



Bangkok Bank (China) Company Limited

2012 Annual Report



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【Note】 : The annual report of year 2012 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

Ernst & Young Hua Ming (2013) 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 2012, 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 (2013) 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 2012 and its financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Ernst & Young Hua Ming LLP Shanghai Office

Chinese Certified Public Accountant:
Xu Yan

Chinese Certified Public Accountant:
Zhang Jian

Shanghai, the People's Republic of China

25 March 2013

BALANCE SHEET

| | <u>Note 4</u> | <u>31 December 2012</u> | <u>31 December 2011</u> |
|---|---------------|------------------------------|------------------------------|
| <u>ASSETS</u> | | | |
| Cash and balances with central bank | 1 | 1,562,090,184 | 1,565,312,128 |
| Due from banks | 2 | 6,179,654,108 | 5,562,721,273 |
| Placement with banks and other financial institutions | 3 | 1,090,828,900 | 2,342,039,650 |
| Derivative financial assets | 4 | 222,838 | - |
| Interest receivable | 5 | 113,738,076 | 98,376,908 |
| Loans and advances to customers | 6 | 4,424,401,773 | 5,928,490,507 |
| Available-for-sale financial assets | 7 | 149,879,650 | 99,548,950 |
| Fixed assets | 8 | 11,114,105 | 16,852,842 |
| Intangible assets | 9 | 8,326,244 | 10,445,679 |
| Deferred tax assets | 10 | 83,593,069 | 81,837,704 |
| Other assets | 11 | 50,294,291 | 24,915,168 |
| TOTAL ASSETS | | <u>13,674,143,238</u> | <u>15,730,540,809</u> |

BALANCE SHEET (Continued)

| | <u>Note 4</u> | <u>31 December 2012</u> | <u>31 December 2011</u> |
|-------------------------------------|---------------|-------------------------|-------------------------|
| <u>LIABILITIES</u> | | | |
| Borrowings from banks | 12 | 1,320,162,900 | 2,450,053,574 |
| Derivative financial liabilities | 4 | 125,425 | - |
| Deposits from customers | 13 | 7,972,637,206 | 9,063,065,832 |
| Payroll payable | 14 | 15,161,946 | 14,609,534 |
| Taxes payable | 15 | 18,593,010 | 20,555,857 |
| Interest payable | 16 | 116,114,443 | 89,293,609 |
| Other liabilities | 17 | 14,655,174 | 12,880,187 |
| TOTAL LIABILITIES | | <u>9,457,450,104</u> | <u>11,650,458,593</u> |
| <u>EQUITY</u> | | | |
| Paid-in capital | 18 | 4,000,000,000 | 4,000,000,000 |
| Capital reserves | 19 | (1,001,483) | (76,607) |
| Surplus reserves | 20 | 20,551,432 | 6,797,853 |
| General reserves | 21 | 133,933,500 | 61,180,679 |
| Retained earnings | 22 | 63,209,685 | 12,180,291 |
| TOTAL EQUITY | | <u>4,216,693,134</u> | <u>4,080,082,216</u> |
| TOTAL LIABILITIES AND EQUITY | | <u>13,674,143,238</u> | <u>15,730,540,809</u> |

The financial statements from page 3 to 63 have been signed by:

Suwatchai Songwanich

Chief Executive Officer

Cai Fei

Person in charge of Accounting

INCOME STATEMENT

| | Note 4 | 2012 | 2011 |
|--|--------|----------------------|----------------------|
| 1. OPERATING INCOME | | | |
| Interest income | | 598,432,540 | 492,109,854 |
| Interest expense | | (245,715,570) | (155,874,936) |
| Net interest income | 23 | <u>352,716,970</u> | <u>336,234,918</u> |
| Fee and commission income | | 11,061,413 | 11,486,481 |
| Fee and commission expense | | (745,743) | (510,551) |
| Net fee and commission income | 24 | <u>10,315,670</u> | <u>10,975,930</u> |
| Investment income | 25 | 3,871,295 | 104,856 |
| Gains or losses from changes in fair value | | 97,413 | - |
| Foreign exchange loss | | (1,221,703) | (104,983,484) |
| Total operating income | | <u>365,779,645</u> | <u>242,332,220</u> |
| 2. OPERATING EXPENSES | | | |
| Business tax and surcharges | | (15,185,257) | (18,694,310) |
| General and administrative expenses | 26 | (154,534,862) | (145,551,789) |
| Impairment losses | 27 | (20,853,742) | 7,397,360 |
| Total operating expenses | | <u>(190,573,861)</u> | <u>(156,848,739)</u> |
| 3. OPERATING PROFIT | | | |
| | | 175,205,784 | 85,483,481 |
| Add: Non-operating income | 28 | 8,626,559 | 7,501,369 |
| Less: Non-operating expenses | 29 | (63,532) | - |
| 4. PROFIT BEFORE TAX | | | |
| | | 183,768,811 | 92,984,850 |
| Less: Income tax | 30 | (46,233,017) | (25,006,318) |
| 5. NET PROFIT | | | |
| | | <u>137,535,794</u> | <u>67,978,532</u> |
| Other comprehensive income | 31 | (924,876) | (76,607) |
| 6. TOTAL COMPREHENSIVE INCOME | | | |
| | | <u>136,610,918</u> | <u>67,901,925</u> |

STATEMENT OF CHANGES IN EQUITY

| | Paid-in Capital | Capital Reserves | Surplus Reserves | General Reserves | Retained Earnings | Total |
|---|--------------------|---------------------|---------------------|---------------------|----------------------|---------------|
| 1. Balance as at 1 January 2012 | 4,000,000,000 | (76,607) | 6,797,853 | 61,180,679 | 12,180,291 | 4,080,082,216 |
| 2. Movements during the year | - | (924,876) | 13,753,579 | 72,752,821 | 51,029,394 | 136,610,918 |
| (i) Net profit | - | - | - | - | 137,535,794 | 137,535,794 |
| (ii) Other comprehensive income (Note 4/31) | - | (924,876) | - | - | - | (924,876) |
| Total comprehensive income | - | (924,876) | - | - | 137,535,794 | 136,610,918 |
| (iii) Profit appropriation | - | - | 13,753,579 | 72,752,821 | (86,506,400) | - |
| 1. Appropriation to surplus reserves (Note 4/20) | - | - | 13,753,579 | - | (13,753,579) | - |
| 2. Appropriation to general reserves (Note 4/21) | - | - | - | 72,752,821 | (72,752,821) | - |
| 3. Balance as at 31 December 2012 | 4,000,000,000 | (1,001,483) | 20,551,432 | 133,933,500 | 63,209,685 | 4,216,693,134 |

STATEMENT OF CHANGES IN EQUITY (Continued)

| | 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 (Note 4/31) | - | (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 4/20) | - | - | 6,797,853 | - | (6,797,853) | - |
| (2) Appropriation to general reserves (Note 4/21) | - | - | - | 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 |

CASH FLOW

| | Note 4 | 2012 | 2011 |
|---|--------|------------------------|------------------------|
| 1. CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net decrease in loans and advances to customers | | 1,484,190,443 | 634,341,461 |
| Net increase in deposits from customers and due to banks | | - | 6,949,143,892 |
| Cash received from interest, fees and commission | | 596,983,928 | 423,400,309 |
| Cash received from other operating activities | | 12,264,073 | 12,042,590 |
| Subtotal of cash inflows from operating activities | | <u>2,093,438,444</u> | <u>8,018,928,252</u> |
| Net decrease in deposits from customers and due to banks | | (1,094,126,177) | - |
| Net increase in due from central bank and banks | | (1,355,610,070) | (4,281,662,237) |
| Net decrease in borrowings from banks | | (1,121,091,046) | (803,669,519) |
| Net increase in placements with banks and other financial institutions | | (212,145,000) | (403,495,500) |
| Payments made for interest, fees and commission | | (219,687,460) | (84,117,327) |
| Cash paid to and on behalf of employees | | (94,602,464) | (88,307,171) |
| Cash paid for taxes | | (64,957,069) | (21,227,839) |
| Cash paid for other operating activities | | (72,640,040) | (33,848,826) |
| Subtotal of cash outflows from operating activities | | <u>(4,234,859,326)</u> | <u>(5,716,328,419)</u> |
| Net cash flows from operating activities | | <u>(2,141,420,882)</u> | <u>2,302,599,833</u> |
| 2. CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Cash received from disposal and redemption of investments | | 100,835,728 | - |
| Cash received from investment income | | 2,018,885 | - |
| Subtotal of cash inflows from investing activities | | <u>102,854,613</u> | <u>-</u> |
| Cash paid for bond investment | | (153,388,758) | (100,835,728) |
| Cash paid for acquisition of fixed assets, intangible assets and other long-term assets | | (1,783,637) | (3,851,769) |
| Subtotal of cash outflows from investing activities | | <u>(155,172,395)</u> | <u>(104,687,497)</u> |
| Net cash flows from investing activities | | <u>(52,317,782)</u> | <u>(104,687,497)</u> |

CASH FLOW (Continued)

| | <u>Note 4</u> | <u>2012</u> | <u>2011</u> |
|--|---------------|-----------------------------|-----------------------------|
| 3. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | | <u>(3,044,889)</u> | <u>(57,599,978)</u> |
| 4. NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (2,196,783,553) | 2,140,312,358 |
| Add: Cash and cash equivalents at beginning of the year | | <u>4,010,489,886</u> | <u>1,870,177,528</u> |
| 5. CASH AND CASH EQUIVALENTS AT END OF THE YEAR | 32 | <u><u>1,813,706,333</u></u> | <u><u>4,010,489,886</u></u> |

CASH FLOW (Continued)

| Supplementary information | Note 4 | 2012 | 2011 |
|---|--------|------------------------|------------------------|
| 1. Reconciliation of net profit to cash flows from operating activities: | | | |
| Net profit | | 137,535,794 | 67,978,532 |
| Add: Provision/(reversal) for impairment of assets | | 20,853,742 | (7,397,360) |
| Loss on disposal of fixed assets, intangible assets and other long-term assets | | 2 | - |
| Depreciation of fixed assets | | 6,373,768 | 6,481,959 |
| Amortisation of intangible assets | | 3,268,039 | 2,909,521 |
| Amortisation of long-term prepaid expenses | | 4,798,154 | 4,984,793 |
| Investment income of available-for-sale financial assets | | (3,871,295) | (104,856) |
| Gain from the changes in fair value | | (97,413) | - |
| Losses from changes in foreign currency | | 4,859,217 | 109,524,705 |
| (Increase)/decrease in deferred tax assets | | (1,491,608) | 10,306,318 |
| Net decrease in loans and advance to customers | | 1,484,190,443 | 634,341,461 |
| Net (decrease)/increase in deposits from customers | | (1,094,126,177) | 6,949,143,892 |
| Net decrease in placement with and borrowings from banks and other financial institutions | | (1,333,236,046) | (1,207,165,019) |
| Increase in operating receivables | | (1,398,296,205) | (4,364,604,633) |
| Increase in operating payables | | 27,818,703 | 96,200,520 |
| Net cash flows from operating activities | | <u>(2,141,420,882)</u> | <u>2,302,599,833</u> |
| 2. Net increase in cash and cash equivalents: | | | |
| Cash on hand at end of year | 32 | 409,984 | 580,245 |
| Less: Cash on hand at beginning of year | | (580,245) | (923,306) |
| Add: Cash equivalents at end of year | 32 | 1,813,296,349 | 4,009,909,641 |
| Less: Cash equivalents at beginning of year | | <u>(4,009,909,641)</u> | <u>(1,869,254,222)</u> |
| Net (decrease)/increase in cash and cash equivalents | | <u>(2,196,783,553)</u> | <u>2,140,312,358</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 mitigated by means of obtaining collateral and guarantee. 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 2012</u> | <u>31 December 2011</u> |
|---|------------------------------|------------------------------|
| Balances with central bank | 1,561,680,200 | 1,564,731,883 |
| Due from banks | 6,179,654,108 | 5,562,721,273 |
| Placement with banks and other financial institutions | 1,090,828,900 | 2,342,039,650 |
| Derivative financial assets | 222,838 | - |
| Interest receivable | 113,738,076 | 98,376,908 |
| Loans and advances to customers | 4,424,401,773 | 5,928,490,507 |
| Available-for-sale financial assets | 149,879,650 | 99,548,950 |
| Other assets | <u>4,976,475</u> | <u>5,172,479</u> |
| Total | <u>13,525,382,020</u> | <u>15,601,081,650</u> |
| Credit commitments (Note 6/(2)) | <u>1,054,379,809</u> | <u>1,132,696,530</u> |
| Maximum credit risk exposure | <u><u>14,579,761,829</u></u> | <u><u>16,733,778,180</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.

Financial instruments risk management (Continued)**1. Credit risk (Continued)****1.3) Risk Concentration (Continued)**

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/(6).

1.4) Collaterals

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

The management will monitor the market value of the collaterals regularly and may require the borrowers 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 commercial loans, the collaterals are mainly deposits, machineries, land use right and buildings, 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 2012 | Neither overdue nor impaired | Overdue but not impaired | Impaired | Total |
|--|------------------------------------|--------------------------------|--------------------|-----------------------|
| Balance with central bank | 1,561,680,200 | - | - | 1,561,680,200 |
| Due from banks | 6,180,877,108 | - | - | 6,180,877,108 |
| Placement with banks and other financial institutions | 1,103,855,900 | - | - | 1,103,855,900 |
| Loans and advances to customers | 4,582,090,849 | - | 52,489,670 | 4,634,580,519 |
| Available-for-sale financial assets | 149,879,650 | - | - | 149,879,650 |
| Others | 118,714,551 | - | - | 118,714,551 |
| Total | 13,697,098,258 | - | 52,489,670 | 13,749,587,928 |
| 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 | 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 |

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 types of collaterals and guarantee at the balance sheet date is as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|--|-------------------------|-------------------------|
| Unsecured loans | 449,727,632 | 1,117,710,705 |
| Guaranteed loans | 1,106,068,313 | 1,247,641,554 |
| Loans with collaterals: | 2,042,224,560 | 2,166,710,236 |
| Of which: | | |
| - Secured by collaterals without guarantee | 1,155,381,602 | 1,259,994,004 |
| - Secured by collaterals and guarantee | 886,842,958 | 906,716,232 |
| Pledged loans | <u>984,070,344</u> | <u>1,539,595,411</u> |
| Total | <u>4,582,090,849</u> | <u>6,071,657,906</u> |

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 2012</u> | <u>31 December 2011</u> |
|---------------------------|-------------------------|-------------------------|
| Within 1 month, inclusive | - | - |
| 1-2 months | - | <u>3,125,000</u> |
| Total | <u>-</u> | <u>3,125,000</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.

Financial instruments risk management (Continued)**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 Regulations of the People's Republic of China on Administration of Foreign-funded Banks and relevant requirements, liquidity ratio of the Bank shall not be less than 25%. The Bank's main sources of funds are paid-in capital, deposits from customers, and borrowings from overseas 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 2012 | | | | | | 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 | 363,679,425 | - | - | - | - | 1,198,410,759 | 1,562,090,184 |
| Due from/placement with banks and other financial institutions | 75,981,008 | 3,381,112,500 | 3,813,389,500 | - | - | - | 7,270,483,008 |
| Derivative financial assets | - | 222,838 | - | - | - | - | 222,838 |
| Loans and advances to customers | - | 1,943,399,845 | 1,741,513,935 | 649,778,715 | 89,709,278 | - | 4,424,401,773 |
| Available-for-sale financial assets | - | - | - | 149,879,650 | - | - | 149,879,650 |
| Other financial assets | 946,375 | 69,842,912 | 44,046,563 | 3,767,951 | - | 110,750 | 118,714,551 |
| Total financial assets | 440,606,808 | 5,394,578,095 | 5,598,949,998 | 803,426,316 | 89,709,278 | 1,198,521,509 | 13,525,792,004 |
| Financial liabilities: | | | | | | | |
| Borrowings from banks | - | 1,320,162,900 | - | - | - | - | 1,320,162,900 |
| Derivative financial liabilities | - | 125,425 | - | - | - | - | 125,425 |
| Deposits from customers | 634,763,041 | 3,438,235,608 | 1,730,949,078 | 2,168,689,479 | - | - | 7,972,637,206 |
| Other financial liabilities | 7,564,434 | 27,328,329 | 68,380,801 | 21,506,839 | - | - | 124,780,403 |
| Total financial liabilities | 642,327,475 | 4,785,852,262 | 1,799,329,879 | 2,190,196,318 | - | - | 9,417,705,934 |
| Net liquidity | (201,720,667) | 608,725,833 | 3,799,620,119 | (1,386,770,002) | 89,709,278 | 1,198,521,509 | 4,108,086,070 |
| Credit commitments | 9,530,119 | 375,131,002 | 380,585,688 | 289,133,000 | - | - | 1,054,379,809 |

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 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 |
| Due from/placement with banks and other financial institutions | 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: | | | | | | | |
| Borrowings from banks | - | 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)**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 accounts and bank accounts 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 2012 | | | Total |
|--|----------------------|----------------------------|------------------------------|-----------------------|
| | RMB | USD (RMB equivalent) | Other (RMB equivalent) | |
| Financial assets: | | | | |
| Cash and balances | | | | |
| with central bank | 1,467,021,738 | 94,600,521 | 467,925 | 1,562,090,184 |
| Due from/placement with banks and other financial institutions | 5,594,559,502 | 1,299,893,395 | 376,030,111 | 7,270,483,008 |
| Derivative financial assets | - | 222,838 | - | 222,838 |
| Loans and advances to customers | 2,073,293,688 | 2,351,108,085 | - | 4,424,401,773 |
| Available-for-sale financial assets | 149,879,650 | - | - | 149,879,650 |
| Others financial assets | 102,510,307 | 12,155,650 | 4,048,594 | 118,714,551 |
| Total financial assets | 9,387,264,885 | 3,757,980,489 | 380,546,630 | 13,525,792,004 |
| Financial liabilities: | | | | |
| Borrowings from banks | 1,070,000,000 | 250,162,900 | - | 1,320,162,900 |
| Derivative financial liabilities | 125,425 | - | - | 125,425 |
| Deposits from customers | 6,000,587,211 | 1,621,938,594 | 350,111,401 | 7,972,637,206 |
| Other financial liabilities | 116,194,185 | 3,130,145 | 5,456,073 | 124,780,403 |
| Total financial liabilities | 7,186,906,821 | 1,875,231,639 | 355,567,474 | 9,417,705,934 |
| Net position | 2,200,358,064 | 1,882,748,850 | 24,979,156 | 4,108,086,070 |
| Credit commitments | 126,582,645 | 909,074,882 | 18,722,282 | 1,054,379,809 |

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

3.1) Currency risk (Continued)

| | 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 |
| Due from/placement with banks and other financial institutions | 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: | | | | |
| Borrowings from banks | 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 |

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 2012 | 31 December 2011 |
|---|--------------------------------|--------------------------------|
| | Impact on profit before tax | Impact on profit before tax |
| -1% change against functional currency | (18,825,260) | (19,751,653) |
| +1% change against functional currency | 18,825,260 | 19,751,653 |

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 95% of the net foreign currency position 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 rate) 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 2012 | | | | | 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 | 1,466,765,807 | - | - | - | 95,324,377 | 1,562,090,184 |
| Due from/placement with banks and other financial institutions | 3,457,093,508 | 3,813,389,500 | - | - | - | 7,270,483,008 |
| Derivative financial assets | - | - | - | - | 222,838 | 222,838 |
| Loans and advances to customers | 3,941,909,552 | 482,492,221 | - | - | - | 4,424,401,773 |
| Available-for-sale financial assets | - | - | 149,879,650 | - | - | 149,879,650 |
| Other financial assets | - | - | - | - | 118,714,551 | 118,714,551 |
| Total assets | 8,865,768,867 | 4,295,881,721 | 149,879,650 | - | 214,261,766 | 13,525,792,004 |
| Financial liabilities: | | | | | | |
| Borrowings from banks | 1,320,162,900 | - | - | - | - | 1,320,162,900 |
| Derivative financial liabilities | - | - | - | - | 125,425 | 125,425 |
| Deposits from customers | 4,072,816,952 | 1,730,949,078 | 2,168,689,479 | - | 181,697 | 7,972,637,206 |
| Other financial liabilities | - | - | - | - | 124,780,403 | 124,780,403 |
| Total liabilities | 5,392,979,852 | 1,730,949,078 | 2,168,689,479 | - | 125,087,525 | 9,417,705,934 |
| Net position | 3,472,789,015 | 2,564,932,643 | (2,018,809,829) | - | 89,174,241 | 4,108,086,070 |

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 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 |
| Due from/placement with banks and other financial institutions | 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: | | | | | | |
| Borrowings from banks | 2,385,576,689 | 64,476,885 | - | - | - | 2,450,053,574 |
| Deposits from customers | 5,354,800,986 | 2,652,025,169 | 1,053,508,391 | - | 2,731,286 | 9,063,065,832 |
| Other financial liabilities | - | - | - | - | 95,818,185 | 95,818,185 |
| 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)

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 and equity when interest rate changes.

| Change in interest rate | 31 December 2012 | | 31 December 2011 | |
|-------------------------|-----------------------------|------------------|-----------------------------|------------------|
| | Impact on profit before tax | Impact on equity | Impact on profit before tax | Impact on equity |
| +100 basis points | 40,005,401 | (3,097,444) | 37,952,124 | (1,000,252) |
| - 100 basis points | (40,005,401) | 3,196,213 | (37,952,124) | 1,023,011 |

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.

The calculation of risk weighted 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 2012</u> | <u>31 December 2011</u> |
|-----------------------------|-------------------------|-------------------------|
| | RMB '000 | RMB '000 |
| Core capital | 4,216,693 | 4,080,082 |
| Supplementary capital | 129,912 | 124,031 |
| Net capital base | 4,346,605 | 4,204,113 |
| Risk weighted assets | 5,590,896 | 5,461,690 |
| Core capital adequacy ratio | 75.42% | 74.70% |
| Capital adequacy ratio | <u>77.74%</u> | <u>76.97%</u> |

Part III Corporate Governance

Shareholder's meeting

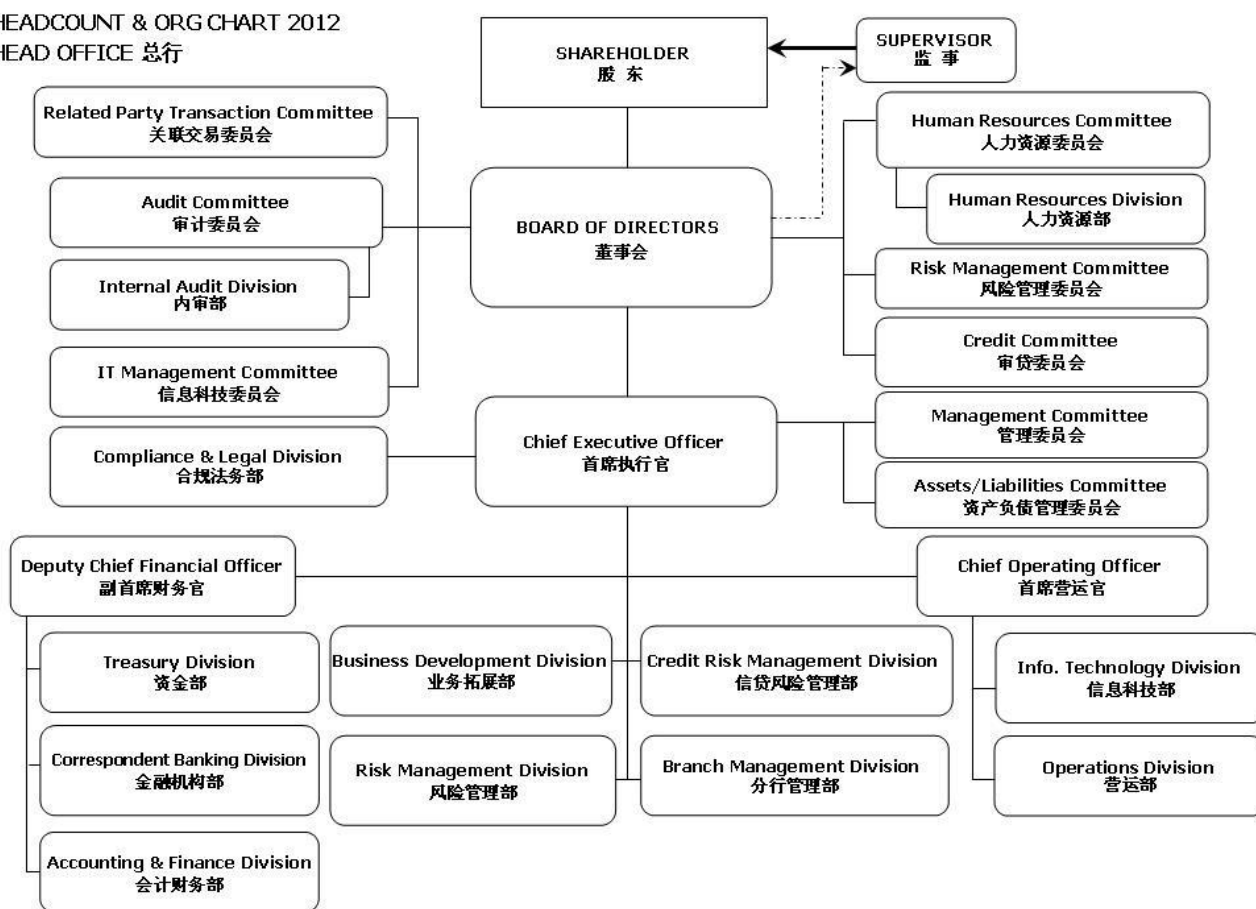
Bangkok Bank (China) Company Limited (Hereinafter "BBC") is a foreign-funded bank wholly invested by Bangkok Bank Public Company Limited; hence BBC has no Shareholder's meeting.

In 2013, 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

HEADCOUNT & ORG CHART 2012
HEAD OFFICE 总行



As of December 31, 2012

Up to December 31, 2012, BBC established four branches; those are Shanghai Branch, Beijing Branch, Shenzhen Branch and Xiamen Branch.

The Board of Directors ("The Board")

The Board of Directors is accountable to the Shareholder 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 will:

- 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.

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 who can dominate the Board's decision making. After the resignation of Mr. Prasong Uthaisangchai effective from August 1, 2011, the Bank has 11 Directors in the year 2012 consisting of 3 Independent Directors, 6 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.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 |

Pursuant to Article 58 of the Bank's AOA and the Shareholder resolution passed on October 29, 2009, the first term (3-year as stipulated in AOA) of all Directors expired on October 28, 2012.

Based on their performances over the past 3 years, and their contributions to the development of the Bank, the Shareholder approved on October 25, 2012 to re-elect all the existing Directors to the Board for a 2nd term (3 years). This 2nd term took effect from October 28, 2012.

In 2012, the Board held in total 8 meetings: 4 Board meetings, as stipulated in AOA, and additional 4 meetings.

In addition, the Bank has established the following Specialized Board Committees: Risk Management Committee, Audit Committee, Credit Committee, Information Technology Management Committee, Human Resources 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, members of related committees undertake their role and responsibilities accordingly. The IT Management Committee held 11 Committee meetings in 2012 with an average attendance of 93%; the Human Resources Committee held 5 Committee meetings with an average attendance of 88%; the Related Party Transaction Committee held 2 Committee meetings in 2012 with an average attendance of 93%; the Risk Management Committee held 7 Committee meetings in 2012 with an average attendance of 88%; the frequency of the Credit Committee meeting is much dependent on the number of customer credit applications but in general the meeting runs on a weekly basis. In 2012, 37 Credit Committee meetings were held; the Audit Committee held 6 Committee meetings in 2012 with attendance of 100%

Fulfillment of Duties by Independent Directors

1) Mr. Cui Guanbin (retired)

Mr. Cui Guanbin has attended 7 Board meetings (absent for the Board meeting on May 7, 2012) 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. Gao Jilu (retired)

Mr. Gao Jilu has attended all 8 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.

3) Mr. Cheung Yau Choi

Mr. Cheung Yau Choi has attended 7 Board meetings (absent for the Board meeting on August 20, 2012).

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 meetings. As such he has fulfilled his responsibilities as an Independent Director of the Board and also fulfilled the attendance at the Board meetings.

Fulfillment of Duties by Supervisor

Mr. Pornthep Kitsanayothin serves as the only Supervisor to the Bank.

Mr. Pornthep Kitsanayothin attended all 8 Board meetings as observer. Where applicable, he also raised questions and suggestions to the Board’s consideration. He also held independent meetings with respective Senior Management in particular Internal Audit, to review and analyse 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.

Pursuant to the applicable laws, and Article 92 and Article 93 of the AOA of the Bank and the Shareholder resolution passed on October 29, 2009, the first term (3-years as stipulated in AOA) of the present Supervisor expired on October 28, 2012.

According to Shareholder resolution dated October 25, 2012, Mr. Pornthep Kitsanayothin was re-elected to serve as the Supervisor to the Bank for the 2nd term (3 years) with effect from October 28, 2012.

Composition of Senior Mangement and Fulfillment of Duties

At present, all of the members of Senior Management are employees of Bangkok Bnak 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. 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 the appropriate experiences, competencies, personal qualities, professionalism and personal integrity.

Senior Management of the Bank is accountable to the CEO and periodic reporting to the Board is conducted via the CEO and 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 possesses 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

On 23 April 2012, the Bank obtained the approval of CBRC to commence the general derivatives business.