Credit quality (Continued)

31 December 2009	Neither overdue nor impaired	Overdue but not impaired	Impaired	Total
Balance with central bank	326,242,319	-	-	326,242,319
Due from banks and other financial institutions	3,095,511,942	-	-	3,095,511,942
Placement with banks and other financial institutions	136,564,000	-	-	136,564,000
Loans and advances to customers	6,237,684,592	1,000,000	243,943,975	6,482,628,567
Others	25,862,356	-	-	25,862,356
<b>Total</b>	<b>9,821,865,209</b>	<b>1,000,000</b>	<b>243,943,975</b>	<b>10,066,809,184</b>

Neither overdue nor impaired loans

Loans and advances neither overdue nor impaired are categorized as Pass or Special Mention under the 5-tier classification system.

The composition of neither overdue nor impaired loans by type of guarantee at the balance sheet date is as follows:

31 December 2010	Pass	Special Mention	Total
Unsecured loans	2,257,902,445	9,000,000	2,266,902,445
Guaranteed loans	2,015,435,342	15,907,725	2,031,343,067
Loans with collateral:	2,054,149,095	19,818,835	2,073,967,930
Of which:			
- Secured by mortgages without guarantee	832,033,189	3,193,114	835,226,303
- Secured by mortgages and guarantee	1,222,115,906	16,625,721	1,238,741,627
Pledged loans	493,938,262	-	493,938,262
<b>Total</b>	<b>6,821,425,144</b>	<b>44,726,560</b>	<b>6,866,151,704</b>



**Financial instruments risk management (Continued)****1) Credit risk (Continued)**

## 1.5) Credit quality (Continued)

31 December 2009	Pass	Special Mention	Total
Unsecured loans	2,242,740,591	13,600,000	2,256,340,591
Guaranteed loans	2,042,592,056	26,254,429	2,068,846,485
Loans with collateral:	1,731,760,432	46,000,000	1,777,760,432
Of which:			
- Secured by mortgages without guarantee	782,325,387	-	782,325,387
- Secured by mortgages and guarantee	949,435,045	46,000,000	995,435,045
Pledged loans	134,737,084	-	134,737,084
Total	6,151,830,163	85,854,429	6,237,684,592

Overdue but not impaired loans and advances

Aging analysis of overdue but not impaired loans at the balance sheet date is as follows:

	31 December 2010	31 December 2009
Within 1 month (including 1 month)	1,362,500	1,000,000

Impaired loans and advances

Where objective evidences indicated that single or multiple events occurred after the initial recognition of the loan and the impact from the events on expected future cash flows can be estimated reliably, the relevant financial assets should be recognised as impaired loans. These loans are classified as Substandard, Doubtful and Loss.

**2) Liquidity risk**

Liquidity risk is the risk of inability to repay the fund on maturity. The mismatch of assets and liabilities amount or maturity dates may result in such risk.

A substantial increase in demand for loans will increase the demand for liquidity. Substantially reduced deposits, wrong maturity terms of loans or difficulty in loan collectability will have impact on the Bank's liquidity, which may be also impacted by significant volatility of interest rates. Negative impact factors on liquidity other than those mentioned above include sudden large withdraw of deposits, unexpected nonperforming loans and difficulty in financing on foreign monetary markets. The Bank will control liquidity risk based on different maturity of assets and liabilities.

In accordance with the Regulation and relative requirement, liquidity ratio of the Bank shall not be less than 25%. Main sources of fund are paid-in capital, borrowings from inter-banks and domestic commercial banks, and deposits from customers. All these financing sources help maintain liquidity for the Bank. Meanwhile, liquidity risk controls are placed based on different duration of assets and liabilities.

**Financial instruments risk management (Continued)****2) Liquidity risk (Continued)**

The maturity analysis of financial assets and financial liabilities of the Bank as at balance sheet date is as follows:

	31 December 2010						Total
	Overdue/ On demand	Within 3 months	3 months to 1 year	1 year to 5 years	5 years above	Undated	
Financial assets:							
Cash and balances with central bank	80,938,299	-	-	-	-	253,050,075	333,988,374
Deposits with banks (1)	57,651,909	1,930,268,320	348,021,501	-	-	-	2,335,941,730
Loans and advances to customers	1,340,854	2,697,126,063	1,541,555,611	2,438,267,764	80,117,702	-	6,758,407,994
Others financial assets	925,858	17,593,801	-	3,719,651	-	11,050	22,250,360
<b>Total financial assets</b>	<b>140,856,920</b>	<b>4,644,988,184</b>	<b>1,889,577,112</b>	<b>2,441,987,415</b>	<b>80,117,702</b>	<b>253,061,125</b>	<b>9,450,588,458</b>
Financial liabilities:							
Takings and borrowings from banks and other financial institutions	-	3,401,233,708	12,189,000	-	-	-	3,413,422,708
Deposits from customers	393,320,436	441,295,631	1,045,560,225	241,903,940	-	-	2,122,080,232
Other financial liabilities	7,513,546	17,025,448	1,219,196	-	-	-	25,758,190
<b>Total financial liabilities</b>	<b>400,833,982</b>	<b>3,859,554,787</b>	<b>1,058,968,421</b>	<b>241,903,940</b>	<b>-</b>	<b>-</b>	<b>5,561,261,130</b>
<b>Net liquidity</b>	<b>(259,977,062)</b>	<b>785,433,397</b>	<b>830,608,691</b>	<b>2,200,083,475</b>	<b>80,117,702</b>	<b>253,061,125</b>	<b>3,889,327,328</b>
<b>Credit commitments</b>	<b>1,908,395</b>	<b>83,622,467</b>	<b>504,479,943</b>	<b>100,002,770</b>	<b>-</b>	<b>-</b>	<b>690,013,575</b>

**Financial instruments risk management (Continued)****2) Liquidity risk (Continued)**

The maturity analysis of financial assets and financial liabilities of the Bank as at balance sheet date is as follows (Continued):

	31 December 2009						Total
	Overdue/ On demand	Within 3 months	3 months to 1 year	1 year to 5 years	5 years above	Undated	
Financial assets:							
Cash and balances with central bank	257,895,724	-	-	-	-	69,446,893	327,342,617
Deposits with banks (1)	874,309,169	1,895,805,650	393,679,123	68,282,000	-	-	3,232,075,942
Loans and advances to customers	981,565	2,643,927,113	1,471,236,193	2,007,281,615	-	-	6,123,426,486
Others financial assets	4,240,271	18,546,296	254,688	1,202,448	1,617,903	750	25,862,356
<b>Total financial assets</b>	<b>1,137,426,729</b>	<b>4,558,279,059</b>	<b>1,865,170,004</b>	<b>2,076,766,063</b>	<b>1,617,903</b>	<b>69,447,643</b>	<b>9,708,707,401</b>
Financial liabilities:							
Takings and borrowings from banks and other financial institutions	-	4,095,800,085	880,775,360	-	-	-	4,976,575,445
Deposits from customers	176,283,045	194,512,242	356,606,589	500,000	-	-	727,901,876
Other financial liabilities	33,509,857	9,702,325	-	-	-	-	43,212,182
<b>Total financial liabilities</b>	<b>209,792,902</b>	<b>4,300,014,652</b>	<b>1,237,381,949</b>	<b>500,000</b>	<b>-</b>	<b>-</b>	<b>5,747,689,503</b>
<b>Net liquidity</b>	<b>927,633,827</b>	<b>258,264,407</b>	<b>627,788,055</b>	<b>2,076,266,063</b>	<b>1,617,903</b>	<b>69,447,643</b>	<b>3,961,017,898</b>
Credit commitments	-	55,431,223	52,492,263	220,000	-	-	108,143,486

(1) Deposits with banks include amount due from banks and other financial institutions and placement with banks and other financial institutions.

**Financial instruments risk management (Continued)****3) Market risk**

The Bank's market risk is mainly from the gap arising from exchange rate and interest rate products. Both the Bank's trading and non-trading activities may result in market risk. The Bank's market risk management objective is to avoid significant loss on the Bank's income statement and equity due to market risk, as well as reduce negative impact from the inherent volatility risk of financial instruments.

**3.1) Currency risk**

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Risk Management Division of the Bank manages foreign currency risk exposure in various ways, including limiting foreign currency net position and conducting currency risk stress tests regularly.

As at balance sheet date, relevant assets and liabilities by currency are as follows:

	31 December 2010			Total
	RMB (RMB equivalent)	USD (RMB equivalent)	Other (RMB equivalent)	
Financial assets:				
Cash and balances with central bank	325,670,434	6,496,206	1,821,734	333,988,374
Deposits with banks (1)	654,722,616	1,668,547,066	12,672,048	2,335,941,730
Loans and advances to customers	2,429,050,771	4,126,580,896	202,776,327	6,758,407,994
Others assets	10,170,273	11,780,853	299,234	22,250,360
<b>Total financial assets</b>	<b>3,419,614,094</b>	<b>5,813,405,021</b>	<b>217,569,343</b>	<b>9,450,588,458</b>
Financial liabilities:				
Takings and borrowings from bank and other financial institutions	-	3,204,651,680	208,771,028	3,413,422,708
Deposits from customers	1,954,152,701	161,668,117	6,259,414	2,122,080,232
Other liabilities	16,536,318	6,443,874	2,777,998	25,758,190
<b>Total financial liabilities</b>	<b>1,970,689,019</b>	<b>3,372,763,671</b>	<b>217,808,440</b>	<b>5,561,261,130</b>
<b>Net position</b>	<b>1,448,925,075</b>	<b>2,440,641,350</b>	<b>(239,097)</b>	<b>3,889,327,328</b>
<b>Credit commitments</b>	<b>649,600</b>	<b>667,267,763</b>	<b>22,096,212</b>	<b>690,013,575</b>

**Financial instruments risk management (Continued)****3) Market risk (Continued)**

## 3.1) Currency risk (Continued)

	31 December 2009			Total
	RMB	USD (RMB equivalent)	Others (RMB equivalent)	
Financial assets:				
Cash and balances with central bank	316,255,375	11,020,394	66,848	327,342,617
Deposits with banks (1)	101,672,854	3,129,082,336	1,320,752	3,232,075,942
Loans and advances to customers	2,222,927,123	3,805,143,379	95,355,984	6,123,426,486
Others assets	15,140,363	10,681,127	40,866	25,862,356
<b>Total financial assets</b>	<b>2,655,995,715</b>	<b>6,955,927,236</b>	<b>96,784,450</b>	<b>9,708,707,401</b>
Financial liabilities:				
Takings and borrowings from bank and other financial institutions	1,978,000,000	2,906,389,189	92,186,256	4,976,575,445
Deposits from customers	493,278,927	234,578,452	44,497	727,901,876
Other liabilities	21,099,205	19,258,293	2,854,684	43,212,182
<b>Total financial liabilities</b>	<b>2,492,378,132</b>	<b>3,160,225,934</b>	<b>95,085,437</b>	<b>5,747,689,503</b>
<b>Net position</b>	<b>163,617,583</b>	<b>3,795,701,302</b>	<b>1,699,013</b>	<b>3,961,017,898</b>
<b>Credit commitments</b>	<b>1,540,000</b>	<b>86,012,223</b>	<b>20,591,263</b>	<b>108,143,486</b>

(1) Deposits with banks include amounts due from banks and other financial institutions and placement with banks and other financial institutions.

With all other variables held constant, the following shows the impact on pre-tax profit when foreign currency changes against the functional currency.

Change in variables	31 December 2010	31 December 2009
	Impact on profit before tax	Impact on profit before tax
-1% change against functional currency	(24,406,413)	(37,957,013)
+1% change against functional currency	24,406,413	37,957,013

The sensitivity analysis above is on the basis that assets and liabilities have static currency risk structure. It calculates the impact on pre-tax profit caused by the fluctuation of foreign exchange rate when other factors remain stable.

**Financial instruments risk management (Continued)****3) Market risk (Continued)****3.1) Currency risk (Continued)**

The related analysis is based on the following assumptions:

- (i) As over 90% of the foreign currency business is in USD, only the impact of change of USD against RMB on USD assets and liabilities is considered in the sensitive analysis;
- (ii) The sensitivity of USD refers to the foreign exchange gains and losses arising from the fluctuation of the closing USD/RMB exchange rate (mid price) by 1% of absolute value on the balance sheet date;
- (iii) No off-balance sheet items are included in the currency risk exposure.

Therefore, actual fluctuation of net foreign currency exchange from changes in exchange rate may differ from the estimation of the above sensitivity analysis.

**3.2) Interest rate risk**

The Bank's interest rate risk mainly arises from the mismatch of contractual maturity date and repricing date of interest-generating assets and interest-bearing liabilities. The Risk Management Division monitors the interest rate risk, formulates relevant policies and processes, and reports regularly to the Assets & Liability Committee of the Bank. The methods used to monitor interest rate risk include interest rate repricing gap analysis and stress testing, etc.

The PBOC establishes a floor for RMB loan interest rate and a cap for RMB deposit interest rate, and the Bank strictly follows the limit.

**Financial instruments risk management (Continued)****3) Market risk (Continued)****3.2) Interest rate risk (Continued)**

The Bank's financial assets and financial liabilities analysis by contractual repricing date or maturity date, whichever is earlier, is as follows:

	31 December 2010					Total
	Within 3 months	3 months to 1 year	1 year to 5 years	Above 5 years	Non-interest bearing	
<b>Financial assets:</b>						
Cash and balances with central bank	325,152,117	-	-	-	8,836,257	333,988,374
Deposits with banks(1)	1,987,920,230	348,021,500	-	-	-	2,335,941,730
Loans and advances to customers	5,568,699,815	1,189,708,179	-	-	-	6,758,407,994
Other financial assets	-	-	-	-	22,250,360	22,250,360
<b>Total assets</b>	<b>7,881,772,162</b>	<b>1,537,729,679</b>	<b>-</b>	<b>-</b>	<b>31,086,617</b>	<b>9,450,588,458</b>
<b>Financial liabilities:</b>						
Takings and borrowings from banks and other financial institutions	3,401,233,708	12,189,000	-	-	-	3,413,422,708
Deposits from customers	833,894,572	1,045,560,225	241,903,940	-	721,495	2,122,080,232
Other financial liabilities	-	-	-	-	25,758,190	25,758,190
<b>Total liabilities</b>	<b>4,235,128,280</b>	<b>1,057,749,225</b>	<b>241,903,940</b>	<b>-</b>	<b>26,479,685</b>	<b>5,561,261,130</b>
<b>Net position</b>	<b>3,646,643,882</b>	<b>479,980,454</b>	<b>(241,903,940)</b>	<b>-</b>	<b>4,606,932</b>	<b>3,889,327,328</b>

**Financial instruments risk management (Continued)****3) Market risk (Continued)****3.2) Interest rate risk (Continued)**

The Bank's financial assets and financial liabilities analysis by contractual repricing date or maturity date, whichever is earlier, is as follows (Continued):

	31 December 2009					Total
	Within 3 months	3 months to 1 year	1 year to 5 years	Above 5 years	Non-interest bearing	
<b>Financial assets:</b>						
Cash and balances with central bank	315,731,742	-	-	-	11,610,875	327,342,617
Deposits with banks(1)	2,788,885,541	443,190,401	-	-	-	3,232,075,942
Loans and advances to customers	5,530,245,133	593,181,353	-	-	-	6,123,426,486
Other financial assets	-	-	-	-	25,862,356	25,862,356
<b>Total assets</b>	<b>8,634,862,416</b>	<b>1,036,371,754</b>	<b>-</b>	<b>-</b>	<b>37,473,231</b>	<b>9,708,707,401</b>
<b>Financial liabilities:</b>						
Takings and borrowings from banks and other financial institutions	4,095,800,085	880,775,360	-	-	-	4,976,575,445
Deposits from customers	370,795,287	356,606,589	500,000	-	-	727,901,876
Other financial liabilities	-	-	-	-	43,212,182	43,212,182
<b>Total liabilities</b>	<b>4,466,595,372</b>	<b>1,237,381,949</b>	<b>500,000</b>	<b>-</b>	<b>43,212,182</b>	<b>5,747,689,503</b>
<b>Net position</b>	<b>4,168,267,044</b>	<b>(201,010,195)</b>	<b>(500,000)</b>	<b>-</b>	<b>(5,738,951)</b>	<b>3,961,017,898</b>

(1) Deposits with banks include amount due from banks and other financial institutions and placement with banks and other financial institutions.



**Financial instruments risk management (Continued)****3) Market risk (Continued)**

## 3.2) Interest rate risk (Continued)

Floating interest rate instruments expose the Bank to cash flow interest risk, whereas fixed interest rate instruments expose the Bank to fair value interest risk.

The Bank's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and floating rate instruments. The policy also requires it to manage the maturities of interest generating financial assets and interest bearing financial liabilities. Floating interest rate instruments is re-priced at intervals of less than one year. Fixed interest rate instruments are priced at inception of the financial instrument and are fixed until maturity.

With all other variables held constant, the following shows the impact on profit before tax when interest rate changes.

	<u>31 December 2010</u>	<u>31 December 2009</u>
Change in interest rate	Impact on profit before tax	Impact on profit before tax
+100 basis points	<u>33,708,061</u>	<u>40,857,675</u>
- 100 basis points	<u>(33,708,061)</u>	<u>(40,857,675)</u>

The sensitivity analysis above is on the basis that assets and liabilities have static interest risk structure. The analysis is the measure of interest within only one year, reflecting the impact on annualized interest income caused by re-pricing of assets and liabilities. The assumptions are as follows:

- (i) All the assets and liabilities which re-price or mature within three month or three months to one year are assumed to re-price or mature in the middle of the period;
- (ii) Interest rate yield curve moves in parallel with the change of interest;
- (iii) There are no changes in the portfolio of assets and liabilities.

Based on the above assumption, the actual change of net interest income caused by the increase or decrease interest rate may be different from the result of sensitivity analysis.

**Capital management**

The Bank adopted capital management method to prevent the inherent risk in the business operation, and complied with the requirements of regulatory authorities. Apart from that, the Bank should maintain sufficient capital adequacy ratio for operation, and maximize owner's interests. The Bank adjusts the capital management method actively in accordance with the change of economic environment and related risk characteristics. The adjustments usually include increasing capital, decreasing the customer loans, or increasing the proportion of secured loans and so on.

In accordance with the regulation of the CBRC, capital adequacy ratio of commercial bank registered in China should not be less than 8% and core capital adequacy ratio should not be less than 4%. The calculation of weighted-average risk assets was based on each asset, counterparties and collaterals to reflect the expected credit risk, market risk and other related risks. This method also applies to off-balance sheet exposure; along with some adjustments reflecting the characteristics of contingent losses.

The Bank calculated and disclosed the core capital adequacy ratio and capital adequacy ratio in accordance with the "Administrative Measures for Capital Adequacy Ratio of Commercial Banks" and "The Notice on the Calculation of Capital Adequacy Ratio of Banking Financial Institution after the Implementation of Accounting Standard for Business Enterprises" promulgated by the CBRC.

Core capital includes paid-in capital and retained earnings. Supplementary capital includes general provision.

	<u>31 December 2010</u>	<u>31 December 2009</u>
	RMB' 000	RMB' 000
Core capital	4,012,180	4,057,094
Supplementary capital	108,184	113,277
Net capital base	4,120,364	4,170,371
Risk weighted assets	7,254,070	6,452,640
Core capital adequacy ratio	55.31%	62.87%
Capital adequacy ratio	<u>56.80%</u>	<u>64.63%</u>

## **PART III Corporate Governance**

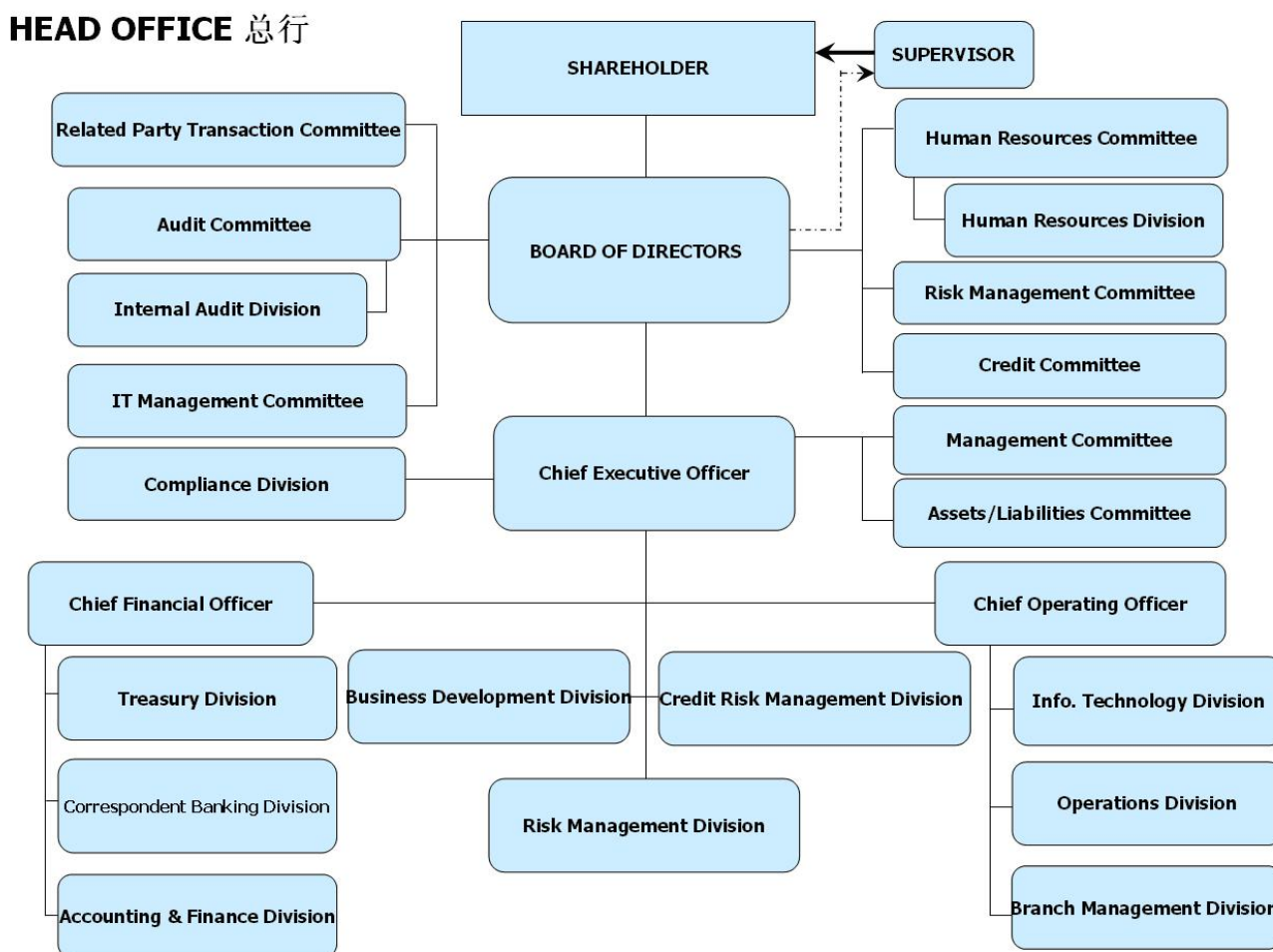
**Shareholders Meeting**

Bangkok Bank (China) Company Limited (hereinafter “BBC” or “the bank”) is a foreign-owned bank established by Bangkok Bank (Public) Company Limited, which means BBC hasn’t shareholders meeting.

In 2010, as the solo shareholder, Bangkok Bank (Public) Company Limited effectively fulfilled its responsibility.

**Divisions and its framework**

The framework of head office of BBC:



As of 31 Dec. 2011, BBC established 4 branches, they’re Shanghai, Beijing, Shenzhen and Xiamen branch.

**Consitution of Borard of Directors and its condition**

As of 31 Dec. 2011, Board of Directors of BBC as below:

Mr.Chartsiri Sophonpanich	Chairman of the BOD	陈智深 先生
Mr.Prasong Uthaisangchai	Vice Chairman of the BOD	陈海洲 先生
Mr.Cui Guanbin	Independent Director	崔官斌 先生
Mr. Gao Jilu	Independent Director	高继鲁 先生
Mr. Cheung Yau Choi	Independent Director	张幼才 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.Suwatchai Songwanich	Director, CEO	洪钦雄 先生
Ms.Chow Ai Kiow	Director, COO	徐爱娇 女士

In 2010, BBC held 6 BOD meetings.

In addition, there are several committees under Board of Directors, viz. Risk Management Committee, Audit Committee, Credit Committee, IT Management Committee1, Human Resource Committee, Related Party Transactions Committee. In 2010, there're 6 mmetings held by Audit Committee and Risk Management Committee, 44 meetings held by Credit Committee, the frequency is about once a week; 3 meetings held by Related Party Transactions Committee; 2 meetings held by IT Management Committee1; 4 meetings held by Human Resource Committee.

The bank has 3 Independent Directors:

1) Mr. Cui Guanbin (retired):

Mr. Cui Guanbin, Independent Director of the Board of Directors ("Board") of Bangkok Bank (China) Company Limited, attended all 6 Board of Directors Meetings. He has involved in the decision making process of the Board of Directors and expressed independent opinions.

As Chairman of Audit Committee, he presided Audit Committee meetings, signed meeting minutes and reported updates of activities carried out by Audit Committee on BOD Meeting. As member of Related Party Transaction Committee, he attended Related Party Transaction Committee meetings.

## 2) Mr. Gao Jilu (retired):

Mr. Gao Jilu, Independent Director of the Board of Directors (“Board”) of Bangkok Bank (China) Company Limited, attended all 6 Board of Directors Meetings. He has involved in the decision making process of the Board of Directors and expressed independent opinions. As Chairman of Related Party Transaction Committee, he presided Related Party Transaction Committee meetings, signed meeting minutes and reported updates of activities carried out by Related Party Transaction Committee on BOD Meeting. As member of Audit Committee, he attended Audit Committee meetings.

## 3) Mr. Cheung Yau Choi: Mr. Cheung Yau Choi, Independent Director of the Board of Directors (“Board”) of Bangkok Bank (China) Company Limited, attended 2 Board of Directors Meetings.

**Constitution of Board of Supervisors and its condition**

BBC didn’t establish the board of supervisors. Mr. Pornthep Kitsanayothin served as Supervisor to the Bank currently. Mr. Pronthep presented in every Board Meeting and summarized the issues raised in the meeting to report to the shareholders for acknowledgement, In addition, he oversight bank’s operation and risk management through the performing of Parent Bank audit work at the Bank including the reviewing of audit findings by various examiners such as; local authorities, internal auditors, external auditors and improvement progress of the Bank.

**Senior Management Members and basic situation**

Currently senior management members are all full-time employees of BBC, including but not limited to:

Name	Position
Mr. Suwatchai Songwanich (洪钦雄)	Chief Executive Officer
Ms. Chow Ai Kiow (Maria) (徐爱娇)	Chief Operating Officer
Ms. Yu Qian (俞茜)	Compliance Manager
Mr. Mok Yu Hei (莫宇熙)	Internal Audit Manager
Mr. Jason Wu (伍介山)	Shanghai Branch Managr
Mr. Chiravit Supatanakul (何智伟)	Beijing Branch Manager
Mr. Simon Yan (严树明)	Xiamen Branch Manager
Mr. Watcharapong Pornchaichanakit (陈华东)	Shenzhen Branch Manager

General contributions by respective senior management of bank for the year 2010 includes but not limited to;

- Taking full responsibility in managing functional units (includes; staff recruitment, training and etc., to ensure resource are able to cope with the business expansion)
- Formulating and implementing policy and procedures of each functional unit’s.
- Formulating and maintaining a proper framework and standard on procedure, monitoring, identifying, measuring, analyzing, reporting, management compliance, regulation, financial crime and operational risks;

- Managing the Bank's financial data base, monitoring timely and precisely of the financial reporting procedure to ensure the promptness, precision and completeness of the financial reports in order to meet the China accounting principle;
- Ensuring the Bank's financial information are submitted timely, precisely and completely to the regulatory authority;
- Ensuring the Bank's complying with relevant rules and regulation;

## **Part IV Significant Event**



Beijing branch and Shenzhen branch were authorized by Bangkok Bank (China) Co., Ltd., respectively applied to the local regulatory authorities for RMB business excluded Chinese residents. After the completion of relevant preparatory work, Beijing branch operated RMB business from September 1, 2010, and Shenzhen Branch operated RMB business from September 8, 2010 by the local regulatory authorities approval.