



Bangkok Bank (China) Company Limited

2011 Annual Report



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【Note】 : The annual report of year 2011 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.

Part I Financial Report

Auditors' Report

Ernst & Young Hua Ming (2012) 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 2011, 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.

Auditors' Report (Continued)

Ernst & Young Hua Ming (2012) 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 2011 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

27 March 2012

BANGKOK BANK (CHINA) COMPANY LIMITED**BALANCE SHEET****31 DECEMBER 2011**

(All amounts expressed in RMB Yuan unless otherwise specified)

	<u>Note 4</u>	<u>31 December 2011</u>	<u>31 December 2010</u>
<u>ASSETS</u>			
Cash and balances with central bank	1	1,565,312,128	333,988,374
Due from banks and other financial institutions	2	5,562,721,273	1,431,056,910
Placement with banks and other financial institutions	3	2,342,039,650	904,884,820
Interest receivable	4	98,376,908	17,435,919
Loans and advances to customers	5	5,928,490,507	6,758,407,994
Available-for-sale financial assets	6	99,548,950	-
Fixed assets	7	16,852,842	21,813,968
Intangible assets	8	10,445,679	11,262,944
Deferred tax assets	9	81,837,704	93,632,726
Other assets	10	24,915,168	26,966,832
		<hr/>	<hr/>
TOTAL ASSETS		15,730,540,809	9,599,450,487

BANGKOK BANK (CHINA) COMPANY LIMITED**BALANCE SHEET (Continued)****31 DECEMBER 2011**

(All amounts expressed in RMB Yuan unless otherwise specified)

	<u>Note 4</u>	<u>31 December 2011</u>	<u>31 December 2010</u>
<u>LIABILITIES</u>			
Placement from banks and other financial institutions	11	2,450,053,574	3,413,422,708
Deposits from customers	12	9,063,065,832	2,122,080,232
Payroll payable	13	14,609,534	12,705,838
Taxes payable	14	20,555,857	8,415,387
Interest payable	15	89,293,609	17,025,448
Other liabilities	16	<u>12,880,187</u>	<u>13,620,583</u>
TOTAL LIABILITIES		<u>11,650,458,593</u>	<u>5,587,270,196</u>
<u>EQUITY</u>			
Paid-in capital	17	4,000,000,000	4,000,000,000
Capital reserves	18	(76,607)	-
Surplus reserves	19	6,797,853	-
General reserves	20	61,180,679	-
Retained earnings	21	<u>12,180,291</u>	<u>12,180,291</u>
TOTAL EQUITY		<u>4,080,082,216</u>	<u>4,012,180,291</u>
TOTAL LIABILITIES AND EQUITY		<u>15,730,540,809</u>	<u>9,599,450,487</u>

The financial statements from page 3 to 62 have been signed by:

Suwatchai Songwanich

Chief Executive Officer

Cai Fei

Person in charge of Accounting

BANGKOK BANK (CHINA) COMPANY LIMITED
INCOME STATEMENT
YEAR ENDED 31 DECEMBER 2011

(All amounts expressed in RMB Yuan unless otherwise specified)

	Note 4	2011	2010
1. OPERATING INCOME			
Interest income		492,109,854	266,523,331
Interest expense		(155,874,936)	(77,700,148)
Net interest income	22	336,234,918	188,823,183
Fee and commission income		11,486,481	6,436,838
Fee and commission expense		(510,551)	(460,325)
Net fee and commission income	23	10,975,930	5,976,513
Investment income		104,856	-
Foreign exchange loss		(104,983,484)	(79,450,890)
Total operating income		242,332,220	115,348,806
2. OPERATING EXPENSES			
Business tax and surcharges		(18,694,310)	(12,532,590)
General and administrative expenses	24	(145,551,789)	(141,164,281)
Impairment losses	25	7,397,360	(27,285,587)
Total operating expenses		(156,848,739)	(180,982,458)
3. OPERATING PROFIT/(LOSS)		85,483,481	(65,633,652)
Add: Non-operating income	26	7,501,369	8,497,936
Less: Non-operating expenses		-	(250,680)
4. PROFIT/(LOSS) BEFORE TAX		92,984,850	(57,386,396)
Less: Income tax	27	(25,006,318)	12,472,418
5. NET PROFIT/(LOSS)		67,978,532	(44,913,978)
Other comprehensive income	28	(76,607)	-
6. TOTAL COMPREHENSIVE INCOME		67,901,925	(44,913,978)

BANGKOK BANK (CHINA) COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2011

(All amounts expressed in RMB Yuan unless otherwise specified)

	Paid-in Capital	Capital Reserves	Surplus Reserves	General Reserves	Retained Earnings	Total
1. Balance as at 1 January 2011	4,000,000,000	-	-	-	12,180,291	4,012,180,291
2. Movements during the year	-	(76,607)	6,797,853	61,180,679	-	67,901,925
(i) Net profit	-	-	-	-	67,978,532	67,978,532
(ii) Other comprehensive income						
1. Net change in the fair value of available-for-sale financial assets	-	(76,607)	-	-		(76,607)
Total comprehensive income	-	(76,607)	-	-	67,978,532	67,901,925
(iii) Profit appropriation	-	-	6,797,853	61,180,679	(67,978,532)	-
1. Appropriation to surplus reserves (note 19)	-	-	6,797,853	-	(6,797,853)	-
2. Appropriation to general reserves (note 20)	-	-	-	61,180,679	(61,180,679)	-
3. Balance as at 31 December 2011	4,000,000,000	(76,607)	6,797,853	61,180,679	12,180,291	4,080,082,216

BANGKOK BANK (CHINA) COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY (Continued)
YEAR ENDED 31 DECEMBER 2011

(All amounts expressed in RMB Yuan unless otherwise specified)

	Paid-in Capital	Capital Reserves	Surplus Reserves	General Reserves	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 year	-	-	-	-	-	-
(i) Net loss	-	-	-	-	(44,913,978)	(44,913,978)
(ii) Other comprehensive income	-	-	-	-	-	-
1. Net change in the fair value of available-for-sale financial assets	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(44,913,978)	(44,913,978)
(iii) Profit appropriation	-	-	-	-	-	-
1. Appropriation to surplus reserves (note 19)	-	-	-	-	-	-
2. Appropriation to general reserves (note 20)	-	-	-	-	-	-
3. Balance as at 31 December 2010	4,000,000,000	-	-	-	12,180,291	4,012,180,291

BANGKOK BANK (CHINA) COMPANY LIMITED
CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2011

(All amounts expressed in RMB Yuan unless otherwise specified)

	Note 4	2011	2010
1. CASH FLOWS FROM OPERATING ACTIVITIES:			
Net decrease in due from central bank, banks and other financial institutions		-	1,558,006,211
Net decrease in loans and advances to customers	634,341,461		-
Net increase in deposits from customers and due to banks and other financial institutions	6,949,143,892		1,148,240,084
Cash received from interest, fees and commission	423,400,309		273,731,345
Cash received from other operating activities	12,042,590		12,486,208
Subtotal of cash inflows from operating activities	<u>8,018,928,252</u>		<u>2,992,463,848</u>
Net increase in due from central bank, banks and other financial institutions	(4,281,662,237)		-
Net decrease in placements from banks and other financial institutions	(803,669,519)		(1,219,588,804)
Net increase in loans and advances to customers	-		(780,313,376)
Net increase in placements with banks and other financial institutions	(403,495,500)		-
Payments made for interest, fees and commission	(84,117,327)		(70,837,350)
Cash paid to and on behalf of employees	(88,307,171)		(87,252,429)
Cash paid for taxes	(21,227,839)		(22,151,472)
Cash paid for other operating activities	(33,848,826)		(27,054,369)
Subtotal of cash outflows from operating activities	<u>(5,716,328,419)</u>		<u>(2,207,197,800)</u>
Net cash flows from operating activities	<u>2,302,599,833</u>		<u>785,266,048</u>
2. CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash received from disposal of fixed assets, intangible assets and other long-term assets		-	138,374
Subtotal of cash inflows from investing activities		-	138,374
Cash paid for bond investment	(100,835,728)		-
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	(3,851,769)		(22,351,779)
Subtotal of cash outflows from investing activities	<u>(104,687,497)</u>		<u>(22,351,779)</u>
Net cash flows from investing activities	<u>(104,687,497)</u>		<u>(22,213,405)</u>

BANGKOK BANK (CHINA) COMPANY LIMITED
CASH FLOW STATEMENT (Continued)
YEAR ENDED 31 DECEMBER 2011

(All amounts expressed in RMB Yuan unless otherwise specified)

	Note 4	2011	2010
3. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(57,599,978)	(25,066,755)
4. NET INCREASE IN CASH AND CASH EQUIVALENTS		2,140,312,358	737,985,888
Add: Cash and cash equivalents at beginning of the year		1,870,177,528	1,132,191,640
5. CASH AND CASH EQUIVALENTS AT END OF THE YEAR	29	4,010,489,886	1,870,177,528

BANGKOK BANK (CHINA) COMPANY LIMITED
CASH FLOW STATEMENT (Continued)
YEAR ENDED 31 DECEMBER 2011

(All amounts expressed in RMB Yuan unless otherwise specified)

Supplementary information	Note 4	2011	2010
1. Reconciliation of net profit/(loss) to cash flows from operating activities:			
Net profit/(loss)		67,978,532	(44,913,978)
Add: (Reversal)/provision for impairment of assets		(7,397,360)	27,285,587
Profit from disposal of fixed assets, intangible assets and other long-term assets		-	(41,021)
Depreciation of fixed assets		6,481,959	6,116,069
Amortisation of intangible assets		2,909,521	2,495,707
Amortisation of long-term prepaid expenses		4,984,793	3,082,359
Investment income of available-for-sale financial assets		(104,856)	-
Losses from changes in foreign currency		109,524,705	82,984,748
Decrease/(increase) in deferred tax assets		10,306,318	(10,546,783)
Net decrease/(increase) in loans and advance to customers		634,341,461	(780,313,376)
Net increase in deposits from customers		6,949,143,892	1,148,240,084
Net decrease in borrowings from banks and other financial institutions		(1,207,165,019)	(1,219,588,804)
(Increase)/decrease in operating receivables		(4,364,604,633)	1,559,847,181
Increase in operating payables		96,200,520	10,618,275
Net cash flows from operating activities		<u>2,302,599,833</u>	<u>785,266,048</u>
2. Net increase in cash and cash equivalents:			
Cash on hand at end of year	29	580,245	923,306
Less: Cash on hand at beginning of year		(923,306)	(1,100,298)
Add: Cash equivalents at end of year	29	4,009,909,641	1,869,254,222
Less: Cash equivalents at beginning of year		(1,869,254,222)	(1,131,091,342)
Net increase in cash and cash equivalents		<u>2,140,312,358</u>	<u>737,985,888</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 from loans and advances to customers and other banking facilities.

Strict pre-lending credit assessment, credit approval system and post-lending credit review and monitoring and reporting system of the Bank help to reduce and mitigate 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 2011</u>	<u>31 December 2010</u>
Balances with central bank	1,564,731,883	333,065,068
Due from banks and other financial institutions	5,562,721,273	1,431,056,910
Placement with banks and other financial institutions	2,342,039,650	904,884,820
Interest receivable	98,376,908	17,435,919
Loans and advances to customers	5,928,490,507	6,758,407,994
Available-for-sale financial assets	99,548,950	-
Other assets	5,172,479	4,814,441
	<u>15,601,081,650</u>	<u>9,449,665,152</u>
Credit commitments (Note 6/(2))	<u>1,132,696,530</u>	<u>690,013,575</u>
Maximum credit risk exposure	<u><u>16,733,778,180</u></u>	<u><u>10,139,678,727</u></u>

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 banking facilities to domestic customers. For information of industry and geographical concentration of loans and advances to customers, please refer to Note 4/ (5).

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

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 relevant 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, changes in the market value of the collateral will be considered. For commercial loans, the collaterals are mainly deposits, inventories, machineries, 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 2011	Neither overdue nor impaired	Overdue but not impaired	Impaired	Total
Balance with central bank	1,564,731,883	-	-	1,564,731,883
Due from banks and other financial institutions	5,562,941,273	-	-	5,562,941,273
Placement with banks and other financial institutions	2,342,629,650	-	-	2,342,629,650
Loans and advances to customers	6,071,657,906	3,125,000	126,753,355	6,201,536,261
Available-for-sale financial assets	99,548,950	-	-	99,548,950
Others	103,549,387	-	-	103,549,387
Total	15,745,059,049	3,125,000	126,753,355	15,874,937,404
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
Available-for-sale financial assets	-	-	-	-
Others	22,250,360	-	-	22,250,360
Total	9,557,408,862	1,362,500	179,974,480	9,738,745,842

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

1.5) Credit quality (Continued)

Neither overdue nor impaired loans and advances

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 2011	<u>Pass</u>	<u>Special Mention</u>	<u>Total</u>
Unsecured loans	1,117,710,705	-	1,117,710,705
Guaranteed loans	1,228,279,997	19,361,557	1,247,641,554
Loans with collateral:	1,906,166,661	260,543,575	2,166,710,236
Of which:			
- Secured by mortgages without guarantee	1,259,994,004	-	1,259,994,004
- Secured by mortgages and guarantee	646,172,657	260,543,575	906,716,232
Pledged loans	<u>1,539,595,411</u>	<u>-</u>	<u>1,539,595,411</u>
Total	<u><u>5,791,752,774</u></u>	<u><u>279,905,132</u></u>	<u><u>6,071,657,906</u></u>
31 December 2010	<u>Pass</u>	<u>Special Mention</u>	<u>Total</u>
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	<u>493,938,262</u>	<u>-</u>	<u>493,938,262</u>
Total	<u><u>6,821,425,144</u></u>	<u><u>44,726,560</u></u>	<u><u>6,866,151,704</u></u>

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

1.5) Credit quality (Continued)

Overdue but not impaired loans and advances

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

	<u>31 December 2011</u>	<u>31 December 2010</u>
Within 1 month (including 1 month)	-	1,362,500
1-2 months	<u>3,125,000</u>	<u>-</u>
Total	<u><u>3,125,000</u></u>	<u><u>1,362,500</u></u>

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 or 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. Substantial reduction in deposits, the maturity terms of loans or difficulties with the recovery of loans may have an impact on the Bank's liquidity, which may be also impacted by significant volatility of interest rates. Adverse factors on liquidity other than those mentioned above include sudden large withdrawal of deposits, unexpected nonperforming loans and difficulties in obtaining financing from the money markets. The Bank manages liquidity risk based on different maturity terms of assets and liabilities.

In accordance with the Regulation and relevant requirements, liquidity ratio of the Bank shall not be less than 25%. Main sources of funds are paid-in capital, deposits from customers, and borrowings from inter-banks and domestic commercial banks. The availability of all these financing sources helps maintain liquidity for the Bank. Meanwhile, liquidity risk controls are in place to closely monitor the 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 2011						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	366,188,136	-	-	-	-	1,199,123,992	1,565,312,128
Deposits with banks (1)	84,101,550	4,967,394,700	2,853,264,673	-	-	-	7,904,760,923
Loans and advances to customers	2,986,205	2,709,413,160	1,854,622,703	1,311,762,929	49,705,510	-	5,928,490,507
Available-for-sale financial assets	-	-	50,208,950	49,340,000	-	-	99,548,950
Other financial assets	1,163,483	98,516,362	6,041	2,551,603	1,201,648	110,250	103,549,387
Total financial assets	454,439,374	7,775,324,222	4,758,102,367	1,363,654,532	50,907,158	1,199,234,242	15,601,661,895
Financial liabilities:							
Takings and borrowings from banks and other financial institutions	-	2,385,576,689	64,476,885	-	-	-	2,450,053,574
Deposits from customers	1,255,583,073	4,101,949,199	2,652,025,169	1,053,508,391	-	-	9,063,065,832
Other financial liabilities	4,282,075	91,173,905	362,205	-	-	-	95,818,185
Total financial liabilities	1,259,865,148	6,578,699,793	2,716,864,259	1,053,508,391	-	-	11,608,937,591
Net liquidity	(805,425,774)	1,196,624,429	2,041,238,108	310,146,141	50,907,158	1,199,234,242	3,992,724,304
Credit commitments	5,370,776	340,304,830	704,479,134	82,541,790	-	-	1,132,696,530

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 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
Total financial assets	140,856,920	4,644,988,184	1,889,577,112	2,441,987,415	80,117,702	253,061,125	9,450,588,458
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
Total financial liabilities	400,833,982	3,859,554,787	1,058,968,421	241,903,940	-	-	5,561,261,130
Net liquidity	(259,977,062)	785,433,397	830,608,691	2,200,083,475	80,117,702	253,061,125	3,889,327,328
Credit commitments	1,908,395	83,622,467	504,479,943	100,002,770	-	-	690,013,575

(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 gaps 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 2011			Total
	RMB	USD (RMB equivalent)	Other (RMB equivalent)	
Financial assets:				
Cash and balances				
with central bank	1,531,982,346	33,061,326	268,456	1,565,312,128
Deposits with banks (1)	5,936,004,029	1,630,945,829	337,811,065	7,904,760,923
Loans and advances to customers	2,301,370,867	3,513,415,658	113,703,982	5,928,490,507
Available-for-sale financial assets	99,548,950	-	-	99,548,950
Others financial assets	79,791,517	14,407,390	9,350,480	103,549,387
Total financial assets	9,948,697,709	5,191,830,203	461,133,983	15,601,661,895
Financial liabilities:				
Takings and borrowings from banks and other financial institutions	150,000,000	2,184,238,490	115,815,084	2,450,053,574
Deposits from customers	7,705,114,340	1,027,707,988	330,243,504	9,063,065,832
Other financial liabilities	83,928,590	4,718,389	7,171,206	95,818,185
Total financial liabilities	7,939,042,930	3,216,664,867	453,229,794	11,608,937,591
Net position	2,009,654,779	1,975,165,336	7,904,189	3,992,724,304
Credit commitments	2,744,400	1,093,344,312	36,607,818	1,132,696,530

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

	31 December 2010			Total
	RMB	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 financial assets	10,170,273	11,780,853	299,234	22,250,360
Total financial assets	3,419,614,094	5,813,405,021	217,569,343	9,450,588,458
Financial liabilities:				
Takings and borrowings from banks 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 financial liabilities	16,536,318	6,443,874	2,777,998	25,758,190
Total financial liabilities	1,970,689,019	3,372,763,671	217,808,440	5,561,261,130
Net position	1,448,925,075	2,440,641,350	(239,097)	3,889,327,328
Credit commitments	649,600	667,267,763	22,096,212	690,013,575

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

Financial instruments risk management (Continued)

3.1) Currency risk (Continued)

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

	31 December 2011	31 December 2010
	Impact on profit before tax	Impact on profit before tax
Change in variables		
-1% change against functional currency	(19,751,653)	(24,406,413)
+1% change against functional currency	19,751,653	24,406,413

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.

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) Off-balance sheet items have not been 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 such limits.

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 2011					Total
	Within 3 months	3 months to 1 year	1 year to 5 years	Above 5 years	Non-interest bearing	
Financial assets:						
Cash and balances with central bank	1,531,593,480	-	-	-	33,718,648	1,565,312,128
Deposits with banks (1)	5,051,496,250	2,853,264,673	-	-	-	7,904,760,923
Loans and advances to customers	5,029,082,046	899,408,461	-	-	-	5,928,490,507
Available-for-sale financial assets	-	50,208,950	49,340,000	-	-	99,548,950
Other financial assets	-	-	-	-	103,549,387	103,549,387
Total assets	11,612,171,776	3,802,882,084	49,340,000	-	137,268,035	15,601,661,895
Financial liabilities:						
Takings and borrowings from banks and other financial institutions						
Deposits from customers	2,385,576,689	64,476,885	-	-	-	2,450,053,574
Other financial liabilities	5,354,800,986	2,652,025,169	1,053,508,391	-	2,731,286	9,063,065,832
Total liabilities	7,740,377,675	2,716,502,054	1,053,508,391	-	98,549,471	11,608,937,591
Net position	3,871,794,101	1,086,380,030	(1,004,168,391)	-	38,718,564	3,992,724,304

Financial instruments risk management (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 2010					Total
	Within 3 months	3 months to 1 year	1 year to 5 years	Above 5 years	Non-interest bearing	
Financial assets:						
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
Total assets	7,881,772,162	1,537,729,679	-	-	31,086,617	9,450,588,458
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	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
Total liabilities	4,235,128,280	1,057,749,225	241,903,940	-	26,479,685	5,561,261,130
Net position	3,646,643,882	479,980,454	(241,903,940)	-	4,606,932	3,889,327,328

(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)

3.2) 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.

	31 December 2011		31 December 2010	
	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
+100 basis points	37,952,124	(1,000,252)	33,708,061	-
- 100 basis points	(37,952,124)	1,023,011	(33,708,061)	-

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 are due for re-price or due to mature within three months 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 in 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 in interest rate may be different from the result of sensitivity analysis.

The impact on equity is estimated from the change in market value of 'Available-for-sale' portfolio caused by a parallel shift of yield curve arising from interest rate change.

Capital management

The Bank adopted capital management measures to mitigate the inherent risks in the business operations, as well as to comply with the requirements of regulatory authorities. Apart from that, the Bank also maintains healthy capital adequacy ratio for its operations, and maximize owner's interests. The Bank adjusts the capital management measures actively in accordance with changes in the economic environment and relevant risk characteristics. The adjustments usually include increasing capital, decreasing customer loans, or increasing the proportion of secured loans, etc.

In accordance with the regulation of the CBRC, capital adequacy ratio of commercial bank registered in China shall not be less than 8% and core capital adequacy ratio shall not be less than 4%. The calculation of weighted-average risk assets was based on the characteristics of each asset, counterparties and collaterals to reflect the expected credit risk, market risk and other relevant risks. This method also applies to off-balance sheet exposures; 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, capital reserves, surplus reserves, general reserves and retained earnings. Supplementary capital includes general provision.

	<u>31 December 2011</u>	<u>31 December 2010</u>
	RMB '000	RMB '000
Core capital	4,080,082	4,012,180
Supplementary capital	124,031	108,184
Net capital base	4,204,113	4,120,364
Risk weighted assets	5,461,690	7,254,070
Core capital adequacy ratio	74.70%	55.31%
Capital adequacy ratio	<u>76.97%</u>	<u>56.80%</u>

Part III Corporate Governance

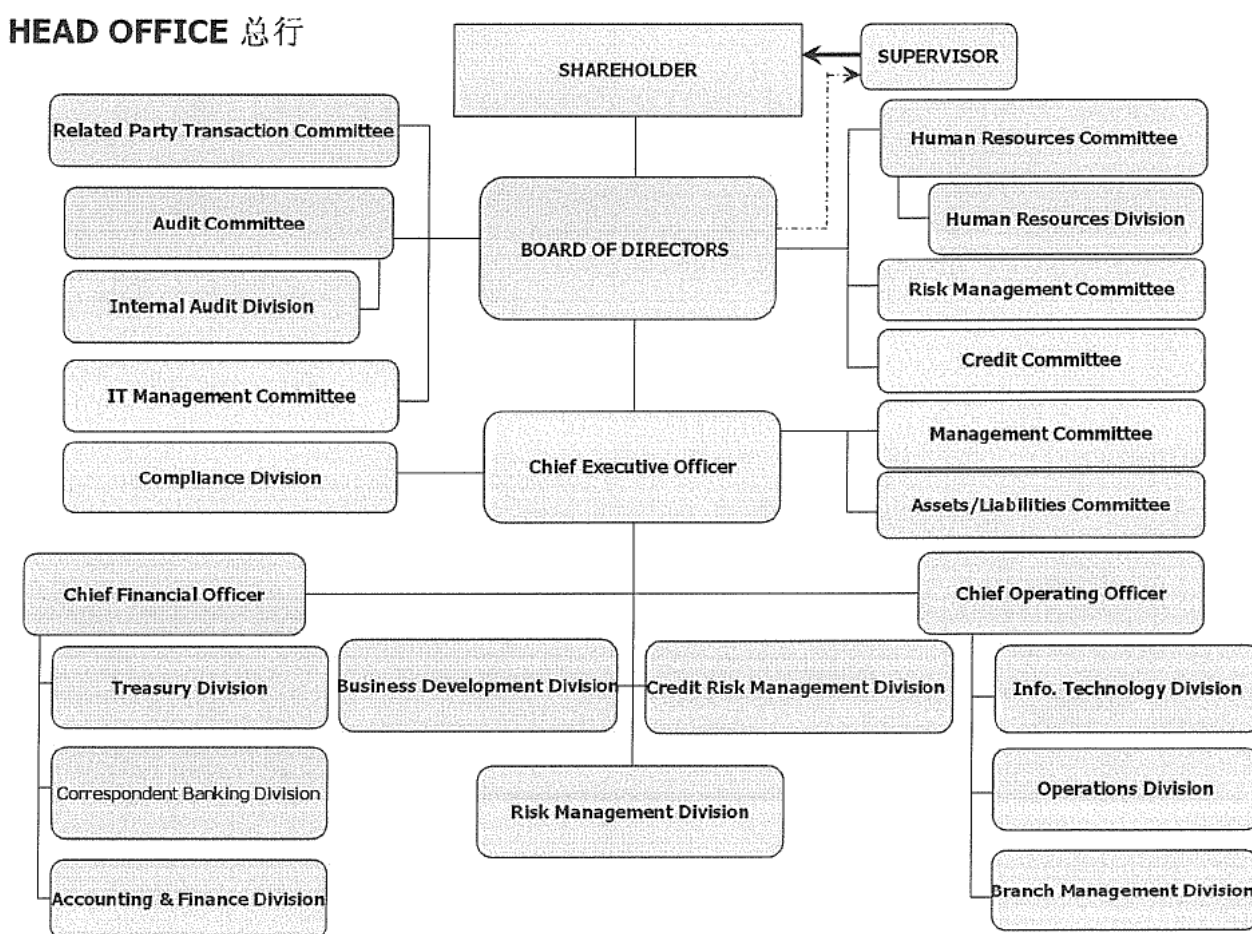
Shareholder’s meeting

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 2011, 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, 2011, BBC established four branches; those are Shanghai Branch, Beijing Branch, Shenzhen Branch and Xiamen Branch.

Board Composition and Fulfilment of duties by Directors

Up to December 31, 2011, the composition of members of board is as below:

Mr.Chartsiri Sophonpanich	Chairman	陈智深 先生
Mr.Cui Guanbin	Independnet Director	崔官斌 先生
Mr. Gao Jilu	Independnet Director	高继鲁 先生
Mr. Cheung Yau Choi	Independnet 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

Due to health reason, Mr. Prasong Uthaisangchai, the Vice-Chairman tendered his resignation to the Board of Directors. The Board approved his resignation effective from August 1, 2011. As such, the Bank currently has 11 Directors consisting of 3 Independent Directors, 6 Non-Executive Directors and 2 Executive Directors.

In year 2011 the Board held in total 8 meetings - 4 Board of Directors meetings as stipulated in AOA and 4 additional meetings to further address the overall improvement of business activities and risk management of the Bank.

The Bank's established Specialized Board Committees comprise Audit Committee, Risk Management Committee, Credit Committee, Information Technology Management Committee, Human Resource Committee and Related Party Transaction Committee. In accordance with role and responsibilities stated in the "Terms of Reference" (TOR) of respective Specialized Board Committees approved by the Board of Directors, meetings were conducted and members of related committees undertake their role and responsibilities accordingly. The Audit Committee held 6 Committee Meetings in 2011 with an average attendance of 88%; 45 credit committee meetings were held, in general the meeting runs on a weekly basis; the Risk Management Committee totally held 7 committee meetings in 2011 with an average attendance of 94%; the Related Party Transactions Committee held 3 committee meetings in 2011 with an average attendance of 89%; the IT Management Committee totally held 12 committee meetings in 2011 with an average attendance of 88%; The Human Resource Committee held 4 committee meetings with an average attendance of 88%.

The Bank has 3 Independent Directors

1) Mr. Cui Guan Bin (retired):

Mr. Cui Guan Bin attended all 8 Board of Directors meetings and also fulfilled his role/responsibilities as Chairman of the Audit Committee in addition to his role as member of the Related Party Transaction

2) Mr. Gao Jilu (retired):

Mr. Gao Jilu has attended all 8 BOD meetings and also fulfilled his role/responsibilities as Chairman of the Related Party Transaction Committee in addition to his role as a member of the Audit Committee.

3) Mr. Cheung Yau Choi

Mr. Cheung Yau Choi is not a member of any Specialized Board Committee but he has contributed regularly his business and market perspective at Board of Directors meetings. As such he has fulfilled his responsibilities as an Independent Director of the Board and also fulfilled the attendance at the Board of Directors meetings.

FULFILLMENT OF DUTIES BY SUPERVISOR

At present, Mr. Pornthep Kitsanayothin serves as the only Supervisor to the Bank. Mr. Pornthep Kitsanayothin attended all 8 BOD meetings as observer. Where applicable, he also raised questions and suggestions for the Board of Directors' consideration. He also held independent meetings with respective senior management especially Internal Audit to review and understand the issues raised by regulators, internal/external auditors and auditors from Parent Bank. The Bank's management benefited greatly from such meetings with the Supervisor where improvements on risk management and internal control were discussed.

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:

姓名	职位
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 Manager
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

Senior Management individually and collectively possesses appropriate experience, competencies, personal qualities, professionalism and personal integrity.

Senior Management of the Bank is accountable to the Chief Executive Officer and periodic reporting to the Board of Directors is conducted through the Chief Executive Officer and respective Specialized Board Committees.

Under the delegation of the Board of Directors, the Chief Executive Officer is fully responsible for day-to-day operations of the Bank. Senior Management individually possesses adequate knowledge and experience relevant to each of their related function, for example, finance, credit, operations, and collectively have a reasonable understanding of local market practices and legal/regulatory requirements.

Led by the Chief Executive Officer, 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 requirement.
- 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 expansions.

Part IV Significant Events

Bankgkok China has no significant events should be announced in 2011.