



Bangkok Bank (China) Company Limited

2014 Annual Report



Table of Content

PART I	FINANCIAL REPORT.....	2
PART II	RISK MANAGEMENT AND CAPITAL ADEQUACY RATIO.....	13
PART III	CORPORATE GOVERNANCE.....	29
PART IV	SIGNIFICANT EVENTS	35

【Note】 : The annual report of year 2014 hereby (including independent audit report) is published in accordance with the requirements of China Banking Regulatory Commission and <Measures for the Information Disclosure of Commercial Banks> and shall not be for any other use in any manner without the consent of Bangkok Bank (China) Company Limited.
All amounts expressed in RMB Yuan unless otherwise specified

Part I Financial Report

Auditors' Report

毕马威华振沪审字第1501064号

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

We have audited the accompanying financial statements of Bangkok Bank (China) Company Limited ("the Bank") on pages 1 to 74, which comprise the balance sheet as at 31 December 2014, the income statement, the cash flow statement and the statement of changes in owner's equity and for the year then ended, and notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Auditors' Report (Continued)

毕马威华振沪审字第1501064号

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2014, and the financial performance and cash flows of the Bank for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

KPMG Huazhen (Special General Partnership)
Shanghai Branch

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

(Signed on Chinese original)
Chen Sijie

Shanghai, China

(Signed on Chinese original)
Xue Chenjun

26 March 2015

Bangkok Bank (China) Company Limited
 Balance sheet as at 31 December 2014
 (Expressed in Renminbi Yuan)

	2014	2013
Assets		
Cash on hand and deposits with central bank	1,393,190,573	1,396,112,122
Deposits with inter-banks	6,236,729,166	5,884,545,358
Placements with inter-banks and non-bank financial institutions	2,657,147,420	2,365,909,730
Derivative financial assets	1,660,674	9,010,696
Interest receivable	135,409,269	103,758,147
Loans and advances to customers	4,937,010,775	4,578,814,203
Available-for-sale financial assets	431,052,700	421,848,330
Fixed assets	7,823,499	7,066,522
Intangible assets	2,159,561	5,417,006
Deferred tax assets	77,374,905	87,868,112
Other assets	58,301,857	52,565,641
Total assets	15,937,860,399	14,912,915,867

Bangkok Bank (China) Company Limited
 Balance sheet as at 31 December 2014 (continued)
 (Expressed in Renminbi Yuan)

	2014	2013
Liabilities and owner's equity		
Liabilities		
Borrowings from inter-banks	3,097,931,200	2,582,425,540
Derivative financial liabilities	6,114,829	14,557,298
Deposits from customers	8,137,473,550	7,867,045,494
Employee benefits payable	15,125,846	14,019,781
Taxes payable	32,628,690	11,868,846
Interest payable	277,951,320	165,506,494
Other liabilities	10,789,053	11,223,293
Total liabilities	11,578,014,488	10,666,646,746
Owner's equity		
Paid-in capital	4,000,000,000	4,000,000,000
Other comprehensive income	(167,295)	(7,831,622)
Surplus reserve	34,783,291	24,192,045
General reserve	186,650,383	159,688,232
Retained earnings	138,579,532	70,220,466
Total owner's equity	4,359,845,911	4,246,269,121
Total liabilities and owner's equity	15,937,860,399	14,912,915,867

Bangkok Bank (China) Company Limited
 Income statement for the year ended 31 December 2014
 (Expressed in Renminbi Yuan)

	2014	2013
Operating income	410,383,966	235,637,793
Net interest income	365,497,744	274,753,581
Interest income	643,548,175	542,684,690
Interest expenses	(278,050,431)	(267,931,109)
Net fees and commission income	13,972,825	10,115,052
Fees and commission income	15,462,418	12,153,678
Fees and commission expenses	(1,489,593)	(2,038,626)
Investment income	15,290,268	12,283,136
Gains / (losses)		
from changes in fair value	1,092,447	(5,644,015)
Foreign exchange gains / (losses)	14,530,682	(55,869,961)
Operating expenses	(273,768,145)	(190,083,117)
Business taxes and surcharges	(14,506,019)	(14,310,035)
General and administrative expenses	(192,125,986)	(153,600,821)
Impairment losses	(67,136,140)	(22,172,261)
Operating profit	136,615,821	45,554,676

Bangkok Bank (China) Company Limited
 Income statement for the year ended 31 December 2014 (continued)
 (Expressed in Renminbi Yuan)

	2014	2013
Operating profit (continued)	136,615,821	45,554,676
Add: Non-operating income	3,450,433	372,300
Less: Non-operating expenses	(22,018)	(3,669)
	<hr/>	<hr/>
Profit before income tax	140,044,236	45,923,307
Less: Income tax expense	(34,131,773)	(9,517,181)
	<hr/>	<hr/>
Net profit for the year	105,912,463	36,406,126
Other comprehensive income, net of tax		
Item that may be reclassified to		
profit or loss		
- Gains or losses arising from changes		
in fair value of available-for-sale		
financial assets	7,664,327	(6,830,139)
	<hr/>	<hr/>
Total comprehensive income for the year	<u>113,576,790</u>	<u>29,575,987</u>

Bangkok Bank (China) Company Limited

Statement of changes in owner's equity for the year ended 31 December 2014

(Expressed in Renminbi Yuan)

	<i>Paid-in capital</i>	<i>Other comprehensive income</i>	<i>Surplus reserve</i>	<i>General reserve</i>	<i>Retained earnings</i>	<i>Total</i>
Balance at 1 January 2014	4,000,000,000	(7,831,622)	24,192,045	159,688,232	70,220,466	4,246,269,121
Changes in equity for the year						
1. Total comprehensive Income	-	7,664,327	-	-	105,912,463	113,576,790
2. Appropriation of profits						
- Appropriation for surplus reserve	-	-	10,591,246	-	(10,591,246)	-
- Appropriation for general reserve	-	-	-	26,962,151	(26,962,151)	-
Subtotal of 1 and 2	-	7,664,327	10,591,246	26,962,151	68,359,066	113,576,790
Balance at 31 December 2014	4,000,000,000	(167,295)	34,783,291	186,650,383	138,579,532	4,359,845,911

Bangkok Bank (China) Company Limited

Statement of changes in owner's equity for the year ended 31 December 2013 (continued)

(Expressed in Renminbi Yuan)

	<i>Paid-in capital</i>	<i>Other comprehensive income</i>	<i>Surplus reserve</i>	<i>General reserve</i>	<i>Retained earnings</i>	<i>Total</i>
Balance at 1 January 2013	4,000,000,000	(1,001,483)	20,551,432	133,933,500	63,209,685	4,216,693,134
Changes in equity for the year						
1. Total comprehensive Income	-	(6,830,139)	-	-	36,406,126	29,575,987
2. Appropriation of profits						
- Appropriation for surplus reserve	-	-	3,640,613	-	(3,640,613)	-
- Appropriation for general reserve	-	-	-	25,754,732	(25,754,732)	-
Subtotal of 1 and 2	-	(6,830,139)	3,640,613	25,754,732	7,010,781	29,575,987
Balance at 31 December 2013	4,000,000,000	(7,831,622)	24,192,045	159,688,232	70,220,466	4,246,269,121

Bangkok Bank (China) Company Limited
Cash flow statement for the year ended 31 December 2014
(Expressed in Renminbi Yuan)

	2014	2013
Cash flows from operating activities:		
Net increase in deposits from customers	306,722,207	-
Net decrease in deposits with central bank and inter-banks	261,862,576	432,664,177
Net increase in borrowings from inter-banks	509,811,425	1,292,758,975
Proceeds from interest, fees and commission	629,519,463	568,161,162
Proceeds from other operating activities	18,120,875	372,151
	<hr/>	<hr/>
Sub-total of cash inflows from operating activities	1,726,036,546	2,293,956,465
	<hr/>	<hr/>
Net increase in loans and advances to customers	(382,131,870)	(235,519,811)
Net increase in placements with inter-banks and non-bank financial institutions	(1,016,672,380)	(859,311,850)
Net decrease in deposits from customers	-	(70,315,485)
Payment for interest, fees and commission	(167,051,275)	(220,519,383)
Payment to and for employees	(104,777,543)	(96,520,996)
Payment for various taxes	(23,793,687)	(33,476,539)
Payment for other operating activities	(82,316,673)	(44,029,438)
	<hr/>	<hr/>
Sub-total of cash outflows from operating activities	(1,776,743,428)	(1,559,693,502)
	<hr/>	<hr/>
Net cash (outflow) / inflow from operating activities	(50,706,882)	734,262,963
	<hr/>	<hr/>

Bangkok Bank (China) Company Limited
Cash flow statement for the year ended 31 December 2014 (continued)
(Expressed in Renminbi Yuan)

	2014	2013
Cash flows from investing activities		
Investment returns received from available-for-sale financial assets	16,305,000	8,747,876
Net proceeds from disposals of fixed assets	1,190	150
	<hr/>	<hr/>
Sub-total of cash inflows from investing activities	16,306,190	8,748,026
	<hr/>	<hr/>
Payment for acquisition of bond investments	-	(282,017,730)
Payment for acquisition of fixed assets intangible assets and other long-term assets	(11,764,457)	(12,913,332)
	<hr/>	<hr/>
Sub-total of cash outflows from investing activities	(11,764,457)	(294,931,062)
	<hr/>	<hr/>
Net cash inflow / (outflow) from investing activities	4,541,733	(286,183,036)
	<hr/>	<hr/>
Effect of foreign exchange rate changes on cash and cash equivalents	860,717	(17,101,482)
	<hr/>	<hr/>
Net (decrease) / increase in cash and cash equivalents	(45,304,432)	430,978,445
Add: Cash and cash equivalents at the beginning of the year	2,244,684,778	1,813,706,333
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	2,199,380,346	2,244,684,778
	<hr/>	<hr/>

Part II Risk Management and Capital Adequacy Ratio

Risk management

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

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

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

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

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

1.1 Credit business

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

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

The Bank adopts five-tier grading loan classification approach to monitor the risk condition of its loan portfolios. This approach assesses the credit grading by considering the clients' credit record, financial position, repayment condition, as well as the collaterals to monitor the risk of loan portfolios.

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

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

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

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

Analysed by security type

	2014	2013
Unsecured loans	1,006,561,102	657,447,743
Guaranteed loans	1,289,567,276	1,233,240,288
Secured loans	2,867,112,833	2,908,163,241
- by tangible assets other than monetary assets	1,882,657,461	1,618,733,107
- by monetary assets	984,455,372	1,289,430,134
Gross loans and advances	5,163,241,211	4,798,851,272
Less: Allowances for impairment losses	(226,230,436)	(220,037,069)
Net loans and advances to customers	4,937,010,775	4,578,814,203

Overdue loans analysed by overdue period

	2014				Total
	Within three months	Between three months and one year	Between one year and three years	Over three years	
Guaranteed loans	15,881,933	-	-	-	15,881,933
Secured loans	-	-	-	15,057,783	15,057,783
- by tangible assets other than monetary assets	-	-	-	15,057,783	15,057,783
Total	15,881,933	-	-	15,057,783	30,939,716

	2013				Total
	Within three months	Between three months and one year	Between one year and three years	Over three years	
Guaranteed loans	-	-	27,040,690	-	27,040,690
Secured loans	-	-	-	20,413,185	20,413,185
- by tangible assets other than monetary assets	-	-	-	20,413,185	20,413,185
Total	-	-	27,040,690	20,413,185	47,453,875

Overdue loans represent loans and advances to customers, of which the whole or part of the principal or interest was overdue for more than 1 day.

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

Liquidity risk is the risk that a commercial bank fails to meet the demand of assets growth or meet its obligations related to financial liabilities due to lack of funds caused by mismatches between the amounts and maturity dates of assets and liabilities.

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

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

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

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

	2014							
	<i>Carrying amount</i>	<i>Contractual undiscounted cash flows</i>	<i>Repayable on demand / terms undated</i>	<i>Within 1 month</i>	<i>Between 1 month and 3 months</i>	<i>Between 3 months and 1 year</i>	<i>Between 1 year and 5 years</i>	<i>More than 5 years</i>
Assets								
Cash on hand and deposits with central bank	1,393,190,573	1,393,726,860	1,393,726,860	-	-	-	-	-
Deposits and placements with inter-banks and non-bank financial institutions	8,893,876,586	9,224,206,437	66,465,166	1,523,934,940	2,506,689,930	4,874,191,401	252,925,000	-
Derivative financial assets	1,660,674	1,660,674	1,660,674	-	-	-	-	-
Loans and advances to customers	4,937,010,775	5,439,356,560	29,752,216	1,032,666,131	1,509,513,133	1,703,726,518	868,270,453	295,428,109
Available-for-sale financial assets	431,052,700	455,235,000	-	1,550,000	1,570,000	263,185,000	188,930,000	-
Other assets	7,952,078	7,952,078	7,952,078	-	-	-	-	-
Total assets	15,664,743,386	16,522,137,609	1,499,556,994	2,558,151,071	4,017,773,063	6,841,102,919	1,310,125,453	295,428,109
Liabilities								
Borrowings from inter-banks	(3,097,931,200)	(3,108,964,486)	-	(1,541,065,392)	(1,567,899,094)	-	-	-
Derivative financial liabilities	(6,114,829)	(6,114,829)	(6,114,829)	-	-	-	-	-
Deposits from customers	(8,137,473,550)	(8,610,180,120)	(1,710,746,639)	(851,380,392)	(995,341,606)	(3,518,884,651)	(1,533,826,832)	-
Other liabilities	(21,464,878)	(21,464,878)	(21,464,878)	-	-	-	-	-
Total liabilities	(11,262,984,457)	(11,746,724,313)	(1,738,326,346)	(2,392,445,784)	(2,563,240,700)	(3,518,884,651)	(1,533,826,832)	-
Net position	4,401,758,929	4,775,413,296	(238,769,352)	165,705,287	1,454,532,363	3,322,218,268	(223,701,379)	295,428,109

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

	2013							
	<i>Carrying amount</i>	<i>Contractual undiscounted cash flows</i>	<i>Repayable on demand / terms undated</i>	<i>Within 1 month</i>	<i>Between 1 month and 3 months</i>	<i>Between 3 months and 1 year</i>	<i>Between 1 year and 5 years</i>	<i>More than 5 years</i>
Assets								
Cash on hand and deposits with central bank	1,396,112,122	1,396,673,209	1,396,673,209	-	-	-	-	-
Deposits and placements with inter-banks and non-bank financial institutions	8,250,455,088	8,530,099,797	74,984,459	2,019,780,306	2,363,033,134	3,791,669,843	280,632,055	-
Derivative financial assets	9,010,696	9,010,696	9,010,696	-	-	-	-	-
Loans and advances to customers	4,578,814,203	5,073,676,348	47,453,875	912,377,714	1,615,326,124	1,496,604,010	776,288,834	225,625,791
Available-for-sale financial assets	421,848,330	471,540,000	-	1,550,000	1,570,000	13,185,000	455,235,000	-
Other assets	6,841,941	6,841,941	6,841,941	-	-	-	-	-
Total assets	14,663,082,380	15,487,841,991	1,534,964,180	2,933,708,020	3,979,929,258	5,301,458,853	1,512,155,889	225,625,791
Liabilities								
Borrowings from inter-banks	(2,582,425,540)	(2,597,338,561)	-	(1,549,830,715)	(488,432,456)	(559,075,390)	-	-
Derivative financial liabilities	(14,557,298)	(14,557,298)	(14,557,298)	-	-	-	-	-
Deposits from customers	(7,867,045,494)	(8,287,120,311)	(960,463,337)	(906,766,211)	(1,209,107,651)	(1,675,707,426)	(3,535,075,686)	-
Other liabilities	(23,555,381)	(23,555,381)	(23,555,381)	-	-	-	-	-
Total liabilities	(10,487,583,713)	(10,922,571,551)	(998,576,016)	(2,456,596,926)	(1,697,540,107)	(2,234,782,816)	(3,535,075,686)	-
Net position	4,175,498,667	4,565,270,440	536,388,164	477,111,094	2,282,389,151	3,066,676,037	(2,022,919,797)	225,625,791

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

Market risk management is the total process of identifying, measuring, monitoring and controlling market risks. Market risk refers to the risk of financial instruments' fair value or future cash flow fluctuations due to changes in market prices, including interest rate risk, foreign currency risk and other price risks. Interest rate risk refers to the risk of financial instruments' fair value or future cash flow fluctuations due to changes in interest rates; foreign currency risk refers to the risk of financial instruments' fair value or future cash flow fluctuations due to changes in foreign exchange rates; other price risks refer to the market risks other than foreign currency risk and interest rate risk. Market risk of the Bank exists in trading book and banking book.

The Bank's interest rate risk includes the risks arising from mismatches of the term structures of assets and liabilities in banking book and from positions held for trading purpose in trading book. The Bank's management tools of interest rate risk includes interest rate risk exposure, impact analysis on net interest income, economic value of owner's equity, and regular stress test. Meanwhile, by closely observing interest rate trends (both in Renminbi and foreign currency) and market interest rate changes, the Bank conducts proper scenario analysis and makes timely adjustments to the loan and deposit interest rates (both in Renminbi and foreign currency) in line with the benchmark interest rates to reduce its interest rate risk.

The Bank's foreign currency risk exposures mainly arise from on-balance-sheet assets and liabilities designated in foreign currencies and off-balance-sheet derivatives designated in foreign currencies. The Bank's main principle of foreign currency risk control is to match the assets and liabilities of the respective individual currency to minimise the foreign currency risk and to control the currency risk within limits set by the Bank. The Bank, based on the guiding principles from Risk Management Committee, relevant laws and regulations and the management's evaluation of the current environment, has set risk tolerance limits, and minimises the mismatch of assets and liabilities in different currencies via reasonable arrangements on the source and usage of foreign currency funds.

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

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

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

3.1.1 Exposure to interest rate risk

The Bank's interest rate risk mainly includes the risk arising from mismatches in the maturity profile of the financial assets and liabilities related to the banking business.

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

	2014				Total
	Non-accrual	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	
Assets					
Cash on hand and deposits with central bank	77,038,098	1,316,152,475	-	-	1,393,190,573
Deposits and placements with inter-banks and non-bank financial institutions	-	3,976,994,266	4,676,557,320	240,325,000	8,893,876,586
Derivative financial assets	1,660,674	-	-	-	1,660,674
Interest receivable	135,409,269	-	-	-	135,409,269
Loans and advances to customers	-	2,431,753,652	2,505,257,123	-	4,937,010,775
Available-for-sale financial assets	-	-	249,784,600	181,268,100	431,052,700
Other assets	7,952,078	-	-	-	7,952,078
Total assets	222,060,119	7,724,900,393	7,431,599,043	421,593,100	15,800,152,655
Liabilities					
Borrowings from inter-banks	-	3,097,931,200	-	-	3,097,931,200
Derivative financial liabilities	6,114,829	-	-	-	6,114,829
Deposits from customers	-	3,538,963,867	3,235,647,866	1,362,861,817	8,137,473,550
Interest payable	277,951,320	-	-	-	277,951,320
Other liabilities	21,464,878	-	-	-	21,464,878
Total liabilities	305,531,027	6,636,895,067	3,235,647,866	1,362,861,817	11,540,935,777
Net position	(83,470,908)	1,088,005,326	4,195,951,177	(941,268,717)	4,259,216,878

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

	2013				Total
	Non-accrual	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	
Assets					
Cash on hand and deposits with central bank	63,642,648	1,332,469,474	-	-	1,396,112,122
Deposits and placements with inter-banks and non-bank financial institutions	-	4,388,007,888	3,619,947,200	242,500,000	8,250,455,088
Derivative financial assets	9,010,696	-	-	-	9,010,696
Interest receivable	103,758,147	-	-	-	103,758,147
Loans and advances to customers	-	2,420,575,744	2,158,238,459	-	4,578,814,203
Available-for-sale financial assets	-	-	-	421,848,330	421,848,330
Other assets	6,841,941	-	-	-	6,841,941
Total assets	183,253,432	8,141,053,106	5,778,185,659	664,348,330	14,766,840,527
Liabilities					
Borrowings from inter-banks	-	2,032,425,540	550,000,000	-	2,582,425,540
Derivative financial liabilities	14,557,298	-	-	-	14,557,298
Deposits from customers	-	3,020,447,702	1,608,988,026	3,237,609,766	7,867,045,494
Interest payable	165,506,494	-	-	-	165,506,494
Other liabilities	23,555,381	-	-	-	23,555,381
Total liabilities	203,619,173	5,052,873,242	2,158,988,026	3,237,609,766	10,653,090,207
Net position	(20,365,741)	3,088,179,864	3,619,197,633	(2,573,261,436)	4,113,750,320

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

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

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

	<u>2014</u>		<u>2013</u>	
	<i>Impact on net profit</i>	<i>Impact on equity</i>	<i>Impact on net profit</i>	<i>Impact on equity</i>
Increase 100 basis points	32,570,158	29,585,553	31,005,870	25,418,910
Decrease 100 basis points	(45,882,024)	(42,826,224)	(34,517,928)	(28,760,523)

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

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

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

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

The Bank's foreign currency risk includes exposure of on-balance-sheet assets and liabilities denominated in foreign currency and off-balance-sheet derivatives denominated in foreign currency. 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.

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

	2014			
	<i>RMB</i>	<i>USD (RMB equivalent)</i>	<i>Other currency (RMB equivalent)</i>	<i>Total (RMB equivalent)</i>
Assets				
Cash on hand and deposits				
with central bank	1,316,440,237	76,729,298	21,038	1,393,190,573
Deposits and placements				
with inter-banks and non-bank financial institutions	6,594,026,061	1,977,647,655	322,202,870	8,893,876,586
Derivative financial assets	1,660,674	-	-	1,660,674
Interest receivable	114,325,650	20,472,017	611,602	135,409,269
Loans and advances				
to customers	2,599,920,892	2,337,089,883	-	4,937,010,775
Available-for-sale financial assets	431,052,700	-	-	431,052,700
Other assets	7,423,030	511,988	17,060	7,952,078
Total assets	11,064,849,244	4,412,450,841	322,852,570	15,800,152,655
Liabilities				
Borrowings from inter-banks	1,600,000,000	1,497,931,200	-	3,097,931,200
Derivative financial liabilities	6,114,829	-	-	6,114,829
Deposits from customers	6,511,695,805	1,309,559,868	316,217,877	8,137,473,550
Interest payable	274,757,892	3,035,063	158,365	277,951,320
Other liabilities	18,871,541	225,616	2,367,721	21,464,878
Total liabilities	8,411,440,067	2,810,751,747	318,743,963	11,540,935,777
Net position	2,653,409,177	1,601,699,094	4,108,607	4,259,216,878

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

	2013			
	RMB	USD (RMB equivalent)	Other currency (RMB equivalent)	Total (RMB equivalent)
Assets				
Cash on hand and deposits				
with central bank	1,332,697,213	63,173,755	241,154	1,396,112,122
Deposits and placements				
with inter-banks and non-bank financial institutions	5,982,045,553	1,905,156,729	363,252,806	8,250,455,088
Derivative financial assets	9,010,696	-	-	9,010,696
Interest receivable	84,045,789	17,634,383	2,077,975	103,758,147
Loans and advances				
to customers	2,244,353,236	2,320,345,775	14,115,192	4,578,814,203
Available-for-sale financial assets	421,848,330	-	-	421,848,330
Other assets	6,702,311	46,164	93,466	6,841,941
Total assets	10,080,703,128	4,306,356,806	379,780,593	14,766,840,527
Liabilities				
Borrowings from inter-banks	850,000,000	1,718,106,420	14,319,120	2,582,425,540
Derivative financial liabilities	14,557,298	-	-	14,557,298
Deposits from customers	6,545,558,742	965,807,989	355,678,763	7,867,045,494
Interest payable	162,157,902	2,581,727	766,865	165,506,494
Other liabilities	20,487,903	716,643	2,350,835	23,555,381
Total liabilities	7,592,761,845	2,687,212,779	373,115,583	10,653,090,207
Net position	2,487,941,283	1,619,144,027	6,665,010	4,113,750,320

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

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

	<u>2014</u>		<u>2013</u>	
	<i>Impact on net profit</i>	<i>Impact on equity</i>	<i>Impact on net profit</i>	<i>Impact on equity</i>
1% weakening of Renminbi	12,043,558	12,043,558	12,193,568	12,193,568
1% strengthening of Renminbi	(12,043,558)	(12,043,558)	(12,193,568)	(12,193,568)

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

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

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

Capital adequacy ratio

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

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

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

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

As at 31 December 2014, the CAR of the Bank has been calculated in accordance with Administrative Measures on Capitals of Commercial Bank (For Trial Implementation) issued by the CBRC and other relevant laws and regulations, and the calculation result is in compliance with the regulatory capital requirements.

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

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

Capital adequacy ratio (Continued)

The adequacy ratio of core tier one capital, the adequacy ratio of tier one capital and the capital adequacy ratio as at 31 December 2014 calculated in accordance with Administrative Measures on Capitals of Commercial Bank (For Trial Implementation) and other related laws and regulations are as follows:

	<i>2014</i>	<i>2013</i>
Net core tier one capital	4,357,686,350	4,240,852,115
Net tier one capital	4,357,686,350	4,240,852,115
Tier two capital	101,073,544	86,410,789
Net capital	4,458,759,894	4,327,262,904
Total risk assets	9,172,707,072	7,923,016,104
Adequacy ratio of core tier one capital	47.51%	53.53%
Adequacy ratio of tier one capital	47.51%	53.53%
Capital adequacy ratio	48.61%	54.62%

Part III Corporate Governance

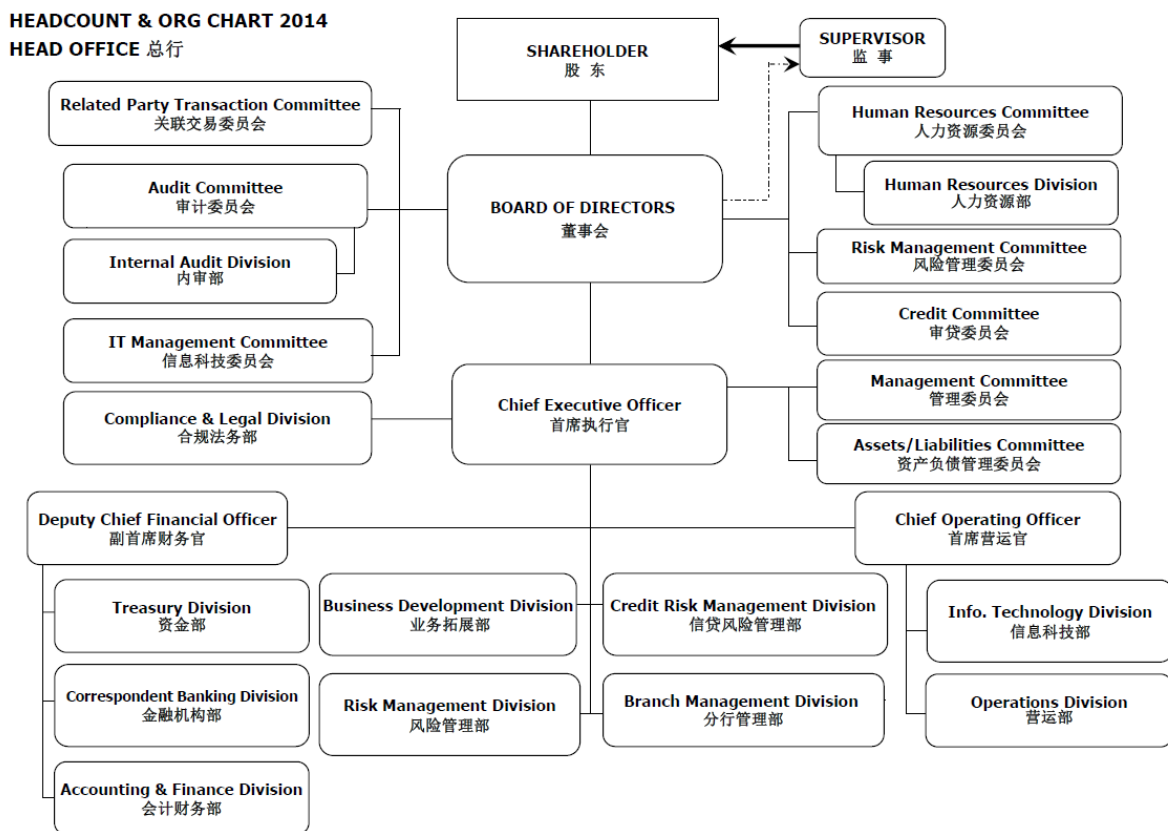
Shareholder’s meeting

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 2014, 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, 2014, BBC established five branches and one sub-branch; those are Shanghai Branch, Beijing Branch, Shenzhen Branch, Xiamen Branch, Chongqing branch and Shanghai Free Trade Zone Sub-branch.

The Board of Directors (“The Board”)

The Board of Directors is accountable to the 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 shall:

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

Board Composition

The Board is composed of Executive Directors, Non-Executive Directors and Independent Directors to ensure that no individual or a small group of individuals can dominate the Board's decision making. The Bank has 11 Directors in the year 2014. During January and November, it consisted 3 Independent Directors, 6 Non-Executive Directors and 2 Executive Directors. In December 2014, the Shareholder has appointed a new Director (Non-Executive) to the Board of Directors bring the total number of directors to 12. Unfortunately at last Board meeting in December an Independent Director tendered his resignation due to personal reason. This would bring the total number of directors from 12 to 11 directors as from January 1, 2015 (2 Independent Directors, 7 Non-Executive Directors and 2 Executive Directors). The current composition is adequate to ensure appropriate segregation of powers between the Board and the Senior Management. Each party performs its role and responsibilities in accordance with terms and conditions stipulated under the Bank's "AOA".

Mr.Chartsiri Sophonpanich	Chairman	陈智深 先生
Mr.Cui Guanbin	Independent Director	崔官斌 先生
Mr. Gao Jilu	Independent Director	高继鲁 先生
Mr. Cheung Yau Choi (resigned from Jan. 1, 2015)	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. Chaiyarit Anuchitworawong (appointed from Dec. 2, 2014)	Director	欧阳景鑫 先生
Mr.Suwatchai Songwanich	Director、 CEO	洪钦雄 先生
Ms.Chow Ai Kiow	Director、 COO	徐爱娇 女士

In 2014, the Board held in total 8 meetings - 4 Board meetings as stipulated in the AOA, and 4 additional meetings to further address the overall improvement of business activities and risk management of the Bank.

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 12 Committee meetings in 2014; the Human Resources Committee held 5 Committee meetings in 2014; the Related Party Transaction Committee held 2 Committee meetings in 2014; the Risk Management Committee held 7 Committee meetings in 2014; 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 2014, 45 Credit Committee meetings were held; the Audit Committee held 6 Committee meetings in 2014.

Fulfillment of Duties by Independent Directors

1) Mr. Cui Guanbin (retired)

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

2) Mr. 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 5 Board meetings (absent for the Board meeting on January 10, 2014, June 22, 2014 and October 31, 2014).

Mr. Cheung Yau Choi is not a member of any Specialized Board Committee but he has regularly contributed his valuable business and market perspective at Board meetings. As such he has fulfilled his responsibilities as an Independent Director of the Board and also fulfilled 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 for the Board’s consideration. Representing the Shareholder, Mr. Pornthep is responsible for submission of periodic reports to the Board and Shareholder. In addition, he has reviewed relevant documents presented to the Board including the minutes of Specialized Board Committees meetings. As performance of Directors is important to the Bank and the Shareholder, the

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

Remuneration of the Board

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

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

Composition of Senior Management and Fulfillment of Duties

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

Name	Position
Mr. Suwatchai Songwanich (洪钦雄)	Chief Executive Officer
Ms. Chow Ai Kiow (Maria) (徐爱娇)	Chief Operating Officer
Ms. Yu Qian (俞茜)	Compliance Manager
Mr. Ma Jun (马骏)	Internal Audit Manager
Ms. Yeh Mei Huei (叶美惠)	Shanghai Branch Manager
Mr. Simon Yan (严树明)	Beijing Branch Manager
Mr. Kitti Chiraseivinupraphand (章子健)	Xiamen Branch Manager
Mr. Chiravit Supatanakul (何智伟)	Shenzhen Branch Manager
Mr. Watcharapong Pornchaichanakit (陈华东)	Chongqing Branch Manager
Mr. Jimmy Ho (何庆明)	Shanghai Free Trade Zone Sub-branch Manager

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

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

As part of his duties as delegated by the Board, the CEO is fully responsible for day-to-day operations

of the Bank. Senior Management individually possess adequate knowledge and experience relevant to each of their related functions, for example, finance, credit, operations, and collectively have a reasonable understanding of local market practices and legal/regulatory requirements.

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

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

Part IV Significant Events

BBC Chongqing Branch commenced the business from March 14, 2014.

BBC Shanghai Free Trade Zone Sub-branch commenced the business from December 23, 2014.